

TPK Sale

1. Did the company sell 12% of its TPK shares in 2008 for any other than good economic reasons?

- The sale of TPK shares 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 provided crucial financial assistance to the Company in 2008 by buying 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 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 purchase was solely undertaken by Mr. Chiang for the purpose of assisting the Company. It should be noted that while - other major shareholders were also offered but declined the same opportunity to buy secondary TPK shares from the Company.

2. Does the SUPERVISORY BOARD oppose a sale of TPK shares?

- The Supervisory Board has always considered Balda's TPK shares as a non-core asset.
- But due to the German legal framework the Supervisory Board can only approve or reject what the Management suggests. Therefore, it was not up to the Supervisory Board to "act swiftly" (as Octavian alleges), but the duty of the Management to present proposals that would have enabled a swift approval by the Supervisory Board.
- 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 had the capacity to comply with these complex requirements in the respective situation.
- In fact, all suggestions of the Management Board at the beginning of the selling process were insufficient, either with regard to the procedure (regulatory framework in Taiwan) or with regard to the market circumstances.
- This is not "simply another excuse" as stated by Octavian; selling shares being deemed an insider in Taiwan is quite complex and requires a sophisticated strategy of the Management. While Octavian does not understand these particular complexities, any of its proposals related to the sale of TPK or other more comprehensive business decisions should be handled with extreme caution.

3. Did the SUPERVISORY BOARD postpone a sale of TPK shares to the disadvantage of Balda shareholders in 2011?

- The Company has announced its intention to sell TPK shares on 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 any change of its shareholding in TPK greater than 10,000 TPK shares, as by operation of law, the Company is deemed to be an insider.
- 50% of Balda's shares were subject to a lock-up of 12 months and the other 50% to a lock-up of 6 months after TPK's IPO (that took place on the 20th of October 2010) – a regulatory requirement according to Taiwanese law.

4. Why did the SUPERVISORY BOARD support the lock-up of Balda's TPK shares in 2011?

- 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 not an 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 already locked-up.
- The 50% under 6 months lock-up was subject to a further lock-up of 3 months due to the issuance of a USD 400m convertible of TPK in April 2011, falsely characterized as uneventful capital raising by Octavian. However, not to agree to this extension would have endangered the financing of TPK and, hence, the whole investment of Balda in TPK; as a consequence, 50% of the shares could have been subject to block trades or any other kind of placement that would have been in compliance with insider dealing rules in Taiwan starting from 13 July 2011

5. Why did the SUPERVISORY BOARD not support a sale of TPK shares after the lock-up in 2011?

- 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 filing with the Taiwanese 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.
- The proposal of the Management Board to sell approximately 6% via block trade after the 13th of July 2011 was poorly prepared and did not convince the Supervisory Board. The TPK share price was under tremendous pressure at this time because of rumors caused by the expectation of an upcoming large placement of TPK shares by Balda. The Supervisory Board had good reason to believe that the structures of the proposed deal would have endangered the value of the remaining interest of Balda in TPK. On the other hand, the SUPERVISORY BOARD was convinced there would be better market conditions in connection with the announcement of TPK's second quarter results for 2011 and its upcoming new products.
- The subsequent proposal by the Management Board on the 11th of August 2011 was also insufficient for several reasons: e.g. an unusual blind filing with the authorities (in the case at hand, a filing to the Taiwan authorities of a block trade was required) with a premium on the stock exchange price (which was under pressure at that time) made the proposal unrealistic and acted against the usual behavior of potential block trade sellers in the Taiwanese stock market
- The next attempt was undertaken on the 13th of September 2011, together with the corporate finance department of TPK. However, the Management Board decided to stop the process because of the adverse development of TPK's share price.
- The final effort to launch a joint GDR (Depository Receipt) offering (30 September 2011 and 15 November 2011) that would have complied with the respective requirements and generated a positive market reaction, was ultimately abandoned due to the decreasing stock price of TPK shares. It would not have been in the best interest of Balda to proceed with this GDR offering in a market where TPK shares had lost such extensive value.
- There was no reason for Balda to sell its shareholding in TPK at a price not reflecting the value of TPK. The Company was not forced to act on short notice in the same way a hedge fund may be, but is able to wait for optimal market conditions before selling TPK shares.

