



# Balda AG

Annual Report 2011

PRIME PLASTIC SOLUTIONS FOR  
MEDICAL AND ELECTRONIC PRODUCTS

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## Key Figures

### Continued operations

#### Previous year without TPK

in million euros	2011	2010
<b>Group revenues</b>	66.3	62.8
<b>Total operating performance</b>	70.9	74.5
<b>EBITDA</b>	-2,3	-8,8
<b>EBIT</b>	-6.0 <sup>1</sup>	-13.9
<b>EBIT margin (in percent)</b>	-8,5	-18,6
<b>EBT</b>	-0.8	117.8
<b>Net income</b>	-39.1	94.4
<b>Cash flow from operating activities</b>	3.7	-11.2
<b>Investments</b>	2.4	1.8
<b>Employees as of 31/12</b>	1,178	1,101
<b>Earnings per share (in euros) <sup>1</sup></b>	-0.665	1.72
<b>Proposed dividend (in euros)</b>	1.30	0
<b>Year-end share price (in euros, in Xetra)</b>	4.33	6.90
<b>Equity</b>	463.0	749.7
<b>Equity ratio (in percent)</b>	94,4	92,5

<sup>1</sup> refers to dividend-entitled number of shares as of 31/12/2011: 58.890.636 (2010: 58.890.636)

## Quality, technology, outstanding products

Our mission is world-class solutions in plastic and electronic products. We offer our customers innovative engineering and superior quality products. Fast and flexible services at competitive prices are our strengths. Our clients appreciate the close cooperation, as well as the simple and rapid flow of business. We create sustainable value for our employees, business partners and shareholders.

## Letter to the Shareholders

Dear Shareholders,

Overall 2011 was a year of unmet expectations for Balda. Our Group did make progress with its future realignment with the sale of the loss-making MobileCom segment; however, our operational performance was well below our own expectations. The reason for this was the disappointing performance of the Electronic Products segment. As a result the Group did not achieve the goal it had communicated to the capital market of reporting a positive consolidated Earnings Before Interest and Taxes (EBIT) in 2011. Instead the EBIT remained negative at minus 6.0 million euros. Consolidated sales, adjusted for the former MobileCom segment, reached 66.3 million euros, an increase of around 6 percent compared to the previous year's adjusted figure.

In the past year Balda's operational business again failed to return to profitability. The performance of the two business divisions was mixed. Business in the Medical segment was positive with a growth in sales of 45.0 percent to 39.9 million euros. Medical technology was, measured by sales, for the first time the biggest Group segment in the 2011 financial year. The segment's earnings (EBIT) were at 2.7 million euros 14.3 percent up on the previous year. Balda Medical is technologically very well positioned, has a stable customer base and enjoys an excellent reputation in its markets.



Dominik Müser  
(CEO)

However, business performance in the Electronic Products segments was anything but satisfactory. Our Malaysian subsidiary's EBIT remained very negative; sales fell by 25.1 percent to 26.5 million euros. This was partly due to external reasons over which the company had no influence. The nuclear and earthquake disaster in Japan and the floods in Thailand in the first half of the year resulted in a shortfall in the supply of electronic components, and this significantly reduced Balda's production and sales volumes. However, significant shortcomings were also revealed in the structures and processes in the year under review. Following the loss of a major customer, the segment failed to adapt to the reduced level of business, and as a result production capacity in Malaysia is at present not fully utilised. Devaluations were already considered in the previous year. The consequence is a high cost structure, which has a significant negative impact on Balda.

What is certainly positive is that we managed to sell the loss-making MobileCom business in 2011. The efforts to restructure the mobile phone business did not achieve the desired outcome. The resumption of mass production in the new plant in Beijing foundered on the failure of orders promised by a customer to materialise. With the sale of the segment, the Balda Group has brought to an end its original core business of producing assemblies for mobile phone manufacturers. This strategically correct step resulted in a final liability in the result of discontinued business divisions in the 2011 consolidated financial statements. This is also the reason why, at the final count, Balda closed the past year with a consolidated loss of 39.1 million euros.

An important question for our company is without doubt what to do with our non-strategic holding in the touchscreen manufacturer TPK Holding Co. Ltd. This shareholding represents by far the greatest asset item in our balance sheet. After the successful IPO in October 2010 in Taiwan and the share price's initially very pleasing performance, TPK's share price, which for a time had been more than 900 Taiwanese dollars (TWD), fell significantly in the second half of 2011. At the end of the year it was 395 TWD per share; converted into euros, Balda's holding was therefore worth around 380 million euros.

Although in 2011 no TPK shares were sold due to negative price performance, amongst other reasons, in the current year we have advanced strongly in this area. After a price upswing at the start of 2012, on 24 February the first packet of 20 million TPK shares was sold at a price of 472 TWD per share. This equates to proceeds of around 238 million euros converted, thus reducing our investment in TPK holding from 16.1 percent to 7.6 percent. We are also planning to sell the remaining shareholding in a value-optimised manner, but are in no rush to do so.

The Board of Directors and Supervisory Board agree that you as shareholders should participate appropriately and as generously as possible in the attractive proceeds of the sale with the payment of a special dividend.

For this reason at the ordinary, general annual meeting on 11 May 2012, which resolves upon fiscal year 2011, we are going to offer a dividend of 1.30 euros per share. In this way 76.6 million euros would represent the dividend payout from the available net profit of fiscal 2011 of Balda AG totalling 79,7 million euros. The decision shows that even on this matter we follow our announcement with efficient actions.

Dear shareholders,

The new Board of Directors, which has been in office since 1 January 2012, has a clear mission: We want to develop Balda into a plastic processing company whose business segments record sustainable growth, generate positive results and as a result provide you as shareholders with an appropriate return on your investment. This is the goal by which we will be measured. What needs to be done on the way? The Balda Medical segment's performance has been satisfactory in recent years. We are, as a system provider of customer-specific healthcare solutions a valued and competent partner for our customers. The challenge now is to expand the business and to develop its international position. This involves accompanying customers on their steps abroad and supplying them locally. In view of the product quality offered by Balda Medical, the chances of us growing with our customers in this way are good.

Acquisitions may also help us here, provided they bring Balda Medical forward strategically and, in terms of scale, can be managed financially and operationally. We are monitoring the market very closely for possible target companies, but are not under any time pressure to make an acquisition.

In the Electronic Products segment a range of measures were initiated and in some cases already implemented at the start of this year in order to significantly reduce fixed costs, improve processes and ensure customer satisfaction. We will align the business so that we can gain new customers and widen significantly the customer base, which is too narrow. My colleague on the Board of Directors, James Lim, will attend to this important restructuring locally in Malaysia. Under his leadership, Balda Malaysia has already been performing successfully for many years.

The sale of our holding in TPK is also to be viewed in the context of the challenges facing the operational business, because we have the opportunity to shape Balda's future with a share of the proceeds from the sale of this very valuable holding. This is a very comfortable situation compared to many other companies that are currently in a phase of restructuring and reorientation. Balda, however, is financially a very healthy company with an equity ratio of more than 90 percent, no significant financial debts and good liquidity.

We consider 2012 to be a year of transition. We have no time to lose, as Balda must not be allowed to live off its reserves. For the current year we expect at Group level, based on the current investment portfolio, sales to remain roughly the same and another negative EBIT. Consolidated earnings will, by contrast, be affected by the high proceeds from the sale of the TPK packet of shares in February, and as such a very healthy consolidated profit is expected.

In the first few weeks of 2012 Balda was frequently in the headlines due to the attempt of the minority shareholder Octavian Special Master Fund L.P. to remove the members of the Supervisory Board and replace them with their own candidates. The Extraordinary General Meeting called at the request of Octavian on 8 February 2012 confirmed all of the incumbent Supervisory Board members with a clear majority and a high presence of 77 percent of the share capital. This clear vote by the shareholders must be respected.

Notwithstanding this, it is in the interest of our company that the accusations made by Octavian are looked into by a neutral body. Immediately after the Extraordinary General Meeting the Board of Directors therefore, with the agreement of the Supervisory Board, instructed the auditing company Hengeler Müller to conduct a special audit. The object of the audit is the question of whether the Balda AG's executive bodies can be accused of wrongdoing in relation to the efforts to sell shares of the holding in TPK Holding in 2011 and whether as a result

the company and the shareholders have suffered losses. The results are to be presented at the Annual General Meeting in May 2012.

I hope very much that the special audit will restore the necessary transparency and necessary trust so that Balda can concentrate solely on its future as quickly as possible.

For one thing is clear: our Group must become sustainably profitable as quickly as possible and grow to a new dimension. This task is ambitious, but achievable. I am sure that all of the employees in our Group feel committed to these objectives and will be accordingly dedicated; I also take this opportunity to thank them for the work they have done in the past year. I would like to thank you, our shareholders, for your confidence. We will do everything to justify it.

With kind regards,



Dominik Müser

Chief Executive Officer

## Report of the Supervisory Board

Dear shareholders,

During the reporting year, the Supervisory Board advised the Board of Directors 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**

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 comprehensively 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 Section 90 of the German Stock Corporation Act.

The Supervisory Board held a total of fifteen meetings during the reporting year, of which ten were done via telephone conference. At thirteen meetings of the Board, every member of the Supervisory Board was present. The Board used the circulation procedure to make eight decisions. The Supervisory Board did not form any committees in the year under review. A number of transactions that required approval were presented to the Supervisory Board for resolution, and the individual transactions were approved or rejected by it following their consideration and assessment.

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. At its meeting on 28 November 2011, the Board approved of the changes in the Risk Management Manual, which were made with the objective of optimising risk management.



Against the backdrop of the difficult business situation in the year under review, the Supervisory Board was able to get a comprehensive idea about the measures to strengthen profitability, especially about the expansion and development of markets as well as the possibilities of optimising the cost structures in the segments of the Company.

### **Focus of activity**

The Supervisory Board was once again involved in the reorganisation of the Balda Group in the 2011 financial year. The possible sale of the shares held in TPK Holding Co., Ltd. (TPK) was part of this field of topics in particular. Other topics included the critical situation in the MobileCom segment and plans for a sale that was completed in the second half of the year. Alongside the ongoing conversion of the Electronic Products segment, the further strengthening of the Medical segment, including the possibility of an acquisition, repeatedly constituted the topic of discussions.

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.

During the meeting of 25 January 2011, the Supervisory Board approved the 2011 budget. The approval of the resignation of the Chairman of the Board of Directors, Michael Sienkiewicz, as at 16 February 2011 and the appointment of Rainer Mohr as sole member of the Board of Directors, as at 16 February 2011 constituted the subject of the meeting of the Supervisory Board on 15 February 2011.

Four weeks later, the Board approved the 2010 annual financial statements and the 2010 consolidated financial statements. Concurrently, due to the issuing of a TPK convertible bond, a possible extension of the holding period for fifty percent of the TPK shares held by Balda, which ended in late April 2011, was discussed. The extension of the holding period by 90 days was approved using a circulation procedure on 11 April 2011.

At the meeting held on the occasion of the Annual General Meeting of Balda AG on 27 May 2011, the intended expansion of business in the Medical segment was discussed; it was decided to press ahead with it only once a solution of the situation in the MobileCom segment was found.

The Supervisory Board advised on the formalities and courses of action in terms of the intended sale of the TPK shares at the meetings on 25 and 26 June 2011.

A possible sale of the TPK shares was also discussed at the meetings on 14 July and 11 August 2011. On the basis of the proposals submitted by the Board of Directors, the Supervisory Board decided not to approve the sale of shares.

The possible sale of TPK shares was again the topic of discussion at the meetings on 28 and 29 September 2011. The Board agreed to the proposal of the Board of Directors that Balda itself should, along with TPK, participate in a joint placement for the sale of TPK shares via a global depository receipt (GDR). Furthermore, the Supervisory Board had itself informed about the sales process of the MobileCom segment that had commenced. In this context, draft contracts for the sale of the segment were discussed at another meeting on 20 October 2011, and the Board of Directors was requested to continue contract negotiations. Using a circulation procedure, the Supervisory Board approved the sale of the MobileCom segment on the basis of final contracts on 30 October 2011.

The possible sale of the TPK shares was again discussed in a telephone conference on 31 October 2011.

Using a circulation procedure, the transfer of the property in Bad Oeynhausen in the form of a merger of Balda Medical GmbH & Co. KG and Balda Grundstücks-Vermietungs GmbH & Co. KG was approved.

The discussion about a possible disposal of TPK shares was again on the agenda of the Supervisory Board in a telephone conference on 9 November 2011.

The Supervisory Board discussed the current business situation in all segments on 28 November 2011; the Board of Directors also presented to the Supervisory Board the budget for the 2012 financial year. The discussion on Balda's further strategy focused on the future of the Medical segment. The Board approved a possible repurchase of own shares.

The Supervisory Board dealt with possible successors of the sole member of the Board of Directors, Mr Mohr, at its meeting on 19 December 2011.



The Supervisory Board accepted the resignation of the sole member of the Board of Directors, Rainer Mohr, and appointed Dominik Müser and James Lim as new members of the Board of Directors of Balda AG at the meeting on 29 December 2011.

### **Reduction of the Supervisory Board**

With an amendment of the company's statutes, the Annual General Meeting decided on 27 May 2011 to reduce the Supervisory Board of Balda AG from six to three members in order to strengthen a more efficient cooperation. The reduction was the result of a discussion within the Supervisory Board about the efficiency of its own activity.

Dr. Michael Naschke, lawyer and partner in the law firm of Naschke & Partner, Berlin (previously: lawyer and partner in the law firm of van Aubel & Partner, Berlin) and Yu-Sheng Kai, Managing Director of Eternal Union International Limited, Hong Kong, residing in Taipeh, Taiwan, and Chun-Chen Chen, Chairman of the Board of TVM Corporation and Touch Video Monitor Corporation, Taipeh, Taiwan, remained members of the Supervisory Board of the Company. In its meeting on 24 June 2011, the Board appointed Dr. Michael Naschke as Chairman. Dr. Michael Naschke is likewise the representative for accounting practice and accounting issues in the Supervisory Board of Balda AG (financial expert pursuant to Section 100, Paragraph 5 of the German Stock Corporation Act). The members of the Supervisory Board Dino Kitzinger, Mark Littlefield and Thomas J. Leonard resigned from the Supervisory Board. The Supervisory Board expresses its gratitude to the resigned members for their committed and constructive work.

The current term of office for the Supervisory Board members elected in 2010 ends with the Annual General Meeting, which shall approve actions for the 2012 financial year.

### **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. The Chief Financial Officer (CFO) Rainer Mohr assumed the duties of Chairman of the Board of Directors on 16 February 2011 and became sole member of the Board of Directors and CEO of Balda AG. He resigned from his office on 29 December 2011 as of 1 January 2012 due to different strategic ideas, in agreement with the Supervisory Board.

### **Corporate Governance Code**

In July 2011, the Supervisory Board decided on changes in the Declaration of Compliance according to Section 161 of the German Stock Corporation Act for the German Corporate Governance Code, as amended on 26 May 2010. The Board of Directors and the Supervisory Board agreed on the Declaration of Compliance accessible on the Balda Web site under Investor / Relations / Publications / Corporate Governance, including the deviations from the code presented therein. 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**

In the period under review, there were no conflicts of interest.

### **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 27 May 2011, was commissioned by the Supervisory Board to audit the 2011 financial statements and the 2011 consolidated financial statements of Balda AG. The annual financial statements were prepared in accordance with the principles of Sections 242 to 256 of the German Commercial Code, Sections 264 et seq of the German Commercial Code and the German Stock Corporation Act; the consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the various provisions under commercial law that are to be applied in addition according to Section 315a (1) of the German Commercial Code. The auditor has audited the 2011 financial statements and the 2011 consolidated financial statements along with the combined management report of Balda AG and the Company, 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. At its meeting on 29 March 2012, the Supervisory Board has discussed these documents along with the Board of Directors and the auditor. 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, the Chairman of the Supervisory Board, Dr. Michael Naschke, also in his role as the Supervisory Board member responsible for accounting practice and accounting issues, together with the auditor and the Board of Directors, have dealt in great depth with the annual financial statement documents already on 1 March 2012 and explained the results to the rest of the Supervisory Board members prior to the meeting on 29 March 2012.

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 has been correctly shown by the Board of Directors in the combined management report 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 the completion of the inspections by the Supervisory Board, no objections are to be raised. The Supervisory Board approved the annual financial statements and consolidated financial statements prepared by the Board of Directors for the 2011 financial year. The annual financial statements were thus established on 29 March 2012.
- Upon own examination, the Supervisory follows the profit entitlement proposed by the Board of Directors.

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 2011 financial year. The Supervisory Board would also like to thank our shareholders for their interest in our Company and the trust placed in us.

Bad Oeynhausen, 29 March 2012

For the Supervisory Board



Dr. Michael Naschke

(Chairman of the Supervisory Board)

## The Balda Group

Innovation, technology, quality, processes and employees: factors for the success of Balda AG

The Balda Group built on its competitive strengths in its continued business divisions in the 2011 financial year. Innovation, technology, processes and the skills of employees were also the subject of continual improvement. These unquantifiable factors are competences that are particularly relevant to the success of the Group and have strategic priority in the Group's business policy. They are also known as "soft factors" or "intangibles" and are the responsibility of Balda AG's CEO. Their development is recorded and controlled in the segments and in the holding company.

### **Restructuring of the Group**

The following can be summarised for the Balda Group: Since June 2011 the MobileCom segment has been a discontinued business division. The reason for this decision was the continuing negative performance of the segment due to the intensive price competition in the mobile phone market. No significant progress was made in processes and quality in the first few months of 2011 despite the intensive efforts of Balda's management. The resumption of mass production in the production plant in Beijing foundered on the failure of orders promised by a customer to materialise. In addition to this, the segment's negative earnings situation was having a negative impact on the earnings of the Balda Group. As a result of this development, Balda sold the MobileCom segment at the start of December 2011.

Balda Medical continued to perform positively in the 2011 financial year. The segment closed the financial year with a up on last year in terms of sales performance and EBIT. The company focused on the continual development of the factors for success, i.e. on innovation, technology, quality and employees. The segment also made significant progress with processes in development and production.

The Electronic Products segment did not achieve its strategic targets in 2011. The specific value drivers for Balda were also applied here in the period under review.

The subsidiary in the USA supports the Group particularly in market research and sales. The US company belongs to the Central Services segment.

## Medical segment: Strong basis for growth

Development and production of intelligent solutions for the pharmaceutical, diagnostics and medical technology markets

The Medical segment develops and produces on behalf of well-known pharmaceutical, diagnostics and medical technology companies. Balda Medical is today one of the quality leaders in the manufacture of complex plastic products and system solutions for the global healthcare market.

### **The market and customer preferences**

The healthcare market, which includes the pharmaceutical, diagnostics and medical technology segments relevant to Balda Medical, is a growth market worldwide. Compared to other markets it is fairly unaffected by economic fluctuations and grew in the 2011 financial year by around 6 percent. The major drivers of this growth are the rising demand for innovative products and forms of therapy, rising health awareness, persistent cost pressure in the healthcare sector and a steadily rising share of older people in western industrialised societies. The global supplier market for plastic medical technology products has high barriers to entry. The market participants are recruited from a handful of global companies and numerous highly-specialised niche suppliers. Supplier and customer relationships are mostly long term. Customers expect from their supply partners concentration on clear core competences, profitable solutions along the process chain and increasing expertise for customised solutions. Efficient quality management and certification for processes, health and safety as well as the environment are also highly regarded. In addition to these requirements, Balda Medical covers the entire value chain from development to supplying customers.

### **Complex plastic system solutions**

Since it was established in 2002, innovation, technology and quality in development and production have been Balda Medical's key competitive strengths. The company's core competences comprise the design, development, industrialisation and production of high-quality assemblies, systems and packaging. Balda Medical's plastic technology, with its range of design options using different materials, makes an essential contribution to innovative and profitable solutions for customers. The company possesses know-how of material properties of various plastics that has been gained over many years. The experts in Bad Oeynhausen quickly identify the opportunities and limitations of a product design and the mechanical interactions of the material.

### **The development process**

Product life cycles in the medical technology market range between 3 and 20 years. They require a holistic consideration of the cycle. Each individual phase of the cycle is treated as an individual project by Balda Medical. These phases are broken down into: definition/quote, development, industrialisation, production and finally the end-of-life phase. For the organisation of deadlines, costs and the realisation of the planned quality, the company relies on well-educated employees and high methodological competence. On top of this, Balda Medical possesses an array of measurement technologies. They are a key element for ensuring product quality. Key factors for the success of a product are its design, technical feasibility, stable production processes and cost-effective production. Interdisciplinary teams work from the start of the product development process intensively on these parameters. After the order is placed, the project management team carefully coordinates internal processes and interests. The customer is involved in the process from the outset. With this integrated approach, the experts of Balda Medical make the product a success both technologically and financially.

### **Precision in the production process**

From product development to delivery to the customer, Balda Medical offers a wide range of know-how and production expertise. The company manufactures high-precision tools, which are the basis for the production of first-class plastic products. The tools are serviced and repaired in the company's own tool and mould workshop. One of the company's core competences lies in the manufacture of components in high volumes in injection moulding processes. 55 injection moulding machines manufacture plastic components with high process capability and precision. Balda Medical provides its customers with all of the technologies for products that are fit for the future. The injection moulding processes used by Balda Medical include all state-of-the-art methods: multi-component injection moulding, film back injection moulding (IMD, IMF), injection embossing and assembly injection moulding (insert and outsert).

By the end of 2011 Balda Medical had expanded its clean room capacity at the site in Bad Oeynhausen by 50 percent to 2,500 m<sup>2</sup>. The segment will start production of new project orders for disposable diagnostic and pharmaceutical items in 2012.

The Medical segment offers the customer everything from one source and in so doing aims to achieve the maximum level of added value. Balda Medical prepares customised production concepts based on specifications provided by the customer, including the surface engineering, the assembly and where required the packaging, in an integrated process.

### **Functional surface engineering**

For the end customer, the design, including its surface and feel, is a key criterion for the acceptance and use of a medical technology device. Balda Medical integrates surface engineering into the existing manufacturing or assembly process. The respective technology is chosen taking into account aesthetic considerations, the properties of the materials used and its cost effectiveness. Pad printing is used as an indirect method for printing symbols and scales. This process is particularly suited for printing on plastic objects. The embossing process is predestined for highly decorative surfaces and shiny items. Balda Medical decorates flat surfaces with the hot embossing process. For curved shapes and transparent, scratch-resistant areas IMD technology is used.

Balda Medical also performs in part fully automated assembly and packaging in various processes at a high and reliable level.

### **Highly-qualified team**

It is not the methods and technologies that are crucial for the implementation of high-quality processes, it is the company's highly-qualified employees. They control the processes. Their expertise and ability to continually learn are essential for the success of the company. Constant education and training provide additional motivation and keep their know-how up to date. As of the end of the 2011 financial year, Balda Medical employed 220 people (previous year: 204 people). 17 of these were engineers. Further information on the employees of the Medical segment can be found in the "Employees" chapter in the management report.

### **Diverse product range**

Balda Medical is valued by its customers particularly as a partner for system solutions. The products are distinguished by their creativity and user benefits as well as reliability and quality. Balda Medical's product portfolio includes various medical technology devices, disposable products, pharmaceutical packaging, drug delivery systems and functional assemblies.

Trends in the medical technology sector are currently increasing functionality, miniaturisation and digitalisation. In addition to this, the growing self-care of patients requires devices, which impress with a combination of design, functionality and high-quality appearance. Rising cost pressure in the healthcare sector is also making cost-effective solutions necessary. Balda Medical manages to efficiently integrate these requirements.

Balda Medical's product range includes:

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

### **Quality has priority**

At Balda Medical the manufacture of products for the healthcare market is subject to the highest quality and safety standards for the wellbeing of patients and the protection of employees. At Balda Medical quality assurance is divided into quality planning and quality control. Quality planning defines the necessary targets in the early project phase. In the production phase the company's employees check in quality control whether the actual quality is in line with the quality required. In addition to this, the complex quality management system is the subject of regular internal audits and certification by external organisations.

Balda Medical's quality management system is based on various certification standards: ISO 9001, ISO 13485 and the standard for primary packaging materials DIN EN ISO 15378. It meets the requirements of Annex II of the Council Directive 93/42/EEC concerning medical devices and the requirements of the cGMP of the FDA.

Balda Medical has also installed an integrated management system for health, safety and the environment (HSE) in accordance with BS OHSAS 18001 and DIN EN 14001. Balda Medical's environment policy aims above all to achieve the efficient and environmentally-friendly use of resources and a reduction in emissions. The company ensures that the respective environmental laws and legal regulations are strictly complied with and that a high level of sustainability and safety is achieved for man and the environment. TÜV Rheinland certified the management system in the 2011 financial year.

Since 9 September 2011 Balda Medical has also held the status of "Authorised Economic Operator". The company is therefore considered to be particularly reliable and trustworthy. It will in future enjoy numerous benefits in the area of international trade. The AEO-F certificate is the highest version of the security seal awarded by the customs authorities. It covers both the security-related conditions of AEO-S (Security) and the customs simplifications of AEO-C (Customs).

Balda Medical has within a few years developed a strong and sustainable base for future growth.

## Electronic Products segment: Complete electronic products from one source

The Electronic Products segment both develops and produces innovative electronic systems and devices. The customers of the company based in Ipoh, Malaysia, are international communications and consumer electronics companies

The segment possesses competitive technological strengths and high innovation potential, supported by qualified employees. With state-of-the-art machinery and equipment, the company produces plastic systems in a production area of over 30,000 m<sup>2</sup> and integrates self-produced and purchased electronic components.

### Product portfolio

The segment produces the following products:

- Bluetooth headsets for mobile phones and MP3 players with excellent audio engineering and a longer battery life
- Stations for mobile phones and tablet computers for playing music and charging batteries
- Infra-red fibre optics
- 3D glasses for optimal depth effect of video motifs
- Compact stereo headsets which filter out most background noise
- Digital camera housing for the global brand manufacturer Canon

Special capabilities in the area of acoustics are among the segment's competitive strengths highly valued by customers. A highlight is the laboratory developed for acoustic tests. The result is earphones and headphones for mobile end devices. The segment is also distinguished by its special expertise in Bluetooth connection technology, the construction of semi-conductors and the production of complete camera housings. The segment's range of services also includes mechanical design, tool-making, injection moulding and common surface technologies. The company is continually optimising its production processes. Production based on the "Lean Sigma Method" is cost effective and efficient. It creates added value in the long term.

Electronic Products' customers include global companies such as Canon, Sony Ericsson, Panasonic, HTC, Plantronics, X6D and EMS. The segment will continue to systematically diversify its product range in 2012.

### Research and innovation

The Electronic Products segment has the status of a research company in Malaysia and is exempt from paying corporation tax. The segment's research topics include:

- Bluetooth technology
- Semi-conductors
- Optimisation of acoustic technology
- Software for own products
- The broad development of efficient production processes: tool-making, injection moulding, surface engineering, assembling
- New project management methods, including with external partners

### Employees

At the end of the past financial year, 942 people were employed in the Electronic Products segment (previous year: 874 people). At the site in Ipoh the company employed 79 engineers. 25 were working in research and development, 819 were working in production and 98 were working in sales as well as administration. The composition of the workforce underlines the above-average engineering potential of Electronic Products. Further information on the workforce can be found in the "Employees" chapter in the management report.

### **Quality management**

Customer specifications and expectations determine production and the products developed by Electronic Products. The parameters of the project to be realised are set from the outset in close consultation with the customer. Based on the technology and quality identified, the product is developed in further steps.

By intensively and continually exchanging information with customers throughout the development phase, the specialists in the Electronic Products segment design the process systematically and expediently. Electronic Products' processes are improved continually and are certified in accordance with the quality management standards of ISO 9000 ff.

In particular design, longevity and self-explanatory operation of the product were the subject of customer specifications in the past financial year. 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 were also important customer requirements. Electronic Products' quality management system integrates the requirements of customers into the overall process and in so doing ensures the best possible implementation of these.

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

In the past financial year the experts of Balda USA continued to monitor trends in the medical technology and electronic communications sectors for new products in North America, the world's leading market. Balda USA keeps those responsible for development in the Medical and Electronic Products segments informed of innovations, and in so doing assists in development issues in the manufacturing segments.

The representation in Morrisville, North Carolina, is primarily active though in sales for the Balda Group.



## Balda Share

Debtproblem leads to worldwide price loss.

The devastating impact of the earthquake in Japan, the unrest in Arab countries and the renewed concerns regarding the European debt crisis resulted in heavy losses in share markets worldwide at the beginning of 2011. Therefore the indexes could already recover quickly from the drop in price at the end of the first quarter. In the second half of 2011, the worsening European and US debt crises and the subsiding economic momentum of the world economy then depressed the mood of international stock markets. This development resulted in a heavy fall in share prices. The downgrading of European banks and countries by the ratings agencies led to a further fall in prices. It was not until the end of the year that international share markets were given fresh impetus by positive economic data from the USA and the hope that the eurozone would be effectively managed.

### German share indexes dropped sharply

The leading German index DAX ended the year on 5,898 points, representing a decrease over the year of 15.5 percent (opening price 2011: 6,973 points). The SDAX Small Cap Index, in which the share of Balda AG is listed, experienced a similar development. It has lost 824 points (down 15.7 percent) since the start of the year and was on 4,421 points on 31 December 2011.

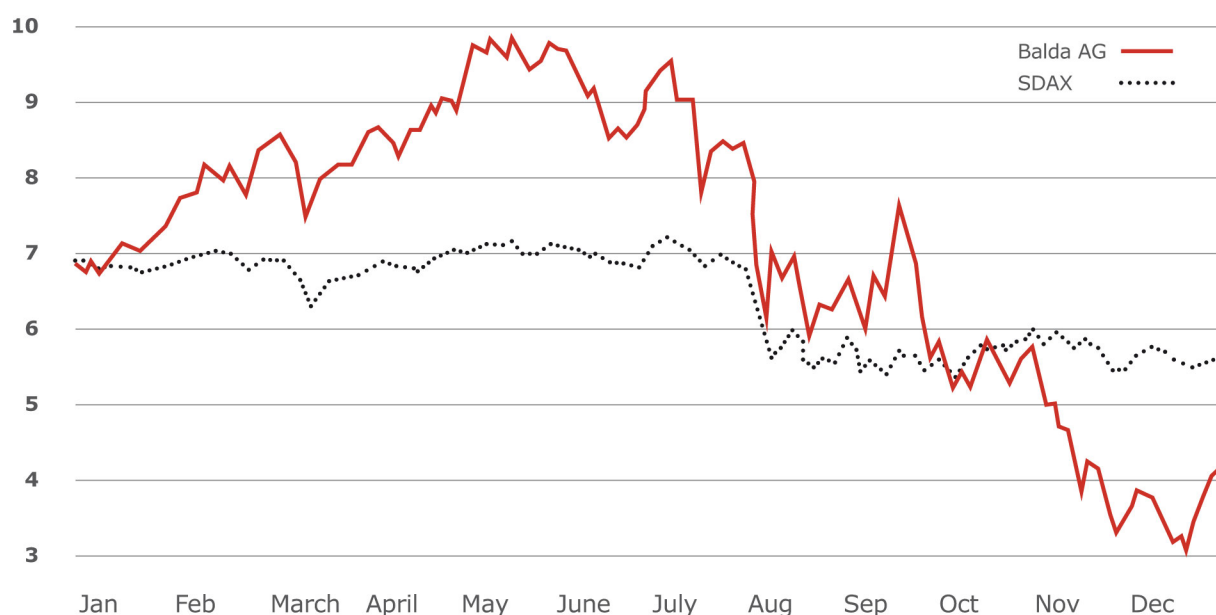
Balda AG's shares were also unable to escape the downswing in the stock markets. The shares started 2011 with a value of 6.81 euros. The twelve-month high of the Balda share was 9.89 euros on 19 May 2011. Its low was 3.12 euros on 12 December 2011. The shares ended 2011 at 4.33 euros on the Xetra trading platform. The shares thereby recorded a fall in price of around 36.4 percent over the year.

The average trade volume of Balda shares over the 257 trading days of 2011 reached 397,230 units per day (previous year: 558,205 shares). The annual volume was 102.1 million shares following 142.92 million in the previous year. The market capitalisation of Balda AG was around 255 million euros as of 31 December 2011, based on 58,890,636 shares and a price of 4.33 euros. At the end of the previous year, the stock exchange value for the same number of shares at a year-end price of 6.90 euros was 406.3 million euros (all figures based on Xetra prices).

TPK, in which Balda held 16.1 percent of shares at year-end, opened the trading year at a price of 670 TWD (around 17.6 euros). The TPK share price was 395 TWD (around 10.4 euros) when trading closed on 30 December 2011. For the year as a whole, the TPK share recorded a loss of 275.5 TWD (around 7.2 euros). The value of Balda's holding in TPK reached around 382.3 million euros at the end of the year.

### Development of share price January - December 2011

in euro



## Shareholder structure

The interest in the Balda share was large in 2011. In June 2011, the Senrigan Capital Group, headquartered in Hong Kong held 5.09 percent of voting rights in Balda AG. Octavian Special Master Fund, headquartered in New York, USA, reported a 5.22 percent share of voting rights in the company in August 2011. During the course of the fourth quarter of 2011 two further institutional shareholders reported a share of voting rights: Weiss Asset Management from the USA with 5.04 percent and RoundKeep Capital Advisors, Illinois, USA, with 5.59 percent.

With 27.6 percent of the voting rights, Yield Return Investments remains the largest shareholder in the company. The free float (calculated based on the definition of the German stock exchange) added up to around 51.33 percent on 31 December 2011.

Shareholder structure as at 31/12/11 based on voting rights announcements in accordance with WpHG

Freefloat	51.33 percent
Yield Return Investments	27.6 percent
RoundKeep Capital Advisors	5.59 percent
Octavian Special Master Fund	5.22 percent
Senrigan Capital Group	5.09 percent
Weiss Asset Management	5.04 percent
Supervisory Board	0.13 percent

## Ordinary Annual General Meeting

Almost all of the resolutions for the ordinary Annual General Meeting on 27 May 2011 reached the necessary majority. The shareholders allowed the proposed capital measures according to agenda item 6 (authorisation of expenditure on convertible and/or option bonds). Agenda item 7 (cancellation of existing and creation of new authorised capital) with a time horizon to 2016 was not approved, however. The 270 shareholders represented accounted for around 50 percent of the capital with voting rights.

## Investor Relations

The open communication with investors, journalists and analysts is part of daily business for Balda AG. In the year under review, the management met fund managers and analysts at roadshows in the international financial centres of Frankfurt, London and New York. The media were informed of the company's performance at press conferences and in press releases. Additionally, Balda actively communicated on relevant social media channels such as Facebook and YouTube in 2011. The Group also advises of its publications and provides compact information on current news in the short message service Twitter.

## Overall economic development

Global economy loses impetus.

The global economy has slowed noticeably in the second half of 2011. The main reason for this development is the rapidly growing national debt of some industrialised countries, particularly in the European Union, following the 2008 financial crisis. High national deficits in the USA as well as in various eurozone countries had an adverse effect on the mood of the international financial markets. However, the downgrading of America's rating from AAA to AA+ by the rating agency S&P has not depressed the credit rating of the USA. Greece, Ireland, Italy and Portugal have also slipped in their ratings, with the result of rapidly increasing interest on their government bonds or, in Greece's case, the loss of a credit rating. Bank write-downs worth billions, associated with a low equity base, increase the market uncertainty. In addition, the natural and nuclear catastrophe in Japan and the floods in Thailand influenced world trade negatively, and caused bottlenecks for the delivery of products and electronic components.

During the first six months of 2011, however, the global economy proved itself to be stable in comparison. Impetus came firstly from world trade, as well as from growing consumer spending. The German economy profited particularly from this development. Over the year the financial upturn lost momentum. The interventions carried out by the American and British central banks to stimulate the economy only showed a limited effect. The European Central Bank can also only temporarily ease the capital market tension through buying government bonds. At the same time, the sharply increased amount of money increases the fear of inflation.

Overall, the global gross domestic product grew by 3.8 percent in 2011 according to the International Monetary Fund. In 2010 growth was 5.2 percent.

### Global Economy

in percent

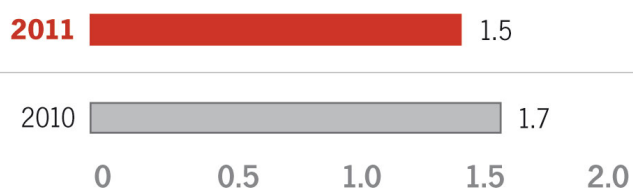


### Eurozone with heterogeneous development

The economic development in the eurozone showed itself to be inconsistent in 2011. While Germany's gross domestic product also grew significantly in 2011, the economy in the Mediterranean countries of Italy, Spain, Greece and Portugal weakened slightly. Other EU countries with high national deficits also showed only low or even negative growth rates. In particular private consumption and constant exports contributed towards the growth in industrially developed countries.

### GDP Eurozone

in percent



The gross domestic product (GDP) grew 1.5 percent overall in 2011, according to Eurostat. In the previous year, it showed a gain of 1.7 percent.

### German economy demonstrates robust growth

The German economy has developed better than average in 2011. The expected weakness due to the growing debt crisis in Europe has not yet appeared. In particular, in the first half of the year, the German economy grew by 4.5 percent compared to the same period in 2010, thanks to higher exports and a rise in investments. Impetus for growth also came from consumption and investments. The German gross domestic product showed a gain of around 3 percent in 2011 according to the federal office for national statistics (Destatis) after a gain of 3.7 percent in 2010. The German industry showed a clear growth of around 8.1 percent in the period under review. Bulk orders and a strong demand from emerging countries were crucial. Export continued its positive development and showed a gain of 8.2 percent in the period under review in comparison with 2010. Private consumption grew 1.5 percent in 2011 (adjusted for price).

The German job market looks stable. The unemployment rate was 7.2 percent on average during the period under review (2010: 7.7 percent). The German rate of inflation was 2.3 percent in 2011 (previous year: plus 1.1 percent).

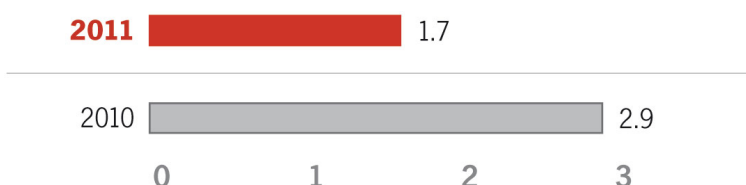
### US economy grows moderately

After a moderate first half year, the economy in the United States grew by around 1.7 percent on the previous year, but still far below the previous year's level (plus 2.9 percent). The unemployment rate decreased slightly at the end of the year. However, at 8.6 percent, the unemployment rate remains relatively high. The mood of consumers remained suppressed in view of stagnating income.

