

Half-yearly Report  
2012 | 2013

Balda secures key strategic acquisitions in the USA in the second quarter.  
Operational turn-around achieved by mid-year 2012 | 2013.

- ① Key steps taken towards completion of the buy-and-build strategy by acquiring the Californian plastics specialists C. Brewer and HK Plastics
- ① Integration of US companies leads to future strategic alignment based on the Balda Medical and Balda Technical segments
- ① Consolidated EBITDA adjusted for extraordinary items at EUR 2.5 million after six months
- ① Adjusted EBIT at EUR 0.7 million in the first six months
- ① Mid-year consolidated sales of EUR 27.9 million down considerably year-on-year due to elevated prior-year base and difficult electronics market conditions
- ① Adjusted outlook for the full year: EUR 75–80 million consolidated sales forecast with distinctly positive EBITDA
- ① Income from TPK sale to result in substantial consolidated profit

# The Balda Group at a glance

in EUR million	1.7.– 31.12.2012	1.7.– 31.12.2011
Group sales	27.9	37.4
<i>of which Balda Medical</i>	15.9	23.4
<i>of which Balda Technical</i>	12.1	14.0
Gross revenue	33.5	36.5
EBITDA before extraordinary items	2.5	-3.9
EBITDA	0.5	-5.4
EBITDA margin before extraordinary items* (percent)	7.5	-10.7
EBITD before extraordinary items	0.7	-5.7
EBIT	-1.2	-7.2
EBIT margin before extraordinary items* (percent)	2.1	-15.6
Net finance income	13.1	-4.1
Earnings before tax	11.9	-11.3
Consolidated net profit/loss**	11.9	-13.3
Earnings per share (EUR)	0.20	-0.40
Cash flow from operations**	-0.9	-8.5

in EUR million	31.12.2012	30.6.2012
Total assets	392.5	473.4
Equity	355.9	450.5
Equity ratio (percent)	90.7	95.2
Share price (EUR)	3.37	4.80
Market capitalization	198.5	282.7
Employees (number) at 31.12.	1,774	1,273
<i>of which USA</i>	741	—

\* Based on gross revenue

\*\* Continuing operations

## Contents

The Balda Group at a glance	1	Interim management report as of 31 December 2012	7
Balda Group short profile	2	Selected notes to the financial statements	17
Letter to the shareholders	3	Half-yearly financial statements 2012/2013	23
Notes on the structure of the half-yearly report	5	Financial calendar   Contact	33
Balda share and investor relations	6		

# Balda Group short profile

Technologies | Quality | Superior products

Balda is a provider of premium-quality, sophisticated plastics solutions for the medical technology sector, and the optics, electronics and automotive industries. The Company provides superior engineering services, products of the highest quality as well as a fast, flexible and tailored service for its customers.

The Group's Balda Medical and Balda Technical operating segments are active worldwide, and the Group maintains production facilities in Germany, the USA and Malaysia. With operations in Germany and the USA, the Balda Medical segment develops and produces high-quality plastics solutions for the medical technology, pharmaceutical and diagnostics markets. With operations in the USA and Malaysia, the Balda Technical segment produces high-precision injection-molded plastics solutions for the optical products sector, and the electronics and automotive industries.

The Company's success is based on the deployment of leading-edge, cost-effective technologies, coupled with the trust-based collaboration with customers.

The long-term strategy of Balda is focused on sustainable growth, a growing presence abroad, a continuous increase in enterprise value, the generation of added value for its business partners and attractive returns on the investments of its shareholders.

# Letter to the shareholders



**Dominik Müser,**  
sole member of the Management Board

## Dear Shareholders,

In the second quarter of the current financial year, the Balda Group achieved key successes in the implementation of its growth strategy. Effective 31 December 2012, we acquired a 100% stake in each of the US plastics specialists Charles Brewer E.D.M. Inc. and HK Plastics Engineering Inc. Both companies are headquartered in California's 'Medical Valley', which boasts a particularly high density of US healthcare clients. In the 2012 calendar year, the two companies recorded overall sales of some USD 60 million and employed a workforce of over 700.

These acquisitions, which were preceded by a highly structured and thorough selection process, strengthen our company in a number of key areas. First, we have now taken the initial key steps towards realizing the buy-and-build strategy previously announced for the Balda Medical segment. The two US firms complement each other superbly in this respect: While C. Brewer specializes in medical technology, business activities at HK Plastics Engineering Inc. focus on the diagnostics market. Second, these new acquisitions give Balda access to applications in the optics – i. e. plastics products for glasses – and automotive markets. Alongside a stronger international presence, we have therefore simultaneously expanded the Balda customer and product base – which was also a major objective of the Group strategy announced in 2012. Particularly as regards Optics, this lets us create the environment needed in the future to develop a further business for demanding plastics solutions.

With the four production facilities we have in California and the long-standing customer relationships of our new companies, Balda now has a strong foundation in the strategically important US market, and thus good prospects for growth internationally.

In terms of the figures as of 31 December 2012, the US companies are reflected in the statement of financial position but not yet in the income statement. Company earnings are nonetheless following a clear positive trend as of mid-year 2012/2013. Operational turn-around – one of our most important objectives – has been achieved: from July to December, profit from operations adjusted for extraordinary items (adjusted EBITDA) amounted to EUR 2.5 million, following EUR –3.9 million in the same period last year. Even after depreciation and amortization, the Company recorded a half-yearly profit (i. e. EBIT) of EUR 0.7 million. The fact that our Group posted a substantial after-tax profit of EUR 11.9 million for the first six months is primarily due to positive effects from foreign currency items in net finance income.

Another factor is the marked success achieved in cutting what were – until recently – inflated costs in the Balda Central Services segment (primarily Balda AG as a Group holding).

In contrast, sales performance nonetheless remains modest. Sales of EUR 27.9 million constitute a year-on-year decrease of 25.3%. One reason is the elevated comparative basis, since the Balda Medical segment benefited in the prior-year period from major sales volume gained in charging project-related systems and tools on to the customer, as is standard practice. Furthermore – and as we announced after the first quarter – the weakening momentum in the global economy is also negatively impacting worldwide demand for electronic products. Sales performance once again shows that growth in the Balda Group is first and foremost to be achieved by expanding our core business operations. As before, targeted acquisitions – which grant us access to new markets, new customers or new technologies – are central to this strategy.

Regarding the capital market, we have set ourselves the goal of establishing or regaining confidence in Balda by systematically delivering on our promises. For this reason, we disposed of our remaining interest of some 7 million shares in touchscreen maker TPK Holding in January 2013, securing a good market price and proceeds of around EUR 87 million. In so doing, we made good on our declared intention to withdraw from our holding in TPK fully and at the best price possible – and in less than 12 months. As a result of the three block sales now completed since 2012, we have recorded total sales proceeds amounting to EUR 479 million. This not only enables the payment of attractive extra dividends to you, our valued shareholders, but also ensures we can draw on substantial financial resources as we proceed with the implementation of our plans for strategic growth.

The integration of our new US activities means that the Group will in the future be represented by the Balda Technical operating segment alongside the Balda Medical segment. Supplementing its Malaysian operations (the former Electronic Products segment), whose future prospects are – as announced – undergoing an unbiased review, Balda Technical now also includes two US sites of Charles Brewer E.D.M. Inc.

We have updated our forecast for the 2012/2013 financial year following these two acquisitions, which will be recognized in consolidated sales and income from 1 January 2013. On the basis of the current portfolio, we expect the Group to record consolidated sales of EUR 75–80 million and distinctly positive earnings before interest, taxes, depreciation and amortization (EBITDA) before and after non-recurring expenses. Effort must be made to maintain and develop this trend.

We are keeping our primary objectives firmly in view: long-term profitability in business operations, stronger internationalization and a broadening of our product, customer and technology base. It is heartening to see that the capital market is starting to reward the successes of recent months. Accordingly, the share price at the end of 2012 and the start of 2013 was quoted considerably higher than the arithmetical figure obtained after allowing for the extra dividends paid. In pursuing our goal of developing Balda into a broadly-diversified international supplier of highly-sophisticated plastics solutions, we are also creating value for you, our valued shareholders.

Yours sincerely,



Dominik Müser  
Chief Executive Officer

# Notes on the structure of the half-yearly report

## **Change of the reporting date**

The Annual General Meeting of Balda AG on 11 May 2012 resolved to change the reporting date of the Company from 31 December to 30 June. This resulted in a short financial for the period from 1 January to 30 June 2012. This half-yearly report as of 31 December 2012 therefore corresponds to the first half of the 2012/2013 financial year. The period from 1 July to 31 December 2011, which corresponds to the second half of the 2011 financial year, was used to obtain comparative figures for the statement of comprehensive income, the statement of cash flows and the statement of changes in equity. This allows an accurate, period-to-period comparison. The consolidated statement of financial position as of 30 June 2012 provides the comparative figures for the statement of financial position as of 31 December 2012.

