

Balda AG

Supervisory Board of Balda AG responds to Octavian's request to substitute the Supervisory Board members

Press Release

Bad Oeynhausen, 29 December 2011 – Octavian Advisors LP (“Octavian”) via Octavian Special Master Fund L.P. requested the Management Board of Balda AG (“Company”) to convene an extraordinary general meeting with the aim to substitute the Supervisory Board members of the Company. Having reviewed said request, the Management Board of the Company decided to convene an extraordinary general meeting to be held on 8 February 2012.

The Supervisory Board of the Company hereby takes the opportunity to comment on the allegations put forward in Octavian's press release dated 12 December 2011. However, the Supervisory Board is still astonished about how Octavian could get hold of these Company's secrets that now have been published in a way that may be disadvantageous to the Company and, consequently, to all of its shareholders.

In fact,

- This current Supervisory Board has always acted and will always act solely in the interest of the Company;
- This current Supervisory Board members fulfil their duties independently;
- the election of the Supervisory board members proposed by Octavian would lead to severe conflicts of interests and would strongly deteriorate the Company's corporate governance.

In detail:

The Supervisory Board's function in a German stock corporation is limited to vote in favour of or against a proposal of the management board (and not to conduct the business). Hence, the duty of the Supervisory Board is to evaluate the Management

Board's proposals in light of the best interests of the Company and to decide accordingly. The Supervisory Board of the Company understands that shareholders may doubt the Company's decision not to sell its shareholding in the touch screen producer TPK Holding Co., Ltd. ("TPK") at a time when the stock exchange price was favourable for such transaction. However, the better reasons argued for a refusal of the requested approvals in each of the respective cases.

The Company has announced its intention to sell TPK shares in numerous occasions including its annual general meeting in May 2011. Nevertheless, the Company as a major shareholder of TPK (owning 16.1% of TPK or around 37.8 million TPK shares) cannot dump TPK shares into the stock market recklessly to destroy the stability of TPK stock price and, hence, the value of its remaining TPK shares held. The common practice is to conduct this activity via a block trade or a secondary offering. In addition, the securities laws of Taiwan require the Company, before selling or buying, to file with Taiwan authorities for change of its shareholding in TPK for more than 10,000 TPK shares, as by operation of law, the Company is deemed to be an insider.

The aforementioned market circumstances and regulatory constraints required the Supervisory Board to intensively review each of the Management Board's proposals of how and when to proceed with selling the TPK shares. The Supervisory Board is still convinced that none of the Management Board's proposals has had the capacity to comply with these complex requirements in the respective situation.

Firstly, it should be mentioned that the further lock-up after April 2011 was not the result of a blindfold decision of the Company. TPK issued a USD 400m convertible bond in April 2011 to fund its capital expenditure and M&A activities. This was not an uneventful capital-raising. It was the result of a demand from TPK's customers which required expansion of production capacity by TPK and had been scheduled by TPK since the beginning of 2011. As a result, the bond's underwriters had imposed a lock-up to all major shareholders of TPK including the Company for three months as a standard market practice. Not to agree to this lock-up was no alternative for the Company since it would have otherwise endangered the whole TPK investment. Consequently, 50% of the Company's TPK shares were further locked-up to 13 July 2011; the other 50% of the Company's TPK shares were anyway locked-up.

Further, all proposals from the Management Board that followed the end of the further lock-up were either not sufficient with regard to the regulatory aspects of the said filing to the Taiwan authorities or endangered the stock exchange price of the Company's TPK shares that would have remained with the Company after the envisaged

transactions. Even the attempt to launch a joint GDR (Depository Receipt) offering together with TPK which would have complied with the respective requirements failed at the end of the day due to the decreasing stock exchange price of the TPK shares. It would have not been in the best interest of the Company to accomplish this GDR offering in a market where TPK shares lost value to such a tremendous extent. There was and there is no reason for the Company to sell its shareholding in TPK to a price that does not reflect the value of TPK. The Company is not forced to act on short notice like a hedge fund may be and, hence, able to wait for better market conditions.

As far as Octavian mentioned that the Supervisory Board was obstructing the implementation of the management board's strategy to concentrate on growth in its core business areas, this allegation is of no substance. The Supervisory Board has never been un-supportive of exploring strategic growth areas for the Company including the medical field. However, strategic exploration is not equivalent to conducting an M&A activity that does not make economic sense. The Supervisory Board believes that it was in best interest of the Company and its shareholders to consider any M&A activity carefully without any unneeded pressure and will act accordingly in future.

