Balda AG

Annual Report 2009

TECHNOLOGIES | QUALITY | OUTSTANDING PRODUCTS

PDF-Version of the Interactive Annual Report 2009

Content

Key Figures 2009

in million euros	**2009**	2008
Group revenues	139.0	198.1
Total operating performance	145.1	208.3
EBITDA	14.7	31.4
EBIT	2.5	-0.6
EBIT margin (in percent)	1.7	-0.3
Earnings associated companies	50.9	-10.8
EBT *	45.3	-25.2
Net income *	46.4	-33.1
Cash flow from operating activities	20.6	37.3
Investments	9.8	14.5
Employees (as of 31.12.)	4,505	4,861
Earnings per share (in euros)	0.91	-0.97
Dividend	0	0
Year-end share price	3.49	0.51
Equity	159.2	100.6
Equity ratio (in percent)	63.9	33.5

*) incl. TPK-effect

Technologies | Quality | Outstanding Products

Balda ldelivers solutions. The Balda Group develops and manufactures plastic components and systems for mobile phones, health care appliances and electronic products for communications and entertainment.

Our mission is to provide superior engineered products of the highest quality and a fast, flexible service to our customers at a competitive price. Our success is achieved through continual investment in R&D and by the application of the latest cost-efficient, state-of-the-art technology. We will continue our investment in innovative, new technologies and in the skills of our employees. Our dedicated staff, from many diverse countries and continents, will aim to perfect the quality of our products as well as keeping response time to a minimum. Doing business with us is easy and we work closely with all our customers ensuring maximum value for our employees, business partners and stockholders.

Upheaval and Change

Dear shareholders,

Rainer Mohr
Chief Financial Officer (CFO)

Michael Sienkiewicz
Chief Executive Officer (CEO)

Your company has managed to return to profit for the first time since 2006. Operating activities recorded a profit of 2.5 million euros. This positive EBIT shows you that we have worked profitably in production in spite of the considerable fall in sales revenues. This remarkable development is the result of our systematic and fast-working restructuring, which started in July with a radical savings programme.

Our earnings after taxes of 48.9 million euros are also the result of the ample profits from our financial participation in the touch screen producer TPK. With the proceeds from the sale of 18.75 percent of the shares in TPK, your company has completely repaid the current liabilities it owed to consortium banks.

However, with regard to the negative effects of the global financial and economic crisis, the financial year 2009 was a difficult year for your company. We were not satisfied with the development of business volume.

Your company has suffered a considerable fall in sales of around 29.8 percent. The fall in volumes being purchased by customers and the in part dramatic collapse of sales markets have contributed towards the significant fall in revenues in 2009. Especially affected was the Malaysia segment. In the future, we will concentrate there on the development and the production of complete electronic products.

There have, on the other hand, also been some particularly pleasing developments in the year under review. It was a period of upheaval and change for Balda AG. We, the new Board of Directors, have made some important decisions for the future.

With the sale of the 12 percent share in TPK in October 2008, Balda gave up its position as the controlling partner of the touch screen producer. This was a strategic turning point and a return to old strengths. The further withdrawal from TPK in autumn 2009 was inevitable. The income from the sale is the basis for a new and secure financing structure for your company. The liquidity of your company is secured. The Balda Group is again in a position to pursue a sustainable course of growth.

How does your company intend to generate growth in the future?

During the course of the second half of the year we fundamentally changed the strategic alignment of the Group. At first glance the most important change is, alongside the secured financing structure, the new Group structure with the return of Balda Medical to continued operations. Your company is now divided into three strategic business areas: Complete plastic components, Electronic Products and Medical.

Medical is not only profitable, it also possesses considerable potential for growth. In addition, the company has an excellent technology portfolio and outstanding German engineering. As part of the ever-closer cooperation between the companies and business areas in the Balda Group, Medical will play a key role in innovation and technology.

The other strategic decisions made by the new Board of Directors are also geared towards growth. Balda's particular competitive strengths were always leading market positions in technology, innovation and quality. Balda has not lost these advantages over the competition. However, the lead with new products and with processes has melted away. We want to become the leaders again and be our customers' best partner. In order to achieve this goal, we have put together five important measures:

- Development and expansion of an Engineering Centre in Bad Oeynhausen. The whole Balda Group should benefit even more from the world's leading engineering services and technologies from Germany. Together with Balda USA, the strengthened engineering will provide the Group with significant impetus and make greater use of our competitive strengths.
- The reorganisation and systematic expansion of sales with a presence in all major production segments and the USA. The continued cooperation with the successful touch screen producer TPK will also help us to attract new customers in the future.
- The new construction of a production facility in Beijing, which will double production capacity. With this expansion, Balda stands ready to meet customer demands to step up production.
- The Malaysia segment is courageously taking a new path and will concentrate on the production of complete electronic products for its customers and other users.
- Our new strategic alignment is to focus on diversification against the background of Balda's core competence, i.e. plastic. With the reinclusion of Medical, we are expanding the Group's product portfolio to complete health care products made primarily out of plastic.

The business in China will not be spared from taking a step towards diversification. The global market for cheaper mobile phones has probably passed its peak in terms of growth. The future belongs more and more to high-quality smartphones, which combine the functions of personal computers and mobile phones. Our production locations in China have already introduced the change to their product portfolio.

A further element of our strategy is the disposal of loss-makers. Balda has discontinued operations in Brazil and we have decided to end our involvement in Balda Solution Motherson in India in 2010. While we will lose the status of a global producer with these measures, the Balda Group will still have an international presence with production sites in China, Malaysia and Germany as well as further support centres in the USA and Asia.

These steps have finished the upheaval and strategic realignment of the Balda Group for the time being. We are confident that we are pursuing a sustainable path of growth with the new Group structure.

Against the background of the continued unstable economic environment, we will also not provide a forecast in figures for the financial year 2010. Although, we are expecting an increase of 10 to 15 percent in Group sales with an operating result (EBIT) at the same level and a significantly positive result before taxes (EBT).

At the annual general meeting on 25 May 2010, the Board of Directors and Supervisory Board will propose to you as shareholders that you forgo the payment of a dividend. This will allow us to invest even more heavily in further growth using our own resources. Following the difficult year in 2009, a financial weakening in the current year would be disadvantageous.

We thank you, dear shareholders, for the trust you have placed in the leadership of your company in 2009. And we thank the Supervisory Board and all of the Group's employees for your commitment and efforts in the past financial year.

We are convinced that in 2010 we will successfully continue the turnaround that was started in 2009. We would be most pleased if you continued to accompany us with constructive criticism and loyalty. Our common goal is, and will continue to be, to increase the value of the Balda Group.

Yours truly,

Michael Sienkiewicz (Chief Executive Officer)

Rainer Mohr (Chief Financial Officer)

Report of the Supervisory Board

Dear shareholders,

The financial year 2009 for Balda AG was characterised by significant decisions. In the year under review, the Supervisory Board advised the Board of Directors on the management of the company and oversaw the direction of operations. It was involved in all decisions of strategic significance. The Board performed fully the tasks incumbent upon it according to law and company articles.

The meetings of the Supervisory Board and verbal and written reports of the Board of Directors formed the basis of the work. The Board of Directors informed the Supervisory Board promptly and extensively on all important issues regarding current business development, extraordinary events in the company and, on a quarterly basis, business development and changes to risk situations. The Supervisory Board held five ordinary meetings during the year under review. In addition, one telephone conference took place. The Board made nine decisions by circular resolution. Each member of the Supervisory Board took part in all of the meetings of the Board. The Chairman of the Supervisory Board also maintained regular contact with the Board of Directors beyond the ordinary meetings and kept himself informed of the current business situation and important events.

Completely new Board of Directors and Supervisory Board

Dr. Axel Bauer resigned with effect of 31 May 2009 from the Supervisory Board of Balda AG. In the course of the realignment of the business, Richard Roy and Michael Sienkiewicz left the Supervisory Board with effect of 3 July 2009. The Board of Directors and the Supervisory Board thank the former members of the Board for their constructive and fruitful work.

Balda AG reorganised its executive bodies at the annual general meeting on 3 July 2009. The annual general meeting elected Dino Kitzinger, Mark Littlefield and Thomas J. Leonard as full members of the Supervisory Board. In its constituent meeting, the newly formed Board elected Dino Kitzinger as Chairman. The person responsible for financial accounting in the new Supervisory Board of Balda AG is the Chairman of the Supervisory Board, Dino Kitzinger. The Supervisory Board has informed itself in detail of the internal control systems relating to financial accounting and the internal risk management system.

The sole director, Dr. Dirk Eichelberger, left Balda AG with effect of 3 July 2009. The Supervisory Board thanks Dr. Eichelberger for his important contribution towards the continuation of the company in a difficult time. The new Supervisory Board appointed Michael Sienkiewicz as the new Chief Executive Officer (CEO) of Balda AG with effect of 6 July 2009. The Supervisory Board appointed Rainer Mohr as the Chief Financial Officer (CFO) of Balda AG with effect of 6 July 2009.

Main activities

The Supervisory Board concentrated on the reorganisation of management and the management structure throughout the financial year 2009. The financial situation of Balda was regularly on the agenda. Among the issues here were the nature and scope of the involvement in TPK, in particular the further sale of shares in the touchscreen producer. Further issues were the sale of the property in Bad Oeynhausen and the respective status of the Group segments India and Brazil. The Board provided extensive advice on all matters concerning the Group's new strategic alignment.

Throughout the whole of the year under review, the Supervisory Board followed and monitored the performance of the Group's businesses based on the budget and target/actual comparisons. Particular attention was paid to cash flow. In addition to this, the early warning system, the development of risks and the respective status of financing were monitored continually.

In the meeting of 23 March 2009, the Supervisory Board approved the budget for 2009. During the course of the realignment of the Group, the Supervisory Board of Balda AG decided in a meeting on 27 May 2009 to reorganise the organisational structure in the Asia region. China and Malaysia were separated into independent segments. The regional managements now report directly to the Board of Directors, doing away with one management level. As a result of this package of measures, the Chief Executive Officer (CEO) Asia position previously held by Michael Chiang was no longer necessary with the tasks now being assigned to the Board of Directors.

After the election at the annual general meeting in Bielefeld, the new Supervisory Board decided how the tasks were to be divided among the Board members on 3 July 2009. In a telephone conference on 5 July 2009, all of the members agreed on Michael Sienkiewicz as the new Chief Executive Officer of the Balda Group with effect of 6 July 2009. The Supervisory Board appointed in the meeting on 25 July 2009 the Chief Financial Officer Rainer Mohr as the Chief Risk Officer (CRO) of the Balda Group. In this meeting, the Board approved the schedule of responsibilities of the Board of Directors. The Supervisory Board also discussed the situation of the company location in the USA and decided to delegate sales responsibility in future to the USA as well. The reinclusion of the Medical division in continued operations was met with the approval of the Supervisory Board on 20 October 2009. The Supervisory Board discussed the possible sale of the Indian production facility in Chennai. On 10 November 2009, the Supervisory Board approved the sale of 18.75 percent of the shares in the touchscreen producer TPK by circular resolution. The complete repayment of short-term liabilities owed to credit institutes was also passed with the decision concerning this transaction.

Corporate Governance Code

The Supervisory Board passed the compliance statement for 2009 by 23 December 2009 by circular resolution in accordance with § 161 of the German Stock Corporation Act (AktG) concerning the German Corporate Governance Code in the version of 18 June 2009. The Board of Directors and Supervisory Board agreed on the exceptions to the code reported in the chapter “Management Report / Corporate Governance Report” in this Annual Report. Both organs expressly reaffirmed their commitment to responsible leadership, which creates value for the company and to the monitoring of the company.

Annual financial statement

Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft audited the Group’s 2009 financial statement, the consolidated Balda AG management report, the bookkeeping system and the early warning system for risk and provided an unqualified audit opinion.

The Supervisory Board received the annual financial statement documents and audit reports on time. The auditors were personally available to the Board to answer questions. The Supervisory Board agreed with the result of the audit by the auditor based on its own audit of the annual financial statement, the consolidated financial statement, the consolidated management report and the proposal for the appropriation of the net retained profits. The Board acknowledged and approved the 2009 financial statement in the meeting of 17 March 2010.

The Supervisory Board thanks the former members who left the Board in the year under review for their work and commitment. The Supervisory Board would also like to give particular thanks to the Board of Directors, and all employees and employee representatives for their responsible work during the 2009 financial year. The Supervisory Board thanks the shareholders for their interest and trust in our company.

Bad Oeynhausen, 17 March 2010

For the Supervisory Board

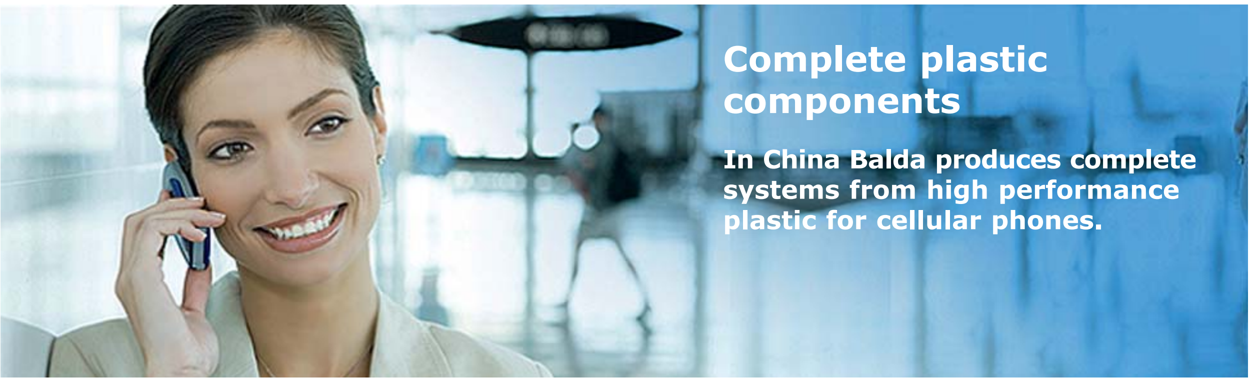
Dino Kitzinger

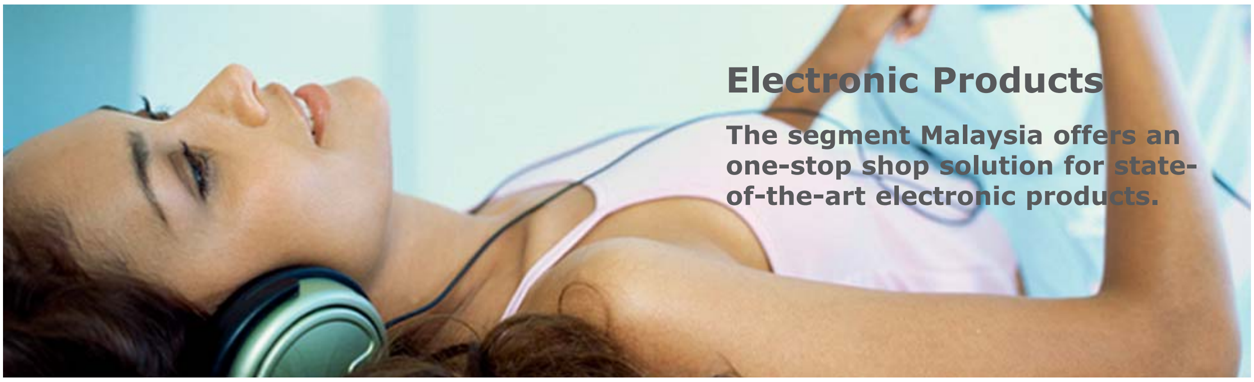
The Balda Group

The value contribution of innovation, technology, quality and employees

The Balda Group has generated considerable immaterial values that are not included on the balance sheet over the last several years. The Group has systematically strengthened these values in all three business segments again in the reporting year. The objects of the value enhancement are: innovation and technology as the value drivers essential for the Balda Group; the product and service quality, which are crucial for customer satisfaction; as well as the skills and knowledge of all our employees. These factors for success are consolidated under the concept of "intellectual capital" in contemporary discourse among business economists, regardless of whether they are capable of being assessed or can be entered on the balance sheet.

In all three business segments of the Group, the capacity for innovation, in conjunction with technology and quality, constitute special competitive strengths—if not actual competitive advantages—of Balda, according to the customers' estimation. The prerequisite for the implementation of this capacity is the qualification of employees. The ever accelerating change in technology demands continual innovation in the Balda Group. Therefore, the values reported here possess a great strategic rank in Balda's corporate policy. They fall within the area of responsibility of the CEO of Balda AG.





Segment China: Core Competence Plastic

In the Group segment China, Balda develops and produces innovative components and systems out of high-performance plastics for mobile phones and other small-format subassemblies.

The China segment is a system partner for global leaders in the MobileCom market. For more than ten years, the Balda Group has actively accompanied the progress of this market segment with pioneering spirit and its own innovations. Among other things, the Group has played a leading role in the industrialisation of composite materials made out of plastic with metal, glass, leather or textiles. In China, Balda is continuing to develop specifically these core competences.

The production location in Suzhou, with around 19,000 sqm of production space, is concentrating on high-quality, smaller volumes. From the middle of 2010, the new state-of-the-art production plant in Beijing will also focus on mass production; after the first construction phase has been completed the plant, which is close to Beijing's airport, will have around 13,700 sqm of new production space and, together with the existing plant in Beijing, a total area of 31,100 sqm. Balda intends to again serve the market segment for high-volume production batches. The new plant also paves the way for diversification into new products for new customers. This step reduces dependency on the mobile phone market.

MobileCom product portfolio

The product portfolio of the China region ranges from the basic mobile phone, to trendily decorated devices with an increasing number of technical features and to the smartphone, which has the character of a mini computer including touch screen control.

The plastic experts have developed a state-of-the-art mobile phone for a major customer. As well as having the now standard radio and MP3 functions, it also has an integrated camera, stereo speakers and an integrated motion sensor for motion gaming. Environmentally-friendly mobile phones with cases made out of recycled or recyclable plastic and water-soluble paint were the highlights of the technology portfolio in 2009. In a further project, the injection molding specialists produced, together with TPK, a touch screen mobile phone with a full keyboard.

Employees

The number of employees in the Chinese locations rose by the end of the financial year 2009 to 3,042 (previous year: 2,528 employees). The rise by 514 employees, or 20.3 percent, compared to the previous year is attributable to the good utilisation of the production facility in Beijing for the year. For further details on the number of employees see "Management Report / Balda in 2009 / Employees".

The scope and qualifications of the staff throughout the Balda-Group is geared in particular towards two strategic concepts: “flexible production” and “learning organisation”.

“Flexible production”

The structure of the workforces in the production locations, and in particular in the Group segments in Asia, is made up of permanent employees and temporary workers. The permanent employees provide the base. They are highly skilled and most have been with the company for many years. The temporary workers perform less complex, mostly manual work, in particular in surface technology and assembly. A condensed learning period prepares them thoroughly for their job at Balda. With comparatively short notice periods, temporary workers provide the company with the scope and flexibility to adapt to the current order situation. This is the basis of “flexible production”. It allows flexible working hours and an as cost-efficient personnel policy as possible.

“Flexible production” has proven its worth in the Balda Group, in particular in the difficult financial year 2009. The company adapted the number of employees relatively quickly to the level of demand.

“Learning organisation”

The development of quality using the model of the “learning organisation” is for Balda as much an internal attitude of management as a strategic goal. Technologies and products in the Group are subject to constant and ever-faster change. These changes place high requirements on the willingness and ability of the permanent workforce to learn. On the one hand, the Group recruits the best people from the labour market, while on the other it invests specifically in the training and education of employees, whether they are managers, engineers, technicians, machine operators or specialist professionals. The ability of the workforce is embedded throughout the Group into a clear process and the quality management system.

Development of new products

Project management continued to provide the basis for developing new products at Balda in 2009. In the development phase of new products, the engineers at the Balda locations in Beijing and Suzhou turned the complex design ideas of customers into components and systems made out of plastic. At the start of the process is a feasibility study. The specialists find solutions for unusual shapes and meet the highest standards of functionality, ergonomics and process capability.

The core competence of the China segment lies in the injection molding of two or more components based on the manufacture of high-precision tools. Balda has in the region’s two production facilities its own competence centres for the manufacture and maintenance of injection moulding tools. Specialists prepare the design plans on CAD computers. With state-of-the-art production technologies and computer-controlled eroding machines, the manufacture of precision molds is of the highest standard. The MobileCom division also employs all commonly used modern methods for surface technologies from painting, to metallic coating using the NCVM process, IML and IMD technologies and to screen printing.

Technology and innovation

The China segment also successfully extended its excellent technology portfolio in 2009. In the past financial year, Balda’s engineers in China implemented an innovative production line to produce optical lenses for mobile phone cameras. The plastic experts installed a new paint system for mobile phone cases. The specialists also developed a new process with innovative technology to apply particularly hard and more resistant paints. A new assembly process with quality assurance integrated ensures the function test for certain mobile phone projects, saving a considerable amount of time. For the welding of metal components in the final assembly, the technicians reduced the cycle time to 0.05 seconds per component. A new technology effectively accelerates the cleaning and drying of the injection molded parts. Since the past financial year, a semi-automated conveyor belt has optimised the assembly line. In the period under review, the plastic specialists reduced the drying time for surfaces from four to 0.5 seconds. With an additional base coat, the engineers improved the efficiency of the NCVM process. The experts have replaced the previous manual process for burning threads into plastic cases with a machine, which works automatically.

The engineers will continue to focus on developing and adapting machines to meet the specific needs of Balda and its customers in the current financial year. New machines with electronic computer control and networked systems are becoming more and more established. The perfecting of conveyor technology is a further project for 2010 and is already underway. The China segment greatly strengthened its competitiveness in 2009 as well.

The needs of customers have priority

The project management involves MobileCom's customers from the outset. For each assignment, Balda China forms new project teams comprising sales experts and engineers who have the required expertise and work closely with the customers' project teams. This ensures that the Group's development process is fast and smooth, from the design, to the manufacture of tools, production and to delivery. By working closely with customers, the Group achieves cost-efficient results in the desired quality.

Quality at Balda

The Balda Group consistently focuses on the needs of the customer in all processes and throughout the supply chain. In the majority of cases, the quality requirements are fast development with swift time to market, competitive prices, the best possible product quality and delivery at the right time and in the right quantity by the supply chain via consignment warehouses close to the customer's production location.

Segment Malaysia: The One-Stop Shop Solution

The Malaysia corporate segment is developing and producing state-of-the-art electronic products in the field of communication and entertainment electronics.

The Malaysia segment builds upon Balda Group's essential competitive strengths. The original core competency of Balda Malaysia was the processing of high-performance plastics. Upon this foundation, the company has advanced over the last few years. After a plastics project had been relocated to the corporate location in Beijing, the Malaysia corporate segment has been focusing on the complete manufacturing of electronic products for the communication and entertainment electronics markets since the end of 2008. Customers are renowned brands with global operations.

In the process, the Malaysia segment is pursuing a clear diversification strategy. The Balda subsidiary has discontinued taking any exclusive orders for the production of plastic for third parties. Based on the electronic products that have been manufactured there for years, the company is pursuing customer orders for the development of innovative electronic devices for new customers and new markets.

The manufacturing location at Ipoh has a production area covering 30,000 square metres at its disposal, equipped with modern machines and facilities. In addition, the Malaysian plant is home to extensive research and development activities. The Malaysian government has classified the enterprise as a research firm and has released it from payment of business taxes.

Product portfolio

The product portfolio of the Malaysia corporate segment focuses on electronic devices that are equipped with sophisticated, miniaturised audio technology and the Bluetooth connection technology. Peripheral devices for mobile phones and MP3 players take centre stage. They consist primarily of headsets (head phones and ear phones), hands-free speaking systems for automobiles and portable high-performance speakers. In addition, the company manufactures on customer order nearly complete digital cameras and devices from entertainment electronics, operable by touch screen. For the automotive industry and automobile components trade, the company produces tire pressure control gauges for the original equipment or retrofitting.

In the area of sound, engineers at Ipoh developed an innovative headset with dual microphones in 2009. The device filters out background noises to a very high extent. Built-in digital signal processors provide clear reception and sound. Modern Bluetooth technology creates compatibility with popular mobile phones, MP3 players, PDAs and even personal computers by wireless connection. In the product segment of hands-free speaking systems, the Balda Malaysia engineers succeeded in 2009 in significantly extending the life span of batteries for those devices that have been produced there for many years. Moreover, by dint of a new technology, the developers also optimised this product group in terms of audio engineering.

The Malaysia segment also continued to further develop touch screen technology in 2009. In close collaboration with designers and developers, a product emerged that is to be a pilot project for the centralised control of office or household operations. Great progress made in the collaboration with camera producers constitutes another milestone in the past financial year. Balda Malaysia is able to offer their customers the highest possible precision in back injection molding of battery packs as well as for production of camera lenses. The company launched a new project in December 2009. For the first time, Ipoh is manufacturing a complete digital camera for the world-renowned Japanese brand Canon.

Declining number of personnel

The plants in the Malaysia segment employed a total of 949 employees as of the end of 2009 (previous year: 1,900). See the "Employees" chapter in the Group Management Report for more detailed information on the manpower in the segment.

Technology und innovation

At Ipoh, Balda Malaysia has a "state of the art" research centre at its disposal. There the company develops complete electronic products with the most up-to-date technologies. The team at Ipoh has developed a special expertise with Bluetooth, audio, the building of specific semiconductors and touch screen technology.

The core competency of the Malaysia corporate segment is the complete manufacture of state-of-the-art electronic products. From product development and product design to the building of precision tools and packaging of the finished product, Balda Malaysia provides its customers with one-stop finished solutions. The Electronic Products division fulfils the high demands on the part of the customers by dint of the latest technologies and methods. The expertise in the audio field is much appreciated by customers in particular. The Group location at Ipoh tests and optimises new audio products at in-house laboratories and test studios. Placing orders with third parties is completely dispensed with.

Smooth project management

Right from the onset, Balda integrates their customers with the overall project management of the development of new products. Balda's project teams, consisting of engineers who are competent professionals in their field, work closely with the project teams of customers. Thus, Balda ensures a rapid and smooth process - from the development of the design and technical preparation of an innovative product to the manufacturing, right up to delivery. Together with the customer, the Group achieves the quality desired.

Quality at Balda

The benchmarks for quality are the requirements of the customer: Currently, rapid development with a short time to market; competitive, favourable prices; higher-than-average product quality and precise delivery in the supply chain in accordance with the customer's specifications are considered special demands made upon quality. The Malaysia corporate segment has attuned itself professionally to this in 2009.

India

The operational site of the India segment is situated in the southern part of the Indian subcontinent in Chennai. The location, with a production area covering around 7,000 square metres, focuses on the core competency of the Balda Group: manufacturing elements and systems made of high-performance plastic.

There were 284 employees (previous year: 200) working at the production location in Chennai as of the end of the reporting year. See the "Employees" chapter in the Group management report for more detailed information on the manpower in the region.

The Indian company is under ongoing observation.

Segment Germany: Medical

Our guiding principle is quality.

Balda Medical is located in Bad Oeynhausen in Eastern Westphalia in Germany. The German corporate segment focuses on innovative solutions for the global healthcare markets. As an established system provider, the company develops and manufactures products made of plastic for renowned customers in the pharmaceutics, diagnostics and medical technology market segments. The commitment of the specialists and all other employees of Balda Medical is governed by the maxim: "Our guiding principle is quality." That is not only a proud formula but the living, day-to-day reality of specialists in medical technology.

Due to requirements in the healthcare market being extremely high, a holistic view on the product life cycle is a must. The key to success and the added value for all involved is a well-balanced interaction of product quality, adherence to schedules and profitability. At the German Balda subsidiary, quality management encompasses every single phase and process.

Product development

Balda Medical's service portfolio includes the conception, development, industrialisation and production of high-quality components, systems and packaging. The company lends the status of a project of its own to each phase of its product life cycle. The teams are staffed in an interdisciplinary manner and work with the most up-to-date methods of project management.

Profitability and process capability, alongside technical feasibility, are already the objects of profound analysis during the initial phase of development. Reasonable production costs count as the essential factor for success in the preliminary considerations as well as for the later product. In particular, customers appreciate the well-balanced interaction between ergonomics, look, functionality and technology that are characteristics of the Balda Medical products. What makes the systematically built-up product development process of the specialists from East Westphalia so persuasive is its creativity and system-based efficiency. It creates the foundation for the successful industrialisation as well as for a long-term partnership with the customer.

Product programme

The company's product portfolio contains primarily medical devices, pharmaceutical packaging and throw-away products. Within the scope of development and manufacturing, Balda Medical consolidates form, function, look and easy operation. The task, which comes close to squaring the circle, demands creativity and holistic knowledge of the complex field of medical technology. As a result, therapeutic efficiency constitutes the pivotal indicator and benchmark for the quality and usefulness of the products.

The product programme of Balda Medical includes:

- various hand-held devices (lancing devices, inhalers, glucose gauges and insertion devices)
- various throw-away items (pipettes, cuvettes, tubes, racks for use in veterinary medicine and other items)
- packaging (child-proof tubes) and
- functional components

Highly qualified and motivated employees

The number of employees at Balda Medical totalled 205 at the end of the reporting year (previous year: 197). More information on the manpower of the subsidiary is presented in the “Employees” chapter in the Group Management Report.

Technology and innovation

The company has a state-of-the-art portfolio of process know-how, machines and facilities as well as technologies at its disposal. The latter include injection molding, décor technology, assembly technology and clean room technology. In addition, the expertise of Balda Medical encompasses employee experience with the material properties of plastics, in view of their design potential as well as their mechanical interactions. The well-versed application of precision measuring techniques and in-depth medical-pharmaceutical knowledge constitute additional competitive strengths of the company.

State-of-the-art manufacturing processes

Producing components in injection molding in high volume comprises one of the core competencies of Balda Medical. Those injection molding methods that were practiced with enormous efficiency during the reporting year include, alongside multi-component injection molding, film insert molding (IMD, IMF) and assembly injection molding.

Within the framework of expanded value creation, Balda Medical assembles the complete product, also building in purchased parts. On request, the company assembles, packages and sterilises the products in an integrated process until they are ready for delivery. Alongside comprehensive information systems for traceability, Balda Medical utilises procedures like just in time (JIT) and vendor managed inventory (VMI) to be able to offer customers the highest level of delivery reliability.

Surface technologies

The company employs an entire range of the highly diverse technologies for surface decoration. Thus, Balda Medical utilises pad printing for symbols and scaling as well as embossing for highly decorated surfaces. Plane surfaces are finished by a hot embossing process. IMD technology is deployed for curved geometries and transparent, scratch-proof surfaces.

Innovations 2009

For the first time, Balda Medical adopted the conception of a hand-held device with electronics in the past financial year. The company was responsible for the development of its hardware and software alike. The project follows the trend of point-of-care testing: Patients want to take their treatment into their own hands as much as possible.

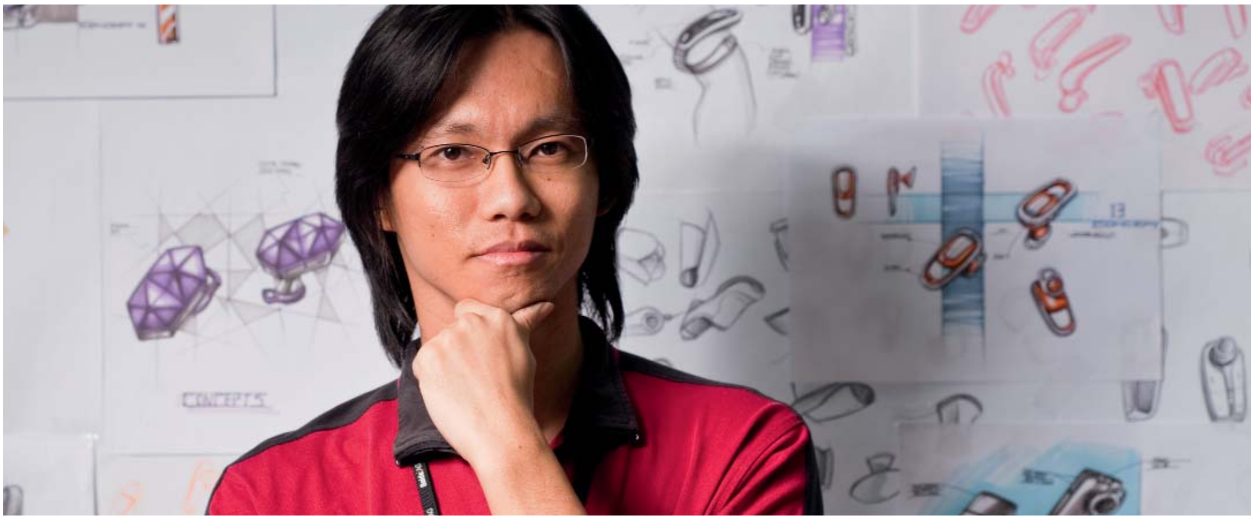
Building up competency in terms of regulatory approval constituted another milestone in 2009. The approval procedure requires well-founded regulatory know-how. Balda Medical established the basis for future approvals in its own name in the past financial year. Enlarged by this competency, Balda Medical underscores its reputation as a system partner with a wide-ranging service portfolio.

Thanks to continual medical progress and a customer segment that is steadily growing in the Western industrialised countries due to an aging population, the healthcare market is a global growth market. Balda Medical is exploiting these opportunities systematically for greater expansion.

Quality as a guiding principle

Balda Medical develops the parameters for the quality of finished products in every detail in conjunction with customers. Alongside the numerous technical and legal stipulations, they integrate the complex demands and wishes of the end customer together.

The company has divided quality assurance into quality planning and quality control. Quality planning already defines the essential goals in the project's initial phases. They are the object of testing in the production phase by dint of quality control that is undertaken in the manufacturing process. The company creates custom-tailored assembly and packaging concepts for camera-based testing for quality assurance in automation. Balda Medical's quality management system is certified according to ISO 9001 and ISO 13485 and fulfils the strict cGMP requirements of the FDA.



The Important Contribution to Innovations of Balda USA

The subsidiary in the USA significantly contributes to the design and development of the Balda Group's new products.

The Balda subsidiary in Morrisville, North Carolina, USA, is a major centre for new product innovation for all segments of the Group. The company specializes in the design and total development of new products, including electronics, and the services offered include the construction of working prototypes.

The experts at Balda USA are continuously monitoring new product innovations in the world's leading North American market, as was done in the financial year 2009. They are also in close contact with companies based in the Silicon Valley, the innovation centre of the world. Using this information and data, Balda USA reports to their colleagues responsible for ongoing development in the Group's three segments.

With growing importance now placed on research and development, the company is now employed by their Group colleagues from MobileCom, electronic products and Medical. The integration of design and function on the latest technology products is a strong area of involvement of our subsidiary in Morrisville. With the close participation of Balda USA, Group-wide development shortens the time-to-market of new products for our customers. This close cooperation with our experts in North Carolina achieved significant success with various customers during the fiscal year 2009. In the financial year 2010, Balda USA will take over specific tasks in sales in the North American market.

Organisation and Corporate Legal Structure

Balda With New Group Structure and Management

In the year under review Balda AG, with its registered office in Bad Oeynhausen, Germany, functioned as a holding company for the group companies in Germany, China, Malaysia, India and the intermediate holding, Balda Investments Singapore (BIS).

In the financial year 2009, after the successful refinancing, the legal structure of the Balda Group was newly aligned and the investment portfolio adapted accordingly. The holding company has again reincluded the operative German company Balda Medical and Balda Grundstück in its continued operations after one year. The Group has discontinued its activities in Brazil. The companies in Sao Paulo and Manaus and the intermediate holding Balda-Lumberg GmbH & Co. KG, which was acquired completely by Balda from its joint venture partner Lumberg at the end of 2008, were sold at the end of 2009. Balda Solutions Hungaria was still included in the year under review among the discontinued operations. The subsidiary Balda Solutions Xiamen has discontinued operations. The company has relocated its machinery and equipment to the production location in Beijing.

From the 38 percent share in TPK Holding Co. Ltd, Balda AG sold 17.125 percent of the total planned 18.75 percent share in the touch screen systems producer based in Xiamen, China. With the proceeds from the transaction, Balda completely repaid its short-term liabilities owed to credit institutes in the amount of around 70 million euros as part of the financial restructuring. At the end of the year, Balda held 20.875 percent in TPK. In the first quarter of the current business year, another 1.625 percent share was sold. After completion of the sale, 19.25 percent of the shares in the company remain Balda`s (see the "Supplementary Report"). The Group has reported its involvement in TPK as a financial investment in the balance sheet since 2008.

Divisions, products and markets

The new corporate structure has changed the Group's product portfolio as follows. The Balda Group now develops and produces in three divisions

- complete plastic components,
- electronics products and
- products for medical technology.

Balda's customers are leading manufacturers and users from the mobile phone market, entertainment and communication electronics markets, pharmaceutical and medical technology markets and other similar markets.

Significant locations

With production locations in China, Malaysia, India and Germany, the Group remained internationally positioned in 2009. The subsidiary in the USA supports customers in the design and development of new products. The company in the USA also performs sales activities for the Balda Group in the North American market.

With its share of just under 21 percent at the end of the year in the leading small-format touch screen producer TPK in China, Balda continues to participate in the dynamic market development and in the profitable results of TPK from the production of touch-sensitive displays.

Responsibility of the segments

The Balda Group has realigned itself in the financial year 2009 with its separately operating, yet closely linked strategic business units. The segments are still responsible for their own results.

