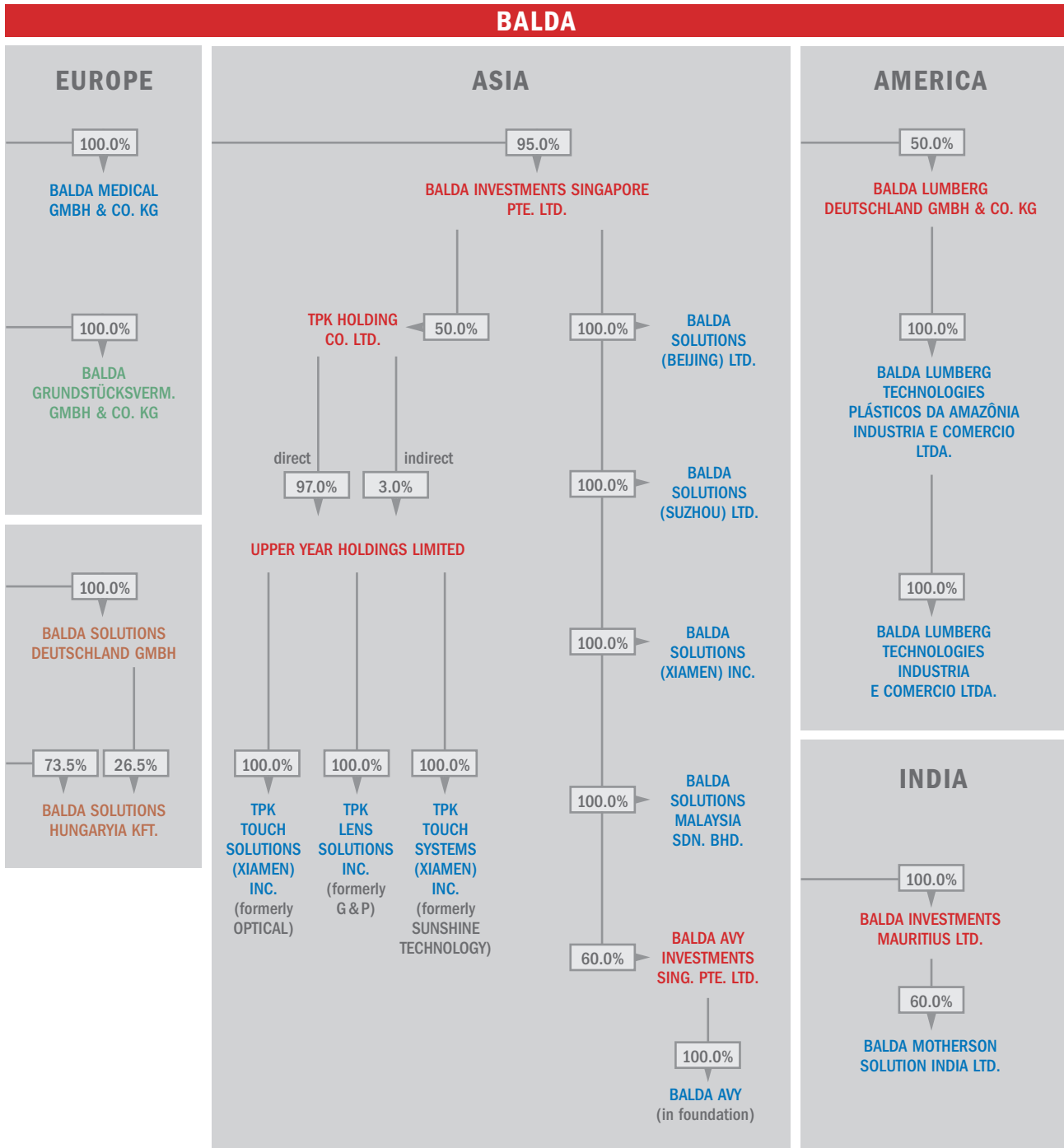


Preliminary Annual Report 2007
– audited and confirmed –

Balda | AG
Annual Report 2007

TECHNOLOGICAL
PROGRESS AND
GROWTH – WORLDWIDE

THE COMPANIES OF THE BALDA GROUP (simplified illustration as at 31.12.2007)



- HOLDING
- PRODUCTION
- DISCONTINUED OPERATIONS
- OTHERS

KEY FIGURES CONTINUED OPERATIONS

	2007	2006	Change vs. 2006 in %
IN MIO. EUR			
Revenues	257.4	157.4	63.5
Total performance	271.4	162.6	66.9
Material expenses ratio (in %) ¹	55.2	54.9	0.3
Personell expenses ratio (in %) ¹	17.3	20.4	-3.1
EBITDA	28.3	5.0	466.0
EBIT	8.5	-17.2	149.4
EBIT margin (in %) ¹	3.1	-10.6	130.7
EBT	-3.2	-22.6	85.8
Net loss of the year	-8.4	-15.4	45.5
Operating margin after interest and tax (in %)	-3.4	-8.5	5.1
Cash flow from current business activity	-11.4	19.3	-159.1
Investments ⁴	49.7	31.7	56.8
Shareholders' equity	150.9	169.9	-11.2
Equity ratio (in %) ²	35.7	38.3	-2.6
Total assets	423.0	443.4	-4.6
Employees (as at 31.12.)	7,218	6,131	17.7
Earnings per share (in euro) ³	-0.16	-0.38	57.9
Year's closing price (in euro)	9.10	7.12	27.8
Dividends (in mio. euro)		-	
Dividends per share (in euro)		-	
(1) in percent of the total performance			
(2) in percent of the total assets			
(3) as at the end of the period			
(4) in tangible assets and intangible fixed assets			

CHANGE AND TECHNOLOGICAL PROGRESS FROM TRADITION

Balda has developed a living culture of constant change from the century of tradition of its existence. Only through change can technological progress be successfully positioned at the highest level in the market as well. Since the company was founded in 1908, innovation and technology have been the decisive drivers of progress and the guarantee of the company's success. Today, Balda is an internationally structured high-tech company with innovative products and superb performance through defined unique features.

Balda develops and manufactures complete assembly groups with excellent product know-how and with a high level of production depth, using plastic, metal and electronic components, as well as touch sensors. The combination of touch sensors and plastic or metal casings creates integrated solutions. The technological diversification in the combination of the Touch, Infocom and Medical core segments allows synergy effects to be used and increases our performance through organisational advantages.

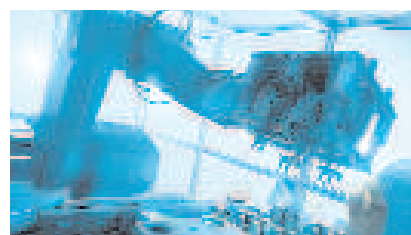
As an SDax company we attend to internationally renowned companies from the mobile communications industry, medical technology and various related markets with a focus on electronic devices. Not only the development of technological solutions, but also the products themselves have the highest high-tech claims.

Following its launch into touch technologies in 2006, Balda developed into a system supplier and technology leader in many product areas during the 2007 financial year. The integration of plastic and touchscreen technologies creates an entirely new customer benefit. Balda is the only company worldwide that, as a system supplier, unites all the processes necessary in the manufacture of touch-sensitive screens in a single plant and offers tailored solutions from a single source. We have a technological advantage in the area of development, especially in the

touch segment.

With four of our own production sites, we are well positioned in the important and rapidly expanding emerging markets of China and India across the group. Plants in Brazil and Malaysia, as well as in Germany for Balda Medical underline the international structure and global competitiveness of the Group.

Our vision was and remains clear: Balda will strengthen its status as a technological leader through its new positioning and will continue to expand in the promising growth regions of Asia. In the area of innovative technologies, the Group will diversify more strongly, develop more widely and open up new markets. As a result, we are creating the requirements for further profitable growth and a sustained increase in added-value. This is how we are continuing our equity story and following it in a targeted manner.



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**JOACHIM GUT,
CHIEF EXECUTIVE OFFICER (CEO)**

“Global presence, innovation and technological progress are the cornerstones of our strategy. We are active in growth markets and we want to take advantage of this growth to boost our profitability – by consistently driving forward the process of repositioning in the developing countries in Asia, by expanding our services portfolio in the core business areas to include innovative technologies and, in particular, to further expand our position in the Touch division.”



**DR DIRK EICHELBERGER,
CHIEF FINANCIAL OFFICER (CFO)**

“By operating on a global level, the Balda Group can enhance its strengths as a system supplier, exploit synergy effects and develop additional earning potential. We want to further secure and expand our competitive edge and our technological advantage. Balda’s new orientation has created potential for future development on the capital market.”

AN INTERVIEW WITH JOACHIM GUT AND DR DIRK EICHELBERGER

IN THE FOLLOWING INTERVIEW, THE CHAIRMAN OF BALDA AG, JOACHIM GUT, AND THE CHIEF FINANCIAL OFFICER, DR DIRK EICHELBERGER, DISCUSS THE 2007 FINANCIAL YEAR AND EXPLAIN THE STRATEGIC DIRECTION AND FUTURE PROSPECTS OF THE COMPANY IN VIEW OF THE CHANGING MARKETS.

Mr Gut, 2007 was an eventful year for Balda. What characterised the last financial year in particular?

Gut:

In 2007 we completed the crucial step in the transformation from a traditional, local plastic manufacturer to a global high-tech system supplier. Our customers and our markets have changed a great deal. High-tech products at competitive prices are now almost exclusively manufactured in Asia. We have adjusted to this and consistently expanded our activities there. We began this some years ago. In early 2006 we also entered into the high-growth Touch technology industry and thus reset the points to completely realign Balda strategically.

Why is the Touch division, alongside the other core divisions, so important for Balda?

Gut:

There is great potential for the future in Touch technology. Screens that react to human touch are increasingly being used in all areas of daily life, at work and at home. We are focussing on touch technology as this will also be a decisive growth driver for Balda in the future. The focus of our activities remains, however, on the traditional core business Infocom, the business with high-tech products that include both telecommunication and information technology components, which complement each other. Thus information and communication technology merge together synergetically. In addition, the medical technology

business of our Balda Medical is still a successful division which is increasingly uncovering synergy potential with the other divisions.

What role do the market and sector environment play in this development?

Gut:

Over the last few years, our customers have increasingly quickly outsourced their production to Asia: to growth regions where new markets with billions of potential end customers have opened up or are emerging. Large parts of the world are currently supplied with high-tech end products from here. Market trends and developments are leading the way: Suppliers have to produce in their customers' regions, in all core divisions. We detected this development early and built up our own production in China for the Infocom division. Anticipating market development early – that is the challenge.

Have you already reached the goal of your strategic planning?

Gut:

We have not completed the repositioning by a long way, it is changing constantly. But we have taken important steps in the 2007 financial year and clarified the new orientation. Our core business fields today are: Touch and Infocom, and now Medical. By entering into Touch technology, Balda has quickly become a system supplier – with competitive products that contribute to the fight against the general pricing pressure in the sector. In the Touch technology division, where we have become specialised, we still have an advantage over the competition – especially in terms of development – and that is crucial. The combination of our strengths creates decisive competitive advantages for us. However, transition years are always a difficult time that needs to be overcome. Especially in such a complex competitive environment. That is the challenge for us.

Can you name the benefits that result from this orientation? What raises Balda above the competitive environment?