6. Does the SUPERVISORY BOARD determine the preferred conditions for a TPK sale by anything else than the business judgment rule?

- No. Following the business judgment rule, it would have not been in the best interest of the Company to accomplish this GDR offering in a market where TPK shares had lost such extensive value. 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. Again, the Company is not forced to act on short notice.

7. Will the sale of TPK shares create a substantial dividend or will the money be re-invested in the company?

- In the event of the sale of TPK shares, there will be a dividend. Any further investment strategy will have to be thought through carefully and coordinated with shareholder interests.

Business Strategy

8. Was the sale of Balda's MobileCom business conducted at a disadvantage to Balda shareholders?

- No. The sale of Balda's loss-making unit, MobileCom, was part of a bigger strategic decision to avoid further risks and losses in the volatile MobileCom business. When compared to its competitors in the mobile communications industry, Balda was too small to effectively compete. Further, the sale created sustainably higher profit margins at Balda and therefore greater value for all of Balda's shareholders.

9. Does the SUPERVISORY BOARD support further acquisitions by Balda?

- Octavian has said 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 unsupportive of exploring areas of strategic growth for the Company including the medical field. In fact, the opposite is true. The Supervisory Board explicitly agreed to due diligence activities together with Commerzbank AG. However, strategic exploration is not equivalent to conducting M&A activity that does not make economic sense. The Supervisory Board believes it is in the best interests of the Company and its shareholders to consider any M&A activity carefully, without pressure, and will act accordingly in future. Recent failures of competitors to make acquisitions, such as the Gerresheimer AG which would even be willing to pay 9 times multiple, stress the related difficulties in the conservatively driven medical field.
- In particular, the Supervisory Board prevented a critical investment failure:
 - The Management Board presented the opportunity to buy a potential target for EUR 160 to 185 million to the Supervisory Board. After due diligence, the Supervisory Board declined this opportunity for several reasons. Firstly, the seller's expectations were difficult to match based on the acquisition multiples. Secondly, the target was in the business of packaging (plastics-based) which is inherently different from Balda's Medical business and business model (there were no real synergies). Finally, the target was three times larger than Balda Medical in terms of revenues as well as number of staff and located in a different region, which would have led to dependencies on the target's Management.
 - The Supervisory Board was recently informed by market participants that the target is now still for sale at a price 30 to 40% lower than discussed with Balda in summer 2011. Balda would have encountered a severe loss at the end of 2011 if it was not for the Supervisory Board's prudent decision.

- The Supervisory Board will continue to explore acquisitions for the medical business but has not identified any viable targets to date.

Change in Management

10. Why did the SUPERVISORY BOARD exchange Management recently?

- The Supervisory Board did not release Management. Rather, Management chose to leave due to disagreements about Balda's long term strategy.

What are the qualifications of the new Management team?

- The recently announced changes to the Management Board include the addition of 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 a returnee to the Company with a proven track record as general manager of Balda Malaysia generating positive bottom-line results for many years.

Change in Supervisory Board Size

11. Why did Balda expand its Board size in 2010?

- Balda's Management had decided to enlarge the company dramatically, trying to benefit from new customers and the global boom at the time. To ensure appropriate oversight over a larger company with multiple, geographically spread sectors, it was determined a more substantial Supervisory Board would be required and should include a more international composition, incorporate profound industry knowledge within the required business areas. In addition, shareholders overwhelmingly approved the expansion of the Supervisory Board at the AGM in 2010.

12. Why did Balda reduce its Board size back to 3 members in 2011?

- The Management decision to expand Balda's core business did not turn out to produce the desired effects. While revenue did increase, profit margins and therefore shareholder value dropped significantly, especially in the case of the more volatile MobileCom sector. Balda decided to decrease its operations substantially. In consequence, a Supervisory Board with six members seemed inappropriate. Therefore a reduction to three Supervisory Board members seemed more reasonable, given the right international and industry experience remained. In addition, shareholders approved the reduction of the Supervisory Board at the AGM in 2011.