Balda Group maintains production locations in the four corporate segments of

- China,
- Malaysia,
- India and
- Germany.

At its two production sites in the segments China, Beijing and Suzhou, Balda is concentrating on the production of complete components for mobile phones and in the future on new products for new markets. In the period under review, the Balda Group started the construction of a new production plant in Beijing. In the last stage of its construction, the new plant will be one of the largest and most modern plants in the world for the processing of high-performance plastics for smaller product formats. With the new production, Balda is again positioning itself more strongly with complete plastic components in the MobileCom market for mass production. Niche products with smaller production batches for more exclusive models will be produced by the production location in Suzhou in the future.

The segment Malaysia is focusing in particular on electronic products in addition to plastics processing. The Group is also planning the gradual expansion of the electronics products division at Balda Solutions Malaysia in Ipoh.

The location in Chennai, India, will, as a segment, continue to concentrate on small-volume production batches, for example battery cases for mobile phones.

The division previously called "Infocom" will operate under the name of "MobileCom" in the future. This division comprises the above-mentioned segments in China, Malaysia and India.

At present, only Balda medical represents the newly defined corporate segment "Germany". In 2008, the operative business of Balda Solutions Deutschland and Balda Werkzeug- und Vorrichtungsbau was sold. In the course of the restructuring of the Group, both companies were returned to the continued operations for tax reasons.

New management

Balda AG reorganised its executive bodies at the annual general meeting on 3 July 2009.

The annual general meeting elected Dino Kitzinger, Mark Littlefield and Thomas J. Leonard as full members of the supervisory board on 3 July 2009. In its constituent meeting, the newly formed Board elected Dino Kitzinger as Chairman of the Supervisory Board.

The sole director, Dr. Dirk Eichelberger, left the Group at the end of the annual general meeting on 3 July 2009. Michael Sienkiewicz as Chief Executive Officer and Rainer Mohr as Chief Financial Officer took over the management of the Group.

The responsibilities of Balda AG's Board of Directors were allocated as follows: According to the Board of Directors' new rules of procedure, the Chief Executive Officer (CEO) Michael Sienkiewicz is responsible for the Balda Group's strategic planning, sales and distribution. He is also responsible for the subsidiaries, public relations and marketing, Group personnel and technology.

As Chief Financial Officer (CFO), Rainer Mohr is responsible for the departments finance and controlling, legal affaires/insurance/tax, investor relations, information technology, internal audit and Balda AG personnel.

The Chief Executive Officers (CEO) of the regions continue to be responsible for the strategy of their region in the markets concerned, for their entire operating activities and their results. They report directly to the holding company's Board of Directors. The current statement on corporate management is available on Balda's website under the category "Investor relations / Corporate governance".

Business Development

Diversification With a New Corporate Structure

The Balda Group changed its corporate structure in the 2009 financial year. The Group is focusing on a further diversification of the product portfolio within the existing core competencies for new markets and new customers.

The present profit-and-loss account encompasses the continued operations in the individual items. The result after taxes of the discontinued operations will be reported as an item in the profit-and-loss account in compliance with the IFRS. The annual result of the parent Group is the sum of both results.

The results of the discontinued operations in the financial year 2009 result from already depreciated accounts receivables of the former Infocom-segment. They primarily concern payments from the insolvency estate of BenQ and from payments by Nokia.

In addition, Balda Holding has assigned the results of both Brazilian companies, BLT Amazonia Plasticos Industria e Comercio Ltda., Manaus und BLT Paulista Plasticos Industria e Comercio Ltda., Sao Paulo, along with the DLB Germany GmbH & Co. KG (previous Balda Lumberg Germany GmbH & Co. KG) holding, located in Germany, to the discontinued operations. The shares in the intermediate holding company were disposed of in December 2009. After the disposal, the Brazilian companies did not belong to the companies to be consolidated anymore.

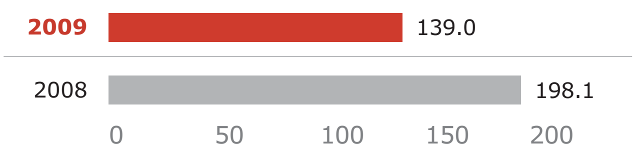
Balda has held shares in the touch screen producer TPK in the form of a financial investment since October 2008. The annual result of the company is only accounted for proportionately in the financial results of associated companies. The Balda Group reduced its interest in TPK from 38.0 percent to 20.875 percent in 2009. Another 1.625 percent of the shares were disposed of in 2009; the settlement, however, was carried out in January and February 2010 and therefore was not taken into account in the consolidated accounts for 2009.

The Balda Group generated sales revenues totalling 139.0 million euros (previous year without TPK: 198.1 million) in the continued operations, amounting to a drop of 59.1 million euros, or 29.8 percent, in the 2009 financial year.

In the continued operations, the annual net profit after special items through the disposal of the TPK shares stood at 46.4 million euros (previous year: minus 33.1 million euros) in the reporting year. More details about the economic development are presented in the "Result situation" and "Financial situation" chapters.

Group revenues continued operations

(in mio. euros)



Essential events, contingent for business performance

Balda Group re-aligned its global corporate structure in the 2009 financial year. Business development was characterised by diversification and optimisation of the value creating chain in the reporting period.

The China segment underwent a process of restructuring in 2009. On the one hand, extensive measures to reduce costs have led to a stabilisation of the region's profitability. On the other hand, Balda has realigned itself more strongly again to mass production in its core business in the MobileCom market. The new plant has positioned itself globally as a state-of-the-art production location for the processing of high-performance plastics for smaller product formats. The Group location at Suzhou is manufacturing niche products with less high-volume production lots for more exclusive models.

The Malaysia segment has established itself as a technology provider for the manufacturing of electronic products in the communication and entertainment industry. The new strategic direction of Balda AG, with business units that operate separately yet are closely networked with one another, lends the Group considerable synergies and potential for future growth.

Balda Medical is part of Balda Group's core business again, representing the Germany segment as a profitable high-tech company. Medial has grown its business organically with the adjustment of processes and adapted itself to the needs of the market with the development of new technologies.

Reduction of short-term liabilities

The Balda Group has paid back the remaining amount of its short-term financial liabilities in Germany amounting to around 70 million euros, with the revenues derived from the disposal of 17.125 percent of the shares in the touch screen producer TPK in the 2009 financial year. TPK manufactures touch screen systems at Xiamen in China. By disposing of the shares, the Group has created the financial basis for new investments and sustainable growth.

Comparison between the actual business performance and the one forecasted in the previous year

The year-end accounts of Balda in terms of the volume of sales revenues, the operational result (EBIT) as well as the result before taxes (EBT), is budgeted clearly on the upper line of the forecasted corridor. According to this, Balda expected a positive result regardless of the amount of the sales revenues.

Financial Structure, Board of Directors and Change of Control

No New Capital Measures Decided

Balda AG is obligated to provide the following additional information in the consolidated annual report, in accordance with the regulations of § 315 para. 4 of the German Commercial Code:

Composition of subscribed capital

On 31 December 2009, the company's registered capital amounted to 54,156,672 euros and was dispersed in 54,156,672 individual share certificates with a proportional value of the registered capital of 1.00 euro per share. Each individual share is granted a vote at the corporate annual general meeting.

Voting right restrictions or the assignment of shares

All corporate shares are freely assignable according to statute. The company's Board of Directors is unaware of restrictions on voting rights or restrictions affecting the assignment of shares at the reporting date.

Shareholdings surpassing ten percent of the capital

On 31 December 2009, the following shareholders held direct or indirect shares in the company's registered capital that entitled them to more than 10 percent of voting rights:

- Max Gain Management Ltd., Apia, Samoa: 29.99 percent of capital and voting rights, direct ownership
- Yun-Ling Chiang, Richmond, Canada: 29.99 percent of capital and voting rights, indirect ownership via Yield Return Investments Ltd.
- Yield Return Investments Ltd., Apia, Samoa: 29.99 percent of capital and voting rights, indirect ownership via Max Gain Management Ltd.

For changes in the structure of the shareholders: see "Supplementary Report".

Shareholders with privileges

There are no shares with privileges that grant control authority.

Naming and dismissal of the Board of Directors and amendment of articles

The sole director, Dr. Dirk Eichelberger, left Balda AG with effect on 3 July 2009. The Supervisory Board appointed Rainer Mohr into the Board of Directors with immediate effect on 12 June 2009. The new Supervisory Board formed on 3 July and elected Michael Sienkiewicz as the company's new Chief Executive Officer (CEO) with effect on 6 July 2009.

With respect to the articles, an amendment was made at the annual general meeting of Balda AG on 3 July 2009. Accordingly, § 17 number 4 of the articles is amended and reworded as follows:

"The Board of Directors is authorized to allow the video and/or audio transmission of all or part of the annual general meeting, and in a manner so that the public has unrestricted access. In accordance with § 179 of the German Stock Corporation Act (AktG), the annual general meeting is responsible for amendments to the articles."

Board of Directors authority

Authorized capital

With the consent of the Supervisory Board, the Board of Directors is authorized to increase the registered capital in the period up to 8 August 2012 by issuing new share certificates once or several times, to a maximum amount of 16,923,960 euros for cash and/or investments in kind (authorized capital 2007).

The Board of Directors is authorized, with the consent of the Supervisory Board, to eliminate the shareholders' purchasing option,

- in order to exclude peak amounts from the purchasing option,
- in as far as is necessary, in order to grant a purchasing right to the owners of convertible or option bonds, as well as those holding profit-participation rights with exchange and purchase options, which were granted by the company or member companies of the Corporate Group on company shares, to the extent that they would be entitled to after exercising their exchange or purchase option or fulfilling a conversion obligation, or
- with this authorization taking effect and according to the resolution on exercising authority, if the proportionate amount of registered capital allocated to the new shares does not exceed 10 percent of the available registered capital, and the issuing price does not significantly surpass the trading price. Because of the authorization that excludes the purchasing option, in direct or appropriate application of § 186, paragraph 3, clause 4 of the Stock Corporation Act, the amount that is allocated to shares issued and sold must be credited against 10 percent of the registered capital. For the purpose of this authorization, if the new shares are bought out by an agent, the "issue price" for the transfer of the new shares corresponds to the amount paid by the agent or a third party, if the agent is committed to offering the new shares to one or more of third parties determined by the company. The issue price otherwise corresponds to the face value.

The Board of Directors is furthermore authorized, with the consent of the Supervisory Board, to eliminate the purchasing option on capital increases against fixed assets if the purchase of the non-cash benefit lies in the company's overwhelming interest and the value of the non-cash benefit does not significantly surpass the stock-exchange price. The Board of Directors is also authorized, with the agreement of the Supervisory Board, to define the further content of the share rights and the conditions of the issuing of shares.

Conditional capital

The company's registered capital has been conditionally increased, as per § 192 para. 2 number 1 of the Stock Corporation Act, by up to 19,677,249 euros through the issuing of up to 19,677,249 new individual share certificates with entitlement to dividend as of the beginning of the financial year of their issuing (conditional capital 2007).

The conditional capital increase serves

- the issuing of shares to the owners of the convertible bonds and option bonds issued by the company or one of its allied companies on the basis of the authorization resolution contained under the agenda item 7 of the annual general meeting of 29 April 2004 in the version of 1 June 2006 amended by the resolution contained under agenda item 9 of the Annual General Meeting of 1 June 2006 until 28 April 2009, as well as
- the issuing of shares to the owners of profit-participation rights with conversion and option privileges issued by the company or one of its subordinated allied companies to 8 August 2012 on the basis of the authorization resolution contained under the agenda item 6 of the annual general meeting on 9 August 2007.

Profit-participation rights

Furthermore, the Board of Directors is authorized, with the agreement of the Supervisory Board, to grant profit-participation rights once or several times, until 8 August 2012. The total nominal amount of the profit-participation rights granted may not surpass 500 million euros.

The profit-participation rights can also be granted against non-cash benefits, in as far as the value of the non-cash benefit corresponds to the issuing price. They may also be granted in the legal currency of an OECD country, except in euros, under consideration of the permissible total nominal amount. Profit-participation rights may be issued to the bearer or registered in the owner‘s name.

Profit-participation rights may be combined with conversion and option rights up to 19,677,249 company no-par value bearer shares. The number of shares is to be credited against the maximum number of shares for which conversion or option rights may be issued on the basis of profit-participation rights in accordance with this authorization, for which conversion or option rights were issued on the basis of the existing authorization as per the resolutions of the annual general meetings of 29 April 2004 and 1 June 2006 and, as the case may be, are still to be issued.

If the profit-sharing rights are combined with conversion and option rights on company shares, the exchange or striking price to be determined for a share is equal to at least 80 percent of the average closing price of the company share in Xetra trading on the last five stock exchange trading days before the day on which the Board of Directors adopts the resolution on the issuing of profit-sharing rights.

If the profit-participation rights issued by the company are combined with conversion and option rights on company shares and the company increases the registered capital during the term of these profit-participation rights while granting a buying option to its shareholders, or issues further bonds, including income bonds or profit-participation bonds, with exchange or buying options on company shares, without granting the owners of the profit-participation rights, issued on the basis of this resolution, a buying option at the same time, as is their right after exercising their conversion or buying option, the fixed exchange or buying price is reduced irrespective of § 9 para. 1 of the Stock Corporation Act in accordance with the further conditions of the respective profit-participation rights (dilution protection clause).

In each case, the proportional amount of registered capital of the shares to be purchased per profit-participation right may not surpass the nominal amount of the profit-participation rights.

If profit-participation rights are issued with conversion rights and option rights on company shares, the maturity of the profit-participation rights issued may not surpass 20 years.

Upon issuing of profit-participation rights, the Board of Directors is authorized, with the consent of the Supervisory Board, to eliminate the shareholders’ purchasing option,

- in order to offer the profit-participation rights that are combined with exchange or purchasing rights to individual investors for tender, in as far as the issue price does not fall significantly below the exchange price and the proportion of the shares issued in conjunction with these profit-participation rights does not surpass 10 percent of the existing registered capital. The amount of 10 percent of the registered capital must be credited to the amount, which is allocated to shares and which are issued and sold because of the authorization, excluding the purchasing option in direct or appropriate appliance of the §186, paragraph 3, clause 4 of the German Stock Corporation Act.
- in order to offer the profit-participation rights to individual investors for tender, in as far as the issue price does not fall significantly below the exchange price, and in as far as the profit-participation rights are merely set obligatorily. This means that neither member rights nor conversion or option rights constitute company shares, no participation in liquidation proceeds are issued, and the amount of dividend payout is not aligned according to the amount of the annual net profits, the balance sheet profits or the dividends.
- in order to exclude peak amounts from the purchasing option.

- where required, in order to issue a purchasing option to the holders of exchange and purchasing options issued by the company, to the extent that they are entitled to after exercising their conversion or option rights, or fulfillment of a possible conversion obligation, or
- in as far as profit-participation rights are issued against non-cash benefits and the exclusion of the purchasing option lies in the predominant interest of the company.

The Board of Directors is furthermore authorized, with the agreement of the Supervisory Board, to define further details on the issuing and configuration of the profit-participation rights, in particular the issue rate, denomination, term, amount of annual dividend payout, cancellation, and participation in the distribution of profit and liquidation proceeds, and for the issuing of profit-participation rights with conversion or purchasing rights, the exercise period and any conversion obligations.

Compensation agreements in the case of a takeover bid

No compensation agreements with employees exist in the case of a takeover bid. The contracts of the Board of Directors do consider a compensation agreement in case of a takeover bid only for a short term, if the Board of Directors will give notice themselves.

Corporate Governance

Corporate Governance at Balda

Corporate Governance stands for responsible management and monitoring of companies, in line with long-term value creation. Corporate Governance has been an integral part of the corporate culture at Balda ever since its existence as a corporation.

The Group is following and will follow the recommendations and suggestions of the Corporate Governance Codex as amended on 18 June 2009, with certain exceptions. The compliance statement, according to § 161 of the German Stock Corporation Act (AktG) is made permanently accessible, together with previous compliance statements, to shareholders as well as the public on the Balda Website (www.balda.de under "Investor Relations / Corporate Governance").

The statement of company management describes the method of operation between the Supervisory Board and the Board of Directors of the Balda AG. It is also accessible on the Balda Website (www.balda.de) under "Investor Relations / Corporate Governance".

Remuneration of the Supervisory Board

As a German stock corporation (Aktiengesellschaft, AG), Balda is subject to German stock corporation statutory regulations. Therefore the corporation possesses a two-tier management and control structure, consisting of two Boards of Directors and the statutory three members of the Supervisory Board.

Dr. Axel Bauer resigned from the Supervisory Board, effective as of 31 May 2009. Richard Roy, the chairman of the Supervisory Board, and Michael Sienkiewicz, member of the Supervisory Board, both resigned from the corporation’s supervisory body on conclusion of the annual general meeting on 3 July 2009.

The shareholders of Balda AG have elected three new members to the corporation’s Supervisory Board at the company’s annual general meeting on 3 July 2009. The body is comprised of Dino Kitzinger, Munich/Germany; Mark Littlefield, San José, California/United States; and Thomas J. Leonard, Holland, Michigan/United States. Dino Kitzinger possesses special knowledge and experience with the application of financial accounting principles in the Supervisory Board.

Supervisory Board and remuneration report

The members of the Supervisory Board have received the following remuneration for the 2009 financial year:

Remuneration Supervisory Board				
in euros	Fixed remuneration	Attendance fees	Variable remuneration	**Total income**
Richard Roy	12,500	3,000	20,164	**35,664**
Dr. Axel Bauer	5,208	3,000	8,274	**16,482**
Michael Sienkiewicz	9,375	3,000	15,123	**27,498**
Dino Kitzinger	12,500	7,500	19,836	**39,836**
Mark Littlefield	9,375	7,500	14,877	**31,752**
Thomas J. Leonard	6,250	7,500	9,918	**23,668**
Total	**55,208**	**31,500**	**88,192**	**174,900**

The remuneration for the Supervisory Board is determined by the annual general meeting. It includes a success-related component and a component independent of success. The variable remuneration is geared towards the development of the price of the Balda share in comparison to the SDax. The Balda share price, viewed over the year, moved clearly above the Sdax performance in 2009. The Balda share developed better than the SDax by 545 basis points by the end of the year. The corporation did not grant any consultancy mandates or mediation mandates in the reporting year. In that regard, Balda does not pay any separate remuneration (Corporate Governance Code article 5.4.7).

No obvious conflicts of interests existed for the body or its members in the reporting period.

Board of Directors and remuneration report

The composition of the Board of Directors of Balda AG changed over the course of the reporting year. Sole director Dr. Dirk Eichelberger (CEO) has resigned, effective as of 3 July 2009. Rainer Mohr, last Chief Financial Officer (CFO) of Sovello AG, followed as Chief Financial Officer (CFO). The corporation’s new Supervisory Board appointed Michael Sienkiewicz as the company’s new Chief Executive Officer (CEO), with effect on 6 July 2009.

The 2009 remuneration of members of the Board of Directors consisted of the following (Remuneration report – Code article 4.2.5): The remuneration of members of the Board of Directors comprised monetary remuneration components, consisting of fixed and variable components (Code article 4.2.3), as well as ancillary benefits. The ancillary benefits include the use of company cars, or alternatively a compensation for waiving the usage of a company car, respectively; a direct insurance contract or comparable retirement provisions, respectively, and a group accident insurance contract. No further contractual pension commitments were finalised. The members of the Board of Directors did not receive any benefits from third parties that were agreed upon in view of their Board activities or granted during the 2009 fiscal year (Code article 4.2.3).

Aside from the fixed remuneration, the remuneration of the members of the Board of Directors in 2009 includes payments after the resignation of Board members. In principle, the variable remuneration of the Board of Directors comprises components that are connected to the company’s entrepreneurial and economic success (performance-based remuneration), as well as components with a long-term incentive effect.

For the newly appointed Board of Directors, the component based on the economic success is calculated by means of the operational result (EBIT) of the Balda Group in the 2009 financial year.

For the previous Board of Directors, the earnings before taxes (EBT) were drawn upon for the calculation.

The remuneration component with a long-term incentive effect was a share option program that was decided upon in June 2006 and expired on 30 June 2009, as scheduled. The last share options were granted in March 2009; they expired in July 2009, however.

A new remuneration component with long-term incentive effect is not considered from 2010 onward due to the short-term Board of Directors' contracts.

The previous programme had a volume of up to 4,016,000 options corresponding to the decisions made by the annual general meeting. The corporation was able to issue 50 percent of these options to the Board of Directors, 30 percent to the managers of the subsidiaries and 20 percent to the employees of the Balda Group. The issuance could be made until 30 June 2009. The maturity of the options is five years as of the pertinent date of issue, with a blocking period of two years. Before the option is exercised, the Xetra closing price of the Balda share has to have risen to a minimum of 120 percentage points of the issue price at least once during the blocking period. Other hurdles to the exercise are determinable individually upon issuance. The issue price of the options corresponds with the average Xetra closing price of the Balda share on the last ten trading days of the stock market prior to the issuance of the option.

The Board of Directors and Supervisory Board are entitled to set a profit margin for the exercising of the options in the case of unusual and unanticipated developments (Code article 4.2.3). Exclusion periods exist for the allocation of options as well as for the exercise thereof.

Board of Directors remuneration report

The members of the Board of Directors received the following remuneration across the Group for the 2009 financial year:

>Remuneration Board of Directors

in euro	Fixed remuneration and gratuities	Success-related remuneration	Other benefits	Remuneration with long-term incentive effect	**Total**
Total	**1,967,282**	**253,877**	**90,400**	**0**	**2,311,559**
Thereof:					
Michael Sienkiewicz	149,240	104,750	13,524	0	**267,515**
Rainer Mohr	103,696	78,563	2,262	0	**184,520**

Gratuities account for KEUR 1,500 of the fixed remuneration and gratuities.

Reference is made, as to further information on the remunerations and ancillary activities of the Board of Directors and the Supervisory Board, to the explanations in the attachment to the Group’s consolidated accounts, chapter III g: “Bodies of Balda AG”, as well as in the attachment to Balda AG’s consolidated accounts, chapter III: “Other expenditures.”

Financial statement and annual audit

Following the principles of transparency and comparability of business development (Codex article 7.1), Balda prepared the Group’s consolidated accounts and the interim reports according to the International Financial Reporting Standards (IFRS), and the year-end accounts of the AG according to the applicable regulation of the German Commercial Code (HGB). The audit of the year-end accounts of the Group and the AG was assigned to the independent Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft AG, according to the decision of the annual meeting, dated 3 July 2009 (Codex article 7.2.1). The ongoing coordination between Supervisory Board and annual auditors during the preparation of the annual accounting operations was completed according to the recommendations of the Codex (Codex articles 7.2.1 and 7.2.3).

Objectives, Corporate Control and Strategy

Strategy

After business volumes fell in the financial year 2009, the Balda Group is aiming to grow significantly again in the new Group structure.

It is a declared goal of the Board of Directors to develop new products for new customers and new markets within the existing core competences. With its recently implemented strategy of concentrating on diversification, the Balda Group intends to make use of opportunities for growth and prevent foreseeable risks. The Group has set the following goals for itself:

Despite the continued difficult industry environment and considerable uncertainties, the company is assuming Group sales will rise by between 10 and 15 percent in 2010. Sales are likely to start to rise during the second quarter of 2010. The EBIT, not including special effects, should be around the level of the financial year 2009. The earnings before tax (EBT) should be significantly positive.

These goals are the result of careful planning based on thorough market and customer analyses as well as assessments of current negotiations with existing and new customers.

Continuation of the Group's new alignment

The basis for the annual planning is the Group's strategy together with the individual strategies of the regions. The new direction and the strategic planning were started by the new Board of Directors' initiatives in 2009.

The significant decisions made by management were:

- Reinclusion of Balda Medical in the affiliated Group
- Financial restructuring of the Group
- Reorganisation of Group Sales with global orientation
- Focusing and diversification of the product portfolio
- Decision to build a new production facility in Beijing
- Synergies: forcing cooperation within the Group, in particular in development and production
- Preparations for the establishment of an Engineering Centre operating across the Group in Germany

The individual strategies of the three divisions Complete Components of Plastic, Electronics Products and Medical are the responsibility of the regional Chief Executive Officers.

Control of the Balda Group

On the basis of various instruments, the Balda Group's holding company performs the Group's essential control functions. The regions themselves are responsible for strategy, planning and results.

Using a standard ERP system throughout the Group, the operating companies supply the Balda AG's Group Finance division with fixed reports on a monthly basis.

In the Group Finance department, the figures are aggregated and prepared by region for the Board of Directors. The reports relate to the following control variables: sales, EBIT, EBT, investments, segment assets (quarterly) and number of employees. Only a quarterly basis aggregated Group report relating to the consolidated income statement, balance sheet, investments and cash flow is produced.

It is a central task for the controlling Group finance to align the planning data. Beside enquiries with the persons responsible for accounting and bookkeeping in the operating regions, in particular, plausibility checks and analyses in the form of period and time series comparisons as well as analyses of individual items in the consolidated income statement are used. The holding company's Controlling department discusses differences with the Controlling departments located in the regions. In case of important deviations of the plans, the Board of Directors of Balda AG plan and the Board of Directors immediately implements control measures.

Uniform guidelines are available in the Group with regard to the accounting process and controlling, as written in the Accounting Manual of the Group.

The Group's Internal Audit department carries out at least one audit each year on all significant operating companies. The audit is based on the American Sarbanes-Oxley system.

The finance systems that are deployed are protected against unauthorised access. An in-house access authorisation system guarantees that no unauthorised access can be made. Standard software is deployed for the finance systems that are in use to the greatest extent possible.

Employees

Number of Personnel Slightly Reduced

The number of employees as well as the labour costs of Balda Group has fallen slightly in the reporting period.

Group

In comparison to the previous year, the number of employees has fallen. The Group employed 4,505 persons as of the accounting date at the end of 2009 (previous year: 4,861). This data includes temporary employment agency workers, temporary personnel and apprentices. At the end of 2009, there were 2,015 salaried and industrial employees (previous year: 2,742) and 2,490 temporary employment agency workers (previous year: 2,119) engaged in work at Balda Group. The Group's personnel saw a reduction by 356 employees, or 7.3 percent, in 2009. The adjustment of personnel to the falling business volume and the order situation in Malaysia is responsible for this reduction in personnel.

An annual average of 5,748 employees were working within the Group (previous year with TPK: 8,605; previous year without TPK: 6,270) in the reporting period.

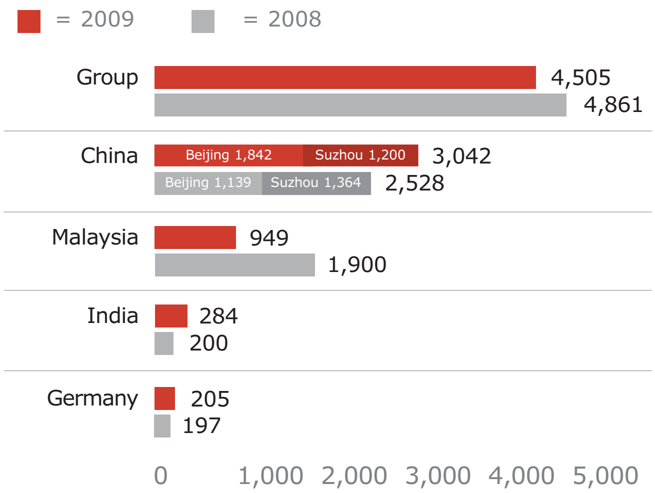
China segment

The number of employees at the Chinese locations rose to 3,042 as of the end of the 2009 financial year (previous year: 2,528). The increase by 514 employees, or 20.3 percent, has resulted primarily from the fact that, on the basis of yearly average, capacity utilisation at the Beijing production plant has been good. The number of employees still stood at 5,698 (previous year: 2,528) as of the end of the third quarter.

The percentage of temporary employment agency workers amounted to 1,984 (previous year: 1,412), or 65.2 percent. The permanent staff comprised 1,058 employees (previous year: 1,116), or 34.8 percent. Around 230 engineers as well as about 200 machine operators and technicians were employed at the Chinese locations in Beijing and Suzhou at the end of the reporting period.

All of the permanent staff in the China region possesses special qualifications. Even the majority of the industrial staff has acquired specialised skills and knowledge in injection molding and tool making owing to apprenticeship and advanced training programmes at Balda. Temporary employment agency workers go through a custom-tailored training course in special breaking-in programmes to get them acquainted with their activities.

Employees Group and Segments



Malaysia segment

The plants in the Malaysia region employed a total of 949 persons as of the end of 2009 (previous year: 1,900). The reduction by 951 employees, or 49.8 percent, has been caused primarily by the relocation of one major customer's business to China. No plastic project was being manufactured anymore in the production location at Ipoh as of the end of the year. The company focuses on the production of complete electronic products.

Balda Malaysia has adjusted its permanent staff according to legal conditions as rapidly as possible to the current business volume. Malaysia's statutory regulations did not allow an even more rapid cutback of personnel to take place, however.

The strong emphasis on research and development activities at Ipoh is shown by the large proportion of employees active in the technology areas. A total of 106 engineers are employed at the location. Even for a company geared towards manufacturing, 11.0 percent of the entire staff constitutes a higher-than-average value. There are 24 engineers responsible for operations and optimisation of products and processes. There are 82 engineers who handle the development of new products. They work on hardware and software, test programmes, design and mechanical design. The team of engineers stayed unchanged for the most part during the downsizing of personnel in 2009. They are the motor of the company. Engineering in Malaysia, in conjunction with Balda USA, drives diversification into new products.

India segment

There were 284 employees who worked at the production plant at Chennai in the India region as of the end of the reporting period (previous year: 200).

Germany segment

The number of personnel in the German corporate segment totalled 205 employees by the end of the reporting year (previous year: 197).

The subsidiary Balda Medical employed 54 commercial and technical staff as well as 126 industrial staff in the reporting period. In addition, 21 temporary employment agency workers as well as 4 apprentices and trainees were employed. For a plastic-processing company, Balda Medical possesses a workforce whose qualifications are far above average. The company employs 21 engineers as well as 24 business economists and technicians. A further 97 employees possess the status of skilled workers. The company held regular, in-house training courses and seminars on the state of the technology and on the strict regulatory requirements for its salaried and industrial employees in 2009.

Segment Others

The segment Others contains staff of the holding companies Balda AG and Balda Investments Singapore as well as the development centre in the USA.

Balda AG, acting as a parent company and holding and based in Bad Oeynhausen, employed a staff of 15 as of 31 December 2009 (previous year: 25).

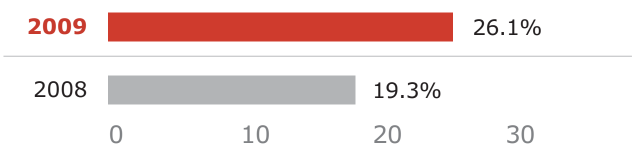
Development centre Balda USA

Balda had 9 employees for design and development of product innovations working at the subsidiary in Morrisville, United States, as of the end of the reporting period (previous year: 9).

Labour costs

Personnel expenditure rate

in percent



Labour costs for the Balda Group fell by 40.2 million euros (without TPK) to 37.8 million euros in the reporting period. The proportion of labour costs amounted to 26.1 percent as measured by the performance of the Group as an entirety, following 19.3 percent in the previous year. This increase has been caused, alongside payments of gratuities, by the deferred cutback of personnel due to legal conditions in the Malaysia segment. In addition, due to delayed production start-ups, the Group held personnel capacities in readiness prematurely. The start-up of a new project required additional staff for quality assurance.

Trainings costs

The Balda Group spent 0.4 million euros for the external training and advanced training of its employees in the reporting period (previous year: 0.7 million euros).

Environment

Sustainable Environmental Protection Throughout the Group

Effective environmental protection has high priority

Group managers coordinate economic, social and environmental aspects in a balanced manner at all of the Balda Group's production locations. The Group's systematic environmental management ensures locally applicable laws are complied with. The Group also voluntarily makes use of every economically justifiable opportunity to sustainably protect the environment. The environmental management system at all of the Balda production locations is certified in accordance with ISO 14001.

The Balda Group considers the protection of natural habitats and the sustained saving of resources to be important challenges. It is required throughout the Group that waste is handled responsibly and that materials used are recycled, and this makes an important contribution to the careful usage of resources.

The Balda Group’s environmental policy focuses on the effective use of energy and all raw materials. The prevention, reuse, reduction and cost-effective disposal of waste are a priority. The lowest possible emissions and pollution are also a key objective at every production location.

Strict guidelines

The Balda Group systematically recycles its waste from plastic injection molding in production. The Group disposes of non-reusable plastics without further environmental impact through thermal recycling. The company generates additional energy with thermal recycling. The Group also handles water in an equally environmentally friendly and responsible manner.

In the paint facilities at the production locations in Suzhou, Beijing and Ipoh, the Group uses water-soluble paints wherever possible. The companies provide separate, safe storage facilities for these easily inflammable substances. With continuous monitoring of the filter equipment, Balda ensures low-odour and low-pollutant emissions. The employees responsible wear protective clothing.

Particular attention is paid to the careful, risk-preventing storage and handling of hazardous substances. Any environmental pollution is considered to be a Hazard Class I risk, like explosives or fire hazards.

Successful energy management

Balda’s environmental programme expressly calls upon all of the Group’s locations to use energy effectively and economically and to reduce energy. The optimisation of energy consumption helps to protect the environment as well as promote cost efficiency. During the financial year 2009, the Group’s production locations identified further possibilities for improvement and further reduced their energy consumption.

Decentralised environmental management

Compliance with laws, regulations and measures at all of the Balda Group’s locations is the responsibility of the respective managers. They are personally responsible for the monitoring and achievement of predefined environmental goals. They are also responsible for thoroughly checking the environmental measures practiced based on efficiency and the degree to which the goals are achieved. The managers report directly to the regional CEO.

Internal environmental audits and the annual recording of key figures serve to monitor the effectiveness of the measures. The results form the basis for the further optimisation of goals, programmes and measures. The local environmental officers also report on the basis of an internal target/actual comparison to their management at the location. On top of this, the environmental officer is responsible for the instruction and training of employees in the Group’s production facilities.

Customers force environmental policy

The customer also plays an important role in environmental protection at the Balda Group. For years, customers have been integrating the system partner into their environmental management. The Group considers legal regulations to be minimum requirements. After a stringent audit, one major customer awarded the Group the accolade of “Green Partner”.

Balda also constantly examines the product quality of external suppliers from the viewpoint of environmental protection. With regular auditing and assessment procedures in the quality management system, the Group ensures goods and products from suppliers are of a stable and high quality. Their products also meet the Group’s environmental standards in every respect.

Malaysia with EU standards

As a developer and manufacturer of electronics components, the production location in Ipoh, Malaysia has, since the financial year 2007, complied with the stricter European environmental directives (EC Directive 2002 / 95 / EC) in accordance with RoHS (Restriction of the use of certain Hazardous Substances in electrical and electronic equipment). The company therefore complies with the most demanding environmental standards in the world for production, product design and the products themselves.

The new production location in Beijing was already set up in the planning phase so that it would meet the strictest environmental demands in the construction phase and later when in operation.

Balda Share and Investor Relations

Balda Share: The Prime Standard Climber of the Year

After a dramatic fall in the spring, the German share market experienced an upturn. Starting from its low, the Dax 2009 rose by almost 23 percent from 4,856 points to 5,957 points. The Balda share outperformed all comparable relevant indices.

In spite of the economic crisis, 2009 was a good year for investors. The financial market crisis had resulted in dramatic falls in share markets all over the world in 2008. At the start of 2009, share markets were still in decline. In the second quarter, international stock exchanges started to record significant price gains. Economic programmes of governments and high cash stocks propped up share markets worldwide. The Dax started 2009 with 4,856 points and ended it with 5,957 points. This was equivalent to a rise of around 23 percent. The MDax and TecDax also rose significantly. The SDax small cap index ended the trading year up by just below 27 percent.

Successful comeback for the Balda share

Balda AG, which at reporting date was listed in the Prime Standard on the Frankfurt Stock Exchange, saw its share price rise rapidly in 2009. After a dramatic fall in 2008, the Balda share celebrated what was for many market participants a surprising comeback in 2009. The company's shares opened the trading year 2009 at a price of 0.52 euros. The price at the end of the year was 3.49 euros. The share value had therefore exploded by 571 percent. With this comeback, the share was the Prime Standard's climber of the year. The 52-week high was 4.07 euros on 22 December 2009, and its low of 0.40 euros was recorded on 16 January 2009.

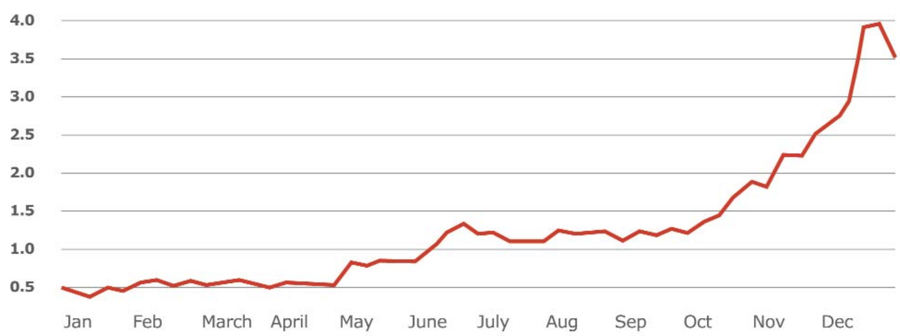
The Balda share rose by around 180 percent in the fourth quarter of 2009. The reason for this was, in particular, the repayment of short-term bank loans following the successful sale of 17.125 percent of the shares in the touch screen producer TPK.