Gut:

We are ideally positioned as a global organisation – with innovative Touch solutions, the traditional core competences in the Infocom division and with medical technology. Balda is the only company in the world which as a system supplier combines all the processes required for the manufacture of Touch screens in a single plant. Our divisions work hand-in-hand and support each other – this creates synergies. There is enormous potential in the combination of plastic and Touch technology. In the metal processing industry as well – especially in the manufacture of metal parts for mobile communication products – we have far-reaching expertise which we can use across divisions. Nobody else currently offers a comparable range of services. We have been able to maintain our technological advantage over our competitors and are innovation leaders in some areas. This includes, for example, small format displays.

Such transformation always brings changes and risks with it, can you briefly explain these?

Gut:

When a company expands into growing innovative areas, there is always a particular risk that the development is supported to a large extent by single large orders. By gaining new, additional customers, as a result of the orientation towards considerably more core competences and our international expansion, we are positioning ourselves increasingly broadly and thus are becoming less dependent on individual projects. The Touch division not only manufactures for a large client, but we also want to position ourselves more broadly here. In the last financial year, we were listed by numerous companies as development partners. Sustained opportunities exist here and in further product diversification which clearly exceed the risks.

Has the corporate structure changed as a result?

Gut:

In the last year we have invested in regions and technologies which in future will be important growth drivers in the market. We have taken our focused business fields into account in the structure and in this context we have redefined and optimised important processes within the business procedures – within the entire Balda group.

What is the situation at the sites, particularly in view of the increasing focus on Asia?

Gut:

We are in a position to adjust the capacities correspondingly over the course of 2008, as part of the imminent new projects in the Touch division. Ground has already been broken for an additional building in Asia. The traditional core business Infocom is expanding and has grown considerably in Asia. From mid-2007, casings have been manufactured that combine our plastic technology with metal components from the joint venture Balda AVY, which was founded last year. We want to expand this production capacity further. Our production facilities in Malaysia, where, among other things, accessories for MP3 players, mobile phone cases and Bluetooth headsets are manufactured and designed, were expanded in late 2007 in order to be able to cope with the increased order volume there.

... and Balda Medical?

Gut:

Balda Medical in Bad Oeynhausen developed considerably better than planned in the last financial year. Over the last few years we have rapidly created an excellent starting position here in a new market. Moreover, at Medical we have also moved forward in the association with our Asian activities: Balda Medical and Balda Solutions Malaysia have won the first global order together. This will be repeated.

The sale of the European Infocom business was and is part of your strategic plans. What are the reasons behind this decision?

Gut:

The markets in the technological environment are constantly changing, the European markets have also developed further. The European Infocom business has its future in business fields which are no longer part of our core business. That is why we sold it at the end of 2007. In the first quarter of 2008 there was also an unexpected dispute with the purchaser regarding the amount of losses contributed by the German companies in 2007. We took the production sites back in order to prevent unjustified cash withdrawals and to have control over the events again.

That was the best solution. However, this does not change the strategic decision to sell these activities. We are still looking for an investor who will use and develop the existing capacities sensibly. The decision to sell was not an easy one for us, but we are convinced that it was right in the interests of these divisions. The focus on our core divisions requires consistent concentration and the further development of our business. Only in this way can we secure the continued existence of the company and increase the company value for the shareholders.

You mentioned the shareholders. Mr Dr. Eichelberger, how do you judge the performance of the Balda shares in 2007? Were there serious influential factors on the stock exchange?

Eichelberger:

The price rise in the first half of the year clearly reflected the successes and expectations in the Touch division. Apart from the development of our business, of course, the external factors and marginal conditions on the capital market had an effect on the share price. The Balda shares were not able to avoid the sharp market fluctuations and the turbulence on the stock market after the US mortgage crisis in the second half of the year. In addition, order-related delays in production and the associated one-off effects contributed to the share price remained volatile in the third quarter. Our shares only recovered again by early November, even if they did not reach the high of early July. Overall, they increased by a good 26 percent in 2007. The interest among investors in Balda remained great. We see this as a sign of future potential and as confirmation that the path we are taking is the right one. However, even Balda is not able to escape the situation on the capital market and the influence on the price. In the mobile communications field in particular, the prices again fell substantially in the last quarter of 2007 and more sharply again in the first quarter of 2008. This is also reflected in the assessment of the Balda shares by market analysts.

As a result of the taut financial situation at Balda and a few noises off stage, there was a considerable reduction in the share price in early 2008. This occurred

irrespective of the developments in the international capital market and our operating business. We are certain that the market will correct itself again over the course of the year.

In mid-2007 there were production delays in China and the share price fell. Can you say something about this?

Eichelberger:

The share price highlights the dependence on supplier and customer. Directly before series production for a large order for Touch screens, we made some specification changes upon request from the customer, which affected the entire production process. Expected shares of revenue and results have been postponed as a result – with the known consequences for the share price. What is important are the prospects, and Balda has considerable potential for the future.

Let's stay in the capital market. How would you describe Balda's current investor relations?

Do the shareholders trust your new strategy?

Eichelberger:

As we are part of the mobile communication field as a system supplier, we are not able to escape from sector and market factors such as those described above. Market-related declines not only impact on the share price, but also on the confidence among shareholders. It is more important for us, therefore, to continually report about the development of the business and the strategy of the company within the framework of regular communication with capital market players.

Balda has a solid shareholder structure. The successful progress of the capital increase in late 2007, which the main shareholders fully supported, has confirmed this. Nevertheless, there may still be shifts in the group of shareholders, which is nothing unusual.

It was also made clear at the 2007 AGM that the shareholders supported the path being taken. There were critical voices – as in most cases – but ultimately consent was overwhelming. The important thing in 2008 is to implement the strategy being pursued consistently and to also to follow up in terms of the organisation.

Mr Eichelberger, you have only been a director of Balda AG since November 2007. What are your personal intentions?

Eichelberger:

I am certain that I can contribute my international experience. I spent a considerable part of my previous position in the growth regions of Asia, in particular, so there are many links. We want to promote the further expansion of the Balda group, drive forward the global orientation and pursue the growth strategy; these are not only my goals and those of the Board of Directors, these are the goals of the entire company. Every CFO looks at the expenditure, at structural costs in particular, and at improving profitability overall.

The improvement to the previous risk management is also a priority of my work.

How do you intend to strengthen the position of Balda in the capital market?

Eichelberger:

We want to reinforce contacts with all stakeholders, enhance the transparency of our communication and regularly report about relevant developments and themes. In this way we create confidence on the capital market and thus strengthen our position.

Mr Gut, the shareholders expect a forward-looking order and customer situation, especially in such a sensitive market environment. Can you guarantee this for the current financial year?

Gut:

The Touch division contains enormous growth potential, especially in combination with our traditional core business Infocom. A large proportion of the market volume relates to screens of 2 to 8 inches, as can be seen in the centre of our production. Analysts expect the market for Touch screens in mobile telephones to grow over the next few years from 110 million units in 2007 to more than 500 million units a year.

New large orders from renowned mobile telephone manufacturers, but also other looming new orders, confirm the trend of increasing market growth, especially in the Touch division. We want to continue and further expand existing collaborations and joint ventures in order to be able to use the associated organisational advantages even better.

Let's move from an external to an internal perspective. What role do your employees play for you?

Eichelberger:

Our employees' expertise is a very important factor. Without their performance, we would certainly not be as successful. Further training and the targeted promotion of employees have to be improved consistently. The global networking also impacts on communication within the group. We want to intensify internal communication further; it is important that we constantly ensure it is in line with our external communication. The staff should not learn what is happening in Balda from the newspapers.

What are your staff levels today and in the future?

Gut:

As part of the implementation of our new business model, around 89 percent of our staff now work in Asia. At the end of 2007, the group as a whole had a total of 7,218 employees permanently working for Balda. This size of company still represents a particular challenge for staff development and promotion for us.

Will Balda continue to be based in Germany in the future? After all, this is a traditional company.

Gut:

Balda AG has its headquarters in Germany. For high-tech companies in particular it is not unusual for them to have focuses outside their home country. Market development and trends now demand a global orientation. As a supplier, we must be flexible and produce where our customers are. We have already been experiencing a trend towards production outsourcing to the growth regions of Asia for some years in many growth sectors – not only in the information and telecommunications industry. A development which is moving forward at a rapid pace. Nobody produces high-tech products for a mass market in Germany any more; internationalisation in technological development is unavoidable. Balda's centenary in 2008 is an expression of a tradition of change and the best evidence of decades of successful corporate development.

Can you briefly say something about the progress of the financial year. Are you happy with the results for 2007?

Eichelberger:

2007 again was a turbulent year for Balda with important changes. Because of the intensified production outsourcing by mobile telephone providers to Asia and the resulting development of the market, we have repositioned ourselves globally with altered core divisions. These structural changes and the necessary development of new markets not only result in a necessary process of market penetration, but also sales developments in new locations. Of course, the losses from the operating Infocom business in Europe, and from its sale, are a burden. However, in view of the incisive repositioning we are satisfied with the results for 2007 and see the opportunity of exclusively having profitable divisions in 2008 as a great incentive.

In view of the buyback of the European Infocom subsidiaries, Balda is experiencing a taut liquidity and financial situation. What will your financial situation look like going forward?

Eichelberger:

After the end of the 2007 financial year, the liquidity situation and financial situation in Germany indeed tightened. We knew we would have to refinance, but a few unexpected factors also arose. We immediately held intensive discussions with various lenders and have since fulfilled all the agreed conditions in order to continue the loans to the previous extent.

Our further aim is to restructure the entire debt capital side and to secure the required funds and long-term debt capital as regionally as possible.

We have already moved a long way towards this goal in Asia.

You have developed immensely over 100 years. What differentiates Balda 2008 from the company founded in 1908? What are the three most important strategic projects for the next five years?

Gut:

We have transformed ourselves from a local plastics manufacturer into a global high-tech provider of high quality technological products. With regard to the products, we no longer have anything in common with the camera manufacturer of 1908. But today, as before, innovation and technology are the decisive drivers for our corporate development. Firstly, we also want to fulfil the constantly growing technological demands of our customers for innovative product solutions for all areas of everyday life and to further expand our technological advantage.

Secondly, we want to meet the requirements of our customers and markets and accelerate the further expansion, above all in the growth regions of Asia. And thirdly we want to build up new market relationships and expand existing ones. In the next five years, we want to consistently implement these three strategic projects. This is why it is not without pride that I say: Change has become our tradition, for only if you change can you survive in the market over the long term.

A GOOD YEAR FOR THE STOCK MARKETS WORLDWIDE DESPITE TURBULENCE IN 2007

In 2007, the global stock markets were characterised by considerable price volatility. In February, a crisis on the Chinese stock market put pressure on prices for a short time. The trigger for the turbulence in the second half of the year was mainly the distortions in the American mortgage and credit market, which grew into a more sustained financial crisis. However, the bottom line of the leading indices increased considerably by the end of the year. The MSCI World Index ended the 2007 financial year up 7.0 percent compared to the start of the year. The Dow Jones improved over the same period by 7.2 percent, the EuroStoxx 50 by 5.3 percent.

The German stock exchange profited from the increased trading activities as a result of the crisis in the financial market, and sales via Xetra and on the trading floor amounted to a good 2.6 billion euros – a record level.

DAX INDISPUTABLY AT THE TOP OF THE INDICES

The leading German index performed disproportionately well when compared internationally. The profits of large industrial stocks more than compensated for the price falls suffered by the banks. Consistently good underlying data led to the DAX again achieving an increase of more than 20 percent in 2007, following its success in 2006 (up 21 percent). On the last trading day of the year, it closed at 8,067 points and therefore registered an increase of almost 21 percent since 2 January 2007 (6,681 points). The TecDax, driven by solar stocks, finished the year at a level of 974 points, adding 28 percent over the year (759 points on 2 January 2007).

