Balda AG

Report on the third quarter of 2012 | 2013

Positive earnings trend at Balda stabilized in the third quarter

Following the sale of the site in Ipoh, Malaysia, all of the Group's operations are profitable

- Consolidated EBITDA adjusted for non-recurring items at EUR 2.6 million after nine months
- Positive earnings contribution from new US companies in the third quarter
- High consolidated profit of EUR 11.9 million due to effects from the sale of the remaining shares in TPK Holding
- Integration of the Californian plastics specialists Balda C. Brewer and Balda HK Plastics well on track
- At EUR 35.6 million, consolidated sales from continuing operations up 21.1% year-on-year after nine months
- Divestment of loss-making activities in Ipoh, Malaysia – a further step towards sustainable profitability in operations
- Adjusted outlook for the full year: EUR 60 to 65 million consolidated sales forecast with distinctly positive EBITDA

The Balda Group at a glance

in EUR million	Q3 1.1.2013 – 31.3.2013	Q3 1.1.2012 – 31.3.2012	9 months 1.7.2012 – 31.3.2013*	9 months 1.7.2011 – 31.3.2012*
Sales, continuing operations	19.7	6.0	35.6	29.4
of which Balda Medical	*14.4*	*6.0*	*30.3*	*29.4*
of which Balda Technical	*5.3*	—	*5.3*	—
Gross revenue	18.6	8.6	39.9	32.0
EBITDA before extraordinary items**	0.6	–1.5	2.6	–3.3
EBITDA margin before extraordinary items**	3.2	–18.6	6.5	–8.3
EBITDA after extraordinary items	0.4	–1.6	0.5	–4.8
of which Balda Medical	*2.0*	*0*	*4.0*	*2.8*
of which Balda Technical	*0.3*	*0*	*0.3*	*0*
*of which Balda Central Services****	*–1.9*	*–1.6*	*–3.5*	*–9.6*
EBIT before extraordinary items**	–0.8	–2.0	0.2	–4.8
EBIT margin in % before extraordinary items	–4.3	–23.3	0.5	–15.0
EBIT after extraordinary items	–1.0	–2.2	–2.0	–6.3
Net finance income	12.5	136.9	25.1	132.7
Earnings before tax	11.5	134.7	23.1	126.4
Earnings after taxes, continuing operations	10.6	134.5	22.2	124.2
Earnings after taxes, discontinued operations****	–10.5	–0.9	–10.3	–14.4
Comprehensive income, group	0	133.6	11.9	109.8
Earnings per share (EUR)	0	2.27	0.20	1.87

	31.3.2013	30.6.2012
Total assets	377.6	473.4
Equity	340.9	450.5
Equity ratio (%)	90.3	95.2
Employees (number at reporting date, continuing operations)	949	220

* The comparative figures for the nine-month period correspond to the second half of the 2011 financial year and the first quarter of the short 2012 financial year.

** The figures for 2012/2013 have been adjusted for non-capitalizable non-recurring items mainly for M&A processes and the modernization of Group IT.

*** 2011/2012 including expenses attributable to the former MobileCom segment.

**** Corresponds to the net profit/loss of Balda Solutions Malaysia Sdn. Bhd. (sold effective 31 March 2013). Comparative period 2011/2012 also includes net profit/loss from the discontinued MobileCom operation.

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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 divisions are active internationally; the Group has four plants in California and maintains production facilities at its headquarters in Bad Oeynhausen, Germany. The operations at site in Ipoh, Malaysia, were sold under a management buy-out with financial effect as of 31 March 2013.

With operations in Germany and the USA, Balda Medical develops and produces high-quality plastics solutions for the medical technology, pharmaceutical and diagnostics markets. With operations at two sites in the USA, Balda Technical produces high-precision injection-molded plastics solutions for the optical products sector, and the electronics and automotive industries.

The success of the Bald Group 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 strong 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,
Chief Executive Officer

Dear Shareholders,

Balda is changing as a company. While this observation could have been made at almost any time in our Company's eventful history, it is even truer of the last 18 months, in which the pace of change has significantly accelerated. We have also continued to make further progress on the way towards sustainable and profitable growth in the third quarter of the current 2012/2013 financial year. This was characterized by three key events:

- The integration of the two US plastics specialists C. Brewer Co. and HK Plastics Engineering that were acquired at the end of 2012.
- The decision to discontinue operations at the site in Ipoh, Malaysia (in line with our declared strategy).
- The disposal of our remaining shares in TPK Holding, enabling the payment of a further special dividend.

The acquisition of the two US plastics specialists C. Brewer Co. and HK Plastics Engineering Inc. has increased Balda's international presence while sharpening its competitive edge, not least because the acquisitions signify a major increase in expertise and experience. We thus have a solid initial basis for establishing ourselves as a global first choice system supplier for sophisticated solutions in plastics.

We integrated the Californian sites into our Group over the past few months both emphatically and prudently. Together with the teams in the USA, we formulated shared values and goals before then drafting an action plan to guarantee a uniform strategic orientation throughout the Balda Group. We will be implementing this plan systematically at several levels, and for Sales and Marketing in particular.

Accordingly, the consolidation within the Balda Group will be visible not only internally but also publicly: from 1 May 2013, C. Brewer and HK Plastics will conduct their business under the names Balda C. Brewer and Balda HK Plastics. Also related is the launch of the new Balda website, which presents detailed information about our Group and our two operating segments Balda Medical and Balda Technical. In so doing, our intention is to present ourselves as a cohesive, high-performance entity to our customers, business partners and investors in our respective target markets.

The growth strategy agreed for the Balda Group in 2012 is conditional on each of our various business activities being capable of generating a sustainable operating profit margin of at least 15% (as a proportion of EBITDA).

Taking this as our benchmark, we spent the last few months conducting a careful analysis of the prospects for our electronics business in Ipoh, Malaysia. While the site underwent successful reconstruction during the 2012 calendar year, it still reported a loss from operations of EUR 1.9 million. The question of its retention within the Balda Group needed to be answered by assessing the probability of this site satisfying our growth and profitability standards with a reasonable outlay of time and money. Another factor requiring consideration was the operating loss once again recorded by Ipoh in the first three quarters of the current financial year.

Our analysis showed that Malaysia would have required urgent strategic development of its electronics business and substantial investment over the next few years, and this at a time of weakening demand in the consumer electronics market. In the final analysis, we decided to dispose of our Malaysian operations. This sale became financially effective on 31 March 2013 as part of a management buy-out. The buyer, Blue Ocean Genius Sdn. Bhd., acquired all of the shares in the subsidiary Balda Solutions Malaysia (BSM). Balda nonetheless retains ownership of the land and the factory building in Ipoh, which were rented to the buyer. In the medium term, Blue Ocean has the option of acquiring these valuable assets at their market value, offset against the value of rental payments rendered to date.

Following the divestment of our Malaysian site, all Group operating activities are now profitable. We have taken a further important step towards putting Balda's operating base back into the black over the long term and helping it achieve our declared minimum target profit margin of 15%.

The figures for the first nine months of 2012/2013 show that we have chosen the right course. The Group's continuing operations – i.e. excluding the Malaysian site – boosted consolidated sales by 21.1% to EUR 35.6 million. This figure for the third quarter also includes contributions from our new US companies for the first time, i.e. from 1 January 2013. Operating profit (EBITDA) before adjustment for extraordinary items, most of which were already recognized in the first six months amounted to EUR 2.6 million, thus stabilizing the positive profitable trend in the third quarter. The figure also reflects a gratifyingly positive contribution from our US companies. Despite the seasonally weaker quarter, the new entities achieve an EBITDA margin of around 10% although their integration has not yet been completed. After accounting for depreciation and amortization, adjusted EBIT also remained positive at EUR 0.2 million. Earnings after taxes from continuing operations were as high as EUR 22.2 million after nine months. Proceeds from the successful sale of our remaining stake in the Taiwanese touch screen producer TPK Holding during the reporting period made a major contribution to this positive figure.

