

Balda | AG
Annual Report 2008

Innovations for new markets

Group: Key Figures 2008/2007

in mio. euros	2008	2007	Changes in %
Revenues (continued and discontinued operations)	283.9	309.2	- 8.2
Revenues discontinued operations	46.0	95.2	- 51.7
Revenues continued operations	238.0	214.0	11.2
Total operating performance	250.7	228.1	9.9
Material expenses ratio (in %)	55.7	54.0	3.2
Personnel expenses ratio (in %)	15.4	15.9	- 3.1
EBITDA	25.7	29.5	- 12.7
EBIT	1.4	13.5	- 90.0
EBIT margin (in %)	0.6	6.3	- 90.5
EBT	- 9.4	2.3	- 508.7
Net loss	- 14.2	- 2.8	- 399.7
Operating margin after interest and taxes (in %)	- 6.0	- 1.3	- 361.5
Cash flow	37.5	- 9.2	509.2
Investments	37.5	46.1	- 18.7
Employees (per 31.12.)	4,664	6,581	- 29.1
Earnings per share (in euros)	- 0.263	- 0.06	- 338.3
Year-end quotation (in euros)	0.51	9.10	- 96.4
Shareholders' equity	100.6	150.9	- 33.3
Equity ratio (in %)	33.5	35.7	- 6.1

International Business Units



Continued operations

China	Balda Solutions Beijing – Balda Solutions – Balda Solutions Xiamen
Malaysia	Balda Solutions Malaysia, Ipoh
India	Balda Motherson Solution India, Chennai
USA	Balda Solutions USA, NC, Raleigh
Germany	Balda AG, Bad Oeynhausen

Discontinued operations

Germany	Balda Medical, Bad Oeynhausen – Balda Solutions Deutschland, Bad Oeynhausen – Balda Werkzeug- und Vorrichtungsbau, Bad Oeynhausen – Balda Grundstücks- und Verwaltungsgesellschaft, Bad Oeynhausen
Brazil	BLT Amazonia Plasticos Industria e Comercio LTDA., Sao Paulo - BLT Paulista Plasticos Industria e Comercio LTDA. Manaus
Hungary	Balda Solutions Hungaria, Veszprém

Dirk Eichelberger
CEO



Dear Shareholders,

Your company has experienced a difficult and equally eventful 2008 financial year. The key financial figures including the high losses unfortunately speak for themselves. We are satisfied with neither the business development nor the performance. On the other hand, we successfully overcame a range of obstacles and are therefore asking for a balanced assessment. Management has reorganized the Balda Group and in the face of all market uncertainties given the company a new direction with a solid outlook for the future and growth opportunities. We have processed the performance of the previous years in our balance sheet to the best of our knowledge. The actual business performance will shape our balance sheet and financial statement in the future.

Allow me to briefly review the key data of the 2008 fiscal year. Fortunately, your company was able to increase its sales revenues in the continued operations by approximately 11 percent to 238.0 million euros. Growth in the Infocom operations in the second half of the year was responsible for this positive development. The touch screen producer TPK, in which we hold 38 percent of shares, generated a sales volume just in the last quarter year of 127.3 million euros, which we are however not able to report in the Group's revenues on a pro-rata basis. The result situation was therefore not able to keep pace. Special effects from depreciation and unusual expenses in the continued operations of approximately 13.5 million euros have negatively influenced the operating result (EBIT) of 1.4 million euros in the year under review. The operating result was still positively influenced by special effects at the same time of the previous year.

We are well aware that the earnings situation and the Balda share are not meeting your expectations. As shareholders, you are experiencing on the one hand the massive loss in the share price. On the other hand, you have not received any dividends for the 2008 fiscal year. I can assure you that in 2009 we are aiming for a balanced result at minimum.

Particularly in the difficult year 2009, it will be important to establish a sustainable foundation for Balda's future and to further adapt our strategies to the trends in our key markets.

At year-end there were changes in the Supervisory Board and the Board of Directors. After the resignation of Dr. Manfred Puffer from the Supervisory Board, the Bad Oeynhausen District Court appointed Dr. Axel Bauer the new member of the Supervisory Board. With the retirement of Joachim Gut, the Supervisory Board appointed me as sole Director. Because the lion's share of our business and Balda's future lie in the Asia Region, we have established a team in Singapore. Together with the managers of the subsidiaries and Michael Chiang as Asia's CEO, it is responsible for the company's strategic further development and important projects.

We were not successful in selling Balda Medical and the properties in Bad Oeynhausen in 2008. In spite of intensive negotiations over our medical technology division, a conclusion had not been reached by the end of 2008. The economic environment and the escalating financial crisis doubtless had a hindering effect. It more or less dried up the market for company purchases.

We have put off the losses of the European companies with delays. Since November of 2008, the South American activities have no longer belonged to the continued operations of Balda Group. Our Indian company is currently under close scrutiny. The measures introduced should lead to a turnaround in 2009. Balda is prepared to concentrate its once globally-oriented strategy exclusively on the Asia region with India included.

The Board of Directors no doubt made mistakes during the difficult phase, in particular between October 2007 and April 2008. These errors have led to a loss of trust among shareholders, banks and the public. We regret these mistakes and have taken them as an incentive to bring Balda to the forefront again.

A very important step was the realignment of the financing structure. With new agreements with the pooling banks in place after month-long negotiations, the Balda Group is now financed through to the 2009 year-end at more favourable conditions than before. In order to secure this financing, the company sold 12 percent of the shares in the touch screen manufacturer TPK to the Michael Chiang family. In return, Balda freed up liquidity and acquired from Michael Chiang his shares in Balda Investments Singapore (BIS). Balda AG is once again the sole shareholder of the intermediate holding BIS. The shareholdings in the Group companies in China and Malaysia are merged there.

What are the consequences for Balda having abandoned the joint venture status with TPK? On the one hand, TPK will no longer be consolidated on the revenue side of Balda's balance sheet. Only the net results from TPK will in future be incorporated as a financial participation in the financial results. This assessment, through the omission of TPK sales revenues, in 2008 after all pro-rata 71,2 million euros in nine months, will reduce in particular the

volume of the Balda Group revenues and the Corporate Group will appear smaller than it actually is. On the other hand, Balda continues to hold a substantial and valuable participation in TPK. Moreover, I will continue to be personally a member of TPK's Board of Directors as before. The 2009 fiscal year and the growth prospects for TPK look promising for a further increase in the company value of our touch screen participation.

It has often been asked: Has Balda's new role at TPK had any effect on the Group's strategy?

The answer is „yes, of course"! Touch screen, understood as the manufacture and sales of touch-sensitive screens, can no longer stand at the centre of the Balda strategy. In future, your company will focus specifically and strategically on the Infocom operations, including the already successfully operating peripheral sector of electronic products. At the same time, we want to intensify the close cooperation with TPK and joint customers in the touch screen and plastic sector in the future. Our aim here is to have continually increasing synergistic effects. The first evidence of success with contracts from customers underscores the value of the cooperation. Moreover, we see an entirely new sphere of activity for Balda in the integration of touch screen and plastic components in complete systems or products. The first concrete steps for this have already been taken.

The focus for your company in 2009 will be on the liaison and support of existing customers and the acquisition of new ones in our original market segments of mobile telecommunications, as well as the communications and entertainment industry. Regionally, we are targeting the manufacturing markets of Asia. As a niche supplier, the Infocom operations are concentrating on manufacturing contracts for quality, technically sophisticated devices with volume levels below mass production. We have no doubt that 2009 will be a difficult year. This is why we are planning to further expand our sales activities and at the same time strategically position ourselves in new markets.

The foundation of our business is and remains technological know-how. A precondition for the success of your company is to maintain and expand our known competitive advantages in the market. Part of that is first and foremost our technology portfolio, including all popular surface technologies and the high implementation speed of new solutions throughout the company. This strength is due to the close cooperation with our customers in the development of innovations. We know our customers and their requirements. This is the main-spring of Balda's business. We will handle investments very selectively in 2009 and are planning on a mid-range single-figure million amount.

The sales of our electronic products will also profit from customer synergies in the future. Manufacturers in the mobile telecommunications market will benefit from this as well. Further to that, we have our sights set on new markets with brand new products. This diversification also has good prospects for success. Both customers from the entertainment electronics industry and those in the supplier market for automobiles are under considera-

tion for this. At the core of the product portfolio are headsets, hands-free sets for automobiles and portable loud speakers.

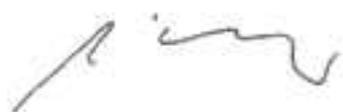
The Balda Group will enter the competition in the 2009 fiscal year with a diverse portfolio of products and services in its markets. We are confident that in spite of all insecurities about the markets and their development in 2009 we will be able to achieve at minimum a balanced result.

Please understand that we are refraining from putting a number to our prognosis for 2009. Even the experts in governments, banks and economic research institutes are currently unable to come up with a prognosis within any reliable range of figures. We too are unable to adequately calculate or plan the further developments in the scope of our company, our sales markets and with our customers. In spite of this we see opportunities in the current competitive environment for an appreciable and important value contribution to our customers' business. Experience has shown that the higher quality products, which we primarily manufacture, do better than manufactured goods in the mid-range price market segment, particularly in times of crisis.

I would like to express my sincere thanks for the trust you have placed in our company and in the management during the 2008 fiscal year. I would be most pleased if you accompanied us during the particularly important 2009 fiscal year with constructive criticism and loyalty. I would be especially pleased if this were profitable for you and your company.

We will do everything possible during the 2009 fiscal year to increase the value of your company again, even under these difficult circumstances.

Yours truly,



Dirk Eichelberger

Dear Shareholders,

the 2008 financial year was characterized by decisions that have since defined the future of Balda AG. During the 2008 financial year, the Supervisory Board consulted with the Board of Directors on the management of the company and oversaw the direction of operations. It was involved in all decisions of strategic significance. The Board administered the tasks incumbent upon it according to law and company articles.

The meetings of the Supervisory Board, as well as verbal and written reports of the Board of Directors formed the basis of the work. The Board of Directors informed the Supervisory Board promptly and extensively about all important questions regarding current business development, unusual occurrences in the company, and on a quarterly basis on the business development and modified risk situations. The Supervisory Board held eight regular meetings during the year under review. In addition, eight telephone conferences took place. Four decisions were made by circulation resolution. Each member of the Supervisory Board participated in more than half of all meetings of the board. The Chairman of the Supervisory Board maintained regular contact with the Board of Directors outside of the regular meetings and familiarized himself with the current business situation.

| Focal points

During the 2008 financial year the Supervisory Board was continuously involved with the Group's new financing structure and negotiations with the banks. Discussion about form and range of the involvement in TPK were part of this. Other topics were the sale of Balda Medical and the property in Bad Oeynhausen as well as the status of the company regions India and Brazil. The Board consulted extensively on the reorganization and management structure of Balda AG.

Throughout the entire reporting year, the Supervisory body monitored and supervised the development of the Group's operations, referring to the budget and target-performance comparisons. Special attention was given to the progress of liquidity. Further to this, the early warning system, the development of risks, and the respective liquidity, financial and financing status were all consulted to this end.

From the beginning of the year the Board was involved in the sale, buyback and final sale in May 2008 of Balda Solutions Deutschland and Balda Werkzeug- und Vorrichtungsbau. In the meeting of 21 April 2008, the Supervisory Board authorized the Board of Directors to sell Balda Medical and approved the 2008 budget. In the meeting of 30 September 2008, the Supervisory Board approved the sale of 12 percent of the shares in the touch screen producer TPK. Further, the Board resolved to repurchase 5 percent of Balda Investments Singapore (BIS).

| Personnel changes in the Board of Directors and Supervisory Board

Within the scope of the restructuring of the Group, Joachim Gut resigned his position as Chairman of the Board of Directors of Balda AG effective at year-end 2008. We would like

to thank Mr. Gut for the many years of cooperation. Chief Financial Officer Dr. Dirk Eichelberger will direct the Group in the future as sole Director and CEO.

Effective 1 August 2008, the Annual General Meeting of 29 August 2008 elected Michael Sienkiewicz and Dr. Manfred Puffer as new members of the Supervisory Board. Dr. Manfred Puffer resigned his mandate effective 30 November for personal reasons. On 9 December 2008, the Bad Oeynhausen District Court appointed Dr. Axel Bauer as a replacement member of the Supervisory Board.

| Corporate Governance Code

In the meeting of 18 December of the year under review and upon finalisation of the consent in lieu of a meeting on 31 December 2008, the Supervisory Board resolved upon the Declaration on the Corporate Governance Code valid for the year 2008 in accordance with § 161 of the Stock Corporation Act, as amended on 6 June 2008. The Board of Directors and Supervisory Board agreed on the exceptions to the code named on page 19 of the Annual Report. Both Boards explicitly reaffirmed their obligation to responsible and productive leadership and supervision of the company.

| Annual Financial statement

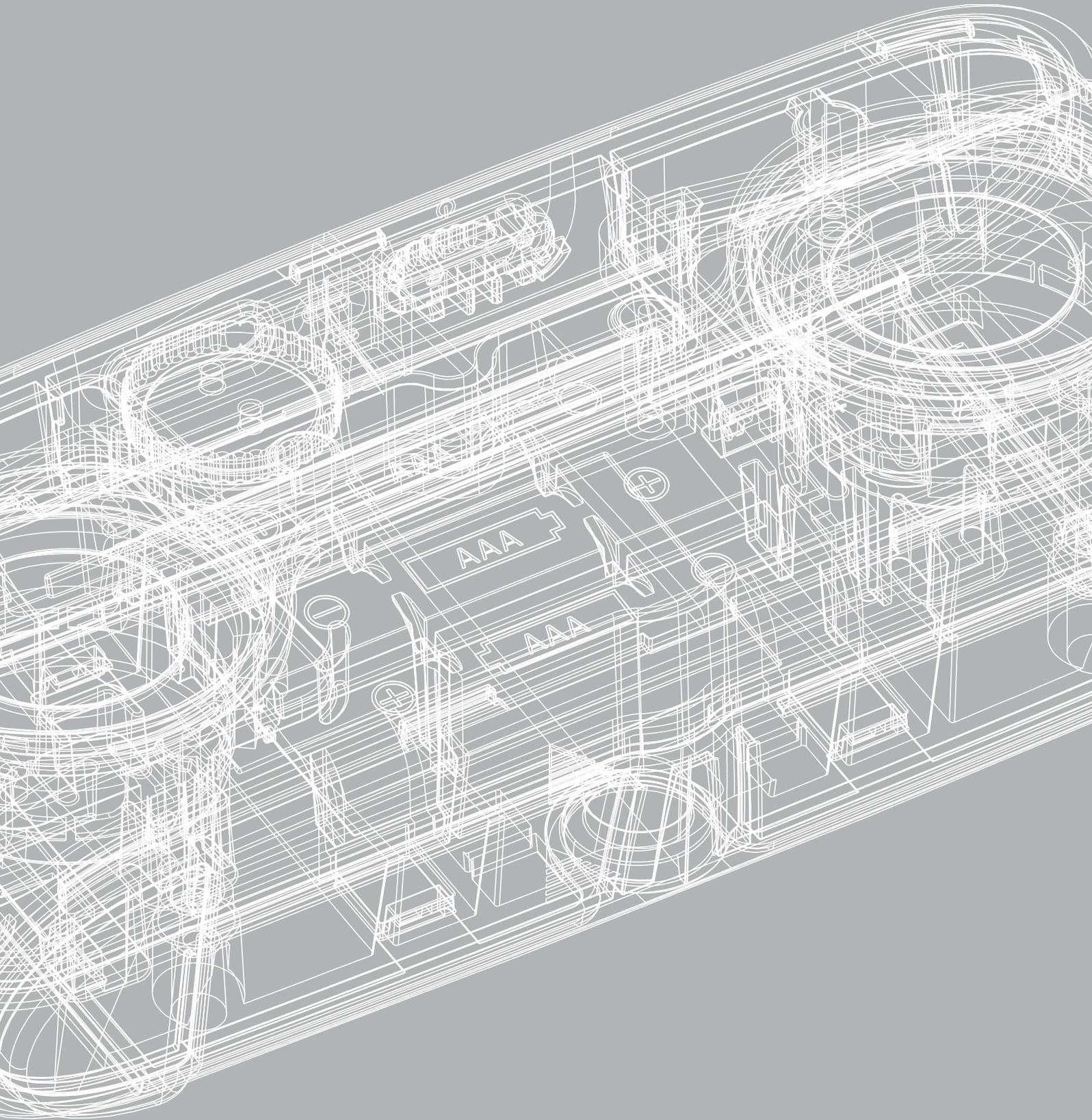
The PricewaterhouseCoopers Wirtschaftsprüfungsgesellschaft AG audited the Group's 2008 financial statement as well as the consolidated Balda AG Management Report, including the accountancy and the early risk recognition system, and issued an endorsement of unconditional certification.

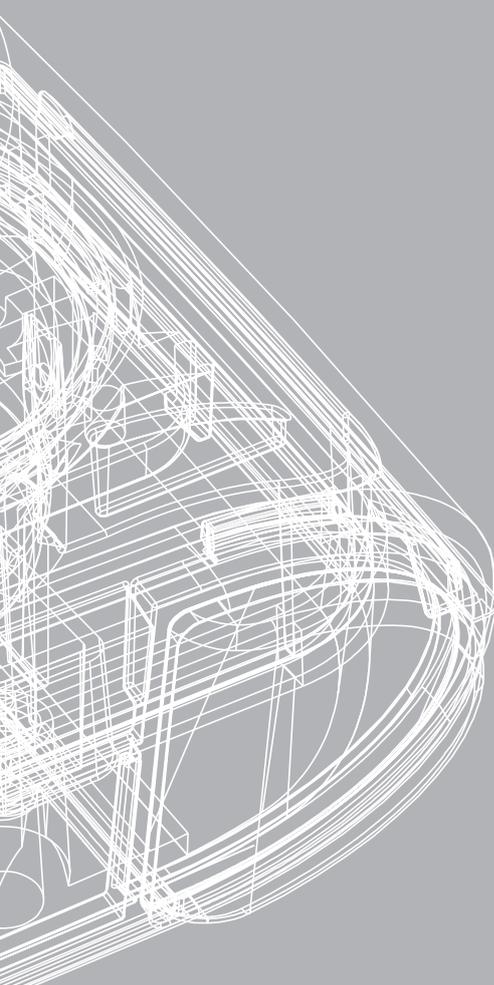
The Supervisory Board received the year-end documents and audit reports punctually. The Supervisory Board approved the results of the audit by the auditor, based on its own audit of the annual financial statement, the consolidated financial statement, the consolidated management report and the proposal for the appropriation of the annual net profit. The Board acknowledged and approved the 2008 Financial Statement on 27 March 2009.

The Supervisory Board would like to thank all the members of the Board who resigned during the reporting year for the commitment to their work. The Supervisory Board would also like to give particular thanks to the Board of Directors, and all employees and employee representatives for their responsible work during the 2008 financial year. The Supervisory Board extends its sincere thanks to the shareholders for their interest in our company.

Bad Oeynhausen, 27 March 2009
For the Supervisory Board







Management Report

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Management Report: Company

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Innovations for new markets

Ideas generate new products. Nowadays their life starts in the computer. The wire-frame image presents the interior and exterior design true to scale. The product named „Britney“, pictured here, shows a portable stereo speaker that can be applied to MP3 players and all music devices. „Britney“ is a technical prototype.

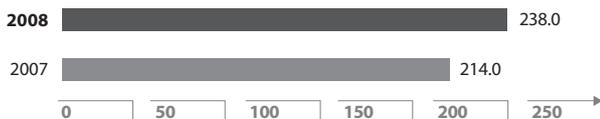
Continued operations in the black

The Balda Group achieved sales of 238.0 million euros (previous year: 214.0 million euros) in continued operations in the 2008 financial year. This is an increase of 24 million euros or 11.2 percent.

The company's annual loss in the year under review in continued operations was minus 14.2 million euros, compared to minus 2.8 million euros the previous year. There are further details on the business development in the chapters Result situation and Asset situation.

Revenues

in mio. euros



Significant causal events for the development of the business

Balda's business development was influenced by the reorientation of the Group in the year under review. The company is focusing on the Infocom business with the production of plastic and electronics components for communications and entertainment hardware in Asia.

In the first quarter of 2008 Balda reacquired all of the shares sold in Balda Solutions Deutschland GmbH, Balda Werkzeug- und Vorrichtungsbau GmbH and Balda Solutions Hungaria Kft. Due to the profit and loss transfer agreements in effect until the 2007 year-end, Balda AG had to bear the losses from the 2007 financial year. The liquidity available at this time was not sufficient to be able to offset any losses due in the amount reported by the buyer in the balance sheet and considered by Balda to be incorrect. It seemed less expensive to restructure the companies on our own. The banks initially refused a bridging line. However, the discussions with other potential lenders were

more successful. At the start of March these lenders provided the necessary line; the impending crisis was therefore averted. The banks agreed upon a moratorium in April. The Group won some time to reorganise its financing structure and to adapt to the strategic and geographical reorientation.

At the start of May the Group sold the European Infocom companies it had bought back; they were sold in an „asset deal” transaction to Heinze Solutions GmbH, which belongs to Hanse Industriekapital-Beteiligungs GmbH. The operation of Balda Werkzeugbau GmbH was sold to Heinze Werkzeugbau GmbH at the same time. The parties agreed to maintain silence on the purchase price and the further details of the contract. The strain on Balda's liquidity to offset the division in deficit remained at the expected level.

Reorganisation of the finance structure

The whole of the 2008 financial year was characterised by the task of reorganising the finance structure of the Balda Group. The financing costs were well over budget as a result of stopped repayments and worsened terms and conditions following the moratorium and put the company in difficulty. The negotiations with the banks and several investors concerning the refinancing dragged on throughout almost the whole of the year under review. Time and time again there were only temporary agreements with the banks.

At the Annual General Meeting at the end of July in Bielefeld the shareholders rejected the request to increase the registered capital by a maximum 27 million euros by issuing new individual share

certificates. They also voted against the issuing of convertible and option bonds and the creation of conditional capital in the amount of 3.4 million euros. Neither the Board of Directors of Balda nor the Chairman of the Supervisory Board was approved by the shareholders. The Annual General Meeting voted for a new Supervisory Board which was reduced to three members. With the exception of the Chairman of the Board, Richard Roy, all of the members of the former Supervisory Board resigned. Dr. Manfred Puffer and Michael Sienkiewicz became the two new members of the Supervisory Board. Dr. Manfred Puffer left the Supervisory Board again on the 30 November at his own request. He was replaced on 9 December 2008 by the lawyer Dr. Axel Bauer.

| Substantial shareholding in TPK

In September the Balda Group parted with twelve percent of its shares in the Group company TPK. The company produces touch screen systems in Xiamen, China. The shares were acquired by a company of Balda co-partner Michael Chiang. Balda is still the owner of 38 percent of the shares in TPK after completion of the transaction and therefore still has a substantial shareholding. However, the Group will no longer proportionally consolidate the results of TPK as of the fourth quarter. In future the company will only show the profits and losses of TPK in the financial results. As well as the purchase price for TPK, Balda also received back five percent of the shares in Balda Investments Singapore (BIS) from Michael Chiang. The Group is therefore once again the sole shareholder of BIS. The inflow of funds from the sale provided the company with liquidity and also served for the further repayment of a part of the promissory note loan of a nominal 7.5 million euros.

In the middle of the fourth quarter Balda AG acquired all of the shares in the joint venture Balda Lumberg Deutschland GmbH & Co. KG. This acts as a holding company for two Brazilian Group

companies. They were proportionally consolidated in the 2008 financial year and in the fourth quarter contributed around five percent to total revenue. The Brazilian Infocom market almost collapsed completely in the year under review. Balda will make no more new investments there. From November Balda Lumberg Deutschland will be reported under discontinued operations.

| Financing to the end of 2009 secured

At the end of the fourth quarter Balda AG was able to agree on the restructuring of the financing with the banks. The bank loan granted to the end of 2009 totals 76.5 million euros. As a result of the focus on Infocom, Balda Medical has been actively up for sale since around the middle of the year. By the 2008 financial statement date no sale had taken place due to the effects of the financial crisis. Balda Medical continues to be allocated to the Group's discontinued operations.

At the end of the year the Chairman of the Board of Directors, Joachim Gut, left the company. Chief Financial Officer Dr. Dirk Eichelberger took over the running of the Group as its sole Director and CEO.

| Comparison of the actual development of the business with that forecasted the previous year

The 2008 financial year started for Balda with belated growth in sales in the first quarter. In the Asian region the Group closed the first quarter with weak results for the season. Delays in production start-ups held back the development of the business. Special effects had a negative impact on the operating results. The EBIT of continued operations was below target in the first quarter. However, the company confirmed its forecast for 2008 with a sales target of around 414 million euros and an EBT of 24 million euros. As in previous years, the Group was relying on strong sales and results in the second half of the year.

| Weak start

The half-year result showed a positive profile. In the second quarter sales grew by 67 percent compared to the first quarter. In the first half-year a growth in sales of more than 19 percent compared to the previous year was recorded. In the first half of the year under review the Balda Group had not yet been able to reorganise its financing structure. The financing costs were well over budget and weakened the EBT.

With sales revenues of around 103 million euros for the first half-year, the specified target of over 400 million euros for the whole year seemed very ambitious. The management was relying though upon the considerable upturn in business which, based upon experience, takes place in the second half of the year. Traditionally Balda has much stronger sales in the second half of the year. The forecast for the whole financial year was not changed in the middle of the year under review either.

| Record revenue in the third quarter

A considerable rise in the volume of sales was also recorded in the third quarter of 2008. In the first nine months the Group's sales in continued operations grew by 35.4 percent compared to the previous year to 207.1 million euros. However, special effects due to depreciation and write-downs totalling around 14 million euros reduced the EBIT. At the end of the third quarter the Balda

Group had to correct its original sales and results targets for 2008 despite the growth in sales being good in this quarter. After the deconsolidation of TPK, which would have contributed proportional sales of 63.5 million euros to the Group's revenue in the fourth quarter, and the shortfall in sales from the first nine months, the target sales could no longer be achieved. In addition material expenses increased disproportionately and put pressure on the Group's earnings. The extent of the global economic crisis also became clear with a collapse in sales for many goods. The sale of mobile phones collapsed completely in the industrial nations in the second half of the year. In Japan sales of mobile phones in the third quarter of 2008 were around 28 percent less than the previous year. In the developing countries, until now the boom markets, the growth in sales slowed down considerably. More about this in the chapters „Sector situation“ and „Macroeconomic trend“.

| Mobile phone sales declining globally

The fourth quarter was in previous years always the quarter with the strongest sales. In the year under review, however, a fall in sales was recorded from the middle of November and then in particular a substantial fall in December. Sales fell to 40.2 million euros. This represents a reduction by around 53.8 percent compared to the same period of the previous year and is a long way off the targeted 30 percent increase.

Balda concentrates on Asia region

In the year under review, Balda AG, with registered office in Bad Oeynhausen, Germany, functioned as a holding for the subsidiaries in Germany, India, the America region and Balda Investments Singapore (BIS). BIS functions as a holding for the subsidiaries in the Asia region in China and Malaysia and is a stockholder in TPK.

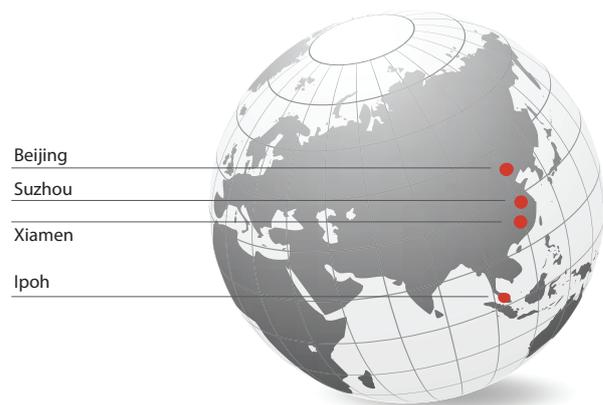
The Balda Group develops and produces integrated devices from plastic at its Infocom operations as well as electronic components and products in its second area of operations. The Corporate Group supplies international brand-name clients in the mobile telecommunications sector and other similar markets.

Business areas and significant locations

Weighting of the operations shifted in 2008. On 1 May 2008, Balda finalised the restructuring of the European Infocom operations with the sale of activities of Balda Solutions Deutschland GmbH and of Balda Werkzeugbau GmbH in the form of asset deals and with the closing of the Hungarian location in Veszprém at the end of June. At the beginning of 2008, the Group had repurchased the companies after an unsuccessful transaction in the year 2007 that had not been finalised.

In September, the Corporate Group reduced its shareholding in TPK, a manufacturer of touch sensitive displays, in order to secure the Group's financing to 38 percent from 50. There has been no quota consolidation of the company since. Balda records TPK in the financial statement as a participation financing. On 29 October 2008, the Balda Group took over all shares in the joint venture Balda Lumberg Deutschland GmbH & Co. KG with locations in Sao Paulo and Manaus, Brazil. As of 1 November, the company consolidated the Brazilian shareholding to 100 percent. No further investment in the production facilities is planned. In the 2008 consolidated financial statement, Balda AG reported Balda Medical, Balda Solutions Deutsch-

land, Balda Solutions Hungaria, Balda Grundstücks- und Vermietungsgesellschaft, Balda Werkzeug- und Vorrichtungsbau and the companies in Brazil as discontinued operations.



Balda is concentrating primarily on the Infocom activities as its core area of operations with its four manufacturing facilities in the Asia region in Beijing, Suzhou and Xiamen in China, as well as Ipoh in Malaysia and in India. Further to this, the Group is planning a gradual expansion of the electronic components and products operations at Balda Solutions Malaysia. With the sale of the shares in TPK, the touch screen operations were dissolved. The company classified as held-for-sale, Balda Medical has been allocated to the discontinued operations since the third quarter of 2008.

Organizational structure

Joachim Gut resigned as Chairman of the Board of Directors and from the company on 31 December 2008. Chief Financial Officer Dr. Dirk Eichelberger has been directing the Group since 1 January 2009 as sole Director and CEO.

A further expansion of a second management level with company-wide responsibilities is planned for 2009. Singapore will serve as the base for the new Balda Group management team.

The responsibilities of the Balda AG Board of Directors did not change in the last fiscal year.

According to the rules of procedure in effect, the area of responsibilities of the resigned Chairman of the Board of Directors (CEO), Joachim Gut, included global sales and distribution, strategy

development and the competition objectives of Balda Group, as well as public relations, personnel and internal revision.

Dr. Dirk Eichelberger as Chief Financial Officer had previously been responsible for controlling, corporate financial accounting, taxes, investor relations, information technology, finances and legal matters.

No new corporate actions resolved

Four major shareholder grant Balda's stable shareholder structure. Board of Directors may purchase private company shares until January 2010.

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

| Composition of subscribed capital

On 31 December 2008, the company's registered capital amounted to 54,156,672 euros and was dispersed in 54,156,672 individual share certificates with a proportional value of the registered capital of 1.00 euro per share. Each individual share is granted a vote at the corporate Annual General Meeting.

| Voting right restrictions or the assignment of shares

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

| Shareholdings surpassing 10 percent of the capital

On 31 December 2008, the following shareholders held direct or indirect shares in the company's registered capital that entitle them to more than 10 percent of voting rights:

- Max Gain Management Ltd., Apia, Samoa: 15.27 percent of capital and voting rights, direct ownership
- Yun Ling Chiang, Richmond, Canada: 15.27 percent of capital and voting rights, indirect ownership
- Yield Return Investments Ltd., Apia, Samoa: 15.27 percent of capital and voting rights, indirect ownership
- Norddeutsche Landesbank, Giro centre, Hannover, Germany: 14.96 percent of capital and voting rights, direct ownership

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

| Shareholders with privileges

There are no shares with privileges that grant control authority.

| Separate voting right control for employees

After notification of the Board of Directors, employees holding company shares exercise their voting rights directly.

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

Effective as of 31 December 2008, Joachim Gut resigned as Chairman of the Board of Directors of Balda AG. Chief Financial Officer Dr. Dirk Eichelberger will direct the company in the future as CEO and as sole Director.

With regards to the articles of the company, the Agenda item 4 „Reduction of the Supervisory Board and amendment of the articles” was adopted at the Annual General Meeting of Balda AG on 29 July 2008. Correspondingly, the word „six” will be replaced by the word „three” in § 10 para. 1 of the articles. In accordance with § 179 of the Stock Corporation Act the Annual General Meeting is responsible for amendments of articles.

| Board of Directors authority

| Authorized capital

With the consent of the Supervisory Board, the Board of Directors is authorized to increase the registered capital in the period up to 8 August 2012 by issuing new share certificates once or several times, to a maximum amount however of 16,923,960 euros for cash and/or investments in kind (authorized capital 2007). § 5 clause 1 of the articles of the company was correspondingly reformulated.

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

- in order to exclude peak amounts from the purchasing option,

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

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

| Conditional capital

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

The conditional capital increase serves

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

Furthermore, the Annual General Meeting of 1 June 2006 had resolved to conditionally increase the registered capital by up to 4,016,295.00 euros through the issuing of up to 4,016,295 new individual share certificates, with entitlement to dividends as of the beginning of the fiscal year for which a resolution on profit appropriation had not yet been passed at the Annual General Meeting at the time of the issuing of the shares. The conditional increase in registered capital serves the granting of shares to holders of purchasing options (share options), which will be issued by the company from 1 June 2006 until 30 June 2009 on the basis of the authorization resolution contained under the agenda item 9 of the Annual General Meeting.

| Profit-participation rights

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

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

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

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

If the profit-participation rights issued by the company are combined with conversion and option rights on company shares and the company increases the registered capital during the term of

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

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

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

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

- in order to offer the profit-participation rights that are combined with exchange or purchasing rights to individual investors for tender, in as far as the issue price does not fall significantly below the exchange price and the proportion of the shares issued in conjunction with these profit-participation rights does not surpass 10 percent of the existing registered capital. Because of the authorization that excludes the purchasing option, in direct or appropriate application of the § 186, paragraph 3, clause 4 of the Stock Corporation Act., the amount that is allocated to shares that are issued and sold must be credited against 10 percent of the registered capital.

- in order to offer the profit-participation rights to individual investors for tender, in as far as the issue price does not fall significantly below the exchange price, and in as far as the profit-participation rights are merely set obligatorily. This means that neither member rights nor conversion or option rights constitute company shares, no participation in liquidation proceeds is issued, and the amount of dividend payout is not aligned according to the amount of the annual net profits, the balance sheet profits or the dividends.

- in order to exclude peak amounts from the purchasing option:

where required, in order to issue a purchasing option to the holders of exchange and purchasing options issued by the company, to the extent that they are entitled to after exercising their conversion or option rights, or fulfillment of a possible conversion obligation, or

in as far as profit-participation rights are issued against non-cash benefits and the exclusion of the purchasing option lies in the predominant interest of the company.

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

| Authorization to purchase private shares and collection on shares thus acquired

The Board of Directors is authorized in accordance with § 71 para. 1 No. 8 of the Stock Corporation Act to purchase private shares once or several times until 28 January 2010. The time limit applies only to the purchase and not to the holding of shares. At no time can more than ten percent of the registered capital be allotted to the purchased shares in combination with other private shares in the company's ownership or those assigned to the company in accordance with §§ 71a and the following of the Stock Corporation Act. For the purpose of purchasing, trading in private shares is excluded.

If the purchase is effected on the basis of a public offering to all company shareholders, the purchase price offered or the limit values of the offered purchase price range per share (always without additional purchase costs) may not surpass or fall below the stock-exchange rate of the share in the closing auction in the Xetra-trading or, in the place of the Xetra-system, on a functionally comparable successor system (the „Xetra-closing rate), on the last trading day before the publishing

date of the public offer. In all other cases, the nominal value per share paid by the company (without additional expenses) may not surpass or run below the Xetra closing rate on the last trading day before the purchase day by more than ten percent.

The Board of Directors is authorized to repurchase the company shares without an additional Annual General Meeting resolution.

| Essential agreements in the case of a control changeover

Various agreements exist at the Balda AG level, but also for Corporate Group companies, that are subject to the conditions of a change of control following a take-over bid. A more detailed version of these agreements will not be provided as this would be considerably disadvantageous for Balda AG.

| Compensation agreements in the case of a takeover bid

No compensation agreements with members of the Board of Directors or employees exist in the case of a takeover bid.

Corporate Governance for sustainable management

The obligation to provide open, responsible corporate governance and control aimed at sustainable value creation has been an integral part of the corporate culture since Balda came into existence as an incorporated company.

At the Supervisory Board meeting of 18 December 2008 and upon finalisation of consent by written circular on 31 December 2008, the Board of Directors and Supervisory Boards renewed the compliance statement in accordance with § 161 of the German Stock Corporation Act and made the Balda website and earlier, no-longer valid compliance statements permanently accessible to shareholders and the general public.