The German second-tier stocks in MDax and SDax ended their many years of boom. With a slight increase of 3.5 percent at the end of the year, the MDax remained considerably behind the DAX and drew nearer to the international trend.

After an upwards trend which started in 2003, the SDax reached an all-time high of 6,684 points on 13 July 2007. Because of the high weighting of property shares, it was particularly affected by the price falls resulting from the US mortgage crisis and was not able to recover by the end of the year. The SDax closed the last trading day in 2007 down 8.4 percent on the start of the year.

BALDA SHARES: UP 26 PERCENT TO THE END OF THE YEAR

Balda shares had a varied performance in the 2007 financial year. In direct comparison to the SDax, Balda shares performed considerably better.

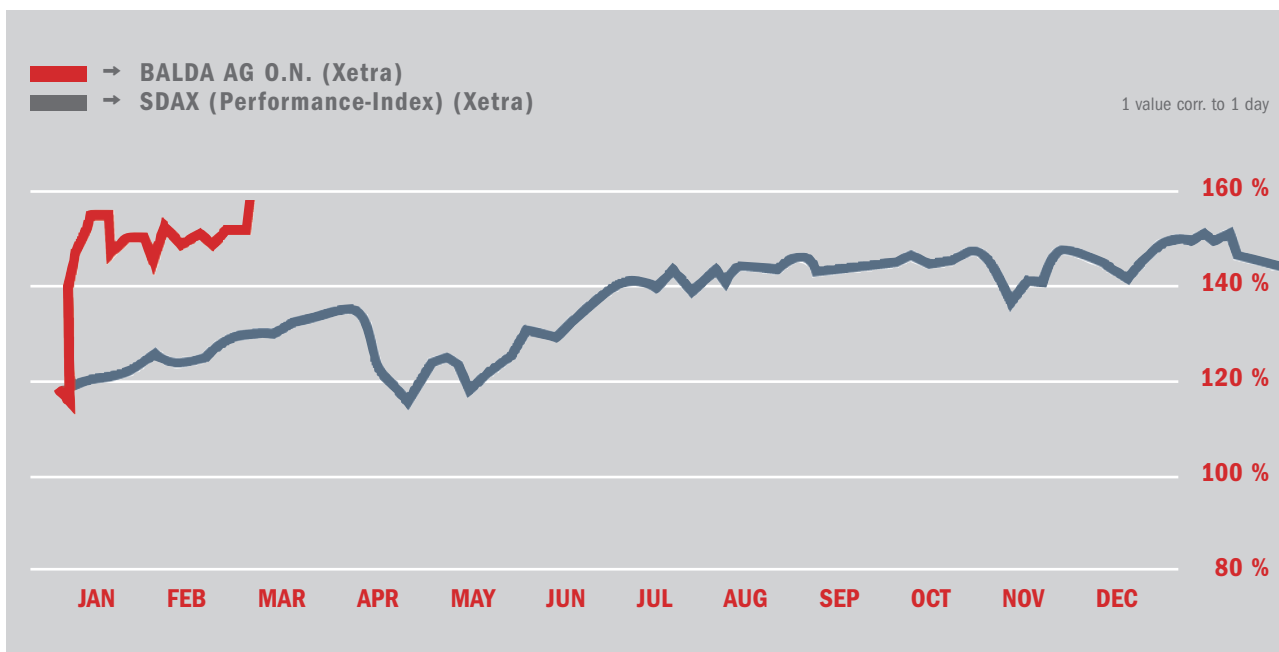
In the first half of 2007, Balda shares climbed in a positive capital market environment on the back of strategically important market successes, especially in the Touch division. In particular, the continued expansion into the growth regions of Asia and the increasing focus on the Touch division had a positive impact. After a closing price (Xetra) of 7.21 euros on the first trading day of the year, the Balda shares climbed by 64 percent to a closing price of 11.85 euros on 3 July 2007. It reached its high for the year of 12.12 euros on the same trading day.

Because of production delays for a large order, the performance of the shares was held back in the second quarter. A specification change immediately before series production for a volume order in the Touch division led to adjustments in the process chain and this in turn led to considerable production delays. As a result, the target revenues and results in the Touch division for 2007 were moved back.

At the same time, the weaker market development was making itself felt and the world's stock markets were coming increasingly under pressure. The Balda shares were not able to escape this development and fell.

In accordance with the market conditions, the Balda shares recorded large losses during the third quarter. The year's low was 6.27 euros on 16 August 2007.

Until October, the Balda share price was inconsistent and sometimes volatile. The separation of the European Infocom business announced at this time was received positively by the market. From early November, the share price started to recover and showed considerable increase in value. Our shareholders' confidence was reflected in the results of the capital increase as well. With the focused repositioning, the sell off of the European Infocom business and the targeted orientation on the core segments of Touch, Infocom and Medical, Balda shares ended the financial year on 28 December with a closing price of 9.10 euros. This corresponds to the shares rising by more than 26 percent since the start of 2007.



CONSIDERABLY INCREASED TRADING ACTIVITY BY BALDA SHAREHOLDERS

The average trading volume of the Balda shares in 2007, according to Xetra, on 252 trading days was 494,213 shares per day. Overall, 124,541,725 Balda shares were traded. According to the average daily closing price on Xetra in 2007, this corresponds to a value of 1,145.8 million euros.

CAPITAL INCREASE 2007: UNRESERVED CONSENT FROM THE MAIN SHAREHOLDERS

Balda earned a total of around 68 million euros from the capital increase, which was completed on 29 November 2007. 6,769,584 shares were issued at 10 euros per share. After the capital increase, the Balda AG share capital increased from 47,387,088 euros to 54,156,672 euros. The capital increase was registered in the commercial register on 20 December. The basis for continuing the successfully started expansion course was strengthened with this capital measure. All the main shareholders have supported the

strategic realignment of the company, which was planned and implemented by the management. In addition to the newly issued shares on the stock market through the capital increase, the measure included a further 4,691,321 shares from the capital increase decided in November 2006 and up to 19,677,249 shares which could arise from the the conditional capital agreed at the General Meetings in June 2006 and August 2007.

The market capitalisation as at 31.12.2007 totalled 492.8 million euros. Compared to the reporting date in the previous year, this is an increase of around 72 percent.

At the end of the 2007 financial year, the net loss of 73.3 million euros gave rise to earnings per share of minus 1.353 euros, on the basis of 54.2 million shares (previous year minus 1.043 euros with 40.03 million shares). The Balda shareholder structure has changed slightly since the start of 2008. For example, the stakes held by

SHAREHOLDER STRUCTURE (SHARES OF VOTING RIGHTS AS OF 31.12.2007)

Shareholders		announced shares (pieces) at KI	change of voting rights effective at
Wyser-Pratte		2.371.081	14.02.07
Sapinda		4.000.000	18.07.07
Audley Capital		4.781.379	09.10.07
Fidelity FMR		2.029.590	07.12.07
Dr. Kofler		3.000.000	17.12.07
Familie Chiang		8.267.927	20.12.07
Nord/LB		2.480.000	21.12.07
BayernLB		2.327.112	31.12.07
Free float*		rd. 24.894.844	
Balda AG – bodies		58.000	

in mio. 0 3 6 9 12 15 18 21 24 27

* incl. institutional investors under 3%

Wysler-Pratte and Fidelity FMR, along with the stake held by BayernLB, have fallen below the reportable three percent threshold. Nord/LB's stake increased to roughly 8.4 million registered shares; the stakes held by the executive bodies of Balda AG fell to eight thousand shares. As a result of this, the free float has changed since the start of the year to around 25.7 million shares. Further information about the current shareholder structure can be found on the Balda AG website.

FIGURES ON THE SHARES

IN TEUR	2007	2006
Capital stock (31.12. in millions)	54.16	40.28
Year's high*	12.12	11.95
Year's low*	6.27	4.53
Year's closing price*	9.10	7.12
Trading volume (in million shares)	124.54	79.08
Dividend	0	0
Market capitalisation (31.12. in millions)	492.83	286.79
Earnings per share	-1.338	-1.043
P/E ratio	-6.8	-6.8
* Xetra closing prices		

WAIVE OF DIVIDEND IN 2007

The Board of Directors and the Supervisory Board propose to the General Meeting of 29 July 2008 that the payout of a dividend be waived.

INVESTOR RELATIONS

TARGETED COMMUNICATION ON THE CAPITAL MARKET

The Balda Group continually provided detailed information to financial analysts, fund managers and economics journalists at press and analyst conferences upon publication of the 2006 financial statements, as well as when publishing the quarterly and interim figures for 2007. After each conference, the Board of Directors was available for questions and answers. During the financial year, investors were comprehensively informed in the course of regular roadshows about the current situation and the future prospects of the company. The Investor Relations department

was constantly available for questions from shareholders. The Investor Relations website provides current structured information about all capital-market relevant themes and background information. At the TPK Technology Day on 12 September 2007 in Xiamen, China, Joachim Gut, CEO Balda AG and Michael Chiang, CEO TPK, reported extensively about the cooperation of the two sites and about the future potential of Touch technology. The interest from international investors in Balda is clearly demonstrated by the numerous individual and group meetings the Board of Directors held in the international financial centres of London, Zürich, Geneva, Milan, Paris, Vienna, New York, Boston and Frankfurt.

2006 ANNUAL REPORT RANKING

The Balda annual report was again ranked highly in the competitions organised by the leading German economics press. manager-magazin ranked Balda as number 10 among the best reports from SDax companies, based on its challenging and broadly structured criteria catalogue. In the Handelsblatt rankings, which focus on the quality of the information and the transparency of business reports, Balda came even better in 6th place in the SDax category. Network GmbH examined the production costs index of all annual reports. In this comparison, Balda achieved first place in SDax and third place in all index values.

CORPORATE GOVERNANCE REPORT

Corporate Governance and the recommendations of the German Corporate Governance Code ("Code") are highly valued by Balda AG. Open, responsible and consistently value-oriented corporate management and control has long been an integral part of our corporate culture. The Board of Directors and the Supervisory Board also carefully checked Balda AG's compliance with the Corporate Governance recommendations 2007.

On 30 October 2007, the Board of Directors and the Supervisory Board renewed the Compliance Statement according to Section 161 of the German Public Companies Act (AktG) and published it on the Balda website together with previous compliance statements.

Balda follows the recommendations of the German Corporate Governance Code in its current version of 14 June 2007 with the following exceptions:

- For the members of the Board of Directors and the Supervisory Board, there is a directors and officers liability insurance policy without deductible (Section 3.8 of the Code). This is a group insurance policy for a large number of employees at home and abroad. A higher deductible is, however, not common practice abroad. Therefore, it does not seem appropriate to differentiate between officers and employees.
- The General Meeting of 1 June 2006 decided to waive individual information about directors' remuneration (Section 4.2.4 of the Code) according to the exception provided in Section 286 subsection 5 of the German Commercial Code (HGB).
- An age limit has not been set, either for members of the Board of Directors (Section 5.1.2 of the Code) or for members of the Supervisory Board (Section 5.4.1 of the Code). The Board of Directors and the Supervisory Board consider such a general limit to be inappropriate and discriminatory.

- The Supervisory Board has not yet formed a Nomination Committee which exclusively comprises representatives from the shareholders (Section 5.3.3 of the Code). Shareholders are exclusively represented in the Supervisory Board.
- In order to create equal conditions for members of the Supervisory Board and Board of Directors, Balda has also decided to continue to not disclose individual details about Supervisory Board members' remuneration (Section 5.4.7 of the Code).