With this third share block sale, we have honored our declared intention to make a full withdrawal from our stake in TPK within the space of a single year. This divestment procedure generated sales proceeds totaling EUR 479.9 million, of which EUR 194.3 million (EUR 3.30 per share) has already been paid out in the form of two special dividends. Following this third block sale, the Supervisory Board and Management Board plan to propose a further special dividend of EUR 1.50 per share at the Annual General Meeting for the current financial year. With this payment, some EUR 88.3 million – and thus almost all of the proceeds from the sale of the remaining stake in TPK – have been passed on to you, our shareholders. Even accounting for this most recent dividend payment, Balda continues to possess an excellent capital and financing base, enabling it to continue to pursue its declared buy-and-build strategy for growth and value enhancement. As you can see: Balda is changing as a company – and has excellent future potential!

Yours sincerely,

Dominik Müser
Chief Executive Officer

Notes on the structure of the quarterly report as of 31 March 2013

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 year for the period from 1 January to 30 June 2012. This quarterly report as of 31 March 2013 therefore corresponds to the first nine months of the 2012/2013 financial year. The period from 1 July 2011 to 31 March 2012, which corresponds to the second half of the 2011 financial year and the first quarter of the short 2012 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 March 2013.

Continuing operations/Basis of consolidation

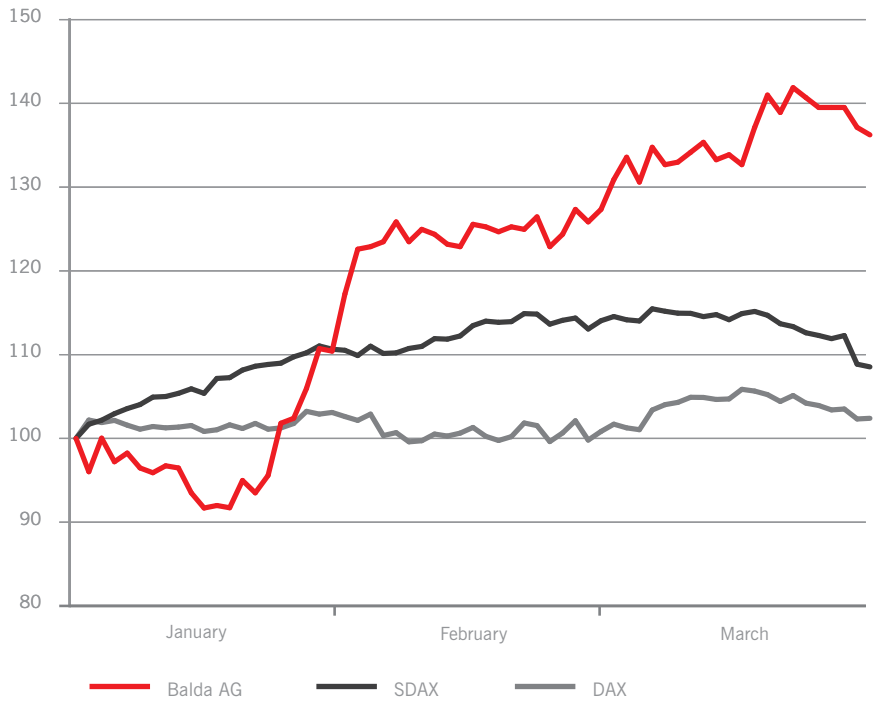
The disclosures concerning the consolidated income statement made in the present interim report correspond to the figures of the comparative period (as described above) recorded for continuing operations and are comparable as far as "Net profit/loss from continuing operations" is concerned. This is the first reporting period that does not feature the Malaysian company Balda Solutions Malaysia Sdn. Bhd., Ipoh (Malaysia) as part of continuing operations, as a result of its sale. The previous year's figures were adjusted accordingly. Only the statement of cash flows, the statement of comprehensive income and the statement of changes in equity retain figures from the discontinued operations. Please note, however, that the MobileCom segment disposed of on 1 December 2011 is still partially included in the figures for the prior-year period, which limits the feasibility of making direct comparisons.

The assets, equity and liabilities of the US companies C. Brewer Co. and HK Plastics Engineering, Inc. acquired in the second quarter of the 2012/2013 financial year were included in the consolidated statement of financial position for the first time as of 31 December 2012. The income statement for continuing operations features earnings contributions from the two US companies from the third quarter onwards.

Balda share and investor relations

The international stock markets continued to follow their generally positive trends in the first three months of 2013. First-quarter losses were recorded only by the emerging markets index (MSCI EM) and the key indexes for the southern European states of Italy, Spain and Greece. In contrast, the German DAX index made gains of around 2% compared to the start of 2013, closing at 7,795 points on 31 March 2013. The SDAX small cap index – in which the Balda AG share is listed – rose by just under 9% to 5,698 points. In the course of a "spring slowdown", these two indexes in the second half of March fell significantly from their previous for the year (DAX: 8,058 points on 14 March 2013; SDAX: 6,061 points on 5 March 2013).

Balda AG share price from January to March 2013



Balda AG share price compared to DAX and SDAX
(indexed share price performance from 1 January 2013 to 31 March 2013)

According to estimates from analysts at M.M. Warburg, the positive trends in the stock markets should continue, although the debt crisis is as yet unresolved and economic conditions remain difficult. This confidence stems from the fact that stocks continue to profit from severely depressed company valuations, high liquidity in the market and the very low share holdings of many investors. Bond investments are increasingly unattractive and are also pushing investors into the higher risks of shares. The "spring slowdown" already witnessed in the second half of March nonetheless demonstrates the short-term risks in the form of high volatility.

Starting the 2013 calendar year at EUR 3.37, the Balda AG share then proceeded to lose nearly 4% in the first 22 days, falling to EUR 3.15. It then began to follow a clear upwards trend, already passing the EUR 4 mark by the end of January. Following the announcement of the sale of the remaining stake in TPK Holding Co., Ltd. on 1 February 2013, the share continued to make steady gains, reaching its current high for the year of EUR 4.78 on 20 March 2013. Keeping pace with the relevant German indexes, Balda experienced a downturn in the second half of March 2013, with the share closing the end of the quarter on 28 March 2013 at EUR 4.59.

For the 2013 calendar year, the share therefore appreciated by more than 36% compared to its price at the beginning of the year. This followed gains of over 10% already made in the fourth quarter of 2012. By the close of the quarter on 31 March 2013, the Balda AG share had made gains of just under 30% over the 2012/2013 financial year since 1 July 2012 (price adjusted for dividends; all prices stated are Xetra closing prices).

Balda has made every effort to actively pursue investor relations during the reporting period. Investor meetings have been used to provide investors and analysts with comprehensive details of the Company's clearly defined and systematically implemented growth strategy for the two segments Balda Medical and Balda Technical.

Interim management report as of 31 March 2013

1. General economic development

During the first quarter of 2013, the European sovereign debt crisis continued to overshadow the global economy. While the International Monetary Fund (IMF) maintained its forecast of global economic growth for the year as a whole, it revised its forecast down twice in January and April. The IMF is now forecasting global economic expansion of 3.3% for the current year (previously: 3.5%).

For the euro zone, the IMF is predicting economic output will shrink by 0.3% in 2013. It also cites the sovereign debt crisis and the additional uncertainty of developments in Cyprus as significant risk factors. In its analysis, the IMF found that weak economic performance was no longer confined to the currency union's periphery but had now reached France and thus, finally, the heart of the euro zone. Persistent economic downturn was also predicted for Italy and Spain. It is uncertain whether the central euro countries can continue to help those countries on the periphery.

For the German economy, the IMF is expecting to see GDP growth of 0.6% in 2013 – 0.3 percentage points fewer than in 2012. With this positive result, Germany would again lead the rest of the euro zone. The German Federal Government is less optimistic for 2013, however, predicting that economic output will rise by just 0.4%; this follows a previous, markedly downward revision to its forecast in fall 2012.

For the USA, the IMF is predicting economic growth of 1.9%; this figure represents a downward correction of 0.2 percentage points to January's forecast. The IMF also notes the growing disconnect between economic development in the US and industrialized European countries, suggesting that this is being driven by strong private consumption in the United States, alongside credit and real estate market recovery.

The IMF is predicting robust economic growth for the emerging markets. With output predicted to rise by 8.0%, China will continue to be the prime driver for growth.

2. Industry situation

2.1. Balda Medical

The global healthcare market is regarded as a long-term growth market, due to a number of basic trends. These trends include global population growth, the improved access to medical care for larger numbers of people in the developing economies and emerging markets, the growing incidence of people taking responsibility for self-medication and the general rise in national life expectancy figures.