The company is complying with the standards of the current version of the Corporate Governance Code of 6 June 2008 with the following exceptions:

- For members of the Board of Directors and Supervisory Board there is a Directors & Officers insurance without participation (code article 3.8). This refers to a group insurance for a majority of employees in Germany and abroad. A higher deductible is not standard for non-residents. The differentiation between executive bodies and employees seems in this respect to be inappropriate.
- The Board of Directors consisting of several persons (Code article 4.2.1) will continue as of 1 January 2009 as a sole Director. The Board of Directors and Supervisory Board consider the bundling of tasks and responsibilities in one person as sole Director as appropriate and advisable, considering the current company size, the efficient implementation of restructuring processes and the company's reorientation.
- The regulation on the settlement cap (Code article 4.2.3 para. 4) shall comply with the stipulation that this regulation be executed upon finalization of new Board of Directors' contracts as well as upon reappointment of Board members.
- The Annual General Meeting of 1 June 2006 resolved to abstain from the individualized specification of Board salaries for the next five years, by implementing the exemption regulation § 286 para. 5 of the German Trade Law. (Code article 4.2.4).
- There is no age limit specified for members of the Board of Directors (Code article 5.1.2) nor for members of the Supervisory Board (Code article 5.4.1). The Board of Directors and Supervisory Board consider such a general limitation as inappropriate and disadvantageous.
- The Supervisory Board shall refrain from forming specialist committees (Code 5.3.1) due to the statutory occupation of the Supervisory Board by merely three members. This applies in particular for the forming of a special audit committee as per Code article 5.3.2 and a nomination committee as per Code article 5.3.3.
- In order to create equal conditions for the Supervisory Board and Board of Directors, the declaration of individualized Supervisory Board salaries shall also be abstained from (Code article 5.4.6).

| Supervisory Board salaries

As a German public limited company (plc), Balda is subject to the German stock corporation law. Therefore, the Group has a split management and control structure consisting of a Board of Directors and three statutory members of a Supervisory Board.

Effective as of 30 November 2008, Dr. Manfred Puffer resigned from the Supervisory Board. The Bad Oeynhausen district court appointed Dr. Axel Bauer, solicitor, from Dresden as the successor to the Board with a resolution from 9 December 2008.

The tasks of the personnel committee continue to be administered by the Supervisory Board. The Audit Committee was terminated in the meeting of the Supervisory Board on 28 August 2008.

| Remuneration report

The members of the Supervisory Board received the following remuneration for the 2008 fiscal year:

- Fixed remuneration of 189 TEUR
- Variable remuneration of 0 TEUR

The fixed remuneration for the Supervisory Board also includes payment for activities on the committees. The variable remuneration is aligned with the development of the Balda share price in comparison to the SDax. The 2008 Balda share price monitored throughout the year was significantly below the SDax level of performance, experiencing a loss of more than 90 percent by the year-end. As a result, the Supervisory Board variable remuneration was inapplicable in 2008. In the year under review, no consultancy and placement mandates were issued to members of the Supervisory Board. As such, Balda did not pay any special remuneration (Code article 5.4.7).

There were no apparent conflicts of interest in the reporting period.

Against the background of manifold and personnel changes the Supervisory Board has abstained from the execution of the efficiency assessment for the year 2008 (Code article 5.6) based on a resolution made at the session on 18 December 2008.

| Board of Directors and remuneration report

The composition of the Balda AG Board of Directors changed over the course of the year under review. Chief Executive Officer Joachim Gut (CEO) resigned effective 31 December 2008. Chief Financial Officer Dr. Dirk Eichelberger will direct the company in the future as CEO and sole Director.

The 2008 remuneration of members of the Board of Directors consisted of the following (Remuneration report Code article 4.2.5): The remuneration of members of the Board of Directors comprises monetary remuneration components, consisting of fixed and variable components (Code article 4.2.3) as well as fringe benefits. The fringe benefits include the use of vehicles, the closing of a direct insurance contract and a group accident insurance contract. No further pension commitments warranted by contract were met.

Members of the Board of Directors did not receive any benefits from third parties that were agreed upon in view of their Board activities or guaranteed during the 2008 fiscal year (Code article 4.2.3). Aside from the fixed remuneration, the remuneration of members of the Board of Directors includes payments after retirement of Board members. In principle, the variable remuneration of the Board of Directors comprises components that are connected to the company's entrepreneurial and economic success (performance based remuneration), as well as components with long-term incentives. The components related to entrepreneurial success are calculated on the basis of the earnings before taxes (EBT) for the Balda Group during the 2008 financial year.

The variable remuneration components with long-term incentives refer to share options that were accorded members of the Board of Directors by the Supervisory Board on the basis of the share options programme resolved upon at the Annual General Meeting on 1 June 2006. The programme comprises a volume of up to 4.016 million options as per the resolutions of the Annual General Meeting. These may be issued to 50 percent to the Board of Directors, to 30 percent to managers of the Group companies and to 20 percent to employees of the Balda Group. The issuing of shares can occur until 30 June 2009.

The term of the options is five years from the date of issue with a lock-up period of two years. Before exercising the option, the Xetra closing rate of the Balda Share has to have climbed to at least 120 percent of the issue price during the lock-up period. Other exercising restraints can be determined individually at the time of issue. The issue price of options corresponds to the average Xetra closing rate of the Balda share on the last ten stock exchange trading days before issuing of the option.

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

| Board of Directors remuneration report

The members of the Board of Directors received the following remuneration for the 2008 fiscal year:

- Fixed remuneration and commitment after retirement of members of the Board of Directors of 2,054 TEUR (thereof, settlements: 1,000 TEUR)
- Performance-based remuneration did not apply
- Remuneration with long-term incentive of 197 TEUR

With regard to the earnings of the Board of Directors and Supervisory Board, we refer to the details in the notes on the consolidated financial statement, page 126 and in the notes on Balda AG, page 138.

| Financial accounting and annual audit

In keeping with the policies of transparency and reproducibility of the business development (Code article 7.1), Balda prepared the Consolidated Financial Statement and the Interim Report in accordance with the International Financial Reporting Standards (IFRS), and the corporation's Annual Report in accordance with the German Trade Law (HGB). Auditing of the Group's and the public limited company's annual financial statement was assigned in accordance with the resolution of the Annual General Meeting of 29 July 2008 to the independent PricewaterhouseCoopers Wirtschaftsprüfungsgesellschaft AG (Code article 7.2.1). Ongoing coordination between the Supervisory Board and the auditors during the Annual Report work took place in keeping with Code recommendations (Code article 7.2.1 and 7.2.3).

Bad Oeynhausen, 10 March 2009

Balda AG

Supervisory Board

Board of Directors

Balda realigns the Group

Board of Directors and small team with registered office in Singapore are close to production locations and customers. Group structure focused on Asia. Revamped strategy aims at diversification.

The 2008 financial year was a period of decisive change for the organization, management, structure and orientation of the Balda Group.

| Long-term planning

The Balda Group anticipates at present great instability for the years 2009 to 2012. With these reservations, Balda is aiming for an average annual growth rate of 10 percent as well as an EBIT margin of approximately 10 percent. The Group wants to grow organically.

| New corporate structure

The Group has acted on the ramifications of the tense financial situation of the 2008 financial year and restructured the company. Securing the company's holdings and making strategic use of growth opportunities in the future took priority with the Group's reorientation.

Corporate structure and size became more concentrated. The America region with the plants in Sao Paulo and Manaus were counted among the discontinued operations in the 2008 annual financial statement.

After thorough analysis, the sale of shares in touch screen producer TPK was considered a correct and important measure, due to the company's urgent liquidity requirement. Balda continues to hold a valuable asset with its participation financing in TPK. Even with its withdrawal from the joint venture position and entrepreneurial role at TPK, the core of the company's identity has remained constant. Balda is a high-tech corporation.

The Board of Directors and Supervisory Board have systematically adapted the Group's managerial and organizational structure to the changes that occurred in the third quarter of 2008.

| Management moves to Singapore

The Board of Directors is being reduced to the sole Director, Dirk Eichelberger. This measure accommodates the Group's marginal sales volume after the deconsolidation of TPK and the withdrawal of capacities in the America region. The sole Director is responsible for the overall planning and realization of the medium to long-term corporate objectives until 2012. The sustainable recovery of the shareholder value by means of profitable growth takes priority. The objective is the rapid achievement of positive results before taxes (EBT).

Balda will execute the central (holding) functions in the future out of both Bad Oeynhausen and Singapore. The company will establish a small management and controlling team at the registered office of Balda Investments Singapore (BIS). It will function as an interface between the holding and the Group's production locations with the focal tasks of technology and innovations management, as well as production and operations controlling. Financing, legal affairs, investor relations, information technology and administrative tasks will remain in Bad Oeynhausen. Furthermore, the competencies and responsibilities in the regions and at the production locations in China, Malaysia and India remain unchanged. Aside from the Singapore team, the management in Asia will be drawn from the first management level in the respective country companies.

| Company management systems

The company's medium-range and annual planning as well as that of the individual Balda production locations in the regions have set the target data for the controlling and management of the Group, with consideration taken of the current market development and the intensity of competition.

The management indicators of the operative organizational units of the company's plants are

- the development of the sales volume and
- the EBIT margin.

Depending on the project status, key data from the start-up of projects and any deficient product, including material costs, are entered separately into the controlling.

The reports generated monthly at the production locations are a regular component of the controlling. The evaluated results and constant discussion between the Holding and the management of the regions are the basis for jointly-decided management measures to be implemented as expediently as possible.

| Technical know-how – Balda's core identity

The technology employed in the Infocom core operations meets the highest demands of global market customers. The core competencies in the manufacturing of plastic components are on par with state-of-the-art technology.

The operations producing electronic products are based on the core competencies of Bluetooth technology and acoustic design. The expertise needed for the development and production of hardware with Bluetooth wireless connection technology has been growing in the Balda Group since 2002. Furthermore, Bluetooth is a technology of the future. The know-how for acoustic design originates from the development and production of headsets for mobile phones and hands-free sets for automo-

biles. Innovative, market-ready electronic products have opened a new platform for growth. Balda wants to rapidly pass on the competencies established at Balda Solutions Malaysia to other Group companies in China and India and expand the product portfolio.

| Strategy for Infocom operations

The strategy for 2009 and for the following years in the core Infocom operations is aimed at growth by solidifying current customer loyalty and gaining new customers with strategic expansion of the leading technology portfolios. The established area is first and foremost the Asian market of manufacturers as well as the suppliers of mobile telephones and other mobile communication end devices. As a niche supplier, Balda is concentrating on contracts for the manufacture of high quality, more technically sophisticated component groups with a volume below mass production.

This area of operations will further expand its sales activities. The main competitive advantages

- above-average, reliable technology portfolio and
- rapid realization speed of new solutions will be further developed and strategically communicated to market and target customers.

Every Infocom employee knows: Balda follows through on what it promises. All employees know the needs of the individual customers and the respective projects. Customer satisfaction is a fundamental Balda principle.

A particular strength of this operational sector also in the future will be the use of the synergies among the Group companies. The quality of cooperation with customers also plays an important role, especially in the development of innovations.

Electronic products as a strategic platform

The strategy for electronic products as a new platform in the Balda Group encompasses both established markets and customers, as well as diversification with one or more innovative products into new markets and for new customers.

The Bluetooth products for the mobile telecommunications market such as headsets, portable loudspeakers or hands-free sets for vehicles are the new items available on this platform. In addition,

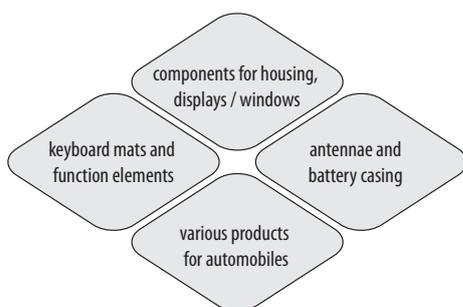
there are newly developed products available for related markets, such as the supplier market or aftermarket for automobiles.

Because of differing market and competitive situations and the differing distribution channels, each electronic product requires a unique strategy. Balda has completed the strategic planning for the test markets of the electronic products platform for 2009.

Concentration on core operations – Diversification with electronic products

The Balda Group manufactures precision components from high-quality plastics for mobile telephones as well as electronic components and products for various markets.

The Infocom operations are the company's core business area. It manufactures components and complete modules from plastics, in particular for mobile phones, mobile fixed-line telephone networks, base stations and Personal Digital Assistants (PDAs). Balda is known as a niche player for high quality, innovative mobile phone systems in flexible production runs.



The product and service portfolio in the Infocom operations includes all plastic components for

mobile phones. This comprises: All components for housing, displays / windows, keyboard mats, function elements, antennae and battery casing for mobile telephones as well as various products for automobiles.

Wide spectrum of services

Upon request, Balda assembles components into complete systems and integrates add-on electronic components, including loudspeakers, microphones or keyboard printed circuit boards. The Group supplies plastic parts with all potentially-required surfaces. The choice ranges from colourfully lacquered parts to components with metallic coatings, three-dimensional decorated parts or leather injected surfaces. Balda has all surface engineering technologies at its disposal. The company has taken a leading global position in this sector.

| Development of high-tech products

A new Balda Group platform comprises the portfolio of electronic components and mobile phone peripheral hardware such as MP3 players and electronic products for selected markets. Development and production have been established at Balda Solutions Malaysia (BSM) in Ipoh. Know-how is transferred to other Balda locations from this location. In addition to its shareholding in the touch screen manufacturer TPK, Balda wants to focus its investment on further expansion of its competencies in the development of electronic products. BSM has gained considerable know-how in acoustic products and in the data communication standard, Bluetooth.

| Bluetooth technology

Initially, acoustic products such as headsets and hands-free sets were at the center of Ipoh production. Purchasers were predominantly the typical Balda market customers from the mobile communications industry. Alongside of the expanded core area of competence in Bluetooth transmission technology, Balda has developed further innovative products to market readiness. By the end of the 2008 financial year, hand-held loudspeakers were also available in the product portfolio.

The expertise in Bluetooth will develop new growth potential in new markets for the Group. The performance of this interconnection technology is increasing dramatically. It is the most used interconnection standard between mobile phones and their peripheral equipment, such as headsets and earphones. Computers also use this transmission technology. They are connected via Bluetooth with printers, PDA's and mobile phones, as well as with keyboards, mice and loudspeakers. The development of this technology is continuing at a rapid pace. Bluetooth is achieving ever higher rates of data transmission. The reception and transmission range also continues to expand.

| Headsets and car kits

For a number of years the Ipoh location has been manufacturing headsets (headphones and earphones) for mobile phones and car kits (hands-free equipment for cars). BSM offers both systems with Bluetooth interconnection technology.

| Portable audio Systems / hand-held loudspeakers

The Balda Group only develops and produces new products, such as hand-held speakers, in close cooperation with and for customers. A distribution center for sales or customers is not planned. Central competencies from Bluetooth technology and the corresponding expertise with acoustic products paved the way for BSM and its development of hand-held loudspeakers. They are now part of the Ipoh product portfolio. The easy-to-handle boxes can play music wirelessly from mobile phones and MP3-players over Bluetooth. The mobile phone functions simultaneously as a transmitter of music data and remote control. MP3-players can interact with the hand-held loudspeakers either via a Bluetooth adapter or with a classic cable connection. The demand for portable loud speakers has been steadily increasing for years.

| Tyre Pressure Monitoring System (TPMS)

The Tyre Pressure Monitoring System (TPMS) from Balda monitors and indicates the condition of tires. The innovative system measures both tire pressure and tire temperature in real time. The easily installed sensors are fitted onto the tire valve. The apparatus transfers the data wirelessly (high frequency / radio frequency) to a small receiver. This receiver with LCD display is mounted in the cockpit of the vehicle. Not only is the Tyre Pressure Monitoring System an additional factor contributing to driving safety; the correct tire pressure helps to save on gas. Balda can expect above-average growth with the TPMS retrofit package.

Volume of production enlarged in 2008

State-of-the-art production technology and strategic quality management strengthen the Group's competitiveness. Manufacturing facilities for new products 2009 are ready.

After the reduction in shares in the joint venture TPK with touch screen technology, the Balda Group is concentrating on its core operations, Infocom. The mobile phone shell operations with the manufacture of plastic components for the mobile telecommunications industry and other similar markets were of central importance for the company in 2008. The Group had already begun the production and sale of electronic accessory products years ago. An interesting platform has since developed from this. Early successes such as with Bluetooth headsets, wireless loudspeakers and tire pressure devices in Malaysia indicate a promising upturn in business activity there as well as in China and India. The production facilities of Balda Medical and the America region in Manaus and Sao Paulo were counted among the discontinued operations at the end of the 2008 financial year.

The Balda Group produces in the direct vicinity of their customers in the fastest growing markets worldwide. The production locations of the continued activities in the Infocom operations are active in China, Malaysia and India. In China, plants have been established in the cities of Suzhou, Beijing and Xiamen. The production facility in Ipoh, Malaysia also belongs to the Balda Group's Asia region. The India region's manufacturing facility is situated in the south of the subcontinent in Chennai.

The Infocom operations have more than 250 injection moulding machines of high-tech standard at their disposal at the five production facilities, for the manufacture of plastic components and systems. Moreover, the subsidiary in Xiamen produces a decorative finish that is firmly bonded to the material by means of an in-mould process, for protection against external influences. The Group's

production locations are independent on the one hand. On the other, they take strategic advantage of synergy potential through intensive exchange of technology and close cooperation with projects in the production network.

The Infocom operations are involved with a large number of development tasks:

- Project management for new customer products
- Optimization of tool manufacturing
- Establishment and construction of production facilities
- Continual improvement of manufacturing processes



Infocom operations

The Infocom operations develop, manufacture, assemble and sell components and integrated devices from plastic for the mobile telecommunications sector and for manufacturers of similar markets.

- New manufacturing technologies
- Quality planning

| Development of customer products

Balda gets involved at the very early stages of the design and development of innovations (early supplier involvement), such as new mobile phone models. The Group's project engineers undertake a thorough feasibility study on product data assembled by customers in a performance specifications document. The suitability of material and the geometry of the forms are critically scrutinized, as are the decor elements of the design and specifications for surface finishing. The processability of tool manufacture also plays a central role, from the injection mould process and surface technology to product assembly. Balda continued to improve, accelerate and uniformly expand this process to all production locations in 2008.

| Faster, more cost-efficient tool manufacturing

The high precision of a tool is decisive for the stability of the production process and product quality. As a result of its work-sharing organization of Global Tooling, the Group has achieved a visible reduction in the time required for the manufacture of tools. The Corporate Group has the external block and the form defining inner part manufactured by different Group-internal or external specialists. This process opens margins for time and costs. In 1998, ten years ago, manufacturing a tool to the point of being ready for operation in mass production of a mobile phone took approximately twelve weeks. In 2008, Balda was able to complete this process in approximately three weeks in the best-case scenario.

| Shorter cycles of manufacturing processes

Cycle times for injection moulding and station times at assembly are decisive factors in the manufacture of mobile phones. The cycle time depends both on the standard of technology of the plants and on the stability of the processes and the reliability and speed of removal and handling. Balda was able to

noticeably shorten the cycle times for various products in 2008 as well. The optimized machines and the improved automation of removal and handling were decisive.

| Innovations in production

All production facilities of the Balda Group have an above average degree of flexibility in the manufacturing. The lifecycles of products in the mobile phone markets and for other mobile end devices such as electronic products are continually shortening. Fast growing trends and seasonal fluctuations are part of the business. Balda confronts this change and the greatly diverging demand firstly with the principle of the „living factory“ with flexible work hours, temporary workers and a high degree of exact production planning. A precondition for this is close cooperation with customers and anticipation of the market development. In spite of all efforts in the planning and analysis, a continuously full capacity utilization is difficult.

The Balda business portfolio covers the entire value-added chain in the manufacture of plastic. The range encompasses the development of new products and product technologies, the manufacture of tools and manufacturing facilities to injection moulding, the most up-to-date surface technology and the assembly of devices. Strategic targets of manufacturing technology are smooth production start-ups and flow, high degrees of flexibility and stability, and consistent product quality.

In 2008, Sony Ericsson again granted Balda the Best Supplier award (Supplier Award 2007, Best Supplier – Mechanics). Balda's clients include, among others, Alcatel, Foxconn, Nokia, Option, Sagem, Salcomp, Samsung, SiemensVDO, Thomson and TRW.

Balda successfully developed the GIM method during the year under review, the combining of glass and plastic in an injection mould process. The Group is also working on the optimization of

the process of back-injection moulding of leather and other textiles. The company was able to document another area of progress in the moulding of an even thinner casing wall. The NCVM method was ready for mass production by the third quarter. This process allows for a non-conductive metal coating of plastic. Balda Solutions Suzhou minimized the cycle times for smaller components by a further 35 percent with more efficient robots in the injection moulding machines. The Beijing production location was able to reduce the cycle time by approximately 50 percent.

India

The production plant in Chennai, India successfully completed its first series production contracts in the 2008 financial year. Leading market manufacturers audited the quality management system. In order to achieve a more efficient use of manufacturing capacities, the Malaysian plant in Ipoh and the Indian manufacturing facility jointly defined contracts during the 2008 financial year. The production in Chennai should gain momentum over the course of 2009.

Electronic products platform

The development and manufacturing of Balda Group electronic products take place in Ipoh, Malaysia at Balda Solutions Malaysia (BSM). The modular production system practiced there has highly flexible manufacturing processes. The production location has the complete value-added chain for the processing of plastic on hand. Furthermore, the company has production facilities for the manufacture of electronic products with the core competencies of Bluetooth connection technology and acoustic products such as headsets for mobile phones and hands-free sets for vehicles. By the end of the 2008 financial year, Balda had built up a production for the manufacture of a tire pressure measuring device. The production facilities for these products were

newly built or renovated by the engineers in Malaysia. They will be ready for the 2009 volume production this year (see „Products and services“).

Quality management

All production locations of the Balda Group are certified in accordance with DIN standard ISO 9000. Aside from this quality standard, the Group subjects itself regularly to the strict audits of its clients. As a rule, clients award contracts only after Balda has met or surpassed all special quality management requirements. Balda has developed an all-encompassing quality management system on the basis of the DIN standard ISO and the demanding standards of its clients. The detailed documentation of all operational processes and personal responsibilities in the manufacturing stages is the basis of the continual production improvement process practiced in the company. The guidelines for the qualification of employee groups are derived from the quality management system. Beyond safeguarding the current production line and current products, Balda systematically follows the technological optimization of production at all locations.

Production area dimensions

China region:

Suzhou (both facilities)	25,914 qm
Beijing	17,616 qm
Ipoh	30,315 qm

India region:

Chennai	7,069 qm
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Systematic organization ensures the same high standards for production at each location throughout the Group. Regular scientific and technology exchange leads to an equally high level of production.

| Purchasing

Purchasing greenware, simple and electronic components, and high quality technical equipment at favourable terms is equally a matter of strategy as is supplying the correct quantity at the right time and to the right location. Responsibility for purchasing lies with the regional directors of the Balda Group. The objective is to have a close and long-

term cooperative relationship with the suppliers. The important suppliers regularly audit Balda on the basis of a system with strict criteria. The production locations bring important suppliers on board early in the process for the development of new products and equipment. The Controlling of purchasing involves continually checking the reliability of supply, the quality of the delivered goods and the prices in comparison to other relevant providers.

Innovations for cost efficiency in process and new products

Balda expands market position in technology. Group develops attractive new manufacturing technologies and promising products for new markets.

Technology is a central element of Balda's company strategy. Innovations in the manufacturing process and products are strengthening Balda's competitive position, securing customer relations and creating new growth potential in both established and new markets.

Development activities in the continued operations were focused exclusively on application solutions in the year under review. Approximately 200 engineers are employed in development tasks in the Balda Group. The company's developmental focus is in the Asia region and at the locations in China and Malaysia. The Group generated a number of marketable innovations ready for production in 2008.

| Optimized production technologies

In 2008, Balda Solutions Suzhou achieved notable improvements in the manufacturing process of large batches.

An important improvement is the implementation of the vertical moulding machine technology. During the second quarter of the year under review engineers successfully established seven injection moulding machines with vertical clamping units into the production process. The special ability of this type of machine lies in the manufacture of composite materials, such as glue and metal. The demand for products made of composite materials is increasing with each new generation of devices. With the introduction of this technology, Balda is offering customers direct, automated assembly of

plastic components onto parts made of other materials and an important contribution towards the rationalization of industrial manufacturing.

With the establishment of a higher speed of robotic capacity for injection moulding, engineers in Suzhou were able to reduce the cycle time of large components by up to 22 percent and of smaller parts by up to 35 percent in the third quarter of 2008.

Balda Solutions Beijing implemented the „nuts insert moulding” procedure in large volume production in the third quarter of 2008. This technology can place a closed insert nut in the injection moulding. It serves the later process of fusing two components. Engineers were thus able to reduce the cycle time by half.

The location in Suzhou was able to significantly improve the ability to apply metal insert moulding in four projects and for a total of twelve parts. The cycle time was reduced by up to 56 percent.

| Innovative technologies

Balda Advanced Technology in Suzhou successfully implemented a new technology in mass production surface technology in the third quarter of the year under review. After a developmental phase of several months, the non-conductive metallic coating of plastic components using the innovative NCVM procedure was successfully introduced. The result is a high quality product at considerable cost savings and with greatly reduced harm to the environment.

The injection moulding of a composite material of plastic and glass in a single process was taken up again by Balda Solutions Suzhou in the reporting

year due to market demand, after a first start up in Germany in 2007. After introducing the first successful products to customers at the end of 2008, the engineers are continuing the work.

In close collaboration with the customer Sony Ericsson, Balda Suzhou examined the characteristics of plastic in combination with the metal tin. The results of test runs and the first prototype are very promising.

Back injection moulding of leather and textiles is being further developed in a joint project with the Balda locations of Suzhou, Xiamen and Ipoh, Malaysia. Balda Xiamen had successfully manufactured the first prototype by the end of 2008. This project is also on the agenda for 2009.

| Electronic products platform

The development of the electronic products platform is also established at Balda Solutions Malaysia in Ipoh, as is the production. The core competencies in the development by Balda Solutions Malaysia are found in Bluetooth transmission technology and in the whole spectrum of acoustic technology. The company has the whole range of professional laboratories and testing facilities at its disposal. The engineers in Ipoh successfully developed several electronic products to market readiness in 2008 (see chapter „Products and Services”). The production facilities for these products were modernized or rebuilt by engineers in Malaysia. They are now ready for the 2009 volume production.

The Balda Group is looking back at 2008 as a successful business year in technology, research and development.

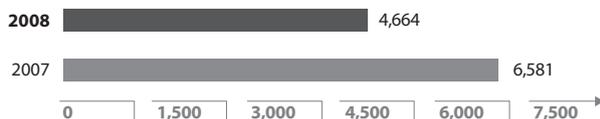
Personnel numbers considerably reduced

The sale of the shareholdings in TPK drastically reduced number of employees. At the European locations there has not been any operative business.

The quality management system practiced at all company locations and the resulting demand for continuous process improvement shape the requirements of the Balda Group personnel department. Employee qualifications, competencies and professional skills profit from this system. The continuous further qualification of each employee is the overriding objective. Education and training requirements are guided by the needs of operational procedures and the quality of the products defined precisely in detail. Temporary workers are also diligently trained for their jobs in special courses.

Group employees of continued operations

employees



Group

The number of employees in the Group has been drastically reduced compared to the previous year. On 31 December 2008 there were 4,664 employees in the Group's continued operations (previous year: 6,581 employees), including loan workers, temporary workers and apprentices. This is a reduction of 1,917 employees or 29.1 percent. The cause of the reduced personnel numbers was the sale of 12 percent of the shareholdings in TPK at the end of the third quarter. Without this special effect, there would have been a considerable increase in the Group employee numbers recorded, due to the successive expansion of capacity over the course of the reporting period. The Balda Group employ-

ed 2,567 salaried and industrial workers as well as 2,097 loan workers at the key reporting date. As an annual average, there were 8,426 employees working for the Balda Group in the year under review (previous year: 7,286 employees).

Europe

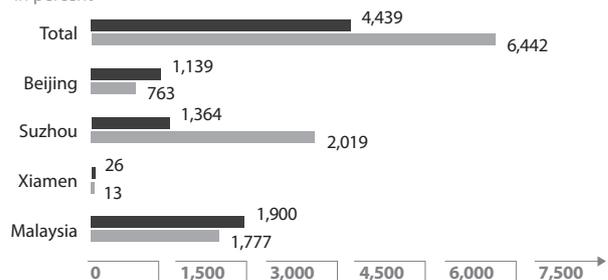
Since the sale of the European Infocom companies and the reclassification of the medical technology branch of Balda to the discontinued operations in the first half-year, there has not been any operative business at the European locations. The information shown under „Europe” refers to the employees of the Balda AG. On 31 December 2008, their number amounted to 25 employees.

Asia

At the financial statement date, the Asia region consisted of the Chinese locations in Beijing, Suzhou and Xiamen, Balda Solutions Malaysia, the holding Balda Investments Singapore and the development office Balda Solutions USA. As the resident engineer, the American company implements design and product development, primarily for the Asia region.

Employees at the locations in Asia – 2008 | 2007

in percent



The number of Balda Group employees in Asia amounted to 4,439 at the end of the reporting period (previous year: 6,442 employees). In Beijing, Balda employed 1,139 at year-end (previous year: 763 employees). Employees numbered 1,364 in Suzhou (previous year: 2,019). In Xiamen there were 26 employees (previous year: 13 employees). The production location in Malaysia recorded 1,900 employees at year-end. (previous year: 1,777 employees). Balda employed 3,697 employees quota consolidated at the joint venture TPK in Xiamen at the end of the third quarter of the year under review. The drop of 2,014 employees or 31.2 percent in the Asia region at 31 December 2008 resulted from the sale of shares in TPK. As an annual average, there were 7,834 employees working for Balda in Asia in the year under review (previous year: 6,771 Employees).

India

The number of employees in 2008 at the subsidiary Balda Motherson Solution in the India region increased by 104 employees or 52.0 percent. There were 200 employed at the plant in Chennai at the

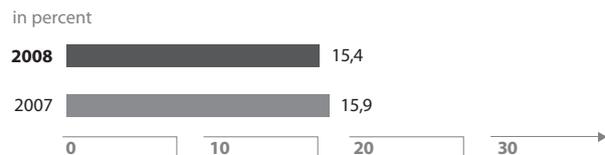
financial year-end (previous year: 96 employees). The 2008 annual average amounted to 253 employees (previous year: 115 employees).

The Balda plants in Manaus and Sao Paulo, Brazil were counted among the discontinued operations at 31 December 2008.

Personnel expenses

The personnel expenditure rate in 2008 amounted to 15.4 percent in the continued operations (previous year: 15.9 percent).

Personnel expenditure rate in the continued operations



The Balda AG Board of Directors would like to thank all employees for their excellent performance and commitment during the 2008 financial year.

Consistent environmental management

The principles of Balda environmental policies are cornerstones of the corporate strategy with a view to sustainable management at the production locations of the continued operations in China, Malaysia and India.

Management considers efficient environmental management to be an important contribution towards the protection of both the environment and employees, as well as towards cost management. Protection of the environment is growing in importance within customer relations as well. Customers are increasingly incorporating the system partner Balda into their environmental management. The requirements

frequently exceed the laws in force. Customers awarded Balda the „Green Partner” distinction after undergoing a strict audit.

Environmental policy with priorities

The Group naturally complies with laws and requirements in effect in each production location in the respective country. Further to that, the Group

has set clear priorities. Among these is the efficient handling of energy and raw materials. Similarly, the avoidance, reuse, reduction and cost-effective disposal of waste material have priority. The lowest possible emissions and ambient pollution are also an important objective. Particular attention is paid to careful storage and handling of dangerous materials, avoiding risks. The environmental management system of the Balda Group with exception of the Indian company is certified in accordance with ISO 14001 requirements.

| Well-defined responsibilities

Responsibility for environmental policy and the compliance of programmes and measures to be implemented is in the hands of the managers at the production locations. They report directly to the regional CEO. Managers are personally responsible for the control and fulfilment of preset environmental objectives. They are required to test whether and to what extent the environmental measures practiced are meeting objectives and whether they are cost effective. The employee assigned on location to implement the environmental management system documents all measures and their effects. The results provide the basis for further optimization of programmes and measures. In addition, this employee is responsible for the education and training of employees. During the past financial year, Group employees familiarized themselves with the requirements of environmental protection in their areas of operation through training sessions and „learning by doing”.

| Focal points of the environmental programme

The production process of plastic injection moulding inevitably produces waste. Plastics have become considerably more expensive in the year under review, parallel to the oil price. Depending on the substance, Balda consistently sends this recyclable waste to recycling. The company disposes of non-reusable plastics without further environmental impact through thermal recycling. The company acquires additional energy through this

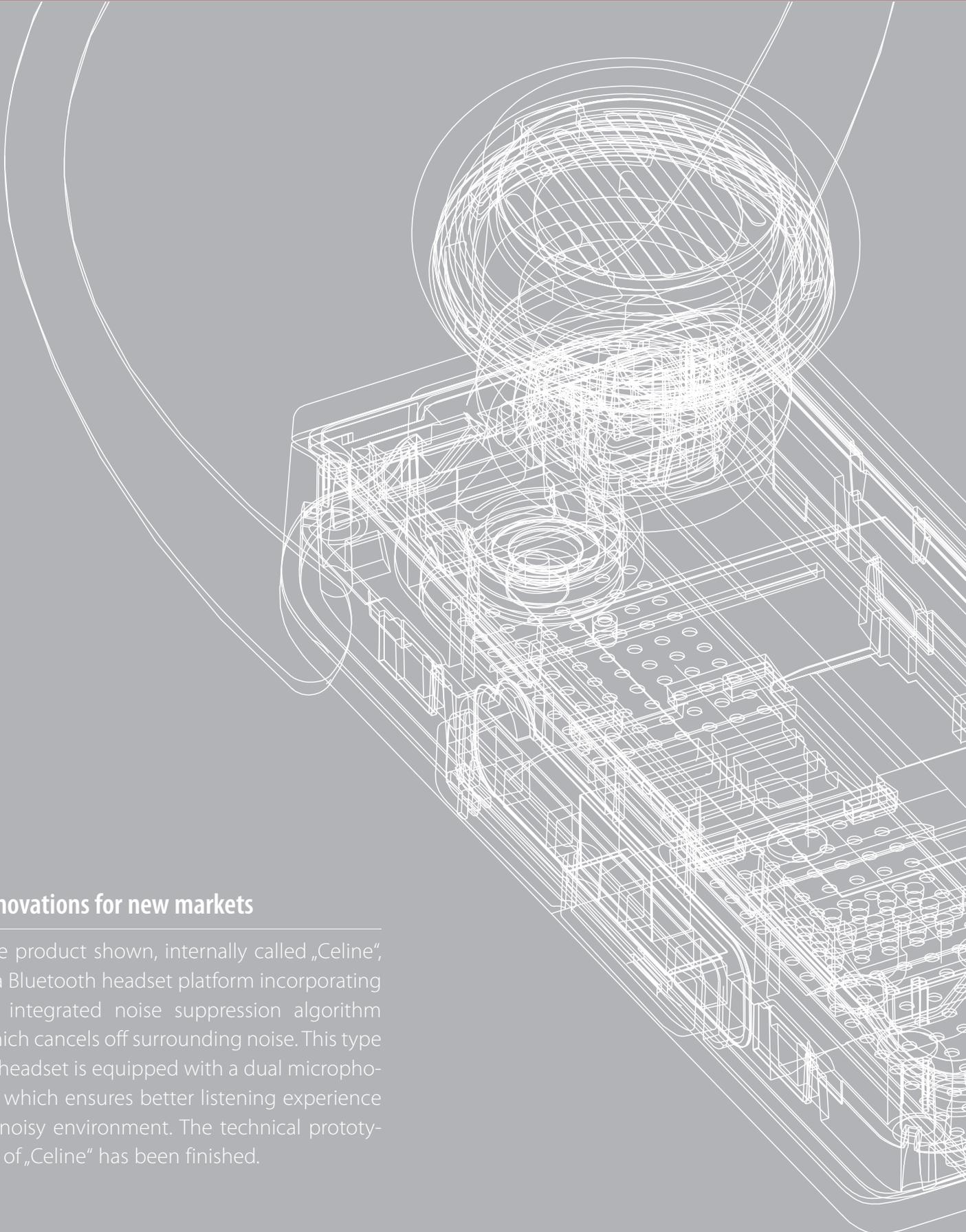
process. The Group handles water in an equally environmentally friendly manner.

All production locations have been instructed to pursue energy reduction through the Group's environmental programme. The optimization of energy consumption serves to protect the environment as well as promote cost efficiency. During the reporting year, Group production locations identified further possibilities for improvement, and reduced their energy consumption.

The production locations equipped with enamelling facilities in Suzhou, Beijing and Ipoh in Malaysia are working where possible with water-based enamels. They ensure separate, safe storage facilities for the easily inflammable materials. The continuous monitoring of the filter equipment ensures odour and pollutant-free emissions. The employees responsible wear protective clothing.

| Exceptional situation Malaysia

As the developer and manufacturer of electronic components and products, the production location in Ipoh, Malaysia is exceptional compared to other Balda group plants, also with respect to environmental requirements. Since the 2007 reporting year, the company has met the stricter European environmental guidelines (EC-Guideline 2002 / 95 / EC) in accordance with RoHS (Restriction of the use of certain hazardous substances in electrical and electronic equipment). Thus, the company is complying with the most demanding environmental standards in the world for production, product design and for the products themselves.



Innovations for new markets

The product shown, internally called „Celine“, is a Bluetooth headset platform incorporating an integrated noise suppression algorithm which cancels off surrounding noise. This type of headset is equipped with a dual microphone which ensures better listening experience in noisy environment. The technical prototype of „Celine“ has been finished.