SUPERVISORY BOARD, COMMITTEES AND REMUNERATION OF THE SUPERVISORY BOARD

Balda as a German stock corporation ("AG") is subject to the German Stock Corporation Law and therefore has a two-part management and control structure comprising a Board of Directors and, in accordance with the articles of association, six Supervisory Board members.

Mark Twaalfhoven left the Supervisory Board with effect from 30 November 2007. The General Meeting of 29 July 2008 will elect a successor for the Board.

In its meeting of 30 October 2007, the Supervisory Board dissolved the Personnel Committee for organisational reasons and transferred the existing tasks directly to the Supervisory Board. The existing Audit Committee continues to act as the auditor for accounting and budget planning matters.

The members of the Supervisory Board received the following remuneration for the 2007 financial year:

- Fixed remuneration of TEUR 205
- Variable remuneration of TEUR 148

The fixed remuneration for the members of the Supervisory Board includes remuneration for their activities in the committees. The variable remuneration is based on the development of the Balda share price in 2007 compared to the SDax. In 2007, the Balda share price considerably exceeded the SDax performance, outstripping it by an average of more than 30 percentage points. As a result, the variable remuneration for the Supervisory Board in 2007 totalled teuro 148. Furthermore the members of the Supervisory Board were not given any consulting or mediation contracts and therefore no special remuneration was paid (Section 5.4.7 of the Code).

There were no conflicts of interest during the reporting period.

At its meeting of 23 March 2007, the Supervisory Board audited the efficiency of its work according to the provisions of the Code (Section 5.6 of the Code).

Supervisory Board member Mark Twaalfhoven purchased 40,000 Balda AG shares on 27 August 2007 at an unit price of 7.97 euros and sold these at the end of his tenure on 30 November 2007 at an unit price of 9.01 euros.

BOARD OF DIRECTORS AND REMUNERATION REPORT

The composition of the Balda AG Board of Directors changed over the course of 2007. Managing Director of Technology Ralf Ackermann departed on 4 May 2007, his departmental tasks were transferred to the regional divisions within the framework of the restructuring. On 31 October 2007, CFO Volker Brinkmann resigned. Since then, the members of the Board of Directors have included Mr Joachim Gut (COE) and Dr. Dirk Eichelberger (CFO), who succeeded Volker Brinkmann with effect from 1 November 2007.

The remuneration of the Members of the Board of Directors in 2007 comprised the following (remuneration report – Section 4.2.5 of the Code): The remuneration of the members of the Board of Directors included monetary remuneration comprising fixed and variable components (Section

4.2.3 of the Code) and ancillary benefits. The ancillary benefits of the members of the Board of Directors include the use of company cars and direct insurance, as well as a group accident insurance. No contractually promised pension commitments were agreed. The members of the Board of Directors did not receive any payments from third parties which were promised to them in respect of their work as Board of Directors members or which were granted to them in the 2007 financial year (Section 4.2.3 of the Code). The fixed remuneration for the Board of Directors members in the 2007 financial year also included settlement payments. The variable remuneration for the Board of Directors generally includes components which are linked to the commercial and economic success of the company (performance-related remuneration) as well as components with long-term incentives. The component linked to commercial success is calculated using the pre-tax results (EBT) 2007 for the Balda Group.

The variable remuneration components with long-term incentive elements involve stock options that have been granted to the members of the Board of Directors by the Supervisory Board on the basis of the stock option programme agreed by the General Meeting of 1 June 2006. According to the resolutions of the General Meeting, the programme includes a total of up to 4.016 million options. Of these, 50 percent can be issued to the Board of Directors, 30 percent to the management of the group companies and 20 percent to the employees of the Balda Group. They can be granted until 30 June 2009. The term of the options is five years from the respective issue date with a retention period of two years. Before the options are exercised, the Xetra closing price for Balda shares must reach a minimum of 120 percent of the issue price at least once during the qualifying period. Other obstacles to exercising the options can be stipulated individually with each issue. The issue price for the options corresponds to the average Xetra closing price of the Balda shares on the last ten trading days before the options are issued. In the 2006 financial year, the directors were granted 500,000 options with a weighted exercise price of 6.38 euro. The value of the options as at the reporting

date was 594 teuro. In the 2007 financial year, 500,000 options were granted in two tranches at a weighted exercise price of 9.85 euro. The value of the options as at the reporting date was 1,158 teuro.

In the case of extraordinary, unforeseen developments, the Supervisory Board and the Board of Directors can set a limit on gains when exercising the options (Section 4.2.3 of the Code). There are exclusion periods both for distributing the options and for their exercise.

The members of the Board of Directors received the following remuneration for the 2007 financial year:

- Fixed remuneration of TEUR 2,019
- There was no performance-related remuneration.
- Remuneration with long-term incentive elements of TEUR 567.

Volker Brinkmann, CFO of Balda AG until 31 October of the reporting year, purchased 1,590 shares in Balda AG on 2 May 2007 at a unit price of 10.14 euros.

RENDERING OF ACCOUNTS AND AUDIT OF FINANCIAL STATEMENTS

Based on the principles of transparency and comparability of the business development (Section 7.1 of the Code), in the 2007 financial year Balda prepared the consolidated financial statements and interim reports according to the International Financial Reporting Standards (IFRS) and the annual report of the AG according to the applicable provisions of the German Commercial Code (HGB).

The audit of the Group's annual financial statements and those of the AG was assigned to the independent PricewaterhouseCoopers Wirtschaftsprüfungsgesellschaft AG in accordance with the decision of the General Meeting of 9 August 2007 (Section 7.2.1 of the Code).

The ongoing consultation between Supervisory Board or Audit Committee and auditors during the preparation of the annual financial statements took place corresponding to the Code's recommendations (Sections 7.2.1 and 7.2.3 of the Code).

Bad Oeynhausen, 18 April 2008

Balda AG

The Supervisory Board The Board of Directors





TRANSFORMATION INTO A GLOBAL HIGH-TECH COMPANY



Technological progress and innovation have a tradition at Balda.



Balda is successful in Asia's growth markets. These are the markets of the future.



With innovative products, Balda satisfies the highest demands for technology and design.



Strong core business fields are driving Balda's development as a global high-tech group forward.



TRANSFORMATION INTO A GLOBAL HIGH-TECH COMPANY

With the explosive economic development of the growth regions of Asia and the constantly growing technological demand for innovative product solutions worldwide, Balda's customers and markets have changed dramatically over the last few years. One reason for this is the stronger positioning of the company in Asia and the targeted technological diversification in markets with great future potential.

The decisive change of direction was taken by Balda in 2007, with the focus on the core business fields of Infocom, Touch and Medical and the resulting new positioning of the company. Touch technology will be a critical growth driver for Balda going forward. The traditional core business of Infocom and Balda Medical remain fundamental cornerstones. Balda is driving forward its development into a global high-tech Group. The performance benefits gained from operating on a global level and the synergy effects generated between the core segments provide excellent conditions for Balda's competitive edge and technological advantage to flourish.

SUCCESS IN ASIA'S GROWTH REGIONS

International mobile telephone manufacturers are increasingly having their core products – in particular high-tech devices for the mass market – manufactured completely by Original Design Manufacturers (ODM) in Asian countries. Balda has therefore adapted itself to this shift towards ODMs and is increasingly orienting the company's strategy towards this. In keeping with a broad positioning in the market and an increasing variety of products, Balda no longer acts as a first tier supplier to some international mobile telephone manufacturers but as a second tier supplier, supplying the ODM directly. As a result, the value-added chain of the entire Balda Group is increasingly being adjusted to the marginal conditions in the market.

Transformation into a global high-tech company





There is hardly another branch which is so fast-lived as the mobile communications branch.



Balda is meeting the challenges of the market with flexibility and innovative ideas.



Balda's highly developed screens and individualised design are fashionable.



Specific customer requirements are the triggers for technological diversification and a large product variety.



INFOCOM – THE TRADITIONAL CORE BUSINESS



INFOCOM – THE TRADITIONAL CORE BUSINESS

Originally, the Infocom division included the entire of information and communication technologies division. This includes both the direct production of accessories, such as mobile phone cases and the accompanying tool manufacturing, and all the services which go with production: customer care when creating complex automated production plant and the assembly of devices and provision of the parts needed, but also the final processing, for example through galvanisation, printing or lasering.

As a system supplier, Balda has fully advised and supplied the leading international mobile telephone manufacturers and was involved in the development of a product from the very start: from coming up with the idea and developing a production-suitable layout, to production and processing and timely delivery.

Today the focus is increasingly on the development and manufacture of components from high quality materials, sophisticated finishes and individualised design. Balda largely no longer supplies international mobile telephone manufacturers directly, instead it supplies their Original Design Manufacturers (ODM) in Asia.

The customer-specific and tailored processing of orders at Balda has increasingly moved away from a project-based approach to a greater diversity of technologies and production chains. The product range has become more varied; Balda is now able to meet individual customer requirements, even for the smallest quantities.

GROWING MOBILE TELEPHONE MARKET

Market trends and developments lead the way, particularly in the fast-moving mobile telephone market. As a supplier, Balda currently manufactures where its customers manufacture: in the growth markets of Asia where there are a large number of new customers and markets. Market researchers predict uninterrupted growth for this region in particular.

MOBILE COMMUNICATION AND MORE

Apart from the classic mobile telephone accessories such as cases or battery cases, in the core business division of Infocom, Balda is increasingly manufacturing high-quality plastic components for mobile telephone peripherals and related devices, including cases for Bluetooth headphones, parts for loudspeakers which can be connected to mobile telephones, as well as components for mobile phone base stations in vehicles.

The Infocom division has developed into another business area, with the manufacture of metal casings for MP3 players and digital cameras. Trend developments play a critical and indicative role in the mobile telephone sector and in the convergent sectors. The flexibility with which Balda can adjust to new technological developments is one of the company's main strengths.

INNOVATIVE TECHNOLOGIES – A MUST FOR BALDA

In communications technology – in particular in the mobile telephone sector – innovation and product life cycles are more short-lived than in practically any other industry. New technologies that enhance product quality and set them apart are therefore always in demand. For example, Balda offers a large number of new possibilities in the area of surface finishing:

PHYSICAL VAPOUR DEPOSITION (PVD) is a method for finishing plastic and metal components with metallic surfaces and gives the illusion of genuine metal parts. This includes, for example, decorative aluminium layers or coatings which even meet the high demands of outdoor use. In-mould decoration with natural materials such as leather, stone or textiles means that surface applications that were previously impossible can now be achieved. Processing metal components in injection casting through **METAL INJECTION MOULDING (MIM)** is an excellent and cost-effective alternative to traditional precision casting; the result cannot be distinguished from the conventionally produced part. For technically challenging and complex parts, the **CERAMIC INJECTION MOULDING (CIM)** process is suitable because of its very good tolerance levels. It is also suitable for larger quantities. Because of the easily reproducible process, very precise and filigree components can be manufactured. Highly decorated surfaces using film technology are manufactured using the In Mould Decoration (IMD) and In Mould Labelling (IML) method in a production environment designed for this. Function integration and the manufacture of highly scratch-resistant, transparent components are considerable demands which Balda fulfils completely.