The German Medical Technology Association (BVMed) put the global market for medical devices and equipment in 2012 at around EUR 220 billion. The USA was the largest market with a volume of EUR 90 billion, followed by the European market of EUR 65 billion. The largest trading volume was recorded in the USA, Japan and Germany.

With its sub-markets of pharma, diagnostics and medical technology, healthcare is considered to be a highly stable growth market. Growth forecasts vary from 4% to 14%, depending on segment and source.

For 2012, the Spectaris industry association reported a sales volume of EUR 22.3 billion for the German medical technology sector, a figure representing year-on-year growth of 4.2%. Although business within Germany stagnated, overseas business grew by 6.7%. Here, the appeal of China in particular continues to grow as the most important market in Asia.

Notwithstanding the growth of the German domestic market, the BVMed Association also highlighted stronger price erosion, higher raw material prices and greater outstanding debt for companies, especially as a result of the euro crisis.

2.2. Balda Technical

In the medium to long term, the ophthalmic optics industry anticipates positive global growth for the sector. A highly influential factor here is the demographic trend in industrialized countries: increasing numbers of people are getting "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. In 2012, revenue for the ophthalmic optics industry in Germany grew by around 3% to about EUR 4 billion. Overseas sales for the period rose by around 5% to about EUR 2 billion. Countries such as China, Brazil, Austria and Switzerland are viewed as having especially high potential for growth.

While the prospects for long-term growth in the Consumer Electronics markets continue to be viewed as positive, it is Balda's belief that demand will prove to be weak in the current environment for consumer electronics products on account of the persistently subdued prognosis for the global economy. In announcing its forecast for the European market in 2013, the GfK TEMAX market index noted inconsistencies among trends in the sector. While it predicted positive growth for domestic markets such as Germany, Russia, Scandinavia and the Baltic States, it forecast no sustained positive upturn in debt-ridden southern European markets such as Italy, Spain and Portugal in the foreseeable future. Here, last year's assumptions of domestic economic recession on the part of consumers had led to a decline – at times substantial – in sales volumes.

3. Business performance in the first nine months of 2012/2013

3.1. Overall assessment

The Balda Group performed well on the whole in the period from July 2012 to March 2013. The positive trend in operations during the first half of the year stabilized in the third quarter. The Group's strategy focused primarily on the integration into the Balda Group of C. Brewer Co. and HK Plastics Engineering, the US plastics specialists acquired at the end of December, as well as on the analysis of the future prospects of Balda Solutions Malaysia (BSM) and the resulting sale of the site with financial effect from 31 March 2013. Balda thus made significant progress in implementing the growth strategy it had defined.

Consolidated sales from continuing operations stood at EUR 35.6 million in the first nine months, 21.1% higher than the prior-year figure of EUR 29.4 million. This increase is attributable to the initial consolidation of the US companies as of 31 December 2012. After adjusting for extraordinary items, the earnings before interest, taxes, depreciation and amortization (EBITDA) of the continuing operations in the first nine months amounted to EUR 2.6 million, up from EUR –3.3 million in the comparative period. The extraordinary items, most of which were already incurred in the first half of the year are non-recurring, non-capitalizable expenses, especially for the extensive M&A processes (transaction and due diligence costs).

Adjusted EBITDA climbed to EUR 0.6 million in the third quarter (prior-year period: EUR –1.5 million).

After taxes, the Group posted a profit from continuing operations of EUR 22.2 million, after nine months, which, like the comparative prior-year figure, is dominated by the effects from the sale of the remaining shares in TPK Holding (prior-year period: EUR 124.2 million).

The nine-month earnings after taxes for the entire Group including discontinued operations amounted to EUR 11.9 million (prior-year period: EUR 109.8 million).

The Management Board has adjusted its 2012/2013 planning to the modified Group portfolio. Based on the current portfolio, the Management Board expects to see consolidated sales in the area of EUR 60 to 65 million with a solid consolidated operating profit (EBITDA) before and after extraordinary items.

3.2. Significant events in the third quarter of 2012/2013

New segment structure after acquisitions in the USA
On 29 January 2013, Balda AG announced a realignment of the Group's operating segments in the wake of the acquisition of the two US plastics specialists C. Brewer and HK Plastics Engineering. The existing Medical segment was expanded to include the respective healthcare activities of the two acquired companies and renamed Balda Medical. The previous Electronics Products operating segment was renamed Balda Technical. In the reporting period, this segment comprised two sites in the USA after the Ipoh site in Malaysia had been reclassified to discontinued operations.

Balda Central Services remain the Group's third segment. It mainly covers the activities of Balda AG as the Group's strategic and financial holding company and as such is not an operating segment.

Complete disposal of the equity investment in TPK Holding
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 89 million. By executing this carefully prepared sale, the Management Board followed through on its announcement made at the Annual Annual General Meeting on 7 November 2012 to sell the remaining shares in touch screen manufacturer TPK at the best price. The three sales, which took place since early 2012, generated total proceeds of EUR 479.9 million.

New members on the Supervisory Board of Balda AG
On 26 February 2013, Balda AG announced changes on its three-person Supervisory Board. Two Supervisory Board members, Mr. Yu-Sheng Kai and Mr. Ted Gerlach, resigned from their posts effective 28 February 2013. The Bad Oeynhausen Local Court appointed Ms. Irene Schetelig and Mr. Wilfried Niemann as new members of the control body, following the Company's proposal.

Wilfried Niemann has been managing director of the family-owned enterprise Karl W. Niemann GmbH & Co KG, since 1980. The company headquartered in Preußisch-Oldendorf operates production sites in Germany and abroad. During his career, he held numerous posts in professional and trade associations, including that of Chairman of the Association of the Wood and Plastics Processing Industries for the Westphalia Lippe region since 2012.

Irene Schetelig holds a degree in business administration and has many years of experience in international listed companies. Neither Wilfried Niemann nor Irene Schetelig have personal or business relationships with the Balda Group and therefore meet the requirement of the German Corporate Governance Code that Supervisory Board members shall be independent.

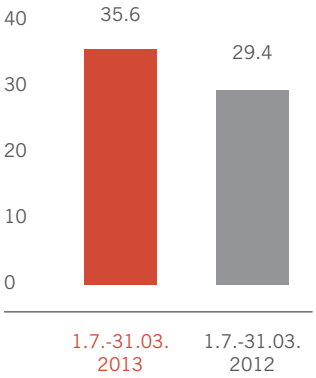
Balda plans special dividend of around EUR 88 million

On 14 March 2013, Balda AG announced that the Company's Supervisory Board and Management Board plan proposing the distribution of a special dividend of EUR 1.50 per share to next Annual General Meeting. Assuming that the Annual General Meeting votes in favor, EUR 88.3 million would be distributed. This would correspond to nearly the full proceeds from the sale in February of the Balda Group's remaining stake of around two percent in touch screen manufacturer TPK Holding.

4. Sales and earnings performance

Consolidated sales from continuing operations in the first nine months of the 2012/2013 financial year stood at EUR 35.6 million, up 21.1% on the figure for the prior-year period (EUR 29.4 million). This increase can be attributed to the contribution to sales from the US companies that were consolidated in the third quarter for the first time. As already explained in the report on the first half-year, consolidated sales in the previous year were dominated by high project-related sales for tools and equipment in the Balda Medical segment that were generated to a much lesser extent in the reporting period.

Sales
in EUR million

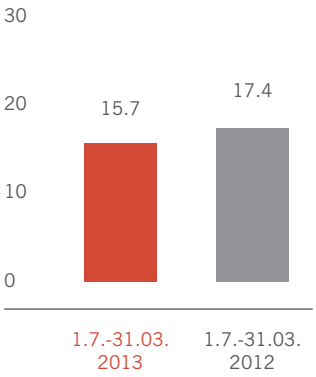


Consolidated sales in the third quarter of the 2012/2013 financial year amounted to EUR 19.7 million. The figure for the comparative period, January to March 2012 (EUR 6.0 million), includes only revenue from the Balda Medical segment owing to the reclassification of the activities in Ipoh, Malaysia (formerly the Electronic Products segment), as discontinued operations.

After nine months, **other operating income** was EUR 3.1 million, marking a significant year-on-year increase of EUR 1.1 million, principally due to currency effects. The negative figure for other operating income in the third quarter is attributable to US dollar exchange rate movements, which led to lower exchange rate gains overall. Including finished goods and work in progress, **gross revenue** increased by 24.4% in the first nine months of the 2012/2013 financial year to EUR 39.9 million (prior-year period: EUR 32.0 million).