13. Why did Balda keep all new Board members who joined in 2010 and none of the former ones when reducing its Board's size?

- The former members of the Supervisory Board left in 2011 because their term ended and they did not express any interest to renew their terms. 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 and advisor with relevant finance experience of more than 20 years.

General Questions

14. What is the relationship between the Supervisory Board members Mr. Yu- Shen Kai, Mr. Chun-Chen Chen and Michael Chiang's "group"?

- Mr Kai is an advisor to TPK pursuant to an executed consultancy agreement between Eternal Union International Limited (100% owned by Mr Kai) and TPK Holding Co, Ltd.
- Mr Chen is a managing director of TVM, a company wholly owned by Mr. Michael Chiang, which is unrelated to TPK. TVM is merely doing business with TPK to a small extent and the accounts properly reflect those transactions as related party transactions,
- Therefore TVM should not be clustered with Yield Return International Limited as part of Michael Chiang's "group", as claimed by Octavian. In fact, such a group does not exist at all. Mr Chiang's shareholding in TPK is about 18.34% and not held together with any shares held, directly or indirectly, by Ms Chiang in TPK. The allegation of Octavian is therefore wrong. Octavian could have easily found out about that but preferred to fabricate this argument.
- Further, Ms Chiang is the sole owner of all shares in Yield Return Investment Limited. The shares in Yield Return Investment Limited are not held by Mr and Mrs Chiang together as believed by Octavian. This is on public record in Germany; Octavian is intentionally misleading other Balda shareholders.
- It is on public record that Yield Return Investment Limited nominated the existing supervisory board members. This is customary for a shareholder with a 29% shareholding and is in compliance with corporate governance rules.

15. Would Octavian's three candidates improve corporate governance at Balda?

- Mr René Charles Jäggi, who is Octavian's nominee to become the Chairman of the Supervisory Board, holds numerous Management and supervisory mandates in listed and non-listed 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 held 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).
- Allowing a single investor to dominate Balda's supervisory Board is a doubtful governance improvement.
- Octavian started a press campaign on January 13, 2012 where representatives of the press could meet and speak with Igor Kuzniar and Behdad Alizadeh but not the nominee for the important position as Chairman, Rene Charles Jäggi. The meeting and the absence of Mr. Jäggi show the truth as to who intends to rule Balda's supervisory Board in the future.

16. Does the Chiang family oppose a sale of TPK shares by Balda?

- Firstly, the Chiang family does not hold any assets collectively. Mr and Mrs Chiang each hold distinct positions, pursuing their individual investment interests. It was mentioned already that Michael Chiang holds 18.34% which are not held together with any shares held by Ms Chiang in TPK.
- Octavian's concern that Yield Return Investment Limited has a strategic interest for Balda to retain the TPK shares is fabricated.
- Finally, Octavian suggests that there is a concern that Balda could sell TPK shares to Mr Chiang at a deflated price. There is no evidence for this concern. The Supervisory Board has

inquired with Yield Return Investment Limited as to its view for a sale of TPK shares held by Balda and received a reply in writing that it shares the same intention as Management and the Supervisory Board of Balda as well as many Balda shareholders (including Octavian) “to have Balda sell its TPK shares at the best price possible”. Against this fact, the Supervisory Board sees no basis for Octavian upholding its speculative views. In fact, it proves that the allegations of Octavian are all fabricated. One has to assume that Octavian would also have complained in a scenario where Balda would have sold the TPK shares when the value was high but the TPK share quote would have increased afterwards. Octavian needs to be reminded that the Supervisory Board is committed to the best interest of the company and has discretion how to implement that provided it is justified by the business judgement rule. The Supervisory Board is more than certain that all of its decisions in respect of the proposals for a sale of TPK shares presented to it meet this test.