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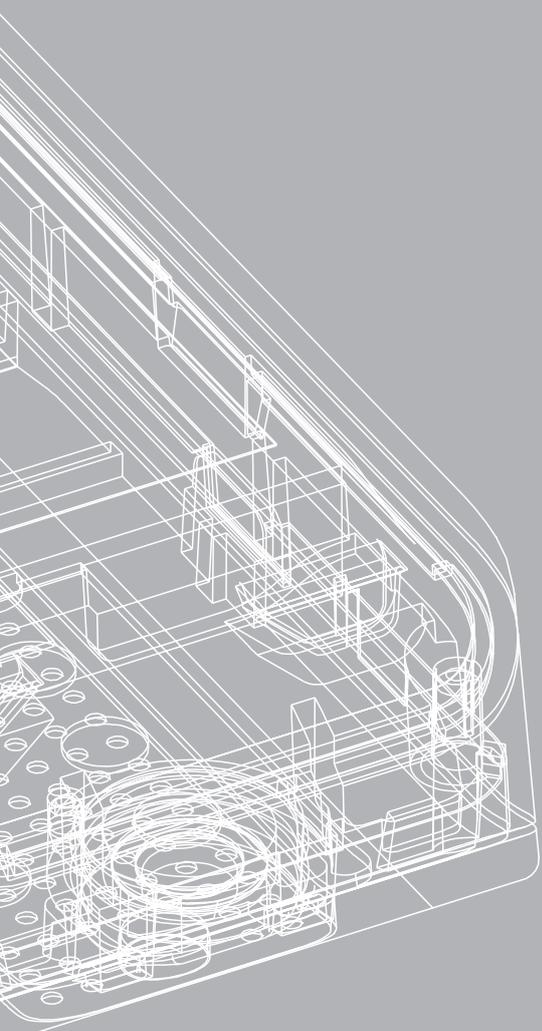
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Balda Share experiences price fluctuations and significant deduction in 2008

Stockmarkets globally under pressure. Financial and automotive stocks decrease in value in particular. Uncertainties about the restructuring of the European companies and financing negotiations have negative impact on Balda share price.

Over the course of 2008, the US real estate crisis deteriorated, leading to a global financial market crisis and culminating in an almost worldwide recession of the real economy. After the bankruptcies of several banks, especially in the USA, the interbank transactions came to a standstill, the consequence of a profound lack of trust among the credit institutes. Governments worldwide are offering up extensive bailout packages for the banks. Corporate financing, with its currently restrictive loan granting, is putting an increasing strain on economic development and business activity. The US and EU Federal Reserve Banks have dropped key interest rates to record levels.

The 2008 stock-exchange year was characterized by extreme rate fluctuations and massive reductions in share markets. Financing and automobile shares lost significantly in value. Share indexes have suffered stock-market losses worldwide since the beginning of the reporting period. The

MSCI World Index ended the year 2008 with a loss of approximately 43 percent. The Dow Jones index fell by around 36 percent. The EuroStoxx 50 index lost over 44 percent over the course of the year. Analysts and fund managers are forecasting a slight recovery of rates on the American share markets for 2009.

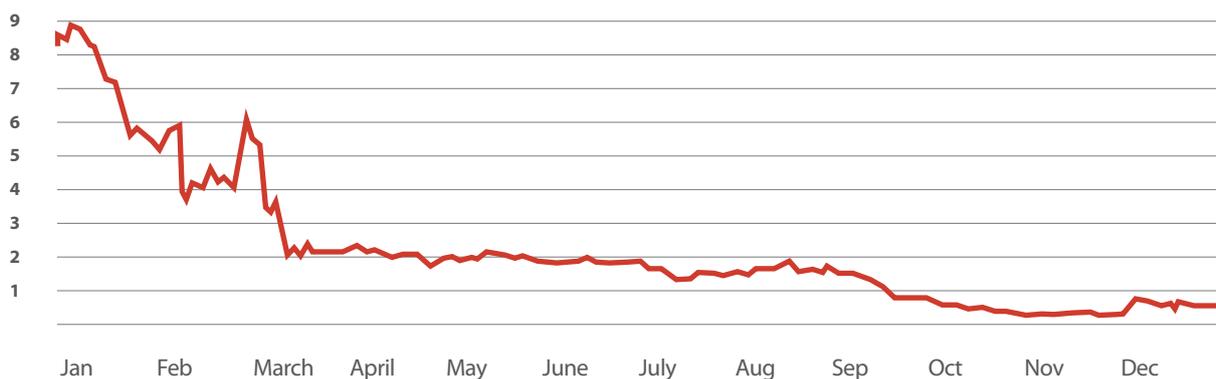
Balda removed from SDax

The German leading index Dax dropped by 40.4 percent after the boom years of 2005 (plus 28 percent), 2006 (plus 21 percent) and 2007 (plus 20 percent). For the German second-line stock indexes MDax, TecDax and SDax, 2008 was the weakest year since they came into existence. The indexes each suffered considerably more than 40 percent in losses, thus ending a winning streak of five years.

Up until 4 June 2008, the Balda share was listed in the SDax. Due to the recent marginal market capitalisation of the share, the working group for stock market indexes of the German stock exchange recom-

Development of share January – December 2008

in euro



mended removing the Balda share certificates from the index. The Board of Directors of the German stock exchange followed this advice. Balda AG remains listed in the Prime Standard. It will continue to meet the high standards of international transparency.

| Development of share January – December 2008

The Balda share has come under pressure during the past fiscal year. The paper lost 94.6 percent in value. The Balda share opened the year 2008 on 2 January at a rate of 9.42 euros on the Frankfurt stock exchange. The 52-week high amounted to 9.80 euros on 7 January. The paper dropped successively in value over the course of the year. The lowest point for the Balda share was on 20 November at 0.21 euros. On 30 December, the share was taken off the market with a closing rate of 0.51 euros in Frankfurt.

Over the course of the year the Balda papers recorded enormous share price fluctuations alongside of the downward trend. At the time of the unsuccessful sale of the European Infocom activities at the beginning of February, several media outlets were spreading rumours about wages not being paid and the purported danger of bankruptcy for Balda. The rate sank substantially as a consequence from 6.44 to 4.67 euros. After publically disclaiming the rumours, the rate for Balda securities climbed again to 6.68 euros at the end of February.

| Downward trend reflects crisis mood

Uncertainty about the restructuring of the European companies and an alleged financing crisis of the Balda Group caused the share rate to plummet at the beginning of March to 2.20 euros. The security rate did not recover again, even after the repurchasing of the subsidiaries and the successful sale of the European Infocom activities. At the beginning of March the continuous downward trend took hold, reflective of the crisis mood.

During the second half of the year, discussions with the banks on the reorganization of the financing

structure of the Balda Group put further pressure on the rate. After the agreement with the banks on loans granted to the end of 2009 was finalized at the end of November of the year under review, the Balda share recovered slightly to 0.76 euros.

The average trading volume of the Balda share (Xetra and Frankfurt) in 2008 on the 254 trading days (previous year: 252 trading days) amounted to 462,874 shares per day (previous year: 539,181 shares per day). The annual volume amounted to 117,569,875 shares, after 135,873,493 in the previous year. The daily average in euros was 1,556,433 (previous year: 4.861.545). In total, the Balda paper recorded a trading volume during the 2008 fiscal year of 395,333,980 euros (previous year: 1,225,109,270 euros).

The five biggest shareholders of Balda AG at the end of the 2008 financial year were: Michael Chiang family, Nord/LB, Sapinda International Ltd., Dr. Georg Kofler and Dr. Thomas van Aubel. Further information on the shareholdings structure and current status can be found on the Balda AG website.

| Shareholdings structure (18 February 2009)

Shareholder	rates	announced at
Single shareholders (around)	51.82%	
Family Chiang	29.99%	18.02.2009
Sapinda International Ltd.	8.44%	17.09.2007
Dr. Georg Kofler	5.50%	19.12.2007
Dr. Thomas van Aubel	4.24%	03.12.2008
Management and Supervisory Board of Balda AG	0.01%	

At the Annual General Meeting on 3 July 2009, the Board of Directors and Supervisory Board will recommend abstaining from a dividend distribution, as in the previous year, in light of the loss situation.

| Investor relations

The 2008 fiscal year was characterized by extraordinary challenges in investor relations, such as the

many confidential negotiations. Balda has made every effort to abide by the maxim of continuous and prompt communication with financial analysts, institutional investors, private shareholders, and economic journalists. Upon publication of the 2007 annual financial statement, the quarterly and semi-annual results and the sale of shareholdings in TPK,

the company provided detailed information on the business situation in each case in a telephone conference. The annual balance sheet press conference took place on 22 April 2008. The interest of international investors in Balda AG is apparent in the numerous individual and group discussions held by the Board of Directors in international financial centres.

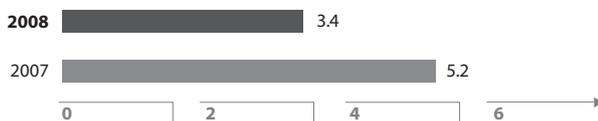
Global economy slides into recession

Economic performance in Germany, Europe and USA falls dramatically. Asian sales markets are losing its momentum.

Global economic development weakened during the year 2008. Growth amounted to only 3.4 percent (previous year: 5.2 percent). The global economy slid into a recession over the course of the third quarter. The biggest financial crisis since 1929 has entirely ensnared the real economy. Lack of transparency and the spinoff from the subprime and bank crises have led to a global downturn in economic activity.

Global economy

in percent



Euro zone

Economic performance in the euro zone recorded 2007 a plus of 2.6 percent. In 2008 it reached only a slight rise of 0.8 percent. For the first time, the currency zone had slipped into a recession. Industrial production dropped at a record rate of 7.7 percent in November to the 2008 year-end. Thus,

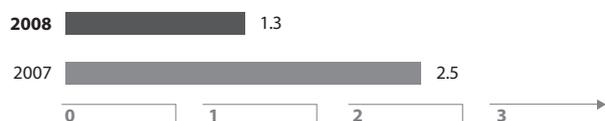
the biggest minus was recorded since the beginning of the data series in 1990. The exports of the member countries recorded a deficit of 5.8 billion euros, in part due to the strong euro in December of the reporting year (December 2007: plus 2.3 billion euros). The inflation rate in the euro zone sank to 1.6 percent (previous year: 3.1 percent). The falling prices for crude oil and petroleum products were primarily responsible for the softening price increases. The unemployment rate amounted to 7.5 percent in the reporting period (previous year: 7.4 percent).

Germany showing the first signs of a recession

The German gross domestic product (GDP) dropped by almost half in 2008 as a result of the financial crisis, to 1.3 percent (previous year: 2.5 percent). The overall economic growth was carried solely by domestic demand, in particular investments.

Gross domestic product of Germany

in percent



These were 4.1 percent higher than the previous year and contributed 0.8 percent points to the GDP. Exports were not able to keep up with the rate increases of the previous year. Exports recorded growth of only 3.9 percent, a significantly lower increase compared to 2007 with 7.5 percent. Developments in the employment market were positive with 3.1 million job seekers and an unemployment rate of 7.4 percent. However, the increase in unemployment of approximately 114,000 in December 2008 was an initial indication of the recession.

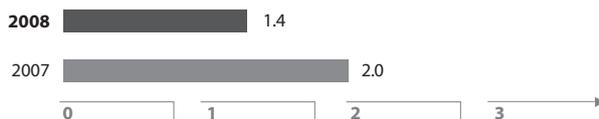
Incoming orders for German industry fell from October to November by a surprisingly high 6.0 percent. The domestic demand eased in December by 7.6 percent, the international demand by 4.4 percent. German exports sank in November by 10.6 percent compared to October, according to information from the Federal Statistical Office. This was a minus of 11.8 percent compared to the previous year. Only the drop of 13.3 percent that occurred in October of 1993 was larger.

| USA slides deeper into recession

The economic performance of the United States of America dropped from growth of 2.0 percent in the previous year to an increase of 1.4 percent. The US economy slid deeper into a recession in the second and third quarters of 2008. The mood in the service sector in the USA in the fourth quarter of

Gross domestic product of the USA

in percent



2008 reached an all-time low. The price index plunged by 16.8 percent points in November 2008 compared to the previous month. This signifies a record downturn. According to Goldman Sachs, the USA is currently in a severe recession.

| Chinas exports take a hard fall

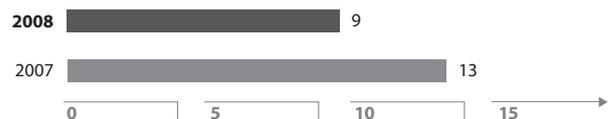
The spinoff effects from the global financial crisis are also putting pressure on China. According to official trade journal reports, foreign trade is taking a hard fall. Both exports and foreign investments have declined dramatically. Exports shrank for the first time since 1999 to 115 billion US dollars. There were massive numbers of cancellations for electronic devices, according to the assessment of experts. The gross domestic product of the fourth largest national economy had also been growing in the two-digit figures over the past five years. Compared to the previous year, growth amounted to only 9 percent in 2008 (previous year: 13 percent).

| India continues on growth curve

India's economy grew in 2008 by approximately 7 percent in spite of the global slowdown. India's economy had in fact been expanding on average

Gross domestic product of China

in percent



by 8.8 percent over the last four years. However, the inadequate infrastructure and the lack of qualified workers could hinder long-term growth. Inflation increased mid 2008 to 8.1 percent. That was the highest level since September 2004. Inflation is also increasing while the Rupee depreciates in value. This effect is driven not least by the government's increase in the price of subsidized fuel prices.

| Brazil's industrial production collapses

Brazil reduced its production in November 2008 more than it had done in the past 13 years.

Industrial production has decreased at an annual rate of 6.2 percent. Brazil's industry is also suffering from the global economic cooling trend and marginal demand. Difficulties gaining access to credit from the banks and the high key interest rate of approximately 13 percent are further hampering growth. The gross domestic product grew only around 5 percent in 2008. The unemployment

rate increased for the first time mid-year to 8.1 percent. According to analysts, this could be an indication that the Brazilian economic cycle has gone beyond its peak for the time being.

The rate of growth is showing clear signs of slowing down

The global mobile telecommunications market indicates weakness for the first time. Manufacturers in intense competition fall under pressure due to weak demand and falling prices.

The global financial crisis also affected the manufacturers of mobile phones in the third quarter of 2008. The previous double-digit growth in mobile phone sales (previous year: 16 percent) fell off considerably at the end of 2008 and was only 6 percent. Earlier forecasts expected growth of 10 percent and global sales of 1.24 billion mobile phones. According to an analysis by the market research company Gartner the growth in mobile phone sales levelled off because end customers were using their old phones longer. The number of new customers on the other hand continued to rise uninterrupted. Worldwide there were 1.22 billion mobile phone users at the end of the year.

Sluggish growth in developing countries – slump in industrial nations

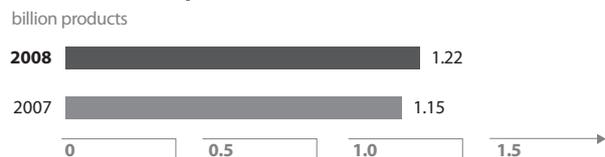
The great regional differences in mobile phone sales were already noticeable in previous years. Not only the saturated markets in Western Europe declined in the fourth quarter of 2008 by around 3 percent, the booming developing countries were also affected. In China consumers bought 107 million new mobile phones in the fourth quarter. This represents a fall of around 4.5 percent compared to the previous

year's quarter. Overall growth in the less wealthy developing countries was only weaker, while the mobile phone market collapsed in the rich industrial countries from the middle of the year. In Japan sales in the third quarter were 28 percent below the previous year's result. In Western Europe sales fell from 47.2 million to 43.5 million mobile phones.

Continuing decline in demand

Overall the number of mobile phones sold worldwide in 2008 increased by 6 percent to 1.22 billion.

Number of mobile phones sold worldwide



For the year 2009 Gartner is only forecasting a minimal single-digit rise in sales. The market leader Nokia is expecting a further fall in demand in the mobile phone market in particular in the first half of 2009 and a fall in average sales prices.

| **Smart phones for new customers**

According to all the forecasts, in 2009 less mobile phones will be sold for the first time since 2001. The industry will have to offer new technical improvements and bestsellers in order to stimulate the falling willingness to buy. The most important innovation in mobile phones in the last two years, surfing the internet, has not yet been implemented in a user-friendly manner in the mobile phone industry. Products where the retrieval of web content is as easy as at home are still not the norm. The high-margin smart phones carry the hopes of the industry in the saturated mobile phone market of the industrial nations.

| **Smart phones as drivers of growth**

Apple was able to move up into the Top 10 of mobile phone manufacturers with the iPhone 3G and now holds seventh place. It is important for the mobile communications manufacturers to gain as large a market share as possible, in particular since

the demand for inexpensive devices has increased. Only high quantities can pay back the development costs with the short product life cycles. The market leader Nokia launched its answer to Apple's iPhone at the start of 2009. The enormous degree of awareness and the improvements to the iPhone 3G mean new momentum which can be expected in particular for the mobile phone market in the industrial nations.

According to a study by the „Gesellschaft für Konsumforschung“ (Society for Consumer Research, GfK), almost one in three mobile phone users in Germany and Great Britain is considering buying the new Apple model. In the third quarter of 2008 36.5 million smart phones were sold worldwide. This represents a growth in sales of 11.5 percent as of the quarter end and the lowest growth in this market segment to date. Two years ago market researchers were still expecting annual growth rates of around 20 percent.

Continued operations with considerable increase in sales volume

Asia region and Infocom operation increase their performance substantially. High expenditures for depreciation push results into the minus.

The Balda Group's continued operations in the 2008 fiscal year comprised the companies of the Infocom operations in the Asia region, in China and Malaysia, as well as in Chennai, India. The touch screen manufacturer TPK has been counted among the associated companies since the third quarter of 2008 and is no longer quota consolidated but equity consolidated.

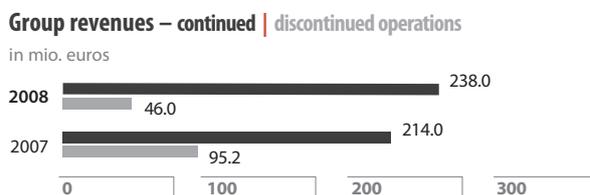
Included among the 2008 discontinued operations since the third quarter of 2008 are Balda Medical, the Balda Grundstücks- und Vermietungsgesellschaft and since the fourth quarter, the Brazilian Group companies of the America region.

The European Infocom companies Balda Solutions Deutschland GmbH, Balda Werkzeug- und Vorrichtungsbau GmbH and Balda Solutions Hungaria Kft were also included among the discontinued operations after the repurchase in March 2008 until 31 December 2008. For the 2007 financial year, the discontinued operations were drawn from the previously named European companies of the Infocom operations. As such, there is only limited comparability between the discontinued operations of 2007 and those of 2008.

Total Group revenues

The Balda Group achieved total revenues of 283.9 million euros in the 2008 financial year in the continued and discontinued operations (previous year: 309.2 million euros). This is a decrease of 25.3 million euros or 8.2 percent. The discontinued operations recorded revenues of 46.0 million euros in 2008 (previous year: 95.2 million euros). The

same conditional comparability between 2007 and 2008 should be kept in mind as mentioned above.



Continued operations

The Balda Group generated sales revenues in the continued operations of 238.0 million euros in the year under review (previous year: 214.0 million euros). This is an increase of 24.0 million euros or 11.2 percent. These include the TPK revenues from the first nine months of 2008. The increased sales volume is due to growth in the Infocom operations.

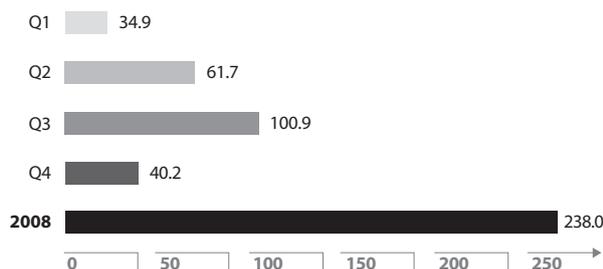
Business progress 2008

The first half year in the continued operations remained below expectations. During the first six months of the year under review, new projects entered the production phase with substantial delays. High pre-production costs arose during the second and third quarters, due in particular to the build-up of capacity at the Asian locations. The Group achieved the best quarterly value of the period in the third quarter with a sales volume of 103.9 million euros (previous year: 66.4 million euros). With 40.2 million euros in sales revenues, a considerable loss was recorded in the last quarter (previous year: 85.1 million euros). The sales reve-

nues generated by TPK, which was deconsolidated on 1 October 2008, are not contained in the volume of the final quarter of 2008.

Group sales development Q1 to Q4 and annual sales

in mio. euros



Development of sales in the regions

The Asia region increased its sales revenues in the reporting year to 235.6 million euros (previous year: 215.4 million euros). This is an increase of 20.1 million euros or 9.4 percent. The companies of the Infocom operations in China and Malaysia, as well as TPK in Xiamen, which was quota consolidated up to the end of the third quarter, contributed to the growth. TPK achieved its best quarterly results in the fourth quarter with sales revenues of 127.3 million euros.

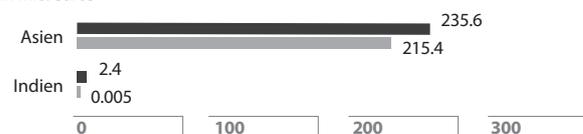
The touch screen producer TPK, quota consolidated until 30 September 2008 to 50 percent, has not been included with the individual values in the profit and loss statement as of the fourth quarter of 2008, as stated previously. The proportional Balda earnings of 3.5 million euros, generated in the fourth quarter of 2008, have been reported under the position „Earnings associated companies”.

The sales revenues for the India region amounted to 2.4 million euros in the reporting period. The region had not yet recorded any sales revenues for the previous year.

99.0 percent of Group sales revenues were generated in the Asia region in the continued operations (previous year: 87.7 percent). The India region contributed 1.0 percent toward the total revenues.

Sales development according to region – 2008 | 2007

in mio. euros



Other operating income

The other operating income in the Group's continued operations dropped from 13.5 million euros in 2008 by 6.4 million euros or 47.3 percent to 7.1 million euros. The cause of the considerable drop is the above-average high value from the previous year, which was due to the repurchase of an option bond and the resulting remission of 6.8 million euros.

The inventory changes in finished goods and work in progress amounted to 5.7 million euros in the reporting year, after 0.7 million euros in 2007. Pre-production from the first nine months for the 2008 year-end business of the touch screen operations was the main cause of the changes. In addition, inventories had increased at the reporting date due to delayed customer release orders.

Total operating performance

Including other operating income, the build-up of inventory in products and works in progress, as well as other company-produced additions to plant and equipment, the Group's total operating performance in the continued operations increased to 250.7 million euros compared to the previous year's period with 228.1 million euros. The increase of 22.6 million euros or 9.9 percent can be primarily attributed to the considerable growth in sales.

Material expenses

The material expenses in the continued operations were recorded at 139.7 million euros, an increase of 16.4 million euros or 13.3 percent (previous year: 123.3 million euros) proportional to the total operating performance. The material expenses ratio at approximately 56 percent has remained virtually unchanged in comparison to the previous year.

Personnel expenses

Personnel expenses for the continued operations increased in the reporting year from 36.4 million euros to 38.7 million euros. This is a plus of 6.3 percent or 2.3 million euros within the scope of the growth in total operating performance.

The earnings before interest, taxes and depreciation (EBITDA) amounted to 25.7 million euros in the reporting year (previous year: 29.5 million euros). This is a decrease of 3.8 million euros or 12.7 percent.

Depreciation

The depreciation expenses in the continued operations increased considerably in 2008. They climbed from 16.0 million euros in 2007 to 24.4 million in 2008. This is an increase of 8.4 million euros or 52.5 percent.

The portion of scheduled depreciations on fixed assets and intangible assets amounted to approximately 13 million euros. Equally according to plan was the depreciation on customer relations with a volume of approximately 6.4 million euros.

Unusual depreciation expenses, primarily for the India region, amounted to 5.0 million euros.

Other operating expenses

The other operating expenses amounted to 46.6 million euros in the reporting period (previous year: 39.1 million euros). They were 7.5 million euros or 19.2 percent above the previous year's value.

The results from ordinary operations (EBIT) amounted to 1.4 million euros in the year under review (previous year: 13.5 million euros). The operating results were burdened by the higher depreciation and other operating expenses.

EBIT

in mio. euros



The financial results of the continued operations came to minus 14.3 million euros (previous year: 11.2 million euros). The increase can be attributed to the higher financing costs, particularly in Germany, in the year under review.

The new position of earnings of associated companies with 3.5 million euros represents the TPK proportion of the Balda Group earnings in the 2008 fourth quarter.

Earnings before taxes

The earnings before taxes (and minority holdings) for the Balda Group in the year under review amounted to minus 9.4 million euros (previous year: plus 2.3 million euros).

Net result

After deduction of the tax on earnings of 6.8 million euros and addition of minority holdings in the amount of 1.9 million euros, the Balda Group recorded an annual net loss in the continued operations of 14.2 million euros.

The earnings per share are based on 54.157 million shares and a net loss of 68.9 million euros inclusive of the loss carried forward of 54.6 million euros, in the continued areas of the Group to minus 0.263 euros (previous year: minus 0.06 euros).

Discontinued operations

Included among the discontinued operations of the Balda Group are, as listed above, the companies of the America region with two plants in Brazil as well as Balda Medical, Balda Grundstücks- und Vermietungsgesellschaft, Balda Solutions Deutschland, Balda Solutions Hungaria and Balda Werkzeug- und Vorrichtungsbau.

The European companies achieved sales revenues of 35.0 million euros in the year under review (previous year: 80.6 million euros). The American region, with a sales volume of 10.9 million euros, remained below the revenue level of the previous year of 15.8 million euros.

Other operating income

The other operating income amounted to 15.1 million euros in the year under review (previous year: 6.7 million euros). In the previous year Balda has taken a devaluation on liabilities on the company Balda Solutions Hungaria. The group repurchased and incorporated the Hungarian company with effect of 1 March 2008. Thus a new consolidation of Balda Solutions Hungaria led to positive effects of the result in the amount of 6.9 million euros.

The earnings before interest, taxes and depreciation (EBITDA) in the discontinued operations amounted to minus 1.4 million euros (previous year: minus 49.0 million euros). The EBITDA had therefore improved by 47.6 million euros.

Depreciation

Depreciation in the discontinued operations increased from 19.8 million euros to 32.2 million euros in 2008. This is an increase of 12.4 million euros or 62.6 percent.

These have mainly to do with unusual depreciations. The portion of depreciation on financial assets due to depreciation of long-term purchase price receivables amounted to approximately 11 million euros.

The depreciation on the real estate in Bad Oeynhausen amounted to 14.2 million euros. The America region experienced devaluations of approximately 1.5 million euros.

Other operating expenses

The other operating expenses dropped considerably. They amounted to 21.5 million euros in 2008, after 54.0 million euros in the previous year. This is a reduction of 32.5 million euros or 60.2 percent. The reason for the reduction was primarily the above-average previous year's value of 24.7 million euros from the divestiture of group companies.

The results from ordinary operations (EBIT) amounted to minus 33.6 million euros in the year under review (previous year: minus 68.8 million euros).

EBT

in mio. euros



Earnings before taxes

The earnings before taxes (EBT) amounted to minus 35.1 million euros, after minus 70.6 million euros in the previous year. The Group recorded a net loss after taxes of 35.2 million euros. Balda recorded an annual net loss in the previous year of 70.4 million euros.

Balda AG strategically focused on management of Asian locations

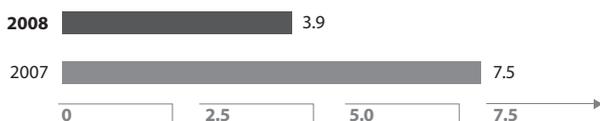
AG reduces loss. Expenses from previous year put pressure on results.

Balda AG functions as a management holding in the Balda Group. The Board of Directors directs and monitors the India region and, through Balda Investments Singapore, which functions as an intermediate holding for the Asia region, the Group companies in China and Malaysia. Responsibility for the results of the operative business lies with the subsidiaries. The Board of Directors is also responsible for the discontinued operations. The core operations of Balda AG are personnel related services and consulting, as well as having IT services available for the Group companies.

The sales revenues of the AG decreased in the financial year 2008 to 3.9 million euros (previous year: 7.4 million euros). This is a decrease of 3.5 million euros or 47.3 percent. The reduction in the allocatable costs due to personnel downsizing is responsible for the drop in sales. Other operating income of the AG dropped from 14.8 million euros in 2007 to 5.0 million euros in 2008. This is a decrease of 9.8 million euros or 66.2 percent. Proceeds towards the repurchase of an option bond of 12.0 million euros were a significant cost factor in the previous year.

AG revenues

in mio. euros



Personnel expenses in the AG dropped from 7.2 million euros in 2007 to 4.8 million euros in 2008.

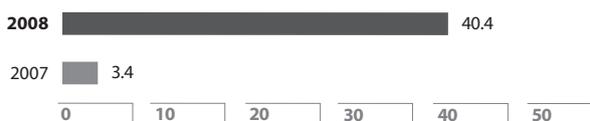
The decrease of 2.4 million euros or 33.3 percent is due to the reduction in the number of employees.

The other operating expenses dropped substantially from 54.6 million euros in 2007 to 15.1 million euros in 2008. This is a decrease of 39.5 million euros or 72.3 percent. The previous year's value was unusually high due to the book loss from the sale of the European Infocom activities of 19.1 million euros.

The revenues from shareholdings of affiliated companies are exclusively dividend payouts from the Asian companies through Balda Investments Singapore to Balda AG.

Depreciation

in mio. euros



The depreciation on financial assets increased from 3.4 million euros to 40.4 million euros in 2008. This refers primarily to the devaluation of shareholdings in the Indian company, Balda Grundstücks- und Vermietungsgesellschaft and depreciation on purchase price receivables that cannot be currently estimated due to the financial market crisis.

Due to the profit and loss transfer agreement cancelled as of 31 December 2007 with Balda Solutions Deutschland and Balda Werkzeug- und Vorrichtungsbau, there were no expenses accrued from loss assumptions.

The increased financing costs in the 2008 financial year led to an increase in interest and similar expenses to 11.9 million euros, after 8.5 million euros in 2007.

The result from ordinary operations therefore amounted to minus 47.7 million euros in the 2008 financial year (previous year: minus 73.0 million euros).

Annual net loss

in mio. euros



After deduction of taxes on income and other taxes an annual net loss of 53.4 million euros resulted for the reporting period (previous year: 74.4 million euros). This is a decrease of 21.0 million euros or 28.3 percent.

Including the loss carried forward from 2007 of 91.3 million euros, Balda AG recorded a balance sheet loss of 144.7 million euros (previous year: 91.3 million euros).

Improved operational cash flow

The cash flow statement aids in the valuation of the financial situation by identifying the payment streams during the reporting year. The cash flow statement indicates the incoming and outgoing flow of liquid funds in operational, investment and financing activities. The cash flow out of current business operations is calculated on the basis of the results after taxes minus the non-cash affecting positions.

| Cash flow from current business activities

The cash inflow from current business activities increased considerably in the reporting period to 37.1 million euros (previous year: minus 13.0 million euros).

The significantly improved earnings before taxes, interest and depreciation (EBITDA) contributed to the improvement of 50.1 million euros. In addition, returns from current assets, which are not allocated to investment or financing activities, have re-

sulted in a funds inflow for 2008. In the previous year there was still a build up recorded. The reduction in liabilities and other expenses that are not allocated to investment or financing activities led to a cash flow.

| Cash flow from investment activity

The flow of funds from investment activity at 35.5 million euros is lower by 8.3 million euros, compared to the previous year's value of 43.8 million euros.

The changes in tangible and intangible assets affecting payment amounted to 40.8 million euros in 2008 compared to 42.2 million euros in the previous year. An inflow of 8.0 million euros to the Group resulted from the sale of shares in TPK at the financial year-end. The company spent 2.0 million euros for the acquisition of shares in Group companies in the reporting year.

| Cash flow from financing activity

The cash flow from financing activity dropped in 2008 by 69.9 million euros compared to the previous year from 61.6 million euros to minus 8.3 million euros. The previous year was affected by a capital increase, the granting of convertible participation rights, and the repurchase of an option bond.

The debts decreased in the reporting year, primarily because of the payoff of bonded loans.

| Changes in cash and cash equivalents affecting payment

The cash and cash equivalents in the continued operations at the end of the financial year amounted to 36.7 million euros (previous year: 42.9 million euros). Compared to the beginning of the financial year, this is a drop of 6.2 million euros.

Conservative investment activity 2008

Balda invests in the development of the production sites in the Asia region. The investments in technical and production equipment increase significantly.

The Balda Group concentrated its investment activity in the 2008 financial year on the build up of the production locations and replacement investment in the Asian region.

65.9 percent of the total investment was allocated to the touch screen manufacturer TPK. In total, the Group invested 37.5 million euros in the continued operations (previous year: 46.1 million euros). This is a decrease of 8.6 million euros or 18.7 percent. The investments in tangible assets in the continued operations amounted to 37.1 million euros (previous year: 42.6 million euros). This is a reduction in volume of 5.5 million euros or 12.9 percent.

| Investments in tangible assets

The 37.5 million euros investments comprise:

- Land and buildings
- Technical equipment and machinery
- Fixtures and office equipment
- Advance payments and construction in progress

| Investments in intangible assets

Approximately 0.4 million euros were invested in intangible assets, in software, in the reporting year (previous year: 3.5 million euros).

Investments in the discontinued operations amounted to 1.8 million euros in total (previous year: 8.1

million euros). 1.7 million euros were allocated to tangible assets (previous year: 8.0 million euros).

Solid balance sheet ratios

The total assets of the Balda Group decreased from 423.0 million euros in the previous year to 300.4 million euros at the reporting date on 31 December 2008. The current and long-term assets of the Balda Group recorded considerable reductions.

After the sale of 12 percent of the corporate shares in TPK, the Balda Group recorded the proportional shareholders' equity (assets minus liabilities) of TPK on the balance sheet in the long-term assets under the position financial assets, shares in affiliated companies. In 2008, Balda allocated to the discontinued operations the subsidiaries Balda Medical, Balda Grundstücks- und Vermietungsgesellschaft with the property in Bad Oeynhausen, the companies Balda Solutions Deutschland, Balda Werkzeug- und Vorrichtungsbau and Balda Solutions Hungaria, which were repurchased in March 2008, as well as the Brazilian production companies of the America region. The asset value of the discontinued operations is recorded in the current assets under the position of assets classified as held for sale.

| Current assets are dropping

Current assets dropped from 141.7 million euros at the 2007 year-end to 120.8 million euros at the end of 2008. This is a decrease of 20.9 million euros or 14.8 percent. The reduced position of current assets, stated in the following, is due to the previously mentioned reclassification of the discontinued operations and of TPK.

The liquid funds decreased by 6.2 million euros or 14.5 percent to 36.7 million euros at the 2008 reporting date (previous year's reporting date: 42.9 million euros).

The trade accounts receivables decreased from 59.0 million euros to 27.6 million euros. This is a reduction of 31.4 million euros or 53.2 percent.

Inventories also recorded a decrease of 10.5 million euros to 13.4 million euros, a reduction of 43.7 percent.

The other current assets dropped from 14.6 million euros at the 2007 year-end to 6.1 million euros at the 2008 financial statement date. This is a minus of 8.4 million euros or 57.8 percent.

The position of assets classified as held for sale recorded by contrast a considerable increase of 36.2 million euros. The item mainly consists of the values from Balda Medical, the Brazilian companies of the America region and the property in Bad Oeynhausen, as indicated above after the balance sheet reclassification.

Long-term assets declining

The long-term assets had decreased considerably by the 2008 financial statement date to 179.6 million euros. They were recorded at 281.3 million euros in the previous year. This is a decrease of 101.7 million euros or 36.1 percent.

The tangible assets dropped from 122.4 million euros at the end of 2007 to 50.2 million euros at the 2008 year-end. This is a reduction of 72.3 million euros or 59.0 percent. The balance sheet reclassification of TPK and of the discontinued operations affected the accounts. Furthermore, unusual depreciation occurred on the property in Bad Oeynhausen and on production facilities in India.

The intangible asset values fell substantially from 66.0 million euros in 2007 to 4.1 million euros at the end of 2008. This is a reduction of 61.9 million euros or 93.8 percent. The considerable decrease in this position is primarily due to the scheduled depreciations on active customer relations and on the balance sheet restructuring of the TPK customer relations under the position financial assets.

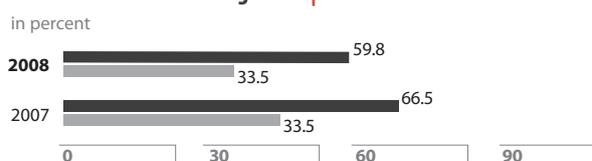
The position shareholdings in affiliated companies, newly introduced to the Balda Group balance sheet, recorded a value of 72.3 million euros. This position includes the reclassification of TPK's proportional shareholders' capital, proportional goodwill and customer relations.

The goodwill decreased from 70.2 million euros to 46.7 million euros. This is a decrease of 23.5 million euros or 33.5 percent. The reclassification of the TPK goodwill was also decisive in the decrease in this position.

The other financial assets recorded a value of 15.2 million euros for purchase price receivables in 2007. Due to the current financial market crisis, the com-

pany sees a risk in the liquidability of receivables. Therefore a corresponding value adjustment has been undertaken.

Structure of Activa – long-term | short-term



Balance sheet / Liabilities

On the passive side, the current- and the long-term liabilities, as well as the shareholders' equity decreased.

Current liabilities

Current liabilities dropped from 178.6 million euros at the 2007 year-end to 161.1 million euros at the 2008 financial statement date. This is a reduction of 17.5 million euros or 9.8 percent. The decrease is primarily due to the reclassification of TPK debt to the financial assets on the asset side.