THE NEXT GENERATION OF PLASTIC PROCESSING

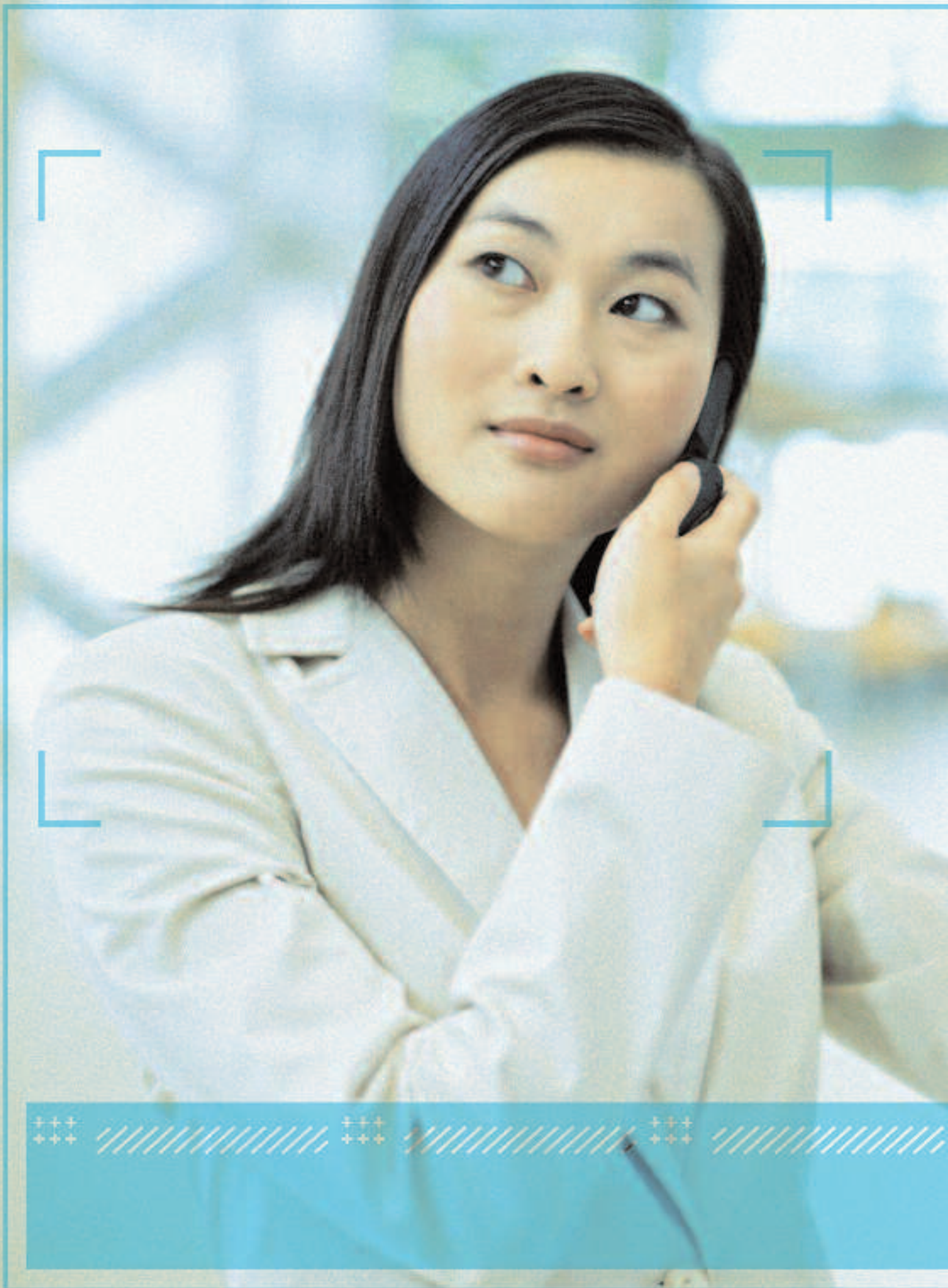
In the area of plastic surface finishing, the trend is increasingly moving towards the individualised processing of surfaces. With the launch of its own production technology in the field of digital printing in 2007, Balda has succeeded in printing photo-realistic pictures on plastic surfaces which are scratch-resistant and robust. The fully automated production of injection moulding, from surface finishing to assembly, takes place “inline”, i.e. within a closed production chain. This allows individual surface finishing for each individual part of a series.

INNOVATIVE TECHNOLOGIES AT A GLANCE

*Physical Vapour Deposition
(PVD)*

*Metal Injection Moulding
(MIM)*

*Ceramic Injection Moulding
(CIM)*



TOUCH – THE TECHNOLOGICAL VISION OF THE FUTURE



Intelligent solutions for intuitive use of technical devices are becoming popular in many areas of life.



There are no limits on the development of innovative applications for touch technologies.



In the traditional Infocom business, touch technologies are opening up additional growth potential.



Touch technologies in combination with innovative plastics technologies are opening up unimagined possibilities.



TOUCH – THE TECHNOLOGICAL VISION OF THE FUTURE

As a provider of high-quality high-tech products, Balda constantly has to develop new and cost-effective technologies, in order to continue to fulfil the growing technological demands of customers for innovative product solutions going forward. With the entry into touch screen production in Xiamen, China, in 2006, Balda consistently implemented the strategy of technological diversification. The large order from a leading mobile telephone manufacturer was quickly followed by other large-scale orders and new customer relationships. In the space of just a few months, the Touch division had become established as a permanent and successful element of the Balda portfolio.

TOUCH TECHNOLOGY HAS AN INCREASING IMPACT IN ALL AREAS OF LIFE

Intuitive and easy-to-use touch screens are now widely used in everyday life: in mobile phone, navigation devices, MP3/PMP, tablet/notebook PC, retail self check-out, airport check-in, information kiosks, ticketing systems or bank machines. By touching different input fields on a touch-sensitive screen, the user activates corresponding instructions for the device. Touch technologies have already revolutionised a large number of areas, such as the gaming/entertainment sector, education/training, data entry or process controls in industry. Touch technologies are a technological vision of the future.

Touch technology received worldwide attention, most recently, through the presentation and market launch of Apple's iPhone, whose multi-touch touch screen reacts to several touches simultaneously and allows a much more intuitive operation of the input field than ordinary devices. In the future, it is conceivable that almost all applications used in everyday life will involve the use of intelligent touch technologies. The examples of applications already span from small mobile communication devices such as smart phones or navigation systems to large domestic applications, information systems and medical technology devices.

ADVANTAGES OF TOUCH TECHNOLOGY

The resolution of touch screens (or sensors) is not subject to the physical restrictions of other input devices. The user interface is controlled by the application software and can therefore offer a million or more touch points, which enables hundreds or even thousands of buttons in complex hierarchical structures. As a result, there are no limits on the possibilities for developing innovative applications. Particularly touch screens can easily be integrated into any kind of user devices. Touch screen diagonal sizes range from 1 inch to 150 inches. Depending on the technology used, touch screens are robust and long-lasting and are therefore also ideal for use in industry. Touch screens can be manufactured cost effectively in large volumes. This in turn leads to price reductions in the competitive environment and encourages global demand for high-tech products with touch technology.

HIGH-TECH PRODUCTS FOR A FASHION-CONSCIOUS MARKET

Balda manufactures resistive and capacitive touch sensors through the leading touch screen provider TPK in China, but also infrared, surface acoustic wave recognition and other systems. Balda also offers innovative and flexible multi-touch sensors through TPK, and manufactures them for large-volume orders.

The production focus lies on the so-called small form factors displays with diameters of 2 to 8 inches, which are used in the sharply growing areas of consumer electronics and entertainment. The touch screens developed, produced and marketed by the Balda Group are used, for example, in mobile telephones and portable digital video games. However, Balda has all the requirements for manufacturing touch screens with a surface of up to 42 inches and therefore for a large number of other possible applications. The touch solutions developed by Balda are characterised in particular by innovative surface coatings and increased scratch and pressure resistance, improved breakage protec-

tion and specific laminating processes for extremely slim-line devices. Balda consistently focuses on current market and customer requirements and can react to new trends at a moment's notice with the Group's resources. In the fast-moving market for touch technology, this is a crucial competitive advantage.

MARKET WITH SIGNIFICANT GROWTH POTENTIAL

The market for touch technology is growing sharply. About half of the market volume is for 2 to 8-inch screens, a key element of Balda's production. Resistive touch sensors are currently the number 1 touch technology in terms of unit shipments. They are mainly used in mobile telephones, navigation devices and PDAs, but also in large interactive whiteboards. Generally, the resistive process is being replaced by optical imaging and infrared technologies because these promise a longer life and are more suitable for large applications.

The projected capacitive touch technology is predicted to have the fastest market growth of all the touch technologies. The market research institute iSuppli predicts the value of the market to grow by 72 percent CAGR (compound annual growth rate) from 2006 to 2012. Multi-touch technology is considered to have a particularly promising future. Since the launch of the Apple iPhone, ever more mobile communication devices are being fitted with this technology. Prototypes of large multi-touch displays have already been introduced, but their volumes are expected to remain limited. The market researchers from iSuppli forecast sales of 21 million multi-touch displays in 2012. This corresponds to an estimated market value of 433 million US dollars in 2012.

AN OVERVIEW OF THE MAJOR TOUCH SCREEN TECHNOLOGIES

Each of the touch technologies uses its own processes for detecting and measuring user input and is therefore suitable for certain applications. The major touch technologies are: resistive, surface capacitive, projected capacitive, infrared, surface acoustic wave, optical image, bending wave and active digitizer. They differ in the way they convert the user's touch into signals. The touch can be recorded

and converted by measuring the voltage (resistive and capacitive), by optical processes (infrared, optical image) or by measuring the tones or waves triggered by the touch (acoustic recognition, wave recognition). Multi-touch technology, which can process several inputs simultaneously, is becoming increasingly important – not just since the launch of the iPhone.

RESISTIVE

Resistive touch systems are the most cost-effective and common systems. They are suitable for applications with small to medium formats and are characterised by low power consumption.

Resistive touch systems are installed in sandwich construction. They typically comprise a hardened plastic film which is pulled taut across a glass or plastic layer and separated from it only by small, barely visible spacer dots. Both layers are typically coated with indium tin oxide (ITO), a transparent and conductive material. A slight touch bends the plastic film and it comes into contact with the glass or plastic layer. A voltage change on the ITO film and ITO glass/plastic layer is detected. Using the voltage change, the controller, the device's controlling unit, can record the precise position of the finger or stylus.

The drawback of this process is the relatively low transparency of around 75 to 85 percent, which can be compensated for, however, with additional anti-reflection coatings or circular polarisers. Typically, the top layer quickly wears out which means that the durability is limited. Resistive touch screens are also liable to scratch. The so-called 5-wire resistive version is more durable than the so-called 4-wire version, since the lower glass/plastic layer is used to read the touch coordinates.

SURFACE CAPACITIVE

Surface capacitive (condenser controlled) touch screens comprise a glass plate with a conductive coating on which a weak electric field is fitted. Unlike resistive systems, no other layers are required. When the screen is touched, a current flows between the four corners of the screen and the site touched. The controller can localise touched site

using the current flow.

The more slim-line construction and the glass field allow the product designer greater freedom in designing the device. Glass operating fields are easy to clean and almost free from wear because of their smooth and robust surface. Compared to resistive systems, surface capacitive touch screens have a much longer life. They are also characterised by a high level of transparency and are therefore easily legible even in bright sunshine. The drawback is that these sensors can only be operated with bare fingers. They are not sensitive to moisture and environmental influences, but there is a risk of scratching if a sharp stylus is used.

PROJECTED CAPACITIVE

Projected capacitive touch screens have protective layers made from glass on the front and back of the touch sensor. Sensors are embedded in a grid in the middle layer. Upon touch, capacitance forms between the finger and sensors, the position of which is calculated by the controller. This type of capacitive touch technology is also called “contactless” touch technology, as it allows a distance of up to 20 millimetres from the screen. It can therefore also be installed behind a display window or vandalism-resistant glass. This system is also particularly suitable for outdoor applications.