The rate of inflation rose by 1.4 percent to 4 percent in the reporting period. In view of the fragile economic position, the American Federal Reserve left the base rate at a historical low.

#### GDP USA

in percent



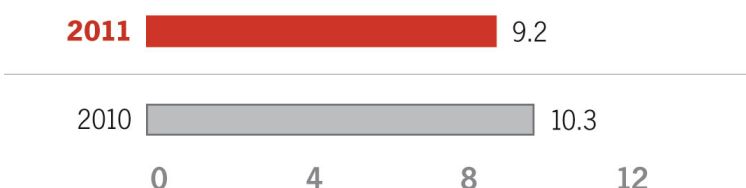
### China

In China, the economy worsened towards the end of 2011. The sinking consumption in important sales markets negatively influenced the economic output of countries dependant on exports. The continuing fragile domestic demand also led to a downturn in the domestic economic output. However, a clear fall in gross domestic product is unlikely, according to experts. The value of goods and services produced in China grew by 9.2 percent in 2011 (2010: 10.3 percent). Foreign trade grew by around 22.5 percent in 2011. Despite the growth, the People's Republic's trade surplus fell from 183 billion dollars to 155 billion dollars.

Despite the restrictive monetary policy, the rate of inflation rose by around 5.3 percent in 2011 (2010: plus 3.3 percent). During the previous year, the rate of inflation was around 3.3 percent. At around 4 percent, the unemployment rate was close to that of the previous year.

#### GDP China

in percent



## Sector Situation

The markets of Balda Group developed positive in 2011.

### Medical

Germany's medical technology sector showed itself to be independent of economic trends in 2011. In spite of volatile markets worldwide, demand for German medical equipment remains stable. According to the trade association SPECTARIS, German medical technology manufacturers recorded sales revenue of 21.1 billion euros for the year. Over the year, revenue totalled 21.1 billion euros, which is an increase of around 6 percent compared to 2010.

Increased orders from abroad contributed primarily to this growth. According to SPECTARIS, international business rose by around 7 percent to 13.7 billion euros in 2011. In particular exports to China and the USA rose by above-average levels. The increase in domestic demand was comparatively moderate at around 3 percent in comparison to the previous year. Domestic revenue was around 7.4 billion euros during the period under review.

Market observers attribute the continuing increase in foreign demand to the growing wealth in emerging countries. The growing world population was also a cause for the positive sales figures. Investments in medical technology are growing worldwide. According to experts, the positive trend will continue in the coming years due to the innovative strength of German medical technology manufacturers, which is recognised worldwide, and the ageing population.

### Electronic Products

Sales of electronic products in the emerging BRIC countries increased by more than 10 percent in 2011. According to the Consumer Electronics Association (CEA) and the market research institute GfK, the global high-tech market reported a growth in revenue of around 8 percent in comparison to the previous year, to 993

billion dollars in the period under review. There is a positive mood among the German producers. According to current statistics, domestic companies showed a 5 percent gain in revenue of 27.3 billion euros in 2011, in comparison to the previous year, for electronic devices.

One reason for the positive trend is the constant high demand in emerging countries. In addition, numerous innovations promote the demand for the consumer electronics industry. New technologies like HD or 3D televisions and new user interfaces for using the TV devices, as well as tablet computers and ultrabooks pull in increasing numbers of customers. Additionally, the increasing integration of TV devices and computers including computer games is an attractive offer.

Despite the unstable economic outlook, the market observers' forecasts for the industry are generally positive. Modern and ever quicker devices for mobile internet access will also generate demand in 2012, according to experts.

## Business Development

### Changes in results

In the financial year 2011 the Balda Group continued its new strategy by separating from its business with components for mobile telephones. With effect from 1 December 2011, the company sold its loss-making MobileCom segment.

The profit and loss statement has been adjusted for 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 according to the profit after tax of the continued operations. The total income of the Group is the result of both results. Based on the current MobileCom segment, the Group reports the profit from operations and the profit from deconsolidation of the sold shares to Balda MobileCom in discontinued operations. Figures for the previous year were adjusted accordingly.

Since October 2008 the share in the touchscreen manufacturer TPK Holding Co., Ltd. (TPK) has been reported as an associated company due to the existence of a significant influence according to the equity method. The proportionate earnings of the associated companies were reported up until the third quarter of 2010 under earnings of associated companies. After the capital increase and a contribution to the Greenshoe as part of the IPO on 29 October 2010, the Group still held 16.1 percent in TPK. With the loss of significant influence, the valuation was carried out according to the equity method. The holding was then valued at fair market value. The current earnings from the holding in TPK are now no longer shown in the consolidated profit and loss statement. Future dividend payments from TPK will be shown in the financial result of the Balda Group.

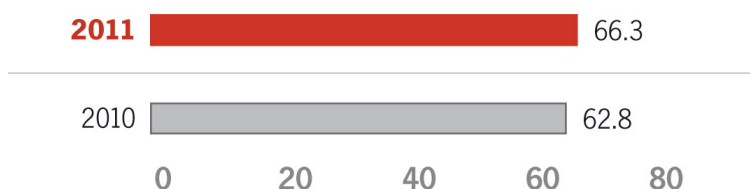
### Business performance

The Balda Group generated sales revenues of 66.3 million euros in continued operations in the period under review. This is an increase of 5.5 percent in comparison to the previous year's figure of 62.8 million euros. The figures have been adjusted to reflect the income from the MobileCom segment, divested in 2011.

The sales for the Group as a whole in 2011 stood at minus 39.1 million euros, following on from plus 94.4 million euros in the 2010 financial year. The primary cause of the loss was the negative earnings attributable to the discontinued business division of 36.1 million euros. However, the operative business performance also fell below expectations. The operating profit before interest and taxes (EBIT) attained minus 6.0 million euros, following on from 13.9 million euros in 2010. Further information on the financial development is presented in the chapters on the earnings position and asset position.

#### Sales Balda Group (continued operations)

in mill. euros



### Significant events, contingent for business performance

The Balda Group is consistently maintaining its realignment and has therefore disposed of its former core business, the loss-making MobileCom segment. Despite intensive efforts, the segment also failed to fulfil expectations in China in the first half of 2011. The strong competition amongst producers and suppliers in the mobile phone sector led to even greater pricing pressures and falling margins. There was no positive shift in trends, neither in terms of sales nor results. This development resulted in the board reaching the decision to dispose of its interest in the MobileCom segment.

The sales volumes in the medical segment showed a significant increase in 2011, rising by 45.0 percent to 39.9 million euros, following on from 27.5 million euros in the previous year. Business is developing in line with targets in 2011. The operating performance of the segment improved during the period under review by a figure of 2.7 million euros, following on from 2.4 million euros in the previous year (a rise of 14.3 percent). The slight rise in the return on sales can be attributed to the high proportion of systems and tools that were billed to customers, with a small margin. The pre-tax profit (EBT) was 2.6 million euros (previous year: 2.3 million euros). The medical business division thereby attained its target in the 2011 financial year.

The Electronic Products segment recorded sales of 26.5 million euros in the period under review, following on from 35.4 million euros in the same period of the previous year (a decline of 25.1 percent). This development is partly attributable to the consequences of the nuclear disaster in Japan and the flooding in Thailand. Bottlenecks in the deliveries of electronics components from Japan to be built into electronic devices resulted in production stops in Malaysia. At the same time, the shifting of orders resulted in lower sales. The operating

profit for the segment stood at minus 5.0 million euros (previous year: minus 18.1 million euros). This figure includes write-downs due to the loss-free valuation of projects amounting to 2.4 million euros. The previous year's value included special write-downs of 14.1 million euros. The earning development therefore remained below expectations. It was not possible to attain the envisaged break-even EBIT.

The profits generated by the Central Services segment resulted from holding and financing services, as well as development services of the Group subsidiary in the USA. The financial results also contain currency gains achieved with the financing of Balda AG. During the period under review the segment recorded sales with a value of 0.8 million euros, following on from 1.4 million euros in the previous year. The operating profit (EBIT) amounts to minus 6.8 million euros (previous year: plus 1.8 million euros). Responsible for the negative EBIT were non-budgeted special effects such as severance payments, costs related to the Extraordinary General Meeting and the consultancy fees for M&A activities.

The discontinued business divisions comprise the former segment of MobileCom. The segment recorded a loss of 36.1 million euros in the period under review, following a loss of 25.2 million euros in the same period of the previous year. This figure also includes negative operating profit of 33.2 million euros with write-downs for assets and inventories with a value of 22.1 million euros.

### **TPK dividends**

On 29 August 2011, TPK Holding allocated stock dividends to its shareholders on the basis of the resolution of its Annual General Meeting on 9 June 2011. 1,799,918 shares are held by Balda. The Balda share package in TPK has therefore risen to 37,798,283 shares (status: 31 December 2011).

### **Board member change**

On 16 February 2011 the Chairman of the Board, Michael Sienkiewicz, left Balda AG's Board of Directors. Rainer Mohr, the CFO at that time, was appointed to the position of chairman of the board by the supervisory board. He managed the company business as the sole chairman until the end of 2011. On 29 December 2011, Rainer Mohr resigned from his position as the company chairman with effect from 1 January 2012. The supervisory board of Balda AG appointed Dominik Müser to the position of chairman of the board, and James Lim to the position of board member, effective from the same date.

### **Shareholder structure**

During the 2011 financial year the following fundamental changes to the shareholder structure of the Balda Group came into effect (all data on the basis of the voting rights notification of Balda AG according to WpHG):

On 11 February the major shareholder Soros Fund Management reduced its share in Balda AG to just below 3 percent. On 28 February the share of the voting rights of Access Industries, LLC, in Balda AG fell below the threshold of 3 percent and stood thereafter at 2.96 percent. On 3 March the share of the voting rights of Kingdon Capital Management, LLC, fell below the threshold of 3 percent and stood at 2.81 percent. On 10 June the major shareholder Senrigan Master Fund increased its interest in Balda AG to 5.09 percent. On 23 June 2011 the UBS AG share in the voting rights at Balda AG exceeded the threshold of 3 percent. On 3 August this shareholder once again fell below the 3 percent voting rights threshold, to 2.42 percent. On 4 August the major shareholder Octavian Special Master Fund LP increased its interest in Balda AG to 5.22 percent. On 29 December RoundKeep Capital Advisors, LLC, exceeded the threshold of 5 percent of the voting rights in Balda AG and reached 5.59 percent.

### **Call for an Extraordinary General Meeting**

The shareholder Octavian Special Master Fund, LP, New York, called for an Extraordinary General Meeting of the company on 12 December 2011. Octavian put forward a motion for the dismissal of the then supervisory board members Dr. Michael Naschke, Yu-Sheng Kai and Chun-Chen Chen and the selection of three of its own candidates as new supervisory board members with effect from the end of the convened Extraordinary General Meeting. The board of Balda AG assessed the application and invited the shareholders to an Extraordinary General Meeting on 8 February 2012.

### **Comparison of the actual business performance with the performance forecasts from the previous year**

In terms of the volumes of sales, the consolidated financial statements did not reach the forecast figures cited at the start of 2011. Declines in the sales and profits anticipated in the MobileCom segment led to a decision at the end of June 2011 to divest the business segment.

The Electronic Products segment was unable to attain the stipulated targets, due in part to environmental disasters and due also to the resultant supplier problems. In contrast, the business performance of the Medical



segment stood fully in line with planning. Special effects burdened the operating profit of the Central Services segment.

The Group's operating profit (EBIT) stood at minus 6.0 million euros (2010: Minus 13.9 million euros). Due to the development of the Electronic Products segment falling short of planning figures, and as a result of special effects, the original target of a slightly positive Group EBIT and Group EBT was not attained.

## Organisation and Corporate Legal Structure

Balda AG with its head office in Bad Oeynhausen, Germany, also assumed the holding functions for all of the group's subsidiary companies in the period under review.

Balda Investments Netherlands B.V. (BIN) with head office in Amsterdam, the Netherlands, acted as intermediate holding company between Balda AG and Balda Investments Singapore (BIS) in Singapore. BIN controlled and managed the activities of the Balda companies abroad.

The structure of the group changed during the 2011 financial year as follows:

- In January 2011 Balda Solutions Xiamen was liquidated and is no longer included in the basis of consolidation.
- In order to accelerate the process of selling the companies in the MobileCom segment, BIN established two new companies: Balda Investments Beijing Pte. Ltd. and Balda Investments Suzhou Pte. Ltd. Balda Investments Beijing Pte. Ltd. acquired the shares in the operatively active companies Balda Solutions (Beijing) Ltd., BTO Technologies (Beijing) Ltd., both with head office in Beijing, China, and BSSU Sales and Finance Ltd. with head office in the British Virgin Islands for their fair value at the time of acquisition. Balda Investments Suzhou Pte. Ltd. acquired the shareholding in the no longer operatively active company Balda Solutions (Suzhou) Ltd. with head office in Suzhou, China, for its fair value at the time of acquisition.

In addition to this, BIN established a third new company with Balda Investments Malaysia Pte. Ltd. Balda Investments Malaysia Pte. Ltd. acquired the shareholding in the Electronic Products segment, in Balda Solutions Malaysia Sdn. Bhd., at book value.

This new structure created transparency and a clear organisation of the business relationships within the group.

### **Balda disposes of the MobileCom segment**

During the 2011 financial year, the shareholding portfolio experienced a change. The group divested its shares in the MobileCom segment companies Balda Investments Beijing Pte. Ltd. and Balda Investments Suzhou Pte. Ltd., with effect from 1 December 2011. This resulted in Balda finally terminating its loss-making commitments in the mobile phone sector.

Balda lost its significant influence in the touchscreen manufacturer TPK, following its initial public offering on 29 October 2010. As of 31 December 2011 the company held just 16.1 percent of TPK shares. On 29 August 2011, TPK allocated stock dividends to its shareholders at an equal ratio on the basis of the resolution of its Annual General Meeting on 9 June 2011. 1,799,918 shares were received by Balda. The Balda share package in TPK has therefore risen to 37,798,283 shares (on 31 December 2011).

### **Segments, products and markets**

The segment structure of the Balda group changed in 2011 in comparison to the previous financial year, 2010. Following the sale of the shares in the MobileCom segment, the Balda group is structured in the following three segments:

- Medical – products for pharmaceutical, diagnostic and medical technology in Bad Oeynhausen
- Electronic Products – Electronic products including injection moulding of plastic parts and
- Central Services – including the management and financing of the operative active units and the controlling of the activities of Balda USA.

Balda's customers are leading manufacturers and consumers in the pharmaceutical and medical technology, consumer electronics, electronic communications and other associated markets.

**Significant sites**

The group was also internationally positioned in 2011 with production sites in Germany, Malaysia and China (until 1 December 2011). Balda USA in Morrisville, North Carolina, USA, observes the latest developments in the technology and sales markets in the USA and supports the group companies with sales.

**Regional responsibility**

In the 2011 financial year the operationally active segments were individually responsible for attaining their targets. The Chief Executive Officers of the segments continue to be responsible for the implementation of the strategies specified for their divisions by the Balda AG Board of Directors in the relevant markets, for the entire operational business and results. They report directly to the board of Balda AG.

The Electronic Products segment with head office in Ipoh, Malaysia, focussed 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 undertakes development and production, in Bad Oeynhausen, of systems from plastic including all components for the market segments pharmaceuticals, diagnostics and medicine technology.

**Reduced supervisory board and new board of directors**

At the annual general meeting of the company on 27 May 2011 the shareholders passed a resolution, amending the articles of association and reducing the supervisory board of Balda AG to three members. Members of the company body are: Dr. Michael Naschke, lawyer and partner in the law firm Naschke&Partner, Berlin (until 31 December 2011 lawyer and partner in the law firm van Aubel & Partner, 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, Taipei, Taiwan.

The Chairman of the Supervisory Board remains Dr. Michael Naschke. The members selected the board member Chun-Chen Chen as deputy chair of the supervisory committee. Dr. Michael Naschke acts on the supervisory board as the expert for accounting practice and balancing matters.

The responsibilities of the board of Balda AG remained unchanged until the departure of Michael Sienkiewicz as CEO on 16 February 2011: According to the rules of procedure of the board, the tasks of strategic planning and the global purchasing and sales of the Balda group fell under the role of the sole director (CEO) Rainer Mohr from 26 February 2011. Furthermore, he was also responsible for the subsidiary companies, public relations and marketing as well as group personnel and technology. Rainer Mohr was also responsible for finance and controlling, legal/insurance/taxes, investor relations, information technology, internal auditing and the personnel of Balda AG.

With effect from 1 January 2012 Dominik Müser and James Lim were appointed to the board. Dominik Müser was appointed Chairman of the Board of Directors (CEO) of the company. He is responsible for the corporate strategy and also assumed the role of Chief Financial Officer (CFO). He is thereby also responsible for the areas of finance, legal and administration. James Lim holds the post of Chief Operating Officer (COO) and as such is responsible for the areas of production, sales and development.

The current statement of the company management from March 2012 is accessible on the Balda website in the Investor Relations / Corporate Governance area.

## Financial Structure, Board of Directors and Change of Control

In accordance with the regulations of paragraph 289 (4) and paragraph 315 (4) of the German Commercial Code (HGB), Balda AG is obliged to provide the following additional information in the consolidated management report:

### **Composition of subscribed capital**

On 31 December 2011 the company's share capital, when compared to the previous year remained unchanged at 58,890,636 euros and was dispersed in 58,890,636 individual share certificates with a proportional value of the share 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 statutes. 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 10 percent of the capital**

As of 31.12.11 the following shareholders held direct or indirect shareholdings in the company's share capital that entitled them to more than 10 percent of voting rights:

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

### **Shareholders with privileges**

There are no shares with privileges that grant control authority.

### **Special controlling of voting rights for employees**

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

### **Amendment to the articles of association**

With regards to the articles of association, the annual general meeting of Balda AG on 27 May 2011 resolved to implement amendments. On request by the board of directors of the company, the annual general meeting passed a resolution with the requisite simple majority of the votes, according to which paragraph 10 (1) of the company's articles of association was amended to stipulate that the supervisory board have three members in place of the previous six members.

Further information can be found in the Corporate Governance report.

### **Board of Directors' authority**

#### **Acquisition of own shares**

- The Annual General Meeting on 27 May 2011 authorised the Board of Directors of the company, with the approval of the Supervisory Board, to acquire its own shares to the value of up to 10 percent of the share capital during the period up to 26 May 2016. This authorisation must not be used by the company for the purpose of trading in its own shares.
- This authorisation can be exercised in whole or part sums, once or multiple times by the company; exercising this authorisation can also take place by group companies or on its or their behalf by a third party. At no point in time is it permissible for the acquired shares together with the shares held by the company already, or those that are attributable to it according to paragraphs 71d and 71e of AktG to amount to more than 10 percent of the value of the company's share capital.
- Acquisition shall take place according to the decision of the board of directors or within the framework of a public purchase offer.
- If the acquisition takes place via a stock exchange then the equivalent value (without ancillary costs of purchase) paid for each share by the company must not undercut or exceed the exchange rate for the company's shares of the same class and structure as determined by the opening auction in Xetra (or in a functionally equivalent successor system) on the

Frankfurt Stock Exchange, Frankfurt am Main ("Frankfurt Stock Exchange"), on the day upon which the obligation to acquire the shares is submitted, by more than 10 percent or by less than 10 percent.

- If the acquisition takes place within the framework of a public purchase offer to all company shareholders then the purchase price or the limit price of the purchase price range per share (without ancillary costs of purchase) must not undercut or exceed the mean value of the closing price for the company's shares of the same class and structure in Xetra (or in a functionally equivalent successor system) on the Frankfurt Stock Exchange, on the 4<sup>th</sup> to 10<sup>th</sup> stock exchange days prior to the publication of the offer by more than 10 percent or by less than 10 percent.
- If a purchase price range is stipulated then the final price shall be determined based on the acceptance declarations or selling offers available. If the exchange rate changes significantly after the publication of the purchase offer then the offer can be adjusted accordingly. In place of the date of the initial offer publication, the publication date of the finally determined price shall instead be binding. The volume of offers can be limited. If the subscription to the offer exceeds this volume then any disposal right on the part of the shareholders shall be excluded where the acquisition can take place according to the proportion of tendered or offered shares and lower quantities of up to 100 units per shareholder can be preferentially considered.
- The board of directors is authorised to use its own shares in the company with the agreement of the supervisory board for all legally permissible purposes and - in addition to divestiture via the stock exchange or through an offer to all shareholders - in particular as follows:
  - They can be wholly or partially withdrawn without further approval by the annual general meeting. The board of directors is able to determine that the company's share capital is reduced upon withdrawal, or that the share capital remains unchanged and that the proportion of other shares in the share capital is increased pursuant to paragraph 8 (3) AktG. In this case the board of directors is authorised to adjust the number of shares cited in the company's articles of association.
  - They can be offered and divested with the exclusion of the shareholders' subscription rights and within the framework of a merger with companies or within the framework of an acquisition of companies, company divisions or shareholdings in companies or any other assets, including receivables.
  - They can be used, with the exclusion of the shareholders' subscription rights, to serve conversion privileges or option rights or obligations arising from debentures, which the company or a company with a direct or indirect majority shareholding in the company issues or has issued.
  - They can be used, with the exclusion of the shareholders' subscription rights, in sales in return for cash payments, if the sale price does not significantly undercut the exchange price for shares in the company of the same class and structure at the time at which the obligation to sell is submitted. However, this authorisation only applies providing that the proportional sum of the company's share capital accounted for by the shares sold to the exclusion of subscription rights per paragraph 186 (3) (4) AktG does not exceed a value of 10 percent of the share capital at the time that the sale becomes effective and at the time of exercising this authorisation; furthermore that this maximum limit reduces by the proportional sum of the share capital attributable to the shares or the conversion privileges or option rights or obligations, which are issued during the validity period of this authorisation as a result of other authorisations with direct or effective application of paragraph 186 (3) (4) AktG with the exclusion of subscription rights.

If the company's own shares are sold due to an offer directed at all shareholders then the board can exclude the subscription rights of the shareholders for fractional amounts with the agreement of the supervisory board.

These authorisations for the use of the company's own shares can be exercised once or multiple times, individually or mutually and in whole or in part; exercising can also take place by group companies or on its or their behalf by a third party.

The board of directors has issued a written report per paragraph 71 (1) (8) (5) and 186 (4) (2) AktG regarding the grounds for excluding the subscription right. The contents of the report have been published following the agenda points in the invitation to the annual general meeting 2011.

### Authorised capital

The board of directors is authorised, with the agreement of the supervisory board, to increase the share capital on one or more occasions in the period up to 8 August 2012 by issuing new share certificates, however by no more than 16,923,960 euros, in return for cash and/or assets (authorised capital 2007).

The board of directors is authorised, with the agreement of the supervisory board, to exclude the subscription rights of shareholders,

- in order to rule out fractional amounts,
- insofar as is necessary, in order to guarantee subscription rights to the proprietors of profit-participation certificates and conversion and option rights, who have been issued company shares by the company or a group company, such that they can exercise their subscription or exchange right or fulfil any conversion obligations, or
- if the proportional value of the new shares does not exceed 10 percent of the share capital as valid at the time of exercising this authorisation and the available share capital at the time of the approval regarding the exercising of this authorisation, and where the issue price does not significantly undercut the stock exchange price. It is necessary to add to the value of 10 percent of the share capital the sum apportioned to the shares that are issued or sold as a result of a respective authorisation with the exclusion of subscription rights with direct or appropriate application of paragraph 186 (3) (4) AktG. For the purpose of this authorisation, if the new shares are acquired by an agent, the "issue price" for the transfer of the new shares corresponds to the amount paid by the agent or the third party, if the agent is committed to offering the new shares to one or more of third parties determined by the company. In all other cases, the issue price is the issue value.

In addition, the management board shall be authorised, with the consent of the supervisory board, to exclude the purchasing option on capital increases against assets in kind if the purchase of the non-cash benefit lies in the company's overwhelming interest and the value of the non-cash benefit does not significantly undercut 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 was conditionally increased in accordance with paragraph 192 (2) (1) 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 a further 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). During the year under review non-exercised options of 4.0 million shares expired without value.

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.

### Approval of the granting of profit-participation certificates

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 value of granted profit-participation certificates must not exceed 500 million euros. Of these, certificates to the value of 34.2 million euros had been drawn down by November 2007.

The profit-participation certificates can also be issued against non-cash benefits, if the value if the non-cash benefit equates to the issue price. Furthermore, they can also be issued, with consideration to the total nominal value, in a legal currency of an OECD country other than euros. The profit-participation certificates can apply to the proprietor or to a named party.

The profit-participation certificates may be associated with conversion and option rights to up to 14,943,285 bearer shares in the company. The maximum number of shares to which the conversion or option rights can be guaranteed on the basis of profit-participation certificates according to this authorisation is the number of shares against which the conversion or option rights have been or can still be guaranteed on the basis of profit-participation certificates according to the resolutions of the annual general meetings on 29 April 2004 and 1 June 2006.

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.

In the event that the profit-participation certificates are issued by the company with conversion and option rights to shares in the company, and the company increases its share capital during the period of validity of these profit-participation certificates with the concession of subscription rights to its shares, or issues further debentures including profit-participation bonds or profit-participation certificates with exchange or subscription rights to shares in the company, without simultaneously issuing subscription rights to the proprietors of the profit-participation certificates according to this resolution, the respective stipulated exchange or subscription price shall reduce without infringing paragraph 9 (1) AktG according to the further conditions of the respective profit-participation certificates (dilution protection provision).

In all instances the proportional value of the share capital apportioned to shares associated with profit-participation certificates must not exceed the nominal value of the profit-participation certificates.

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.

When issuing profit-participation rights, the board of directors is authorised, with the agreement of the supervisory board, to exclude the subscription rights of shareholders,

- In order to offer the profit-participation rights that are combined with exchange or purchasing rights to individual investors for tender, providing the issue price 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. It is necessary to add to the value of 10 percent of the share capital the sum apportioned to the shares that are issued or sold as a result of a respective authorisation with the exclusion of subscription rights with direct or appropriate application of paragraph 186 (3) (4) 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 rule out fractional amounts from subscription rights:
- Insofar as is necessary, in order to guarantee subscription rights to profit-participation certificates to the proprietors of conversion and option rights issued by the company, such that they can exercise their conversion or option right or fulfil any conversion obligations, 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 case of a bid for takeover**

No compensation agreements exist with the employees of the Balda Group in the case of a takeover bid. The board of directors contracts include financial compensation in the event of a takeover offer only with resignation within a limited, brief timeframe.

## Objectives, Corporate Control and Strategy

The Balda Group has been unable to implement its strategic targets to their full effect in the 2011 financial year.

The Medical segment enjoyed pleasing development with a clear increase in sales and profits. The decisive drivers of growth were the delivered tools and systems.

The Electronic Products segment was affected by the drop-out in supplies due to the disasters in Japan and Thailand, and also due to internal deficiencies, and was therefore unable to develop new products to market maturity according to plan. As such, the segment failed to attain its target of a balanced operating result. Overall, the restructuring did not take sufficient effect despite progress.

On the other hand, the sale of the deficient MobileCom segment at the end of October constituted an important step towards re-establishing the profitability of the operative business. The transfer of ownership of the company shares took place on 1 December 2011.

To summarise: The strategic target of sustainable growth was only attained in the Balda Group by the Medical segment in 2011.

The fundamental strategic decisions of the management of the Balda Group in 2011 were:

- Sale of the companies in the MobileCom segment,
- Intensification of restructuring (with new management) in the Electronic Products segment from the beginning of the fourth quarter of 2011,
- Strengthening of the equity capital of Balda Medical GmbH & Co. KG through a merger with Balda Grundstücks-Vermietungs GmbH & Co. KG,
- Successful implementation of the diversification strategy in the Medical segment with new products for new customers.

### Controlling the Balda Group

Balda AG, as a holding company, performs the group's essential control functions. Further information on the group's controlling activities can be found in the chapters on internal accounting control systems (IKS) and risk management.

## Employees

The number of employees in the continuing business divisions of the Balda group had risen by 7.0 percent by the end of 2011. The personnel expenses ratio decreased by 0.5 percent.

### Group

The Balda Group employed as of the end of 2011 a total of 1,178 people in its continued business divisions. During the previous year 1,101 personnel were employed by the group (figures include temporary staff, casual staff and trainees). The number of people employed by the MobileCom segment in Beijing, which was sold on 1 December 2011, has been deducted from the comparison figures as of the end of the previous year.

The personnel numbers increased in 2011 by 77 personnel or around 7.0 percent. The rise can be primarily attributed to the increase in temporary workers.

### Medical segment personnel

The Medical segment employed 58 commercial and technical staff members on 31 December 2011 (previous year: 57) as well as 130 commercial personnel (previous year: 125). In addition to these, 29 temporary workers were employed at the Bad Oeynhausen site (previous year: 20) as well as 3 interns and 1 placement



student. The segment's positive business performance is the reason for the slight increase in the number of employees.

The company also trained its personnel in 2011 within the framework of seminars to bring them fully up-to-date in technical terms as well as regarding strict regulatory requirements and the themes of environmental protection and industrial health and safety.

### **Electronic Products segment personnel**

The number of employees in the Electronic Products segment rose by the end of 2011 to 942 personnel (previous year: 874 staff members). The increase of 68 employees or roughly 7.8 percent in comparison to the previous financial year 2010 was primarily the result of the planned business expansion and the appointment of temporary workers for this purpose.

The Electronic Products segment was affected during the previous financial year by projects shifting and orders being cancelled due to the crisis in Japan. Balda Solutions Malaysia employs a high proportion of qualified personnel in the technical areas. The site at Ipoh employs 79 engineers, which equates to an above-average volume of expertise for a production-orientated company. This is 8 percent of the overall workforce.

### **Central Services segment personnel**

The Central Services segment covers personnel working for Balda AG, which acts as a holding company with its head office in Bad Oeynhausen, the intermediate holding company in Amsterdam and the employees of Balda USA. At the end of 2011, Central Services employed a total of 16 staff members (previous year: 23 staff members).

### **Personnel in the discontinued business divisions**

Since the second quarter of 2011 the MobileCom segment has counted amongst the discontinued business segments. The number of personnel in the MobileCom segment stood at 332 employees on 30 November 2011, plus 332 temporary workers who were paid on an hourly basis. At the end of December 2010 the factories in China employed 1,344 people. In addition to this, a further 306 temporary workers were paid on an hourly basis.

### **Personnel costs**

The personnel costs incurred by the Balda Group fell to 18.3 million euros in the period under review, in comparison to 19.6 million euros in the previous year. This equates to a fall of 1.3 million euros or 6.6 percent. The personnel expenses ratio calculated across the performance of the group as a whole stood at 25.8 percent, following on from 26.3 percent in the previous year.

### **Costs of training and development**

The ideas and initiatives of the personnel of the Balda Groups are important to the company's success. As such, the Balda Group invests in a wide range of seminars and training courses within the framework of personnel development. The group spent 0.2 million euros on training and developing its personnel during the past financial year (previous year: 0.3 million euros). The board would like to thank all personnel for their dedication and commitment during the 2011 financial year.

## Environment

Environmental policy is a central element of the company's policy.

### **Environmental management systems are implemented and active in both group segments**

Environmental protection is an integral component of the Balda Group, in terms of the corporate policy and strategy. The Medical and Electronic Products segments employ consistently certified environmental management systems. Balda Medical pursues an integrated management system. The management handbook "Health, Safety and Environment" covers both health and industrial safety protection (BS OHSAS 18001) together with environmental protection (DIN EN ISO 14001). The environmental management system of the Electronic Products segment is based on the standard ISO 14001 as well as 2002/95/EG (RoHS). The EC directive regulates the use of hazardous materials in electronic components and electronic devices for the developer and manufacturer of electronic products Balda Solutions Malaysia.

The Balda Group is committed to its responsibility for the environment. Balda has set itself and its employees clear targets in its environmental policy. The general aim is to constantly improve environmental protection in all company areas. In order to achieve the maximum effectiveness and efficiency, the segments actively incorporate all employees in the improvement process. During the 2011 financial year multiple information events and training sessions took place for the personnel. The themes were the guidelines for implementing the EU-REACH ordinance when handling chemicals and the recycling concept for increasing the waste recycling quota.

The effective and responsible handling of resources as well as a reduction in emissions are central objectives of environmental protection within the Balda group. This applies in particular to conserving resources. Consistent energy savings and avoiding discarding recyclable waste, as well as reusing materials are all focal to the company's environmental activities.

### **Recycling and reusing waste**

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 harming the environment further, using thermal processes. The thermal process also enables the company to harness additional energy. The company's environmental measures also include careful and environmentally compatible handling of water.

The Balda Group works with paints and dyes during its production processes. The use of these chemicals is subject to strict controls. In the paint facilities at the production site in Ipoh the Group mainly uses water-soluble paints. The company has separate, secure storage sites for highly flammable substances. In conjunction with constant controls and filter systems, Balda guarantees odourless emissions, which are low in hazardous substances. Personnel working in these areas wear safe work clothing.

The handling and careful storage of hazardous substances are subject to particularly diligent measures. Any risks are subject to preventative measures. Environmental pollution is awarded an equal hazard classification to the risks of explosion and fire.

### **Efficient energy management**

The environmental programme of Balda contains strict specifications for all company group sites, demanding effective and economical handling of energy. The optimisation of energy consumption – implemented against the measure of discernible reductions – contributes to environmental protection as well as cost efficiency. In the 2011 financial year the group's production sites once again found new approaches through which to improve the overall energy balance. The sites were able to further reduce their energy consumption.

### **Responsibility of the segment management**

At all of the Balda Group's sites, compliance with laws, regulations and measures is the responsibility of the respective segment managers. They are personally responsible for controlling and attaining the stipulated energy targets. They are also required to constantly check the implementation of environmental measures. Measurement takes place by assessing the level of target attainment and the efficiency. The managers report directly to the Group board. Internal environmental audits and the annual acquisition of performance indicators serve to facilitate checking the effectiveness of measures. The results form the basis for further improving the most important objectives, programmes and measures. The on-site environmental officers report on the status of environmental management on the basis of the internal target/actual comparison carried out by the site management. The environmental officer is responsible for the communication, training and development of employees at the Group's production sites.

### **Environmental policies together with customers**

Customers also play a vital role within the Balda Group when it comes to environmental protection. Customers have been integrating the system partner Balda into their environmental programmes for years. Legal specifications apply to the company group as a minimum requirement.

The Balda Group also includes the product quality of external suppliers in its global group analysis of environmental protection on a regular basis. Through regular auditing and evaluation processes within the framework of the quality management system, the company group ensures the stable and high quality of the products and goods of its suppliers. The high environmental standards of the Balda Group also apply to its suppliers. As such, procured products also fulfil the group's environmental standards.

Globally, the Balda Group fulfils high environmental standards in development, product design, production and in its products.

## Result situation - Group

Operating result remains negative.

The business development of the Balda Group was heterogeneous during 2011: The Medical segment developed profitably according to plan and attained a pleasing level of growth. In contrast, the effects of the natural disasters in Japan and Thailand influenced the order volumes of the Electronic Products segment and led to a decline in orders and a negative effect on results. As a result of the sale of the deficient MobileCom segment, an important step towards a future-orientated group direction was possible. Overall the group did not achieve its goals for sales and operative results in 2011.

As a result of the merger of Balda Medical GmbH & Co. KG with Balda Grundstücks-Vermietungs GmbH & Co. KG, the property business is no longer shown in the Central Services segment and is instead listed under the Medical segment. The figures during the previous year have been adjusted.

The three segments, Medical, Electronic Products and Central Services developed heterogeneously in 2011. The Medical segment witnessed positive development and fulfilled expectations. The Electronic Products segment remained below plan in terms of sales and results. The causes of the negative results were the internal deficiencies in the processes and procedures as well as the above mentioned nuclear disaster in Japan, which led to the delayed delivery of electronic components. The Central Services segment was burdened by special effects.

The Balda Group generated sales revenues in continued operations in the period under review of 66.3 million euros (previous year: 62.8 million euros). The figures have been

adjusted to reflect the income from the MobileCom segment, divested in fiscal 2011. The figures during the previous year have also been adjusted. The sales revenues thereby stood at 3.5 million euros or 5.6 percent above the level of the previous year.

The operating result (EBIT) of the group's continued operations in the period under review was minus 6.0 million euros after minus 13.9 million euros in the previous year. The EBIT was significantly burdened by the special write-downs of assets in the Electronic Products segment. The original aim at the start of 2011 was to attain a slight positive operating result for the group. However, the company group revised its forecast in the fourth quarter of 2011 for the financial year. The negative EBIT was the result of the development of the Electronic Products segment, which fell short of plan, as well as non-budgeted special effects such as severance payments, payments for M&A activities as well as deferred payments in relation with the Extraordinary General

Meeting.

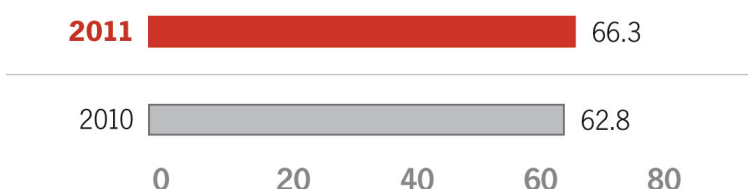
### Development of sales in the segments

The sales volumes in the Medical segment showed a significant increase in 2011, rising to 39.9 million euros, following on from 27.5 million euros in the previous year. This equates to a rise of around 12.4 million euros or 45.0 percent. During the period under review, systems and tools for a large order were invoiced for.

The Electronic Products segment was unable to attain its projected sales and profits targets. Electronic Products was affected by the crisis in Japan and project delays in 2011. This had a negative impact on the segment's order volume. In addition to this, the segment also experienced internal process and procedure deficiencies. The sales fell as a result of this by 8.9 million euros to 26.5 million euros during the period under review (previous year: 35.4 million euros).