The short-term debt and the current portion of long-term debt increased at the 2008 financial statement date by 7.0 million euros to 100.7 million euros. In January of 2008, the Group repaid as scheduled 10.0 million euros in bonded loans that had been reclassified under current liabilities in the 2007 balance sheet. Furthermore, the reclassified TPK bank loans do not apply here on the one hand. On the other, the company reallocated 27.3 million euros to the position short-term debt from the position long-term debt, within the scope of the financial restructuring.

The trade accounts payable fell substantially by 28.0 million euros or 60.3 percent from 46.4 million euros at the end of 2007 to 18.4 million euros at the 2008 financial statement date. Primarily the

omission of TPK liabilities due to restructuring came into effect in this case.

In contrast, the tax liabilities increased by 8.7 million euros from 1.6 million euros in the previous year to 10.3 million euros at the end of 2008. The Group created a further reserve of 8.5 million euros for possible tax liabilities following an audit in the German companies for the financial years 2003 to 2006.

The other current liabilities decreased from 32.8 million euros to 10.9 million euros at year-end. This is a reduction of 21.9 million euros or 66.8 percent. The change can be credited for the most part to TPK and the discontinued operations.

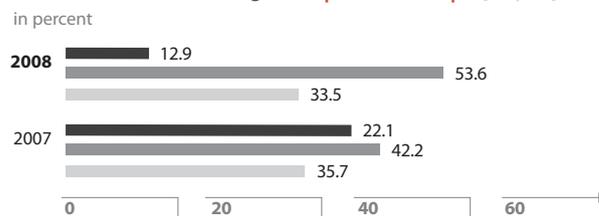
The position of liabilities classified as held for sale amounted to 18.1 million euros at the 2008 financial statement date. These refer to the liabilities of the companies allocated to the discontinued operations.

Long-term liabilities

The long-term liabilities decreased by more than half. At the 2008 financial statement date, they amounted to 38.7 million euros after 93.6 million euros in the previous year. The changes in the scheduled payments of loans, already listed under the assets, and the reclassification of long-term debt into short-term debt, were responsible for the decrease. In addition, the restructuring of deferred taxes for capitalized customer relations into the financial assets affected the accounts.

The item deferred taxes decreased by 12.0 million euros to 2.7 million euros. With TPK capitalized customer relations reported under the shareholdings of affiliated companies, the related deferred taxes were also correspondingly reclassified. The long-term provisions decreased by 1.8 million euros.

Structure of Passiva – long-term | short-term | equity capital



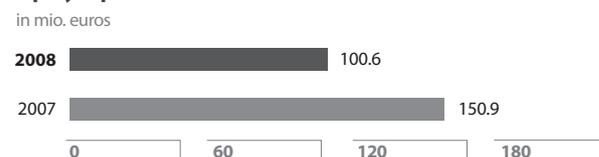
Shareholders' equity quota in slight decline

With the repurchase of 5 percent of the corporate shares in the intermediate holding Balda Investments Singapore, the minority interests were reduced by 4.3 million euros.

With the inclusion of the minority interests, the Group's equity capitalisation decreased from 150.9 million euros in the previous year to 100.6 million euros at the 2008 year-end. This is a decrease in shareholders' equity of 50.3 million euros or 33.3 percent.

Balda's subscribed share capital remained unchanged at the 2008 year-end at 54,157 million euros. Investments were unavailable for the implementation of an agreed-upon capital increase.

Equity capital



The net loss at the end of 2008 amounted to 104.1 million euros (previous year: minus 54.6 million euros). It consists of the net loss for 2008 of 49.5 million euros (previous year: minus 73.3 million euros) and the loss carried forward of 54.6 million euros (previous year: plus 18.6 million euros).

The shareholders' equity quota decreased to 33.5 percent (previous year: 35.7 percent).

| Net-financial liabilities decreased

The net-financial liabilities comprise all liabilities to banks, leasing liabilities and deposits received

balanced about liquid funds. They decreased from 132.7 million euros in the previous year to 102.0 million euros in the financial year 2008. The net-gearing, that is the proportion of net-financial liabilities compared to the equity capital, increased from 92.1 percent in 2007 to 103.9 percent in 2008.

Considerable reduction in liabilities

The total assets of Balda AG decreased to 203.9 million euros at the 2008 financial statement date (previous year: 280.4 million euros). This is a decrease of 76.5 million euros or 27.3 percent.

On the asset side, the intangible assets, the tangible assets as well as the financial assets all decreased substantially from 234.8 million euros to 188.0 million euros. This is a decrease of 46.8 million euros or 19.9 percent. The value adjustments on the financial assets of 44.3 million euros are primarily responsible for the decrease.

The shares in affiliated companies decreased by 20.8 million euros or 10.2 percent. The change resulted primarily from value adjustments on shareholdings. They mainly affect Balda Grundstücks- und Vermietungsgesellschaft and Balda Motherson Solutions, India.

The position loans to affiliated companies decreased by 11.1 million euros or 78.7 percent. The amortization payments from Balda Investments Singapore to Balda AG are mainly responsible. Furthermore, a loan from the AG of 3.9 million euros to the Indian Company was converted into shareholders equity and immediately depreciated.

Not least because of the current financial market crisis and the ensuing risk of liquidity, the other loans have been adjusted.

Circulating assets decreased from 45.2 million euros at the end of 2007 by 29.5 million euros or 65.3 percent to 15.7 million euros.

The accounts receivable from affiliated companies decreased due to repayments from the subsidiaries by 4.5 million euros to 8.8 million euros.

The cash in hand and the deposits in banks and cheques decreased from 27.4 million euros at the end of 2007 to 6.0 million euros at the 2008 financial statement date. This is a decrease of 21.4 million euros or 78.0 percent. The causes are primarily interest and amortization payments for the bonded loans and the syndicated loan.

Structure of Activa – fixed assets | short-term assets



Reduced shareholders' equity

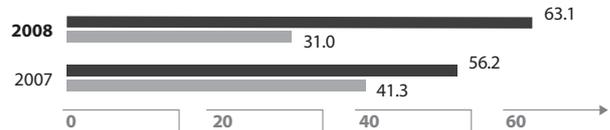
On the liability side, the AG shareholders' equity decreased from 115.7 million euros at the end of 2007 to 62.3 million euros at the 2008 financial statement date. This is a reduction of 53.4 million euros or 46.1 percent. The cause of the drop in shareholders' equity is solely the 2008 annual deficit of 53.4 million euros. The shareholders' equity quota was 30.6 percent at year-end (previous year: 41.2 percent).

Provisions increased from 7.0 million euros to 13.0 million euros at the 2008 year-end. Provisions for possible tax liabilities cover the risk following an audit for the years 2003 to 2006.

Liabilities dropped from 157.7 million euros at the 2007 year-end to 128.6 million euros at the end of 2008. This is a decrease of 29.1 million euros or 18.4 percent.

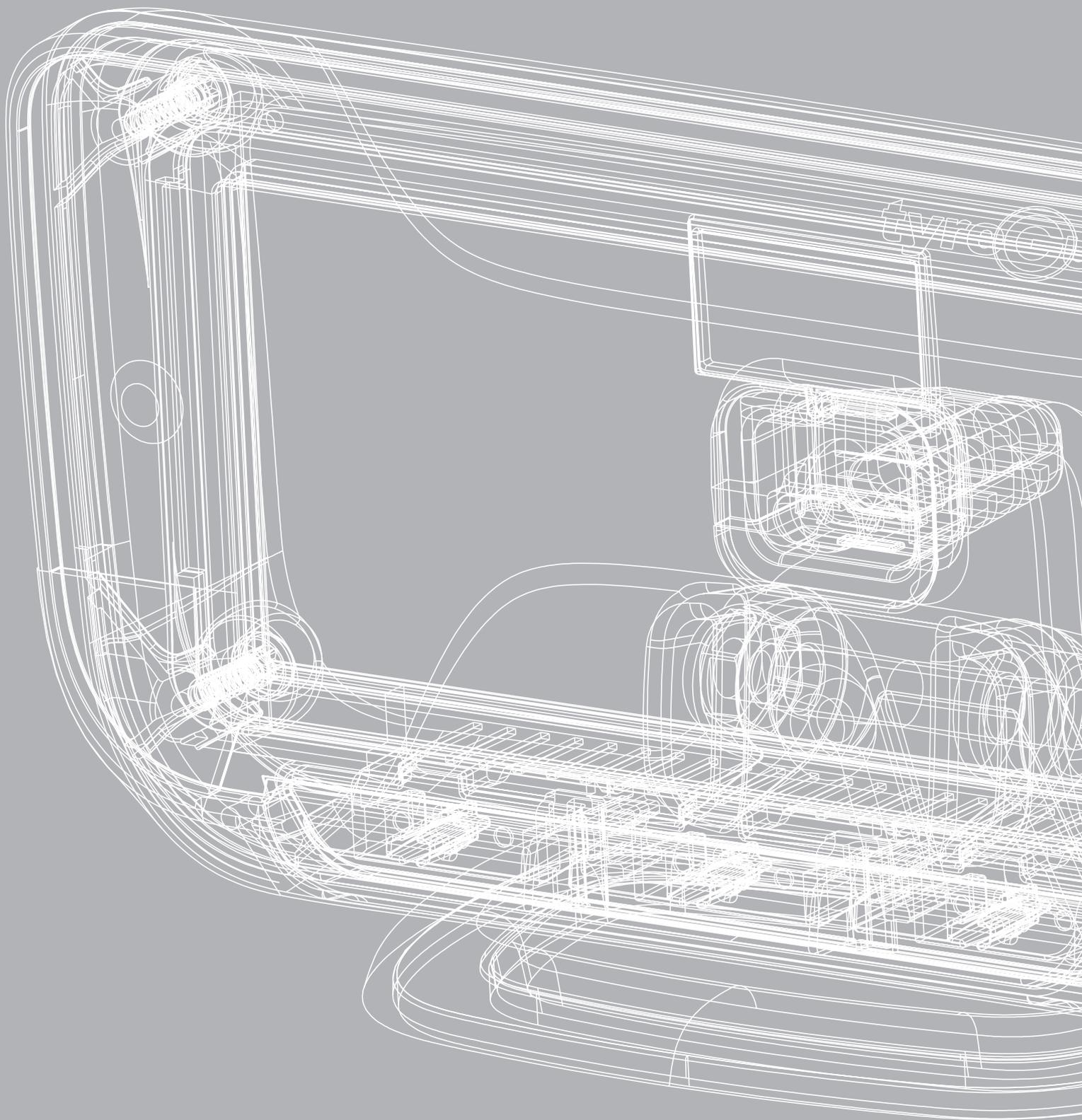
Structure of liabilities – capital stock | equity capital

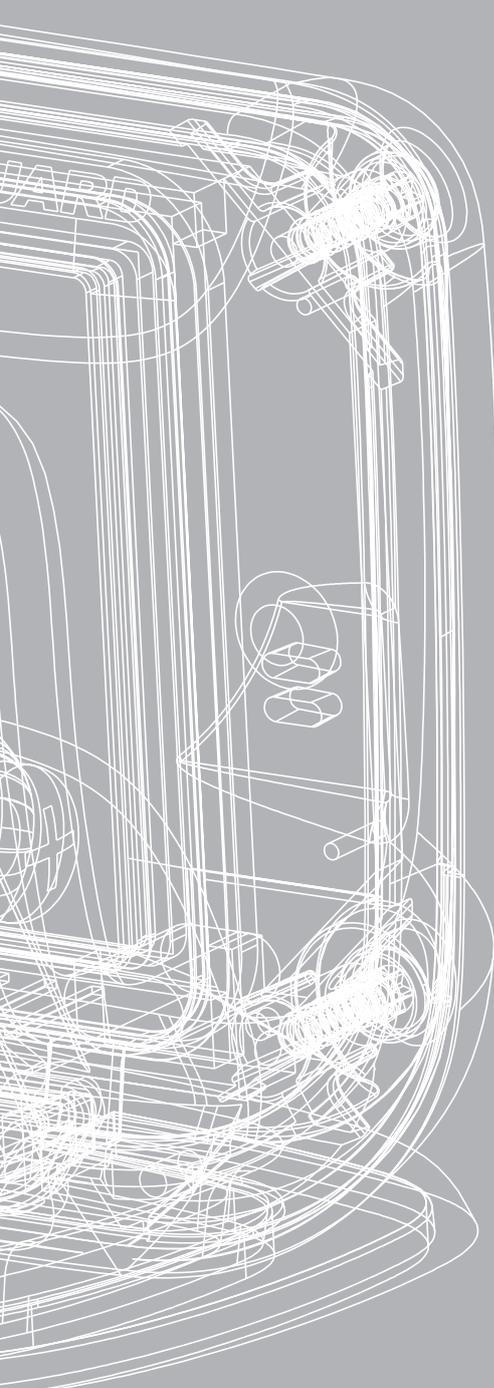
in percent



The position of debt owed to banks recorded a significant change with a decrease of 17.7 million euros compared to 2007. This refers mainly to the repayment of bonded loans of 17.5 million euros.

In addition, other liabilities recorded a drop of 10.1 million euros. In the previous year, the high value still included obligations from the profit and loss transfer agreements, cancelled on 31. December 2007, with Balda Solutions Deutschland and Balda Werkzeug- und Vorrichtungsbau.





Management Report

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Innovations for new markets

The wire-frame image presents the backside of a display. The product is attached next to a car dash panel. The so-called TPMS (Tyre Pressure Monitoring System) signals to the car driver, visually and audibly, in an alarm situation where the tyre pressure is abnormal. This mountable system is in mass production. A well-priced contribution to road safety.

The crisis is spreading

The economic outlook appeared ever bleaker at the time of the editorial deadline of this report. Exports and investments are collapsing. Experts are forecasting a drop in Germany's gross domestic product of up to 5 percent and possibly more.

The consumer climate alone showed a slight improvement. According to the Nürnberg market research institute, GfK, the low inflation rate of less than 1 percent and the vehicle-scrapping incentive have contributed to the strengthening of purchasing power.

| Seasonally weak start

As anticipated, the 2009 financial year began at a low level for Balda AG as well. The Infocom sector recorded seasonally-typical low sales during the first weeks of the year. Revenues generally begin rising in the second quarter and increase aggressively in the second half of the year. Moreover, the noticeably weak economic activity resulting from the international economic crisis is aggravating the contract situation in the mobile telecommunications market. Both Nokia and Sony Ericsson are anticipating a drop in mobile phone sales, especially in the first half of 2009. Large producers like Samsung and Motorola have announced personnel adjustments due to a drop in production.

The repercussions of the financial market crisis have made the sale of Balda Medical and the properties in Bad Oeynhausen more difficult. No sale had been finalized by the 2008 reporting date. Balda Medical continues to be allocated to the Group's discontinued operations.

On 20 February 2009, MAX GAIN, which is controlled by Michael Chiang, built up its shareholdings from 15.27 percent of shares in Balda AG to 29.99 percent. As a controlling shareholder of the company, Michael Chiang subscribed to shares from the block held by the Norddeutsche Landesbank (Nord/LB), effective 18 February 2009. It was agreed that the purchase price of the shares would remain confidential. The Balda AG share certificate transaction was concluded off exchange. The Balda AG Board of Directors welcomed Chiang's increase in shareholdings as having a stabilizing effect on the shareholders' group and as a sign of confidence in Balda's strategy and future.

| Voting rights of one percent

The voting rights of the Norddeutsche Landesbank (Nord/LB) fell below the thresholds of 10 percent, 5 percent and 3 percent of voting rights in Balda AG, effective 18 February 2009, and amount henceforth to 0.6278 percent or 340,000 votes.

No further noteworthy internal changes in the Group or Balda AG are currently planned that could significantly affect the profitability, or the asset and financial positions of the company.

Growing importance of risk management in the Balda Group

The Balda Group is confronted with various internal and external opportunities and risks. They can have a considerable impact on the asset, financial and income situation of the Group. To control the opportunities and risks Balda maintains a comprehensive risk management system.

All of the control and steering processes are integrated into this system. The Group's risk management aims to provide for the early detection, analysis and assessment of risks and to control the risks in time. The company's Finance Director regularly checks the risk management system.

Basically the risk management system for the 2009 financial year has not changed compared to the year under review and 2007 (for further information see the Annual Report 2007, page 78 and the following). Above all the risks referred to below can have a negative impact on the asset, financial and income situation of the Group.

| Environmental and sector risks

| Overall economic risks

General economic conditions represent risk factors for Balda as an internationally operating company.

Risks could arise for the group from the future development of the global economy. A downturn in global economic growth was recorded in the second half of 2008. It is not possible to estimate the global effects of the growing recession in the USA and in Europe and the worsening financial market crisis. Economic experts are expecting a considerable fall in growth in the global economy in 2009. This development will reduce demand from private households and industry for mobile phones and other devices. This risk factor could have a negative impact on Balda's sales volumes.

Another risk could arise from the change in the standard rate of exchange between the euro and the US dollar. A further weakening of the US dollar could reduce revenues invoiced in US dollar.

Rising inflation as a result of the increasing amount of money in circulation worldwide represents a further risk. It could make the purchase of raw materials more expensive for the company. If the company is not able to implement higher prices in the market, the margins would fall.

| Political risks

Globally active companies are constantly exposed to risk factors arising from the global political situation. Examples here include the military conflicts in Afghanistan, Iraq and the Middle East and the smouldering conflicts between India and Pakistan or between the USA and Iran. If these areas of conflict worsened, they would make the price of crude oil and other raw materials more expensive, put a strain on stock exchanges across the world, make it more difficult to acquire capital and have a negative impact on consumption. Particularly sales of mobile phones and other devices would be threatened here.

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

| Market risks

The development of demand in the global market for mobile phones represents a specific risk for Balda. The Group earns the majority of its revenues in the Infocom operation. The company is only expecting low growth in the global mobile phone market in 2009. Attractive products in the area of inexpensive devices, successful innovations and additional performance features for high-quality mobile phones are required for a slight increase in sales. The sale of inexpensive products could again result in growth particularly in developing countries such as Russia, Brazil, China and India in 2009. In the saturated markets of the western industrial nations however at best stagnation is expected.

| Price risks

A risk for Balda in the 2009 financial year is the continued increase in intense competition among manufacturers and suppliers in the communications and mobile telecommunications sector. The expected fall in sales could intensify competition. Such a development in this sector could put pressure on the Group's sales and earnings.

Particularly falling prices in competitive sales markets could cause manufacturers of mobile phones to put increased price pressure on suppliers. It is likely that Balda will be able to pass on higher costs of raw materials and components to customers. A further risk is represented by the market acceptance of the products for which the Group supplies components and subassemblies. Balda itself has no influence over the success of devices newly introduced to the market. The company is totally dependent on the competence of its customers here.

| Competitive risks in the sector

Competition among suppliers and system partners in the mobile phone and telecommunications sector continues to increase. Worldwide overcapacity

is putting pressure on the prices in the Infocom operation. The resultant risks have an effect not only on the number of orders placed but also on the margins of the Balda Group.

| Corporate strategy risks

| Growth risks

With the global innovation of a retrofit package for a tire control system, Balda will also diversify into the market for automotive suppliers in 2009. In general every technological diversification is associated with risks. New markets and the associated acquisition of new customers always contain risks. The newly developed expertise in Bluetooth will also develop additional growth potential in new markets for the Group; this could also involve risks.

| Risks from foreign activities

There are risks which arise from cooperation at international production locations due to possible divergences in specific individual interests, policy goals and strategies. Balda manages open and intensive dialogue with its partners in the subsidiaries. In addition the Group limits these risks with the use of international legal advisors and lawyers who specialise in international contract law.

| Technology risks

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

| Operating risks

| Customer risks

The success of the Group depends largely on the market success of Balda's customers. Due to the market structures, Balda is dependent on a small number of large customers in the Infocom division. One customer has a very high proportion of its production volume in Asia, and in particular in China. Risks due to this dependency could increase considerably due to a reduction or growth in business volume with these large customers. The increasing global economic and sales situation, the growing complexity of products and rising customer requirements increase the default risk of such large customers. The strategy of technological diversification reduces these risks by opening up new customers and new markets. The risk situation is similar in medical technology. Here business is particularly influenced by one large customer. This customer points out that its continued collaboration with Balda Medical requires that medical technology is free from the risks of the rest of the Group.

| Supplier and procurement risks

The large manufacturers in the area of consumer electronics largely determine from which producers their suppliers can procure the raw materials they require. This is the case for example with plastic granulate and paint. If delivery difficulties should occur with one of these suppliers, the Balda Group typically does not have a liability obligation towards the manufacturer. On the other hand there is a risk that such delivery difficulties could result in lost revenue. Should this be the case the Balda Group can recommend alternative suppliers, therefore reducing the risk. Balda carefully audits its suppliers in respect of the quality of the products supplied and punctual delivery. Consignment stores belonging to the suppliers close to the production sites further reduce storage risk for the Group. Balda largely secures prices

for purchased goods through individual customer agreements. If there are any price rises the large customers in some cases also bear the costs.

The two regions Asia and India are now responsible for steering the supplier and procurement risks.

| Capacity risks

The mobile phone industry and the market for consumer electronics are basically exposed to seasonal fluctuations. Balda's customers expect the delivery of large quantities with a very short lead time without guaranteed purchase quantities. The provision of production capacities and qualified staff is capital intensive. Herein lies a risk for the Balda Group. The Group passes on excessive orders on an individual basis to external suppliers and at peak times employs temporary agency staff. Fluctuations in demand are controlled by this flexibility and the risk of default is reduced. In addition, Balda counters this risk through planning as precisely as possible and adjusting capacities in constant consultation with the customer, taking into account the general market developments.

| Personnel risks

The Balda Group has a high level of demand for internationally oriented managers and highly qualified experts and managers with technical or sector-specific know-how. There is a risk that managers in key positions will leave the company. International managers are currently sought-after in all sectors. Balda is competing here in a global market. Through targeted personal development measures, the company intends to promote and obtain the long-term commitment of employees.

| Information technology risks

In order to secure global internal data traffic, Balda relies on a comprehensive system of data cables and networks. Balda counters the risks of a net-

work crash or unauthorised access to data by outsourcing parts of the IT infrastructure to an internationally active computer centre. The Group therefore secures access to these computers from all parts of the world.

| Financial risks

| Capital market and financing risks

After the agreement with the banks on the new organisation of the financing structure of Balda AG, there will in all likelihood be no further financing risk to the end of 2009 and we are expecting liabilities to be reduced further. The Board of Directors is certain that the banks will continue the financing of Balda AG beyond the end of 2009. At the request of the bank consortium a bonded loan amounting to 5 million euros expiring on April 2, 2009 is to be prolonged wholly or partly in order to put their financing on the same footing in terms of collateral and repayment. With respect to modalities no final agreement has been reached yet.

There could be a risk in conditions that are disadvantageous to Balda in this type of financing. The global financial crisis has also had an effect on the liquidity and willingness of investors to repay the banks where required.

The current liabilities are balanced against assets from Balda Medical, the properties in Bad Oeynhausen and the financial participation in TPK.

| Capital procurement

A further risk could lie in the procurement of capital. On the one hand the Board of Directors was authorised by the Annual General Meeting 2007, with the approval of the Supervisory Board, to increase the registered capital by August 2012 by up to 16.9 million euros and to procure conditional capital up to 19.7 million euros. On the other hand the current share price will hardly allow successful capital measures.

| Foreign currency risks

As a Group with a global presence Balda is also exposed to currency risks. The CFOs, the controlling departments of the regions and the Board of Directors monitor relevant market developments. The risks are limited first of all by consolidating the payment flows in foreign currencies. The Group also hedges against risks through cash and currency forwards. These transactions refer to existing incoming or outgoing invoices. These hedges essentially concern the US dollar and currently only apply in Malaysia. With these measures Balda protects itself against unfavourable exchange rate developments. On the other hand there is the subsequent risk of not being able to exploit a development in exchange rates which is positive for Balda. The CFOs of the regions respectively of the national companies and the controllers continually monitor the relevant market developments and agree appropriate measures with the Board of Directors.

| Legal risks

| Risks for the holding structure

Balda manages the differences between the national legal systems in the Group regions with international legal advisors. For contrasts, commercial questions or public matters, Balda employs its own lawyers in Europe and Asia. The Group currently has no pending legal disputes apart from the pending trial with the previous tax consultancy. There were no significant legal disputes in the reporting period. Differences did arise though in the sale of the European Infocom activities with the buyers.

| Trial risks

Balda could be exposed to a legal dispute with the buyers of Albea concerning the outstanding claims concerning the purchase price. The Group has provided for this risk in the balance sheet. Balda has also brought actions against previous consultants, which results in opportunities.

Furthermore an audit has resulted in a risk concerning the payment of substantial tax arrears. Balda is of the view that this is due to a consultative error and has in turn asserted a claim for damages against a previous consultant; this should largely cover the company against the consequences of the tax assessments, provided the amount of the tax assessments is final.

| Liability risks

The Group covers risks from liability for product defects, in particular from product liability, product recall campaigns or defaults, through insurance.

| Other risks

| Environmental risks

All Group companies of the Balda Group apart from the company in India have certified environmental management in accordance with DIN EN ISO 14001. There are no noteworthy environmental risks (for further information see the chapter „Environment“).

| IT risks

The use of the indispensable instruments of information technology can represent a risk. Technical breakdowns or unauthorised internal and external access to IT systems can create risks. With parts of the infrastructure being outsourced to an internationally active computer centre the Group has prevented the systems from failing. Security systems and firewalls protect the Group's IT systems from being accessed by unauthorised third parties. The compatibility of the systems in the Balda Group is ensured by the implementation of a standard ERP system throughout almost the entire Group or by existing concepts to integrate other ERP systems.

| Organisational risks

Under the umbrella of Balda AG, two CEOs have been established in the Group regions Asia and India. They are responsible for operational lea-

dership and results. The development of the structures and responsibilities in the regions has considerably strengthened Balda's proximity to its customers. With the principle of a regional organisation, the Group is following the responsibilities and authority of its customers. In the given organisational form there are currently no noticeable risks.

| Overall risk

Like any internationally active company, Balda must come to terms with various risks in addition to numerous opportunities. The maintenance of the earning power of the Infocom business in Asia and the increasing of the customer base and the turnover volume are of crucial importance for the further development of the Balda Group. The Group confronts these risk factors with the systematic and further development of the technologies already currently available at the individual locations.

In summary, it has been established that the negative development concerning the result for the 2008 financial year is not attributable to a failure of the risk management system. Above all the high depreciation requirement in the divisions which were not continued, the increased financing costs and the consultancy expenses could not have been foreseen to this extent. The risk management system proved itself again in 2008. Overall the Group is aware that the strategic realignment, above all the diversification into Bluetooth technology, provides both risks and opportunities. The internal tasks and process only carried a low risk in the past. Balda has provided sufficiently for normal business risks which might have a negative impact on the development of the Group.

According to current information and knowledge, there are no known important operations that represent a further significant risk to the envisioned corporate development or company assets.

Balda shows restrained confidence in an insecure market

The economic prospects in the Euro zone are looking grim. Bank economists are expecting the gross domestic product to shrink by 2.2 to 3.2 percent in 2009.

| Euro zone

According to the most recent consultations of the European Central Bank (ECB), experts in the Euro zone anticipate a substantial drop in inflation and economic growth for the next two years. Inflation is expected to be 2 percent or more for 2009 and 2010. Growth in the gross domestic product (GDP) for 2008 until 2010 has been adjusted downwards.

| Germany

Companies in Germany are equally as pessimistic as they were in November of 2008 about the first six months of 2009. Experts are forecasting shrinkage in the gross domestic product of up to 5 percent. Bank economists expect an increase in the GDP of 0.9 percent in 2010. According to the Institute for Macroeconomics and Business Fluctuation Research (IMK), exports will drop by 4.7 percent and production investment by 11.5 percent. Economists also expect a drop of 0.9 percent in private consumption. The IMK anticipates 3.9 million unemployed in the annual mean. That is 620,000 more than in 2008. The Federal Government is equally pessimistic in its assessment of the economy in 2009. It is forecasting an increase in unemployment to 8.4 percent after 7.8 percent in the previous year. The impetus for an upwards trend anticipated at the conclusion of the year could come from private consumption, according to DIW.

| USA

The US economy is battling a recession that caused growth to decline this year to 1.2 percent. Due to the continuing real estate slump, the US economy will also not achieve its previous level of

strength in 2009. More than 2.3 million houses were sold in foreclosure auctions in 2008. The economic indicators in the USA have reached a low point. In November, the International Monetary Fund (IMF) forecast a decline of 0.7 percent for the year 2009. Public and private households came under further pressure in the reporting period. The American budget deficit is estimated to reach 1.2 billion dollars for the 2008/2009 fiscal year (beginning 1 October). That corresponds to 8.3 percent of the GDP.

| China

The World Bank is anticipating that growth in the Chinese gross domestic product for next year will only be on average 7.5 percent. That would be the lowest growth rate since 1999. According to an assessment by chief economist Tank Fan Jianping, the inflation rate will drop considerably. This will create favourable trade conditions for the government. The inflation rate had an average increase of 6.5 percent in 2008 and according to World Bank statements is expected to be approximately 2 percent in 2009. The International Monetary Fund (IMF) anticipates a growth rate in the Chinese economy of 6.7 percent for 2009. That is considerably less than in the years prior with a plus of 10 percent. China is facing the biggest challenges yet in its recent history.

| India

The Indian Prime Minister is anticipating 7.0 percent growth for the current year 2008/2009, which ends in March. 9.0 percent growth was achieved for this country in the previous year. The drop can be ascribed to the world economic crisis. The

government is battling the consequences of the downturn with a second economic stimulus package. Export companies are expected to receive tax reductions.

| Future sector situation Infocom

According to experts, the mobile telecommunications market is facing its most difficult year to date. Analysts anticipate an average drop in demand of 6.6 percent. The financial crisis is now affecting mobile phone manufacturers as well. According to a study by the Gartner market research company, the growth in mobile phone sales clearly flattened in the last quarter of 2008, because end customers are extending the use of their old mobile phones.

| Future corporate situation of the Balda Group

Financing of the Balda Group has been secured until the end of 2009. Balda intends to reduce the volume of short-term liabilities as quickly as possible. With the financial participation in TPK, an adequate value-based asset is offsetting the liabilities. Due to the current worldwide economic crisis, a numbered forecast for the 2009 operating business is difficult. Even experts from economic institutions and banks are only offering wide ranges in key figures for 2009.

Price erosion at Balda clients and the decline of worldwide growth rates in the Infocom business are further increasing. The Group has processed the expenditure of the past years in the balance sheet to the best of their knowledge. In future the

earnings of the actual business will influence the balance sheet and the earnings statement.

After the end-consolidation of TPK, the basis for the turnover planning 2009 are the group revenues of 2008 of 238.0 million euros less the share of the turnover 2008 of TPK amounting to 71.2 million euros, that is around 167.0 million euros.

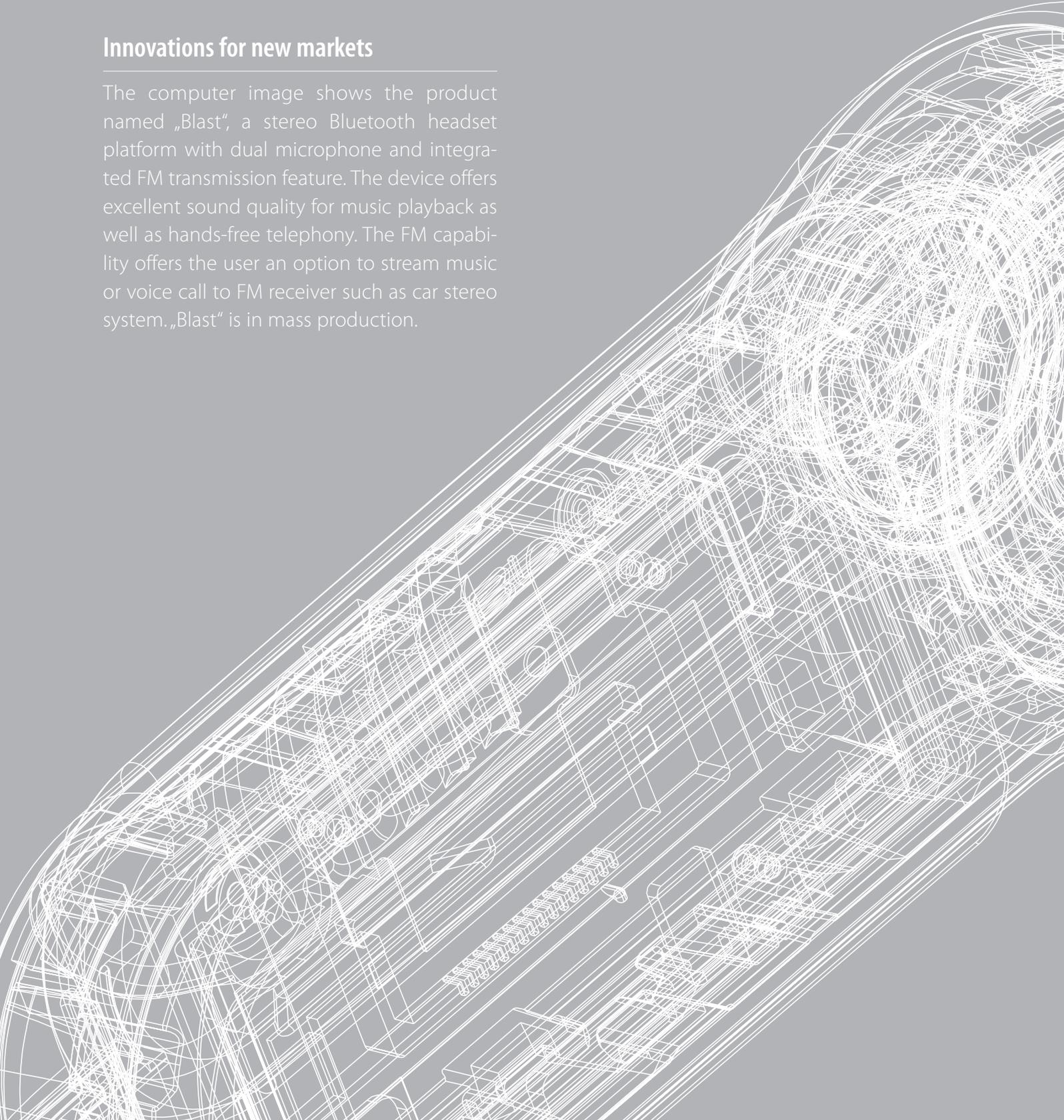
After a good financial year 2008 in the Asia region, the Balda Group expects for the year 2009 at an essentially unchanged turnover level despite a reduced expenditure volume and an above average decline of the EBIT for the Asian region. Referring to the Group the company plans an improvement of the EBIT compared to 2008. Due to the possible commencement of TPK earnings contributions, the company expects a stronger increase of the earnings before tax than the EBIT.

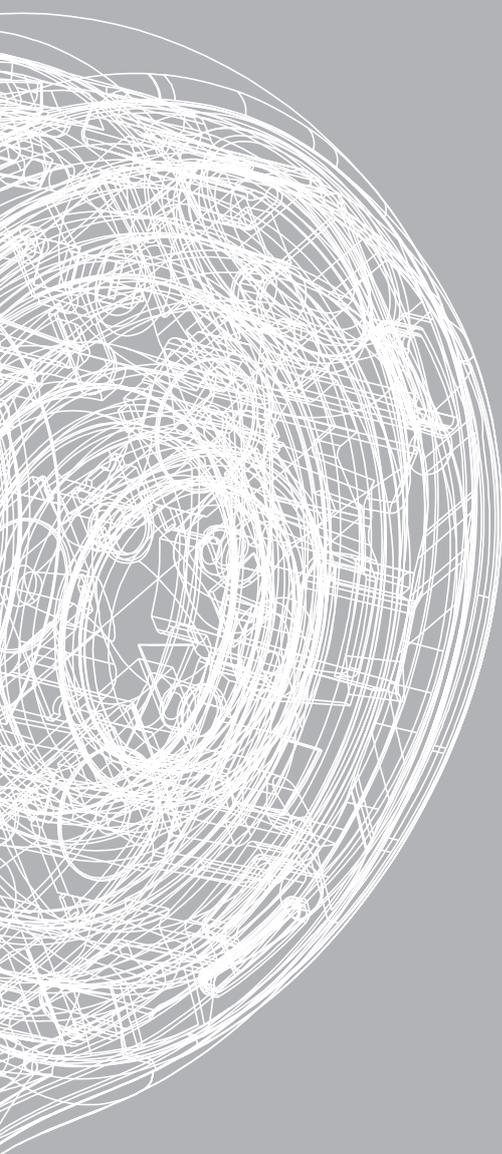
Balda's objective for 2009 - even in the case of dropping sales - is to achieve balanced results at minimum. In spite of globally shrinking economic activity, the company is confident it will gain new customers and projects.

Balda expects growing sales revenues for the Asian region of around ten percent per year after the financial year 2009. The company does assume Malaysia to stay below the 2008 level for some years to come. China, however, is expected to tie up to the good result of the past year in two to three years.

Innovations for new markets

The computer image shows the product named „Blast“, a stereo Bluetooth headset platform with dual microphone and integrated FM transmission feature. The device offers excellent sound quality for music playback as well as hands-free telephony. The FM capability offers the user an option to stream music or voice call to FM receiver such as car stereo system. „Blast“ is in mass production.