Octavian's further allegations that two of the three members of the Company's Supervisory Board were not independent or were subject to conflict of interests are misleading and incorrect. They are based on the wrong assumption that Mr Michael Chiang was the major shareholder of the Company. However, as is well known by the public notifications of voting rights held in the Company that the Company's major shareholder, Yield Return Investments Limited, is solely owned by Mrs Yun-Ling Chiang. To the extent known to and knowable by the Company, Mr Chiang is neither a shareholder in the Company nor in Yield Return Investments Limited. In particular, the Supervisory Board members deem it inappropriate, to say the least, to attempt to evidence their purported lack of independence with an allegedly unfair sale of TPK shares that occurred in 2008 when neither the current Management Board nor the current Supervisory Board members were in charge. However, it should be mentioned that Mr. Chiang helped out the Company in 2008 by paying a price for the TPK shares (that had not been listed at that time): A well-respected investment firm had conducted an evaluation analysis reaching a conclusion of TPK's equity value at USD 205 million in 2008. This was exactly the same acquisition price Mr. Chiang paid for to buy additional TPK shares from the Company in October 2008 as mentioned by Octavian. It is needless to say that the acquisition was pivotal to the Company at the time of its liquidity crunch to service bank debt. Furthermore, the timely help was

solely undertaken by Mr. Chiang for the purpose of helping out the Company while certain major shareholders were also offered but declined the same opportunity to buy secondary TPK shares from the Company.

Based on these facts, Octavian's allegations that the Supervisory Board would not be independent but act in the interest and for the benefit of individual shareholders are barely comprehensible.

In fact, the Supervisory Board is proud of the current composition of membership. Dr. Michael Naschke is an experienced corporate lawyer in Germany and has been involved with the Company for a long period of time. Mr. Chun-Chen Chen is a veteran in the touch industry who is capable of providing strategic guidance to the Supervisory Board concerning the industry dynamics of TPK whose shares represent all, if not more than 100%, of the Company's market capitalization. Mr. Yu-Sheng Kai is a seasoned private equity investor with relevant finance experience of more than 20 years. Neither Mr. Chun-Chen Chen nor Mr. Yu-Sheng Kai is an employee of TPK as wrongfully insinuated by Octavian. Needless to say that both are not influenced in a way (as alleged by Octavian) that could hinder them to comply with their duties in an independent and lawful manner. The recently announced changes to the Management Board include Dominik Mueser and Mr. James Lim. Mr. Mueser, the new CEO, is a renowned specialist who is expected to lend his experience to develop proper strategies for the Company and its current operations, much needed to re-define and re-position the Company's future as going concern. Mr. Lim, the new COO, is returnee to the Company with a proven track record as general manager of Balda Malaysia generating positive bottom-line results for many years.

In contrast, the Supervisory Board of the Company fears that the election of the candidates proposed by Octavian would lead to severe conflicts of interests and would strongly deteriorate the Company's corporate governance. This is based on the following reasons:

Mr René Charles Jäggi, who is intended to become the Chairman of the Supervisory Board, holds numerous management and supervisory mandates in listed and non-listed other companies in Germany and abroad that demand ample time. As stated in Octavian's press release, Mr Jäggi holds various supervisory positions. Some (but not necessarily all) of them will be listed in the invitation to the Company's extraordinary general meeting. It is hardly imaginable that the remaining fraction of time that Mr Jäggi disposes of could allow him to serve the Company as an active member of the Supervisory Board – be it as a simple member or as its Chairman. The full number

and the details of management and supervisory positions exercised by Mr Jäggi are not known to the Supervisory Board of the Company. However, the Supervisory Board of the Company believes Mr Jäggi's election would not be in line with the recommendations set forth in the German Corporate Governance Code (No. 5.4.5). As a consequence, his election might be declared void by the courts.

Mr Igor Kuzniar works as a managing director for Octavian. His conflict of interests is obvious. The substantiation of Octavian's proposal of Mr Kuzniar's election as a member of the Supervisory Board together with Mr Alizadeh, partner of a hedge fund also based in New York, with the asserted aim to improve the Company's corporate governance in the Supervisory Board appears to be rather cynical.

The Supervisory Board kindly asks the shareholders of the Company to take the aforementioned information into account when forming their opinion and casting their votes in the extraordinary general meeting. In light of this information, the Supervisory Board of the Company will propose to the extraordinary general meeting to reject Octavian's proposals for resolution.