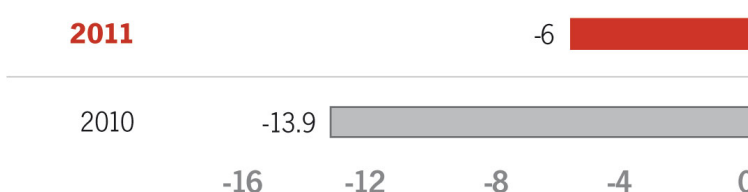
### Sales Balda Group (continued operations)

in mill. euros



### EBIT Group (continued operations)

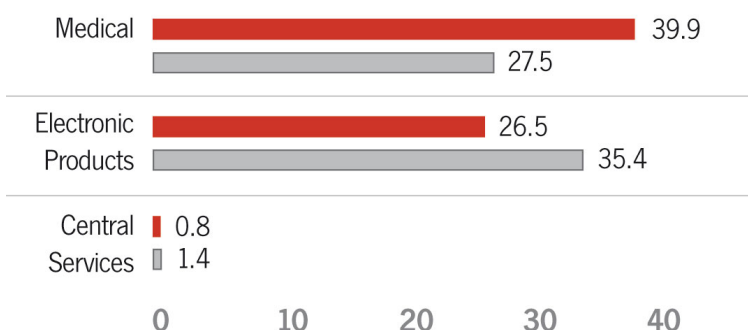
in mill. euros



The profits generated by the Central Services segment result from holding and financing services, as well as services of the group subsidiary in the USA. The segment recorded a decline in sales from 1.4 million euros during the previous year to 0.8 million euros in the 2011 financial year.

### Sales by segment

in mill. euros ■ = 2011 ■ = 2010



### Business performance of the continued business divisions

Other operating income in the Group amounted to 5.4 million euros in the period under review compared to 10.7 million euros in the previous year. During the 2011 financial year earnings arose due to the insolvency rate of the former customer BenQ (2.1 million euros), earnings from the release of provisions for bad debts (0.5 million euros) and compensatory damage claims (0.8 million euros). In 2010, the revenue from the out-of-court settlement in the legal dispute concerning incorrect tax advice led to an increase in income (4.7 million euros).

The destocking of finished and unfinished goods stood at 0.8 million euros during the period under review. In the previous year this figure was 1.0 million euros.

### Overall operating performance

The total sales revenue including other operating income and changes in inventories of finished and unfinished goods provides the overall operating performance. In 2011 the Balda company group recorded increased sales with an overall operating performance of 70.9 million euros. Due to the decline in other operating income this equates to a drop of 3.6 million euros in comparison to the previous year.

### Cost of materials

Cost of materials and services increased in 2011 by 3.7 million euros to 41.5 million euros. The cost of materials incurred by the company group in comparison to the sales revenues including inventory changes increased from 59.3 percent in the previous year to 63.4 percent. The reason for this increase was primarily a rise in the proportion of procured parts in the Medical segment, together with lower margins and increased raw material prices as well as provisions due to loss-free projects in the Electronic Products segment.

### Personnel expenses

The Balda Group's personnel expenses fell in the year under review from 19.6 million euros to 18.3 million euros. The reason for this decrease in personnel costs was primarily the lower number of personnel over the year on average. The personnel expenses ratio calculated across the performance of the company group stood at 25.8 percent, following on from 26.3 percent in the previous year.

### Cost of depreciation

The costs of depreciation fell significantly in the period under review. The reasons for this included the discontinuation of value adjustments on tangible assets in the Electronic Products segment in 2010. This resulted in the reduction of depreciation to 3.7 million euros in 2011 (2010: 5.0 million euros). As such the depreciation on tangible assets and intangible assets is in line with planning.

### Other operating expenses

The other operating expenses incurred by the group shifted in 2011 to 13.4 million euros due to the aforementioned special effects, taking it slightly above the level of previous year of 11.7 million euros. The other operating expenses are predominantly fixed in terms of type. As a proportion of the overall performance they stood at around 18.8 percent in 2011, up from 15.8 percent in the previous year.

### Special depreciation

As a result of impairment tests, special depreciation on tangible assets and goodwill of the Electronic Products segment was recorded as a separate item during the previous year. During the reporting period there was no depreciation.

### Earnings development

In the 2011 financial year, the Balda Group recorded an operating result (EBIT) of minus 6.0 million euros (previous year: Minus 13.9 million Euros). The operating results in the period under review were affected in

particular by the Electronic Products segment, which fell short of planning, as well as special effects such as severance payments, deferrals in relation to the Extraordinary General Meeting on 8 February 2012 and consultancy fees for M&A activities.

The operating results in the three segments of the Balda Group show varying development. The Medical segment was able to improve on its operating results, from 2.4 million euros in the previous year to 2.7 million euros, thereby falling within the scope of expectations. The operating profit for the Electronic Products segment stood at minus 5.0 million euros (previous year: minus 18.1 million euros).

The Central Services segment recorded an EBIT of minus 6.8 million euros (previous year: plus 1.8 million euros). This includes costs of 2.5 million euros, which can be attributed to the discontinued business division. Furthermore, Central Services figures were negatively affected by the aforementioned special effects, by 2.6 million euros. During the previous year, positive special effects influenced the segment by 4.7 million euros, the period under review contains positive effects of 2.9 million euros. Adjusted to account for these effects, the EBIT for the Central Services segment stood just 1.7 million euros below the level in the previous year, at minus 4.6 million euros.

Following on from a positive interest result and currency gains due to international financing totalling 5.2 million euros, the Balda Group recorded results before tax (EBT) totalling minus 0.9 million euros during the 2011 financial year.

The interest result in 2010 contained limited interest expenses for the convertible participation rights, which were converted in October 2010. Due to the sound financial position, the group was able to show a positive interest result of 0.7 million euros during the period under review.

The currency gains, contained in the other financial results, essentially relate to a loan granted in the 2009 financial year by Balda Investments Singapore (BIS) to Balda AG in US dollars for the repayment of bank liabilities. The currency gains in 2011 result from the currency differences realised between the US Dollar and Euro at the time of the loan repayment. During the previous year a currency loss resulted from the valuation on the cut-off date.

The EBT in the previous year stood at plus 117.8 million euros. The cause of the decline was essentially the discontinuation of the results of associated companies. With the change in the valuation of the TPK shares in October 2010 as financial assets, a one-off amount of 124.6 million euros occurred in the previous year.

After the deduction of taxes, the continued business divisions of the Balda Group recorded earnings of minus 3.0 million euros. In the previous year the net profit amounted to 119.6 million euros.

The annual results in the discontinued business division during the period under review stood at minus 36.1 million euros, following on from minus 25.2 million euros in the previous period.

The group thereby recorded an annual loss of minus 39.1 million euros, following on from a surplus of 94.4 million euros in the previous year.

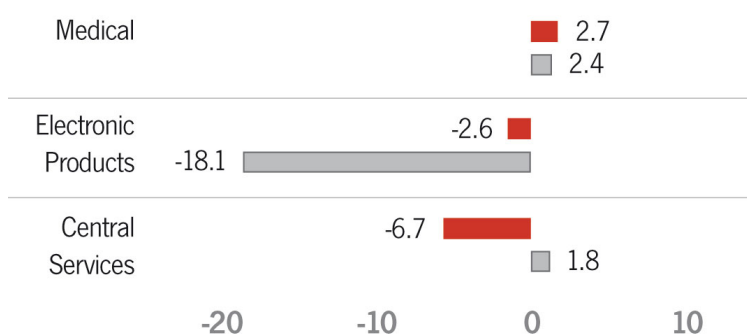
Earnings per share are, with 58,890,636 shares as of the end of the 2011 financial year, minus 0.665 euros (previous year: plus 1.72 euros).

The overall group result (minus 39.1 million euros) in the period under review is negatively affected in particular by the negative operating results of the MobileCom and Electronic Products segments. This includes write-downs on tangible assets and stocks amounting to 24.5 million euros (in the previous year: 28.6 million

## EBIT by segment

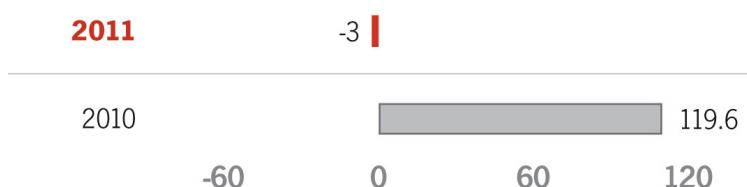
in mill. euros

■ = 2011 ■ = 2010



## Group result

in mill. euros

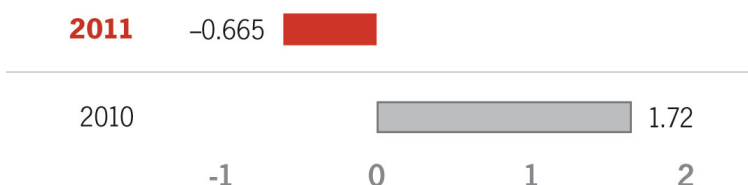


euros). During the previous year the negative operating results were affected above all by the P&L-effective earnings from the revaluation of the TPK-shares (124.6 million euros). This one-off effect is decisive in the

positive result of the overall group in 2010, of 94.4 million euros. In 2011 the financial year came to a close with a negative result for the overall group amounting to 39.1 million euros. Furthermore, the change in the subsequent valuation of the TPK shares (minus 685.2 million euros) led to an overall result of minus 286.7 million euros (in the previous year: plus 559.7 million euros).

## Earnings per share

in euro



## Result situation - Balda AG

### Around 80 million euros in annual surplus from dividends

Balda AG recorded sales in the individual financial statements per the German Commercial Code during the 2011 financial year of 2.7 million euros (previous year: 3.2 million euros). This equates to a fall of 0.5 million euros or 15.6 percent.

Other operating expenses rose in the reporting period from 7.9 million euros in 2010 to 11.4 million euros in the period under review. This equates to a rise of 3.5 million euros or 44.3 percent. The reason for the rise was essentially the realisation of currency gains arising from liabilities owing to BIS at the time of the repayment. During the previous year currency losses arose due to the valuation on the cut-off date.

The rise in personnel costs of 0.2 million to 2.1 million euros is the result of severance payments.

Other operating income in the period under review fell from 14.1 million to 11.7 million euros. The decline is attributable to currency losses in the previous year (6.0 million euros), which were not applicable in 2011. During the period under review, the item liabilities directly associated with the conversion contains short-term receivables in the form of a loan receivable owing from the buyer of the MobileCom companies (3.1 million euros).

The earnings arising from shareholdings in associated companies rose significantly in the 2011 financial year to 80.5 million euros (previous year: 1.5 million euros). The earnings were the result of a dividend payment from Balda Investments Singapore (BIS) to Balda Investments Netherlands. The latter forwarded the dividend payment on to Balda AG. The dividend payment originated from the sale of roughly 19 percent of the shares in TPK, which were under the ownership of BIS, for a price of around 100 million euros during the 2009 financial year.

The item interest and other income increased in the period under review to 0.4 million euros (previous year: 0.3 million euros).

The high repayment of liabilities to associated companies led to a decline in the interest payments in the 2011 financial year from 6.8 million euros to 2.1 million euros. In the previous year this item included accrued interest for profit participation rights amounting to 2.3 million euros.

The results of ordinary operations stood at 79.0 million euros following on from minus 10.5 million euros in 2010.

During the financial year no extraordinary earnings and expenses applied. During the year under review 2010 the extraordinary earnings stood at 12.8 million euros. These originated from the release of provisions for interest on the profit participation certificates as well as an out-of-court settlement for damages in relation to incorrect legal advice.

During the 2011 financial year there was an annual surplus of 79.7 million euros following on from an annual loss in the previous year of 5.8 million euros.

From the net profit for the financial year 2011 amounting to 79.7 million euros, the Board of Directors will with the approval of the Supervisory Board propose a dividend to shareholders of Balda AG of 1.30 euros per share.

## Financial position of the Group

Rise in operating cash flow. The cause of the increase in the operative cash flow of the entire group in the year under review was primarily the reduction in the working capital.

### Cash flow

The cash flows of 2011 and the comparison year of 2010 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 cash flow statements individually contain the values of the discontinued and continued business divisions. The cash flows are divided into business, investment and financing activities. Each of these areas is described below.

### Cash flow from current business activities

The cash flow to the Balda Group arising from ongoing business activities in the past financial year stood at 3.7 million euros. During the previous year, the company group recorded an operative cash flow of minus 11.2 million euros. The rise was essentially the result of the considerable reduction in the working capital in comparison to the previous year. This development was primarily reflected in the reduction of the receivables from deliveries and services.

### Cash flow from investment activities

During the year under review the Balda Group recorded a cash outflow from investment activities of 1.9 million euros. The group received purchase price payments from the sale of the MobileCom businesses amounting to 1.2 million euros. During the previous year, the company group recorded an cash inflow from investment activities amounting to 7.2 million euros.

Cash-relevant payments for the acquisition of tangible and intangible assets amounted to 3.1 million euros, in contrast to 12.3 million euros the previous year. The previous year's figure included investment outlays for the new construction of the production building in Beijing.

### Cash flow from financing activities

The cash outflow from financing activities in the reporting period was 8.5 million euros and essentially resulted from the repayment of bank liabilities. In the MobileCom segment the cash outflow amounted to 11.4 million euros. In the year under review, the MobileCom segment had a cash inflow due to a third party capital loan and the utilisation of credit lines (3.1 million euros). In the previous year, the utilisation of credit lines for financing activities resulted in an inflow of funds of 13.3 million euros. In addition to these, in 2010 a cash outflow of 8.1 million euros was recorded in connection with the premature conversion of the participation rights.

During the 2011 reporting year no significant new lease contracts were signed that fulfilled the criteria of a financing lease. Repayments of these liabilities were 0.2 million euros (previous year: 0.4 million euros).

### Cash-relevant change in liquid funds

Cash and cash equivalents in the continuing business areas stood at 35.9 million euros at the end of the financial year (previous year: 44,5 million euros). During the previous year the cash and cash equivalents including the divested MobileCom segment totalled 48.9 million euros.

Due to its comfortable level of cash and cash equivalents, Balda continues to be able to finance the operational business from its own available resources.

### Liquidity position and liquidity requirements

The liquidity position of the Balda Group at the end of the year under review stood at 35.9 million euros. This includes cash linked with or used for security purposes amounting to 8.3 million euros. In addition, credit lines from financial institutes also exist. Further sources of liquidity are currencies and the future cash inflows from operating activities.



The group has access to credit lines to the value of 0.3 million euros, which had not been utilised as per 31 December 2011. The credit lines in the previous year were granted to the divested companies of the MobileCom segment (20.6 million euros). Furthermore, guarantee lines totalling 13.0 million euros are currently available to the Group. The lines were in use on the cut-off date to the sum of 10.2 million euros. The liquidity requirements include, amongst other things, the scheduled servicing of financial debts and the ongoing coverage of operating activities. The Balda Group has a very sound liquidity position. At the same time, Balda is capable of covering the financial requirements of the group through the cash flows generated by the operative companies.

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.

At the end of the 2011 financial year the group recorded positive net current assets (balance from short-term assets minus short-term liabilities) amounting to 417.8 million euros. The high rise in comparison to the previous year's figures of 41.6 million euros resulted from the reclassification of the TPK shares (382.3 million euros) as a result of the planned sale. The Balda group is also fully financed without taking the TPK shares into account.

## Financial position of Balda AG

### Cash flow from current business activities

The cash inflow from ongoing business activities stood at 4.9 million euros during the year under review, following on from minus 4.7 million euros in the previous year. The cash inflows resulted from a dividend payment from Balda Investments Singapore (BIS) to Balda Investments Netherlands. Liquid funds from the dividend amounting to 8.2 million euros flowed into Balda AG during the year under review. Counter to this are the cash outflows from the ongoing business.

### Cash flow from investment activities

The cash outflows from the investment activities of Balda AG stood at 8.5 million euros in the year under review. In the previous year the cash flow from investment activities amounted to 2.6 million euros. The payouts for financial assets stood at 8.5 million euros in the period under review, in comparison to 0.1 million euros in the previous year. They relate to the acquisition of receivables from the subsidiary companies. The receivables came about on the part of the subsidiary companies as a result of the sale of the MobileCom segment companies. The figure is part of the loan agreement with the buyer of the MobileCom companies.

### Cash flow from financing activities

The cash flow from the financing activities of Balda AG on the balance sheet cut-off date stood at 0 euros (previous year: 5.3 million euros).

### Cash and cash equivalents

In total the liquid means of Balda AG on the balance sheet cut-off date in 2011 decreased to 2.6 million euros, following on from 6.1 million euros at the start of the period under review.

The liquidity requirements of Balda AG encompass the repayment of finance means, covering the operative activities and dividend payments to the shareholders. Balda AG recorded a liquidity outflow in the 2011 year under review. However, it is necessary to note here that Balda AG as a pure holding company generates its essential cash inflows from the dividend payments from the subsidiary companies. As such the internal financing power of Balda AG is directly dependent on the ability of the subsidiary companies to make dividend payments.

The net current assets of Balda AG (balance of current assets less liabilities and provisions) is negative on the balance sheet cut-off date, at 26.7 million euros. The liabilities are predominantly obligations to the 100% subsidiary companies. Balda AG would be unable to meet with the repayment of its short-term liabilities, although it could influence the repayment demands.

## Investments

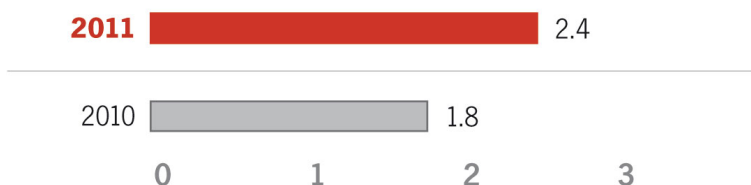
During the 2011 financial year the Balda Group invested a total of 2.4 million Euros in fixed assets and intangible assets for its continued business divisions. The volume of investments in the same period of the previous year totalled 1.8 million euros.

The investments in continued business divisions are primarily replacement investments.

The investments in tangible assets stood at 1.5 million euros in the Medical segment. The Balda Group invested around 0.6 million euros in tangible assets in the Electronic Products segment during the 2011 financial year. The Balda Group spent around 0.3 million euros in the Medical segment and 0.1 million euros in the Central Services Segment on intangible assets.

### Investments (continued operations)

in mill. euros



The Balda Group invested a total of 1.6 million euros in the MobileCom segment up to its sale during the 2011 financial year. The object of this was the optimisation of the infrastructure at the production site in Beijing. Investments in the same period of the previous year totalled 9.0 million euros. A major portion of this sum was spent on the development of the new production site in Beijing.

## Group asset position

Balda Group improved equity ratio to 94.4 percent.

The Balda Group recorded a balance sheet total of 490.5 million euros at the end of the financial year 2011 following 810.5 million euros in the previous year. The balance sheet of the Group was affected greatly by the decline in the value of the TPK holding. In addition, the sale of the MobileCom segment had a declining effect on the balance sheet total. The equity ratio of the Balda Group increased to 94.4 percent as at the balance sheet date compared to 92.5 percent a year earlier.

### Assets

#### Decrease in long-term assets

On the assets side, long-term assets fell from 661.5 million euros to 50.3 million euros (2010 reference date: 711.7 million euros). The decrease resulted primarily from the reclassification of the TPK holding from the long-term to the short-term as a result of the agreed intention to sell. In addition, losses from the sale of the MobileCom segment also reduced the Group's assets. The value of tangible assets as at 31 December 2011 fell to 25.6 million euros (end of 2010: 61.6 million euros). Depreciation incurred during the reporting year along with the sale of the MobileCom segment in China reduced fixed assets by 36.0 million euros.

Capitalised goodwill declined compared to the previous year by 8.8 million euros to 6.9 million euros thanks to the sale of the MobileCom segment. Overall, financial assets as at 31 December 2011 decreased by 615.9 million euros to 11.4 million euros (2010 balance sheet date: 627.3 million euros). The decrease resulted primarily from the reclassification of the TPK holding to the short-term. The TPK holding is no longer seen as a strategic investment and was therefore reclassified under the item "Long-term assets held for sale".

The deferment of the balance (14.0 million euros) from the sale of the MobileCom segment, discounted to its present value as at 30 November 2011, led to an increase in other financial assets by 10.9 million euros. The remaining balance of the purchase price is repaid over a period of seven years. The book value is discounted over the term to the nominal value according to the effective interest method. The present value of the

financial assets as at 31 December 2011 amounted to 11.4 million euros, whilst taking into account the discounting and valuation at the exchange rate on the reporting date.

### Short-term assets increased

Short-term assets totalled 440.2 million euros at the end of the financial year (31 December 2010: 98.8 million euros), related mainly to the reclassification of the TPK holding to the short-term. The sale of the MobileCom segment also led to a decline in short-term assets totalling 15.7 million euros.

Inventories increased from 9.0 million euros to 9.6 million euros (31 December 2010: 18.6 million euros). Trade receivables as at 31 December 2011 fell as a result of customer payments and the deconsolidation of MobileCom companies by 15.1 million euros to 10.7 million euros (previous year's reporting date: 25.8 million euros). Liquid funds reduced by 13.0 million euros to 35.9 million euros. In addition to the financing of working capital, the deducted bank deposits from the sale of the MobileCom segment also reduced liquid funds.

The measurement of TPK shares as a financial investment was done at fair value on the balance sheet date. The fair value is determined by the market price of 395 Taiwanese dollars as at 31 December 2011, which totalled 382.3 million euros. The value of TPK shares as at the 2010 balance sheet date was 626.8 million euros in accordance with the market price of 670 Taiwanese dollars.

### Liabilities

On the liabilities side, equity as at the 2011 balance sheet date reduced significantly to 463.0 million euros (31 December 2010: 749.7 million euros). The Group's earnings, the revaluation of the TPK shares and currency translation differences were primarily responsible for the fall of 286.7 million euros. As of the end of the period under review, the Group's subscribed capital remains the same at 58.9 million euros. The lower valuation of the TPK holding was reflected in the reserves with no effect on the income statement. Reserves of financial assets classified as available for sale reduced by 240.2 million euros whilst taking into account deferred taxes. The Balda Group's balance sheet profit decreased to 145.7 million euros as at 31 December 2011 compared to 184.9 million euros as at the 2010 balance sheet date.

The equity ratio as at 31 December 2011 rose to 94.4 percent (previous year: 92.5 percent).

### Long-term liabilities reduced

The long-term liabilities of the Balda Group totalled 5.1 million euros at the end of the period under review (2010 reference date: 5.9 million euros). Long-term loans were reclassified into the short term position as at 31 December 2011. The item "Deferred taxes" decreased to 4.8 million euros as at the 2011 balance sheet date compared to 5.2 million euros as at the end of 2010; this was mainly due to lower deferred taxes on the valuations of TPK shares.

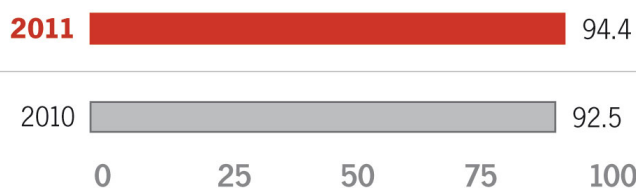
Short-term liabilities as at 31 December 2011 fell by 32.5 million euros compared to the reporting date to 22.3 million euros (2010 balance sheet date: 54.8 million euros).

The fall in the item "Trade receivables" to 7.5 million euros from 21.6 million euros in the previous year

is attributable to the sale of the MobileCom segment. Advance payments received increased from 4.8 million euros to 6.8 million euros, mainly due to an increase in the project development business of Balda Medical. The repayment of credit lines in the MobileCom segment and its sale resulted in a fall in short-term liabilities due to credit institutions and the short-term part of long-term loans to 0.4 million euros (2010 balance sheet date: 19.8 million euros). Short-term provisions rose to 2.8 million euros; they include residual risks from the sale of the MobileCom segment in China (1.6 million euros) and the loss-free measurement of order backlogs in the Electronic Products segment (1.2 million euros).

### Equity ratio

in percent



## Balda AG asset position

AG improved equity ratio to 83,3 percent.

Balda AG's balance sheet total increased to 207.1 million euros as at the 2011 balance sheet date (previous year: 203.5 million euros). This equates to an increase of 3.6 million euros or 1.8 percent.

On the asset side of the balance sheet, intangible assets and tangible assets decreased in "Fixed assets" due to depreciation.

Balda AG's assets mainly consist of holdings in subsidiaries and are therefore long-term assets.

Fixed assets rose from 188.9 million euros to 199.8 million euros (plus 10.9 million euros or 5.8 percent). The item "Other loans" was particularly responsible for this increase. This includes a loan to the buyer of the MobileCom segment stated at the present value which was granted upon completion of the sale.

Current assets reduced from 14.5 million euros during 2010 to 7.2 million euros as at the end of the reporting year. The main reason for this is the increase in the item "Cash in hand, cash at banks" of 3.5 million euros due to interest and repayment costs and the reduction in receivables from affiliated companies of 3.8 million euros. A nominal amount of 5.1 million euros from these receivables was translated into the aforementioned loan which was granted.

On the liabilities side of the balance sheet, the equity of Balda AG increased from 93.7 million euros to 173.5 million euros. The increase resulted from the significantly positive annual surplus for 2011 of 79.7 million euros (previous year: annual loss totalling 5.8 million euros). The equity ratio increased to 83.8 percent as at the balance sheet date (previous year's reporting date: 46.0 percent).

Liabilities decreased from 106.9 million euros during the previous year to 30.7 million euros as at 31 December 2011. They included a BIS loan to Balda AG. The Company was able to reduce existing liabilities by offsetting receivables from dividend payments.

## Corporate Governance Report

Good Corporate Governance is a requirement that includes all areas of a company. Corporate Governance has been an integral part of corporate culture since the formation of Balda as a stock corporation.

Corporate Governance stands for responsible and transparent corporate management and control geared toward sustainably creating value.

The Board of Directors and Supervisory Board of Balda AG have been heavily occupied during the reporting year 2011 in ensuring compliance with the provisions of the German Corporate Governance Code. This applies in particular to any amendments made by the Code Commission on 26 May 2010. On this basis, the Board of Directors and the Supervisory Board renewed the Declaration of Compliance according to Section 161 of the German Stock Corporation Act (AktG), and made it permanently available, together with earlier Declarations of Compliance, to both shareholders as well as the general public on the Balda website.

With respect to the membership of a woman as part of the Group's bodies, the Balda Group is currently unable to fulfil the provisions of Article 4.1.5 relating to the diversity of the composition of the Board of Directors and Article 5.1.2 relating to the diversity of the composition of the Supervisory Board. The two positions within the Board of Directors of Balda AG were occupied with legally binding contracts until the end of 2012 at the time the aforementioned provisions of the Code came into effect. The change in the Chief Executive Officer, which took place in February 2011, led to the creation of a sole member on the Board of Directors. After his departure on 1 January 2012, the experienced Malaysian James Lim, who is well versed in Group matters, and Dominik Müser, a restructuring expert required by the Group, were appointed to the Board of Directors.

The Supervisory Board of Balda AG was elected on 25 May 2010. At the Annual General Meeting of 27 May 2011, a resolution was passed to reduce the Supervisory Board from six to three members. The three incumbent board members were not re-elected.

The Company Management Declaration is accessible on the Balda website under Investor Relations / Publications / Corporate Governance.

### Supervisory Board

As a German stock corporation, Balda is subject to the German Stock Corporation Act. As a result, the Group has a two-tier management and control structure. During the financial year 2011, following the departure of the Chief Executive Officer, Michael Sienkiewicz, with effect from 16 February 2011, it consisted of a sole member on the Board of Directors and, following a resolution passed at the Annual General Meeting of 27 May 2011, three members of the Supervisory Board in accordance with the Articles of Association.

Dr. Michael Naschke performs the role of financial expert on the Supervisory Board (member with expertise in accounting and auditing of financial statements). The Balda AG Advisory Board has not established any sub-committees during the reporting year.

### Supervisory Board: Remuneration report

Members of the Supervisory Board were remunerated as follows for the financial year 2011:

<b>2011 in EUR</b>	<b>Fixed remuneration</b>	<b>Attendance fees</b>	<b>Variable remuneration 2)</b>	<b>Total income</b>
Dr. Michael Naschke	39,583	24,000	0	<b>63,583</b>
Mark Littlefield 1)	11,143	7,500	0	<b>18,643</b>
Dino Kitzinger 1)	7,497	9,000	0	<b>16,497</b>
Thomas J. Leonard 1)	7,497	7,500	0	<b>14,997</b>

Yu-Sheng Kai	19,792	22,500	0	<b>42,292</b>
Chun-Chen Chen	26,042	22,500	0	<b>48,542</b>
<b>Total:</b>	<b>111,554</b>	<b>93,000</b>	<b>0</b>	<b>204,554</b>

1) Until June 2011

2) Only fixed remuneration was paid following a resolution passed at the Annual General Meeting of 27 May 2011

<b>2010 in EUR</b>	<b>Fixed remuneration</b>	<b>Attendance fees</b>	<b>Variable remuneration</b>	<b>Total income</b>
Dr. Michael Naschke 1)	13,125	7,500	21,315	<b>41,940</b>
Chun-Chen Chen 1)	6,701	7,500	10,849	<b>25,050</b>
Yu-Sheng Kai 1)	6,701	7,500	10,849	<b>25,050</b>
Dino Kitzinger	18,333	15,000	29,480	<b>62,813</b>
Mark Littlefield	18,750	15,000	30,000	<b>63,750</b>
Thomas J. Leonard	12,500	15,000	20,000	<b>47,500</b>
<b>Total:</b>	<b>76,110</b>	<b>67,500</b>	<b>122,493</b>	<b>266,013</b>

1) Member of the Supervisory Board with effect from 25 May 2010

The remuneration of the Supervisory Board is determined by Balda Group shareholders. Following a resolution passed at the Annual General Meeting of 27 May 2011, they shall only receive fixed remuneration components along with attendance fees with effect from 1 June 2011. The reason for waiving performance-related components was to strengthen the independence of the Supervisory Board. Both the workload as well as the liability risk of the Supervisory Board must not run parallel to the commercial success of the Company or earnings position. It is particularly the case, especially in difficult times when the amount of variable compensation falls under certain circumstances, that members of the Supervisory Board may need to carry out intensive monitoring and advisory roles.

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. The exception to this were contracts for the van Aubel law firm, to which belonged the Chairman of the Supervisory Board until the end of the year, which were expressly approved by the Supervisory Board. Balda did not pay out any other form of remuneration (Code Article 5.4.4).

### **Board of Directors and remuneration report of Balda AG**

The composition of the Board of Directors of Balda AG changed during the reporting year. The departure of the Chief Executive Officer, Michael Sienkiewicz, with effect from 16 February 2011, led to the creation of a sole member on the Board of Directors which was taken up by Rainer Mohr. Rainer Mohr stood down from the Board of Directors with effect from 1 January 2012. Dominik Müser and James Lim were appointed to the Board of Directors of Balda AG with effect from 29 December 2011. Dominik Müser was appointed as Chief Executive Officer (CEO) of the Company. He is responsible for the Company's strategy and also performs the role of Chief Financial Officer (CFO). As a result he is also responsible for the Finance, Legal and Administration departments. James Lim is responsible for Production, Sales and Development in his role as COO.

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. In addition to monthly salary payments, fixed remuneration includes compensation for the waiver of a company car and gratuities paid to the Directors in 2011. The ancillary benefits include health insurance allowances or contributions, 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 2011 (Code Article 4.2.3).

Remuneration for 2011 includes components that are linked to the business performance of the Group (performance-based remuneration).

The component linked to the business performance is calculated for the Board of Directors based on the operating profit (EBIT) of the Balda Group. For the financial year 2011, owing to the volatile market movement and the difficult environment, a bonus not subject to performance requirements was agreed upon together with the Board of Directors.

As a result of the temporary nature of employment contracts within the Board of Directors, an additional remuneration component with long-term incentives is not appropriate.

### Remuneration report for the Board of Directors

Members of the Board of Directors throughout the Group were remunerated as follows for the financial year 2011:

2011 in EUR	Fixed remuneration	Performance-related remuneration	Ancillary benefits	Remuneration with long-term incentives	Total
R. Mohr 1)	687,754	250,000	3,924	0	941,677
M. Sienkiewicz 2)	51,647	0	10,573	0	62,221
D. Muser 3)	0	0	0	0	0
J. Lim 3)	0	0	0	0	0
<b>Total:</b>	<b>739,401</b>	<b>250,000</b>	<b>14,497</b>	<b>0</b>	<b>1,003,898</b>

1) Departed on 1 January 2012

2) Departed on 16 February 2011

3) Appointed to the Board of Directors on 29 December 2011

2010 in EUR	Fixed remuneration	Performance-related remuneration	Ancillary benefits	Remuneration with long-term incentives	Total
R. Mohr	263,549	150,000	4,902	0	418,451
M. Sienkiewicz	334,183	189,574	59,802	0	583,559
<b>Total:</b>	<b>597,732</b>	<b>339,574</b>	<b>64,704</b>	<b>0</b>	<b>1,002,010</b>



The fixed remuneration of Rainer Mohr includes a severance payment of EUR 350,000 for departing prematurely. It includes the entitlements until the original end of the contract on 31 December 2012.

In addition to the remuneration and activities of the Board of Directors and the Supervisory Board, reference is also made to the explanatory notes to the consolidated financial statements in the chapter "Balda AG executive bodies", and in the explanatory notes to the consolidated financial statements for Balda AG in the chapter "Other information".

During the financial year 2011, the Board of Directors also monitored compliance with the various applicable domestic and international laws and internal regulations (Code Article 4.1.3), in particular the accounting-related internal control system (ICS).

### **Accounting and auditing of financial statements**

In accordance with the principles of transparency and comparability of business development (Code Article 7.1), Balda also prepared the consolidated financial statements and interim reports for the financial year 2011 in accordance with International Financial Reporting Standards (IFRS), and prepared the annual financial statements of Balda AG in accordance with the applicable provisions of the German Commercial Code (HGB). The auditing of the annual financial statements of Balda AG along with the consolidated financial statements was assigned to the independent company Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft AG in accordance with the resolution passed at the Annual General Meeting of 27 May 2011 (Code Article 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 Articles 7.2.1 and 7.2.3).

## Supplementary Report

### **Balda Medical**

The former company Balda Medical GmbH & Co. KG was retrospectively merged with Balda Grundstück-Vermietungs-Gesellschaft on 1 May 2011. It is the owner of the technology park at its headquarters in Bad Oeynhausen and had managed the property until now. The merger was entered in the Commercial Register on 9 January 2012.

Following the merger of the companies, the balance sheet total of Balda Medical (formerly Balda Grundstück-Vermietungs-Gesellschaft) as at 1 May 2011 increased to approximately 30.1 million euros and the equity ratio increased to approximately 43 percent. In addition to the financial strengthening, a number of long-term secure expansion opportunities for manufacturing in the technology park in Bad Oeynhausen are made available to Balda Medical.

### **Extraordinary General Meeting**

Balda AG held an Extraordinary General Meeting in Bielefeld on 8 February 2012. The shareholders were convened by the Board of Directors of Balda AG at the request of the shareholder Octavian Special Master Fund, L.P., New York, USA, on 12 December 2011, according to Section 122 para. 1 of the German Stock Corporation Act. The new appointments of members of the Supervisory Board was on the agenda of the Extraordinary General Meeting. With a presence of 76.9% of the Company's share capital, the motions put forward by Octavian to dismiss Dr. Michael Naschke (Chairman), Mr Yu-Sheng-Kai and Mr Chun-Chen Chen did not reach the necessary agreement of more than 50 percent of the votes in any of the three cases.

The Board of Directors announced at the Annual General Meeting that a special audit would be conducted in agreement with the Supervisory Board. The special audit shall focus on the question of whether failure can be blamed on the executive bodies of Balda AG in connection with efforts to sell shares from the holding in TPK Holding Co, Ltd. in 2011, and whether the Company has incurred a loss as a result. The results of the special audit are expected to be presented at the Annual General Meeting in May 2012.

### **Successful sale of TPK shares**

Balda Investments Singapore Pte. Ltd., a company belonging to the Balda AG Group, agreed the sale of a total of 20.0 million shares in TPK Holding Co., Ltd. on 24 February 2012. Proceeds from the sale totalled approximately 238 million euros. The transaction, which was completed on 29 February 2012, was carried out within the framework of a block trade according to the rules of the Taiwanese stock exchange through the

intermediary of an investment bank. Balda Investments Singapore Pte. Ltd. still holds approximately 17.8 million TPK shares after the transaction. The TPK holding has reduced from 16.1 percent to 7.6 percent thanks to the partial sale.

## Internal Control System (ICS) relating to Accounting

The primary objective of the Balda accounting-related internal control system is to ensure proper financial reporting in terms of compliance of the consolidated financial statements and management report with all relevant laws, regulations and standards.

The Balda Group control system is linked to the risk management system. Both systems complement each other. On the one hand, any defects within the control system can be found through the identification of new risks. Additional checks can help to eliminate these deficiencies. On the other hand, the monitoring of the control system may result in certain risks needing more effective control.

Balda has established a Group-wide standardised method for monitoring the effectiveness and appropriateness of the control system. It defines the necessary controls, sets uniform standards in the documentation for this purpose and makes provision for regular tests.

Responsibility for establishing and maintaining effective appropriate controls regarding financial reporting lies with the Board of Directors of Balda AG. The Board of Directors assesses the appropriateness and effectiveness of the control system for each of the annual financial statements. The Supervisory Board of Balda AG has conclusively assessed and determined the effectiveness of internal controls regarding financial reporting for the financial year 2011. Each control system is however subject to restrictions in terms of its effectiveness. None of the control systems are able to exclude or detect all incorrect information.

### **Structures, processes and control**

The Group Finance department of Balda AG, together with the Accounting and Controlling departments, manages the Group's accounting processes. A number of uniform guidelines for Group accounting apply throughout the entire Group as the basis for accounting, bookkeeping and controlling. They are stipulated in the Group Accounting Manual. Another basis is the chart of accounts. The Group Accounting department continually analyses new laws, applicable accounting standards according to IFRS as well as other statements in view of their relevance and their impact on the consolidated financial statements and management report. Relevant requirements are incorporated in the guidelines for Group accounting. These regulations are communicated in a timely manner to the various Group segments. In conjunction with the Balda AG financial statements calendar, which is applicable throughout the Group, they form the basis for the process of preparing the consolidated financial statements.

In addition, Balda has a number of supplementary procedural instructions, standardised reporting formats and a Group-wide identical IT system and IT-based reporting and consolidation processes which all help to support uniform and proper accounting within the Group. Accounting data which is either received or provided is checked continuously for completeness and accuracy, e.g. through systemic plausibility checks and random sampling.

Group reporting is based on the Group-wide uniform ERP system. Financial statement information reported by Balda AG and its subsidiaries is used as the basis for preparing the consolidated financial statements. They are based on postings entered within the various Group companies. The units supply Balda AG's Group Controlling department with fixed reports on a monthly basis. The reports are based on a uniform chart of accounts. The reports contain pre-programmed plausibility checks. In addition, suitable internal control processes and external audit processes help to ensure the Group-wide uniform implementation of the various reporting requirements.

