Annual Report | 2010

Balda AG

Content

Key Figures 2010

Continued operations

Previous year without TPK

in million euros	2010	2009
Group revenues	141.4	134.1
Total operating performance	156.4	140.3
EBITDA	0.4	14.7
EBIT	- 37.4 [1]	4.5
EBIT margin (in percent)	-23.9	3.2
EBT	93.3	47.3
Net income	94.4	48.9
Cash flow from operating activities	-11.2	20.6
Investments	10.8	9.3
Employees as of 31.12.	2,445	3,713
Earnings per share (in euros)[2]	1.61	0.90
Dividend	0	0
Year-end share price (in euros)	6.90	3.49
Equity	749.7	159.2
Equity ratio (in percent)	92.5	63.9

[1] Earnings before special effects: -8,7

[2] refers to dividend-entitled number of shares as of 31.12.2010: 58.890.636 (2009: 54.156.672)

Quality, technology, outstanding products

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.

Letter to the Shareholders

Dear Shareholders,

Rainer Mohr

Sole Member of the Board of Directors

the financial year 2010 turned out to be an up-and-down year for your Company. We were unable to build on the positive operating result trend achieved in 2009. On the one hand, as a result of only a slight increase in sales revenues, the Balda Group fell way short of expectations with a result pre exceptionals of minus EUR 8.7 million, including exceptionals of EUR 37.5 million. On the other hand, the initial public offering of Balda's holding in TPK Holding Co. Ltd. on 29 October 2010 set the enterprise value of the newly listed company in line with our expectations. Since the initial public offering end of October 2010 the value of the holding in TPK remains at a constant high level. As a result, your company is fortunately benefiting from a considerable asset. The conversion of the valuation leads to significantly positive earnings before tax and annual net profit for the Group. Furthermore it significantly strengthens the equity of your Company.

The positive influence of the holding in TPK on the financial statements of your Company cannot however hide the following fact: we were unable to achieve our operational targets during the previous financial year. There are mainly the following reasons for this:

Firstly, the declining business volumes of EUR 78.6 million sales and the negative operating result of EUR 23.5 million including exceptionals in the MobileCom segment. Secondly, the contribution to earnings of the Electronic Products segment of minus EUR 18,1 million including exceptionals, which fell way short of expectations with respect to the planned significant growth in sales of EUR 35.4 million. This includes the high level of extraordinary depreciation stated in the losses mentioned above, but which were non-cash, in the MobileCom and Electronic Products segments. By contrast, the Medical segment was fortunately able to post a positive operating result of EUR 1.9 million in line despite an expected decline in sales revenues.

The negative performance of the MobileCom segment is not the only thing that I need to consider. The key question is now whether we can actually return this segment to profitable growth or not. If we cannot convince ourselves of this then I am prepared to make tough decisions and take decisive action.

On the one hand I am prepared to make allowances for the MobileCom segment as a result of the exceptionally difficult situation it has found itself in since May 2010. The integration of technical capacities at the Suzhou site as well as the gradual relocation to the Beijing plant through new projects were all burdens. The delayed order call-offs also impeded the production processes. They had a negative influence on the course of the operational business. The continuing pressure on prices which remains unchanged was and continues to be another negative factor.

On the other hand, MobileCom was yet again unable to participate in the growth seen in the mobile phone market in 2010. It is debatable as to whether the segment will be able to participate in future as a niche player in the growth of this industry. If it is, then growth shall need to fall more in terms of value rather than in terms of increasing unit quantities. On the positive side, there are the newly acquired customers, as well as the technical innovations of the segment.

However the order volume at the start of the financial year 2011 is still not showing any significant growth. There are a number of clear conclusions to be drawn from the assessment of this situation, and I will provide the operational business in Beijing with all of the resources that are available to me. I currently estimate, that the segment MobileCom reaches its defined performance until the middle of the year.

I am more confident about the Electronic Products segment, although some criticism still remains. I was not expecting any miracles following the strategic realignment that now concentrates on the production of complete electronic products. But however satisfied I was with the dynamic sales trend of the segment in the financial year 2010, I am not satisfied at all with the earnings situation. On the one hand the Product Development team worked extremely hard, in particular regarding the Tablet Computer. In addition we are also well represented within the market for Bluetooth products. On the other hand, the competition among customers in the global market leaves little room for manoeuvre for the necessary structuring of prices. We plan to do our homework on this during the financial year 2011. I plan to focus above all on economies of scale and the efficient reduction of costs as a result. In addition I ought to acknowledge the excellent chances of the second generation Tablet Computers which have been significantly improved. This is especially the case as the segment has entered into a very promising sales partnership with a Japanese brand company that distributes worldwide. The Group will provide all of the support it can in order to advance the segment.

You are of course entitled to ask what sort of future your Board of Directors sees for the Balda Group. Does the Board of Directors intend to separate, where possible, from a segment that had been part of the core business of the Group for a long time? What will remain in terms of the operational business? How will Balda continue? You are of course entitled to ask all of these questions.

We are currently presiding over a radical and fundamental change in the equity story of the Balda Group. In 2011, it is likely that the MobileCom segment will no longer provide the greatest contribution to Group sales revenues.

We must take a look at the clean-up work carried out in 2010. As promised last year, I sold off a loss maker with respect to the end of the investment in Balda Motherson Solution in India. The Group has closed most parts of the production site in Suzhou. Both of these measures underline the willingness of the Board of Directors to not only make difficult decisions but also to implement them.

Irrespective of the decision on our production site in Beijing, our strategic planning has a much more extensive perspective.

Despite the scheduled revenue loss, the Medical segment was profitable in the financial year 2010. The medical technology business is one that is more long-term, reliable and displays growth potential in the medium-term. A key reason for this positive opinion is the significant increase in the number of elderly people in Western industrialised countries, as well as the steadily growing global population. Balda expects to see continuous growth within the medical technology, pharmaceuticals and cosmetics markets. According to market research, people are expected to spend even more on health and beauty in future. As a result I can see stronger growth opportunities in these market segments than in the highly competitive, traditional markets that Balda has participated in recent years. This is something that I want to concentrate on even more in future.

Since the middle of 2010, Balda has announced strategic growth in medical technology. Acquisitions are a central element of the corporate strategy of the Group. We are pleased with our progress on this plan. Your Board of Directors will continue their specific work on a transaction.

Despite the slowdown seen in the operational business in 2010, you can nevertheless be happy with the development of Balda shares. The quotation gained more than 90 percent in 2010 and surpassed all other German indices by a long way. As a shareholder, you will benefit from the growing enterprise value.

The Balda Group will also allow you as shareholders to participate in the success of the Group thanks to a dividend payout following a possible partial or complete sale of the TPK shares. The Board of Directors is doing everything possible to achieve the ability to pay dividends. The release of capital reserves for tax loss carry forwards sets the course for an acceptable dividend.

The Balda Group anticipates the sales volume on the same level like the previous financial year for the producing segments MobileCom, Electronic Products and Medical, subject to the final analyses by mid-year. The Board of Directors assumes that the Group will cause a new orientation after a successful acquisition and strategic growth in the Medical segment. The Board of Directors anticipates a slightly positive operating result for the financial year 2011.

In conclusion, I would like to make the following statements. We shall make a decision on the future of the MobileCom segment in the next few months. The Electronic Products segment will continue to be monitored closely. The Medical segment is expected to achieve a strong double-digit rise in sales thanks to organic growth. If successful, an acquisition will make a positive contribution towards the consolidated result.

I would like to thank you, our shareholders, for the confidence placed in the Board of Directors during the financial year 2010. I would also like to thank the Supervisory Board and all Group employees for your dedication and efforts during the past financial year. I am convinced that the strategy that has been initiated as well as the strict criteria for the success of the operational business of the Balda Group will help us to get back on track and grow once again. The Balda Group has the financial resources available in order to systematically implement the planned projects. I would appreciate it if you continue to provide Balda with constructive criticism in the future as well. I will do everything I possibly can to ensure the enterprise value of Balda AG also increases in future.

Rainer Mohr
(Sole Member of the Board of Directors)

Report of the Supervisory Board

Dear Shareholders,

the financial year 2010 was characterised once again by a number of trend-setting decisions and events for Balda AG. During the reporting year, the Supervisory Board advised on the management of the Company and monitored the running of the business. It was involved in all decisions that were strategically important. The Board has fully embraced the various duties that it is required to undertake according to the law and articles of association, whilst also observing the Corporate Governance Code insofar as it does not deviate from the Declaration of Compliance for the Corporate Governance Code.

Cooperation between the Board of Directors and the Supervisory Board

Cooperation between the Board of Directors and the Supervisory Board was also characterised by a pleasant and responsible atmosphere during this reporting year. The meetings of the Supervisory Board as well as oral and written reports from the Board of Directors formed the basis of such work. The Board of Directors informed the Supervisory Board several times a month on certain occasions with both written and oral updates on all important business development issues and extraordinary events within the Company, and on a quarterly basis on the overall business development and any changes in risk situations. Significant business transactions were discussed in detail in the Supervisory Board based on reports from the Board of Directors. As a result, the Board of Directors fulfilled its reporting obligations to the Supervisory Board in accordance with § 90 of the German Stock Corporation Act.

The Supervisory Board held a total of ten meetings during the reporting year, of which eight were done via telephone conference. Each member of the Supervisory Board took part in all of the Board meetings. The Board used the circulation procedure to make six decisions. A number of transactions that required approval were presented to the Supervisory Board for their consent, and the individual transactions were approved by it following their consideration and assessment. The Chairman of the Supervisory Board made regular contact with the Board of Directors in addition to the regular meetings and was informed about the current business situation as well as any significant events.

Within the framework of its monitoring activities, the Supervisory Board discussed the organisation of the Company and the Group with the Board of Directors, and was then able to ascertain the capacity of the internal organisational structure.

The Supervisory Board informed itself in detail about the internal accounting control systems and the internal risk management in detail and inspected the effectiveness of the system. In addition a number of opportunities were discussed with the Board of Directors regarding the continuous development of risk management. The current monthly reporting was also optimised in this context in accordance with the specific risk management requirements.

The Supervisory Board was able to get a comprehensive idea of the efficiency of the Company's management, especially the measures to strengthen profitability by expanding and developing markets in all segments that are relevant to the Company. In addition, the regular review of segment products and the optimisation of the cost structure and the development of corporate participation also played an important role.

As a result of the expansion of the Supervisory Board from three to six members, the Supervisory Board also dealt with issues surrounding the efficiency of its own activities in various meetings on 24 June 2010, 13 September 2010 and 10 December 2010. It repeatedly discussed whether its activities, its organisation and communication, and therefore its working procedures, are designed efficiently enough and whether there is potential for improvement. It also examined whether a formal procedure should be initiated in future or not. However, given that the efficiency inspection was characterised by a trusting and open atmosphere, the Supervisory Board decided to refrain from formalising the procedure.

Focus of activity

The Supervisory Board was once again involved in the reorganisation of the Balda Group in the financial year 2010. The financial position of Balda AG remained on the agenda. The nature and scope of investment in TPK, in particular the successful initial public offering of the touchscreen producer in October 2010, was part of this subject as well. Other topics included the concentration on production activities in the MobileCom segment to Beijing and the ongoing conversion of the Electronic Products business unit. The Board advised on all subjects regarding the new strategic direction of the Company in a comprehensive manner.

Over the entire length of the reporting year, the supervisory body followed and monitored the development of the Group's business based on the budget and target/actual comparisons. Furthermore, the early warning system and the course of risks, as well as the current financing status were all under close scrutiny.

During the meeting of 2 March 2010, the Supervisory Board approved the 2010 budget. The strategic realignment of the Group and the initiation of the first restructuring measures in China was one of the subjects discussed in the controlling body meeting of 14 April 2010. Under these measures the Board approved the cutbacks at the plant in Suzhou and the concentration of production activities in Beijing in the circulation procedure. On 24 June 2010, the Board approved the start of the M&A process within the Medical segment. Following the reintegration of the Medical segment into the continued operations in 2009, this division will play a key role in the future direction of the Group. The planned initial public offering of the touchscreen producer TPK formed part of the meeting of the Supervisory Board on 26 August 2010. Due to the high demand for TPK shares in the book-building phase, the Board approved a Greenshoe option. Thanks to this process, owners make available additional securities that they own at the offering price for new issues. Balda participated with 380,000 shares in this process. The Supervisory Board has yet to make a decision on the possible sale of further shares held by Balda AG in TPK. The holding period for the first fifty percent of the Balda holding in TPK shall terminate at the end of April 2011.

Furthermore, the current relationships with major customers, sales activities, the progress of the newly established EU holding in the Netherlands and the examination of an acquisition in the Medical segment were all on the agenda of the conference call of 13 September 2010.

On 22 October 2010, the Supervisory Board approved the premature conversion of profit-participation rights (nominal amount) totalling EUR 34.2 million into shares, meaning therefore that Balda AG was practically almost debt free. The Board appointments and contracts were also extended in October 2010, which should ensure continuity and increase existing customer loyalty. An important subject discussed in the last regular meeting of the controlling body of 2010 on 10 December 2010 was the ongoing sluggish business activity and burdensome conditions seen in the MobileCom division. The order call-offs were just as unsatisfactory as before. Competition remained fierce and there was still a high pressure on prices. A number of further restructuring options were discussed. The Supervisory Board confirmed the ongoing search for acquisition opportunities for the planned strategic expansion of the Medical segment at its last meeting in 2010.

Extended Supervisory Board

With an amendment of the Company's articles of association, the 2010 annual general meeting expanded the Supervisory Board from three to six members. The following were new members of the Company body: Dr. Michael Naschke, lawyer and partner of the Aubel & Partner law firm in Berlin. Yu-Sheng Kai, Managing Director of Eternal Union International Limited, Hong Kong, residing in Taipei, Taiwan, and Chun-Chen Chen, Chairman of the Board of Directors of TVM Corporation and Touch Video Monitor Corporation, Taipei, Taiwan. In its constituent meeting on 24 June 2010, the newly formed Board appointed Dr. Michael Naschke as Chairman. Furthermore, Dino Kitzinger is the representative for accounting practice and issues in the new Supervisory Board of Balda AG.

The Supervisory Board of Balda AG therefore comprises of Dr. Michael Naschke (Chairman), Mark Littlefield (Deputy Chairman), Thomas J. Leonard, Dino Kitzinger, Yu-Sheng Kai and Chun-Chen Chen.

Composition of the Board of Directors

With effect from 16 February 2011, the Supervisory Board of Balda AG and the Chairman of the Board of Directors (CEO), Michael Sienkiewicz, have agreed that Mr. Sienkiewicz will step down from the Board of Directors of Balda AG as a result of different ideas about the development of Asian activities. Once again, the Supervisory Board wishes to thank Mr. Sienkiewicz, who will continue to work in future as a consultant of Balda Solutions USA, for the work he has done. The current Chief Financial Officer (CFO), Rainer Mohr, whose contract and appointment is due to run until 31 December 2012 following a successful extension, has taken over the duties of the Chief Executive Officer (CEO) of the Board of Directors and is now the sole member of the Board of Directors of Balda AG.

Corporate Governance Code

On 10 December 2010, the Supervisory Board decided on the Declaration of Compliance for the German Corporate Governance Code that shall apply for 2011 according to § 161 of the German Stock Corporation Act in the version of 26 May 2010. Both the Board of Directors and the Supervisory Board agreed on the Declaration of Compliance for the German Corporate Governance Code, including any exceptions that are illustrated, that can be accessed from the Balda website under Investor Relations / Publications / Corporate Governance. Both bodies have once again expressly reaffirmed their commitment to a responsible and value-added management and control of the Company.

More details on the current Declaration of Compliance and the Corporate Governance Report are referred to in the Annual Report.

Conflicts of Interest

During the reporting period there were no case-related conflicts of interest. Although the Supervisory Board does not see any conflict of interest, in order to prevent any misunderstandings, it should be noted that the Supervisory Board approved to mandate the law firm VAN AUBEL & Partners, for whom Dr. Michael Naschke is a partner, at its meeting on 26 August 2010. Dr. Michael Naschke abstained from advising as part of the Supervisory Board and the subsequent decision-making.

Annual financial statements and consolidated financial statements

The accounting firm, Deloitte & Touche GmbH, which was appointed as the auditor during the annual general meeting of 25 May 2010, was commissioned by the Supervisory Board to audit the 2010 financial statements and the 2010 consolidated financial statements of Balda AG. The annual financial statements of Balda AG were produced in accordance with the principles of §§ 242 to 256 of the German Commercial Code, §§ 264 et seq of the German Commercial Code and the German Stock Corporation Act. The consolidated financial statements were produced in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the various provisions under commercial law that are to be applied in addition to § 315a (1) of the German Commercial Code. The auditor has audited the 2010 financial statements and the 2010 consolidated financial statements along with the combined management report of Balda AG, including the book-keeping and early warning system, and issued an unqualified auditor’s opinion.

The Supervisory Board examined the annual financial statement documents, comprising of the annual financial statements, the combined management report and the consolidated financial statements, as well as the audit reports from the auditor. These documents were discussed by the Supervisory Board along with the Board of Directors and the auditor in its meeting of 15 March 2011. The necessary documents were sent to the Supervisory Board members in a timely manner. The auditor reported on the key findings of its reports in the meeting and was on hand to answer any questions from the Board. In preparation for the meeting, on 25 February 2011 the Chairman of the Supervisory Board, Dr. Michael Naschke and the Supervisory Board member responsible for accounting practice and issues, Dino Kitzinger, together with the auditor and the Board of Directors, dealt with the annual financial statement documents and explained the results to the rest of the Supervisory Board members prior to the meeting on 15 March 2011.

Following the completion of their own inspections, the Supervisory Board came to the following conclusions:

- The Supervisory Board concludes that the development of the Company and the Group in the management report and Group management report has been correctly shown by the Board of Directors and that the information contained in the combined management report is in line with the internal assessments of the Supervisory Board.
- The annual financial statements and consolidated financial statements, including any associated annexes, were produced in accordance with the principles of the International Financial Reporting Standards (IFRS) and the various provisions under commercial law that are to be applied in addition. The statements comply with the various statutory requirements and contain all necessary information.
- Based on its own inspections, the Supervisory Board stated that the annual financial statements and consolidated financial statements have been produced in accordance with the various statutory provisions.
- The Supervisory Board approved the findings from the audit carried out by the auditor and was satisfied that it has been carried out in accordance with the various statutory requirements.
- After completing its inspections, the Supervisory Board raised no objections and therefore approved the annual financial statements and consolidated financial statements produced by the Board of Directors for the financial year 2010. The annual financial statements were established on 15 March 2011.

The Supervisory Board would like to thank the Board of Directors as well as all employees and worker representation bodies for their diligent work during the financial year 2010. The Supervisory Board would also like to thank our shareholders for their interest in our Company and the trust placed in us.

Bad Oeynhausen, 15. March 2011

For the Supervisory Board

Dr. Michael Naschke
(Chairman of the Supervisory Board)

The Balda Group

The value-added contribution of the following segments: Innovation, Technology, Quality, Processes and Employees

The value-added contribution of certain competencies and competitive advantages is rarely assessed or quantified in detail. In this respect, the relevant values are also not included in the balance sheet or an equivalent informative system at Balda. However, the success of the Balda Group depends very much on the advancement of these value drivers.

The business administration refers to these company skills as soft assets. They are also consolidated under the term Intellectual Capital. Like the majority of companies, the Balda Group does not have a system in place to quantify these values. In addition, a method for forming approximate units for indexes is not yet available.

Getting closer to Intellectual Capital

The continuous monitoring of innovation by way of a year-on-year comparison nevertheless provides information on the progress of the Group. Criteria include expenses for research and development, patenting and the expansion of core competencies. There is also the launch of new products in new markets as and when required, as well as the revenue share of new products. This applies to the same extent for the use of technologies developed in-house or enhanced, purchased technologies.

Quality is something, which is taken for granted nowadays. But it is however very important as without quality there is nothing. The quality concept extends over and above the product quality through to the overall process in which the customer participates in an active or passive manner, right from when the order is placed through to the end of the supply chain, the correct delivery and after-sales service.

The various processes form the basis of customised quality levels. They themselves constitute a value. Their design and implementation are decisive over and above quality levels, cost efficiency and the degree of competitiveness. All of the above values directly result from the work carried out by employees. Their skill and performance form the basis for added value within the Balda Group. The structure and skills of employees for internal and external training are all indicators for the development of employees.

As a result of the upheaval seen during the financial year 2010, none of the stated criteria were achieved to a satisfactory level. A number of trends did however emerge.

Conclusion: Intellectual Capital Statement

The following can be summarised for the Balda Group: The MobileCom segment mainly stagnated during the financial year 2010. There was more positive news for Glass Injection Moulding, a production technology that was developed in-house. The processes and quality levels did not make any progress during the specific upheaval that was seen. This was attributed to a number of staff changes within directorial and managerial positions. The earnings situation of the segment fell accordingly in 2010. It was a burden on the overall performance of the Balda Group.

The Electronic Products segment drove innovation and technology forward strongly during the financial year 2010 thanks to the launch of the Tablet Computer. The quality criterion shifted to a positive level. There is however the potential to make further improvements. The process chain can still be improved with respect to costs. The skills potential of employees in Malaysia is mainly good to very good. The segment achieved its strategic targets for 2010 with the exception of overall results.

During the past financial year, Balda Medical was able to successfully develop all of the value drivers. Despite lower sales, the segment nevertheless ended the period with a positive result.

The subsidiary in the United States serves customers of the Group for the design and development of new products. In addition, the U.S. company takes over sales functions for the Balda Group in the North American market. Balda USA is part of the Central Services segment.

New chapter for Equity Story

A further change in strategic direction for the Balda Group has come into consideration following 2010. The equity story of the Balda Group may see a completely new chapter in 2011. This option does not depend on the return of the MobileCom and Electronic Products segments, which both need to improve, to profitable growth. The Board has announced strategic growth either in or around the Medical segment. An acquisition is expected to significantly shift the focus of the product portfolio and any added value.

MobileCom segment: Complex plastic assemblies

The MobileCom segment of the Balda Group develops and produces components, assemblies and systems that are made out of high-performance plastics. Its customers are global brand manufacturers of mobile phones.

The Balda Group has been the system supplier of choice for the global mobile phone industry since the start of the dynamic growth that was seen in the late 1990s. The Group has continued to accompany the industry as it has progressed and has also helped to design as well as provide solutions for plastics. In its position as the first supplier partner, the company was able to provide a number of solutions to the geometrics for tool-making that were deemed to be impossible at the time, as well as to the moulding process for industrial production. Balda has played a leading role in the innovation of composite materials for plastics, such as metal, leather or textiles. There are hardly any other companies within the plastics industry that have such a wealth of experience and competencies for mobile devices as Balda, which seek to apply such as in the development of smartphones.

Difficult financial year 2010

The MobileCom segment was confronted with a number of particular challenges during the financial year 2010. They made it difficult for the Company to achieve its usual level of performance in its entirety. There were three difficult complex situations at the fore:

- The integration of technical equipment and machinery as well as projects at the Suzhou production site in the Beijing plant starting in May 2010;
- The gradual relocation or installation of existing and new machinery and equipment, along with employees for the new projects in the Beijing plant starting in August 2010;
- The shifting of projects between customers and the job schedules that were characterised by significant intervals.

The ramifications of the extensive closure of the plant in Suzhou along with the shifting of machinery, equipment and projects to Beijing caused significant problems. It required a larger deployment of core staff than expected during June and July. This exceptional involvement, which could only be provided by experts placed a great burden on production processes in the Beijing plant as well.

From August there were gradually implemented new projects to the new plant close to the Beijing Airport. The preparation for this, such as monitoring the installation of cranes for tools and the supply of plastic pellets for injection moulding machines, was expensive. The setting up of machines, process stations as well as measuring and test equipment required the use of production managers. The overall quality of processes continued to suffer right up to the end of the year. Following completion of the first building phase, an additional 13,700 sqm of additional production space is now available in Beijing. Since the end of the previous financial year, Balda has had 31,100 sqm of production space in Beijing.

In addition to the negative influences on production processes thanks to the Suzhou and Beijing relocations, requests for production orders that were frequently cancelled or delayed by customers also placed a burden on the regular course of production. In daily practice, this meant the termination of the injection moulding of a product on several machines. Following this, there was the disconnection of used tools and the installation of new ones. Projects typically run up to a planned end. Employees in the plastics manufacturing team therefore had to get their bearings once again in the same way as assembly employees. These changes posed an enormous challenge as well as a significant cost burden for the quality management.

These difficulties posed a number of problems during the past financial year for both the MobileCom segment as well as its customers.

MobileCom product portfolio

The range of services of the MobileCom segment covers all areas involved in the production of high precision plastics. Alongside developing and designing products, Balda also offers injection moulding, all modern surface engineering and assembly. The product portfolio of the MobileCom segment includes the manufacture of individual components and complete assemblies for single battery packs and mobile phones, as well as for specially decorated mobile phones and technically sophisticated smartphones. Mobile phones that are particularly environmentally friendly which are made from recyclable plastics, and which only have water-soluble coatings for the surfaces, also formed part of the segment product programme for 2010. More specifically, the Beijing plant produces A, B and C covers, displays, keypads, antennas, camera lenses and other components for mobile phones. The surfaces are coated or processed with various technologies such as silkscreen printing. The assembly team puts together complete systems from the various components and individual assemblies.

Employees

The number of employees working at the production sites in Beijing and Suzhou, was reduced significantly by the end of the financial year 2010 to 1,344 employees (previous year: 2,534 employees). The declining business volumes and the extensive relocation of capacities from the Suzhou site to Beijing were all causes of the reduction in workforce. This relocation led to the redundancy of approximately 650 workers in Suzhou. For more information on the subject of employees please see “Management Report / The Company / Employees“.

The ongoing implementation of the "flexible production" and "learning organisation" projects largely stagnated during the financial year 2010 because of the afore-mentioned specific situation and the associated difficulties. There was no significant progress in the advancement of the organisation and skills of employees in the light of the upheaval in Suzhou and the new Beijing plant.

Quality in MobileCom segment

The planned continuous improvement process (CIP) within production also suffered from these burdening influences during 2010. The product quality remained below the level of previous years in light of these burdens. The rejection rate of individual projects also increased as well. This meant that the timeliness of deliveries also suffered.

The Management team was aware of these issues and took appropriate action. The first steps shall come into effect during Q1 2011.

Technology and Innovation

The MobileCom segment has an outstanding portfolio of technologies. Balda provides its customers with the most modern machines, equipment and processes for both injection moulding as well as surface engineering.

In 2010, "Glass Injection Moulding" came to the fore. The products made from this process, which uses plastic and glass composites, generated a great deal of interest from customers in the mobile phone industry. The patent-pending production method ensures that the housing of mobile phones and other mobile devices does not have any cracks, gaps and recesses. These weaknesses seen in conventional housing can lead to a lack of stability if it falls on hard surfaces or collides in any other way. In addition they are annoying traps of mud and dirt for users. Expensive devices address these weaknesses by curving the housing from a block of material. This is however very elaborate and expensive. The solution developed by the MobileCom segment will achieve the same solid results but at a much lower cost. This innovative process should be deployed during the financial year 2011.

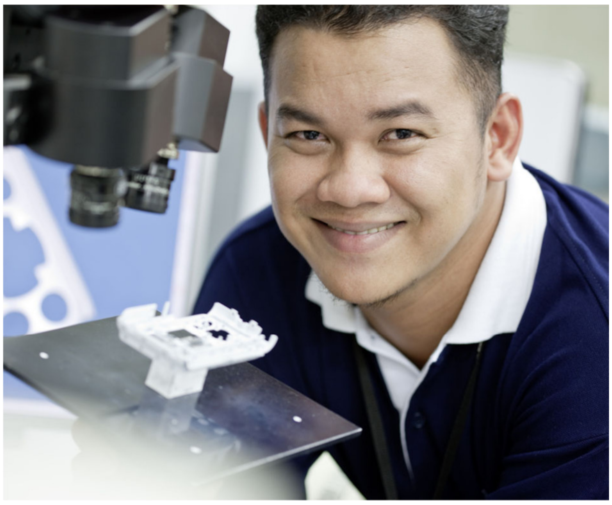
Electronic Products segment: Complete electronic products from one source

The Malaysia segment develops and produces the most modern electronic products by order of its customers. Its customers are manufacturers and distributors of communications and consumer electronics.

During the financial year 2010, the Electronic Products segment managed to enter the communications and consumer electronics market after only two years of probing. The doubling of revenues during the previous financial year documents the positive business performance. The negative EBIT was however an issue in 2010 as well. The causes of the earnings situation were and continue to be thoroughly analysed. Causes, which must be considered, include lower unit quantities and the lower prices for expensive electronic components due to pressure from competitors. In addition, processes, which can be optimised, are not sufficient enough for the steep learning curve for the production of new products.

Core competencies

The Malaysian production site of Ipoh provides 30, 000 m2 of production space. The segment produces plastic components and systems using the most modern machines and equipment. The service portfolio ranges from the design, tool-making and injection moulding right through to the current surface engineering. In addition to this, Electronic Products builds semi-conductors, speakers and microphones as part of the electromagnetic assembly process. Research and development activities also form part of the core competencies by order of the customers. They include the design of the hardware as well as the development of semi-conductors and software. The tests carried out in our own laboratory for acoustics in line with the various standards are a particular competitive advantage for the segment. Along with the purchase of electronic components, the Company in Ipoh is also capable of producing an impressive range of products. The Company produces in a cost-effective and efficient manner according to the "Lean Sigma Method" concept.



Product portfolio

The Balda subsidiary successfully implemented its diversification strategy during the previous financial year. During 2010, the segment demonstrated its skill and competitive advantages in an impressive manner. Firstly, the Engineering team from Ipoh in Malaysia developed and produced a complex electronic product, the Tablet Computer, along with Japanese partners. The device is operated using a touchscreen panel. In addition to that, the Company developed, manufactured and sold a number of successful innovations in the mobile phone headset product category.

The Tablet Computer is similar in function to the iPad. It provides mobile access to Internet content, such as media, e-books, photographs, video and music. Since the middle of 2010, Balda has sold 25,000 Tablet Computers. As a result, the mini-computer provided a significant contribution to sales growth for the segment. An extensively revised and improved version of the Tablet Computer is currently in the industrialisation phase following completion of its development. The segment also produces

- Stereo headsets for mobile phones and MP3 players with Bluetooth connectivity, new audio engineering and a significantly longer battery life
- Headsets with dual microphones and integrated signal processors that can filter out background noise to a great extent
- Hands-free equipment for automobiles to be retrofitted
- Portable wireless high-performance wireless with Bluetooth connectivity
- Digital camera housing for the global brand manufacturer, Canon
- Tablet Computers with touchscreen operation

During the financial year 2010, the Company generated approximately 20 percent of its revenues from the production of digital cameras. Bluetooth headsets contributed to more than 30 percent. Tablet Computers, radio frequency modules and mobile phone accessories accounted for approximately 40 percent of segment sales.

Technology and Innovation

The Government of Malaysia has classified the Electronic Products segment as a research firm. It is exempt from paying corporate taxes.

The research topics of the segment are as follows:

- Advancement of acoustic technology and the miniaturisation of components
- Bluetooth technology as a wireless connection technology
- Touchscreen operation technology
- Semi-conductors
- Software for own products
- Software produced in-house to control machines and equipment
- Development of competitive, cost-efficient production processes: tool-making, injection moulding, surface engineering, assembling
- Project management, including with external partners

Employees

As of the end of the previous financial year, the Electronic Products segment employed 874 employees (previous year: 949 employees). 131 engineers were actively working on the site in Ipoh. 37 engineers were working in research and development, 47 engineers were working in production and 25 engineers were working in sales. They all emphasise the above-average engineering potential of the site in Ipoh. Further information on the workforce can be found in the "Employees" chapter in the Management Report.

Quality management

The wishes and demands of customers all help to determine the quality of products that are developed and produced by the Electronic Products segment. The planning of quality and its parameters on behalf of the customer order begins with the concept and project planning. Once this is done then the actual development of the product begins. The performance specifications help to set the focus on quality. Customers and specialists from the Electronic Products segment are in close contact with each other throughout the entire development and production phase. This helps to prevent any mistakes. The various Electronic Products processes are certified according to ISO 9000 standards.

The majority of customers provided a number of quality requirements in 2010 for the design, durability, longevity and self-explanatory operation of the product. In addition to this, the shortest possible time-to-market phase (period from placing the order to the placing of the product on the market), timely deliveries and very competitive prices are also important. The Electronic Products quality management system integrates these essential requirements in the overall process as cornerstones that need to be controlled. On numerous occasions, globally operating customers have designated the Company as an outstanding supplier partner, the "Supplier of the Year".

Medical segment: With solid growth comes success

Balda Medical from the East Westphalia Bad Oeynhausen represents the Medical segment. Since its formation in 2002, the technology and product expertise has been the driving force for the success of the Medical segment. Even after only eight years, the company is one of the leading manufacturers of complex plastic products and system solutions and focuses on innovative solutions for the international healthcare markets. In its position as an established system provider, the company develops and produces plastic products by order of its customers. The renowned customers come from the pharmaceutical, diagnostics and medical technology market segments.

The healthcare market is a global growth market, thanks to the continuous medical advances of growing age-related customer groups. Balda Medical is consequently making use of these opportunities to expand further. During the financial year 2010, employees from the Medical segment completed a significant amount of preliminary work for projects for 2011. The Company is expecting significant organic growth within the double-digit percentage range for the current financial year. In addition, the Board planned for strategic growth in 2011 through an acquisition within the medical sector.

Developing products according to customer demands

The highest demands within the healthcare market require an integrated response regarding the product lifecycle. The range of services provided by Balda Medical includes designing, developing, industrialising and producing high-quality assemblies, systems and packaging. Alongside being both creative and user-friendly, the products also impress in their reliability and quality.

The company gives each phase of the product life cycle its own project status. After the order is placed, the project management carefully fine-tunes both internal as well as external processes and interests. As a result, the experts implement the product successfully both from a technical as well as a financial perspective. This approach is not determined just by the project, but also by the customer as well.

High-value product programme

The product portfolio of the company primarily includes medical devices, pharmaceutical packaging and disposable products. Based on the design, the specialists integrate the various requirements regarding functionality, feel and ease of use into the development phase. This demanding task requires creativity and extensive knowledge of the complex field of medical technology. The result is deemed to be a key indicator and measure of the quality and reliability, such as the therapeutic benefits of the products.

The following belong to the Balda Medical product programme:

- Various handheld devices (lancets, inhalers, glucometers, setting aids and tablet dispensers)
- Various disposable items (pipettes, cuvettes, veterinary tubes, racks etc.)
- Packaging (childproof tubes) and
- Specialised, functional assemblies

Competent and motivated employees

As of the end of the previous financial year, the Balda Medical workforce comprised of 204 employees (previous year: 205 employees). For more information on the segment workforce please refer to the "Employees" chapter of the Management Report.

Innovative technologies

The company already has a state-of-the-art portfolio of know-how processes, machines and equipment, as well as technologies. The insertion moulding, decoration, assembly and cleanroom engineering are all "state-of-the-art". The overall expertise of Balda Medical demonstrates proven know-how regarding the material properties of various plastics. It can indicate the opportunities and limitations of a product design and the mechanical interactions of the material at an early stage. In addition the experts are in control of medical precision measurement techniques.

Their extensive medical and pharmaceutical knowledge constitutes a significant competitive advantage of the company.

The most modern production methods

The production of high-precision components in high unit quantities during the insertion moulding process is one of the original core competencies of Balda Medical. Alongside traditional injection moulding methods, the Medical segment also carried out multi-component injection moulding, the particularly complicated injection of film (IMD, IMF) as well as assembly injection moulding during the financial year 2010. All production methods are carried out with the maximum possible levels of efficiency and economy.

The segment is looking to achieve the maximum level of value-added. As a result Balda Medical also carried out a number of assembly services. The company builds the complete product including the installation of purchased parts. If requested, the company can assemble, package and sterilise the products in an integrated process right up to the point of sale.

Decoration of surfaces

The company has all modern techniques available to decorate surfaces. Balda Medical uses pad printing as an indirect method for printing symbols and scales. The embossing process is used for highly decorated surfaces. The company treats flat surfaces during the hot embossing process. IMD technology is the appropriate process for curved geometrics and transparent, scratch-resistant surfaces.

Innovations 2010

During the past financial year, Balda Medical successfully completed the development of a new drug dispenser on behalf of a global pharmaceutical client. The device assures the effects of drugs by ensuring they are taken regularly at a precise time. The innovative product includes both mechanical components and electronic assistance systems. Balda Medical was responsible for the full implementation both in terms of hardware and software. The German subsidiary of the Balda Group has registered the tablet dispenser under its own name for the European market (CE mark). The development of the product that is also intended for the American market was done in accordance with the various requirements of the U.S. Food & Drug Administration (FDA).

Balda Medical is following a number of significant market trends with the drug dispenser in two ways. The significantly increased self-care of patients through handheld devices is done increasingly by using electronic support. The timely and controlled taking of medication also allows for a significantly improved success of treatment. It also helps to reduce healthcare costs.

Maximum quality medical technology

The various Balda Medical products are subject to continuous checks within the healthcare market and fulfil stringent quality requirements. The quality policy of Balda Medical is not just a documented procedure; it is also shown in the quality of our actions. The synergies of product quality, timeliness and efficiency are the key factors for success of the German Balda Group subsidiary.