INFRARED

Touch systems based on infrared light have been used since 1970. Miniature infrared LEDs create an invisible light grid on the screen. If the light rays are interrupted by touch, one or more phototransistors send a signal with the corresponding coordinates. Infrared touch screens have a very long life and are frequently used for industrial and military applications. But they are also used in bank machines and information kiosks. The relatively limited resolution, due to the limited number of LEDs at the edge, is a technical challenge.

SURFACE ACOUSTIC WAVE

Surface acoustic wave touch screens use ultrasonic waves which flow over the screen. If a person touches the glass surface, the ultrasonic wave is absorbed there and the controller can calculate the precise position. A major advantage of surface acoustic wave technology is transparency of over 90 percent. Because of the glass surface, these systems are relatively vandal-proof and are used widely, for example, in bank machines.

MULTI-TOUCH

Most recently, since the launch of the iPhone and the iPod Touch by Apple, multi-touch technology, which had been considered as visionary, has developed into a general trend. Multi-touch screens have the advantage that they can process several inputs at the same time. Multi-touch could be based on projected capacitive, resistive, infrared, or optical imaging touch technologies. Objects can be manipulated on the screen with the fingers, which makes the operation of multi-touch devices considerably more intuitive than ordinary computer systems or mobile telephones. As a result, touch technology fulfils the human desire for as natural a use of technological devices as possible.

The multi-touch process has been researched since the early 1990s. Jefferson Han of New York University presented a prototype of several metres in 2006, which the user could freely use with up to 10 fingers and their pressure on the monitor screen. The video of his presentation was disseminated widely on the internet some months later. Stantum (formerly named JazzMutant) has offered a multi-touch music controller since 2004. But multi-touch technology has only made it into private homes since Apple's iPhone and iPod Touch.

The latest developments of this technology include touch screens that do not react just to touch but to forms and other gestures of interaction as well. For example, calls can be accepted with a simple touch on the cheek, or applications can be closed by pressing an “X” on the screen. Whole files can be “shaken” to another device. Innovative multi-touch applications are used on interactive PCs and

work surfaces and will change the working world of the future because they allow an entirely new form of team work. Innovative 3D touch technologies allow even more intelligent interaction with the user and will play a large role in future developments.

OTHER CURRENT TECHNOLOGIES

OPTICAL IMAGING technology is more cost-effective and has a higher resolution than infrared technology, at least on large screens. Cameras on the edge of the screen calculate the position of the touch. **BENDING WAVE** technology is a relatively new process. Piezo-electric transducers on the reverse of the screen measure the sound waves triggered by the touch and forward them as a signal. Almost all tablet PCs use **ACTIVE DIGITIZER** technology. However, these can only be used with a special electronic pen. Active digitizers behind an LCD record the pen's movement.

MOST ESTABLISHED TECHNIQUES

Resistive

Surface Capacitive

Projected Capacitive

Infrared

Surface Acoustic Wave

Multi-Touch

Further established technologies:

– Optical Imaging

– Bending Wave

– Active Digitizer

BALDA MEDICAL – CORNERSTONE OF A TRADITIONAL KEY TECHNOLOGY

Since 2002, Balda has been working successfully with the Balda Medical division in the manufacture of medical technology plastic products. In the healthcare sector, which includes Balda's third business division of medical technology, further medium to long-term growth potential is expected.

In 2003, Balda Medical was certified according to DIN EN ISO 13485 and DIN EN ISO 9001. In the same year, production started on a lancing device and an inhaler under cleanroom conditions. While the other divisions of the Group have been controlled operationally by the Board of Directors to a large degree, Balda Medical has always been entirely self-sufficient operationally and was organically established as independent.

SYSTEM UNDERSTANDING ENHANCES PERFORMANCE

Medical technology places different requirements on functionality, security, quality and product standards compared to other areas: Product life, security requirements, product development costs, qualitative requirements on the product and reliability lead to the manufacturer having system responsibility. Balda Medical accompanies the customer's entire value-added chain from the generation of ideas to technical implementation.

Balda Medical's competitive environment lies mainly in Europe. The company is already one of the leading Original Equipment Manufacturers (OEM) here and is determined to become number one in diagnostic and therapeutic medical technology.

CHALLENGES OF A FRAGMENTED MARKET

Balda Medical is active in the areas of pharmaceuticals, traditional medical technology, diagnostics and beauty care. The characteristics of the **PHARMACEUTICAL MARKET** include concentration by the individual companies on different submarkets. Balda Medical focuses on global players in the pharmaceuticals industry which generate corresponding volumes and research in attractive indication areas:

these include metabolic disorders such as diabetes, respiratory problem or vaccinations. For these customers, Balda Medical manufactures pumps, for example, as well as inhalers, ampoules and primary packaging such as containers or tablet dispensers.

The market for **TRADITIONAL MEDICAL TECHNOLOGY** is a niche market with a very different requirement for plastic components and systems. For this market, Balda Medical manufactures disposable instruments, implant systems and components, casings and displays for devices and consumables – in high (> 1 million), but also in very small, quantities.

Balda Medical also profits from the disproportionately high growth in the market for **DIAGNOSTICS**. For the market-leading pharmaceuticals group Roche, Balda Medical as a broad system supplier supplies various types of lancing devices, casings for diabetes strips, meters and disposable articles for laboratory diagnostics such as pipettes and cuvettes.

The market for **BEAUTY CARE** is characterised by global brands which are marketed internationally. To some extent, this market is experiencing divergent growth and is subject to very intensive crowding-out competition.

The consequences: Large variety of products, constant re-launch activities, falling prices for packaging, closures and containers. Balda Medical has created its first reference in this very intensive, competitive market with the Scheller Cosmetics project.

BALDA MEDICAL AS DEVELOPMENT PARTNER

Balda Medical is heavily involved in the product development process from the very start. In view of the fact, in particular, that high functionality and dosing methods are increasingly important in the application of medications, the company assumes a large degree of process and system responsibility. For example, Balda Medical has developed an inhaler for an inhalation powder from Roche with a lid and resistance which ensures that the patient inhales the

medication correctly and the medication can have its desired effect at the right site.

LATEST TECHNOLOGIES

Balda Medical makes use of existing injection moulding technologies within the Balda Group: These processes include, for example, **IN-MOULD-DECORATION (IMD)**, multi-component injection casting, laser labelling or PVD coating, which give a device or a system an unmistakable design and a unique feel. A trend which is also increasingly coming to the fore in medical technology and the pharmaceuticals industry. The hundred-percent batch traceability of the products manufactured in stable processing under cleanroom conditions and Good Manufacturing Practice (GMP) are responsible for Balda Medical's success, as are its highly complex assembly plants.

RESEARCH AND DEVELOPMENT

In contrast to the Infocom division, which lives for a very fast-moving market which is driven by innovations, Balda Medical develops products that only reach the market in the medium to long-term. Product cycles of six to ten years are not uncommon. The development of a medication and the accompanying supplies is very expensive, time-consuming and complex. For Balda Medical, therefore, it is immensely important to be involved as system supplier from the start of the development. This is the only way that the corresponding volumes can be generated at a later stage.



COMPETITIVE ADVANTAGES THROUGH SYNERGIES IN THE CORE AREAS

A crucial competitive advantage of the Balda Group is the use of synergies between plastic, metal and touch technologies.

The increasing use of touch sensors in mobile communications also gives Balda additional growth potential in the traditional Infocom business. A trend which the leading market research companies confirm: about 10 percent mobile phone shipped in 2007 has a touch screen. By 2013, almost 40 percent of all mobile telephones will have a touch-sensitive display (iSuppli). The market for touch screens in mobile telephones will grow from 110 million units in 2007 to over 500 million units per year in the next few years (iSuppli).

Balda uses the expertise of the Infocom division to develop innovative touch screen solutions: New surface coatings which reduce reflection, improve scratch resistance, protect against finger prints or have an anti-bacterial effect, and a particular type of glass processing which improves the robustness of the display. By laminating the display and touch sensor, extremely flat overall heights can be achieved, supporting the trend towards slimline devices.

Balda also uses inter-division expertise in the production of metal parts for mobile communication parts. One example here is slim phones, which have metal components for reasons of stability. Market watchers assume that the proportion of mobile telephones with metal components will grow in the next five years from around 7 percent at present to around 40 percent.

In the core plastic technology area there are further market potential and growth opportunities through Balda Medical as a leading OEM supplier for complex plastic solutions, the joint venture Balda AVY, and the other international sales activities. The global sites and the group association offer many advantages, such as the exchange of injection moulds or the data and electrodes required for them.

The Balda Group derives a considerable benefit from the research and development potential which is concentrated in a few locations. An example of this is the mobile telephone developed in the USA development centre together with a large mobile telephone manufacturer, which is produced in China and successfully sold worldwide through all sites in large quantities.

THE POSITIONING OF BALDA AS SYSTEM SUPPLIER

Balda has developed into a high-quality, integrated company with a broad technological diversification. The combination of innovative touch solutions with the other core competencies makes Balda an optimally placed system supplier in the global organisation. The combination of the strengths in the core areas creates integrated solutions and secures competitive advantages in international competition. No other company currently offers a comparable service portfolio.



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GROWTH IN DEVELOPING COUNTRIES COMPENSATES FOR SLOWING ECONOMY IN THE USA AND EUROPE

DYNAMIC ECONOMIC GROWTH DESPITE HIGHER INFLATION

Global production again grew considerably in 2007. By the end of the year, the economic climate had darkened, largely because of the sub-prime crisis in the USA. The crisis in the financial and property markets at the end of the year had a sustained negative effect on economic development. Noticeably increased energy and food prices, and growing demand from developing countries, led to a global increase in the rate of inflation in 2007. In Germany, inflation reached 2.3 percent according to the Federal Statistical Office, the highest level for 13 years, primarily due to the increase in VAT at the start of the year. From a global perspective, a general increase in living costs of an average of 3.9 percent (previous year, 3.6 percent) was recorded.

ECONOMIC FLUCTUATIONS WITHIN THE BALDA MARKET ENVIRONMENT

In the financial year under review, the economy experienced a trend towards moving production capacities to developing countries and, in particular, to the growth regions of Asia; this is a significant and new trend. Within the framework of continuing globalisation, the economic markets in China and India are becoming the focus of interest and are recording increasing expansion, alongside Europe. The high prices for raw materials and the expensive euro, along with the record levels reached on international crude oil markets, burdened economic development, especially in industrialised countries. Overall, according to statistics from the IMF (International Monetary Fund) global GDP grew in 2007 at a rate of 5.2 percent, almost the level of the previous year (5.4 percent). The global sales markets in the sector played an important strategic role for the Balda Group in the last financial year: alongside Europe these include North America, Asia and India.

SLIGHTLY WEAKER RECOVERY IN THE EURO ZONE

The recovery in the Euro zone continued over the course of 2007 at a slightly slower pace. The main driving forces of the expansion, according to surveys by Eurostat (European Union Statistical Office), were investments and exports, while private consumption increased at a slightly slower speed – primarily due to the VAT increase in Germany. Real GDP increased by 2.6 percent in 2007 (previous year, 2.8 percent). Despite the higher euro, exports from the Euro zone increased by around 8.0 percent (previous year: 7.8 percent). The labour market developed positively overall to the end of the year. At 7.4 percent in 2007, the unemployment rate in the Euro zone reached its lowest level in 15 years (previous year: 8.3 percent).