The **cost of materials** amounted to EUR 15.7 million, corresponding to 42.6% of gross revenue (excluding other operating income). In the prior-year period, material costs were therefore significantly higher, both in absolute terms (EUR 17.4 million) and even more so in relation to gross revenue (56.3%). This is due primarily to the higher proportion of more material-intensive revenue from tool and equipment sales especially in the second half of 2011.

Cost of materials
in EUR million



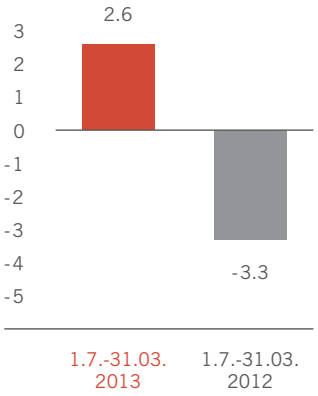
Staff costs increased significantly from EUR 9.7 million to EUR 13.4 million in the first nine months. This mainly reflects the inclusion of the workforce of the acquired US entities from 1 January 2013. Staff costs represented 33.7% of gross revenue and were therefore 3.3 percentage points above the prior-year figure of 30.4%.

Depreciation, amortization and impairment losses increased from EUR 1.6 million to EUR 2.5 million, of which EUR 1.4 million is attributable to the third quarter. This increase is attributable to the initial consolidation of the US companies.

At EUR 10.3 million, **other operating expenses** were up slightly by EUR 0.7 million compared with the prior-year figure (EUR 9.6 million). This includes around EUR 2.0 million in non-capitalizable non-recurring items, 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). Without the non-recurring items, other operating expenses would be comparable to the previous year, although an amount of EUR 1.8 million attributable to the US entities is included in the figure for the reporting period.

The Group posted **earnings before interest, taxes, depreciation and amortization (EBITDA)** of EUR 0.5 million in the first nine months (prior-year period: EUR –4.8 million). EBITDA adjusted for extraordinary items stood at EUR 2.6 million after nine months (prior-year period: EUR –3.3 million), of which EUR 0.6 million is attributable to the third quarter (January to March 2012: EUR –1.5 million).

EBITDA before extraordinary items
in EUR million



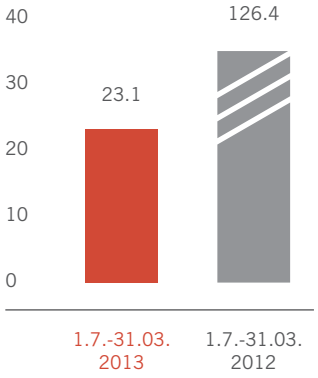
After accounting for depreciation and amortization, the Group posted **consolidated earnings before interest and taxes (EBIT)** of EUR –2.0 million, representing a considerable year-on-year improvement (prior-year period: EUR –6.3 million). Third-quarter EBIT amounted to EUR –1.0 million (January to March 2012: EUR –2.2 million).

If EBIT is adjusted for the extraordinary items incurred in the reporting period, earnings for the first nine months of 2012/2013 were positive at EUR 0.2 million (prior-year period: EUR –4.8 million).

Net **finance income** totaled EUR 25.1 million after nine months (prior-year period: EUR 132.7 million). Net finance income in both the reporting period and the prior-year period was influenced to a considerable extent by the proceeds from the sale of TPK shares. This item also includes positive exchange rate effects from the translation of foreign currencies in the subsidiary Balda Investments Singapore. On account of its substantial cash balances, the Group generated net interest income.

Earnings before taxes (EBT) of the continuing operations were EUR 23.1 million, following EUR 126.4 million in the prior-year period. It should be noted, though, that earnings before taxes in the comparative period were dominated by high income from the sale of a tranche of shares in TPK.

EBT
in EUR million



Earnings after taxes for continuing operations were EUR 22.2 million, down from EUR 124.2 million in the period from July 2011 to March 2012. Third-quarter earnings after taxes amounted to EUR 10.6 million (January to March 2012: EUR 134.5 million).

The **net loss from discontinued operations**, which relates to Balda Solutions Malaysia Sdn. Bhd. (BSM) sold with financial effect from 31 March 2013, amounted to EUR 10.3 million (see also the explanations under item 9.2, Events after the reporting period). This results from the loss from operating activities as well as from the non-cash write-down of assets to their fair value. The figure for the prior-year period (EUR –14.4 million) also includes the loss incurred from the discontinued MobileCom operations, which were discontinued as of 1 December 2011.

Comprehensive income for the Group was EUR 11.9 million, down from EUR 109.8 million in the period from July 2011 to March 2012. Looking at the third quarter alone, the Group broke even (January to March 2012: EUR 133.6 million).

Comprehensive income for the first nine months corresponds to **earnings per share** (basic EPS and diluted EPS) of EUR 0.20 (prior-year period: EUR 1.87).

5. Segment performance

5.1. Balda Medical segment

At EUR 30.3 million, 2012/2013 sales of the Balda Medical segment after nine months were 3.0% higher than the figure for the prior-year period (EUR 29.4 million). The sales of the US companies consolidated in the third quarter for the first time had a positive effect, compensating for the fact that the high project-related tool and equipment sales recorded in the prior-year period were not repeated in the same volume in the reporting period.

After nine months, segment EBITDA stood at EUR 4.0 million and was thus 44.2% higher than the prior-year figure of EUR 2.8 million. The recently integrated US activities made a significant contribution to earnings. The segment's operating profit margin improved from 8.5% to 12.0% of gross revenue.

5.2. Balda Technical segment

The Balda Technical segment posted sales of EUR 5.3 million for the first nine months of the 2012/2013 financial year (prior-year period: EUR 0), due exclusively to revenue generated by the new US companies. Sales from the operations in Ipoh, Malaysia, are no longer listed as these were reclassified to discontinued operations.

Segment EBITDA amounted to EUR 0.3 million in the reporting period, or 6.0% of gross revenue.

5.3. Balda Central Services segment

The streamlining of the Group's structures and savings in other costs in 2012 helped improve EBITDA of the Central Services segment to EUR –3.5 million in the first nine months of the 2012/2013 financial year, compared with EUR –9.6 million in the same period of the 2011/2012 financial year. Adjusted for extraordinary items, EBITDA amounted to EUR –1.5 million (prior-year period: EUR –8.1 million).

EBT totaled EUR 21.5 million (2011/2012 prior-year period: EUR 123.7 million). Both the reporting period and the prior-year period were impacted by income from the sale of shares in TPK Holding as well as net foreign currency gains/losses.

6. Financial position

The Group's **total assets** were EUR 377.6 million on the reporting date of 31 March 2013. This marks a decline of EUR 95.8 million compared to the year-end figure for the 2012 short financial year (EUR 473.4 million). Key factors influencing the change in the statement of financial position included the dividend payment of EUR 117.8 million made in November 2012 on the one hand, and, on the other, the increase in the value of the TPK shares since the beginning of the financial year.

Non-current assets increased year-on-year by EUR 33.9 million to EUR 61.7 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 23.9 million. Intangible assets totaled EUR 11.1 million and were also mainly attributable to the assets identified in the purchase price allocation for the two US entities.

Current assets fell by EUR 129.7 million to EUR 315.9 million (30 June 2012: EUR 445.6 million).

Increases in inventories (rising EUR 3.2 million to EUR 16.6 million) and trade receivables (rising EUR 3.3 million to EUR 9.8 million) are mainly due to the consolidation of the Group's US business.

Other current assets decreased by EUR 144.5 million to EUR 245.0 million at the end of March 2013 (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 among the items 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; on the reporting date of 31 March 2013, the other current assets item consisted almost entirely of receivables from banks from time deposits, which amounted to EUR 243.0 million (30 June 2012: EUR 168.0 million).

Cash and cash equivalents rose by EUR 16.4 million to EUR 34.2 million. This development was primarily impacted by the inflow of funds from the sale of the shares in TPK Holding executed in late June 2012 and early February 2013. This item was reduced in turn by the payment of the special dividend in November of 2012 and the expenditures for the acquisition of the two US companies. The other current assets include cash and cash equivalents invested in time deposits with a maturity of more than three months. Cash of Balda Solutions Malaysia Sdn. Bhd. (BSM) was reclassified to the item "Non-current assets held for sale".