## **Continuing operations/Basis of consolidation**

The disclosures concerning the consolidated income statement made in the present half-yearly report correspond to the figures of the last six months of the 2011 financial year recorded for continuing operations and are comparable as far as “Net profit/loss from continuing operations” is concerned. Please note, however, that the MobileCom segment disposed of on 1 December 2011 is still partially included in the statement of cash flows, the statement of comprehensive income and the statement of changes in equity in the prior-year period, which limits the feasibility of making direct comparisons.

Effective 31 December 2012, the Group acquired 100% of the shares of California-based companies HK Plastics Engineering Inc. (hereafter: HK Plastics) and Charles Brewer E.D.M. Inc. (hereafter: C. Brewer) via a newly established intermediate holding company in the United States. The assets and liabilities of the US companies have been included in the consolidated statement of financial position as of 31 December 2012. The operating business of the new companies did not yet have any effect on the Group's financial performance.

## **Changes in the Group structure and segment reporting**

As a result of the integration of C. Brewer and HK Plastics, the Balda Group will be doing business with two operating segments – Balda Medical and Balda Technical.

The existing Medical segment was renamed Balda Medical segment and has been expanded to include the respective health-care activities of the two acquired companies. It will comprise around 500 employees, who will be based in Bad Oeynhausen and at three plants in California, USA. The segment will be headed by Dr. Rolf Eilers, the Managing Director of Balda Medical GmbH & Co. KG.

The previous Electronics Products operating segment was renamed Balda Technical. In addition to the site at Ipoh, Malaysia, it also comprises two sites of C. Brewer and HK Plastics in California. With a workforce of more than 1,250 employees, this segment will develop, produce and market precision plastic injection molding solutions for high-quality optics, electronics and automotive applications. The segment will be headed by Dominik Müser, the sole member of Balda AG's Management Board.

Balda Central Services (formerly: Central Services) will remain the Group's third segment. It primarily comprises the activities of the holding companies in their role as a provider of administration, finance and sales services and also provides strategic guidance.

The new segment structure of the Balda Group is reflected for the first time in this report on the first six months of 2012/2013 (see also the additional explanations in the selected notes to the financial statements on page 19 et seq.). In this half-yearly report, the segments do not yet include any earnings figures of the newly acquired companies in the USA. As a result, the financial performance of the segment in the reporting period is not comparable with the prior-year figures.

# Balda share and investor relations

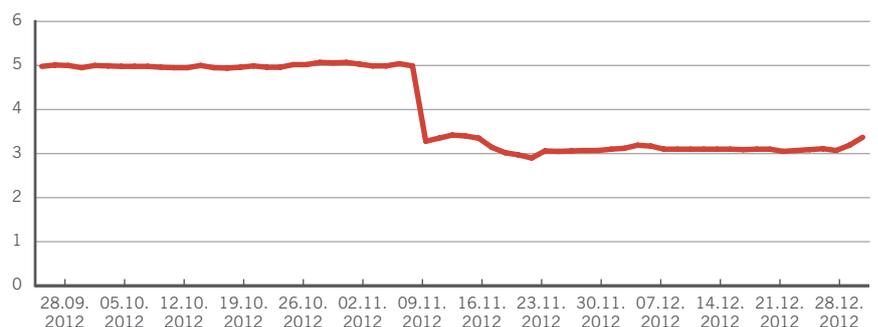
In the final quarter of 2012, the international stock markets continued to perform favorably, with some posting significant gains for the year. The German DAX closed the year at 7,612 points and thus falling only slightly short of its annual high of 7,672 points, which it recorded on 20 December. For 2012 as a whole, the index gained 29% (2011: loss of 15%). Analysts at M.M. Warburg also remain optimistic as regards future stock market performance, despite the persistent deadlock over the European sovereign debt crisis and an increasingly difficult economic environment. One key influential factor they mention is the bond market's weakening appeal, as a result of which capital investors are shifting their focus to more risky investment vehicles. Share prices thus benefited from multiple drivers: the poor valuation of many companies, higher market liquidity and the persistence of very low equity ratios for many investors. The small cap SDAX index, in which Balda AG is listed, continued to pursue its upward trend in the fourth quarter of 2012, recording overall gains of around 19% for the 2012 calendar year (2011: loss of 15%).

In the fourth quarter, the Balda share initially continued its lateral trend, with prices around EUR 5. Following the payment of the extra dividend of EUR 2.00 per share, as resolved by the Annual General Meeting on 7 November, a corresponding correction occurred, as a result of which the share first settled at prices slightly above the arithmetical dividend markdown. On 21 November, the share reached its annual low of EUR 2.80. Following this, high trading volumes resulted in a slight price recovery, which has continued to date over the course of 2013 with prices of more than EUR 4. The share closed the fourth quarter at EUR 3.37 (28 December 2012).

Taking into account the two extra dividends totaling EUR 3.30 per share paid out in the 2012 calendar year, this equates to a price gain of 75% in the 2012 calendar year if compared to the opening price of EUR 3.81 at the beginning of 2012, and a plus of over 10% in the fourth quarter of 2012 (all prices quoted are based on Xetra closing prices). During the reporting period, Balda significantly stepped up its investor relations activities, hand-in-hand with a renewed expression of interest in the Company by investors with strategic interests. Comprehensive details of the new corporate strategy were therefore presented to the public mid-November 2012 at the Germany Equity Form in Frankfurt. Numerous face-to-face talks were also held between investors and the Management Board.

The share of TPK Holding, a company listed on the Taiwan Stock Exchange in which Balda still held around 7.1 million shares on the reporting date of 31 December 2012, recorded substantial gains of 40% in the fourth quarter. Following a third quarter 2012 closing price of 384.50 Taiwanese dollars (TWD) on 28 September 2012, the closing price at the end of the 2012 calendar year amounted to TWD 513.00.

**Balda AG share price from October to December 2012**



# Interim management report as of 31 December 2012

## 1. General economic development

The global economic slowdown witnessed during 2012 continued in the fourth quarter of the year. The loss of economic momentum is primarily due to the substantial restructuring processes seen in the euro zone. The countries most severely affected by the sovereign debt crisis – Greece, Ireland, Portugal, Spain, Italy and Cyprus – made huge efforts to consolidate their public sector deficits, and with varying degrees of success. In the closing quarter, however, Greece in particular remained a risk factor both for the euro zone economy and for developments in the global financial and capital markets.

In October, the International Monetary Fund (IMF) lowered its forecast for worldwide growth in 2012, reducing the figure given in July by 0.2 percentage points to 3.3%.

For the euro zone, the IMF predicted economic output to decline by 0.4% in 2012. Concerns about the solvency of crisis-ridden governments and the stability of their banking systems unsettled investors, companies and consumers worldwide. Although the European Central Bank (ECB) signaled its readiness to make large-scale interventions in the government bonds market in September 2012 and thereby stabilized the situation in the European Monetary Union, manufacturer and consumer confidence in the euro zone continued to decline until the end of the year.

The German economy was able to distance itself from the euro zone's otherwise recessive trend by recording an increase in annual economic output of 0.7% for 2012 (price-adjusted gross domestic product). This contrasts with a prior-year figure of 3.0%, however.

In the United States, economic recovery was sluggish throughout 2012. Private sector consumption was muted, resulting from the efforts of many US households to cut excessive personal debt back to acceptable levels. Towards the end of 2012, the capital and financial markets and consumer confidence were once again rocked by the turbulent US budget dispute and the associated predictions of drastic tax hikes and cuts in public spending.

Another key element of uncertainty in relation to global business was economic development in China, as the importance of the Chinese economy for global business continues to grow. In 2012, China once again posted lower growth – not least as a result of huge wage increases and correspondingly high prices, with negative consequences for its export business. That said, China – and other emerging economies – has in fact responded to the slowdown in economic growth with economic stimulus packages, such as a step-wise relaxation of monetary policy, for example.

## 2. Industry situation

### 2.1. Balda Medical

Notwithstanding the gloomy overall economic climate, fundamental trends such as global population growth, improved access to medical care for many people in developing and emerging economies, the growing self-medication of patients with over-the-counter drugs and increasing life expectancy continue to offer good prospects for long-term growth in the global healthcare product market. The markets in emerging economies have a key role to play here.

Annual global growth forecasts for the pharmaceutical, diagnostic and medical technology markets vary between 4% and 14%, depending on sector and source. These markets also exhibit remarkable stability alongside continuous growth.

For the 2012 calendar year, the Spectaris industry association predicted German medical technology sector sales to grow by around 4% to reach EUR 22.2 billion. This was to be driven exclusively by overseas business, with domestic sales showing zero growth. The German Medical Technology Association cites stronger price erosion, higher raw material prices and greater outstanding debt for companies – especially due to the euro crisis.

## **2.2. Balda Technical**

While sentiment regarding long-term growth prospects for global markets in consumer electronics remains positive, Balda believes that the global economic downturn in the fourth quarter of the 2012 calendar year has significantly dampened demand for products from the consumer and home electronics sector.