The average trading volume of the Balda share (Xetra and Frankfurt) in 2009 on the 254 trading days was 191,346 shares per day (previous year: 462,874 shares per day). The annual volume was 48,601,794 shares following 117,569,875 shares from the previous year. The daily average reached a value of 338,283 euros (previous year: 1,556,433 euros). With the notification of the turnaround, around 23.3 million shares were sold via the stock exchange for over 63.0 million euros in the fourth quarter alone. Overall, the Balda share recorded a trading turnover of 85.3 million euros in the financial year 2009 (previous year: 395.3 million euros).

The company increased its market capitalisation by 160.3 million euros in the past financial year to 189.0 million euros (previous year: 28.7 million euros).

Development of share January - December 2009

in euro



The shareholdings structure changed in the period under review. Max Gain Management Ltd. took over the shares of Nord/LB in February 2009. It has since held 29.9 percent of the shares in Balda AG. Balda AG's four largest shareholders at the end of the financial year 2009 were: Max Gain Management Ltd., Sapinda International Ltd., Dr. Georg Kofler and Dr. Thomas van Aubel. Further details on the shareholdings structure and the current status are provided on the Balda website (www.balda.de).

At the annual general meeting on 25 May 2010, the Board of Directors and Supervisory Board will propose that the shareholders forgo the payment of a dividend . The company intends to invest in further growth using its own resources.

Investor relations

The Balda Group's communication during the year under review was open and up-to-date. The Board of Directors is directly responsible for investor relations and this underlines the importance of communication with the participants of the financial market in the Group.

At the annual analyst and balance sheet press conference and in telephone conferences when the quarterly figures were published, the Board of Directors informed financial analysts, fund managers and economic journalists extensively about Balda's business development. The Group also maintained intensive dialogue with institutional and private investors in the past financial year.

Shareholdings structure (as of 28 February 2010)

Shareholders	Shares	reported on
Individual shareholders (circa)	60.25%	
Yield Return Investments Ltd	29.99%	6 January 2010*
Dr. Georg Kofler	5.50%	19 December 2007
Dr. Thomas van Aubel	4.24%	3 December 2008
Executive bodies of Balda AG	0.02%	

*) Transfer from Max Gain Management Ltd.

Overall Economic Development

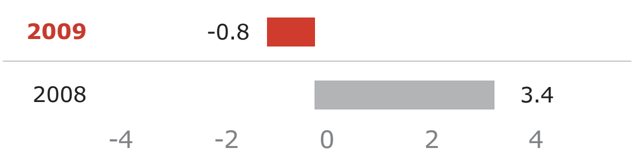
Global Economy Recovering Slowly

In 2009, the global economy experienced the hardest recession since the end of the Second World War.

In 2009, the global economy experienced its most serious recession since the end of the Second World War. The greatest financial crisis since 1929 spread across the whole of the real economy. It was not until the second half of 2009 that signs emerged that the crisis had bottomed out. However, the global economy was divided for the time being. While production started to expand in emerging

Global economy

in percent



countries in the spring, according to the Kiel Institute for the World Economy (IfW), the economy in industrialised countries only recovered slowly due to the adjustment processes for the financial crisis. Global gross domestic product fell in 2009 after growth of 3.4 percent in the previous year by 0.8 percent.

Euro zone recovering slowly

In particular, the industrialised nations in the euro zone were not able to escape the negative impacts of the global economic crisis. In the euro zone, the economic slump initially continued in the first half of 2009, although it slowed down considerably in the third quarter. The confidence barometer had fallen to a record low of 64.6 points as recently as March. According to the EU Commission, there was a surprisingly strong rise in the confidence of companies and consumers in August. The barometer rose 4.6 points to 80.6 points. Government economic programmes prevented a massive economic slump in the euro zone. Gross domestic product fell in 2009 by a total of 4.0 percent (previous year: increase of 0.8 percent). Incoming orders for industry in the monetary union zone rose in December 2009 by 0.8 percent compared to the previous month.

In December 2009, the annual inflation rate was 0.9 percent compared to 0.5 percent in November. The average annual inflation rate in the euro zone in 2009 was 0.3 percent compared to 3.3 percent the previous year. The unemployment rate in the period under review was around 9.6 percent (previous year: 7.5 percent).

German economy experiences massive slump

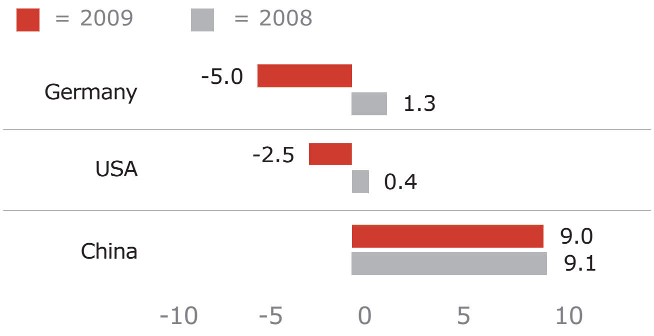
German gross domestic product fell as a result of the recession, according to reports by the Federal Statistical Office, by 5.0 percent compared to growth of 1.3 percent in the previous year. A slump of this scale last took place in 1932 when gross domestic product fell by more than seven percent. The reason for the fall in economic output was the heavy fall in exports. According to the Federal Statistical Office, exports fell in 2009 by 18 percent compared to the previous year. This is the biggest drop since the beginning of the survey in 1950. As a nation dependent on exports, Germany has been hit particularly hard by the economic crisis. In the crisis year 2009, Germany lost the title of world export champion. Finally, China surpassed Germany last year. Germany had dominated the statistics for six years. Incoming orders recovered in the second half of the year, at a low level. In December of the period under review, orders from abroad rose by 3.4 percent compared to the previous month. The ongoing recession and extensive economic stimulus packages increased the national deficit. According to the Federal Statistical Office, the new indebtedness amounted to 79.3 billion euros in 2009. Representing 3.3 percent of the gross domestic product, the deficit exceeded the Maastricht criteria for the first time since 2005.

The German labour market remained relatively robust during the crisis year. The number of unemployed rose in December 2009 to 3.3 million compared to 3.1 million unemployed in the same month of the previous year. The unemployment rate in the period under review was on average 8.2 percent (2008: 7.8 percent). In 2009, the inflation rate in Germany was at 0.5 percent (previous year: 3.2 percent).

Economy in the USA recovering slowly

The fall in international trade in goods and services was even greater than the fall in global gross domestic product. This is attributable in particular to the extent of the economic slump in the USA. It was not until the second quarter of 2009 that the downturn in the USA economy started to slow down. Thanks to the government economic programme, gross domestic product grew for the first time in a year by 2.2 percent in the third quarter of 2009. Despite the economy picking up in the second half of the year, the USA's

Economic output (in percent)



economic output remained with a fall of 2.5 percent in the period under review, well below the previous year's level of growth of 0.4 percent.

The trade balance deficit reached a record deficit of 1.42 trillion US dollars in the budget year 2009 (previous year: 454.8 billion US dollars). In the first quarter of the US budget year 2009/2010, the deficit was 388.51 billion US dollars (October to December 2008: 332.63 billion euros).

The economic crisis cost around 4.2 million jobs in the USA in the past year. The unemployment rate in 2009 was on average 9.3 percent (previous year: 5.8 percent). In the period under review it reached 10.1 percent in October, its highest level since 1983.

Upturn in emerging countries

The global recession also affected growth in emerging and developing countries. Extensive government monetary and financial measures propped up the economies of emerging countries. In the summer of 2009, there was a noticeable increase in international trade. The driving forces were, in particular, the People’s Republic of China and other developing countries.

China recorded relatively strong growth of 9.0 percent (previous year: 9.1 percent). The government in Peking had aimed for an increase of 8.0 percent. Gross domestic product in the People’s Republic grew in the fourth quarter of 2009 by 10.7 percent compared to the previous year.

In India there was a fall in growth as a result of the financial crisis. Indian exporters suffered in particular from the fall in orders from industrial countries, which are responsible for an estimated 60 percent of the export market. India’s total economic output increased by 5.0 percent in 2009 (previous year: 7.1 percent).

Around 80 percent of the Balda Group’s production locations are in emerging countries; therefore, the Group expects to recover more quickly from the setbacks caused by the economic crisis.

Sector Situation

Balda’s Markets Heterogeneous in 2009

The Balda Group develops, produces and sells innovative components and products for the MobileCom, communication and entertainment electronics and medical technology markets.

According to the market research institute Gartner, the turmoil in the global economy reduced the purchasing power of mobile phone users in the past year. In addition, the replacement cycle for phones has increased from twelve to eighteen months. The number of mobile phone accessories, such as headsets, sold in the period under review also fell.

According to the calculations of the sector specialist Gartner, 1.2 billion mobile phones were sold worldwide in 2009. Compared to 2008, this is a fall of around 0.7 percent. The institute has therefore revised its previous forecast of a fall of 3.7 percent in 2009. The reasons for the lower fall were, according to market experts, strong sales in the markets of Western Europe and increased sales of mobile phones via the "grey market". It refers to manufacturers without a valid International Mobile Equipment Identity (IMEI).

Increased demand for smartphones

In particular, the higher-priced, high-margin smartphones are driving on sales in the saturated mobile phone markets of western industrial nations. Particularly in demand are mobile phones that allow user-friendly surfing on the Internet. Smartphones remain the fastest growing segment in the MobileCom market. According to the market research institute IDC, spending by end consumers on mobile phones rose to 52.8 billion US dollars in 2009. The market share of smartphones in the overall mobile phone segment was around 14.0 percent. This is an increase of just under 24.0 percent compared to 2008.

Only the Apple Group sold in the fourth quarter of the financial year 2009 with 8.7 million iPhones, twice as many phones as in the same period for the previous year. After its launch of the new iPhone 3GS in the third quarter of 2009, Apple held a global market share in the smartphone segment of 17.1 percent (same period for the previous year: 12.9 percent). Nokia’s share of the global smartphone market in the third quarter was 39.3 percent (third quarter of 2008: 42.3 percent).

Fall in demand for electronics products

The demand for semi-conductors and entertainment electronics also fell severely due to the global economic slump. The production of semi-conductors fell in the first nine months of 2009 by around 29.0 percent compared to the same period for the previous year. The fall in the entertainment electronics sector was around 16.0 percent. However, the semi-conductor sector experienced a turnaround in demand in the autumn of 2009.

Medical technology largely stable

The medical technology sector was largely stable in spite of the economic crisis. For the whole of 2009, the industry association SPECTARIS is expecting sales to have fallen in Germany by just under 3.0 percent to 17.2 billion euros. In the financial year 2008, industry turnover in Germany was around 17.8 billion euros. Exports were the driving force behind this fall. The medical technology sector has an export ratio of around 65.0 percent. The emerging countries also provided impetus for growth here.

Result Situation / P&L Account Group

Balda Group With a Positive Operational Result

The business development of Balda Group was characterised by a strategic realignment and comprehensive restructuring in the reporting year.

Balda Group appeared with a new corporate structure as of the 2009 financial year. The governance of the corporation was administered on the basis of the newly established segments of China, Malaysia, India and Germany. The strategic production areas of complete plastic components of MobileCom, Electronic Products and Medical entailed therein showcase the Group now with a broader service portfolio and a deeper value chain. The objective being pursued in the reconstruction was also the realignment of the sales and distribution organisation in the Group so as to exploit synergies in the regions in a better manner.

The previous year’s values of the profit-and-loss account have been considerably influenced by the proportionately consolidated data of the touch screen joint venture company TPK. Balda has reported TPK as an associated company since the reduction of the amount of interest held in the fourth quarter of 2008. According to the equity method that is to be applied, the profit contribution has been reported since then only in the financial result item in the P&L account and is not included in the individual items of the P&L account anymore.

For reasons of comparability, the report on hand presents the previous year's data of the P&L account, adjusted by the TPK values

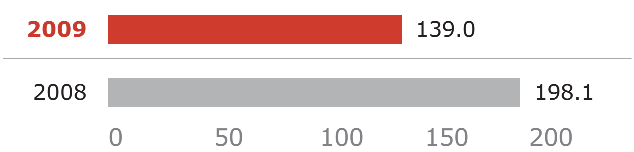
From the income statement				
in mio. euros	**2009**	**2009**	**2008**	**2008**
	Continued operations Group	China segment	Continued operations Group	China segment
Sales	139.0	84.2	198.1	84.8
Total operating performance	145.1	87.6	208.2	88.8
EBIT	2.5	7.3	-0.6	12.1
EBT	45.3	6.6	-25.2*	10.5

*) including TPK, reported as income from investments as in 2009

All in all, the decline in sales of the Balda Group remained within the expected scope. In the continued operations, Balda Group generated a sales volume of 139.0 million euros (previous year: 198.1 million euros) in the 2009 financial year. The decline of 59.1 million euros, or 29.8 percent, results not only from the declining demand for low-priced mobile telephones but also the relocation of customer projects. Another factor responsible for the slump is the restructuring pressure exerted by MobileCom customers, which manifests itself in the growing pricing pressure on suppliers. In individual cases, orders have been taken back to the customer's own production. Yet the Group is reckoning an improved business performance for the 2010 financial year, especially in the business area of electronic products.

Group revenues continued operations

(in mio. euros)



Development of sales figures in the segments

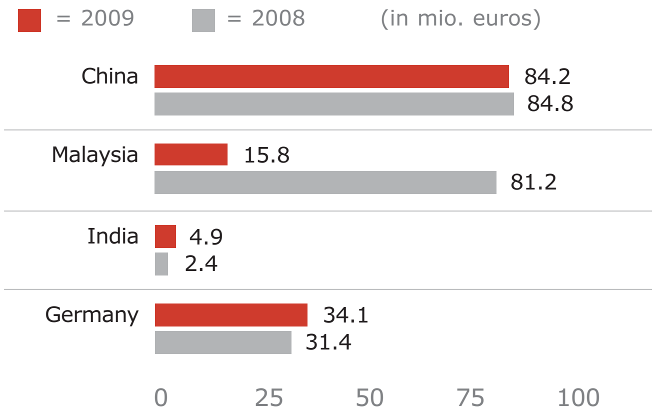
Sales revenues remained well-nigh constant in the China segment at 84.2 million euros (previous year: 84.8 million euros). The slump in demand, caused by changes in the industry, was able to be partially absorbed by additional business resulting from the relocation of the production of one customer from Malaysia to China.

The Malaysia segment achieved sales revenues amounting to 15.8 million euros in the 2009 financial year (previous year: 81.2 million). The decrease of 65.4 million euros in comparison to the previous year derives from the aforementioned relocation of customer projects from Malaysia to China. The Balda Group has been counteracting the temporary decline in the order volume by dint of the new strategic alignment of the Malaysian unit to the production of complete electronic products.

The sales revenues of the India segment have improved to 4.9 million euros due to a rise in demand. The Chennai location posted sales figures amounting to 2.4 million euros.

The Germany segment with Balda Medical generated sales revenues totalling 34.1 million euros in the 2009 financial year. That is equivalent to a rise of 8.6 percent compared to the previous year (previous year: 31.4 million euros). Thus the

Sales development according to segment



business with medical items could be expanded even in the crisis year 2009, underscoring the decision made by management to re-assign the company to the continued operations.

Result situation of the continued operations

The positive result of the Balda Group is also to be ascribed to the tight cost management and targeted cost reduction programmes of the restructuring. In well-nigh every area, the Group has succeeded in adjusting the fixed costs nearly proportionately to the decline in sales.

The other operating income added up to 5.2 million euros (previous year: 6.8 million) in the reporting period.

The build-up of inventory of finished and unfinished products amounted to 0.9 million euros in the reporting year, compared to 3.3 million euros in the previous year.

Total operating performance

The sales revenues, including the other operating income and the change of inventory of finished and unfinished products, are defined as total operating performance. The Balda Group achieved a total operating performance amounting to 145.1 million euros. This item fell by 63.1 million euros in comparison to the previous year.

Cost of materials

The cutback in cost of materials by 34.1 million euros to 66.1 million euros followed primarily from the reduced production volumes in the reporting period, yet also from improved purchasing conditions. As measured by the total operating performance of the Group, the share of the cost of materials has improved to 45.6 percent, compared to 48.1 percent in the previous year.

Labour costs

Labour costs at Balda Group were reduced from 40.2 to 37.8 million euros in the reporting year. The share of labour costs as measured by the Group’s total operating performance stood at 26.1 percent, after 19.3 percent in the previous year. Reasons for the rise, beside payment of gratuities, are due above all to the state law in the delayed cutback in personnel at the Malaysia location in conjunction with start-up delays with the build-up of new business. Moreover, a new project required an increase in personnel in the China segment.

Expenditure for depreciations

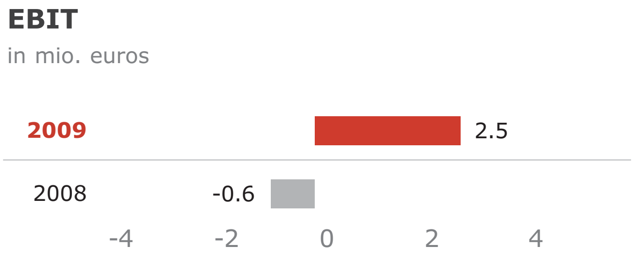
Expenditures for depreciations were considerably reduced in the 2009 reporting year. They fell from 31.9 million euros to 12.2 million euros. The previous year’s value was influenced in particular by impairment depreciations on tangible fixed assets.

Other operating expenditures

The other operating expenditures of the Group fell from 36.5 million euros to 26.5 million euros. The other operating expenditures are of a predominantly fixed kind. By dint of a tight cost management, their percentage of the total operating performance in the reporting period was able to be kept nearly constant at 18.3 percent (previous year: 17.5 percent).

Development of the result

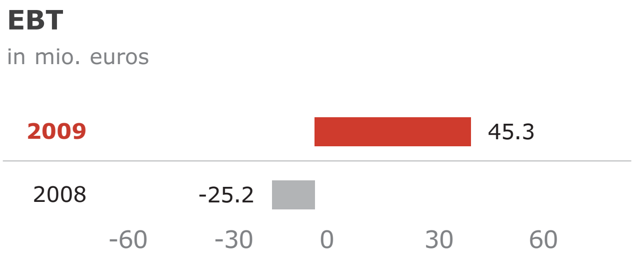
Balda Group achieved an operational result (EBIT) adding up to 2.5 million euros in the 2009 financial year (previous year: minus 0.6 million). Higher depreciations and higher other operating expenditures burdened the operational result in the previous year.



The development of the operational result turned out differently in the various segments. The China segment posted an EBIT amounting to 7.3 million euros (previous year: 12.1 million). The operational result of the Malaysia segment stood at minus 3.3 million euros. The EBIT in Malaysia was 17.1 million euros in the previous year. Again, the drop here reflects the relocation of the business of a major customer. Due to the better capacity utilisation of production facilities, the India location was able to reduce the EBIT to minus 2.2 million euros (previous year: minus 6.7 million). The German segment with Balda Medical attained an operational result of 5.2 million euros, after 2.7 million euros in the previous year.

The financial result added up to minus 8.1 million euros, after minus 13.8 million euros in the previous year. Repayments of short-term bank liabilities as well as more advantageous interest terms led to a financial result that has been improved by 5.7 million euros.

The earnings from associated companies stand at 50.9 million euros in the reporting period. On the one hand, they represent the profit contribution of TPK, adjusted by depreciations on customer relations and deferred taxes (14.6 million euros). On the other, they also contain the net profit of the shares in the touch screen producer (36.3 million euros), which were disposed of in December 2009.



With 45.3 million euros, Balda Group has achieved a positive result before taxes (EBT) in the 2009 financial year. The EBT stood at minus 25.2 million euros in the previous year.

After factoring in taxes, the annual result in the continued operations amounts to 46.4 million euros. A loss of 33.1 million euros was posted for the previous year's period.

The annual result of the discontinued operations amounting to 2.5 million euros primarily arises from the implementation of liabilities already depreciated. A loss of 21.1 million euros was generated through the operational business and special items, such as value adjustments on liabilities, in the previous year.

The annual result of the parent Group amounted to 48.9 million euros (previous year: minus 54.2 million).

Including the shares of other stockholders amounting to 0.4 million euros, the annual result attributable to the shareholders of Balda AG attained 49.3 million euros.

Given that the stock of shares stands unchanged at 54,157 million shares compared to the previous year, the result per share amounts to 0.914 euros (previous year: minus 0.965).

After factoring in the currency changes directly budgeted in the shareholders' capital, the overall result of the period amounted to 58.4 million euros (previous year: minus 49.0 million).

Result Situation / P&L Account AG

Balda AG Directs the Group's Companies

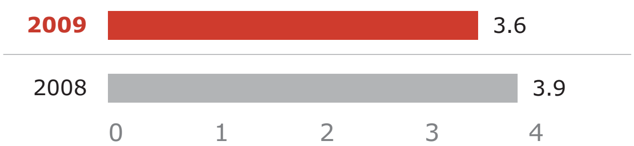
The AG attains an annual net profit again

Balda AG, whose registered office is in Bad Oeynhausen, Germany, directs the Balda Group as a management holding. The Board of Directors controls and directs the operational affiliated companies of the Group in China, Malaysia, India and Germany. The responsibility for the result of the operations lies with the subsidiaries. In addition, the Board of Directors of Balda AG is responsible for the discontinued operations. The core business of the AG is personnel-related services and consultancy as well as the provision of IT services for the affiliated companies of the Group.

Balda AG achieved a sales volume of 3.6 million euros (previous year: 3.9 million) in the 2009 financial year. The decline by 0.3 million euros follows from a reduced Group charge.

The other operating income has fallen from 5.0 million euros to 4.1 million euros in the reporting period. That equals a decline of 0.9 million euros, or 18 percent.

Revenue
in mio. euros



The decrease in labour costs in the AG by 2.5 million euros to 2.3 million euros is the result of cutbacks in staff.

The other operating costs were reduced from 15.1 million euros to 12.2 million euros in the reporting period. The drop is the consequence of declining expenditures for specific provisions and the costs for exiting the factoring programme.

The earnings from interests held in associated companies remained well-nigh constant at 15.4 million euros. They pertain to the payout of dividends of the Asian companies through Balda Investments Singapore to Balda AG as well as the profit transfer of Balda Medical.

Due to the one-time effect of tax refunds in 2008, the other interest and earnings turned out to be considerably lower in the reporting year. They added up to 0.8 million euros in the reporting year, compared to 1.8 million euros in the previous year.

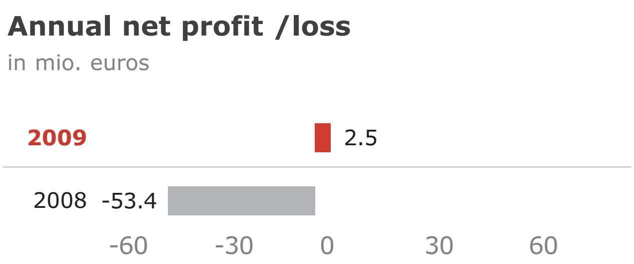
No depreciations on financial assets and on marketable securities accrued (previous year: 40.4 million euros) in the reporting year. In the previous year, they were essentially depreciations of interests in the Indian company, in Balda Grundstücks- und Vermietungsgesellschaft (Balda Grundstück), as well as depreciations on purchasing price liabilities that were deemed unrealisable in view of the crisis in the financial markets.

The high amortisation payments to the banks led to considerably lower interest paid in 2009. It sank from 11.9 million euros to 6.9 million euros.

The result of ordinary operations totalled 1.8 million euros in the reporting period. The result of ordinary operations still stood at minus 47.7 million euros in the previous year.

The provisions made for taxes in the previous year related to the effects from the most recent audit. Due to final negotiations with the tax authorities, these provisions could be partly dissolved again.

An annual net profit of 2.5 million euros has accrued for the 2009 financial year. There was still an annual deficit of 53.4 million euros posted in the previous year.



Including the loss carried forward from 2008 of 144.7 million euros, Balda AG posted a net loss of 142.2 million euros.

Financial Situation / Cash Flow

Financial Situation

Balda Group achieved financing with matching maturities in the 2009 financial year.

Owing to the disposal of shares in the associated company TPK, the short-term financial liabilities of Balda AG, amounting to around 70 million euros, could be repaid until December 2009. Thus the net current assets (short-term assets minus short-term liabilities) could be turned from minus 40.3 million euros in 2008 to plus 33.8 million euros in 2009.

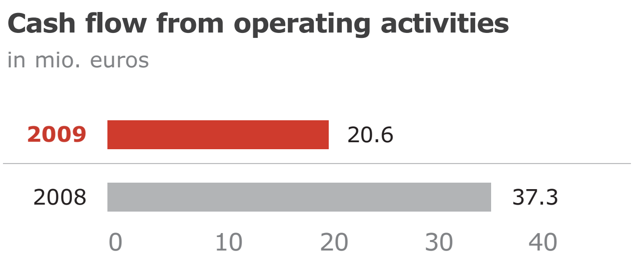
Cash flow

The cash flows of 2009 and the comparison year of 2008 are analysed in the following comments. The cash flow statement should give support to the evaluation of the financial capacity of the Balda Group. Here the cash inflow and cash outflow, broken down into business activity, investment activity and financing activity, have been posted. The cash flow statement is made for the parent Group and, according to the indirect method, is based on the result before taxes and interest of the continued as well as the discontinued operations.

Cash flow from operating activities

The cash inflow from operating activities fell to 20.6 million euros in the reporting period (previous year: 37.3 million). The decline results essentially from the business volume that was reduced in comparison to the previous year.

The cutback in working capital, already initiated in the previous year, continues to be pressed ahead in 2009. The liquidity-related impact, however, was less than in the previous year.



Cash flow from investment activity

The cash inflow from investment activity totalling 82.3 million euros (previous year: minus 35.5 million) has evolved, on the one hand, through the disposal of shares in the TPK holding. On the other hand, these cash inflows are seen vis-à-vis expenses for tangible fixed assets, above all.

The cash inflow from the disposal of shares in TPK amounted to 92.3 million euros in 2009. In the previous year, a cash inflow of 8.0 million euros was achieved by dint of the disposal of shares in the company.

For the buyback of shares in affiliated companies, a final payment of 0.5 million euros still had to be effected in 2009.

The cash-relevant changes in fixed assets and immaterial assets added up to 11.2 million euros, following 40.8 million euros in the previous year.

Cash flow from financing activity

Due to the systematic repayment of loans, the cash outflow from financing activities amounted to 96.6 million euros in the reporting year (previous year: minus 8.3 million). Alongside the repayment of credit lines, the repayment of the syndicated loan by Balda AG should be mentioned here in particular.

In the case of the bonded loan, a remaining amount of 22.5 million euros was returned in 2009. Balda already repaid 15.3 million euros in the previous year. Thus the bonded loan has been completely repaid.

The extensive amortisation of the bank loans has been facilitated through the positive cash flows and the proceeds from the disposal of the TPK shares.

Cash-relevant changes of cash and cash equivalents

Cash and cash equivalents in the continued operations amounted to 44.2 million euros at the end of the financial year (previous year: 36.7 million). In the discontinued operations, the cash and cash equivalents sunk to 0.1 million euros from 0.7 million euros at the end of 2008.

Funding and liquidity requirements

The funding of Balda Group is comprised of various short-term and long-term financing instruments. These essentially include credit lines from banks and a longer-term loan (convertible profit participation right). Additional liquidity sources are currencies and the future cash inflows from operating activities.

Credit lines totalling at present 20.3 million euros are available to the Group. As of 31 December 2009, 12.9 million euros thereof have been drawn down. The liquidity requirements include, among other things, the scheduled servicing of financial debts and the ongoing coverage of operational activities.

The financing of the individual affiliated companies of the Group is completed in a decentralised way. As loans are always taken in the operational currency of the Group company, the Group achieves a minimisation of currency risk.

The interest rate risk is to be classified as low owing to the short maturities of the loans.

The issued convertible profit participation right has been posted as a loan at 32.5 million euros in long-term liabilities at the end of 2009. The profit participation right yields a fixed rate of interest of 8 percent. The payment of interest is subject to the condition that the Balda Group has used up its loss carried forward and that, beyond that, the positive annual result will be covering the outstanding interest payments.

Financial Situation / Investments

Beijing Construction Started

Investment activity is following the Group's new strategic alignment. The construction of the production location in Beijing is going according to plan. Overall, the Group's investments fell considerably compared to the previous year.

In the financial year 2009, the focus was on the construction of the location in Beijing. Overall, the Group invested 9.8 million euros in the period under review (previous year: 39.2 million euros). In the previous year this included TPK with 24.7 million euros. Adjusted for the TPK effect, the investment volume in 2009 was slightly below the previous year's level. Balda invested 8.8 million euros in the Beijing and Suzhou plants (previous year: 6.8 million euros). Most of this expenditure is for the construction of the production location in Beijing. The investments in the Electronics products and Medical divisions totalling 0.9 million euros primarily related to replacement investments.

Tangible assets

In tangible assets, the Balda Group invested a total of 9.7 million euros in continued operations (previous year not including TPK: 14.0 million euros). Around 3.7 million euros were for the acquisition of property rights and the construction of buildings, while 3.4 million euros were for technical equipment and machinery. Advance payments and construction in progress amounted to 2.1 million euros (previous year not including TPK: 0.3 million euros).

Asset Situation / Balance Sheet Structure Group

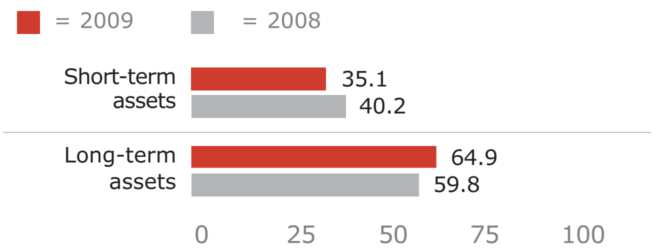
Equity Ratio Nearly Doubled

The balance sheet total of Balda Group has fallen from 300.4 million euros in the previous year to 249.3 millions as of 31 December 2009. Both long-term and short-term assets were clearly depressed. Balda's equity ratio increased to 63.9 percent as of the 2009 balance sheet date (previous year: 33.5 percent).

Balda Group posted a balance sheet total amounting to 249.3 million euros as of 31 December 2009 (balance sheet date 2008: 300.4 million). Above all, the disposal of shares in the interest held in the touch screen producer TPK, given the concurrent repayment of bank liabilities, has led to this effect.

The long-term assets are almost entirely covered by equity capital. Including the long-term liabilities, a cover ratio of around 121 percent ensues.

Asset structure (in percent)



The TPK interest of 20.875 percent to the year-end is posted in the balance sheet under the "Interest in associated companies" item. Balda reintegrated the Medical business into the Group's continued operations in the third quarter of the reporting period. The Group had posted the assets of Balda Medical as discontinued operation under the "Assets kept for disposal" item in 2008. The Balda Grundstück with the property in Bad Oeynhausen also belongs to the Group's continued operations again as of the third quarter of 2009. The Balda Group disposed of the shares in the intermediate holding DLB Deutschland GmbH & Co. KG (previously, Balda-

Lumberg GmbH & Co. KG) at the end of 2009. Thus, the Brazilian companies in Sao Paulo and Manaus do not belong to the companies to be consolidated anymore in the consolidated accounts of 2009.

Drop in long-term assets

Long-term assets sank to 161.9 million euros as of the 2009 balance sheet date (year end 2008: 179.6 million).

Fixed assets increased to 63.9 million euros as of 31 December 2009 (previous year: 50.2 million). The increase is primarily due to the integration of Balda Medical and Balda Grundstück in the continued operations of Balda Group. This pertains in particular to the "Properties and buildings" item, which increased from 12.6 million euros in the previous year to 26.6 million as of the 2009 balance sheet date.

The goodwill, or company value, fell by 6.7 million euros to 40.0 million euros (31 December 2008: 46.7 million). In the context of the disposal of TPK shares, a proportionate disposal of goodwill or company value was recorded. Currency fluctuations based on the balance sheet date, however, resulted in an appreciation.

In terms of financial assets, the "Interest in associated companies" item, assigned entirely to TPK, has been reduced by 26.1 million euros to 46.2 million euros (31 December 2008: 72.3 million). The change is comprised essentially of a disposal of assets owing to the reduction of the shareholding quota. The annual result of TPK has been posted in the investment book value.

In total, the financial assets amounted to 47.5 million euros (previous year: 74.5 million) as of 31 December 2009.

Significant drop in short-term assets

Short-term assets dropped by 33.4 million to 87.4 million euros as of 31 December 2009 (previous year: 120.8 million). Essentially, the decline is a result of the regrouping of Balda Grundstück and Balda Medical into continued operations. The assets in their entirety, especially properties and buildings, have been consolidated under the "Assets kept for disposal" item in 2008. Due to the reintegration of the companies into the continued operations, these assets are assigned to the individual balance sheet items again and thus to long-term assets as well.

Liabilities from deliveries and services sank to 21.2 million euros as of 31 December 2009 (previous year: 27.6 million). Low sales revenues in the final quarter of the reporting period, compared to the previous year's period, caused the decline.

Liquid assets rose by 7.5 million euros, or 20.4 percent, to 44.2 million euros as of 31 December 2009, from 36.7 million euros as of the 2008 balance sheet date. The increase follows from the disposal of TPK shares, among other things.

Due to the regrouping described above and the disposal of the Brazilian units, the assets kept for disposal have been reduced.

On the liabilities side, the equity has risen considerably as of the 2009 balance sheet date. The short-termed liabilities were able to be considerably reduced owing to amortisation payments.

Equity ratio nearly doubled

The Group's equity capitalisation has risen considerably, to 159.2 million euros (31 December 2008: 100.6 million). This equals a rise by 58.6 million euros, or 58.3 percent.

The capital stock of Balda has not changed and amounted to 54.157 million euros as of end of 2009.

The net loss was reduced to 57.7 million euros as of the balance sheet date of the reporting period (31 December 2008: minus 106.9 million euros). The reason lies in the markedly positive annual result amounting to 49.3 million euros (previous year: annual deficit adding up to 52.3 million euros).

The equity ratio rose to 63.9 percent, primarily due to the high annual net profit and the reduced balance sheet total, as of 31 December 2009. The ratio almost doubled, compared to the previous year of 33.5 percent.

Short-term liabilities considerably reduced

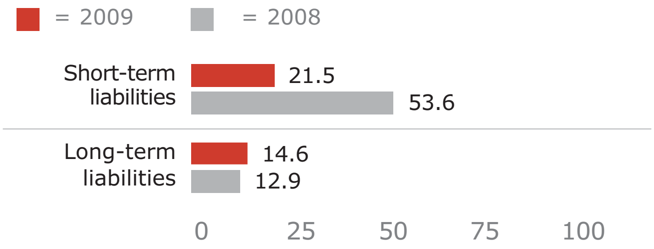
Short-term liabilities sank by 107.5 million euros to 53.6 million euros as of the 2009 balance sheet date (31 December 2008: 161.1 million).

The drop derives essentially from the repayment of short-term financial liabilities. The repayment of the syndicated loan and the bonded loan, as well as the systematic repayment of the credit lines in Asia, are reported under the "Short-term liabilities to banks and short-term proportion of long-term credits" item. The item shows a value of 6.5 million euros (previous year: 100.7 million) as of 31 December 2009.

The "Other short-term liabilities" item rose to 14.9 million euros (31 December 2008: 10.9 million). The reason for the increase by 4.0 million euros was essentially the reintegration of Balda Medical and Balda Grundstück in the continued operations of the Group.

Owing to the increased tool business in the MobileCom segment, the payments received rose to 4.1 million euros as of 31 December 2009.

Structure of liabilities (in percent)



Tax liabilities declined, essentially owing to payments to the tax authorities, to 8.6 million euros (31 December 2008: 10.3 million euros).

The regrouping of the Balda Medical and Balda Grundstück companies into the continued operations as well as the disposal of the Brazilian companies led to a reduction of "Liabilities kept for disposal".

Net financial liabilities

The net financial liabilities include all liabilities to banks, leasing liabilities and deposits received, balanced by the liquid assets. They fell from 102.0 million euros in 2008 to 2.4 million euros in the reporting period. The decrease reflects the Group's high amortisation payments of bank liabilities. The ratio of net financial liabilities to equity capital of the Group (without the shares of other stockholders), also known as net gearing, decreased from 103.9 percent in the previous year to 1.5 percent as of the 2009 balance sheet date.

Asset Situation / Balance Sheet Structure AG

Equity Ratio Increased

The balance sheet total of Balda AG has decreased to 198.6 million euros (previous year: 203.9 million). This represents a drop of 5.3 million euros, or 2.6 percent.

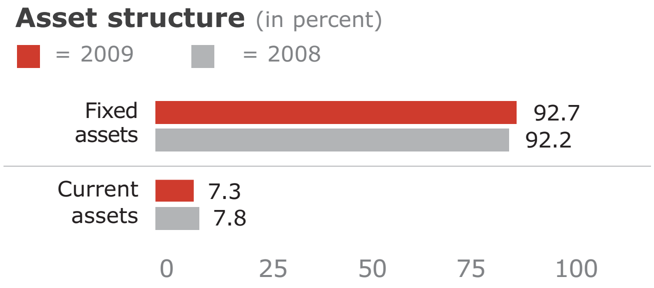
On the asset side of the balance sheet, in the non-current assets, the immaterial assets and tangible fixed assets have been reduced due to depreciation.