RECORD EMPLOYMENT IN GERMANY, ECONOMIC CHANGES IN THE USA AND ROBUST PERFORMANCE IN DEVELOPING COUNTRIES

GERMANY

With a general recovery, record employment and a balanced budget, the reforms in Germany have had a noticeable positive effect, according to the summary report for the 2008 financial year recently presented by the government. The number of employed people increased considerably compared to the previous year (0.6 percent) by 1.7 percent to 39.7 million. The boom in the labour market provided rapidly increasing tax revenue and the first balanced budget since 1989. The German economy grew in real terms in 2007 by 2.5 percent. As a result, growth was somewhat weaker than in 2006 at 2.9 percent. The growth was helped largely by exports, which increased by 8.5 percent (previous year: 12.5 percent). Domestic consumption increased in the last year by a total of 1.7 percent, which corresponds to a slight increase on the previous year (0.3 percentage points).

Macroeconomic trend

USA

The economy in the United States was beset by crises and inconsistency in 2007. Economic growth slowed considerably according to current IMF statistics. After 2.9 percent the previous year, GDP grew in real terms by just 1.9 percent. A rise in exports of 12.2 percent compared to the previous year and high levels of domestic consumption were able to offset the weakness coming from the property market. In the fourth quarter, the continuing crises in the property and financial markets resulted in a collapse in economic development.

CHINA

In Asia's developing countries, the rapid economic growth continued in the reporting year, according to the IMF. With an increased GDP of around 11.4 percent in 2007 compared to 11.1 percent in 2006, China remains the leader in terms of macroeconomic production growth. The greatest contributions to growth continue to come from investment activities and exports. China's exports to the USA have slowed considerably as a result of reduced demand; by contrast, the People's Republic was able to win market share in Europe. The weak Yuan supported the sustained high balance of payments surplus. Compared to the previous year, this was 262.2 billion dollars in 2007, which corresponds to an increase of 47.7 percent on the previous year and represents a new record.

INDIA

In India, the economy profited from accelerated investment activities and powerful growth in productivity. Despite the weaker demand from the United States, exports increased immensely in 2007, from around 76.2 billion dollars to around 112.0 billion dollars in 2007. In Asia's second-largest economy, real economic growth in the reporting year totalled only around 8.9 percent after four years of strong economic expansion and was thus somewhat slower than in the previous year (9.7 percent). The Indian BSE SENSEX climbed over the course of 2007 from 13,942.2 to 20,287.0 points, reflecting the high levels of capital inflows and increased interest from foreign investors.

BRAZIL

Economic development in Brazil remains very positive. The country also profited from increasing prices for raw materials in 2007. Brazil's GDP increased in real terms in the reporting year, according to information from the IMF, by around 4.4 percent (previous year: 3.7 percent). Industrial production continued to recover and improved considerably. The economy is being increasingly bolstered by internal demand. Domestic consumption increased by 4.3 percent (previous year: 3.8 percent).

US DOLLAR FALLS FURTHER

The closing exchange rate on 31.12.2007 was 1.46 US dollars to the euro, compared to a rate of 1.33 US dollars at the start of the year. The dramatic interest rate cuts by the US central bank, the Federal Reserve, in reaction to the crisis on the financial markets and the weakening economy, led to an accelerated downwards movement for the US dollar in the second half of the year.



The markets of Balda are positioned in the growth regions of the world

EXCELLENT GROWTH PROSPECTS FOR TOUCH SENSORS WITH SUSTAINED RECOVERY IN THE MOBILE COMMUNICATIONS MARKET

INFOCOM

In the traditional core business, Infocom develops and manufactures Balda plastic components for the information technology and telecommunications area – above all mobile telephones, mobile fixed network telephones and base stations. As mobile communication is becoming a fashion and status symbol in a fast-moving market, new, innovative technologies are a must. Balda is increasingly manufacturing for ODMs – large manufacturers of all-in mobile communication systems, overwhelmingly located in the Asiatic area.

MOBILE COMMUNICATION USAGE INCREASES AROUND THE WORLD

Mobile communication is still a strongly growing global market. In 2007, the number of mobile telephone connections exceeded the three-billion mark, and the trend towards two or three mobile phones is increasing disproportionately quickly. This is highlighted in a study by BITKOM (Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V.) for the European market research institution EITO. By the end of 2010, market researchers are predicting 3.9 billion connections worldwide.

Based on existing studies, the market research institute TNS Infratest is predicting continuous growth in mobile telephone use. The number of mobile phone users is expected to grow worldwide by 11.9 percent a year until 2010 and to reach a market of between three and four billion by this time.

Owing to increasing market penetration, growth rates could gradually fall slightly in the coming years, according to the experts at iSuppli (Applied Market Intelligence). Thus a global growth rate in mobile phone users of 12.8 percent is predicted for 2007 and a slightly weaker rate of 9.6 percent for 2008.

REGIONAL DISTRIBUTION OF MOBILE COMMUNICATION

According to study carried out by Gartner, together with Nokia, published in the FASZ newspaper (Frankfurter Allgemeine Sonntagszeitung), the mobile phone density in Europe is among the highest of all the continents. With a population of around 893 million, the mobile phone distribution was roughly 100 percent. Analysts from EITO and eTForecasts expect the 100-percent penetration mark in Europe to be considerably exceeded. Germany exceeded this mark back in 2006. In particular, the technology-oriented and fashion-conscious consumers in middle age are showing an increasing interest in high-tech products as life style symbols. In North America, around 80 percent of the population of around 338 million use the mobile network, in China this figure is almost 40 percent of the population of around 1,351 million. In Asia and the Pacific region, 2007 recorded market growth of almost 40 percent in mobile communications. The boom in the Asian mobile communications market continues unabated.

While the focus in Asia is on the affordable high-tech market, alongside the traditional Infocom business, in the USA the field of consumer-electronic applications, particularly Touch screens, is gaining in significance as an end-consumer market for Balda technologies.

According to Strategy Analytics' estimation, the Asia/Pacific region is also set to record uninterrupted strong growth in the coming years. Pyramid forecasts 13.63 percent average growth in the five-year period to 2010 in

Africa/Middle East, 10.9 percent in Asia/Pacific and 2.8 percent in Western Europe.

At country level, China and India, among others, are experiencing particularly sharp growth; ever more mobile communications manufacturers are increasingly concentrating on developing countries. Countries whose markets

are still developing, such as Brazil, are also predicted to experience above-average growth in their respective regions in the coming years, according to TNS Infratest.

In Europe, the number of mobile phone connections is growing somewhat slower than in the rest of the world. In 2007, the European proportion of the global market was 27 percent. In 2010, according to EITO, it will be around 24 percent.

SALES CONTINUE TO GROW

The increasing sales in the mobile communications industry will continue, even if growth rates are less significant. The current data from iSuppli attests to this. The market researchers predict that 1.29 billion mobile phones will be sold in 2008. Average growth rate will fall from 21 percent in 2006 and 16 percent in 2007 to just under 12 percent. Worldwide, mobile telephone sales are predicted to grow from 141.2 billion US dollars in 2007 and 151 billion US dollars in 2008 to 160 billion US dollars in 2011.

Growth drivers for the dynamic mobile phone market include the developed markets in North America and Europe, where many customers replace their mobile phones for the latest models or are purchasing multimedia terminals, and the rapid increase in mobile phone connections in developing countries in Asia, Africa and Latin America is also noticeably enhancing sales figures.

Considered regionally, according to Gartner the Asiatic area was the best performing market in 2007 by some distance; over the year, growth of more than 25 percent on the previous year was registered.

The local value of convergent information and communication technologies, i.e. the integration of information technology hardware and software into the telecommunication systems, is growing constantly. In particular, the global sale of convergent mobile devices to business customers is predicted to grow by an average of 54 percent over the next few years. According to analysts from IDC, the annual sale of company-friendly mobile terminals will increase to more than 82 million units by 2011. In-Stat

predicts an average annual growth rate of 33 percent for smart phones up to 2012. In 2007, companies ordered around 9.6 million devices. Smart phones belong to the subgroup of electronic organisers and combine the performance of a mobile phone with that of personal mobile tools.

TOUCH

The highly complex market for touch technologies holds enormous future and growth potential for Balda. The integration of the plastic, metal and touch market is creating global competitive advantages and an entirely new customer benefit.

Touch screen technology, which Balda is developing through TPK Holding in Xiamen, is used in function-driven applications in the consumer electronics, transportation, retail, industrial, entertainment and medical market segments. Examples of current applications are mobile phones, PCs, PDAs, navigation systems or medical technology devices. Future applicability knows no limits.

TOUCH TECHNOLOGY SHOWS ENORMOUS GROWTH POTENTIAL

Market research institute iSuppli forecasts rapid growth for this market up to 2012. In 2006, the touch screen industry became increasingly popular and earned 2.4 billion US dollars worldwide. According to current information from the institute, 110 million telephones with touch technology were sold in 2007, almost 190 percent more than in the previous year (38 million devices). The market researchers predict annual sales of more than 500 million units over the coming years. In its 2007 study, iSuppli estimates that sales of navigation devices with integrated touch sensors will reach 59 million in 2012, with sales of laptops and PCs with this technology predicted to reach nine million. With 21 million units in 2012, iSuppli considers multi-touch technology as especially important for the future: Revenue should quadruple to 433.1 million US dollars over the next five years.

MEDICAL

Balda Medical is active in the development and manufacture of medical technology products and offers complete customer-specific, tailored solutions from a single source. The medical technology division (Health Care) includes the segments of pharmaceuticals (primary packaging/drug delivery/blister), classic medical technology (Medical Devices), diagnostics and Beauty Care and cosmetic packaging.

MARKET FOR MEDICAL TECHNOLOGY FRAGMENTED, BUT PROMISING FOR THE FUTURE

The total market for medical technology (healthcare) in 2007 was 1.06 billion US dollars.

The largest proportion of this was held by the pharmaceuticals market, with 61 percent. Compared to the previous year, this represents a rise of eight percent. The pharmaceuticals market is determined by a few global players that specialise in various submarkets, depending on indication and treatment area. The market for traditional medical technology had the second-largest proportion with 25 percent. Compared to the previous year, this increased by six percent. This market is greatly fragmented with the result that Balda Medical is competing here with a large number of different, frequently very small, manufacturers. The market for diagnostics, the smallest area with just three percent, registered the greatest, up 15 percent on the previous year. The need here for plastic parts and systems is particularly high. Beauty Care, with an eleven percent share of the total market, was up three percent on 2006. This market is growing very differently; with more intensive crowding-out dominating, depending on the submarket.



ORDER SITUATION AND PROSPECTS CONFIRM THE TECHNOLOGICAL AND REGIONAL REPOSITIONING

2007 was characterised for Balda by a technological and regional repositioning. In order to develop new markets for the Balda group, extensive preparations were necessary in the two previous years. These were involved costs and particular burdens for the company. International mobile phone manufacturers, an important customer group for Balda, largely produce in the dynamic growth regions of Asia. Balda started establishing itself in Asia a number of years ago and grew faster there in percentage terms than in Europe for the first time in 2007. The increasing proportion of group revenue from Asia (in 2007: 69.7 percent) supports the company's strategic realignment and the associated paradigm change. This development also prescribes the trend for the current financial year 2008.

Touch technology, only part of the group since 2006, became an important growth driver last year. With the expansion and development of the core business division Touch, Balda has created a second strong supporting column. This division contributed 20.9 percent to group revenues in 2007. The market for innovative touch applications is still developing and does not yet have the volume of the core division Infocom. Independent market watchers expect considerable growth potential here in the coming years. In the Touch division there was therefore a need for extensive preparations in 2007, which are always linked with the development of new markets, customers, applications and technologies. Compared to the Infocom division, there is also a longer lead time in the Touch division between contracting and series production with full use of capacities. In the Touch division, Balda has developed increasingly into a system provider, combining purchased parts and own products to form complex component groups. It is possible for customers here to change product specifications individually at the last minute. Consequently, Balda can be exposed to unscheduled delays and as a result, components of the revenue and results can be delayed as well. This effect will be further diluted with the increasing diversification of sales.