From a Western European perspective, GfK TEMAX reported at the end of November 2012 that the technical consumer goods market lacked the kind of decisive momentum that could ensure a significant upturn in business. For the first nine months of 2012, order books in this market segment recorded a year-on-year decline in sales of just under 10%. Figures for the fourth quarter or 2012 financial year were not yet available.

Over the medium to long term, the ophthalmic optics industry is anticipating positive international growth for the sector. Underlying trends such as demographic development in industrialized countries mean that more people will become 'presbyopic' around their mid-forties and therefore need glasses. In Germany alone, glasses are now worn by around 40 million people over the age of 16.

## **3. Business performance in the first six months of 2012/2013**

### **3.1. Overall assessment**

The Balda Group's business performed well from July to December 2012, enabling the Group to achieve an earnings turnaround in its operating business. A key strategic step towards the necessary internationalization of Balda's business and the expansion of its product and customer base was taken when the acquisition of the two leading US plastics specialists C. Brewer and HK Plastics was agreed and executed in December. Implementation of the Group's published growth strategy is therefore going entirely according to plan.

After six months, consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) were EUR 2.5 million after adjustment for extraordinary items in connection with the extensive M&A processes (transaction and due diligence costs) and the modernization of the Group's IT structure. After taxes, positive currency effects in net finance income meant the Group posted a half-yearly profit of EUR 11.9 million.

After six months, consolidated sales were EUR 27.9 million, a year-on-year downturn of 25.3% largely attributable to an elevated comparative basis in the Balda Medical segment and weakening demand for electronic products in the Balda Technical segment.

The Management Board has adjusted its 2012/2013 guidance to the modified Group portfolio and, based on the current portfolio, is expecting to see consolidated sales in the area of EUR 75–80 million with a solid consolidated operating profit (EBITDA) before and after non-recurring expenses.

### 3.2. Significant events in the second quarter of 2012/2013

#### Annual General Meeting:

On 7 November 2012, the Annual General Meeting of Balda AG in Bielefeld agreed to pay a dividend of EUR 2.00 per share for the 2012 short financial year (1 January to 30 June 2012). This made EUR 117.8 million available for dividend distribution. Shareholders thus once again participated in proceeds resulting from the sale of the majority of shares in the touchscreen manufacturer TPK Holding completed in the short financial year, following the earlier payment of an extra dividend of EUR 1.30 per share made in May 2012. With 60.1% of share capital present, a clear majority of shareholders agreed to the payment of the recommended dividend.

The AGM elected Mr. Ted Gerlach as a new member of the Supervisory Board to fill the post vacated by Mr. Chen. Mr. Gerlach is a managing partner at BluePoint Controls Inc., headquartered in Milpitas, California (USA).

#### Strategic acquisitions in the USA

At the end of December 2012, Balda announced the acquisition of two leading US plastics manufacturers and thus its entry into the strategically important US market.

Effective 31 December 2012, the Company acquired a 100% stake in C. Brewer, Anaheim, California. Formed in 1966, the company specializes in precision injection-molded plastics, primarily for customers in the medical and optics industries, as well as clients in the automotive and electronics sectors. The company has three production facilities in California (Anaheim, Irvine and Ontario). Around a third of sales volume is generated by the Medical business and approx. 50% by Optics.

The purchase price was agreed at EUR 33 million, including performance-based purchase price adjustments (earn-out clause and working capital adjustment) of approx. EUR 4.2 million. The acquisition was financed entirely from the Group's available cash. The company was sold by the company founders' family.

Also effective 31 December 2012, Balda acquired a 100% stake in HK Plastics, Oceanside, California, sold from assets held by the company founders' family. HK Plastics is a provider of all-in-one injection-molded plastics services. Formed in 1974, the company operates production facilities at its Oceanside headquarters and is fully allocated to the Balda Medical segment. More than 80% of sales are generated by medical customers – primarily in diagnostics. The acquisition price was in the high single-digit millions and was financed entirely from the Group's available cash.

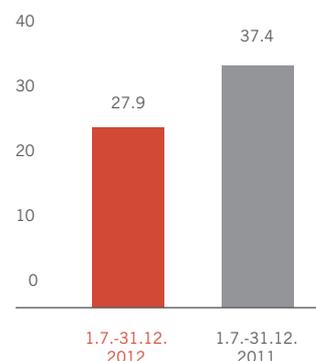
#### Management Board changes

On 31 December 2012, Mr. James Lim left the Management Board upon expiry of this term of office. Mr. Lim remains a member of the Board of Directors at the Group company Balda Solutions Malaysia Sdn. Bhd. Under the operational direction of James Lim, the former Electronic Products segment was restructured successfully in 2012. Since 1 January 2013, Dominik Müser has therefore been the sole member of Balda AG's Management Board.

### 4. Sales and earnings performance

**Consolidated sales** in the first six months of the 2012/2013 financial year stood at EUR 27.9 million and were therefore 25.3% below the figure for the prior-year period (EUR 37.4 million). The decline is for the most part due to the fact that extraordinarily high project-related sales for tools and equipment were recorded in the Balda Medical segment in the prior-year period. A generally weaker economic climate also dampened demand for electronics products in the Balda Technical (formerly: Electronic Products) segment.

Consolidated sales  
in EUR million



In the second quarter of 2012/2013, consolidated sales amounted to EUR 14.0 million (comparative period October to December 2011: EUR 22.0 million).

After six months, **other operating income** was EUR 3.4 million, marking a significant year-on-year increase of EUR 0.6 million. This includes in particular foreign currency gains resulting from the Group's operations.

**Inventories of finished goods and work in progress** increased by EUR 2.2 million (prior-year period: reduction of EUR 1.5 million), due to the capitalization of costs of the equipment and tool business in the Balda Medical segment). For the first six months of 2012/2013, **gross revenue** declined by 8.1 % to EUR 33.5 million (prior-year period: EUR 36.5 million).

The **cost of materials** amounted to EUR 17.4 million, corresponding to 57.6% of gross revenue (excluding other operating income). In the prior-year period, material costs were therefore significantly higher, both in absolute terms (EUR 23.7 million) and in relation to gross revenue (66.0%). This is due to the higher proportion of more material-intensive revenue from tool and equipment sales.

**Staff costs** decreased from EUR 9.5 million to EUR 8.2 million in the first six months. The decline is due to the reduction in the number of employees. Contracts that expired were not renewed. Staff costs represented 24.5% of gross revenue and were therefore 1.5 percentage points below the prior-year figure of 26.0%. In the second quarter, the proportion fell to 21.2%, following a first-quarter figure of 25.0%.

At EUR 7.4 million, **other operating expenses** were EUR 1.2 million less than the prior-year figure (EUR 8.6 million). In the reporting period, around EUR 2.0 million in extraordinary items (previous year: EUR 1.5 million) were incurred primarily in connection with the extensive M&S processes involved in the buy-and-build strategy (e.g. transaction costs, due diligence expenses). These non-recurring expenses include costs for the comprehensive modernization of the Group's IT systems (SAP roll-out). The considerable drop in other operating expenses primarily reflects the positive effects achieved by process optimization in the Balda Technical segment and structural streamlining within the Group.

The Group posted **half-yearly earnings before interest, taxes, depreciation and amortization (EBITDA)** of EUR 0.5 million (prior-year period: EUR -5.4 million). EUR -0.5 million of this figure are attributable to the second quarter (October to December 2011: EUR -5.2 million). EBITDA adjusted for non-recurring items stood at EUR 2.5 million after six months (prior-year period: EUR -3.9 million).

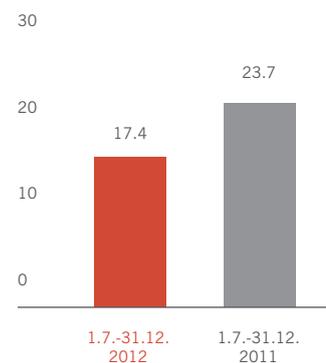
After accounting for depreciation and amortization, the Group posted **earnings before interest and taxes (EBIT)** of EUR -1.2 million, representing a considerable year-on-year improvement (prior-year period: EUR -7.2 million). Second-quarter EBIT also stood at EUR -1.2 million (October to December 2011: EUR -6.1 million).

If EBIT is adjusted for the extraordinary items incurred in the reporting period, profit from operations for the first six months of 2012/2013 was EUR 0.7 million.

**Net finance income** totaled EUR 13.1 million after six months (prior-year period: EUR -4.1 million). Alongside interest income from the Group's substantial cash balances, positive valuation effects were also felt from Balda Investments Singapore in the translation of currency items such as credit balances.