Balda Medical works exclusively on behalf of its customers. The company does not tackle any new projects under its own initiative. Balda Medical also integrates the complex requirements of its end customers alongside the various technical and statutory provisions that apply. Every product is of course subject to testing for maximum quality. Within the company itself, Balda Medical structures its quality assurance within the quality planning and control departments. At the beginning of a project, the quality-planning department defines the relevant planning objectives. These parameters are subject to current quality control procedures in the production process.

The company has created customised assembly and packaging concepts for camera-based inspections of quality control in automation. Balda Medical is certified in accordance with ISO 9001 and ISO 13485. For many years the company has provided its customers with a proven quality management system for medical technology products.

Based on the requirements of new orders received, Balda Medical has enhanced the quality management system in 2010. The Company has successfully received certification in accordance with the primary packaging material standard DIN EN ISO 15378. The primary packaging standard DIN EN ISO 15378 is a combination of classic ISO requirements for packaging material together with the various Good Manufacturing Practice (GMP) regulations from the pharmaceutical industry. Thanks to this step, Balda Medical will strengthen its market position as an expert packaging and system supplier in the pharmaceutical market.

The segment is expecting double-digit growth for the financial year 2011. In addition, the medical technology specialists also have an above-average chance of achieving good levels of organic growth.

Balda USA: Important support for product innovations in the Balda Group

The subsidiary in the United States intensified in 2010 the sales activities for the subsidiaries of the Balda Group in the North American market.

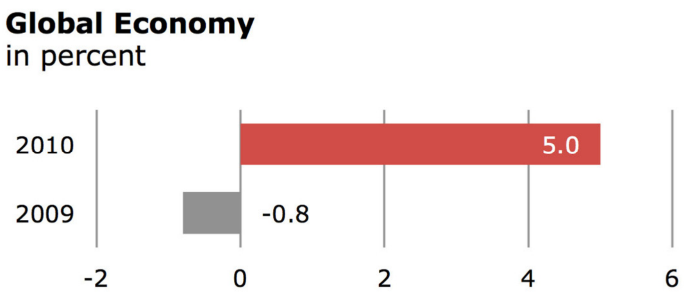
The company of the Balda Group in Morrisville, North Carolina, USA, specializes in the design and complete development of new products including the electronics. The service portfolio ranges from monitoring of new market trends to the construction of functional prototypes. On one hand, the integration of design and function and on the other hand new technologies are one of the essential strengths of the subsidiary. Balda USA accomplishes an important contribution to the development of innovative products in all three producing segments of the Group.

The experts at Balda USA monitored in fiscal 2010 the trends for new products in the world's leading North American market. They are also in close contact with companies from the innovative Silicon Valley. On the basis of this information and database, Balda USA reports continuously to the responsible persons for development in the Group segments of MobileCom, Electronic Products and Medical. The company supports more and more the development tasks in the three producing business segments.

The overall collaboration of the Group shortens the time-to-market of new products and creates added value for customers. The subsidiary of the Group will develop its expertise selectively in fiscal 2011. The sales activities will also be further intensified in 2011.

Global economy recovering

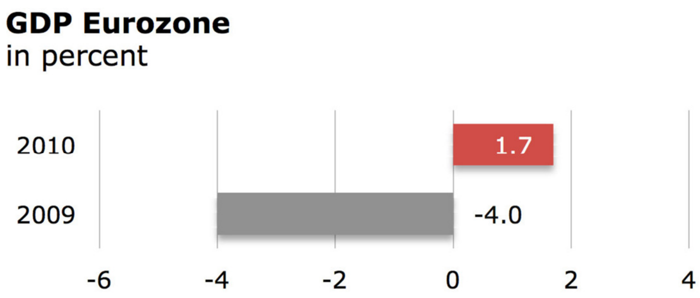
The global economy has stabilised in the past year due to monetary and fiscal measures. In particular in the first half of 2010 global gross domestic product grew strongly. Impetus came primarily from the growth in international trade, from which in particular the German economy benefited greatly. During the course of the year the economic recovery slowed down. Overall global gross domestic product (GDP) increased by 5 percent in 2010 after decreasing by 0.8 percent the year before.



Eurozone

In the eurozone economic recovery was largely restrained. In particular private and public consumption and higher exports contributed towards the growth. Overall economic development in the eurozone was divided. Countries suffering from a burst in the property-price bubble and very high national deficits only had low or even negative growth rates.

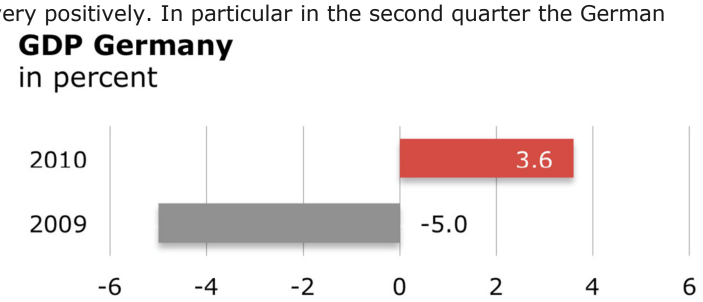
Gross domestic product (GDP) rose overall by 1.7 percent in 2010. The previous year it had fallen by 4.0 percent. Incoming orders in industry in EMU states were 2.1 percent above the previous month’s level in November 2010.



The annual inflation rate rose to 2.2 percent in December 2010 compared to 1.9 percent in November. The average annual inflation rate in the eurozone was 1.6 percent in the period under review compared to 0.3 percent in the previous year. The unemployment rate in the past financial year was around 10 percent (previous year: 9.6 percent).

German economy in impressive comeback

By contrast the German economy developed very positively. In particular in the second quarter the German economy recorded its highest growth rates since reunification thanks to higher exports and increased investment. This dynamic growth resulted in German gross domestic product rising overall by around 3.6 percent in 2010. In 2009 German gross domestic product had fallen due to the recession by 5.0 percent. German industry recorded a significant rise in incoming orders. The decisive factors were the high number of major orders and strong demand from outside of the eurozone. Compared to the previous year, incoming orders rose by 20.6 percent. Analysts had expected a rise of only 1.0 percent.

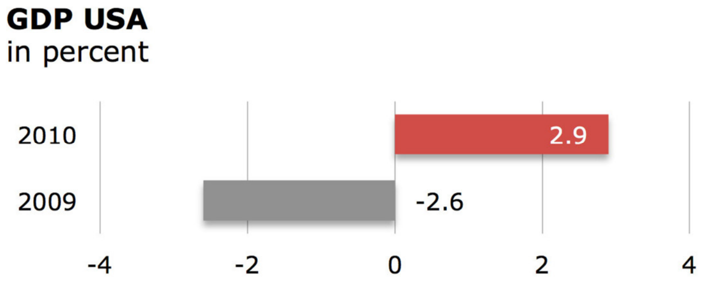


According to the Federal Bureau of Statistics, new public borrowing amounted to around 88.6 billion euros in 2010 (previous year: 79.3 billion euros). This equates to 3.5 percent of GDP.

The situation in the German labour market eased with the economic recovery. The average unemployment rate in the period under review was 7.7 percent (2009: 8.2 percent). In 2010 the inflation rate in Germany was 1.1 percent (previous year: 0.5 percent). These good figures underpin the current strong state of the German economy.

Mixed signals from the US economy

At first sight the economic indicators point to a recovery. However, in the past year mixed economic signals have been coming from the USA. After a good start to the year the US economy only expanded slowly. In spite of huge economic stimulus programmes and the US government's zero interest rate policy, investors fled to the dollar out of fear of the debt crisis in Europe. The upward revaluation of the currency put a brake on US exports. The US economy also rose quarter on quarter by just half a percent. Consumption also did not rise as expected.



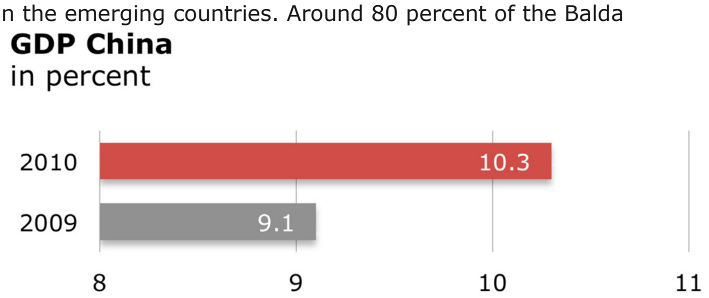
Gross domestic product grew by 2.9 percent in the period under review thanks to government economic stimulus programmes. The previous year the USA recorded a fall in economic output of 2.6 percent. Exports and capital investment were positive again after the drop in the previous year. Private consumption, the mainstay of the US economy, provided only moderate impetus for growth due to continuing high unemployment and lower increases in income and lower property prices.

The trade balance deficit rose from 1,3 billion US dollars to 1.48 billion US dollars in the 2010 budget year.

The US labour market did not recover as quickly as hoped from the crisis. The average unemployment rate in the past year was 9.4 percent (previous year: 9.3 percent).

Emerging countries

The greatest growth rates in 2010 were seen in the emerging countries. Around 80 percent of the Balda Group's sales are made with production sites in these countries. The emerging countries experienced strong growth in the past year. The Chinese economy expanded strongly particularly in the first half of the year due to high public investment and an increase in private consumption. During the course of the year the rate of growth declined somewhat due to the government's tighter monetary policy to counter inflation. China recorded growth of 10.3 percent in 2010 following 9.1 percent in the previous year.



The other BRIC countries, in particular India and Brazil, also reported a high rise in economic output.

Sector Situation

MobileCom: Increasing demand for web-enabled mobiles

As a result of the recovery in the global economy, mobile phone users are more willing to spend. The number of mobile phones sold worldwide increased in the third quarter of 2010 according to the market research institute Gartner by 35 percent to 417 million units. This is the third double-figure rise in a row in 2010 following 13.8 percent in the second and around 17 percent in the first quarter. Smartphones remain the drivers of growth in the mobile phone market with an increase of around 96 percent over the third quarter of 2009. Web-enabled mobile phones make it easy to surf the internet anywhere and are becoming more attractive. An enormous development among smartphone producers was the launch of Apple's iPhone 4 in 2010. In the third quarter alone the American technology company sold according to Gartner around 13.5 million units. Experts attribute this boom in sales to its design, an easy-to-operate menu and its large number of applications.

The search engine giant Google also achieved significant market success with its new smartphone and the Android operating system. According to the market research institute Canalis, the free software for smartphones had a market share of around 25 percent in the third quarter of 2010 (previous year: around 3.5 percent).

The rapid growth of high-margin smartphones is placing suppliers of older mobile phone models under increasing pressure. In the fourth quarter Sony Ericsson sold around 23 percent fewer mobile phones compared to the same period for the previous year. The average price of the phones fell to 136 euros per unit following 154 euros in the third quarter of 2010. Nokia remains the market leader among mobile phone producers with a market share of around 28 percent (same period for the previous year: 36.7 percent).

Innovative devices driving the market for consumer electronics

Tablet computers such as the iPad from Apple with touchscreen operation revolutionised the market for electronic products in 2010 and encouraged consumers to spend. The Tablet PC from Apple has had a brilliant career. According to the technology company from Cupertino, in the first six months after sales began in April 2010 it sold more than 7 million iPads. Stationary computers are also becoming increasingly attractive. According to the trade association BITKOM, PC sales reached a record of 13.7 million units in Germany in 2010 (previous year: 12.1 million computers), an increase of around 13 percent compared to 2009. According to market experts, new, high-quality devices contributed towards this growth.

Demand for German medical technology remains steady at a high level

Following a fall of around 4.3 percent to 18.3 billion euros in the crisis year of 2009, the German medical technology industry experienced a significant upswing. According to the trade association SPECTARIS the German medical technology producers recorded revenues in 2010 in the amount of 10 percent compared to 2009. In an earlier forecast they were expecting an increase of 6 percent. The double-figure growth is attributable to the rise in demand for German medical technology abroad. Steady domestic orders have also contributed towards the market success of German medical technology manufacturers.

Balda Share

Balda share outperforms the indexes again

The 2010 trading year closed with price gains in the most important indexes in Europe, America and Asia. The national debt crises, particularly in Europe and the USA, and concerns about inflation in the emerging countries occasionally resulted in the share markets being highly volatile in 2010. During the course of the economic upswing, the DAX recovered from its low of 5,434 points at the start of the year. The leading German index recorded a new high of 7,068 points shortly before the year closed. The Balda share again outperformed all comparable Deutsche Börse indexes in 2010 with a gain of 92 percent.

In spite of all of the concerns surrounding Europe's debt-ridden countries, the mood among investors improved steadily in the 2010 trading year. DAX companies impressed with good quarterly results and pushed up the leading index. Many companies reported record figures. The DAX recorded an annual gain of around 16 percent. In particular the small and mid caps dominated the heavyweights from the DAX, EuroStoxx and Dow Jones in the 2010 trading year. The MDax, the index for 50 mid-size stock exchange values, even rose by 34 percent. The SDax, in which the share certificates of Balda AG are listed, recorded a very positive annual balance with a 12-month gain of 43 percent.

Balda AG's share opened the 2010 trading year with a price of 3.60 euros. Its 52-week high was 7.98 euros on 13 October 2010. Its low of 2.02 euros was recorded on 25 May 2010. It closed on 30 December 2010 at 6.90 euros. The Balda share almost doubled in value in the year under review with a significant gain of around 92 percent. Its increase again outperformed all indexes. The securities benefited from a significant price gain above all in the third quarter after the initial public offering of the touchscreen manufacturer TPK Holding Co., Ltd. (TPK) on the Taipei stock exchange.

Development of share January - December 2010
in euro

The listing of TPK, in which Balda has a 16.1 percent holding, stabilised after the issue price of 220 Taiwanese dollars (around 5.30 euros) and a closing price on the first trading day (29 October 2010) of 505 Taiwanese dollars (12.16 euros) primarily at a price above 500 Taiwanese dollars (12.04 euros). The value of Balda Group's holding in TPK reached around 627 million euros at the end of the year.

The average trading volume of the Balda share (Xetra and Frankfurt) was 558,205 shares per day on the 256 trading days in 2010 (previous year: 191,346 shares per day). The annual volume was 142.92 million shares following 46.8 million shares in the previous year. The daily average reached a value of around 2 million euros (previous year: 338,283 euros) As a result of the significant price gain, Balda AG's market capitalisation based on 58,890,636 million shares was 406.3 million euros at the end of 2010 (2009: 189.0 million euros).

Balda returns to the SDax

After the exceptional price gain of the Balda share in 2009, the meeting of Deutsche Börse on 3 March 2010 decided to include Balda's shares again in the SDax small caps index.

Capital increase

All holders of the convertible profit-participation certificates, which were issued in November 2007 in the amount of 34.2 million euros with an original term to the end of 2013 have, effective 29 October 2010, exercised their conversion rights. The investors received 4,733,964 shares in Balda AG; these shares are entitled to a divided for the 2010 financial year. As a result, Balda AG's registered capital increased by 4,733,964.00 euros to 58,890,636.00 euros.

Shareholder structure expanded

In view of the value and the positive price development of Balda's holding in TPK, the attractiveness of and interest in the Balda share also increased. Since September 2010 the Hong Kong based Senrigan Capital Group Limited has held 4.91 percent of the shares in Balda AG. During the course of the fourth quarter two further major shareholders have been added. Access Industries LLC of New York, USA, holds 3.53 percent of the voting rights. Kingdon Capital Management LLC, also based in New York, USA, holds 3.04 percent of the shares in Balda AG. Yield Return Investments is with 27.6 percent of the shares still one of Balda AG's largest shareholders. The freefloat as of 31 December 2010 was around 54.55 percent.

Shareholder structure as of year-end 2010

Freefloat	54.55 percent
Yield Return Investments	27.6 percent
Senrigan Capital	4.91 percent
Access Industries	3.53 percent
Soros Fund Management	3.23 percent
Octavian Advisors	3.14 percent
Kingdon Capital	3.04 percent

At the annual general meeting on 25 May 2010 the shareholders of Balda AG unanimously agreed to all of the company's proposals. The 200 shareholders represented accounted for around 40 percent of the capital with voting rights.

Investor relations

The Balda Group's communication with participants of the capital market in the period under review was open and up-to-date. The Board of Directors has continuously and comprehensively informed financial analysts, fund managers and economic analysts of the business development and prospects at the annual analyst and balance sheet press conference and in three teleconferences upon the publication of quarterly figures. In the past financial year the company has increased its dialogue with institutional investors. The Board of Directors has in the past financial year actively sought discussion with the editorial teams of financial and business media. Various one-to-one meetings and interviews with national media and agencies have taken place. Balda also presented itself at roadshows in New York, Copenhagen, London and Frankfurt and at the investor conferences of UBJ, the Small Cap Conference of DVFA and the German Equity Forum of Deutsche Börse. In the second half of 2010 the company started its communication offensive in various social media channels such as Twitter, Facebook, Slideshare and YouTube. After three months Balda achieved a reach of around 34,000 participants in these media.

Organisation and Corporate Legal Structure

Balda offloads loss making items

In the year under review Balda AG, based in Bad Oeynhausen, Germany also performed the holding functions for all of the Group's subsidiaries. With Balda Investments Netherlands B.V. (BIN), based in Amsterdam, Netherlands, a new company was established. The company acts as a further intermediate holding company between Balda AG and Balda Investments Singapore (BIS) in Singapore. BIN will monitor and manage the activities of Balda's foreign companies. Together with the new Dutch company and BIS, the holding company manages all of the Group's shareholdings.

In the 2010 financial year the investment portfolio experienced several changes. Balda AG has sold its shares in Balda Solutions Hungaria. Balda also sold the shareholding in the Indian company Balda Motherson Solution in the year under report. Two loss-makers have therefore left the Group.

The Balda Group had already contractually agreed the sale of up to 18.75 percent of the shares in the touchscreen manufacturer TPK Holding Co., Ltd. (TPK) at the end of 2009. Shares from this package in the amount of 1.625 percent were paid for and transferred in the 2010 financial year. Within the scope of the initial public offering on 29 October 2010, there was a capital-raising exercise for TPK, in which the Balda Group did not participate. With its simultaneous share in a Greenshoe, the Balda Group now holds 16.1 percent of the shares in the touchscreen manufacturer. The Balda Group lost its significant influence in TPK at the time of the initial public offering. This change in shareholder position resulted in a change in the method for reporting the TPK shares in the balance sheet. The as a financial investment classified holding in TPK is now valued at fair value (market value). The valuation of the TPK-shares on 29 October 2010 at an issue price of 220 Taiwanese dollars (NTD) resulted in a one-off impact on earnings in the income statement of around 186 million euros, which is compared to the end-consolidation from the equity valuation of around 124.6 million euros.

Segments, products and markets

The segment structure of the Balda Group's business changed in 2010 compared to the 2009 financial year. After the sale of the shares in the Indian production site Balda Motherson, the Balda Group is now structured in the following four segments:

- MobileCom – complete plastic assemblies for the mobile phone market,
- Electronic Products – electronic products including injection moulding of plastic parts,
- Medical – products for the pharmaceutical, diagnostics and medical technology and
- Central Services – including financing of the operational units and the management of the property in Bad Oeynhausen and the control of Balda USA.

The customers of the Balda Group are leading manufacturers and users in the mobile phone, consumer electronics, electronic communications, pharmaceutical, medical technology and other related markets.

Significant locations

The Group was internationally positioned in 2010 with production sites in China, Malaysia and Germany. Balda USA in Morrisville North Carolina, USA, serves the Group's customers in the design and development of new products. The US company also performs sales activities for the Balda Group in the North American market.

During the restructuring of the business in the MobileCom segment, Balda largely relocated production from Suzhou to the plant in Beijing in the business year 2010.

Due to it's holding of 16.1 percent in the world-leading manufacturer of small-format, touch-sensitive screens, TPK, the Balda Group continues to participate in the dynamic development of the touchscreen market.

Regional responsibility

The operational segments were again responsible for achieving their targets in the 2010 financial year. The Balda Group has production sites in the following countries:

- China
- Malaysia and
- Germany

The Group concentrates with its three productions sites in the MobileCom segment in Beijing and Suzhou on producing assemblies for mobile phones. In the period under review the Balda Group completed construction of the new production site in Beijing. In September 2010 the first new projects in the new domain commenced. With the new production facility the Group is now more geared to mass production in the MobileCom segment.

The Electronic Products segment, with the site in Malaysia, focuses on the development and production of electronic products and plastics processing. The portfolio of services also includes the almost complete assembly of electronic cameras.

The Medical segment develops and produces in Bad Oeynhausen plastic systems with electronic components for the pharmaceutical, diagnostics and medical technology market segments.

Expanded Supervisory Board

At the company's annual general meeting on 25 May 2010 the shareholders elected, after the articles had been amended accordingly, three new members to the Supervisory Board of Balda AG. The new members were: Dr. Michael Naschke, attorney and partner of the van Aubel law firm in Berlin, Yu-Sheng Kai, Managing Director of Eternal Union International Limited, Hong Kong, and Chun-Chen Chen, Chairman of the Board of Directors of TVM Corporation and Touch Video Monitor Corporation, Taipeh, Taiwan. The Board also includes the existing members Dino Kitzinger, Munich, Mark Littlefield, San José, California and Thomas J. Leonard, Holland, Michigan, USA, who are elected until the annual general meeting, which decides on the discharge for fiscal year 2010.

In its constituent meeting on 24 June 2010 the members of the Supervisory Board of Balda AG elected Dr. Michael Naschke as Chairman of the Supervisory Board. He takes over as Chairman from Dino Kitzinger.

Dino Kitzinger continues to serve on the Supervisory Board as the expert for accounting and balance sheet issues.

The responsibilities of Balda AG's Board of Directors have not changed in 2010: According to the Board of Directors' new rules of procedure, the Chief Executive Officer (CEO) Michael Sienkiewicz was responsible for the Balda Group's strategic planning, global sales and purchasing. He was also responsible for the subsidiaries, public relations, marketing, Group personnel and technology. As Chief Financial Officer (CFO), Rainer Mohr is responsible for the departments finance and controlling, legal affairs/insurance/tax, investor relations, information technology, internal audit and Balda AG personnel.

The company extended the management contracts with Michael Sienkiewicz (CEO) and Rainer Mohr (CFO) early on 26 October 2010 to 31 December 2012 (see also Supplementary Report).

The Chief Executive Officers (CEO) of the segments continue to be responsible for the implementation of the strategies specified for their divisions by the Board of Directors in the relevant markets, for the entire operational business and results. They report directly to the Board of Directors of the holding company.

The current declaration on corporate governance can be accessed on Balda's website under Investor Relations / Corporate Governance.

Business Development

Diversification continued

The Balda Group concentrated in the 2010 financial year on the diversification of core competences with the goal of product innovations for new markets and new customers.

The assets in the present income statement are adjusted for the effects on earnings from discontinued operations. The earnings after tax of the discontinued operations are reported in one separate item in accordance with IFRS. The Group's total earnings are the result of both.

In the 2010 financial year the Balda Group is reporting the earnings after tax as well as the earnings after deconsolidation of the sold shares in Balda Motherson Solution India Ltd. and Balda Solutions Hungaria Kft. In the final results of the discontinued operations, the previous year's figure was adjusted accordingly.

Since October 2008 the share held in the touchscreen manufacturer TPK Holding Co., Ltd. (TPK) has been valued according to the equity method, due to due to the existence of a significant influence as associated company. The proportionate earnings of the associated companies were reported up until the third quarter of 2010 under earnings of associated companies.

In the 2010 financial year the Balda Group reduced its holding in TPK based on a sale contract agreed at the end of 2009 by a further 1.625 percent. After a capital-raising exercise and a contribution towards the Greenshoe within the scope of the initial public offering on 29 October 2010, the Balda Group now holds 16.1 percent of the shares in TPK. The loss of its significant influence after the initial opening price eliminates the evaluation under the equity method. The holding is evaluated at fair value. The income of the accounting change at this time amounting to 124.6 million euros has a significant impact on earnings before tax in the 2010 financial year. The current earnings from the holding in TPK will no longer be recorded in the consolidated income statement. The Balda Group generated sales revenues of 141.4 million euros in continued operations in the period under review. The sales volume is therefore above the previous year's level of 134.1 million euros (without India). Both values have been adjusted by the proceeds from the share in the Indian joint venture Balda Motherson Solution, which was sold in 2010.

The annual net profit was 94.4 million euros after special items due to the new valuation method for the holding in TPK and special depreciation in the amount of minus 28.6 million euros. Further information on the economic development is provided in the chapters on the earnings situation and asset situation.

Significant events, contingent for business performance

The Balda Group continued its realignment in the 2010 financial year.

The MobileCom segment failed to meet expectations for sales revenues or earnings. The acquisition of new customers was pleasing. Pilot projects, which have started production in the new plant in Beijing will mainly not impact on sales until 2011. The reorganisation of the MobileCom division continued. It will be completed in the first half of 2011.

The Electronic Products segment has implemented the strategic alignment with the development and production of innovative products for communication and consumer electronics for new and existing customers. The segment has more than doubled its sales revenues. However, its earnings situation was not able to keep pace with this revenue performance. Higher start-up costs for new projects squeezed margins tighter than expected.

The Balda Medical segment realised the strategy of diversification into new products for new customers in the 2010 financial year. The segment developed as planned with a fall in revenues. The earnings situation remains positive, though at a lower level. The segment has done considerable preliminary work for new projects. These efforts will impact sales during the course of the 2011 financial year.

The Central Services segment developed positively in 2010 due to one-off effects. Repayments relating to claims for compensation for incorrect advice resulted in income of 4.7 million euros. Proportionate earnings in the operational business of TPK were only considered up to the initial public offering of TPK at the end of October 2010. The change in the valuation method with the TPK investment now being reported at market value resulted in a one-off impact on earnings in the amount of 124.6 million euros when the method was applied for the first time.

Reduced liabilities

The Balda Group further reduced its liabilities with the early conversion of convertible profit-participation certificates issued in the amount of 34.2 million euros in the 2007 financial year. With effect of 29 October 2010 the holders of the convertible profit-participation certificates obtained 4,733,964 shares in Balda AG with profit entitlement for the 2010 financial year.

Expansion of the Supervisory Board

The shareholders of Balda AG passed an amendment to the articles at the company's annual general meeting on 25 May 2010 to expand the Supervisory Board to six members. In addition to the existing board members Dino Kitzinger, Munich / Germany, Mark Littlefield, San José, California/USA and Thomas J. Leonard, Holland, Michigan/USA, the shareholders elected three new members to the Supervisory Board: Dr. Michael Naschke, attorney and partner of the van Aubel law firm in Berlin, Yu-Sheng Kai, Managing Director of Eternal Union International Limited, Hong Kong, and Chun-Chen Chen, Chairman of the Board of Directors of TVM Corporation and Touch Video Monitor Corporation, Taipeh, Taiwan. The board members elected Dr. Michael Naschke as Chairman of the Supervisory Board in its constituent meeting.

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

The Group’s annual financial statements fell below the forecast declared at the start of the year in terms of sales revenues by up to 20 million euros. Earnings before interest and tax (EBIT) were also far below the level forecasted in 2009. However, earnings before tax (EBT) and the annual net profit were well above expectations due to the new reporting method for TPK.

Financial Structure, Board of Directors and Change of Control

Conversion of profit-participation certificates and amendments to the articles
Balda AG has to make the following additional disclosures in the management report in accordance with the regulations of § 289 paragraph 4 and § 315 paragraph 4 of the German Commercial Code (HGB):

Composition of subscribed capital
Balda AG's registered capital has increased as of the end of 2010. By exercising their conversion rights, investors have converted their profit-participation certificates (nominal value: 34.2 million euros) into 4,733,964 shares in Balda AG. As of 31 December 2010 the company's registered capital amounted to 58,890,636.00 euros and was dispersed in 58,890,636 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 company's annual general meeting.

Voting right restrictions or the assignment of shares
All of the company's shares are freely assignable in accordance with the articles. The company's Board of Directors is unaware of restrictions on voting rights or restrictions affecting the assignment of shares as of the reporting date.

Shareholdings surpassing ten percent of the capital
As of 31 December 2010 the following shareholders held direct or indirect shareholdings in the company's registered capital that entitled them to more than 10 percent of voting rights:

- Yield Return Investments, Apia, Samoa: 27.60 percent of the capital and voting rights, direct ownership
- Yun-Ling Chiang, Richmond, Canada: 27.60 percent of the capital and voting rights, indirect ownership

Shareholders with privileges
There are no shares with privileges that grant control authority.

Separate control of voting rights for employees
To the Board of Directors' knowledge, employees who hold shares in the company exercise their voting rights directly.

Amendment of articles
With regard to the articles, amendments were made at the annual general meeting of Balda AG on 25 May 2010. The law on the implementation of shareholder guidelines of 30 July 2009 (ARUG) has reformed the deadline regime for annual general meetings in the German Stock Corporation Act (AktG). The provisions in Balda AG's articles relating to the annual general meeting needed to be amended as a result of the new legal regulations. The annual general meeting, which according to § 179 of the AktG is responsible for amendments to the articles, therefore passed revised versions of § 15 number 1, § 16, § 18 number 2 clause 3 and § 21 (for further information please see www.balda.de/investor relations/publications/statute.php)

Board of Directors' authority

Authorised capital

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

The Board of Directors is authorised, with the consent of the Supervisory Board, to eliminate the shareholders' purchasing options,

- 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 holders 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 authorisation 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 is not significantly below the trading price. The amount of 10 percent of the registered capital is to be credited to the amount which is allocated to shares and which is issued and sold based on the authorisation, excluding the purchasing option, in direct or appropriate application of § 186 paragraph 3 clause 4 of the German Stock Corporation Act (AktG). For the purpose of this authorisation, 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 third parties determined by the company. The issue price otherwise corresponds to the face value.

The Board of Directors is furthermore authorised, with the consent of the Supervisory Board, to eliminate the purchasing option on capital increased against fixed assets if the purchase of the non-cash benefit is in the company's overwhelming interest and the value of the non-cash benefit is not significantly below the stock-exchange price.

The Board of Directors is also authorised, with the consent of the Supervisory Board, to define the further content of the share rights and the conditions for the issuing of shares.

Conditional capital

The company's registered capital has been conditionally increased in accordance with § 192 paragraph 2 number 1 of the AktG after the conversion of profit-participation certificates into shares in Balda AG in the scope of 4,733,964 shares on 29 October 2010 by up to 14,943,285 euros through the issuing of up to 14,943,285 new individual share certificates with profit entitlement as of the beginning of the financial year in which they were issued (conditional capital 2007).

The conditional capital increase serves

- the granting of shares to the holders of profit-participation certificates with conversion and option rights issued by the company or one of its subordinate allied companies to 8 August 2012 on the basis of the authorisation resolution contained under agenda item 6 of the annual general meeting of 9 August 2007.

Profit-participation rights

Furthermore, the Board of Directors is authorised, with the consent 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 be greater than 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 holder's name.

Profit-participation rights may be combined with conversion and option rights up to 14,943,285 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 authorisation, for which conversion or option rights were issued on the basis of the existing authorisation in accordance with 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-participation rights are combined with conversion and option rights on company shares, the exchange or subscription 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-participation 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 purchasing option to its shareholders, or issues further bonds, including income bonds or profit-participation bonds, with exchange or purchasing options on company shares, without granting the owners of the profit-participation rights, issued on the basis of this resolution, a purchasing option at the same time, as is their right after exercising their conversion or purchasing option, the fixed exchange or purchase price is reduced irrespective of § 9 paragraph 1 of the AktG 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 be greater than the nominal amount of the profit-participation rights.

If profit-participation rights are issued with conversion rights and option rights on company shares, the term of the profit-participation rights issued may not be longer than 20 years.

Upon issuing profit-participation rights, the Board of Directors is authorised, 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, providing the issue prices is not significantly below the exchange price and the proportion of the shares issued in conjunction with these profit-participation rights is not greater than 10 percent of the existing registered capital. The amount of 10 percent of the registered capital is to be credited to the amount which is allocated to shares and which is issued and sold based on the authorisation, excluding the purchasing option, in direct or appropriate application of § 186 paragraph 3 clause 4 of the AktG.
- in order to offer the profit-participation rights to individual investors for tender, providing the issue price is not significantly below the exchange price, and providing 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 is granted, and the amount of dividend payout is not aligned according to the amount of the annual net profit, the balance sheet profit 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 fulfilling any conversion obligation, or
- if profit-participation rights are issued against non-cash benefits and the exclusion of the purchasing option is in the company's overwhelming interest.

The Board of Directors is furthermore authorised, with the consent of the Supervisory Board, to define further details on the issuing and terms 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 periods and any conversion obligations.

Compensation agreements in the case of a takeover bid

No compensation agreements exist with the employees of the Balda Group in the case of a takeover bid. The contracts of the members of the Board of Directors include a financial compensation agreement in the case of a takeover bid if they resign within a limited, short period.

Corporate Governance Report

Corporate Governance at Balda

Corporate Governance stands for responsible management and monitoring of companies, in line with long-term value creation. Good Corporate Governance is a requirement which encompasses all areas of the company and has been an integral part of the corporate culture at Balda ever since it became an "Aktiengesellschaft" (public limited company).

The Board of Directors and Supervisory Board of Balda AG again worked intensively in the year under review 2010 on meeting the specifications of the German Corporate Governance Code, in particular on the amendments passed by the Code Commission on 26 May 2010. On this basis the Board of Directors and the Supervisory Board renewed in the Supervisory Board meeting of 10 December 2010 the compliance statement in accordance with § 161 of the AktG and made it permanently accessible, together with previous compliance statements, to shareholders and the public on the Balda website.

The Balda Group is currently not able to meet the provisions of Clause 4.1.5 relating to the diversity of the occupation of the Board of Directors and Clause 5.1.2 relating to the diversity of the composition of the Supervisory Board in view of the membership of a woman. At the time of its effectiveness of the aforementioned provisions of the Code, the two positions of the Board of Directors of Balda AG were occupied with final contracts. The changeover of the position of the CEO in February 2011 led to the position of a sole member of the Board of Directors. The Supervisory Board of Balda AG was completed by the election of three new members on 25 May 2010, one day before the new version of the Code was applied. In this respect an appropriate inclusion of women could not yet be considered at the time of the appointment of the Board members of Balda AG.

The current declaration on corporate governance can be accessed on Balda's website under Investor Relations / Publications / Corporate Governance.

Supervisory Board

As a German stock corporation (Aktiengesellschaft, AG), Balda is subject to German statutory regulations relating to stock corporations. In accordance with the articles of the association and on the grounds of the resolution of the annual general meeting since 25 May 2010, the Group therefore has in 2010 a two-tier management and control structure, consisting of two boards of directors and six members of the Supervisory Board.

As in previous years, Mr. Dino Kitzinger executes on the supervisory board the function of the "Financial Expert " (member with expertise in the areas of financial reporting or auditing). The Supervisory Board of Balda AG has formed no committees in the year under report.

Supervisory Board: Remuneration report

The members of the Supervisory Board received the following remuneration for the 2010 financial year:

2010

in EUR	Fixed remuneration	Attendance fees	Variable remuneration	**Total income**
Dr. Michael Naschke	13.125	7.500	21.315	**41.940**
Yu-Sheng Kai	6.701	7.500	10.849	**25.050**
Chun-Chen Chen	6.701	7.500	10.849	**25.050**
Dino Kitzinger	18.333	15.000	29.480	**62.813**
Mark Littlefield	18.750	15.000	30.000	**63.750**
Thomas J. Leonard	12.500	15.000	20.000	**47.500**
Total:	76.110	67.500	122.493	**266.103**

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 includes a performance-related and a non-performance-related component. 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, performed well above the SDax in 2010. The Balda share developed better than the SDax by around 37 percentage points by the end of the year. In the year under review the company did not grant any consultancy or mediation mandates to the members of the Supervisory Board during their term. Exceptions were contracts expressly approved by the Supervisory Board for the van Aubel law firm, to which the Chairman of the Supervisory Board belongs. Balda did not pay any other separate remuneration (Code item 5.4.4).

No conflicts of interest were identified for the board or its members in the period under review.

Board of Directors and remuneration report

The composition of the Board of Directors of Balda AG did not change during the year under review. On 25 October 2010 the Supervisory Board of Balda AG extended the appointment and contracts with the Chief Executive Officer (CEO) Michael Sienkiewicz and the Chief Financial Officer (CFO) Rainer Mohr early in each case to 31 December 2012.

The remuneration of the members of the Board of Directors in 2010 consisted of the following (Remuneration report - Code item 4.2.5): The remuneration of members of the Board of Directors comprised monetary remuneration components, consisting of fixed and variable components (Code item 4.2.3), as well as fringe benefits. The fringe benefits include contributions or allowances for health insurance, the use of a company car or alternatively compensation for non-use of a company car, the arrangement of a direct insurance policy or comparable retirement pension and a group accident insurance policy. No further contractual pension commitments were made. The members of the Board of Directors did not receive any benefits from third parties promised to them or granted to them in the 2010 financial year in consideration of their Board activities (Code item 4.2.3).

Aside from the fixed remuneration, the remuneration of the members of the Board of Directors in 2010 includes also variable components as well as fringe benefits. In principle, the variable remuneration of the Board of Directors comprises components that are linked to the company’s business and economic performance (performance-related remuneration).

The component linked to the business performance is calculated for the Board of Directors based on the Balda Group’s earnings before interest and tax (EBIT). For the 2010 financial year a one-off bonus was agreed due to the volatile market development and the difficult environment.

An additional remuneration component with long-term incentive effect is not provided due to the short-term contracts of the Board of Directors.