Besides enquires with the persons responsible for accounting and bookkeeping in the operational units, 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 in particular. The holding company's Controlling department discusses differences with the responsible departments located in the units. Local Accounting departments are responsible for the proper bookkeeping and accounting of the operational companies. The causes of any

validation message or warning are to be corrected by the supplying units before final approval of the financial statement information.

The Group Controlling department aggregates the figures by segment and prepares them for the key decision maker, the Board of Directors. In particular, these comprise the key performance indicators of sales volume, total output, EBIT and EBT, investments 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 financial systems used are protected against unauthorised access by corresponding safety installations within the IT division. 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 appropriately equipped in terms of 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 clear separation of responsibilities ensures that business transactions are recorded, processed and documented in accordance with the statutory provisions, the Articles of Association as well as the internal guidelines in a timely manner and correctly from an accounting perspective. At the same time, the systems in place ensure that assets and liabilities are shown, reported and valued correctly in the interim financial statements and that reliable and relevant information is provided promptly and comprehensively.

### **Plan deviations**

A key parameter for Controlling is the comparison against the planning data. In the case of significant plan deviations, the Board of Directors of Balda AG shall immediately bring about a number of control measures by using trend analyses.

The internal control and risk management system in respect of the accounting process, whose essential features have been outlined above, ensures that business events are always stated correctly, prepared and confirmed and are included in the accounting.

### **The involvement of the Supervisory Board**

The Supervisory Board's elected representative for accounting, Dr. Michael Naschke, is involved in particular 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 auditing 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**

The Balda Group's Audit department is responsible as a further element of the control system for compliance with the guidelines, the independent examination of the effectiveness of and the quality assurance of the control system. The Company has delegated the tasks of the Audit department to external consultants. They are closely involved throughout all levels of the procedure. The planning and checking performed by the Audit department includes the consideration of risks in the consolidated financial statements and in the accounting process. Extensive information, examination and access rights are provided to the external auditors in order to perform their duties. The Audit department is guided by the American Sarbanes-Oxley Act.

### **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). These are however

expanded for the purposes of the annual financial statements of Balda AG insofar as the various principles, procedures and measures contained therein to ensure the accuracy of statutory accounting are specifically adapted to local requirements. Balda AG continually analyses laws, standards as well as other statements for this purpose in view of their impact on statutory accounting. Employees involved in accounting are trained at regular intervals.

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

There have been no significant changes to the control system between the 2011 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 quantitatively assessed in the strategies of the segments are updated and objectives 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.

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 is confronted with an internal risk. Following the sale of the MobileCom segment, the Balda Group has reached a critical revenue level. With sales volumes of approximately 70 million euros and a negative EBIT for the financial year 2011, the question arises as to the future direction and growth opportunities for the Group. Balda's holding in TPK is a valuable asset. As stated on numerous occasions, Balda plans to sell all of its shares in TPK. The planned acquisition in 2011 of a company in the field of medical technology did not happen. By selling its shares in TPK, Balda will be able to generate strategic growth in addition to organic growth from its own earnings.

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 take into account 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. Following the recovery in global GDP during the financial year 2010, the development of the world economy remained stable in 2011. The revival during the reporting period 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 2012. 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 3.8 percent in 2011, the International Monetary Fund (IMF) is forecasting that global economic output will increase by 3.3 percent in 2012. However there remain 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 2012.

### 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 both business 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 when converting foreign currency proceeds.

Likewise risks could arise in view of the TPK holding 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 2011 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, as well as the current unrest in the Arabic part of North Africa. 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.

Furthermore, higher wages, increased 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 intensive customer contact and market research. In addition to the various external measures, the Group counters sales risks internally with flexibly designed production capacities.

A key risk is represented by the market acceptance of the products for which the Group supplies components and assemblies. Balda only has limited influence 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 medical technology and electronic communications sector is likely to remain intensely competitive in 2012. Worldwide overcapacity is putting pressure particularly on prices in the electronic communications 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

Each 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. In addition, the Company also manufactures digital cameras based on customer orders. The product portfolio of the segment also includes 3D glasses for the optimum display of video and film motifs. 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 objectives 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 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 a small number of customer are responsible for a substantial share of sales. In the financial year 2011, the Group made revenue of more than 10 percent of the total revenue from 4 customers. This contribution to sales will be reduced significantly in the financial year 2012.

The loss of a major customer can in principle lead to 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, as shown in 2011 following the catastrophe in Japan. 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.

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 consumer electronics market is essentially exposed to fluctuations in the various project cycles. 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.

### **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**

In addition to the following lists of financial risks, reference is also made to the explanatory notes to the consolidated financial statements of the Group (5.ab.-ac.).

### **Capital market and financing risks**

Currently no risks have been identified relating to financing and capital procurement due to the high equity base.

A risk to the asset position of the Group could arise due to fluctuations in the TPK share price (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. In addition, the Company also hedges forward exchange contracts 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 forward exchange contracts are of minor importance for the Group and do not constitute 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 the Balda Group.

### **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 or process risks in the annual financial statements.

### **Liability risks**

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

### **Default risk**

The balance of receivables is monitored regularly by the respective units. The risk of a potential default is taken into account by way of the conclusion of suitable insurance. In addition, the Group also has a Group-wide uniform reminder system installed within the respective units.

## **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").

### **Tax risks**

The routine Group tax audit is currently being conducted for the years 2007-2009. A number of risks may arise for the Group from potential tax arrears.

### **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**

CEOs have been established in the Malaysia and Germany under the umbrella of Balda AG. 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 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 in the same way as before.

### **Opportunities report**

The Board of Directors essentially sees a number of good prospects within the Balda Medical segment. 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 2012 as positive.

The diversification into other products with Bluetooth technology and new electronics products also provides the Company with additional opportunities for growth, albeit with some risks in terms of profitability.

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.

### **Risk report of Balda AG**

Balda AG is confronted with an internal risk of Group size. Reference is made to the notes in the Group risk report on the risk position regarding the critical Group size risk.

The depreciation of shares or even a liquidation or insolvency of an affiliated company could pose a risk to the asset position of Balda AG. The stake in the touchscreen manufacturer TPK Holding Co. Ltd. held via a holding company is particularly valuable to Balda AG. A payout to shareholders from dividends passed on from the sale of shares in TPK would immediately reduce the value of Balda AG. Indirect effects on the value of the subsidiary of Balda AG could also occur as a result.

A default risk may arise from loans which are granted as a result of their long terms. There are a variety of securities in the form of cash deposits, personal guarantees and the pledging of shares.

Even the declining value of receivables up to the point of default of receivables from affiliated companies is deemed to be a risk for Balda AG. This typical business risk is subject to the risk management of the operational business within the Group. The Board of Directors of Balda AG confronts this risk by way of Group-wide uniform reporting on a monthly basis. The purpose of this is to make it possible for the Board of Directors to identify any negative developments at an early stage and take appropriate action.

Interest rate risks and foreign exchange rate fluctuations must also be taken into account as other risks. Balda AG is exposed to foreign exchange rate fluctuations in conjunction with loans granted by the intermediate holding company Balda Investments Singapore to Balda AG in USD. Due to the low interest rate and existing variable interest rates, there are also interest rate risks in the event base rates start to rise.

Another risk for Balda AG exists in the event the Company is not financed in a timely manner. The long-term assets are primarily financed in the short term. This may result in a payment risk for the Company. However this risk is deemed to be small by the Board of Directors as short-term funds were taken in full by the subsidiary Balda Investments Singapore.

Balda AG is also exposed to liquidity risk in the sense that its internal financial resources as a pure holding company depend primarily on dividends paid out by its subsidiaries. The management team confronts this risk by way of a liquidity management system optimised via the Group. Balda AG does not currently have any of its own credit lines with banks.

No transactions with derivatives came into effect at Balda AG during the financial year 2011.

## **Forecast**

### **Global growth loses momentum**

The global economy will grow only moderately in 2012. The reason for such a loss of momentum is the economic weakness seen in the USA and in certain European countries. The economic development in emerging countries is increasingly losing momentum as well. Given a number of positive leading indicators, especially in the USA, a return to recession is however unlikely. The World Bank expects to see growth in global economic

output of 2.5 percent in 2012. In an earlier forecast it predicted growth of more than 3.6 percent. Experts at the International Monetary Fund (IMF) expect the increase in global economic output to be around 4 percent for the current year.

The expected growth levels are also confronted with a number of risk factors at the same time. The debt crisis in some western countries, possible stagnation in the US economy and rising raw material and food prices may affect the development of global markets in 2012. The high write-off requirements of banks and their small capital base and the expected economic slowdown in emerging and developing countries represent a risk to global economic output.

### **Economic situation remains fragile in the eurozone**

The high debt of certain European countries will have a negative impact on economic development in the eurozone in 2012. Experts at the World Bank experts are forecasting a decline in GDP of 0.3 percent in the eurozone for 2012. The International Monetary Fund (IMF) is expecting a decline in economic output of approximately 0.5 percent in the Eurozone following growth of 1.5 percent in the previous year.

According to economists, the inflation rate will fall below the 2 percent mark during the current year, thus totalling approximately 1.7 percent. However, a revision of the inflation forecast cannot be ruled out given the volatility in energy and food prices and further purchases of government bonds.

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 2012.

### **Growth in Germany declining markedly**

Due to the uncertainty seen on the capital markets, German GDP has lost momentum. According to forecasts by the Federal Government, economic output in Germany will grow by 0.7 percent in 2012 following growth of 3 percent in 2011. In earlier forecasts the Ministry of economics was expecting an increase of 1.0 percent. Given the strong German dependence on exports, economists at Deutsche Bank even expected a brief return to recession during the first half of 2012. Forecasts made by the Ifo Institute for Economic Research for the second half of 2012 are nevertheless optimistic against the backdrop of the expected revival of foreign trade.

According to experts, employment should remain at a high level. The Federal Government is forecasting average unemployment of 6.8 percent during the current year following 7.2 percent in the previous year. Low unemployment levels should lead to stable consumer spending. According to the Ifo Institute for Economic Research, the inflation rate for 2012 is expected to return to 1.8 percent following 2.5 percent in 2011. The Bundesbank is expecting an inflation rate of 1.5 percent for 2013.

Foreign trade remains an important pillar of German economic output. Despite uncertainty in the global capital markets, exports should remain stable with an expected increase in growth of 2 percent in 2012. In addition, increased investment and rising domestic demand is becoming more and more important for the German economy.

Significant risk factors for the domestic economy include the escalating debt crisis in the eurozone and the USA and the expected slowdown in economic output in Asia. If these crises worsen, this may have a negative effect on the development forecasted.

### **Moderate growth in the USA**

Given the continuing uncertainty concerning the development of the property and labour markets, the IMF is expecting only moderate growth in economic output in the USA of approximately 1.7 percent in 2012. The World Bank is expecting growth of approximately 1.4 percent compared to 2011. The slight recovery in industry will, according to economists, be countered by high unemployment. According to experts, a significant stabilisation of the labour market is not expected during the first few months of this year.

The USA's rising national debt represents an additional risk factor. With an expected budget deficit of approximately 7.9 percent of GDP in 2012, the public finances remain heavily burdened by debt. Due to rising prices for energy and food, the inflation rate is currently between 3 and 4 percent. Given the fragile state of the economy, no changes to interest rate policy are expected in the first few months of this year. If there is no fiscal stabilisation in the world's largest economy, this may, according to the IMF, significantly threaten the recovery of global economic output.

### **Weaker growth in emerging countries**

The forecasts for economic development in the leading emerging countries are modest. According to economists, economic output in China is expected to lose momentum this year. Reasons for this include the weak demand in Europe and America as well as the tight monetary policy implemented by the central bank. In

addition, lower levels of capital investment are contributing to the expected slowdown. According to the IMF, the projected growth in GDP for 2012 is 8.25 percent. In previous forecasts, the Fund expected to see an increase in growth of 9 percent. Government economists are expecting growth in economic output of 8.5 percent.

Given the slowdown in terms of the boom in China, efforts to ease monetary policy cannot be excluded in 2012. This may increase the risk of the economy overheating.

Foreign trade remains the main pillar of economic output in 2012. Economists are expecting to see only slight growth impetus in domestic demand.

Experts at the World Bank are expecting an increase in economic output in developing countries of between 5.4 and 6 percent in 2012.

## **Development of Balda's markets**

### **Medical**

There is a feeling of confidence in the medical technology sector. The German medical technology market will continue its growth and remain a growth factor in the coming year. The reason for this on the one hand is increased wealth in emerging countries, increased self-medication and easier access to medical devices. On the other hand, the growing life expectancy of the population in developed countries is also contributing to the increase in sales of medical device manufacturers. In addition many patients are willing to accept higher costs for treatment with modern equipment.

Moreover, innovative medical devices and new service offerings of domestic medical device manufacturers help to cater for the high demand seen worldwide. According to the trade association SPECTARIS, the increase in sales in 2012 will slow down slightly due to a number of scheduled savings within healthcare in certain European countries. However the stable sales growth in Asia will not compensate for this development. Growth impetus also comes from the USA. Experts are expecting sales growth of more than 5 percent in Eastern Europe in 2012. According to market observers, the robust development of the medical technology industry will continue in 2013 as well.

### **Electronic Products**

The market for electronic products continues to grow. Compact tablets and thin ultrabooks in particular are driving growth within the sector. Following the significant growth seen during the reporting period, the forecasts of experts for 2012 are expected to be more modest given the moderate economic activity and the fierce price competition seen within the sector. Market observers are expecting an increase in sales of approximately 5 percent compared to 2011, thus totalling 1.04 trillion dollars. The emerging economies in Asia and Latin America are expected to play a leading role in the projected increase. The market for electronic products in China, India and Brazil expects to see double-digit growth this year as well. By contrast, experts are expecting stagnant sales in the USA and Western Europe. The reason for this is the reduction in consumer spending as a result of escalating consumer debt.

Portable computers with vastly improved battery lives and user-friendly displays are expected to attract more and more consumers in the coming months. Innovative high definition televisions, optimised 3D technology, new apps and increased networking of home appliances are other highlights that will largely determine the growth rate in the electronics industry.

## **Future corporate situation (Group)**

The various strategic and operational measures which have already been implemented by the Board or Directors, or which are currently being tested, aim to return Balda to profitability by 2013. The current financial year is seen as a transitional year in this respect.

Based on the current business platform, i.e. without taking into account the impact of any acquisitions, the Medical segment expects to see declining revenue levels and a continued positive segment result for 2012. The company management is looking to strategically strengthen medical technology with a number of modest acquisitions and therefore open up a number of new growth prospects for the sector. The Board of Directors sees the Medical segment as being promising in terms of its position within the various markets with the potential to grow profitably in the coming years.

The fundamental reformation of the strategic direction and the processes and procedures at the Malaysian site is a priority within the Electronic Products segment for 2012. The comprehensive restructuring also includes the

examination of the product as well as customer portfolios. The final development phase will see innovative products such as weather-proof smartphones, 3D glasses as well as energy-efficient Bluetooth headsets with optimised sound quality. The serial production of new products will begin gradually after 2012.

The objective is to find a sustainable profitable business platform for the segment as quickly as possible. The Board of Directors is expecting an increase in segment revenue for the financial year 2012. However the overall result is likely to be negative once again.

As a result of the sale of the loss-making MobileCom segment, the Central Services segment is likely to achieve lower sales from Group contributions during the financial year 2012. An optimised cost structure should at least partially offset this effect. Central Services is however expecting a significant positive overall result from the successful sale of some of the TPK shares.

At the Balda Group level, the Board of Directors is expecting sales during the financial year 2012 of a similar level to those seen during the previous year. The EBIT is expected to remain in single-digit negative territory once again, but should be better than the EBIT in 2011.

Thanks to the partial sale of the TPK holding, a considerable profit is expected in 2012 with respect to pre-and post-tax consolidated earnings.

The Board of Directors expects to lead the Balda Group back onto a profitable growth track in 2012 and 2013 by way of a new strategic direction. The segments Medical and Electronic Products should take a positive development in 2013.

Under the prerequisite for successful new business, medical should continue to grow its sales and operating result in 2013. Electronic Products will expand its sales and possibly achieve a positive operating result in 2013 on the condition of a successful restructuring, particularly in production, resulting in markedly improved cost positions and with the completion of the development of commercially viable and competitive products and an efficient sales organization.

With organic growth and further provisions for capacity adjustments, the board of directors expects a positive trend in revenues and operating results for the Group for the years from 2013.

### **Balda AG forecast**

Balda AG is expecting Group contributions for the various services provided from the financing and service functions for the subsidiaries. The Company is therefore earning the vast majority of its income to cover its running costs.

In addition, Balda AG receives income from dividends paid out by its subsidiaries as compensation for the risk involved with its investments. Based on the aforementioned development of the operational Group companies, dividend income for Balda AG and a dividend payout to shareholders from the successful partial sale of TPK shares are both expected in 2012.

Profits from ordinary activities are expected to be unusually high for 2012 thanks to the aforementioned sales of TPK shares and the dividend yields received as a result. Even if these dividends yields are not taken into account, Balda AG is still aiming to achieve a balanced result with respect to reducing interest expenses.

The objective for subsequent years is for Balda AG to be able to pay out reasonable dividends thanks to dividend flows from the operating companies.

## Year-end Tables 2011

### *Balda Group*

**Balda Group –  
Balance Sheet as of 31 December 2011**

<b>ASSETS</b>	<b>Notes II.</b>	<b>31/12/2011 KEUR</b>	<b>31/12/2010 KEUR</b>
<b>A. LONG-TERM ASSETS</b>			
I. Tangible assets	<b>5.a.</b>	25,594	61,601
1. Land and buildings		15,704	29,586
2. Machinery and equipment		7,558	29,317
3. Fixtures, furniture and office equipment		1,851	2,676
4. Advance payments and construction in progress		481	22
II. Goodwill	<b>5.b.</b>	6,877	15,705
III. Intangible assets	<b>5.c.</b>	358	900
IV. Financial assets	<b>5.d.</b>	11,417	627,293
1. Investments		1	1
2. Financial Investments		0	626,812
3. Loans		11,416	480
V. Deferred taxes	<b>5.e.</b>	6,086	6,168
<b>Long-term Assets</b>		<b>50,332</b>	<b>711,667</b>
<b>B. CURRENT ASSETS</b>			
I. Inventories	<b>5.f.</b>	9,603	18,616
1. Raw materials and supplies		3,964	5,357
2. Work in progress and finished goods and merchandise		2,452	10,399
3. Advance payments		3,187	2,860
II. Trade accounts receivable	<b>5.g.</b>	10,696	25,772
III. Other current assets	<b>5.h.</b>	1,313	4,830
IV. Tax refund	<b>5.i.</b>	312	648
V. Cash and cash equivalents	<b>5.j.</b>	35,895	48,937
VI. Assets classified as held for sale	<b>5.k.</b>	382,344	0
<b>Current Assets</b>		<b>440,163</b>	<b>98,803</b>
<b>TOTAL ASSETS</b>		<b>490,495</b>	<b>810,470</b>



	Notes II.	31/12/2011 KEUR	31/12/2010 KEUR
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>A. SHAREHOLDERS' EQUITY</b>			
I. Subscribed share capital		58,891	58,891
II. Reserves		258,385	505,944
III. Net profit/ -loss		145,748	184,885
1. Earnings		-39,137	94,584
2. Retained earnings		184,885	90,301
<b>Group Shareholders' Equity</b>	<b>5.l.</b>	<b>463,024</b>	<b>749,720</b>
<b>B. LONG-TERM LIABILITIES</b>			
I. Long-term debt	<b>5.m.</b>	0	440
1. Bank loans		0	440
II. Long-term finance lease obligations	<b>5.n.</b>	227	222
III. Deferred taxes	<b>5.o.</b>	4,809	5,172
IV. Long-term provisions/pension accruals	<b>5.p.</b>	97	69
<b>Long-term Liabilities</b>		<b>5,133</b>	<b>5,903</b>
<b>C. CURRENT LIABILITIES</b>			
I. Trade accounts payable	<b>5.q.</b>	7,499	21,643
II. Other current liabilities	<b>5.r.</b>	3,674	6,038
III. Advance payments received	<b>5.s.</b>	6,782	4,768
IV. Short-term debts and current portion of long-term debts	<b>5.t.</b>	439	19,819
V. Current portion of finance lease obligation	<b>5.u.</b>	11	179
VI. Tax liabilities	<b>5.v.</b>	1,143	2,307
VII. Short-term provisions	<b>5.w.</b>	2,790	93
<b>Current Liabilities</b>		<b>22,338</b>	<b>54,847</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>490,495</b>	<b>810,470</b>

**Balda Group –  
Income Statement 1 January - 31 December 2011**

	Notes II.	2011 KEUR	2010 KEUR
Revenues	6.a.	66,345	62,823
Other operating income	6.b.	5,408	10,717
Changes in inventories of finished goods and work in progress	6.c.	-845	966
Total income		70,908	74,506
Material expenses	6.d.	41,533 63.4% <sup>(2)</sup>	37,839 59.3% <sup>(2)</sup>
Personnel expenses	6.e.	18,315	19,609
a) Wages and salaries and social contribution		12,412	15,578
b) Expenses for temporary workers		5,903 25.8%	4,031 26.3%
Depreciations	6.f.	3,741	5,048
Other operating expenses	6.g.	13,355	11,746
Impairments	6.h.	0	14,124
<b>Operating income <sup>(1)</sup></b>		<b>-6,036</b>	<b>-13,860</b>
Financial costs	6.i.	593	-2,536
Other financial costs	6.j.	4,608	-7,660
Result of transitional consolidation of TPK shares	6.k.	0	124,628
Earnings from affiliated companies	6.l.	0	17,191
<b>Earnings before income taxes</b>		<b>-835</b>	<b>117,763</b>
Taxes on income and on earnings	6.m.	-2,190	1,874
<b>Net income - continued operations</b>	6.n.	<b>-3,025</b>	<b>119,637</b>
Earnings discontinued operations	6.o.	-36,112	-25,247
<b>Group result</b>		<b>-39,137</b>	<b>94,390</b>
<b>Annual income total - added to:</b>	6.p.		
Shareholder of Balda AG		-39,137	94,584
- thereof from continued operations		-3,025	119,831
- thereof from discontinued operations		-36,112	-25,247
Minority interests		0	-194
- thereof from continued operations		0	0
- thereof from discontinued operations		0	-194
<b>Earnings per share:</b>	6.q.		
Number of shares - undiluted (in thousand shares)		58,891	54,961
Earnings per share (EUR) - undiluted		-0.665	1.721
Number of shares - diluted (in thousand shares)		58,891	54,961
Earnings per share (EUR) - diluted		-0.665	1.721
(1) Operating income before impairment		-6,036	264

(2) related to sales revenues plus change in inventories of finished goods and work in progress

**Balda Group –  
Group Total Income Statement 1 January - 31 December 2011**

	<b>2011 KEUR</b>	<b>2010 KEUR</b>
1. Group result	-39,137	94,390
2. Other result	-247,559	465,278
2.1. Discrepancy contribution from currency conversion	-7,386	30,213
2.2. Share of other result of at equity balanced associated companies	0	859
2.3. Change in the fair value of available for sale financial value	-244,469	440,774
2.3.1 thereof tax	4,296	-6,568
<b>3. Total result of the period</b>	<b>-286,696</b>	<b>559,668</b>
<b>Total result of the period attributable to:</b>		
Shareholder of Balda AG	-286,696	559,862
Minority interests	0	-194

# Balda Group – Segment reporting 2011

## Fiscal year 2011

in KEUR	Electronic Products	Medical	Central Services	Total operational segments	Reconciliation <sup>(4)</sup>	Inter-Segment-Corrections <sup>(5)</sup>	Group
Revenues external	26,477	39,868	0	66,345	0	0	66,345
Revenues internal	26	0	849	875	-367	-508	0
<b>Revenues total</b>	<b>26,503</b>	<b>39,868</b>	<b>849</b>	<b>67,220</b>	<b>-367</b>	<b>-508</b>	<b>66,345</b>
<i>Changes to last year</i>	<i>-25.1%</i>	<i>45.0%</i>	<i>-37.2%</i>	<i>4.6%</i>			<i>5.5%</i>
<b>Total operating output</b>	<b>25,697</b>	<b>41,771</b>	<b>9,715</b>	<b>77,183</b>	<b>-3,078</b>	<b>-3,197</b>	<b>70,908</b>
<b>EBIT</b>	<b>-5,029</b>	<b>2,731</b>	<b>-6,780</b>	<b>-9,078</b>	<b>3,042</b>	<b>0</b>	<b>-6,036</b>
Interest income	228	88	805	1,121	-253	-200	668
Interest expenses	75	241	101	417	-142	-200	75
Result of transitional consolidation of TPK shares				0	0		0
Contributions to earnings by associated companies	0	0	0	0	0	0	0
Other financial costs <sup>(6)</sup>	0	0	5,215	5,215	-607	0	4,608
<b>EBT</b>	<b>-4,876</b>	<b>2,578</b>	<b>-861</b>	<b>-3,159</b>	<b>2,324</b>	<b>0</b>	<b>-835</b>
Investments	571	1,738	74	2,383	0		2,383
Depreciations	1,569	1,866	306	3,741	0	0	3,741
<i>thereof reduction in value / (-) appreciation in value</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Impairment	0	0	0	0	0	0	0
Segment assets <sup>(1)/(2)</sup>	33,883	31,989	439,854	505,726	11,416	-33,045	484,097
Number of employees as of 31/12 <sup>(3)</sup>	942	220	16	1,178	0	0	1,178

## Fiscal year 2010

in KEUR	Electronic Products	Medical	Central Services	Total operational segments	Reconciliation <sup>(4)</sup>	Inter-Segment-Corrections <sup>(5)</sup>	Group
Revenues external	35,395	27,432	66	62,893	0	0	62,893
Revenues internal	0	70	1,285	1,355	-921	-434	0
<b>Revenues total</b>	<b>35,395</b>	<b>27,502</b>	<b>1,351</b>	<b>64,248</b>	<b>-921</b>	<b>-434</b>	<b>62,893</b>
<b>Total operating output</b>	<b>36,412</b>	<b>29,506</b>	<b>14,316</b>	<b>80,234</b>	<b>-3,187</b>	<b>-2,541</b>	<b>74,506</b>
<b>EBIT</b>	<b>-18,117</b>	<b>2,389</b>	<b>1,838</b>	<b>-13,890</b>	<b>30</b>	<b>0</b>	<b>-13,860</b>
Interest income	244	131	389	764	-64	-290	410
Interest expenses	145	193	2,961	3,299	-63	-290	2,946
Revaluation of the TPK shares according to IAS 39	0	0	124,628	124,628	0	0	124,628
Contributions to earnings by associated companies	0	0	17,191	17,191	0	0	17,191
Other financial costs <sup>(6)</sup>	0	0	-7,660	-7,660	0	0	-7,660
<b>EBT</b>	<b>-18,018</b>	<b>2,327</b>	<b>133,425</b>	<b>117,734</b>	<b>29</b>	<b>0</b>	<b>117,763</b>
Investments	327	1,238	224	1,789	0	0	1,789
Depreciations	3,124	1,328	596	5,048	0	0	5,048
<i>thereof reduction in value / (-) appreciation in value</i>	<i>0</i>	<i>0</i>	<i>-831</i>	<i>-831</i>	<i>0</i>	<i>0</i>	<i>-831</i>
Impairment	14,124	0	0	14,124	0	0	14,124
Segment assets <sup>(1)/(2)</sup>	38,654	26,379	671,648	736,681	-4,220	-8,658	723,803
Number of employees as of 31/12 <sup>(3)</sup>	874	204	23	1,101	0	0	1,101

(1) Segment assets = Long-term assets plus current assets except deferred taxes and tax refund. These are assets of the continued operations without the sold segment MobileCom.

(2) Assets of the segment "Central Services" include KEUR 382.344 (previous year: KEUR 626.812) 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.

(6) The other financial earnings include solely currencies results.

**Balda Group –  
Cash flow for the period 1 January - 31 December 2011**

	Notes II.	2011 KEUR	2010 KEUR
Net loss/income before income tax and financing costs - continued operations		-6,036	-37,378
Net loss/income before income tax and financing costs - discontinued operations		-31,114	-1,255
+ Income from interest		420	479
- Interest payments		-658	-1,190
+/- Payments on tax on income and earnings		-61	118
+/- Write-offs/write-ups on long-term assets (excluding deferred taxes)		28,159	36,057
+/- Other non-cash affecting expenses and earnings		-2,045	2,548
+/- Increase/decrease in tax refund and tax liabilities		-108	-6,688
+/- Increase/decrease in provisions		111	-22
-/+ Increase/decrease in inventories, trade accounts receivable and other assets not itemised within investment or financing activities		17,768	-6,263
+/- Increase/decrease in accounts payable and other liabilities not itemised within investment or financing activities		-2,753	2,410
<b>= Cash flow from operating activities</b>	<b>4.a.</b>	<b>3,683</b>	<b>-11,184</b>
<i>thereof discontinued operations</i>		<i>11,166</i>	<i>313</i>
<b>Cash flow from investing activities</b>			
- Payments in intangible and tangible assets affecting payment		-3,094	-12,321
+ Cash inflow from sale of intangible and tangible assets		0	277
+ Cash inflow from financial assets affecting payment		0	6,908
+ Cash inflow from the sales of shares of the group		1,181	12,318
<b>= Cash flow from investing activities</b>	<b>4.b.</b>	<b>-1,913</b>	<b>7,182</b>
<i>thereof discontinued operations</i>		<i>-1,153</i>	<i>655</i>
<b>Cash flow from financing activities</b>			
+ Proceeds from liabilities financial institutions		3,096	13,333
- Repayments of liabilities to financial institutions		-11,430	-650
- Payments from the amortization of bonded loans		0	-8,105
- Change in finance lease obligations affecting payment		-163	-421
<b>= Cash flow from financing activities</b>	<b>4.c.</b>	<b>-8,497</b>	<b>4,157</b>
<i>thereof discontinued operations</i>		<i>-7,500</i>	<i>420</i>
Change in cash and cash equivalents affecting payment	<b>4.d.</b>	-6,727	155
<b>+ Cash and cash equivalents at the beginning of the fiscal year including discontinued operations</b>		<b>48,937</b>	<b>44,249</b>
<b>- Disposal of financial resources from deconsolidation</b>		<b>-6,995</b>	<b>0</b>
+/- Impact of exchange rate differences on cash held in foreign currencies		680	4,533
<b>= Cash and cash equivalents at the end of the fiscal year including discontinued operations</b>		<b>35,895</b>	<b>48,937</b>
<i>Cash and cash equivalents at the end of the fiscal year - discontinued operations</i>		<i>0</i>	<i>4,482</i>
<b>Cash and cash equivalents at the end of the fiscal year - continued operations</b>		<b>35,895</b>	<b>44,455</b>
<b>Total financial resources at end of the fiscal year</b>			
Cash funds		<b>35,895</b>	<b>48,937</b>

**Balda Group –  
Changes to shareholders' equity in the fiscal year 2011**

in KEUR	Subscribed share capital	Capital reserves	Revenue reserves	Revaluation reserve	Available-for-sale financial assets	Currency reserves	Retained earnings	Balda AG shareholders	Minority interest	Total shareholders' equity
<b>Balance on 01/01/2010</b>	<b>54,157</b>	<b>154,432</b>	<b>976</b>	<b>905</b>	<b>0</b>	<b>4,230</b>	<b>-57,669</b>	<b>157,031</b>	<b>2,204</b>	<b>159,235</b>
Net income after taxes	-	-	-	-	-	-	94,584	94,584	-194	94,390
Other earnings	-	-	905	-905	434,206	31,072	-	465,278	0	465,278
<b>Total earnings</b>	<b>0</b>	<b>0</b>	<b>905</b>	<b>-905</b>	<b>434,206</b>	<b>31,072</b>	<b>94,584</b>	<b>559,862</b>	<b>-194</b>	<b>559,668</b>
Conversion of profit-sharing rights	4,734	28,093	-	-	-	-	-	32,827	-	32,827
Release of capital reserve	-	-147,970	-	-	-	-	147,970	0	-	0
Retirement of non controlling shares	-	-	-	-	-	-	-	0	-2,010	-2,010
<b>Balance on 31/12/2010</b>	<b>58,891</b>	<b>34,555</b>	<b>1,881</b>	<b>0</b>	<b>434,206</b>	<b>35,302</b>	<b>184,885</b>	<b>749,720</b>	<b>0</b>	<b>749,720</b>
<b>Balance on 01/01/2011</b>	<b>58,891</b>	<b>34,555</b>	<b>1,881</b>	<b>0</b>	<b>434,206</b>	<b>35,302</b>	<b>184,885</b>	<b>749,720</b>	<b>0</b>	<b>749,720</b>
Net income after taxes	-	-	-	-	-	-	-39,137	-39,137	-	-39,137
Other earnings	-	-	-	-	-240,173	-7,386	-	-247,559	-	-247,559
<b>Total earnings</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-240,173</b>	<b>-7,386</b>	<b>-39,137</b>	<b>-286,696</b>	<b>0</b>	<b>-286,696</b>
<b>Balance on 31/12/2011</b>	<b>58,891</b>	<b>34,555</b>	<b>1,881</b>	<b>0</b>	<b>194,033</b>	<b>27,916</b>	<b>145,748</b>	<b>463,024</b>	<b>0</b>	<b>463,024</b>

## Year-end Tables 2011

*Balda AG*



**Balda AG –  
Balance Sheet as of 31 December 2011**

	Notes II.	31/12/2011 KEUR	31/12/2010 KEUR
<b>ASSETS</b>			
<b>A. LONG-TERM ASSETS</b>	<b>2.a.</b>		
I. Intangible assets			
Software		132	205
		<b>132</b>	<b>205</b>
II. Tangible assets			
Fixtures, furniture and office equipment		66	104
		<b>66</b>	<b>104</b>
III. Financial assets			
1. Shares in affiliated companies		188,500	188,500
2. Loans to affiliated companies		0	135
3. Investments		1	1
4. Other loans		11,063	0
		<b>199,564</b>	<b>188,636</b>
		<b>199,762</b>	<b>188,945</b>
<b>B. CURRENT ASSETS</b>			
I. Receivables and other current assets	<b>2.b.</b>		
1. Accounts receivable from affiliated companies		4,212	7,969
2. Other current assets		422	431
		<b>4,634</b>	<b>8,400</b>
II. Cash and cash equivalents	<b>2.c.</b>	2,576	6,070
		<b>7,210</b>	<b>14,470</b>
<b>C. PREPAID EXPENSES</b>		136	131
<b>TOTAL ASSETS</b>		<b>207,108</b>	<b>203,546</b>

	Notes II.	31/12/2011 KEUR	31/12/2010 KEUR
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>A. SHAREHOLDERS' EQUITY</b>	<b>2.d.</b>		
I. Subscribed share capital		58,891	58,891
II. Capital reserves		34,820	34,820
III. Revenue reserves		2	2
IV. Retained earnings		79,747	0
		<b>173,460</b>	<b>93,713</b>
<b>B. PROVISIONS</b>	<b>2.e.</b>		
1. Tax provisions		5	733
2. Other provisions		2,938	2,235
		<b>2,943</b>	<b>2,968</b>
<b>C. LIABILITIES</b>	<b>2.f.</b>		
1. Trade accounts payable		332	435
2. Liabilities to affiliated companies		29,799	105,962
3. Other liabilities		574	468
- thereof from taxes: KEUR 212 (previous year: KEUR 119)			
- thereof from social security: KEUR 5 (previous year: KEUR 3)			
		<b>30,705</b>	<b>106,865</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>207,108</b>	<b>203,546</b>

**Balda AG –  
Income statement for the fiscal year 2011**

	<b>Notes II.</b>	<b>2011 KEUR</b>	<b>2010 KEUR</b>
1. Revenues	<b>3.a.</b>	2,710	3,172
2. Other operating income	<b>3.b.</b>	11,431	7,862
3. Personnel expenses	<b>3.c.</b>	-2,072	-1,869
a) Wages and salaries		-1,941	-1,736
b) Social security contributions, expenses for pensions and support		-131	-133
4. Depreciation on intangible and tangible assets		-179	-480
5. Other operating expenses	<b>3.d.</b>	-11,698	-14,149
6. Income from participating interests - thereof from affiliated companies: KEUR 80,472 (previous year: KEUR 1,527)	<b>3.e.</b>	80,472	1,527
7. Other interest and similar income - thereof from affiliated companies: KEUR 204 (previous year: KEUR 170)		420	253
8. Interest and other expenses - thereof from affiliated companies: KEUR 2,065 (previous year: KEUR 3,899)	<b>3.f.</b>	-2,065	-6,838
<b>9. Result of ordinary operations</b>		<b>79,019</b>	<b>-10,522</b>
10. Extraordinary income		0	12,838
11. Extraordinary expenses		0	-8,105
<b>12. Extraordinary income</b>		<b>0</b>	<b>4,733</b>
13. Taxes on income and earnings (earnings)	<b>3.g.</b>	728	30
14. Other taxes		0	-1
<b>15. Net profit / Net loss</b>		<b>79,747</b>	<b>-5,760</b>
16. Loss carried forward from previous fiscal year		0	- 142,210
17. Withdrawal of capital reserve		0	147,970
<b>18. Retained earnings</b>		<b>79,747</b>	<b>0</b>

**Balda AG –  
Development of fixed assets in the fiscal year 2011**

	ACQUISITION AND MANUFACTURING COSTS				DEPRECIATIONS				NET BOOK VALUES	
in KEUR	01/01/11	Accruals	Disposals	31/12/11	01/01/11	Accruals	Disposals	31/12/11	31/12/11	31/12/10
<b>INTANGIBLE ASSETS</b>										
Software	1,778	52	0	1,830	1,573	125	0	1,698	132	205
<b>TANGIBLE ASSETS</b>										
Fixtures, furniture and office equipment	1,512	17	11	1,518	1,408	54	9	1,453	65	104
<b>FINANCIAL ASSETS</b>										
1. Shares in affiliated companies	211,980	0	0	211,980	23,480	0	0	23,480	188,500	188,500
2. Loans to affiliated companies	135	0	135	0	0	0	0	0	0	135
3. Investments	1	0	0	1	0	0	0	0	1	1
4. Other financial assets	0	11,064		11,064	0	0	0	0	11,064	0
	<b>212,116</b>	<b>11,064</b>	<b>135</b>	<b>223,045</b>	<b>23,480</b>	<b>0</b>	<b>0</b>	<b>23,480</b>	<b>199,565</b>	<b>188,636</b>
	<b>215,406</b>	<b>11,133</b>	<b>146</b>	<b>226,393</b>	<b>26,461</b>	<b>179</b>	<b>9</b>	<b>26,631</b>	<b>199,762</b>	<b>188,945</b>

## Notes to the consolidated financial statements of Balda AG as of 31 December 2011

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## I. General explanations

### 1. General information about Balda

The Balda Aktiengesellschaft (also: Balda AG or BAG) is located 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'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 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 China, Balda is participating in the dynamic development of the touchscreen displays market.