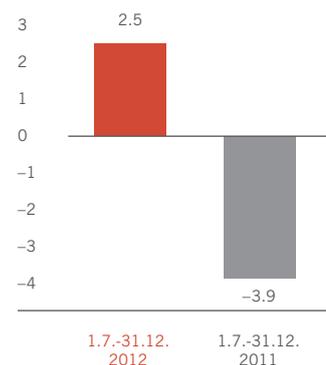
**Cost of materials**

in EUR million



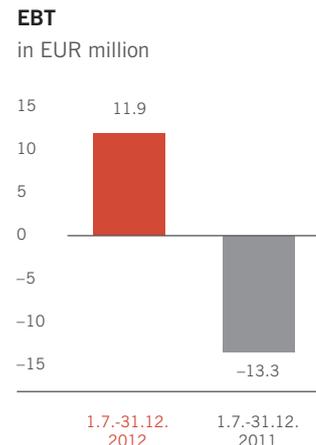
**EBITDA before extraordinary items**

in EUR million



The Group posted **earnings before taxes (EBT)** in the first six months of EUR 11.9 million, following EUR –11.3 million in the prior-year period. **Half-yearly earnings after taxes** improved for continuing operations, rising to EUR 11.9 million from a figure of EUR –13.3 million in the period July to December 2011. The Group posted an after-tax profit of EUR 5.1 million for the second quarter (October to December 2011: EUR –9.6 million).

**Comprehensive income for the Group** after six months also amounted to EUR 11.9 million. The figure for the prior-year period (EUR –23.8 million) includes the loss incurred from the discontinued MobileCom operations. Comprehensive income corresponds to **earnings per share** (basic EPS and diluted EPS) of EUR 0.20 (prior-year period: EUR –0.40).



## 5. Segment performance

### 5.1. Balda Medical segment

At EUR 15.9 million, 2012/2013 segment sales after six months were 32.1% lower than the figure for the prior-year period (EUR 23.4 million). This decrease is almost exclusively attributable to the discontinuation of project-related tool and equipment sales recorded in the prior-year period. In this case, Balda Medical followed standard industry practice in charging tools and equipment on to a customer as part of a major order. In contrast, product sales from ongoing projects increased in the first six months of 2012/2013. Orders delayed in the 2012 short financial year were resumed and completed in the reporting period.

After six months, EBITDA stood at EUR 2.0 million and was thus lower than the prior-year period of EUR 2.6 million.

### 5.2. Balda Technical segment

The Balda Technical segment posted sales of EUR 12.1 million for the first six months of the 2012/2013 financial year. Compared to the prior-year period (2011: EUR 14.0 million), this represents a decline of 14.0% that is largely attributable to the general economic downturn experienced since mid-year 2012. Note that segment sales for the first six months include only Balda's business activities in its Malaysia-based Electronics division. The division's restructuring process begun in early 2012 was completed successfully according to plan in the reporting period, producing significant process improvements and cost reductions.

Segment EBITDA amounted to EUR 0.1 million, following EUR –2.8 million in the period July to December 2011.

### 5.3. Balda Central Services segment

The Group's structural streamlining completed in 2012, reductions in other costs (e.g. service provider usage) and foreign currency gains enabled the Balda Central Services segment to post an improved EBIT of EUR –1.7 million for the first six months of 2012/2013, compared to the prior-year figure of EUR –5.2 million. The prior-year figure has been adjusted for costs related to the former MobileCom segment, which has been sold in the meantime.

Positive net finance income pushed up EBT to EUR 11.4 million. This compares to an adjusted prior-year figure of EUR 9.4 million.

## 6. Financial position

The Group's **total assets** were EUR 392.5 million on the reporting date of 31 December 2012. This marks a decline of EUR 80.8 million compared to the year-end figure for the 2012 short financial year (EUR 473.4 million). Key influential factors included the dividend payment of EUR 117.8 million made in November on the one hand, and, on the other, the initial consolidation of the US companies C. Brewer and HK Plastics acquired on 31 December 2012 as well as the increase in the value of the TPK shares.

**Non-current assets** increased year-on-year by EUR 41.1 million to EUR 68.8 million from EUR 27.7 million, a gain almost exclusively resulting from the initial consolidation of the US companies. In this context, Balda recognized goodwill of EUR 23.2 million.

**Current assets** fell by EUR 121.9 million to EUR 323.7 million (30 June 2012: EUR 445.6 million).

Increases in **inventories** (rising EUR 6.8 million to EUR 20.2 million) and in **trade receivables** (rising EUR 5.8 million to EUR 12.3 million) are almost exclusively due to consolidation effects.

**Other current assets** decreased by EUR 272.7 million to EUR 116.8 million at the end of December 2012 (30 June 2012: EUR 389.5 million). Note that receivables from the sale of an equity stake in TPK Holding in June 2012 and from dividend claims against TPK were still contained in this figure at the end of the short financial year. These receivables did not flow to the Group until the first quarter of the 2012/2013 financial year; they were reclassified to cash and cash equivalents. Receivables from bonus shares in TPK Holding, which had also still been included in other current assets as of 30 June 2012, were reclassified to "Non-current assets held for sale" after receipt of the shares. On the reporting date of 31 December 2012, the other current assets item consisted almost entirely of receivables from banks from time deposits.

**Total cash and cash equivalents** rose by EUR 61.9 million to EUR 79.7 million. This item was boosted by the July cash inflow from the sale of the equity stake in TPK Holding that was completed at the end of June. The item was reduced in turn by outlay for payment of November's extra dividend and the acquisition of the two US companies.

The item "**Non-current assets held for sale**" represents the fair value of the remaining TPK equity stake as held on the reporting date (EUR 94.5 million).

The consolidated statement of financial position shows **equity** of EUR 355.9 million as of 31 December 2012 (30 June 2012: EUR 450.5 million). This reduction is primarily a result of the dividend payment made in November. The **equity ratio** was 90.7%, following 95.2% at the end of June 2012.

**Non-current liabilities** rose year-on-year by EUR 10.9 million to EUR 13.5 million. A key item in this respect was the rise in current provisions (increase of EUR 3.9 million to EUR 4.0 million). This item primarily comprises future payment obligations from the earn-out clause agreed on acquiring C. Brewer. Purchase price allocation resulted in the recognition of deferred tax liabilities in the amount of EUR 6.7 million on the temporary differences related to the identified assets.

Total **current liabilities** increased by EUR 2.8 million to EUR 23.1 million, a figure due primarily to the initial consolidation of Balda's US business. Even after including both US companies, the Balda Group does not have any significant bank borrowings.

## **7. Investments and cash flows**

### **7.1. Investments**

In the first half of the current financial year, the Balda Group invested EUR 1.2 million in property, plant and equipment and intangible assets (prior-year period: EUR 1.2 million), of which EUR 0.7 million are attributable to replacement investments in the Balda Technical segment and EUR 0.2 million to replacement investments in the Balda Medical segment. Investments in the Balda Central Services segment (0.3 million euros) were primarily expenditures for the optimization of IT structures.

### **7.2. Cash flows**

At the end of the second quarter of 2012/2013, the cash and cash equivalents of the Balda Group amounted to EUR 79.7 million (30 June 2012: EUR 17.8 million). The change in cash and cash equivalents is due primarily to the cash flows from investing activities and the cash flows from financing activities. Cash received for the partial sale of TPK shares (EUR 153.7 million) and the sale of debt instruments (EUR 53.3 million), the cash dividends received from TPK (EUR 9.3 million), and the repayment received on the seller's loan in connection with the 2011 sale of the MobileCom segment (EUR 4.5 million) resulted in a cash inflow from investing activities. The Group spent EUR 38.1 million in cash for the acquisition of the US companies. Balda also acquired cash in the amount of EUR 0.5 million with this investment.

The cash outflow from financing activities was 118.0 million (comparative figure adjusted for MobileCom: outflow of EUR 0.7 million); it mainly concerned the dividend paid in November 2012 (EUR 117.8 million).

Primarily the increase in working capital resulted in a cash outflow from operating activities of EUR 0.9 million (comparative figure adjusted for MobileCom: outflow of EUR 8.5 million).

The Group's current liquidity means Balda is able to implement the projects it has planned from its own resources.

## **8. Employees**

The Balda Group's workforce totaled 1,774 employees as of 31 December 2012. This workforce includes 741 employees from the newly acquired US companies C. Brewer and HK Plastics. Excluding the two acquisitions, the workforce totaled 1,033 employees at the end of the second quarter, 240 fewer than at the end of the 2012 short financial year (1,273 employees). The decrease is due primarily to the reduced dependence on contract workers in Balda's Malaysian operations. Additional numbers of such workers had been taken on in the short financial year to reduce the backlog of unprofitable orders.

In the Balda Medical segment, the workforce stood at 497 employees on 31 December 2012. On the reporting date, the Balda Technical segment employed a total of 1,267 members of staff, working at its sites in the USA and Malaysia.

On 31 December last year, the Balda Central Services segment employed 10 people – one person fewer than at the end of June 2012.

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

On 1 February 2013, Balda AG announced that it sold of a total of 7,066,008 shares in TPK Holding Co., Ltd. via its Group company Balda Investments Singapore Pte. Ltd., generating proceeds of around EUR 87 million. By executing this sale, the Management Board followed through on its announcement made at the Annual General Meeting on 7 November 2012 to sell the remaining shares in TPK Holding at the best price. The sale will be reflected in Balda AG's earnings for the 2012/2013 financial year.