Non-current assets held for sale amounted to EUR 10.1 million at the reporting date. These entail the fair value of the assets of the subsidiary BSM. At the comparative reporting date of 30 June 2012, this item still included the remaining shares in TPK Holding at fair value; all of these shares were sold in the third quarter of the 2012/2013 financial year.

The consolidated statement of financial position shows **equity** of EUR 340.9 million as of 31 March 2013 (30 June 2012: EUR 450.5 million). This reduction is primarily a result of the dividend payment made in November. The **equity ratio** was 90.3%, following 95.2% at the end of June 2012.

Non-current liabilities rose year-on-year by EUR 7.0 million to EUR 9.6 million. This increase is based primarily on higher deferred taxes, due mainly to the first-time consolidation of the US entities.

Total **current liabilities** increased by EUR 6.8 million to EUR 27.1 million. The decrease in trade payables resulted from the reclassification of BSM liabilities to the item "Liabilities held for sale". The other current liabilities increased by EUR 4.9 million to EUR 7.8 million. They include the current portion of the obligations under the earn-out clause agreed on acquiring C. Brewer Co.

The **liabilities held for sale** include the reclassified liabilities of Balda Solutions Malaysia Sdn. Bhd. Bhd. Liabilities, which are related to the "assets held for sale".

7. Investments and cash flows

7.1. Investments

In the first nine months of the current financial year, the Balda Group invested EUR 2.6 million in property, plant and equipment and intangible assets (prior-year period: EUR 0.6 million), of which EUR 0.7 million is attributable to the Balda Technical segment and EUR 1.3 million to the Balda Medical segment.

Investments in the Balda Central Services segment (EUR 0.6 million) were primarily expenditures for the optimization of IT structures and the migration of the existing ERP system to SAP.

7.2. Cash flows

At the end of the third quarter of 2012/2013, the cash and cash equivalents of the Balda Group amounted to EUR 41.0 million (30 June 2012: EUR 17.8 million). This includes the cash of Balda Solutions Malaysia Sdn. Bhd., which is for sale.

The change in cash is due primarily to the high inflows of cash from investing activities (EUR 141.1 million). These are reduced by cash outflows from financing activities of EUR 117.8 million resulting almost exclusively from the dividend paid in November 2012. The cash flows from operating activities improved compared with the prior-year period. However, due to the increase in working capital, these were still negative in the reporting period at EUR –0.6 million (July 2011 – March 2012: EUR –5.6 million).

Cash flows from investing activities include cash inflows from the sale of TPK shares (EUR 242.9 million), a cash dividend received from TPK (EUR 9.3 million) and the repayment of a seller's loan in connection with the 2011 sale of the MobileCom segment (EUR 4.5 million). The Group invested EUR 75.0 million in time deposits and borrower's note loans in the reporting period. Capital expenditure on property, plant and equipment and intangible assets led to cash outflows of EUR 2.6 million. 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 Group's current liquidity means Balda is able to implement the projects it has planned from its own resources and pay another planned special dividend for the 2012/13 financial year.

8. Employees

In the Company's continuing operations, the number of employees within the Group stood at 949 people as on 31 March 2013, compared to a figure of 220 as on 30 June 2012. This workforce includes 749 employees from the US companies C. Brewer und HK Plastics Engineering (consolidated since 31 December 2012) and 200 from the Company's head office in Bad Oeynhausen.

In the Balda Medical segment, the workforce stood at 534 employees on 31 March 2013 (30 June 2012: 209). On the reporting date, the Balda Technical segment employed a total of 405 members of staff working at its sites in the USA.

At the end of the third quarter, the Balda Central Services segment employed 10 people – one person fewer than at the end of June 2012.

The number of employees in the discontinued operations was 740 people on the reporting date, compared to a figure of 1,053 at the end of the 2012 short financial year.

9. Events after the reporting period

9.1 Request from shareholder Elector GmbH for an Extraordinary General Meeting

On 4 April 2013, the shareholder Elector GmbH, Berlin, requested Balda AG to convene an Extraordinary General Meeting in accordance with Section 122 (1) of the German Stock Corporation Act (AktG). The objective of the General Meeting was to dismiss all Supervisory Board members and elect new ones. The Management Board of Balda AG announced on 16 April 2013 that it was unable to grant the request for an Extraordinary General Meeting made by the shareholder Elector GmbH. The request has been declined since the shareholder was unable to demonstrate the urgency of the proposed resolutions. Such urgency is a precondition for justifying the substantial costs of an Extraordinary General Meeting. The shareholder Elector GmbH has filed an application with the Bad Oeynhausen Local Court in which it asks to be authorized by the court to convene the extraordinary General Meeting. The court's decision is still pending.

9.2. Sale of the shares in Balda Solutions Malaysia Sdn. Bhd. (BSM)

On 26 April 2013, the Company announced that the Management Board had arranged the sale of its site in Ipoh, Malaysia, under a management buyout. Effective financially as of 31 March 2013, all shares of the subsidiary Balda Solutions Malaysia Sdn. Bhd. (BSM) were acquired by Blue Ocean Genius Sdn. Bhd. (Blue Ocean), which is majority-owned by James Lim, the Managing Director of BSM. Excluded from the sale are the land and factory building of BSM, which will remain in the possession of the Balda Group as key assets and will be rented to BSM. Based on the contractual arrangements with the buyer, the transaction will result in a cash inflow of around EUR 6 million for Balda over the next three years; with an additional cash inflow of EUR 1.8 million in case the buyer exercises its option to purchase the land and factory building. The closing of the transaction is subject to the granting of regulatory approval.

No other events of material significance for the financial position, cash flows and financial performance of the Group occurred after the reporting date of 31 March 2013.

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 nine 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.

It should also be noted that through the sale of the business at the site in Ipoh, Malaysia, agreed on 26 April 2013, Balda has divested itself of unprofitable operations. The decision to sell this business was made following an in-depth review of the business performance of the site in the current financial year, the current situation in the global markets for consumer and communication electronics products as well as the strategic challenges facing this business with regard to the growth and profitability requirements applicable in the Balda Group. From the fourth quarter of the 2012/2013 financial year, the site will have no further negative effect on earnings. This has further improved the Balda Group's risk profile.

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% in the operating segments.

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.

Our strategy has resulted in significant progress during the first nine months of the 2012/2013 financial year.

- Balda has returned to profitability in its operating business and has stabilized this trend.

- With the acquisition of C. Brewer and HK Plastics Engineering Balda took the first key steps towards implementing its buy-and-build strategy . Balda has thus 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. Furthermore, the acquisitions in the USA strengthen the Balda Medical segment, which is supposed to exceed the EUR 100 million sales mark in the medium term. In the US market – the world's largest for healthcare products – this segment can now make use of mature production facilities and sales networks. This offers the chance of accompanying European medical customers abroad. Conversely, Balda Medical can offer delivery services from Bad Oeynhausen for European markets to US customers of C. Brewer und HK Plastics Engineering. This would improve the segment's capacity utilization at Bad Oeynhausen and further strengthen the site.

- The disposal of our remaining stake in TPK Holding in the third quarter of 2012/2013 at the best price marked the full withdrawal from this equity investment as previously announced, while further strengthening the excellent financial and cash base of the Balda Group.

- In divesting itself of the Group company Balda Solutions Malaysia Sdn. Bhd. (BSM), Balda has successfully completed another key assignment in the Group's strategy for profitable growth. Following this sale, all Balda Group operations are now profitable.

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

- Further integration of the two acquired US companies into the Balda Group, with the objective of harnessing their strengths and potential for use in existing business, and exploiting the corresponding synergies in production, sales and marketing. This process was launched in the third quarter.

- 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. In this context, the Management Board is continually exploring the opportunities for acquisitions with the aim of accelerating the internationalization of Group activities and/or strengthening its technological expertise.

- Further structural streamlining within the Group and associated cost reductions.

11.2. Financial forecast

For the remainder of the 2012/2013 financial year, the Management Board does not expect any substantial changes in the overall global economic climate or in the industry-specific climate in the Balda Medical and Balda Technical segments.

Apart from the non-recurring items 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 acquired US companies. This 'PPA amortization' figure is expected to be in the range of around EUR 1.0 million.