The Board of Directors will submit the consolidated financial statements to the Supervisory Board for publication on 22 March 2012.

### 2. Notes to the Balda AG consolidated financial statements

The consolidated financial statements of the Balda AG as of 31 December 2011 were produced 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 Standards Interpretations Committee (IFRS IC).

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

According to the total expense format, the group prepares a separate profit and loss statement and consolidated statement of comprehensive income.

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. Majority stakes are deemed to exist if Balda AG can determine the financial and managerial policy of a company in order to gain economically from it.

Apart from Balda AG, the consolidated financial statements include 5 domestic (previous year: 6) and 8 foreign (previous year: 13) subsidiaries by way of full consolidation.

The basis of consolidation changed as follows over the 2011 financial year:

	Number of companies
Basis of consolidation, 31/12/10	19
domestic companies (excluding Balda AG)	6
foreign companies	13
Initial consolidation	3
Merger	-1
Deconsolidation	-10
Basis of consolidation, 31/12/11	11
Domestic companies (excluding Balda AG)	5
foreign companies	6

In detail:

	Date	Share
<b>Initial consolidation:</b>		
Balda Investments Malaysia Pte. Ltd., Singapore	May 2011	100%
Balda Investments Suzhou Pte. Ltd., Singapore	May 2011	100%
Balda Investments Beijing Pte. Ltd., Singapore	May 2011	100%
<b>Merger:</b>		
Balda Medical GmbH & Co. KG, Bad Oeynhausen	December 2011	100%
<b>Deconsolidation:</b>		
Balda Solutions (Suzhou) Ltd., Suzhou	December 2011	100%
Balda Solutions (Beijing) Ltd., Peking	December 2011	100%
BTO Technology (Beijing) Ltd., Peking	December 2011	100%
BSSU Sales and Finance Ltd., British Virgin Islands	December 2011	100%
Balda Solutions (Xiamen) Ltd., Xiamen	January 2011	100%
Balda Technology MSC Sdn. Bhd., Malaysia	July 2011	100%
Balda Investments Suzhou Pte. Ltd., Singapore	December 2011	100%



Balda Investments Beijing Pte. Ltd., Singapore	December 2011	100%
BSM Sales and Finance Ltd., British Virgin Islands	January 2011	100%
Balda Capital Singapore Pte. Ltd.	July 2011	100%

In January 2011 the legal requirements for closing Balda Solutions (Xiamen) Ltd., Xiamen (China) were met, and in July those for Balda Technology MSC Sdn. Bhd., Malaysia. The companies were liquidated and are no longer included in the basis of consolidation.

In May 2011, the companies Balda Investments Malaysia Pte. Ltd., Singapore, Balda Investment Suzhou Pte. Ltd., Singapore and Balda Investment Beijing Pte. Ltd., Singapore were formed as hundred percent subsidiaries of the Dutch intermediate holding company Balda Investments Netherlands BV. The companies took over the holdings in the operating companies of the Electronic Products segment in Malaysia and the MobileCom sector in China from the intermediate holding company Balda Investments Singapore Pte. Ltd., Singapore.

Balda Medical GmbH & Co. KG was merged into the Balda Grundstücks-Vermietungs GmbH & Co. KG on December 2011 with effect of 1 May 2011. The company was then renamed as Balda Medical GmbH & Co. KG. It was entered into the Commercial Register on 9 January 2012.

The entire MobileCom segment was sold to Ample Gain Enterprises Limited (AGE) in the framework of a management buy-out on 1 December 2011. The Balda Group thus sold its operating companies in Beijing (BSBJ and BTO), in Suzhou (BSSU) and BSSU Sales and Finance Ltd., British Virgin Islands including rights relating to properties, buildings, machine park. These four companies were deconsolidated. The sale ends Balda's recent loss-making involvement in the MobileCom segment in China. The business activity of the MobileCom segment comprised the production and distribution of plastic components for the mobile phone industry.

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

in kEUR	Scope of consolidation
	Losses from Divestments 2011
Short-terms assets	-15.738
Long-terms assets	-21.254
Short-term liabilities	20.649
Long-term liabilities	3.534
<b>Net assets</b>	<b>-12.809</b>
Total disposal proceeds	15.208
Liabilities directly associated with the sale	-2.735
Discount to the fair value (cash value)	-3.083
Sale of shares less selling costs at fair value	9.390
Reserve from currency translations	2.909
Deconsolidation result	-510

Of the sale proceeds kEUR 1,181 have been paid as at the balance sheet date. The deferred purchase price of kEUR 14,027 was to be discounted at the time of the sale to the cash value of kEUR 10,944.

### 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 Group shows this capitalised difference as goodwill. If negative goodwill remains, Balda immediately records it against profits. The holdings of minority shareholders are reported as part of the fair value of the assets and liabilities shown corresponding to the relevant interests, without taking into account the company or firm value. Transaction costs are immediately recorded through profit and loss.

The income and expenditure of subsidiaries sold during the course of the year are included in the consolidated profit and loss statement at the time of the loss.

Receivables and corresponding liabilities 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 Balda Group holds no shares in associated companies in 2011.

### 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 operational currency.

Within the scope of the consolidation, the assets and liabilities of the Group's foreign companies are translated at the exchange rate on the reporting date. Income and expenditure are translated at the average rate for the period. The equity positions of the newly incorporated foreign subsidiaries are valued at historical prices. The Group shows the differences compared with the exchange rate on the reporting date separately recognised directly in the reserve from currency translations. The differences recorded in this reserve are reapportioned in the profit and loss statement if the subsidiary is no longer included in the basis of consolidation.

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 reserve from currency translations.

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 EUR 1.00 changed as follows:

		<b>Average spot-exchange rate on balance sheet date</b>		<b>Annual average exchange rate</b>	
		<b>31 December</b>		<b>Financial year</b>	
Currencies	ISO Code	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
US Dollar	USD	1.2948	1.3252	1.3909	1.3247
Chinese Renminbi	CNY	8.2237	8.7336	8.9759	8.9558
Malaysian Ringgit	MYR	4.1068	4.0800	4.2465	4.2483

## 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 2011 are listed below. All IFRS and IFRIC applicable on the reporting date and mandatory for the fiscal year 2011 have been applied.

<b>Standard or Interpretation</b>	<b>Title (01/01/11) -Application for financial years commencing at the date that they became effective or later -</b>
IFRS 3	Amendments to IFRS 3 (2008) in connection to the annual improvements
IFRS 7	Amendments to IFRS 7
IAS 24	Disclosure of related party transactions. Amendment with regard to the scope of application in associated companies and clarification with regard to definitions of related parties and persons
IAS 27	Group and separate financial statements: Amendments following annual improvements to the IFRS of May 2010
IAS 32	Corrections to IAS 32: Classification of subscription rights
IAS 34	Interim financial reporting: Amendments following annual improvements to the IFRS of May 2010
IFRIC 13	Amendment to IFRIC 13
IFRIC 14	Amendment to IFRIC 14: Limit on a defined benefit asset, minimum funding requirements and their interaction
IFRIC 19	Extinguishing financial liabilities through 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 application of the regulations and from the first time application of these revised IFRS.

New and amended standards and recently published interpretations that have not yet come into force, but that may however already be applied by companies from an earlier date but that 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 7	Amendments to IFRS 7: Further information on financial assets for derecognition (01 July 2011)
IFRS 9	Financial Instruments: Classification and measurement of financial assets (01 January 2015)
IFRS 10	Consolidated Financial Statements (01 January 2013)
IFRS 11	Joint Arrangements (01 January 2013)
IFRS 12	Disclosure of Interests in Other Entities (01 January 2013)
IFRS 13	Fair Value Measurement (01 January 2013)
IAS 1	Presentation of Financial Statements: Amendments in relation to the presentation of other income and expenditure (01 July 2012)
IAS 12	Income Taxes: Amendment in relation to exceptions to the basic principles of IAS 12 for investment properties, which are held according to the fair value model as financial investments, according to IAS 40 (01 January 2012)
IAS 19	Employee Benefits: Amendments to the abolition of the corridor method, new format for the presentation of performance specific liabilities and new information (01 January 2013)
IAS 27	Separate Financial Statements: as a result of the publication of IFRS 10, IAS 27 was amended and now only contains the previous regulations for separate financial statements (01 January 2013)
IAS 28	As a result of the publication of IFRS 10 and IFRS 11, investments in associates and joint ventures were adjusted accordingly (01 January 2013)
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine (01 January 2013)

No significant impacts on the assets, financial and profit situation and the cash flow of Balda AG are likely 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 are generally unchanged 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 create a significant risk of the need to make a material adjustment to the reported assets and liabilities within the next financial year are shown below in the relevant passages of the notes.

These mainly pertain to **goodwill**. To determine a potential decrease of value it is necessary to determine the value in use of the cash-generating entity to which the goodwill has been allocated. The calculation of value in use requires an estimate of the future cash flows from the cash-generating entity and an appropriate discount

rate for the present 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. We refer to our general explanations below and the details on the calculation under Point II.5.a. "Fixed assets" and Point II.5.c. "Intangible assets".

The **inventories** are valued at the lower acquisition or manufacturing cost determined on the expected net sales value, i.e. the sales income achievable in normal business operations less the estimated costs of completion and selling. We refer to our general explanations below and the details on the calculation under Point II.5.f. "Stocks".

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 customers' financial situation deteriorates. We refer to our general explanations below and the details on the calculation under Point II.5.g. "Trade receivables".

Assessments must be made during the calculation of **actual and deferred taxes**. Deferred tax assets are reported in so far as 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, in particular of deferred tax assets on tax losses carried forward. If the actual results vary from these estimates, this could have a negative impact on the asset, financial and profit situation. We refer to our general explanations below and the details on the calculation under Point II.5.e. "Deferred Taxes".

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 short-term credits and certain other receivables and payables based on contractual agreements.

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

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 changes in value 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.

Financial assets are divided into the following categories:

- Financial assets and financial liabilities 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 on each reporting date. An assessment is made at each balance sheet reporting date as to whether or not objective indications suggest that there is a loss of value of a financial asset or group of financial assets.

At the end of the reporting year, the Group holds financial instruments from the loans and receivables (LaR), available for sale (AFS), financial liabilities at amortised cost (FLAC) and financial assets which are valued at fair value through the profit and loss (FAHFT).

Financial instruments are reported in the balance sheet if the company is party to a contract 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 transfers substantially 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 their first recording in the accounts, these financial assets or liabilities are reported at their fair value plus any transaction costs. Exceptions to these financial assets that have been characterised as assets "at fair value through the profit and loss". In this category assets are reported at fair value without taking into account transaction costs. The 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 and other financial liabilities (excluding derivatives and financial liabilities designated as affecting the results at fair value) are valued at their amortised cost. All other original and derivative financial instruments are valued at fair value. Profits or losses are recorded in the periodic result or directly in the equity (AfS) with no effect on profit and loss.

The valuations of the original and derivative financial instruments will be carried out 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, which parameters are used for the valuation of assets and liabilities, that are not based on observable market data (non-observable parameters, assumptions).

The Group uses derivative financial instruments (level 1) to hedge currency risks resulting from operational activities. The derivative financial instruments are recorded in accordance with IFRS in the "Financial assets and liabilities at fair value through the profit and loss" category. Accordingly, they are stated at fair value when first reported. The fair values are also influential to subsequent valuations. Changes to market value are recorded immediately through the profit and loss. The fair value of traded derivative financial instruments corresponds to the market value. On the reporting date 31 December 2011 the Group was holding derivatives with a volume of 1.6 million USD, and a negative market value of kEUR 16 (previous year: 20 kEUR).

**Receivables and other assets** are reported at continued purchase cost, in consideration of directly attributable transaction costs, which corresponds to the fair value of the contribution. Sufficient allowance has been made with regard to estimated irrecoverable amounts for all discernible risks by the application of specific bad and doubtful debt provisions.

The inventories have been valued at the purchase or manufacturing costs or at the lower expected net sales value. Net sales value includes the recoverable disposal proceeds less the estimated costs of completion and selling. An average value or a value determined on the basis of the Fifo method ("First in first out") is reported.

The manufacturing costs consider all manufacturing-related expenses.

The **tangible and intangible fixed asset** 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
Software and other intangible fixed assets	3 to 8
Customer base	7

Balda values property, plant and equipment at acquisition or production cost less accumulated amortisation and accumulated impairment losses. If the acquisition or production cost of specific components of a property are significant in relation to the total acquisition or production cost, then these components are to be balanced and written off individually. The depreciation begins on completion of the asset and on becoming ready for operation.

Leases in which Balda is lessee 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 leasing**), the lease instalments are taken to the profit and loss account by the lessee 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 so that a constant rate of interest on the outstanding liability is achieved. 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 depreciation** with regard to these assets. If such a need is evident, the recoverable amount of the asset value is determined to determine the scale of any depreciation expense. If the recoverable amount cannot be determined for an individual asset, the recoverable amount of the cash-generating entity to which the asset belongs is determined.

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 determined **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-determined 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 at the fair value. Financial assets are valued at fair value and are classified as available for sale (AfS) (also see page 9 Financial instruments). The loans and other financial investments are capitalised at their acquisition costs and classified as loans and accounts receivable. In so far as financial assets are not subject to normal rates of interest, the market rate of interest is discounted from the present value.

**Goodwill** represents the surplus of the company acquisition costs over the fair value of the share in the identifiable assets and liabilities of the acquired company at the time of its acquisition. 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 trading** 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.

**Deferred taxes** are the expected tax charges and reliefs arising from the temporary differences of the fiscal and IFRS values, as well as from temporary consolidation measures. The balance sheet oriented liability method is applied here. In addition, active deferred taxes will be formed on tax loss carry forwards. Deferred tax liabilities and assets are reported for all temporary taxable differences in so far as it is likely that taxable profits for which the deductible temporary differences may be used are available. Deferred taxes in temporary differences arising from goodwill are not stated.

The calculation of deferred taxes is based on the tax rates applicable in the relevant country at the time of realisation. The valid 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.

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 to third parties that originated in the past if it is likely that honouring the obligation will give rise to an outflow of Group resources and the obligation amount can be reliably estimated.

Long-term provisions are reported at their present value, in so far as the tax effect is significant.

**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 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. These assets are then measured at amortized cost using the effective interest method. Monetary foreign currency liabilities are translated at the spot rate on the reporting date.

**Revenues** are recorded if it is likely that the commercial benefit associated with the corresponding transaction will flow to 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. 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 during which the services were provided.

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

Intangible assets resulting from the **development** of a product will only be reported if the Group can demonstrate the technical feasibility of the realisation of the intangible asset so that it becomes available for internal use or sale, as well as the intention of realising the intangible asset for use or 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. The Balda Group did not activate any development costs in the previous financial year or in the year prior, as the prerequisites according to IAS 38.57 were not cumulatively fulfilled.

The total research and development costs in the financial year 2011 were around kEUR 1,740 (previous year: around kEUR 3,796 including MobileCom).

**All interest expenses** are recorded using the effective interest rate method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and the allocation of interest payments and expenses for the relevant period.

**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 during which the corresponding costs for which the subsidy was granted were incurred. Subsidies from public funds for capital investment are offset against the acquisition costs of the corresponding asset. 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 and receivables are not reported.

### 3. Segment reporting

The composition of the segments obligated to report is shown in a separate appendix 1.7 to the notes on "Group segment reporting for the financial statement 31 December 2011". The previous year's figures are adjusted according to the amended segment structure explained below.

Companies belonging to the segment MobileCom were sold in the fourth quarter of 2011 and are therefore no longer part of the segment reporting. Comparative figures for the previous year were adjusted accordingly.

A merger of Balda Medical GmbH & Co. KG and Balda Grundstücks-Vermietungs GmbH & Co. KG took place in the year under review. The real estate company, which was disclosed under the Central Services segment until 31 December 2010, is reported under the medical segment in the year under review. The figures for the previous year were adjusted accordingly.

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.

According to the internal reporting, the business segments Electronic Products, Medical and Central Services are now considered as operational segments in the business year ending 2011, and are therefore obligated to reporting.

The Electronic Products segment has been focusing on the development and production of electronic products since 2010. In the Medical segment the Group manufactures complex plastic products for the medical sector, furthermore this segment includes rental income. The "Central Services" segment above all includes income from intra-group allocations, reimbursements from damage claims and the incurred and recharged holding company charges. As the investment in TPK is held via the holding company in Singapore, the results from this holding are also shown under the "Central Services" segment.

In accordance with internal reporting, information on total output is included in the segment reporting. The total output comprises sales revenue, other operating income, changes in inventories of finished and unfinished goods, and capitalised revenue. The development of sales and the earnings situation of the individual Group segments are presented in detail in "Business development".

(See Segment Reporting)

The total output, 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.

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 Balda Group generates its revenues from the following two segments:

The Electronic Products segment based in Ipoh, Malaysia, is focussing on the development and manufacturing of electronic products and plastic processing. Part of the portfolio is also the almost complete assembly of electronic cameras.

The Medical segment develops and manufactures plastic systems including electronic elements for the pharmaceutical, diagnostics and medical technology market segments.

The sales revenue at 31 December 2011 from external customers relates mainly to the following products of the respective segments:

in kEUR	2011	2010
Electronic Products	26,477	35,395
Medical	39,868	27,432
Central Services	0	66
<b>Total</b>	<b>66,345</b>	<b>62,893</b>

In the financial year 2011, the Group made revenue of more than 10 percent of the total revenue with four customers.

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

	Sales revenue		Long-term assets	
	2011	2010	2011	2010
Germany	32,347	22,949	14,612	15,088
Foreign*	33,998	39,944	11,341	12,533
<b>Group-wide</b>	<b>66,345</b>	<b>62,893</b>	<b>25,953</b>	<b>27,621</b>
* including in in Malaysia	8,148	20,282	11,327	12,465

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 head 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.

## 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 business, investment and financing activities.

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

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

#### 4. a. Cash flow from current business activities

The cash flow from current business activities amounted to plus kEUR 3,683 as of 31 December 2011 (previous year: minus kEUR 11,184).

The inflow of funds from ongoing business activities in the Balda Group totalled kEUR 3,683 in 2011. In the same period of the previous year the Group recorded an outflow of funds of kEUR 11,184. The reason for the increase in the period under review was the reduction in the working capital.

#### 4.b. Cash flow from investment activities

The cash flow from investment activities was minus kEUR 1,913 in total (previous year: plus kEUR 7,182). The Balda Group spent 3,094 kEUR on investment activity in the period under review (previous year: kEUR 12,321). The cash flow from the sale of the MobileCom businesses was kEUR 1,181. In the same period of the previous year the cash flow from investment activities was influenced by payments relating to the sale of shares in Group companies (kEUR 12,318) and dividend inflows (kEUR 6,908).

#### 4.c. Cash flow from financing activities

The cash inflow from financing activities was kEUR 8,497 and resulted particularly from the repayment of credit lines in the MobileCom segment to the amount of kEUR 11,430. In the year under review, the MobileCom segment had a cash flow through a third party capital loan and the utilisation of credit lines (kEUR 3,096). In the previous year, due to the utilisation of credit lines there was a cash flow from investment activities of kEUR 13,333. Furthermore, the cash flow from investment activities in the previous year was influenced by the cash flow from the redemption in connection with the conversion of profit-participation rights (kEUR 8,105).

During the reporting year no significant new lease contracts were signed that fulfilled the criteria of a financing lease. Repayments of these liabilities were kEUR 163 (previous year: kEUR 421).

#### 4.d. Cash-relevant change in liquid funds

The Group's cash and cash equivalents as of the 2011 balance sheet date of the continued business divisions was kEUR 35,895. In selling the MobileCom businesses existing cash of kEUR 6,995 was sold. The comparable value for 31 December 2010 was kEUR 44,455. Including the cash and cash equivalents of the sold MobileCom segment, the Group's liquid assets as of 31 December 2010 were kEUR 48,937.

## 5. Notes to individual items of the consolidated balance sheet

### Long-term assets

#### 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 kEUR	Land and buildings	Machinery and equipment	Fixtures, furniture and office equipment	Advance payments and machinery under construction	Tangible assets total
<b>Acquisition or manufacturing costs</b>					
Status 01/01/11	53,404	71,658	14,158	22	139,242
Currency differences	394	679	-12	0	1,061
Additions	40	2,330	202	1,818	4,389
Disposals	0	1,394	184	0	1,578
Reorganisations	-85	1,021	0	-1,021	-85
Losses from deconsolidations	15,466	30,548	669	338	47,021
Status 31/12/11	38,287	43,746	13,494	481	96,008
<b>Cumulated depreciations</b>					
Status 01/01/11	23,818	42,340	11,482	0	77,640
Currency differences	54	112	-11	0	155
Additions	1,180	3,716	877	0	5,773
Value decreases	3,000	11,430	36	0	14,466
Value increases	0	0	0	0	0
Disposals	0	423	142	0	565
Reorganisations	0	0	0	0	0
Losses from deconsolidations	5,469	20,987	599	0	27,055
Status 31/12/11	22,583	36,188	11,643	0	70,414
<b>Net book values</b>					
Status 01/01/11	29,586	29,317	2,676	22	61,601
Status 31/12/11	15,704	7,558	1,851	481	25,594

**Acquisition or manufacturing costs**

in kEUR	Land and buildings	Machinery and equipment	Fixtures, furniture and office equipment	Advance payments and machinery under construction	Tangible assets total
Status 01/01/10	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
Losses from deconsolidations	4,471	8,383	468	0	13,322
Status 31/12/10	53,404	71,657	14,158	22	139,241

**Cumulated depreciations**

Status 01/01/10	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
Losses from deconsolidations	1,281	7,506	413	0	9,200
Status 31/12/10	23,818	42,340	11,482	0	77,640

**Net book values**

Status 01/01/10	26,600	31,422	3,536	2,310	63,868
Status 31/12/10	29,586	29,317	2,676	22	61,601

On the assets side, the value of fixed assets fell to kEUR 25,594 as of 31 December 2011, from kEUR 61,601 as of the 2010 reference date. The fall is essentially due to the loss of assets related to the sale of the MobileCom

segment. The tangible fixed assets of the sold segment MobileCom accounted for a value decrease in 2011 on the recoverable sales amount of kEUR 14,466.

Loans, guarantee lines and lease agreements are secured by mortgages and chattel mortgages of around kEUR 10,758 (Previous year: kEUR 10,823).

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

in kEUR	31/12/11	31/12/10
Land and buildings		
Acquisition costs	957	963
Cumulated depreciations	57	46
<b>Book value</b>	<b>900</b>	<b>917</b>
Machinery and equipment		
Acquisition costs	668	1.542
Cumulated depreciations	127	602
<b>Book value</b>	<b>541</b>	<b>940</b>

The leasing agreements were essentially made in Malaysia and there 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 2011 amounted to kEUR 6,877 (previous year: kEUR 15,705) and changed as follows:

Cost in kEUR	Goodwill
Status 01/01/11	35,081
Currency differences	- 1,397
Disposals from deconsolidation	17,275
Status 31/12/11	16,409
<b>Cumulated depreciations</b>	
Status 01/01/11	19,376
Value decreases	7,942
Currency differences	-511
Disposals from deconsolidation	17,275
Status 31/12/11	9,532



<b>Net book values</b>	
Status 01/01/11	15,705
Status 31/12/11	6,877

<b>Cost in kEUR</b>	<b>Goodwill</b>
Status 01/01/10	39,984
Currency differences	5,132
Disposals	10,035
Status 31/12/10	35,081

<b>Cumulated depreciations</b>	
Status 01/01/10	0
Value decreases	19,376
Status 31/12/10	19,376

<b>Net book values</b>	
Status 01/01/10	39,984
Status 31/12/10	15,705

The sale of the MobileCom segment disposes of the goodwill applicable to the subsidiary Balda Solutions (Beijing) Ltd. to the amount of kEUR 7,942.

The companies and the allocated goodwill are shown in the following summary and at the reporting dated amounted to kEUR 6,877 (previous year: kEUR 15,705):

- Balda Solutions Malaysia - Sale of products for the communication and consumer electronics industry (kEUR 6,875; previous year: kEUR 7,245)
- Balda Medical GmbH & Co. KG (kEUR 2; previous year: kEUR 2), before belonging to the merger of the Balda real estate company.

In the previous year the item still contained the goodwill of the sold company Balda Solutions (Beijing) Ltd. (kEUR 8,458).

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

**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 2012 to 2014 and is based on assumptions about future sales prices and sales volumes and costs, by considering the economic conditions. The detailed plan of 2014 was extended for 2015 and 2016. For the years following 2016, a perpetuity with an overall growth rate of 1.0 percent was determined as in the previous year. Because of the company's tax exemption until 2015, a weighted average cost of capital without consideration of tax of 11.80 percent was taken as the basis for this period. For 2016 and the following years, when a duty to pay tax will exist, a weighted average cost of capital before tax of 15.36 percent will be taken as the basis (previous year: 12.79 percent). The value in use determined in this way was greater than the book value as of 31 December 2011 and consequently resulted in no reduction of the goodwill.

There would have still been no devaluation even if future cash flows had differed by 11.2 percent.

**5. c. Intangible assets**

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

The movement of intangible fixed assets is as follows:

<b>Acquisition or manufacturing costs in kEUR</b>	<b>Software and other intangible fixed assets</b>	<b>Intangible fixed assets at own making</b>	<b>Capitalised customer relationships</b>	<b>Intangible fixed assets total</b>
Status 01/01/11	3,628	0	0	3,628
Currency differences	31	0	0	31
Additions	134	110	0	244
Disposals	178	0	0	178
Disposals after IFRS 5	966	0	0	966
Status 31/12/11	2,648	110	0	2,758

<b>Cumulated depreciations</b>				
Status 01/01/11	2,728	0	0	2,728
Currency differences	14	0	0	14
Additions	256	0	0	256
Disposals	178	0	0	178
Reorganisations	0	0	0	0
Disposals from deconsolidation	420	0	0	420
Status 31/12/11	2,400	0	0	2,400

**Net book values**

Status 01/01/11	900	0	0	900
Status 31/12/11	248	110	0	358

<b>Acquisition or manufacturing costs in kEUR</b>	<b>Software and other intangible fixed assets</b>	<b>Intangible fixed assets at own making</b>	<b>Capitalised customer relationships</b>	<b>Intangible fixed assets total</b>
Status 01/01/10	5,990	0	4,262	10,252
Currency differences	-520	0	863	343
Additions	354	0	0	354
Disposals	2,196	0	5,125	7,321
Reorganisations	0	0	0	0
Status 31/12/10	3,628	0	0	3,628

**Cumulated depreciations**

Status 01/01/10	5,144	0	1,998	7,142
Currency differences	-160	0	430	270
Additions	372	0	615	987
Value decreases	0	0	2,082	2,082
Value increases	0	0	0	0
Disposals	2,628	0	5,125	7,753
Reorganisations	0	0	0	0
Status 31/12/10	2,728	0	0	2,728

**Net book values**

Status 01/01/10	11,134	0	2,264	3,110
Status 31/12/10	900		0	900

The intangible fixed assets concern costs for market studies and product design. Balda Group is convinced that future revenues will cover total development costs.

#### 5. d. Financial assets

The value of the holding in TPK fell due to the share performance in 2011 by kEUR 244,468 to kEUR 382,344. The share price fell from 670 Taiwanese dollars (TWD) per share as of the end of 2010 to 395 TWD per share on 31 December 2011.

On 29 August 2011, TPK allocated stock dividends to its shareholders on the basis of the resolution of its Annual General Meeting on 9 June 2011. 1,799,918 shares were allocated to Balda. The Balda share package in TPK has therefore risen to 37,798,283 shares.

The financial investments developed as follows in the period under review:

<b>in kEUR</b>	
As of 31/12/10	626,812
Allocation of stock dividends	25,085
Fair value on the basis of the share price development	-267,010
Currency differences	-2,543
Reclassification to the item Long-term assets held for sale	-382,344
As of 31/12/11	0

The Group reclassified the shares in the TPK holding, which were still shown in the previous year under financial investments, to the item Assets held for sale. The holding is not longer seen as a strategic investment and a sale of all shares in the TPK holding in 2012 is probable.

Furthermore, the financial assets include entitlements from the final payment for the sale of the MobileCom segment, to the amount of kEUR 11,416. The residual purchase price is deferred through the granting of a loan to the buyer over 7 years at an interest rate of 3 percent. The intrinsic value of the receivable is given through various safeguards. The original amount of the loan, valued in Chinese Renminbi (CNY) at over CNY 119,076,000 (converted into euros kEUR 14,027) is discounted from the fair value (present value) at the issue date. The book value is discounted according to the effective interest method with an interest rate of 8.0 percent over the remaining term. The conversion of the foreign currency loan on 31 December 2011 was carried out with the exchange rate on the balance sheet date.

The movement of the loan on the balance sheet date is as follows:

<b>in kEUR</b>	
Loan granted on 01/12/11	14,027
Valuation of the fair value on 01/12/11	-3,083
<i>Present value at the time of loan issue</i>	<i>10,944</i>
Deduction according to the effective interest method	83
Currency differences	353

Nominal interest rate 3%	36
As at 31/12/11	11,416

## 5. e. Deferred taxes

The following amounts for temporary differences were reported under deferred tax assets in the financial year 2011 and 2010:

Temporary differences	2010 in kEUR	Taken to the profit and loss account in kEUR	Change of Offsetting with deferred tax liabilities in kEUR	2011 in kEUR
Tax losses (losses brought forward)	8,577	- 2,808	0	5,769
Netting with deferred tax liabilities	-5,022	0	3,238	-1,784
Provisions	19	485	0	504
Intangible assets	3	-3	0	0
Inventories	0	0	0	0
Receivables	1,233	-351	0	882
Tangible assets	2	703	0	705
Other	29	-19	0	10
<b>Deferred taxes - continued operations</b>	<b>4,841</b>	<b>-1,993</b>	<b>3,238</b>	<b>6,086</b>
Deferred taxes - discontinued operations	1,327	-1,327	0	0
<b>Deferred taxes (Group)</b>	<b>6,168</b>	<b>-3,320</b>	<b>3,238</b>	<b>6,086</b>

Deferred tax receivables for tax losses carried forward are shown only to the extent that future taxable profits were considered likely at the balance sheet date. The valuation is based on projected tax results. The Group did not record deferred tax assets of about kEUR 41,701 (previous year: kEUR 30,512). The losses shown consist of kEUR 103,759 for German Trade Tax and kEUR 116,517 for German Corporation Tax and foreign income tax. 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.

The calculation of deferred taxes of the German company is carried out with a rate of interest of 30.3 percent applicable from 1 January 2012 (previous year: 29.8 percent). The underlying tax rate is 0.2 percentage points above the 2011 rate (30.1 percent) and includes an increase in the rate of assessment for business tax.

## Current assets

### 5. f. Inventories

The fall of kEUR 9,013 is primarily attributable to the sale of the MobileCom segment. Provisions have been made on the inventories as shown on balance sheet date. For the year 2011 an expense of kEUR 1,446 (previous year: kEUR 598, including MobileCom) was recorded. The changes in the provisions on inventories also include the avilment of provisions.

### 5. g. Trade accounts receivables

The trade account receivables as on the balance sheet date was kEUR 10,696 (previous year: kEUR 25,772).

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

The provisions against trade accounts receivables have been as follows:

in kEUR	2011	2010
<b>Provisions as of 1 January</b>	<b>38</b>	<b>38</b>
Additions	20	0
<b>Provisions as of 31 December</b>	<b>58</b>	<b>38</b>

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

The trade accounts receivable not decreased in value have the following maturity term:

in kEUR	Book value	Including: Neither impaired nor overdue on reporting date	Including: Not impaired on reporting date and overdue in the following time bands				
			Up to 30 days	Between 31 and 60 days	Between 61 and 90 days	Between 91 and 120 days	More than 120 days
Trade accounts receivables as of 31/12/11	10,696	6,753	2,936	873	107	27	0
Trade accounts receivables as of 31/12/10	25,772	20,431	3,671	774	713	125	58

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 accounts 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 kEUR 176 (previous year: kEUR 2,287). The movement of other current assets is as follows:

	<b>31/12/11</b>		<b>31/12/10</b>	
in kEUR	Total	Including: current	Total	Including: current
Other receivables	1,313	1,313	4,810	4,810
Derivatives	0	0	20	20
<b>Total</b>	<b>1,313</b>	<b>1,313</b>	<b>4,830</b>	<b>4,830</b>

The trade receivables not impaired have the following maturity terms:

		Including: Not impaired on reporting date and overdue in the following time bands						
in kEUR	Book value	Including: Neither impaired nor overdue on reporting date		Up to 30 days	Between 31 and 60 days	Between 61 and 90 days	Between 91 and 120 days	More than 120 days
31/12/11								
Other receivables								
Residual term up to								
1 year	1,313	1,289	6	2	0	15	1	
31/12/10								
Other receivables								
Residual term up to								
1 year	4,830	4,709	94	17	0	0	11	

With regard to the receivables 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 taxes on income in accordance with IAS 12.

## 5. j. Liquid assets

The liquid assets of kEUR 35,895 (previous year: kEUR 48,937) 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'.

Balda Investments Singapore assures a current account credit line of a subsidiary sold in 2011 with a cash deposit of CNY 48.0 million (around 5.8 million euros). Of the liquid assets, cash stocks with restriction of disposal amounting to kEUR 8,311 (previous year: kEUR 0) were included.



### 5.k. Long-term assets held for sale

The item includes the valuation of the shares in TPK Holding. The TPK group designs and manufactures touchscreen displays. The Group no longer sees this investment as strategic. At a meeting in June 2011, the Board of Directors passed a resolution on the sale of TPK shares. The value of TPK shares as at the balance sheet date is kEUR 382,344 and is accounted for in the Central Services segment. Expenditure resulting from the valuation at fair value as at 31 December 2011 of EUR 240,173 is included in other income and expenditure (profit and loss account).

The achievable sales proceeds are dependent on the development of the share price of TPK. 20 million shares were created up until the point the balance sheet was drawn up. Sales proceeds totalled approximately EUR 238 million.

For further explanations, please refer to the details stated in Point 5.d.

### 5. l. Group equity

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

The subscribed capital of the parent company was unchanged at kEUR 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.

The Group's equity as of 31 December 2011 totalled kEUR 463,024 following kEUR 749,720 at the end of 2010. The fall of kEUR 286,696 is mainly attributable to the new calculation of the TPK shares and the annual loss.

The capital reserves arise primarily from premiums thanks to the issue of new shares in Balda AG. The capital reserves also include the statutory reserves to be formed.

The revenue reserves result from the customer relationships discovered in 2006 as part of the successive acquisition of shares by Balda Solutions Malaysia Sdn. Bhd. The amount allocated to the first 50 percent share is put to the new valuation reserves with no effect on the income statement less deferred taxes. The entire report is carried out under revenue reserves with complete devaluation of the capitalised customer relationship in 2010.

The transitional consolidation of TPK shares as at the conversion date (October 2010) was recognised in the income statement with no effect on the income statement. In subsequent accounting periods, the adjustment of the valuation of the shares as at the balance sheet date, whilst taking into account any deferred taxes, was recognised directly with no effect on the income statement through reserves in the item 'Adjustment items for the for the market valuation of available for sale (Afs) instruments'. During the financial year 2011, adjustment items reduced by kEUR 240,173.

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 put to the reserve for currency translations in accordance with IAS 21 with no effect on profit and loss.

Balda has taken into account exchange rate differences of kEUR -139 from the translation of assets and liabilities at the spot rates on the reporting date. The change in the reserve for currency translations shown in other income and expenditure is made up as follows:

	<b>kEUR</b>
Change in the reserve for currency translations shown in 2011 with no effect on profit and loss	-4.477
Loss from sales	-2.909
<b>Change in reserve for currency translations</b>	<b>-7.386</b>

The balance sheet profit existing on 31 December 2011 (kEUR 184,885) fell due to the year-loss of the Group to a balance sheet profit of kEUR 145,748.

The distributable dividend is calculated based on the balance sheet profit arising from the annual financial statements of Balda AG prepared in accordance with the provisions of the German Commercial Code. For the financial year 2011, the Board of Directors paid out a dividend of EUR 1.30 per share following approval by the Supervisory Board. The dividend is dependent on the resolutions passed by the shareholders at the Annual General Meeting.

## Long-term liabilities

### 5. m. Long-term loans

Long-term loans no longer exist at the time of the review. At the period under review, all bank loans are paid off or have been changed to long-term loans under the current liabilities to credit institutions and short-term shares in long-term loans.

### 5. n. Long-term finance lease liabilities

The long-term finance lease liabilities of kEUR 227 (previous year: kEUR 222) refer to the capital repayment amounts of the liabilities from the "Finance Lease". All liabilities are due after one year and before five years.

Lease liabilities are secured by chattel mortgages for machinery totalling kEUR 547.

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

### 5. o. Deferred taxes

In the fiscal year 2011, deferred tax liabilities developed as follows:

		Taken to the profit and loss account	Adaptation of off- setting with deferred tax assets	Taken to the other results with no effects on the profit and loss account	
	2010 in kEUR				2011 in kEUR
Tangible assets	928	54	0	0	982
Receivables	0	954	0	0	954
Financial investments or shares held which are available for sale (AfS)	8,788	107	0	-4,296	4,599
Netted against deferred tax assets	-5,022	0	3,238	0	-1,784
Other	478	-420	0	0	58
	<b>5,172</b>	<b>695</b>	<b>3,238</b>	<b>-4,296</b>	<b>4,809</b>

The change in value of TPK shares held as available for sale is recognised directly in equity with no effect on the income statement.

Deferred taxes of kEUR 4,599 are formed on the temporary differences between the value of interests and the fair value of holdings (outside-base-differences). Furthermore, deferred taxes with a difference of kEUR 38,264 are not taken into account in the valuation differences of financial assets.

#### 5. p. Long-term provisions

Provisions developed as follows:

in kEUR	As of 01/01/11	Exchange rate differences	Use	Disposal	Addition	As of 31/12/11
<b>Long-term provis</b>	69	0	0	0	28	97

Long-term provisions include accruals and deferrals of future liabilities towards staff members of long-standing company affiliation. The amount of liabilities depend on the duration of staff member affiliation. The discounting of the present value as at the balance sheet date was at an interest rate of 4.61 percent.

### Current liabilities

#### 5. q. Trade payables

These liabilities result mainly from material supplies and services.

The fall in trade accounts receivable to kEUR 7,499 from kEUR 21,643 as of the 2010 balance sheet date is mainly attributable to the sale of the MobileCom segment.