Board of Directors remuneration report

The members of the Board of Directors received the following remuneration across the Group for the 2010 financial year:

2010 in euros	Fixed remuneration	Performance-related remuneration	Fringe benefits	Remuneration with long-term incentive effect	Total
M. Sienkiewicz	334.183	189.574	59.802	0	583.559
R. Mohr	263.549	150.000	4.902	0	418.451
Gesamtsumme:	**597.732**	**339.574**	**64.704**	**0**	**1.002.010**

2009 in euros	Fixed remuneration	Performance-related remuneration	Fringe benefits	Remuneration with long-term incentive effect	Total
	1.967.282	**253.877**	**90.400**	**0**	**2.311.559**
M. Sienkiewicz*	149.240	104.750	13.524	0	267.515
R. Mohr*	103.696	78.563	2.262	0	184.520

* Since mid-2009

With regard to further information on the earnings and other employment of the Board of Directors and the Supervisory Board, the information in the notes to the consolidated financial statements, chapter **III g Executive bodies of Balda AG** and in the notes of Balda AG, chapter **III Other disclosures** is referred to.

Accounting and audit of financial statements

Following the principles of transparency and comparability of business development (Code item 7.1), Balda prepared the consolidated financial statements and interim reports in the 2010 financial year in accordance with International Financial Reporting Standards (IFRS) and the annual financial statements of Balda AG in accordance with the applicable regulations of the German Commercial Code (HGB). The audit of Balda AG and the Group's annual financial statements was assigned to the independent Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft AG in accordance with the resolution of the annual general meeting of 25 May 2010 (Code item 7.2.1). There was continual coordination between the Supervisory Board and the auditors during the preparation of the annual financial statements in accordance with the recommendations of the Code (Code items 7.2.1 and 7.2.3)

Report on Dependency

Yield Return Investments Ltd., Apia, Samoa, was the largest shareholder in Balda AG with a share of voting rights of 27.6 percent up to 31 December 2010. Yield Return Investments Ltd. is a holding company that is 100 percent held by Ms. Yun-Ling Chiang, Canada. With its share of voting rights of 27.6 percent, Yield Return Investments Ltd had the actual majority of votes in the annual general meeting of 25 May 2010, just as it did in previous years. Balda AG has consulted with external legal advisors to examine whether it would need to submit a report on dependency for the financial year 2010 in accordance with § 312 of the German Stock Corporation Act (AktG), and has rejected this on the basis of the following considerations:

The obligation to submit a report on dependency in accordance with § 312 of the German Stock Corporation Act would only exist if Balda AG was dependent on another company within the meaning of § 17 of the German Stock Corporation Act. The existence of a form of dependency therefore assumes these corporate characteristics alongside the exercising of controlling influence by the shareholder. Neither Yield Return Investments Ltd. as a direct shareholder, nor Ms. Yun-Ling Chiang as an indirect shareholder, are deemed to be a company within the meaning of § 17 of the German Stock Corporation Act according to information that currently exists within the company and which was made available on request. As a result, there is no obligation by Balda AG to provide a report on dependency.

Objectives, Corporate Control and Strategy

Achievement of plan and strategic development

The Balda Group only partly achieved its objective of significant growth in the 2010 financial year. Only the Electronic Products segment met the positive expectations. While the fall in sales revenues in the Medical division was as planned, the MobileCom segment clearly failed to meet its planned targets due to the drop it suffered in sales.

The conversion of the core competences into new products for new customers and new markets was the declared goal of the Board of Directors. With the strategy it implemented in 2009, the Balda Group intended to concentrate on diversification and to make use of new opportunities for growth. The Electronic Products and Medical segments achieved this strategic alignment in 2010. The Electronic Products segment increased the volume of its business in the past financial year with new products. In the past financial year Medical completed the groundwork for growth in 2011.

Sustainable growth

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

Continuation of the Group's new alignment

The annual planning is based on the strategy for the Group and the individual strategies for the regions. The significant decisions made by management in 2010 were:

- Initiate the strategic expansion of Balda Medical with the acquisition of suitable companies
- Continue the reorganisation of the MobileCom segment
- Reorganisation of Group Sales
- Further diversification of the product portfolio
- Press ahead with synergies within the Group, in particular in development and production

The implementation of the individual strategies specified by the Board of Directors of Balda AG for the three segments MobileCom, Electronic Products and Medical lies within the responsibility of the respective Chief Executive Officers.

Significant features of the internal control system in terms of the accounting process

The Board of Directors is responsible for implementing and maintaining proper internal accounting controls. The internal control framework of the Balda Group is structured in order to provide the Board of Directors and the Supervisory Board with sufficient certainty concerning the reliability of the financial reporting and the preparation of the consolidated balance sheet for external purposes.

The employment of suitable personnel, the use of suitable software and clear legal and company-specific guidelines represent the basis for a proper, consistent and continuous accounting process. The clear separation of responsibilities and various control and checking mechanisms, in particular plausibility checks and the four-eyes principle, ensure correct accounting. In particular business transactions are recorded, processed, documented promptly and correctly in the accounts in accordance with legal regulations, the articles and internal guidelines. At the same time care is taken to ensure that assets and liabilities in the annual financial statements and consolidated financial statements are valued, reported and assessed accurately and that reliable and relevant information is provided in full and in a timely manner.

Control of the Balda Group

The Balda Group's holding company performs the Group's essential control functions. Standard guidelines apply across the Group for accounting, bookkeeping and controlling and are laid out in the Group's Accounting Manual. The Accounting Manual is updated continuously to take into account current legal regulations.

Reporting, controlling and audit

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. The finance systems that are deployed are protected against unauthorised access. An internal access authorisation system ensures that no unauthorised access can be made. The external IT providers were regularly controlled by the internal IT department. Standard software is deployed for the finance systems that are in use to the greatest extent possible. To further support the Group's financial sector more professional and thus to further optimise the processes, in the year 2010 a new software was purchased as the basis of a new management information system and for consolidation and reporting.

The Group Finance division aggregates the figures by segment and prepares them for the Board of Directors. In particular, these comprise the key performance indicators of sales volume, EBIT and EBT, investments, segment assets (quarterly) and the number of employees. Aggregated Group reporting is also conducted on a quarterly basis with the income statement, balance sheet, investments and cash flow. The Board of Directors reports to the Supervisory Board on a monthly basis.

The Chief Financial Officer is responsible for controlling group finances. Besides enquiries with the persons responsible for accounting and bookkeeping in the operational 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. The local Controlling department is responsible for the bookkeeping and controlling of the operating companies. It prepares data relevant for decision-making for the persons responsible for the segments.

The Group's Internal Audit department is supported by external consultants and reports to the Supervisory Board. It carries out at least two audits each year of all significant operating companies. The audit is based on the American SOX system.

The departments involved in the accounting process are suitably equipped in terms of both quantity and quality. In the event of any shortages, external service providers are used.

Accounting data that is received or forwarded is routinely checked for completeness and accuracy, e.g. with spot checks.

The four-eyes principle is applied in all accounting processes.

Control

A key parameter for Controlling is the comparison against the planning data. In the event of significant deviations from the plan, the Board of Directors of Balda AG immediately implements control measures on the basis of trend analyses.

The internal control system in terms of the accounting process, the main features of which were described above, ensures that business transactions are always correctly recorded, prepared and assessed and included in the financial reporting.

Employees

Fall in the number of employees

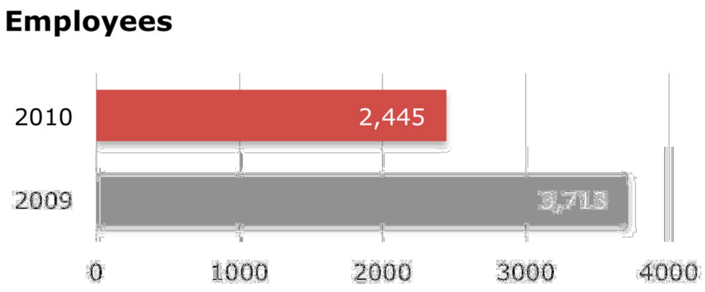
The number of employees in the Balda Group's continued operations fell as of the end of 2010. Personnel expenditure fell in spite of severance payments in China. Personnel expenditure ratio of 22.7 percent.

Group

The Balda Group has changed the recording of the number of employees during the course of 2010. There are now recognized as the employees actually physically present and not as before as the equivalent of full-time employees. The Balda Group had 2,445 employees as of the end of 2010. As of the end of 2009 the Group had 3,713 employees. The number of employees in the Group therefore fell in 2010 by 1,268 or 34,2 percent. The prior year figures have been adjusted in order to reflect the new recording method.

These figures also include agency workers, temporary personnel and trainees. The number of people employed at the production site in India, which was sold in May 2010, has been deducted from the comparison figures as of the end of the previous year.

The much lower number of employees is attributable in particular to the lower level of sales and the concentration of production in the MobileCom segment in Beijing. The extensive relocation of production capacity from Suzhou to the new plant in Beijing reduced the number of employees by 650. The further reduction in the number of employees was a result of the firm adjustment of personnel capacity to the order situation.

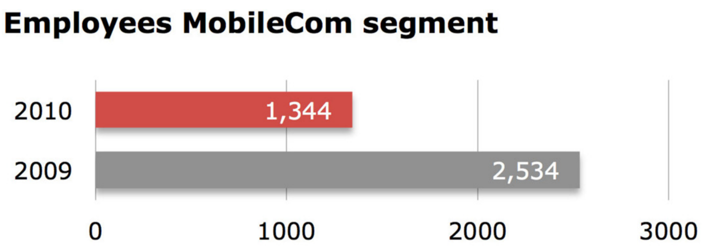


As of the end of the financial year 1,151 salaried and industrial employees (previous year: 1,909) and 1,294 agency workers (previous year: 1,804) were employed in the Balda Group.

On average 3,416 people were employed in the Group in the period under review (previous year: 4,297 employees).

MobileCom segment

The number of employees in the MobileCom segment fell as of the end of 2010 to 1,344 (previous year: 2,534 employees). The reduction of 1,190 employees or 47.0 percent compared to the 2009 financial year is primarily the result of the fall in volume of business and the concentration of production in Beijing.

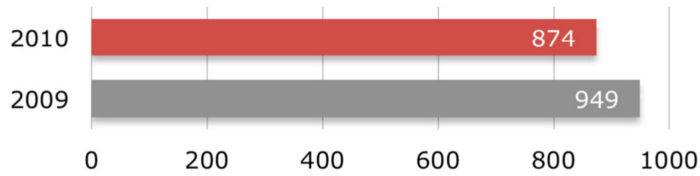


The share of agency staff employed as of the end of the year was 929 (previous year: 1,480 agency staff) or around 69.1 percent. Permanent staff comprised 415 employees (previous year: 1,054 employees) or around 30.9 percent.

Electronic Products segment

The plants in the Electronic Products segment employed a total of 874 people as of the end of 2010 (previous year: 949 employees). The almost constant number of employees is primarily the result of the stable volume of business in this segment. The company has made significant progress in relation to its strategic realignment of concentrating on the production of complete electronics products.

Employees Electronic Products segment



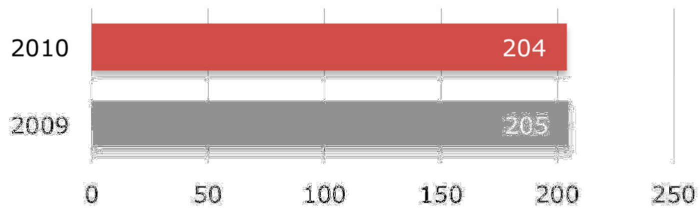
The high share of research and development activities in this segment is shown by the above average number of employees active in technology areas. 131 engineers are employed at the site, representing around 15.0 percent of the total workforce. 47 engineers are responsible for operations and optimisation of production processes. 37 engineers concentrate on the development of innovative products. They work on circuit boards, hardware and software, test programmes, design and mechanical design. The engineering team in Malaysia develops together with Balda USA innovative products in order to speed up the diversification of the portfolio.

Medical segment

The number of employees in this segment as of the end of the year under review was 204 (previous year: 205 employees).

The segment employed 57 commercial and technical staff in the period under review as well as 125 industrial staff. On top of this 20 agency workers and 2 trainees and interns were employed. The segment has a highly qualified workforce for a plastics-processing company. The company again held regular training courses and seminars on state-of-the-art technology and on strict regulatory requirements for its salaried and industrial employees in 2010.

Employees Medical segment



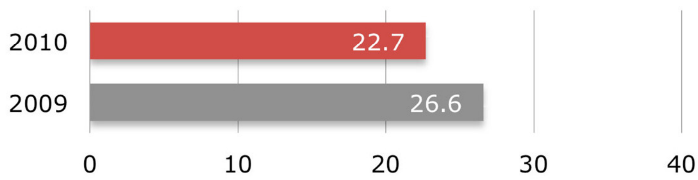
Central Services segment

The Central Services segment comprises the employees of Balda AG, which is based in Bad Oeynhausen and acts as the parent company and holding company, the employees of the intermediate holding companies in Amsterdam and Singapore and the employees of Balda USA in Morrisville, North Carolina. In the 2010 financial year a total of 23 people were employed in this segment (previous year: 25 employees).

Personnel expenditure

The Balda Group’s personnel expenditure fell from 37.3 million euros to 35.5 million euros in the period under review. This includes severance payments of around 2.1 million euros in connection with the personnel reductions in Suzhou. The personnel expenditure ratio measured against the Group's total output was 22.7 percent following 26.6 percent in the previous year. In particular the overall increased volume of business as well as the reduced personnel expenditures due to staff cutbacks was responsible for this fall. A further reduction in personnel expenditure was prevented by the provision of employees in the MobileCom segment for order call-offs planned jointly with customers. The start-up phase for a new product in the third quarter of 2010 required additional employees for quality assurance.

Personnel expenditure ratio
in percent



Costs of training and further education

The Balda Group spent 0.3 million euros on the training and further education of its employees in the past financial year (previous year: 0.4 million euros). The Board of Directors of Balda AG thanks all of the employees for their excellent performance and commitment in the 2010 financial year.

Environment

Responsible environmental and climate protection

Efficient use of resources and energy

The efficient and climate-friendly use of resources is a key component of the Balda Group's corporate strategy. At all of the Balda Group's production sites, Group managers coordinate economic, social and environmental aspects in a balanced manner. The environmental management system at all of the Balda production sites is certified in accordance with ISO 14001 and ensures compliance with local laws. The Group also makes use of its own accord of every economically-viable opportunity to sustainably protect the environment.

The Balda Group considers the protection of natural habitats and the sustained conservation of resources to be a core responsibility. The requirement throughout the Group that waste is handled responsibly and that used materials are recycled makes an important contribution to the efficient use of resources.

The Balda Group's environmental policy focuses on the effective use of energy sources and all raw materials. The prevention of rejects and waste is just as important as their recycling or cost-efficient disposal. The Group pursues the goal of generating the lowest possible emissions and immissions at every production site.

Recycling and use of residual material

The Balda Group systematically recycles waste produced in the production process. Balda systematically employs recycling particularly in plastic injection moulding processes. The Group disposes of non-reusable plastics without further environmental impact by means of thermal recycling. The company generates additional energy with thermal recycling. The measures used by the Group to prevent further environmental impact include the environmentally-friendly and responsible use of water.

The use of paint and dyes is subject to strict controls. In the paint facilities at the production sites in Beijing and Ipoh the Group mainly uses water-soluble paints. The companies provide separate and secure storage facilities for these highly flammable substances. With continuous monitoring of filter systems, Balda ensures low-odour and low-pollutant emissions. The employees in these areas wear safe protective clothing.

Particular attention is paid to the handling and careful storage of hazardous substances. Particular emphasis is placed on risk-prevention measures. Environmental pollution is considered a hazard risk in the same way as explosion or fire hazards.

Efficient energy management

The environmental programme of the Group includes strict requirements for all of the Group's sites concerning the effective and efficient use of energy. The optimisation of energy consumption, with the provison of implementing noticeable reductions, helps to protect the environment and promote cost efficiency. The Group's production sites again found new ways of improving their overall balance in this area in the 2010 financial year and further reduced their energy consumption.

Local environmental protection

At all of the Balda Group's sites, compliance with laws, regulations and measures 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 reviewing the environmental measures practiced. They are measured based on efficiency the degree to which the goals are achieved. The managers report directly to the CEO of the segment.

Internal environmental audits and the annual recording of key figures serve the strict control of the effectiveness of the measures. The results form the basis for the further optimisation of the most important goals, programmes and measures. The local environmental officers also report on the basis of an internal comparison of targets and actual results to their management at the site. The environmental officer is also responsible for the instruction and training of employees in the Group's production sites.

Environmental policy set together with customers

The Balda Group's corporate policy focuses on the customer, and this is also the case with environmental protection. Customers have been integrating the system partner Balda into their environmental programmes for years. The Group considers legal regulations to be minimum requirements. It should be noted that after a stringent audit, one major customer awarded the Group the award 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 the goods and products from suppliers are of a stable and high quality. This ensures that purchased products meet the Group’s environmental standards in every respect.

Malaysia with EU standards

As a developer and manufacturer of electronics components, the production site in Ipoh, Malaysia, has, since the 2007 financial year, 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 new production site also uses state-of-the-art environmental technologies and meets the strictest environmental standards.

The Group therefore complies with the most demanding environmental standards in the world for production, product design and the products themselves. Sustainable environmental protection is in keeping with the Group's global competitiveness.

Balda Group - Consolidated Income Statement

EBIT negative

The business development of the Balda Group was characterised in the 2010 financial year by the restructuring in China and increasing diversification in the Electronic Products and Medical segments. Overall the Group did not achieve its goals for sales and EBIT.

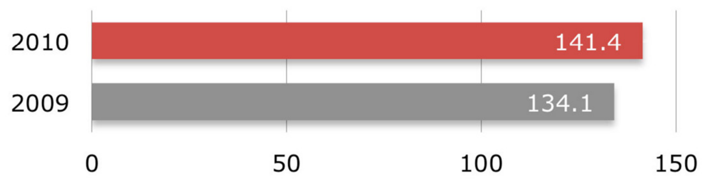
The four segments MobileCom, Electronic Products, Balda Medical and Central Services achieved varying results in the 2010 financial year. The MobileCom segment did not achieve the budget set either for sales or earnings. Electronic Products met its sales target, but failed to meet its earnings target. The Medical and Central Services segments performed as planned.

After the initial public offering of the touchscreen manufacturer TPK on 29 October 2010, the holding in TPK previously reported at book value based on the at equity method will in future be recorded at fair value (market value). The shares were revalued on the basis of the initial listing (220 Taiwanese dollars). This resulted in a one-off impact on net earnings in 2010 of 124.6 million euros. Since the reclassification of the TPK shares as financial assets, a share of profits is no longer shown and only dividend payments are recorded in the income statement. The subsequent valuation of TPK shares at stock exchange price as of 31 December 2010 further increased the Group’s equity (441 million euros), but had no impact on the Group’s income statement.

Due to the above-mentioned one-off impact on earnings from the revaluation of the TPK holding, the Balda Group recorded a significantly positive EBT in continued operations in the 2010 financial year.

The Balda Group generated sales revenues of 141.4 million euros in continued operations in the 2010 financial year (previous year: 134.1 million euros). Sales revenues in 2010 were above those of the previous year. The Group did not though achieve the significant increase in sales over the previous year forecasted at the start of 2010.

Group Sales
in mill. euros



Above all the negative business performance in the MobileCom segment with a drop in sales of around 15 percent was responsible for the sales volume being below target.

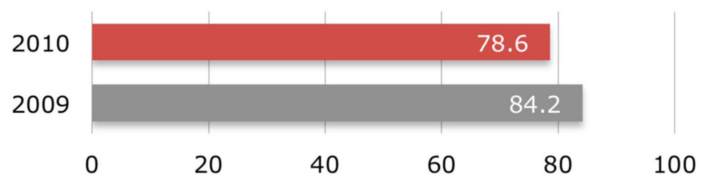
Special items

These consolidated financial statements include a significant depreciation of fixed assets and business or goodwill. These exceptional charges distort the informative value of the operational business. The Balda Group is therefore reporting these special items in a separate line.

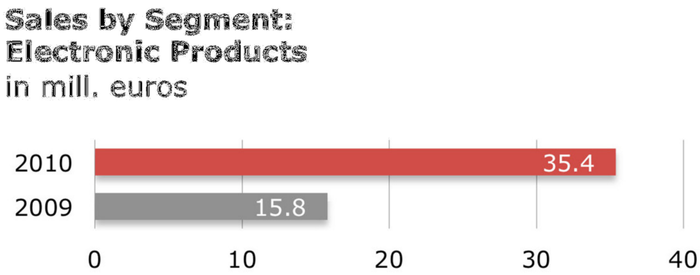
Development of sales in the segments

The MobileCom segment recorded with sales of 78.6 million euros in 2010 a significant fall compared to the previous year’s figure of 84.2 million euros. Supply industries for mobile phone companies were not able to participate in the positive development of end device manufacturers, as this growth is largely the result of significant pricing pressure on the supply industry. This development was possible as suppliers face increasingly intense competition. Sales and margins have suffered from this development. The new production plant in Beijing commenced operations with pilot projects in September. The company managed to acquire new customers in the last quarter. New orders were received only sporadically in 2010. The intended diversification therefore did not progress as planned in the period under review.

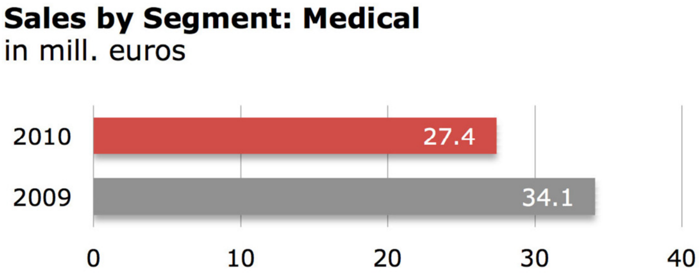
Sales by Segment: MobileCom
in mill. euros



The Electronic Products segment increased its business volume significantly in 2010. With sales revenues of 35.4 million euros in the 2010 financial year, Malaysia more than doubled the previous year's figure of 15.8 million euros. The segment took a big step towards its planned strategic diversification with new products and new customers.



The Medical segment generated as planned with sales revenues of 27.4 million euros in the 2010 financial year less than the previous year's figure of 34.1 million euros. Due to the previous intention to sell, there were no orders in 2009, which would have had an impact on sales in 2010. The Medical segment did considerable preliminary work for new projects in 2010. Production of most of the new projects will start in the current financial year.



The Central Services segment does not generate any significant sales revenues, but covers holding and financial services within the Group, Balda Grundstück with the property in Bad Oeynhausen and development services of the subsidiary in the USA.

Earnings situation of continued operations

Other operating income in the Group was 15.7 million euros compared to 4.5 million euros in the previous year (without India). In particular the revenue from the out-of-court settlement in the legal dispute concerning incorrect tax advice, higher foreign exchange gains and higher book gains on disposal of fixed assets resulted in this increase.

The reduction in inventories of work in progress and finished goods amounted to 0.7 million euros in the period under review. In the previous year the Group reported an increase of 1.3 million euros (without India).

Total output

Total output is the balance of sales revenues including other operating income and the change in the inventory of work in progress and finished goods. In the 2010 financial year the Balda Group achieved a total output of 156.4 million euros. Compared to the previous year (without India) this was an increase of 16.1 million euros. The reasons for this are the higher sales revenues and other operating income.

Cost of materials

The cost of materials and services in the continued operations increased significantly in 2010, by 28.0 million euros to 90.9 million euros. In particular the increase in expensive bought-in electronic components in the MobileCom and Electronic Products segments were responsible for this increase. The cost of materials ratio measured against the Group's total output increased from 44.8 percent in the previous year to 58.1 percent in 2010. Cause of this increase was in addition to the previously mentioned changes in product mix also the strong price competition on the sales side, particularly in the segment MobileCom.

Personnel expenditure

The Balda Group's personnel expenditure fell in the year under review from 37.3 million euros to 35.5 million euros. The personnel expenditure includes severance payments in the amount of around 2.1 million euros for employees released in Suzhou. In particular the much lower number of employees in the MobileCom segment after the relocation of a large part of product from Suzhou to Beijing has been responsible for the fall in personnel expenditure, which was achieved despite the rise in wages in China. The personnel expenditure ratio measured against the Group's total output was 22.7 percent following 26.6 percent in the previous year.

Depreciation

Depreciation fell in the year under review from 10.2 million euros in the previous year (without India) to 9.2 million euros. This figure concerns the scheduled depreciation of fixed assets and intangible assets. For impairment depreciation we refer to the comments below on special items.

Other operating expenditure

The Group's other operating expenditure was at 29.5 million euros in 2010 slightly above the previous year's level of 25.4 million euros (without India). The other operating expenditure is by nature primarily fixed. Its share of total output increased slightly to 18.9 percent compared to 18.1 percent in the previous year.

Earnings development

The Balda Group generated an EBIT before special items of minus 8.7 million euros in the 2010 financial year (previous year: plus 4.5 million euros, without India). In particular the below-target sales revenues, the significant increase in cost of materials and restructuring costs had a negative impact on the EBIT before special items.

The results achieved by the segments in the Balda Group varied again in the 2010 financial year with regard to the EBIT. The MobileCom segment recorded earnings excluding special items of minus 9.0 million euros (previous year: plus 7.3 million euros). The EBIT before special items for the Electronic Products segment was minus 4.0 million euros in the period under review (previous year: minus 3.3 million euros). The Medical segment achieved as planned an EBIT of 1.9 million euros (previous year: 5.2 million euros). The Central Services segment (previously: Others) recorded an EBIT of 2.3 million euros (previous year: minus 4.2 million euros).

Special items

Competition in the MobileCom segment continues to intensify and there remains pressure on prices. Good margins can only be achieved with efficient production processes. In the Electronic Products segment earnings margins are affected by expensive bought-in parts. The outlook of lower margins resulted in the depreciation of fixed assets and goodwill based on impairment tests. Furthermore, due to the closure of the site in Suzhou, China, it was no longer possible to use all of the technical equipment and installations. Depreciation and loss of disposals of fixed assets totalled 28.6 million euros. The MobileCom segment accounted for 14.1 million euros and the Electronic Products segment for 14.5 million euros.

The EBIT (after special depreciation) is minus 37.4 million euros was distributed as follows on the segments:

	Earnings before special items	Special items	EBIT
MobileCom segment	- 9.0	- 14.5	- 23.5
Electronic Products segment	- 4.0	- 14.1	- 18.1
Medical segment	1.9	0	1.9
Central Services	2.3	0	2.3
Group	- 8.7	- 28.6	- 37.4

In the financial result, interest income improved significantly at minus 3.4 million euros in the year under review compared to the previous year at minus 7.2 million euros (without India). The reason for this is primarily that Balda AG no longer has to pay interest on bank liabilities, which were repaid at the end of 2009. Due to the conversion of the profit-participation certificates at the end of 2010, the Group will in future save ca. 2.7 million euros in interest p.a.

The change in the reporting method for the shares in TPK, from the book value based on the at equity method to being recorded as a financial instrument at market value, resulted in a one-off impact on net earnings of 124.6 million euros. Since their reclassification as financial assets, a share of profits has no longer been shown recorded.

The item earnings of associated companies includes the profit share from the operational business of TPK to the end of October 2010, the accounting profit from the sale of shares in TPK and the accounting loss from the revaluation of TPK shares.

The Balda Group recorded extremely positive earnings before tax (EBT) in continued operations in the 2010 financial year of 93.3 million euros. In the previous year the Group posted a plus of 47.3 million euros (without India).

After the deduction of taxes, the Balda Group's continued operations recorded earnings of plus 95.8 million euros. In the previous year the net profit was 48.5 million euros (without India).

Earnings in discontinued operations totalled minus 1.4 million euros after plus 0.4 million euros the previous year.

The Group recorded a net profit of 94.4 million euros. In the previous year the Group's net profit amounted to 48.9 million euros.

Earnings per share are, with 58,890,636 shares as of the end of the 2010 financial year, plus 1,606 euros (previous year: 0.910 euros).

After allowing for the earnings from the subsequent valuation of the share in TPK at market value and from currency changes allocated directly to equity, the total earnings for the 2010 financial year amounted to plus 559.7 million euros (previous year: 58.4 million euros).

Balda AG Income Statement

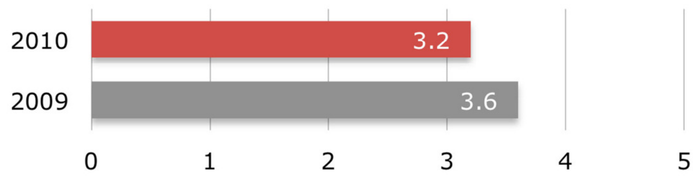
Balda AG has 5.8 million euros loss

Balda AG, whose registered office is in Bad Oeynhausen, Germany, performs the function of holding company within the Balda Group. The Board of Directors controls and directs the operational group companies in China, Malaysia, the US and Germany. Newly founded was the Balda Investment Netherlands B.V. (BIN) based in Amsterdam, Netherlands. The company acts as another intermediate holding company between Balda AG and Balda Investments Singapore (BIS) in Singapore. The core business of Balda AG are personnel-related services and consultancy services in the areas of financing, accounting, legal and personnel services as well as the provision of external IT services for the companies of the Group.

Balda AG’s sales dropped to 3.2 million euros in the 2010 financial year (previous year: 3.6 million euros). The fall of 0.4 million euros is the result of fewer group allocations.

Other operating income of Balda AG in the reporting period rose from 4.1 million euros to 7.9 million euros. This represents an increase of 3.8 million euros. The increase is mainly due to the appreciation in value of the share in Balda Solutions Deutschland and Balda Investment Mauritius and the release of Other provisions.

Sales Balda AG
in mill. euros



Personnel expenses in Balda AG fell from 2.3 million euros to 1.9 million euros. Compared to the previous year, this followed the reduction in average number of personnel from 16 to 13 employees, as well as in the previous year accrued severance pay.

Other operating expenses rose in the reporting period from 12.2 million euros to 14.1 million euros. The increase of 1.9 million euros is above all the results of higher expenses relating to exchange rate differences and value adjustment of receivables. Other financial expenses for the cancellation of bank debt did not occur in the reporting period (previous year: 2.6 million euros).

Income from shares in associated companies fell from 15.4 million euros to 1.5 million euros. The 2010 annual report reflects only the profit share for Balda Medical, whereas that of the previous year also incorporated distribution of profit from Balda Investments Singapore (10.9 million euros). Other interest and similar income were considerably lower, at 0.3 million euros at the end of the reporting period, compared to 0.8 million euros the previous year.

Interest and similar expenses were at a similar level compared to the previous year. Refinancing through the Group company in Singapore enabled Balda AG to cancel its bank debt at the end of 2009. The measure was a departure from third party financing by banks and led to higher interest expense with regard to affiliated companies (approximately 3.2 million euros).

The result of ordinary operations totalled minus 10.5 million euros due to lower income from investments in the reporting period. The same figure in the previous year was plus 1.8 million euros. Adjusting investment income the previous year points out a lower result by about 1.5 million euros.

Exceptional income totalled 12.8 million euros for the financial year. This item comprises of the release of provisions for interest on the profit-participation rights in the amount of 8.1 million euros and a received out-of-court settlement for damages in relation to incorrect legal advice in the amount of 4.7 million euros. Conversely, there were exceptional expenses in the form of compensation payments to holders of profit-participation rights with regard to premature conversion of rights in the amount of 8.1 million euros.

After deduction of income tax and other taxes, the annual loss for the financial year 2010 was 5.7 million euros. The previous year had seen a profit of 2.5 million euros.

Taking into account the loss of 142.2 million euros carried forward from 2009, Balda AG's accumulated loss was 148 million euros. The Board of Directors decided to cover the accumulated loss by releasing capital reserves in the same amount.

Cash Flow

Cash and cash equivalents augmented

The sale of a further 1.625 percent of the shares in the associated company TPK and the sale in a Greenshoe have allowed the Balda Group to attain a cash inflow of 11.7 million euros in the 2010 financial year. The Group also received interest from investments in TPK in the reporting period in the amount of 6.9 million euros.

Cash flow

The cash flows of 2010 and the comparison year of 2009 are analysed in the following. The statement of cash flows has been prepared according to IFRS and is intended to support the evaluation of the financial capacity of the Balda Group. The statement of cash flows is divided into cash flows from operating, investment and financing activities. Each of these areas is described below.

Cash flow from operating activities

The cash flow from operating activities amounts to minus 11.2 million euros in the reporting period (previous year: plus 20.6 million euros). Considering the increase in working capital in the fiscal year compared to the previous year, the decline is mainly due to significantly higher cash outflows used for production factors.

Cash flow from investing activities

Cash inflow from investing activities of 7.2 million euros (previous year: 82.0 million euros) is the result of the sale of shares in TPK Holding and in the Indian business Balda Motherson India. However expenses relating to fixed assets counteract these cash inflows.

Cash inflow from the sale of shares in TPK was 11.7 million euros in 2010. During the previous year, the sale of shares in the company produced a cash inflow of 92.3 million euro. During the financial year Balda received income from investment in TPK in the amount of 6.9 million euros.

Cash-relevant payments for tangible and intangible assets amounted to 12.3 million euros, in contrast to 11.9 million the previous year.

Cash flow from financing activities

The cash inflow from financing activities in the reporting period was 4.2 million euros and resulted from the take-up of credit lines in the amount of 12.7 million euros. In contrast stands a cash outflow in connection with the early conversion of the profit-participation rights of 8.1 million euros.

The previous year's cash outflow of 96.5 million euros was mainly the result of the repayment of credit lines (74.0 million euros) as well as the syndicated loan by Balda AG (22.5 million euros).

During the reporting year no significant new lease contracts were signed that fulfilled the criteria of a financing lease. Repayments of these liabilities were 0.4 million euros (previous year: 0.1 million euros).

Cash-relevant change in liquid funds

Cash and cash equivalents in the continuing business areas stood at 48.9 million euros at the end of the financial year (previous year: 44.2 million euros including discontinued companies). After the sale of shares in India and Hungary in the reporting period, no cash or cash equivalents remained in the discontinued business areas by the end of 2010.

Funding and liquidity requirements

The funding of Balda Group is currently composed of short-term financial instruments only. These are mainly credit lines from financial institutions. Further sources of liquidity are currencies and the future cash inflows from operating activities.

Credit lines totalling 20.6 million euros are currently available to the Group. At 31 December 2010, 20.6 million euros thereof had been drawn down. In addition, the Group has bank guarantees in the amount of 7.5 million euros, which were used at the balance sheet date, with 6.7 million euros.

The liquidity requirements include, among other things, the scheduled servicing of financial debts and the ongoing coverage of operating activities.

Financing of the individual Group companies is decentralised. The Group minimises the exchange rate risk by taking loans in the operational currency of the Group company. The interest rate risk is rated as low due to the short maturity of the loans.

In the previous year the Group reported profit-participation rights under long-term liabilities. Due to the conversion of profit-participation rights in 2010, the Board of Directors was able to improve the financing structure. This measure has allowed the Group to save future interest and repayment costs of approximately 42 million euros. The net financial assets (total of current assets minus current liabilities) amounted to 44.0 million euros in the business year (previous year: 33.8 million euros).

Balda AG - Financial position and cash flow

Cash flow from operating activities

Net cash inflow from operating activities amounted to minus 4.7 million euros in the reporting period after a positive 6.2 million euros in the pevous year. The net cash outflow concern the financing the ordinary activities of Balda AG. In addition, the company accrued proceeds from claims for damages to (4.8 million euros). However, there were no dividends from affiliated companies in the year 2010. They amounted to 10.9 million euros in the previous year.

Cash flow from investing activities

Cash flow from investing activities decreased to 2.6 million euros (previous year: 3.1 million euros).

Cash flow from financing activities

The cash flow from financing activities of Balda AG has improved significantly to 5.3 million euros (previous year: minus 12.4 million euros). The inflow of funds from deposits by subsidiaries exceeded the cash outflow in 2010 in connection to the compensation payment to the holders of profit-participation rights in the amount of 8.1 million euros.

Cash and cash equivalents

The liquid assets of Balda AG have increased at the balance sheet date in 2010 to 6.1 million euros (previous year: 2.9 million euros). Especially the exceptional proceeds from the claims for damages led to the higher inventory.

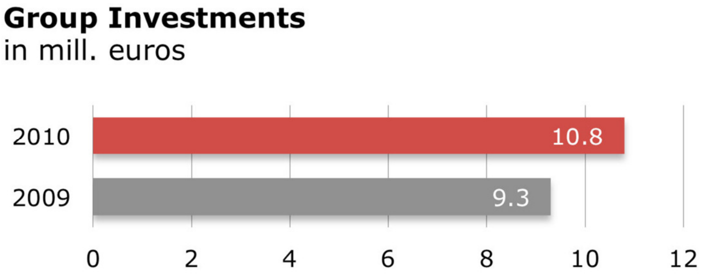
The positive cash flow during the year resulted solely from the cash inflows in connection with the grant of short-term loans by Balda Investments Singapore. Without this, the change of funding in the fiscal year amounts to minus 9.6 million euros. It should be noted that Balda AG as a pure holding company generates its main cash from the dividends of the subsidiaries. In this respect, the internal financing power of Balda AG depends directly on the dividend payment ability of the subsidiaries.