Both US companies are included in the consolidated financial statements from 31 December 2012 and contribute positive earnings.

The goal of stabilizing and strengthening the turn-around in the profit from operations achieved in the first half-year will be furthered with the sale of the subsidiary Balda Solutions Malaysia Sdn. Bhd. (BSM). BSM had posted an operating loss in the first three quarters, which impacted on the Group's financial performance.

The Management Board has adjusted its 2012/2013 planning to the modified Group portfolio. Based on the current portfolio, the Management Board expects to record

- consolidated sales from continuing operations in the area of EUR 60 to 65 million and

- a distinctly positive EBITDA from continuing operations both before and after extraordinary items.

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 the quarter. As a result, both the earnings after taxes from continuing operations and the Group's comprehensive income are expected to be clearly positive.

Bad Oeynhausen, 7 May 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 March 2013 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 nine 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, and HK Plastics Engineering Inc., Oceanside (California), USA, 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 (1)	HKP (2)	Total
Payments made	29,134	8,955	38,089
Payments yet to be made	4,216	-20	4,196
Total purchase price	**33,350**	**8,935**	**42,285**
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 Charles Brewer Corp. in the 2013 calendar year. The 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 carrying amounts prior to the business combination represented the fair values as of the acquisition date.

In connection with the purchase price allocation for the newly acquired US entities assets were identified primarily for customer relationships and company names. They are shown under intangible assets.

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

Accounting policies

The interim consolidated financial statements for the period ended 31 March 2013 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. 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.

Intangible assets

Intangible assets (such as customer relationships, patents or brands) are identifiable but non-monetary assets without physical substance and are carried at cost. Intangible assets are recognized when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. 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 2011 to 31 March 2012, which corresponds to the third and fourth quarter of the 2011 financial year and the first quarter of the short 2012 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 March 2013.

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 March	30 June	1 July 2012 – 31 March 2013	1 July 2011 – 31 March 2012
Currencies	**ISO-Code**	**2013**	**2012**	**2013**	**2012**
US dollar	USD	1,2815	1,2577	1,2882	1,3566
Chinese renminbi	CNY	n. a.	n. a.	n. a.	8,6140
Malaysian ringgit	MYR	3,9401	4,0145	3,9592	4,1667

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 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 in connection with the US acquisitions. 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 Technical and 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.

The Technical segment focuses on the manufacture of injection molded parts for the electronics and automotive markets as well as the development and manufacture of plastic products for the optics market.

After the acquisition of the US companies, the Group's Medical segment develops and produces complex plastic products for medical technology, pharmaceutical and diagnostic applications.

The 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.

In this interim report, the figures of the MobileCom segment, which was sold in the 2011 financial year, are no longer included in the segment reporting for the prior-year period.

The same applies to Balda Solutions Malaysia Sdn. Bhd., which focuses on the development and manufacture of electronics products. Following their reclassification as discontinued operations as of 31 March 2013, the assets of the Malaysian company are no longer presented in the segment reporting (Technical segment).

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 32).

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 377.6 million, the Balda Group's total assets as of 31 March 2013 were around EUR 96 million lower than on the comparable reporting date (30 June 2012: EUR 473.4 million). Key factors of influence included the dividend payment of EUR 117.8 million made in November on the one hand, and, on the other, the increase in the value of the TPK shares since the beginning of the financial year.

On the asset side, non-current assets rose by approximately EUR 34 million, due mainly to the acquisitions (around EUR 42 million). The reclassification of the non-current assets of Balda Solutions Malaysia Sdn. Bhd. (around EUR 10 million), which is pending sale, as non-current assets held for sale had an offsetting effect.

Goodwill developed as follows:

in EUR thousand	
Balance as of 01 July 2012	2
Additions	23,152
Currency differences	723
Balance as of 31 March 2013	23,877

The additions concerned the acquisition of the US entities (cf. notes p. 10 et seq.) for more details.

Current assets were around EUR 130 million lower than as of 30 June 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 time deposits with a maturity of more than three months increased to EUR 243.0 million on account of the sale of TPK shares (30 June 2012: EUR 168.0 million).

In current assets, trade receivables rose to EUR 9.8 million as of 31 March 2013 (30 June 2012: EUR 6.5 million) due to the acquisitions.

Cash and cash and cash equivalents increased substantially by some EUR 16 million to EUR 34.2 million at the end of the reporting period, primarily because of the aforementioned effects. The funds received from the sale of TPK shares in June 2012 were used mainly to finance the dividend payment and the acquisitions. The remaining funds and the proceeds from the sale of the TPK shares at the beginning of February 2013 have been invested as time deposits with a maturity of more than three months. The cash shown as of the reporting date relates to time deposits with a maturity of less than three months. Due to the classification of the activities in Balda Solutions Malaysia Sdn. Bhd. as discontinued operations, cash of EUR 6.8 million was reclassified to the item "Assets held for sale".

The item "Non-current assets held for sale" developed as follows in the first nine 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	25,203
Currency differences	–3,058
Disposal of TPK shares	–86,817
Assets held for sale	10,071
Balance as of 31 March 2013	10,071

The fair value of the TPK shares grew from EUR 70.2 million on 30 June 2012 to EUR 86.8 million at the time of disposal in early February 2013, primarily as a result of the higher share price. Due to the planned sale of the entity in Malaysia, relevant assets of this disposal group have been reclassified at their fair value.

Non-current liabilities rose by EUR 7.0 million to EUR 9.6 million. The deferred tax to be recognized (EUR 6.9 million) for the identified assets and fair value measurement of the acquisitions in the USA are the main factors responsible for the increase.

In connection with the acquisition of the US company C. Brewer Corp., a subsequent purchase price payment (earn-out payment) must be made if the company reaches an agreed earnings target in the 2013 calendar year. A corresponding amount was deferred on initial recognition. The potential remaining purchase price payment (EUR 4.2 million) was recognized at the reporting date under other current liabilities and, in addition to the first-time consolidation of the US companies, is a major contributory factor in the increase in current liabilities. "The item 'Liabilities held for sale" includes the liabilities of Balda Solutions Malaysia Sdn. Bhd.

The Balda Group saw equity drop from EUR 450.5 million as of the reference date of 30 June 2012 to EUR 340.9 million at the end of the reporting period. The decline is above all due to the payment of dividends from net retained profits (EUR 117.8 million) and currency differences (EUR –3.0 million). The profit for the period (EUR 11.9 million) was the principal factor having an opposite effect. Due to the sale of the remaining TPK shares, the reserves arising from the adjusting item for the market measurement of the TPK shares were reversed.

Income statement

In the first three quarters of 2012/2013, the Balda Group generated consolidated sales of EUR 35.6 million compared with EUR 29.4 million in the prior-year period, an increase of EUR 6.2 million or 21.1%. This is mainly due to the initial consolidation of the US companies, which contributed EUR 11.6 million to sales. Excluding this effect, sales decreased on account of a large equipment project in the Medical segment, which was billed at the end of 2011.

Business performance, including the earnings of the individual segments, is presented on page 32 et seq. of this interim report.

The gross revenue of the Balda Group after nine months amounted to EUR 39.9 million after totaling EUR 32.0 million in the comparative period. This increase also primarily reflects the effect from the first-time consolidation of the US companies in the amount of EUR 11.2 million. Large foreign currency gains (EUR 1.4 million) resulting from exchange rate developments between the US dollar and the euro affected other operating income.

The cost of materials amounted to EUR 15.7 million after EUR 17.4 million in the comparative period. The cost of materials ratio decreased substantially from 56.3% to 42.6% in the reporting period. This is partly attributable to the pure-play injection molding business of the new US companies, which is not as material-intensive. The prior-year figure also includes a considerable share of materials-intensive sales revenues from the Medical segment's tool and equipment business.

Staff costs rose from EUR 9.7 million to EUR 13.4 million. This increase is attributable to the initial consolidation of the US companies in the amount of EUR 5.6 million.

Depreciation, amortization and impairment losses comprise the impairment losses charged on the identified assets (intangible assets) and the reversals of impairment losses resulting from the measurement of property, plant and equipment at fair value in the purchase price allocation of the acquisition of the US entities in the amount of EUR 0.5 million.

Without the extraordinary items, other operating expenses would be comparable to the previous year, although an amount of EUR 1.8 million attributable to the US entities is included in the figure for the reporting period.