## **10. Risk report**

The consolidated financial statements as of 30 June 2012 include a detailed presentation of the Balda Group's risk management, while also describing and assessing all significant risks. The Group's risk profile did not change significantly in the first six months of 2012/2013. The reader is therefore referred to the risk report contained in the consolidated financial statements as of 30 June 2012. This report was published in the annual report and on our corporate website.

We also draw your attention to the following risks:

In the Balda Technical segment, the Electronics unit based in Malaysia successfully completed the restructuring program in the reporting period. The realignment and development of this business – necessitated by the hotly-contested market for consumer and communication electronics – is taking place in an increasingly difficult economic environment. The effects of the current downturn in the global economy are particularly strong in the consumer segments in which Balda's customers do business. Accordingly, growth in both demand and sales in the electronics business lagged behind expectations in the first six months of the 2012/2013 financial year. Based on the Group's current strategic alignment, it has to be assumed that the performance of the electronics business will not improve substantially in the second half of the financial year.

The Management Board is currently reviewing the prospects of this business with regard to the Balda Group's targets for growth and return on investment, taking into account potential opportunities from new product segments that Balda has opened up with the acquisition of the two US companies. A decision concerning the future of Balda's Malaysian operations can be expected shortly.

## **11. Anticipated developments and outlook**

### **11.1. Strategic outlook**

The Management Board's primary objective remains unchanged: to guide the Balda Group towards growth and value enhancement. In the medium term, efforts will focus on achieving consolidated sales of EUR 150–200 million and an operating profit margin (in terms of EBITDA) of at least 15%.

The Management Board views these figures as a prerequisite to achieving a position from which Balda AG can make dividend payments without compromising its financial integrity and once again secure an adequate profile for the Company on the capital market.

Significant progress towards this objective was made in the first six months of 2012/2013:

- Balda has returned to profitability in its business operations; this trend must now be maintained and enhanced further.
- With the acquisition of C. Brewer and HK Plastics, Balda – as announced – took the first key steps towards implementing its buy-and-build strategy before the end of the 2012 calendar year. Balda has strengthened its international profile while expanding the range of products and services it offers for sophisticated plastics solutions – by entering the attractive optics market, for example.
- The two new acquisitions bolster the Balda Medical segment in particular, whose medium-term sales should pass the EUR 100 million mark, enabling the Company to be listed as a strategic supplier – the ‘system supplier of choice’ – by all major healthcare companies. In the US market – the world’s largest for healthcare products – Balda Medical can now make use of mature production facilities and sales networks. This offers the chance of accompanying European medical customers abroad in the future. Conversely, Bad Oeynhausen can offer delivery services to US customers of C. Brewer and HK Plastics for European markets. This would better utilize Balda Medical’s Bad Oeynhausen capacity and further cement our commitment to the Bad Oeynhausen site.
- The disposal of our remaining stake in TPK Holding in February 2013 at the best price marked the full withdrawal from this investment as previously announced, while further strengthening the excellent financial and cash base of the Balda Group.

In the remaining months of the current financial year, the Management Board will focus primarily on the following tasks:

- Integration of the two new US acquisitions into the Balda Group, with the objective of harnessing the strengths and potential of the US companies for use in existing business, and exploiting the corresponding synergies in production, sales and marketing.
- Further strengthening of the Group’s core competencies, and in particular the high-quality processing of injection-molded products and the integration of plastics solutions with electronic components and systems. The Management Board is also involved in negotiations for further acquisitions, with the aim of accelerating the internationalization of Group activities and/or strengthening its technological expertise.
- Securing long-term profitability for the Balda Technical segment; above all, this involves tackling the issues surrounding the future of electronics activities at the Malaysian site.
- Further structural streamlining within the Group and associated cost reductions.

## 11.2. Financial forecast

The Management Board does not expect any substantial changes in the overall global economic climate in the second half of the 2012/2013 financial year. Accordingly, the Malaysia-based electronics business will probably continue to be affected by the flagging demand for products from the consumer and communication electronics sector.

Apart from the non-recurring expenses already incurred in the first half of the year, the Group's profit from operations in 2012/2013 will also be burdened by non-cash amortization resulting from purchase price allocations for the new acquisitions of C. Brewer and HK Plastics. This 'PPA amortization' figure is expected to be in the range of EUR 1–2 million in the current financial year.

Both US companies are included in the consolidated financial statements from 31 December 2012 and will contribute positive earnings in the second half of the year.

Assuming that no unforeseeable negative events occur, and on the basis of the current portfolio, the Management Board expects the following for the full 2012/2013 financial year:

- consolidated sales of EUR 75–80 million; and
- a distinctly positive EBITDA before and after non-recurring expenses.

The Group's profitability before and after taxes will be strongly boosted by positive net finance income and the proceeds from the sale of the remaining TPK stake as completed in February. The Group is therefore expected to post a substantial consolidated profit.

Bad Oeynhausen, 20 February 2013

The Management Board

Dominik Müser (sole member of the Management Board)

# Selected notes to the financial statements

## General information

Balda Aktiengesellschaft has its registered office in Bad Oeynhausen, Germany.

The interim financial statements for the period ended 31 December 2012 were prepared in accordance with International Financial Reporting Standards (IFRSs) as applicable in the European Union (EU). The accounting principles applied comply with EU guidelines for the preparation of consolidated financial statements.

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

The financial statements of the companies included in the consolidated financial statements are based on uniform accounting policies that comply with IFRSs.

## Basis of consolidation

In addition to Balda AG, four domestic and nine foreign subsidiaries were included in full in the consolidated financial statements for the first six months of the 2012/13 financial year.

In December 2012, the Group established a new intermediate holding company, Balda Investments USA LLC, Delaware, USA. In addition, 100 % of the shares of Charles Brewer E.D.M. Inc., Anaheim (California), USA (hereafter: C. Brewer), and HK Plastics Engineering Inc., Oceanside (California), USA (hereafter: HK Plastics), were acquired effective 31 December 2012.

The sales mentioned above and further sales of smaller companies as of the time of sale had the following effect on the Group's assets and liabilities:

in EUR thousand	CB <sup>(1)</sup>	HKP <sup>(2)</sup>	Total
Payments made	29,134	8,955	38,089
Payments yet to be made	4,216	-20	4,196
<b>Total purchase price</b>	<b>33,350</b>	<b>8,935</b>	<b>42,285</b>
Non-current assets	13,617	4,902	18,519
Current assets	10,183	2,225	12,408
Non-current liabilities	891	0	891
Current liabilities	3,548	652	4,200
Deferred taxes	4,976	1,727	6,703
Net assets acquired	14,385	4,748	19,133
Goodwill	18,965	4,187	23,152

(1) C. Brewer

(2) HK Plastics

An earn-out clause was agreed in the sales contract making an additional purchase price payment dependent on the earnings of C. Brewer in the 2013 calendar year. The fair value of the earn-outs is therefore only an estimate and could change depending on the earnings performance of the company and exchange rate effects.

The assets and liabilities acquired are carried at fair value at the acquisition date.

The surplus paid for the net assets acquired related principally to the existing technologies, customer relationships and synergy effects with the existing Balda Medical and Balda Technical (formerly: Electronic Products) divisions in addition to employee expertise.

### **Accounting policies**

The interim consolidated financial statements for the period ended 31 December 2012 were prepared for interim reporting in compliance with International Financial Reporting Standards (IFRSs) as applicable in the EU. In accordance with the provisions of IAS 34, a report format was selected that is shorter than the consolidated financial statements for the period ended 30 June 2012. In preparing the interim consolidated financial statements, the same accounting, measurement and consolidation methods were used as in the consolidated financial statements for the 2012 short financial year. These comply with the rules outlined in IAS 34 (Interim Financial Reporting).

The basic principles and methods underlying the estimates for the interim financial statements have not changed from previous periods (IAS 34.16 (d)). The accounting, consolidation and measurement methods are explained in detail in the notes to the annual financial statements for the period ended 30 June 2012. The exercise of the options included in the IFRSs is also explained there.

Due to the acquisitions made in the reporting period, the measurement methods and estimates were supplemented as follows:

Business combinations are accounted for using the acquisition method in accordance with IFRS 3. This method entails measuring the proportionate equity of the subsidiary acquired at the acquisition date, taking into account the fair value of the identifiable assets, liabilities and contingent liabilities, deferred taxes and possible goodwill at that date. The acquisition cost of foreign businesses acquired is translated to euros at the prevailing rate at the acquisition date. Acquisition-related costs are recognized directly in the income statement in the period in which the acquisition occurred.

Acquired intangible assets (such as customer relationships, patents or trademarks) are identifiable, but not monetary, assets without physical substance. According to IFRS 3, the identifiability criterion is met if the asset is separable, i. e., it can be separated from the entity and sold, transferred, licensed, leased or exchanged (separability criterion), or if the asset arises from contractual or other legal rights, regardless of whether these rights can be transferred or separated from the entity or from other rights and obligations (contractual/legal criterion). The capitalization of acquired intangible assets reported separately from goodwill is at their fair value at the acquisition date.