Investments

New production plant in Beijing has commenced operations

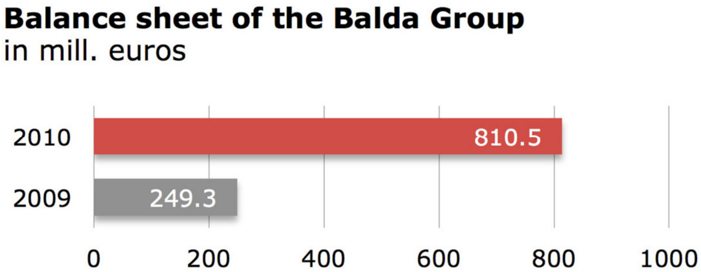
In the 2010 financial year the Group implemented a targeted investment programme. In the period under review investment focused on the construction and expansion of the new production site in Beijing.

In the 2010 financial year the Group invested a total of 10.8 million euros in its continued operations (previous year: 9.3 million euros). Investment in the new plant in Beijing amounted to 5.8 million euros (previous year: 4.8 million euros).



The production site in Beijing commenced operations upon completion of construction in September 2010. The new production site concentrates on the mass production of systems produced from plastic for the mobile phone industry using new state-of-the-art technologies. The MobileCom segment recorded investment totalling 9.0 million euros in the past year (previous year: 8.8 million euros).

In the Electronic Products segment investment totalled on the basis of the prior year's level to 0.3 million euros. The Balda Group invested a total of 1.0 million euros primarily in technical machinery and equipment in the Medical segment in the 2010 financial year. In the previous year investment in this segment totalled 0.6 million euros.



Fixed assets

Investment in the Balda Group's fixed assets totalled 10.4 million euros (previous year: 9.7 million euros). Of this, around 6.3 million euros was accounted for by land rights and the construction of buildings (previous year: 3.7 million euros). As in the previous year the Group invested 3.4 million euros in technical machinery and equipment. Advance payments and construction in progress amounted in the period under review to 0.1 million euros (previous year: 2.1 million euros).

Balance Sheet Structure Group

Significant improvement in balance sheet ratios

Increased equity and further reduction in liabilities

The balance sheet of the Balda Group as of the end of the 2010 financial year is affected greatly by the revaluation of the holding in the touchscreen manufacturer TPK Holding Co., Ltd. (TPK) at the time of the loss of significant influence and from the subsequent valuation at the balance sheet date (see also Business Development). The balance sheet total of the Balda Group rose as of 31 December 2010 to 810.5 million euros from 249.3 million euros in the previous year. The equity ratio of the Balda Group recorded a massive rise as of the 2010 balance sheet date of 28.6 percent to 92.5 percent (previous year: 63.9 percent).

Balance sheet structure: Assets

Increase in long-term assets

On the assets side, the value of long-term assets increased as of the 2010 balance sheet date to 711.7 million euros (31 December 2009: 161.9 million euros). This sharp rise is primarily attributable to the new valuation method for the TPK shares as well as of positive foreign exchange rate effects of the foreign subsidiaries in the Group currency.

As of 31 December 2010 the value of fixed assets fell to 61.6 million euros (2009 balance sheet date: 63.9 million euros). Scheduled depreciation and investments in fixed assets were nearly at the same level. Write-downs in the value of machinery and expenses from the scrapping off of machinery in the year under review reduced fixed assets by 7.1 million euros and exceeded the revaluation of foreign currency effects.

Capitalized goodwill values have declined over the previous year by 24.3 million euros. This decline is due to the impairment charges made in the year under review in the amount of 19.7 million euros as well as the clearing of the TPK-goodwill in the context of the revaluation. Exchange rates had opposing effects. Overall financial assets increased as of 31 December 2010 by 579.8 million euros to 627.3 million euros (previous year: 47.5 million euros). This increase results essentially from the valuation of TPK shares as a financial shareholding at fair value on the balance sheet date This subsequent valuation as of 31 December 2010 at stock exchange price (670 Taiwanese dollars) resulted in a value of 626.8 million euros.

Increase in short-term assets

Short-term assets increased as of 31 December 2010 by 11.4 million euros to 98.8 million euros (previous year: 87.4 million euros). Expensive bought-in parts and electronic components resulted in inventories increasing to 18.6 million euros (31 December 2009: 14.5 million euros). Trade accounts receivable increased as of 31 December 2010 to 25.8 million euros (previous year: 21.2 million euros).

Liquid assets increased by 4.7 million euros to 48.9 million euros.

Balance sheet structure: Liabilities

On the liabilities side, equity increased as of the 2010 balance sheet date to 749.7 million euros (31 December 2009: 159.2 million euros). With the conversion of profit-participation certificates, 4.7 million new shares were issued from conditional capital. As of the end of the period under review, the Group’s subscribed capital is 58.9 million euros (2009 balance sheet date: 54.2 million euros).

The change in the reporting method for the TPK shares was recognised in the income statement as of the time of the change. In subsequent balance sheets adjustments to the value of the shares as of the balance sheet date after deduction of deferred tax will be recognised in reserves with no effect on the income statement. The amount of the adjustment in the 2010 financial year was 440.8 million euros. Currency effects have also contributed to the increase in reserves. In order to compensate the balance sheet loss of Balda AG, the Board decided to write off the capital reserves in the amount of 148.0 million euros.

As a result of the high annual profit and an allocation from the write off of the paid-in capital of Balda AG, the balance sheet loss as of 31 December 2009 (57.7 million euros) has turned into a balance sheet profit of 184.9 million euros.

Due to the deconsolidation of the Indian company Balda Motherson Solution India Ltd., minority interests in shareholders' equity are no longer reported.

The equity ratio rose as of 31 December 2010 to 92.5 percent. The previous year the ratio was 63.9 percent.

Long-term liabilities reduced significantly

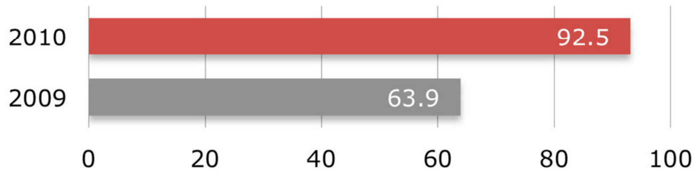
Long-term liabilities reduced significantly as of 31 December 2010 to 5.9 million euros (31 December 2009: 36.5 million euros). With the conversion of profit-participation rights, the value of profit-participation certificates in the amount of 32.9 million euros has been reclassified under equity.

Due to the conversion of the profit-participation rights, the interest-bearing liabilities decreased. The slight increase in cash and cash equivalents results in a surplus of cash above the interest-bearing liabilities in the amount of 23.5 million euros. In the previous year, the net debt liabilities amounted to 2.4 million euros. The Group's ratio of net financial liabilities to equity lead to a negative net gearing of 3.5 percent.

Increase in short-term liabilities

Short-term liabilities increased slightly as of the 2010 balance sheet date to 54.9 million euros (31 December 2009: 53.6 million euros). Developments within short-term liabilities varied. Trade accounts payable increased due to the increase in inventories. The item "other short-term liabilities" fell sharply to 6.0 million euros as of the end of the 2010 from 14.9 million euros as of 31 December 2009. The fall is primarily due to ceased accrued interest upon conversion of the profit-participation rights and lower personnel-related liabilities.

Group Equity Ratio
by 31 December in percent



In order to finance the operational business, the Chinese companies used credit lines in the amount of 13.3 million euros. The Group's short-term liabilities amount to 19.8 million euros.

Tax liabilities fell significantly to 2.3 million euros (31 December 2009: 8.6 million euros). This was due to the tax liabilities which were payable based on the audit completed for 2003-2006.

Balance Sheet Structure Balda AG

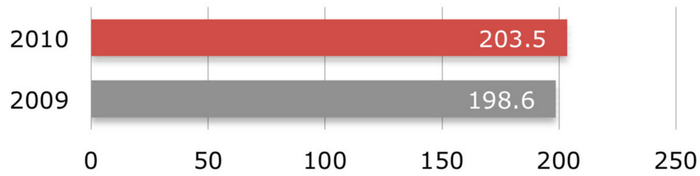
Significant improvement in equity

Balda AG's balance sheet figure had increased to 203.5 million euros at the 2010 balance sheet date 198.6 million euros.

The assets of Balda AG are mainly from investments in subsidiaries and hence from long-term assets. In contrast, the liability side consists mainly of short-term liabilities. In particular, the existing short-term liabilities to the subsidiary Balda Investments Singapore have an impact here. With these credit funds received in 2009 Balda AG was able to pay off the syndicated loan and the promissory note bond. Overall, Balda AG shows net financial assets (calculated as the sum of short-term assets less current liabilities) of minus 95.1 million euros. The financing of Balda AG is therefore not matching maturities.

On the assets side, the value of fixed assets rose from 184.1 million euros in 2009 to 188.9 million euros at the 2010 balance sheet date. The increase is attributable to shares in associated companies in particular. Shares, which had lost in value in previous years, were valued at 5.1 million euros due to the inflow of assets for the in previous years written off and inactive subsidiaries Balda Solutions Deutschland and Balda Investments Mauritius.

Balance sheet of the Balda AG by 31 December in mill. euros



Current assets, at 14.5 million euros, remained at a similar level to the previous year. Receivables from associated companies fell from 11 million euros to 8 million euros as a result of payments received and the application of specific debt provisions. Cash in hand and at banks and credit institutions increased from 2.9 million euros to 6.1 million euros, mainly because of payments of damages for incorrect tax advice.

On the liabilities side, equity had increased significantly from 64.8 million euros to 93.7 million euros at the 2010 closing date. Holders of profit participation rights in the 34.2 million euros loan converted their rights to shares with effect from 29 October 2010. Subscribed capital consequently increased by approximately 4.7 million euros. A share premium of 29.5 million euros was transferred to capital reserves. In order to compensate for the accumulated loss in 2009 and for the net loss in 2010, the Board of Directors decided on a release from the capital reserves (148 million euros).

The conversion of profit participation rights allowed for the termination of interest payments in this regard. During the reporting year, the Board of Directors and the financial administration agreed on the tax liabilities arising from the 2003-2006 audit. Overall, reserves fell considerably from 15.6 million euros the previous year to 3 million euros.

Liabilities fell from 118.1 million euros at the end of the year 2009 to 106.9 million euros. Some opposing effects are apparent here. Following conversion of profit-participation rights totalling 34.2 million euros, this item is no longer reflected. Due to a lack of dividend payments, Balda AG drew finance from its subsidiaries. Liabilities to associated companies rose from 83 million euros to 106 million euros as a result of the loans and of exchange rate adjustments.

Supplementary Report

At the start of the 2011 financial year Balda AG gained in the New York investor and fund owner Richard Hurowitz a new major shareholder with a shareholding of 3.07 percent. Richard Hurowitz increased its voting rights in Balda AG on 22 February to 5.09 percent.

On 26 January 2011 BenQ's insolvency administrator announced a further payment from the remaining assets of BenQ. Approximately 2 million euros are envisaged for Balda, depending on the decision at the creditors' meeting.

At the beginning of February 2011, the segment Medical received a further order from a global pharmaceutical company. The order volume is of a medium size. Production time is expected to extend to the year 2013. Two of the three individual orders will impact sales in 2011.

In the middle of February 2011 the Supervisory Board and the CEO, Michael Sienkiewicz agreed on the departure of Michael Sienkiewicz from Balda AG's Board of Directors with immediate effect. He continues to be available as a consultant to BALDA solutions USA, Inc. Rainer Mohr, currently the Company's CFO, was appointed by the Supervisory Board as Chief Executive Officer (CEO) of the Board of Directors and holds both offices simultaneously. Rainer Mohr has taken over the directorial work and all tasks previously performed by Michael Sienkiewicz.

The major shareholder Soros Fund Management reduced its share in Balda AG to just below 3 percent on 11 February 2011. Soros Fund Management had owned 3.23 percent in Balda AG since October 2010.

On 28 February 2011 the voting rights of Access Industries LLC in Balda AG fell below the threshold of 3 percent and amount to 2.96 percent of the voting rights.

On 3 March 2011 the voting rights of Kingdon Capital Management, LLC fell below the threshold of 3 percent and now amount to 2.81 per cent of the voting rights.

With a trade volume of 92.8 million euros, Balda AG was the best-selling title of the SDax in February. With a trade volume of 84.1 million euros, the Balda share was as well the most traded stock in January in the Small Cap Index.

Beyond this, there are currently no internal changes of significance for the earnings, financial and asset situation of the Balda Group.

Internal Control System (ICS) relating to Accounting

The main objective of Balda's internal control system (control system) is to ensure proper accounting in terms of compliance of the consolidated financial statements and management report with all relevant laws, regulations and standards.

Systems working together

The control system of the Balda Group is linked to the risk management system. The two systems complement each another. On the one hand deficiencies in the control system can be revealed by identifying new risks. Additional controls can eliminate these shortcomings. On the other hand the monitoring of the control system can result in certain risks needing to be managed more effectively.

Balda has established a standard process for monitoring the effectiveness of the control system across the Group. It defines necessary controls, sets uniform standards for this in the documentation and ensures regular testing.

Balda AG's Board of Directors is responsible for setting up and effectively maintaining appropriate controls via financial reporting. The Supervisory Board assesses at the close of every financial year the appropriateness and effectiveness of the control system. As of 31 December 2010 the Supervisory Board of Balda AG has conclusively assessed and established the effectiveness of the internal controls via financial reporting. Every control system is subject though to limitations with regard to its effectiveness. No control system is able to exclude or reveal every incorrect piece of information.

Structures, processes and control

The Group Finance division of Balda AG, together with the Accounting and Controlling departments, manages the Group's accounting processes. Standard guidelines apply across the Group for accounting, bookkeeping and controlling and are laid out in the Group's Accounting Manual. The chart of accounts also acts as a basis. The Group Accounting division constantly analyses new laws, the applicable accounting standards in accordance with IFRS and other statements with regard to their relevance for and impact on the consolidated financial statements and the management report. Relevant requirements are entered into the guidelines for Group accounting. These regulations are communicated in a timely manner to the Group's segments. They form in conjunction with the Balda AG financial statements calendar which is applicable throughout the Group the basis for the process of preparing the annual financial statements.

In addition, at Balda complementary procedural requirements, standardised reporting formats, an identical IT system throughout the Group and IT-supported reporting and consolidation processes support standard and proper accounting in the Group. Accounting data that is received or forwarded is routinely checked for completeness and accuracy, e.g. with spot checks.

The reporting in the Group is based on a standard ERP system throughout the Group. The financial information reported by Balda AG and its segments form the data basis for preparing the consolidated financial statements. It is based on the postings recorded in the Group companies. The segments supply Balda AG's Group controlling department with fixed reports on a monthly basis. The reports are based on a standard chart of accounts. The reports contain pre-programmed plausibility checks. Beyond that, suitable processes ensure the Group-wide and consistent implementation of reporting requirements.

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

The Group Controlling department aggregates the figures by segment and prepares them for the key decision maker, the Board of Directors. In particular, these comprise the key performance indicators of sales volume, EBIT and EBT, investments, segment assets (quarterly) and the number of employees. Aggregated Group reporting is also conducted on a quarterly basis with the income 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 the Balda Group are suitable in terms of professional expertise and undergo training on a regular basis. The Group companies in the segments are responsible for compliance with the guidelines and procedures that are applicable across the entire Group and for the proper and timely processing of their accounting processes and systems. The local companies are supported throughout the accounting process by central contact persons in the holding company.

Internal controls that have been determined in terms of risk considerations are built into the accounting process of the Balda Group. Balda's control system includes preventive and detection control elements. They comprise a systematic separation of functions and IT-based and manual coordination. Furthermore, Balda's ICS works in accordance with the four-eyes principle and with general IT controls. The finance systems that are deployed are protected against unauthorised access. An internal access authorisation system and constant monitoring of this system ensure that no unauthorised access can be made.

The departments involved in the accounting process are suitably equipped in terms of both quantity and quality. In the event of any shortages, qualified external consultants are used. The four-eyes principle is applied in all accounting processes.

The involvement of the Supervisory Board

In particular the Supervisory Board's elected representative for accounting, Dino Kitzinger, is involved in the control system. First of all he monitors the accounting process, the effectiveness of the control system and the internal audit system as well as the audit of financial statements. He is also responsible for the preliminary examination of documents for Balda AG's annual financial statements and for the consolidated financial statements. He and the rest of the Supervisory Board also discuss the annual financial statements of Balda AG, the consolidated financial statements and the consolidated management report for these financial statements with the Board of Directors and the auditor.

Internal auditing system

As a further element of the control system, the Balda Group's legally required audit is responsible for compliance of the guidelines, the independent examination of the effectiveness and the quality assurance of the control system. It is closely involved throughout all levels of the procedure. The planning and checking performed by Audit includes the consideration of risks in the consolidated financial statements and in the accounting process. The Audit department possesses extensive information, examination and access rights in order to perform its duties. It carries out at least one audit every year of all of the operating companies. The audit is based on the American Sarbanes-Oxley Act. Inasmuch as local needs require, external consultants support Balda's Audit department.

Accounting-related internal control system of Balda AG

Balda AG is involved as the parent company of the Balda Group in the Group-wide accounting-related internal control system described above. The information provided above also applies to the individual financial statements of Balda AG prepared in accordance with the German Commercial Code (HGB). However, these are extended for financial statement purposes of Balda AG in the sense that the information contained herein, such as policies, procedures and measures to ensure the regularity of the statutory accounts are specially adapted to local requirements. To this end, Balda AG regularly analyzes laws, standards and other pronouncements with regard to their impact on the statutory accounts. The employees of the accounting system will be trained at regular intervals.

For Balda AG, the conceptual framework described above is supplemented by a mandatory HGB directive applicable to financial statements and a HGB chart of accounts.

There have been no significant changes to the control system between the 2010 balance sheet date and the time when the management report was prepared.

Opportunities and Risk Report

Risk management in the Balda Group

The Balda Group specifically developed its comprehensive risk management system in the past 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. Entrepreneurial activity always involves 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, assesses and tracks the development of relevant risks. The Group can also identify opportunities in risks. The key elements for the opportunity and risk management system are planning processes, controlling, the internal Group regulations and the Group reporting.

As an international company the Balda Group is exposed to various risk areas. The cause of the risks to be considered can be found in actions and failure to act. These can threaten the company's success or its existence. There are currently no indications of risks, including in conjunction with other risks, which may threaten the continued existence of the Balda Group.

The principles of the Balda Group's risk management are documented in a new manual. The company has appointed risk managers and persons responsible at management level in the individual Group companies in order to ensure an efficient risk management system. In regular business development meetings the opportunities and risks which are qualitatively and quantitavely assessed in the strategies of the segments are updated and goals and control measures are agreed.

Balda has established measures for the early identification, monitoring and control of risks and consolidated these in a risk management system. The company carries out regular deviation and trend analyses with the relevant markets, with among other things customer surveys and periodical coordination with customers and project reviews for the early identification of operational risks. The emphasis here is on continual monitoring of the relevant sales markets and trends and constant coordination with customers on future order volumes. If the early warning indicators and evaluated results reveal negative trends, the regional management and Group management immediately introduce measures to counteract these. The identification, knowledge of progress, monitoring and possible control of risks is a high priority for the company's Board of Directors.

Group Audit is responsible for regularly reviewing 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 audit is in line with the US Sarbanes-Oxley Act.

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 regions 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 region are presented to the Board of Directors of the holding company. The Board of Directors promptly forward information about significant risks to the Supervisory Board. If necessary, early discussions take place between the Board of Directors and the Supervisory Board. The reports of the regions are consolidated in the holding company and analyse in addition to deviations from the budget and previous assessments, the outlooks for customers and decision-making trends in the markets relevant for Balda. 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 to reduce and prevent relevant risks.

Risks

Risk situation

As an international company the Balda Group is exposed to various risk areas. The cause of the risks to be considered can be found in actions and failure to act. The Balda Group takes out insurance giving consideration to economic aspects in order to minimise the financial consequences of a possible loss. The company reviews the scope and amount of this insurance regularly.

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

Environment and sector risks

General economic opportunities and risks

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

The future development of the global economy is a significant factor for the opportunity and risk position of Balda as an international company. After the global recession in the 2009 financial year, demand picked up significantly in 2010. The revival in the past financial year was dominated in particular by the emerging countries. The BRIC countries of Brazil, Russia, India and China will continue to be the drivers of the global economy. The revival in the global economy will continue in 2011. Due to the discontinuation of numerous economic stimulus programmes and pressure to consolidate many public budgets, economic growth might decline more sharply than previously expected. The future development of the global economy may also generate risks for the company. After global gross domestic product rose by around 5.0 percent in 2010, the Institute for the World Economy is forecasting that global economic output will increase by 3.6 percent in 2011. There remain though risks relating to a decline in the economy and negative rebound effects. Tax increases, central banks raising interest rates too quickly or rising unemployment rates might also have a long-term negative effect on growth opportunities. Due to these uncertainties, the occurrence of risks relating to the general economic environment cannot be ruled out in 2011.

Sales risks

Balda constantly monitors economic developments in individual countries and trade flows in order to minimise sales risks. When necessary the Group reacts by adjusting its production capacity. An adverse economic development might reduce demand from private households and business, industry and trade for mobile phones and electronic products. This risk factor might have a negative impact on Balda’s sales volumes.

The international presence of the Balda Group in various business areas lessens the risks to the Group from regional crises. The increasingly differentiated product and customer structure of the three segments also restricts sales risks to submarkets.

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.

Likewise risks could arise in view of the holding in TPK if the standard rate of exchange for the Taiwanese dollar changes, for example in the event of any sale of shares.

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 debts 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 United Nations and Iran or the current unrest in the Arab world. 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 production location. The resultant risks could also affect the Group’s competitors.

Market risks

As an international Group, Balda is dependent on the development of markets worldwide. The company counters these market risks with a bundle of measures. In order to keep sales risks to a minimum, the company flexibly adjusts its capacity. Balda's international presence makes it less dependent on regional market developments.

The development of demand in the global market for mobile phones represents a particular risk factor for Balda AG. The Group achieved around 55 percent of its sales in the MobileCom segment in 2010. The company is expecting moderate growth in the global mobile phone market in 2011. Attractive products from Balda's customers in lower-price segments, successful innovation and additional performance features in high-quality mobile phones are necessary for growth. While demand for low-price mobile phones is largely saturated in Western Europe, in particular the emerging countries of Brazil, Russia, India and China are offering opportunities for growth with sales of low-price products in 2011.

Price risks

More intense competition among manufacturers and suppliers in the communications and mobile phone sectors again represents a risk for Balda AG in the 2011 financial year. A possible fall in sales could intensify competition. This could squeeze both the Group's sales and margins, in particular in the MobileCom segment.

The mobile phone manufacturers could place increased 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 key risk is represented by the market acceptance of the products for which the Group supplies components and subassemblies. Balda only has limited influence, particularly in the MobileCom segment, on the success of new products launched on the sales market. The company is completely reliant on the expertise of its customers here.

Competitive risks in the sector

The market for suppliers and system partners in the mobile phone and communications sector is likely to remain intensely competitive in 2011. Worldwide overcapacity is putting pressure particularly on prices in the MobileCom segment. The resultant risks have an effect not only on the number of orders placed but also on the sales and margins of the Balda Group.

Corporate strategy risks

Further diversifications

Every case of diversification is associated with risks. Balda's product portfolio includes accessories for mobile phones such as headsets, hands-free sets and portable high-performance speakers. The company also produces digital cameras and devices with touchscreen control for the consumer electronics market on behalf of customers. 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's holding company maintains open and intensive dialogue with its subsidiaries. The Group limits risks relating to its foreign commitments by using international legal advisors and lawyers who 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 by the increasingly customised handling of orders. Balda is involved intensively in the customer's development process and the requirements of customers are identified comparatively early on. The Group is also cooperating in development with external partners. As a result the Group can better assess technological developments 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. The situation of being dependent on only a few customers is likely to improve in the MobileCom segment in 2011. With the successful acquisition of Samsung, Panasonic and Sanyo and its existing customers, the MobileCom segment has a customer portfolio which reduces these dependencies.

The Group will continue to be dependent on the economy and the global sales situation. The market success of customers determines the volume of order call-offs and therefore the number of system units to be produced by Balda. The growing complexity of products and rising customer requirements increase the default risk of major customers. The possible non-acceptance of new end products sold by Balda's customers and possible losses of market shares by these customers can have a direct impact on the Group's order and sales volumes.

In the Medical segment one customer is responsible for a substantial share of sales. This contribution to sales will fall as the business continues to grow in 2011.

In principle, the loss of a major customer may have a negative impact on the further development of the Group.

Supplier and procurement risks

The major global manufacturers in the area of consumer electronics largely determine from which producers their suppliers procure the raw materials and components they require. This is the case for example with plastic granulates 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. For critical assemblies there are always two sources of supply. Balda carefully audits its suppliers concerning the quality of the products supplied and on-time delivery. Consignment stores belonging to suppliers close to the production sites further reduce storage risk for the Group. Balda largely secures prices for purchased goods with individual customer agreements. If there are any price increases, the major customers also bear the additional costs.

The individual regions are responsible for controlling the supplier and procurement risks. Relevant developments are included 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 large quantities to be delivered within a very short lead time without guaranteed purchase quantities. The provision of production capacity 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, therefore minimising the risk of default. Balda also counters this risk by planning as precisely as possible and adjusting capacity in constant consultation with the customer, taking into account general market developments.

Risks relating to the new production plant

The new production site in Beijing, part of which started production in September 2010 with new projects, provides together with the existing plant in Beijing greater production capacity. The complete start-up of the new production plant for the processing of high-performance plastics for smaller product formats might result in an increased capacity utilisation risk. This risk may remain beyond 2011.

Personnel risks

Committed and competent employees and managers are a key factor for Balda’s success. The Balda Group has a constant requirement for international experts and managers with technical and sector-specific know-how. There is a risk that specialist experts and managers in key positions will leave the company. International managers and well-educated specialist experts are sought across sectors and to some extent across countries due to the revival in the global economy and in particular in Asia. The Balda Group is facing increasingly intense competition. The Group counters these risks with specific personnel policy measures and positions itself as an attractive local and international employer.

Financial risks

Capital market and financing risks

The Group converted early 32.9 million euros of long-term liabilities relating to profit-participation certifications at the end of 2010.

The credit lines granted to the Group abroad, particularly in China, might represent a repayment risk. Currently no risks have been identified relating to financing and capital procurement.

A risk on the net assets of the Group could arise due to fluctuations in the price of the TPK share (please see also the possible risks mentioned above under Standard rate of exchange).

Foreign currency risks

As a Group with a global presence, the Balda Group is also exposed to currency risks. The holding company and the controlling departments of the regions constantly monitor relevant market developments. The risks are limited by consolidating the payment flows in foreign currencies. The Group also hedges itself with cash and forward exchange transactions relating to underlying transactions. These transactions relate to existing incoming or outgoing invoices. These hedges primarily concern the US dollar and currently only occur in Malaysia. The existing foreign exchange contracts are of minor importance to the Group and are not a significant risk.

On the other hand there is the subsequent risk of not being able to make use of a positive currency development for Balda.

Legal risks

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

Risks relating to the holding structure

Balda overcomes the differences between national legal systems in the Group regions with international legal advisors. 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

The company was successful in 2010 in its claim pursued in the courts for compensation due to incorrect tax advice. After a positive first-instance ruling in February 2010, Balda then agreed after intensive out-of-court negotiations an out-of-court settlement in May 2010 and ended the appeal process instigated by the other party. There are currently no further relevant litigation risks.

Liability risks

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

Default risk

The collection of receivables is monitored regularly by the respective units. The risk of potential loan losses is accounted for by completion of the equivalent insurances. Furthermore, the respective units of the Group have a uniform demand note reminder system installed.

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-friendly 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 were no significant environmental risks as of the end of 2010 (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 systems in the Balda Group is ensured by the implementation of a standard ERP system throughout almost the entire Group. Responsibility for the management of information technology lies almost exclusively in the Group's segments.

Organisational risks

Under the umbrella of Balda AG, CEOs have been established in the segments of China, Malaysia and Germany; 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 by segment, the Group is pursuing the responsibilities and needs of its customers. There are currently no noticeable risks in the present form of organisation.

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 the 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 as of the end of the 2010 financial year. Effective and customised control of all of the risk categories contributes towards the overall minimising of the risks in the Group. The overall risk situation therefore remains manageable.

Opportunities report

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

Balda Medical strengthens the new positioning. The German medical technology market has proven itself according to the industry association for German medical manufacturers, SPECTARIS, to be a particularly high-growth market. The association assesses the prospects for 2011 as positive.

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

The Balda Group is taking the opportunity to manage customer risks efficiently. The Balda Group has been pursuing a strategy of technological diversification since 2009. The Group minimises the risk of dependency with the development and marketing of its own products for new customers in new markets in the Electronic Products and Medical segments.

Since September 2010 the Balda Group has had around 31,000 sqm of production space with state-of-the-art production technology in Beijing. The MobileCom segment is therefore vigorously following the changes in market conditions. The new production plant has capacity for mass production.

The risks of competition also provide Balda with opportunities. The cost situation and the competitiveness of the MobileCom segment has improved considerably with the relocation of the production of plastic systems produced to the new plant in Beijing. Here state-of-the-art production facilities and newly structured processes generate noticeable competitive advantages for customers.

Risks of Balda AG

A risk of Balda AG could be the value of the shares in affiliated companies and the value of its receivables from associated enterprises. They main value of the share of Balda AG is the share in the touch screen manufacturer TPK Holding Co. Ltd, held through the intermediate holding companies. A distribution to shareholders in form of dividends from the sale of TPK-shares could immediately reduce the value of Balda AG. Indirect effects on the value of the subsidiaries of Balda AG are likely to occur also as a result.

A depreciation of the shares or even a liquidation or insolvency of an affiliated company could be a risk to the financial position of Balda AG.

The declining value of receivables up to the failure of receivables from affiliated companies carries a risk at Balda AG. This typical business risk is subject to the risk management of the operative business within the Group. The Board of Directors of Balda AG addresses this risk through an integrated Group-wide-monthly reporting. This enables the Board of Directors to identify negative trends early and to take corresponding measures.

Interest rate risk and currency fluctuation risks are considered further risks. The AG could be exposed to currency fluctuations due to the US-dollar credit provided by the intermediate holding Balda Investments Singapore to the AG.

The interest rate risk of the AG is currently classified as low.

Another risk of Balda AG is the lack of timely financing of the company. The long-term assets are financed mainly short term. This can result in a payment risk for the society. The Board of Directors considers this risk as rather low, as that the short-term funds were taken by the subsidiary Balda Investments Singapore.

Furthermore, Balda AG is exposed to a liquidity risk in such a way that their internal financing as a pure holding company is mainly dependent of the dividend pay outs of its subsidiaries.

Management counters this risk with an optimized cash flow management across the Group. Balda AG currently has no separate lines of credit with banks.

Forecast

Global growth slowing down

The global economy is likely to continue growing in 2011, though at a slower pace. Global economic growth will, according to economists, not be as strong in the current year as in the previous year in particular due to the discontinuation of economic stimulus programmes. The World Bank is forecasting global growth of 3.3 percent for 2011 and growth of 3.6 percent for 2012. The experts from the International Monetary Fund (IMF) are even expecting global growth of 4.4 percent after 5 percent in the past year. The emerging countries will remain the drivers of the global economy in 2011.

On the other hand there are also risks. The continuing endemic debt crisis in some western countries, a possible slow-down in the US economy and rising raw materials and food prices will determine the development of global financial markets in 2011. The high write-off requirements of banks and the threat of overheating in emerging and developing countries due to massive inflows of capital represent a risk to global economic development.

Eurozone remains economically divided

The escalating debt of some European countries will have a negative impact on economic output in the eurozone in 2011. The economists of Commerzbank are forecasting a moderate growth for the gross domestic product (GDP) in the eurozone of 1.2 percent. The IMF is expecting growth of around 1.5 percent following 1.7 percent in the previous year. The EU Commission believes the inflation rate in EMU states will be around 1.8 percent in the current year following 1.6 in the previous year. The financing deficit of the eurozone is estimated at 6.1 percent of GDP for 2011. In 2010 the deficit rose to 6.6 percent. There is no sign of an increase in the base rate of the European Central Bank in view of the fragile economic situation in the eurozone in the first half of 2011.

Germany following a path of consolidation

Germany’s economy will expand by 2.4 percent in 2011 according to forecasts by the Ifo Institute. The IMF is expecting GDP to grow by around 2.2 percent. Employment levels are expected to continue to rise with government experts predicting average unemployment of 7.0 percent in the current year following 7.7 percent in the previous year. The drivers of this recovery are foreign trade and rising domestic demand. Increasing domestic investment is also contributing towards this development. The revival experienced by German industry has been further consolidated by the rise in incoming orders. The need for consolidation in public finances in Europe and the prospect of a more restrictive monetary policy in China are risk factors for Germany's foreign trade. The Ifo Institute is expecting German exports to increase significantly in 2011.

Moderate growth in the USA

In view of the continuing uncertainty concerning the development of the property and labour markets, the IMF is expecting only moderate growth for the economy in the USA of around 3 percent in 2011. The investment bank Goldman Sachs is forecasting growth of 2.7 percent for 2011. The recovery in industry will, according to economists, be countered by a further decline in the home market. The USA’s rising national debt represents a risk factor. At around 11 percent of GDP, the USA’s national deficit is on average twice as high as in the eurozone. If there is no fiscal stabilisation in the world’s largest economy, this may, according to the IMF, significantly threaten the recovery of the global economy.

Emerging countries – drivers of growth for the global economy

The outlook for economic development in the leading emerging countries remains positive. Brazil is benefiting from high prices for raw materials and strong domestic demand. China’s and India’s economies are also booming in the current year. According to the IMF, Chinese growth is expected to be around 9 percent in 2011 following 10.3 percent in 2001. The US investment bank JP Morgan is also expecting GDP to rise by 9 percent. The reason for the moderate fall is the more restrictive monetary and financial policy of the government in light of the threat of the economy overheating. Experts from the Asian Development Bank are expecting the inflation rate in China to be between 3.3 and 5 percent in 2011.

The IMF reaffirmed its growth forecast for India of 8.4 percent for 2011. This will be supported in particular by stronger domestic demand, the relatively low dependency on exports and the strong flow of capital into the country.

Development of Balda’s markets

MobileCom

According to the market researchers of IDC, the smartphone share of mobile phone sales in Europe will be around 49 percent in 2011. In the previous year the percentage share was 35 percent.

According to the trade association BITKOM, the number of web-enabled mobiles sold in Germany is expected to reach the 10 million mark for the first time in 2011. Smartphone sales are therefore likely to rise by 39 percent in the coming year (2010: 23 percent). Experts attribute this boom in sales to their falling prices and favourable tariffs for internet use.

The global mobile phone market will, according to the market research institute Canalis, continue to increase in 2011. This development is also confirmed by the experts from Gartner.

Electronic Products

The market for tablet PCs is growing rapidly. According to estimates by the market researchers of IDC, manufacturers sold 17 million tablet PCs worldwide in the past year. American market researchers are expecting sales of large-display mobile multimedia devices to grow significantly in the next few years. Annual sales are expected to more than double in 2011, with the IDC expecting around 44.6 million units to be sold. Gartner is even estimating that 54.78 million units will be sold in the current year and that over 100 million will be sold in 2012.

Further highlights previously announced in the electronics sector are 3D televisions, high-end compact cameras with first-class image quality and devices for 3D filming. They will, according to experts, fuel consumer spending in the current year.

Medical

There is a feeling of confidence in the medical industry. The German medical technology market will remain a high-growth market in the coming year. The reason for this is increased wealth in emerging countries, which also enables access to modern technology. On the other hand, the age of people in industrial countries is rising, and with this the willingness to spend more on modern medical technology as well. According to a study by the Hamburg Institute of International Economics (HWWI), the demand for medical technology in emerging countries will increase annually by on average between 9 and 16 percent. Experts are expecting growth of around 3 to 4 percent in industrial countries in the coming year. The trade association SPECTARIS also views the outlook for 2011 positively. Based on a recent survey of German medical technology producers, the association is expecting in 2011 sales volumes at the same level as the previous year.

Future corporate situation

The management of the Balda Group have decided not to make an estimated forecast for the 2011 business year, but will only give a trend. The Board of Directors will evaluate the likelihood of continuing operations for the MobileCom segment. If no definitive turnaround appears likely by the completion of accounts for the first half-year of 2011, other options will be considered.

After a practical doubling of sales, there is a real chance that operations in the Electronic Products segment, which in 2010 were still loss-making, will break even. New products and scaling effects during the current accounting year promise a positive outcome for 2011.

In 2011 the Medical segment will achieve a clear two-figure sales growth and a steadily improving positive operating result. Targeted strategic growth through a potential acquisition will further strengthen the Medical segment and the Balda Group as a whole.

For the current year, the Balda Group anticipates sales volumes at the same level as the previous year - not taking into account the final analyses by mid-year 2011 - based upon existing business in the three segments of MobileCom, Electronic Products and Medical.

The Board of Directors expects a slightly positive operating result (EBIT) for the 2011 financial year. An estimate of earnings before taxes (EBT) depends on the potential sale of TPK shares. At present no statement about the EBT for the year 2011 is possible, since no concrete decision has yet been made on the possible timing or the size of the sale. Without consideration of a potential sale of TPK-shares, the Board of Directors expects - against the background of a balanced financial result - the (EBT) at the same level of earnings from the operative business.