The shares in associated companies stayed constant at 183.4 million euros.

Lending to associated companies declined by 2.9 million euros, owing to the repayment of a loan, to 0.068 million euros (previous year: 3.0 million).

The current assets have fallen from 15.7 million euros to 14.4 million euros in total. This equals a drop by 8.3 percent.

Accounts receivable against associated companies rose by 2.2 million euros to 11.0 million euros (previous year: 8.8 million). The rise is due primarily to the profit and loss transfer of Balda Medical.



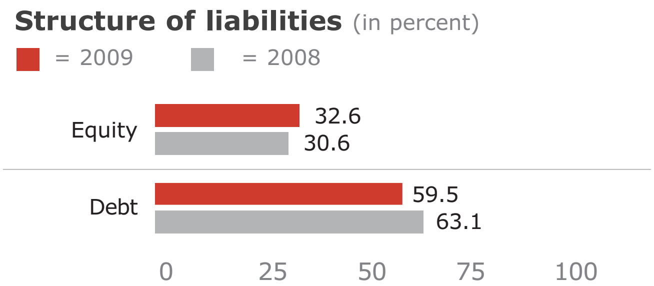
The cash on hand as well as deposits at banks dropped from 6.0 million euros at the end of 2008 to 2.9 million euros as of the 2009 balance sheet date. This equals a decline of 3.1 million euros. Essentially, the reasons are interest and amortisation payments.

Equity increased

On the liabilities side of the balance sheet, the equity of the AG has grown from 62.3 million to 64.8 million euros. The rise results from an annual net profit in 2009 that is clearly positive, at 2.5 million euros compared to 2008 (previous year: annual deficit in the amount of 53.4 million euros). The equity ratio has risen to 32.6 percent (previous year: 30.6 percent) as of the balance sheet date.

Provisions have increased from 13.0 million euros at the end of 2008 to 15.6 million euros a of the 2009 balance sheet date. The addition results essentially from a reposting of interest liabilities from liabilities.

Liabilities have shrunk to 118.1 million euros, from 128.6 million euros, as of 31 December 2009.



By dint of the scheduled repayment of a loan, the value of the loans has diminished by 5.0 million to 34.2 million euros (previous year: 39.2 million euros) in the reporting period.

The AG has completely repaid the liabilities to banks in the 2009 financial year. The item was composed essentially of a bonded loan and a syndicated loan amounting to 77.4 million euros in the previous year. The amortisation of the loans was financed by a new loan taken with an affiliated company.

Due to the loan taken out, liabilities to associated companies rose from 5.6 million euros at the end of 2008 to 83.0 million euros as of the 2009 balance sheet date.

Supplementary Report

Stake in TPK Decreased Even More

Macroeconomic development

The mood in view of the development of the global economy improved in the first months of 2010. The Munich ifo Institute's indicator for the business climate in the global economy has risen from 91.4 points in the autumn of 2009 to 99.5 points in February 2010. The reason is to be seen primarily in the positive development in Asia. The economies in the industrialised nations will be following at a slower pace, according to the forecast by experts at the International Monetary Fund (IMF).

In the euro zone as well as in Germany, the industrial sector surprised with a forceful upswing in mood in February 2010. In the euro zone, the Markit purchasing manager index for industry rose to 54.1 points (January 2010: 52.4). For the German industrial sector, the Markit market research institute determined an index of 57.1 points in February, following 53.7 points in January of the current year. All in all, following an initial phase of confidence, the dominant mood in the German economy is clouded again. The business climate index of the Munich ifo Institute dropped from 95.8 points in January to 95.2 points in February.

U.S. plans a record level of debt

In the United States, the mood lightened at the onset of the year due to a rise in production after a strong fourth quarter of 2009. To continue to boost the American economy, new borrowing is to reach a record high of 1.56 trillion dollars in 2010.

The turmoil in Greece since the onset of 2010 has put pressure on the external value of the euro. In addition, the fact that the growth of the U.S. economy during the second half of 2009 was stronger than that of the euro zone has had a negative impact on the euro's exchange rate. The euro has dropped about ten percent compared to the U.S. dollar since December 2009.

Option: Balda returns to the SDax

Owing to the positive development of the share price as well as trade volumes, Deutsche Börse AG has listed the shares of Balda AG in the stock market segment of SDax again in its meeting on 3 March 2010. The re-listing in the small caps segment will presumably add to the attention paid to the Balda shares by the investment community.

Stake in TPK at 19.25 percent

After Balda disposed of 17.125 percent of their interest held in the touch screen producer TPK in December of last year, the Group reduced its interest by another 1.625 percent in January and February 2010. After the conclusion of the disposals, Balda Group still holds a 19.25 percent interest in the TPK touch screen company.

Transfer of voting rights

The voting rights of Max Gain Management Ltd. in Balda AG fell below the threshold of 3, 5, 10, 15, 20 and 25 percent on 7 January. The shareholder Max Gain Management Ltd. has transferred its entire share property amounting to 29.99 percent to Yield Return Investments Ltd.

Sapinda International voting rights

According to § 26 para 1 WpHG, Balda AG published a press release on 3 March 2010. The former shareholder, Sapinda International, informed Balda AG in a notification delivered in the calendar week 8 about the change of its voting rights in Balda AG. According to the notification, Sapinda International has not held any Balda AG shares for two years, since February 2008.

Road show presents new structure

Balda presented the new corporate structure and new corporate strategy to several institutional investors in Frankfurt, Copenhagen and London in a road show in January 2010.

Risk of litigation: District Court decides in favour of Balda AG

In February 2010, Balda AG and the tax authorities agreed on the sum of a rest tax payment of 6.0 million euros resulting from an audit by the fiscal authorities pertaining to the time period 2003 to 2006. Balda has made provisions in the amount of 6.0 million euros.

In the legal action concerning claims for damages from aforementioned payment of tax arrears because of incorrect advice against a former consultant of Balda, the Cologne District Court has essentially followed the motions brought forward by Balda AG. In February, the District Court determined that the defendant is obligated on its merits to pay damages to Balda AG for the damage arising to Balda AG through the neglect of the obligation to advise its customer properly. The ruling has not come into effect yet (q.v. Group management report / Risk report, "Risk of litigation").

Moreover, there are no changes known presently that could have an impact on the result situation or financial situation of the Balda Group.

Internal Control System (ICS) Relating to Accounting

Internal Control System (ICS)

The Board of Directors of Balda AG bears the responsibility for implementing and maintaining proper internal accounting controls. The effectiveness of the ICS is being monitored by the Supervisory Board according to the requirements of the Accounting Law Reform Act, which came into effect in May 2009. The overall in-house control framework of Balda AG is conceived in such a way that it will guarantee to the Board of Directors and the Supervisory Board sufficient security in terms of the reliability of the financial reporting and of the preparation of the consolidated financial statement for external purposes, in compliance with the IFRS.

The ICS relating to accounting regulates the principles, procedures and measures for assuring compliance of the Group accounting of Balda. Internal controls that have been determined in terms of risk considerations are embedded into the accounting process.

Structures, processes and control

The Finances Division of Balda AG, in conjunction with the Accounting and Controlling Departments, directs the Group's processes of accounting. Uniform guidelines for the Group's balancing apply for accounting, bookkeeping as well as controlling across the entire corporation. They have been established in the Group's Accounting Manual. The Accounting Department conducts a continual analysis of legal statutes, the applicable accounting standards according to IFRS, as well as other official statements in terms of their relevance and impact on the consolidated accounts. Relevant requirements are entered into the guidelines for the Group's balancing of accounts. These regulations are communicated promptly throughout the corporation. In conjunction with Balda AG's company-wide applicable accounts calendar, they form the basis for the process of preparing the year-end accounts.

In addition, at Balda, complementary procedural requirements, standardised reporting formats, as well as an IT system that is identical company-wide, and IT-supported reporting and consolidation processes support the course of a uniform and proper accounting in the corporation. Accounting data that has been received or forwarded is checked continually for completeness and accuracy, for example: by sampling.

The reporting in the Group is based on an ERP system that is uniform throughout the entire corporation. The operationally active companies deliver consistently defined reports to the Group Controlling of Balda AG on a monthly basis. The reports are based on a uniform accounts system. The reports already contain consistently programmed plausibility checks. Beyond that, suitable procedures ensure the company-wide and uniform implementation of the requirements for reporting. Plausibility checks, analyses in the form of period comparisons and time series comparisons, as well as analyses of individual items in the P&L statement, are employed in particular, along with inquiries made to those persons in charge of accounting and bookkeeping at the operationally active units. The Controlling Department of the Holding discusses differences with the responsible departments located in the segments. Local accounts departments are responsible for the proper bookkeeping and financial statement of the operational companies.

The Group Controlling aggregates the figures according to segments and prepares them for the primary decision maker: the Board of Directors. In particular, these comprise the key performance indicators of sales volume, EBIT and EBT, investments as well as segment assets (quarterly) and the number of employees. An aggregated Group reporting is conducted on a quarterly basis, with the profit-and-loss statement, balance sheet, investments and cash flow. The Board of Directors reports to the Supervisory Board on a monthly basis.

The employees who are involved in the accounting process of Balda Group undergo training on a regular basis. The Group's companies in the segments are responsible for compliance with the guidelines and procedures that are applicable across the entire Group and for the orderly and timely processing of their accounting processes and systems. Contact persons from the Holding, who are reachable in a centralised manner, support the local companies throughout the entire accounting process.

Internal controls that have been determined in terms of risk considerations are built into the accounting process of Balda Group. The ICS of Balda relating to accounting includes preventive as well as detection control elements. They are comprised of a systematic separation of functions and IT-based and manual coordination. Furthermore, the ICS at Balda works according to the four-eye principle and with general IT controls. The finance systems that are deployed are protected against unauthorised access by dint of suitable equipment in the IT area. An in-house access authorisation system and its constant monitoring guarantee that no unauthorised access can be made.

The departments involved in the accounting process are adequately equipped in terms of both quantity and quality. Qualified external consultants will be drawn upon should bottlenecks occur.

The four-eye principle is applied to all accounting processes.

In-house auditing system

Balda Group's Auditing Department is responsible for the independent examination of the effectiveness and quality assurance that the ICS is providing. The Department is closely involved throughout all levels of the procedure. Factoring in risks in the consolidated accounts and the accounting process also constitutes the object of the planning and examinations by the Auditing Department.

The Auditing Department possesses an extensive right to information, examination and access, so as to be able to conduct its tasks. It conducts an audit of all essentially operationally active companies at least once a year. It follows the American Sarbanes-Oxley system. Inasmuch as local needs require, external consultants support the Auditing Department of Balda.

The internal control system in terms of the accounting process, whose main features were described above, ensures that business transactions are always correctly posted on the balance sheet, prepared and assessed and adopted in the financial statement. Basically, however, the following holds true for every internal control system: regardless of its tangible form, there is no definitive certainty in terms of achieving the objectives of the system. In terms of the ICS relating to accounting, there can only be a relative, yet never a definitive certainty for the avoidance or the detection of fundamentally wrong statements in the financial statement.

No essential changes of the ICS have taken place subsequent to the 2009 balance sheet date up to the compilation of the management report.

Risk and Opportunities Report

Effective Organisation of Risk Management in the Balda Group

The Balda Group's comprehensive risk management system has proven its worth in the past difficult financial year. The transparent treatment of individual risks enables appropriate control of the risk situation.

The Balda Group is confronted with various internal and external opportunities and risks. The task of taking advantage of opportunities while managing the risks associated with them is a priority for Balda's management. The company's risk management department systematically identifies, evaluates and tracks the development of relevant risks.

As an international company, the Balda Group is exposed to various risk areas. The causes of the risks to be considered can be found in the active handling or mishandling of affairs. These can threaten the company's success or its existence.

Balda has established measures for the early identification, monitoring and control of risks and concentrated these in a risk management system. The company carries out monthly variance and trend analyses and weekly project reviews for the early identification of operational risks. If the evaluated results reveal negative trends, the regional management and Group management immediately introduce measures of control. The identification, knowledge of the progress, monitoring and possible control of risks is a high priority for the company's Board of Directors.

Group Audit is responsible for regularly checking the risk management system and consists of an internal department supported by external consultants. It reports periodically on its results to the Board of Directors. The procedure is a system that leans on USA's Sarbanes-Oxley Act and is firmly integrated into the Balda Group's risk management.

The Balda Group's principle of regional management is also established in the risk management system, with the companies and managers in the Group's segments being actively involved in the tracking and assessing of relevant risks. As part of the planning, control and reporting process in the Balda Group, monthly reports by segment are presented to the Board of Directors of the holding company. The Board of Directors passes on relevant information to the Supervisory Board. If necessary, early discussions take place between the Board of Directors and the Supervisory Board. The reports of the segments are consolidated in the holding company and among other things deviations from the budget and previous assessments are analysed. The probability of risks occurring and the chances of them being influenced by suitable measures are also an aspect of the reporting. After the risks have been assessed, the Board of Directors is responsible for decisions relating to intervention.

Environmental and sector risks

General economic opportunities and risks

General economic conditions may result in risks for the Balda Group as an internationally operating company.

The real economy found itself in a global recession in the financial year 2009. The future development of the global economy may also result in risks for the company. Global economic output is likely to slowly stabilise in 2010. After global gross domestic product fell by 0.8 percent in 2009, economists are forecasting a growth rate of 3.8 percent for 2010. With this forecast, the economists are assuming that the risks relating to the global financial crisis will not increase, but slowly decrease. However, risks relating to an economic downturn continue to exist. If the economy does not largely recover from the financial crisis in 2010, this may result in negative rebound effects. In 2009, the scope for monetary and fiscal policies to provide support reduced considerably, meaning there is now less scope for further government economic programmes. The assumed slight general economic revival would also be threatened if major countries implemented their policies of fiscal consolidation too soon. Tax increases, interest rates being raised too quickly by issuing banks and sharp rises in unemployment could have a long-term negative impact on opportunities for growth. Due to these uncertainties, the occurrence of risks relating to the general economic environment cannot be ruled out in 2010.

Sales risks

The effects of the financial crisis and the recession are difficult to predict. A further decline in economic development could reduce demand from private households and trade and industry for mobile phones and electronics products in particular. This risk factor could have a negative impact on Balda’s sales volumes.

Standard rate of exchange

Risks could arise if the standard rate of exchange between the euro and the US dollar changes. The Balda Group’s sales invoiced in the American currency could diminish if the US dollar weakens further.

Rising inflation due to the increased amount of money in circulation worldwide in 2009 represents a further risk. It could make the purchase of raw materials, and in particular bought-in electronics parts and plastics, more expensive for the company. If the company is unable to implement higher prices in the market, the margins would fall.

Political risks

Globally active companies are constantly exposed to risk factors relating to the global political situation. The high national debt of countries worldwide, in conjunction with possible tax increases, could hinder the further global development of consumption and reduce sales for the Balda Group.

Examples here include the military conflicts in Afghanistan, Iraq and the Middle East and the smouldering conflicts between India and Pakistan and between the USA and Iran. If these areas of conflict worsened, they would make the price of crude oil and other raw materials more expensive. They put a strain on stock exchanges across the world, make it more difficult to acquire capital and have a negative impact on consumption. In particular, sales of mobile phones and other end devices could be threatened.

Restrictive EU or German laws for mobile phone frequencies and for mobile phones in general due to possible health risks could have a negative impact on the sales situation of the Balda Group.

Furthermore, higher wages, incidental wage costs and taxes, as well as restrictive national laws, for example in the area of environment, could occur at any Balda location. The resultant risks could also affect the Group's competitors.

Market risks

As a global Group, Balda is dependent on the development of the international economy. The company counters these market risks with a bundle of measures. For example, in order to keep sales risks to a minimum, the Group adjusts its capacity as far as necessary. Its international presence makes Balda less vulnerable to regional crises.

The development of demand in the global market for mobile phones represents a particular risk factor for Balda. The Group achieved around 61 percent of its sales in the MobileCom division in 2009. The company is expecting lower growth in the global mobile phone market in 2010. Attractive products from Balda's customers in lower-price segments, successful innovation and additional performance features in high-quality mobile phones are necessary for a slight increase in sales. In particular, the emerging countries of Russia, China and India also offer opportunities for growth in 2010 from the sale of inexpensive products. In the saturated markets of Western Europe, however, a positive increase in the value of sales can, at best, be expected with the number of units sold remaining static.

Thanks to Balda's increasingly differentiated product and customer structure, sales risks are restricted to sub-markets.

Price risks

More intense competition among manufacturers and suppliers in the communications and mobile phone sector also represents a risk for Balda in the financial year 2010. Should this situation arise, a fall in sales could intensify competition. Such a development in the industry could neutralise planned volume increases through price reductions and put pressure on the Group's sales and earnings.

The mobile phone manufacturers could place increased price pressure on suppliers if prices continue to fall due to competitive sales markets. Depending on the market situation, purchase prices for raw materials and energy may fluctuate considerably. It is likely that Balda will be able to pass on higher costs of raw materials and purchased components to customers.

A further risk is represented by the market acceptance of the products for which the Group supplies components and subassemblies. Balda has no influence over the acceptance by consumers and success of devices newly introduced to the market, with the exception of individual products. In this area, the company is completely reliant on the expertise of its customers.

Competitive risks in the sector

Competition among suppliers and system partners in the mobile phone and telecommunications sector continues to intensify. Worldwide overcapacity is putting pressure particularly on prices in the MobileCom division. The resultant risks have an effect not only on the number of orders placed but also on the margins of the Balda Group.

Corporate strategy risks

Further diversifications

Every case of diversification is associated with risks. The MobileCom division plans the development and manufacturing of components of plastic and new product types. Balda's product portfolio in Malaysia includes accessories for mobile phones such as headsets and hands-free sets and portable high-performance loud speakers. The company also produces digital cameras and devices with touch screen control for the entertainment electronics market on behalf of customers. For manufacturers and the accessories trade in the automotive market, the company produces control-measurement systems and control measuring devices for tyre pressure. The management and R&D department in Malaysia continue to develop the product programme in a selective and targeted manner. The development of new markets with new products and the associated acquisition of new customers always contain risks.

Risks relating to foreign activities

There are risks relating to the international cooperation between the different Group locations due to possible differences in specific individual interests, different goals and strategies. Balda maintains open and intensive dialogue with its partners in the subsidiaries. The Group limits risks relating to its foreign commitments by using international legal advisors and lawyers who specialise in international contract law. Regular strategy meetings ensure actuality.

Technology risks

Uncalculated cost fluctuations in production and development could represent a risk. This risk is reduced as a result of the increasingly customer-specific order handling. Balda is involved intensively in the customer's development process and the requirements of customers are identified comparatively early on. The Group is also collaborating in development with external partners. As a result, the Group can better assess the technological development and minimise the resultant risks.

Operating risks

Customer risks

The success of the Group depends, as explained above, largely on the market success of Balda's customers. Due to market structures, Balda works with a small number of customers in the MobileCom division. One customer has a very high proportion of its production volume in China. Risks relating to this structure could increase considerably due to a reduction or growth in business volume with one of these major customers. The increasing global economic and sales situation, the growing complexity of products and rising customer requirements increase the default risk of such major customers. The strategy of technological diversification reduces these risks by opening up new customers and new markets. The risk situation is similar in medical technology.

Supplier and procurement risks

The major manufacturers in the area of consumer electronics largely determine from which producers their suppliers should procure the raw materials and components they require. Often, the ordering customer purchases the raw materials for Balda. For example, this is the case with plastic granulate and paint. If there are delivery difficulties with one of these suppliers, the Balda Group typically does not have a liability obligation towards the manufacturer. On the other hand, there is a risk that such delivery difficulties could result in lost revenue. In this event, the Balda Group can recommend alternative suppliers. Balda carefully audits its suppliers in respect to the quality of the products supplied and on-time delivery. Consignment stores belonging to the suppliers close to the production sites further reduce storage risk for the Group. Balda largely secures prices for purchased goods through individual customer agreements, sliding-price clauses, for example. If there are any price increases, the major customers in some cases also bear the costs.

The individual segments are responsible for controlling the supplier and procurement risks. Relevant developments are brought up in the Group risk report.

Capacity utilisation risks

The mobile phone industry and the consumer electronics market are basically exposed to seasonal fluctuations. Balda's customers expect the delivery of large quantities with a very short lead-time without guaranteed purchase quantities. The provision of production capacities and qualified staff is capital intensive. Herein lies a risk for the Balda Group. The Group employs temporary workers in peak periods. Fluctuations in demand are controlled by this flexibility of employing temporary workers. Balda also counters this risk by planning as precisely as possible and adjusting capacities in constant consultation with the customer, taking into account the general market developments.

Risks relating to the new production plant

In 2010, Balda will be building a modern production plant for the MobileCom division in Beijing for the processing of high-performance plastics for smaller product formats. With the new production, Balda is positioning itself more strongly for mass production in its core business in the MobileCom market and doubling its capacity. A possible fall in demand for mobile phones caused by a continued economic recession could threaten the utilisation of the new capacity created by the building of the plant. However, this risk has already been countered by new orders. In addition, a diversification of the product portfolio is also intended.

Personnel risks

Committed and competent employees and managers are a key factor for success for Balda. The Balda Group has a high level of demand for international experts and managers with technical or sector-specific know-how. There is a risk that specialist experts and managers in key positions will leave the company. International managers and well-educated specialist experts are currently sought after across sectors and to some degree across countries. The Balda Group is competing here in a global market. Balda positions itself as an attractive employer and encourages employees to remain long term with the Group.

Financial risks

Capital market and financing risks

After the repayment of short-term bank loans by the holding company in the fourth quarter of 2009, there is no longer a significant financing risk at the end of 2009 and for the financial year 2010. With respect to financing with matching maturities, we refer to the remarks of the financial situation.

Nominally around 34.0 million euros for long-term liabilities relating to a loan are not due until 2013. Interest is fixed at 8.0 percent. A further risk might exist in the termination prior to maturity by the creditors of credit lines granted to the Group from abroad, particularly from China. The Board of Directors is currently in negotiations with a major German bank in relation to a global credit line. The subsidiaries in China are naturally also integrated into this group.

The fixed interest rate of the long-term liabilities and the low short-term credit volume with the banks represent only a small interest risk in the Group.

Own capital procurement

A further risk could lie in the procurement of own capital. On the one hand, the Board of Directors was authorised by the annual general meeting 2007, with the approval of the Supervisory Board, to increase the registered capital by up to 16.9 million euros by August 2012 and to procure conditional capital up to 19.7 million euros. On the other hand, the current share price is unlikely to allow any profitable capital measures.

Foreign currency risks

As a Group with a global presence, Balda is also exposed to currency risks. The holding company and the controlling departments of the operative units constantly monitor relevant market developments. The risks are limited by consolidating the payment flows in foreign currencies. Currency hedging in the operative business is handled via currency forwards. They are of secondary importance to the Group.

Legal risks

Legal risk 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.

For key procedures relevant to the company, Balda employs its own in-house lawyers in Europe and Asia. External specialists support them if necessary.

There were no significant legal disputes in the period under review.

Litigation risks

An audit in 2008 identified the risk of a considerable payment of tax arrears. In the period under review, Balda discussed the facts intensively with the financial authorities. The company is of the view that this is due to a consultative error and has in turn legally asserted a claim for damages against a previous consultant (see "Supplementary Report"). Presumably no further litigation risk exists.

Liability risks

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

Other risks

Environmental risks

The Balda Group minimises environmental risks with quality assurance and environmental protection measures. Comprehensive production and environmental protection measures ensure that the company produces the products as environmentally conscious as possible and complies with environmental regulations.

All of the companies in the Balda Group have a certified environmental management system in accordance with DIN EN ISO 14001. There are no significant environmental risks (see also the chapter “Environment”).

IT risks

The use of the indispensable instruments of information technology can represent a risk. Technical breakdowns or unauthorised internal and external access to IT systems can create risks. By outsourcing parts of the infrastructure to an internationally active computer centre, the Group has prevented the systems from failing. Security systems and firewalls protect the Group’s IT systems from being accessed by unauthorised third parties. The compatibility of the systems in the Balda Group is ensured by the implementation of a standard ERP system throughout almost the entire Group. The responsibility for the management of information technology lies with the management of the Group's regions.

Organisational risks

Under the umbrella of Balda AG, CEOs have been established in the Group regions of China, Malaysia and Germany and they are responsible for operational management and results in their own segments. The development of the structures and responsibilities in the segments has considerably strengthened Balda’s proximity to its customers. With the principle of a regional organisation, the Group is following the responsibilities and authority of its customers. There are currently no noticeable risks in the given organisational form.

Overall risk

Like any internationally active company, Balda has to deal with various risks in addition to numerous opportunities. The maintenance of the earning power of the MobileCom business in Asia and the increasing of the customer base and turnover volume are of crucial importance for the further development of the Balda Group. The Group confronts these risk factors with the systematic and further development of the technologies and capacities currently available. The internal tasks and processes only carried a low risk in the past and this will also be the case in future. Balda has taken sufficient precautions against normal business risks, which might have a negative impact on the development of the Group.

Overall, there are no risks that threaten the existence of the Balda Group. Effective and customised control of all of the risk categories contributes towards the overall limiting of the risks in the Group. The overall risk situation therefore remains manageable.

Opportunities report

In summary, the new strategic alignment of the Balda AG with separately operating, yet closely linked strategic business units provides not only risks but also considerable opportunities.

Balda Medical, which since the third quarter of 2009 has been part the Balda Group's core business again and is growing profitably, strengthens the new positioning. The German medical technology market has proven itself according to the industry association for German medical manufacturers, SPECTARIS, as particularly crisis-proof. The association assesses the prospects for 2010 as positive.

The diversification into Bluetooth technology and new electronics products also provides the company with additional opportunities for growth.

From the middle of 2010, the Balda Group will have around 31,000 sqm of production space with state-of-the-art production technologies in Beijing. The China segment is therefore resolutely following the changes in market conditions. In the future, the new production plant will hold enough capacity for mass production. Balda will also have the opportunity to produce new products for new customers and markets.

Together with Suzhou, the China segment will have around 50,000 sqm of production space from the middle of the current financial year.

Forecast

Balda Is Planning an Increase in Sales of 10 to 15 Percent With Stable EBIT

The available forecasts for 2010 are seeing a stabilisation of the global economy, slightly above the level of 2009.

Prospects for the economic development in 2010 in the globally leading economies are more favourable than in 2009. The International Monetary Fund (IMF) forecasts global growth of 3.8 percent (previous year: minus 0.8 percent). In the United States, economists anticipate an economic performance, boosted among other things by stimulus packages, of plus 2.7 percent (2009: minus 2.5 percent). The gross domestic product (GDP) of the economy driver China should grow by about 10.0 percent, according to the IMF (previous year: 9.0 percent). Europe, in contrast, will rebound from the crisis at a markedly slower pace. IMF experts expect only slight growth in economic performance, standing at about 1.0 percent for the euro zone in 2010, after a decline by 4.0 percent in the previous year. For Germany, the Federal Government predicts an economic plus of 1.5 percent (2009: minus 5.0 percent).

Although prospects for 2010 are more advantageous, the real economy is still burdened with the consequences and risks of the crisis in the financial markets.

Euro zone

Despite slight growth of the economic performance, economists in the euro zone anticipate a rise in the unemployment rate of up to 10.6 percent (2009: 9.6 percent). Especially vulnerable are the weak economies of Italy, Spain, Portugal and Greece. Due to the slow upturn in the global economy, the economists expect inflation to range from around 1.0 to 1.5 percent. The increase in the key interest rate by the European Central Bank is to be anticipated for the second quarter of this year, subsequent to the U.S. Federal Reserve raising the prime rate to 0.25 percent in February 2010.

Germany

The prospects for the macroeconomic development in Germany are uncertain. Tax incentives should strengthen the purchasing power of private households in 2010. In conjunction with state stimulus packages, the increased net income might make for a more robust growth of economic performance. Prerequisites are a stable labour market, without the unemployment rate rising dramatically, and, if need be, an extension of the effective laws for short-time work. Another positive impulse could come from a jump in incoming orders in the German industry.

According to the forecast by the Federal Ministry of Economy, the unemployment rate should stay stable at 3.7 million in 2010. The Institute for Macroeconomy and Economic Research (IMK) is anticipating the rate of price increases to stand at 0.8 percent.

The business climate index of the ifo Institute, in contrast, has fallen in February 2010 for the first time in several months.

United States

Following a greatly enlarged unemployment rate of well-nigh 10.0 percent in 2009, experts expect an unemployment rate of around 9.0 percent for 2010. The inflation rate should be at 1.6 percent in the coming months. The U.S. government budget is earmarking a record deficit amounting to 1.6 trillion dollars for the current budget year, equal to 10.6 percent of the GDP. A more favourable growth in private consumption in the United States could make a vital contribution to a rebound of the global economy. Nonetheless, the latest data indicate a decline in the propensity to buy in the United States.

China

The rapid economic rebound in the People's Republic of China prompted the government in early 2010 to establish a more restrictive lending policy. Parallel to the quick economic recovery, fears of rising inflation are growing. Goldman Sachs analysts forecast an inflation rate of up to 4.0 percent for 2010.

Development of the markets of Balda

MobileCom

Every sixth mobile phone in 2009 was a smartphone, according to the IDC market researchers. The current proportion of smartphones in the global market adds up to around 14 percent and will rise in the coming years, according to the assessment of the majority of industry observers. Also, the number of mobile devices with access to the Internet will continue to grow in the coming years. The increasing popularity of smartphones and the market launch of Apple's iPad tablet computer will boost the sales volume even more. Nokia, the world's largest producer of mobile telephones, forecasts a growth of the global mobile phone market of around 10 percent for 2010.

Electronic Products

Globally, electronic products benefit, on the one hand, from completely new technologies and on the other from innovative product categories. Examples for new technologies are HDTV television sets or three-dimensional television viewing. New product categories are, for instance, mobile music players (MP3 players), electronic books (EReader), the iPad from Apple and new classes of smartphones. They owe their continuing growth to the progressive miniaturisation of technology and an abundance of partly free software. Mobile communication is advancing quickly, inspired, among other things, by lower Internet user fees. Within the scope of this development, sales of accessory devices of mobile products are stepping up as well. These growth drivers will remain effective in 2010.

Medical

German medical technology has turned out to be particularly resistant to the crisis. The SPECTARIS industry association evaluates the overall prospects for 2010 as positive. Based on the data of a recent survey, SPECTARIS is expecting an upsurge in domestic sales of more than 1.5 percent and 2.0 percent abroad.

Future corporate situation of Balda Group

In 2010, the Balda Group will carry on the restructuring course adopted previously. Structural measures as well as a targeted reduction of further costs come into consideration. After the amortisation of short-term liabilities, financial expenditures will turn out to be considerably lower. The Group anticipates a profit on the same level as the 2009 financial year from TPK, despite its reduced interest in the company.

The China segment will have greater production capacities at its disposal as of the middle of 2010 owing to the completion of the first construction phase of the new plant. On the one hand, capacity utilisation should ensue through the resumption of mass production of mobile telephones. Targeted negotiations with customers are on the way. On the other hand, diversification into a new product area for a new market and new customers is on the agenda. The China segment expects two-digit growth in 2010.

The Malaysia location is in the final stage of development of four new electronic accessories products for mobile phones. Market introduction is planned for the second half of 2010. At the beginning of 2010, Balda Solutions Malaysia started production and delivery of two new wireless hands-free speaking systems and two new headsets, applying Bluetooth technology. In addition, delivery of an innovative portable multimedia device has begun. It integrates the functions radio, MP3 player and Internet. The customer is a European telephone network provider. An order for the production of nearly complete digital cameras started in December 2009 and will continue throughout 2010. The electronic products business segment is anticipating light growth in the 2010 financial year. The earnings break-even is expected in the course of the second quarter.

The sales level of the Germany segment, Balda Medical, is expected to remain stable in 2010. It has gained a new order from a European pharmaceutical company. The development of the product will be finalized in the course of 2010. The subsequent industrialization and volume production will not start until 2011 and will then contribute to revenue development.

In its three business segments, the Balda Group expects far better opportunities for profitable growth than in 2009, both on a medium and a long-term basis. Ongoing negotiations on the development and production of new projects are opening up new perspectives. The Group expects a slight recovery in the global economy for 2010, in particular in the global market for mobile telephony. Balda Group is reckoning a rise in sales volume of 10 to 15 percent with a concomitantly stable operational result (EBIT) and a clearly positive result before taxes (EBT) for the 2010 financial year. A continued rise in sales volume in all operations is expected also for the 2011 financial year. With increasing sales revenues, profit contributions will also rise.

Year-end Tables 2009
Balda Group

Balda Group – Balance Sheet as of 31 December 2009

ASSETS	Notes II.	31.12.2009 KEUR	31.12.2008 KEUR	1.1.2008 KEUR
A. Long-term assets				
I. Tangible assetsn	5.a.	63,868	50,152	122,445
1. Land and buildings		26,600	12,612	47,781
2. Machinery and equipment		31,422	32,800	53,613
3. Fixtures, furniture and office equipment		3,536	4,272	8,643
4. Advance payments and construction in progress		2,310	468	12,408
II. Goodwill	5.b.	39,984	46,678	70,216
III. Intangible assets	5.c.	3,110	4,118	65,963
IV. Financial assets	5.d.	47,495	74,453	15,247
1. Investments		1	1	1
2. Shares in associated companies		46,208	72,321	0
3. Other financial assets		1,286	2,131	15,246
V. Deferred taxes	5.e.	7,460	4,229	7,424
Long-term assets		**161,917**	**179,630**	**281,295**
B. Current assets				
I. Inventories	5.f.	14,477	13,468	23,922
1. Raw materials and supplies		4,472	4,418	11,416
2. Work in progress and finished goods and merchandise		9,608	7,965	10,457
3. Advance payments		397	1,085	2,049
II. Trade accounts receivable	5.g.	21,181	27,648	58,998
III. Other current assets	5.h.	6,962	6,140	14,566
IV. Tax refund	5.i.	443	625	1,306
V. Liquid assets	5.j.	44,194	36,687	42,921
VI. Assets classified as held for sale	5.k.	153	36,212	0
Current assets		**87,410**	**120,780**	**141,713**
Total assets		**249,327**	**300,410**	**423,008**

TOTAL LIABILITIES AND SHAREHOLDERS´ EQUITY		Notes II.	31.12.2009 KEUR	31.12.2008 KEUR	1.1.2008 KEUR
A. Shareholders´ equity					
I.	Subscribed share capital		54,157	54,157	54,157
II.	Reserves		160,543	150,935	144,570
III.	Net loss		-57,669	-106,926	-54,648
	1. Earnings		49,257	-52,278	-73,255
	2. Loss carried forward		-106,926	-54,648	18,607
Group shareholders´ equity		5.l.	157,031	98,166	144,079
Minority interest		5.m.	2,204	2,481	6,823
Total shareholders´ equity			**159,235**	**100,647**	**150,902**
B. Long-term liabilities					
I.	Long-term debt	5.n.	33,617	35,417	76,402
	1. Loans		32,525	32,196	36,897
	2. Bonded loans		0	0	29,669
	3. Bank loans		1,092	3,221	9,836
II.	Long-term finance lease obligations	5.o.	363	539	461
III.	Deferred taxes	5.p.	2,445	2,735	14,736
IV.	Long-term provisions/pension accruals	5.q.	75	2	1,857
V.	Other long-term liabilities		0	0	94
Long-term liabilities			**36,500**	**38,693**	**93,550**
C. Current liabilities					
I.	Trade accounts payable	5.r.	17,370	18,410	46,418
II.	Other current liabilities	5.s.	14,869	10,884	32,802
III.	Advance payments received	5.t.	5,666	1,595	540
IV,	Short-term debts and current portion of long-term debts	5.u.	6,484	100,711	93,681
V.	Current portion of finance lease obligation	5.v.	459	406	632
VI.	Tax liabilitites	5.w.	8,619	10,341	1,643
VII.	Short-term provisions	5.x.	109	604	2,840
VIII.	Liabilities classified as held for sale	5.y.	16	18,119	0
Current liabilities			**53,592**	**161,070**	**178,556**
Total liabilities and shareholders´ equity			**249,327**	**300,410**	**423,008**

Balda Group – Income statement for the fiscal year 2009

	Notes II.	**2009** KEUR	2008 KEUR
Sales revenues	6.a.	138,956	269,274
Other operating income	6.b.	5,215	8,214
Changes in inventories of finished goods and work in progress	6.c.	894	6,191
Material expenses	6.d.	66,110	156,363
Personnel expenses	6.e.	37,809	46,843
a) Wages and salaries		30,017	36,393
b) Expenses for temporary workers		7,792	10,450
Depreciations	6.f.	12,203	41,962
Other operating expenses	6.g.	26,455	53,293
Operating income		**2,488**	**-14,782**
Financial costs	6.h.	-8,123	-15,209
Earnings from affiliated companies	6.i.	50,915	3,503
Earnings before income taxes		**45,280**	**-26,488**
Taxes on income and earnings	6.j.	1,128	-6,630
Earnings of continued operations	6.k.	46,408	-33,118
Earnings of discontinued operations	6.l.	2,464	-21,103
Total Group profit/loss for the year		**48,872**	**-54,221**
Earnings of Balda Group – attributable to:	**6.m.**		
Shareholders of Balda AG		49,257	-52,278
thereof continued operations		46,793	-31,175
thereof discontinued operations		2,464	-21,103
Minority interests		-385	-1,943
thereof continued operations		-385	-1,943
thereof discontinued operations		0	0
Earnings per share:	**6.n.**		
Number of shares – undiluted		54,157	54,157
Earnings per share (EUR) – undiluted		0.910	-0.965
Number of shares – diluted		54,182	54,157
Earnings per share (EUR) – diluted		0.909	-0.965

Balda Group – Statement of income and accumulated earnings for the fiscal year 2009

	2009 KEUR	2008 KEUR
1. Total Group profit/loss for the year	48,872	-54,221
2. Other results	9,529	5,199
Difference of currency translations	9,496	5,199
3. At equity portion of other results of associated companies	33	0
4. Total result of the period	**58,401**	**-49,022**
Total result attributable of:		
Shareholders of Balda AG	58,678	-46,420
Minority interests	-277	-2,602

Segment reporting for the consolidated financial statement 2009 of Balda AG (part of Group-Notes)

Fiscal year 2009

in KEUR	**China**	**Malaysia**	**India**
Revenues external	**84,191**	**15,785**	**4,874**
Revenues internal	**2**	**0**	**0**
Revenues total	**84,193**	**15,785**	**4,874**
Changes to last year	*-46,0%*	*-80,6%*	*101,0%*
EBIT	**7,251**	**-3,352**	**-2,183**
Interest income	115	319	25
Interest expenses	780	289	12
Contributions to earnings by associated companies	0	0	0
EBT	**6,587**	**-3,323**	**-2,044**
Depreciations	5,360	3,059	2,033
thereof reduction in value / (-) appreciation in value)	0	0	1,459
Investments	8,777	262	29
Segment assets (1)/(2)	87,546	47,527	5,778
Number of employees as of 31.12. (3)	3,042	949	284

Fiscal year 2008

in KEUR	**China**	**Malaysia**	**India**
Revenues external	**154,296**	**81,150**	**2,425**
Revenues internal	**1,652**	**26**	**0**
Revenues total	**155,948**	**81,176**	**2,425**
EBIT	**5,678**	**17,078**	**-6,685**
Interest income	240	465	36
Interest expenses	3,145	383	34
Contributions to earnings by associated companies	0	0	0
EBT	**2,773**	**17,159**	**-6,683**
Investments	31,536	5,214	607
Depreciations	14,051	3,060	5,936
thereof reduction in value / (-) appreciation in value)	0	0	4,430
Segment assets (1)/(2)/(7)	100,006	57,872	7,163
Number of employees as of 31.12. (3)	2,528	1,900	200

(1) Segment assets = Long-term assets plus current assets except deferred taxes and tax refund
(2) Assets of the segment "Other" include KEUR 46.208 (previous year: KEUR 72.321) of the stake valuation of the associated company TPK.
(3) Numbers of employees as of 31.12. = including loan workers, temporary workers and apprentices - only continued operations
(4) The figures shown under reconciliation present the classification to the discontinued operation.