#### 5. r. Other current assets

The other current liabilities mainly concern:

in kEUR	2011	2010
Other staff liabilities (holiday, service bonus/premiums, etc.)	427	1,894
Wages and salaries incl. social security	995	1,887
Sales, payroll and church taxes	485	348
Miscellaneous other current liabilities	1,767	1,909
<b>Total</b>	<b>3,674</b>	<b>6,038</b>

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

The repayment of credit lines in the MobileCom segment and its deconsolidation resulted in a fall in the item current liabilities due to credit institutions and current part of long-term loans to kEUR 439 (2010 balance sheet date: kEUR 19,819).

The current part of long-term loans relates, in addition to the credit lines drawn upon, 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. u. Current part of the finance lease liabilities

The current liabilities from lease contracts as on the balance sheet date is kEUR 11 (previous year: kEUR 179) 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. v. Tax liabilities

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

#### 5. w. Short-term provisions

The short-term provisions are made up as follows:

<b>in kEUR</b>	<b>As of 01/01/11</b>	<b>Currency differences</b>	<b>Use</b>	<b>Re- lease</b>	<b>Reclassifi- cation</b>	<b>Add- ition</b>	<b>As of 31/12/11</b>
Short-term provisions	93	0	4	0	0	2,701	2,790

The current provisions showed an increase of kEUR 2,701 and affect especially residual tax risk as a result of the sale of the MobileCom segment in China (kEUR 1,460) and the loss-free valuation of order backlog in the Electronic Products segment (kEUR 1,200).

#### 5. aa. Share-based remuneration

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

In all on the balance sheet date, there are outstanding options of 280,000 shares (previous year: 310,000 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 2011, as in the previous year.

#### 5. ab. Additional information on the 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

<b>31/12/11 in kEUR</b>	Valuation category acc. to IAS 39	Carrying book value 31/12/11	Continued acquisition costs	Fair value affecting profit and loss	Fair value not affecting profit and loss	Valuation acc. to other IFRS	Fair value as of 31/12/11
<b>Assets</b>							
Liquid funds	LaR	35,895	35,895	0	0	0	35,895
Trade receivables	LaR	10,696	10,696	0	0	0	10,696
Other current assets	LaR	1,313	1,313	0	0	0	1,313
Loans	LaR	11,416	11,416	0	0	0	11,416
Long-term assets held for sale	AfS	382,344	0	0	382,344	0	382,344
<b>Liabilities</b>							
Trade payables	FLAC	7,499	7,499	0	0	0	7,499
Current liabilities due to credit institutions and current part of long-term loans	FLAC	439	439	0	0	0	439
Long-term loans	FLAC	0	0	0	0	0	0
Other current liabilities	FLAC	3,658	3,658	0	0	0	3,658
Derivative financial assets	FAHfT	16	0	16	0	0	16
Other long-term liabilities	FLAC	0	0	0	0	0	0
Finance lease liabilities	FLAC	238	238	0	0	0	238
<b>incl. aggregated acc. to valuation categories acc. to IAS 39:</b>							
Loans and Receivables (LaR)	LaR	59,320	59,320	0	0	0	59,320
Assets available for sale (AfS)	AfS	382,344	0	0	382,344	0	382,344
Financial Assets Held for Trading (FAHfT)	FAHfT	0		0	0	0	0
Financial Liabilities Measured at Amortised Cost (FLAC)	FLAC	11,850	11,850	0	0	0	11,080

Valuation Balance sheet acc. to IAS 39							
31/12/10 in kEUR	Valuation category acc. to IAS 39	Carryingbook value 31/12/10	Continued acquisition costs	Fair value affecting profit and loss	Fair value not affecting profit and loss	Valuation acc. to other IFRS	Fair value as of 31/12/10
<b>Assets</b>							
Liquid funds	LaR	48,937	48,937	0	0	0	48,937
Trade receivables	LaR	25,772	25,772	0	0	0	25,772
Other current assets	LaR	4,810	4,810	0	0	0	4,810
Financial investments	AfS	626,812	0	0	626,812	0	626,812
Loans	LaR	480	480	0	0	0	480
Derivative financial assets	FAHfT	20	0	20	0	0	20
<b>Liabilities</b>							
Trade payables	FLAC	21,643	21,643	0	0	0	21,643
Current liabilities due to credit institutions and current part of long-term loans	FLAC	19,819	19,819	0	0	0	19,819
Long-term loans	FLAC	440	440	0	0	0	440
Other current liabilities	FLAC	6,038	6,038	0	0	0	6,038
Other long-term liabilities	FLAC	0	0	0	0	0	0
Finance lease liabilities	FLAC	400	400	0	0	0	400
<b>incl. aggregated acc. to valuation categories acc. to IAS 39:</b>							
Loans and Receivables (LaR)	LaR	80,019	80,019	0	0	0	80,019
Assets available for sale (AfS)	AfS	626,812	0	0	626,812	0	626,812

Financial Assets Held for Trading (FAHfT)	FAHfT	20	0	20	0	0	20
Financial Liabilities Measured at Amortised Cost (FLAC)	FLAC	48,340	48,340	0	626,812	0	48,340

The financial instruments valued at fair value are classified as follows in the relevant levels of the valuation method:

Assets Financial instruments as AfS are classified as Level 1.

Loans are recognised at the present value of all future cash receipts. A market interest rate was used, which would apply to similar credit ratings for a comparable instrument. The difference is discounted over the term according to the effective interest method.

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

31/12/11 in kEUR	From the subsequent valuation			From interests	From disposal	Net result
	At fair value	Exchange rate	Value adjustment			2011
Loans and Receivables (LaR)	0	353	0	129	0	482
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	0	0	-75	0	-75
<b>Total</b>	<b>0</b>	<b>353</b>	<b>0</b>	<b>54</b>	<b>0</b>	<b>407</b>

31/12/10 in kEUR	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	0	-3,934	-8,105	-12,023
<b>Total</b>	<b>124,628</b>	<b>-2,161</b>	<b>0</b>	<b>-3,439</b>	<b>-8,105</b>	<b>110,428</b>

The net results by valuation category in the discontinued operations are as follows:

31/12/11 in kEUR	From the subsequent valuation			From interests	From disposal	Net result
	At fair value	Exchange rate	Value adjustment			2011
Loans and Receivables (LaR)	-3,083	0	0	0	0	-3,083
<b>Total</b>	<b>-3,083</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-3,083</b>

As of 31 December 2011 there were no valuations for discontinued operations.

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

### Currency risks

The international business activities of the Balda Group brings in money in other currencies in addition to cash flows in euros, in particular TWD, Renminbi and US dollars. But from the operational business there are also risks, which are not to be estimated 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 in the operational division and taking into account the hedging activities on the reporting date, the Group was not exposed to any significant currency risks in the operational 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. The companies of the Balda Group are therefore always exposed to currency risks, if the cash flows are in another currency to their functional currency. The foreign currency risk shown in the sensitivity analysis results from the following businesses:

- Currency risks arise in the Group mainly from the purchaser loans (financial investments) in Renminbi valued at fair value, and the holding in TPK. TPK is traded on the Taiwanese stock exchange in Taiwan dollars.

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 is not taken into account. In general, all non-functional currencies in which the Group has financial instruments are seen as relevant risk variables.

Foreign currency transactions are processed primarily in USD for the operational division. The following tables show from the Group's point of view the sensitivity of a rise or fall in the euro compared to the respective foreign currency. The sensitivity analysis only includes outstanding monetary items denominated in the foreign currency and adapts its conversion to the period end according to a 5% change to the exchange rate. The



sensitivity analysis includes transactions from the operating business, in the case that the transactions are denominated in a currency other than the functional currency of the company. It also includes the effects of a change to the exchange rate on the held financial investments. If the euro was to gain (lose) 5 percent of its value against all currencies on 31 December 2011, the Group's total earnings would be around kEUR 19,803 (previous year: kEUR 30,520) lower (higher).

in kEUR	Nominal volume as at 31/12/11	2011 +/-5%	Nominal volume as at 31/12/10	2010 +/-5%
<b>Effects on total earnings</b>				
TWD	382,333	18,207	626,812	29,848
CNY	11,416	543	0	-
USD	4,720	232	4,630	220
other currencies	30,750	821	24,064	452
		<b>19,803</b>		<b>30,520</b>

### Risk of changes in value

The holding in TPK is subject above all to the risk of fluctuations in the share price. In the case of a deviation of 5 percent in the share price (as of 31 December 2011), there would be an effect on the total earnings of the Group of kEUR 19,117 (previous year: kEUR 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 interest sensitivity analysis presents the effects that changes in market interest rates would have on interest payments, interest income and interest expenses and their impact on the Group's profit or loss. The interest rate sensitivity analyses are based on the following assumptions:

- Original financial instruments with fixed interest are subject to reported risks of changes in value only when measured at fair value. In the Balda Group, patents, software and licenses are valued at amortized costs.
- Original financial instruments with variable interest, whose interest payments are not tied as real estate in a hedge account reported as a cash flow hedge, are subject to interest rate risk both in terms of recognition in the income statement and in terms of cash flow.

A change in the variable interest rates for financial receivables and payments subject to interest would have a negative (positive) effect on the financial earnings of around kEUR 3. The calculation works on the basis of a net volume of kEUR 131 (previous year: kEUR 502).

### Liquidity risk

Liquidity risk, more specifically, means risk of insufficient availability of financial resources to fulfill 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 kEUR	Book value 31/12/11	Cash flow 2012		Cash flow 2013		Cash flow 2014-2016		Cash flow 2017 ff.	
		Interest	Capital	Interest	Capital	Interest	Capital	Interest	Capital
<b>Original financial liabilities</b>									
Liabilities owed to credit institutions and loans	439	16	437	0	2		0		0
Other liabilities	11,173	0	11,173	0	0		0		0
Finance lease liabilities	238	15	138	4	100		0		0
<b>Derivative financial instruments</b>									
	0	0	0	0	0		0		0

The underlying interest rates for variable interest rates are 7.26 percent p.a.

The previous year was as follows:

in kEUR	Book value 31/12/10	Cash flow 2011		Cash flow 2012		Cash flow 2013-2015		Cash flow 2016 ff.	
		Interest	Capital	Interest	Capital	Interest	Capital	Interest	Capital
<b>Original financial liabilities</b>									
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
<b>Derivative financial instruments</b>	20	0	20	0	0	0	0	0	0

### Capital and liquidity 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.

The Group has installed a system with reasonable parameters to control the short-, medium-and long-term funding and liquidity requirements. The Group helps to prevent liquidity risks by holding sufficient cash. At the same time, future and current cash flows are monitored as well.

Important performance indicators of the company's capital management are the optimisation of 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. Despite a fall in cash flow, a surplus of liquid funds over the liabilities of kEUR 28,436 (previous year: kEUR 23,509). The ratio of the net financial liabilities to equity resulted in a net gearing of minus 6.1 percent (previous year: minus 3.5 percent).

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

Individual items in the present profit and loss statement cleared of the result influences of the discontinued operation (MobileCom segment). The earnings after tax of the discontinued operation are reported in a separate item in accordance with IFRS. The total 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 is kEUR 32,347 (previous year: kEUR 22,949) of domestic sales and 33,998 (previous year: kEUR 39,874) 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 kEUR	2011	2010
Exchange rate gains	131	665
Income from recharges	0	1,137
Income from release of provisions against receivables	501	603
Rental income	294	292
Book profits on the disposal of fixed assets	31	60
Material sales	76	68

Income from the release of provisions	0	21
Income from sale of title retention	0	737
Income from calculation of service fees	0	0
Compensatory damage claims	800	4,750
Income from BenQ insolvency rate	2,058	0
Other	1,517	2,384
<b>Total</b>	<b>5,408</b>	<b>10,717</b>

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

Compensatory damage claims totalled kEUR 800 in 2011. In 2010, the revenue from the out-of-court settlement in the legal dispute concerning incorrect tax advice led to higher income (4.7 million euros) In 2011, the insolvency rate BenQ still yielded funds of 2.1 million euros for the Group from the payment of claims already written off.

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

The item concerns changes in inventories of produced or processed manufactures 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 kEUR 3,694 to kEUR 41,533. This was due to the increase in tool and equipment sales with a higher material share. The material usage ratio that is the ratio of the material cost to sales including changes in inventories was 63.4 percent in 2011 (previous year: 59.3 percent)

#### 6.e. Personnel expenses

The personnel expenses in the Group fell by kEUR 1,294 from kEUR 19,609 to kEUR 18,315. The personnel usage ratio, that is the ratio of the personnel cost to total output value in 2011 was 25.8 percent (previous year: 26.3 percent). Due to the further reduction in personnel, severance payments to former employees at a cost of around kEUR 605 are included in personnel costs.

Expenditure for defined contribution plans totalling kEUR 832 (previous year: kEUR 1,191) are included in personnel costs for the reporting year.

#### 6. f. Depreciations

Depreciations fell from kEUR 5,048 to kEUR 3,741.

This is mainly attributable to capitalised customer relationships accounted for in the previous year in the Electronic Products segment no longer applying and lower scheduled depreciation in the current financial year due to the special write-downs of fixed assets at the end of 2010 in the Electronic Products segment.

#### 6. g. Other operating expenses

The other operating expenses mainly concern:

in kEUR	2011	2010
Premises, maintenance and overhead expenses	2,412	2,020
Energy costs	2,224	1,779
IT costs	598	818
Travel/car/advertising expenses and investor relations	1,920	1,582
Training / employee benefit costs	469	450
Rental and lease costs	126	106
Administration costs	281	482
Legal and consultancy costs	2,584	1,970
Outward freight and storage costs	396	433
Losses on the disposal of fixed assets	466	25
Exchange rate costs	269	166
Insurances	336	298
Provisions for bad and doubtful debts and loss of receivables	178	192
Other taxes	74	75
Costs for recharges	385	1,109
Other	638	241
<b>Total</b>	<b>13,355</b>	<b>11,746</b>

The cost of the extraordinary general meeting (around kEUR 900) and costs for the acquisition which was not completed (around kEUR 670) are included in the legal and consultancy costs.

#### 6. h. Special depreciations

There were no special depreciations in the ongoing divisions during the reporting year. The previous year saw write-off charges for the Electronic Products segment (kEUR 14,123).

#### 6.i. Interest result

The interest result is composed of the following:

in kEUR	2011	2010
Interest expenses	75	2,946
Interest income	668	410
Interest result	593	-2,536

The interest income includes interest from the effective interest rate of the loans at kEUR 83.

## 6. j. Other financial results

The other financial result is composed of the following:

in kEUR	2011	2010
Income from currency differences	4,608	0
Currency difference expenses	0	7,643
Income from the reversal of accrued interest of the conversion of profit-participation rights	0	8,088
Cost of compensation for conversion of profit-participation rights	0	8,105
<b>Total</b>	<b>4,608</b>	<b>7,660</b>

## 6.k. Result of transition consolidation of TPK shares

With the loss of significant influence, the change in the valuation method of TPK shares was carried out. In this context, the previous year had a result from the transition consolidation (kEUR 124,628).

## 6.l. Result from associated companies

The result from associated companies of kEUR 0 (previous year: kEUR 17,191) related to the proportionate results of the TPK holding and its consolidated subsidiaries in the previous year, until the loss of the significant influence when TPK Holding was listed on the stock market.

Result from associated companies includes the following:

in kEUR	2011	2010
Proportionate year result of the holding (2010: until 29 October)	0	11,075
Earnings from the sale of shares	0	6,116
<b>Earnings of associated companies</b>	<b>0</b>	<b>17,191</b>

Refer to our comments under Point II.5.d "Financial investments" and Point II.5.b. "Goodwill" for further information.

## 6.m. Taxes on income and earnings

The income tax expense in the profit and loss statement was as follows:

in kEUR	2011	2010
Actual income tax expense	306	302
Previous year tax expenses	-803	-38
Deferred tax expenses from evolution or reversal Temporary differences	-121	-3,622
Change to deferred tax assets to tax losses	2,808	-1,484
<b>Total income tax expense/ income</b>	<b>2,190</b>	<b>-1,874</b>

The applicable tax rate consists of the business tax with a tax rate of 14.3 percent (previous year: 14.0 percent) and corporate tax with a tax rate of 15.8 percent (previous year: 15.8 percent), including solidarity surcharge. Tax on EBT for the Group deviates from the theoretical amount, which is based on the use of the theoretical income tax rate of 30.1 percent (previous year: 29.8 percent) on the EBT, as follows:

in kEUR	2011	2010
EBT	-865	117,763
Theoretical tax expenses 2011: 30.1 % (previous year: 29.8 %)	-252	35,093
Tax rate differences	436	-1,125
Tax-free income, non-deductible expenses	1,169	3,431
Non-deductible write-downs	-1,148	5,324
Tax effects from the equity reporting	0	-4,340
Tax effects from transition consolidation	0	-37,139
Realisation of tax loss carry-forwards	2,402	-2,267
Tax free income from dividend distributions	241	0
Tax losses, for which no deferred tax claim is capitalised	1,248	493
Taxes from previous years	-803	-38
Other	-862	-1,306
<b>Actual tax expense</b>	<b>2,190</b>	<b>-1,874</b>

## 6. n. Result of continued business divisions

The result of continued business divisions totals minus kEUR 3,025.

## 6. o. Result from discontinued operations

The result from discontinued operations includes the following:

in kEUR	2011	2010
Sales revenue	35,021	80,920
Other operating income	3,486	5,293
Change to inventories of finished goods and work in progress	-2,300	-1,664
Cost of materials	27,002	54,781
Personnel expenses	7,821	16,139
Cost of depreciation	24,418	17,404
Other operating expenses	8,201	20,286

Financial result	-1,325	-844
<b>EBT</b>	<b>-34,507</b>	<b>-24,905</b>
Taxes on income and earnings	1,096	-622
<b>Result of discontinued operating divisions</b>	<b>-35,602</b>	<b>-24,283</b>
Including share results of other shareholders	0	-194
<b>Group share in the result of discontinued operating divisions</b>	<b>-35,602</b>	<b>-24,089</b>
Deconsolidation result from the disposal	-510	-1.15
Total result of discontinued operating divisions	-36,112	-25,247

The result of the discontinued operating divisions in 2011 is a result of the operating business until the time of the deconsolidation (31 December 2011), and the deconsolidation result in the framework of the disposal of the MobileCom segment. In the reporting period there was a value impairment at fair value according to IFRS 5 of kEUR 14,466 on tangible fixed assets and kEUR 7,942 on goodwill.

The undiluted profit per share for the discontinued operating divisions is as follows:

	<b>2011</b>	<b>2010</b>
Earnings from discontinued operations after tax (kEUR)	-36,112	-25,247
Weighted average of shares issued (shares in thousands)	58,891	54,961
<b>Undiluted earnings per share according to IAS 33 (EUR)</b>	<b>-0.61</b>	<b>-0.46</b>

The diluted earnings per share for the discontinued operating divisions are as follows:

	<b>2011</b>	<b>2010</b>
Group shares at year-end result after tax according to income statement (kEUR)	-36,112	-25,247
Weighted average of shares issued (shares in thousand)	58,891	54,961
<b>Diluted earnings per share according to IAS 33 (EUR)</b>	<b>-0.61</b>	<b>-0.46</b>

With regard to the transition of the ordinary shares used for the diluted earnings, we also refer to our explanations under Point II.6.n. 'Earnings per share - undiluted and diluted'.

#### 6.p. Total Group result

The total Group result of kEUR -39,137 occurred exclusively in the Balda AG shareholdings. Other shareholders' shares in the Group no longer exist.

#### 6.q. Earnings per share (undiluted and diluted)

The undiluted earnings per share are as follows:



	2011	2010
Group share at the year-end after tax acc. to profit and loss statement (kEUR)	-39,137	94,584
Weighted average of shares issued (in thousands)	58,891	54,961
<b>Undiluted earnings per share acc. to IAS 33 (EUR)</b>	<b>-0.665</b>	<b>1.721</b>

The diluted earnings per share are as follows:

	2011	2010
Group share at the year-end after tax acc. to profit and loss statement (kEUR)	-39,137	94,584
Weighted average of shares issued (in thousands)	58,891	54,961
<b>Undiluted earnings per share acc. to IAS 33 (EUR)</b>	<b>-0.665</b>	<b>1.721</b>

The weighted average number of ordinary shares, which is used to calculate the diluted earnings per share, can be identified as follows from the weighted average number of ordinary shares used to calculate the undiluted earnings per share:

<b>(in thousands)</b>	2011	2010
Weighted average number of shares used for the calculation of earnings per share (diluted/undiluted)	58,891	54,961

### III. Other information

#### a. Average number of employees

The following information refers to the employees of the Balda Group including temporary agency employees, assistants and trainees in continued business divisions.

	2011	2010
Management Board	1	2
Commercial services	119	128
Technical and commercial employees	574	741
Temporary agency employees	383	403
<b>Subtotal</b>	<b>1,077</b>	<b>1,274</b>

Assistants, trainees	3	3
<b>Total number</b>	<b>1,080</b>	<b>1,277</b>

We also refer to our explanations of employees in the management report.

## b. Guarantees

The Group is responsible for providing its subsidiary in Balda Investments Singapore Pte. Ltd. with a credit line of the sold company Balda Solutions (Beijing) Ltd. with a price of 48.0 million Renminbi (5.8 million euros). The approval of the cash deposit of 38.0 million Renminbi (4.6 million euros) follows the partial repayment of the credit line on 15 February 2012. The residual amount will be approved after the successful repayment at the end of June 2012.

## c. Other financial obligations

Other financial obligations, consisting mainly of letting and leasing obligations as well as purchase commitments amounted to 0.5 million euros as of 31 December of the current financial year.

<b>Minimum lease payments in kEUR</b>	<b>2011</b>	<b>2010</b>
< 1 year	369	909
from 2 to 5 years	46	31
> 5 year	0	0
<b>Total</b>	<b>415</b>	<b>940</b>

The payments of kEUR 909 (previous year: kEUR 1,955) which are reported as expense in the period under review are exclusively minimum lease repayments.

The purchase commitment for investments in tangible fixed assets, which in total come to a payout in 2012, total kEUR 57 (previous year: kEUR 625).

The letting and leasing obligations are amounts for which the Group companies are not beneficial owners according to the IFRS (operating lease). The letting and leasing obligations mainly concern machinery. There are no contractual purchase options at the end of the term.

## d. Contingent liabilities and receivables

Conversion costs to the investors for a conversion before maturity were paid in 2010 in line with the conversion of the convertible participation rights. The company sees this payment (kEUR 8,105) as operating expenses and not as interest-related expenses, which would be subject to a withholding tax deduction.

Otherwise, no contingent liabilities exist in the Group on the balance sheet date.

## e. Further information on finance leasing

The conversion of the future minimum lease payments at present value is presented in the following table.

<b>31/12/11</b>	<b>Maturities</b>			
<b>in TEUR</b>	<b>Total</b>	<b>Up to 1 year</b>	<b>Between 1 and 5 years</b>	<b>More than 5 years</b>
Minimum lease payments	373	159	214	0
Including interest portion	71	54	17	0
Present values	302	105	197	0

<b>31/12/10</b>	<b>Maturities</b>			
<b>in TEUR</b>	<b>Total</b>	<b>Up to 1 year</b>	<b>Between 1 and 5 years</b>	<b>More than 5 years</b>
Minimum lease payments	414	318	96	0
Including interest portion	14	12	2	0
Present values	400	306	94	0

## f. List of shareholdings

The following is an illustration of the list of shareholdings of Balda AG in its subsidiaries as at 31 December 2011.

<b>Company</b>	<b>Head office</b>	<b>Shareholding</b>	<b>Amount of holding</b>	<b>Equity capital kEUR</b>	<b>Year result kEUR</b>
Balda Medical Verwaltungs- gesellschaft GmbH über die Balda Grundstücks- Vermietungs GmbH & Co. KG	Bad Oeynhausen	indirect	100.00%	8	-4
Balda Grundstücks- Vermietung GmbH & Co.KG	Bad Oeynhausen	direct	100.00%	15,556	2,176
Balda Grundstücks- Verwaltungs GmbH	Bad Oeynhausen	direct	100.00%	25	-1
Balda Solutions Deutschland GmbH	Bad Oeynhausen	direct	100.00%	8,061	1,563

Balda Werkzeug- und Vorrichtungsbau GmbH	Bad Oeynhausen	direct	100.00%	637	14
Balda Solutions USA, Inc. via Balda Investments Netherlands B.V.	Morrisville (N.C./USA)	indirect	100.00%	27	-255
Balda Investments Mauritius Ltd. via Balda Investments Netherlands B.V.	Port-Louis (Mauritius)	indirect	100.00%	2,509	63
Balda Investments Netherlands B.V.	Amsterdam (Niederlande)	direct	100.00%	194,872	-17,974
Balda Investments Singapore Pte. Ltd. via Balda Investments Netherlands B.V.	Singapur (Singapur)	indirect	100.00%	118,010	-3,656
Balda Investments Malaysia Pte. Ltd. via Balda Investments Netherlands B.V.	Singapur (Singapur)	indirect	100.00%	0	0
Balda Solutions Malaysia Sdn. Bhd. via die Balda Investments Malaysia Pte. Ltd.	Ipoh (Malaysia)	indirect	100.00%	22,575	-2,591

Furthermore, TPK Holding Co. Ltd., George Town (Cayman Islands) belongs indirectly to the Balda AG with 16.1%.

## g. Executive Bodies of Balda AG

### Supervisory Board of Balda AG

#### Dr. M. Naschke, Berlin, (Chairman)

Partner and lawyer of van Aubel law firm, Berlin  
From 1 January 2012 with own law firm, NASCHKE & PARTNER, Berlin

#### Mr Mark Littlefield, San Jose, California/USA, (Deputy Chairman) (until 3 July 2011)

Managing Partner of BluePoint Controls, Inc., San Jose/USA

#### Mr Thomas J. Leonard, Holland, Michigan/USA (until 3 July 2011)

President of TPK USA LLC., Holland/USA

**Mr Chun-Chen Chen, Taipei, Taiwan (Deputy Chairman from 1 July 2011)**

Chairman of the Board of Directors of TVM Corporation and Touch Video Monitor Corp., Taiwan/Taiwan

**Mr Yu-Sheng Kai, Hong Kong**

Manager of Eternal Union International Ltd., Hong Kong

**Mr Dino Kitzinger, Munich (up to 03 July 2011)**

Independent management consultant, Munich

**Dr. Michael Naschke is also:**

Chairman of the Supervisory Board of Trust Versicherungsmakler AG, Berlin (until 30 June 2011)

Chairman of the Advisory Board of NP Lighting GmbH, Warburg (until 30 September 2011)

Chairman of the Supervisory Board of Enligna AG, Berlin (until 31 December 2011)

Chairman of the Supervisory Board of Azubu AG (in establishment), Berlin (from 8 December 2011)

**Mr Chun-Chen Chen is also:**

Member of the Board of Directors of TPK Holding Co. Ltd., Cayman Islands/Cayman Islands (from 25 February 2011 to 29 February 2012)

Besides their commitment to Balda AG, Mr Mark Littlefield, Mr Yu-Sheng Kai, Mr Dino Kitzinger and Mr Thomas J. Leonard had no other supervisory or executive board duties in 2011.

Dr Michael Naschke performs the role of financial expert on the supervisory board (member with expertise in accounting practice and auditing). The Balda AG Advisory Board has not established any sub-committees in year under review.

**Board of Directors of Balda AG**

Mr Rainer Mohr (Chief financial officer), (sole member of the Board of Directors from 16/02/11 until 1/1/12)

Domestic companies, Finance, Controlling, IT, Legal/Insurance/Tax, Investor Relations, Internal Audit, Foreign companies, Balda Group Human Resources, Public Relations, Sales, Marketing, Engineering, Purchasing

Mr Michael Sienkiewicz, San Francisco (USA), Chairman of the Board of Directors until 16 February 2011

Foreign Companies, Balda Group Human Resources, Public Relations, Sales, Marketing, Engineering, Purchasing

Mr Dominik Müser, Ratingen, Chairman of the Board of Directors and Chief Financial Officer/ CEO (appointed 29 December 2011)

Finance, Controlling, IT, Legal/Insurance/Tax, Investor Relations, Internal Audit, Balda AG Human Resources

Mr James Lim, Banting, Selangor, Malaysia, Chief Operations Officer (appointed 29 December 2011)

Development, Sales

**Mr Rainer Mohr was, until 1 January 2012 (if not otherwise stated) also:  
Member of the Board of Directors of:**

Balda Investments Singapore Pte. Ltd., Singapore/Singapore (Chairman since 20 June 2011)

Balda Solutions Malaysia Sdn. Bhd., Ipoh/Malaysia

Balda Investments Mauritius Ltd., Port-Louis/Mauritius

Balda Solutions USA Inc., Morrisville/USA

Balda Solutions (Suzhou) Ltd., Suzhou/China (until 30 November 2011)

Balda Solutions (Beijing) Ltd., Beijing/China (until 30 November 2011)

BTO Technology Beijing Ltd., Beijing/China (until 30 November 2011)

Balda Capital Singapore Pte. Ltd., Singapore/Singapore (from 16 February 2011)

Balda Investments Malaysia Pte. Ltd., Singapore/Singapore (from 23 May 2011)

Balda Investments Beijing Pte. Ltd., Singapore/Singapore (from 23 May until 30 November 2011)

Balda Investments Suzhou Pte. Ltd., Singapore/Singapore (from 23 May until 30 November 2011)

**Mr Michael Sienkiewicz was, until 16 February 2011, 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 Investments Mauritius Ltd., Port-Louis/Mauritius  
 TPK Holding Co. Ltd., Cayman Islands/Cayman Islands  
 Balda Capital Singapore Pte. Ltd., Singapore/Singapore  
 BTO Technology Beijing Ltd., Beijing/China  
 Balda Solutions USA Inc., Morrisville/USA (from 21 January 2011)

**Mr Dominik Müser is also: Chairman  
 of the Board of Directors of**

Balda Investments Singapore Pte. Ltd., Singapore/Singapore (from 11 January 2012)  
 Balda Solutions Malaysia Sdn. Bhd., Ipoh/Malaysia (from 25 January 2012)  
 Balda Investments Mauritius Ltd., Port-Louis/Mauritius (from 19 January 2012)  
 Balda Solutions USA Inc., Morrisville/USA (from 14 February 2012)  
 Balda Capital Singapore Pte. Ltd., Singapore/Singapore (from 11 January 2012)  
 Balda Investments Malaysia Pte. Ltd. Singapore/Singapore (from 11 January 2012)

**Mr James Lim is also  
 Member of the Board of Directors of**

Balda Solutions Malaysia Sdn. Bhd., Ipoh/Malaysia (from 3 January 2012) (Chairman since 25 January 2012)  
 Balda Solutions USA Inc., Morrisville/USA (from 14 February 2012)

## Remuneration of the Board of Directors and the Supervisory Board

### **Remuneration of the Supervisory Board**

As a German stock corporation ("AG"), Balda is subject to the German stock corporation law. Therefore, the company has a split management and governance structure consisting of two directors and in accordance with the memorandum and articles, three Supervisory Board members.

The shareholders of Balda AG decreased the Supervisory Board of the company by three members to a total of three members at the Annual General Meeting on 27/05/11 in Bielefeld.

Dr. Michael Naschke, lawyer and partner in the law firm van Aubel, Berlin (until 31 December 2011, active in his own law firm - NASCHKE & PARTNER - from 1 January 2012), 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, Taipei, Taiwan.

### **Supervisory Board and remuneration report**

The members of the Supervisory Board received the following remuneration:

<b>in EUR</b> 2011	<b>Fixed remuneration</b>	<b>Attendance fees</b>	<b>Variable remuneration</b>	<b>Total earnings</b>
Dr. Michael Naschke	39,583	24,000	0	<b>63,583</b>
Mark Littlefield	11,143	7,500	0	<b>18,643</b>
Dino Kitzinger	7,497	9,000	0	<b>16,497</b>
Thomas J. Leonard	7,497	7,500	0	<b>14,997</b>
Yu-Sheng Kai	19,792	22,500	0	<b>42,292</b>
Chun-Chen Chen	26,042	22,500	0	<b>48,542</b>
<b>Total:</b>	<b>111,554</b>	<b>93,000</b>	<b>0</b>	<b>204,554</b>

<b>in EUR</b> 2010	<b>Fixed remuneration</b>	<b>Attendance fees</b>	<b>Variable remuneration</b>	<b>Total earnings</b>
Richard Roy	13,125	7,500	21,315	<b>41,940</b>
Dr. Axel Bauer	6,701	7,500	10,849	<b>25,050</b>
Michael Sienkiewicz	6,701	7,500	10,849	<b>25,050</b>
Dino Kitzinger	18,333	15,000	29,480	<b>62,813</b>
Mark Littlefield	18,750	15,000	30,000	<b>63,750</b>
Thomas J. Leonard	12,500	15,000	20,000	<b>47,500</b>
<b>Total:</b>	<b>76,110</b>	<b>67,500</b>	<b>122,493</b>	<b>266,103</b>

The remuneration of members of the management board is stipulated at the Annual General Meeting. Following the decision of the Annual General Meeting on 27 May 2011, in future there will be no variable remuneration. Remuneration is carried out exclusively on the basis of fixed fees.

During the reporting year, the Company made use of consultancy services from the van Aubel law firm totalling kEUR 69 net. In its meeting of 28 November 2011, the Supervisory Board approved the fact that the law firm could provide consultancy services to the Group for a volume totalling kEUR 70 net during 2011.

### **Board of directors and remuneration report**

The composition of the Board of Directors of Balda AG changed during the reporting year. On 16 February 2011, the Supervisory Board of Balda AG removed the previous Chief Executive Officer Michael Sienkiewicz, and appointed the Chief Financial Officer Rainer Mohr as sole Chairman. Rainer Mohr stood down from the Board of Directors with effect from 1 January 2012. Dominik Müser and James Lim were appointed to the Board of Directors of Balda AG with effect from 29 December 2011. Dominik Müser was appointed as Chief Executive Officer (CEO) of the Company. He is responsible for the Company's strategy and also performs the role of Chief Financial Officer (CFO). As a result he is also responsible for the Finance, Legal and Administration departments. James Lim is responsible for Production, Sales and Development in his role as COO.

The remuneration of the members of the Board of Directors in 2011 was composed as below (remuneration report – Code Article 4.2.3):

The remuneration of the Board of Directors comprised monetary elements made up of fixed and variable components (Code Article 4.2.5) as well as ancillary benefits. In addition to monthly salary payments, fixed remuneration includes compensation for waiver of a company car and gratuities paid to the Directors in 2011.



The ancillary benefits include health insurance allowances or contributions, 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 2011 (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 2011, owing to the volatile market movement and the difficult environment, a one-time bonus was agreed upon together with the Board of Directors.

As a result of the temporary nature of employment contracts within the Board of Directors, an additional remuneration component with long-term incentives is not appropriate.

### Remuneration of Board of directors

Members of the Board of Directors were remunerated as follows for the financial year 2011:

2011 in EUR	Fixed remuneration	Profit-related remuneration	Ancillary benefits	Remuneration with long-term incentive	Total
<b>R. Mohr 1)</b>	687,754	250,000	3,924	0	941,677
<b>M. Sienkiewicz 2)</b>	51,647	0	10,573	0	62,221
<b>D. Muser 3)</b>	0	0	0	0	0
<b>J. Lim 3)</b>	0	0	0	0	0
<b>Total:</b>	<b>739,401</b>	<b>250,000</b>	<b>14,497</b>	<b>0</b>	<b>1,003,898</b>

2010 in EUR	Fixed remuneration	Profit-related remuneration	Ancillary benefits	Remuneration with long-term incentive	Total
<b>Rainer Mohr 1)</b>	263,549	150,000	4,902	0	418,451
<b>Michael Sienkiewicz 2)</b>	334,183	189,574	59,802	0	583,559
<b>Total:</b>	<b>597,732</b>	<b>339,574</b>	<b>64,704</b>	<b>0</b>	<b>1,002,010</b>

1) no longer included as of 01 January 2012

2) no longer included as of 16 February 2011

3) appointed to the Board on 29 December 2011

The fixed remuneration of Rainer Mohr includes a compensation payment of 350,000 EUR for premature discontinuation. It includes the entitlements until the original end of the contract (31 December 2012).

**Shareholdings of executive bodies**

	31/12/11	31/12/10	Amendment
R. Mohr 1)	0	0	0
M. Sienkiewicz 2)	0	0	0
D. Müser 3)	0	-	0
J. Lim	0	-	0
<b>Board of directors Total</b>	<b>0</b>	<b>0</b>	<b>0</b>
D. Kitzinger 4)	-	49,000	-49,000
M. Littlefield 4)	-	0	0
T. Leonard 4)	-	0	0
A. Chen	0	0	0
K. Kai	0	0	0
Dr. M. Naschke	21,000	21,000	0
<b>Supervisory Board Total</b>	<b>21,000</b>	<b>70,000</b>	<b>-49,000</b>
<b>In % of EK</b>	<b>0.04</b>	<b>0.12</b>	

1) no longer included as of 01 January 2012

2) no longer included as of 16 February 2011

3) appointed to Board on 29 December 2011

4) no longer included as of 03 July 2011 due to end of term in office

No other acquisitions or divestitures took place between the executive bodies in 2011.

## h. Related parties

Under the terms of IAS 24, related parties are legal entities or individuals who can influence Balda AG and its subsidiaries, or are subject to control or significant influence by Balda AG and/or its subsidiaries.

**Parties related to the Group**

In 2011 there were no parties related to the Group. In the previous year, there were still transactions with TPK during the assessment period as a party related to the Group.

In kEUR	2011	2010
Sale of goods	0	5,629
Rent for buildings	0	0
Utilisation of services	0	135
Receivables	0	0
Liabilities	0	0
Purchase of material (touchscreens)	0	21,723

In 2010, Balda was able to place two projects in the smartphone sector. Balda was prompted by customers to obtain the touchscreens for these projects from TPK. As TPK was already confronted with capacity bottlenecks, these projects cost more.

From these projects, businesses in the sold MobileCom segment still delivered materials and goods (touchscreens) from TPK businesses at a value of kEUR 12,305 in the year under review. At the same time, goods at a value of kEUR 1,050 were calculated in the TPK Group companies.

Yield Return Investments, Apia, Samoa held 27.6 percent of shares in Balda AG during the reporting year 2011. There was no business relationship between Yield Return Investments and Balda Group companies founded during the reporting year as well as in the previous year.

Only Balda AG executive bodies are deemed to be members of key positions of management within the Balda Group. The related parties from the Executive Bodies are given in the remuneration report.

Further transactions with related parties do not exist.