For the business years 2012 and 2013 the Balda Group is planning for a steady growth in revenues of at least five percent. Operating income and earnings before taxes should be positive. A more concrete forecast will not be possible until after finalization of an analysis and evaluation of the situation in the MobileCom segment by mid-year 2011. At the same time activities connected with the efforts for strategic growth of the Medical segment are awaited.

The Board of Directors proceed on the assumption that the Balda Group will achieve a new alignment with both a successful acquisition and strategic growth in the Medical segment.

Forecast Balda AG

As a holding company Balda AG earn income primarily from dividend distributions of its subsidiaries by providing financing and service functions. In this respect, the above presented developments should have an impact on the company and contribute to reach positive earnings.

The goal is to minimize the burden of interest and to facilitate the payment of a reasonable dividend to the shareholders of Balda AG.

Balda AG wants to satisfy the expectations of its shareholders. The Board of Directors is doing everything possible to make a dividend payment of the company possible. In this respect the existing losses carried forward were cleared by a corresponding release of the capital reserves in the presented annual statements.

Year-end Tables 2010

Balda Group

Balda Group – Balance Sheet as of 31 December 2010

ASSETS	Notes II.	31.12.2010 KEUR	31.12.2009 KEUR
A. Long-term assets			
I. Tangible assets	**5.a.**	61,601	63,868
1. Land and buildings		29,586	26,600
2. Machinery and equipment		29,317	31,422
3. Fixtures, furniture and office equipment		2,676	3,536
4. Advance payments and construction in progress		22	2,310
II. Goodwill	**5.b.**	15,705	39,984
III. Intangible assets	**5.c.**	900	3,110
IV. Financial assets	**5.d.**	627,293	47,495
1. Investments		1	1
2. Shares in associated companies		0	46,208
3. Financial Investments		626,812	0
4. Other financial assets		480	1,286
V. Deferred taxes	**5.e.**	6,168	7,460
Long-term assets		**711,667**	**161,917**
B. Current assets			
I. Inventories	**5.f.**	18,616	14,477
1. Raw materials and supplies		5,357	4,472
2. Work in progress and finished goods and merchandise		10,399	9,608
3. Advance payments		2,860	397
II. Trade accounts receivable	**5.g.**	25,772	21,181
III. Other current assets	**5.h.**	4,830	6,962
IV. Tax refund	**5.i.**	648	443
V. Cash and cash equivalents	**5.j.**	48,937	44,194
VI. Assets classified as held for sale	**5.k.**	0	153
Current assets		**98,803**	**87,410**
Total assets		**810,470**	**249,327**

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	Notes II.	31.12.2010 KEUR	31.12.2009 KEUR
A. Shareholders' equity			
I. Subscribed share capital		58,891	54,157
II. Reserves		505,944	160,543
III. Net profit/ -loss		184,885	-57,669
1. Earnings		94,584	49,257
2. Retained earnings		90,301	-106,926
Group shareholders' equity	5.l.	749,720	157,031
Minority Interest	5.m.	0	2,204
Total shareholders' equity		**749,720**	**159,235**
B. Long-term liabilities			
I. Long-term debt	5.n.	440	33,617
1. Loans		0	32,525
2. Bank loans		440	1,092
II. Long-term finance lease obligations	5.o.	222	363
III. Deferred taxes	5.p.	5,172	2,445
IV. Long-term provisions/pension accruals	5.q.	69	75
Long-term liabilities		**5,903**	**36,500**
C. Current liabilities			
I. Trade accounts payable	5.r.	21,643	17,370
II. Other current liabilities	5.s.	6,038	14,869
III. Advance payments received	5.t.	4,768	5,666
IV. Short-term debts and current portion of long-term debts	5.u.	19,819	6,484
V. Current portion of finance lease obligation	5.v.	179	459
VI. Tax liabilities	5.w.	2,307	8,619
VII. Short-term provisions	5.x.	93	109
VIII. Liabilities classified as held for sale	5.y.	0	16
Current liabilities		**54,847**	**53,592**
Total liabilities and shareholders' equity		**810,470**	**249,327**

Balda Group – Income statement for the fiscal year 2010

	Notes II.	2010 KEUR	2009 KEUR
Revenues	6.a.	141,432	134,082
Other operating income	6.b.	15,678	4,880
Changes in inventories of finished goods and work in progress	6.c.	-735	1,334
Total income		156,375	140,296
Material expenses	6.d.	90,921	62,912
		58.1%	*44.8%*
Personnel expenses	6.e.	35,511	37,321
a) Wages and salaries and social contribution		27,480	29,661
b) Expenses for temporary workers		8,031	7,660
		22.7%	*26.6%*
Depreciations	6.f.	9,159	10,169
Other operating expense	6.g.	29,522	25,350
Impairments	6.h.	28,640	0
Operating income (1)		**-37,378**	**4,544**
Financial costs	6.i.	-3,437	-7,153
Other financial costs	6.j.	-7,660	-982
Result of transitional consolidation of TPK shares	6.k.	124,628	0
Earnings from affiliated companies	6.l.	17,191	50,915
Earnings before income taxes		**93,344**	**47,324**
Taxes on income and on earnings	6.m.	2,495	1,128
Net income – continued operations	6.n.	**95.839**	**48,452**
Earnings discontinued operations	6.o.	**-1,449**	**420**
Group result		**94,390**	**48,872**
Earnings of Balda Group - attributable to:	6.p.		
Shareholder of Balda AG		94,584	49,257
- thereof from continued operations		96,033	48,837
- thereof from discontinued operations		-1,449	420
Minority interests		-194	-385
- thereof from continued operations		0	0
- thereof from discontinued operations		-194	-385
Earnings per share:	6.q.		
Number of shares – undiluted		54,961	54,157
Earnings per share (EUR) – undiluted		1.721	0.910
Number of shares – diluted		54,961	54,182
Earnings per share (EUR) – diluted		1.721	0.909
(1) Operating income before impairment		**-8,738**	**4,544**

Balda Group – Group Total Income Statement
1 January - 31 December 2010

		2010 KEUR	2009 KEUR
1.	Annual result total Group	94,390	48,872
2.	Other result	465,278	9,529
	1. Discrepancy contribution from currancy conversion	30,213	9,496
	2. Share of other result of at equity balabecd associated companies	859	33
	3. Subsequent measurement of financial instruments	434,206	0
3.	**Total result of the period**	**559,668**	**58,401**
	Total result of the period attributable to:		
	Shareholder of Balda AG	559,862	58,678
	Share of other associates	-194	-277

Balda Group – Segment reporting 2010 (Part of Balda Group notes)

Fiscal year 2010

in KEUR	MobileCom	Electronic Products	Medical
Revenues external	**78,609**	**35,395**	**27,362**
Revenues internal	**0**	**0**	**70**
Revenues total *Changes to last year*	**78,609** *-6.6%*	**35,395** *124.2%*	**27,432** *-19.5%*
EBIT	**-23,519**	**-18,117**	**1,942**
Interest income	117	244	1
Interest expenses	1,018	145	193
Result of transitional consolidation of TPK shares	0	0	0
Contributions to earnings by associated companies	0	0	0
Other financial costs	0	0	0
EBT	**-24,420**	**-18,018**	**1,750**
Investments	9,006	327	985
Depreciations	4,112	3,123	1,328
thereof reduction in value / (-) appreciation in value)	*0*	*0*	*0*
Impairment	14,516	14,124	0
Segment assets (1)/(2)	79,861	38,654	12,830
Number of employees as of 31.12. (3)	1,344	874	204

Fiscal year 2009

in KEUR	MobileCom	Electronic Products	Medical
Revenues external	**84,191**	**15,785**	**34,097**
Revenues internal	**2**	**0**	**0**
Revenues total	**84,193**	**15,785**	**34,097**
EBIT	**5.678**	**17.078**	**-6.685**
Interest income	115	319	156
Interest expenses	780	289	306
Contributions to earnings by associated companies	0	0	0
EBT	**6,587**	**-3,323**	**5,016**
Investments	8,777	262	634
Depreciations	5,360	3,059	1,194
thereof reduction in value / (-) appreciation in value)	0	0	0
Segment assets (1)/(2)	87,546	47,527	19,846
Numbers of employees as of 31.12. (3)	2,534	949	205

(1) Segment assets = Long-term assets plus current assets except deferred taxes and tax refund
(2) Assets of the segment "Central Services" include KEUR 627.923 (previous year: KEUR 46.208) of the stake valuation of 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.
(5) The Inter-Segment-Corrections present the sales revenues earned between segments, intercompany receivables and the elimination of intercompany distributions.

	Total operational segments	Central Services	Reconciliation (4)	Inter-Segment-Corrections (5)	Group
	141,366	**66**	**0**	**0**	**141,432**
	70	**1,285**	**0**	**-1,355**	**0**
	141,436 *5.5%*	**1,351** *58.9%*	**0**	**-1,355**	**141,432** *5.5%*
	-39,694	**2,316**	**0**	**0**	**-37,378**
	362	390	0	-257	495
	1,356	2,833	0	-257	3,932
	0	124,628	0	0	124,628
	0	17,191	0	0	17,191
	0	-7,660	0	0	-7,660
	-40,688	**134,032**	**0**	**0**	**93,344**
	10,318	477	0	0	10,795
	8,563	596	0	0	9,159
	0	*-831*	*0*	*0*	*-831*
	28,640	0	0	0	28,640
	131,345	682,834	0	-10,525	803,654
	2,422	23	0	0	2,445

	Total operational segments	Central Services	Reconciliation (4)	Inter-Segment-Corrections (5)	Group
	134,073	**9**	**0**	**0**	**134,082**
	2	**841**	**0**	**-843**	**0**
	134,075	**850**	**0**	**-843**	**134,082**
	2.741	**18.812**	**13.748**	**0**	**32.560**
	590	367	0	-416	541
	1,375	6,737	0	-416	7,696
	0	50,915	0	0	50,915
	8,280	**56,568**	**-326**	**-17,198**	**47,324**
	9,673	122	0	0	9,795
	9,613	557	0	0	10,170
	0	-1,015	0	0	-1,015
	154,919	108,222	153	-27,801	235,493
	3,688	25	0	0	3,713

Balda Group – Cash flow for the fiscal year 2010

		Notes II.	2010 KEUR	2009 KEUR
	Net loss/income before income tax and financing costs – continued operations		-37,378	4,544
	Net loss/income before income tax and financing costs – discontinued operations		-1,255	825
+	Income from interest		479	697
-	Interest payments		-1,190	-6,555
+/-	Payments on tax on income and earnings		118	-1,724
+/-	Write-offs/write-ups on long-term assets (excluding deferred taxes)		36,057	12,203
+/-	Other non-cash affecting expenses and earnings		2,548	-2,495
+/-	Increase/decrease in tax refund and tax liabilities		-6,688	-3,202
+/-	Increase/decrease in provisions		-22	-611
-/+	Increase/decrease in inventories, trade accounts receivable and other assets not itemised within investment or financing activities		-6,263	15,089
+/-	Increase/decrease in accounts payable and other liabilities not itemised within investment or financing activities		2,410	1,821
=	**Cash flow from operating activities**	**4.a.**	**-11,184**	**20,592**
	thereof discontinued operations		*313*	*512*
	Cash flow from investing activities			
-	Payments in intangible and tangible assets affecting payment		-12,321	-11,912
+	Cash inflow from sale of intangible and tangible assets		277	670
+	Cash inflow from financial assets affecting payment		6,908	1,700
+	Cash inflow from the sales of shares of the group		12,318	92,081
–	Expenditure from the acquisition of shares of the group		0	-500
=	**Cash flow from investing activities**	**4.b.**	**7,182**	**82,039**
	thereof discontinued operations		*655*	*-42*
	Cash flow from financing activities			
+	Proceeds from liabilities financial institutions		13,333	0
-	Repayments of liabilities to financial institutions		-650	-74,003
-	Payments from the amortization of bonded loans		0	-22,500
-	Payments relating to conversion of convertible participation rights		-8,105	0
-	Change in finance lease obligations affecting payment		-421	-123
=	**Cash flow from financing activities**	**4.c.**	**4,157**	**-96,626**
	thereof discontinued operations		*420*	*-321*
	Change in cash and cash equivalents affecting payment	**4.d.**	155	6,005
+	**Cash and cash equivalents at the beginning of the fiscal year including discontinued operations**		**44,249**	**37,415**
+/-	Impact of exchange rate differences on cash held in foreign currencies		4,533	829
=	**Cash and cash equivalents at the beginning of the fiscal year including discontinued operations**		**48,937**	**44,249**
	Cash and cash equivalents at the end of the fiscal year – discontinued operations		*0*	*1,165*
	Cash and cash equivalents at the end of the fiscal year – continued operations		**48,937**	**43,084**
	Total financial resources at end of the fiscal year			
	Cash funds		**48,937**	**43,084**

Balda Group –
Changes to shareholders' equity in the fiscal year 2010

in KEUR	Subscribed share capital	Capital reserves	Revenue reserves	Revaluation reserve
Balance on 01.01.2009	**54,157**	**154,245**	**560**	**1,321**
Net income after taxes 2009	-	-	-	-
Other earnings	-	-	*416*	*-416*
Total earnings	**-**	**-**	**416**	**-416**
Employee stock option plan	-	187	-	-
Balance on 31.12.2009	54,157	154,432	976	905
Balance on 01.01.2010	**54,157**	**154,432**	**976**	**905**
Net income after taxes 2010	-	-	-	-
Other earnings	-	-	*905*	*-905*
Total earnings	**-**	**-**	905	-905
Conversion of profit-sharing rights	4,734	28,093	-	-
Release of capital reserve	-	-147,970	-	-
Retirement of non controlling shares	-	-	-	-
Balance on 31.12.2010	**58,891**	**34,555**	**1,881**	**-**

Available-for-sale financial assets	Currency reserves	Retained earnings	Balda AG shareholders	Minority interest	Total shareholders´ equity
-	**-5,191**	**-106,926**	**98,166**	**2,481**	**100,647**
	-	*49,257*	*49,257*	*-385*	*48,872*
-	*9,421*		*9,421*	*108*	*9,529*
-	**9,421**	**49,257**	**58,678**	**-277**	**58,401**
-	-	-	187	-	187
-	4,230	-57,669	157,031	2,204	159,235
-	**4,230**	**-57,669**	**157,031**	**2,204**	**159,235**
-	-	*94,584*	*94,584*	*-194*	*94,390*
434,206	*31,072*	-	*465,278*	-	*465,278*
434,206	31,072	94,584	559,862	-194	559,668
-	-	-	32,827	-	32,827
-	-	147,970	-	-	-
-	-	-	-	-2,010	-2,010
434,206	**35,302**	**184,885**	**749,720**	**-**	**749,720**

Year-end Tables 2010

Balda AG

Balda AG – Balance Sheet as of 31 December 2010

ASSETS	Notes II.	31. 12. 2010 KEUR	31. 12. 2009 KEUR
A. Long-term assets	**2.a.**		
I. Intangible assets			
Software		205	247
		205	**247**
I. Tangible assets			
Fixtures, furniture and office equipment		104	402
		104	**402**
III. Financial assets			
1. Shares in affiliated companies		188,500	183,410
2. Loans to affiliated companies		135	68
3. Investments		1	1
		188,636	**183,479**
		188,945	**184,128**
B. Current assets			
I. Receivables and other current assets	**2.b.**		
1. Trade accounts receivable		0	22
2. Accounts receivable from affiliated companies		7,969	11,049
3. Other current assets		431	489
		8,400	**11,560**
II. Cash and cash equivalents	**2.c.**	6,070	2,875
		14,470	**14,435**
C. Prepaid Expenses		131	33
Total assets		**203,546**	**198,596**

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	Notes II.	31. 12. 2010 KEUR	31. 12. 2009 KEUR
A. Shareholders' equity	**2.d.**		
I. Subscribed share capital		58,891	54,157
II. Capital reserves		34,820	152,873
III. Revenue reserves		2	2
IV. Net loss		0	-142,210
		93,713	**64,822**
B. Provisions	**2.e.**		
1. Tax provisions		733	6,367
2. Other provisions		2,235	9,278
		2,968	**15,645**
C. Liabilities	**2.f.**		
1. Bonds		0	34,200
2. Trade accounts payable		435	434
3. Liabilities to affiliated companies		105,962	83,005
4. Other liabilities		468	490
- thereof from taxes: KEUR 119 (previous year: KEUR 115)			
- thereof from social security: KEUR 3 (previous year: KEUR 3)			
		106,865	**118,129**
Total liabilities and shareholders' equity		**203,546**	**198,596**

Balda AG –
Income statement for the fiscal year 2010

		Notes II.	2010 KEUR	2009 KEUR
1.	Revenues	3.a.	3,172	3,578
2.	Other operating income	3.b.	7,862	4,056
3.	Personnel expenses		-1,869	-2,274
	a) Wages and salaries		-1,736	-2,072
	b) Social security contributions, expenses for pensions and support		-133	-202
4.	Depreciation on intangible and tangible assets		-480	-670
5.	Other operating expenses	3.c.	-14,149	-12,220
6.	Income from participating interests - thereof from affiliated companies: KEUR 15.394 (previous year: KEUR 15.053)	3.d.	1,527	15,394
7.	Sonstige Zinsen und ähnliche Erträge - davon aus verbundenen Unternehmen: TEUR 728 (Vorjahr: TEUR 1.072)		253	770
8.	Interest and other expenses - thereof from affiliated companies: KEUR 709 (previous year: KEUR 797)	3.e.	-6,838	-6,876
9.	**Result of ordinary operations**		**-10,522**	**1,758**
10.	Extraordinary income		12,838	0
11.	Extraordinary expenses		-8,105	0
12.	**Extraordinary income**	3.f.	**4,733**	**0**
13.	Taxes on income and earnings (earnings; previous year: expenses)		30	752
14.	Other taxes		-1	-1
15.	**Net profit / Net loss**		**-5,760**	**2,509**
16.	Loss carried forward from previous fiscal year		-142,210	-144,719
17.	Withdrawal of capital reserve		147,970	0
18.	**Retained earnings**		**0**	**-142,210**

Balda AG –
Development of fixed assets in the fiscal year 2010

	ACQUISITION COSTS			
KEUR	**01.01.10**	**Accruals**	**Disposals**	**31.12.10**
INTANGIBLE ASSETS				
Software	1,645	133	0	1,778
TANGIBLE ASSETS				
Fixtures, furniture and office equipment (1) [(1)]	1,568	6	62	1,512
FINANCIAL ASSETS				
1. Shares in affiliated companies	215,624	169,506	173,150	211,980
2. Loans to affiliated companies	728	67	660	135
3. Investments (2) [(2)]	15,146		15,145	1
	231,498	**169,573**	**188,955**	**212,116**
	234,711	**169,712**	**189,017**	**215,406**

(1) The values in position technical fixtures from 2009 are shown in position fixtures, furniture and office equipment in 2010.
(2) The disposal of aquisition costs and depreciations is a correction of year 2009 and concerns Balda Lumberg.

DEPRECIATIONS					BOOK VALUES	
01.01.10	**Accruals**	**Write-ups**	**Disposals**	**31.12.10**	**31.12.10**	**31.12.09**
1,398	175	0	0	1,573	205	247
1,165	305	0	62	1,408	104	403
32,214	0	5,071	3,663	23,480	188,500	183,410
660	0	0	660	0	135	68
15,145	0	0	15,145	0	1	1
48,019	**0**	**5,071**	**19,468**	**23,480**	**188,636**	**183,479**
50,582	**480**	**5,071**	**19,530**	**26,461**	**188,945**	**184,129**

Notes to the consolidated financial statements of Balda AG as of 31 December 2010 (Notes)

I. General explanations

1. General information about Balda

The Balda Aktiengesellschaft (also: Balda AG or BAG) has its registered office at Bergkirchener Straße 228 in 32549 Bad Oeynhausen, Germany.

The Balda Group develops and produces complete plastic assemblies, electronic products and products for the medical technology industry. Balda customers are leading companies in the mobile radio, consumer electronics, electronic communications, pharmaceutical and medical technology markets. The Group is internationally positioned with production units in China, Malaysia and Germany. A subsidiary in the USA serves North American customers for product design and development. Within the scope of its shareholding in a leading touch screen manufacturer in China, Balda is participating in the dynamic development of the touch screen display market.

The Board of Directors approved the consolidated financial statements for publication on 7 March 2011.

2. Notes to the Balda AG consolidated financial statements

The consolidated financial statements of Balda AG as of 31 December 2010 were prepared in accordance with § 315 a of the German Commercial Code (HGB) and the provisions applicable on the reporting date and approved by the European Union of the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

The Board of Directors of Balda AG prepared the consolidated financial statements on 7 March 2011. The Supervisory Board of Balda AG dealt with the consolidated financial statements in its meeting on 25 February 2011.

The consolidated financial statements were prepared in Euro. Unless stated otherwise, all figures are specified in thousand Euro (TEUR). This can result in rounding differences. The individual financial statements of the consolidated companies were prepared on the reporting date of the consolidated financial statements.

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.

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

The financial statements of the companies included in the consolidated financial statements are based on uniform accounting and valuation principles that comply with the IFRS.

3. Information about the consolidation

3. a. Scope of consolidation

The consolidated financial statements include the financial statements of Balda AG and of the companies in which it holds a majority stake (its subsidiaries) as of 31 December of each year. Balda AG is considered to hold majority stakes if it has the possibility to define the financial and managerial policy of a company to gain economically from it.

Apart from Balda AG, the consolidated financial statements include 6 domestic (previous year: 6) and 13 foreign (previous year: 15) subsidiaries by way of full consolidation. A stake in a foreign associated company that together with its 13 subsidiaries was valued at equity up to 29 October 2010, will be valued thereafter as financial holding at market value.

On 07 October 2010 Balda AG established Balda Investments Netherlands B.V. It is responsible for handling the Balda investments outside Germany.

With effect from 07 June 2010, Balda sold its shares in the Indian company, Balda Motherson Solution India Ltd. In addition, the Group sold its shares in the Hungarian Balda Solutions Hungaria Kft. on 30 April 2010.

The disposal of the following assets and liabilities of the divested companies resulted in a deconsolidation gain as follows:

in TEUR	Scope of consolidation Losses from divestments 2010
Short-terms assets	-3,654
Short-terms assets	-3,176
Short-term liabilities	2,380
Long-term liabilities	48
Minority shares in equity capital	2,010
Foreign currency translation	-1,319
Disposal proceeds	2,553
Deconsolidation gain	1,158

3. b. Consolidation method and equity valuation

The capital consolidation is done according to the acquisition method. On the acquisition of a company, the assets and liabilities of the corresponding subsidiaries are valued at their fair value at the time of acquisition. If the acquisition costs of the company exceed the fair value of the identifiable assets and liabilities acquired, the company shows this capitalised difference as goodwill. If negative goodwill remains, Balda immediately enters it against profits. The shares of minority shareholders are shown to the extent of the minority share in the fair value of the reported assets and liabilities.

The income and expenditure of subsidiaries sold during the course of the year are included in the consolidated profit and loss statement until the end of control.

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

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

The shares in associated companies are valued in these consolidated financial statements by applying the equity method. In the initial consolidation, shares in associated companies are shown at acquisition cost in the balance sheet. In the subsequent accounting, the value of holdings changes to the extent of the Group's share in the profit for the period of the associated company. Distributed dividends reduce the holding value. Losses due to depreciation reduce the holding value. Losses that exceed the Group's share in associated companies are not reported.

3. c. Currency conversion

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 are prepared in the respective functional currency.

Within the scope of the consolidation, the assets and liabilities of the Group's foreign companies are translated at the exchange rate at the reporting date. Income and expenditure are translated at the average rate for the period. The Group recognises the differences compared with the exchange rate at the reporting date directly in the equity separately under the foreign currency translation. The differences recorded in the foreign currency translation are reapportioned in the profit and loss statement if returns from the sale of a subsidiary are recorded.

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

Goodwill resulting from the acquisition of foreign subsidiaries is treated by the Group as assets of the financially independent subsidiary and translated at the spot rate on the reporting date (IAS 21.47). The resulting exchange rate differences are recorded in the foreign currency translation.

Transactions in foreign currency are converted at the exchange rate at the time of the transaction.

The exchange rates taken as basis for the foreign exchange translation related to Euro 1 developed as follows:

			Average spot-exchange rate on balance sheet date		**Annual average exchange rate**
			31 December		**Fiscal year**
Currencies	ISO Code	2010	2009	2010	2009
US Dollar	USD	1.3252	1.4333	1.3247	1.3905
Chinese Renminbi	CNY	8.7336	9.7752	8.9558	9.4850
Malaysian Ringgit	MYR	4.0800	4.9068	4.2483	4.8883
Indian Rupee	INR	60.0601	67.0241	60.5694	67.3401

II. Information on the consolidated financial statements of Balda AG

1. Information on new and amended standards and interpretations

The new and amended standards and new interpretations that apply for reporting periods beginning on or after 1 January 2010 are listed below. All IFRS and IFRIC applicable on the reporting date and mandatory for the fiscal year 2010 have been applied.

Standard or Interpretation	Title (1 January 2010) -Application for financial years commencing at the date that they became effective or later -
IFRS 1	New version and amendments to the first-time application of the International Financial Reporting Standards
IFRS 2	Amendments in relation to the accounting of share-based remuneration made in cash in the Group. Amendments to the scope of application through introduction of basic principles
IFRS 3/IAS 27 (revised 2008)	Corporate mergers: Extensive revision with regard to application of the acquisition method
IFRS 5 (Improvements 2008)	Non-current assets held for sale and discontinued operations
IAS 32	Classification of subscription rights and similar rights. Amendment with regard to classification of subscription rights
IAS 39	Financial instruments: Recognition and measurement. Amendments concerning risk positions that qualify for hedge accounting, amendments concerning suitable underlying transactions.
IFRIC 12	Service concession agreements.
IFRIC 15	Agreements for the construction of real estate
IFRIC 16	Hedges of a net investment in a foreign operation
IFRIC 17	Distributions of non-cash assets to owners
IFRIC 18	Transfers of assets from customers
IFRIC 19	Extinguishing financial liabilities with equity instruments

There were no significant impacts on the assets, financial and profit situation and the cash flow of Balda AG from the first time adoption of the regulations and from the first time adoption of these revised IFRS.

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

Standard or Interpretation	Title (date of coming into effect) -Application for financial years commencing at the date that they became effective or later -
IFRS 1	First time adoption of IFRS, presentation of the financial statement: Amendments following improvements of May 2010, amendments for limited exemption with regard to comparative IFRS 7 disclosures (1 January 2011)
IFRS 1	Amendment for severe hyperinflation (01 July 2011)
IFRS 7	Financial instruments: Disclosures, amendment for enhancing disclosures about transfers of financial assets (01 July 2011)
IFRS 9	Financial instruments: Amendment concerning recognition and measurement of financial assets. (01 January 2013)
IAS 12	Income taxes: Limited amendment to recovery of underlying assets (01 January 2012)
IAS 24	Disclosures of related party transactions. Amendment to definitions of related parties. (1 January 2011 - not yet adopted in European Law by the European Union)
IAS 34	Interim financial reporting: Amendments following annual improvements to the IFRS of May 2010 (01 January 2011)
IFRIC 14	Amendment to IFRIC 14: Limit on a defined benefit asset, minimum funding requirements and their interaction (1 January 2011)

As part of another "Annual Improvement Project", in May 2010 the IASB published another collective standard for the amendment of the various IFRS, which was partially adopted in European Law only in the subsequent years.

There were no significant impacts on the assets, financial and profit situation and the cash flow of Balda AG from the first time adoption of these amended standards and regulations.

2. Accounting and assessment principles

The fundamental financial and assessment methods used in the preparation of these consolidated financial statements are described in the following sections. The accounting methods in general, have not changed as compared to the previous year.

All **estimates and** arbitrary decisions are continually reassessed and are based on historic experience and other factors, including expectations regarding future events that appear reasonable under the given circumstances. The most important statements regarding the future and the main sources of uncertainty regarding estimates that could result in a significant risk so that it may require a material adjustment to the reported assets and liabilities within the next financial year are shown below in the relevant passages of the notes.

These mainly pertain to the **goodwill**. To determine a potential impairment 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 cash value calculation. We refer 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 life of these assets. At the end of each financial year, Balda checks the estimated useful life and if necessary revises it. 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 the 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 in payment terms have been taken into account in the assessment of the adequacy of the **provisions for doubtful debts**. The extent of actual write-offs to be made may exceed the extent of the expected write-offs if the customers' financial situation deteriorates.

Assessments must be made during the calculation of **current and deferred taxes**. Deferred tax assets are reported if it is likely that they can actually be used. Various other factors such as the past financial 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, it could have a negative impact on the asset, financial and profit situation.

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

Financial instruments

The financial instruments reported in the balance sheet (financial assets and 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 profit and loss.
- Loans and receivables,
- Held to maturity
- Available for sale.

The classification depends on the 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 at each reporting date. An assessment is made on each balance sheet reporting date as to whether or not objective indications suggest that there is impairment of a financial asset or group of financial assets.

At the end of the reporting year, the Group holds financial instruments from the loans and receivables (LaR), available for sale (AfS) and financial liabilities at amortised cost (FLAC) and financial assets are measured at fair value (FAHfT).

Financial instruments are reported in 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 write off a financial asset only if the contractual rights to the cash flows from a financial instrument expire or if it substantially transfers all the financial assets and risks and opportunities associated with the 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 first recording in the accounts, these financial assets or liabilities are reported at fair value plus any transaction costs. Exceptions are financial assets that have been characterised as assets "at fair value affecting the net income". In this category, assets are reported at fair value without considering the transaction costs. 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 liabilities designated as affecting the net income 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 periodic result respectively not affecting net income in .in equity (AfS).

The valuations of the original and derivative financial instruments will be valued according to the following levels:

Level 1 Valuations at fair value are those that are produced from the quoted prices (unadjusted) on active markets for identical financial assets or liabilities.

Level 2 Valuations at fair value are those that are based on parameters that correspond to non-quoted prices for assets and liabilities, as in level 1 (data), either derived directly, (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 Valuations at fair value are those that are produced from models as to which parameters used for the valuation of assets and liabilities are not based on observable market data (non-observable parameters, assumptions).

The **amortised cost** of a financial asset or liability is defined as the amount at which a financial asset or 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-offs 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 liabilities at fair value affecting the net income" 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. On the reporting date 31.12.2010, the Group was holding derivatives with a fair value of TEUR 20 (previous year: 0 TEUR).

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 time was drawn up by applying specific bad and doubtful debt provisions. Short-term foreign currency receivables were translated at the sport rate on the reporting date.

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

The manufacturing costs consider all manufacturing-related expenses.

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

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

The depreciation begins on completion of the asset and on becoming ready for operation.

The manufacturing costs consider 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 business ownership of the leased objects lies with the lessor (**operating lease**), the lease instalments in the company are recorded in the profit and loss account during the period of the lease.

Assets held as part of a **finance lease** are recorded as the Group's assets at the lower of the 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 leasing payments are divided into interest expense and capital repayment in such a way that a constant rate of interest on the outstanding liability is achieved. Interest expense is charged directly to the profit and loss unless it can clearly be classified to a qualifying asset. Tangible fixed assets held under finance leases are depreciated over the shorter of the following two periods: the useful economic life of the asset or the lease term.

The life of all intangible assets, except goodwill, is limited.

As long as required by IAS 36, a **write-off** 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 where there is a **need for impairment** with regard to these assets. If such a need is evident, the recoverable amount of the asset value 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 determining the value in use, the estimated future payments are discounted to their present value by the current pre-tax interest rate which reflects the specific risks of the asset not taken into account in the cash flows.

If the estimated **recoverable amount** of 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-off costs are immediately recorded against the results as depreciation expenses.

On subsequent **reversal of impairment losses**, the book value of the asset (cash-generating entity) is increased to the re-estimated recoverable amount. The increase in the book value here is limited to the value that could have been determined if no depreciation expense had been reported for the asset (cash-generating entity) in previous years. A reversal of impairment losses is immediately reported as income.

The **holdings** shown as financial assets are capitalised as acquisition cost. These holdings have no significant influence. Holdings from associated companies are valued at equity. Financial investments are valued at fair value and are classified as AfS (also see page 9 Financial instruments). The other financial investments are capitalised at their acquisition costs.

Goodwill represents the surplus of the acquisition costs of the company over the fair value of the share in the identifiable net assets of the acquired company 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 is valued at its original acquisition cost minus accumulated write-offs. Appreciations in value are not permitted. If a company is sold, the goodwill part allocated to this entity will be included while 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. At Balda the individual subsidiaries represent the cash-generating entity.

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

Differed taxes are the expected tax charges and reliefs arising from the differences of the book values of financial assets and liabilities in the consolidated balance sheet and the value stated in the tax balance sheet. The balance sheet oriented liability method is applied here. Deferred tax liabilities and assets are reported for all temporary taxable differences if 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.

If tax reduction claims are made in subsequent years due to the expected use of any loss carry forwards, **deferred taxes** will be formed thereupon. Deferred taxes must be activated only when a realisation seems apparent. The calculation is based on the tax rates applicable in the relevant country at the time of realisation. The applicable and retired tax regulations on the balance sheet reporting date are authoritative.

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 will be 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 terms that are directly booked to equity.

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

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

Provisions for warranty obligations are reported at the time when 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 established **share-based remuneration schemes** that can be settled by the issue of shares or 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 is 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 into the company and the revenue amount can be reliably assessed. Revenues are recorded minus any sales tax or price discounts and volume rebates if the delivery has been made and the major risks and opportunities associated with the ownership have been transferred (completed contract method).

If the service has not yet been rendered in full, the service that is valued at manufacturing cost is shown on the balance sheet under inventories.

Income from services is always recorded at pro rata over the periods when the services were provided.

Research costs are recorded as expenses in the period when 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 sale. Moreover, the Group must demonstrate the generation of a future economic benefit of the asset, the availability of resources for realising this asset and the capability to reliably identify the costs attributable to the intangible asset during its development.

Income from interest 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 are recorded over the period when 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. No essential subsidies have been granted to the Group in the financial year.

Contingent liabilities and receivables are possible liabilities or assets that result from events in the past and the existence of which is subject to the occurrence or non-occurrence of one or more uncertain future events that 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 over as part of a company acquisition. Contingent receivables are not reported. If an outflow of economic benefits is not unlikely, information regarding contingent liabilities is provided in the consolidated notes. This also applies to contingent receivables, if their recovery is likely.

3. Segment reporting

The composition of the segments obligated to report is shown in a separate "Group segment reporting for the financial year 2010". The previous year's figures are adjusted according to the amended segment structure explained below.

The resource allocation and the evaluation of the earning power of the Balda 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.

Until now, Balda presented the Group according to geographical regions. The Group of companies used the divestment of the Indian segment as an opportunity to divide the Group into the four segments below since 2010:

- MobileCom (earlier: China)
- Electronic Products (earlier: Malaysia)
- Medical (earlier: Germany)
- Central Services (earlier: Others)

It was not necessary to re-divide individual companies or parts of the companies between the individual segments.

The EBIT and EBT are monitored by segment separately by the Board of Directors of Balda AG to estimate their earning power and to be able to decide resource allocation.

According to the internal reporting, the MobileCom, Electronic Products, Medical and Central Services business segments are considered as operational segments and therefore are obligated to reporting. On selling its shares in Balda Motherson Solution India Ltd. in June 2010, the Group of companies shows the former Indian segment in the discontinued operations.

The "Central Services" segment above all includes income from intra-group allocations, rental income, reimbursements from damage claims and the incurred and recharged holding company charges. As the investment in TPK is managed from the holding company in Singapore, the income and expenditure from this holding is also shown under the "Central Services" segment.

The segment reporting is carried out in accordance with the Balda AG standard accounting rules laid down in Point II.2 "Accounting and valuation principles". The segment results correspond to the result achieved in the relevant period.

The transfer prices between business segments are calculated based on the usual market conditions between third parties. Segment income and expenditure are shown in gross and also include the transfers between the business segments. These transfers are eliminated on the consolidation. These transfers are shown as inter-segment corrections in the segment report.

The companies classified as discontinued business operations do not form business segments in terms of IFRS 8 and are of little significance for Balda AG. Therefore, the Board of Directors of Balda AG no longer monitors the operating results separately. No further allocation of resources was undertaken for these companies in 2010.

The sales revenue in the MobileCom segment was essentially achieved with the sale of plastic articles for mobile industry. In the Electronic Products segment first and foremost, complete products for the communication and consumer electronics are sold. In the Medical segment the sales revenue is generated from the sale of medical articles.

The sales revenue from external customers relates mainly to the following segments:

in TEUR	**2010**	**2009 (without India)**
Medical	27,362	34,097
MobileCom	78,609	84,191
Electronic Products	35,395	15,785
Central Services	66	9
Total	**141,432**	**134,082**

From the sales revenue in the business segment MobileCom of TEUR 78,609. (previous year: TEUR 84,191) TEUR 71.014 (previous year: TEUR 66,554) is allocated to the biggest customer of the Balda Group.

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

	Sales revenue		Long-term assets	
	2010	**2009 (without India)**	**2010**	**2009 (without India)**
Germany	23,044	20,216	15,088	15,240
Foreign*	118,388	113,866	47,253	47,660
Group-wide	**141,432**	**134,082**	**62,341**	**62,900**
*including in				
China	82,230	69,859	34,788	32,353
Malaysia	20,282	4,612	12,465	16,390

The criterion for the allocation of sales revenue to the geographical regions is the respective country where the companies of our external customers have their registered offices.