Germany	Total operational segments	Other	Recon-ciliation (4)	Inter-Segment-Corrections (5)	Group
34,097	**138,947**	**9**	**0**	**0**	**138,956**
0	**2**	**841**	**0**	**-843**	**0**
34,097 *8,5%*	**138,949** *-48,7%*	**850**	**0**	**-843**	**138,956** *-48,4%*
5,166	**6,882**	**-4,195**	**-199**	**0**	**2,488**
156	615	367	0	-416	566
306	1,387	6,737	0	-416	7,708
0	0	50,915	0	0	50,915
5,016	**6,236**	**56,568**	**-199**	**-17,325**	**45,280**
1,194	11,646	557	0	0	12,203
0	1,459	-1,015	0	0	444
634	9,702	122	0	0	9,824
19,846	160,697	108,222	153	-27,801	241,271
205	4,480	25	0	0	4,505

Germany	Total operational segments	Other	Recon-ciliation (4)	Inter-Segment-Corrections (5)	Group
31,400	**269,271**	**3**	**0**	**0**	**269,274**
22	**1,700**	**1,100**	**-77**	**-2,723**	**0**
31,422	**270,971**	**1,103**	**-77**	**-2,723**	**269,274**
2,741	**18,812**	**-47,342**	**13,748**	**0**	**-14,782**
69	810	1,429	0	-1,342	897
899	4,461	12,378	-230	-1,342	15,267
0	0	3,503	0	0	3,503
1,911	**15,160**	**-39,279**	**13,978**	**-16,347**	**-26,488**
1,674	39,031	166	0	0	39,197
994	24,041	29,246	-11,325	0	41,962
0	4,430	14,624	0	0	19,054
19,975	185,016	131,810	11,236	-32,401	295,661
197	4,825	36	0	0	4,861

(5) The Inter-Segment-Corrections present the sales revenues earned between segments, intercompany receivables and the elimination of intercompany distributions.
(6) For the period 1 January until 30 September TPK is included pro rata.
(7) The segment assets of Balda Medical are reported under the segment Germany and the segment assets of Balda Grundstück under the segment Other.

Balda Group – Cash flow for the fiscal year 2009

		Notes II.	2009 KEUR	2008 KEUR
	Net loss/income before income tax and financing costs - continued operations		2,488	-14,782
	Net loss/income before income tax and financing costs - discontinued operations		2,881	-17,431
+	Interest from income		697	844
-	Interest payments		-6,555	-10,781
+/-	Income tax payments / paybacks		-1,724	2,501
+/-	Write-offs/write-ups on long-term assets (excluding deferred taxes)		12,203	56,534
+/-	Other non-cash affecting expenses and earnings		-2,495	683
+/-	Increase/decrease in tax refund and tax liabilities		-3,202	-104
+/-	Increase/decrease in provisions		-611	-2,825
-/+	Increase/decrease in inventories, trade accounts receivable and other assets not itemised within investment or financing activities		15,089	29,157
+/-	Increase/decrease in accounts payable and other liabilities not itemised within investment or financing activities		1,821	-6,539
=	**Cash flow from operating activities**	**4.a.**	**20,592**	**37,257**
	including discontinued operations		-136	-47
	Cash flow from investing activities			
+/-	Change in intangible and tangible assets affecting payment		-11,242	-40,796
+/-	Change in financial assets affecting payment		1,700	-620
+	Cash inflow from the sales of shares of the group		92,330	8,000
-	Expenditure from the acquisition of shares of the group		-500	-2,040
=	**Cash flow from investing activities**	**4.b.**	**82,288**	**-35,456**
	including discontinued operations		0	-1,196
	Cash flow from financing activities			
+/-	Change in liabilities to banks affecting payment		-74,003	6,444
-	Payments from the amortization of bonded loans		-22,500	-15,250
+/-	Change in shares of external shareholders		0	640
+/-	Change in finance lease obligations affecting payment		-123	-148
=	**Cash flow from financing activities**	**4.c.**	**-96,626**	**-8,314**
	including discontinued operations		-308	-1,648
	Change in cash and cash equivalents affecting payment	4.d.	6,254	-6,513
+/-	Change in cash funds from changes in the consolidated group		-184	-840
+	**Cash and cash equivalents at the beginning of the fiscal year including discontinued operations**		**37,415**	**44,893**
+/-	Impact of exchange rate differences on cash held in foreign currencies		809	-125
=	**Cash and cash equivalents at the beginning of the fiscal year including discontinued operations**		**44,294**	**37,415**
	Cash and cash equivalents at the end of the fiscal year - discontinued operations		100	728
	Cash and cash equivalents at the end of the fiscal year - continued operations		**44,194**	**36,687**
	Total financial resources at end of the fiscal year			
	Cash funds		44,194	36,687

Balda Group – Changes to shareholders' equity in the fiscal years 2008 – 2009

in KEUR	Subscribed share capital	Capital reserves	Revenue reserves
Balance on 01.01.2008	**54,157**	**153,738**	**2**
Final results before error correction	0	0	0
Correction of errors (IAS 8)	0	0	0
Profit/loss for the year	**0**	**0**	**0**
Other earnings	0	0	0
Total earnings	**0**	**0**	**0**
Addition of minority interest through capital increase	0	0	0
Disposals of minority interest through share sales	0	0	0
Employee stock option plan	0	507	0
Reclassification of revaluation reserve for retained earnings	0	0	558
Balance on 31.12.2008	**54,157**	**154,245**	**560**
Stand 01,01,2009	**54,157**	**154,245**	**560**
Profit/loss for the year	0	0	0
Other results	0	0	416
Total earnings	0	0	416
Employee stock option plan	0	187	0
Balance on 31.12.2009	**54,157**	**154,432**	**976**

	Revaluation reserves	Currency reserves	Retained earnings	Balda AG shareholders	Minority interest	Total shareholders' equity
	1,879	**-11,049**	**-54,648**	**144,079**	**6,823**	**150,902**
	0	0	-49,465	-49,465	-1,943	-51,408
	0	2,813	-2,813	0	0	0
	0	**2,813**	**-52,278**	**-49,465**	**-1,943**	**-51,408**
	0	3,045	0	3,045	-659	2,386
	0	**5,858**	**-52,278**	**-46,420**	**-2,602**	**-49,022**
	0	0	0	0	3,200	3,200
	0	0	0	0	-4,940	-4,940
	0	0	0	507	0	507
	-558	0	0	0	0	0
	1,321	**-5,191**	**-106,926**	**98,166**	**2,481**	**100,647**
	1,321	**-5,191**	**-106,926**	**98,166**	**2,481**	**100,647**
	0	0	49,257	49,257	-385	48,872
	-416	9,421	0	9,421	108	9,529
	-416	9,421	49,257	58,678	-277	58,401
	0	0	0	187	0	187
	905	**4,230**	**-57,669**	**157,031**	**2,204**	**159,235**

Balda Group – Development of long-term assets in the fiscal year 2009

	ACQUISITION AND MANUFACTURING COSTS						
in KEUR	01.01.2009	Currency differences	Accruals	Disposals	Reclassi-fications	Reclassification according to IFRS 5	**31.12.2009**
Tangible assets							
Land and buildings	14,009	-16	3,729	427	190	35,972	53,457
Machinery and equipment	69,288	-431	3,419	3,077	115	10,484	79,798
Fixtures, furniture and office equipment	12,980	-67	413	940	8	1,649	14,043
Advanced payments and construction in progress	468	11	2,145	40	-313	39	2,310
	96,745	**-503**	**9,706**	**4,484**	**0**	**48,144**	**149,608**
Goodwill	**46,678**	**1,062**	**0**	**7,756**	**0**	**0**	**39,984**
Intangible assets							
Software and other intangible assets	6,220	-92	118	390	0	134	5,990
Activated clientele	4,113	149	0	0	0	0	4,262
	10,333	**57**	**118**	**390**	**0**	**134**	**10,252**
Financial assets							
Investments	1	0	0	0	0	0	1
Shares in associated companies	86,137	-2,422	14,578	38,269	0	0	60,024
Other financial assets	13,456	0	0	845	0	0	12,611
	99,594	**-2,422**	**14,578**	**39,114**	**0**	**0**	**72,636**
	253,350	**-1,806**	**24,402**	**51,744**	**0**	**48,278**	**272,480**

DEPRECIATIONS							NET BOOK VALUES	
01.01.2009	Currency differences	Accruals	Disposals	Reclassi- fications	Reclassification according to IFRS 5	**31.12.2009**	**31.12.2009**	31.12.008
1,397	-48	822	380	0	25,066	26,857	26,600	12,612
36,488	-49	8,573	2,957	0	6,321	48,376	31,422	32,800
8,708	-19	1,685	642	0	775	10,507	3,536	4,272
0	0	0	0	0	0	0	2,310	468
46,593	**-116**	**11,080**	**3,979**	**0**	**32,162**	**85,740**	**63,868**	**50,152**
0	**0**	**0**	**0**	**0**	**0**	**0**	**39,984**	**46,678**
4,743	77	588	364	0	100	5,144	846	1,477
1,472	-9	535	0	0	0	1,998	2,264	2,641
6,215	**68**	**1,123**	**364**	**0**	**100**	**7,142**	**3,110**	**4,118**
0	0	0	0	0	0	0	1	1
13,816	0	0	0	0	0	13,816	46,208	72,321
11,325	0	0	0	0	0	11,325	1,286	2,131
25,141	**0**	**0**	**0**	**0**	**0**	**25,141**	**47,495**	**74,453**
77,949	**-48**	**12,203**	**4,343**	**0**	**32,262**	**118,023**	**154,457**	**175,401**

Year-end Tables 2009
Balda AG

Balda AG – Balance sheet as of 31 December 2009

ASSETS	Notes II.	31.12.2009 KEUR	31.12.2008 KEUR
A. Long-term assets	**2.a.**		
I. Intangible assets			
Software		247	538
		247	**538**
II. Tangible assets			
1. Machinery and equipment		11	19
2. Fixtures, furniture and office equipment		391	910
3. Advance payments and construction in progress		0	40
		402	**969**
III. Financial assets			
1. Share in affiliated companies		183,410	183,410
2. Loans to affiliated companies		68	2,993
3. Investments		1	1
		183,479	**186,404**
		184,128	**187,911**
B. Current assets			
I. Receivables and other current assets	2.b.		
1. Trade accounts receivable		22	30
2. Accounts receivable from affiliated companies		11,049	8,789
3. Other current assets		489	802
		11,560	**9,621**
II. Cash and cash equivalents	2.c.	2,875	6,036
		14,435	**15,657**
C. Prepaid expenses	**2.d.**	33	354
Total assets		**198,596**	**203,922**

TOTAL LIABILITIES AND SHAREHOLDERS´ EQUITY	Notes II.	31.12.2009 KEUR	31.12.2008 KEUR
A. Shareholders´ equity	**2.e.**		
I. Subscribed share capital		54,157	54,157
II. Capital reserves		152,873	152,873
III. Revenue reserves		2	2
IV. Net loss		-142,210	-144,719
		64,822	**62,313**
B. Provisions	**2.f.**		
1. Tax provisions		6,367	9,981
2. Other provisions		9,278	3,018
		15,645	**12,999**
C. Liabilities	**2.g.**		
1. Bonds		34,200	39,200
- therof convertible: KEUR 34,200 (previous year: KEUR 34,200)			
2. Liabilities to financial institutions		0	77,375
3. Trade accounts payable		434	981
4. Liabilities to affiliated companies		83,005	5,554
5. Other liabilities		490	5,500
- thereof from taxes: KEUR 115 (previous year: KEUR 62)			
- thereof from social security: KEUR 3 (previous year: KEUR 33)			
		118,129	**128,610**
Summe Passiva		**198,596**	**203,922**

Balda AG – Income statement for the fiscal year 2009

	Notes II.	**2009** KEUR	2008 KEUR
1. Sales revenues	3.a.	3,578	3,947
2. Other operating income	3.b.	4,056	4,962
3. Personnel expenses		-2,274	-4,766
a) Wages and salaries		-2,072	-4,383
b) Social security contributions, expenses for pensions and support		-202	-383
4. Depreciation on intangible and tangible assets		-670	-1,279
5. Other operating expenses	3.c.	-12,220	-15,078
6. Income from participating interests - thereof from affiliated companies: KEUR 15,394 (previous year: KEUR 15.053)	3.d.	15,394	15,053
7. Other interest and similar income - thereof from affiliated companies: KEUR 728 (previous year: KEUR 1.072)		770	1,787
8. Depreciations on financial assets and on securities in current assets		0	-40,394
9. Interest and other expenses - thereof from affiliated companies: KEUR 709 (previous year: KEUR 797)	3.e.	-6,876	-11,948
10. Result of ordinary operations		**1,758**	**-47,716**
11. Taxes on income and earnings (earnings; previous year: expenses)	3.f.	752	-5,656
12. Other taxes		-1	-1
13. Net profit / Net loss		**2,509**	**-53,373**
14. Loss carried forward from previous fiscal year		-144,719	-91,346
15. Accumulated loss		**-142,210**	**-144,719**

Balda AG – Development of fixed assets in the fiscal year 2009

	ACQUISITION AND MANUFACTURING COSTS				
in TEUR	01.01.2009	Accruals	Disposals	Reclassifications	**31.12.2009**
INTANGIBLE ASSETS					
Software	2,018	0	373	0	1,645
	2,018	**0**	**373**	**0**	**1,645**
TANGIBLE ASSETS					
Machinery and equipment	45	0	0	0	45
Fixtures, furniture and office equipment	1,830	3	311	0	1,522
Advanced payments and construction in progress	40	0	40	0	0
	1,915	**3**	**351**	**0**	**1,567**
FINANCIAL ASSETS					
Shares in affiliated companies	215,624	0	0	0	215,624
Loans to affiliated companies	3,653	2,119	5,044	0	728
Investments	15,146	0	0	0	15,146
Other loans	11,325	0	11,325	0	0
	245,748	**2,119**	**16,369**	**0**	**231,498**
	249,681	**2,122**	**17,093**	**0**	**234,710**

DEPRECIATIONS					NET BOOK VALUES	
01.01.2009	Accruals	Disposals	Reclassifications	**31.12.2009**	**31.12.2009**	31.12.2008
1,480	277	359	0	1,398	247	538
1,480	**277**	**359**	**0**	**1,398**	**247**	**538**
26	8	0	0	34	11	19
920	385	174	0	1,131	391	910
0	0	0	0	0	0	40
946	**393**	**174**	**0**	**1,165**	**402**	**969**
32,214	0	0	0	32,214	183,410	183,410
660	0	0	0	660	68	2,993
15,145	0	0	0	15,145	1	1
11,325	0	11,325	0	0	0	0
59,344	**0**	**11,325**	**0**	**48,019**	**183,479**	**186,404**
61,770	**670**	**11,858**	**0**	**50,582**	**184,128**	**187,911**

Notes to the consolidated financial statements of Balda AG as of 31 December 2009 (Notes)

I. General information

1. General information about Balda

Balda Aktiengesellschaft (also: Balda AG or BAG) is located at Bergkirchener Straße 228 in Bad Oeynhausen, Germany.

The Balda Group develops and produces complete plastic assemblies, electronic products and products for the medical industry. The customers of Balda are leaders in business from the mobile, entertainment and electronic communications as well as pharmaceutical and medical technology markets. The group has an international position with product sites in China, Malaysia, India and Germany. A subsidiary in the United States serves North American customers in product design and development. As part of a shareholding in a leading manufacturer of touch screens in China, Balda participates in the dynamic touch screen displays market.

The Board of Directors approved the consolidated financial statements for publication on 5 March 2010.

2. Details of Balda AG Consolidated Financial Statements

The consolidated financial statements were produced in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU, the interpretations by the International Financial Reporting Interpretations Committee (IFRIC) and the additional provisions of § 315a para. 1 of the German Commercial Code (HGB). The financial accounting methods applied comply with European Union guidelines for the reporting of consolidated accounts.

All amounts shown are in thousands of euros (KEUR) unless otherwise stated. Figures were therefore rounded to whole thousands of euros.

In accordance with IAS 1, Balda prepared the consolidated balance sheet according to the maturities. All asset and liability items with a residual period of over one year are classified as long-term.

In previous years Balda had produced the consolidated balance sheet starting with the asset and liability items. The switch made in 2009 was intended to reflect the focus of the new Board of Directors on the long-term assets and the equity.

The profit and loss statement has been prepared according to the total expense format.

Standard accounting and valuation principles, which conform to the IFRS, form the basis of the financial statements of the companies included in the consolidated financial statements.

3. Information about the consolidation

a. Scope of consolidation

The consolidated financial statements include the financial statements of Balda AG and the companies in which it holds a majority stake (its subsidiaries) as of 31 December of each year. Majority stakes are deemed to exist if Balda AG can determine the financial and managerial policy of a company in order to gain economically from it.

Apart from Balda AG, the consolidated financial statements include six domestic and fifteen foreign subsidiaries for the purposes of full consolidation. There is an investment in a foreign associated company that is valued at equity along with its twelve subsidiaries.

For further information we refer you to our explanations in III f. "Consolidated companies and shareholdings".

On 30 July 2009, Balda Solutions (Beijing) Ltd. acquired the company of BTO Technology (Beijing) Ltd. At the time of the acquisition, BTO had paid only a deposit of about KEUR 600 for the right of use of a plot of land. The company was founded solely for the purchase of the piece of land. The purchase price was about KEUR 600. The plot is intended for use in the expansion of production capacity in China. Regarding the right of use, at the time of acquisition the book value corresponded to the attributable market value (fair value). The funding of the balance of the purchase price of the rights in the plot was by means of a later capital investment. Due to the company not representing a business operation within the meaning of IFRS 3 at the time of acquisition, the transaction was not treated as a company merger. Therefore, the acquisition is shown in the financial statements as a prepayment made for a right of use.

The company of Balda Technology MSC Sdn. Bhd. founded in the prior year commenced operations in the third quarter 2009. This company was founded by Balda Solutions Malaysia Sdn. Bhd.

In 2009, Balda Investments Singapore Pte. Ltd. founded the company of Balda Capital Singapore Pte. Ltd. This company was dormant in 2009.

On 15 December 2009, Balda AG sold its shares in the holding company DLB Deutschland GmbH & Co.KG (until 29. January 2009: Balda Lumberg Deutschland GmbH & Co. KG). As a result, the indirect holdings in the following companies also pass out of the scope of consolidation of Balda AG:

- DLB Verwaltungsgesellschaft mbH (until 19 January 2009: Balda Lumberg Verwaltungsgesellschaft mbH)
- BLT Paulista Plasticos Industria e Comercio Ltda, (Sao Paulo, Brazil)
- BLT Amazonia Plasticos Industria e Comercio Ltda (Manaus, Brazil)

Because of the difficult economic situation of these companies, their shares were transferred for 1.00 EUR. At the time of the deconsolidation, the value of their debts exceeded that of their assets. Balda AG made a profit of KEUR 2,071 from the outflow of these assets and liabilities. From the outflow of accumulated exchange rate differences, a loss amounting to KEUR 2,576 arose. The total loss came to KEUR 505. In 2009, these companies made no further contribution to the consolidated result.

The assets and liabilities of the companies sold are shown below:

	Scope of consolidation
	Deletions due to
in KEUR	sales in 2009
Current assets	7,434
Long-term assets	4,312
Current liabilities	11,354
Long-term liabilities	2,463

b. Method of consolidation and valuation of equity

The capital is consolidated in accordance with the acquisition method. On the acquisition of a company, the assets and liabilities of the respective subsidiaries are valued at their fair value at the time of acquisition. If the acquisition costs for the company exceed the fair value of the identifiable assets and liabilities acquired, the capitalised difference is shown as goodwill. If the difference is a liability, Balda immediately records this against profits. The holdings of minority shareholders are reported as part of the fair value of the assets and liabilities shown corresponding to the minority interests.

The earnings of the subsidiaries acquired or sold during the course of the year are incorporated into the consolidated profit and loss statement according to the time of achievement of control or until the end of control.

Receivables and corresponding liabilities and provisions between the Group companies are offset against each other.

Revenues resulting from inter-company sales of goods and services and other intra-group income are offset against the corresponding expenditure. Interim profits resulting from intra-group trading are eliminated.

The earnings as well as assets and liabilities of associated companies are valued in these consolidated financial statements using the equity method. In their initial consolidation, interests in associated companies are shown in the balance sheet at acquisition cost. In subsequent accounting, the value of the investment changes with the level of the Group’s share in the period’s results of the associated company. Losses due to depreciation reduce the value of the investment shown. Losses that exceed the Group’s share in associated companies are not reported.

c. Currency translation

All the foreign companies of the Balda Group operate the financial, economic and organisational aspects of their business independently. The incorporated financial statements of these Group companies have been prepared in the respective national currencies.

Within the framework of the consolidation, the assets and liabilities of the Group’s foreign companies are translated at the spot rate as of the reporting date. Income and expenditure are translated at the annual average rate. The Group shows the differences compared with the spot rate on the reporting date separately in exchange rate provisions under equity without affecting profits.

Exchange rate differences resulting from the consolidation of debts and income/expenditure are offset in revenue.

The goodwill resulting from the acquisition of foreign subsidiaries is treated by the Group as assets of the financially independent subsidiaries and translated at market price on the reporting date (IAS 21.47). The resulting exchange rate differences are stated in the exchange rate provisions.

II. Details of the Consolidated Financial Statements of Balda AG

1. Details regarding new and amended standards and interpretations

In May 2008 in the context of the first "Annual Improvement Project", the IASB published a consolidating standard amending various IFRSs. This concerns a large number of minor amendments to existing standards whose implementation was seen as necessary but not urgent. The standard was adopted into European law by the European Union in January 2009. The amendments to the IFRSs made by the consolidating standard had no material effects on the presentation of Balda's asset, liability and results situation or cashflows.

Further new and amended standards and new interpretations that apply to reporting periods commencing on or after 1 January 2009

Standard or	**Title (1 January 2009)**
interpretation	**Application to financial years commencing at the date that they took effect or later**
IAS 1	Preparation of financial statements. This gave rise to the following changes:
	All changes to equity based on transactions with shareholders are to be presented separately from such changes to equity that are not based on transactions with shareholders.
	Income and expenditure are to shown separately from transactions with owners in two financial statement components (consolidated profit and loss statement and consolidated total earnings statement).
	The components of the "Other earnings" item are shown in the consolidated total earnings statement.
	The "Cumulative other earnings" item is shown in the consolidated equity movements statement.
	The changes in IAS 1 also require a statement of the amount of income tax for each component of the "Other earnings" and the presentation of the amounts reclassified to the "Other earnings."
IFRS 2 (revised 2008)	Share-based remuneration: Changes concerning vesting conditions and annulments (1 January 2009)
IAS 23 (revised 2007)	Borrowing costs: comprehensive revision to prevent their immediate classification as expenditure (1 January 2009). This results in no changes for Balda, since no qualifying assets within the meaning of this standard have been created.
IAS 32/IAS 1 (revised 2008)	Preparation of the financial statements: Changes concerning the statement on redeemable financial instruments and obligations resulting from liquidation (1 January 2009)
IAS 39/IFRIC 9 (July 2008)	Financial instruments: Application and assessment, changes concerning risk positions that qualify for hedge accounting
IFRS 7	Financial instruments: Statements. Extension of the duty to make statements concerning financial instruments that are shown on the balance sheet at fair value.
IFRS 8	Business segments. Change concerning the determination of segments subject to a reporting duty (1 January 2009)
IFRIC 13	Customer loyalty schemes (1 January 2009)
IFRIC 14	Limit on a defined-benefit asset, minimum funding requirements and their interaction (1 January 2009)

There were no significant impacts on Balda AG's asset, financial and result situation or cash flow arising from the first application of the regulations or the first application of these revised IFRSs.

New and amended standards and recently published interpretations which have not yet come into force, which may however already be applied by companies from an earlier date but which are not yet being applied by the company:

Standard or interpretation	Title (date of coming into effect) Application to financial years commencing at the date that they took effect or later
IFRS 2	Share-based remuneration with cash settlement. Changes concerning the area of application by the introduction of basic principles (1 January 2010 – not yet adopted into European law by the European Union).
IFRS 9	Financial instruments: Change concerning application and assessment of financial assets. (1 January 2013)
IFRS 3/IAS 27 (revised 2008)	Company mergers: Comprehensive revision concerning the application of acquisition methods (1 July 2009)
IAS 24	Statements on affiliated persons and companies. Change concerning the definitions of affiliated companies and persons. (1 January 2011 – not yet adopted into European law by the European Union)
IAS 32	Classification of drawing rights and similar rights. Change concerning the classification of drawing rights (1 January 2010 – not yet adopted into European law by the European Union)
IAS 39	Financial instruments: Application and assessment. Changes concerning relevant underlying transactions. (1 July 2009)
IFRIC 12	Service concession agreements. (29 March 2009)
IFRIC 14	Amendment to IFRIC 14: Limit on a defined-benefit asset – Prepayment of funding with existing minimum funding requirements (1 January 2011)
IFRIC 15	Contracts for the construction of real property (1 January 2010)
IFRIC 16	Hedging net investments in foreign companies (1 July 2009)
IFRIC 17	Dividends in kind to owners (1 July 2009)
IFRIC 18	Transfer of assets by a customer (1 July 2009)
IFRIC 19	Settlement of financial liabilities with equity instruments (1 July 2010)

In April 2009 in the context of the second "Annual Improvement Project", IASB once more published a consolidating standard for the amendment of various IFRSs. This concerns a number of minor amendments to a total of ten standards and two interpretations whose implementation was seen as necessary but not urgent. The standard has not yet been adopted into European law by the European Union.

With regard to the initial application of these amended standards and regulations, no significant impacts on Balda AG's asset, financial and result situation or cash flows are expected.

2. Accounting and assessment principles

The fundamental financial and assessment methods used in the preparation of these consolidated financial statements are set out in the following sections. The accounting methods are generally unchanged compared to the prior year.

All **estimates and assessments** are continually reassessed and are based on historic experience and other factors, including expectations regarding future events, which appear reasonable given existing circumstances. The most important statements regarding the future and the main sources of uncertainty regarding estimates which could create a significant risk of the need to make a material adjustment to the reported assets and liabilities within the following financial year are shown below in the relevant passages of the notes.

These mainly affect the **goodwill**. To determine a potential loss of value, it is necessary to determine the value in use of the cash-generating entity to which the goodwill has been allocated. The calculation of value in use requires an estimate of the future cash flows from the cash-generating entity and an appropriate discount rate for the present value calculation. We refer you to our general explanations below and the details on the calculation under Point II.5.b. "Goodwill."

The valuation of **tangible and intangible fixed assets** is associated with estimates of the expected useful lives of these assets. At the end of each financial year, Balda checks the estimated useful lives and if necessary revises them. No revisions have been made in the reporting year.

The **inventories** are valued at the lower acquisition or manufacturing cost determined on the basis of the weighted average method and their expected net sales value, i.e. the sales income achievable in normal business operations less the estimated costs of completion and selling.

The maturity structure of the balances of receivables and customers' creditworthiness as well as changes to payment terms have been taken into account in the assessment of the adequacy of the **provisions for doubtful debts**. The level of actual write-downs to be made may exceed the level of the expected write-downs if deterioration occurs in customers' financial situations.

In calculating the **actual and deferred taxes**, assessments must be made. Deferred tax assets are reported in so far as it is likely that they can actually be used. Various factors such as the past result situation and tax planning are to be taken into account in assessing the likelihood of their future use. If the actual results vary from these estimates, this could have a negative impact on the asset, financial and result situation.

The **accounting and valuation methods** were applied in a uniform manner in the Group and in comparison with the prior year.

Financial instruments

The financial instruments reported in the balance sheet (financial assets and financial liabilities) as defined in IAS 32 and IAS 39 include certain liquid funds, receivables and payables for goods and services, long-term liabilities, loans and credits and certain other receivables and payables based on contractual agreements.

Financial assets are divided into the following categories: financial assets at fair value through the profit and loss, loans and receivables, financial assets held to maturity and financial assets available for sale. The classification depends on the respective purpose for which the financial assets were acquired. The management determines the classification of the financial assets when they are first reported and examines the classification on each reporting date. An assessment is made at each balance sheet reporting date as to whether or not objective indications suggest that there is a loss of value of a financial asset or group of financial assets.

Financial instruments are reported on the balance sheet if the company bears the risk associated with the financial instrument. The reporting always takes place on the trading date. The Group will only write off a financial asset if the contractual rights to the cash flows from a financial instrument expire or if it transfers substantially all the financial assets and the risks and opportunities associated with ownership of the asset to a third party. Financial liabilities are written off if the liabilities mentioned in the contract are settled or waived or if they expire.

Upon their first recording in the accounts, these financial assets or liabilities are reported at their fair value plus any transaction costs. Exceptions to these are financial assets that have been characterised as assets "at fair value through the profit and loss". In this category assets are reported at fair value without taking into account transaction costs. The fair value is to be determined at each reporting date. The subsequent valuation varies for the various categories of financial assets or liabilities and is described in detail in the context of the accounting methods concerning each balance sheet item.

In principle, loans and receivables, assets held to maturity and other financial liabilities (excluding derivatives and financial liabilities designated as affecting the results at fair value) are valued at their amortised cost. All other original and derivative financial instruments are valued at fair value. Profits or losses are recorded in the period results.

The **amortised cost** of a financial asset or a financial liability is defined as the amount at which a financial asset or financial liability was valued when first reported, less redemptions, plus or minus the accumulated amortisation of any difference between the original amount and the amount repayable upon maturity, taking into account the effective interest rate method and less any reduction for write-downs or impairments.

The **fair value** is the amount at which an asset could be exchanged or a debt settled between expert, willing and independent business partners.

Balda AG uses derivative financial instruments to hedge currency risks resulting from operational activities. Derivative financial instruments are not held or issued for speculative purposes. The derivative financial instruments are recorded in accordance with IFRS in the “Financial assets and financial liabilities at fair value through the profit and loss” category. Accordingly, they are stated at fair value when first reported. The fair values are also relevant to subsequent valuations. The fair value of traded derivative financial instruments corresponds to the market value. This value may be positive or negative. If there are no market values, the fair values must be calculated using recognised financial mathematical models.

Receivables and other assets are reported at purchase cost, which corresponds to the current value of the payment made in consideration, including transaction costs, for fair values not reported against the results. Sufficient allowance has been made with regard to estimated irrecoverable amounts for all risks discernible at the time the balance sheet was drawn up by the application of specific bad and doubtful debt provisions. Short-term foreign currency receivables were translated at the spot rate on the reporting date.

The **inventories** have been valued at the lower of purchase or manufacturing cost and expected net sales proceeds. Purchase and manufacturing costs are calculated using the weighted average method or the First-In-First-Out procedure.

In addition to the materials and prime costs, the manufacturing costs include manufacturing overhead charges and depreciation. The tool orders are valued using the “completed contract method”.

The **tangible and intangible fixed assets** are valued at acquisition and manufacturing cost, less planned straight-line depreciation and, where applicable, write-down charges. The depreciation is in principle based on the following economic useful lives**:**

	Years
Buildings	33 to 50
Machinery and equipment	3 to 10
Fixtures, furniture and office equipment	3 to 10
Intangible assets	3 to 8

Depreciation begins once the asset has been completed or once it is ready for operation.

The manufacturing costs include all manufacturing-related expenses.

Leases are classified as finance leases if all the opportunities and risks associated with ownership are substantially transferred to the lessee by the lease agreement. All other leases are classified as operating leases.

If the economic ownership in the leased objects remains with the lessor (**operating lease**) the lease instalments are taken to the profit and loss account by the company during the period of the lease.

Assets held in the context of a **finance lease** are recorded as the Group’s assets at the lower of their fair value at the start of the lease period and the minimum lease payments at present value. The lessor is shown on the balance sheet as a liability arising from a finance lease.

The lease payments are divided into interest expense and capital repayment in such a way as to achieve a constant rate of interest on the outstanding liability. Interest expense is charged directly to the profit and loss unless it can clearly be classified to a qualifying asset. In this event, the interest expense is shown in the balance sheet as the cost of capital in accordance with the Group guidelines. Tangible fixed assets held under finance leases are depreciated over the shorter of the following two periods: the economic useful life of the asset or the term of the lease.

The useful lives of all intangible assets, except goodwill, are limited.

In so far as required by IAS 36, a **write-down** to the lower recoverable amount is applied to tangible and intangible fixed assets.

On each balance sheet date, the Group reviews the book values of its tangible and intangible fixed assets to determine whether there is a **need for depreciation** with regard to these assets. If such a need is evident, the recoverable amount of the value of the asset is estimated to determine the scale of any depreciation expense. If the recoverable amount cannot be estimated for an individual asset, the recoverable amount of the cash-generating entity to which the asset belongs is estimated.

The **recoverable amount** is the greater of the fair value minus selling costs and the value in use. When calculating the value in use, the estimated future payments are discounted to their present value by the current market pre-tax interest rate which reflects the specific risks of the asset that are not taken into account in the cashflows.

If the estimated **recoverable amount** for an asset, or cash-generating entity, falls below the book value, the book value of the asset, the cash-generating entity, is reduced to the recoverable amount. The write-down costs are immediately recorded against the results as depreciation expenses.

In the event of a subsequent **reversal of the depreciation**, the book value of the asset, of the cash-generating entity, is increased to the re-estimated recoverable amount. Here the increase in the book value is restricted to the value that would have been determined if no depreciation expense had been reported for the asset (cash-generating entity) in previous years. A reversal of the depreciation expense is immediately reported as income.

The **investments** shown as financial assets are capitalised at acquisition cost. These investments do not have significant influence. Shareholdings in associated companies are valued at equity. The loans and other financial assets are capitalised at the lower of acquisition cost and recoverable value.

Goodwill represents the surplus of the acquisition costs of acquiring the company over the fair value of the share of the Group in the identifiable net assets of the company acquired at the time of its acquisition, in so far as positive differences could not be attributed to the individual assets. The capitalised goodwill is subjected to an annual impairment test and valid at its original acquisition cost minus accumulated write-downs. Revaluations are not permitted. If a company is sold, the part of the goodwill allocated to this entity will be taken into account in determining the profit on disposal. The goodwill is allocated to cash-generating entities for the purpose of the impairment test. This allocation is made between those cash-generating entities or groups of cash-generating entities that can be expected to derive benefit from the merger that created the goodwill.

Long-term assets (or groups of assets and liabilities) are classified as **held for trading** and are valued at the lower of book value and fair value minus selling costs if their book value is essentially realised by a sale instead of by continued company use.