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Balda Group – Balance sheet as of 31 December 2008 – Assets

	Notes II.	31 December 2008 TEUR	31 December 2007 TEUR
A. Current Assets			
I. Liquid assets	5.a.	36,687	42,921
II. Trade accounts receivable	5.b.	27,648	58,998
III. Inventories	5.c.	13,468	23,922
1. Raw materials and supplies		4,418	11,416
2. Work in progress and finished goods and merchandise		7,965	10,457
3. Advance payments		1,085	2,049
IV. Tax refunds	5.d.	625	1,306
V. Prepaid expenses and other current assets	5.e.	6,140	14,566
VI. Assets classified as held for sale	5.f.	36,212	0
Total Current Assets		120,780	141,713
B. Long-term Assets			
I. Tangible assets	5.g.	50,152	122,445
1. Land and buildings		12,612	47,781
2. Machinery and equipment		32,800	53,613
3. Fixtures, furniture and office equipment		4,272	8,643
4. Advance payments and construction in progress		468	12,408
II. Intangible assets	5.h.	4,118	65,963
III. Financial assets	5.i.	74,453	15,247
1. Investments		1	1
2. Shares in associated companies		72,321	0
3. Other financial assets		2,131	15,246
IV. Goodwill	5.j.	46,678	70,216
V. Deferred taxes	5.k.	4,229	7,424
Total Long-term Assets		179,630	281,295
Total Assets		300,410	423,008

Balda Group – Balance sheet as of 31 December 2008 – Total liabilities and shareholders' equity

	Notes II.	31 December 2008 TEUR	31 December 2007 TEUR
A. Current Liabilities			
I. Current portion of finance lease liabilities	5.l.	406	632
II. Current liabilities owing to credit institutes and current share of long-term loans	5.m.	100,711	93,681
III. Trade accounts payable	5.n.	18,410	46,418
IV. Advance payments received	5.o.	1,595	540
V. Short-term provisions	5.p.	604	2,840
VI. Tax liabilities	5.q.	10,341	1,643
VII. Other current liabilities	5.r.	10,884	32,802
VIII. Liabilities classified as held for sale	5.s.	18,119	0
Total Current Liabilities		161,070	178,556
B. Long-term Liabilities			
I. Long-term loans	5.t.	35,417	76,402
1. Loans		32,196	36,897
2. Bonded loans		0	29,669
3. Bank loans		3,221	9,836
II. Long-term finance lease liabilities	5.u.	539	461
III. Deferred taxes	5.v.	2,735	14,736
IV. Long-term provisions	5.w.	2	1,857
V. Other long-term liabilities		0	94
Total Long-term Liabilities		38,693	93,550
C. Shareholders' Equity			
I. Subscribed share capital		54,157	54,157
II. Reserves		148,122	144,570
III. Retained earnings		-104,113	-54,648
1. Net loss		-49,465	-73,255
2. Profit/loss carried forward		-54,648	18,607
Group Shareholders' Equity	5.x.	98,166	144,079
Minority Interests	5.y.	2,481	6,823
Total Shareholders' Equity		100,647	150,902
Total Liabilities and Shareholders' Equity		300,410	423,008

Balda Group – Income statement in total expenditure format for the fiscal year 2008

in TEUR	Notes ll.	Continued operations 2008	Discontinued operations 2008
1. Revenues	6.a.	237,950	45,966
2. Other operating income	6.b.	7,098	15,095
3. Changes in inventories of finished goods and work in progress	6.c.	5,685	339
4. Own work capitalised		0	1
5. Material expenses	6.d.	139,688	25,262
6. Personnel expenses	6.e.	38,695	15,999
a) Wages and salaries		29,936	12,626
b) Expenses for temporary workers		8,759	3,373
7. Depreciations	6.f.	24,373	32,161
8. Other operating expenses	6.g.	46,624	21,545
9. Operating income		1,353	-33,566
10. Financing costs	6.h.	-14,272	-1,542
11. Earnings from affiliated companies		3,503	0
12. Earnings before income taxes (and minority interest)		-9,416	-35,108
13. Taxes on income and earnings	6.i.	-6,774	-110
14. Earnings before minority interest		-16,190	-35,218
15. Minority interest		1,943	0
16. Earnings after taxes	6.j.	-14,247	-35,218
17. Profit/loss carried forward		-54,648	0
18. Dividend		0	0
19. Retained earnings		-68,895	-35,218
Number of shares – diluted/undiluted		54,157	54,157
Earnings per share (EUR) - diluted/undiluted	6.k.	-0.263	-0.651

	Group total 2008	Continued operations 2007	Discontinued operations 2007	Group total 2007
	283,916	213,984	95,225	309,209
	22,193	13,455	6,698	20,153
	6,024	697	-11,354	-10,657
	1	0	89	89
	164,950	123,252	44,185	167,437
	54,694	36,369	41,486	77,855
	42,562	30,662	35,322	65,984
	12,132	5,707	6,164	11,871
	56,534	15,992	19,774	35,766
	68,169	39,052	54,014	93,066
	-32,213	13,471	-68,801	-55,330
	-15,814	-11,176	-1,785	-12,961
	3,503	0	-11	-11
	-44,524	2,295	-70,597	-68,302
	-6,884	-5,476	193	-5,283
	-51,408	-3,181	-70,404	-73,585
	1,943	330	0	330
	-49,465	-2,851	-70,404	-73,255
	-54,648	18,607	0	18,607
	0	0	0	0
	-104,113	15,756	-70,404	-54,648
	54,157	47,632	47,632	47,632
	-0.914	-0.060	-1.478	-1.538

Balda Group – Segment reporting/primary segment for the fiscal year 2008

Primary segments in TEUR	Region Europe		Region Asia		Region America
	2008	2007	2008	2007	2008
Revenues	35,006	80,560	235,580	215,430	10,907
<i>Change from previous year</i>	-56.5%		9.4%		-31.0%
Total operating performance ¹	55,103	88,331	246,077	221,616	12,734
<i>Change from previous year</i>	-37.6%		11.0%		-27.5%
Material expenses	19,789	33,013	137,961	125,140	5,461
<i>in % of total performance</i>	35.9%	37.4%	56.1%	56.5%	42.9%
Total Personnel expenses	17,552	44,133	33,363	29,269	3,465
<i>in % of total operating performance</i>	31.9%	50.0%	13.6%	13.2%	27.2%
Other operating expenses	27,255	58,092	40,579	36,403	3,419
<i>in % of total operating performance</i>	49.5%	65.8%	16.5%	16.4%	26.8%
EBITDA	-9,493	-46,907	34,174	30,804	389
<i>in % of total operating performance</i>	-17.2%	-53.1%	13.9%	13.9%	3.1%
Depreciations ²	31,179	22,113	10,784	8,540	2,269
<i>in % of total operating performance</i>	56.6%	25.0%	4.4%	3.9%	17.8%
EBITA	-40,672	-69,020	23,390	22,264	-1,880
<i>in % of total operating performance</i>	-73.8%	-78.1%	9.5%	10.0%	-14.8%
Surplus depreciations ³	0	0	6,366	5,806	0
<i>in % of total operating performance</i>	0.0%	0.0%	2.6%	2.6%	0.0%
EBIT	-40,672	-69,020	17,024	16,458	-1,880
<i>in % of total operating performance</i>	-73.8%	-78.1%	6.9%	7.4%	-14.8%
EBIT discontinued operations	-31,686	-68,753	0	0	-1,880
Investments ⁴	1,889	10,851	36,784	37,210	34
Segment assets ^{5/6}	30,701	33,040	212,675	296,792	8,390
thereof discontinued operations	26,437	30,706	0	0	8,390
Segment liabilities ⁷	15,568	25,330	25,952	57,760	8,609
thereof discontinued operations	7,788	3,480	0	0	8,609
Expenses not affecting payments (without write-offs)	10,807	8,805	1,134	164	510
Number of employees as of 31.12. ⁸	222	1,023	4,439	6,442	28
Number of employees as of 31.12. ⁹	25	43	4,439	6,442	0

(1) Total operating performance = revenues plus other operational income plus/minus inventory changes plus own work capitalised

(2) Without depreciation on added value

(3) Also including depreciations of goodwill

(4) Investments = investments in tangible assets including intangible assets

(5) Segment assets = long-term assets plus current assets without interest-bearing assets, deferred tax and tax refund

(6) Intersegment corrections contain transition shares of interest bearing or tax associated items of TEUR 1,385 (previous year: TEUR 19,775)

(7) Segment liabilities = non-interest-bearing liabilities and provisions without tax liabilities

(8) Number of employees as of 31.12. = including loan workers, temporary workers and apprentices incl. discontinued operations (previous year: Asia including TPK)

(9) Number of employees as of 31.12. = including loan workers, temporary workers and apprentices only continued operations (previous year: Asia including TPK)

	Region India		Intersegment corrections			Group	
2007	2008	2007	2008	2007	2008	2007	
15,816	2,425	5	-2	-2,602	283,916 -8.2%	309,209	
17,554	2,628	66	-4,408	-8,773	312,134 -2.1%	318,794	
11,265 64.2%	1,804 68.6%	8 12.1%	-65	-1,989	164,950 52.8%	167,437 52.5%	
4,182 23.8%	451 17.2%	404 612.1%	-137	-133	54,694 17.5%	77,855 24.4%	
4,422 25.2%	1,122 42.7%	800 1,212.1%	-4,206	-6,651	68,169 21.8%	93,066 29.2%	
-2,315 -13.2%	-749 -28.5%	-1,146 -1,736.4%	0	0	24,321 7.8%	-19,564 -6.1%	
-2,267 -12.9%	5,936 225.9%	1,574 2,384.8%	0	0	50,168 16.1%	29,960 9.4%	
-48 -0.3%	-6,685 -254.4%	-2,720 -4,121.2%	0	0	-25,847 -8.3%	-49,524 -15.5%	
0 0.0%	0 0.0%	0 0.0%	0	0	6,366 2.0%	5,806 1.8%	
-48 -0.3%	-6,685 -254.4%	-2,720 -4121.2%	0	0	-32,213 -10.3%	-55,330 -17.4%	
-48	0	0	0	0	-33,566	-68,801	
1,260	607	4,862	0	0	39,314	54,183	
10,573 10,573	6,793 0	12,452 0	-1,822 1,385	18,500 2,319	256,737 36,212	371,357 49,598	
7,826 7,826	828 0	4,090 0	-1,343 1,722	-10,455 1,581	49,614 18,119	84,551 12,887	
313	0	0	0	0	12,451	9,282	
462	200	96	0	0	4,889	8,023	
0	200	96	0	0	4,664	6,581	

Balda Group – Development of long-term assets (except deferred taxes) in the fiscal year 2008

In TEUR	ACQUISITION AND MANUFACTURING COSTS							31.12.08
	01.01.08	First consolidation	Currency differences	Accruals	Disposals	Reclassifications	Reclassifications as current assets	
TANGIBLE ASSETS								
Land and buildings	60,256	1,810	-24	582	4,724	-3,508	40,383	14,009
Machinery and equipment	94,696	9,539	677	24,102	20,586	-20,167	18,973	69,288
Fixtures, furniture and office equipment	18,128	4,810	30	5,151	5,506	-5,164	4,469	12,980
Advanced payments and construction in progress	12,408	216	315	8,973	1,147	-20,258	39	468
	185,488	16,375	998	38,808	31,963	-49,097	63,864	96,745
INTANGIBLE ASSETS								
Software and other intangible assets	9,215	1,539	240	506	2,490	-1,481	1,309	6,220
Activated clientele	67,328	0	-376	0	16,696	-46,143	0	4,113
	76,543	1,539	-136	506	19,186	-47,624	1,309	10,333
FINANCIAL ASSETS								
Investments	1	0	0	0	0	0	0	1
Shares in associated companies	0	0	-777	3,503	0	83,411	0	86,137
Other financial assets	15,246	0	0	2,131	1,546	0	2,375	13,456
	15,247	0	-777	5,634	1,546	83,411	2,375	99,594
GOODWILL	81,920	0	2,934	2,412	9,601	-21,964	9,023	46,678
	359,198	17,914	3,019	47,360	62,296	-35,274	76,571	253,350

01.01.08	First consolidation	Currency differences	DEPRECIATIONS				NET BOOK VALUES		
			Accruals	Cash-outs	Reclassifications	Reclassifications as current assets	31.12.08	31.12.08	31.12.07
12,475	660	105	19,116	1,636	-624	28,699	1,397	12,612	47,781
41,083	6,364	-357	14,081	8,558	-2,520	13,605	36,488	32,800	53,613
9,485	1,758	26	3,316	3,417	-1,151	1,309	8,708	4,272	8,643
0	0		0	0	0	0	0	468	12,408
63,043	8,782	-226	36,513	13,611	-4,295	43,613	46,593	50,152	122,445
4,334	1,379	140	2,329	1,742	-1,202	495	4,743	1,477	4,881
6,246		-158	6,367	2,664	-8,319		1,472	2,641	61,082
10,580	1,379	-18	8,696	4,406	-9,521	495	6,215	4,118	65,963
0	0	0	0	0	0	0	0	1	1
0	0	0	0	0	13,816	0	13,816	72,321	0
0	0	0	11,325	0	0	0	11,325	2,131	15,246
0	0	0	11,325	0	13,816	0	25,141	74,453	15,247
11,704	0	0	0	2,681	0	9,023	0	46,678	70,216
85,327	10,161	-244	56,534	20,698	0	53,131	77,949	175,401	273,871

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

In TEUR	Subscribed share capital	Deposit for execution of agreed capital	Capital reserves increase
Balance on 01 01 2007	40,279	42,648	57,732
Conversion of convertible bonds	-	-	626
Dividend	-	-	-
Net income after taxes 2007	-	-	-
Currency reserve	-	-	-
Reclassification of issued shares for acquisition	7,108	-42,648	35,540
Capital increase	6,770	-	58,873
Disposals of minority interest through share sales	-	-	-
Employee stock option plan	-	-	967
Balance on 31 12 2007	54,157	0	153,738
Balance on 01 01 2008	54,157	0	153,738
Addition of minority interests by capital increase	-	-	-
Net income after taxes 2008	-	-	-
Currency reserve	-	-	-
Reclassification of revaluation reserve for retained earnings	-	-	-
Disposals of minority interest through share sales	-	-	-
Employee stock option plan	-	-	507
Balance on 31 12 2008	54,157	0	154,245

Revenue reserves	Revaluation reserves	Currency reserves	Retained earnings	Balda AG shareholders	Minority interest	Total shareholders' equity
2	1,879	-2,198	18,607	158,949	10,918	169,867
-	-	-	-	626	-	626
-	-	-	-	0	-2,995	-2,995
-	-	-	-73,255	-73,255	-330	-73,585
-	-	-8,851	-	-8,851	-610	-9,461
-	-	-	-	0	-	0
-	-	-	-	65,643	-	65,643
-	-	-	-	0	-160	-160
-	-	-	-	967	-	967
2	1,879	-11,049	-54,648	144,079	6,823	150,902
2	1,879	-11,049	-54,648	144,079	6,823	150,902
-	-	-	-	0	3,200	3,200
-	-	-	-49,465	-49,465	-1,943	-51,408
-	-	3,045	-	3,045	-659	2,386
558	-558	-	-	0	-	0
-	-	-	-	0	-4,940	-4,940
-	-	-	-	507	-	507
560	1,321	-8,004	-104,113	98,166	2,481	100,647

Balda Group – Cash flow for the fiscal year 2008

	Notes II.	2008 TEUR	2007 TEUR
Net loss/income before income taxes and financing costs		-32,213	-55,330
+ Income from interest		844	755
- Interest payments		-10,781	-12,144
+ / - Income tax payments / paybacks		2,501	-203
+ / - Write-offs/write-ups on long-term assets (excluding deferred taxes)		56,534	35,766
+ / - Other non-cash affecting expenses and earnings		558	14,520
+ / - Increase/decrease in tax refunds and tax liabilities		-104	1,612
+ / - Increase/decrease in provisions		-2,825	241
- / + Increase/decrease in inventories, trade accounts receivable and other assets not itemised within investment or financing activities		29,157	-3,898
+ / - Increase/decrease in accounts payable and other liabilities not itemised within investment or financing activities		-6,539	5,672
= Cash flow from current business activity	4.a.	37,132	-13,009
thereof discontinued operations		-334	-3,853
Cash flow from investment activities			
+ / - Change in fixed assets affecting payment		-40,796	-42,244
+ / - Change in financial assets affecting payment		-620	-1,546
+ Cash inflow from the sales of shares of the group		8,000	0
- Expenditure from the acquisition of shares of the group		-2,040	0
= Cash flow from investment activities	4.b.	-35,456	-43,790
thereof discontinued operations		-884	-5,278
Cash flow from financing activities			
+ / - Change in liabilities to banks affecting payments		6,444	35,247
- Payments from the rebuy of option loans		0	-68,000
- Payments from the amortization of bonded loans		-15,250	0
+ / - Change in shares of external shareholders		640	-2,995
+ Cash flow from capital increase		0	64,771
+ Cash inflow from the issue of share conversation profit participation right		0	32,782
+ / - Changes in finance lease obligations affecting payments		-148	-213
= Cash flow from financing activities	4.c.	-8,314	61,592
thereof discontinued operations		-1,648	1,167
Change in cash and cash equivalents affecting payments	4.d.	-6,638	4,793
+ / - Change in cash funds from changes in the consolidated group		-840	-386
+ Cash and cash equivalents at the beginning of the fiscal year including discontinued operations		44,893	40,486
= Cash and cash equivalents at the end of the financial year incl. discontinued operations		37,415	44,893
Cash and cash equivalents at the end of the fiscal year – discontinued operations		728	672
Cash and cash equivalents at the end of the fiscal year – continued operations		36,687	44,221
Total financial resources at end of the fiscal year			
Cash funds		36,687	44,221
Cash and cash equivalents in the balance sheet (without discontinued operations at the balance sheet date)		36,687	42,921

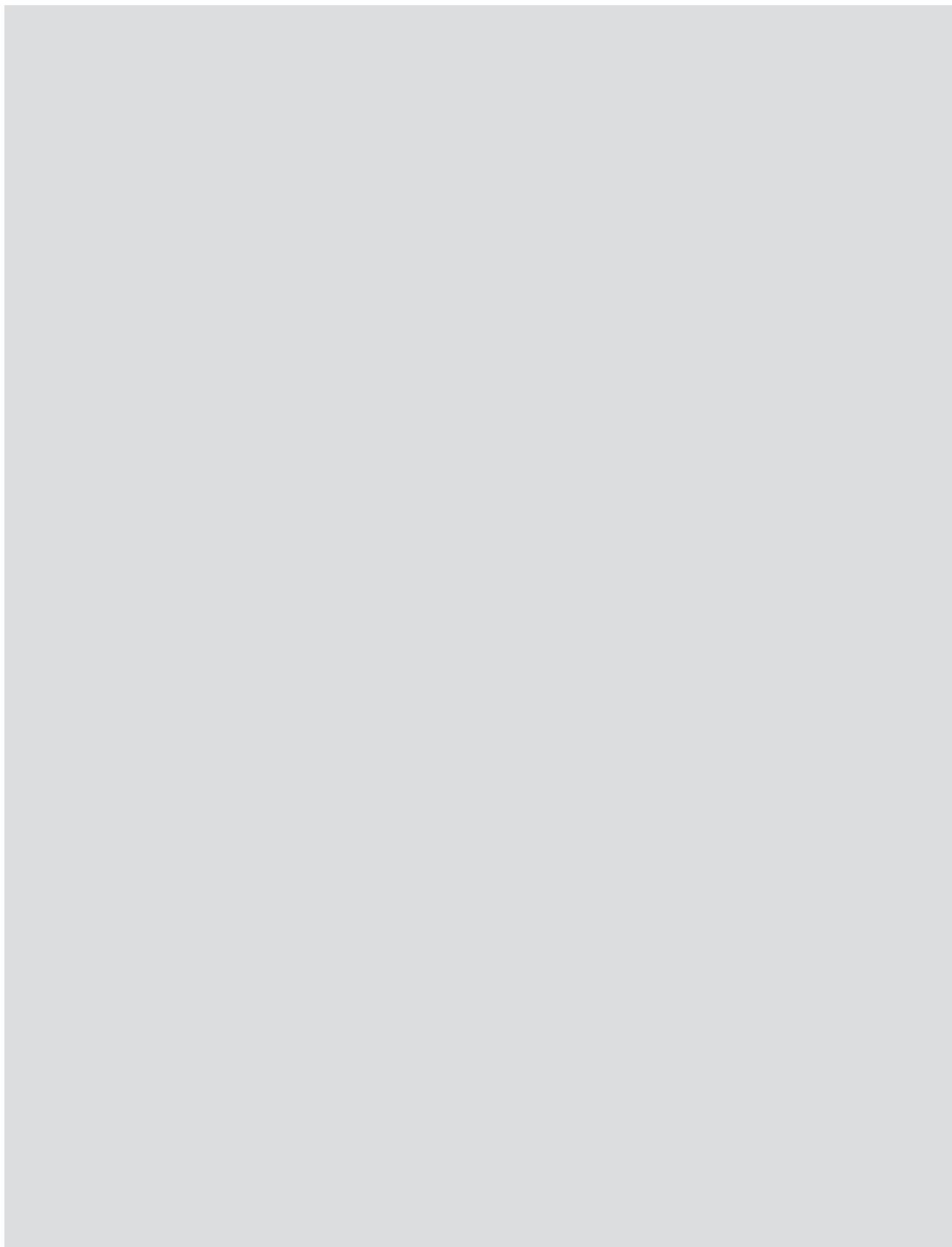
Year-end Tables – Balda AG

Balda AG – Balance sheet as of 31 December 2008 – Assets

	Notes II.	31 December 2008 TEUR	31 December 2007 TEUR
A. Fixed Assets	2.a.		
I. Intangible assets			
1. Concessions, industrial and property rights and similar rights and values as well as licences to such rights and values		538	2,285
2. Advance payments		0	188
		538	2,473
II. Tangible assets			
1. Machinery and equipment		19	24
2. Fixtures, furniture and office equipment		910	1,273
3. Advance payments and construction in progress		40	278
		969	1,575
III. Financial assets			
1. Shares in affiliated companies		183,410	204,207
2. Loans to affiliated companies		2,993	14,110
3. Investments		1	901
4. Other loans		0	11,500
		186,404	230,718
		187,911	234,766
B. Current Assets			
I. Receivables and other current assets	2.b.		
1. Trade accounts receivable		30	303
2. Accounts receivable from affiliated companies		8,789	13,318
3. Receivables from associated companies		0	24
4. Other current assets		802	4,153
		9,621	17,798
II. Cash in hand, deposits in bank accounts and cheques	2.c.	6,036	27,387
		15,657	45,185
C. Prepaid Expenses	2.d.	354	425
Total Assets		203,922	280,376

Balda AG – Balance sheet as of 31 December 2008 – Total liabilities and shareholders' equity

	Notes II.	31 December 2008 TEUR	31 December 2007 TEUR
A. Shareholders' equity	2.e.		
I. Subscribed share capital		54,157	54,157
II. Capital reserves		152,873	152,873
III. Revenue reserves		2	2
VI. Retained earnings		-144,719	-91,346
		62,313	115,686
B. Provisions	2.f.		
1. Tax provisions		9,981	1,500
2. Other provisions		3,018	5,505
		12,999	7,005
C. Liabilities	2.g.		
1. Bonds		39,200	39,200
- thereof convertible: TEUR 34,200 (previous year: TEUR 34,200)			
2. Liabilities to financial institutions		77,375	95,100
3. Trade accounts payable		981	1,997
4. Liabilities to affiliated companies		5,554	5,749
5. Other liabilities		5,500	15,639
- thereof from taxes: TEUR 62 (previous year: TEUR 136)			
- thereof from social security: TEUR 33 (previous year: TEUR 4)			
		128,610	157,685
Total liabilities and shareholders' equity		203,922	280,376



Balda AG – Income statement for the fiscal year 2008

	Notes II.	2008 TEUR	2007 TEUR
1. Revenues	3.a.	3,947	7,423
2. Other operating income	3.b.	4,962	14,845
3. Personnel expenses		-4,766	-7,221
a) Wages and salaries		-4,383	-6,670
b) Social security contributions, expenses for pensions and support		-383	-551
4. Depreciations			
a) Depreciation on intangible and tangible assets as well as capitalised expenses for the commencement and expansion of business operations		-1,279	-722
5. Other operating expenses	3.c.	-15,078	-54,568
6. Income from participating interests		15,053	0
- thereof from affiliated companies: TEUR 15,053 (previous year: TEUR 0)			
7. Other interest and similar income		1,787	2,557
- thereof from affiliated companies: TEUR 1,072 (previous year: TEUR 1,536)			
8. Depreciations on financial assets and on securities in current assets		-40,394	-3,381
9. Expenses from transfer of losses		0	-23,357
10. Interest and other expenses		-11,948	-8,540
- thereof from affiliated companies: TEUR 797 (previous year: TEUR 269)			
11. Result of ordinary operations		-47,716	-72,964
12. Taxes on income and earnings	3.d.	-5,656	-1,424
13. Other taxes		-1	-1
14. Net loss for the year		-53,373	-74,389
15. Loss carried forward from previous fiscal year		-91,346	-16,957
16. Retained earnings		-144,719	-91,346

Balda AG – Development of fixed assets in the fiscal year 2008

In TEUR	01 01 2008	ACQUISITION AND MANUFACTURING COSTS		
		Accruals	Disposals	Reclassifications
INTANGIBLE ASSETS				
Concessions, industrial and property rights and similar rights and values as well as licences to such rights and value	3,195	11	1,188	0
Advance payments	188	2	190	0
	3,383	13	1,378	0
TANGIBLE ASSETS				
Machinery and equipment	42	3	0	0
Fixtures, furniture and office equipment	1,778	97	45	0
Advance payments and buildings under construction	278	33	271	0
	2,098	133	316	0
FINANCIAL ASSETS				
Shares in affiliated companies	208,912	2,800	0	3,912
Loans to affiliated companies	14,110	660	7,205	-3,912
Investments	15,146	0	0	0
Other loans	11,500	0	175	0
	249,668	3,460	7,380	0
	255,149	3,606	9,074	0

31 12 2008	01 01 2008	DEPRECIATIONS		NET BOOK VALUES		
		Accruals	Disposals	31 12 2008	31 12 2008	31 12 2007
2,018	910	830	260	1,480	538	2,285
0	0	0	0	0	0	188
2,018	910	830	260	1,480	538	2,473
45	18	8	0	26	19	24
1,830	505	441	26	920	910	1,273
40	0	0	0	0	40	278
1,915	523	449	26	946	969	1,575
215,624	4,705	27,509	0	32,214	183,410	204,207
3,653	0	660	0	660	2,993	14,110
15,146	14,245	900	0	15,145	1	901
11,325	0	11,325	0	11,325	0	11,500
245,748	18,950	40,394	0	59,344	186,404	230,718
249,681	20,383	41,673	286	61,770	187,911	234,766

Notes to the Consolidated Financial Statements as of 31 December 2008

I. General Information

1. General Information about Balda

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

The business activities of the Balda group range from materials development through to engineering, mould construction, production of hardware components, surface technology and manufacturing of touch screens. The company services clients in the mobile telecommunications sector, medical technology and other similar markets.

The board of directors approved the consolidated financial statement for publication on March 9 2009.

2. Details of the Balda AG Consolidated Financial Statement

The consolidated financial statement was prepared according to the International Financial Reporting Standards (IFRS) as applicable in the EU, the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the additional provisions of section 315a para. 1 of the German Commercial Code (HGB). The financial accounting methods applied comply with European Union guidelines for the reporting of consolidated accounts.

All amounts listed refer to thousand Euro (TEUR) unless otherwise indicated.

According to IAS 1, use was made of the option to prepare the consolidated financial statement according to the maturities, starting with the short-term dues. All asset and debt items with a residual period of less than one year are classified as short-term. In preparing the consolidated financial statement, Balda AG has therefore met the Deutsche Börse AG requirements as regarding structured quarterly statements.

The Profit and Loss Statement has been prepared according to the total expenditure format.

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

3. Information about the Consolidation

a. Scope of consolidation

The consolidated financial statement includes the financial statements of Balda AG and the companies in which it holds a majority stake (its subsidiaries), until 31 December of each year. Majority stakes are deemed to exist if Balda AG can determine the financial and managerial policy of a subsidiary in order to gain economic profit.

Apart from Balda AG, the consolidated financial statement includes eight domestic and 14 foreign subsidiaries on the path to full consolidation. In addition, 12 foreign associated companies were included at equity.

For further details refer to chapter III.f. 'Scope of consolidation and shareholdings'.

At 7 March 2008, Balda AG repurchased Balda Solutions Deutschland GmbH, Balda Werkzeug- und Vorrichtungsbau GmbH and Balda Solutions Hungaria Kft., which were sold at the end of 2007. The repurchase of the companies affected the assets and liabilities of the Group at the purchase time as follows:

in TEUR	2008
Payments	2,540
Current assets	21,852
Long-term assets	4,725
Short-term liabilities	22,207
Long-term liabilities	25
Purchased net assets	4,345
Debit difference	1,805

The net income in the income statement of the discontinued operations was adjusted by the amount of the debit difference.

Balda AG has realized the intended resale of parts of the repurchased companies taking effect 1 May 2008. For the valuation of the purchased assets and liabilities to be added, the conditions of the resale have already been considered. Balda AG closed down Balda Solutions Hungaria effectively until the end of June 2008.

For further details refer to chapter II.5.f. 'Assets classified for divestiture'.

On 29 October 2008 Balda AG purchased the remaining 50 percent of shares in Balda Lumberg Deutschland GmbH & Co. KG with its Brazilian subsidiaries. Consolidation of these companies began immediately. For further details refer to chapter I.3.d. 'Existing Joint Ventures'.

The acquisition of the subsidiaries affected the assets and liabilities at the purchase time as follows:

in TEUR	2008
Payments	0
Current assets	3,301
Long-term assets	3,100
Short-term liabilities	5,223
Long-term liabilities	1,118
Purchased net assets	60
Debit difference	60

The book value before the merger represented the fair values at the acquisition date.

The afore-mentioned companies from the time of their acquisition have contributed TEUR -5.447 to the earnings of the Group. If the acquisition had taken place at the beginning of the year, the companies would have contributed TEUR -14.734 and transaction volume of TEUR 30.055 would have been included in the Group's earnings.

At the time of their acquisition Balda Lumberg Deutschland and their Brazilian subsidiaries have been assigned to the discontinued operations. For further details refer to chapter II.5.f. 'Assets classified as held for sale'.

Of the previously-held 50 percent shares of TPK Holding Co. Ltd., 12 percent were sold effective 1 October 2008. Since the sale TPK Holding is no longer quota consolidated but included in the Balda consolidated financial statement as associated company.

The assets and liabilities as well as revenues and expenses of the 50 percent-holding withdrawn from the consolidation effective 1 October 2008 are represented as follows:

in TEUR	withdrawn from consolidation because of partial sales 2008
Current assets	27,095
Long-term assets (without goodwill and capitalized customer relations)	71,401
Goodwill	24,863
Capitalized customer relations	46,143
Deferred taxes on customer relations	9,229
Current liabilities	67,404
Long-term liabilities	2,441
Sales revenues	71,165
Total operating performance	75,410
Material expenses	56,157
Personnel expenses	6,640
Other operating expenses	9,994
Expenses for depreciation	3,333
Financial results	-1,383
Tax expenditures	22
Annual net loss	-2.117

For details on the further handling of the remaining 38 percent of TPK Holding Co. Ltd. refer to chapter II.5.j. 'Financial assets'.

b. Method of consolidation

The capital is consolidated in accordance with the acquisition method. In case of acquisition of a company, the assets and liabilities of the respective subsidiaries are valued at their attributable market value at time of acquisition. If the acquisition costs exceed the attributable current market value of the acquired identifiable assets and liabilities, the capitalised difference is shown as goodwill. In case of a debit difference, this is immediately recorded against profits. The interests of minority stakeholders are reported as part of the attributable current values of the stated assets and liabilities corresponding to the minority interests.

The earnings of the subsidiaries acquired or sold during the course of the year are incorporated in the consolidated profit and loss statement according to the actual time of acquisition or up until the actual time of disposal.

Receivables and corresponding liabilities or provisions between the Group companies are mutually offset.

Revenues resulting from inter-company deliveries and other intra-group income are set off against the corresponding expenses. Interim profits resulting from intra-group trading are eliminated.

Interests in jointly-managed companies are given in the balance sheet by means of pro rata consolidation. The Group aggregates per item the pro rata share of their earnings, expenses, assets and liabilities as well as cash flows from similar Group items.

The earnings as well as assets and liabilities of associated companies are incorporated in this consolidated financial statement using the equity method. Interests in associated companies are given in the balance sheet as acquisition costs, adjusted by changes in the Group share of the net profits following acquisition, and losses due to depreciation. Losses that exceed the Group's share in associated companies are not reported.

c. Currency conversion

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

Within the framework of the consolidation, the assets and debts of the Group's foreign companies are translated at the spot rate on the reporting date as part of the consolidation. Costs and income are translated at the average annual exchange rate. The differences compared to the spot rate on the reporting date are reported in the shareholders' equity separately in the currency reserves without affecting profits.

Currency differences resulting from consolidation of debts and expenses/earnings are set off as income.

The goodwill values resulting from the acquisition of foreign subsidiaries are treated as assets and liabilities of the financially independent subsidiaries and converted at market price on reporting date (IAS 21.47). The resulting currency differences are stated in the currency reserves.

d. Existing joint ventures

Through its Asian intermediary holding, Balda Investments Singapore Ltd., Balda AG held an indirect share of 50 percent in the TKP Holding Co. Ltd. until 30 September 2008.

TPK is a jointly managed company based in Asia which specializes in the manufacture of touch screens. Via contract on 30 September 2008 Balda AG sold 12 percent of its shares. Since 1 October 2008 Balda Group reports the remaining shares as shares in affiliated companies and consolidated at equity. For details refer to chapter II.5.j. 'Financial assets'.

In addition, until 29 October 2008 Balda AG held 50 percent of shares in Balda Lumberg Deutschland GmbH & Co. KG. Balda Lumberg is an intermediate holding based in Germany for the Brazilian companies previously consolidated pro rata in the Balda Group. The Brazilian companies specialise principally in the manufacture of high quality plastic components for the mobile telecommunications industry and related areas. Taking effect 29 October 2008, Balda AG has purchased the remaining 50 percent of the company. Since the purchase, Balda Lumberg is being fully consolidated. For details refer to chapter I.3.a. 'Scope of consolidation'.

The share of assets, liabilities, earnings and expenses of the jointly managed companies attributable to the Group until 30 September 2008 for TKP Holding and until 28 October for Balda Lumberg is as follows:

in TEUR	Balda Lumberg Deutschland GmbH & Co. KG		TPK Holding Co. Ltd.	
	29 Oct. 2008	2007	30 Sept. 2008	2007
Current assets	3,301	7,081	27,095	32,708
Long-term assets	3,100	4,242	71,401	44,939
Short-term liabilities	5,223	7,465	67,404	42,177
Long-term liabilities	1,118	2,053	2,441	7,152
Sales revenues	10,907	14,905	71,165	64,533
Material costs	5,461	11,265	56,157	51,218
Personnel costs	3,465	3,507	6,640	5,839
Other operating expenses	3,419	4,312	9,994	6,873

II. Details on the Consolidated Financial Statement of Balda AG

1. Details regarding new and amended standards and interpretations

New and amended standards and interpretations that apply to periods under review beginning on or after 1 January 2008:

Standard or interpretation	Title (date of taking effect) - application to financial years beginning at the date of taking effect or later -
IFRIC 11	IFRS 2 - Transactions with own shares or shares of allied companies (1 March 2007)
IFRIC 12	Agreements regarding service concessions (1 January 2008)
IFRIC 14	IAS 19 - Limitation of surplus that can be reported as asset, obligation to contribute to pension schemes and the interrelation between the two (1 January 2008)

The initial application of these interpretations did not have a significant impact on the asset, financial and earning situation or on the cash flow of Balda AG.

New and amended standards as well as newly published interpretations, which have not yet come into force but which may be applied by companies at an earlier date (but not yet applied by Balda AG):

Standard or interpretation	Title (date of taking effect) - application to financial years beginning at the date of taking effect or later -
IFRS 1 (revised May 2008)	Initial application of IFRS: Changes regarding 'Determination of acquisition costs of shareholdings kept in separate accounts' (1 January 2009)
IFRS 2 (revised 2008)	Share-based payments: Changes concerning vesting conditions and annulments (1 January 2009)
IFRS 3/IAS 27/IAS 28 (revised 2008) methods (1 July 2009)	Mergers and acquisitions: comprehensive revision concerning application of acquisition
IFRS 8	Business segments (1 January 2009)
IAS 1 (revised 2007)	Presentation of Financial Statements: comprehensive revision including the requirement to present complete income (1 January 2009)
IAS 1/IAS 32 (revised 2008)	Presentation of Financial Statements: changes concerning the reporting of puttable financial instruments and obligations resulting from liquidation (1 January 2009)
IAS 23 (revised 2007)	Borrowing costs: comprehensive revision to prevent their immediate classification as expenditure (1 January 2009)
IAS 39 (July 2008)	Financial instruments: application and assessment, changes concerning risk positions which qualify for Hedge Accounting (1 July 2009)
IFRIC 13	Loyalty programs (1 July 2008)
IFRIC 15	Accounting of property sales (1 January 2009)
IFRIC 16	Hedging of net investments in foreign companies (1 October 2008)

The following standards were modified as part of the annual improvement of the IFRS (May 2008), changes come into effect on 1 January 2009:

Standard or interpretation	Title (date of taking effect) - application to financial years beginning at the date of taking effect or later -
IFRS 5	Sales of assets and discontinued operations
IAS 1	Presentation of Financial Statement
IAS 16	Tangible assets
IAS 19	Employee benefits
IAS 20	Accounting and presentation of government grants
IAS 23	Borrowing costs
IAS 27	Consolidated and separate financial statements according to IFRS

Standard or interpretation	Title (date of taking effect) - application to financial years beginning at the date of taking effect or later -
IAS 28	Shares in associated companies
IAS 29	Accounting in countries with hyper inflation
IAS 31	Shares in joint ventures
IAS 36	Impairment of assets
IAS 38	Intangible assets
IAS 39	Financial instruments: application and assessment
IAS 40	Properties kept as investment
IAS 41	Agriculture

With regard to the initial application of these interpretations, no significant impacts on the asset, financial and earning situation or on the cash flow of Balda AG are expected.