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 value appreciation of TEUR 831 was made to a property in the Central Services segment based on the expected future rental income. Even after the value appreciation, the book value of the property is below the original amortised purchase and manufacturing costs. The value appreciation was recorded in the depreciation costs.

In the MobileCom segment an impairment of TEUR 3,449 was made to the tangible fixed assets and of TEUR 9,334 to relevant goodwill.

In the Electronic Products segment an impairment of TEUR 2,000 was made to the tangible fixed assets and of TEUR 10,042 to relevant goodwill.

Another impairment of TEUR 2,082 concerned the capitalised customer relationships for the intangible fixed assets that are allocated to the Electronic Products segment.

The profit shown in the income statement according to EBIT of associated companies of TEUR 17,191 (previous year: profit of TEUR 50,915) refers to the touch screen company, TPK and is allocated to the Central Services segment. On the other hand, we have the result of the transition consolidation of TEUR 124,628 through the re-evaluation of the holding in the TPK as financial investment (we refer to our explanations under II 5.d Financial investments).

4. Cash flow statement

The cash flow statement has been prepared according to the IAS 7 Cash-flow-Statements. The cash flows are divided into operating, investing and financing activities.

The movement and composition of the cash flows are shown in the cash flow statement (Appendix).

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

4.a. Cash flow from current business activities

The cash flow from operating activities amounted to minus TEUR 11,184 (previous year: plus TEUR 20,592) in the financial year 2010.

The decrease resulted mainly from the clearly increased cash outflows for employed production factors in the previous year's comparison by considering the increased working capital in the financial year as against the previous year.

4.b. Cash flow from investment activities

The cash flow from investing activities of TEUR 7,182 total (previous year: TEUR 82,039) resulted in part from the sale of shares in TPK Holding and in the Indian business Balda Motherson Solution India. However these inflows were offset mainly by expenditure on tangible fixed assets.

The cash flow from the sale of shares in TPK and Balda Motherson Solution India, in 2010, amounted to TEUR 12,318, including liquid funds. Especially in the previous year, the sale of shares in TPK produced a cash inflow of TEUR 92,081. During the financial year Balda received income from investment in TPK to the amount of TEUR 6,908 (previous year: TEUR 1.700).

The payoffs for investments in tangible and intangible fixed assets amounted to TEUR 12,321 after TEUR 11,912 in the previous year. The sale of tangible and intangible fixed assets yielded liquid funds of TEUR 277 for the Group (previous year: TEUR 670).

4.c. Cash flow from financing activities

The cash inflow from financing activities was TEUR 13,333 and resulted from credit lines drawn upon and paid off liabilities to banks in the amount of TEUR 650. The previous year's cash outflow of TEUR 96,503 was mainly the result of repayment of the syndicated loan and bonded loan by Balda AG. Cash outflows of TEUR 8,105 resulted from the early conversion of the participation rights.

During the reporting year no significant new lease contracts that fulfilled the criteria of a financing lease were signed. Repayments of these liabilities were TEUR 421 (previous year: TEUR 123).

4.d. Cash-relevant change in liquid funds

Cash and cash equivalents in the continuing business areas stood at TEUR 48,937 at the end of the financial year (previous year: TEUR 44,294 including the discontinued operations). After the sale of shares in India and Hungary in the reporting period, no cash or cash equivalents remained in the discontinued business areas at the end of year 2010 (previous year: TEUR 1.165).

5. Notes to individual items of the consolidated balance sheet

Long-term assets

With regard to the changes in the individual sectors in long-term assets (excluding deferred tax assets), we refer to our presentation of the movement in long-term assets attached as Appendix to the Notes.

5. a. Tangible fixed assets

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

The movement of fixed assets is as follows:

in TEUR	Land and buildings	Machinery and equipment	Fixtures, furniture and office equipment	Advance payments and machinery under construction	Tangible assets total
Acquisition or manufacturing costs					
As of 1.1.2010	53,457	79,798	14,043	2,310	149,608
Currency differences	2,461	8,132	1,140	259	11,992
Additions	6,299	3,447	673	22	10,441
Disposals	8,160	18,260	1,387	2,569	30,376
Reorganisations	3,818	6,923	157	0	10,898
Disposals from endconsolidation	4,471	8,383	468	0	13,322
As of 31.12.2010	53,404	71,657	14,158	22	139,241
Cumulated depreciations					
As of 1.1.2010	26,857	48,376	10,507	0	85,740
Currency differences	633	3,926	782	0	5,341
Additions	2,160	4,514	1,498	0	8,172
Value decreases	0	5,449	0	0	5,449
Value increases	814	13	4	0	831
Disposals	3,755	12,235	1,041	0	17,031
Reorganisations	18	-171	153	0	0
Disposals from endconsolidation	1,281	7,506	413	0	9,200
As of 31.12.2010	23,818	42,340	11,482	0	77,640

Net book values					
As of 1.1.2010	26,600	31,422	3,536	2,310	63,868
As of 31.12.2010	29,586	29,317	2,676	22	61,601

in TEUR	Land and buildings	Machinery and equipment	Fixtures, furniture and office equipment	Advance payments and machinery under construction	Tangible assets total
Acquisition or manufacturing costs					
As of 01.01.2009	14,009	69,288	12,980	468	96,745
Currency differences	-16	-431	-67	11	-503
Additions	3,729	3,419	413	2,145	9,706
Disposals	427	3,077	940	40	4,484
Reorganisations	190	115	8	-313	0
Reorganisation acc. to IFRS 5	35,972	10,484	1,649	39	48,144
As of 31.12.2009	53,457	79,798	14,043	2,310	149,608
Cumulated depreciations					
As of 01.01.2009	1,397	36,488	8,708	0	46,593
Currency differences	-48	-49	-19	0	-116
Additions	822	8,573	1,685	0	11,080
Disposals	380	2,957	642	0	3,979
Reorganisations	0	0	0	0	0
Reorganisation acc. to IFRS 5	25,066	6,321	775	0	32,162
As of 31.12.2009	26,857	48,376	10,507	0	85,740
Net book values					
As of 01.01.2009	12,612	32,800	4,272	468	50,152
As of 31.12.2009	26,600	31,422	3,536	2,310	63,868

The rental situation of the real estate in Bad Oeynhausen has improved further in 2010. Based on the expected future rental income, a value increase of TEUR 831 (previous year: TEUR 1,015) was made. Even after the value appreciation, the book value of the property is below the original amortised purchase and manufacturing costs. The intensifying margin pressure in the mobile radio and electronics markets as part of the impairment test resulted in value decreases in production plants in the MobileCom (TEUR 3,449) and Electronic Products

(TEUR 2,000) segments. Moreover, in the MobileCom segment, machinery and equipment were scrapped due to the concentration in the production in Peking to the amount of TEUR 1,734.

For value decreases and other devaluations in tangible and intangible assets, we refer to the notes under 6.h. special depreciations.

Loans, guarantee lines and lease agreements are secured by mortgages and chattel mortgages of around TEUR 10,823. (previous year: TEUR 475).

The book value of the leased assets – shown in "Land and buildings" and in "Machinery and equipment" - is composed as follows:

in TEUR		31.12.2010	31.12.2009
Land and buildings			
	Acquisition costs	963	801
	Cumulated depreciations	46	28
Book value		917	773
Machinery and equipment			
	Acquisition costs	1,542	1,361
	Cumulated depreciations	602	377
Book value		940	984

The leasing agreements were essentially made in Malaysia and concern a very small part of the buildings and machinery used for the production. There are no other obligations from the lease agreements.

5. b. Goodwill

The goodwill as of 31 December 2010 amounted to TEUR 15,705 (previous year: TEUR 39,984) and developed as follows:

Cost of acquisition	
in TEUR	Goodwill
As of 1.1.2010	39,984
Exchange differences	5,132
Disposals	10,035
As of 31.12.2010	35,081
Accumulated depreciation	
As of 1.1.2010	0
Impairment	19,376
As of 31.12.2010	19,376

Net book value	
As of 1.1.2010	39,984
As of 31.12.2010	15,705

Cost of acquisition	
in TEUR	Goodwill
As of 1.1.2009	46,678
Exchange differences	1,062
Disposals	7,756
As of 31.12.2009	39,984

Accumulated depreciation	
As of 1.1.2009	0
As of 31.12.2009	0

Net book value	
As of 1.1.2009	46,678
As of 31.12.2009	39,984

Due to the change in the valuation approach of shares in TPK, the goodwill decreased by TEUR 9,713. We refer to our explanations under Point II.5.d "Financial investments".

Due to the transfer of business from Balda Solutions (Suzhou) to Balda Solutions (Beijing), goodwill of TEUR 2,680 was transferred from Balda Solutions (Suzhou) to Balda Solutions (Beijing). In Balda Solutions (Suzhou), the goodwill was reduced together with the business shift by total TEUR 9,334.

The companies and the allocated goodwill are shown in the following summary and at the reporting date, amounted to TEUR 15,705 (previous year: TEUR 39,984):

- Balda Solutions (Beijing) - Sale of plastic articles in mobile radio industry (TEUR 8.458; previous year: TEUR 5.163)
- Balda Solutions (Suzhou) - Sale of plastic articles in mobile radio industry (TEUR 0; previous year: TEUR 10,734)
- Balda Solutions Malaysia - Sale of products for the communication and consumer electronics industry TEUR 7.245); previous year: TEUR 14,374)
- TPK Holding – associated company until 29 October 2010 (TEUR 0; previous year: TEUR 9,712)
- Balda Grundstücksvermietung (TEUR 2; previous year: TEUR 2)

The goodwill valuation was done with the help of the criteria presented below:

Balda Solutions (Beijing):
In the reporting year, the business was transferred from Balda Solutions (Suzhou) to Balda Solutions (Beijing). A reallocation of goodwill was undertaken during this restructuring. Based on the income consideration, goodwill of TEUR 2,680 has been overlooked and included in the impairment test of Balda Solutions (Beijing) described below. The recoverable amount was determined based on the value in use. The valuation was made by discounting the company's future cash flows. The detailed plan period includes the years 2011 to 2013 and is based on assumptions about future sales prices and sales volumes and costs, by considering the economic conditions. For the period after the detailed plan period, perpetuity with an overall growth rate of 1.0 percent was determined as in the previous year. The underlying weighted average cost of capital before tax was 11.12 percent (previous year: 11.56 percent). The value in use determined in this manner was greater than the book value as of 31 December 2010. There would have been no devaluation even if future cash flows had differed by 41.35 percent.

Balda Solutions (Suzhou):
The goodwill was reallocated as part of reorganisation (we refer to the explanations on the impairment test of Balda Solutions (Beijing). After transferring the main business to Balda Solutions (Beijing), Balda Solutions (Suzhou) had no future positive earning prospects. At the year end, this cash generating entity could no longer be allocated any value. The remaining goodwill allocated to Balda Solutions (Suzhou) was impaired to zero.

Balda Solutions Malaysia:
The recoverable amount was determined based on the value in use. The valuation was made by discounting the company's future cash flows. The detailed plan period includes the years 2011 to 2013 and is based on assumptions about future sales prices and sales volumes and costs, by considering the economic conditions. Because of the company's tax exemption until 2015, the plan was extended for this period. The underlying weighted average cost of capital without considering taxes was 9.85 percent. For the period after the detailed plan period, perpetuity with an overall growth rate of 1.0 percent was determined as in the previous year. The underlying weighted average cost of capital before tax was 12.79 percent (previous year: 13.63 percent). The value in use determined in this way was greater than the book value as of 31 December 2010 and consequently resulted in goodwill reduction of TEUR 7,129.

TPK Holding
With the loss of the authoritative influence owing to the IPO of the TPK Holding, an accounting as associated company was no longer possible. As part of the revaluation of the associated companies on TPK, the pertinent goodwill was recorded against income under the financial income item.

5. c. Intangible assets

The intangible fixed assets consisted mainly of software purchased for consideration.

The movement of intangible fixed assets is as follows:

Acquisition or manufacturing costs

in TEUR	Software and other intangible fixed assets	Capitalised customer relationships	Intangible fixed assets total
As of 1.1.2010	5,990	4,262	10,252
Currency differences	-520	863	343
Additions	354	0	354
Disposals	2,196	5,125	2,196
As of 31.12.2010	3,628	0	8,753

Cumulated depreciations

As of 1.1.2010	5,144	1,998	7,142
Currency differences	160	-430	-270
Additions	372	615	987
Value decreases	0	2,082	2,082
Disposals	2,628	5,125	2,628
As of 31.12.2010	2,728	0	7,853

Net book values

As of 1.1.2010	846	2,264	3,110
As of 31.12.2010	900	0	900

Acquisition or manufacturing costs

in TEUR	Software and other intangible fixed assets	Capitalised customer relationships	Intangible fixed assets total
As of 01.01.2009	6,220	4,113	10,333
Currency differences	-92	149	57
Additions	118	0	118
Disposals	390	0	390
Disposals from endconsolidation	-134	0	-134
As of 31.12.2009	5,990	4,262	10,252

Cumulated depreciations

As of 01.01.2009	4,743	1,472	6,215
Currency differences	-77	9	-68
Additions	588	535	1,123
Disposals	364	0	364
Disposals from endconsolidation	-100	0	-100
As of 31.12.2009	5,144	1,998	7,142

Net book values			
As of 01.01.2009	1,477	2,641	4,118
As of 31.12.2009	846	2,264	3,110

The development costs and intangible fixed assets generated by the company itself may be capitalised pursuant to the requirements of IAS 38. The total research and development cost in the financial year 2010 was about TEUR 3,796 (previous year: about TEUR 2,672). The greater part of this was for development costs. 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. were written off completely in the reporting period. During the impairment test, the total amortised cost of TEUR 2,082 was decreased in value, as in future no business is planned with the customer to whom the capitalised customer relationship is apportioned.

5. d. Financial assets

At the beginning of 2010, 1.625 percent of shares in TPK were sold. As part of the TPK IPO on 29 October 2010, Balda sold 380,000 additional shares (Greenshoe). With the TPK IPO, there was a capital increase that did not involve Balda. The subsequent diluted share of the Balda subsidiary, Balda Investment Singapore in TPK amounted to 16.1 percent since then. In the previous year Balda AG still held 20.875 percent of shares. With the TPK IPO, the Balda Group lost its authoritative influence. The TPK is no longer considered an associated company and the accounting is not done according to the equity method anymore.

Investments in associated companies in the previous year occurred exclusively in TPK Holding and the subsidiaries of TPK Holding.

The investments in the previous year were as follows:

In TEUR	2009
Share of net assets	24,213
Goodwill	10,186
Customer relationships	11,809
As of 31 December	46,208

The customer relationships capitalised at a Group level were subjected to a systematic depreciation until the time of deconsolidation with an original useful life over a period of seven years. During the sale of shares in the financial year 2010, partial disposal was taken into account. The following tables contain summary financial information of the previous year's statement on the investment in TPK Holding:

In TEUR	2009
Share in net assets of the associated company	
Short-terms assets	18,419
Short-terms assets	30,615
Short-term liabilities	21,969
Long-term liabilities	2,852
Share of net asset	24,213

The movement in the shares in associated companies is as follows:

in TEUR	
As of 1 January 2010	46,208
Share of result 2010	11,075
Distributions 2010	-6,908
Sale of shares in TPK	-4,256
Currency differences	2,475
As of 29 October 2010	48,594
Reorganisation during transition consolidation	-48,594
As of 29 October 2010 after stock listing	0

From 29 October 2010, the remaining TPK stake is valued as financial investment at fair value. The valuation is done at the market rate as on the balance sheet date. The Group classifies the holding as assets available for sale (AfS). The initial valuation on 29 October 2010 was for the first quotation of Taiwan Dollar (TWD) 220 and is recorded in the profit and loss statement affecting net income. The market price on 31 December 2010 was TWD 670. The change in the initial valuation was shown directly in the equity capital under reserves not affecting net income.

The financial investments in the financial year have developed as follows:

in TEUR	
Fair value at time of transition consolidation	186,038
Amount entered directly in equity capital not affecting net income from subsequent valuation on 31 December 2010	440,774
As of 31 December 2010	626,812

5. e. Deferred taxes

The following amounts for temporary differences were reported under deferred tax assets in the financial year 2010 and 2009:

	2009 in TEUR	Recognised in the profit and loss account affecting net income	Recognised in other results not affecting net income	2010 in TEUR
Temporary differences				
Tax losses (losses brought forward)	5,223	-1,495	0	3,728
Provisions	55	38	0	93

Intangible assets	246	275	29	550
Inventories	216	19	26	261
Receivables	835	404	1	1240
Tangible assets	760	-500	8	268
Other	125	-110	14	29
	7,460	**-1,370**	**78**	**6,168**

Differed 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 is based on projected tax results. The Group did not record deferred tax assets of about TEUR 30,512 (previous year: TEUR 35,207). The losses shown consist of TEUR 83,127 for German Trade Tax, TEUR 82,060 for German Corporation Tax and foreign tax on income and with TEUR 21,540 for interest carried forward. However, it is assumed that these losses carried forward can be offset by future profits. But as these profits are expected in periods that are not included in the projected tax results, they were not capitalised.

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

Current assets

5. f. Inventories

Provisions for depreciation are formed for inventories reported as on the balance sheet date. For 2010, expenditure amounted to TEUR 598 (previous year: expenditure of TEUR 435). The change in write-offs against inventories is due to value increases and the use of write-offs.

5. g. Trade receivables

The trade receivables as on the balance sheet date was TEUR 25,772 (previous year: TEUR 21,181).

All accounts receivables have a residual term of less than a year.

The provisions against trade receivables have been as follows:

in TEUR	**2010**	**2009**
Provisions as of 1 January	**813**	**519**
Reclassification from/to discontinued operations	0	2,125
Additions	0	902
Use	775	-2,720
Exchange rate differences	0	-13
Provisions as of 31 December	**38**	**813**

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

The trade receivables not impaired have the following maturity term:

in TEUR	Book value	Including: Neither impaired nor overdue on reporting date	Including: Not impaired on reporting date and overdue in the following time span				
			Up to 30 days	Between 31 and 60 days	Between 61 and 90 days	Between 91 and 120 days	More than 120 days
Trade receivables as of 31.12. 2010	25,772	20,431	3,671	774	713	125	58
Trade receivables as of 31.12. 2009	21,181	18,350	2,390	356	4	11	7

With regard to the trade account that are neither impaired nor in arrears, there was no indication on the financial statement date that the debtors would not fulfil their payment obligations. The maximum credit risk from trade receivables for the current and previous financial year corresponds to the book value of the receivables.

5. h. Other current assets

Other current assets include, among other things, reimbursement claims for VAT of TEUR 2,287 (previous year: TEUR 462) and advance rents of TEUR 990. The previous year's statement contained receivables from security deposits of TEUR 4,019. The movement of other current assets is as follows:

		31.12.2010		**31.12.2009**
in TEUR	Total	Including: current	Total	Including: current
Other receivables	4,810	4,810	6,962	6,962
Derivatives	20	20	0	0
Total	**4,830**	**4,830**	**6,962**	**6,962**

The trade receivables not impaired have the following maturity terms:

in TEUR	Book value	Including: Neither impaired nor overdue on reporting date	Including: Not impaired on reporting date and overdue in the following time span				
			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 2010							
Other receivables							
Residual term up to 1 year	4,830	4,709	94	17	0	0	11
31. 12 2009							
Other receivables							
Residual term up to 1 year	6,962	6,810	82	0	26	0	44

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

5. i. Income tax refund claims

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

5. j. Liquid assets

The liquid assets of TEUR 48,937 (previous year: TEUR 44,194) comprise of cash in hand and credit balances with credit institutions. With regard to the movement of 'liquid assets', we refer to our explanations on the cash flow statement under 'II.4. Cash flow statement'.

Of the liquid assets, cash stocks with restriction of disposal amounting to TEUR 841 were included:

5. k. Assets held for sale

The previous year's statement still contains receivables of Balda Solutions Hungaria Kft. that was sold in April 2010. As of 31 December 2010, there were no assets and liabilities for sale.

5. l. Group equity

The movement in the equity of the Balda Group is given in the Equity movement statement (Appendix).

The subscribed capital of the parent company increased at the year end 2010. By exercising their conversion rights, investors of the conversion participation right converted their participation rights into 4,733,964 shares of Balda AG. The subscribed capital was TEUR 58,891 on the balance sheet date. It is divided into 58,890,636 bearer shares which are fully entitled to dividends. The individual share represents a proportionate amount of the share capital of Euro 1.00.

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 TEUR 500,000. The participation rights may be associated with conversion or option rights in up to 19,677,249 bearer shares in the company.

After the conversion of participation rights into shares in Balda AG in the scope of 4,733,964 shares on 29 October 2010 the share capital of Balda increased by up to Euro 14,943,285 through the issuing of up to 14,943,285 new individual shares with profit entitlement as of the beginning of the financial year in which they were issued (conditional capital 2007).

At the Annual General Meeting, it was also 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, implement an increase in equity of up to TEUR 23,694 (authorised capital). Following the capital increase in 2007, the capital authorised in 2007 not yet utilised amounts to TEUR 16,924.

The capital reserves arise primarily from premiums by issuing new shares of Balda AG. The capital reserves increased by TEUR 28,093 from the premium from the conversion of participation rights made on 29 October 2010. To compensate for the loss of Balda AG, capital reserves of TEUR 147,970 were liquidated.

The surplus reserves result from the customer relationships disclosed in the year 2006 under the successive acquisition of shares of Balda Solutions Malaysia Sdn. Bhd. The amount allocated to the first 50 percent share has been adjusted in the revaluation reserves minus deferred taxes not affecting net income. With complete depreciation of the capitalized customer relationship (see also Chapter 5.c.) the entire statement was made under the surplus reserves.

The transitional consolidation of TPK shares was done at the transition point through the profit and loss statement affecting the net income. In the subsequent accounting, the adjustment was made from the valuation of shares at the balance sheet date by considering deferred tax not affecting net income through the reverses for financial assets available for sale. The adjustment amount in the fiscal year 2010 was TEUR 434,206.

The differences from the currency translation for the balance sheets and profit and loss statements of the foreign companies prepared in foreign currencies have been adjusted 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 TEUR -123 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:

	TEUR
Change in the translation reserve shown in 2010 not affecting net income	25,875
Loss from transition consolidation	3,660
Loss from sales	1,537
Change in translation reserves	**31,027**

The net loss (TEUR 57,669) as of 31 December 2009 turned due to the high annual surplus and an allocation from the release of the capital reserves of Balda AG with a net profit of TEUR 184,885.

5. m. Minority shares

There are no minority shares at the balance sheet date. In the previous year, here TEUR 2,204 was shown as minority shares in an Indian company. This company was sold in May 2010.

Long-term liabilities

5. n. Long-term loans

In November 2007, the company issued subordinate convertible participation rights with a nominal value of TEUR 34,200. These bearer instruments with a dividend of 8 percent p.a. on the nominal amount mature at the end of 2013. In the reporting year, interests paid have amounted to TEUR 2,264. The loan amounts will be repaid at par unless the bearers have already converted them into Balda shares. Thereby, up to 4,734 million new Balda shares can be issued from the capital authorised by the Annual General Meeting of 9 August 2007. The conversion price is Euro 7.22.

The fair value of the liability component and the equity conversion component was determined as of the date on which the convertible participation rights were issued. To determine the fair value of the liability component, a market interest rate (8.6 percent) was established, which is comparable to similar non-convertible debentures. Discounting the cash flows at the market rate of interest results in a residual value that represents the option right. By considering the pro rata transaction costs and the deferred taxes, an amount of TEUR 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 lifetime. Interest costs of TEUR 301 were incurred for the reporting year.

With effect from 29 October 2010, all investors converted the participation rights into Balda AG shares. With that, an amount of TEUR 4,734 was to be adjusted in the capital and the agio of TEUR 28,093 in the capital reserve.

5. o. Long-term finance lease liabilities

The long-term finance lease liabilities of TEUR 222 (previous year: TEUR 363) refer to the capital repayment amounts of the liabilities from the "Finance Lease". All liabilities are due after one year and before five years.

We also refer to our explanations under III.e. 'Further information on finance leases'.

5. p. Deferred taxes

In the fiscal year 2010, deferred tax liabilities developed as follows:

	2009	Recognised in the profit and loss account affecting net income	Recognised in other results not affecting net income	2010
	in TEUR			**in TEUR**
Temporary differences				
Tangible assets	1,451	-813	290	928
Convertible participation rights	501	-501	0	0
Capitalised customer relationships	421	-421	0	0
Financial assets	0	2,220	6,568	3,766
Other	72	440	-34	478
	2,445	**925**	**6,824**	**5,172**

5. q. Long-term provisions

Provisions developed as follows:

in TEUR	As of 1.1.2010	Exchange rate differences	Use	Release	Disposal acc. to IFRS 5	Addition	As of 31.12.2010
Long-term provisions	75	0	0	21	28	42	68

Current liabilities

5. r. Trade payables

These liabilities result mainly from material supplies and services and have increased by TEUR 4,426 compared to the previous year.

5. s. Other current assets

The other current liabilities mainly concern:

in TEUR	2010	2009
Interest payable	0	5,824
Other personnel liabilities (holiday, service bonus/premiums, etc.)	1,894	3,706
Wages and salaries incl. social security	1,887	1,670
Sales, payroll and church taxes	348	801
Miscellaneous other current liabilities	1,899	2,868
Total	**6,038**	**14,869**

5. t. Advance payments received

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

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

In addition to the drawn credit lines, the current part of long-term loans relates

to the instalments due on medium and long-term loans within the next 12 months. All these amounts are therefore due within a year.

5. v. Current part of finance lease liabilities

The current liabilities from lease contracts as on the balance sheet date is TEUR 179 (previous year: TEUR 459) and refers to the amounts due for finance leases within one year.

We also refer to our explanations under III.e. 'Further information on finance leases'

5. w. Tax liabilities

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

5. x. Short-term provisions

The short-term provisions are made up as follows:

in TEUR	As of 1.1.2009	Currency differences	Use	Release	Re-classification	Addition	As of 31.12.2010
Short-term provisions	109	0	16	0	0	0	93

5. y. Liabilities held for sale

The item in the previous year's reporting date consisted of liabilities of the discontinued operation. We refer to our explanations under II 5. k. "Assets held for sale".

5. aa. Share-based remuneration

The share option scheme implemented by the company in the financial year 2006 expired as scheduled on 30 June 2009. Since then, no more share options may be granted.

On the balance sheet date, there were outstanding options of 310,000 shares (previous year: 405,000 shares). These were issued on 27 May 2007. The exercise price is Euro 10.33. Prerequisite for the exercise is that the Xetra closing price exceeds the exercise price by 20 percent within the qualifying period (retention period) of two years. As this condition did not occur within the qualifying period, the still outstanding options cannot be exercised.

From the subsequent valuation of the share options issued in previous years, no more expenses were incurred in 2010 (previous year: TEUR 187).

5. ab. Additional information on financial instruments

The book values, valuations and current values according to the valuation categories of continued operations are shown in the table below:

			Valuation Balance sheet acc. to IAS 39			
31.12.2010 in TEUR	Valuation category acc. to IAS 39	Book value as of 31 December 2010	Continued acquisition costs	Fair value affecting profit and loss	Fair value not affecting profit and loss	Fair value as of 31 December 2010
Assets						
Liquid funds	LaR	**48,937**	**48,937**	**0**	**0**	**48,937**
Trade receivables	LaR	**25,772**	**25,772**	**0**	**0**	**25,772**
Other current assets	LaR	**4,810**	**4,810**	**0**	**0**	**4,810**
Financial investments	AfS	**626,812**	**0**	**0**	**626,812**	**626,812**
Other financial investments	LaR	**480**	**480**	**0**	**0**	**480**
Derivative financial assets	FAHfT	**20**	**0**	**20**	**0**	**20**
Liabilities						
Trade payables	FLAC	**21,643**	**21,643**	**0**	**0**	**21,643**
Current liabilities due to credit institutions and current part of long-term loans	FLAC	**19,819**	**19,819**	**0**	**0**	**19,819**
Long-term loans	FLAC	**440**	**440**	**0**	**0**	**440**
Other current liabilities	FLAC	**6,038**	**6,038**	**0**	**0**	**6,038**
Other long-term liabilities	FLAC	**0**	**0**	**0**	**0**	**0**
Financial lease liabilities	FLAC	**400**	**400**	**0**	**0**	**400**

of which aggregated acc. to valuation categories in IAS 39:						
Loans and Receivables (LaR)	LaR	**80,019**	**80,019**	**0**	**0**	**80,019**
Assets available for sale (AfS)	AfS	**626,812**	**0**	**0**	**626,812**	**626,812**
Financial Assets Held for Trading (FAHfT)	FAHfT	**20**	**0**	**20**	**0**	**20**
Financial Liabilities Measured at Amortised Cost (FLAC)	FLAC	**48,340**	**48,340**	**0**	**626,812**	**48,340**

31.12.09 in TEUR	Valuation category acc. to IAS 39	Book value as of 31.12.09	Valuation Balance sheet acc. to IAS 39 Continued acquisition costs	 Fair value affecting profit and loss	Fair value as of 31.12.09
Assets					
Liquid funds	LaR	**44,194**	**44,194**	**0**	**44,194**
Trade receivables	LaR	**21,181**	**21,181**	**0**	**21,181**
Other current assets	LaR	**6,962**	**6,962**	**0**	**6,962**
Financial investments	AfS	**0**	**0**	**0**	**0**
Other financial investments	LaR	**1,286**	**1,286**	**0**	**1,286**
Derivative financial assets	FAHfT	**0**	**0**	**0**	**0**
Liabilities					
Trade payables	FLAC	**17,370**	**17,370**	**0**	**17,370**
Current liabilities due to credit institutions and current part of long-term loans	FLAC	**6,484**	**6,484**	**0**	**6,484**
Long-term loans	FLAC	**33,617**	**33,617**	**0**	**33,617**
Other current liabilities	FLAC	**14,869**	**14,869**	**0**	**14,869**
Other long-term liabilities	FLAC	**0**	**0**	**0**	**0**
Financial lease liabilities	FLAC	**822**	**822**	**0**	**822**

of which aggregated acc. to valuation categories in 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**

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

31.12.2010 in TEUR	**From the subsequent valuation**			**From interests**	**From disposal**	**Net result**
	At fair value	**Exchange rate**	**Value adjustment**			**2010**
Loans and Receivables (LaR)	0	-2,177	0	495	0	-1,682
Financial Assets (AfS)	124,628	0	0	0	0	124,628
Financial Assets Held for Trading (FAHfT)	0	0	0	0	0	0
Financial Liabilities Measured at Amortised Cost (FLAC)	0	16		-3,934	-8,105	-12,023
Total	**124,628**	**-2,161**	**0**	**-3,439**	**-8,105**	**110,428**

31.12.09 in TEUR	**From the subsequent valuation**			**From interests**	**From disposal**	**Net result**
	At fair value	**Exchange rate**	**Value adjustment**			**2009**
Loans and Receivables (LaR)	0	-265	-57	413	0	91
Financial Assets (AfS)	0	0	0	0	0	0
Financial Assets Held for Trading (FAHfT)	0	0	0	0	0	0
Financial Liabilities Measured at Amortised Cost (FLAC)	0	5		-7,673	-982	-8,650
Total	**0**	**-260**	**-57**	**-7,260**	**-982**	**-8,547**

As of 31 December 2010 there were no valuations for discontinued operations. The book values, valuations and current values according to the valuation categories of discontinued operations as of 31 December 2009 are shown in the table below:

			Valuation Balance sheet acc. to IAS 39		
31.12.09 in TEUR	Valuation category acc. to IAS 39	Book value as of 31.12.09	Continued acquisition costs	Fair value affecting profit and loss	Fair value as of 31.12.09
Assets					
Liquid funds	LaR	**100**	**100**		**100**
Trade receivables	LaR	**41**	**41**		**41**
Other current assets	LaR	**12**	**12**		**12**
Liabilities					
Trade payables	FLAC	**10**	**10**		**10**
Current liabilities due to credit institutions and current part of long-term loans	FLAC	**0**	**0**		**0**
Other current liabilities	FLAC	**1**	**1**		**1**
Other long-term liabilities	FLAC	**0**	**0**		**0**
of which aggregated acc. to valuation categories in IAS 39:					
Loans and Receivables (LaR)	LaR	**153**	**153**	**0**	**153**
Financial Liabilities Measured at Amortised Cost (FLAC)	FLAC	**11**	**11**	**0**	**11**

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

in TEUR	From the subsequent valuation			From interests	From disposal	Net result	
	At fair value	Exchange rate	Value adjustment			2010	2009
Loans and Receivables (LaR)	0	0	0	0	0	0	-77
Financial Liabilities Measured at Amortised Cost (FLAC)	0	0	0	0	0	0	-34
Total	**0**	**0**	**0**	**0**	**0**	**0**	**-111**

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

Currency risks

Currency risks arise in the Group primarily from the shareholding of TPK. TPK is traded on the Taiwanese stock market in Taiwan dollars.

But even from the operating business, risks exist, but are not assessed as high, as 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 on the reporting date, the Group was not exposed to any significant currency risks in the operating division. To represent market risks, IFRS 7 requires sensitivity analyses that demonstrate the effects of hypothetical changes of relevant risk variable on the results and equity. Besides currency risks, the Group is 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 on the reporting date. It is assumed that the stock on the reporting date is representative of the full year.

Currency risks under the terms of 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 are 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 are processed primarily in USD for the operational division. The following table shows from the Group's point of view, the sensitivity of a rise or fall of the EURO against the respective foreign currency. The sensitivity analysis includes only outstanding monetary items denominated in foreign currency and adjusts their translation at period end according to a 5% change in exchange rates. The sensitivity analysis includes transactions from business operations if the transactions are denominated in currencies other than the functional currency of the company. It also includes the effects of an exchange rate change on financial investments held. If the Euro appreciated (depreciated) against all currencies by 5 percent on 31 December 2010, the overall result of the Group would be approximately TEUR 31,676 lower (higher).

in TEUR	2010	2009
Effects on the total result		
From TWD	31,444	0
From USD	232	125
From other currencies	0	0
Total	31,676	125

Basically, hedge accounting for foreign currency items are completed within the Group to limit the exchange risk. No hedging was done for the investment as of 31.12.2010, as a possible time and sales volume could not be determined at the balance sheet date.

Value change risk

The interest in TPK particularly is subject to a risk from exchange rate fluctuations of the stock. A deviation of the stock price (as of 31 December 2010) by 5 percent would result in an effect on the overall consolidated result of TEUR 31,340.

Credit risk

Active decentralised debtor management should ensure that companies all around the world obtain information on 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. Due to these policies prescribed across the Group, defaults on assets not impaired are assessed as minimal.

Interest risk

The Balda Group is exposed to interest rate risk primarily in the European and Asian regions. Balda AG is increasingly trying to decentralise financing to the operational units. The effects of interest rates changes on financial liabilities are presented 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 TEUR 14.

Liquidity risk

Liquidity risk, more specifically, means risk of insufficient availability of financial resources to fulfil all payment obligations on time.

In a broader sense, liquidity risk for the Balda Group means any restriction in borrowing or capital acquisition capabilities (e.g. rating) that might affect the implementation of corporate strategies or restrict the financial scope. The main factors affecting the liquidity risk (economic development, assessment of creditworthiness by third parties) lie outside the scope of influence of the finance management.

Therefore, liquidity risk management means the risk analysis and the use of financial instruments (e.g. agreement of sufficient credit, diversification of creditors, fixing the capital commitment) to limit the risk within the scope of the non-influenceable environment.

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

in TEUR	Book value 31.12. 2010	Cash flow 2011		Cash flow 2012		Cash flow 2013-2015		Cash flow 2016 ff.	
		Interest	Capital	Interest	Capital	Interest	Capital	Interest	Capital
Original financial liabilities									
Liabilities owed to credit institutions and loans	20,260	1,467	19,819	28	84	12	356	0	0
Other liabilities	12,302	0	12,302	0	0	0	0	0	0
Finance lease liabilities	400	12	306	2	94	0	0	0	0
Derivative financial instruments	20	0	20	0	0	0	0	0	0

The underlying interest rates for variable interest rates are 6.99 percent p.a. and vary for fixed interest rates between 4.5 percent and 7.0 percent p.a.

The previous year is as follows:

in TEUR	Book value 31.12. 2009	Cash-flow 2010		Cash-flow 2011		Cash-flow 2012 - 2014		Cash-flow 2014 ff.	
		Interest	Amorti sation	Interest	Amorti sation	Interest	Amorti sation	Interest	Amorti sation
Primary financial liabilities									
Liabilities 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

Capital management

The main objective of the **capital management** of the Group 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 advance payments received offset by the liquid funds. Due to the conversion of the participation rights, the interest bearing liabilities decreased. The slight increase in cash flow produced a surplus of liquid funds over the interest bearing liabilities of TEUR 23,509. In the previous year, the net financial liabilities were EUR 2,396. The ratio of the net financial liabilities to equity resulted in a negative net gearing of 3.5 percent (previous year: plus 1.5 percent).

6. Explanations on individual items of the consolidated profit and loss statement

Items in the present profit and loss statement cleared of the result influences of the discontinued operations. The earnings after tax of the discontinued operations are reported in a separate item in accordance with IFRS. The income of the Group is the result of both results.

6. a. Sales revenue

The sales revenue of the Balda Group in the financial year amounts to TEUR 23,044 (previous year: TEUR 20,216) of domestic sales and TEUR 118,388 (previous year: TEUR 113,866) of foreign sales. The sales revenue is fully generated from the sale of goods. The turnover refers to the continued operation, the previous year's figures are adjusted accordingly.