Deferred taxes are the expected tax charges or reliefs arising from the differences between the book values of the assets and liabilities in the consolidated balance sheet and the value stated in the tax balance sheet. The balance sheet-orientated liability method is applied here. Deferred tax liabilities and deferred tax assets are reported for all taxable temporary differences in so far as it is likely that taxable profits for which the deductible temporary differences may be used are available. Deferred taxes in temporary differences arising from goodwill are not stated.

The book value of the deferred tax assets is reviewed each year on the reporting date and reduced if it is no longer likely that sufficient taxable income is available to realise the claim fully or partially.

The expected income tax burden at the time of realising the differences is taken as the basis for the temporary differences pursuant to IAS 12 when valuing the deferred taxes. Deferred taxes are generally recorded as revenue apart from those items that are directly booked to equity.

Provisions are formed for legal or actual obligations which originated in the past if it is likely that honouring the obligation will give rise to an outflow of Group resources and the amount of the obligation can be reliably estimated.

The provision is reported at present value if a significant interest effect results from the time at which the obligation is honoured.

Provisions for warranty obligations are reported at the time at which the relevant product is sold. The amount is based on the best estimate by the management of the expense required to honour the Group’s obligation.

Pursuant to IAS 39, **financial liabilities** are reported at market value at the time of acquisition. Costs directly attributable to the acquisition (transaction costs) are taken into account. Subsequently they are valued according to amortised cost, applying the effective interest rate method so that the repayment amount is generated by the final date. Monetary foreign currency liabilities are translated at the spot rate on the reporting date.

The Group has set up **share-based remuneration schemes** that can be settled by the issue of shares or a cash payment. The fair value of the work performed by the employees in return for the grant of options is shown as an expense. The entire expense to be recorded over the period until the non-forfeit ability of the options is determined from the attributable market value of the options granted.

Revenues are recorded if it is likely that the commercial benefit associated with the corresponding transaction will flow to the company and the amount of the revenues can be reliably assessed. Revenues are recorded minus any sales tax or any price discounts and volume rebates if the delivery has been made and the major risks and opportunities associated with ownership have been transferred (completed contract method). In so far as the service has not yet been rendered in full, the service, which is valued at manufacturing cost, is shown on the balance sheet in inventory.

Income from services is always recorded pro rata over the periods in which the services are provided.

Research costs are recorded as expenses in the period in which they were incurred.

Intangible assets resulting from the **development** of a product will only be reported if the Group can demonstrate the technical feasibility of the realisation of the intangible asset so that it becomes available for internal use or sale, as well as the intention of realising the intangible asset for use or sales. Furthermore, the Group must demonstrate the generation of a future economic benefit with this asset, the availability of resources to realise this asset and the capacity to reliably identify the costs attributable to the intangible asset during its development.

Interest income is recorded on the basis of the actual interest receivable on the assets.

Subsidies from public funds are recorded at fair value if the Group fulfils the necessary conditions for receiving the subsidy. Public authority grants towards costs are recorded over the period in which the corresponding costs for which the subsidy was granted were incurred. Subsidies from public funds for capital investment are offset against the acquisition costs of the corresponding asset.

Contingent liabilities and receivables are possible liabilities or assets that result from events in the past and whose existence is conditional on the occurrence or non-occurrence of one or more uncertain future events, which are not fully under the control of Balda AG. Contingent liabilities are also current liabilities resulting from events in the past for which the outflow of resources that embody economic benefits is unlikely or for which the extent of the liability cannot be reliably estimated. Contingent liabilities are reported at their fair value if they have been taken on within the context of a company acquisition. Contingent receivables are not reported. In so far as an outflow of economic benefits is not unlikely, information regarding contingent liabilities is provided in the consolidated notes. This also applies to contingent receivables, insofar as their recovery is likely.

Correction of errors

In the interim consolidation of TPK Holding resulting from a change from a joint venture to an associated company, an error was made in the annual financial statements as of 31 December 2008. The exchange rate loss arising from the sale of the relevant shares shown as TEUR 2,813 was too low. The error relates only to 2008 and has been amended retrospectively in accordance with IAS 8.

The amendment relates to the following items in the profit and loss statement (in KEUR):

	2008 (corrected)	2008	Amendment
Other operating expenses	53,293	50,480	2.813
Operating income	-14,782	-11,969	-2,813
Profit/loss for the year			
Continued Operations	-33,118	-30,305	-2,813
Total Group profit/loss for the year	**-54,221**	**-51,408**	**-2,813**

The earnings per share are amended overall as follows (in EUR – undiluted):

	2008 (corrected)	2008	Amendment
Total Group	-0.97	-0.91	0.05

In the balance sheet, the amendment affects only equity (in KEUR):

	2008 (corrected)	2008	Amendment
Foreign exchange provisions	150,935	148,122	2.813
Net loss	-106,926	-104,113	-2,813
Profit/loss for the year	**-52,278**	**-49,465**	**-2,813**

3. Segment reporting

In 2009, the Balda Group amended its segment reporting and now takes into account IFRS 8, which was obligatory for the first time in 2009.

The composition of the segments subject to a reporting duty is shown in a separate appendix to the annex "Group Segment Reporting for the Financial Year 2009". The prior year figures were adjusted accordingly.

The resource allocation and the evaluation of the earning power of the Balda's business segments are perceived by the Board of Directors as the main deciding factors. The segment demarcation and the choice of the figures shown have been made in line with the internal management and reporting systems ("Management Approach") and the additional statements required by the IFRS standards.

On the basis of the production sites, the Balda Group is divided into four operational segments for the purposes of company management. The operating results (EBIT) and the pre-tax results (EBT) are separately monitored by segment by the Board of Directors of Balda AG in order to estimate their earning power and to be able to decide resource allocation.

In line with internal reporting, the regions of China, Malaysia, India and Germany are treated as operational segments and therefore as segments subject to a reporting duty. What is new here is that the old Asia segment has been split into the Malaysia and China regions. The India segment does not meet the quantitative requirements of IFRS 8. On the basis of the internal reporting structure and because of the economic situation in India, the management considers separate reporting useful.

With the strategic change and the planned expansion of the medical sector at the Bad Oeynhausen site, the reporting for the Germany segment is expanded compared with the 2009 half-year report.

The segment "Other" consists mainly of the holding company charges incurred and recharged. Since the investment in TPK is managed from the holding company in Singapore, the figures for associated companies are also shown in the Others segment.

The segment reporting is carried out in accordance with the Balda AG's standard accounting rules set down in Point II.2 "Accounting and Valuation Principles". The segment results each correspond to the relevant period's result achieved.

The transfer prices between business segments are calculated on the basis of the usual market conditions between third parties. Segment income, segment expenses and segment results include transfers between business segments. These transfers are eliminated upon consolidation.

The companies allocated to the discontinued business operations do not form business segments within the meaning of IFRS 8. Because of the very low activity levels of these companies in 2009, they are of little significance for Balda AG. The Board of Directors of Balda AG therefore no longer separately monitors their operating results. No further allocation of resources was undertaken for these companies in 2009.

The sales revenues in China and India were achieved with the sale of plastic articles for the MobileCom sector. In Malaysia, primarily electronic articles are sold in the MobileCom sector. In Germany, the revenue is generated by the sale of medical articles. In 2008, the China segment was still earning revenue from touch screens.

The revenue from external customers relates mainly to the following sectors:

in KEUR	2009	2008
Sale of medical articles	34,386	31,629
Sale of plastic articles in the MobileCom sector	88,809	155,738
Sale of electronic articles	15,761	10,742
Sale of touch screens	0	71,165
Total	**138,956**	**269,274**

KEUR 66,554 (prior year: KEUR 106,507) of the revenue of 84,191 (prior year: KEUR 154,296) for the China region comes from the Balda Group's biggest customer.

The sales revenue and long-term assets are attributed to the following geographical regions (in KEUR):

	Sales revenues		Long-term assets	
	2009	**2008**	**2009**	**2008**
Germany	20,216	19,968	15,240	15,762
Foreign *	118,740	249,306	51,738	53,831
Group-wide	**138,956**	**269,274**	**66,978**	**69.593[1]**
*including in				
China	69,859	132,493	32,353	29,475
Malaysia	4,612	40,259	16,390	19,731

[1] These include long-term assets from the "Assets held for trading" item of KEUR 15,323.

The long-term assets shown consist of the tangible and intangible fixed assets of the companies that are allocated to the corresponding countries. The deferred tax assets are not included.

A revaluation of KEUR 1,015 was made to a real property in the Other segment on the basis of expected future rental income. Even after the revaluation, the book value of the real property is still below the original amortised purchase and manufacturing costs. The revaluation was recorded in depreciation costs. Because of low capacity utilisation, in 2009 a write-down of a production plant amounting to KEUR 1,495 was made in the India segment. In the prior year, there were write-downs of KEUR 14,624 in the Other segment and KEUR 4,430 in the India segment.

The income from associated companies of KEUR 50,915 (prior year, Q 4 only: KEUR 3,503) shown in accordance with the EBIT in the profit and loss statement relates to the touch screen company TPK and is allocated to the Other segment. (We refer you to our explanations under II 5.d "Financial investments").

4. Application of funds statement

The application of funds statement has been prepared in accordance with IAS 7 Cash Flow Statements. The cash flows are divided into business, investment and financing activities.

The movement and composition of the cash flows are shown in the application of funds statement (appendix).

The individual items of the application of funds statement are as follows:

a. Cash flow from current business activities

The cash flow from current business activities amounted to KEUR 20,592 (prior year: KEUR 37,257) in the financial year 2009.

The fall is primarily due to a reduced volume of business compared with the prior year.

The reduction in working capital introduced in the prior year was continued in 2009. The resulting positive impact on liquidity was, however, smaller than in the prior year period.

b. Cash flow from investment activities

The cash inflow from investment activities of KEUR 82,288 in total (prior year: minus KEUR 35,456) arose in part from the sale of shares in TPK Holding. However, these inflows were offset mainly by expenditure on tangible fixed assets.

The cash inflow from the sale of the shares in TPK came to KEUR 92,330 in 2009. In the prior year, cash inflow of KEUR 8,000 was generated from the sale of shares in the company.

There was a balance of KEUR 500 still to pay for the buying back of shares in Group companies in 2009.

The changes in the tangible and intangible fixed assets affecting cash flow amounted to KEUR 11,242 compared with KEUR 40,796 in the prior year.

c. Cash flow from financing activities

The cash outflow from financing activities amounted to KEUR 96,626 (prior year minus KEUR 8,314). Besides the repayment of credit lines drawn upon, the redemption of the syndicated loan by Balda AG should be mentioned in particular.

With regard to the bonded loan, in 2009 a balance of KEUR 22,500 was repaid. In the year prior, KEUR 15,250 was repaid. The bonded loan has now been fully redeemed.

The full repayment of the bank liabilities was made possible by the sales income from the TPK shares.

In the reporting year, no major new lease contracts were concluded that meet the criteria of a finance lease. Repayments of these liabilities totalling KEUR 123 (previous year KEUR 148) were made.

d. Changes in the level of financial resources affecting cash flow

The level of financial resources at the end of the financial year in the continued business operations was KEUR 44,194 (prior year: KEUR 36,687). In the discontinued operation, the level of financial resources was reduced from KEUR 728 to KEUR 100 at the end of 2008.

5. Notes on individual items on the consolidated balance sheet

Long-term assets

Regarding the changes in the long-term assets (excluding deferred tax assets) in the individual sectors, we refer you to our presentation on the movement in long-term assets that we have attached as an appendix to the annex.

a. Tangible fixed assets

The balance sheet values in the consolidated balance sheet reflect their fair values at the time of their initial consolidation or their acquisition or manufacturing costs at the time of their first inclusion on the balance sheet, reduced by planned and unplanned depreciation.

On one item of real property, a revaluation of KEUR 1,015 was made upon its reacquisition to the Continued Operations on the basis of the expected future rental income of KEUR 1,015. The book value of this real property is still below the amortised original acquisition and manufacturing costs. The revaluation was recorded as revenue. Because of low capacity utilisation, in 2009 a write-down of KEUR 1,459 on the production plant was made in the India segment. This was recorded as a depreciation expense. In the prior year, the write-downs came to KEUR 19,054 and they were shown at fair value less selling costs. The basis for this was the market prices to be achieved.

In 2009, the company of BTO Technology (Beijing) Ltd. received a subsidy from public funds of KEUR 1,839 for the purchase of a piece of land. In 2009 the amount was deducted from the land purchase costs. As of the end of 2009, there were no unfulfilled conditions in connection with the subsidy.

Loans and lease agreements are secured by charges on land and transfers by way of security of about KEUR 475 (prior year: KEUR 10.777).

The book values of the leased assets, shown under "Land and buildings" and "Machinery and equipment", are made up as follows:

in KEUR		31. 12. 2009	31. 12. 2008
Land and buildings			
	Acquisition costs	801	802
	Cumulative depreciation	28	19
Book value		**773**	**783**
Machinery and equipment			
	Acquisition costs	1,361	2,868
	Cumulative depreciation	377	1,195
Book value		**984**	**1,673**

The lease agreements were primarily concluded in Malaysia and there they relate to a very small part of the buildings and machinery used for production. No other liabilities arise from the lease agreements.

b. Goodwill

As of 31 December 2009, the goodwill amounted to KEUR 39,984 (prior year KEUR 46,678). With the sale of the shares in TPK, the goodwill was reduced by KEUR 7,756. Besides the goodwill capitalised in the investments shown as of 1 January 2009, at the level of the parent company, the company was also allocated capitalised goodwill of KEUR 17,978. The effect arising from the disposal was offset in 2009 by the effect of the currency conversion (KEUR 510).

Until 2008, the goodwill was consolidated at the level of the Asia segment as a cash-generating entity. Because of IFRS 8, which it was obligatory in 2009 to apply for the first time, the segment reporting had to be changed. The Asia segment was therefore divided into the China and Malaysia regions and the holding companies were allocated to the Other segment.

The actively operating companies of the former Asia segment were defined as cash-generating entities as of 1 January 2009. The allocation of the goodwill to the newly defined cash-generating entities was achieved by a combination of direct allocation and apportionment based on relative company values.

The companies and the allocated goodwill are shown in the following summary. At the reporting date they amounted to KEUR 39,984 (31 December 2008 total KEUR 46,678):

- Balda Solutions (Suzhou) - Sale of plastic articles in the MobileCom sector (KEUR: 10,734)
- Balda Solutions (Beijing) - Sale of plastic articles in the MobileCom sector (KEUR: 5,163)
- Balda Solutions Malaysia - Sale of electronic articles in the MobileCom sector (KEUR: 14,375)
- TPK Holding – associated company (KEUR: 9,712)

The valuation for goodwill was based on the following criteria:

Balda Solutions (Suzhou):

The recoverable amount was determined on the basis of the value in use. The valuation was obtained by discounting the company’s future cash flows. The detailed plan period covers the years 2010 to 2012 and is based on assumptions about future sales prices and sales volumes and costs, taking into account the economic conditions. For the period after the detailed plan period, a return in perpetuity with an overall growth rate of 1.0 percent was assumed. The underlying weighted average cost of capital before tax was 11.22 percent (prior year for Asia in total: 10.8 percent). The value in use so determined was greater than the book value as of 31 December 2009. Even if future cash flows had differed by 50.25 percent, there would not have been any devaluation.

Balda Solutions (Beijing):

The recoverable amount was determined on the basis of the value in use. The valuation was made by discounting the company’s future cash flows. The detailed plan period covers the years 2010 to 2012 and is based on assumptions about future sales prices and sales volumes and costs, taking into account the economic conditions. For the period after the detailed plan period, a return in perpetuity with an overall growth rate of 1.0 percent was assumed. The underlying weighted average cost of capital before tax was 11.56 percent (prior year for Asia in total: 10.8 percent). The value in use so determined was greater than the book value as of 31 December 2009. Even if future cash flows had differed by 57.14 percent, there would not have been any devaluation.

Balda Solutions Malaysia:

The recoverable amount was determined on the basis of the value in use. The valuation was made by discounting the company’s future cash flows. The detailed plan period covers the years 2010 to 2012 and is based on assumptions about future sales prices and sales volumes and costs, taking into account the economic conditions. Because of the company’s exemption from tax until 2015, the plan was extended to cover this period. The underlying weighted average cost of capital without taking into account taxes was 10.56 percent. For the period after the detailed plan period, a return in perpetuity with an overall growth rate of 1.0 percent was assumed. The underlying weighted average cost of capital before tax was 13.63 percent (prior year for Asia in total: 10.8 percent). The value in use so determined was greater than the book value as of 31 December 2009. Even if future cash flows had differed by 27.81 percent, there would not have been any devaluation.

TPK Holding

The recoverable amount was determined on the basis of the value in use. The valuation was made by discounting the company's future cash flows. The detailed plan period covers the years 2010 to 2012 and is based on assumptions about future sales prices and sales volumes and costs, taking into account the economic conditions. For the period after the detailed plan period, a return in perpetuity with an overall growth rate of 1.0 percent was assumed. The underlying weighted average cost of capital before tax was 10.23 percent (prior year for Asia in total: 10.8 percent). The value in use so determined was greater than the book value as of 31 December 2009. Even if future cash flows had differed by 80 percent, there would not have been any devaluation.

c. Intangible fixed assets

The intangible fixed assets consisted mainly of capitalised customer relationships and software purchased for consideration.

The development costs and intangible fixed assets generated by the company itself may be capitalised pursuant to IAS 38 under the conditions specified therein. In the financial year 2008, total research and development costs amounted to about KEUR 2,672 (prior year: about KEUR 4,158). The majority of this was development cost. The development costs were not capitalised, as there was no reliable means of defining and allocating the manufacturing costs in accordance with IAS 38.51.

The capitalised customer relationships arising from the acquisition of Balda Solutions Malaysia Sdn. Bhd. are to be written off over a period of eight years.

d. Financial assets

Investments in associated companies occurred exclusively in TPK Holding and the subsidiaries of TPK Holding. In 2009, a total of 17.125 percent of the shares in TPK were sold. Since 11 December 2009, Balda AG's holding in TPK has therefore been 20.875 percent. In the prior year, Balda AG held 38.0 percent of the shares.

The movement in the shares in associated companies is presented below:

in KEUR	
As of 1 January 2009	**72,321**
Share of results 2009	14,578
Distributions 2009	-1,700
Sale of shares in TPK	-36,569
Exchange rate differences	-2,422
As of 31 December 2009	**46,208**

The investments consisted of the following:

in KEUR	2009	2008
Share of net assets	24,213	26,649
Goodwill	10,186	18,854
Customer relationships	11,809	26,818
As of 31 December	**46,208**	**72,321**

The customer relationships capitalised at a Group level plan to be written off over a period of seven years. In the context of the share sale, a partial disposal was taken into account.

The value shown for TPK includes goodwill and this was all subjected to an impairment test. In addition to this, at the Group level further goodwill has been attributed to the company as a cash-generating entity. We refer you to our explanations under Point 5.b. “Goodwill”.

The following tables contain summary financial information about the investment in TPK Holding.

in KEUR	2009	2008
Share in the net assets of the associated company		
Current assets	18,419	17,652
Long-term assets	30,615	49,680
Current liabilities	21,969	40,584
Long-term liabilities	2,852	99
Share of net assets	**24,213**	**26,649**

Profit figures for TPK Holding:		
in KEUR	**2009**	**2008**
Sales revenue (total)	419,416	142,330

In 2008, 38.0 percent of the profit for the year was attributable to Balda AG for the 4th quarter of 2008. In 2009, 38.0 percent of the profit for the year was attributable to Balda AG until 11 December and thereafter 20.875 percent.

e. Deferred taxes

The following amounts for temporary differences were reported under deferred tax assets in financial years 2008 and 2009:

	2008 in KEUR	Taken to the profit and loss account	Taken to other results with no effects on the profit and loss acount	2009 in KEUR
Temporary differences				
Tax losses (losses brought forward)	3,689	1,534	0	5,223
Provisions	258	-203	0	55
Intangible assets	225	25	-4	246
Inventories	179	40	-3	216
Receivables	103	734	-2	835
Tangible assets	95	666	-1	760
Other	166	-39	-2	125
	4,715	**2,757**	**-12**	**7,460**
including discontinued operations	-486			0
Balance of deferred taxes per balance sheet	**4,229**			**7,460**

Deferred tax receivables for tax losses carried forward are shown only to the extent that future taxable profits were considered likely at the balance sheet date. The valuation shown is based on projected tax results. The Group did not record deferred tax assets of about KEUR 35,207 (prior year: KEUR 28,282). The losses shown consist of KEUR 101,350 for German trade tax, KEUR 93,735 for German corporation tax and KEUR 14,955 for interest carried forward. However, it is assumed that these carried forward losses can be offset by future profits. But since these profits are expected in periods that are not the subject of projected tax results, they were not capitalised. In addition, there is a tax loss carried forward of KEUR 6,983 in Discontinued Operations.

As in the prior year, a tax rate of 29.8 percent was applied.

Current assets

f. Inventories

Provisions for depreciation are formed for inventories reported at the balance sheet date. For 2009, a profit affecting the profit and loss amounted to KEUR 435 (prior year: expense of KEUR 202). The change in write-downs against inventories results from revaluations and the use of write-downs.

g. Trade accounts receivable

The trade accounts receivable at the balance sheet date amount to KEUR 21,181 (prior year: KEUR 27,648).

All accounts receivable have a residual term of less than one year.

The provisions against trade accounts receivable have moved as follows:

in KEUR	2009	2008
Provisions as of 1 January	**519**	**2,058**
Reclassification from/to discontinued operations	2,125	-1,363
Additions	902	22
Use	-2,720	-235
Exchange rate differences	-13	37
Provisions as of 31 December	**813**	**519**

We also refer you to our explanations regarding credit risk under II.5.ac. "Management of risks from financial instruments and capital management".

The trade accounts receivable not provided against have the following maturity terms:

in KEUR	Book value	Including: Neither provided against nor overdue at the financial statement date	Including: Not provided against but overdue in the following time bands at the financial statement 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 accounts receivable as at 31. 12. 2009	21,181	18,350	2,390	356	4	11	7
31. 12. 2009							
Trade accounts receivable as at 31. 12. 2009	27,648	20,950	5,525	364	389	75	345
31. 12. 2008							

With regard to the trade accounts receivable that are neither provided against nor in arrears, there was no indication at the financial statement date that the debtors would not fulfil their payment obligations.

h. Other current assets

Other current assets include, among other things, surety deposits of KEUR 4,019 (prior year KEUR 0), refund claims for sales tax of KEUR 462 (prior year: KEUR 671) and the current part of prepaid rent of KEUR 142 (prior year: KEUR 1,318). In the prior year, this item also included the current part of receivables for company sales of KEUR 2,000.

The other current assets are made up as follows:

	31. 12. 2009		31. 12. 2008	
in KEUR	**Total**	**including: current**	**Total**	**including: current**
Other receivables	6,962	6,962	6,108	6,108
Derivatives	0	0	32	32
Total	**6,962**	**6,962**	**6,140**	**6,140**

The receivables not provided against have the following maturity terms:

in KEUR	Book value	Including: Neither provided against nor overdue at the financial statement date	Including: Not provided against but overdue in the following time bands at the financial statement date				
			Up to 30 days	Between 31 and 60 days	Between 61 and 90 days	Between 91 and 120 days	More than 120 days
31. 12. 2009							
Other receivables							
Residual term up to 1 year	6,962	6,810	82	0	26	0	44
31. 12. 2008							
Other receivables							
Residual term up to 1 year	6,140	5,851	115	23	7	6	138

With regard to the receivables and loans granted that are neither provided against nor in arrears, there was no indication as of the financial statement date that the debtors would not fulfil their payment obligations.

i. Income tax refund claims

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

j. Liquid assets

The liquid assets of KEUR 44,194 (prior year KEUR 36,687) consist of cash in hand and credit balances with credit institutions. With regard to the movement in liquid assets, we refer you to our explanations regarding the application of funds statement under II.4. “Application of funds statement”.

Of the liquid assets, cash stocks with restriction of disposal amounting to KEUR 800 were included:

k. Assets held for trading

This item still contains the assets of Balda Solutions Hungaria Kft. shown below. The liabilities, which are also shown, are reported in the balance sheet in the item “Liabilities held for trading”.

	in KEUR
Current assets	153
Long-term assets	0
Current liabilities	16
Long-term liabilities	0

The company is to be sold in one piece.

In the prior year, the assets of the following companies were also shown amongst others under this item.

- Balda Medical GmbH & Co. KG
- Balda Medical Verwaltungsgesellschaft mbH
- Balda Grundstücks- und Vermietungs GmbH & Co. KG
- Balda Grundstücksverwaltungs GmbH
- Balda Solutions Deutschland GmbH
- Balda Werkzeug- und Vorrichtungsbau GmbH

In the context of the strategic redirection, in September 2009 the Board of Directors of Balda AG decided to halt the process of selling these companies and to reclassify them as Continued Operations.

Balda Solutions Deutschland GmbH and Balda Werkzeug- und Vorrichtungsbau GmbH were not sold in one piece as originally planned. The remaining assets and liabilities of these companies were reclassified to Continued Business in the course of the strategic restructuring of the Group.

The reclassification of the companies in 2009 affected the profits by KEUR 1,477. The expense was recorded in the item Depreciation/write-off expense and relates to the revision required by IFRS 5.27(a) of the planned depreciation/write-offs for the period in which the companies were classified as held for trading.

With regard to the companies sold of the former segment America, we refer you to our explanations under Point I.3.a. “Scope of consolidation”.

The following table contains information pursuant to IFRS 7 with regard to assets and liabilities classified as held for trading:

The provisions against trade accounts receivable have moved as follows:

in KEUR	2009	2008
Provisions as of 1 January	**2,630**	**0**
Reclassification to/from Continued Operations	-2,125	1,363
Removal from the scope of consolidation	-505	0
Additions	0	1,451
Use	0	-150
Exchange rate differences	0	-34
Provisions as of 31 December	**0**	**2,630**

The trade accounts receivable not provided against have the following maturity terms:

in KEUR	Book value	Including: Neither provided against nor overdue at the financial statement date	Including: Not provided against but overdue in the following time bands at the financial statement date				
			Up to 30 days	Between 31 and 60 days	Between 61 and 90 days	Between and 120 days	More than 120 days
Trade accounts receivable as of 31. 12. 2009	41	0	0	0	0	0	41
Trade accounts receivable as of 31. 12. 2008	4,732	2,272	757	676	4	60	716

The other current assets are shown below:

	31. 12. 2009		31. 12. 2008	
in KEUR	Total	including: current	Total	including: current
Loans granted and receivables	12	12	5,340	5,340

The loans granted and receivables not provided against are shown by their maturity terms below:

in KEUR	Book value	Including: Neither provided against nor overdue at the financial statement date	Including: Not provided against but overdue in the following time bands at the financial statement date				
			Up to 30 days	Between 31 and 60 days	Between 61 and 90 days	Between 91 and 120 days	More than 120 days
31. 12. 2009							
Loans granted and receivables							
Residual term up to 1 year	12	12	0	0	0	0	0
Residual term over 1 year	0	0	0	0	0	0	0
31. 12. 2008							
Loans granted and receivables							
Residual term up to 1 year	5,340	5,340	0	0	0	0	0
Residual term over 1 year	0	0	0	0	0	0	0

These items were not allocated to any segment. We refer you to our explanations on segment reporting under Point II.3. “Segment reporting”.

I. Group equity

The movement in the equity of the Balda Group can be found in the Equity movement statement (appendix).

As of the balance sheet date, the subscribed capital was KEUR 54,157. It is divided into 54,156,672 bearer shares which are fully entitled to dividends. The individual share represents a proportionate amount of the share capital of 1.00 euro.

On 9 August 2007 the Annual General Meeting decided that the Board of Directors could, until 8 August 2012, with the consent of the Supervisory Board and without a further resolution by the Annual General Meeting, issue participation rights once or several times with a maximum nominal value of KEUR 500,000. The participation rights may be associated with conversion or option rights in up to 19,677,249 bearer shares in the company.

To permit these conversion and option rights, it was decided at the Annual General Meeting on 9 August 2007 to increase the authorised capital of the company by up to KEUR 19,677 by the issue of 19,677,249 new shares without a par value with an entitlement to profits from the start of the financial year of their issue (contingent capital).

At the Annual General Meeting it was also decided that the Board of Directors could, in the period until 8 August 2012, with the consent of the Supervisory Board and without a further resolution by the Annual General Meeting, implement an increase in equity of up to KEUR 23,694 (authorised capital). Following the capital increase in 2007, the capital authorised in 2007 not taken up to date amounts to KEUR 16,924.

The increase of KEUR 187 in the capital reserve results from the subsequent valuation of the share options granted to employees in prior years in the context of the share option scheme. Further statements about the share-based remuneration of employees are to be found under Point II.5.aa “Share-based remuneration”.

The revaluation reserve results from the customer relationships disclosed in 2006 in the course of the successive share acquisitions of Balda Solutions Malaysia Sdn. Bhd. The amount falling within the first 50 percent holding less deferred taxes has been transferred to the revaluation reserve with no effect on the profit and loss.

The differences arising from the currency translation for the balance sheets and profit and loss statements of the foreign companies prepared in foreign currencies have been put to the exchange rate provision in accordance with IAS 21 without any effect on the profit and loss.

Balda has taken into account exchange rate differences of KEUR -36 arising from the translation of assets and liabilities at the spot rates on the reporting date.

The change in the exchange rate provision shown in Other income and expenditure is made up as follows:

	KEUR
Change in the exchange rate provision shown in 2009 with no effect on the profit and loss	-36
Changes from sale of investments	9,457
Change in the exchange rate provision	9,421

Regarding the correction of an error in the 2008 exchange rate provision, we refer you to our explanations under Point 2. “Correction of errors”.

m. Minority interests

The shares of other shareholders in an Indian company continue to be classified under Minority interests at a level of KEUR 2,204 (prior year: KEUR 2,481).

Long-term liabilities

n. Long-term loans

In November 2007, the company issued subordinate convertible participation rights with a nominal value of KEUR 34,200. These bearer instruments with a dividend of 8 percent p.a. on the nominal amount mature at the end of 2013. They will be redeemed at par unless the bearers have already converted them into Balda shares. Up to 4,734 million new Balda shares can then be issued from the capital authorised by the Annual General Meeting of 9 August 2007. The conversion price is 7.22 euros. If Balda's share closing price on Xetra reaches at least 12.50 euros during the period of five consecutive days, Balda may demand their conversion. The rights were issued within the scope of the existing authorisations and exclude drawing rights.

The fair value of the liability component and the equity conversion component was determined as of the date on which the convertible participations rights were issued. To determine the fair value of the liability component, a market interest rate (8.6 percent) was established that is comparable to similar non-convertible debentures. Discounting the cashflows at the market rate of interest results in a residual value that represents the option right. Taking into account pro rata transaction costs and deferred taxes, an amount of KEUR 552 was transferred to the capital reserve. Using the effective interest rate method with an interest rate of 9.52 percent, compound interest was applied to the liability component over its life. Interest costs for the reporting year of KEUR 330 were incurred.

In addition we refer you to our explanations under II.5.ac. "Management of the risks arising from financial instruments and capital management".

o. Long-term finance lease liabilities

The long-term finance lease liabilities of KEUR 363 (prior year: KEUR 539) relate to the capital repayment amounts of the liabilities arising from "finance leases". All liabilities fall due after one year but before five years.

In addition, we refer you to our explanations under III. e. "Further information on finance leases".

p. Deferred taxes

In the fiscal year 2009 deferred tax liabilities developed as follows:

	2008 in KEUR	Taken to the profit and loss account	Taken to other results with no effect on the profit and loss account	2009 in KEUR
Temporary differences				
Tangible assets	1,895	-442	-2	1,451
Convertible participation rights	606	-105	0	501
Capitalised customer relationships of Balda Solutions Malaysia Sdn. Bhd.	528	-107	0	421
Other	0	72	0	72
	3,029	**-582**	**-2**	**2,445**
including discontinued operations	-294			0
Level of deferred taxes per balance sheet	**2,735**			**2,445**

q. Long-term provisions

Changes in the provisions were as follows:

in KEUR	As of 01. 01. 2009	Exchange rate differences	Use	Release	Reclass-ification	Allocation	As of 31. 12. 2009
Long-term provisions/pension accruals	2	0	0	0	73	0	75

With the reinstatement of Balda Medical in Continued Operations, the existing provisions have also been reclassified.

Current liabilities

r. Trade accounts payable

These liabilities result mainly from material supplies and services and have fallen by KEUR 1,040 compared to the prior year.

s. Other current liabilities

The other current liabilities mainly concern:

in KEUR	2009	2008
Interest payable	5,824	3,429
Other staff liabilities (holiday, service bonuses/premiums etc.)	3,706	3,454
Wages and salaries including social security	1,670	1,220
Sales, payroll and church taxes	801	372
Miscellaneous other current liabilities	2,868	2,409
Total	**14,869**	**10,884**

t. Prepayments received

The prepayments received relate primarily to the receipt of payments for orders for assembly units and tools already in production.

u. Current liabilities due to credit institutions and current part of long-term loans

The current part of long-term loans relates to the instalments due on medium and long-term loans within the next twelve months. All of these amounts are therefore due within one year.

The bonded loan issued in February 2005 was redeemed in December 2009. The loan had a value in the prior year of KEUR 22,500 and, following a modification to the contract in December 2008, it had a fixed rate of interest of 5.35 percent p.a. The effective rate of interest on the loan was 6.12 percent. Interest payable of about KEUR 1.057 in 2009 was included.

In addition, we refer you to our explanations under II. 5. n. “Long-term loans”.

v. Current part of the finance lease liabilities

The current liabilities arising from lease contracts amount to KEUR 459 (prior year: KEUR 406) at the balance sheet date and relate to amounts due for finance leases falling due within one year.

In addition, we refer you to our explanations under III. e. “Further information on finance leases”.

w. Tax liabilities

The tax liabilities relate exclusively to liabilities for income tax liabilities per IAS 12.

x. Short-term provisions

The short-term provisions are made up as follows:

	As of	Exchange rate	Use	Release	Reclassification	Allocation	As of
	01. 01. 2009	differences					31. 12. 2009
in KEUR							
Short-term provisions	604	0	600	0	105	0	109

y. Liabilities held for trading

This item consists of the liabilities of the discontinued operation. We refer you to our explanations under II 5.k. “Assets held for trading”.

aa. Share-based remuneration

The share option scheme implemented by the company in the financial year 2006 expired as planned on 30 June 2009. From that date, no more share options may be granted. The scheme was set up with the following general conditions:

The exercise price for the options granted is based on the average of the share price of the last 10 days at the time of it being granted. The option bearer is fully entitled to the option after a period of two years following the date granted and it may be exercised after the expiry of this retention time (qualifying period) of two years. Balda may pay out the option in shares or as a cash settlement. Balda shall elect to pay it out in shares. The calculations below therefore relate exclusively to this component. The term of these options is a maximum of five years from the date granted. A precondition for exercising the option is that the Xetra closing price during the retention period exceeds the exercise price once by 20 percent. This exercise restriction was not taken into account when calculating the option price.

The following tranches were issued by the company by 31 December 2009 and have not yet expired as of the reporting date:

Date granted	Number of options	Outstanding options	Exercise price in EURO	Retention period in years	Expiry date
30.05.2007	950,000	380,000	10.33	2	29.05.2012
19.11.2008	25,000	25,000	0.25	2	18.11.2013

Details of the outstanding share options during the year are shown below:

	2009 Number of options	2009 Weighted average Exercise price in EURO	2008 Number of options	2008 Weighted average Exercise price in EURO
Outstanding at the start of the financial year	1,105,000	7.81	1,520,000	8.66
Granted during the financial year	250,000	0.59	25,000	0.25
Lapsed during the financial year	950,000	5.10	-440,000	10.33
Exercised during the financial year	0	-----	0	-----
Expired during the financial year	0	-----	0	-----
Outstanding at the end of the financial year	405,000	9.71	1,105,000	7.81
Exercisable as at the end of the financial year	380,000	10.33	500,000	6.38

The fair values were calculated using the Black Scholes valuation model. The model parameters were as follows:

Options granted in	**2008**	**2007**	**2007**
Date granted	**19.11.2008**	**01.11.2007**	**30.05.2007**
Weighted average share price (2007 in total)	0.24	10.31	10.31
Weighted average exercise price (2007 in total)	0.25	9.85	9.85
Anticipated volatility	124.90%	39.10%	37%
Anticipated term	3 years	3 years	3 years
Risk-free interest rate	4.05%	3.94%	4.31%
Anticipated dividends	0%	3%	3%

The volatility is calculated on the basis of the historic volatility of the share price over the previous 36 months.

At the reporting date, the weighted average of the remaining contractual term was 2.54 years.

On 27 March 2009, 250,000 share options were granted. These options lapsed at the start of July 2009 without being replaced. No expense was recorded for these share options issued in 2009. In addition, the 500,000 options granted in the 1 December 2006 tranche and the 200,000 granted in the 1 November 2007 tranche have lapsed.