The acquired intangible assets are amortized according to the straight-line method over a period of five to 15 years unless a different amortization method is required due to the actual decline in value. Estimates are used to determine the probable useful life of each asset. If there is indication of possible impairment, an impairment test is conducted.

The period from 1 July to 31 December 2011, which corresponds to the second half of the 2011 financial year, was used to obtain comparative figures for the statement of comprehensive income, the statement of cash flows and the statement of changes in equity. Due to seasonal fluctuations, this enables an accurate, period-to-period comparison. The consolidated statement of financial position as of 30 June 2012 provides the comparative figures for the statement of financial position as of 31 December 2012.

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

		Middle spot rate at the reference date		Average rate	
		31 December	30 June	01 July – 31 December	
<b>Currencies</b>	<b>ISO code</b>	<b>2012</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>
US dollar	USD	1.3215	1.2577	1.2732	1.3807
Chinese renminbi	CNY	n.a.	7.9365	n.a.	8.8059
Malaysian ringgit	MYR	3.9525	4.0145	3.9172	4.2506

### Segment reporting

The segment reporting (see table in appendix) was prepared according to the same principles as the financial statements for the 2012 short financial year, although the content has changed.

The Management Board restructured the segments subject to reporting as a result of the realignment of the Group and the acquisitions made. The Electronic Products segment was renamed the Balda Technical segment. The scope of activities of the production segments has been expanded and newly defined as a result of the acquisitions of the US companies. On the one hand, the business activities of the acquired companies complement the existing product range of both segments, while on the other hand, they supplement these with related products.

Segment management has been reassigned. For each segment, there is a designated head of segment who makes decisions on the distribution of resources and monitors the profitability of the segment using specified financial information. The Management Board itself exercises this function for the Balda Technical and Balda Central Services segments. The internal reporting structure was audited and modified where needed in the course of reorganization of the segments. This could also affect future segment reporting.

In addition to the development and manufacture of electronic products, the Balda Technical segment focuses on injection molded parts for the automotive market as well as on the development and manufacture of plastic products for the optics market.

The Group's Balda Medical segment develops and produces complex plastic products for medical technology, pharmaceutical and diagnostic applications.

The Balda Central Services segment supports the subsidiaries mainly by providing IT, controlling, finance, marketing and sales services. In addition, the segment issues strategic guidelines and provides other support in its exercise of customary holding company functions.

The figures of the MobileCom segment, which was sold in the 2011 financial year, are no longer included in segment reporting in this interim report.

In addition to sales revenues, gross revenue includes other operating income and changes in work in progress and finished goods and merchandise. The Group segments' sales performance and earnings performance are the individual components of business performance (see page 11).

### Statement of cash flows

With regards to the explanations on the statement of cash flows we refer to the information on cash flow provided in section 7. Investments and cash flows in this interim report.

### Structure of the statement of financial position

At EUR 392.5 million, the Balda Group's total assets as of 31 December 2012 were around EUR 81 million lower than on the comparative reporting date (30 June 2012: EUR 473.4 million). Key influential factors included the dividend payment of EUR 117.8 million made in November on the one hand, and, on the other, the initial consolidation of the US companies C. Brewer and HK Plastics and the increase in the value of the TPK shares.

On the asset side, non-current assets rose by approximately EUR 41 million, due mainly to the acquisitions. The acquisition of more than 25% of the shares by Elektor is likely to result in the German Group companies losing the existing tax loss carryforwards on a pro-rated basis – as announced in the most recent annual report.

Current assets were around EUR 122 million lower than as of 30 June 2012. The main reason was the dividends paid in November 2012. The initial consolidation of the US companies caused a rise of roughly EUR 12 million. As explained in note 6 Financial position, the Balda Group had incoming receivables in the form of cash and cash equivalents and shares in the reporting quarter. Of these, corresponding amounts were reclassified from the other current assets item to cash and cash equivalents (EUR 167.5 million) and to non-current assets held for sale (EUR 52.4 million). The other current assets shown as of the reporting date concern time deposits with a maturity of less than three months.

In current assets, inventories grew to EUR 20.2 million as of 31 December 2012 (2012 reference date: EUR 13.4 million) due to the acquisitions.

Cash and cash equivalents increased by a substantial EUR 61.9 million to EUR 79.7 million at the end of the reporting period, primarily because of the aforementioned effects. The funds received from the sale of TPK shares were used mainly to finance the dividend payment and the acquisitions. The main reason for the increase in cash and cash equivalents was fewer time deposits with a maturity of more than three months as of the reporting date.

The item "Non-current assets held for sale" developed as follows in the first six months of 2012/13:

#### in EUR thousand

Balance as of 30 June 2012	17,895
Addition from receipt of new TPK shares	46,777
Change in fair value due to share price performance	32,477
Currency differences	-2,628
Balance as of 31 December 2012	94,521

The fair value of the TPK shares grew from EUR 70.2 million on 30 June 2012 to EUR 94.5 million, primarily due to the higher share price.

Non-current liabilities rose by EUR 10.9 million to EUR 13.5 million. The recognition of the potential remaining purchase price payment (EUR 4.2 million), the deferred tax to be recognized (EUR 6.7 million) for the identified assets and fair value measurement of the acquisitions in the USA are the main factors responsible for the increase.

The Balda Group saw equity drop from EUR 450.5 million as of the reference date of 30 June 2012 to EUR 355.9 million at the end of the reporting period. The decline is above all due to the payment of dividends from net retained profits and currency differences (EUR –12.9 million). The profit for the period (EUR 11.9 million) and the increase in reserves from the adjusting item for the market measurement of the TPK shares (EUR 24.3 million) were the principal factors having an opposite effect.

### **Income statement**

In the first half of 2012/13, the Balda Group generated consolidated sales of EUR 27.9 million compared with EUR 37.4 million in the comparative period, a decrease of EUR 9.5 million or 25.3%. The primary reason for this is an equipment project in the Balda Medical segment, which was billed at the end of 2011.

Business performance, including the earnings of the individual segments, is presented on page 9 et seq. of this interim report.

The gross revenue of the Balda Group in the first half-year amounted to EUR 33.5 million after totaling EUR 36.5 million in the comparative period. In the reporting period, the Balda Medical segment increasingly capitalized expenses relating to equipment and tools, which led to changes in inventories of EUR 2.2 million. Large foreign currency gains (EUR 1.6 million) resulting from exchange rate developments between the US dollar and the euro affected other operating income.

The cost of materials amounted to EUR 17.4 million after EUR 23.7 million in the comparative period. The prior-year figure includes a considerable share of materials-intensive revenue from the Medical segment's tool and equipment business. Staff costs were lowered to EUR 8.2 million (previous year: EUR 9.5 million) by reducing the number of temporary agency employees. Efforts to optimize the share of the Balda Technical segment's business performance accounted for by fixed costs allowed other operating expenses to decline by EUR 1.2 million to EUR 7.4 million.

In the first half-year of 2012/13, the Group's loss from operations (EBIT) was EUR 1.2 million (prior-year period: loss of EUR 7.2 million). Due to positive net finance income, earnings before taxes (EBT) of EUR 11.9 million substantially exceeded the prior-year figure (EUR –11.3 million). This was due to net other finance income, which includes the net foreign currency gains/losses of the foreign subsidiaries from the measurement of their balances of cash and cash equivalents and term deposits denominated in foreign currencies.

The Group's comprehensive income amounted to EUR 11.9 million in the first quarter. After taking into account the loss from the discontinued MobileCom operations, the comparative figure was EUR –23.8 million.

Based on 58.891 million shares, the net profit from comparable continuing operations translates into earnings per share of EUR 0.20. In the comparative period, earnings per share amounted to EUR –0.40 based on 58.891 million shares.

### **Related parties**

In addition to the companies included in the consolidated financial statements, there are companies and individuals, and individuals who hold key management positions, that are related parties of the Balda Group in accordance with IAS 24. During the reporting period, no business relationships existed with these individuals or companies, apart from the compensation of the Management Board and Supervisory Board.

### **Other financial obligations**

Other financial obligations, largely consisting of rental and leasing obligations and the purchase order commitments for property, plant and equipment, amounted to EUR 0.9 million as of 31 December 2012.

### **Events after the reporting date**

On 1 February 2013, Balda AG announced that it sold of a total of 7,066,008 shares in TPK Holding Co., Ltd. via its Group company Balda Investments Singapore Pte. Ltd., generating proceeds of around EUR 87 million. The sale will be reflected in Balda AG's earnings for the 2012/2013 financial year.

There were no other material events that occurred after the reporting date that influenced Balda's financial position, cash flows or financial performance.

### **Preparation of the interim financial statements**

The consolidated statement of financial position, statement of comprehensive income, statement of cash flows, segment reporting, statement of changes in equity, interim management report and condensed notes to the financial statements prepared as of 31 December 2012 were neither audited nor reviewed. They were prepared for the present interim financial statements.