6. b. Other operating income

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

in TEUR	2010	2009
Exchange rate gains	2,694	1,070
Income from recharges	1,137	800
Income from release of provisions against receivables	603	471
Rental income	292	379
Book profits on the disposal of fixed assets	1,461	310
Material sales	488	167
Income from the release of provisions	21	93
Income from sale of title retention	737	0
Income from calculation of service fees	626	0
Compensatory damage claims	4,750	0
Other	2,869	1,844
Total	**15,678**	**5,134**

The figures in the other operating income refer to the continued operation, the previous year's figures are adjusted accordingly.

6. c. Changes in inventories of finished and unfinished goods

The item concerns changes in inventories of produced manufactured by the Group, in particular production plants, tools and injection moulding articles.

6. d. Cost of materials

The material costs of the Balda Group increased in comparison with the previous year by TEUR 28,009 to TEUR 90,921. The material usage ratio that is the ratio of the material cost to total output value was 58.1 percent in the financial year 2010 (previous year: 44.8 percent)

6. e. Personnel expenses

The personnel expenses in the Group fell by TEUR 1,810 from TEUR 37,321 to TEUR 35,511. The personnel usage ratio that is the ratio of the personnel cost to total output value in the reporting year was 22.7 percent (previous year: 26.6 percent). The personnel expenses include compensations to former employees of about TEUR 2,111 due to the business shift from Balda Solutions (Suzhou) to Balda Solutions (Beijing) and the associated downsizing in Suzhou.

6. f. Depreciations

Depreciations fell from TEUR 10,169 to TEUR 9,159.

Due to impairment tests, no unplanned depreciations were made in the reporting year. For better comparability with the previous year, these special depreciations are shown in a separate item in the profit and loss statement (refer to chapter II. 6. h.)

In 2010, a value appreciation of TEUR 831 was made to a property in the Central Services segment based on the expected future rental income. TEUR 1,015).

6. g. Other operating expenses

The other operating expenses mainly concern:

in TEUR	**2010**	**2009**
Premises, maintenance and overhead expenses	4,725	4,895
Energy costs	4,002	3,604
IT costs	1,734	2,200
Travel/car/advertising expenses and investor relations	2,014	2,159
Training / employee benefit costs	1,716	2,174
Rental and lease costs	1,507	1,632
Administration costs	903	1,430
Legal and consultancy costs	2,070	1,247
Outward freight and storage costs	822	819
Losses on the disposal of fixed assets	1,748	829
Exchange rate costs	1,684	793
Insurances	332	537
Provisions for bad and doubtful debts and loss of receivables	192	528
Other taxes	498	222
Costs for recharges	1,609	1,142
Other	3,966	1,076
Total	**29,522**	**25,287**

6. h. Special deprecations

The special depreciations result from the anticipated weaker business situation in the MobileCom segment or from expected reduced margins in the Electronic Products segment. Impairment losses resulted from the regular impairment tests at the end of 2010. In addition, due to the discontinuation of the unit in Suzhou, China, all machinery and equipment could not be supplied for further use. Overall, impairments and losses on disposal of fixed assets for the MobileCom segment amounted to TEUR 14,517 and for the Electronic Products segment amounted to TEUR 14,123.

Influence of special depreciations on the operating result:

In TEUR	Result before special depreciations	Special depreciations	EBIT
MobileCom segment	- 9,002	- 14,517	- 23,519
Electronic Products segment	- 3,834	- 14,123	- 18,117
Medical segment	1,942	0	1,942
Central Services	2,316	0	2,316
Group	- 8,738	- 28,640	- 37,378

6. i. Interest result

The interest result consists of the following:

in TEUR	2010	2009
Interest paid	3,932	7,719
Interest earned	495	566
Interest result	3,437	7,153

The interest paid in the previous year still contains interests of Balda AG from syndicated loans and bonded loans brought back at the year end 2009.

6. j. Other financial results

The other financial results consist of the following:

in TEUR	2010	2009
Expenses from currency differences	7,643	0
Income from resolution of accrued interest of convertible bonds	8,088	0
Expenses from compensation payments from conversion of participation rights	8,105	0
Expenses from the repayment of a syndicated loan and bonded loan	0	982
Total	**7,660**	**982**

6. k. Earnings from transitional consolidation of TPK shares

With the TPK Holding IPO on 29 October 2010, the Group lost its authoritative influence. Consequently, the accounting is done according to the equity method. The valuation of the TPK holding as financial investment at fair value resulted in a profit as part of the transitional consolidation. The book value of holdings in associated companies, the goodwill allocated to TPK and the accrued currency differences on the other hand resulted in expense.

The earnings from the transitional consolidation of the TPK shares consist of the following:

in TEUR	2010	2009
Fair value of TPK share as of 29 October 2010	186,039	0
Book value of holding in associated companies	48,594	0
Book value of attributable goodwill	9,157	0
Book value of attributable currency differences	3,660	0
Earnings from transitional consolidation of TPK shares	124,628	0

For more information, we refer to our explanations under Point II.5.d. "Financial investments" and II.5.b. "Goodwill".

6.l. Earnings from associated companies

The earnings from associated companies of TEUR 17,191 (previous year: TEUR 50,915) refers fully to the investment in TPK Holding and its consolidated subsidiaries.

The earnings from associated companies consist of the following:

in TEUR	2010	2009
Share of net profit of holding (2010: up to 29 October)	11,075	14,578
Profit from sale of shares	6,116	36,337
Earnings from associated companies	17,191	50,915

For more information, we refer to our explanations under Point II.5.d. "Financial investments" and II.5.b. "Goodwill".

6. m. Taxes on income

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

in TEUR	2010	2009
Actual income tax expense	302	2,495
Tax expense of previous years	-38	-1,066
Deferred tax revenue from development or reversal of temporary differences	-4,254	-1,023
Change in deferred tax assets To losses	-1,595	-1,534
Total income tax expense, -income (-)	**-2,495**	**-1,128**

The tax on earnings before taxes of the Group deviates from the theoretical amount produced on applying the theoretical income tax rate of 29.8 percent (previous year: 29.8 percent) on the EBT, as follows:

in TEUR	2010	2009
EBT	93,344	45,280
Theoretical tax expense 2010: 29.8% (previous year: 29.8%)	27,817	13,493
Tax rate differences	-381	-469
Non-deductible expenses and income	3,379	273
Non-deductible impairment charges	8,967	0
Tax effect of equity accounting	-4,340	-15,173
Tax effect on transitional consolidation	-37,139	0
Realization of tax loss carry forwards	-2,292	226
Tax losses for which no deferred tax receivable has been capitalised	1,862	964
Taxes of previous years	-38	-1,066
Other	-330	624
Current tax expense	**-2,495**	**-1,128**

6. n. Earnings from continued operations

The earnings from continued operations of TEUR 95,839 are apportioned to the shareholders of Balda.

6. o. Earnings from discontinued operations

The earnings from discontinued operations consist of the following:

in TEUR	2010	2009
Sales revenue	2,311	5,542
Other operating income	332	6,698
Changes in inventories of finished and unfinished goods	37	-618
Other capitalized items	0	0
Material expense	1,699	3,210
Personnel expense	237	648
Depreciation expense	510	2,735
Other operating expenses	776	4,652
Financing result	57	182
EBT	-485	559
Income taxes	0	524
Earnings from discontinued operations	-485	35
incl. profit share of other shareholders	-194	-385

Group's share of earnings from discontinued operations	-291	420
Deconsolidation from the sale	-1,158	0
Overall results of discontinued operations	-1,449	0

The overall results of discontinued operations in 2010 result from the operations of Balda Solutions Motherson India and the deconsolidation from the sale of Balda Motherson Solution India and Balda Solutions Hungaria Kft.

The undiluted earnings per share for the discontinued operations were as follows:

	2010	2009
Earnings from discontinued operations after tax (TEUR)	-1,449	420
Weighted average of issued shares (units in thousands)	54,961	54,157
Undiluted earnings per share according to IAS 33 (EUR)	-0.026	0.002

Diluted earnings per share for the discontinued operations were as follows:

	2010	2009
Group share of net profit after tax according to profit and loss account (TEUR)	-1,449	420
Weighted average of issued shares (units in thousands)	54,961	54,182
Diluted earnings per share according to IAS 33 (EUR)	-0.026	0.002

Relating to the transfer of the common shares used for the diluted earnings, please refer to our explanations under point II.6.q. "Earnings per share - undiluted and diluted".

6. p. Earnings of the entire group

The result of the entire Group amounting to TEUR 94,390 is apportioned at TEUR 94,584 to the shareholders of Balda AG and at TEUR - 194 to other shareholders.

6. q. Earnings per share - undiluted and diluted

The undiluted earnings per share are as follows:

	2010	2009
Group share of net profit after tax according to profit and loss account (TEUR)	94,584	49,257
Weighted average of issued shares (units in thousands)	54,961	54,157
Undiluted earnings per share according to IAS 33 (EUR)	1.721	0.910

The diluted earnings per share are as follows:

	2010	2009
Group share of net profit after tax according to profit and loss account (TEUR)	94,584	49,257
Weighted average of issued shares (units in thousands)	54,961	54,182
Diluted earnings per share according to IAS 33 (EUR)	1.721	0.909

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

(In thousand units)	2010	2009
Weighted average number of shares for the calculation of undiluted earnings per share was used	54,961	54,157
Stock options that have a positive intrinsic value	0	25
Weighted average number of common shares used for the calculation of diluted earnings per share:	54,961	54,182

III. Other information

a. Average number of employees

The Balda Group has changed the recording of number of employees in the course of 2010. Now only employees actually present physically are recorded and not like before as equivalent of full-time employees. The following information relates to the employees hired at the Balda Group, including agency temporary workers and trainees of the continued division. The previous year figures have been adjusted according to the new recording method.

	2010	2009
Board	2	2
Business employees	234	288
Technical and commercial workers	1,279	1,781
Agency temporary workers	1,843	2,186
Sub-total	3,358	4,257
Temporary workers, trainees	58	40
Total	**3,416**	**4,297**

For further information, refer to our explanations on the staff in the annual report.

b. Contingencies

At the balance sheet date, the Group had no contingent liabilities.

c. Other financial obligations

Minimum lease payments in TEUR	2010	2009
< 1 year	909	1,955
2 to 5 years	31	1,640
> 5 years	0	4
Total amount	**940**	**3,599**

The payments of TEUR 1,955 (previous year: TEUR 2,109) recorded in the reporting period as expense only concern minimum lease payments.

The commitments for investments in fixed assets that will be paid in full in 2011 amounted to TEUR 625 (previous year: TEUR 2,816).

The obligations from rental and leasing contracts are those contracts where the Group companies in accordance with IFRS are not the beneficial owner (operating lease). The rental and lease obligations relate primarily to the building. There are no contractual purchase options at the end of the term.

d. Contingent liabilities and contingent assets

At the balance sheet date, the Group had no contingent liabilities.

On 26 January 2011, the insolvency administrator of BenQ published that another quota from the BenQ insolvency estate will be made available for payment. Another Euro 2 million is available for Balda as contingent asset, still dependent on the consent of the creditors' meeting.

e. More information on finance leases

The reconciliation of future minimum lease payments at their cash value is shown in the following table:

31.12.2010		**Maturities**		
in TEUR	**Total**	**Up to 1 year**	**Between 1 and 5 years**	**More than 5 years**
Minimum lease payments	414	318	96	0
Interest portion	14	12	2	0
Cash value	400	306	94	0

31.12.2009				**Maturities**
in TEUR	**Total**	**Up to 1 year**	**Between 2 and 5 years**	**More than 5 years**
Minimum lease payments	875	498	377	0
Interest portion	53	39	14	0
Cash value	822	459	363	0

f. Investment holdings

Below we present the investment holdings of the Balda Group as of 31 December 2010:

Company	Registered office	Holding	Investment proportion	Equity	Annual result
				TEUR	TEUR
Balda Grundstücks-Vermietungs GmbH & Co. KG	Bad Oeynhausen	direct	100.00%	14,312	1,613
Balda Grundstücks-Verwaltungs GmbH	Bad Oeynhausen	direct	100.00%	26	-1
Balda Medical Verwaltungs-gesellschaft mbH	Bad Oeynhausen	direct	100.00%	12	-1
Balda Medical GmbH & Co. KG	Bad Oeynhausen	direct	100.00%	115	15
Balda Solutions Deutschland GmbH	Bad Oeynhausen	direct	100.00%	6,498	1,073
Balda Werkzeug- und Vorrichtungsbau GmbH	Bad Oeynhausen	direct	100.00%	623	-150
Balda Solutions USA, Inc.	Morrisville (N.C./USA)	direct	100.00%	261	118
Balda Investments Mauritius Ltd.	Mauritius	direct	100.00%	2,390	3,415
Balda Investments Netherlands B.V.	Amsterdam (Netherlands)	direct	100.00%	212,847	-84
Balda Investments Singapore Pte. Ltd.	Singapore	indirect	100.00%	206,415	16,625
Balda Solutions (Suzhou) Ltd. through Balda Investments Singapore Pte. Ltd.	Suzhou (China)	indirect	100.00%	8,210	-9,066
BSSU Sales and Finance Ltd. through Balda Investments Singapore Pte. Ltd.	(British Virgin Islands)	indirect	100.00%	163	163
Balda Solutions (Beijing) Ltd. through Balda Investments Singapore Pte. Ltd.	Beijing (China)	indirect	100.00%	22,021	-1,238
BTO Technology(Beijing) Ltd through Balda Investments Singapore Pte. Ltd. and Balda Solutions(Beijing) Ltd.	Beijing (China)	indirect	100.00%	4,947	-313
Balda Solutions Malaysia Sdn. Bhd. through Balda Investments Singapore Pte. Ltd.	Ipoh (Malaysia)	indirect	100.00%	25,332	-4,708

Balda Technology MSC Sdn. Bhd through Balda Investments Singapore Pte. Ltd. and Balda Solutions Malaysia Sdn. Bhd.		indirect	100.00%	0	66
BSM Sales and Finance Ltd. through Balda Investments Singapore Pte. Ltd.	(British Virgin Islands)	indirect	100.00%	0	0
Balda Solutions(Xiamen) Ltd. through Balda Investments Singapore Pte. Ltd.	Xiamen (China)	indirect	100.00%	348	-244
Balda Capital Singapore Pte Ltd. through Balda Investments Singapore Pte. Ltd.	Singapore	indirect	100.00%	0	0

Moreover, the TPK Holding Co. Ltd., George Town (Cayman Islands) indirectly with 16.1% belongs to the Group.

g. Executive Bodies of Balda AG

Supervisory Board of Balda AG

- Dr. M. Naschke, Berlin, (Chairman, since 24 June 2010)
  Partner and Lawyer of Van Aubel Law firm, Berlin
  since 17 June 2010
- Dino Kitzinger, Munich, (Chairman, until 23 June 2010)
  Company Consultant
- Mark Littlefield, San Jose, California/USA, (Vice-Chairman)
  Managing Partner at BluePoint Controls, Inc
- Thomas J. Leonard, Holland, Michigan/USA,
  President of Optera Inc.
- Chun-Chen Chen, Taipei, Taiwan (since 17 June 2010)
  Chairman of TVM Corp and Touch Video Monitor Corp.
- Yu-Sheng Kai, Hong Kong, Director of Eternal Union International Ltd. (since 17 June 2010)

Dr. Michael Naschke is also:

- Chairman of the Supervisory Board of the Trust Versicherungsmakler AG, Berlin
- Chairman of the Advisory Board of NP Lighting GmbH, Warburg
- Chairman of the Supervisory Board of Enligna AG, Berlin

Besides their commitment to Balda AG, Dino Kitzinger, Mark Littlefield, Chun-Chen Chen, Yu-Sheng Kai and Thomas J. Leonard had no other supervisory or executive board duties in 2010.

Dino Kitzinger possesses special knowledge and experience in the application of financial accounting principles in the Supervisory Board.

Board of Directors of Balda AG

- Michael Sienkiewicz, San Francisco; USA, (Chairman of the Board) (until 16 February 2011)
  Foreign companies, Human Resources Balda Group, Public Relations, Sales, Marketing, Technology, Purchasing

- Rainer Mohr (Chief Financial Officer) (since 17 February 2011 Sole Director)
  Domestic companies, Finances, Controlling, IT, Law/Insurance/Taxes, Investor Relations, Internal Audit, Human Resources Balda AG

Michael Sienkiewicz is also:

- Chairman of the Board of Directors of
  Balda Investments Singapore Pte. Ltd., Singapore/Singapore
  Balda Solutions Malaysia Sdn. Bhd., Ipoh/Malaysia
- Member of Board of Directors of
  Balda Solutions (Suzhou) Ltd., Suzhou/China
  Balda Solutions (Beijing) Ltd., Peking/China
  Balda Investments Mauritius Ltd., Mauritius
  TPK Holding Co. Ltd., Cayman Islands/Cayman Islands
  Balda Capital Singapore Pte. Ltd.
  BTO Technology Beijing Ltd., China (since May 2010)

Rainer Mohr is also:

- Member of Board of Directors of
  Balda Investments Singapore Pte. Ltd., Singapore/Singapore
  Balda Solutions Malaysia Sdn. Bhd., Ipoh/Malaysia
  Balda Solutions (Suzhou) Ltd., Suzhou/China
  Balda Solutions (Beijing) Ltd., Peking/China
  Balda Investments Mauritius Ltd., Mauritius
  Balda Solutions USA Inc., Raleigh/USA
  BTO Technology Beijing Ltd, China (since May 2010)

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, six Supervisory Board members.

The shareholders of Balda AG elected three new members to the Supervisory Board of the company at the Annual General Meeting on 25 May 2010 in Bielefeld:

Dr. Michael Naschke, Lawyer and Partner of the firm Van Aubel, Berlin, Yu Sheng Kai, Managing Director of Eternal Union International Limited, Hong Kong and Chun-Chen Chen, CEO of TVM Corporation and Touch Video Monitor Corporation, Taipei, Taiwan.

Furthermore, to the committee also belong the existing members Dino Kitzinger, Munich, Mark Littlefield, San José, California/USA and Thomas J. Leonard, Holland, Michigan/USA, who are elected up to the annual general meeting, which decides on the resolution on the approval for fiscal year 2010.

Supervisory Board and remuneration report

The members of the Supervisory Board received the following remuneration:

in EUR

2010	**Fixed remuneration**	**Attendance fees**	**Variable remuneration**	**Total income**
Dr. Michael Naschke	13,125	7,500	21,315	41,940
Yu-Sheng Kai	6,701	7,500	10,849	25,050
Chun-Chen Chen	6,701	7,500	10,849	25,050
Dino Kitzinger	18,333	15,000	29,480	62,813
Mark Littlefield	18,750	15,000	30,000	63,750
Thomas J. Leonard	12,500	15,000	20,000	47,500
Total:	**76,110**	**67,500**	**122,493**	**266,103**

in EUR

2009	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 component. The variable remuneration is based on the movement in share price of Balda compared with SDax. The Supervisory Board will receive a variable remuneration, provided the development of the Balda stock is beyond the SDax development. If the Balda stock exceeds the SDax performance by more than 10%, the Supervisory Board receives the full variable remuneration. If the development of the Balda stock exceeds the SDax development, but not more than 10%, the Supervisory Board gets only half the variable remuneration. In 2010, the Balda share price moved clearly beyond the SDax performance observed over the year. At the end of the year, the Balda stock developed better than SDax by about 37 percentage points.

In the reporting year, the van Aubel law firm, belonging to the Chairman of the Supervisory Board provided consulting services to the amount of TEUR 82. At its meeting on 13 September 2010, the Supervisory Board confirmed that the law firm may provide consulting services to the Group up to a volume of TEUR 100 in the year 2010.

There were no apparent conflicts of interest in the board or its members in the reporting period.

At various meetings, namely on 24 June 2010, 13 September 2010 and 10 December 2010, the Supervisory Board dealt with the efficiency of its own affairs particularly due to the expansion of the Board from three to six members. The Supervisory Board discussed repeatedly, whether its activity, its organization and communication, and therefore its work processes are designed efficiently and whether there is potential for improvement. The Supervisory Board also examined whether in future a formal procedure should be initiated. However, as the efficiency audit was characterized by a trusting and open atmosphere, the Supervisory Board refrained from a formalisation.

Board of directors and remuneration report

The composition of the Board of Directors of Balda AG did not change during the reporting year. On 25 October 2010, the Supervisory Board of Balda AG extended the appointment and contracts with the CEO, Michael Sienkiewicz and the CFO, Rainer Mohr ahead of time until 31 December 2012.

The remuneration of the members of the Board of Directors in 2010 was composed as below (remuneration report – Code Article 4.2.5):

The remuneration of the Board of Directors 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 other contractually guaranteed pension commitments were made. 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 the financial year 2010 (Code Article 4.2.3).

Basically 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 linked to the business performance is calculated for the Board of Directors based on the EBIT of the Balda Group. For the financial year 2010, owing to the volatile market movement and the difficult environment, a one-time bonus was agreed upon together with the Board of Directors.

An additional remuneration component with long-term incentives is not provided onwards due to the time barred Board contracts.

Remuneration of Board of directors

The members of the Board of Directors across the Group received the following remuneration for the fiscal year 2010:

in EUR

2010	Fixed remuneration	Profit-related remuneration	Ancillary benefits	Remuneration with long-term incentive	Total
Michael Sienkiewicz	334,183	189,574	59,802	0	583,559
Rainer Mohr	263,549	150,000	4,902	0	418,451
Total:	**597,732**	**339,574**	**64,704**	**0**	**1,002,010**

in EUR

2009	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

* since mid-2009

TEUR 1,500 of the fixed remuneration and settlements consisted of settlements for the year 2009.

Shareholdings of executive bodies

	31.12.2010	31.12.2009	Amendment
M. Sienkiewicz	0	0	0
R. Mohr	0	0	0
Board of directors Total	**0**	**0**	**0**
D. Kitzinger	49,000	14,000	35,000
M. Littlefield	0	0	0
T. Leonard	0	0	0

Chun-Chen Chen[1)]	0	0	0
Yu-Sheng Kai[1)]	0	0	0
Dr. M. Naschke[1)]	21,000[2)]	0	21,000
Supervisory Board Total	**70,000**	**14,000**	**56,000**

[1] Elected as Member of Supervisory Board on 25 May 2010

[2] The shares were acquired by Dr. M. Naschke prior to assuming any duties within the Supervisory Board.

The executive bodies made no other significant acquisitions or sales in 2010.

h. Relationships with associated companies and persons

Affiliated companies and persons as defined in IAS 24 are legal or natural persons who can influence the Balda AG and its subsidiaries or are subject to the control or significant influence by Balda AG and its subsidiaries. In particular, this includes associated companies.

Relationships with associated companies of the Group

Until the final consolidation of TPK on 29 October 2010, the following transactions were made with associated companies of the Group in 2010:

In TEUR	2010	2009
Sale of goods	5,629	325
Rent for buildings	0	86
Purchase of services	135	85
Sale of fixed assets	0	23
Interest expense	0	5
Purchase of material (Touch screens)	21,723	7

In fiscal year 2010, Balda placed two projects in the field of smart phones. Balda was requested by the customer to buy the touch screens for these projects from TPK. As TPK is already facing capacity constraints, these projects generated additional costs. Balda used this opportunity to enter the market of smart phones.

The Yield Return Investments, Apia, Samoa in 2010 held 29.99 percent (until 2 November 2010) or 27.6 percent (from 2 November 2010) of shares of Balda AG. There were no business relations between Yield Return Investments and a Balda company during the reporting year.

Relationships with persons of the executive body are shown in the remuneration report.

There are no other transactions with related persons and companies.

i. Post-balance sheet events

On 26 January 2011, the insolvency administrator of BenQ published that another allocation from the BenQ insolvency estate will be provided for payment. Another EUR 2 million is available for Balda, depending on the consent of the creditors' meeting.

There are no other noteworthy events affecting the financial position and results of the balance sheet date.

On 16 February 2011, the Supervisory Board and the CEO, Michael Sienkiewicz agreed that Michael Sienkiewicz will resign from the Board of Balda AG with immediate effect. He will continue as consultant with Balda Solutions USA, Inc. Rainer Mohr, already Chief Financial Officer of the Company, was appointed Chairman of the Supervisory Board and conducts both two offices in personal union.

j. Auditor's fees

With regard to the auditor, the following fees are recorded as expenses in the fiscal year:

in TEUR	2010	2009
Audit services	302	160
Other assurance services	146	0
Tax advisory services	0	0
Other services	138	29
Total	**586**	**189**

The fees for audit services primarily consist of the fees for the Group audit and the audit of the accounts of the Balda AG and its domestic subsidiaries. Fees for other assurance services primarily relate to the audit review of interim financial statements and audits of the internal control system.

Balda Medical GmbH & Co. KG, Bad Oeynhausen has exercised the exemption provisions pursuant to § 264b HGB.

k. Application of exemptions under § 264 a HGB in conjunction with § 264 b HGB

Balda Medical GmbH & Co. KG, Bad Oeynhausen has exercised the exemption provisions pursuant to § 264b HGB.

Corporate Governance

Balda follows the recommendations and suggestions of the Corporate Governance Code as amended on 26 May 2010 with certain exceptions. The declaration of compliance 2010 according to § 161 of the German Stock Corporation Act (AktG) is permanently accessible to shareholders and the public together earlier declarations of compliance on the Balda website under Investor Relations / Corporate Governance (www.balda.de). Even the current statement of the company management is accessible on the Balda website in the Corporate Governance area.

Bad Oeynhausen, 07 March 2011

The Board of Directors

Rainer Mohr

Statement of assurance by legal representatives

"I declare that, to the best of my 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 profit situation of the Group and the activities of the business including the financial results of the Balda Group and the situation of Balda AG 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, 07 March 2011

The Board of Directors

Rainer Mohr

Balda Aktiengesellschaft, Bad Oeynhausen

Notes for the 2010 financial year

I. General Information

Balda Aktiengesellschaft has its headquarters in Bad Oeynhausen, Germany, and exclusively assumes the function of a holding company.

The Balda Group develops and produces complete plastic assemblies, electronic products and products for the medical technology industry. Balda's customers are leading companies in the mobile phone, consumer electronics, electronic communications, pharmaceutical and medical technology markets. The Group is internationally positioned with production sites in China, Malaysia and Germany. A subsidiary in the USA serves North American customers in product design and development. Within the scope of its shareholding in a leading touchscreen manufacturer in Taiwan, Balda is participating in the dynamic development of the touchscreen displays market.

II. Information on the annual financial statements of Balda AG

Balda AG is a large corporation in accordance with § 267 (3) (2) of the German Commercial Code in conjunction with § 264d of the German Commercial Code.

All information stated is in thousands of EUR (EUR k), unless noted otherwise.

1. Accounting and valuation methods, currency translation

The annual financial statements were compiled on the basis of the German Commercial Code, as amended by the Accounting Law Reform Act (Bilanzrechtsmodernisierungsgesetz, BilMoG) of 25 May 2009.

Other than that, the accounting and valuation methods have remained the same as the previous year. Following the application of the Accounting Law Reform Act, this resulted in no changes compared to the previous year, meaning that the previous year's figures were applied without any change.

Intangible fixed assets have been valued at acquisition cost less scheduled linear depreciation. The following terms of use which were determined according to the official depreciation tables underlie the depreciation in principle:

	Year
Software	3 to 5
Other facilities, operating and office equipment	4 to 10

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

A compound item was created for low-value assets whose values were between EUR 150.00 and EUR 1,000.00. They are also written off over a period of five years.

Financial assets are reflected at acquisition cost or the lower attributable value.

If the attributable value on the balance sheet date is lower than the acquisition cost due to a permanent write-down, then the financial assets are written off at the lower attributable value on the deadline date.

Receivables and other assets are valued at acquisition cost whilst taking into account any value adjustments. Short-term foreign currency receivables are translated at the spot exchange rate on the balance sheet date.

Cash and cash equivalents in EUR are reflected at their nominal value. Cash and cash equivalents in foreign currencies are translated at the spot exchange rate on the balance sheet date.

Deferred taxes are calculated from 2010 onwards for any temporary differences between commercial and fiscal law values of assets, liabilities and prepayments and accrued income. Any influences in partnerships in which Balda AG is involved as a shareholder are also taken into account. Tax loss carry forwards are also taken into account in addition to any temporal accounting differences. The calculation of deferred taxes is based on the combined corporate income tax rate of Balda AG, which is currently 29.8%. The combined corporate income tax rate includes corporate income tax, business tax and a solidarity surcharge.

By way of derogation from this, any deferred taxes arising from temporal accounting differences for shareholdings in the form of a partnership are calculated based on a combined corporate income tax rate that only includes corporate income tax and a solidarity surcharge; this is currently 15.8%.

Other provisions are reflected at the level of the performance amount, which is deemed to be prudent according to commercial assessment.

Liabilities are reflected at their performance amount. Short-term foreign currency receivables are translated at the spot exchange rate on the balance sheet date.

2. Explanatory notes on the individual items in the balance sheet

2.a. Fixed assets

In 2010, an EU holding company, Balda Investments Netherlands B.V, was formed in Amsterdam. Alongside a cash contribution of EUR 18k, Balda AG also invested shares from its following shareholdings in the new Company at book value:

Balda Investments Singapore Ltd.	EUR k 166,892
• Balda Solutions USA Inc.	EUR k 24
• Balda Investment Mauritius Ltd.	EUR k 2,571

Further details are referred to in the part attached to the Annex regarding the performance of fixed assets as well as in the list of shareholdings.

2.b. Receivables and other assets

Trade account receivables of EUR 2,000k (previous year: EUR 4,040k) are included in the receivables against associated companies of EUR 7,969k (previous year: EUR 11,049k). In addition the position also includes a receivable from the offset account against Balda Medical GmbH & Co. KG, Bad Oeynhausen, totalling EUR 5,695k. All receivables have a remaining term of less than one year as in the previous year.

Other assets include tax receivables totalling EUR 336k (previous year: EUR 415k), of which EUR 284k (previous year: EUR 323k) have a remaining term of more than one year.

2.c. Cash in hand, cash at banks and credit institutions

In addition to cash in hand, this also refers to cash in current business accounts.

2.d. Deferred taxes

Exercising of options

In accordance with § 274 (1) (2) of the German Commercial Code, the option not to reflect active deferred taxes in the balance sheet was exercised.

Basis of valuation

The valuation of temporary differences and tax loss carry forwards that are to be accounted for within the next five years is done at the tax rates that are applicable for the financial year in question (see Point II.1.)

The following deferred taxes result from the tax differences and tax loss carry forwards:

	Basis of calculation EUR	% rate	Active deferred taxes EUR
Tax loss carry forwards for shareholdings in the form of a partnership	10,772	15.8	1,702
Tax loss carry forwards for Balda AG	20,500	29.8	6,109
Tax difference between the book value of a shareholding in the form of a partnership	2,631	15.8	416
Tax difference for Balda AG provisions	535	29.8	159
As of 31 December 2010			8,386

2.e. Equity

The equity of Balda AG has developed as follows:

	Subscribed capital	Capital reserve	Legal reserves	Accumulated loss	Equity
	EURk	EURk	EURk	EURk	EURk
As of 1 January 2010	54,157	152,873	2	-142,210	64,822
2010 accrual	4,734	29,917	0	0	34,651
Resolution of capital reserves		-147,970		147,970	0
2010 annual loss	0	0	0	-5,760	-5,760
As of 31 December 2010	58,891	34,820	2	0	93,713

The subscribed capital of Balda AG increased in the 2010 annual financial statements. By exercising their conversion privileges, investors converted their profit participation certificates into 4,733,964 shares of Balda AG. The subscribed capital totalled EUR 58,891k on the balance sheet date. It is divided in 58,890,636 bearer shares that are fully dividend-paying. Each share represents a proportionate amount of the registered capital of EUR 1.00.

On 9 August 2007, the annual general meeting passed a resolution that the Board of Directors, along with the approval of the Supervisory Board and without any further resolution, would be able to issue profit participation certificates on one or more occasions with a maximum nominal amount of EUR 500,000k until 8 August 2012. The profit participation certificates may be associated with conversion or option rights to up to 19,677,249 bearer shares of the Company. Following the conversion of profit-participation certificates into shares in Balda AG in the scope of 4,733,964 shares on 29 October 2010, this can lead to an increase of up to EUR 14,943,285 through the issuing of up to 14,943,285 new individual share certificates with profit entitlement as of the beginning of the financial year in which they were issued (conditional capital 2007).

Furthermore, on 9 August 2007, the annual general meeting passed a resolution that the Board of Directors, along with the approval of the Supervisory Board and without any further resolution, would be able to execute an increase in equity of up to EUR 23,694k (authorised capital 2007). Following the capital increase in 2007, the previously unused 2007 authorised capital amounted to EUR 16, 924k.

The increase in capital reserves to EUR 29,917k results primarily from the share premium from the conversion of profit-participation certificates that took place on 29 October 2010.

2.f. Provisions

The tax provision of EUR 733k (previous year: EUR 6,367k) was reduced by paying for the various facts determined in the 2003-2006 audit and the agreement reached with the financial administration in February 2010.

Other provisions mainly include amounts for premiums, bonuses and holiday pay totalling EUR 392k (previous year: EUR 1,099k), and outstanding invoices and other items totalling EUR 2,235k (previous year: EUR 2,355k). All provisions are short term.

2.g. Liabilities

The remaining terms of the liabilities as at 31 December 2010 are as follows:

	Up to 1 year	**Between 1 and 5 years**	**More than 5 years**	**Total**	**of which ensured**
	EURk	EURk	EURk	EURk	EURk
Trade accounts payable	435	0	0	435	0
Liabilities to associated companies	105,962	0	0	105,962	0
Other liabilities	468	0	0	468	0
Total	**106,865**	**0**	**0**	**106,865**	**0**

With respect to the profit participation certificates, please refer to the details stated in Point 2.e. Equity.

Previous year's figures: The remaining terms of the liabilities as at 31 December 2009 are as follows:

	Up to 1 year	**Between 1 and 5 years**	**More than 5 years**	**Total**	**of which ensured**
	EURk	EURk	EURk	EURk	EURk
Convertible profit participation certificates	0	34,200	0	34,200	0
Trade accounts payable	434	0	0	434	0
Liabilities to associated companies	83,005	0	0	83,005	0
Other liabilities	490	0	0	490	0
Total	**83,929**	**34,200**	**0**	**118,129**	**0**

Trade accounts payable of EUR 251k (previous year: EUR 103k) are included in the liabilities to associated companies of EUR 105,962k (previous year: EUR 83,005k).

The value of EUR 89,651k of liabilities to associated companies (previous year: EUR 71,941k) mainly includes loans from Balda Investments Singapore Pte. Ltd., Singapore. The increase resulted from the new addition of loans from Balda Investments Singapore Ltd, and from the valuation of the loans given in USD on the balance sheet date.

Guarantees and other financial commitments, including information on off-balance sheet transactions

The guarantees in Balda AG arise as follows:

	31 December 2010	31 December 2010
	EURk	EURk
Suretyship	**6,657**	**0**

This relates to an indemnity bond via a bank for the issuing of guarantees in favour of a subsidiary. No claim is to be expected on the basis of the planned income of the subsidiary. The advantage here is that the subsidiary does not need to provide a cash deposit for guarantees issued by the bank.

There are a number of other financial commitments from fixed contracts that arise exclusively for Balda AG for rental, leasing and purchasing commitments totalling:

	31 December 2010	31 December 2010
	EURk	EURk
Total amount	1,000	**1,604**
of which relating to associated companies	**183**	**183**

The commitments to associated companies totalling EUR 183k per year resulted from an indefinite building lease agreement with Balda Grundstücks-Vermietungs GmbH & Co. KG.

3. Explanatory notes on the individual items in the profit and loss account

3.a. Revenues

Revenues consist mainly of income from employee-related services. The costs for key holding functions are allocated to the subsidiaries with the aid of a revenue-based ratio. A breakdown by sector of activity is not required in view of the homogeneous sales structure. Geographically speaking, the share of costs were accounted for domestic (EUR 731k) and in Asia (EUR 2,441k).

3.b. Other operating income

Other operating income (EUR 7,862k, previous year: EUR 4,056k) includes income from the reversal of impairment losses of shareholdings (EUR 5,071k) and income not relating to the period under review from the reversal of provisions (EUR 842k). During the previous year, the income consisted mainly of income from the payment of adjusted receivables (EUR 2,116k).

Other operating income includes the following income from currency translation.

- Realised price gains EURk 10
- Unrealised gains on the valuation EURk 237

3.c. Other operating expenses

Other operating expenses (EUR 14,149k; previous year: EUR 12,220k) resulted mainly from:

		2010		2009
Exchange rate differences	EURk	5,955	EURk	2,632
Valuation allowances	EURk	1,535	EURk	0
Legal and consultancy expenses, financial expenses	EURk	1,555	EURk	4,564
IT costs	EURk	1,652	EURk	2,333

Other operating expenses include the following expenses from currency translation:

- Realised price losses EURk 136
- Unrealised expenses on the valuation EURk 5,819

3.d. Income from shareholdings

Income from shareholdings (EURk 1.527), relate solely to profit shares in Balda Medical GmbH & Co. KG.

3.e. Interest and other expenses

Interest for profit participation certificates of EURk 2,264 (previous year: EURk 2,736) are included in the interest and other expenses (EURk 6,838; previous year: EURk 6,876). The remaining part is apportioned to interest for short term liabilities to associated companies.