A further expense of KEUR 187 (prior year KEUR 507) was recorded for the subsequent valuation of the share options issued in 2009.

ab. Additional information regarding the financial instruments

The book values, valuations and fair values of Continued Operations are presented in the following table by valuation categories:

			Balance sheet valuation according to IAS 39		
31. December 2009 in KEUR	**Valuation category according to IAS 39**	**Book value as of 31 December 2009**	**Amortised acquisition cost**	**Fair Value against results**	**Fair Value as of 31 December 2009**
Assets					
Liquid assets	LaR	**44,194**	**44,194**		**44,194**
Trade accounts receivable	LaR	**21,181**	**21,181**		**21,181**
Other current assets	LaR	**6,962**	**6,962**		**6,962**
Other financial assets	LaR	**1,286**	**1,286**		**1,286**
Derivative financial assets	FAHfT	**0**		**0**	**0**
Liabilities					
Trade accounts payable	FLAC	**17,370**	**17,370**		**17,370**
Current liabilities owed to credit institutions and current part of long-time loans	FLAC	**6,484**	**6,484**		**6,484**
Long-term debt	FLAC	**33,617**	**33,617**		**33,617**
Other current liabilities	FLAC	**14,869**	**14,869**		**14,869**
Other long-term liabilities	FLAC	**0**	**0**		**0**
Finance lease liabilities	FLAC	**822**	**822**		**822**
Aggregated by valuation categories in accordance with IAS 39:					
Loans and Receivables (LaR)	LaR	**73,623**	**73,623**	**0**	**73,623**
Financial Assets Held for Trading (FAHfT)	FAHfT	**0**	**0**	**0**	**0**
Financial Liabilities Measured at Amortised Cost (FLAC)	FLAC	**73,162**	**73,162**	**0**	**73,162**

31. December 2008 in KEUR	Valuation category according to IAS 39	Book value as of 31 December 2008	Balance sheet valuation according to IAS 39 – Amortised acquisition cost	Balance sheet valuation according to IAS 39 – Fair Value against results	Fair Value as of 31 December 2008
Assets					
Liquid assets	LaR	**36,687**	**36,687**		**36,687**
Trade accounts receivable	LaR	**27,648**	**27,648**		**27,648**
Other current assets	LaR	**6,140**	**6,140**		**6,140**
Other financial assets	LaR	**2,131**	**2,131**		**2,131**
Derivative financial assets	FAHfT	**32**		**32**	**32**
Liabilities					
Trade accounts payable	FLAC	**18,410**	**18,410**		**18,410**
Current liabilities owed to credit institutions and current part of long-time loans	FLAC	**100,711**	**100,711**		**100,711**
Long-term loans	FLAC	**35,417**	**35,417**		**35,417**
Other current liabilities	FLAC	**10,884**	**10,884**		**10,884**
Other long-term liabilities	FLAC	**0**	**0**		**0**
Finance lease liabilities	FLAC	**945**	**945**		**945**
Aggregated by valuation categories in accordance with IAS 39:					
Loans and Receivables (LaR)	LaR	**72,606**	**72,606**	**0**	**72,606**
Financial Assets Held for Trading (FAHfT)	FAHfT	**32**	**0**	**32**	**32**
Financial Liabilities Measured at Amortised Cost (FLAC)	FLAC	**166,367**	**166,367**	**0**	**166,367**

The fair value of the financial derivative instruments was calculated using market prices.

The net results for the continued operations according to valuation categories are as follows:

in KEUR	From the subsequent valuation			From interest	From disposal	Net results	
	At fair value	Exchange rate	Write-down			2009	2008
Loans and Receivables (LaR)	0	-265	-57	425	0	103	-1,846
Financial Assets Held for Trading (FAHfT)	0	0	0	0	0	0	32
Financial Liabilities Measured at Amortised Cost (FLAC)	0	5	0	-7,673	-982	-8,650	-16,194
Total	**0**	**-260**	**-57**	**-7,248**	**-982**	**-8,547**	**-18,008**

The book values, valuations and fair values of Discontinued Operations are presented in the following table by valuation categories:

31. December 2009 in KEUR	Valuation category according to IAS 39	Book value as of 31 December 2009	Balance sheet valuation according to IAS 39 Amortised acquisition cost	Fair Value against results	Fair Value as of 31 December 2009
Assets					
Liquid assets	LaR	**100**	**100**		**100**
Trade accounts receivable	LaR	**41**	**41**		**41**
Other current assets	LaR	**12**	**12**		**12**
Liabilities					
Trade accounts payable	FLAC	**10**	**10**		**10**
Current liabilities owed to credit institutions and current part of long-time loans	FLAC	**0**	**0**		**0**
Other current liabilities	FLAC	**1**	**1**		**1**
Other long-term liabilities	FLAC	**0**	**0**		**0**
Aggregated by valuation categories in accordance with IAS 39:					
Loans and Receivables (LaR)	LaR	**153**	**153**	**0**	**153**
Financial Liabilities Measured at Amortised Cost (FLAC)	FLAC	**11**	**11**	**0**	**11**

31. December 2008 in KEUR	Valuation category according to IAS 39	Book value as of 31 December 2008	Balance sheet valuation according to IAS 39: Amortised acquisition cost	Balance sheet valuation according to IAS 39: Fair Value against results	Fair Value as of 31 December 2008
Assets					
Liquid assets	LaR	**728**	**728**		**728**
Trade accounts receivable	LaR	**4,732**	**4,732**		**4,732**
Other current assets	LaR	**5,340**	**5,340**		**5,340**
Liabilities					
Trade accounts payable	FLAC	**3,679**	**3,679**		**3,679**
Current liabilities owed to credit institutions and current part of long-time loans	FLAC	**1,426**	**1,426**		**1,426**
Other current liabilities	FLAC	**9,799**	**9,799**		**9,799**
Other long-term liabilities	FLAC	**331**	**331**		**331**
Aggregated by valuation categories in accordance with IAS 39:					
Loans and Receivables (LaR)	LaR	**10,800**	**10,800**	**0**	**10,800**
Financial Liabilities Measured at Amortised Cost (FLAC)	FLAC	**15,235**	**15,235**	**0**	**15,235**

The net results of the Discontinued Operations are presented in the following table by valuation categories:

in KEUR	From the subsequent valuation: At fair value	From the subsequent valuation: Exchange rate	From the subsequent valuation: Write-down	From interest	From disposal	Net results 2009	Net results 2008
Loans and Receivables (LaR)	0	0	-218	141	0	-77	-2,127
Financial Liabilities Measured at Amortised Cost (FLAC)	0	0	0	-34	0	-34	-1,066
Total	**0**	**0**	**-218**	**107**	**0**	**-111**	**-3,193**

ac. Management of risks from financial instruments and capital management

Currency risks

Currency risks arise in the Group primarily from the operating business. However, even here the risks are assessed as low since the Group companies conduct their activities primarily in their relevant functional currencies. With foreign currency transactions, currency swaps are sometimes used to provide a hedge for the cash flow. Due to the minimal basic risk and taking into account the hedging activities at the reporting date, the Group was not exposed to any significant currency risks in the operational division.

In order to represent market risks, IFRS 7 requires sensitivity analyses, which demonstrate the effects of hypothetical changes of relevant risk variables on the results and on equity. Besides currency risks, the Group is also subject to interest rate change risks. The periodic effects are determined by basing the hypothetical changes to the risk variables on the stock of financial instruments at the reporting date. It is assumed that the stock at the reporting date is representative of the full year.

Currency risks, as defined in IFRS 7, arise through financial instruments that are denominated in a currency other than one of the functional currencies and are monetary in nature. Exchange-rate related differences resulting from the translation of financial reports into the Group currency is not taken into account. In general, all non-functional currencies in which the Group has financial instruments are seen as relevant risk variables.

Foreign currency transactions occur primarily in the currencies CNY and USD. If the Euro had increased (decreased) in value by 5 percent against all currencies as of 31 December 2009, the consolidated results would have been approximately KEUR 125 better (worse).

Credit risk

Active decentralised debtor management should ensure that the companies all around the world obtain information about the creditworthiness of business partners from relevant credit agencies and insurers in advance. Moreover, the past payment behaviour of customers can provide additional insight. As far as possible, the Group ensures the receivables through credit insurance. Arrears in the operational activities are continuously monitored locally. The company covers default risks with individual bad and doubtful debt provisions. Because of these Group-wide prescribed policies, default on assets not provided for are assessed as minimal.

Interest rate risk

The Balda Group is exposed to interest rate risk primarily in the Europe and Asia regions. Balda AG is increasingly trying to decentralise financing to the operational units. The effects of interest rate changes on the financial liabilities are represented using sensitivity analyses. There are no interest rate change risks for financial instruments with fixed interest rates. If there are changes to the market interest rates for the financial instruments with variable interest, these have a direct effect on interest payments, interest transactions and therefore on equity. If interest rates on the variable interest financial liabilities had increased (decreased) by 10 percent, this would have had a negative (positive) effect on the financial results of approximately KEUR 10.

Liquidity risk

Liquidity risk, in the narrower sense, means the risk of insufficient financial resources' availablity to fulfil all payment obligations on time.

In a wider sense, liquidity risk for the Balda Group means any restriction in borrowing or capital acquisition capabilities (e.g. rating) that might compromise the implementation of corporate strategies or generally restrict the financial room for manoeuvre. The main factors affecting the liquidity risk (development of earning power, economic developments, assessment of creditworthiness by third parties) are outside the financial management’s influence.

By liquidity, risk management therefore means the analysis of the risk and use of financial instruments (e.g. agreement on sufficient credit, diversification of creditors, fixing the capital commitment) so as to limit the risk in areas that lie outside the management's influence.

The following table shows the contractually agreed (undiscounted) interest and capital payments for the original financial liabilities and derivative financial instruments:

in KEUR	Book value	Cashflows 2010		Cash flow 2011		Cash flow 2012 - 2014		Cash flow 2014 ff.	
	31. 12. 2009	Interest	Capital paid	Interest	Capital paid	Interest	Capital paid	Interest	Capital paid
Original financial liabilities									
Liabilities owed to credit institutions and loans	40,101	3,016	6,495	2,780	725	5,483	32,881	0	0
Other liabilities	15,541	0	9,717	0	0	0	5,824	0	0
Finance lease liabilities	822	39	459	13	324	1	39	0	0
Derivative financial instruments	0	0	0	0	0	0	0	0	0

The underlying interest rates for variable interest rates are 6.21 percent p.a. and vary for fixed interest rates between 1.48 percent and 8.0 percent p.a.

Capital management

The main objective of the Group's capital management is to ensure the Group's ability to repay its debts and its healthy equity and borrowing structure.

Important performance indicators of the company's capital management are the net financial liabilities and net gearing. The net financial liabilities consist of all the liabilities to banks, lease liabilities and prepayments received offset by the liquid funds. In the financial year, these fell from KEUR 101,981 in the prior year to KEUR 2,396. The net gearing, that is the ratio of the Group's net financial liabilities to equity (excluding minority interests), fell from 103.9 percent in the prior year to 1.5 percent.

6. Notes on individual items in the consolidated profit and loss statement

The Balda Group's results for financial year 2009 were influenced by two major special causes. Balda Medical and Balda Grundstück have been reincorporated into Continued Business from Discontinued Business and included for the full year in the 2009 profit and loss statement. The prior year figures have been amended. In the reporting year, the sales revenues of the two companies with external customers were KEUR 34,097 taken together. The Group operating result contains an amount from the two companies of KEUR 5,230.

In addition, profit before tax has primarily been affected by the sale of shares in the touch screen company TPK. The Group gained income of KEUR 36,337 from the sale of 17.125 percent of the shares.

a. Sales revenue

The Balda Group's sales revenue in the financial year consists of KEUR 20,216 (prior year: KEUR 19,968) of domestic sales and KEUR 118,740 (prior year: KEUR 249,306) of foreign sales. The sales revenue is all generated from the sale of goods.

b. Other operating income

The other operating income in the consolidated financial statements is made up as follows:

in KEUR	2009	2008
Exchange rate gains	1,070	1,875
Income from recharges	800	526
Income from the release of provisions against receivables	471	350
Rental income	379	435
Book profits on the disposal of fixed assets	310	307
Materials sales	167	80
Income from the release of provisions	93	878
Income from the redemption of bonded loans	0	1,125
Other	1,925	2,638
Total	**5,215**	**8,214**

c. Changes in inventories of finished goods and work in progress

This item concerns changes in inventories of the products, in particular production plant, tools and injection molding articles, produced by the Group.

d. Cost of materials

The Balda Group's cost of materials decreased by KEUR 90,253 compared with the prior year to KEUR 66,110. The material usage ratio, that is the ratio of the cost of materials to total output value, was 45.57 percent in financial year 2009 (prior year: 55.12 percent).

e. Staff costs

Staff costs in the Group fell by KEUR 9,034 from KEUR 46,843 to KEUR 37,809. The staff costs usage ratio, that is the ratio of the staff costs to total output value, was 26.06 percent in financial year 2009 (prior year: 16.51 percent). The staff costs include settlements paid to former employees amounting to about KEUR 1,837.

f. Depreciation and amortisation expense

Depreciation costs fell from KEUR 41,962 to KEUR 12,203. Thanks to the impairment tests, no unplanned write-down of goodwill was made in the reporting year or the prior year.

In 2009, a revaluation of EUR 1,015 was made on one piece of real property in the Others segment based on expected future rental income. Because of low capacity utilisation in the India segment, a write-down of KEUR 1,459 was made on a product plant in 2009. In the prior year, there were write-downs of KEUR 19,054 on tangible fixed assets and of KEUR 11,325 on other financial assets.

g. Other operating expenses

The other operating expenses primarily concern:

in KEUR	2009	2008
Premises, maintenance and overhead expenses	5,039	9,099
Energy costs	3,918	6,108
IT costs	2,230	2,826
Travel/car/marketing expenses and investor relations	2,212	4,354
Training/employee benefit costs	2,187	3,368
Rental and lease costs	1,828	1,981
Administration costs	1,593	1,818
Legal and consultancy costs	1,249	3,885
Outward freight and storage costs	819	1,691
Losses on the disposal of fixed assets	829	1,970
Exchange rate costs	856	1,445
Insurance	547	493
Provisions for bad and doubtful debts and loss of receivables	528	1,169
Other taxes	239	723
Losses on disposal of shares in Group companies	0	6,803
Other	2,381	5,560
Total	**26,455**	**53,293**

Regarding the correction of an error of KEUR 2,813 in the losses on disposal of shares in Group companies in 2008, we refer you to our explanations under Point 2. “Correction of errors”.

h. Financial results

The financial income and expenditure consist of the following:

in KEUR	2009	2008
Interest expenses	7,707	15,266
Interest income	566	897
Other financial expenditure	982	840
Total	**8,123**	**15,209**

i. Results from associated companies

The results from associated companies of KEUR 50,915 (prior year KEUR 3,503) relate entirely to the investment in TPK Holding and its consolidated subsidiaries. The results consist of KEUR 14,578 regarding the proportional share of the investment’s profit for the year and KEUR 36,337 regarding the profit on disposal of shares. The figure from previous year only regards the fourth quarter. We refer you to our explanations under Point II.5.d. “Financial assets”.

j. Taxes on income and earnings

The income tax expense in the profit and loss statement consists of the following:

in KEUR	2009	2008
Actual expenditure on income tax	2,495	621
Prior year tax expenditure	-1,066	5,801
Deferred tax income from the occurrence or reversal of temporary differences	-1,023	-726
Changes to capitalised deferred tax claims on losses carried forward	-1,534	934
Total income tax expense/income (-)	**-1,128**	**6,630**

The tax on Group earnings before tax varies from the theoretical amount (resulting from the application of the theoretical income tax rate of 29.8 % (prior year: 29.8 %) to the earnings before tax) as follows:

in KEUR	2009	2008
Earnings before income taxes	45,280	-26,488
Theoretical tax expense 2008 29.8% (prior year: 29.8 %)	13,493	-7,893
Tax rate differences	-469	-2,319
Non-tax deductible income and expenditure	273	-2,155
Tax effects from equity accounting	-15,173	1,431
Realisation of tax losses carried forward	226	226
Tax losses for which no deferred tax assets were capitalised	964	10,903
Taxes for the prior year	-1,066	5,801
Other	624	636
Actual Tax expense	**-1,128**	**6,630**

k. Profit for the year on Continued Operations

The profit for the year on Continued Operations of KEUR 46,408 was attributed at KEUR 46,793 to the Balda AG shareholders and KEUR –385 to minority interests.

l. Profit for the year on Discontinued Operations

The profit for the year on Discontinued Operations is made up as follows:

in KEUR	2009	2008
Sales revenues	668	14,642
Other operating income	6,110	13,979
Changes in inventories of finished goods and work in progress	-178	-167
Other own work capitalised	0	1
Cost of materials	12	8,587
Staff costs	158	7,851
Depreciations	0	14,572
Other operating expenses	3,549	17,689
Financial result	107	-605
Earnings before income taxes	**2,988**	**-20,849**
Taxes on income and earnings	524	254
Profit/loss for the year	**2,464**	**-21,103**
Other income/expenditure	0	0
Total profit/loss on Discontinued Operations	**2,464**	**-21,103**

The prior year sales resulted from the business operation in Brazil and the European MobileCom companies. Large provisions for doubtful debts and write-downs of tangible fixed assets were the main reasons for the high prior year loss.

The undiluted earnings per share for Discontinued Operations are made up as follows:

	2009	2008
Profit or loss on Discontinued Operations after tax (KEUR)	2,464	-21,103
Weighted average of the issued shares (shares in thousands)	54,157	54,157
Undiluted earnings per share per IAS 33 (EUR)	**0.05**	**-0.39**

The diluted earnings per share for Discontinued Operations are made up as follows:

	2009	2008
Group proportion of the profit/loss for the year after tax		
per profit and loss statement (KEUR)	2,464	-21,103
Weighted average of the issued shares (shares in thousands)	54,182	54,157
Diluted earnings per share per IAS 33 (EUR)	**0.05**	**-0.39**

With regard to the reconciliation of the ordinary shares used for the diluted earnings, we refer you to our explanations under Point II.6.n. “Earnings per share – undiluted and diluted”.

m. Profit for the year for the total Group

The profit for the year for the total Group of KEUR 48,872 is allocated at KEUR 49,257 to the shareholders of Balda AG and KEUR –385 to minority interests.

n. Earnings per share – undiluted and diluted

The undiluted earnings per share are made up as follows:

	2009	2008
Group proportion of the profit/loss for the year after tax		
per profit and loss statement (KEUR)	49,257	-52,278
Weighted average of the issued shares (shares in thousands)	54,157	54,157
Undiluted earnings per share per IAS 33 (EUR)	**0.91**	**-0.965**

The diluted earnings per share are made up as follows:

	2009	2008
Group proportion of the profit/loss for the year after tax		
per profit and loss statement (KEUR)	49,257	-52,278
Weighted average of the issued shares (shares in thousands)	54,182	54,157
Diluted earnings per share per IAS 33 (EUR)	**0.909**	**-0.965**

The weighted average number of ordinary shares used for the calculation of the diluted earnings per share can be derived as follows from the weighted average number of ordinary shares that was used for the calculation of the undiluted earnings per share:

	2009	2008
(In thousands of shares)		
Weighted average number of shares used for the calculation		
of the undiluted earnings per share	54,157	54,157
Share options that have a positive intrinsic value	25	0
Weighted average number of ordinary shares used for the		
calculation of the diluted earnings per share:	**54,182**	**54,157**

Potential shares from share option schemes (380,000 shares) and from the issue of convertible participation rights (4,733,964 shares) were left out of the calculation in accordance with IAS 33, since the exercise price of these options was above the average price of the share in the reporting period. In the prior year, the potential ordinary shares were left completely out of the calculation partly because their inclusion would have led to an improvement in the earnings per share and partly because the exercise price was below the average price per share in the previous year.

III. Other information

a. Average number of employees

The following information relates to Balda Group employees including temporary staff and workers and apprentices:

	2009	2008
Board of Directors	2	2
Administrative staff	308	952
Technical and commercial staff	1,933	3,162
Temporary staff	3,503	4,576
Subtotal	**5,746**	**8,692**
Temporary workers, apprentices	2	61
Total	**5,748**	**8,753**

For further information on employees, we refer you to our management report.

b. Contingent liabilities

The Group contingent liabilities are as follows:

in KEUR	2009	2008
From guarantee contracts	0	35

c. Other financial commitments

in KEUR	2009	2008
< 1 year	4,771	3,781
2 to 5 years	1,640	4,623
> 5 years	4	1,579
Total	**6,415**	**9,983**

The Group’s other financial commitments of KEUR 2,816 (prior year: KEUR 456) relate to purchase commitments for investments in tangible fixed assets that are all to be paid out in 2010. Financial commitments from Group rental and lease contracts come to KEUR 3,599 (prior year: KEUR 9,527).

The rental and lease contract commitments relate to contracts in which the Group companies are not the beneficial owners per the IFRS (operating lease). The rental and lease commitments relate mainly to buildings. There were no contractual purchase options at the end of the period.

d. Contingent loans and contingent receivables

There are no contingent loans in the Group at the balance sheet date.

There are contingent receivables arising from a compensation claim. The external tax audit highlighted the risk of significant additional tax payments. The company sees this as due to incorrect advice and has in response claimed compensation from the former adviser.

e. Further information on finance leases

The reconciliation of future minimum lease payments with their net present values is presented in the following table:

31. 12. 2009		Due		
in KEUR	Total	up to 1 year	Between 1 and 5 years	Over 5 years
Minimum lease payments	875	498	377	0
Interest included	53	39	14	0
Net present value	822	459	363	0

31. 12. 2008		Due		
in KEUR	Total	up to 1 year	Between 2 and 5 years	Over 5 years
Minimum lease payments	1,017	453	564	0
Interest included	72	47	25	0
Net present value	945	406	539	0

f. List of shareholdings

The shareholdings of the Balda Group as of 31 December 2009 are listed in the following table:

Company	Registered office	Holding	Investment-proportion	Equity KEUR	Annual result KEUR
Balda Grundstücks-Vermietungs GmbH & Co. KG	Bad Oeynhausen	direct	100.00%	12,669	231
Balda Grundstücks-Verwaltungs GmbH	Bad Oeynhausen	direct	100.00%	28	2
Balda Medical Verwaltungsgesellschaft mbH	Bad Oeynhausen	direct	100.00%	13	-3
Balda Medical GmbH & Co. KG	Bad Oeynhausen	direct	100.00%	100	4,775
Balda Solutions Deutschland GmbH	Bad Oeynhausen	direct	100.00%	5,425	2,683
Balda Werkzeug- und Vorrichtungsbau GmbH	Bad Oeynhausen	direct	100.00%	773	620
Balda Solutions Hungaria Kft. via Balda Solutions Deutschland GmbH	Veszprem (Hungaria)	direct indirect	73.47% 26.53%	-456	-778

Company	Registered office	Holding	Investment-proportion	Equity KEUR	Annual result KEUR
Balda Solutions USA, Inc.	Raleigh (N.C./USA)	direct	100.00%	132	55
Balda Investments Mauritius Ltd.	Mauritius	direct	100.00%	-14	-17
Balda Motherson Solution India Ltd. via Balda Investments Mauritius Ltd.	New Delhi (India)	indirect	60.00%	5,455	-965
Balda Investments Singapore Pte. Ltd.	Singapore	direct	100.00%	175,481	74,016
Balda Solutions (Suzhou) Ltd. via Balda Investments Singapore Pte. Ltd.	Suzhou (China)	indirect	100.00%	15,626	-3,619
BSSU Sales and Finance Ltd. via Balda Investments Singapore Pte. Ltd.	(British Virgin Islands)	indirect	100.00%	0	0
Balda Solutions (Beijing) Ltd. via Balda Investments Singapore Pte. Ltd.	Beijing (China)	indirect	100.00%	20,809	9,715
BTO Technology (Beijing) Ltd. via Balda Investments Singapore Pte. Ltd. and Balda Solutions (Beijing) Ltd.	Beijing (China)	indirect	100.00%	4,707	-515
Balda Solutions Malaysia Sdn. Bhd. via Balda Investments Singapore Pte. Ltd.	Ipoh (Malaysia)	indirect	100.00%	25,140	-2,797
Balda Technology MSC Sdn. Bhd. via Balda Investments Singapore Pte. Ltd. and Balda Solutions Malaysia Sdn. Bhd.		indirect	100.00%	-57	-53
BSM Sales and Finance Ltd. via Balda Investments Singapore Pte. Ltd.	(British Virgin Islands)	indirect	100.00%	0	0
Balda Solutions (Xiamen) Ltd. via Balda Investments Singapore Pte. Ltd.	Xiamen (China)	indirect	100.00%	534	-656

Company	Registered office	Holding	Investment-proportion	Equity KEUR	Annual result KEUR
Balda AVY Investments Singapore Pte. Ltd. via Balda Investments Singapore Pte. Ltd.	Singapore	indirect	60.00%	54	-1
Balda Capital Singapore Pte. Ltd. via Balda Investments Singapore Pte. Ltd.	Singapore	indirect	100.00%	0	0
Associated companies (Consolidation at equity)					
TPK Holding Co. Ltd. via Balda Investments Singapore Pte. Ltd.	George Town (Cayman Islands)	indirect	20.875%	117,057	51,719
Improve Idea Investments Ltd. via TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Apia (Samoa)	indirect	100.00%	15,224	-102
TPK Touch Solutions Inc. via Improve Idea Investments Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Taipeh (Taiwan)	indirect	100.00%	6,807	115
New Strategy Investment Ltd. via TPK Touch Solutions Inc., Improve Idea Investments Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Apia (Samoa)	indirect	100.00%	140	0
Upper Year Holdings Ltd. via TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Apia (Samoa)	indirect	99.00%	102,688	41,814
TPK Touch Solutions (Xiamen) Inc. via Upper Year Holdings Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Xiamen (China)	indirect	100.00%	86,260	39,781
TPK Lens Solutions Inc. via Upper Year Holdings Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Xiamen (China)	indirect	100.00%	9,190	3,395

Company	Registered office	Holding	Investment-proportion	Equity KEUR	Annual result KEUR
TPK Touch Systems (Xiamen) Inc. via Upper Year Holdings Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Xiamen (China)	indirect	100.00%	5,106	-938
Optera TPK Holding Pte. Ltd. via TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Singapore	indirect	100.00%	16,505	7,869
Optera Technology (Xiamen) Co., Ltd. via Optera TPK Holding Pte. Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Xiamen (China)	indirect	100.00%	16,525	8,298
TPK Technology International Inc. via TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Apia (Samoa)	indirect	100.00%	6,883	6,460

g. Executive bodies of Balda AG

Supervisory Board of Balda AG

- Mr. Dino Kitzinger, Munich, (chairman, since 3 July 2009)
  Company Consultant
- Mr. Mark Littlefield, San Jose, California, USA, (vice chairman, since 3 July 2009) Managing Partner at BluePoint Controls, Inc
- Mr. Thomas J. Leonard, Holland, Michigan, USA, (since 3 July 2009)
  President of Optera Inc.
- Mr. Richard Roy, Dreieich (until 3 July 2009)
  Company Consultant
- Mr. Michael Sienkiewicz, San Francisco, USA, (until 3 July 2009)
  Company Consultant
- Dr. Axel Bauer, Dresden, (until 31 May 2009)
  Solicitor

Besides their commitment to Balda AG, Messrs. Dino Kitzinger, Mark Littlefield and Thomas J. Leonard had no other supervisory or executive board duties in 2009. Dino Kitzinger possesses special knowledge and experience with the application of financial accounting principles in the Supervisory Board.

Besides their commitment to Balda AG, the following former Supervisory Board members still had the following additional duties

- Mr. Richard Roy also has the following supervisory and executive board duties:
  Swisscom AG, Bern, Switzerland (vice-president of the executive board)
  Update Software AG, Vienna, Austria (supervisory board member)
  Sky Deutschland (former Premiere AG), Munich (deputy supervisory board chairman)
  Freenet AG, Hamburg (supervisory board member)
  RCP AG, Frankfurt/M. (supervisory board member) until 15 April 2009
- Dr. Axel Bauer also has the following supervisory board and advisory committee duties:
  TUDAG TU Dresden AG, Dresden (supervisory board chairman)
  Hamann Consult AG, Dresden (supervisory board chairman)
  Kofler Energies AG, Munich (supervisory board chairman)
  Kofler Industries AG, Munich (member of the supervisory board)
  Union Werkzeugmaschinen GmbH, Chemnitz (member of the advisory committee)

Board of Directors of Balda AG

- Mr. Michael Sienkiewicz, San Francisco, USA (Chairman since 6 July 2009)
  Foreign companies, Human Resources for Balda Group, Public Relations, Sales, Marketing, Technology, Purchasing
- Mr. Rainer Mohr (Chief Financial Officer since 7 July 2009)
  Finance, Administration, IT, Law/Insurance/Tax, Investor Relations, Internal Audit, Human Resources for Balda AG
- Dr. Dirk Eichelberger, Munich (until 3 July 2009), sole director

Mr. Michael Sienkiewicz is also:

- Chairman of the Board of Directors of
  Balda Investments Singapore Pte. Ltd., Singapore (since 8 July 2009)
  Balda Solutions Malaysia Sdn. Bhd., Ipoh, Malaysia (since 6 August 2009)
- Deputy Chairman of the Board of Directors of
  Balda Motherson Solution India Ltd. Chennai, India (since 28 August 2009)
- Member of the Board of Directors of
  Balda Solutions (Suzhou) Ltd., Suzhou, China (since 8 July 2009)
  Balda Solutions (Beijing) Ltd., Beijing, China (since 8 July 2009)
  Balda Investments Mauritius Ltd., Mauritius (since 22 July 2009)
  TPK Holding Co. Ltd., Cayman Islands (since 7 July 2009)
  Balda Capital Singapore Pte. Ltd. (since 23 September 2009)

Mr. Rainer Mohr is also:

- Member of the Board of Directors of
  Balda Investments Singapore Pte. Ltd., Singapore (since 8 July 2009)
  Balda Solutions Malaysia Sdn. Bhd., Ipoh, Malaysia (since 26 August 2009)
  Balda Solutions (Suzhou) Ltd., Suzhou, China (since 8 July 2009)
  Balda Solutions (Beijing) Ltd., Beijing, China (since 8 July 2009)
  Balda Investments Mauritius Ltd., Mauritius (since 22 July 2009)
  Balda Motherson Solution India Ltd. Chennai, India (since 28 August 2009)
  Balda Solutions USA Inc., Raleigh, USA (since 7 July 2009)

Dr. Eichelberger was also

- Member of the Board of Directors of
  Balda Investments Singapore Pte. Ltd., Singapore (until 3 July 2009)
  Balda Solutions (Suzhou) Ltd., Suzhou, China (until 3 July 2009)
  Balda Solutions (Beijing) Ltd., Beijing, China (until 3 July 2009)
  Balda Solutions Malaysia Sdn. Bhd., Ipoh, Malaysia (until 3 July 2009)
  Balda Investments Mauritius Ltd., Mauritius (until 3 July 2009)
  Balda Solutions Xiamen Ltd., Xiamen, China (until 3 July 2009)
  TPK Holding Co. Ltd., Cayman Islands (until 3 July 2009)
  Balda Solutions USA Inc., Raleigh, USA (until 3 July 2009)
  Balda Motherson Solution India Ltd. Chennai, India (until 3 July 2009)
  Balda AVY Investments Singapore Pte. Ltd. (until 3 July 2009)

Remuneration of the Board of Directors and the Supervisory Board

Remuneration of the Supervisory Board

As a German stock corporation ("AG"), Balda is subject to the German stock corporation law. Therefore, the company has a split management and governance structure consisting of two directors and, in accordance with the memorandum and articles, three Supervisory Board members.

With effect on 31 May 2009, Dr. Axel Bauer resigned from the Supervisory Board. At the end of the Annual General Meeting on 3 July 2009, Supervisory Board Chairman Richard Roy and Supervisory Board member Michael Sienkiewicz resigned from the Supervisory Board.

The shareholders of Balda AG elected three new members to the company's Supervisory Board at the Annual General Meeting in Bielefeld on 3 July 2009. The Supervisory Board consists of Dino Kitzinger, Munich, Mark Littlefield, San José, California, USA and Thomas J. Leonard, Holland, Michigan, USA.

Supervisory Board and remuneration report

The members of the Supervisory Board received the following remuneration for financial year 2009:

in EUR				
	Fixed remuneration	Attendance fees	Variable remuneration	Total income
Richard Roy	12,500	3,000	20,164	35,664
Dr. Axel Bauer	5,208	3,000	8,274	16,482
Michael Sienkiewicz	9,375	3,000	15,123	27,498
Dino Kitzinger	12,500	7,500	19,836	39,836
Mark Littlefield	9,375	7,500	14,877	31,752
Thomas J. Leonard	6,250	7,500	9,918	23,668
Total:	**55,208**	**31,500**	**88,192**	**174,900**

The remuneration of the Supervisory Board is determined by the Annual General Meeting and contains a profit-related component and a profit-unrelated one. The variable remuneration is based on the movement in Balda's share price compared with the SDax. Taken over the year, in 2009 the Balda share price did significantly better than the SDax's performance. By the end of the year, the Balda share had done better than the SDax by about 545 percentage points. In the reporting year, the company issued no consultancy or placement mandates to the Supervisory Board members. Balda therefore did not pay any special remuneration (Code Article 5.4.6).

There were no apparent conflicts of interest in the Supervisory Board or its members in the reporting period.

Because of the complete change of membership of the Supervisory Board, at the meeting on 23 December 2009 the Board decided not to conduct an efficiency audit for financial year 2009 (Code Article 5.6).

Board of Directors and remuneration report

The composition of the Board of Directors of Balda AG changed over the course of the reporting year. Sole Director Dr. Dirk Eichelberger (CEO) resigned with effect from 3 July 2009. Rainer Mohr, most recently Chief Financial Officer (CFO) of Sovello AG, took over as Finance Director (CFO). The company's new Supervisory Board appointed Michael Sienkiewicz as the company's new Chairman (CEO) with effect from 6 July 2009.

The remuneration of the members of the Board of Directors was made up as follows (remuneration report – Code Article 4.2.5): The Board of Directors' remuneration comprised monetary elements made up of fixed and variable components (Code Article 4.2.3) as well as ancillary benefits. The ancillary benefits include the use of company cars or compensation for waiver of a company car and the provision of a direct insurance policy or comparable pension and group accident insurance. No further contractually guaranteed pension commitments were given. The members of the Board of Directors received no services from third parties that were promised with regard to their Board activities or granted in financial year 2009 (Code Article 4.2.3).

Besides the fixed remuneration, the remuneration of the members of the Board of Directors in 2009 also included payments after the resignation of Board members. In principle, the variable remuneration of the Board of Directors comprised both components that are connected with the company's business and economic success (performance-related remuneration) and components with a long-term incentive.

The component related to business results is calculated for the new Board of Directors on the basis of earnings before interest and tax (EBIT) of the Balda Group in financial year 2009. For the former Board of Directors, earnings before tax (EBT) were used for the calculation.

The variable component with a long-term incentive related to the share option scheme decided upon in June 2006, which expired on 30 June 2009 as planned. In March 2009, share options were granted for the last time but these lapsed in July 2009.

A new remuneration component with long-term incentive effect is not considered from 2010 onward due to the short-term Board of Directors contracts.

As per the resolutions of the Annual General Meeting, the old scheme comprised a volume of up to 4.016 million options. The company could issue 50 percent of these options to the Board of Directors, 30 percent to the Managing Directors of the Group companies and 20 percent to the employees of the Balda Group. The shares could be issued up until 30 June 2009. The term of the options was five years from the relevant date of issue with a retention period of two years. Before the option could be exercised, the Xetra closing price of Balda shares had to reach a minimum 120 percent of the issue price at least once during the retention period. Other exercise restrictions could be stipulated individually at the time of issue. The issue price of the options corresponded to the average of the Xetra closing prices of Balda shares on the last ten stock exchange trading days before issue of the option.

The Board of Directors and the Supervisory Board are entitled to set a restriction on profit for the exercise of the options in the event of unusual and unanticipated developments (Code Article 4.2.3) – there are exclusion periods for both the allocation of options and their exercise.

Board of Directors' remuneration report

The members of the Board of Directors received the following remuneration from any part of the Group for financial year 2009:

in EUR	Fixed remuneration and settlements	Profit-related remuneration	Ancillary benefits	Remuneration with long-term incentive	Total
Total:	**1,967,282**	**253,877**	**90,400**	**0**	**2,311,559**
of which:					
Michael Sienkiewicz	149,240	104,750	13,524	0	**267,515**
Rainer Mohr	103,696	78,563	2,262	0	**184,520**

KEUR 1,500 of the fixed remuneration and settlements consisted of settlements.

Shareholdings of executive bodies			
	31. 12. 2009	**31. 12. 2008**	**Amendment**
M. Sienkiewicz	0	0	0
R. Mohr	0	0	0
Dr. D. Eichelberger [1]	0	0	0
Board of Directors total	**0**	**0**	**0**
D. Kitzinger	14,000	0	14,000
M. Littlefield	0	0	0
T. Leonard	0	0	0
R. Roy[2]	0	8,000	-8,000
M. Sienkiewicz[2]	0	0	0
Dr. A Bauer[2]	0	0	0
Supervisory Board total	**14,000**	**8,000**	**6,000**

[1] as of 31 December 2009 no longer a member of the Board of Directors

[2] as of 31 December 2009 no longer a member of the Supervisory Board

The executive bodies made no other significant acquisitions or sales in 2009.

h. Relationships with associated companies and persons

Affiliated companies and persons within the meaning of IAS 24 are legal or natural persons that may exercise influence over Balda AG and its subsidiaries, or which are subject to control or significant influence by Balda AG or its subsidiaries. These include, in particular, unconsolidated subsidiaries and associated companies.