In the first nine months of 2012/13, the Group's loss from operations (EBIT) was EUR 2.0 million (prior-year period: loss of EUR 6.3 million). Due to positive net finance income, earnings before taxes (EBT) of EUR 23.1 million was substantially below the prior-year figure (EUR 126.4 million). However, the figure for the previous year was impacted heavily by the sale of TPK shares for EUR 137.6 million (reporting period: EUR 16.9 million). Other net finance income includes the net foreign currency gains/losses of the foreign subsidiaries from the reporting date measurement of cash and cash equivalents denominated in foreign currencies.

The Group's comprehensive income closed the third quarter in slightly positive territory. Amounting to EUR 11.9 million for the first nine months, it is mainly influenced by the proceeds from the sale of TPK shares as well as the loss from discontinued operations (EUR -10.3 million). The latter contains write-downs to the fair value in the amount of EUR 9.3 million.

The prior-year quarter closed at EUR 133.6 million due to the substantial income from the TPK sale. Comprehensive income in the prior-year period had stood at EUR 109.8 million, including the loss from discontinued operations in the amount of EUR 14.4 million. The result from discontinued operations includes the loss of EUR 10.4 million recorded by the former MobileCom segment.

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 1.87 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 fo investments, amounted to EUR 0.7 million as of 31 March of the current financial year.

Events after the reporting date

Sale of the shares in Balda Solutions Malaysia Sdn. Bhd. (BSM)

On 26 April 2013, the Company announced that the Management Board had arranged the sale of its site in Ipoh, Malaysia, under a management buyout. Effective financially as of 31 March 2013, all shares of the subsidiary Balda Solutions Malaysia Sdn. Bhd. (BSM) were acquired by Blue Ocean Genius Sdn. Bhd. (Blue Ocean), which is majority-owned by James Lim, the Managing Director of BSM. Excluded from the sale are the land and factory building of BSM, which will remain in the possession of the Balda Group as key assets and will be rented back to BSM. The closing of the transaction is subject to the granting of regulatory approval.

Furthermore, 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 March 2013 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, 7 May 2013
The Management Board
Dominik Müser (sole member of the Management Board)

Third-quarter financial statements 2012 | 2013

Consolidated statement of financial position of Balda AG as of 31 March 2013

Assets

in EUR thousand			31.03.2013	30.06.2012
A.	**Non-current assets**			
	I.	Property, plant and equipment	23,047	23,427
	II.	Goodwill	23,877	2
	III.	Intangible assets	11,056	372
	IV.	Deferred taxes	3,702	3,947
	Non-current assets		**61,682**	**27,748**
B.	**Current assets**			
	I.	Inventories	16,631	13,426
	II.	Trade receivables	9,804	6,495
	III.	Other current assets	244,972	389,479
	IV.	Current tax assets	291	572
	V.	Cash and cash equivalents	34,163	17,776
	VI.	Non-current assets held for sale	10,071	17,895
	Current assets		**315,932**	**445,643**
Total assets			**377,614**	**473,391**

Consolidated statement of financial position of Balda AG as of 31 March 2013

Equity and liabilities

in EUR thousand			31.03.2013	30.06.2012
A.	**Equity**			
	I.	Subscribed capital	58,891	58,891
	II.	Reserves	47,733	51,423
	III.	Net retained profits	234,238	340,137
		1. Comprehensive income, group	11,882	250,725
		2. Retained profits brought forward	222,356	89,412
	Equity, group		**340,862**	**450,451**
B.	**Non-current liabilities**			
	I.	Long-term loans	845	0
		1. Bank loans	845	0
	II.	Non-current finance lease liabilities	0	137
	III.	Deferred taxes	8,666	2,345
	IV.	Non-current provisions	98	98
	Non-current liabilities		**9,609**	**2,580**
C.	**Current liabilities**			
	I.	Trade payables	6,303	7,323
	II.	Other current liabilities	7,785	2,862
	III.	Advance payments received	6,616	6,749
	IV.	Short-term bank borrowings and short-term loans	604	137
	V.	Current portion of finance lease obligations	0	14
	VI.	Income tax liabilities	2,708	2,654
	VII.	Current provisions	41	621
	VIII.	Liabilities held for sale	3,086	0
	Current liabilities		**27,143**	**20,360**
Total equity and liabilities			**377,614**	**473,391**

Consolidated income statement of Balda AG from 1 July 2012 to 31 March 2013

in EUR thousand	2013 1.1. – 31.3.	2012 1.1. – 31.3.	2012–13 1.7. – 31.3.	2011–12 1.7. – 31.3.
Sales revenues	19,718	6,022	35,599	29,406
Other operating income	–80	829	3,135	1,085
Changes in inventories of finished goods and work in progress	–1,087	1,725	1,138	1,554
Gross revenue	**18,551**	**8,576**	**39,872**	**32,045**
Cost of materials	5,661	4,129	15,660	17,431
Cost of materials ratio in % (1)	*30.4*	*53.3*	*42.6*	*56.3*
Staff costs	8,301	3,212	13,446	9,734
Staff costs ratio in % (2)	*44.7*	*37.5*	*33.7*	*30.4*
Depreciation, amortization and impairment losses	1,369	525	2,461	1,566
Other operating expenses	4,197	2,864	10,282	9,630
Profit/loss from operations (EBIT) (3)	**–977**	**–2,154**	**–1,977**	**–6,316**
Net interest income/expense	383	–310	1,828	–41
Other finance income (net)	–4,758	–374	6,382	–4,827
Net gain from the sale of TPK shares	16,880	137,556	16,880	137,556
Earnings before taxes (EBT)	**11,528**	**134,718**	**23,113**	**126,372**
Taxes on income	–948	–228	–960	–2,138
Net profit/loss from continuing operations	**10,580**	**134,490**	**22,153**	**124,234**
Net profit/loss from discontinued operations	–10,531	–925	–10,271	–14,423
Comprehensive income, group	**49**	**133,565**	**11,882**	**109,811**

1) Based on sales revenues and changes in inventories of finished goods and work in progress
2) Based on gross revenue
3) **Profit/loss from operations (EBIT) before extraordinary items** **–753** **–1,994** **166** **–4,836**

Comprehensive income, group, attributable to:

Shareholders of Balda AG	49	133,565	11,882	109,811
of which from continuing operations	*10,580*	*134,490*	*22,153*	*124,234*
of which from discontinued operations	*–10,531*	*–925*	*–10,271*	*–14,423*
Earnings per share:				
Number of shares, basic (in thousands)	*58,891*	*58,891*	*58,891*	*58,891*
Earnings per share (EUR) – basic	*0.001*	*2.268*	*0.202*	*1.865*
Number of shares, diluted (in thousands)	58,891	58,891	58,891	58,891
Earnings per share (EUR) – diluted	0.001	2.268	0.202	1.865

Consolidated statement of comprehensive income – 1 July 2012 to 31 March 2013

in EUR thousand	2012–2013	2011–2012
1. Comprehensive income, group (1.7. – 31.03.)	11,882	109,811
2. Other comprehensive income	–3,690	–424,149
2.1. Currency translation difference	–3,009	6,637
2.2. Change in fair value of available -for-sale financial assets	–681	–435,331
2.3. Income taxes applicable thereon	0	4,545
3. Comprehensive income for the period	**8,192**	**–314,338**
Comprehensive income for the period attributable to:		
Shareholders of Balda AG	8,192	–314,338
Non-controlling interests	0	0