Forward-looking statements contain uncertainties as a rule. This interim report contains statements that relate to the future performance of Balda AG. These statements are based on both assumptions and estimates. Although the Management Board is confident that the forward-looking statements are realistic, this cannot be guaranteed. The assumptions contain risks and uncertainties that could result in the actual events deviating from expected events.

### **Responsibility statement**

To the best of my knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Bad Oeynhausen, 20 February 2013  
The Management Board  
Dominik Müser (sole member of the Management Board)

# Half-yearly financial statements 2012 | 2013

**Consolidated statement of financial position of Balda AG as of 31 December 2012**

**Assets**

in EUR thousand	31.12.2012	30.06.2012
<b>A. Non-current assets</b>		
I. Property, plant and equipment	31,200	23,427
II. Goodwill	23,154	2
III. Intangible assets	10,598	372
IV. Deferred taxes	3,883	3,947
<b>Non-current assets</b>	<b>68,835</b>	<b>27,748</b>
<b>B. Current assets</b>		
I. Inventories	20,192	13,426
II. Trade receivables	12,282	6,495
III. Other current assets	116,750	389,479
IV. Current tax assets	278	572
V. Cash and cash equivalents	79,691	17,776
VI. Non-current assets held for sale	94,521	17,895
<b>Current assets</b>	<b>323,714</b>	<b>445,643</b>
<b>Total assets</b>	<b>392,549</b>	<b>473,391</b>

**Consolidated statement of financial position of Balda AG as of 31 December 2012**

**Equity and liabilities**

in EUR thousand	31.12.2012	30.06.2012
<b>A. Equity</b>		
I. Subscribed capital	58,891	58,891
II. Reserves	62,780	51,423
III. Net retained profits	234,212	340,137
1. Comprehensive income, group	11,856	250,725
2. Retained profits brought forward	222,356	89,412
<b>Equity, group</b>	<b>355,883</b>	<b>450,451</b>
<b>B. Non-current liabilities</b>		
I. Long-term loans	891	0
1. Bank loans	891	0
II. Non-current finance lease liabilities	88	137
III. Deferred taxes	8,586	2,345
IV. Non-current provisions	3,953	98
<b>Non-current liabilities</b>	<b>13,518</b>	<b>2,580</b>
<b>C. Current liabilities</b>		
I. Trade payables	9,102	7,323
II. Other current liabilities	3,037	2,862
III. Advance payments received	6,839	6,749
IV. Short-term bank borrowings and short-term loans	380	137
V. Current portion of finance lease obligations	15	14
VI. Income tax liabilities	2,618	2,654
VII. Current provisions	1,157	621
<b>Current liabilities</b>	<b>23,148</b>	<b>20,360</b>
<b>Total equity and liabilities</b>	<b>392,549</b>	<b>473,391</b>

Consolidated income statement of Balda AG from 01 July to 31 December

in EUR thousand	2012-13 1.10. – 31.12.	2011 1.10. – 31.12.	2012-13 1.07. – 31.12.	2011 1.07. – 31.12.
Sales revenues	14,043	21,977	27,933	37,402
Other operating income	2,268	-242	3,379	554
Changes in inventories of finished goods and work in progress	3,105	-1,209	2,222	-1,482
<b>Gross revenue</b>	<b>19,416</b>	<b>20,526</b>	<b>33,534</b>	<b>36,474</b>
Cost of materials	10,956	15,263	17,355	23,712
<i>Cost of materials ratio in %<sup>(1)</sup></i>	63,9	73,5	57,6	66,0
Staff costs	4,108	5,122	8,209	9,477
<i>Staff costs ration in %<sup>(2)</sup></i>	21,2	25,0	24,5	26,0
Depreciation and amortization	868	901	1,746	1,813
Other operating expenses	4,723	5,373	7,432	8,646
<b>Profit from operations (EBIT)<sup>(3)</sup></b>	<b>-1,239</b>	<b>-6,133</b>	<b>-1,203</b>	<b>-7,174</b>
Net interest income/expense	702	245	1,541	362
Other finance costs (net)	5,762	-606	11,535	-4,453
<b>Earnings before taxes (EBT)</b>	<b>5,225</b>	<b>-6,494</b>	<b>11,868</b>	<b>-11,265</b>
Taxes on income	-146	-3,122	-12	-2,007
<b>Net profit/loss from continuing operations</b>	<b>5,079</b>	<b>-9,616</b>	<b>11,856</b>	<b>-13,272</b>
Net profit/loss from discontinued operations	0	-1,076	0	-10,482
<b>Comprehensive income, group</b>	<b>5,079</b>	<b>-10,692</b>	<b>11,856</b>	<b>-23,754</b>

1) Based on sales revenues and changes in inventories of finished goods and work in progress

2) Based on gross revenue

3) Profit from operations (EBIT) before extraordinary items 715 -4,733 746 -5,694

Comprehensive income, group, attributable to:

Shareholders of Balda AG	5,079	-10,692	11,856	-23,753
<i>of which from continuing operations</i>	5,079	-9,616	11,856	-13,272
<i>of which from discontinued operations</i>	0	-1,076	0	-10,481

Earnings per share:

Number of shares, basic (in thousands)	58,891	58,891	58,891	58,891
Earnings per share (EUR) – basic	0.086	-0.182	0.201	-0.403
Number of shares, diluted (in thousands)	58,891	58,891	58,891	58,891
Earnings per share (EUR) – diluted	0.086	-0.182	0.201	-0.403

Consolidated statement of comprehensive income – 01 July to 31 December

in EUR thousand	2012	2011
1. Comprehensive income, group (1.7. – 31.12.)	11,856	-23,754
2. Other comprehensive income	11,357	-362,182
2.1. Currency translation difference	-12,913	6,502
2.2. Change in fair value of available-for-sale financial assets	24,270	-374,282
2.3. Income taxes applicable thereon	0	5,598
<b>3. Comprehensive income for the period</b>	<b>23,213</b>	<b>-385,936</b>

Comprehensive income for the period attributable to:

Shareholders of Balda AG	23,213	-385,936
Non-controlling interests	0	0

Consolidated statement of cash flows of Balda AG from 01 July to 31 December 2012

in EUR thousand	6-month report 01.07.2012 – 31.12.2012	6-month report 01.07.2011 – 31.12.2011
Net loss/income before income tax and financing costs - continuing operations	-1,208	-7,174
Net loss/income before income tax and financing costs - discontinued operations	0	-6,931
+ Interest income	829	237
- Interest expense	-18	-495
+/- Income taxes received/paid	-332	-128
+/- Depreciation, amortization and write-downs of non-current assets/reversals of write-downs of non-current assets (excluding deferred taxes)	1,746	5,892
+/- Other non-cash expenses/income	840	-2,075
+/- Increase/decrease in tax assets and tax liabilities	167	297
+/- Increase/decrease in provisions	-372	92
+/- Increase/decrease in inventories, trade accounts receivable and other assets not attributable to investing or financing activities	-383	8,746
+/- Increase/decrease in liabilities and other liabilities not attributable to investing or financing activities	-2,200	-2,463
= <b>Cash flow from operating activities</b>	<b>-931</b>	<b>-4,002</b>
<i>of which discontinued operations</i>	<i>0</i>	<i>4,503</i>
<b>Cash flow from investing activities</b>		
- Cash payments for property, plant and equipment and intangible assets <sup>(1)</sup>	-1,131	-1,055
+ Cash receipts from payment of loans	4,500	0
- Cash payments for purchase of shares in Group companies	-38,089	0
+ Cash receipts from the sale of shares	153,719	1,181
+ Cash receipts from the sale of borrower's note loans	53,270	0
+ Cash receipts from distributions	9,333	0
= <b>Cash flow from investing activities</b>	<b>181,602</b>	<b>126</b>
<i>of which discontinued operations</i>	<i>0</i>	<i>-776</i>
<b>Cash flow from financing activities</b>		
- Cash repayments of bank borrowings	-135	-2,243
+ Cash receipts from borrowings	0	3,096
- Dividend payments	-117,782	0
+/- Cash payments for finance lease liabilities	-48	-175
= <b>Cash flow from financing activities</b>	<b>-117,965</b>	<b>678</b>
<i>of which discontinued operations</i>	<i>0</i>	<i>1,371</i>
+/- Net change in cash and cash equivalents	62,706	-3,198
+ <b>Cash and cash equivalents at the beginning of the financial year</b>	<b>17,776</b>	<b>42,340</b>
Change in cash and cash equivalents due to changes in the basis of consolidation	524	-6,995
+/- Effects of changes in foreign exchange rates	-1,315	3,748
= <b>Cash and cash equivalents at the end of the half-year – Group</b>	<b>79,691</b>	<b>35,895</b>
<b>Composition of cash and cash equivalents at the end of the half-year – Group</b>		
Cash and cash equivalents	79,691	35,895

(1) Some payments also concern previous years.