2. Accounting and assessment principles

Principal financial and assessment methods used to prepare this consolidated financial statement are set out in the following sections. The accounting methods are generally unchanged compared to the previous year.

All **estimates and assessments** are continually reassessed and are based on historic experience and other factors, including expectations regarding future events, which appear reasonable given existing circumstances. In case of significant uncertainties regarding estimates which could lead to a significant adjustment of the reported assets and liabilities within the following financial year, these are represented in the corresponding passages of the notes.

The **valuation options** were exercised uniformly within the Group and retained compared to last year.

Financial instruments

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

Financial assets are divided into the following categories: Financial assets at fair value through profit or loss, loans and receivables, financial assets held to maturity, and financial assets available for sale. The classification depends on the respective purpose for which the financial assets were acquired. The management determines the classification of the financial assets with the initial report and examines the classification on every reporting date. Calculation is made on every reporting date as to whether objective indications suggest that there is a write-down of a single or a group of financial assets.

Financial instruments are reported in the balance sheet if the company bears the risk associated with the financial instrument. The reporting takes place on the trading date. Financial assets are withdrawn from the

accounts if the company loses the power of disposal over the contractual right from which the financial asset arises. Financial liabilities are withdrawn from the accounts if the obligations stated in the contract are settled, waived or expired. Upon their first recording in the accounts, these financial assets or liabilities are reported at their acquisition costs, which correspond to the current value of the counter payment. In case at moment of acquisition the fair value is negative, transaction costs are also added. The subsequent valuation varies for the different categories of financial assets or liabilities and is described in detail based on the accounting methods used for the respective balance sheets.

In principle, loans and receivables, assets held to maturity and other financial liabilities (without derivatives and the financial liabilities designated as affecting the results at fair value) are assessed at the amortised costs. All other original and derivative financial instruments are assessed at fair value. Profits or losses are recorded in the period results.

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

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

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

Receivables and other assets are reported at procurement costs which correspond to the current value of the counter payment, including transaction costs, for fair values not reported against results. Sufficient allowance has been made with regard to estimated irrecoverable amounts for all risks discernible at the time the balance sheet was drawn up through the application of value adjustments. Short-term foreign currency liabilities are translated at the spot rate on the reporting date.

The **inventories** are valued at acquisition or manufacturing cost or at the expected lower net sales proceeds. Acquisition and manufacturing costs are calculated using the weighted average method or first-in-first-out principle. In addition to the material and prime costs, manufacturing costs include manufacturing overhead surcharges and depreciation. The tool orders are valued using the 'completed contract method'.

Borrowing costs are not capitalised but instead are reported in the period in which they arise.

The **tangible and intangible assets** are valued at acquisition and manufacturing cost less scheduled, straight-line depreciation and, where applicable, less depreciation charges. The depreciation is generally based on the following operating life expectancies:

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

Depreciation begins once the asset has been completed or once the operating condition has been achieved.

The manufacturing costs account for all manufacturing-related expenses.

The Group leases certain fixed assets (leased objects). **Leasing agreements** for fixed assets where the Group bears the main risks and advantages of ownership of the leased object are classified as financial leases. Assets from financing leases are capitalised at the beginning of the term of the lease with the lower value of the attributable market value of the leasing object and the present value of the minimum lease payments. A leasing liability is carried as a liability to the same amount under the long-term liabilities. Each leasing rate is differentiated by an interest and an amortisation percentage to pay interest on the leasing liability constantly. The interest portion of the leasing installment is shown in the profit and loss statement with an effect on costs. Fixed assets held under financial leasing are depreciated over the shorter of the two following periods: the useful life of the asset or the term of the lease.

The live spans of all intangible assets (except goodwill) are limited. The development costs and company-manufactured intangible assets are capitalised if the reporting conditions pursuant to IAS 38 are met. In the case of the initial evaluation of the customer relationship, the future payments are discounted by the present value at the current market interest rate.

Insofar as is required by IAS 36 a **write-down** to the lower recoverable amount is applied to tangible and intangible assets.

On each balance sheet date the Group reviews the book values of its tangible and intangible assets to determine whether there is a **need for depreciation** with regard to these assets. If they are to be depreciated, the recoverable amount is estimated to determine the scope of the possible depreciation expenses. If the recoverable amount for an individual asset cannot be estimated, the recoverable amount of the cash generated by this asset is estimated.

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

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

In the event of a subsequent **reversal of the depreciation**, the book value of the asset (cash generating unit) is increased to the newly-estimated recoverable amount. In this respect the increase in the book value is restricted to the value that would have been determined if no depreciation expenses had been reported for the asset (cash generating unit) in previous years. A reversal of the depreciation expenses is immediately reported against income.

The **properties** kept as financial assets are valued at acquisition cost. These properties do not have significant influence. Shareholdings in affiliated companies are valued at equity. The Loans and other financial assets are reported at acquisition costs or at the lowest recoverable value.

The **goodwill** represents the surplus of the acquisition costs of the company acquisition over the attributable market value of the shares of the Group in the net assets of the company acquired at the time of acquisition unless differences could not be distributed among the individual assets. The goodwill shown in the balance sheet is subjected to an annual impairment test and is valued at its original acquisition costs minus accumulated loss in value. Subsequent increased valuations are not permissible. Profits and losses from the sale of a company include the book value of the goodwill attributed to the company sold. The goodwill is distributed between revenue generating units for the purpose of the impairment test. The distribution occurs among those cash generating units or groups of cash generating units, which can be expected to derive benefit from the merger that created the goodwill.

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

Deferred taxes are the expected tax burdens or relief from the differences of the book values of assets and debts in the consolidated financial statement and the value amount stated in the tax balance sheet. The balance sheet oriented liability method is applied here. Deferred tax liabilities and deferred tax assets are reported for all taxable temporary differences insofar as it is likely that taxable profits, for which the deductible temporary differences can be used, are available. Deferred taxes on temporary differences from goodwill are not stated.

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

The expected income tax burden at the time of realising the differences is taken as a basis for the temporary differences pursuant to IAS 12 in respect of valuing the deferred taxes. Deferred taxes are generally reported as income, apart from items that are directly booked in the shareholders' equity.

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

The provision is reported at present value if a significant compound interest effect results from the time at which the commitment is honored.

Provisions for warranty obligations are reported at the time at which the respective product is sold. The amount is based on the best estimate of the expenses by the management, which is obliged to honor the Group obligation.

The expense and obligations from performance related **pension plans** and semi-retirement contracts are determined using the projected unit credit method on the basis of external actuarial opinions. The assessment is made on the basis of assumptions regarding discounting rates, expected earnings from plan assets, salary and pension trends and mortality rates. In accordance with the long-term structure of these obligations, these estimates are subject to the normal uncertainties.

As a result of the amendment of IAS 19 issued by the IASB (employee benefits) in December 2004, an additional option has been created, which permits taking immediate account of actuarial profits and losses from performance related pension obligations and as well as reduced contributions from the upper limit of the assets without affecting profits. The Board of Directors of the Balda Group decided to state actuarial profits and losses directly and completely in the profit and loss statement analogously to IAS 19.93, due to their minor scale. The debt shown resulting from the performance-oriented obligation arises to the same amount as the actual obligation.

In the Balda consolidated financial statement all expenses and earnings are stated in the performance-related pension plans.

Pursuant to IAS 39, **financial liabilities** were reported at the time of acquisition at acquisition cost. Costs that can be directly allocated to the acquisition (transaction costs) have been taken into consideration. Subsequently, they are valued according to the continued procurement costs applying the effective interest method so that the repayment amount results by the final date. Monetary foreign currency liabilities are translated at the spot rate on the reporting date.

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

Revenues are recorded if it is likely that that commercial benefit associated with the corresponding transaction will flow to the company and the amount of the revenues can be reliably assessed. Revenues are recorded minus sales tax and any price discounts and volume rebates, if the delivery has been made and risks and opportunities connected with ownership have been transferred (completed contract method). Insofar as the service has not been rendered in full, the service that is valued at manufacturing costs is capitalised in the inventories.

Income from services is generally recorded pro rata across the periods in which the services are provided.

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

Intangible assets resulting out of the **development** of a product will be only reported if the Group can demonstrate the technical feasibility of production of said intangible asset, so that it becomes available for internal use or sale, as well as the intention of producing said intangible asset for use or sale. Furthermore the group must prove the generation of future economic benefit through said asset, the availability of resources to produce this asset, and the capacity to reliably identify the costs occurring during the production of said intangible asset.

In case beneficial ownership of leased properties resides with the lessor (**operative leasing**), the Group will report leasing rates for the duration of the lease as affecting income.

Interest income is recorded corresponding to the effective discounting of the assets.

Contingent liabilities and receivables are possible liabilities or assets which result from events in the past and whose existence is conditional on the occurrence or non-occurrence of one or more future events which are not fully within the control of Balda AG. Contingent liabilities are also current liabilities resulting from events in the past, for which the out-flow of resources, which embody economic benefits, is unlikely or for which the extent of the liability cannot be reliably assessed. Contingent liabilities are reported at the attributable market value if they have been assumed within the framework of a company takeover. Contingent receivables are not reported. Insofar as an out-flow of economic benefits is unlikely, information is provided in the consolidated notes regarding contingent liabilities. This also applies to contingent receivables, insofar as their recovery is likely.

3. Revenues per Segment

In the Balda Group, primary segment reporting is organised by geographical region and is unchanged from the previous year.

The make-up of the primary segment is shown in a separate appendix to the annual report 'Group Segment Reporting for Financial Year 2008'.

As in the previous year, the primary segment in the Balda Group is divided by region into Europe, Asia, America and India. In each segment, the location of the segment assets corresponds primarily with the revenues received from third parties in that segment.

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

The values for discontinued business operations listed in our notes under II.5.f. refer to the Europe region as well as America and are included in the segment reports.

In the financial year 2008 depreciation expenses in the amount of TEUR 15,020 (previous year: TEUR 12,934) in Europe and TEUR 4,430 in India .

The income from associated companies TEUR 3,503 (previous year: TEUR -11) reported according to EBIT in the profit and loss statement is derived from TKP Holding and is allocated to the Asia region. For details refer to chapter II.5.j.. In the previous year the income of TEUR -11 was allocated to the Europe region. This holding was sold in December 2007.

The segment result from the discontinued business divisions as at the reporting date totaled for the Europe region TEUR -31,686 (previous year: TEUR -68,753) and for the America region TEUR -1.880 (previous year: TEUR 48).

The secondary segment reporting is organised by business area and is subdivided into the business areas 'Development, engineering and mould making', 'Plastics processing and surface treatment', and 'Touch screens'.

Secondary segments	BA 1		BA 2		BA 3		Reconciliation		Group	
	Plastic processing and surface finishing-		Development, engineering and mould fabrication		Touch screens					
in TEUR	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Sales revenues	192,087	218,541	20,664	26,514	71,165	64,154	0	0	283,916	309,209
Changes from previous year	-12.10 %		-22.06 %		10.91 %				-8.18 %	
Investments ¹	13,795	23,846	765	3,341	24,755	26,996	0	0	39,314	54,183
Segment assets ²	172,440	171,558	10,054	11,419	72,321	168,605	1,922	19,775	256,737	371,357

(1) Investments = Investments in tangible and intangible assets

(2) Segment assets = short and long-term assets, not including interest-bearing assets, active deferred taxes and tax refund claims

The item 'Touch screen' includes in 2008 revenues and investments until the transition time consolidation. The segment assets 2008 correspond to the holdings of associated companies until 31 December 2008.

The item Reconciliation 2007 - based on segment assets - mainly contains the receivables from the sale of Albea Kunststofftechnik GmbH, Albea Grundstücksverwaltungs GmbH and Balda Surface GmbH in 2006 and the receivables from the companies sold in 2007.

4. Application of cash flow statement

The Corporate Group has compiled the application of cash flow statement in accordance with IAS 7 Cash-flow-statements. The cash flows are divided into business, investment and financing activities.

The development and composition of the payment streams are shown in the application of cash flow statement (appendix).

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

a. Cash flow from current business activity

The cash flow from current business activity amounted to TEUR 37,132 in the 2008 financial year (previous year: TEUR -13,009). The improved earnings before taxes, interest and depreciation (EBITDA) mainly contributed to this. Furthermore, returns from current assets that could not be allocated to investment or financing activity resulted in a cash inflow in 2008. An increase was also recorded here in the previous year. The reduction in liabilities that are not allocated to the investment or financing activities led to a cash flow.

b. Cash flow from investment activities

In the 2008 financial year, the Group executed payments of TEUR 42,899 for the acquisition of tangible and intangible assets. This is countered by cash inflow of TEUR 2,103 from the sale.

The changes in loans affecting payment amounted to TEUR 620 for the Group.

A cash inflow of TEUR 8,000 resulted for the Group from the sale of shares in TPK. The company paid TEUR 2,040 for the acquisition of shares in Group companies in the reporting year.

c. Cash flow from financing activities

The previous year was marked by a capital increase, the issuing of convertible participation rights and the repurchase of an option bond.

The liabilities owing to credit institutes decreased in the reporting year, mainly due to cash outflow for the repayment of bonded loans.

The Corporate Group did not finalize any significant new leasing agreements in the reporting year that meet the criteria of a finance leasing. Repayments of these liabilities were made totalling TEUR 148.

d. Change in cash and cash equivalents affecting payments

The financial resources balance decreased by a total of TEUR 6,638. The financial resources balance on the financial statement date amounted to TEUR 37,415 (previous year: TEUR 44,893). Included therein are the liquid assets of the discontinued operations amounting to TEUR 728 (previous year: TEUR 1,972).

5. Notes on individual items of the consolidated balance sheet

Current assets

a. Liquid assets

The liquid assets include cash-in-hand, saleable funds, deposits in bank accounts and cheques. With regard to the development of 'liquid assets', please see details on the application of cash flow statement under II.4. „Application of cash flow statement”.

b. Trade accounts receivable

The trade accounts receivable amounted to TEUR 27,648 on the financial statement date (previous year: TEUR 58,998).

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

The value adjustments on trade accounts receivable developed as follows:

in TEUR	2008	2007
Value adjustments as of 1 January	2,058	2,961
Reclassification to the discontinued operations	-1,363	0
Additions	22	593
Consumption	-235	-1,492
Exchange rate differences	37	-4
Value adjustments as of 31 December	519	2,058

For further information, please see details on credit risk under II.5.ac. „Management of risks from financial instruments and capital management”.

The trade accounts receivable that have not undergone value adjustments have the following terms of maturation:

in TEUR	Book value	incl.: Neither value adjusted nor overdue at the financial statement date	including: Not value adjusted at the financial statement date and overdue in the following time bands				
			Up to 30 days	Between 31 and 60 days	Between 61 and 90 days	Between 91 and 120 days	More than 120 days
Trade accounts receivable as at 31 12. 2008	27,648	20,950	5,525	364	389	75	345
Trade accounts receivable as at 31 12. 2007	58,998	50,573	5,550	1,762	127	356	610

With regard to the trade accounts receivable that have not undergone value adjustments and are not overdue, there was no indication at the financial statement date that the debtors would not fulfill their payment obligations.

c. Inventories

The Group reported value depreciation on the inventories on hand in the income statement at the financial statement date of TEUR 202 (previous year: TEUR 3,791).

d. Tax refunds

Tax refunds refer exclusively to refunds for tax on earnings pursuant to IAS 12.

e. Other current assets

Other current assets include, among other things, the current portion of deposits for rents of TEUR 1,318 (previous year: TEUR 0), the current portion of receivables from company sales of TEUR 2,000 (previous year: TEUR 3,833) and refund claims for income tax of TEUR 671 (previous year: TEUR 4,444).

The other current assets and other long-term accounts receivables are listed as follows:

in TEUR	31.12.2008		31.12.2007	
	Total	including: Current	Total	including: Current
Loans and receivables granted	8,239	6,108	29,708	14,462
Derivatives	32	32	104	104
Total	8,271	6,140	29,812	14,566

The loans and accounts receivable that have not undergone value adjustments have the following terms of maturation:

in TEUR	Book value	incl.: Neither value adjusted nor overdue at the financial statement date	including: Not value adjusted at the financial statement date and overdue in the following time bands				
			Up to 30 days	Between 31 and 60 days	Between 61 and 90 days	Between 91 and 120 days	More than 120 days
31. 12 2008							
Loans and receivables granted							
Residual term of up to 1 year	6,140	5,851	115	23	7	6	138
Residual term of more than 1 year	2,131	0	2,131	0	0	0	0
31. 12 2007							
Loans and receivables granted							
Residual term of up to 1 year	14,566	11,180	677	43	0	5	2,499
Residual term of more than 1 year	15,246	9,283	0	0	0	0	0

With regard to the loans and accounts receivable that have not undergone value adjustments and are not overdue, there was no indication at the financial statement date that the debtors would not fulfill their payment obligations.

f. Assets classified as held for sale

This item refers to the assets of the following discontinued operations:

- Balda Medical GmbH & Co. KG
- Balda Medical Verwaltungsgesellschaft mbH
- Balda Grundstücks- und Vermietungs GmbH & Co. KG
- Balda Solutions Deutschland GmbH
- Balda Werkzeug- und Vorrichtungsbau GmbH
- Balda Solutions Hungaria Kft
- Balda Lumberg Deutschland GmbH & Co. KG
- BLT Amazonia Plasticos Industria e Comercio Ltda.
- BLT Paulista Plasticos Industria e Comercio Ltda.
- Balda Lumberg Verwaltungsgesellschaft mbH

The assets and debts of the discontinued operations are listed as follows:

in TEUR	2008
Current assets	17,219
Long-term assets (without goodwill and activated customer relations)	18,993
Current liabilities	16,006
Long-term liabilities	2,113

The companies of the discontinued operations are mainly in the medical sector and in Infocom segments of the Europe and America regions. The companies as a whole, as well as individual assets are to be sold.

The following table contains information required pursuant to IFRS 7 with regard to assets and debts classified as held for sale:

The value adjustments on trade accounts receivable developed as follows:

in TEUR	2008
Value adjustments as of 1 January	0
Reclassification from the continued operations	1,363
Additions	1,451
Consumption	-150
Exchange rate differences	-34
Value adjustments as of 31 December	2,630

The trade accounts receivable that have not undergone value adjustments have the following terms of maturation:

in TEUR	Book value	incl.: Neither value adjusted nor overdue at the financial statement date	including: Not value adjusted at the financial statement date and overdue in the following time bands				
			Up to 30 days	Between 31 and 60 days	Between 61 and 90 days	Between 91 and 120 days	More than 120 days
Trade accounts receivable as at 31.12.2008	4,732	2,519	757	676	4	60	716

The other current assets are listed as follows:

in TEUR	Total	31.12.2008 including: Current
Loans and receivables granted	5,340	5,340

The loans and accounts receivable that have not undergone value adjustments have the following terms of maturation:

in TEUR	Book value	incl.: Neither value adjusted nor overdue at the financial statement date	including: Not value adjusted at the financial statement date and overdue in the following time bands				
			Up to 30 days	Between 31 and 60 days	Between 61 and 90 days	Between 91 and 120 days	More than 120 days
31.12.2008							
Loans and receivables granted							
Residual term of up to 1 year	5,340	5,340	0	0	0	0	0
Residual term of more than 1 year	0	0	0	0	0	0	0

Long-term assets

With regard to the changes in the individual areas of the long-term assets (excluding deferred taxes), please see the statement on the development of the long-term assets. It is included as an appendix to the notes.

g. Tangible assets

The balance sheet values in the consolidated balance sheet correspond to the current market value (to be included) at the time of the initial consolidation, or the acquisition costs or manufacturing costs at the time of the initial balancing, less scheduled and unscheduled depreciation.

The Balda Group recorded impairment losses for tangible assets of TEUR 19,450 in the year under review (previous year: TEUR 12,934). The current market value to be included less sale costs is calculated based on the achievable market prices.

Loans and lease agreements are secured through mortgages and collateral of approximately TEUR 777.

The book values of the leased assets - reported under „Land and buildings” and in „Machinery and equipment” consist of the following:

in TEUR	31.12.2008	31.12.2007
Land and buildings		
Acquisition costs	802	807
Cumulative depreciation	19	10
Book value	783	797
Machinery and equipment		
Acquisition costs	2,868	2,883
Cumulative depreciation	1,195	898
Book value	1,673	1,985

h. Intangible assets

The intangible assets refer mainly to activated customer relations and software acquired against payment.

The development costs and intangible assets generated by the company itself may be capitalised by Balda pursuant to IAS 38 under the conditions named therein. The total research and development costs amounted to approximately TEUR 4,158 in the 2008 financial year (previous year: approximately TEUR 5,300). The largest portion was allocated to development costs. The development costs were not activated, as there was not a reliable means of defining and allocating the manufacturing costs in accordance with IAS 38.51.

Balda depreciated the active customer relations from the acquisition of Balda Solutions Malaysia Sdn. Bhd over a period of eight years.

The customer relations reported in the previous year from the acquisition of the shares in TPK Holding Co. Ltd. were withdrawn in the 2008 financial year, due to the sale of a portion of the shareholdings in TPK Holding, and reclassified to the financial assets (shareholdings in affiliated companies).

i. Financial assets

After the sale of 12 percent of the shares in the previously quota-consolidated TPK Holding, Balda reported the remaining 38 percent as of 1 October 2008 as a shareholding in affiliated companies. The Group carried them at equity. We refer to our information under I.3.a. „Consolidated companies”.

The development of the shares in affiliated companies was as follows:

in TEUR	
As at 1 January 2008	0
Accrual TPK Holding as at 1 October	68,684
Proportionate results 2008	3,503
Exchange rate differences	134
As at 31 December 2008	72,321

The accrual of the shareholdings to affiliated companies as at 31 December 2008 consisted of the following:

in TEUR	
Proportional net assets	26,649
Goodwill	18,854
Customer relations (including deferred taxes)	26,818
As at 31 December 2008	72,321

Balda is depreciating the customer relations over a period of seven years. Due to the sale of a portion of the shareholdings in TPK Holding, an impairment test was undertaken in 2008 with regard to the value amount of the customer relations. The discount rate before taxes used as a basis was 10.8 percent. The value in use thus determined was above the book value as at 31 December 2008. Even if future payment streams differed by 58 percent there would not have been a devaluation amount.

The valuation of the company's goodwill is established on the basis of the discounted cash flow expectations of TPK Holding and its subsidiaries. The discount rate before taxes used as a basis was 10.8 percent (previous year: 11.8 percent). The value in use thus determined was above the book value as at 31 December 2008. Even if future payment streams differed by 41 percent there would not have been a devaluation amount.

The following table contains summarized financial information on the shareholdings in TPK Holding:

in TEUR		2008
Balance sheet portion of the affiliated company:		
Current assets		17,652
Long-term assets		49,680
Current debts		40,584
Long-term debts		99
Proportional net assets		26,649

Proportional sales revenues (38 percent) of TEUR 48,374 are attributable to the company in the fourth quarter of 2008.

A long-term portion of rental deposits was recorded under other financial assets.

The other financial assets of the previous year referred to loans and receivables originated by the company. Due to the general financial crisis, Balda does not currently see any opportunity to realise these loans. Therefore, the amount was value adjusted in full in 2008.

j. Goodwill

The valuation of the company's goodwill was calculated on the basis of the discounted cash flow expectations of the individual operating companies. The companies in the Asia segment are consolidated (cash-generating unit). The discount rate before taxes used as a basis was 10.8 percent (previous year: 11.8 percent). The value in use thus determined was above the book value as at 31 December 2008. Even if future payment streams differed by 39 percent there would not have been any devaluation amounts.

The goodwill directly attributable to TPK Holding and its subsidiaries was withdrawn in the financial year due to the sale of a portion of the shareholdings in TPK Holding and reclassified to the financial assets (shareholdings in affiliated companies).

k. Deferred taxes

The following amounts for temporary differences were reported under deferred taxes on the asset side in the 2007 and 2008 financial years:

in TEUR	31.12.2008	31.12.2007
Tax reduction claims and realisable losses carried forward	3,280	4,434
Consolidation effects	0	0
Evaluation corrections in accordance with IFRS	949	2,990
Total	4,229	7,424

Deferred tax receivables for tax loss carried forward are shown only to the extent that future taxable profits were considered likely as at the financial statement date. The valuation method is based on projected tax results. The Group did not record deferred tax receivables amounting to approximately TEUR 28,282 (previous year: TEUR 15,900). The underlying losses of approximately TEUR 94,909 (previous year: TEUR 50,900) can, however, be offset by future profits.

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

The deferred tax claim decreased by TEUR 487 (previous year: TEUR 1,005) as a result of reclassification to the discontinued operations.

Current liabilities

l. Current portion of finance lease liabilities

The current liabilities from leasing agreements amount to TEUR 406 at the financial statement date (previous year: TEUR 632) and refer to amounts due from the finance lease within one year.

We also refer to our information under III.e. „Further information on finance leasing”.

m. Current liabilities owing to credit institutes and current share of long-term loans

The current share of long-term loans refers to the repayment rates due within the next 12 months of the medium and long-term loans. All amounts are therefore due within one year.

Balda issued a bonded loan of TEUR 40,000 with a fixed interest rate of 3.8 percent and a final maturity in February 2010. The effective rate of interest was 4.2 percent. The company repaid an amount of TEUR 17,500 in the 2008 financial year. The loan was reported under long-term loans in the previous year.

In December 2008, the Balda Group modified the loan agreement, having a value of TEUR 22,500, such that the maturation of the loan was adjusted to 30 December 2009, based on a fixed interest rate of 5.35 percent p.a.. The effective rate of interest was 6.12 percent. Interest payable of approximately TEUR 2,141 in 2008 was included.

In addition, securities for the bonded loan and the consortium loan valued at TEUR 54,000 were granted, within the scope of the modification of the agreement, in as far as the company pledged its shares in Balda Medical, Balda Investments Singapore and the subsidiaries and shareholdings to the benefit of the participating banks.

We also refer to our information under II. 5.t. „Long-term loans”.

n. Trade accounts payable

The liabilities mainly result from material deliveries and services and have decreased by TEUR 28,008 compared to the previous year.

o. Advanced payments received

The advanced payments received mainly relate to orders for assembly plants and tools already in production.

p. Short-term provisions

The short-term provisions are listed as follows:

in TEUR	As of 1.1.2008	Currency- differences	Consumption	Redemption	Reclassifi- cation	Allocation	As of 31.12.2008
short-term provisions	2,840	-1	1,965	752	-122	604	604

The provisions mainly include anticipated costs for an early termination of the ABS programme in Europe.

q. Tax liabilities

The tax liabilities refer exclusively to income tax obligations as per IAS 12.

r. Other current liabilities

The other current liabilities mainly comprise the following:

in TEUR	2008	2007
Liabilities from interest	3,429	1,229
Other personnel expenses (holiday, premiums/bonuses, etc.)	3,454	3,144
Wages and salaries including social insurance	1,220	2,492
Liabilities from wage and church tax	372	3,225
Equalization obligations	0	13,563
Loan liabilities	0	4,465
Remaining other current liabilities	2,409	4,684
Total	10,884	32,802

In the previous year, Balda reported the accrual of the equalization obligations from profit and loss transfer agreements for the companies sold as at the end of 2007 under the item equalization obligations. The obligations have in part been offset against existing receivables due from these companies.

The loan liabilities in the previous year included, inter alia, a loan received from the external Indian shareholder of TEUR 2,580. The loan was reported under long-term loan in the previous year. The Group deposited it in the capital reserves of Balda Motherson Solution India Ltd. in 2008 and reported it under minority interests.

s. Liabilities classified as held for sale

This position includes the loans of the discontinued operations. We refer to our information under II.5.f. „Assets classified as held for sale”.

Long-term liabilities

t. Long-term loans

In November 2007, the company issued subordinate participation rights with a nominal value of TEUR 34,200. The bearer instruments, with a payout of 8 percent p.a. have a term to the end of 2013. They are repaid at par unless they have already been converted by the bearers into Balda shares. Up to 4,734 million new Balda shares may be issued from the capital authorized by the Annual General Meeting of 9 August 2007. The conversion price is 7.22 euros. If the Balda shares' closing price on Xetra reaches at least 12.50 euros, Balda can demand conversion. The papers have been issued within the scope of the existing authorisations and exclude subscription rights.

The fair value of the liability components and of the shareholders' equity conversion components was determined as at the date on which the option bond was issued. To determine the fair value of the liability component, a market interest rate (8.6 percent) was calculated that is comparable to similar non-convertible debentures. Discounting the cash flows at the market rate of interest resulted in a residual value which represents the option right. Taking into account pro rata transaction costs and the deferred taxes, the amount of TEUR 558 was transferred to the capital reserves. Using the effective interest rate method with an interest rate of 9.52 percent, compounding was applied to the liability component over the life of the bond. Interest costs for the year under review totalled TEUR 309.

The previous year's bonded loan is reported in 2008 under current liabilities. We refer to our information under II.5.m. „Current liabilities owing to credit institutes and current share of long-term loans”.

We also refer to our information under II.5.ac. „Management of risks from financial instruments and capital management”.

u. Long-term finance lease liabilities

The long-term finance leasing liabilities of TEUR 539 (previous year: TEUR 461) refer to the amortisation amounts from the 'finance lease'. All liabilities fall due after one year but before five years.

We also refer to our information under III.e. „Further information on finance leasing”.

v. Deferred taxes

in TEUR	2008	2007
Consolidation effects	0	0
Evaluation corrections in accordance with IFRS	1,925	2,150
Customer relations from initial consolidation	528	12,304
Amount recorded directly in shareholders' equity	282	282
Total	2,735	14,736

The accrued deferred taxes decreased by TEUR 296 (previous year: TEUR 153) as a result of reclassification to the discontinued operations.

w. Long-term provisions

Changes in the provisions were as follows:

in TEUR	As of 1.1.2008	Exchange rate differences	Consump- tion	Redemption	Reclassi- fication	Allocation	As of 31.12.2008
Long-term provisions	1,857	-247	0	681	-927	0	2

The provisions reported pursuant to IFRS 3 within the scope of the acquisition of the subsidiaries of the joint venture Balda Lumberg were reclassified to the discontinued operations in the year under review.

The long-term provisions include pension obligations of TEUR 0 (previous year: TEUR 139).

x. Group shareholders' equity

The development of the shareholders' equity of the Balda Group can be found in the change in shareholders' equity calculations (appendix).

The share capital as at the financial statement date amounted to TEUR 54,157. It is divided into 54,156,672 bearer shares, which are fully entitled to dividends.

At the Annual General Meeting at the end of July in Bielefeld, the shareholders rejected the request to increase the registered capital by issuing new individual shares by maximum 27 million euros.

They also voted against the issuing of convertible and option bonds and the creation of conditional capital in the amount of 3.4 million euros.

The revaluation reserves result from the customer relations disclosed within the scope of the successive purchase of shares in Balda Solutions Malaysia Sdn. Bhd. The Group included the amount apportionable to the first 50 percent share, without any effect on income and less deferred taxes, in the revaluation reserve.

The company has included the difference, resulting from currency conversions in the balance sheet and income statements of the foreign companies, in the currency reserves, without any effect on income, in accordance with IAS 21.

Balda has taken into consideration pro-rata currency differences of TEUR 8.004 from the conversion of the assets and debts at the reporting date exchange rates.

y. Minority interests

Minority interests were reduced by TEUR 4,940 with the repurchase of 5 percent of the shares in Balda Investments Singapore Ltd. With TEUR 2,481, the shares of the Indian joint venture partner remain under minority interests.

aa. Share-based remuneration

The company implemented a stock-option programme in the 2006 financial year with the following general conditions:

The exercise price of the granted options is based on the average of the ten days prior to the time of granting. The option bearer is fully entitled to the option two years after allocation and the option may be exercised following its retention period (qualifying period) of two years. The Group can payout the option privileges in sha-

res or as a cash settlement. The maximum term of the option privileges is five years from the time of allocation. The prerequisite for exercising the option is that the Xetra closing price during the retention period exceeds the exercise price once by 20 percent. This exercise condition is not taken into account when calculating the option price.

The following tranches had been issued by the company as at 31 December 2008:

Date of granting	Number of options	Outstanding options	Exercise price in euros	Retention period in years	Expiration date
01.12.2006	500,000	500,000	6.38	2	30.11.2011
30.05.2007	950,000	380,000	10.33	2	29.05.2012
01.11.2007	200,000	200,000	7.55	2	31.10.2012
19.11.2008	25,000	25,000	0.25	2	18.11.2013

Details regarding the outstanding stock options during the years are as follows:

	2008	2008	2007	2007
	Number of options	Weighted average exercise price in euros	Number of options	Weighted average exercise price in euros
Outstanding at the start of the financial year	1,520,000	8.66	500,000	6.38
Granted during the financial year	25,000	0.25	1,150,000	9.85
Lapsed during the financial year	-440,000	10.33	-130,000	10.33
Exercised during the financial year	0	--	0	--
Expired during the financial year	0	--	0	--
Outstanding at the end of the financial year	1,105,000	7.81	1,520,000	8.66
Exercisable at the end of the financial year	500,000	6.38	0	--

Notes

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

Options granted in Date granted	2008 19.11.2008	2007 01.11.2007	2007 30.05.2007	2006 08.12.2006
Weighted average share price (total 2007)	0.24	10.31	10.31	€ 6.09
Weighted average exercise price (total 2007)	0.25	9.85	9.85	€ 6.38
Anticipated volatility	124.9%	39.1%	37%	34%
Anticipated term	3 years	3 years	3 years	3 years
Risk-free interest rate	4.05%	3.94%	4.31%	3.69%
Anticipated dividends	0%	3%	3%	3%

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

At the reporting date, the weighted average of the remaining contractual term was 3.34 years.

The weighted average of the fair values of the options granted amounted to EUR 0.19 in the financial year (previous year: EUR 1.80).

As a counter payment for the services rendered, TEUR 507 has been recorded as personnel expenses.

The 500,000 options granted in the tranches of 8 December 2006 were exercisable as of 8 December 2008 and expired as of 31 January 2009.

ab. Additional information regarding the financial instruments

The book values, valuations and fair values according to valuation categories are listed in the following table:

31.12.2008 in TEUR	Valuation category according to IAS 39	Balance sheet valuation according to IAS 39			
		Book value as at 31 Dec- ember 2008	Continued procurement costs	Fair value against results	fair value as at 31 Dec- ember 2008
Assets					
Liquid assets	LaR	36,687	36,687		36,687
Trade accounts receivable	LaR	27,648	27,648		27,648
Other current assets	LaR	6,140	6,140		6,140
Other financial assets	LaR	2,131	2,131		2,131
Derivative financial assets	FAHfT	32		32	32

Liabilities

Trade accounts payable	FLAC	18,410	18,410		18,410
Current liabilities owing to credit institutes and current share of long-term loans	FLAC	100,711	100,711		100,711
Long-term loans	FLAC	35,417	35,417		35,417
Other current liabilities	FLAC	10,884	10,884		10,884
Other long-term liabilities	FLAC	0	0		0
Finance lease liabilities	FLAC	945	945		945

Aggregated by valuation categories in accordance with IAS 39:

Loans and Receivables (LaR)	LaR	72,606	72,606	0	72,606
Financial Assets Held for Trading (FAHfT)	FAHfT	32	0	32	32
Financial Liabilities Measured at Amortised Cost (FLAC)	FLAC	166,367	166,367	0	166,367

Balance sheet valuation according to IAS 39

31.12.2008 in TEUR	Valuation category	Valuation according to IAS 39	Book value as at 31 Dec- ember 2008	Continued procurement costs	Fair value against results	fair value as at 31 Dec- ember 2008
Assets						
Liquid assets	LaR	42,921	42,921			42,921
Trade accounts receivable	LaR	58,998	58,998			58,998
Other current assets	LaR	14,566	14,566			14,566
Other financial assets	LaR	15,246	15,246			15,246
Derivative financial assets	FaHfT	104			104	104
Liabilities						
Trade accounts payable	FLAC	46,418	46,418			46,418
Current liabilities owing to credit institutes and current share of long-term loans	FLAC	93,681	93,681			93,681
Long-term loans	FLAC	76,402	76,402			76,402
Other current liabilities	FLAC	32,802	32,802			32,802
Other long-term liabilities	FLAC	94	94			94
Finance lease liabilities	FLAC	1,093	1,093			1,093
Aggregated by valuation categories in accordance with IAS 39:						
Loans and Receivables (LaR)	LaR	131,731	131,731		0	131,731
Financial Assets Held for Trading (FAHfT)	FaHfT	104			104	104
Financial Liabilities Measured at Amortised Cost (FLAC)	FLAC	250,490	250,490		0	250,490

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

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

in TEUR	From the subsequent valuation			From interest	From disposal 2008	Net results 2007	
	at fair value	Currency translation	Write-down				
Loans and Receivables (LaR)	0	1,161	-5,773	1,386	1,070	-2,156	-4,964
Financial Assets Held for Trading (FAHFT)	32	0	0	0	0	32	101
Financial Liabilities Measured at Amortised Cost (FLAC)	0	-316	0	-14,569	0	-14,885	-8,654
Total	32	845	-5,773	-13,183	1,070	-17,010	-13,518

The book values, valuations and attributable market values according to valuation categories of the discontinued operations are listed in the following table:

31.12.2008 in TEUR	Balance sheet valuation in accordance with IAS 39					
	Valuation category in accordance with IAS 39	Book value 31 as at 31. De- cember 2008	Continued procurement costs	Fair Value against results	Fair Value as at 31 December 2008	
Assets						
Liquid assets	LaR	728	728		728	
Trade accounts receivable	LaR	4,732	4,732		4,732	
Other current assets	LaR	5,340	5,340		5,340	
Liabilities						
Trade accounts payable	FLAC	3,679	3,679		3,679	
Current liabilities owing to credit institutes and current share of long-term loans	FLAC	1,426	1,426		1,426	
Other current liabilities	FLAC	9,799	9,799		9,799	
Other long-term liabilities	FLAC	331	331		331	
Aggregated by valuation categories in accordance with IAS 39:						
Loans and Receivables (LaR)	LaR	10,800	10,800	0	10,800	
Financial Liabilities Measured at Amortised Cost (FLAC)	FLAC	15,235	15,235	0	15,235	

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

in TEUR	From the subsequent valuation			From interest	From disposal	Net results
	at fair	Currency	Write-down			
					2008	2007
Loans and Receivables (LaR)	0	-104	-2,514	801	0	-1,817
Financial Liabilities Measured at Amortised Cost (FLAC)	0	0	0	-2,343	0	-2,343
Total	0	-104	-2,514	-1,542	0	-4,159

ac. Management of risks from financial instruments and capital management

Currency risks

Currency risks arise in the Group primarily from the operating business. However, the risks here are assessed as minimal, as the Group companies mainly manage their activities in their respective currencies. The Balda companies initiate foreign transactions in part to hedge the cash flow for foreign currency transactions. Due to the minimal basic risk and taking into account the hedging activities as at the reporting date, the Group was not exposed to any significant currency risks in the operative division.