Consolidated statement of cash flows of Balda AG from 1 July 2012 to 31 March 2013

	in EUR thousand	9-month report 1.7.2012 – 31.3.2013	9-month report 1.7.2011 – 31.3.2012
	Net loss/income before income tax and net finance income – continuing operations	–1,977	–10,262
	Net loss/income before income tax and net finance income – discontinued operations	–1,215	–6,931
+	Interest income	900	300
–	Interest expense	–39	–519
+/–	Income taxes received/paid	–494	–222
+/–	Depreciation, amortization and write-downs of non-current assets/ reversals of write-downs of non-current assets	3,431	6,823
+/–	Other non-cash expenses/income	–90	–2,089
+/–	Increase/decrease in tax assets and tax liabilities	–82	220
+/–	Increase/decrease in provisions	–433	95
+/–	Increase/decrease in inventories, trade accounts receivable and other assets not attributable to investing or financing activities	1,704	7,950
+/–	Increase/decrease in liabilities and other liabilities not attributable to investing or financing activities	–2,269	–966
=	**Cash flow from operating activities**	**–564**	**–5,601**
	of which discontinued operations	*124*	*5,496*
	Cash flow from investing activities		
–	Cash payments for property, plant and equipment and intangible assets (1)	–2,581	–1,848
+	Cash receipts from payment of loans	4,500	0
+	Cash change in financial assets	0	–3,194
–	Cash payments for purchase of shares in Group companies	–38,089	0
+	Cash receipts from the sale of shares	242,936	238,281
+	Cash receipts from the sale of borrower's note loans	–75,000	0
+	Cash receipts from distributions	9,333	0
=	**Cash flow from investing activities**	**141,099**	**233,239**
	of which discontinued operations	*–217*	*–952*
	Cash flow from financing activities		
–	Cash repayments of bank borrowings	0	–2,396
+	Cash receipts from borrowings and drawdown from credit lines	46	3,096
–	Dividend payments	–117,782	0
+/–	Cash payments for finance lease liabilities	–74	–240
=	**Cash flow from financing activities**	**–117,810**	**460**
	of which discontinued operations	*22*	*841*
+/–	Net change in cash and cash equivalents	22,725	228,098
+	**Cash and cash equivalents at the beginning of the financial year**	**17,776**	**42,340**
	Change in cash and cash equivalents due to changes in the basis of consolidation	524	–6,995
+/–	Effects of changes in foreign exchange rates	–13	2,896
=	**Cash and cash equivalents at the end of the third quarter – Group (2)**	**41,012**	**266,339**
	Composition of cash and cash equivalents at the end of the third quarter – Group		
	Cash and cash equivalents (2)	41,012	266,339

(1) Some payments also concern previous years.
(2) including cash of Balda Solutions Malaysia Sdn. Bhd., which is for sale (EUR thousand 6,849) as of 31 March 2013.

Consolidated segment reporting according to IFRS as of 31 March 2013

2012 – 2013 financial year (01.07.2012 – 31.03.2013)

in EUR thousand	Balda Technical (formerly: Electronic Products)	Balda Medical
External sales revenues	5,317	30,282
Internal sales revenues	0	0
Sales revenues, total	**5,317**	**30,282**
Changes compared to previous year		*3.0%*
Gross revenue	**4,984**	**33,126**
Changes compared to previous year		*1.9%*
Earnings before interest and taxes (EBIT)	**–121**	**2,092**
in % of gross revenue	*–2.4%*	*6.3%*
Interest income	0	0
Interest expense	–7	–89
Proceeds from the sale of shares	0	0
Other finance costs (net) (6)	0	0
Earnings before taxes (EBT)	**–128**	**2,003**
in % of gross revenue	*–2.6%*	*6.0%*
Investments	652	1.282
Segment assets (1)	25,477	60,184
Number of employees on 31.03. (3)	405	534
of which newly acquired entities	405	344

2011 – 2012 financial year (01.07.2011 – 31.03.2012)

in EUR thousand	Balda Technical (bisher: Electronic Products)	Balda Medical
External sales revenues	0	29,406
Internal sales revenues	0	0
Sales revenues, total	**0**	**29,406**
Changes compared to previous year		
Gross revenue	**0**	**32,493**
Earnings before interest and taxes (EBIT)	**0**	**971**
in % of gross revenue	*0*	*3.0%*
Interest income	0	88
Interest expense	0	175
Other finance income (net)	0	0
Remeasurement of TPK shares	0	0
Earnings before taxes (EBT)	**0**	**884**
in % of gross revenue	*0*	*2.7%*
Investments	0	542
Segment assets (1)/(2)	0	27,947
Number of employees on 31.03. (3)	0	233

(1) Segment assets = Non-current assets plus current assets excluding deferred tax assets und current tax assets.
This figure refers to the assets of the continuing operations.
(2) The segment assets of Balda Central Services include EUR 216.1 million reflecting the carrying amount of the equity investment in TPK as of 31 March 2012.
(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.
(6) The net other finance income consists only of currency gains.

Consolidated segment reporting according to IFRS as of 31 March 2013 *(continued)*

2012 – 2013 financial year (01.07. – 31.03.2013)

Balda Central Services	Total operating segments	Reconciliation [4]	Intersegment corrections [5]	Group
0	35,599	0	0	35,599
0	0	0	0	0
0	**35,599**	**0**	**0**	**35,599**
	19.4%			*21.1%*
3,534	**41,644**	**–743**	**–1,030**	**39,871**
23.4%	*17.8%*			*24.4%*
– 3,658	**–1,687**	**–290**	**0**	**–1,977**
–103.5%	*–4.1%*			*–5.0%*
1,930	1,930	*0*	*–71*	1,859
–6	–103	0	71	–32
16,880	16,880	0	0	16,880
6,382	6,382	0	0	6,382
21,528	**23,403**	**–290**	**0**	**23,113**
609.1%	*56.2%*			*58.0%*
633	2,567	0	0	2,567
281,428	367,089	0	–3,539	363,550
10	949	0	0	949
—	749	—	—	749

2011 – 12 financial year (01.07.2011 – 31.03.2012)

Balda Central Services	Total operating segments	Reconciliation [4]	Intersegment corrections [5]	Group
0	29,406	0	0	29,406
415	415	–335	–80	0
415	**29,821**	**–335**	**–80**	**29,406**
2,864	**35,357**	**–2,771**	**–541**	**32,045**
–9,800	**–8,829**	**2,513**	**0**	**–6,316**
–342.2%	*–25.0%*			*–19.7%*
975	*1,063*	**–119**	–137	*807*
814	989	–4	–137	848
–4,220	–4,220	–607	0	–4,827
137,556	137,556	0	0	137,556
123,697	**124,581**	**1,791**	**0**	**126,372**
4319.0%	*352.4%*			*394.4%*
87	629	0	0	629
513,438	541,385	–23,762	–31	517,592
16	249	0	0	249

Consolidated statement of changes in equity for the years 2011 – 2013, specifically for the periods from 01 July – 31 March

in EUR thousand	Subscribed capital	Capital reserves	Retained earnings
Balance 01.07.2011	**58,891**	**34,555**	**1,881**
Profit / loss for 9 months	—	—	—
Other comprehensive income	—	—	—
Total comprehensive income	0	0	0
Balance on 31.03.2012	**58,891**	**34,555**	**1,881**
Balance 01.07.2012	**58,891**	**34,555**	**1,881**
Profit / loss for 9 months	—	—	—
Other comprehensive income	—	—	—
Total comprehensive income	0	0	0
Distribution to shareholders	—	—	—
Balance on 31.03.2013	**58,891**	**34,555**	**1,881**

Consolidated statement of changes in equity for the years 2011 – 2013, specifically for the periods from 01 July – 31 March *(continued)*

Available-for-sale financial assets	Currency reserve	Net retained profits	Shareholders of Balda AG
562,717	**21,414**	**169,502**	**848,960**
—	—	*109,811*	*109,811*
–435,331	*6,637*	—	*–428,694*
–435,331	6,637	109,811	–318,883
127,386	**28,051**	**279,313**	**530,077**
681	**14,306**	**340,137**	**450,451**
—	—	*11,882*	*11,882*
–681	*–3,009*	—	*–3,690*
–681	–3,009	11,882	8,192
—	—	–117,781	–117,781
0	**11,297**	**234,238**	**340,862**

Directors' holdings as of 31 March 2013

	31.03.2013	31.12.2012	Change
Share capital	**58,890,636**	**58,890,636**	
D. Müser	0	0	0
J. Lim[1]	—	0	0
Management Board, total	**0**	**0**	**0**
T. Gerlach[2]	—	0	0
K. Kai[2]	—	0	0
Dr. M. Naschke	33,000	33,000	0
W. Niemann[3]	0	—	0
I. Schetelig[3]	0	—	0
Supervisory Board, total	**33,000**	**33,000**	**0**
Corporate bodies, total	**33,000**	**33,000**	**0**
in % of equity	**0.06**	**0.06**	

(1) Management Board member until 31.12.2012
(2) Supervisory Board member until 28.02.2013
(3) Supervisory Board member 01.03.2013

Financial calendar, Balda AG

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

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