3.f. Extraordinary expenditure and income

Exceptional income totalled EURk 12,838 for the financial year. This item comprises of the release of provisions for interest on the profit participation certificates in the amount of EURk 8,088 and an out-of-court settlement for damages in relation to incorrect legal advice in the amount of EURk 4,750. Conversely, there were exceptional expenses in the form of compensation payments to holders of profit participation rights with regard to premature conversion of profit participation certificates.

III. Other information

Average number of employees

During the financial year 2010, Balda AG employed an average of 13 employees (previous year 16 employees) as members of staff.

Executive bodies

Supervisory Board of Balda AG

- Dr. Michael Naschke, Berlin (Chairman since 24 June 2010)
  Partner and lawyer of the van Aubel law firm, Berlin
  (since 17 June 2010)

- Mr Mark Littlefield, San Jose, USA, (Deputy Chairman), Managing Partner of BluePoint Controls Inc.

- Mr Dino Kitzinger, Munich (Chairman up to 23 June 2010), Management Consultant

- Mr Thomas J. Leonard, Holland, USA, President of Optera Inc.

- Mr Yu-Sheng Kai, Taipei, Managing Director of Time Asia Capital Resources Ltd.
  (since 17 June 2010)

- Mr Chun-Chen Chen, Taipei, Chairman of the Board of Directors of TVM Corp. and Touch Video Corp.
  (since 17 June 2010)

Dr. Michael Naschke is also

- Chairman of the Supervisory Board of
  TRUST Versicherungsmakler AG, Berlin, and
  ENGLIGNA AG, Berlin (since 30 August 2010)
- Chairman of the Advisory Board of
  NP Lighting GmbH, Warburg

Board of Directors of Balda AG

- Mr Michael Sienkiewicz, San Francisco (USA), Chairman of the Board of Directors
  up to 16 February 2011

  Foreign Companies, Balda Group Human Resources, Public Relations, Sales, Marketing, Engineering, Purchasing

- Mr Rainer Mohr, Mülheim an der Ruhr, Chief Financial Officer (sole member of the Board of Directors since 17 February 2011)

  Finance, Controlling, IT, Legal/Insurance/Tax, Investor Relations, Internal Audit, Balda AG Human Resources

Mr Michael Sienkiewicz is also

- Chairman of the Board of Directors of
  Balda Investments Singapore Pte. Ltd., Singapore/Singapore
  Balda Solutions Malaysia Sdn. Bhd., Ipoh/Malaysia

- Member of the Board of Directors of
  Balda Solutions (Suzhou) Ltd., Suzhou/China
  Balda Solutions (Beijing) Ltd., Beijing/China
  Balda Investements Mauritius Ltd., Mauritius
  TPK Holding Co. Ltd., Cayman Islands/Cayman Islands
  Balda Capital Singapore Pte. Ltd., Singapore/Singapore
  BTO Technology Beijing Ltd., Beijing/China (since May 2010)

Mr Rainer Mohr is also

- Member of the Board of Directors of
  Balda Investments Singapore Pte. Ltd., Singapore/Singapore
  Balda Solutions Malaysia Sdn. Bhd., Ipoh/Malaysia
  Balda Solutions (Suzhou) Ltd., Suzhou/China
  Balda Solutions (Beijing) Ltd., Beijing/China
  Balda Investments Mauritius Ltd., Mauritius
  Balda Solutions USA Inc., Raleigh/USA
  BTO Technology Beijing Ltd., Beijing/China (since May 2010)

Earnings 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 Act. As a result, the Group has a two-tier management and control structure consisting of two Boards of Directors and, in accordance with the articles of association, six Members of the Supervisory Board since the annual general meeting on 25 May 2010.

At the company's annual general meeting on 25 May 2010 the shareholders elected three new members to the Supervisory Board of Balda AG: Dr. Michael Naschke, attorney and partner of the van Aubel law firm in Berlin, Yu-Sheng Kai, Managing Director of Eternal Union International Limited, Hong Kong, and Chun-Chen Chen, Chairman of the Board of Directors of TVM Corporation and Touch Video Monitor Corporation, Taipeh, Taiwan. The Board also includes the existing members Dino Kitzinger, Munich, Mark Littlefield, San Jose, California and Thomas J. Leonard, Holland, Michigan, USA, who are elected until the annual general meeting, which decides on the discharge for fiscal year 2010.

Supervisory Board and remuneration report

Members of the Supervisory Board were remunerated as follows for the financial year 2010:

in EUR

2010	Fixed remuneration	Attendance fees	Variable remuneration	Total earnings
Dr. Michael Naschke	13,125	7,500	21,315	41,940
Mark Littlefield	18,750	15,000	30,000	63,750
Dino Kitzinger	18,333	15,000	29,480	62,813
Thomas J. Leonard	12,500	15,000	20,000	47,500
Yu-Sheng Kai	6,701	7,500	10,849	25,050
Chun-Chen Chen	6,701	7,500	10,849	25,050
Total amount:	76,110	67,500	122,493	266,103

in EUR

2009	Fixed remuneration	Attendance fees	Variable remuneration	Total earnings
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 amount:	55,208	31,500	88,192	174,900

The remuneration of the Supervisory Board is determined by the annual general meeting and contains both a non-performance and performance-related component. The variable remuneration is based on the development of the Balda share price in relation to the SDax. The Supervisory Board shall receive a variable remuneration provided that the development of the Balda share price is greater than the SDax development. If the Balda share price exceeds the SDax performance by more than 10%, the Supervisory Board shall receive the full variable remuneration. If the Balda share price exceeds the SDax performance, but by no more than 10%, then the Supervisory Board shall receive half of the variable remuneration. In 2010, the Balda share price moved significantly above the SDax performance throughout the year. By the end of the year, Balda shares were almost 37 percentage points higher than the SDax.

During the reporting year, the Company did not issue any consulting and placement mandates to the members of the Supervisory Board during their term of office, with the exception of contracts for the van Aubel law firm, which belongs to the Chairman of the Supervisory Board, which were expressly approved by the Supervisory Board. Balda did not pay out any other form of remuneration.

During the reporting year, the Company made use of consultancy services from the van Aubel law firm totalling EUR 82k. In its meeting of 13 September 2010, the Supervisory Board approved the fact that the law firm could provide consultancy services to the Group for a volume totalling EUR 100k during 2010. There were no visible conflicts of interest for the Board or its members during the reporting period.

As a result of the expansion of the Supervisory Board from three to six members, the Supervisory Board also dealt with issues surrounding the efficiency of its own activities in various meetings on 24 June 2010, 13 September 2010 and 10 December 2010. It repeatedly discussed whether its activities, its organisation and communication, and therefore its working procedures, are designed efficiently enough and whether there is potential for improvement. It also examined whether a formal procedure should be initiated in future or not. However, given that the efficiency inspection was characterised by a trusting and open atmosphere, the Supervisory Board decided to refrain from formalising the procedure.

Board of Directors and remuneration report

The composition of the Board of Directors of Balda AG did not change during the reporting year. On 25 October 2010, the Supervisory Board of Balda AG extended the contracts of the Chairman of the Board of Directors (CEO), Michael Sienkiewicz, and the Chief Financial Officer (CFO), Rainer Mohr, in advance until 31 December 2012.

The remuneration of members of the Board of Directors was done as follows for 2010 (remuneration report – Code Section 4.2.5):

The remuneration of members of the Board of Directors included monetary remuneration components that typically consisted of fixed and variable components (Code Section 4.2.3) and fringe benefits. The fringe benefits include contributions or subsidies for health insurance, the use of a company car or compensation for the waiver of a company car and the arrangement of direct insurance or a similar pension plan and group accident insurance. Additional contractually guaranteed pension commitments were not made.

The members of the Board of Directors did not receive any benefits from third parties that were either promised to them in view of their Board activities or granted during the financial year 2010 (Code Section 4.2.3).

The variable remuneration of the Board of Directors in principle contains both components that are linked to the commercial and economic success of the Company (performance-related remuneration) as well as components with long-term incentives.

The component linked to the business performance is calculated for the Board of Directors based on the Balda Group's earnings before interest and tax (EBIT). Due to the volatile development of the market and the difficult environment that the Board of Directors faced, the payment of a one-off premium was agreed for the financial year 2010.

As a result of the temporary nature of employment contracts within the Board of Directors, no provision was made for an additional remuneration component with long-term incentives.

Remuneration report for the Board of Directors

Members of the Board of Directors were remunerated as follows for the financial year 2010:

2010 in EUR	Fixed remuneration	Performance-related remuneration	Fringe benefits	Remuneration with long-term incentives	Total
M. Sienkiewicz	334,183	189,574	59,802	0	583,559
R. Mohr	263,549	150,000	4,902	0	418,451
Total amount:	597,732	339,574	64,704	0	1,002,010

2009 in EUR	Fixed remuneration and gratuities	Performance-related remuneration	Fringe benefits	Remuneration with long-term incentives	Total
Total amount:	1,967,282	253,877	90,400	0	2,311,559
of which:					
M. Sienkiewicz	149,240	104,750	13,524	0	267,515
R. Mohr	103,696	78,563	2,262	0	184,520

Out of the fixed remuneration and gratuities during 2009, EUR 1,500k was attributed to gratuities.

Shareholdings of executive bodies

	31 December 2010	31 December 2009	Change
M. Sienkiewicz	0	0	0
R. Mohr	0	0	0
Board of Directors total	**0**	**0**	**0**
D. Kitzinger	49,000	14,000	35,000
M. Littlefield	0	0	0
T. Leonard	0	0	0
Chun-Chen Chen [1]	0	0	0
Yu-Sheng Kai[1]	0	0	0
Dr. M. Naschke[1]	21,000 [2]	0	21,000
Supervisory Board total	**70.000**	**14.000**	**56.000**

[1] Appointed on 25 May 2010 as member of the Supervisory Board.

[2] The shares were acquired by Dr. M. Naschke prior to assuming any duties within the Supervisory Board.

No other significant acquisitions or divestitures took place between the executive bodies in 2010.

Affiliated companies and holding companies (shareholdings)

The following is an illustration of the shareholding of Balda AG in its subsidiaries as at 31 December 2010.

Company	Head office	Shareholding	Amount of holding	Equity capital EURk	Annual profit or loss EURk
Balda Grundstücks-Vermietungs GmbH & Co. KG	Bad Oeynhausen	direct	100.00%	13,280	611
Balda Grundstücks-Verwaltungs GmbH	Bad Oeynhausen	direct	100.00%	26	-1
Balda Medical Verwaltungs-gesellschaft mbH	Bad Oeynhausen	direct	100.00%	12	-1
Balda Medical GmbH & Co. KG	Bad Oeynhausen	direct	100.00%	100	0
Balda Solutions Deutschland GmbH	Bad Oeynhausen	direct	100.00%	6,498	1,073
Balda Werkzeug- und Vorrichtungsbau GmbH	Bad Oeynhausen	direct	100.00%	623	-150
Balda Solutions USA, Inc.	Morrisville (N.C./USA)	direct	100.00%	261	118
Balda Investments Mauritius Ltd.	Mauritius	direct	100.00%	2,390	3,415
Balda Investments Netherlands B.V.	Amsterdam (Netherlands)	direct	100.00%	212,847	-84
Balda Investments Singapore Pte. Ltd.	Singapore	direct	100.00%	206,415	16,625
Balda Solutions (Suzhou) Ltd. via Balda Investments Singapore Pte. Ltd.	Suzhou (China)	indirect	100.00%	8,210	-9,066
BSSU Sales and Finance Ltd. via Balda Investments Singapore Pte. Ltd.	(British Virgin Islands)	indirect	100.00%	163	163
Balda Solutions (Beijing) Ltd. via Balda Investments Singapore Pte. Ltd.	Beijng (China)	indirect	100.00%	22,021	-1,238
BTO Technology (Beijing) Ltd via Balda Investments	Beijng (China)	indirect	100.00%	4,947	-313

Singapore Pte. Ltd. and Balda Solutions (Beijing) Ltd.					
Balda Solutions Malaysia Sdn. Bhd. via Balda Investments Singapore Pte. Ltd.	Ipoh (Malaysia)	indirect	100.00%	25,332	-4,708
Balda Technology MSC Sdn. Bhd via Balda Investments Singapore Pte. Ltd. and Balda Solutions Malaysia Sdn. Bhd.	Ipoh (Malaysia)	indirect	100.00%	0	66
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%	348	-244
Balda Capital Singapore Pte Ltd. via Balda Investments Singapore Pte. Ltd.	Singapore	indirect	100.00%	0	0

In accordance with § 285 (11) (4) of the German Commercial Code, Balda AG has a shareholding in TPK Holding Co. Ltd., George Town (Cayman Islands), and has 16.1% of voting rights.

Business transactions with associated companies and persons

Related parties are legal entities or individuals who can influence Balda AG, or are subject to control or significant influence by Balda AG.

Related party transactions are in particular concluded with subsidiaries. This relates to IT, service and financial transactions. All transactions are concluded based on market conditions.

Reproduction of notifications in accordance with § 26 (1) of the German Securities Trading Act

In the following part, notifications are reproduced in accordance with § 26 (1) of the German Securities Trading Act regarding the existence of a shareholding that was notified according to § 21 (1) of the German Securities Trading Act:

Balda AG/Publication of notification according to § 21 (1) of the German Securities Trading Act (shares)

On 6 January 2010, Max Gain Management Ltd. notified in accordance with § 21 (1) of the German Securities Trading Act that its share of voting rights in Balda AG was below the thresholds of 3, 5, 10, 15, 20 and 25 percent on 5 January 2010, and totalled 0 percent on that day. Balda AG, a Company that is quoted in the Prime Standard of the Frankfurt Stock Exchange, published this voting rights notification in accordance with §26 (1) of the German Securities Trading Act. In the course of this voting rights notification, the shareholder Max Gain Management Ltd., which previously held 29.99 percent of shares in Balda AG, has transferred its shareholding to Yield Return Investments Limited. Balda AG points out that this is an exclusive Group-based transfer within the Chiang family. The members of the Chiang family that are behind Yield Return Investments Limited are also the same ones that had indirect control of Max Gain Management Ltd.

The transfer therefore has no effect on the existing percentage ownership of the Chiang family in Balda AG.

Bad Oeynhausen, January 2010

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

Balda AG/Publication of notification according to § 21 (1) of the German Securities Trading Act (shares)

On 6 January 2010, Max Gain Management Ltd., Apia, Samoa, notified in accordance with § 21 (1) of the German Securities Trading Act that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, was below the thresholds of 3, 5, 10, 15, 20 and 25 percent on 5 January 2010, and totalled 0 percent (0 share certificates) on that day.

Bad Oeynhausen, January 2010

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

Balda AG/Publication of notification according to § 26 (1) of the German Securities Trading Act (shares)

On 22 September 2010, Senrigan Capital Group Ltd., 20 Pedder Street, Central, Hong Kong, notified us in accordance with § 21 (1) of the German Securities Trading Act that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, had exceeded the threshold of 3% of voting rights on 10 September 2010, totalling 3.18% on that day (corresponding to 1,703,365 voting rights).

Bad Oeynhausen, September 2010

Balda AG, Bergkirchner Str. 228, 32549 Bad Oeynhausen

Balda AG/Publication of notification according to § 26 (1) of the German Securities Trading Act (shares)

On 28 September 2010, Senrigan Capital Group Ltd., 20 Pedder Street, Central, Hong Kong, notified us in accordance with § 21 (1) of the German Securities Trading Act that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, had exceeded the threshold of 5% of voting rights on 17 September 2010, totalling 5.34% on that day (corresponding to 2,892,844 voting rights).

Bad Oeynhausen, September 2010

Balda AG, Bergkirchner Str. 228, 32549 Bad Oeynhausen

Balda AG/Publication of notification according to § 26 (1) of the German Securities Trading Act (shares)

On 5 October 2010, Kofler Ventures S.a.r.l., Luxembourg, Luxembourg, notified us in accordance with § 21 (1) of the German Securities Trading Act that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, had fallen short of the threshold of 5% of voting rights on 23 September 2010, totalling 4.74% on that day (corresponding to 2,564,499 voting rights).

Bad Oeynhausen, October 2010

Balda AG, Bergkirchner Str. 228, 32549 Bad Oeynhausen

Balda AG/Publication of notification according to § 26 (1) of the German Securities Trading Act (shares)

On 5 October 2010, Gruppe Georg Kofler GmbH, Munich, Germany, notified us in accordance with § 21 (1) of the German Securities Trading Act that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, had fallen short of the threshold of 5% of voting rights on 23 September 2010, totalling 4.74% on that day (corresponding to 2,564,499 voting rights). As a result, 4.74% (2,564,499 voting rights) shall be attributed to Gruppe Georg Kofler GmbH according to § 22 (1) (1) (1) of the German Securities Trading Act. By doing this, the attributed voting rights are held via Kofler Ventures S.a.r.l., Luxembourg.

Bad Oeynhausen, October 2010

Balda AG, Bergkirchner Str. 228, 32549 Bad Oeynhausen

Balda AG/Publication of notification according to § 26 (1) of the German Securities Trading Act (shares)

On 5 October 2010, Dr. Georg Kofler, Germany, notified us in accordance with § 21 (1) of the German Securities Trading Act that his share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, had fallen short of the threshold of 5% of voting rights on 23 September 2010, totalling 4.74% on that day (corresponding to 2,564,499 voting rights). As a result, 4.74% (2,564,499 voting rights) shall be attributed to Dr. Georg Kofler according to § 22 (1) (1) (1) of the German Securities Trading Act. The attributed voting rights are held by the following companies controlled by Dr. Georg Kofler, whose share of voting rights amounts to 3% or more: Kofler Ventures S.a.r.l., Luxembourg, and

Gruppe Georg Kofler GmbH, Munich, Germany.

Bad Oeynhausen, October 2010

Balda AG, Bergkirchner Str. 228, 32549 Bad Oeynhausen

Balda AG/Publication of notification according to § 26 (1) of the German Securities Trading Act (shares)

On 5 October 2010, Kofler Ventures S.a.r.l., Luxembourg, Luxembourg, notified us in accordance with § 21 (1) of the German Securities Trading Act that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, had fallen short of the threshold of 3% of voting rights on 1 October 2010, totalling 2.29% on that day (corresponding to 1,238,615 voting rights).

On 5 October 2010, Gruppe Georg Kofler GmbH, Munich, Germany, notified us in accordance with § 21 (1) of the German Securities Trading Act that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, had fallen short of the threshold of 3% of voting rights on 1 October 2010, totalling 2.29% on that day (corresponding to 1,238,615 voting rights). As a result, 2.29% (1,238,615 voting rights) shall be attributed to Gruppe Georg Kofler GmbH according to § 22 (1) (1) (1) of the German Securities Trading Act.

On 5 October 2010, Dr. Georg Kofler, Germany, notified us in accordance with § 21 (1) of the German Securities Trading Act that his share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, had fallen short of the threshold of 3% of voting rights on 1 October 2010, totalling 2.29% on that day (corresponding to 1,238,615 voting rights). As a result, 2.29% (1,238,615 voting rights) shall be attributed to Dr. Georg Kofler according to § 22 (1) (1) (1) of the German Securities Trading Act.

Bad Oeynhausen, October 2010

Balda AG, Bergkirchner Str. 228, 32549 Bad Oeynhausen

Balda AG/Correction of publication of notification according to § 26 (1) of the German Securities Trading Act (shares) dated 8 October 2010 at 3:04 p.m.

On 5 October 2010, Dr. Georg Kofler, Germany, notified us in accordance with § 21 (1) of the German Securities Trading Act that his share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, had fallen short of the threshold of 5% of voting rights on 23 September 2010, totalling 4.74% on that day (corresponding to 2,564,499 voting rights). As a result, 4.74% (2,564,499 voting rights) shall be attributed to Dr. Georg Kofler according to § 22 (1) (1) (1) of the German Securities Trading Act. The attributed voting rights are held by the following companies controlled by Dr. Georg Kofler, whose share of voting rights amounts to 3% or more: Kofler Ventures S.a.r.l., Luxembourg, and Gruppe Georg Kofler GmbH, Munich.

On 5 October 2010, Dr. Georg Kofler, Germany, notified us in accordance with § 21 (1) of the German Securities Trading Act that his share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, had fallen short of the threshold of 3% of voting rights on 1 October 2010, totalling 2.29% on that day (corresponding to 1,238,615 voting rights). As a result, 2.29% (1,238,615 voting rights) shall be attributed to Dr. Georg Kofler according to § 22 (1) (1) (1) of the German Securities Trading Act.

Bad Oeynhausen, October 2010

Balda AG, Bergkirchner Str. 228, 32549 Bad Oeynhausen

Balda AG/Publication of notification according to § 26 (1) of the German Securities Trading Act (shares)

On 12 December 2010, Quercus GmbH, Berlin, Germany, notified us in accordance with § 21 (1) of the German Securities Trading Act that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, had fallen short of the threshold of 3% of voting rights on 12 December 2010, totalling 2.95% on that day (corresponding to 1,598,218 voting rights).

On 12 December 2010, Dr. Thomas van Aubel, Germany, notified us in accordance with § 21 (1) of the German Securities Trading Act that his share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, had fallen short of the threshold of 3% of voting rights on 12 December 2010, totalling 2.95% on that day (corresponding to 1,598,218 voting rights). As a result, 2.95% of voting rights shall be attributed to him via Quercus GmbH, Berlin, Germany, according to § 22 (1) (1) (1) of the German Securities Trading Act.

Bad Oeynhausen, October 2010

Balda AG, Bergkirchner Str. 228, 32549 Bad Oeynhausen

Balda AG/Publication of notification according to § 26 (1) of the German Securities Trading Act (shares)

On 13 October 2010, Gruppe Georg Kofler GmbH, Munich, Germany, notified us in accordance with § 21 (1) of the German Securities Trading Act that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, had exceeded the thresholds of 3% and 5% of voting rights on 3 September 2008, totalling 5.54% on that day (corresponding to 3,000,000 voting rights).

As a result, 5.54% (3,000,000 voting rights) shall be attributed to Gruppe Georg Kofler GmbH according to § 22 (1) (1) (1) of the German Securities Trading Act. The attributed voting rights are held by the following companies controlled by Georg Kofler Gruppe GmbH, whose share of voting rights in Balda AG amounts to 3% or more:

Kofler Ventures S.a.r.l., Luxembourg

Kofler Ventures S.a.r.l. (previously: Fernseh Holding S.à.r.l.) was integrated into the Gruppe Georg Kofler GmbH. The difference in the share of voting rights (6.33%) notified by Kofler Ventures S.a.r.l. results from the fact that Balda AG increased its registered capital from EUR 47,387,088.00 to EUR 54,156,672.00 with effect from 20 December 2007 (date of entry in the commercial register). The total number of voting rights remains the same (3,000,000). Prior to the capital increase, the total of 3,000,000 voting rights corresponded to a share of voting rights of 6.33%; and corresponds to a share of voting rights of 5.54% following the capital increase.

Bad Oeynhausen, October 2010

Balda AG, Bergkirchner Str. 228, 32549 Bad Oeynhausen

Balda AG/Correction of publication of notification according to § 26 (1) of the German Securities Trading Act (shares) dated 15 October 2010 at 4:24 p.m.

On 8 October 2010, Gruppe Georg Kofler GmbH, Munich, Germany, notified us in accordance with § 21 (1) of the German Securities Trading Act that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, had exceeded the thresholds of 3% and 5% of voting rights on 3 September 2008, totalling 5.54% on that day (corresponding to 3,000,000 voting rights). As a result, 5.54% (3,000,000 voting rights) shall be attributed to Gruppe Georg Kofler GmbH according to § 22 (1) (1) (1) of the German Securities Trading Act. The attributed voting rights are held by the following company controlled by Georg Kofler Gruppe GmbH, whose share of voting rights in Balda AG amounts to 3% or more:

Kofler Ventures S.a.r.l., Luxembourg Kofler Ventures S.a.r.l. (previously: Fernseh Holding S.à.r.l.) was integrated into the Gruppe Georg Kofler GmbH. The difference in the share of voting rights (6.33%) notified by Kofler Ventures S.a.r.l. results from the fact that Balda AG increased its registered capital from EUR 47,387,088.00 to EUR 54,156,672.00 with effect from 20 December 2007 (date of entry in the commercial register). The total number of voting rights remains the same (3,000,000). Prior to the capital increase, the total of 3,000,000 voting rights corresponded to a share of voting rights of 6.33%; and corresponds to a share of voting rights of 5.54% following the capital increase.

Bad Oeynhausen, October 2010

Balda AG, Bergkirchner Str. 228, 32549 Bad Oeynhausen

Balda AG/Publication of notification according to § 21 (1) of the German Securities Trading Act (shares)

Balda AG hereby notifies that the total number of voting rights at the end of October 2010 totalled 58,890,636 voting rights.

Bad Oeynhausen, November 2010

Balda AG, Bergkirchner Str. 228, 32549 Bad Oeynhausen

Balda AG/Publication of notification according to § 21 (1) of the German Securities Trading Act (shares)

On 3 November 2010, Access Industries Holdings LLC, New York, USA, notified us in accordance with § 21 (1) in conjunction with § 22 (1) (1) (1) of the German Securities Trading Act that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, had exceeded the threshold of 3% of voting rights on 29 October 2010, totalling 3.53% on that day (2,076,300 voting rights out of approximately 58,890,636 voting rights). These voting rights are held directly by Access Industries Holdings LLC (§ 21 (1) of the German Securities Trading Act).

On 3 November 2010, Access Industries LLC, New York, USA, notified us in accordance with § 21 (1) in conjunction with § 22 (1) (1) (1) of the German Securities Trading Act that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, had exceeded the threshold of 3% of voting rights on 29 October 2010, totalling 3.53% on that day (2,076,300 voting rights out of approximately 58,890,636 voting rights). All voting rights shall be attributed to Access Industries LLC by Access Industries Holdings LLC, according to § 22 (1) (1) (1) of the German Securities Trading Act.

On 3 November 2010, Len Blavatnik, London, Great Britain, notified us in accordance with § 21 (1) in conjunction with § 22 (1) (1) (1) of the German Securities Trading Act that his share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, had exceeded the threshold of 3% of voting rights on 29 October 2010, totalling 3.53% on that day (2,076,300 voting rights out of approximately 58,890,636 voting rights). All voting rights shall be attributed to him according to § 22 (1) (1) (1) of the German Securities Trading Act. The attributed voting rights are held by him, via the following companies controlled by him: Access Industries LLC and Access Industries Holdings LLC is controlled by Access Industries LLC. Access Industries LLC is controlled by him.

Bad Oeynhausen, November 2010

Balda AG, Bergkirchner Str. 228, 32549 Bad Oeynhausen

Balda AG/Correction of publication of notification according to § 26 (1) of the German Securities Trading Act (shares) dated 5 November 2010 at 2:57 p.m.

Correction of voting rights notification according to § 21 (1) of the German Securities Trading Act (shares) dated 5 November 2010

On 3 November 2010, Access Industries LLC, New York, USA, notified us in accordance with § 21 (1) in conjunction with § 22 (1) (1) (1) of the German Securities Trading Act that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, had exceeded the threshold of 3% of voting rights on 29 October 2010, totalling 3.53% on that day (2,076,300 voting rights out of approximately 58,890,636 voting rights). All voting rights shall be attributed to Access Industries LLC by Access Industries Holdings LLC according to § 22 (1) (1) (1) of the German Securities Trading Act. Access Industries Holdings LLC is controlled by Access Industries LLC.

Bad Oeynhausen, November 2010

Balda AG, Bergkirchner Str. 228, 32549 Bad Oeynhausen

Balda AG/Correction: Publication of total number of voting rights in accordance with § 26a of the German Securities Trading Act

Balda AG hereby notifies that the total number of voting rights at the end of October 2010 totalled 58,198,536 voting rights.

Additional (voluntary) details:

This notice is a correction of the publication dated 2 November 2010

Bad Oeynhausen, December 2010

Balda AG, Bergkirchner Str. 228, 32549 Bad Oeynhausen

Balda AG/Publication of total number of voting rights in accordance with § 26a of the German Securities Trading Act

Balda AG hereby notifies that the total number of voting rights at the end of November 2010 totalled 58,890,636 voting rights.

Bad Oeynhausen, December 2010

Balda AG, Bergkirchner Str. 228, 32549 Bad Oeynhausen

Balda AG/Publication of notification according to § 21 (1) of the German Securities Trading Act (shares)

On 3 January 2011, Octavian Advisors, LP, New York, USA, notified us in accordance with § 21 (1) in conjunction with § 22 (1) (1) (1) of the German Securities Trading Act that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, had exceeded the threshold of 3% of voting rights on 29 December 2010, totalling 3.14% on that day (1,846,891 voting rights out of approximately 58,890,636 voting rights). As a result, 3.14% (1,846,891 voting rights) shall be attributed to it according to § 22 (1) (1) (6) of the German Securities Trading Act.

Bad Oeynhausen, January 2011

Balda AG, Bergkirchner Str. 228, 32549 Bad Oeynhausen

Balda AG/Publication of notification according to § 21 (1) of the German Securities Trading Act (shares)

On 3 January 2011, Richard Hurowitz, New York, USA, notified us in accordance with § 21 (1) in conjunction with § 22 (1) (1) (1) of the German Securities Trading Act that his share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, had exceeded the threshold of 3% of voting rights on 29 December 2010, totalling 3.14% on that day (1,846,891 voting rights out of approximately 58,890,636 voting rights). As a result, 3.14% (1,846,891 voting rights) shall be attributed to him according to § 22 (1) (1) (6) of the German Securities Trading Act.

Bad Oeynhausen, January 2011

Balda AG, Bergkirchner Str. 228, 32549 Bad Oeynhausen

Balda AG/Correction of publication of notification according to § 21 (1) of the German Securities Trading Act (shares)

Correction of publication dated 5 January 2011 in accordance with § 26 (1) of the German Securities Trading Act (regarding the voting rights notification of Octavian Advisors, LP). On 3 January 2011, Octavian Advisors, LP, New York, USA, notified us in accordance with § 21 (1) in conjunction with § 22 (1) (1) (1) of the German Securities Trading Act that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, had exceeded the threshold of 3% of voting rights on 29 December 2010, totalling 3.14% on that day (1,846,891 voting rights out of approximately 58,890,636 voting rights). The aforementioned share of voting rights shall be attributed to Octavian Advisors, LP in accordance with § 22 (1) (1) (6) of the German Securities Trading Act.

Bad Oeynhausen, January 2011

Balda AG, Bergkirchner Str. 228, 32549 Bad Oeynhausen

Balda AG/Publication of notification according to § 21 (1) of the German Securities Trading Act (shares)

On 7 January 2011, Octavian Global Partners, LLC, New York, USA, notified us in accordance with § 21 (1), § 22 (1) (1) (6) and § 22 (1) (2) of the German Securities Trading Act that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, had exceeded the threshold of 3% of voting rights on 29 December 2010, totalling 3.14% on that day (1,846,891 voting rights out of approximately 58,890,636 voting rights). The aforementioned share of voting rights shall be attributed to Octavian Global Partners, LLC in accordance with § 22 (1) (1) (6) in conjunction with § 22 (1) (2) of the German Securities Trading Act.

Bad Oeynhausen, January 2011

Balda AG, Bergkirchner Str. 228, 32549 Bad Oeynhausen

Balda AG/Correction of publication of notification according to § 21 (1) of the German Securities Trading Act (shares)

Correction of publication dated 5 January 2011 in accordance with § 26 (1) of the German Securities Trading Act (regarding the voting rights notification of Mr Richard Hurowitz). On 5 January 2011, Mr Richard Hurowitz, USA, notified us in accordance with § 21 (1), § 22 (1) (1) (6) and § 22 (1) (2) of the German Securities Trading Act that his share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, had exceeded the threshold of 3% of voting rights on 29 December 2010, totalling 3.14% on that day (1,846,891 voting rights out of approximately 58,890,636 voting rights). The aforementioned share of voting rights shall be attributed to Mr Hurowitz in accordance with § 22 (1) (1) (6) in conjunction with § 22 (1) (2) of the German Securities Trading Act.

Bad Oeynhausen, January 2011

Balda AG, Bergkirchner Str. 228, 32549 Bad Oeynhausen

Balda AG/Publication of notification according to § 21 (1) of the German Securities Trading Act (shares)

On 18 January 2011, Octavian Special Master Fund, LP, New York, USA, notified us in accordance with § 21 (1) of the German Securities Trading Act that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, had exceeded the threshold of 3% of voting rights on 13 January 2011, totalling 3.14% on that day (1,810,332 voting rights out of approximately 58,890,636 voting rights).

Octavian Special Master Fund, LP also stated in its notification that the aforementioned share of voting rights shall be attributed to Octavian Advisors, LP in accordance with § 22 (1) (1) (6) of the German Securities

Trading Act, to Octavian Global Partners, LLC (who controls Octavian Advisors) in accordance with § 22 (1) (1) (6) in conjunction with § 22 (1) (2) of the German Securities Trading Act, and to Mr Richard Hurowitz (who controls Octavian Global Partners, LLC) in accordance with § 22 (1) (1) (6) in conjunction with § 22 (1) (2) of the German Securities Trading Act. Mr Hurowitz, Octavian Global Partners, LLC and Octavian Advisors, LP have already notified the exceeding of the 3% threshold in separate notifications during the first week of January 2011.

Bad Oeynhausen, January 2011

Balda AG, Bergkirchner Str. 228, 32549 Bad Oeynhausen

Balda AG/Publication in accordance with § 26 (1) of the German Securities Trading Act (shares)

On 22 February 2011, Octavian Advisors, LP, New York, USA, notified us in accordance with § 21 (1) and § 22 (1) (1) (6) of the German Securities Trading Act that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, had exceeded the threshold of 5% of voting rights on 18 February 2011, totalling 5.09% on that day (3,000,000 voting rights). The aforementioned share of voting rights shall be attributed to Octavian Advisors, LP in accordance with § 22 (1) (1) (6) of the German Securities Trading Act. The voting rights attributed to Octavian Advisors, LP are directly held by Octavian Special Master Fund, LP, New York, USA.

On 22 February 2011, Octavian Global Partners, LLC, New York, USA, notified us in accordance with § 21 (1), § 22 (1) (1) (6) and § 22 (1) (2) of the German Securities Trading Act that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, had exceeded the threshold of 5% of voting rights on 18 February 2011, totalling 5.09% on that day (3,000,000 voting rights). The aforementioned share of voting rights shall be attributed to Octavian Global Partners, LLC in accordance with § 22 (1) (1) (6) in conjunction with § 22 (1) (2) of the German Securities Trading Act. The voting rights attributed to Octavian Global Partners, LLC are directly held by Octavian Special Master Fund, LP, New York, USA.

On 22 February 2011, Mr Richard Hurowitz, USA, notified us in accordance with § 21 (1), § 22 (1) (1) (6) and § 22 (1) (2) of the German Securities Trading Act that his share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, had exceeded the threshold of 5% of voting rights on 18 February 2011, totalling 5.09% on that day (3,000,000 voting rights). The aforementioned share of voting rights shall be attributed to Mr Hurowitz in accordance with § 22 (1) (1) (6) in conjunction with § 22 (1) (2) of the German Securities Trading Act. The voting rights attributed to Mr Hurowitz are directly held by Octavian Special Master Fund, LP, New York, USA.

Bad Oeynhausen, February 2011

Balda AG, Bergkirchner Str. 228, 32549 Bad Oeynhausen

Corporate Governance

The Declaration of Compliance for the German Corporate Governance Code that shall apply according to § 161 of the German Stock Corporation Act has been issued and has been made permanently available to shareholders along with the Company Management Declaration according to § 289a of the German Commercial Code. It is available to download at http://www.balda.de.

The management report of Balda AG for 2010 was combined with the management report of the Balda Group by applying § 315 (3) in conjunction with § 298 (3) of the German Commercial Code.

With respect to the auditor's fees, please refer to the notes to the consolidated financial statements of Balda AG under Point III.j.

Bad Oeynhausen, 8 March 2011

The Board of Directors

Rainer Mohr

Declaration by the board of directors

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

Bad Oeynhausen, 8 March 2011

The Board of Directors

Rainer Mohr

Independent Auditors' Report

We have audited the consolidated financial statements prepared by Balda Aktiengesellschaft, Bad Oeynhausen, - comprising the balance sheet, the income statement and statement of comprehensive income, the cash flow statement, the statement of changes in equity, segment report and the notes to the consolidated financial statements - and the group management report which has been combined with the management report of the parent company for the business year from 1 January to 31 December 2010. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB ("German Commercial Code") are the responsibility of the Company's board of Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's board of Directors, 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 Aktiengesellschaft, 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 11, 2011

Deloitte & Touche GmbH

Wirtschaftsprüfungsgesellschaft

signed	signed
(J. Wegner)	(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 group management report of Balda Aktiengesellschaft, Bad Oeynhausen, for the business year from 1 January to 31 December 2010. The maintenance of the books and records and the preparation of the annual financial statements and management report which has been combined with the group management report in accordance with German commercial law 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 Aktiengesellschaft, 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 report 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, 11 March 2011

Deloitte & Touche GmbH

Wirtschaftsprüfungsgesellschaft

signed	signed
(J. Wegner)	(R. Wegner)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Financial Calendar

17.03.2011	Annual press conference 2010
05.05.2011	Publication of first quarter results
27.05.2011	Annual general meeting in Bielefeld
04.08.2011	Publication of half-year results
03.11.2011	Publication of third quarter results

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PR Partner Societät für Öffentlichkeitsarbeit GmbH

Photography

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