## i. Post-balance sheet events

### Extraordinary General Meeting

Balda AG held an Extraordinary General Meeting in Bielefeld on 8 February 2012. The shareholders meeting was audited and convened by the Board of Directors of Balda AG at the request of the shareholder Octavian Special Master Fund, L.P., New York, USA, on 12 December 2011, according to § 122 Paragraph 1 of the German Stock Corporation Act. The new appointment of members of the Supervisory Board was on the agenda of the Extraordinary General Meeting. The Balda AG Extraordinary General Meeting confirmed the members of the Supervisory Board in their offices. With a presence of 76.9% of the company's share capital, the motions put forward by Octavian to dismiss Dr Michael Naschke (Chairman), My Yu-ShengKai and Mr Chun-Chen Chen did not reach the necessary agreement of more than 50 percent of the votes in any of the three cases.

### Sale of TPK shares

Balda Investments Singapore Pte. Ltd. a company belonging to the Balda AG Group, sold a total of 20.0 million shares in TPK Holding Co., Ltd. on 29 February 2012. This resulted in revenue of around 238 million euros for the Group. Balda Investments Singapore Pte. Ltd. still holds around 17.8 million TPK shares after the transaction. The holding in the Chinese producer of touchscreens is reduced from 16.1 percent to 7.6 percent through the partial sale.

## j. Auditor's fees

With regard to the auditor, the following fees are recorded as expenses in the fiscal year:

in kEUR	2011	2010
Services relating to the audit of the financial statements	366	302
Other assurance services	54	146
Tax consultancy services	155	0
Other services	187	138
<b>Total</b>	<b>762</b>	<b>586</b>

The fees for services relating to the audit of the financial statements consist mainly of remuneration for the consolidated financial statements as well as the audit of the financial statements of Balda AG and its domestic subsidiaries. Fees for other assurance services include above all the auditing review of interim financial statements and auditing of the internal controlling system. The production of tax declarations and advice in connection with restructuring and the ongoing 2007-2009 audit are summarised in the tax consultancy services. Other services include analysis activities within the framework of the acquisition in the medical sector which was planned but not carried out, and the sale process of TPK shares.

## k. Application of exemption provisions acc. to § 264 a HGB in comparison with § 264 b HGB

Balda Grundstücks-Vermietungs GmbH & Co. KG, Bad Oeynhausen made use of the exemption provisions according 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 2011 according to § 161 of the German Stock Corporation Act (AktG) is permanently accessible to shareholders and the public togetherwith earlier declarations of compliance on the Balda website under Investor Relations/ Publications/ Corporate Governance ([www.balda.de](http://www.balda.de)). The current statement on the company management is also accessible on the Balda website in the Corporate Governance area.

Bad Oeynhausen, 21 March 2012

The management board

Dominik Müser

James Lim

**Responsibility statement**

"We declare that, to the best of our knowledge, according to the applicable principles of corporate accounting, the consolidated financial statements give a true and fair view of the actual asset, financial and 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, 21 March 2012

The management board



Dominik Müser



James Lim

# Notes for the 2011 financial year

## Balda AG

### **I. General information**

### **II. Information on the annual financial statements of Balda AG**

1. Accounting and valuation methods, currency translation
2. Explanatory notes on the individual items in the balance sheet
3. Explanatory notes on the individual items in the profit and loss account

### **III. Other information**

Average number of employee

Executive bodies

Associated companies (shareholdings)

Reproduction of notifications in accordance with § 26 (1) of the German Securities Trading Act

Corporate Governance

Statement of assurance by legal representatives

## I. General Information

Balda Aktiengesellschaft has its headquarters in Bad Oeynhausen, Germany, and essentially 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. Customers of Balda Group 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 Malaysia and Germany. A subsidiary in the United States serves North American customers in product design and development. Within the scope of its shareholding in a leading touchscreen manufacturer in China, the Group 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 Article 267 (3) (2) of the German Commercial Code in conjunction with Article 264d of the German Commercial Code.

All information stated is in thousands of EUR (EUR k), unless noted otherwise.

Balda Medical GmbH & Co. KG, Bad Oeynhausen, merged into Balda Grundstücks-Vermietungs GmbH & Co. KG in the period under review. With the entry in the Commercial Registry on 9 January 2012, Balda Grundstücks-Vermietungs GmbH & Co. KG was rebranded as Balda Medical GmbH & Co. KG

### 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.

The accounting and valuation methods have remained the same as the previous year.

Acquired 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.

The financial assets have been valued at acquisition cost.

Receivables and other assets are valued at acquisition cost whilst taking into account any value adjustments.

Receivables in foreign currency, whose residual term is less than one year, are valued at the average spot exchange rate on the balance sheet date. All other receivables in foreign currency are valued at the exchange rate at the time of invoicing or at the higher average spot exchange rate on the balance sheet day.

Cash and cash equivalents in EUR are reflected at their nominal value. Cash and cash equivalents in foreign currencies are translated at the average 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 30.3 %. 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.

Liabilities in foreign currency, whose residual term is less than one year, are valued at the average spot exchange rate on the balance sheet date. All other liabilities in foreign currency are valued at the exchange rate at the time of invoicing or at the higher average spot exchange rate on the balance sheet day.

## 2. Explanatory notes on the individual items in the balance sheet

### 2.a. Fixed assets

The financial assets contain entitlements from the remaining payment for the sale of the MobileCom segment amounting to kEUR 11,027, plus interest amounting to kEUR 36. On the occasion of the sale of the MobileCom segment, the Group has purchased all receivables that the unsold Group companies had from the disposed Group companies. Subsequently, Balda AG converted these receivables together with their own existing receivables from the disposed companies into a long-term loan with a maturity of 7 years from Ample Gain Enterprises Ltd., British Virgin Islands. Since it is a loan with a below-market interest rate with a nominal interest rate of 3%, the company has reported the loan at a cash value of kEUR 11,027. An interest rate of 8% was taken as a basis. This results in expenses totalling kEUR 3,083. The repayment is effected at agreed fixed rates, starting as of 2013. The recoverability of the receivable is ensured through various hedging mechanisms. For details, we make reference to the Attachment to the Notes, "Development of Fixed Assets" as well as to the shareholdings list.



## 2.b. Receivables and other assets

Trade account receivables of kEUR 836 (previous year: kEUR 2,000) are included in the receivables from associated companies of kEUR 4,212 (previous year: kEUR 7,969). In addition, the position also includes a receivable from the offset account from Balda Medical GmbH & Co. KG (previously Balda Grundstücks-Vermietungs GmbH & Co. KG), Bad Oeynhausen totalling kEUR 3,144 (previous year: kEUR 3,265). Owing to the merger of Balda Medical GmbH & Co. KG and Balda Grundstücks-Vermietungs GmbH & Co. KG, the previous year's balance was adjusted. All receivables have a remaining term of less than one year as in the previous year.

Other assets include tax receivables totalling kEUR 305 (previous year: kEUR 336), of which kEUR 244 (previous year: kEUR 284) have a remaining term of more than one year. The remaining other assets have a residual term of less than a 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.

### Deferred taxes

#### Exercising of options

In accordance with Article 274 (1) (2) of the German Commercial Code, the option not to reflect the asset-side surplus of the 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.)

An asset-side surplus amounting to kEUR 4,825 results from the tax differences and tax loss carry forwards:

Deferred tax assets	Basis of calculation kEUR	% rate	Active deferred taxes kEUR
Offsetting of the tax loss carry forwards for holdings in the form of a partnership	16,780	15.8	2,655
Tax loss carry forwards for Balda AG	8,200	14.5	1,188
Tax difference between the book value of a holding in the form of a partnership	884	15.8	140
Tax differences with liabilities to associated companies.	691	30.3	209
Tax difference of a granting of a loan	3,000	30.3	910
Tax differences for Balda AG provisions	1,417	30.3	430
<b>Deferred tax liabilities</b>			
Tax difference from the book value of a holding	2,021	30.3	-613
Tax differences with liabilities to associated companies.	-309	30.3	-94
<b>Status: 31/12/11</b>			<b>4,825</b>

## 2.d. Equity

The equity of Balda AG has developed as follows:

	Subscribed capital kEUR	Capital reserve kEUR	Legal reserves kEUR	Balance sheet profit kEUR	Annual surplus kEUR	<b>Equity kEUR</b>
Status: 01/01/11	58,891	34,820	2	0	0	<b>93,713</b>
Annual surplus, 2011	0	0	0	0	79,747	<b>79,747</b>
<b>Status: 31/12/11</b>	<b>58,891</b>	<b>34,820</b>	<b>2</b>	<b>0</b>	<b>79,747</b>	<b>173,460</b>

The subscribed capital added up to kEUR 58,891 on the balance sheet date. It is divided into 58,890,636 bearer shares that are fully entitled to dividends. The individual share represents a proportionate amount of the share capital of EUR 1.00.

**Authorised capital:**

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 by up to kEUR 23,694 (authorised capital 2007) by 8 August 2012. Following the capital increase in 2007, the previously unused 2007 authorised capital adds up to kEUR 16,924.

**Conditional capital**

The company's registered capital has been conditionally increased in accordance with Article 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 another 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).

**Participation rights**

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 kEUR 500,000 by 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 the capital by 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 (contingent capital 2007).

**Annual surplus**

The Board of Directors recommends a dividend of EUR 1.30 per share from the 2011 annual surplus upon approval of the Supervisory Board. The payment of the dividend is dependent on the resolution by the shareholders at the Annual General Meeting.

Reference is made to the additional notes in the Group Management Report combined with the Management Report of Balda AG.

## 2.e. Provisions

The other provisions are made up as follows: All provisions are short term.

Designation	2011 kEUR	2010 kEUR
extraordinary Annual General Meeting <sup>1</sup>	498	0
Annual financial statement	389	365
Legal and consultancy costs	1,166	609
Liability risk	767	535
Employees	43	392
Other	75	334
<b>Total</b>	<b>2,938</b>	<b>2,235</b>

<sup>1</sup> extraordinary Annual General Meeting

Balda AG held an extraordinary Annual General Meeting in Bielefeld on 8 February 2012. At the request of the shareholder Octavian Special Master Fund, L.P., New York, United States of America, dated 12 December 2011, pursuant to Article 122, Paragraph 1 of the German Stock Corporation Act, the shareholders meeting was examined by the Board of Directors of Balda AG and convened.

## 2.f. Liabilities

The remaining terms of the liabilities as at 31 December 2011 are as follows:

	Up to 1 year kEUR	Between 1 and 5 years kEUR	More than 5 years kEUR	Total kEUR	of which secured kEUR
Trade payables	332	0	0	332	0
Liabilities to associated companies	29,799	0	0	29,799	0
Other liabilities	574	0	0	574	0
<b>Total</b>	<b>30,705</b>	<b>0</b>	<b>0</b>	<b>30,705</b>	<b>0</b>

Previous year's figures: The remaining terms of the liabilities as at 31 December 2010 are as follows:

	Up to 1 year kEUR	Between 1 and 5 years kEUR	More than 5 years kEUR	Total kEUR	of which secured kEUR
Trade payables	435	0	0	435	0
Liabilities to associated companies	105,962	0	0	105,962	0
Other liabilities	468	0	0	468	0
<b>Total</b>	<b>106,865</b>	<b>0</b>	<b>0</b>	<b>106,865</b>	<b>0</b>

Trade accounts payables of kEUR 201 (previous year: kEUR 251) are included in the liabilities to associated companies of kEUR 29,799 (previous year: kEUR 105,692).

With kEUR 17,960 (previous year: kEUR 89,651), the liabilities to associated companies essentially contain loans of Balda Investments Singapore Pte. Ltd., Singapore. The reduction results from the offsetting of a part of the dividend received on the part of Balda Investments Singapore LTD amounting to kUSD 103,113 (kEUR 77,809) via Balda Investments Netherlands B.V. with the existing repayment obligations.

### **Guarantees and other financial commitments, including information on off-balance sheet transactions**

The guarantees in Balda AG arise as follows:

	31/12/11 kEUR	31/12/10 kEUR
Suretyship	0	6,657

The previous year's amount related to an indemnity bond via a bank for the issuing of guarantees in favour of a subsidiary.

There are a number of other financial commitments from fixed and indefinite contracts that arise for Balda AG exclusively for rental, leasing and purchasing commitments totalling:

	31/12/11 kEUR	31/12/10 kEUR
Total amount	482	1,000
of which relating to associated companies	226	183

The commitments to associated companies totalling kEUR 226 resulted from an indefinite building lease agreement, with a duration of always 3 years, with Balda Medical GmbH & Co. KG. The change of the name of the landlord compared to the previous year was caused by the merging of Balda Medical GmbH & Co. KG and Balda Grundstücks- und Vermietungs GmbH & Co. KG and the subsequent rebranding into Balda Medical 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, the share of costs were accounted for domestically at kEUR 819 (previous year: kEUR 729), Europe kEUR 52 (previous year: kEUR 0), Asia kEUR 1,836 (previous year: kEUR 2,441). The fall in comparison to the previous year is due to the sale of the Chinese units.

### 3.b. Other operating income

The other operating income of kEUR 11,431 (previous year: kEUR 7,862) contains mainly income from the appreciation of adjusted receivables of kEUR 2,035 (previous year: kEUR 109), release of provisions of kEUR 312 (previous year: kEUR 213) and price gains of kEUR 6,148 (previous year: kEUR 247). During the previous year, the income consisted mainly of income from the value appreciation of holdings (kEUR 5,071).

Other operating income includes the following income from currency translation.

<b>Realised capital gains</b>	kEUR	5,848
<b>Unrealised gains on the valuation</b>	kEUR	300

The other operating income comprises income relating to other periods from the release of provisions (kEUR 321) as well as from the appreciation of adjusted receivables (kEUR 2,035).

### 3.c. Personnel expenses

The personnel expenses of kEUR 2,072 (previous year: kEUR 1,869) rose compared to the previous year mainly from the severance pay in the amount of kEUR 350 to the former member of the Board of Directors, Rainer Mohr.

### 3.d. Other operating expenses

The other operating expenses of kEUR 11,697 (previous year: kEUR 14,149) mainly result from:

	<b>2011</b>	<b>2010</b>
Exchange rate differences	kEUR 103	kEUR 5,955
Legal and consultancy costs	kEUR 4,467	kEUR 1,555
IT expenses	kEUR 1,594	kEUR 1,652
Investor relations	kEUR 1,092	kEUR 847
Expense for loan conversion	kEUR 3,083	kEUR 0

Other operating expenses include the following expenses from currency translation:

Realised capital losses:	kEUR 0
Unrealised expenses on the valuation:	kEUR 103

### 3.e. Income from shareholdings

The income from shareholdings of kEUR 80,472 (previous year: kEUR 1,527) refers to a dividend payment of Balda Investments Netherlands B.V. (kEUR 80,166) as well as the assumption of the profit of Balda Medical GmbH & Co. KG before the merger (kEUR 305).

### 3.f. Interest and other expenses

Other interest and similar expenses: kEUR 2,065 (previous year: kEUR 6,838), of which kEUR 2,065 (previous year: kEUR 3,899) is apportioned to interest for short-term liabilities to associated companies. The reduction of the interest to associated companies results from a repayment of loans.

### 3.g. Taxes on income and earnings

Subsequent to a final clarification, the provisions for tax risk were able to be finally released. This results in income relating to other periods totalling kEUR 728.

## III. Other information

### Average number of employees

During the financial year 2011, Balda AG employed an average of 11 employees (previous year 13 employees) as members of staff.

## Executive bodies

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

#### **Dr. M. Naschke, Berlin, (Chairman)**

Partner and lawyer of van Aubel law firm, Berlin  
From 1 January 2012 with own law firm, NASCHKE & PARTNER, Berlin

#### **Mr Mark Littlefield, San Jose, California/USA, (Deputy Chairman)**

Managing Partner of BluePoint Controls, Inc., San Jose/USA  
(until 3 July 2011)

#### **Mr Dino Kitzinger, Munich**

Unaffiliated Management Consultant, Munich (up to 3 July 2011)

#### **Mr Thomas J. Leonard, Holland, Michigan/USA**

President of TPK USA LLC., Holland/USA (until 3 July 2011)

#### **Mr Yu-Sheng Kai, Hong Kong**

Manager of Eternal Union International Ltd., Hong Kong

**Mr Chun-Chen Chen, Taipei, Taiwan (Deputy Chairman from 1 July 2011)**

Chairman of the Board of Directors of TVM Corporation and Touch Video Monitor Corp., Taiwan/Taiwan

Chairman of the Board of Directors of TVM Corporation and Touch Video Monitor Corp., Taiwan/Taiwan

**Dr. Michael Naschke is also:**

Chairman of the Supervisory Board of Trust Versicherungsmakler AG, Berlin (until 30 June 2011)

Chairman of the Advisory Board of NP Lighting GmbH, Warburg (until 30 September 2011)

Chairman of the Supervisory Board of Enligna AG, Berlin (until 31 December 2011)

Chairman of the Supervisory Board of Azubu AG (in establishment), Berlin (from 8 December 2011)

**Mr Chun-Chen Chen is also:**

Member of the Board of Directors of TPK Holding Co. Ltd., Cayman Islands/Cayman Islands (from 25 February 2011 to 29 February 2012)

**Board of Directors of Balda AG**

Mr Michael Sienkiewicz, San Francisco (USA), Chairman of the Board of Directors until 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 until 16 January 2011 (sole member of the Board of Directors as of 16 February 2011 up to 1 January 2012)

Finance, Controlling, IT, Legal/Insurance/Tax, Investor Relations, Internal Audit, Balda AG Human Resources

Mr Dominik Müser, Ratingen, Chairman of the Board and CFO/CEO (appointed on 29 December 2011)

Finance, Controlling, IT, Legal/Insurance/Tax, Investor Relations, Internal Audit, Balda AG Human Resources

Mr. James Lim, Banting, Selangor, Malaysia, Head of Operations/COO (appointed on 29 December 2011)

**Mr Michael Sienkiewicz was, until 16 February 2011, 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 Investments Mauritius Ltd., Port-Louis/Mauritius

TPK Holding Co. Ltd., Cayman Islands/Cayman Islands

Balda Capital Singapore Pte. Ltd., Singapore/Singapore

BTO Technology Beijing Ltd., Beijing/China

Balda Solutions USA Inc., Morrisville/USA (from 21 January 2011)

**Mr Rainer Mohr was, until 1 January 2012 (if not otherwise stated) also: Member of the Board of Directors of:**

Balda Investments Singapore Pte. Ltd., Singapore/Singapore (Chairman since 20 June 2011)

Balda Solutions Malaysia Sdn. Bhd., Ipoh/Malaysia

Balda Investments Mauritius Ltd., Port-Louis/Mauritius

Balda Solutions USA Inc., Morrisville/USA

Balda Solutions (Suzhou) Ltd., Suzhou/China (until 30 November 2011)

Balda Solutions (Beijing) Ltd., Beijing/China (until 30 November 2011)

BTO Technology Beijing Ltd., Beijing/China (until 30 November 2011)

Balda Capital Singapore Pte. Ltd., Singapore/Singapore (from 16 February 2011)

Balda Investments Malaysia Pte. Ltd., Singapore/Singapore (from 23 May 2011)

Balda Investments Beijing Pte. Ltd., Singapore/Singapore (from 23 May until 30 November 2011)

Balda Investments Suzhou Pte. Ltd., Singapore/Singapore (from 23 May until 30 November 2011)

**Mr Dominik Müser is also: Member of the Board of Directors of**

Balda Investments Singapore Pte. Ltd., Singapore/Singapore (from 11 January 2012)

Balda Solutions Malaysia Sdn. Bhd., Ipoh/Malaysia (from 25 January 2012)

Balda Investments Mauritius Ltd., Port-Louis/Mauritius (from 19 January 2012)



Balda Solutions USA Inc., Morrisville/USA (from 14 February 2012)

Balda Capital Singapore Pte. Ltd., Singapore/Singapore (from 11 January 2012)

Balda Investments Malaysia Pte. Ltd. Singapore/Singapore (from 11 January 2012)

**Mr James Lim is also  
Member of the Board of Directors of**

Balda Solutions Malaysia Sdn. Bhd., Ipoh/Malaysia (from 3 January 2012) (Chairman since 25 January 2012)

Balda Solutions USA Inc., Morrisville/USA (from 14 February 2012)

## 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 Act. As a result, the Group has a two-tier management and control structure consisting of the Board of Directors and, in accordance with the articles of association, three Members of the Supervisory Board since the Annual General Meeting on 27 May 2011.

The shareholders of Balda AG reduced the Supervisory Board from six to three members of the company at the Annual General Meeting in Bielefeld on 27 May 2011. The following members resigned from the Supervisory Board as at 3 July 2011: Dino Kitzinger, Munich, Mark Littlefield, San Jose, Ca., United States of America, and Thomas J. Leonard, Holland, Michigan, United States of America.

The Supervisory Board of the company is composed of Dr. Michael Naschke, Berlin, Yu-Sheng Kai, Taipei, Taiwan, and Chun-Chen Chen, Taipei, Taiwan.

### Supervisory Board and remuneration report

Members of the Supervisory Board were remunerated as follows for the financial year 2011:

<b>in EUR 2011</b>	<b>Fixed remuneration</b>	<b>Attendance fees</b>	<b>Variable remuneration</b>	<b>Total earnings</b>
Dr. Michael Naschke	39,583	24,000	0	<b>63,583</b>
Mark Littlefield	11,143	7,500	0	<b>18,643</b>
Dino Kitzinger	7,497	9,000	0	<b>16,497</b>
Thomas J. Leonard	7,497	7,500	0	<b>14,997</b>
Yu-Sheng Kai	19,792	22,500	0	<b>42,292</b>
Chun-Chen Chen	26,042	22,500	0	<b>48,542</b>
<b>Total amount:</b>	<b>111,554</b>	<b>93,000</b>	<b>0</b>	<b>204,554</b>

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

The remuneration of the Supervisory Board is determined by the Annual General Meeting and contains a profit-related component and a profit-unrelated component. 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 availed itself of the consultancy services of the van Aubel law firm totalling kEUR 69. In its meeting of 28 November 2011, the Supervisory Board approved the fact that the law firm could provide consultancy services to the Group for a volume totalling kEUR 70 during 2011. There were no visible conflicts of interest for the Board or its members during the reporting period.

As a result of the reduction of the Supervisory Board from six to three members, the Supervisory Board also dealt with issues surrounding the efficiency of its own activities in various meetings on 15 March 2011 and 28 November 2011. 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 changed during the year under review. The Supervisory Board of Balda AG recalled the previous CEO Michael Sienkiewicz and appointed the CFO Rainer Mohr as sole member of the Board of Directors on 16 February 2011. The CFO Rainer Mohr resigned from his post as at 1 January 2012. The Supervisory Board appointed Mr. Dominik Müser as Chairman of the Board of Directors and CFO/CEO and Mr. James Lim as Head of Operations/COO on 29 December 2011.

The remuneration of the members of the Board of Directors in 2011 was composed as below (remuneration report – Code Article 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. Beside the monthly salary, the fixed remuneration includes compensation for the waiver of a company car as well as severance payments paid to the Directors in 2011. The fringe benefits also include contributions or allowances for health insurance, 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 2011 (Code Article 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) as well as the performance of the share. For the financial year

2011, owing to the volatile market movement and the difficult environment, an additional one-time bonus was agreed upon together with the Board of Directors.

As a result of the temporary nature of employment contracts within the Board of Directors, no provision was made in 2011 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 2011:

2011 in EUR	Fixed remuneration	Performance-related remuneration	Fringe benefits	Remuneration with long-term incentives	Total
<b>M. Sienkiewicz</b> <sup>1</sup>	51,647	0	10,573	0	<b>62,221</b>
<b>R. Mohr</b> <sup>2</sup>	687,754	250,000	3,923	0	<b>941,677</b>
<b>D. Müser</b> <sup>3</sup>	0	0	0	0	<b>0</b>
<b>J. Lim</b> <sup>3</sup>	0	0	0	0	<b>0</b>
<b>Total amount:</b>	<b>739,401</b>	<b>250,000</b>	<b>14,497</b>	<b>0</b>	<b>1,003,898</b>

<sup>1</sup> Member of the Board of Directors until 16 February 2011

<sup>2</sup> Member of the Board of Directors until 1 January 2012

<sup>3</sup> Member of the Board of Directors until 29 December 2011

The fixed remuneration of Rainer Mohr includes severance payment amounting to kEUR 350,000 for the early departure. This refers to claims until the original expiration of the contract as at 31 December 2012.

2010 in EUR	Fixed remuneration and gratuities	Performance-related remuneration	Fringe benefits	Remuneration with long-term incentives	Total
<b>M. Sienkiewicz</b>	334,183	189,574	59,802	0	583,559
<b>R. Mohr</b>	263,549	150,000	4,902	0	418,451
<b>Total amount:</b>	<b>597,732</b>	<b>339,574</b>	<b>64,704</b>	<b>0</b>	<b>1,002,010</b>

Shareholdings of executive bodies	31/12/11	31/12/10	Change
M. Sienkiewicz <sup>1</sup>	-	0	0
R. Mohr <sup>2</sup>	0	0	0
D. Müser <sup>3</sup>	0	-	0
J. Lim <sup>3</sup>	0	-	0
<b>Board of Directors, total</b>	<b>0</b>	<b>0</b>	<b>0</b>

D. Kitzinger <sup>4</sup>	-	49,000	-49,000
M. Littlefield <sup>4</sup>	0	0	0
T. Leonard <sup>4</sup>	0	0	0
Chun-Chen Chen	0	0	0
Yu-Sheng Kai	0	0	0
Dr. M. Naschke	21,000	21,000	0
<b>Supervisory Board, total</b>	<b>21,000</b>	<b>70,000</b>	<b>-49,000</b>

<sup>1</sup> Resigned on 16 February 2011

<sup>2</sup> Resigned on 1 January 2012

<sup>3</sup> Appointed to the Board of Directors on 29 December 2011

<sup>4</sup> Resigned 3 July 2011 due to the expiration of his term of office

## Associated companies (shareholdings)

The following is an illustration of the shareholding of Balda AG in its subsidiaries as at 31 December 2011.

Company	Headquarters	Holding	Holding ratio	Equity kEUR	Total income kEUR
Balda Grundstücks- Vermietungs GmbH & Co. KG	Bad Oeynhausen	direct	100.00%	15,556	2,176
Balda Grundstücks- Verwaltungs GmbH	Bad Oeynhausen	direct	100.00%	25	-1
Balda Medical Verwaltungs- gesellschaft GmbH via die Balda Grundstücks- Vermietungs GmbH & Co.KG	Bad Oeynhausen	indirect	100.00%	8	-4
Balda Solutions Deutschland GmbH	Bad Oeynhausen	direct	100.00%	8,061	1,563
Balda Werkzeug- und Vorrichtungs- bau GmbH	Bad Oeynhausen	direct	100.00%	637	14

Balda Solutions USA, Inc. via die Balda Investments Netherlands B.V.	Morrisville (N.C./USA)	indirect	100.00%	27	-255
Balda Investments Mauritius Ltd. via die Balda Investments Netherlands B.V.	Port-Louis (Mauritius)	indirect	100.00%	2,509	63
Balda Investments Netherlands B.V.	Amsterdam (Niederlande)	direct	100.00%	194,872	-17,974
Balda Investments Singapur Singapore Pte. Ltd. über die Balda Investments Netherlands B.V.	Singapur (Singapur)	indirect	100.00%	118,010	-3,656
Balda Investments Singapur Singapore Pte. Ltd. über die Balda Investments Netherlands B.V.	Singapur (Singapur)	indirect	100.00%	0	0
Balda Solutions Malaysia Sdn. Bhd. über die Balda Investments Malaysia Pte. Ltd.	Ipoh (Malaysia)	indirect	100.00%	22,575	-2,591

In accordance with Article 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 stake in voting rights.

## 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 / Release according to article 26, section 1 WpHG (Securities Trading Act) with the aim of Europe-wide distribution**

Announcement according to Article 21, Section 1 of the WpHG (share)

Release according to Article 26, section 1 WpHG (Securities Trading Act)

On February 14, 2011, Quantum Partners LP, Willemstad, Curacao, has informed us according to Article 21 section 1 WpHG that on February 11, 2011, its stake in the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, ISIN: DE0005215107, WKN: 521510, fell below the threshold of 3% and that on this date Quantum Partners LP held 2.98%, i.e. 1,699,818 of the voting rights in Balda AG.

On February 14, 2011, QP GP LLC, c/o The Corporation Trust Company, Delaware, USA, has informed us according to Article 21 section 1 WpHG that on February 11, 2011, its stake in the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, ISIN: DE0005215107, WKN: 521510, fell below the threshold of 3% and that on this date QP GP LLC held 2.98%, i.e. 1,699,818 of the voting rights in Balda AG. All such voting rights are attributed to QP GP LLC pursuant to Article 22 section 1 sentence 1 no. 1 WpHG via Quantum Partners LP. The controlled undertaking through which the voting rights are held is Quantum Partners LP.

On February 14, 2011, Quantum Emerging Growth Partners C.V., Willemstad, Curacao, has informed us according to Article 21 section 1 WpHG that on February 11, 2011, its stake in the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, ISIN: DE0005215107, WKN: 521510, fell below the threshold of 3% and that on this date Quantum Emerging Growth Partners C.V. held 2.98%, i.e. 1,699,818 of the voting rights in Balda AG. All such voting rights are attributed to Quantum Emerging Growth Partners C.V. pursuant to Article 22 section 1 sentence 1 no. 1 WpHG via Quantum Partners LP. The chain of controlled undertakings through which the voting rights are held is (i) QP GP LLC and (ii) Quantum Partners LP.

On February 14, 2011, Emerging Growth Fund Management C.V., Willemstad, Curacao, has informed us according to Article 21 section 1 WpHG that on February 11, 2011, its stake in the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, ISIN: DE0005215107, WKN: 521510, fell below the threshold of 3% and that on this date Emerging Growth Fund Management C.V. held 2.98%, i.e. 1,699,818 of the voting rights in Balda AG. All such voting rights are attributed to Emerging Growth Fund Management C.V. pursuant to Article 22 section 1 sentence 1 no. 1 WpHG via Quantum Partners LP. The chain of controlled undertakings through which the voting rights are held is (i) Quantum Emerging Growth Partners C.V., (ii) QP GP LLC and (iii) Quantum Partners LP.

On February 14, 2011, Quastro N.V., Willemstad, Curacao, has informed us according to Article 21 section 1 WpHG that on February 11, 2011, its stake in the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, ISIN: DE0005215107, WKN: 521510, fell below the threshold of 3% and that on this date Quastro N.V. held 2.98%, i.e. 1,699,818 of the voting rights in Balda AG. All such voting rights are attributed to Quastro N.V. pursuant to Article 22 section 1 sentence 1 no. 1 WpHG via Quantum Partners LP. The chain of controlled undertakings through which the voting rights are held is (i) Emerging Growth Fund Management C.V. (ii) Quantum Emerging Growth Partners C.V., (iii) QP GP LLC and (iv) Quantum Partners LP.

On February 14, 2011, Soros Fund Management LLC, New York, USA, has informed us according to Article 21 section 1 WpHG that on February 11, 2011, its stake in the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, ISIN: DE0005215107, WKN: 521510, fell below the threshold of 3% and that on this date Soros Fund Management LLC held 2.98%, i.e. 1,699,818 of the voting rights in Balda AG. All such voting rights are attributed to Soros Fund Management LLC pursuant to Article 22 section 1 sentence 1 no. 1 WpHG via Quantum Partners LP. The chain of controlled undertakings through which the voting rights are held is (i) Quastro N.V. (ii) Emerging Growth Fund Management C.V. (iii) Quantum Emerging Growth Partners C.V., (iv) QP GP LLC and (v) Quantum Partners LP. All such voting rights are also attributed to Soros Fund Management LLC pursuant to Article 22 section 1 sentence 1 no. 6 WpHG. Such voting rights are directly held by Quantum Partners LP.

Bad Oeynhausen, February 2011

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

**Balda AG / Correction of a release according to article 26, section 1 WpHG (Securities Trading Act) with the aim of Europe-wide distribution from Feb 16, 2011 at 12:50****Announcement according to Article 21, Section 1 of the WpHG (share)**

Correction of a Release according to Article 26, section 1 WpHG (Securities Trading Act)

This release is a correction of the release dated 16 February 2011.

On February 14, 2011, Quantum Partners LP, Willemstad, Curacao, has informed us according to Article 21 section 1 WpHG that on February 11, 2011, its stake in the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, ISIN: DE0005215107, WKN: 521510, fell below the threshold of 3% and that on this date Quantum Partners LP held 2.89%, i.e. 1,699,818 of the voting rights in Balda AG.

On February 14, 2011, QP GP LLC, c/o The Corporation Trust Company, Delaware, USA, has informed us according to Article 21 section 1 WpHG that on February 11, 2011, its stake in the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, ISIN: DE0005215107, WKN: 521510, fell below the threshold of 3% and that on this date QP GP LLC held 2.89%, i.e. 1,699,818 of the voting rights in Balda AG. All such voting rights are attributed to QP GP LLC pursuant to Article 22 section 1 sentence 1 no. 1 WpHG via Quantum Partners LP. The controlled undertaking through which the voting rights are held is Quantum Partners LP.

On February 14, 2011, Quantum Emerging Growth Partners C.V., Willemstad, Curacao, has informed us according to Article 21 section 1 WpHG that on February 11, 2011, its stake in the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, ISIN: DE0005215107, WKN: 521510, fell below the threshold of 3% and that on this date Quantum Emerging Growth Partners C.V. held 2.89%, i.e. 1,699,818 of the voting rights in Balda AG. All such voting rights are attributed to Quantum Emerging Growth Partners C.V. pursuant to Article 22 section 1 sentence 1 no. 1 WpHG via Quantum Partners LP. The chain of controlled undertakings through which the voting rights are held is (i) QP GP LLC and (ii) Quantum Partners LP.

On February 14, 2011, Emerging Growth Fund Management C.V., Willemstad, Curacao, has informed us according to Article 21 section 1 WpHG that on February 11, 2011, its stake in the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, ISIN: DE0005215107, WKN: 521510, fell below the threshold of 3% and that on this date Emerging Growth Fund Management C.V. held 2.89%, i.e. 1,699,818 of the voting rights in Balda AG. All such voting rights are attributed to Emerging Growth Fund Management C.V. pursuant to Article 22 section 1 sentence 1 no. 1 WpHG via Quantum Partners LP. The chain of controlled undertakings through which the voting rights are held is (i) Quantum Emerging Growth Partners C.V., (ii) QP GP LLC and (iii) Quantum Partners LP.

On February 14, 2011, Quastro N.V., Willemstad, Curacao, has informed us according to Article 21 section 1 WpHG that on February 11, 2011, its stake in the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, ISIN: DE0005215107, WKN: 521510, fell below the threshold of 3% and that on this date Quastro N.V. held 2.89%, i.e. 1,699,818 of the voting rights in Balda AG. All such voting rights are attributed to Quastro N.V. pursuant to Article 22 section 1 sentence 1 no. 1 WpHG via Quantum Partners LP. The chain of controlled undertakings through which the voting rights are held is (i) Emerging Growth Fund Management C.V. (ii) Quantum Emerging Growth Partners C.V., (iii) QP GP LLC and (iv) Quantum Partners LP.

On February 14, 2011, Soros Fund Management LLC, New York, USA, has informed us according to Article 21 section 1 WpHG that on February 11, 2011, its stake in the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, ISIN: DE0005215107, WKN: 521510, fell below the threshold of 3% and that on this date Soros Fund Management LLC held 2.89%, i.e. 1,699,818 of the voting rights in Balda AG. All such voting rights are attributed to Soros Fund Management LLC pursuant to Article 22 section 1 sentence 1 no. 1 WpHG via Quantum Partners LP. The chain of controlled undertakings through which the voting rights are held is (i) Quastro N.V. (ii) Emerging Growth Fund Management C.V. (iii) Quantum Emerging Growth Partners C.V., (iv) QP GP LLC and (v) Quantum Partners LP. All such voting rights are also attributed to Soros Fund Management LLC pursuant to Article 22 section 1 sentence 1 no. 6 WpHG. Such voting rights are directly held by Quantum Partners LP.

Bad Oeynhausen, February 2011

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

**Balda AG/Release according to Article 26 (1) of the German Securities Trading Act (shares)**

Kingdon Capital Management, L.L.C., New York, United States of America, has informed us according to Article 21, Section 1, WpHG, Article 22, Section 1, Sentence 1, no. 6, WpHG, on 3 March 2011 that its stake in voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, fell below the threshold of 3% on 3 March 2011 and on this day adds up to 2.81% (1,654,685 of the voting rights). All such voting rights are attributed to Kingdon Capital Management, L.L.C. pursuant to Article 22, Section 1, Sentence 1, no. 6, WpHG.

Mr. Mark Kingdon, United States of America, has informed us according to Article 21, Section 1, WpHG, Article 22, Section 1, Sentence 1, no. 6, in conjunction with Section 1, Sentence 2, WpHG, on 3 March 2011 that his stake in voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, fell below the threshold of 3% on 3 March 2011 and on this day adds up to 2.81% (1,654,685 of the voting rights). All such voting rights are attributed to Mr. Kingdon pursuant to Article 22, Section 1, Sentence 1 no. 6, in conjunction with Article 22, Section 1, Sentence 2, WpHG.

Bad Oeynhausen, March 2011

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

**Balda AG/Release according to Article 26 (1) of the German Securities Trading Act (shares)**

Announcement according to Article 26, Section 1 of the WpHG

Access Industries Holdings LLC, New York, United States of America, has informed us according to Article 21, Section 1, WpHG on 4 March 2011 that its stake in voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, fell below the threshold of 3% on 28 February 2011 and on this day adds up to 2.96% (1,743,522 voting rights of a total of 58,890,636 voting rights). All such voting rights are held by Access Industries Holdings LLC directly (Article 21, Section 1, WpHG).

Access Industries Holdings LLC, New York, United States of America, has informed us according to Article 21, Section 1, WpHG in connection with Article 22, Section 1, Sentence 1, no. 1 of the WpHG, on 4 March 2011 that its stake in voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, ISIN: DE0005215107, WKN: 521510, fell below the threshold of 3% on 28 February 2011 and that on this day it held 2.96% (1,743,522 voting rights of a total of 58,890,636 voting rights). All such voting rights are attributed to Access Industries L.L.C. pursuant to Article 22, Section 1, Sentence 1, no. 1, WpHG, from Access Industries Holdings LLC. Access Industries Holdings LLC is controlled by Access Industries LLC.