Consolidated segment reporting according to IFRS as of 31 December 2012

2012 financial year (01.07. – 31.12.)

in EUR thousand	Balda Technical	Balda Medical
External sales revenues	12,052	15,881
Internal sales revenues	0	0
<b>Sales revenue, total</b>	<b>12,052</b>	<b>15,881</b>
<i>Changes compared to previous year</i>	<i>-14.0%</i>	<i>-32.1%</i>
<b>Gross revenue</b>	<b>12,213</b>	<b>19,029</b>
<i>Changes compared to previous year</i>	<i>-6.9%</i>	<i>-20.6%</i>
<b>Earnings before interest and taxes (EBIT)</b>	<b>-547</b>	<b>1,001</b>
<i>in % of gross revenue</i>	<i>-4.5%</i>	<i>5.3%</i>
<b>Earnings before taxes (EBT)</b>	<b>-451</b>	<b>936</b>
<i>in % of gross revenue</i>	<i>-3.7%</i>	<i>4.9%</i>
Investments	686	155
Segment assets <sup>(1)/(2)</sup>	49,411	52,986
of which newly acquired entities	25,394	15,841
Number of employees on 31.12. <sup>(3)</sup>	1,267	497
of which newly acquired entities	434	307

2011 financial year (01.07. – 31.12.)

in EUR thousand	Balda Technical	Balda Medical
External sales revenues	14,016	23,386
Internal sales revenues	4	0
<b>Sales revenue, total</b>	<b>14,020</b>	<b>23,386</b>
<b>Gross revenue</b>	<b>13,120</b>	<b>23,953</b>
<b>Earnings before interest and taxes (EBIT)</b>	<b>-3,568</b>	<b>1,665</b>
<i>in % of gross revenue</i>	<i>-27%</i>	<i>7%</i>
<b>Earnings before taxes (EBT)</b>	<b>-3,479</b>	<b>1,576</b>
<i>in % of gross revenue</i>	<i>-27%</i>	<i>7%</i>
Investments	192	1,261
Segment assets <sup>(1)/(2)</sup>	33,883	31,989
Number of employees on 31.12.2011 <sup>(3)</sup>	942	220
Number of employees on 30.06.2012 <sup>(3)</sup>	1,053	209

- (1) Segment assets = Non-current assets plus current assets excluding deferred tax assets and current tax assets.  
The prior-year figure refers to the assets of the continuing operations, excluding the MobileCom segment, which was sold.
- (2) The segment assets of Balda Central Services include EUR 94.5 million reflecting the carrying amount of the equity investment in TPK (comparative reporting date: EUR 394.4 million).
- (3) Number of employees on the reporting date = including leased staff, temporary staff and trainees only for continuing operations.
- (4) The amounts listed in the reconciliation concern allocations to the discontinued operations.
- (5) The intersegment corrections concern sales revenues generated between segments as well as intra-Group receivables.

Consolidated segment reporting according to IFRS as of 31 December 2012 (continued)

2012 financial year (01.07. – 31.12.) (continued)

Balda Central Services	Total operating segments	Reconciliation <sup>(4)</sup>	Intersegment corrections <sup>(5)</sup>	Group
0	27,933	0	0	27,933
0	0	0	0	0
<b>0</b>	<b>27,933</b>	<b>0</b>	<b>0</b>	<b>27,933</b>
—	-26.0 %			-25.3 %
<b>3,479</b>	<b>34,720</b>	0	<b>-1,187</b>	<b>33,534</b>
—	-12.5 %			-8.1 %
<b>-1,664</b>	<b>-1,208</b>	<b>0</b>	<b>0</b>	<b>-1,208</b>
—	-3.5 %			-3.6 %
<b>11,369</b>	<b>11,856</b>	<b>0</b>	<b>0</b>	<b>11,856</b>
—	34.1 %			35.4 %
327	1,167	0	0	1,167
313,643	415,950	0	-27,562	388,388
0	0	0	0	41,235
10	1,774	0	0	1,774
0	741	0	0	741

2011 financial year (01.07. – 31.12.) (continued)

Balda Central Services	Total operating segments	Reconciliation <sup>(4)</sup>	Intersegment corrections <sup>(5)</sup>	Group
0	37,402	0	0	37,402
358	362	15	-377	0
<b>358</b>	<b>37,764</b>	<b>15</b>	<b>-377</b>	<b>37,402</b>
<b>2,620</b>	<b>39,693</b>	<b>-1,341</b>	<b>-1,878</b>	<b>36,474</b>
<b>-8,642</b>	<b>-10,545</b>	<b>3,371</b>	<b>0</b>	<b>-7,174</b>
—	-26.6 %			-19.7 %
<b>-12,015</b>	<b>-13,918</b>	<b>2,653</b>	<b>0</b>	<b>-11,265</b>
—	-35.1 %			-30.9 %
-240	1,213	0	0	1,213
439,854	505,726	11,416	-33,045	484,097
16	1,178	0	0	1,178
11	1,273	0	0	1,273

Consolidated statement of changes in equity for the years 2011 – 2012, specifically for the periods from 01 July – 31 December

in EUR thousand	Subscribed capital	Capital reserves	Retained earnings
<b>Balance 01.07.2011</b>	<b>58,891</b>	<b>34,555</b>	<b>1,881</b>
<i>Profit/loss for the half-year</i>	—	—	—
<i>Other comprehensive income</i>	—	—	—
Total comprehensive income	0	0	0
<b>Balance on 31.12.2011</b>	<b>58,891</b>	<b>34,555</b>	<b>1,881</b>
<b>Balance on 01.07.2012</b>	<b>58,891</b>	<b>34,555</b>	<b>1,881</b>
<i>Profit/loss for the half-year</i>	—	—	—
<i>Other comprehensive income</i>	—	—	—
Total comprehensive income	0	0	0
Distribution to shareholders	—	—	—
<b>Balance 31.12.2012</b>	<b>58,891</b>	<b>34,555</b>	<b>1,881</b>

Consolidated statement of changes in equity for the years 2011 – 2012, specifically for the periods from 01 July – 31 December (continued)

	Available-for-sale financial assets <sup>(1)</sup>	Currency reserve <sup>(1)</sup>	Net retained profits	Shareholders of Balda AG
	<b>562,717</b>	<b>21,414</b>	<b>169,502</b>	<b>848,960</b>
	—	—	-23,754	-23,754
	-368,684	6,502	—	-362,182
	-368,684	6,502	-23,754	-385,936
	<b>194,033</b>	<b>27,916</b>	<b>145,748</b>	<b>463,024</b>
	<b>681</b>	<b>14,306</b>	<b>340,137</b>	<b>450,451</b>
	—	—	11,856	11,856
	24,270	-12,913	—	11,357
	24,270	-12,913	11,856	23,213
		—	-117,781	-117,781
	<b>24,951</b>	<b>1,393</b>	<b>234,212</b>	<b>355,883</b>

(1) Other components of equity that may be reclassified to profit or loss at a later time

Directors' holdings as of 31 December 2012

	31.12.12	30.09.12	Change
<b>Share capital</b>	<b>58,890,636</b>	<b>58,890,636</b>	<b>0</b>
D. Müser	0	0	0
J. Lim	0	0	0
<b>Management Board, total</b>	<b>0</b>	<b>0</b>	<b>0</b>
A. Chen <sup>(1)</sup>	—	0	0
T. Gerlach <sup>(2)</sup>	0	—	0
K. Kai	0	0	0
Dr. M. Naschke	33,000	23,000	10,000
<b>Supervisory Board, total</b>	<b>33,000</b>	<b>23,000</b>	<b>10,000</b>
<b>Corporate bodies, total</b>	<b>33,000</b>	<b>23,000</b>	<b>10,000</b>
<b>in % of equity</b>	<b>0.06</b>	<b>0.04</b>	<b>—</b>

(1) Supervisory Board member until 7.11.2012

(2) Supervisory Board member from 7.11.2012

# Financial calendar, Balda AG

<b>20.02.2013</b>	Report on the second quarter of 2012/2013
<b>07.05.2013</b>	Report on the third quarter of 2012/2013
<b>27.09.2013</b>	Publication of the annual financial statements for 2012/2013
<b>11.11.2013</b>	Report on the first quarter of 2013/2014
<b>11.11.2013–</b>	Analyst event/German Equity Forum
<b>13.11.2013</b>	
<b>25.11.2013</b>	Annual General Meeting 2012/2013 financial year, Stadthalle Bielefeld

## Contact

### Balda AG Investor Relations

#### Thilo M. Tern

Partner

CAT Consultants GmbH & Co.

Tel.: +49 40 - 30 37 44-70

Fax: +49 40 - 30 37 44-20

E-mail: [thilo.tern@cat-consultants.de](mailto:thilo.tern@cat-consultants.de)

#### Dirk M. Reuter

Senior Consultant

CAT Consultants GmbH & Co.

Tel.: +49 40 - 30 37 44-19

Fax: +49 40 - 30 37 44-20

E-mail: [dirk.reuter@cat-consultants.de](mailto:dirk.reuter@cat-consultants.de)

### Editors

**Frank Elsner Kommunikation für Unternehmen GmbH**, Westerkappeln

**Balda AG**, Bad Oeynhausen