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

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

Foreign currency transactions are mainly in the currencies CNY and USD. If the euro had been 5 percent higher (lower) against all currencies as at 31 December 2008, the consolidated results would have been approximately TEUR 950 higher (lower).

Credit risk

Actively operated, local debtor management should ensure that the global companies obtain information about the credit-worthiness of business partners from relevant credit agencies and insurers in advance. Moreover, the past payment behaviour of customers can provide additional insight. As far as possible, the Group ensures the receivables through credit insurance. Arrears in the operative activities are continuously monitored locally. The company accommodates default risks with individual write-downs. Because of these Group-wide prescribed policies, the arrears of assets not written down are assessed as minimal.

Interest risk

The Balda Group is exposed to interest risk mainly in the European, Asian and America regions. Balda AG is increasingly trying to relocate the financing locally to the operational units. The effects of interest rate changes on the financial liabilities are represented using sensitivity analyses. There are no interest rate change risks for financial instruments with fixed interest rates. If there are changes to the market interest rates for the financial instruments with variable interest, these have a direct effect on interest payments, interest transactions and therefore on the shareholders' equity. If interest rates of the variable interest financial liabilities had increased (decreased) by 10 percent, this would have had a negative (positive) effect on the financial results of approximately TEUR 500.

Liquidity risk

Liquidity risk in this case means the risk that financial resources are insufficiently available in order to punctually fulfill all payment obligations.

In a broader sense, liquidity risk for the Balda Group means any restriction in borrowing or capital acquisition capabilities (e.g. rating), whereby the implementation of corporate strategies or the general scope of financial activity could be compromised. The main factors affecting the liquidity risk (development of earning power, economic development, assessment of credit-worthiness by third parties) are outside the financial management's scope of influence.

Liquidity risk management, therefore, is the analysis of the risk and the use of financial instruments (e.g. agreement on sufficient credit, diversification of creditors, fixing the capital commitment) to limit the risk in areas that lie outside the scope of influence. In order to monitor and manage the liquidity risk, Balda uses a web-based cash management software. It systematically records all main future payment streams from financial and operational payments and checks their validity by comparing them with the actual account balances.

The following table shows the (undiscounted) interest and amortisation payments, as stipulated by contract, for the original financial liabilities and derivative financial instruments:

in TEUR

	Book value 31.12.2008	Cash flows 2009		Cash flows 2010		Cash flows 2011-2013		Cash flows 2014 ff.	
		Interest	Amortisation	Interest	Amortisation	Interest	Amortisation	Interest	Amortisation
Original financial liabilities									
Liabilities owing to credit institutes and loans	136,128	9,963	100,711	2,762	1,570	8,223	33,847	0	0

in TEUR

	Book value 31.12.2008	Cash flows 2009		Cash flows 2010		Cash flows 2011-2013		Cash flow 2014 ff.	
		Interest	Amorti- sation	Interest	Amorti- sation	Interest	Amorti- sation	Interest	Amorti- sation
Other liabilities	10,885	0	10,885	0	0	0	0	0	0
Finance lease liabilities	945	48	406	19	316	14	223	0	0
Derivatives	32	0	32	0	0	0	0	0	0

The underlying interest rates for variable interest rates vary from 5.0 to 8.4 percent p.a. and from 5.0 to 8.0 percent p.a. for fixed interest rates.

Capital management

The main objective of the Group's capital management is to ensure that the Group's amortisation capacity and its financial substance remain intact.

Important performance indicators of the company's capital management are the net financial liabilities and net gearing. The net financial liabilities include all liabilities owing to banks, lease liabilities and payments received offset by the liquid funds. These have decreased from TEUR 132,700 in the previous year to TEUR 102,000 in the reporting year. The net gearing, the ration of net financial liabilities to shareholders' equity, increased from 92.1 percent in the previous year to 103.9 percent.

6. Notes on the items of the Balda Group Income Statement

a. Sales revenues

The sales revenues of the Balda Group in this financial year consist of TEUR 36,362 (previous year: TEUR 65,513) from domestic sources and TEUR 247,554 (previous year: TEUR 243,696) from international sources.

b. Other operating income

The other operating income in the consolidated financial statement consists of the following:

in TEUR	2008	2007
Income from the cancellation of the value adjustments on liabilities	5,404	18
Currency rate profits	2,212	5,268
Income from the dissolution of provisions	1,433	1,976
Income from company mergers	1,865	0
Income from repurchase of bonds	1,125	6,805
Income from forwarded costs	1,072	557

in TEUR	2008	2007
Income from the release of current liabilities	2,987	1,286
Book gains from the disposal of assets	540	289
Other	5,555	3,954
Total	22,193	20,153

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

This item refers to the change in inventory of products produced by the Group, in particular manufacturing facilities, tools and injection mould products.

d. Material expenses

The material expenses of the Balda Group decreased by TEUR 2,487 compared to the previous year to TEUR 164,950. The material cost ratio, as the ratio of material costs to total operating performance, amounted to 52.8 percent in the financial year (previous year 52.5 percent).

e. Personnel expenses

Personnel expenses in the Group fell by TEUR 23,161 from TEUR 77,855 to TEUR 54,694. The personnel costs ratio, the ratio of personnel costs to total operating performance, amounted to 17.5 percent in the financial year (previous year: 24.4 percent). Personnel expenses include settlement payments to former employees of approximately TEUR 1,574.

f. Depreciation

Depreciation increased by TEUR 20,768 to TEUR 56,534. On the basis of valuation audits, there were no unscheduled depreciations on goodwill in the financial year as in the previous year. Impairments of TEUR 19,450 (previous year: TEUR 12,934) were charged to tangible assets. Depreciation of other financial assets amounted to TEUR 11,325 (previous year: TEUR 0). In the previous year, value was reinstated to assets of TEUR 3,054.

g. Other operating expenses

The other operating expenses mainly include:

in TEUR	2008	2007
Value adjustments on accounts receivable and receivable losses	10,618	6,314
Premises, maintenance and overhead expenses	10,150	9,810
Energy costs	6,333	6,604
Legal and consultancy costs	5,156	6,285
Expenses from the disposal of shares in Group companies	3,990	24,697
Travel / car / marketing expenses and investor relations	4,621	5,877
Training / Employee benefits costs	4,398	8,927
IT costs	2,962	4,062

in TEUR	2008	2007
Research and development	2,304	960
Administration costs	2,219	2,585
Other taxes	1,125	1,779
Rental and leasing expenses	2,108	3,967
Outward freight and storage costs	1,853	3,129
Losses from the disposal of assets	2,819	0
Currency exchange rate expenses	1,445	6,475
Insurances	670	991
Other	5,398	7,079
Total	68,169	93,066

In the previous year, expenses for social plans of TEUR 4,075 were included in the item „Training / Employee benefits costs”.

h. Financial results

The financial results consist of the following:

in TEUR	2008	2007
Interest expenses	16,321	14,754
Interest income	1,347	1,793
Other financial expenses	840	0
Total	15,814	12,961

i. Taxes on income and earnings

The tax expenditure in the income statement consists of the following:

in TEUR	2008	2007
Actual tax expenditure	6,566	1,823
Deferred tax expenses from the occurrence or reversal of temporary differences	-616	-6,360
Changes to capitalised deferred tax claims on losses carried forward	934	9,820
Total tax expenditure	6,884	5,283

The tax on the Group's earnings before taxes deviates from the theoretical amount, which is the result of the application of the theoretical income tax rate of 29.8 percent (previous year: 38.6 percent) to the earnings before taxes, as follows:

in TEUR	2008	2007
Earnings before taxes	-44,524	-68,302
Theoretical income tax rate 2008 29.8 % (previous year: 38.6 %)	-13,268	-26,364
Difference in tax rate	-2,461	-3,250
Non-tax deductible expenses and income	586	14,551
Tax rate changes	0	3,069
Realisation of tax losses carried forward	226	0
Tax losses, for which no deferred taxes were capitalised	17,269	15,860
Taxes for previous year	5,704	1,417
Actual tax expenses	6,884	5,283

Unlike the previous year, a theoretical tax rate of 29.8 percent was applied in 2008. The reason for this was the changes undertaken as a result of the 2008 corporate tax reform. The corporate tax rate was reduced from a previous 25 percent to 15 percent. The expenses resulting from the unchanged solidarity tax sink automatically as well. In addition, the basic rate for the assessment of trade tax was reduced from a previous 5 percent to 3.5 percent. By contrast, it must be remembered that in future the trade tax will not reduce its own assessment base or the assessment base for corporation tax.

j. Earnings after taxes

The net loss after taxes for the year, taking into account the external shareholders' proportion of TEUR 1,943, was TEUR 49,465.

k. Earnings per share - undiluted and diluted

The undiluted earnings per share are calculated as follows:

	2008	2007
Group's proportion of annual results after taxes According to the income statement (TEUR)	-49,465	-73,255
Weighted average of the issued shares (shares in thousands)	54,157	47,632
Earnings per share according to IAS 33 (EUR) (undiluted and diluted)	-0.914	-1.538

Potential shares from share option programmes (1,520,000 shares) and from the issue of convertible participation rights (4,733,964 shares) are not included in the calculation, in accordance with IAS 33, as this would have led in part to improved earnings per share and because the exercise price was at times below the average share price in the reporting period.

III. Other information

a. Average number of employees

The following information refers to Balda Group employees including loan workers, temporary workers and apprentices:

	2008	2007
Board of Directors	2	2
Administrative staff	952	1,003
Technical and commercial staff	3,162	3,493
Temporary employees	4,576	3,911
Subtotal	8,692	8,409
Temporary workers, apprentices	61	149
Total	8,753	8,558

For further information on employees, please consult our management report.

b. Contingent liabilities

The Group's contingent liabilities are as follows:

in TEUR	2008	2007
From guarantee agreements	35	4,412

c. Other financial commitments

in TEUR	2008	2007
< 1 year	3,781	13,395
2 to 5 years	4,623	4,273
> 5 years	1,579	0
Total	9,983	17,668

The Group's other financial commitments of TEUR 456 (previous year: TEUR 9,771) refer to purchase commitments for investments in material assets, which are to be paid out in 2009. Financial commitments resulting from Group rental and leasing agreements amount to TEUR 9,527 (previous year: TEUR 7,897).

The rental and leasing agreement commitments refer to agreements, wherein the Group companies are not the beneficial owners as per the IFRS (Operating leases).

d. Contingent loans and receivables

From the audit concluded in 2008, there is an appeal procedure pending for one item for the years 2003 to 2006. The unbalanced risk from this amounts to approximately TEUR 8,200.

In total, there are contingent loans of TEUR 8,586 and no contingent receivables for the Group as at the financial statement date.

e. Further information on finance leasing

The transition of the future minimum lease payments at their cash value is contained in the following table as follows:

31.12.2008 in TEUR	Maturities			
	Total	to 1 year	Between 2 and 5 years	More than 5 years
Minimum lease payments	1,017	453	564	0
Interest retained	72	47	25	0
Cash values	945	406	539	0

31.12.2007 in TEUR	Maturities			
	Total	to 1 year	Between 2 and 5 years	More than 5 years
Minimum lease payments	1,174	654	520	0
Interest retained	81	48	33	0
Cash values	1,093	606	487	0

These refer mainly to lease agreements for machines in the Asia region.

f. Consolidated companies and shareholdings

The consolidated companies of the Balda Group as at 31 December 2008 are listed in the following table:

Company	Registered office	Holding	Investment	Shareholders' equity TEUR	Annual TEUR
Balda AG	Bad Oeynhausen	direct	100.00%	62.313	-53.373
Balda Grundstücks- und Vermietungs GmbH & Co. KG	Bad Oeynhausen	direct	100.00%	12,438	-15,179
Balda Grundstücks- Verwaltungs GmbH	Bad Oeynhausen	direct	100.00%	26	2
Balda Medical Verwaltungsgesellschaft mbH	Bad Oeynhausen	direct	100.00%	16	-1

Company	Registered office	Holding	Investment	Shareholders' equity TEUR	Annual TEUR
Balda Medical GmbH & Co. KG	Bad Oeynhausen	direct	100.00%	-150	1,826
Balda Solutions Deutschland GmbH	Bad Oeynhausen	direct	100.00%	2,742	-18,185
Balda Werkzeug- und Vorrichtungsbau GmbH	Bad Oeynhausen	direct	100.00%	149	-1,933
Balda Solutions Hungaria Kft. über die Balda Solutions Deutschland GmbH	Veszprém (Hungary)	direct indirect	73.47% 26.53%	-3,970	-4,464
Balda Solutions USA, Inc.	Raleigh (N.C./USA)	direct	100.00%	78	45
Balda Lumberg Deutschland GmbH & Co. KG	Bad Oeynhausen	direct	100.00%	65	-1.829
BLT Amazonia Plasticos Industria e Comercio Ltda. via Balda Lumberg Deutschland GmbH & Co. KG via Balda Lumberg Verwaltungsgesellschaft mbH	Manaus (Brazil)	indirect	99.80%		
		indirect	0.20%	5,438	-1,792
BLT Paulista Plasticos Industria e Comercio Ltda. via Balda Lumberg Deutschland GmbH & Co. KG via BLT Amazonia Plasticos Industria e Comercio Ltda.	Sao Paulo (Brazil)	indirect	100.0%	-5,423	-1,177
Balda Lumberg Verwaltungsgesellschaft mbH via Balda Lumberg Deutschland GmbH & Co. KG	Bad Oeynhausen	indirect	100.0%	27	1
Balda Investments Mauritius Ltd.	Mauritius	direct	100.00%	3	-5,488
Balda Motherson Solution India Ltd. via Balda Investments Mauritius Ltd.	New Delhi (India)	indirect	60.00%	6,205	-6,123
Balda Investments Singapore Pte. Ltd.	Singapore	direct	100.00%	113,712	9,840
Balda Solutions (Suzhou) Ltd. über die Balda Investments Singapore Pte. Ltd.	Suzhou (China)	indirect	100.00%	23,913	4,374

Notes

Company	Registered office	Holding	Investment	Shareholders' equity TEUR	Annual TEUR
BSSU Sales and Finance Ltd. via Balda Investments Singapore Pte. Ltd.	(British Virgin Islands)	indirect	100.00%	0	0
Balda Solutions (Beijing) Ltd. via Balda Investments Singapore Pte. Ltd.	Beijing (China)	indirect	100.00%	16,105	5,761
Balda Solutions Malaysia Sdn. Bhd. via Balda Investments Singapore Pte. Ltd.	Ipoh (Malaysia)	indirect	100.00%	31,830	17,584
BSM Sales and Finance Ltd. via Balda Investments Singapore Pte. Ltd.	(British Virgin Islands)	indirect	100.00%	0	0
Balda Solutions (Xiamen) Ltd. via Balda Investments Singapore Pte. Ltd.	Xiamen (China)	indirect	100.00%	1,212	-122
Balda AVY Investments Singapore Pte. Ltd. über die Balda Investments Singapore Pte. Ltd.	Singapore	indirect	60.00%	56	-8

Affiliated companies (Consolidation at equity)

TPK Holding Co. Ltd. via Balda Investments Singapore Pte. Ltd.	(Cayman Islands)	indirect	38.00%	70,444	8,924
Improve Idea Investments Ltd. via TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Apia (Samoa)	indirect	100.00%	12,959	1,193
TPK Touch Solutions Inc. via Improve Idea Investments Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Taipeh (Taiwan)	indirect	100.00%	2,977	1,121
New Strategy Investment Ltd. via TPK Touch Solutions Inc., Improve Idea Investments Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Apia (Samoa)	indirect	100.00%	142	0

Company	Registered office	Holding	Investment	Shareholders' equity TEUR	Annual TEUR
TPK Advanced Solution Corp.. via TPK Touch Solutions Inc., Improve Idea Investments Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Taipeh (Taiwan)	indirect	51.00%	810	84
Upper Year Holdings Ltd. via TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Apia (Samoa)	indirect	99.00%	10,850	3,650
TPK Touch Solutions (Xiamen) Inc. via Upper Year Holdings Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Xiamen (China)	indirect	100.00%	48,488	2,444
TPK Lens Solutions Inc. via Upper Year Holdings Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Xiamen (China)	indirect	100.00%	5,728	-379
TPK Touch Systems (Xiamen) Inc. via Upper Year Holdings Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Xiamen (China)	indirect	100.00%	657	-437
Optera TPK Holding Pte. Ltd. via TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Singapore	indirect	50.00%	11,154	4,698
Optera Technology (Xiamen) Co., Ltd. via Optera TPK	Xiamen (China)	indirect	100.00%	11,178	4,764
Holding Pte. Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.					
TPK Technology International Inc. via TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Apia (Samoa)	indirect	100.00%	4,687	4,454

1) In Liquidation

g. Executive bodies of Balda AG

Supervisory Board of Balda AG

- Mr. Richard Roy, Dreieich (Chairman), Consultant
- Mr. Michael Sienkiewicz, San Francisco, USA, Consultant (since 1 August 2008)
- Dr. Axel Bauer, Dresden, Attorney (since 9 December 2008)
- Dr. Manfred Puffer, Meerbusch, Businessman (between 1 August 2008 and 30 November 2008)
- Mr. Bernd Fennel (Deputy Chairman), Löhne, Director of Fennel Systems GmbH and Fennel GmbH & Co. KG (until 31 July 2008)
- Mr. Paul A. Stodden, Munich, Chairman of Orion Cable GmbH (until 31 July 2008)
- Mr. Othmar Vock, Itlingen/Switzerland, Consultant (until 31 July 2008)
- Mr. Lutz Völker, Rheinbreitbach, Director of aspect corporate advisors GmbH (until 31 July 2008)

The following members of Balda AG Supervisory Board also hold positions at the following companies:

- Mr. Richard Roy is also a member of the following Supervisory and Management Boards:
 - Swisscom AG, Bern/Switzerland (Vice-President Board of Directors)
 - Update Software AG, Vienna/Austria (Member of the Supervisory Board)
 - Premiere AG, Munich (Deputy Chairman of the Supervisory Board)
 - Freenet AG, Hamburg (Member of the Supervisory Board)
 - RCP AG, Frankfurt/M. (Member of the Supervisory Board) since 20 August 2008
- Dr. Axel Bauer is also a member of the following Supervisory and Advisory Boards:
 - TUDAG TU Dresden AG, Dresden (Chairman of the Supervisory Board)
 - Hamann Consult AG, Dresden (Chairman of the Supervisory Board)
 - Kofler Energies AG, Munich (Chairman of the Supervisory Board)
 - Kofler Industries AG, Munich (Member of the Supervisory Board)
 - Union Werkzeugmaschinen GmbH, Chemnitz (Member of the Advisory Board)

Board of Directors of Balda AG

- Dr. Dirk Eichelberger, Singapore
 - Finance, Controlling, IT, Law/Insurance/Taxes, Investor Relations
- Mr. Joachim Gut, Schermbeck (Chairman of the Board of Directors)
 - Human Resources, Public Relations, Internal Audit, Strategy
 - Sales, Marketing, Engineering, Purchasing (until 31 December 2008)

Dr. Eichelberger is also

- Member of the Board of Directors of
 - Balda Investments Singapore Pte. Ltd., Singapore/Singapore
 - Balda Solutions (Suzhou) Ltd., Suzhou/China
 - Balda Solutions (Beijing) Ltd., Beijing/China
 - Balda Solutions Malaysia Sdn. Bhd., Ipoh/Malaysia

Balda Investments Mauritius Ltd., Mauritius
 Balda Solutions Xiamen Ltd., Xiamen/China
 TPK Holding Co. Ltd., Cayman Islands/Cayman Islands
 Balda Solutions USA Inc., Raleigh/USA
 Balda Motherson Solution India Ltd. Chennai/India
 Balda AVY Investments Singapore Pte. Ltd.

Mr. Gut was also

- Chairman of the Board of Directors of
 - Balda Investments Singapore Pte. Ltd., Singapore/Singapore, (until 19 December 2008)
 - Balda Solutions (Suzhou) Ltd., Suzhou/China (until 19 December 2008)
 - Balda Solutions (Beijing) Ltd., Beijing/China (until 19 December 2008)
 - Balda Solutions Malaysia Sdn. Bhd., Ipoh/Malaysia (until 19 December 2008)
- Deputy Chairman of the Board of Directors of Balda Motherson Solution India Ltd., Chennai/India (until 19 December 2008)
- Member of the Board of Directors of
 - Balda Investments Mauritius Ltd., Mauritius (until 19 December 2008)
 - Balda Solutions Xiamen Ltd., Xiamen/China (until 19 December 2008)
 - TPK Holding Co. Ltd., Cayman Islands/Cayman Islands (until 30 September 2008)
 - Improve Ideal Investments Ltd., Samoa/Samoa (until 30 September 2008)
 - Upper Year Holdings Ltd., Samoa/Samoa (until 30 September 2008)
 - New Strategy Investment Ltd., Samoa/Samoa (until 30 September 2008)
 - Balda AVY Investments Singapore Pte. Ltd. (until 19 December 2008)
 - Improve Ideal Investments Ltd., Samoa/Samoa (bis 30. September 2008)
 - Upper Year Holdings Ltd., Samoa/Samoa (bis 30. September 2008)
 - New Strategy Investment Ltd., Samoa/Samoa (bis 30. September 2008)
 - Balda AVY Investments Singapore Pte. Ltd., Singapur/Singapur (bis 19. Dezember 2008)

Remuneration of the Board of Directors and the Supervisory Board

Remuneration of the Supervisory Board

As a German stock corporation („AG”), Balda is subject to the German Stock Corporation Law. Therefore, the Group has a split management and governance structure, consisting of a Board of Directors and three statutory members of a Supervisory Board.

Effective 30 November 2008, Dr. Manfred Puffer resigned from the Supervisory Board. The Bad Oeynhausen district court appointed Dr. Axel Bauer, solicitor, from Dresden as successor to the Board with a resolution from 9 December 2008.

The tasks of the Personnel Committee continue to be administered by the Supervisory Board. The Audit Committee was dissolved in the meeting of the Supervisory Board on 28 August 2008.

Remuneration report

The members of the Supervisory Board received the following remuneration for the financial year 2008:

- Fixed remuneration of TEUR 189
- Variable remuneration of TEUR 0

The fixed remuneration for the Supervisory Board also included payment for activities on the committees. The variable remuneration is aligned with the development of the Balda share price in comparison with the SDax. The 2008 Balda share price monitored throughout the year was for the most part significantly below the SDax level of performance, experiencing a loss of more than 90 percent by year-end. As a result, the 2008 Supervisory Board variable remuneration was inapplicable. No consultancy and placement mandates were issued to members of the Supervisory Board in the year under review. As such, Balda did not pay any special remuneration (Code article 5.4.7).

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

Against the background of manifold and personnel changes the Supervisory Board has abstained from the execution of the efficiency assessment for the year 2008 (Code article 5.6) based on a resolution made at the session on 18 December 2008.

Board of Directors and remuneration report

The composition of the Balda AG Board of Directors changed over the course of the year under review. Chief Executive Officer Joachim Gut (CEO) resigned effective 31 December 2008. Director of Finance, Dr. Dirk Eichelberger will direct the company in the future as CEO and sole Director.

The 2008 remuneration of the members of the Board of Directors consists of the following (Remuneration report - Code article 4.2.5): The remuneration of members of the Board of Directors comprises monetary remuneration components, consisting of fixed and variable components (Code article 4.2.3) as well as ancillary benefits. The ancillary benefits include the use of vehicles, a direct insurance contract and a group accident insurance contract. No further contractual pension commitments were finalized. Members of the Board of Directors did not receive any benefits from third parties that were agreed upon in view of their Board activities or granted during the 2008 financial year (Code article 4.2.3). Aside from the fixed remuneration, the remuneration of members of the Board of Directors includes payments after resignation of Board members. In principle, the variable remuneration of the Board of Directors comprises components that are connected to the company's entrepreneurial and economic success (performance based remuneration), as well as components with long-term incentives. The components related to entrepreneurial success are calculated on the basis of the earnings before taxes (EBT) for the Balda Group in the 2008 financial year.

The variable remuneration components with long-term incentives refer to share options that were accorded members of the Supervisory Board on the basis of the share options programme resolved upon at the Annual General Meeting on 1 June 2006. The programme comprises a volume of up to 4,016 million options as per the resolutions of the Annual General Meeting. The company may issue these options to 50 percent to the Board

of Directors, to 30 percent to the managers of the Group companies and to 20 percent to employees of the Balda Group. The shares may be issued until 30 June 2009. The term of the options is five years from the date of issue with a retention period of two years. Before exercising the option, the Xetra closing rate of the Balda Share must reach a minimum of 120 percent of the issue price during the retention period. Other exercising restraints may be stipulated individually at the time of issue. The issue price of the options corresponds to the average Xetra closing rate of the Balda share on the last ten stock-exchange trading days before issuing of the option.

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

Board of Directors remuneration report

The members of the Board of Directors received the following remuneration for the 2008 financial year:

- Fixed remuneration and commitment after retirement of members of the Board of Directors of TEUR 2,054 (thereof, settlements: TEUR 1,000)
- Performance-based remuneration did not apply
- Remuneration with long-term incentive of TEUR 197

Shareholdings of executive bodies

	31.12.2008	31.12.2007	Change
J. Gut ¹	0	50,000	-50,000
Dr. D. Eichelberger	0	0	0
Board of Directors total	0	50,000	-50,000
	31.12.2008	31.12.2007	Change
Dr. A. Bauer	0	-	0
B. Fennel ²	-	0	0
Dr. M. Puffer ²	-	-	-
R. Roy	8,000	8,000	0
M. Sienkiewicz	0	-	0
P. Stodden ²	-	0	0
L. Völker ²	-	0	0
O. Vock ²	-	0	0
Supervisory Board total	8,000	8,000	0

1) as at 31 December 2008, no longer member of the Board of Directors 2) as at 31 December 2008, no longer member of the Supervisory Board

No other significant acquisitions or sales were undertaken by the executive bodies in 2008.

h. Business relations with associated companies and persons

Business relations with persons in key management positions

In addition to the companies included in the consolidated financial statement, there were other companies associated with the Balda Group, as per IAS 24, through Bernd Fennel as member of the Supervisory Board, with which there were the following business relations until his resignation on 31 July 2008:

Goods and services purchased by the Balda Group:

Beckmann GmbH & Co. KG carried out tool construction and modification as well as undertaking repairs of tools for a total value of TEUR 33.

The Balda Group enlisted the services of Stratos GmbH for a total of TEUR 17 for the implementation of transportation services.

Some products and unused tools and machinery were stored at Stratos GmbH until dispatch, as the storage capacity at Balda Solutions Deutschland GmbH was exhausted. Storage and handling costs of TEUR 40 were charged for this.

In addition, plastic parts from Fennel GmbH & Co. KG were purchased as at 31 July 2008 with a total value of TEUR 24.

Aimtec GmbH charged a total of TEUR 184 for IT services.

Further costs totalling TEUR 8 include courier services, and services from Wittekindquelle and the Fennel Innovation Centre.

Goods and Services rendered by the Balda Group:

The delivery of resin totalling TEUR 12 to Fennel GmbH & Co. KG was calculated at market prices.

The charging of Fennel GmbH & Co. KG for tools and the repair thereof for the amount of TEUR 134 was undertaken by the Balda Group without mark-up.

The Balda Group charged other expenses totalling TEUR 4 to the Fennel Gruppe without mark-up.

The deliveries and services programme consisted mainly of the following receivables and liabilities as of 31 July 2008 involving the following associated companies:

Receivables	TEUR
Fennel GmbH & Co. KG	29

Liabilities	TEUR
aimtec	76
Other	15

The following proportional transactions were carried out in 2008 with management members in key positions abroad and the companies controlled by these members:

	TEUR
Sale of goods	562
Purchase of services	870
Interest expenses	62
Purchase of material	229
Purchase of assets	23

As of 31 December 2008 there were no receivables, but liabilities totalling TEUR 1,908.

Relationships to joint ventures, with which Balda Group companies are partners

The following information refers to values contained in the consolidated financial statement.

Balda Motherson Solution India Ltd. (India) rents commercial space from the joint venture partner Motherson Sumi Systems Ltd. A total of TEUR 190 was charged for this in 2008. Balda Motherson Solution India Ltd. paid interest of TEUR 12 for a loan. Other costs amounting to TEUR 282 were charged by the joint venture partner and its companies to Balda Motherson Solution India Ltd. (India).

At the end of the year, there were liabilities owing to Motherson Sumi Systems Ltd. and its companies totalling TEUR 406 as well as accounts receivable of TEUR 137 as a deposit for the rental contract.

i. Events after the reporting date

In February 2009, MAX GAIN, which is controlled by Michael Chiang, increased its shareholdings from 15.27 percent of the shares in Balda AG to 29.99 percent.

j. Auditor's fee

The following auditor's fee is recorded as an expense in the financial year:

	TEUR
for the audit	157
for tax-related consulting	23
for other services	19
Total	199

k. Application of statutory exemption provisions pursuant to § 264 para. 3 HGB and § 264 b HGB

The Balda Medical GmbH & Co. KG, Bad Oeynhausen, has, in part, applied the exemption provisions in accordance with § 264 para. 3 b HGB and § 264 HGB.

l. Proposal for the distribution of unappropriated earnings

It will be proposed to the Annual General Meeting to carry the result forward to a new account.

m. Declaration by the Board of Directors

„I ensure to the best of my knowledge that, according to the applicable principles of corporate accounting, the Consolidated Financial Statement provides a portrayal of the asset, financial, and profit situation of the Group corresponding to the actual situation, and the financial results and the course of business are represented in the consolidated management report such that an image is provided in a manner reflecting actual conditions, and the most significant opportunities and risks of the anticipated development of the Group are described therein.”

Bad Oeynhausen, 10 March 2009

Board of Directors

Dr. Dirk Eichelberger

BALDA AKTIENGESELLSCHAFT, BAD OEYNHAUSEN

NOTES FOR THE 2008 FINANCIAL YEAR

I. General Information

Balda Aktiengesellschaft's registered office is in Bad Oeynhausen, Germany, and functions exclusively as a holding.

The business activities of Balda subsidiaries and shareholdings range from materials development through to engineering, the manufacturing of touch screens and hardware components, mould construction, and surface technology. Balda supplies the mobile telecommunications, automotive and medical technology industries, in addition to other related industries.

II. Balda AG financial year-end report

Because Balda AG engages in an organized market, for the purpose of § 2 para. 5 of the German Securities Trading Act (WpHG), by means of its shares issued for the purpose of § 2 para. 1 clause 1 of the WpHG, it is considered a large corporation pursuant to § 267 para. 3 clause 2 of the German Commercial Code (HGB).

All figures refer to thousand euros (TEUR) unless otherwise stated.

1. Financial reporting and evaluation principles

The Balda AG financial year-end report is prepared in accordance with the basic principles of §§ 242 to 256 of the HGB and §§ 264 et seq. HGB and the German Companies Act

The intangible and tangible assets are valued at acquisition and manufacturing costs, less scheduled linear depreciations. The depreciations are generally based on the following operating life expectancies:

	Years
IT programmes	3 to 5
Machinery and equipment	3 to 10
Fixtures, furniture and office equipment	4 to 10

Low value goods up to EUR 150 are fully written off in the year of purchase.

For low value goods with a value of between EUR 150 and EUR 1,000, a compound item was established. It is regularly depreciated over a period of five years.

The financial assets are valued at acquisition cost.

If the value of the asset, calculated in accordance with the preceding basic principles, is higher than the value attributed on the financial statement date, it will be accommodated by means of unscheduled depreciation.

Accounts receivables and other assets are reported at nominal value. Identifiable risks are accommodated by value adjustments. Short-term foreign currency liabilities are converted at the lowest exchange rate at the time of the initial booking or at the rate on the financial statement date.

Provisions accommodate all identifiable risks and uncertain liabilities.

Liabilities are carried at the repayable amount. The difference between the amount repayable and the payout amount is recorded under deferred charges and prepaid expenses. Short-term foreign currency liabilities are converted at the highest exchange rate either at the time of the initial booking or at the rate on the financial statement date.

Financial reporting methods and evaluation principles remain unchanged from the previous year.

2. Notes on individual balance sheet items

2.a. Fixed assets

For details, see table in the appendix on development of the fixed assets.

Intangible assets

The outgoings among the intangible assets refer mainly to the following itemized software:

- Advance Planning system (APS)
- Storage solution Global
- Microsoft Operation Manager (MOM).

Financial assets

The decrease in shares in affiliated companies of TEUR 20,797 resulted from the cumulative value adjustments on the stake valuation of subsidiaries.

The Companies Balda Solutions Deutschland GmbH, Balda Werkzeug- und Vorrichtungsbau GmbH, and Balda Solutions Hungaria Kft., which had been sold at the end of 2007, were individually repurchased by the company in March 2008. The company also acquired on 29 October 2008 the remaining 50 percent of shares in Balda Lumberg Deutschland GmbH & Co. KG.

Value adjustments were made on shares in the following subsidiaries during the financial year:

- Balda Solutions Deutschland GmbH, Bad Oeynhausen
- Balda Werkzeug- und Vorrichtungsbau GmbH, Bad Oeynhausen
- Balda Solution Hungaria Kft., Veszprém (Hungary)
- Balda Investments Mauritius Ltd, Port Louis (Mauritius)
- Balda Grundstücks- und Vermietungs GmbH & Co. KG, Bad Oeynhausen
- Balda Lumberg Deutschland GmbH & Co. KG, Bad Oeynhausen
- Balda Motherson Solution India Ltd., Chennai (India)

The cumulative value adjustments on the shareholdings were undertaken due to the anticipated long-term decline in value. The cumulative value adjustments are contained in the financial statement under depreciation on financial assets and securities of the current assets.

Loans to affiliated companies include a loan to Balda Investments Singapore Pte. Ltd. (Singapore) of TEUR 2,993.

2.b. Receivables and other assets

The accounts receivable due from affiliated companies, TEUR 8,789 (previous year TEUR 13,318) include trade accounts receivable of TEUR 700 (previous year: TEUR 875).

The other assets include, inter alia, tax accounts receivable of TEUR 666 (previous year: TEUR 1,402).

2.c. Cash in hand, deposits in bank accounts

This item includes cash in hand and credit balances in current accounts.

2.d. Prepaid expenses

Prepaid expenses include, amongst others, a discount of TEUR 93 (previous year: TEUR 173).

2.e. Shareholders' equity

Balda AG shareholders' equity underwent the following changes:

in TEUR	Subscribed share capital	Capital reserves	Revenue reserves	Losses carried forward /net loss	Shareholders' equity
As of January 2008	54,157	152,873	2	91,346	115,686
Annual net loss 2008	0	0	0	53,373	
As of December 2008	54,157	152,873	2	144,719	62,313

The share capital amounted to TEUR 54,157 at the financial statement date. It is divided into 54,156,672 bearer shares, which are fully entitled to dividends.

With a resolution passed at the Annual General Meeting of 29 July 2008, the Board of Directors was authorized to purchase company shares until 28 January 2010. The sum of the company shares held may not exceed 10 percent of the share capital. No company shares were purchased by the Board of Directors.

It was resolved at the Annual General Meeting of 9 August 2007 that the Board of Directors, with the consent of the Supervisory Board and without further resolutions of the general meeting, may issue participation rights until 8 August 2012, once or multiple times, with a maximum nominal value of TEUR 500,000. The profit-participation rights may be combined with conversion and option rights up to 19,677,249 bearer shares in the company.