Len Blavatnik, United Kingdom, has informed us according to Article 21, Section 1, WpHG, in connection with Article 22, Section 1, Sentence 1, no. 1 of the WpHG, on 4 March 2011 that his stake in voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, ISIN: DE0005215107, WKN: 521510, fell below the threshold of 3% on 28 February 2011 and that on this day he held 2.96% (1,743,522 voting rights of a total of 58,890,636 voting rights). All such voting rights are attributed to him pursuant to Article 22, Section 1, Sentence 1 no. 1 of the WpHG. The chain of controlled undertakings through which the voting rights are held is Access Industries LLC and Access Industries Holdings LLC.

Bad Oeynhausen, March 2011

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen



**Balda AG / Release according to Article 26, Section 1 WpHG (Securities Trading Act) with the aim of Europe-wide distribution**

Announcement according to Article 21, Section 1 of the WpHG (share)

On June 7, 2011, Senrigan Capital Group Limited, Hong Kong, has informed us according to Article 21 Section 1 of the WpHG that on 19 May 2011 its voting interest in Balda AG, Bergkirchener Strasse 228, D-32549 Bad Oeynhausen, Germany, has fallen below the threshold of 5% and adds up to 4.99%, i.e. 2,937,973 voting rights, on this day. All 4.99%, i.e. 2,937,973 voting rights, are attributed to Senrigan Capital Group Limited in accordance with Article 22, Section 1, Sentence 1 no. 6 of the WpHG. Senrigan Master Fund directly holds 3% or more voting rights, which are attributed to Senrigan Capital Group Limited.

On June 7, 2011, Senrigan Capital Management Limited, Grand Cayman, Cayman Islands, has informed us according to Article 21, Section 1 of the WpHG that on 19 May 2011 its voting interest in Balda AG, Bergkirchener Strasse 228, D-32549 Bad Oeynhausen, Germany, has fallen below the threshold of 5% and adds up to 4.99%, i.e. 2,937,973 voting rights, on this day. All 4.99%, i.e. 2,937,973 voting rights, are attributed to Senrigan Capital Management Limited in accordance with Article 22 Section 1 Sentence 1 no. 6 in connection with Sentence 2 of the WpHG. Senrigan Master Fund directly holds 3% or more voting rights, which are attributed to Senrigan Capital Group Limited.

On June 7, 2011, Senrigan Master Fund, Grand Cayman, Cayman Islands, informed us according to Article 21 Section 1 of the WpHG that on 19 May 2011 its voting interest in Balda AG, Bergkirchener Strasse 228, D-32549 Bad Oeynhausen, Germany, has fallen below the threshold of 5% and adds up to 4.99%, i.e. 2,937,973 voting rights.

Bad Oeynhausen, June 2011

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

**Balda AG / Release according to Article 26 (1) of the German Securities Trading Act (shares)**

Announcement according to Article 21 (1) of the German Securities Trading Act (shares)

Specifications about the entity required to report:

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Name: UBS AG

Headquarters: Zurich

Country: Switzerland

Announcement according to Article 21, Section 1 of the WpHG

UBS AG, Zurich, Switzerland, has informed us according to Article 21, Section 1, WpHG, on 28 June 2011 that its stake in voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, ISIN: DE0005215107, WKN: 521518 exceeded the threshold of 3% on 23 June 2011 and that on this day it held 3.76% (2,216,860 voting rights of a total of 58,890,636 voting rights).

Bad Oeynhausen, June 2011

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

**Balda AG / Correction of a release according to Article 26, Section 1 WpHG (Securities Trading Act) with the aim of Europe-wide distribution from June 10, 2011, at 1:14 p.m.**

Announcement according to Article 21, Section 1 of the WpHG (share)

Correction of the Release according to Article 26, Section 1 WpHG (Securities Trading Act) dated 10. June 2011 (regarding the notifications of Senrigan Capital Group Limited, Senrigan Capital Management Limited and Senrigan Master Fund) Senrigan Capital Group Limited, Hong Kong, has informed us on July 7, 2011, according to Article 21 Section 1 of the WpHG that on 23 May 2011 its voting interest in Balda AG, Bergkirchener Strasse 228, D-32549 Bad Oeynhausen, Germany, has fallen below the threshold of 5% and adds up to 4.99%, i.e. 2,937,973 voting rights, on this day. All 4.99%, i.e. 2,937,973 voting rights, are attributed to Senrigan Capital Group Limited in accordance with Article 22, Section 1, Sentence 1 no. 6 of the WpHG. Senrigan Master Fund directly holds 3% or more voting rights, which are attributed to Senrigan Capital Group Limited.

Senrigan Capital Management Limited, Grand Cayman, Cayman Islands, has informed us on July 7, 2011, according to Article 21 Section 1 of the WpHG that on 23 May 2011 its voting interest in Balda AG, Bergkirchener Strasse 228, D-32549 Bad Oeynhausen, Germany, has fallen below the threshold of 5% and adds up to 4.99%, i.e. 2,937,973 voting rights, on this day. All 4.99 %, i.e. 2,937,973 voting rights, are attributed to Senrigan Capital Management Limited in accordance with Article 22 Section 1 Sentence 1 no. 6 in connection with Sentence 2 of the WpHG. Senrigan Master Fund directly holds 3% or more voting rights, which are attributed to Senrigan Capital Group Limited.

Senrigan Master Fund, Grand Cayman, Cayman Islands, informed us on July 7, 2011, according to Article 21 Section 1 of the WpHG that on 23 May 2011 its voting interest in Balda AG, Bergkirchener Strasse 228, D-32549 Bad Oeynhausen, Germany, has fallen below the threshold of 5% and adds up to 4.99%, i.e. 2,937,973 voting rights, on this day.

Bad Oeynhausen, July 2011

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

**Balda AG / Release according to Article 26, Section 1 WpHG (Securities Trading Act) with the aim of Europe-wide distribution**

Announcement according to Article 21, Section 1 of the WpHG (share)

Release according to Article 26, Section 1 WpHG (Securities Trading Act)

Senrigan Capital Group Limited, Hong Kong, has informed us on July 7, 2011, according to Article 21 Section 1 of the WpHG that on 10 June 2011 its voting interest in Balda AG, Bergkirchener Strasse 228, D-32549 Bad Oeynhausen, Germany, exceeded the threshold of 5% and adds up to 5.09%, i.e. 2,997,248 voting rights, on this day. All 5.09 %, i.e. 2,997,248 voting rights, are attributed to Senrigan Capital Group Limited in accordance with Article 22, Section 1, Sentence 1 no. 6 of the WpHG. Senrigan Master Fund directly holds 5% or more voting rights, which are attributed to Senrigan Capital Group Limited.

Senrigan Capital Management Limited, Grand Cayman, Cayman Islands, has informed us on July 7, 2011, according to Article 21 Section 1 of the WpHG that on 10 June 2011 its voting interest in Balda AG, Bergkirchener Straße 228, D-32549 Bad Oeynhausen, Germany, exceeded the threshold of 5% and adds up to 5.09%, i.e. 2,997,248 voting rights, on this day. All 5.09 %, i.e. 2,997,248 voting rights, are attributed to Senrigan Capital Management Limited in accordance with Article 22 Section 1 Sentence 1 no. 6 in connection with Sentence 2 of the WpHG. Senrigan Master Fund directly holds 5% or more voting rights, which are attributed to Senrigan Capital Group Limited.

Senrigan Master Fund, Grand Cayman, Cayman Islands, informed us on July 7, 2011, according to Article 21 Section 1 of the WpHG that on 10 June 2011 its voting interest in Balda AG, Bergkirchener Straße 228, D-32549 Bad Oeynhausen, Germany, has exceeded the threshold of 5% and adds up to 5.09%, i.e. 2,997,248 voting rights, on this day.

Bad Oeynhausen, July 2011

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

**Balda AG/Correction of the release according to Article 26 (1) of the German Securities Trading Act (shares) dated 10 June, 2010, at 1:14 p.m.**

Announcement according to Article 21 (1) of the German Securities Trading Act (shares)

Correction of the Release according to Article 26, Section 1 WpHG (Securities Trading Act) dated 10 June 2011 (regarding the notifications of Senrigan Capital Group Limited, Senrigan Capital Management Limited and Senrigan Master Fund)

Senrigan Capital Group Limited, Hong Kong, has informed us on July 7, 2011, according to Article 21 Section 1 of the WpHG that on 23 May 2011 its voting interest in Balda AG, Bergkirchener Straße 228, D-32549 Bad Oeynhausen, Germany, has fallen below the threshold of 5% and adds up to 4.99%, i.e. 2,937,973 voting rights, on this day. All 4.99 %, i.e. 2,937,973 voting rights, are attributed to Senrigan Capital Group Limited in accordance with Article 22, Section 1, Sentence 1 no. 6 of the WpHG. Senrigan Master Fund directly holds 3% or more voting rights, which are attributed to Senrigan Capital Group Limited.

Senrigan Capital Management Limited, Grand Cayman, Cayman Islands, has informed us on July 7, 2011, according to Article 21, Section 1 of the WpHG that on 23 May 2011 its voting interest in Balda AG, Bergkirchener Straße 228, D-32549 Bad Oeynhausen, Germany, has fallen below the threshold of 5% and adds up to 4.99%, i.e. 2,937,973 voting rights, on this day. All 4.99%, i.e. 2,937,973 voting rights, are attributed to Senrigan Capital Management Limited in accordance with Article 22 Section 1 Sentence 1 no. 6 in connection with Sentence 2 of the WpHG. Senrigan Master Fund directly holds 3% or more voting rights, which are attributed to Senrigan Capital Group Limited.

Senrigan Master Fund, Grand Cayman, Cayman Islands, informed us on July 7, 2011, according to Article 21 Section 1 of the WpHG that on 23 May 2011 its voting interest in Balda AG, Bergkirchener Straße 228, D-32549 Bad Oeynhausen, Germany, has fallen below the threshold of 5% and adds up to 4.99%, i.e. 2,937,973 voting rights, on this day.

Bad Oeynhausen, July 2011

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

**EANS voting rights: Balda AG / Release according to Article 26, Section 1 of the WpHG (Securities Trading Act) with the aim of Europe-wide distribution**

Announcement according to Article 21 (1) of the German Securities Trading Act (shares)

On June 7, 2011, Senrigan Capital Group Limited, Hong Kong, has informed us according to Article 21 Section 1 of the WpHG that on 19 May 2011 its voting interest in Balda AG, Bergkirchener Straße 228, D-32549 Bad Oeynhausen, Germany, has fallen below the threshold of 5% and adds up to 4.99%, i.e. 2,937,973 voting rights, on this day. All 4.99%, i.e. 2,937,973 voting rights, are attributed to Senrigan Capital Group Limited in accordance with Article 22, Section 1, Sentence 1 no. 6 of the WpHG. Senrigan Master Fund directly holds 3% or more voting rights, which are attributed to Senrigan Capital Group Limited.

Bad Oeynhausen, July 2011

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

**Balda AG / Release according to Article 26, Section 1 WpHG (Securities Trading Act) with the aim of Europe-wide distribution**

Announcement according to Article 21, Section 1 of the WpHG (share)

Release according to Article 26, Section 1 WpHG (Securities Trading Act) Senrigan Capital Group Limited, Hong Kong, has informed us on July 7, 2011, according to Article 21 Section 1 of the WpHG that on 10 June 2011 its voting interest in Balda AG, Bergkirchener Straße 228, D-32549 Bad Oeynhausen, Germany, exceeded the threshold of 5% and adds up to 5.09%, i.e. 2,997,248 voting rights, on this day. All 5.09 %, i.e. 2,997,248 voting rights, are attributed to Senrigan Capital Group Limited in accordance with Article 22, Section 1, Sentence 1 no. 6 of the WpHG. Senrigan Master Fund directly holds 5% or more voting rights, which are attributed to Senrigan Capital Group Limited.

Senrigan Capital Management Limited, Grand Cayman, Cayman Islands, has informed us on July 7, 2011, according to Article 21, Section 1 of the WpHG that on 10 June 2011 its voting interest in Balda AG, Bergkirchener Straße 228, D-32549 Bad Oeynhausen, Germany, exceeded the threshold of 5% and adds up to 5.09%, i.e. 2,997,248 voting rights, on this day. All 5.09%, i.e. 2,997,248 voting rights, are attributed to Senrigan Capital Management Limited in accordance with Article 22 Section 1 Sentence 1 no. 6 in connection with Sentence 2 of the WpHG. Senrigan Master Fund directly holds 5% or more voting rights, which are attributed to Senrigan Capital Group Limited.

Senrigan Master Fund, Grand Cayman, Cayman Islands, informed us on July 7, 2011, according to Article 21, Section 1 of the WpHG that on 10 June 2011 its voting interest in Balda AG, Bergkirchener Straße 228, D-32549 Bad Oeynhausen, Germany, has exceeded the threshold of 5% and adds up to 5.09%, i.e. 2,997,248 voting rights, on this day.

Bad Oeynhausen, July 2011

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

**Balda AG / Release according to Article 26 (1) of the German Securities Trading Act (shares)**

Announcement according to Article 21 (1) of the German Securities Trading Act (shares)

Specifications about the entity required to report:

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Name: UBS AG

Headquarters: Zurich

Country: Switzerland

Announcement according to Article 26, Section 1 of the WpHG

UBS AG, Zurich, Switzerland, has informed us according to Article 21, Section 1, WpHG, on 15 July 2011 that its stake in voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, exceeded the threshold of 5% on 11 July 2011 and on this day it held 5.11% (3,011,005 voting rights of a total of 58,890,636 voting rights).

Bad Oeynhausen, July 2011

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

**Balda AG / Release according to Article 26 (1) of the German Securities Trading Act (shares)**

Announcement according to Article 21 (1) of the German Securities Trading Act (shares)

Specifications about the entity required to report:

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Name: UBS AG

Headquarters: Zurich

Country: Switzerland

Announcement according to Article 26, Section 1 of the WpHG

UBS AG, Zurich, Switzerland, has informed us according to Article 21, Section 1, WpHG, on 15 July 2011 that its stake in voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, ISIN: DE0005215107, WKN: 521510, fell below the threshold of 5% on 12 July 2011 and on this day it held 3.84% (2,259,308 voting rights of a total of 58,890,636 voting rights).

Bad Oeynhausen, July 2011

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

**Balda AG / Release according to Article 26 (1) of the German Securities Trading Act (shares)**

Announcement according to Article 21 (1) of the German Securities Trading Act (shares)

Specifications about the entity required to report:

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Name: UBS AG

Headquarters: Zurich

Country: Switzerland

Announcement according to Article 26, Section 1 of the WpHG

UBS AG, Zurich, Switzerland, has informed us according to Article 21, Section 1, WpHG, on 20 July 2011 that its stake in voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, fell below the threshold of 3% on 15 July 2011 and on this day it held 2.48% (1,458,043 voting rights of a total of 58,890,636 voting rights).

Bad Oeynhausen, July 2011

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

**Balda AG/Correction of an announcement according to Article 26 (1) of the German Securities Trading Act (shares) dated 8 July 2011, at 3:47 p.m.**

Announcement according to Article 21 (1) of the German Securities Trading Act (shares)

Correction of a Release according to Article 26, Section 1 WpHG (Securities Trading Act)

Clarification of a release according to Article 26, Section 1 WpHG published 8 July 2011 regarding the notification of Senrigan Capital Group Limited, Hong Kong

Due to an internal technical error, on 8 July 2011 Balda AG accidentally republished an incorrect release according to Article 26, Section 1 WpHG originally published on 10 June 2011 regarding the notification of Senrigan Capital Group Limited, Hong Kong, of the fact that on 19 May 2011 its voting interest in Balda AG, Bergkirchener Straße 228, D-32549 Bad Oeynhausen, Germany, fell below the threshold of 5%. Balda AG hereby clarifies that this release dated 8 July 2011 was incorrect and restates the correct release as follows:

Senrigan Capital Group Limited, Hong Kong, has informed us on 7 July 2011 according to Article 21 Section 1 of the WpHG that on 23 May 2011 its voting interest in Balda AG, Bergkirchener Straße 228, D-32549 Bad Oeynhausen, Germany, has fallen below the threshold of 5% and adds up to 4.99%, i.e. 2,937,973 voting rights, on this day. All 4.99 %, i.e. 2,937,973 voting rights, are attributed to Senrigan Capital Group Limited in accordance with Article 22 Section 1 Sentence 1 no. 6 of the WpHG. Senrigan Master Fund directly holds 3% or more voting rights, which are attributed to Senrigan Capital Group Limited.

Bad Oeynhausen, July 2011

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

**Balda AG/Correction of a release according to Article 26 (1) of the German Securities Trading Act (shares) dated 21 July 2011, at 10:41 a.m.**

Announcement according to Article 21 (1) of the German Securities Trading Act (shares)

Specifications about the entity required to report:

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Name: UBS AG

Headquarters: Zurich

Country: Switzerland

Owing to a technical error in the presentation, the notification about voting rights pursuant to Article 26, Section 1 of the WpHG dated 21 July 2011 is republished with unaltered content.

UBS AG, Zurich, Switzerland, has informed us according to Article 21, Section 1, WpHG, on 20 July 2011 that its stake in voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, ISIN: DE0005215107, WKN: 521510, fell below the threshold of 3% on 15 July 2011 and on this day it held 2.48% (1,458,043 voting rights of a total of 58,890,636 voting rights).

Bad Oeynhausen, July 2011

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

**Balda AG / Release according to Article 26 (1) of the German Securities Trading Act (shares)**

Announcement according to Article 21 (1) of the German Securities Trading Act (shares)

Specifications about the entity required to report:

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Name: UBS AG

Headquarters: Zurich

Country: Switzerland

Announcement according to Article 21, Section 1 of the WpHG

UBS AG, Zurich, Switzerland, has informed us according to Article 21, Section 1, WpHG, on 2 August 2011 that its stake in voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, ISIN: DE0005215107, WKN: 521510, exceeded the threshold of 3% on 28 July 2011 and that on this day it held 3.13% (1,842,454 voting rights of a total of 58,890,636 voting rights).

Bad Oeynhausen, August 2011

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

**Balda AG / Release according to Article 26 (1) of the German Securities Trading Act (shares)**

Announcement according to Article 21 (1) of the German Securities Trading Act (shares)

Specifications about the entity required to report:

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Name: UBS AG

Headquarters: Zurich

Country: Switzerland

UBS AG, Zurich, Switzerland, has informed us according to Article 21, Section 1, WpHG, on 8 August 2011 that its stake in voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, ISIN: DE0005215107, WKN: 521510, fell below the threshold of 3% on 3 August 2011 and on this day it held 2.42% (1,425,512 voting rights of a total of 58,890,636 voting rights).

Bad Oeynhausen, August 2011

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

**Balda AG / Release according to Article 26 (1) of the German Securities Trading Act (shares)**

Announcement according to Article 21 (1) of the German Securities Trading Act (shares)

Specifications about the entity required to report:

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Name: Octavian Special Master Fund, LP

Headquarters: New York

Country: United States of America

Octavian Special Master Fund, LP, New York, United States of America, has informed us according to Article 21, Section 1, WpHG, on 8 August 2011 that its stake in voting rights in Balda AG, Bergkirchener Str. DE0005215107, WKN: 521510, Bergkirchener Straße 228, 32549 Bad Oeynhausen, Germany, exceeded the threshold of 5% on 4 August 2011 and that on this day it held 5.22% (3,076,810 voting rights of a total of 58,890,636 voting rights).

Bad Oeynhausen, August 2011

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

**Balda AG / Release according to Article 26 (1) of the German Securities Trading Act (shares)**

Announcement according to Article 21 (1) of the German Securities Trading Act (shares)

Balda AG / Clarification of the release according to Article 26, Section 1 of the WpHG (Securities Trading Act) with the aim of Europe-wide distribution on 3 March 2010

Robert Hersov, United Kingdom, informed us on 25 February 2010, according to Article 21, Section 1 of the WpHG, that his stake in voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: on 8 February 2008 fell below the threshold of 5 and 3 percent and adds up to 0% (0 no-par value share) on this day. The voting rights were to be attributed to Robert Hersov according to Article 22, Section 1, Sentence 1, no. 1 of the WpHG via Sapinda International Ltd., London.

Sapinda International Ltd., London, United Kingdom, informed us on 25 February 2010 according to Article 21, Section 1, WpHG that its stake in voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, on 8 February 2008 fell below the threshold of 5 and 3 percent and added up to 0% (0 no-par value share) on this day.

Bad Oeynhausen, September 2011

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen



**Balda AG / Release according to Article 26 (1) of the German Securities Trading Act (shares)**

Announcement according to Article 21 (1) of the German Securities Trading Act (shares)

Brookdale International Partners, L.P., New York, United States of America, has informed us according to Article 21, Section 1, WpHG, on 25 November 2011 that its stake in voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510 exceeded the threshold of 3% on 23 November 2011 and added up to 4.07% (2,395,210 voting rights) on this day.

BIP GP LLC, Delaware, United States of America, has informed us according to Article 21, Section 1 of the WpHG on 25 November 2011 that its stake in voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, exceeded the threshold of 3% on 23 November 2011 and added up to 4.07 percent (2,395,210 voting rights). All such voting rights will be attributed to BIP GP LLC pursuant to Article 22, Section 1, Sentence 1, no. 1, WpHG. The attributed voting rights are held via the following company controlled by BIP GP LLC, whose attributed stake in voting rights in Balda AG adds up to 3% or more: Brookdale International Partners, L.P., New York, United States of America.

Weiss Asset Management LP, Delaware, United States of America, has informed us according to Article 21, Section 1 of the WpHG on 25 November 2011 that its stake in voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, on 23 November 2011 exceeded the thresholds of 3% and 5% of the voting rights and adds up to 5.04% (2,968,433 voting rights) on this day. All such voting rights will be attributed to Weiss Asset Management LP pursuant to Article 22, Section 1, Sentence 1, no. 6, WpHG. Voting rights from the following shareholder, whose stake in voting rights in Balda AG adds up to 3% or more, are attributed to Weiss Asset Management LP pursuant to Article 22, Section 1, Sentence 1, no. 6, WpHG: Brookdale International Partners, L.P., New York, United States of America.

WAM GP LLC, Delaware, United States of America, informed us according to Article 21, Section 1, on 25 November 2011 that its stake in voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, on 23 November 2011 exceeded the thresholds of 3% and 5% of the voting rights and adds up to 5.04% (2,968,433 voting rights) on this day. All such voting rights will be attributed to WAM GP LLC pursuant to Article 22, Section 1, Sentence 1, no. 6, WpHG in connection with Article 22, Section 1, Sentence 2, WpHG. Voting rights from the following shareholder, whose stake in voting rights in Balda AG adds up to 3% or more, are attributed to WAM GP LLC pursuant to Article 22, Section 1, Sentence 1 no. 6, WpHG, in connection with Article 22, Section 1, Sentence 2, WpHG: Brookdale International Partners, L.P., New York, United States of America.

Andrew Weiss, United States of America, has informed us according to Article 21, Section 1 of the WpHG on 25 November 2011 that his stake in voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, exceeded the thresholds of 3% and 5% on 23 November 2011 and adds up to 5.04 percent (2,968,433 voting rights) on this day. All such voting rights in the amount of 4.07% (2,395,210 voting rights) according to Article 22, Section 1, Sentence 1, no. 1, WpHG, and in the amount of 5.04% (2,968,433 voting rights) according to Article 22, Section 1, Sentence 1 no. 6, WpHG, in connection with Article 22, Section 1, Sentence 2, WpHG, are attributed to Andrew Weiss. Voting rights attributed pursuant to Article 22, Section 1, Sentence 1, no. 1, WpHG, are held via the following companies, controlled by Andrew Weiss, whose stake in voting rights in Balda AG adds up to 3% or more in each case: Brookdale International Partners, L.P., New York, United States of America, and BIP GP LLC, Delaware, United States of America. Pursuant to Article 22, Section 1, Sentence 1, no. 6, WpHG, in connection with Article 22, Section 1, Sentence 2, WpHG, the voting rights of the following shareholder, whose stake in voting rights in Balda AG in Balda AG adds up to 3% or more, were also attributed to Andrew Weiss: Brookdale International Partners, L.P., New York, United States of America.

Bad Oeynhausen, November 2011

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

**Balda AG / Release according to Article 26 (1) of the German Securities Trading Act (shares)**

Announcement according to Article 26 (1) of the German Securities Trading Act (shares)

Specifications about the entity required to report:

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Name: RoundKeep Global Master Fund LP

Headquarters: Illinois

Country: United States of America

Announcement according to Article 21, Section 1 of the WpHG

RoundKeep Global Master Fund, LP, Illinois, United States of America, has informed us according to Article 21, Section 1, WpHG, on 30 November 2011 that its stake in voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, exceeded the threshold of 3% on 28 December 2011 and adds up to 3.78% (2,228,794 voting rights) on this day.

Bad Oeynhausen, January 2012

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

**Balda AG / Release according to Article 26 (1) of the German Securities Trading Act (shares)**

Announcement according to Article 26 (1) of the German Securities Trading Act (shares)

Specifications about the entity required to report:

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Name: RoundKeep Global Master Fund LP

Head office: Illinois

Country: United States of America

Announcement according to Article 21, Section 1 of the WpHG

RoundKeep Global Master Fund, LP, Illinois, United States of America, has informed us according to Article 21, Section 1, WpHG, on 30 November 2011 that its stake in voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, exceeded the threshold of 5% on 29 December 2011 and adds up to 5.11% (3,009,891 voting rights) on this day.

Bad Oeynhausen, January 2012

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

**Balda AG / Release according to Article 26 (1) of the German Securities Trading Act (shares)**

Announcement according to Article 26 (1) (2) of the German Securities Trading Act (own shares)

Announcement according to Article 26, Section 1 of the WpHG

RoundKeep Capital Advisors, LLC, Illinois, United States of America, has informed us according to Article 21, Section 1, WpHG, on 3 January 2012 that its stake in voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, exceeded the threshold of 3% on 28 December 2011 and adds up to 4.14% (2,439,103 voting rights) on this day. According to Article 22, Section 1, Sentence 1, no. 6, WpHG, all such voting rights will be attributed to RoundKeep Capital Advisors, LLC. Voting rights from the following shareholder, whose stake in voting rights in Balda AG adds up to 3% or more, are attributed to RoundKeep Capital Advisors, LLC, according to Article 22, Section 1, Sentence 1, no. 6, WpHG: RoundKeep Global Master Fund LP, Illinois, United States of America.

RoundKeep Icho Global Fund Ltd., Illinois, United States of America, has informed us according to Article 21, Section 1, WpHG, on 3 January 2012 that its stake in voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, exceeded the threshold of 3% on 28 December 2011 and adds up to 3.78% (2,228,794 voting rights) on this day. Pursuant to Article 22, Section 1, Sentence 1, no. 1 of the WpHG, all such voting rights will be attributed to RoundKeep Icho Global Fund Ltd. The voting rights attributed according to Article 22, Section 1, Sentence 1, no. 1, WpHG, are held via the following company controlled by RoundKeep Icho Global Fund Ltd., whose attributed stake in voting rights in Balda AG adds up to 3% or more: RoundKeep Global Master Fund LP, Illinois, United States of America.

South Wacker GP, LLC, Illinois, United States of America, has informed us according to Article 21, Section 1 of the WpHG, on 3 January 2012 that its stake in voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, exceeded the threshold of 3% on 28 December 2011 and adds up to 3.78% (2,228,794 voting rights) on this day. All such voting rights will be attributed to South Wacker GP, LLC, pursuant to Article 22, Section 1, Sentence 1, no. 1, WpHG. The voting rights attributed according to Article 22, Section 1, Sentence 1, no. 1, WpHG, are held via the following company controlled by South Wacker GP, LLC, whose attributed stake in voting rights in Balda AG adds up to 3% or more: RoundKeep Global Master Fund LP, Illinois, United States of America.

South Wacker Capital, LLC, Illinois, United States of America, has informed us according to Article 21, Section 1, WpHG, on 3 January 2012 that its stake in voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, exceeded the threshold of 3% on 28 December 2011 and adds up to 3.78% (2,228,794 voting rights) on this day. All such voting rights will be attributed to South Wacker Capital, LLC, pursuant to Article 22, Section 1, Sentence 1, no. 1, WpHG. The voting rights attributed according to Article 22, Section 1, Sentence 1, no. 1, WpHG, are held via the following companies controlled by South Wacker Capital, LLC, whose attributed stake in voting rights in Balda AG adds up to 3% or more in each case: RoundKeep Global Master Fund LP, Illinois, United States of America, and South Wacker GP, LLC, Illinois, United States of America.

Ervin Shindell, United States of America, has informed us according to Article 21, Section 1, on 3 January 2012 that his stake in voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, exceeded the threshold of 3% of the voting rights on 28 December 2011 and adds up to 4.14 percent (2,439,103 voting rights) on this day. All such voting rights will be attributed to Mr. Ervin Shindell pursuant to Article 22, Section 1, Sentence 1, no. 6, WpHG, in connection with Article 22, Section 1, Sentence 2, WpHG, in the full amount; and according to Article 22, Section 1, Sentence 1, no. 1, WpHG, in the amount of 3.78% (2,228,794 stake in voting rights). According to Article 22, Section 1, Sentence 1, no. 6, WpHG, in connection with Article 22, Section 1, Sentence 2, WpHG, the voting rights of the following shareholder, whose stake in voting rights in Balda AG adds up to 3% or more, are attributed to Mr. Shindell: RoundKeep Global Master Fund LP, Illinois, United States of America. The voting rights attributed to Mr. Shindell according to Article 22, Section 1, Sentence 1, no. 1, WpHG, are held by the following companies controlled by Mr. Shindell, whose stake in voting rights in Balda AG adds up to 3% or more in each case: RoundKeep Global Master Fund LP, Illinois, United States of America, South Wacker GP, LLC, Illinois, United States of America, as well as South Wacker Capital, Illinois, United States of America.

Bad Oeynhausen, January 2012

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

**Balda AG / Release according to Article 26 (1) of the German Securities Trading Act (shares)**

Announcement according to Article 26 (1) of the German Securities Trading Act (shares)

Announcement according to Article 26, Section 1 of the WpHG

RoundKeep Capital Advisors, LLC, Illinois, United States of America, has informed us according to Article 21, Section 1, WpHG, on 3 January 2012 that its stake in voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, exceeded the threshold of 5% on 29 December 2011 and adds up to 5.59% (3,289,400 stake in voting rights) on this day. According to Article 22, Section 1, Sentence 1, no. 6, WpHG, all such voting rights will be attributed to RoundKeep Capital Advisors, LLC. Voting rights from the following shareholder, whose stake in voting rights in Balda AG adds up to 3% or more, are attributed to RoundKeep Capital Advisors, LLC, according to Article 22, Section 1, Sentence 1, no. 6, WpHG: RoundKeep Global Master Fund LP, Illinois, United States of America.

RoundKeep Icho Global Fund Ltd., Illinois, United States of America, has informed us according to Article 21, Section 1, WpHG, on 3 January 2012 that its stake in voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, exceeded the threshold of 5% on 29 December 2011 and adds up to 5.11% (3,009,891 voting rights) on this day. Pursuant to Article 22, Section 1, Sentence 1, no. 1 of the WpHG, all such voting rights will be attributed to RoundKeep Icho Global Fund Ltd. The voting rights attributed according to Article 22, Section 1, Sentence 1, no. 1, WpHG, are held via the following company controlled by RoundKeep Icho Global Fund Ltd., whose attributed stake in voting rights in Balda AG adds up to 3% or more: RoundKeep Global Master Fund LP, Illinois, United States of America.

South Wacker GP, LLC, Illinois, United States of America, has informed us according to Article 21, Section 1, WpHG, on 3 January 2012 that its stake in voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, exceeded the threshold of 5% on 29 December 2011 and adds up to 5.11% (3,009,891 voting rights) on this day. All such voting rights will be attributed to South Wacker GP, LLC, pursuant to Article 22, Section 1, Sentence 1, no. 1, WpHG. The voting rights attributed according to Article 22, Section 1, Sentence 1, no. 1, WpHG, are held via the following company controlled by South Wacker GP, LLC, whose attributed stake in voting rights in Balda AG adds up to 3% or more: RoundKeep Global Master Fund LP, Illinois, United States of America.

South Wacker Capital, LLC, Illinois, United States of America, has informed us according to Article 21, Section 1, WpHG, on 3 January 2012 that its stake in voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, exceeded the threshold of 5% on 29 December 2011 and adds up to 5.11% (3,009,891 voting rights) on this day. All such voting rights will be attributed to South Wacker Capital, LLC, pursuant to Article 22, Section 1, Sentence 1, no. 1, WpHG. The voting rights attributed according to Article 22, Section 1, Sentence 1, no. 1, WpHG, are held via the following companies controlled by South Wacker Capital, LLC, whose attributed stake in voting rights in Balda AG adds up to 3% or more in each case: RoundKeep Global Master Fund LP, Illinois, United States of America, and South Wacker GP, LLC, Illinois, United States of America.

Ervin Shindell, United States of America, has informed us according to Article 21, Section 1 of the WpHG on 3 January 2012 that his stake in voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, ISIN: DE0005215107, WKN: 521510, exceeded the threshold of 5% of the voting rights on 29 December 2011 and adds up to 5.59 percent (3,289,400 voting rights) on this day. All such voting rights will amounting to 5.59% will be attributed to Mr. Ervin Shindell pursuant to Article 22, Section 1, Sentence 1, no. 6, WpHG, in connection with Article 22, Section 1, Sentence 2, WpHG, in the full amount; and according to Article 22, Section 1, Sentence 1, no. 1, WpHG, in the amount of 5.11% (3,009,891 voting rights). According to Article 22, Section 1, Sentence 1, no. 6, WpHG, in connection with Article 22, Section 1, Sentence 2, WpHG, the voting rights of the following shareholder, whose stake in voting rights in Balda AG adds up to 3% or more, are attributed to Mr. Shindell: RoundKeep Global Master Fund LP, Illinois, United States of America. The voting rights attributed to Mr. Shindell according to Article 22, Section 1, Sentence 1, no. 1, WpHG, are held by the following companies controlled by Mr. Shindell, whose stake in voting rights in Balda AG adds up to 3% or more in each case: RoundKeep Global Master Fund LP, Illinois, United States of America, South Wacker GP, LLC, Illinois, United States of America, as well as South Wacker Capital, Illinois, United States of America.

Bad Oeynhausen, January 2012

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

## Corporate Governance

The Declaration of Compliance for the German Corporate Governance Code that shall apply according to Article 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 Article 289a of the German Commercial Code. It is available for downloading at:

<http://www.balda.de>

The management report of Balda AG for 2011 was combined with the management report of the Balda Group by applying Article 315 (3) in conjunction with Article 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, 20 March 2012

The Board of Directors



Dominik Müser



James Lim

## Statement of assurance by legal representatives

"To the best of our 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, 20 March 2012

The Board of Directors



Dominik Müser



James Lim

## Independent Auditors' Report

We audited the consolidated financial statements - consisting of the statement of financial position, income statement, statement of comprehensive income, notes to the financial statements, statement of changes in equity, and segment reporting - and the consolidated management report combined with the management report of the parent company for the fiscal year from January 1 to December 31, 2011. The preparation of the consolidated financial statements and the consolidated management report in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, and the additional requirements of German commercial law pursuant to Section 315a (1) HGB, are the responsibility of the Management Board of the parent company. Our responsibility is to express an opinion of the consolidated financial statements and the consolidated management report combined with the management report of the parent company based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and the generally accepted German principles for auditing annual financial statements promulgated by the IDW. Those standards require that we plan and perform the audit such that material misstatements affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable accounting regulations and in the group management report combined with the management report of the parent company are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and the 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 management report combined with the management report of the parent company 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 the significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the consolidated management report combined with the management report of the parent company. We believe that our audit provides a sufficiently certain basis for our opinion.

Based on the results of our audit, we have no reservations to note.

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 European Union, the additional requirements of German commercial law pursuant to § 315a (1) HGB and present a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The consolidated management report 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 22, 2012

**Deloitte & Touche GmbH**

Wirtschaftsprüfungsgesellschaft

signed

(J. Wegner)

Wirtschaftsprüfer

(German Public Auditor)

signed

(R. Wegner)

Wirtschaftsprüfer

(German Public Auditor)

## Independent Auditors' Report

We audited the annual financial statements – consisting of the balance sheet, income statement and notes to the financial statements – including the accounting records, and the management report combined with the consolidated management report of Balda Aktiengesellschaft, Bad Oeynhausen, for the fiscal year from January 1 to December 31, 2011. The accounting records and the preparation of the annual financial statements and the management report in accordance with the accounting regulations of German commercial law are the responsibility of the company's Management Board. Our task is to issue an opinion of the annual financial statements, including the accounting records, and the management report combined with the consolidated management report on the basis of our audit.

We conducted our audit of the annual financial statements pursuant to Section 317 HGB in accordance with the German principles for the auditing of annual financial statements promulgated by the accounting standards institution *Institut der Wirtschaftsprüfer*. According to these principles, the audit must be planned and executed in such a way that we can detect, with reasonable assurance, any misstatements and/or violations that would have a significant impact on the presentation of a true and fair view of the company's assets, financial position and earnings in the annual financial statements prepared in accordance with required accounting principles and in the management report combined with the consolidated management report. In planning the audit, consideration is given to our knowledge of the business activity and the economic and legal environment of the company, as well as any expectations of possible errors. As part of the audit, the effectiveness of the internal control system as it relates to the accounting function and substantiating evidence for the statements made in the accounting records, annual financial statements and management report combined with the consolidated management report are evaluated primarily on the basis of test samples. The audit includes an evaluation of the accounting principles applied, the significant estimations of the Management Board and the overall presentation of the annual financial statements and management report combined with the consolidated management report. We believe that our audit provides a sufficiently certain basis for our opinion.

Based on the results of our audit, we have no reservations to note.

According to our evaluation on the basis of the knowledge obtained in our audit, the annual financial statements of Balda Aktiengesellschaft, Bad Oeynhausen, comply with regulations and present, in accordance with generally accepted accounting principles, a true and fair view of the assets, financial position and earnings of the company. The management report combined with the consolidated management report is consistent with the annual financial statements, transmits a true and fair view of the position of the Company, and correctly presents the opportunities and risks of its future development."

Frankfurt am Main, March 22, 2012

**Deloitte & Touche** GmbH

Wirtschaftsprüfungsgesellschaft

signed

(J. Wegner)

Wirtschaftsprüfer

(German Public Auditor)

signed

(R. Wegner)

Wirtschaftsprüfer

(German Public Auditor)

## Financial Calendar

29/03/2012	Annual financial statement 2011
03/05/2012	Publication of first quarter results
11/05/2012	Annual general meeting in Bielefeld
02/08/2012	Publication of half-year results
08/11/2012	Publication of third quarter results

## Contact

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Product study of an automatic machine for the handling and separation of pills.

