

18 January 2012

Dear Shareholder,

We cordially invite you to the Extraordinary General Meeting (the “EGM”) which will be held on February 8th 2012. Balda is at a critical juncture for its business and your investment. This important EGM will determine the future of your Company.

Octavian Advisors LP, a hedge fund that recently acquired Balda shares, is now attempting to jeopardise Balda’s future. In its efforts, Octavian is attempting to replace your entire Supervisory Board with its own slate – one that is focused on Octavian’s short-term agenda. **As a result, your vote opposing Octavian at this EGM is critical.**

Enhancing Shareholder Value

We highlight below several issues with regard to your Supervisory Board’s commitment to enhancing shareholder value:

Building a New Management Board with long-term interest and strategy

The supervisory board fully supports and welcomes the new management board which has a clear view on how to further develop the company’s business and deliver a sustainable strategy for creating value for shareholders.

Dominik Müser, Balda’s CEO, an operational restructuring specialist and former partner of the strategic management consultancy firm, Roland Berger Strategy Consultants, is developing a clear strategy to move forward with the whole operative business. He will ensure to take smaller but more substantial steps based on a sustainable long-term strategy for the whole operative business with special emphasis on the profitable medical sector.

At the same time, James Lim, Balda’s COO, is developing a clear vision for the Electronic Products Business which needs to be re-positioned for permanent profitability. Mr Lim is a returnee to the Company with a long experience as general manager of Balda Malaysia generating positive bottom-line results for many years.

Balda is fortunate to have the combined experience and respective skill sets of Dominik Muser and James Lim.

We believe that this team of leaders, in addition to the experience of the current Supervisory Board, is best positioned to ensure Balda is successful in the next stage of its value proposition. This includes the structured sale of its valuable TPK investment which will entitle Balda's shareholders to a special dividend. However, to maximise the proceeds received from the TPK sale, careful strategic consideration must be given to current market conditions, tax implications and the further business development of the company. **Any quick-sale strategy will only result in less value for shareholders.**

The Supervisory Board remains committed to reviewing Balda's corporate governance structure and strongly disagrees that Octavian's proposals will improve Balda. We would like to underline that the current Supervisory Board has the necessary experience to deal with the most pressing issues at Balda: the sale of the TPK shares, the stabilization of the Malaysian operations and the support of a new sustainable long-term business strategy.

Octavian's Risky Agenda

The short term intentions of Octavian are a tremendous risk to Balda and its shareholders. Further, Octavian does not exhibit any track-record of successful long-term business development.

The Supervisory Board cannot see that Octavian has any strategy of how to strengthen Balda's future. It seems to us the purpose of Octavian's attempt to take control of your Supervisory Board is purely self-serving.

We believe Octavian's ultimate goal is to: a) conduct a quick sale of the TPK shares, b) award itself an extraordinary dividend to placate its own investors and then, c) immediately abandon or liquidate Balda.

We also fear that Octavian may be seeking full control of Balda's board in order to cause it to sell the TPK shares at a steep discount to itself or a group it is part of.

Clearly, neither option is in your best interests.

Instead of articulating a convincing strategy for Balda or constructively engaging with us, Octavian has launched a series of aggressive and unfounded attacks and misdirections:

- Octavian has made inaccurate allegations regarding the sale of the TPK shares;
- Octavian has made inaccurate allegations regarding M&A opportunities;
- Octavian has made inaccurate allegations that the Supervisory Board obstructed the implementation of management's strategy to concentrate on growth in its core business areas (i.e. medical);
- Octavian has criticised Balda's governance structure – but proposes three candidates who fail to improve Balda's governance on multiple fronts.

(A more detailed response to these allegations can be found within the attached Q&A document.)

The Supervisory Board firmly believes that Octavian's nominees, agenda and objectives clearly are not in the best interests of Balda or its shareholders

Vote to Build Balda's Future – Together

The Supervisory Board proposes that shareholders allow the existing Supervisory Board to remain focused on Balda's future. In this environment of global uncertainties, when corporate volatility and fragility prevails, we remain committed to fending off disruptions aiming to exploit the current situation - particularly those purely based on insinuations and false allegations. We want to focus on the important steps required to ensure Balda is an attractive investment for all our shareholders and greatly appreciate your continued support.

On behalf of your Supervisory Board, Balda AG

Dr. Michael Naschke

Should you have any further questions or require assistance in voting your shares at the EGM, please contact:

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