In order to service these conversion or option rights it was resolved at the Annual General Meeting on 9 August 2007 to conditionally increase the company's share capital by up to TEUR 19,677 by issuing of

19,677,249 new shares with profit participation rights beginning at the start of the financial year in which they were issued.

It was further decided at the Annual General Meeting that the Board of Directors, with the consent of the Supervisory Board and without further resolutions of the Annual General Meeting, may increase equity capital up to TEUR 23,694 until 8 August 2012 (authorized capital). After the capital increase in 2007, the authorized capital, unused to date, still amounts to TEUR 16,924.

2.f. Provisions

The tax provision of TEUR 9,981 resulted from the audit begun in 2007 for the years 2003 to 2006 and reflects the company's estimated obligations. The audit had been completed at the time of the preparation of the financial report.

The other provisions mainly include amounts for outstanding incoming invoices (TEUR 657), an anticipated loss (TEUR 600), and personnel provisions (TEUR 1,424).

2.g. Liabilities

The residual terms of the liabilities are represented as follows:

in TEUR	31.12.2008	< 1 year	1 to 5 years	> 5 years
Bonds	39,200	5,000	34,200	0
Liabilities to financial institutions	77,375	77,375	0	0
Trade accounts payable	981	981	0	0
Liabilities to affiliated companies	5,554	5,554	0	0
Other liabilities	5,500	5,500	0	0
Total	128,610	94,410	34,200	0

At the reporting date, bonds included subordinate convertible bonds with a nominal value of (TEUR 34,200), issued in November 2007, in addition to the bearer bond (TEUR 5,000). The bearer instruments, with a payout of 8 percent p.a. on the nominal value, reach maturity at the end of 2013. Requirements for a distribution of profit can only be met out of a Group net profit (before profit requirements). In case of a loss situation, these are carried forward and expire two years after the end of the term. They are repaid at par, unless they have already been converted by the bearers into Balda shares. 684 bonus shares have been distributed, which entitle the owner to the conversion of 6,921 shares in each case. No shares had been converted as of the financial statement date. The conversion price is 7.22 euros per share. If the Balda share reaches a closing rate of at least 12.50 euros on Xetra trading during the term, Balda can demand conversion. The papers were issued within the scope of existing authorizations and exclude subscription rights.

The consortium loan agreement for TEUR 60,000, finalized at 29 November 2007, was reduced to TEUR 54,077, with TEUR 54,000 having been used as of the reporting date. In accordance with the amendment agreement of 12 December 2008, an anticipated term ending on 30 December 2009 was agreed upon. The interest rate is variable and is oriented to the Euribor.

An unscheduled repayment of TEUR 10,000 was made in January 2008 towards the bonded loan taken out in February 2005 of TEUR 40,000. A further repayment of TEUR 7,500 occurred in November 2008. In accordance with the amendment agreement of 12 December 2008, an anticipated term ending on 30 December 2009 was agreed upon. The interest rate is 5.35 percent p.a. until maturity.

Furthermore securities were granted within the scope of the contract modification for the bonded loan (TEUR 22,500) and the consortium loan valued at TEUR 54,000 to the effect that that the company has essentially pledged its shares in Balda Medical, Balda Investments Singapore and its subsidiaries and shareholdings for the benefit of the credit institutes involved.

The liabilities to affiliated companies (TEUR 5,554, previous year: 5,749) include trade accounts payable of TEUR 101 (previous year TEUR 146).

2.k. Contingent liabilities and other financial commitments

The contingent liabilities in Balda AG were as follows:

in TEUR	2008	2007
from warranty commitments	516	4,412

The warranty commitments at 31 December 2008 consist of TEUR 35 for sold companies and TEUR 481 for subsidiaries.

Balda AG's other financial obligations from fixed term contracts consist of the following:

in TEUR	2008	2007
< 1 year	1,019	1,147
1 to 5 years	1,639	2,789
> 5 years	0	352
Total	2,658	4,288

A remedial procedure is still pending from the audit concluded in 2008 for the years 2003 to 2006. The unbalanced risk from this amounts to approximately TEUR 8,200.

The other financial obligations consist exclusively of rental and leasing obligations and other long-term purchasing commitments.

Further to this, there is an annual obligation of TEUR 183 from an unlimited building lease agreement with Balda Grundstücks- und Vermietungs GmbH & Co. KG.

3. Notes on individual items of the income statement

3.a. Sales revenues

The sales revenues consist mainly of revenues from services rendered by employees. Due to the homogenous revenue structure, a classification according to activity area or geographical markets is unnecessary.

3.b. Other operating income

The other operating income (TEUR 4,962) comprises income from the early discharge of a partial amount of the bonded loan (TEUR 1,125), as well as revenues from the dissolution of unused provisions (TEUR 1,699).

3.c. Other operating expenses

The other operating expenses resulted mainly from the following:

- Allocation to specific provisions for accounts receivable and other assets
- Annual General Meeting and annual report
- Legal and consulting costs
- Software costs

3.d. Taxes on income and earnings

This item resulted mainly from the establishment of a provision for the anticipated requirement based on the audit of the years 2003 to 2006.

3.e. Earnings per share

	2008	2007
Annual net loss (TEUR)	-53,373	-74,389
Weighted average of issued shares (shares in thousands)	54,157	46,824
Earnings per share (EUR)	-0,986	-1,589

II. Other information

Average number of employees

Balda AG employed on average 31 employees in the 2008 financial year (previous year: 50).

Executive bodies

Balda AG Supervisory Board

- Mr. Richard Roy, Dreieich (Chairman), Consultant
- Mr. Michael Sienkiewicz, San Francisco, USA, Consultant (since 1 August 2008)
- Dr. Axel Bauer, Dresden, Attorney (since 9 December 2008)
- Dr. Manfred Puffer, Meerbusch, Businessman (between 1 August 2008 and 30 November 2008)
- Mr. Bernd Fennel (Deputy chairman), Löhne, Director of Fennel Systems GmbH and Fennel GmbH & Co. KG (until 31 July 2008)
- Mr. Paul A. Stodden, Munich, Chairman of Orion Cable GmbH (until 31 July 2008)

- Mr. Othmar Vock, Itlingen/Switzerland, Consultant (until 31 July 2008)
- Mr. Lutz Völker, Rheinbreitbach, Director Aspect Corporate Advisors GmbH (until 31 July 2008)

The following members of the Balda AG Supervisory Board also hold positions in other companies:

- Mr. Richard Roy is also a member of the following supervisory and management boards:
wisscom AG, Bern/Switzerland (Vice President of the Management Board)
Update Software AG, Vienna/Austria (Member of the Supervisory Board)
Premiere AG, Munich (Deputy Chairman of the Supervisory Board)
Freenet AG, Hamburg (Member of the Supervisory Board)
RCP AG, Frankfurt/M. (Member of the Supervisory Board) since 20 August 2008
- Dr. Axel Bauer is also a member of the following supervisory and advisory boards:
TUDAG TU Dresden AG, Dresden (Chairman of the Supervisory Board)
Hamann Consult AG, Dresden (Chairman of the Supervisory Board)
Kofler Energies AG, Munich (Chairman of the Supervisory Board)
Kofler Industries AG, Munich (Member of the Supervisory Board)
Union Werkzeugmaschinen GmbH, Chemnitz (Member of the Advisory Board)

Balda AG Board of Directors

- Mr. Joachim Gut, Schermbeck (Chairman of the Board of Directors)
Human Resources, Public Relations, Internal Audit, Strategy
Sales, Marketing, Technology, Purchasing (until 31 December 2008)
- Dr. Dirk Eichelberger, Singapore (Sole Director as of 1 January 2009)
Financing, Controlling, IT, Law/Insurance/Taxes, Investor Relations

Dr. Eichelberger is also

- Member of the Board of Directors of
Balda Investments Singapore Pte. Ltd., Singapore/Singapore
Balda Solutions (Suzhou) Ltd., Suzhou/China
Balda Solutions (Beijing) Ltd., Beijing/China
Balda Solutions Malaysia Sdn. Bhd., Ipoh/Malaysia
Balda Investments Mauritius Ltd, Mauritius
Balda Solutions Xiamen Ltd., Xiamen/China
TPK Holding Co. Ltd., Cayman Islands/Cayman Islands
Balda Solutions USA Inc., Raleigh/USA
Balda Motherson Solution India Ltd., Chennai /India
Balda AVY Investments Singapore Pte. Ltd.

Mr. Gut was also

- Chairman of the Board of Directors of
Balda Investments Singapore Pte. Ltd., Singapore/Singapore, (until 19 December 2008)
Balda Solutions (Suzhou) Ltd., Suzhou/China (until 19 December 2008)
Balda Solutions (Beijing) Ltd., Beijing/China (until 19 December 2008)
Balda Solutions Malaysia Sdn. Bhd., Ipoh/Malaysia (until 19 December 2008)

- Deputy Chairman of the Board of Directors of Balda Motherson Solution India Ltd., Chennai/India (until 19 December 2008)
- Member of the Board of Directors of
 - Balda Investments Mauritius Ltd., Mauritius (until 19 December 2008)
 - Balda Solutions Xiamen Ltd., Xiamen/China (until 19 December 2008)
 - TPK Holding Co. Ltd., Cayman Islands/Cayman Islands (until 30 September 2008)
 - Improve Ideal Investments Ltd., Samoa/Samoa (until 30 September 2008)
 - Upper Year Holdings Ltd., Samoa/Samoa (until 30 September 2008)
 - New Strategy Investment Ltd., Samoa/Samoa (until 30. September 2008)
 - Balda AVY Investments Singapore Pte. Ltd. (until 19 December 2008)

Remuneration of the Board of Directors and Supervisory Board

Remuneration of the Supervisory Board

As a German stock corporation („AG”), Balda is subject to the German Stock Corporation Law. Therefore, the Group has a split management and governance structure consisting of a Board of Directors and three statutory members of a Supervisory Board.

Effective 30 November 2008, Dr. Manfred Puffer resigned from the Supervisory Board. The Bad Oeynhausen District Court appointed Dr. Axel Bauer, solicitor, from Dresden as the successor to the Board with a resolution from 9 December 2008.

The tasks of the Personnel Committee continue to be administered by the Supervisory Board. The Audit Committee was dissolved in the Supervisory Board meeting of 28 August 2008.

Remuneration report

The members of the Supervisory Board received the following remuneration for the 2008 financial year:

- Fixed remuneration of TEUR 189
- Variable remuneration of TEUR 0

The fixed remuneration for the Supervisory Board also includes payment for activities on the committees. The variable remuneration is aligned with the development of the Balda share price in comparison to the SDax. The 2008 Balda share price monitored throughout the year was for the most part significantly below the SDax level of performance, experiencing a loss of more than 90 percent by year-end. As a result, the 2008 Supervisory Board variable remuneration was inapplicable. No consultancy and placement mandates were issued to members of the Supervisory Board in the year under review. As such, Balda did not pay any special remuneration (Code article 5.4.7).

There were no apparent conflicts of interest in the reporting period.

Against the background of manifold and personnel changes the Supervisory Board has abstained from the execution of the efficiency assessment for the year 2008 (Code article 5.6) based on a resolution made at the session on 18 December 2008.

Board of Directors and remuneration report

The composition of the Balda AG Board of Directors changed over the course of the year under review. The Chairman of the Board of Directors Joachim Gut (CEO) resigned effective 31 December 2008. Chief Financial Officer Dr. Dirk Eichelberger will direct the Group in the future as sole Director and CEO.

The 2008 remuneration of members of the Board of Directors consisted of the following (Remuneration report - Code article 4.2.5): The remuneration of members of the Board of Directors comprises monetary remuneration components, consisting of fixed and variable components (Code article 4.2.3) as well as ancillary benefits. The ancillary benefits include the use of vehicles, a direct insurance contract and a group accident insurance contract. No further contractual pension commitments were finalized. Members of the Board of Directors did not receive any benefits from third parties that were agreed upon in view of their Board activities or granted during the 2008 fiscal year (Code article 4.2.3). Aside from the fixed remuneration, the remuneration of members of the Board of Directors includes payments after resignation of Board members. In principle, the variable remuneration of the Board of Directors comprises components that are connected to the company's entrepreneurial and economic success (performance based remuneration), as well as components with long-term incentives. The components related to entrepreneurial success are calculated on the basis of the earnings before taxes (EBT) for the Balda Group in the 2008 financial year.

The variable remuneration components with long-term incentives refer to share options that were accorded members of the Board of Directors by the Supervisory Board on the basis of the share options programme resolved upon at the Annual General Meeting on 1 June 2006. The programme comprises a volume of up to 4,016 million options as per the resolutions of the Annual General Meeting. These may be issued to 50 percent to the Board of Directors, to 30 percent to managers of the Group companies and to 20 percent to employees of the Balda Group. The shares may be issued until 30 June 2009. The term of the options is five years from the date of issue with a retention period of two years. Before exercising the option, the Xetra closing rate of the Balda Share must reach a minimum of 120 percent of the issue price during the retention period. Other exercising restraints may be stipulated individually at the time of issuing. The issue price of options corresponds to the average Xetra closing rate of the Balda share on the last ten stock exchange trading days before issuing of the option.

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

Board of Directors remuneration report

The members of the Board of Directors received the following remuneration for the 2008 financial year:

- Fixed remuneration and commitments after resignation of members of the Board of Directors of TEUR 2,054 (thereof, settlements: TEUR 1,000)
- Performance-based remuneration did not apply
- Remuneration with long-term incentive of TEUR 197

Shareholdings of executive bodies

	31.12.2008	31.12.2007	Change
J. Gut ¹	0	50,000	-50,000
Dr. D. Eichelberger	0	0	0
Board of Directors total	0	50,000	-50,000
Dr. A. Bauer	0	0	0
B. Fennel ²	0	0	0
Dr. M. Puffer ²	0	0	0
R. Roy	8,000	8,000	0
M. Sienkiewicz	0	0	0
P. Stodden ²	0	0	0
L. Völker ²	0	0	0
O. Vock ²	0	0	0
Supervisory Board total	8,000	8,000	0

1) as of 01 January 2009 no longer member of the Board of Directors 2) as of 31 December 2008 no longer member of the Supervisory Board

No other significant acquisitions or sales were undertaken by the executive bodies in 2008.

Affiliated companies and holding companies (shareholdings)

The Shareholdings of Balda AG in the subsidiaries at 31 December 2008 are as follow:

Company	Registered office	Shareholding ratio	Shareholding TEUR	equity TEUR	Annual earnings
Balda Grundstücks- und Vermietungs GmbH & Co. KG	Bad Oeynhausen	direct	100.00%	12,438	-15,179
Balda Grundstücks-Verwaltungs GmbH	Bad Oeynhausen	direct	100.00%	26	1
Balda Medical Verwaltungsgesellschaft mbH	Bad Oeynhausen	direct	100.00%	16	-1
Balda Medical GmbH & Co. KG	Bad Oeynhausen	direct	100.00%	-150	1,826
Balda Solutions Deutschland GmbH	Bad Oeynhausen	direct	100.00%	2,742	-18,185
Balda Werkzeug- und Vorrichtungsbau GmbH	Bad Oeynhausen	direct	100.00%	149	-1,933
Balda Solutions ¹ Hungaria Kft. via Balda Solutions Deutschland GmbH	Veszprém (Hungary)	indirect direct	26.53% 73.47%	-3,970	-4,465

Company	Registered office	Shareholding ratio	Shareholding TEUR	equity TEUR	Annual earnings
Balda Solutions USA, Inc.	Raleigh (N.C./USA)	direct	100.00%	78	45
Balda Lumberg Deutschland GmbH & Co. KG	Bad Oeynhausen	direct	100.00%	65	-1,829
BLT Amazonia Plasticos Industria e Comercio Ltda. via Balda Lumberg Deutschland GmbH & Co. KG	Manaus (Brazil)	indirect	99.80%	5,438	-1,792
BLT Paulista Plasticos Industria e Comercio Ltda. via Balda Lumberg Deutschland GmbH & Co. KG via Balda Lumberg Technologies Plasticos da Amazonia Industria e Comercio Ltda.	Sao Paulo (Brazil)	indirect	100.00%	-5,423	-1,177
Balda Lumberg Verwaltungsgesellschaft mbH via Balda Lumberg Deutschland GmbH & Co. KG	Bad Oeynhausen	indirect	100.00%	27	1
Balda Investments Mauritius Ltd.	Mauritius	direct	100.00%	3	-5,488
Balda Motherson Solution India Ltd. via Balda Investments Mauritius Ltd.	New Delhi (India)	indirect	60.00%	6,205	-6,123
Balda Investments Singapore Pte. Ltd.	Singapore	direct	100.00%	113,712	9,840
Balda Solutions (Suzhou) Ltd. via Balda Investments Singapore Pte. Ltd.	Suzhou (China)	indirect	100.00%	23,913	4,374
BSSU Sales and Finance Ltd. via Balda Investments Singapore Pte. Ltd.	(British Virgin Islands)	indirect	100.00%	0	0
Balda Solutions (Beijing) Ltd. via Balda Investments Singapore Pte. Ltd.	Beijing (China)	indirect	100.00%	16,105	5,761
Balda Solutions Malaysia Sdn. Bhd. via Balda Investments Singapore Pte. Ltd.	Ipoh (Malaysia)	indirect	100.00%	31,830	17,584
Finance Ltd. via Balda Investments Singapore Pte. Ltd.	(British Virgin Islands)	indirect	100.00%	0	0

Notes

Company	Registered office	Shareholding ratio	Shareholding TEUR	equity TEUR	Annual earnings
Balda Solutions (Xiamen) Ltd. via Balda Investments Singapore Pte. Ltd.	Xiamen (China)	indirect	100.00%	1,212	-122
Balda AVY Investments Singapur Pte Ltd via Balda Investments Singapore Pte. Ltd.	Singapore	indirect	60.00%	56	-8
Associated companies (Consolidation at equity)					
TPK Holding Co. Ltd. via Balda Investments Singapore Pte. Ltd.	George Town (Cayman Islands)	indirect	38.00%	70,129	8,403
Improve Idea Investments Ltd. via TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Apia (Samoa)	indirect	100.00%	12,959	1,193
TPK Touch Solutions Inc. via Improve Idea Investments Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Taipeh (Taiwan)	indirect	100.00%	2,977	1,121
New Strategy Investment Ltd. via TPK Touch Solutions Inc., Improve Idea Investments Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Apia (Samoa)	indirect	100.00%	142	0
TPK Advanced Solution Corp.. via TPK Touch Solutions Inc., Improve Idea Investments Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Taipeh (Taiwan)	indirect	51.00%	810	84
Upper Year Holdings Ltd. über TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Apia (Samoa)	indirect	99.00%	10,850	3,650

Company	Registered office	Shareholding ratio	Shareholding TEUR	equity TEUR	Annual earnings
TPK Touch Solutions (Xiamen) Inc. via Upper Year Holdings Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Xiamen (China)	indirect	100.00%	48,488	2,444
TPK Lens Solutions Inc. via Upper Year Holdings Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Xiamen (China)	indirect	100.00%	5,728	-379
TPK Touch Systems (Xiamen) Inc. via Upper Year Holdings Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Xiamen (China)	indirect	100.00%	657	-437
Optera TPK Holding Pte. Ltd. via TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Singapore	indirect	50.00%	11,154	4,698
Optera Technology (Xiamen) Co., Ltd. via Optera TPK Holding Pte. Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Xiamen (China)	indirect	100.00%	11,178	4,764
TPK Technology International Inc. via TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Apia (Samoa)	indirect	100.00%	4,687	4,454

1) In Liquidation

Disclosure pursuant to § 26 para. 1 German Securities Trading Act (WpHG)

Pursuant to § 21 para.1 of the WpHG, the following are disclosures of the existence of a participation pursuant to § 26 para.1 WpHG:

Balda AG, Bad Oeynhausen

WKN 521510, ISIN DE0005215107

Publication pursuant to § 26 para. 1 WpHG with the objective of pan-European distribution

Ms. Yun Ling Chiang, Richmond (BC), Canada, informed us on 20 December 2007 pursuant to § 21 para.1 clause 1 WpHG, that her share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, exceeded the threshold of 15 percent on 20 December 2007 and amounted to 15.27 percent (8,267,927 shares) on this day.

The voting rights are attributed to Ms. Yun Ling Chiang, Richmond (BC), Canada, pursuant to § 22 para.1 clause 1 No. 1 and clause 2 WpHG, via the Yield Return Investments Limited and Max Gain Management Ltd, both Apia, Samoa.

Bad Oeynhausen, in January 2008

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

Yield Return Investments Limited, Apia, Samoa, informed us on 20 December 2007, pursuant to § 21 para.1 clause 1 WpHG, that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, exceeded the threshold of 15 percent on 20 December 2007 and amounted to 15.27 percent (8,267,927 shares) on this day.

The voting rights are attributed to Yield Return Investments Limited, Apia, Samoa, pursuant to § 22 para. 1 clause 1 No. 1 WpHG via Max Gain Management Ltd., Apia, Samoa.

Bad Oeynhausen, in January 2008

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

Max Gain Management Ltd., Apia, Samoa, informed us on 20 December 2007, pursuant to § 21 para.1 WpHG, that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, exceeded the threshold of 15 percent on 20 December 2007 and amounted to 15.27 percent (8,267,927 shares) on this day.

Bad Oeynhausen, in January 2008

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

Balda AG, Bad Oeynhausen

WKN 521510, ISIN DE0005215107

Publication pursuant to § 26 para. 1 WpHG with the objective of pan-European distribution

The Fidelity Management & Research Company, Boston, USA, informed us on 8 January 2008 that pursuant to § 21 para.1 WpHG its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, fell below the threshold of 5 percent on 7 December 2007 and amounted to 3.90 percent (1,846,448 shares) on this day.

All voting rights are attributed to Fidelity Management & Research Company, Boston, USA pursuant to § 22 para. 1 clause 1 No. 6 WpHG. The voting rights are attributed to Fidelity Management & Research Company, Boston, USA, amongst others via the Fidelity Commonwealth Trust, Boston, USA, which as a shareholder of Balda AG has 3 or more percent of the voting rights.

In addition, the Fidelity Management & Research Company, Boston, USA, informed us on 8 January 2008, pursuant to § 21 para. 1 WpHG, that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, fell below the threshold of 3 percent and that it amounted to 2.99 percent on this day (1,620,048 shares).

All voting rights are attributed to Fidelity Management & Research Company, Boston, USA, pursuant to § 22 para. 1 clause 1 No. 6 WpHG.

Bad Oeynhausen, in January 2008
Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

The Fidelity Commonwealth Trust, Boston, USA, pursuant to § 21 para. 1 WpHG informed us on 8 January 2008 that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, exceeded the threshold of 3 percent on 26 April 2007 and amounted to 3.45 percent (1,633,470 shares) on this day.

In addition, the Fidelity Commonwealth Trust, Boston, USA, pursuant to § 21 para. WpHG, informed us on 8 January 2008 that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, fell below the threshold of 3 percent on 10 December 2007 and amounted to 2.85 percent (1,349,248 shares) on this day.

Bad Oeynhausen, in January 2008
Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

Balda AG, Bad Oeynhausen
WKN 521510, ISIN DE0005215107
Publication pursuant to § 26 para. 1 WpHG with the objective of pan-European distribution

The FMR LLC., Boston, USA, pursuant to § 21 para.1 WpHG, informed us on 8 February 2008 that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, fell below the threshold of 3 percent on 7 February 2008 and that it amounted to 2.88 percent on that day (1,558,060 shares).

All voting rights are attributed to the FMR LLC, pursuant to § 22 para.1 clause 1 No. 6, clause 2 WpHG.

Bad Oeynhausen, in February 2008
Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

Balda AG, Bad Oeynhausen

WKN 521510, ISIN DE0005215107

Publication pursuant to § 26 para. 1 WpHG with the objective of pan-European distribution

The Bayerische Landesbank, Munich, Germany, informed us on 4 March 2008 pursuant to § 21 para.1 clause 1 WpHG, that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, fell below the threshold of 3 percent on 29 February 2008 and amounted to 0.00 percent (0 shares) on this day.

Pursuant to § 22 para.1 clause 1 No. 1 WpHG, 0.00 percent (0 voting rights) are attributed to the Bayerische Landesbank, Munich, Germany.

Bad Oeynhausen, in March 2008

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

The HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, informed us on 4. March 2008, pursuant to § 21 para.1 WpHG, that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany fell below the threshold of 3 percent on 29 February, 2008 and that it amounted to 0.00 percent on this day (0 shares)

0.00 percent (0 voting rights) are attributed to the HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, pursuant to § 22 para. 1 clause 1 No. 1 WpHG.

Bad Oeynhausen, in March 2008

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

The HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, informed us on 4 March 2008 pursuant to § 21 para.1 WpHG, that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, fell below the threshold of 3 percent on 29 January 2008 and amounted to 0.00 percent (0 shares) on this day.

Bad Oeynhausen, in March 2008

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

Balda AG, Bad Oeynhausen

WKN 521510, ISIN DE0005215107

Publication pursuant to § 26 para. 1 WpHG with the objective of pan-European distribution

Morgan Stanley, the Corporation Trust Company, Wilmington, USA, informed us on 5 March 2008, pursuant to § 21 para. 1 and § 24 WpHG, that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, fell below the thresholds of 5 and 3 percent and that it amounted to 0.18 percent on that day (99,001 shares).

The voting rights are attributed to Morgan Stanley, The Corporation Trust Company, Wilmington, USA, pursuant to § 22 para. 1 clause 1 No. 1 WpHG.

Bad Oeynhausen, in March 2008
Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

Morgan Stanley International Incorporated, Wilmington, USA, informed us, pursuant to § 21 para. 1 WpHG, on 5 March 2008 that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, fell below the thresholds of 3 and 5 percent on 28 February, 2008 and amounted to 0.00 percent (0 shares) on this day.

Bad Oeynhausen, in March 2008
Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

Morgan Stanley International Holdings Inc., Wilmington, USA, informed us pursuant to § 21 para. 1 WpHG on 5 March 2008 that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, fell below the thresholds of 3 and 5 percent on 28 February 2008 and amounted to 0.00 percent (0 shares) on this day.

Bad Oeynhausen, in March 2008
Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

Morgan Stanley International Limited, London, Great Britain, informed us, pursuant to § 21 para. 1 WpHG on 5 March 2008 that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, fell below the thresholds of 5 and 3 percent on 28 February 2008 and amounted to 0.00 percent (0 shares) on this day.

Bad Oeynhausen, in March 2008
Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

Morgan Stanley Group (Europe), London, Great Britain, informed us pursuant to § 21 para. 1 WpHG on 5 March 2008 that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, fell below the thresholds of 3 and 5 percent on 28 February 2008 and amounted to 0.00 percent (0 shares) on this day.

Bad Oeynhausen, in March 2008
Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

Morgan Stanley Group UK Group, London, Great Britain, informed us pursuant to § 21 para. 1 WpHG on 5 March 2008 that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, fell below the thresholds of 3 and 5 percent on 28 February 2008 and amounted to 0.00 percent (0 shares) on this day.

Bad Oeynhausen, in March 2008
Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

Morgan Stanley & Co. International plc., London, Great Britain, pursuant to 21 para. 1 WpHG, informed us on 5 March 2008 that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen,

Germany, fell below the thresholds of 5 and 3 percent on 28 February 2008 and amounted to 0.00 percent (0 shares) on this day.

Bad Oeynhausen, in March 2008
Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

Balda AG, Bad Oeynhausen
WKN 521510, ISIN DE0005215107
Publication pursuant to § 26 para. 1 WpHG with the objective of pan-European distribution

Guy P. Wyser-Pratte, United States of America, pursuant to § 21 para.1 clause 1 WpHG, informed us on 14 March 2008 that its share of voting rights in in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, fell below the thresholds of 5 and 3 percent on 14 March 2008 and amounted to 2.72 percent (1.471.955.00 shares) on this day.

Pursuant to § 22 para. 1 clause 1 No. 1 WpHG., all voting rights (1.471.955 shares) are attributed to Guy P. Wyser-Pratte.

Bad Oeynhausen,in March 2008
Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

Wyser-Pratte Management Col, Inc., New York, United States of America, pursuant to § 21 para. 1 clause1 WpHG, informed us that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 ad Oeynhausen, Germany, fell below the thresholds of 5 and 3 percent on 14 March 2008 and that it amounted to 2.72 percent on this day (1,471,955 shares).

Bad Oeynhausen, in March 2008
Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

Balda AG, Bad Oeynhausen
WKN 521510, ISIN DE0005215107
Publication pursuant to § 26 para. 1 WpHG with the objective of pan-European distribution

The Norddeutsche Landesbank, Giro centre, Hannover, Germany, pursuant to § 21 para. 1 WpHG informed us on 20.10.2008 that ist share of voting rights in Balda AG, Bad Oeynhausen, Germany, ISIN: DE0005215107, WKN: 521510, fell below the threshold of 15 percent on 17.10.2008 with shares that now amount to 14.9566 percent (corresponding to 8,100,000 voting rights).

Bad Oeynhausen, in October 2008
Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen (not under Ad hoc on www.dgap.de)

Balda AG, Bad Oeynhausen

WKN 521510, ISIN DE0005215107

Publication pursuant to § 26 para. 1 WpHG with the objective of pan-European distribution

The Audley Capital Management Limited, St. Peter Port, Great Britain, informed us on 28 November 2008, pursuant to § 21 para. 1 WpHG, that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, fell below the threshold of 3 percent and amounted to 2.21 percent on this day (1.198.218 shares).

Pursuant to § 22 para. 1 clause 1 No. 6 WpHG, 2.21percent (1,198,218 voting rights) are attributed to Audley Capital Management Limited by Audley European Opportunities Master Fund, St. Peter Port, Great Britain.

Bad Oeynhausen, in December 2008

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

Balda AG, Bad Oeynhausen

WKN 521510, ISIN DE0005215107

Publication pursuant to § 26 para. 1 WpHG with the objective of pan-European distribution

The Audley Capital Management Limited, St. Peter Port, Great Britain, informed us on 28 November 2008, pursuant to § 21 para. 1 WpHG that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, fell below the threshold of 3 percent on 27 November 2008 and that it amounted to 2.21 percent on this day (1,198,218 shares).

Bad Oeynhausen, in December 2008

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

Balda AG, Bad Oeynhausen

WKN 521510, ISIN DE0005215107

Correction of publication pursuant to § 26 para. 1 WpHG with the objective of pan-European distribution of 2 December 2008

The Audley European Opportunities Master Fund Limited, St. Peter Port, Great Britain, pursuant to § 21 para. 1 WpHG, informed us on 28 November 2008 that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, fell below the threshold of 3 percent on 27 November 2008 and amounted to 2.21 percent on this day (1,198,218 shares).

Bad Oeynhausen, in December 2008

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

Balda AG, Bad Oeynhausen

WKN 521510, ISIN DE0005215107

Publication pursuant to § 26 para. 1 WpHG with the objective of pan-European distribution

Dr. Thomas van Aubel, Germany, pursuant to § 21 para. 1 WpHG, informed us on 3 December 2008 that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, exceeded the threshold of 3 percent on 2 December 2008 and amounted to 4.24 percent on this day (2,298,218 shares).

The voting rights are attributed to him effective 2 December 2008 pursuant to § 22 para. 1 clause 1 number 1 WpHG, via Quercus GmbH, Berlin, Germany.

Bad Oeynhausen, in December 2008

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

Balda AG, Bad Oeynhausen

WKN 521510, ISIN DE0005215107

Publication pursuant to § 26 para. 1 WpHG with the objective of pan-European distribution

The Quercus GmbH, Berlin, Germany, pursuant to § 21 clause 1 WpHG, informed us on 3 December 2008 that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, exceeded the threshold of 3 percent on 2 December 2008 and amounted to 4.24 percent on this day (2,298,218 shares).

Bad Oeynhausen, in December 2008

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

Corporate Governance

In December 2008, the Board of Directors and Supervisory Board submitted a declaration of conformity according to § 161 of the German Companies Act (AktG) regarding corporate governance and made this permanently available to shareholders on the Balda AG website (<http://www.balda.de>).

Auditor's fee

With regard to the auditor of the annual report as defined in § 319 para.1 clause 1 and 2 of the HGB, the following fee has been duly registered for the financial year:

	TEUR
for the audit	105
for tax consultation services	23
for other services	18

Declaration by the Board of Directors

„I ensure to the best of my knowledge that, according to the applicable principles of corporate accounting, the Financial Statement provides a portrayal of the asset, financial, and profit situation of the Company corresponding to the actual situation, and the financial results and the course of business are represented in the management report such that an image is provided in a manner reflecting actual conditions, and the most significant opportunities and risks of the anticipated development of the Company is described therein.”

Bad Oeynhausen, 13 March 2009

Board of Directors
Dr. Dirk Eichelberger

Auditor's Statement – Group

We have audited the consolidated financial statements prepared by the Balda Aktiengesellschaft, Bad Oeynhausen, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement, segment information and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of the parent Company for the business year from January 1 to December 31, 2008. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB („Handelsgesetzbuch“: German Commercial Code) are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these provisions. The combined management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Bielefeld, March 23, 2009

PricewaterhouseCoopers / Aktiengesellschaft / Wirtschaftsprüfungsgesellschaft	
Carsten Schürmann	ppa. Dirk Schäfer
Wirtschaftsprüfer	Wirtschaftsprüfer

Auditor's Statement – Balda AG

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report, which is combined with the group management report of the Balda Aktiengesellschaft, Bad Oeynhausen for the business year from January 1 to December 31, 2008. The maintenance of the books and records and the preparation of the annual financial statements and the combined management report in accordance with German commercial law are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and the combined management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB („Handelsgesetzbuch“: „German Commercial Code“) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the annual financial statements and combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The combined management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Bielefeld, March 23, 2009

PricewaterhouseCoopers / Aktiengesellschaft / Wirtschaftsprüfungsgesellschaft	
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Technology-Glossary

Bluetooth-technology

„Bluetooth“ describes a technology for the radio transmission of language and data over short distances. The name stems from the Danish King of the Vikings Harald Blauzahn. The choice of name goes back to the Balda-customer Sony Ericsson. The Swedish company has a share in the development of the technology. The new transmission-technology displaced the old infrared-transmission- technology to a large extent. Today you can find Bluetooth-technology in more than 50 percent of mobile telephones.

DIN EN ISO 9001

The certification of the quality management system according to ISO 9001 guarantees comprehensive measures, beyond the simple quality assurance of the product. They clearly define all the procedures within a company.

DIN EN ISO 1453

The international award of the environmental management system according to ISO 14001 stands for the achievement of environmental attainments such as goals under continuous processes for improvement.

Early Supplier Involvement

The integration of a development partner in a new project at the earliest possible point in time.

ERP-System

The Enterprise-Resource-Planning-System is a complex software to support the whole resource planning of a company.

Global Tooling

Worldwide standardised tool-making, for example for injection-mould-production. Companies can order in-mould assembly thanks to standardised software also in low-wage countries with the same quality standard as in the home country. Important criteria in mould construction, such as speed and late modifications are secured transnationally.

IMD

In-Mould-Decoration is a sophisticated injection moulding process that results from a combination of hot stamping and film insert moulding. During the process, a colour film is guided by an injection-moulding tool. When it hits the plastic cast, the decoration releases itself from the film carrier and is transferred to the mould. IMS is used to produce displays for mobile phones, among other things.

IML

In-Mould-Labeling is a process based on the in-mould procedure, in which a printed colour film is inserted into the injection tool. When the plastic melts, the film bonds with the component, whereby the (decorative) print is prevented from being rubbed off. In-Mould-Decoration with natural materials such as leather, stone or textiles means that surface applications that were previously impossible can now be achieved. The process is used, inter alia, in manufacturing packaging.

Infocom

The high-tech products business that includes both telecommunication and information technology components, which complement one another. Information and communication technology merge together.

In-Mould-Procedure

In-Mould-Procedure is a process of injection casting, mainly in plastics processing. In the injection moulding machine inserted materials like paper, tissue, wood or printed and structured interlayers are being back injected. This way, sophisticated surfaces are created in one production step.

LCD

Stands for liquid crystal displays. In a LCD, there are liquid crystals between two very thin glass sheets. Voltage is installed and makes them glow. Low in weight, flat and low in radiation. They have a low consumption of electricity.

Multi-Component-Injection-Casting

Multi-Component-Injection-Casting is the sequential combining of several melts during an injection process in one tool. The melts can be positioned next to or in each other.

Metal-Insert-Moulding

In a single production step an injection moulding machine forms plastics on or around a metal components.

NCVM-method

The NCVM-method allows an insulating metallisation of plastics.

Nuts Insert Molding

This technology can set a closed insert nut during injection moulding, which is used later in jointing two components.

OEM

Original Equipment Manufacturers are in the literal sense manufacturers of components or products, which are produced in own production facilities but not brought to the market by the OEM. In several industry sectors, like the automotive and computer industry, however, the contrary meaning of this term is in use. Here, a OEM is a company which puts products produced by others on the market under the own name.

PDA

Personal digital assistants are small, compact, handheld PCs for mobile use. They are without a keyboard, but instead have a touchsensitive screen with stylus input. PDAs are mainly used as an electronic diary and address book.

Smartphones

Smartphones are mobile phones with extensive service offering. They offer access to internet and also run applications as small computers like a PDA.

Touch screen

Touch screens are displays that are sensitive to touch, with screen areas that simultaneously function as a sensor field. By touching certain areas of the surface of the screen the user can control the menu of the programme or enter data into a computer. These sensor screens are being used in a great number of technical products. Used in microwaves, copy or ticket machines, PDAs and mobile phones, the touch technology is of growing importance worldwide.

Vertical Moulding Machine

A vertically aligned injection moulding machine.

Balda | AG

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