Relationships with companies associated with the Group

The following transactions were made involving companies associated with the Group in 2009:

	KEUR
Sale of goods	325
Rent for buildings	86
Purchase of services	85
Sale of fixed assets	23
Purchase of materials	7
Interest expenses	5

As of 31 December 2009 there were receivables of KEUR 302 and liabilities of KEUR 44.

The relationships with persons of the executive bodies are shown in the remuneration report. There are no further transactions with affiliated persons or companies.

i. Post-balance sheet events

Balda, having sold 17.125 percent of its involvement in the touch screen producer TPK in the previous year, reduced its investment by a further 1.625 percent in January and February 2010. Since completion of the sales, the Balda Group has had a 19.25 holding in the touch screen company TPK.

At the start of 2010, Balda AG agreed to the level of outstanding tax payments with the tax office. They amounted to about 6.0 million euros. This is recorded as a provision at the 2009 balance sheet date.

There are no other significant post-balance sheet events affecting the asset, financial or result situation.

j. Auditor’s fee

The following audit fees were recorded as an expense in the financial year:

	KEUR
For the financial statements audit	160
For other audit services	0
For other services	29
Total	**189**

k. Application of statutory exemption provisions per § 264 para. 3 HGB and § 264 b HGB

Balda Medical GmbH & Co. KG, Bad Oeynhausen has partially applied the exemption provisions per § 264 para. 3 HGB and § 264b HGB.

Corporate Governance

Balda is following and will follow the recommendations and suggestions of the Corporate Governance Codex as amended on 18 June 2009, with certain exceptions. The compliance statement, according to § 161 of the German Stock Corporation Act (AktG) is made permanently accessible, together with previous compliance statements, to shareholders as well as the public on the Balda Website (www.balda.de under Investor Relations / Corporate Governance. The statement of company management is also accessible on the Balda Website (www.balda.de under Investor Relations / Corporate Governance).

Bad Oeynhausen, 5 March 2010
The Board of Directors
Michael Sienkiewicz Rainer Mohr

I. Declaration by the Board of Directors

"We declare that, to the best of our knowledge, according to the applicable principles of corporate accounting, the consolidated financial statements give a true and fair view of the actual asset, financial and result situation of the Group and the activities of the business including the financial results and the Balda Group and Balda AG's situation are presented in the summary management report in such a way that they give a true and fair view of the situation and of the major opportunities and risks of the anticipated development of the Balda Group and Balda AG."

Bad Oeynhausen, 5 March 2010
The Board of Directors
Michael Sienkiewicz Rainer Mohr

Balda Aktiengesellschaft, Bad Oeynhausen

Notes for the 2009 financial year

I. General Information

Balda Aktiengesellschaft's registered office is in Bad Oeynhausen, Germany, and functions exclusively as a holding.

The Balda Group develops and produces complete plastic assemblies, electronic products and products for the medical industry. The customers of Balda are leaders in business from the mobile, entertainment and electronic communications as well as pharmaceutical and medical technology markets. The Group has an international position with product sites in China, Malaysia, India and Germany. A subsidiary in the USA supports North American customers with respect to product design and development. Within the framework of a shareholding in a leading producer of touch screens in China, Balda is participating in the dynamic development in the touch-sensitive display sector.

II. Balda AG financial year-end report

Because Balda AG engages in an organized market, for the purpose of § 2 para. 5 of the German Securities Trading Act (WpHG), by means of its shares issued for the purpose of § 2 para.1 clause 1 of the WpHG, it is considered a large corporation pursuant to § 267 para. 3 clause 2 of the German Commercial Code (HGB).

All figures refer to thousand euros (KEUR) unless otherwise stated.

1. Financial reporting and evaluation principles

The Balda AG financial year-end report is prepared in accordance with the basic principles of §§ 242 to 256 of the HGB and §§ 264 et seq. HGB and the German Companies Act.

The applied accounting policies are unchanged from the previous year, except for a reclassification of an interest obligation (EUR 3,088) for a convertible participatory right of liabilities in provisions. The background is the change in economic conditions and the resulting impact on its earnings (cf. the information provided under 2.f and 2.g in these Notes).

The intangible and tangible assets are valuated at acquisition and manufacturing costs, less scheduled linier depreciations. The depreciations are generally based on the following operating life expectancies:

		Years
Software		3 to 5
Machinery and equipment		3 to 10
Fixtures, furniture and office equipment		4 to 10

Low value assets up to 150.00 euros are fully written off in the year of purchase.

For low value assets with a value of between 150.00 euros and 1,000.00 euros, a compound item was established. It is regularly depreciated over a period of five years.

The financial assets are recorded at acquisition cost.

If the fair value of the assets is due to a permanent reduction below acquisition costs on the financial statement date, the financial assets will be written down to the lower costs or the financial statement date value.

Accounts receivables and other assets are reported at nominal value. Identifiable risks are accommodated by value adjustments. Short-term foreign currency liabilities are converted at the lowest value at the time of the initial booking or at the rate on the financial statement date.

The liquid assets are reported at nominal value.

Provisions accommodate all identifiable risks and uncertain liabilities. They are formed according to a reasonable commercial basis.

Liabilities are carried at the repayable amount. The difference between the amount repayable and the payout amount is recorded under deferred charges and prepaid expenses. Short-term foreign currency liabilities are converted at the highest value either at the time of the initial booking or at the value on the financial statement date.

2. Notes on individual balance sheet items

2.a. Fixed assets

For details, see table in the appendix on development of the fixed assets and the list of shareholdings.

The decrease of financial assets results mainly formed the repayment of a loan that had been handed out to Balda Investments Singapore Pte. Ltd. (Singapore).

2.b. Accounts receivable and other assets

The accounts receivable due from affiliated companies, KEUR 11,049 (previous year KEUR 8,789), include trade accounts receivable of KEUR 4,040 (previous year: KEUR 700). Furthermore, this position includes a claim against Balda Medical GmbH & Co. KG, Bad Oeynhausen, from the profit taken in the amount of KEUR 4,526.

The other assets include, inter alia, tax accounts receivable of KEUR 415 (previous year: KEUR 666). Of the KEUR 417, KEUR 323 (previous year: KEUR 363) has a maturity of more than one year.

2.c. Cash in hand, deposits in bank accounts

This item includes cash in hand and credit balances in current accounts.

2.d. Prepaid expenses

Prepaid expenses include, amongst others, a discount of KEUR 93.

2.e. Shareholders’ equity

Balda AG shareholders’ equity underwent the following changes:

	Subscribed share capital	**Capital reserves**	**Revenue reserves**	**Net loss**	**Shareholders´ equity**
	KEUR	KEUR	KEUR	KEUR	KEUR
Status: 1 January 2009	**54,157**	**152,873**	**2**	**144,719**	**62,313**
Annual net profit 2009	0	0	0	2,509	**2,509**
Status: 31 December 2009	**54,157**	**152,873**	**2**	**142,210**	**64,822**

The share capital amounted to KEUR 54,157 at the financial statement date. It is divided into 54,156,672 bearer shares, which are fully entitled to dividends.

With a resolution passed at the annual general meeting on 29 July 2008, the Board of Directors was authorized to purchase company shares until 28 January 2010. The sum of the company shares held may not exceed 10.0 percent of the share capital. The Board of Directors purchased no company shares.

It was resolved at the annual general meeting on 9 August 2007 that the Board of Directors, with the consent of the Supervisory Board and without further resolutions of the general meeting, may issue participation rights until 8 August 2012, once or multiple times, with a maximum nominal value of KEUR 500,000. The profit-participation rights may be combined with conversion and option rights up to 19,677,249 bearer shares in the company.

In order to service these conversion or option rights, it was resolved at the annual general meeting on 9 August 2007 to conditionally increase the company's share capital by up to KEUR 19,677 by issuing 19,677,249 new shares with profit participation rights beginning at the start of the financial year in which they were issued.

It was further decided at the annual general meeting that the Board of Directors, with the consent of the Supervisory Board and without further resolutions of the annual general meeting, might increase equity capital up to KEUR 23,694 until 8 August 2012 (authorized capital). After the capital increase in 2007, the authorized capital, unused to date, still amounts to KEUR 16,924.

2.f. Provisions

The tax provision of KEUR 6,367 resulted from the audit for the years 2003 to 2006 and reflects the company's estimated obligations. The audit had been completed at the time of the preparation of the financial report.

The other provisions primarily include amounts for personnel provisions amounting to KEUR 1,099 (previous year: KEUR 1,516), outstanding incoming invoices and others in the amount of KEUR 2,355 (previous year: KEUR 1,503) as well as the possible interest payable from the convertible profit-participation right (KEUR 5,824).

2.g. Liabilities

The residual terms of the liabilities as of 31 December 2009 are represented as follows:

	31. 12. 2009	**< 1 year**	**1 to 5 years**	**> 5 years**
	KEUR	KEUR	KEUR	KEUR
Bonds	34,200	0	34,200	0
Trade accounts payable	434	434	0	0
Accounts payable to affiliated companies	83,005	83,005	0	0
Other liabilities	490	490	0	0
Total	**118,129**	**83,929**	**34,200**	**0**

The possible interest payable from the convertible profit-participation right (KEUR 5,824, previous year: KEUR 3,088) was reclassified from other liabilities into other provisions.

Previous year’s values

The residual terms of the liabilities as of 31 December 2008 are represented as follows:

	31. 12. 2008	< 1 year	1 to 5 years	> 5 years
	KEUR	KEUR	KEUR	KEUR
Bonds	39,200	5,000	34,200	0
Liabilities to financial institutions	77,375	77,375	0	0
Trade accounts payable	981	981	0	0
Accounts payable to affiliated companies	5,554	5,554	0	0
Other liabilities	5,500	5,500	0	0
Total	**128,610**	**94,410**	**34,200**	**0**

At the reporting date, bonds included subordinate convertible bonds with a nominal value of KEUR 34,200, issued in November 2007. The bearer instruments, with a payout of 8 percent per annum on the nominal value, reach maturity at the end of 2013. Requirements for a distribution of profit can only be met out of a Group net profit (before profit requirements). In case of a loss situation, these are carried forward and expire two years after the end of the term. They are repaid at par, unless the bearers have already converted them into Balda shares. There were 684 bonus shares distributed, which entitle the owner to the conversion of 6,921 shares in each case. There were not any shares converted as of the financial statement date. The conversion price is 7.22 euros per share. If the Balda share reaches a closing rate of at least 12.50 euros on Xetra trading during the term, Balda can demand conversion. The papers were issued within the scope of existing authorizations and exclude subscription rights.

A bearer bond amounting to KEUR 5,000 was repaid as scheduled in 2009.

The liabilities to financial institutions have been satisfied in their entirety by means of taking out a loan (TUSD 103,113) with an affiliate as scheduled at the end of the financial year. The loan is reported under liabilities payable to affiliated companies and has a variable interest rate of 4.45 percent. The loan does not have a fixed maturity; repayment requires a separate agreement.

The liabilities payable to affiliated companies in the amount of KEUR 83,005 (previous year: KEUR 5,554) include liabilities from deliveries and services in the amount of KEUR 103 (previous year: KEUR 101).

Liabilities payable to affiliated companies include largely a loan by Balda Investments Singapore Pte. Ltd., Singapore, amounting to KEUR 71.941.

Contingent liabilities and other financial commitments

The contingent liabilities in Balda AG were as follows:

	31. 12. 2009	31. 12. 2008
	KEUR	KEUR
From warranty commitments	0	516

Balda AG's other financial obligations from fixed term contracts, excluding rental, leasing and other long-term purchasing commitments, consist of the following:

	31. 12. 2009	31. 12. 2008
	KEUR	KEUR
Total	1,421	2,658
Of these to affiliated companies	0	0

Furthermore, there is an annual obligation of KEUR 183 from an unlimited building lease agreement with Balda Grundstücks-Vermietungs GmbH & Co. KG.

3. Notes on individual items of the income statement

3.a. Sales revenues

The sales revenues consist primarily of revenues from services rendered by employees. Due to the homogenous revenue structure, a classification according to activity area or geographical markets is unnecessary.

3.b. Other operating income

Other operating income (KEUR 4,056) includes incoming payments from specific provisions for accounts receivable (KEUR 2,116).

3.c. Other operating expenses

The other operating expenses (KEUR 12,220) resulted mainly from the following:

- Exchange rate deviations (KEUR 2,632)
- Legal and consulting costs (KEUR 1,998)
- Financial expenses (KEUR 2,566)
- Software expenses (KEUR 2,333)

Expenses for exchange rate deviations primarily include the valuation at the reporting date for the raising of a credit loan of a subsidiary.

Software expenses include the supply of IT services to the total Group.

3.d. Returns from shareholdings

The returns from shareholdings (KEUR 15,394) are apportioned as follows:

- Balda Medical GmbH & Co. KG, Bad Oeynhausen KEUR 4,526
- Balda Investments Singapore Ltd, Singapur KEUR 10,868

3.e. Interest and similar expenditures

Other interest and similar expenditures (KEUR 6,876) include the interest for the convertible profit-participation right in the amount of KEUR 2,736 (previous year: KEUR 2,736).

3.f. Taxes on income and earnings

This item resulted mainly from the establishment of a provision for the anticipated requirement based on the audit of the years 2003 to 2006.

Earnings per share

	2009	2008
Annual net profit (KEUR)	2,509	-53,373
Weighted average of issued shares (shares in thousands)	54,157	54,157
Earnings per share (EUR)	0.046	-0.986

III. Other Information

Average number of employees

Balda AG employed on average 16 employees in the 2009 financial year (previous year: 31 employees).

Executive bodies

Balda AG Supervisory Board

- Mr. Dino Kitzinger, Munich/Germany (Chairman), corporate consultant
(as of 3 July 2009)
- Mr. Mark Littlefield, San Jose, USA, (Vice chairman) Managing Partner of
BluePoint Controls Inc.
(as of 3. July 2009)
- Mr. Thomas J. Leonard, Holland, USA, President of Optera Inc.
(as of 3 July 2009)
- Mr. Richard Roy, Dreieich/Germany (Chairman), corporate consultant
(until 3 July 2009)
- Mr. Michael Sienkiewicz, San Francisco, USA, (Vice chairman), corporate consultant
(until 3 July 2009)
- Mr. Axel Bauer, Dresden/Germany, attorney at law
(until 31 May 2009)

The Supervisory Board members do not hold any other mandates beside their obligation to Balda AG.

Balda AG Board of Directors

- Mr. Michael Sienkiewicz, San Francisco (USA), CEO
  (as of 6 July, 2009)
  Foreign Companies, Human Resources Balda Group, Public Relations and Marketing, Sales and Distribution, Technology, Purchase
- Mr. Rainer Mohr, Mülheim a.d.R., CFO
  (as of 6 July 2009)
  Finances, Controlling, IT, Legal Department/Insurance/Taxes, Investor Relations, Internal Audit, Human Resources Balda AG
- Mr. Dirk Eichelberger, Munich
  (until 3 July 2009)
  Finances, Controlling, IT, Legal Department/Insurance/Taxes, Investor Relations

Mr. Michael Sienkiewicz is concurrently

- Chairman of the Board of Directors of
  Balda Investments Singapore Pte. Ltd., Singapore/Singapore (as of 8 July 2009)
  Balda Solutions Malaysia Sdn. Bhd., Ipoh/Malaysia (as of 6 August 2009)
- Vice-chairman of the Board of Directors of Balda Motherson Solution India Ltd., Chennai/India (as of 28 August 2009)
- Member of the Board of Directors of
  Balda Solutions (Suzhou) Ltd., Suzhou/China (as of 8 July 2009)
  Balda Solutions (Beijing) Ltd., Beijing/China (as of 8 July 2009)
  Balda Investments Mauritius Ltd., Mauritius (as of 22 July 2009)
  TPK Holding Co. Ltd., Cayman Islands/Cayman Islands (as of 7 July 2009)
  Balda Capital Singapore Pte. Ltd., Singapore/Singapore (as of 23 September 2009)

Mr. Rainer Mohr is concurrently

- Member of the Board of Directors of
  Balda Investments Singapore Pte. Ltd., Singapore/Singapore (as of 8 July 2009)
  Balda Solutions Malaysia Sdn. Bhd., Ipoh/Malaysia (as of 6 August 2009)
  Balda Solutions (Suzhou) Ltd., Suzhou/China (as of 8 July 2009)
  Balda Solutions (Beijing) Ltd., Beijing/China (as of 8 July 2009)
  Balda Investments Mauritius Ltd., Mauritius (as of 22 July 2009)
  Balda Motherson Solution India Ltd. Chennai/India (as of 28 August 2009)
  Balda Solutions USA Inc., Raleigh/United States (as of 6 July 2009)

Mr. Dr. Eichelberger was concurrently

- Member of the Board of Directors of
  Balda Investments Singapore Pte. Ltd., Singapore/Singapor
  Balda Solutions Malaysia Sdn. Bhd., Ipoh/Malaysia
  Balda Investments Mauritius Ltd., Mauritius
  Balda Solutions Xiamen Ltd., Xiamen/China
  TPK Holding Co. Ltd., Cayman Islands/Cayman Islands
  Balda Solutions USA Inc., Raleigh/United States
  Balda Motherson Solution India Ltd. Chennai/India
  Balda AVY Investments Singapore Pte. Ltd.

Remuneration of the Board of Directors and Supervisory Board

Remuneration of the Supervisory Board

As a German stock corporation (Aktiengesellschaft, AG), Balda is subject to German stock corporation statutory regulations. Therefore the corporation possesses a two-tier management and control structure, consisting of two Boards of Directors and the statutory three members of the Supervisory Board.

Dr. Axel Bauer resigned from the Supervisory Board, effective as of 31 May 2009. The chairman of the Supervisory Board, Richard Roy, and member of the Supervisory Board, Michael Sienkiewicz, both resigned from the corporation's supervisory body on conclusion of the annual general meeting on 3 July 2009.

The shareholders of Balda AG elected three new members to the corporation's Supervisory Board at the annual general meeting on 3 July 2009. The body is comprised of Dino Kitzinger, Munich/Germany; Mark Littlefield, San José, California/USA; and Thomas J. Leonard, Holland, Michigan/USA.

Supervisory Board and remuneration report

The members of the Supervisory Board have received the following remuneration for the 2009 financial year:

in EUR				
	Fixed remuneration	**Attendance fees**	**Variable remuneration**	**Total income**
Richard Roy	12,500	3,000	20,164	**35,664**
Dr. Axel Bauer	5,208	3,000	8,274	**16,482**
Michael Sienkiewicz	9,375	3,000	15,123	**27,498**
Dino Kitzinger	12,500	7,500	19,836	**39,836**
Mark Littlefield	9,375	7,500	14,877	**31,752**
Thomas J. Leonard	6,250	7,500	9,918	**23,668**
Total:	**55,208**	**31,500**	**88,192**	**174,900**

The remuneration for the Supervisory Board is determined by the annual general meeting. It includes a success-related component and a component independent of success. The variable remuneration is geared towards the development of the price of the Balda share in comparison to the SDax. The Balda share price, viewed over the year, moved definitely above the Sdax performance in 2009. The Balda share has developed better than the SDax by 545 basis points by the end of the year. The corporation did not grant any consultancy mandates or mediation mandates in the reporting year. In that regard, Balda does not pay any separate remuneration. (Code article 5.5.4).

No obvious conflicts of interests existed for the body or its members in the reporting period.

In its meeting on 23 December 2009, the Supervisory Board decided not to conduct an efficiency audit for the 2009 financial year due to the complete replacement of the board (Code article 5.6).

Board of Directors and remuneration report

The composition of the Board of Directors of Balda AG changed over the course of the reporting year. Sole director Dr. Dirk Eichelberger (CEO) resigned, effective as of 3 July 2009. Rainer Mohr, lastly Chief Financial Officer (CFO) of Sovello AG, followed as Chief Financial Officer (CFO). The corporation's new Supervisory Board appointed Michael Sienkiewicz as the company's new Chief Executive Officer (CEO), with effect on 6 July 2009.

The 2009 remuneration of members of the Board of Directors consisted of the following (Remuneration report - Code article 4.2.5): The remuneration of members of the Board of Directors comprises monetary remuneration components, consisting of fixed and variable components (Code article 4.2.3) as well as ancillary benefits. The ancillary benefits include the use of vehicles, a direct insurance contract and a group accident insurance contract. No further contractual pension commitments were finalized. Members of the Board of Directors did not receive any benefits from third parties that were agreed upon in view of their Board activities or granted during the 2009 fiscal year (Code article 4.2.3).

Aside from the fixed remuneration, the remuneration of members of the Board of Directors in 2009 includes payments after resignation of Board members. In principle, the variable remuneration of the Board of Directors comprises components that are connected to the company's entrepreneurial and economic success (performance based remuneration), as well as components with long-term incentives.

For the newly appointed Board of Directors, the component depending on the economic success is calculated by means of the operational result (EBIT) of the Balda Group in the 2009 financial year. For the previous Board of Directors, the earnings before taxes (EBT) were drawn upon for the calculation.

The remuneration component with a long-term incentive effect is a share option program that was decided upon in June 2006 and expired 30 June 2009, as scheduled. The last share options were granted in March 2009; they expired in July 2009, however.

A new remuneration component with a long-term incentive effect starting in 2010 is not planned because of the time-limited Board of Directors contracts.

The previous program had a volume of up to 4,016,000 options corresponding to the decisions made by the annual general meeting. The corporation was able to issue 50 percent of these options to the Board of Directors, 30 percent to the managers of the subsidiaries and 20 percent to the employees of the Balda Group. The issuance could be made until 30 June 2009. The maturity of the options is five years as of the pertinent date of issue, with a blocking period of two years. Before the option is exercised, the Xetra closing price of the Balda share has to have risen to a minimum of 120 percentage points of the issue price at least once during the blocking period. Other hurdles to the exercise are determinable individually upon issuance. The issue price of the options corresponds with the average Xetra closing price of the Balda share on the last ten trading days of the stock market prior to the issuance of the option.

The Board of Directors and Supervisory Board are entitled to set a profit margin for the exercising of the options in the case of unusual and unanticipated developments (Code article 4.2.3) for the allocation of options as well as for the exercising thereof.

Board of Directors remuneration report

The members of the Board of Directors received the following remuneration for the 2009 financial year:

in EUR	Fixed remuneration and gratuities	Profit-related remuneration	Ancillary benefits	Remuneration with long term incentive effect	Total
Total:	**433,368**	**183,313**	**17,678**	**0**	**634,359**
of which:					
Michael Sienkiewicz	149,240	104,750	13,524	0	**267,515**
Rainer Mohr	103,696	78,563	2,262	0	**184,520**

Gratuities account for KEUR 150 of the fixed remuneration and gratuities.

Shareholdings of executive bodies			
	31. 12. 2009	**31. 12. 2008**	**Amendment**
M. Sienkiewicz	0	0	0
R. Mohr	0	0	0
Dr. D. Eichelberger [1]	0	0	0
Board of Directors total	0	0	0
D. Kitzinger	14,000	0	14,000
M. Littlefield	0	0	0
T. Leonard	0	0	0
R. Roy[2]	0	8,000	-8,000
M. Sienkiewicz[2]	0	0	0
Dr. A Bauer[2]	0	0	0
Supervisory Board total	**14,000**	**8,000**	**6,000**

[1] as of 31 December 2009 no longer member of the Board of Directors

[2] as of 31 December 2009 no longer member of the Supervisory Board

The executive bodies undertook no other significant acquisitions or sales in 2009.

Affiliated companies and holding companies (shareholdings)

The Shareholdings of Balda AG in the subsidiaries at 31 December 2009 are as follows:

Company	**Registered office**	**Holding**	**Investment-proportion in percent**	**Equity KEUR**	**Annual result KEUR**
Balda Grundstücks-Vermietungs GmbH & Co. KG	Bad Oeynhausen	direct	100.00	12,669	231
Balda Grundstücks-Verwaltungs GmbH	Bad Oeynhausen	direct	100.00	28	2
Balda Medical Verwaltungsgesellschaft mbH	Bad Oeynhausen	direct	100.00	13	-3
Balda Medical GmbH & Co. KG	Bad Oeynhausen	direct	100.00	100	4,775
Balda Solutions Deutschland GmbH	Bad Oeynhausen	direct	100.00	5,425	2,683
Balda Werkzeug- und Vorrichtungsbau GmbH	Bad Oeynhausen	direct	100.00	773	620

Company	Registered office	Holding	Investment-proportion in percent	Equity KEUR	Annual result KEUR
Balda Solutions Hungaria Kft. via Balda Solutions Deutschland GmbH	Veszprem (Hungaria)	direct indirect	73.47 26.53	-456	-778
Balda Solutions USA, Inc.	Raleigh (N.C./USA)	indirect	100.00	132	55
Balda Investments Mauritius Ltd.	Mauritius	indirect	100.00	-14	-17
Balda Motherson Solution India Ltd. via Balda Investments Mauritius Ltd.	New Delhi (India)	indirect	60.00	5,455	-965
Balda Investments Singapore Pte. Ltd.	Singapore	indirect	100.00	175,481	74,016
Balda Solutions (Suzhou) Ltd. via Balda Investments Singapore Pte. Ltd.	Suzhou (China)	indirect	100.00	15,626	-3,619
BSSU Sales and Finance Ltd. via Balda Investments Singapore Pte. Ltd.	(British Virgin Islands)	indirect	100.00	0	0
Balda Solutions (Beijing) Ltd. via Balda Investments Singapore Pte. Ltd.	Beijing (China)	indirect	100.00	20,809	9,715
BTO Technology (Beijing) Ltd. via Balda Investments Singapore Pte. Ltd. and Balda Solutions (Beijing) Ltd.	Beijing (China)	indirect	100.00	4,707	-515
Balda Solutions Malaysia Sdn. Bhd. via Balda Investments Singapore Pte. Ltd.	Ipoh (Malaysia)	indirect	100.00	25,140	-2,797
Balda Technology MSC Sdn. Bhd. via Balda Investments Singapore Pte. Ltd. and Balda Solutions Malaysia Sdn. Bhd.		indirect	100.00	-57	-53
BSM Sales and Finance Ltd. via Balda Investments Singapore Pte. Ltd.	(British Virgin Islands)	indirect	100.00	0	0

Company	Registered office	Holding	Investment-proportion in percent	Equity KEUR	Annual result KEUR
Balda Solutions (Xiamen) Ltd. via Balda Investments Singapore Pte. Ltd.	Xiamen (China)	indirect	100.00	534	-656
Balda AVY Investments Singapore Pte Ltd. via Balda Investments Singapore Pte. Ltd.	Singapore	indirect	60.00	54	-1
Balda Capital Singapore Pte Ltd. via Balda Investments Singapore Pte. Ltd.	Singapore	indirect	100.00	0	0
Associated companies (Consolidation at equity)					
TPK Holding Co. Ltd. via Balda Investments Singapore Pte. Ltd.	George Town (Cayman Islands)	indirect	20.88	117,057	51,719
Improve Idea Investments Ltd. via TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Apia (Samoa)	indirect	100.00	15,224	-102
TPK Touch Solutions Inc. via Improve Idea Investments Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Taipeh (Taiwan)	indirect	100.00	6,807	115
New Strategy Investment Ltd. via TPK Touch Solutions Inc., Improve Idea Investments Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Apia (Samoa)	indirect	100.00	140	0
Upper Year Holdings Ltd. via TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Apia (Samoa)	indirect	99.00	102,688	41,814
TPK TouchSolutions (Xiamen) Inc. via Upper Year Holdings Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Xiamen (China)	indirect	100.00	86,260	39,781

Company	Registered office	Holding	Investment-proportion in percent	Equity KEUR	Annual result KEUR
TPK Lens Solutions Inc. via Upper Year Holdings Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Xiamen (China)	indirect	100.00	9,190	3,395
TPK Touch Systems (Xiamen) Inc. via Upper Year Holdings Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Xiamen (China)	indirect	100.00	5,106	-938
Optera TPK Holding Pte. Ltd. via TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Singapore	indirect	50.00	16,505	7,869
Optera Technology (Xiamen) Co., Ltd. via Optera TPK Holding Pte. Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Xiamen (China)	indirect	100.00	16,525	8,298
TPK Technology International Inc. via TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Apia (Samoa)	indirect	100.00	6,883	6,460

Business transactions with associated companies and persons

Associated companies and persons are legal entities or natural persons who could exert influence on Balda AG, or who are subject to the control of or who are subject to a considerable influence by Balda AG.

Business transactions are carried out with subsidiaries in particular. Above all, they concern IT-service and financing transactions. To the extent that there was a corresponding market for such transactions, they are generally executed according to the prevailing conditions in the market.

Disclosure pursuant to § 26 para. 1 German Securities Trading Act (WpHG)

Pursuant to § 21 para.1 of the WpHG, the following are disclosures of the existence of participation pursuant to § 26 para.1 WpHG:

Balda AG / Publication of a notification according to Item 21, paragraph 1 WpHG (share)

NordLB, Hanover, Deutschland, Germany, have notified us according to Item 21, paragraph 1 WpHG on 19 February 2009, that their voting interest in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeyn-hausen, Germany, fell below the threshold of 10 percent, 5 percent and 3 percent of the voting rights on 18 February 2009; and stands at 0.6278% (equaling 340,000 no-par value shares) as of that day.

Bad Oeynhausen, February 2009
Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

Balda AG / Publication of a notification according to Item 21, paragraph 1 WpHG (share)

Ms. Yun-Ling Chiang, Canada, has notified us according to Item 21, paragraph 1 WpHG on 18 February 2009, that her voting interest in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, exceeded the threshold of 20 and 25 percent on 18 February 2009, and stands at 29.99 percent (16,246,063 no-par value shares) on that day.

The voting rights are to be assigned to Ms. Yun-Ling Chiang, Canada, according to paragraph 1, clause 1, no. 1 and clause 2 WpHG, through Yield Return Investments Limited and Max Gain Management Limited, both Apia, Samoa.

Bad Oeynhausen, February 2009
Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

Balda AG / Publication of a notification according to Item 21, paragraph 1 WpHG (share)

Yield Return Investments Limited, Apia, Samoa, have notified us according to Item 21, paragraph 1 WpHG on 18 February 2009, that their voting interest in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, exceeded the threshold of 20 and 25 percent on 18 February 2009, and stands at 29.99 percent (16,246,063 no-par value shares) on that day.

The voting rights are to be assigned to Yield Return Investments Limited, Apia, Samoa, according to paragraph 1, clause 1, no. 1 WpHG through Max Gain Management Ltd., Apia, Samoa.

Bad Oeynhausen, February 2009
Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

Balda AG / Publication of a notification according to Item 21, paragraph 1 WpHG (share)

Max Gain Management Ltd., Apia, Samoa, have notified us according to Item 21, paragraph 1 WpHG on 18 February 2009, that their voting interest in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, exceeded the threshold of 20 and 25 percent on 18 February 2009, and stands at 29.99 percent (16,246,063 no-par value shares) on that day.

Bad Oeynhausen, February 2009
Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

Balda AG / Publication of a notification according to Item 21, paragraph 1 WpHG (share)

Robert Hersov, on 25 February 2010 pursuant to § 21 para. 1 WpHG (German Securities Trading Act) informed that his share of voting rights in Balda AG on 8 February 2008 fell below the thresholds of 5 and 3 percent and that it amounted to 0 percent on that day. The voting rights were allocated to Robert Hersov according to § 22 para 1 Nr. 1 WpHG via Sapinda International Ltd., London.

Bad Oeynhausen, in March 2010
Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

Corporate Governance

In December 2009, the Board of Directors and Supervisory Board submitted the compliance statement according to § 161 of the German Companies Act (AktG) regarding corporate governance and made this, together with the declaration of company management, permanently available to shareholders on the Balda AG website (http://www.balda.de).

The Management Report of Balda AG for 2009 was combined with the Management Report of Balda Group according to § 315 para. 3 in connection with § 298 para 1 of the HGB.

With respect to the auditor's fee we refer to the Notes of the Group under III.j.

Bad Oeynhausen, 5 March 2010
Board of Directors
Michael Sienkiewicz Rainer Mohr

Declaration by the Board of Directors

"We declare that, to the best of our knowledge, according to the applicable principles of corporate accounting, the financial statement gives a true and fair view of the actual asset, financial and result situation of the Company and the activities of the business including the financial results and the Balda Group and Balda AG's situation are presented in the summary management report in such a way that they give a true and fair view of the situation and of the major opportunities and risks of the anticipated development of the Balda Group and Balda AG."

Bad Oeynhausen, 5 March 2010
Board of Directors
Michael Sienkiewicz Rainer Mohr

Auditors' Report Balda Group and AG

Independent Auditors’ Report

We have audited the consolidated financial statements prepared by Balda AG, Bad Oeynhausen, – comprising the group balance sheet, the group income statement, statement of consolidated comprehensive income, statement of changes in consolidated equity, consolidated cash flow statement and the notes to the consolidated financial statements – and the group management report combined with the management report of the parent company for the business year from January 1 to December 31, 2009. The preparation of the consolidated financial statements and the group management report in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB 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 („German Commercial Code“) 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 Balda AG, Bad Oeynhausen, comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB 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 which has been combined with the management report of the parent company 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 am Main, March 8, 2009

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

signed	signed
(J. Wegner)	(ppa. R. Wegner)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Independent Auditors’ Report

We have audited the annual financial statements – comprising the balance sheet, the income statement and the notes to the financial statements – together with the bookkeeping system, and the management report which has been combined with the management Report of the Group of Balda AG, Bad Oeynhausen, for the business year from January 1, to December 31, 2009. The maintenance of the books and records and the preparation of the annual financial statements and the management report in accordance with German commercial law (HGB) are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and on the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB („German Commercial Code‟) 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 annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and 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 annual financial statements of Balda AG, Bad Oeynhausen, comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report which has been combined with the Group management is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, March 8, 2009

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

signed	signed
(J. Wegner)	(ppa. R. Wegner)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

FINANCIAL CALENDAR 2010

18.03.10	Annual press conference
06.05.10	Interim report Q1
25.05.10	Annual general meeting
05.08.10	Half-year report
04.11.10	Interim report Q3

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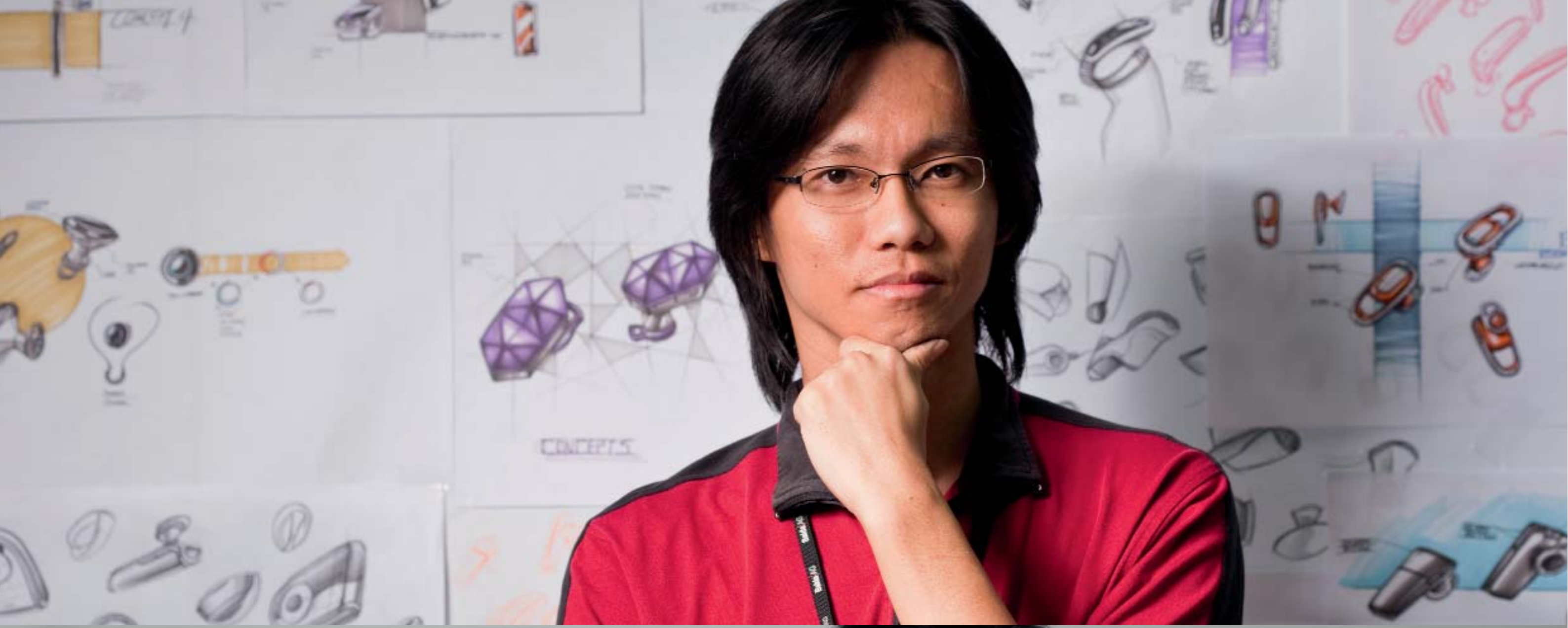
Imprint
Publisher
Balda AG, Bergkirchener Straße 228,
D - 32549 Bad Oeynhausen

Concept and editorial department
PR Partner Societät für Öffentlichkeitsarbeit GmbH

Photography
Balda AG



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