In the 2nd quarter of 2007, we were able time to win our first volume order, which combines traditional plastic technology with the metal component production of our joint venture. As a result, the first project with complex metal applications ramped up the volumes.

In the Touch division, a large order that was already being prepared in the 2nd quarter of 2007 for series production and mass production was significantly delayed and only realised immediately before the start of large series production, owing to customer requests for changes to the specifications. As a result, the optimum capacity of the plants was reached later than planned, as the altered product specification had a sustained impact on the entire production process chain.

In August 2007, Balda won another large order to produce six to eight million touch sensors a year. Series production is planned to start in early April 2008 in Xiamen, China. A further extension was started for the Touch division in the fourth quarter of 2007. This extension will not result in charges for Balda initially, as the buildings are being leased long term only when concrete production preparations start.

The further expansion of the presence in Asia and the investments in new growth technologies and new markets in 2007 were offset by the reduction in European activities. After the loss of the BenQ business in 2006 and the relocation of production for a large mobile phone manufacturer to Asia, in early 2007 Balda reduced its capacities last year by selling the companies Balda-Heinze Kunststofftechnik GmbH & Co. KG (Balda-Heinze), HeRo Galvanotechnik GmbH (HeRo) and Sächsische Metall- und Kunststoffveredelungs GmbH (SMK).

In the Touch division, Balda produces for a broad base of established applications and for manufacturers with whom we mostly have mature business relationships. Sales in the Infocom division, which was realigned at the end of 2006/early 2007, were not able to offset the falling revenue

from the remaining European Infocom companies. The Infocom business in Europe developed increasingly in areas which are not part of Balda's core business. In order to take into account the altered focus of the business, the European Infocom activities were discontinued at the end of the reporting year 2007. Balda Solutions Deutschland GmbH (BSD), Balda Werkzeug- und Vorrichtungsbau GmbH (BWV) and Balda Solutions Hungaria Kft. (BSH) were sold. For further information about the sale and the subsequent buyback of the European Infocom companies, and the situation of the company since the start of the new financial year 2008, see the Supplementary report on p. [].

In Asia, Balda is profiting, in particular, from synergies between the traditional core business Infocom and the Touch division. Customers from the traditional Infocom division, along with those from other industries, are increasingly following the trend towards using touch-sensitive screens. Balda identified this development early and in financial year 2007 was listed as a development partner of significant Infocom customers.

The Medical division also profited from Balda's global association of core competences, especially in the area of plastic processing. In 2007, Balda Medical developed better than planned and the forecasts are also positive.

In the 2007 financial year, Balda continued with the selected strategy to reposition the group and for technological diversification and developed into a global supplier of complex and integrated systems. This development is not yet complete and will be pursued with increased efforts in the 2008 financial year.

GROUP

POSITIVE OPERATING RESULTS IN THE CONTINUED DIVISIONS

Demand among consumers for competitively priced Infocom products is growing worldwide. Manufacturers have reacted to this and, in particular, have relocated their European production capacities to cheaper regions. Mobile phones are not almost exclusively produced in the growth regions of Asia. Balda has also repositioned itself in the last financial year 2007 in the traditional core business Infocom with a clear focus on Asia.

At the same time, Balda also expanded the new core business Touch in the financial year 2007. The division's production capacities – also with a view to the cost advantages – are entirely in Asia. Balda was able to broaden its customer base considerably and drive forward the regional realignment further.

As a result of the relocation by the mobile phone manufacturers, the European business has increasingly moved into markets which do not belong to the Balda core business. It became an activity on which Balda was not focussing, so during 2007 the company sold it. This involved the sale of Balda-Heinze Kunststofftechnik GmbH + Co. KG (Balda-Heinze), HeRo Galvanotechnik GmbH (HeRo), Sächsische Metall- und Kunststoffveredelungs GmbH (SMK), Balda Solutions Deutschland GmbH (BSD), Balda Werkzeug- und Vorrichtungsbau GmbH (BWV) and Balda Solutions Hungaria Kft. (BSH). The companies are hereinafter referred to as “Discontinued Operations”.

ADJUSTMENTS TO THE PREVIOUS YEAR'S FIGURES FOR 2006

Because of the requirements of IFRS 5 (“Long-term assets held for sale and discontinued operations”), the profit and loss reports of the companies BSD, BWV and BSH are represented under the discontinued operations and not in continued business divisions – in contrast to the to 2006 financial report – in order to facilitate a better comparison between the 2007 and 2006 financial years.

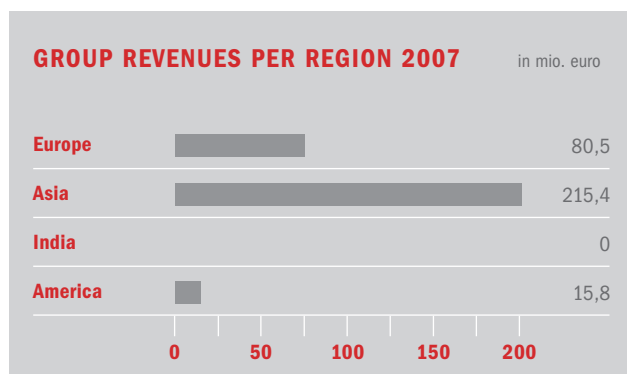
CONDITIONAL COMPARABILITY BETWEEN THE 2006 AND 2007 FINANCIAL YEARS

Furthermore, it must be noted that the company sold at the end of 2006 (Albea) is no longer included in the 2007 profit and loss report, and the companies sold at the start of 2007 (Balda-Heinze, HeRo and SMK) are only included in the 2007 profit and loss report for two months. In 2006, these companies were included for all twelve months. This change is reflected universally in the discontinued operations, above all, in the sales revenue and in all costs positions. This results in a very restricted comparability, both between the discontinued operations and between the figures of the annual reports for the overall group for 2006 and 2007. Therefore, the developments of the continued business divisions are primarily represented below.

INCREASING FOCUS ON ASIA

With 309.2 million euro, the group's revenue was 61.7 million euro or 16.6 percent below the previous year's figure of 370.9 million euro. As a result of the global repositioning and the relocation of our customers' production, in the reporting year 2007 the group earned a large proportion of its revenue in Asia. 215.4 million euro or 69.7 percent of the total revenue is earned in this region. In Europe, revenues totalled 80.6 million euro (26.1 percent of group revenue), after 230.2 million euro in 2006. The region America contributed 5.2 percent of the revenue with 15.8 million euro.

The continued business divisions earned revenue of 257.4 million euros (previous year: 157.4 million euros). The traditional core business Infocom contributed a total of 164.4 million euros or 63.9 percent to the revenue. 64.5 million euros or 20.9 percent of revenue was earned by the new core business Touch. The division Touch was created during 2006, is growing strongly from that time on and has made a disproportionately high contribution to the increase in revenue. The division Medical grew 2007 by 13.4 million euros or 88.8 percent compared to the previous year (15.1 million euros) and achieved revenue of 28.5 million euros. This corresponds to a proportion of 9.2 percent of the revenue of the continued operations.



The other operating income in the continued business divisions in the 2007 financial year totalled 15.6 million euros. Compared to the previous year (2.5 million euros), this is an increase of 518.5 percent. Among other things, this includes income from the redemption of an option bond of 6.8 million euros.

As at the end of the 2007 financial year, the total performance of the continued business divisions was 271.4 million euros. Compared to the previous year (162.6 million euros), this is an increase of 108.8 million euros or 66.9 percent..

Material expenses for the continued business divisions increased in the reporting period of 2007 by 67.7 percent to 149.9 million euros (previous year: 89.3 million euros). Apart from the absolute increase in material expenses due to the expansion of the business activities, especially in Asia, the material expenses ratio (material expenses in relation

to the total performance) remains almost unchanged compared to the previous year at 56.5 percent.

Personnel expenses for the continued business divisions increased in the 2007 reporting year from 33.1 million euros to 46.9 million euros. The personnel expenses ratio (personnel expenses in relation to the total performance) was 17.3 percent compared to 20.4 percent in the previous year. The fall in this ratio is largely due to the higher volume of personnel-intensive orders in the Touch division. For further information about the personnel expenses, we refer to the chapter "Employees" p. [].

In the continued business divisions, the costs for depreciation fell from 35.8 million euros in the previous year to 19.8 million euros in 2007. In 2006 there were higher impairment charges in Brazil on goodwill and on fixed assets because of the comparably poor business prospects in the previous year. In 2007, a large proportion of the fixed assets in Brazil was subject to appreciation as a result of the improved business situation in this region. On one hand, higher depreciations due to the large investments, notably in the Asia region, had a countering effect in 2007. On the other, high "impairment depreciations", above all on the company's building in Bad Oeynhausen, led to increased expenses.

The other operating expenses of the continued business divisions increased in the reporting period of 2007 disproportionately slowly by 26.5 percent to 46.2 million euros (previous year: 35.1 million euros).

The considerably disproportionately high increase in other operating costs in the discontinued operations resulted, inter alia, from the termination of the profit and loss transfer agreements in conjunction with the sale of the discontinued operations, which led to the accounting and reporting against the results of this equalisation obligation in the group.

As a consequence of the successful expansion of the new core activities of the Balda group, a positive operating result of 8.5 million euros was achieved in 2007 (previous year: minus 17.2 million euros).

The increase in financing expenses in the continued business operations largely reflects the higher financing requirement because of the strategic realignment of the group.

The EBT of the continued operations is negative mainly because of the costs of financing – besides the impairment charge mentioned above.

According to the assumptions made at the time of creation, a realisation of the losses carried forward for tax purposes does not exist to the same extent as in the previous year. Therefore, write-downs on the capitalised deferred taxes have been formed, which have led, inter alia, to tax expenses of 5.3 million euros (previous year: tax income 9.5 million euros).

As at the end of 2007, the group reports a loss in the continued operations of 8.4 million euros compared to 15.4 million euros 2006.

INCREASE IN REVENUE IN THE AG

CONCENTRATION ON HOLDING FUNCTION

Balda AG is a management holding company. Its core business comprises personnel-related services for its subsidiaries and performing its holding function.

The sales revenue of the AG increased in 2007 from 5.8 million euros by 27.6 percent to 7.4 million euros corresponding to the personnel expenses. The other operating income reported an increase from 10.4 million euros by 43.1 percent to 14.8 million euros. This mainly comprises income from the redemption of an option bond below the nominal value. The overall performance of the AG from sales revenues and other operating income in 2007 totalled 22.3 million euros and was 37.7 percent above the previous year's level of 16.2 million euros.

Personnel expenses increased to 7.2 million euros by 31.2 percent compared to the previous year's value of 5.5 million euros and thus largely reflects the increased use of the AG's personnel in the subsidiaries. The personnel intensity (personnel expenses in relation to the total performance) remained almost constant at 32.4 percent (previous year: 34.0 percent).

Other operating expenses increased by 15.5 million euros in the previous year by 251.0 percent to 54.6 million euros in the reporting period of 2007. The increase is largely due to the sell-off the European Infocom activities, which were reported as financial assets.

In the 2007 financial year, there was no income from investments (previous year: 14.2 million euros).

The depreciations on financial assets and on securities in the current assets related largely to adjustments in the participation valuations of the European Infocom activities sold in 2007 and to the participation valuation at the site in Brazil.

Expenses for the transfer of losses increased from 11.7 million euros in the previous year to 23.4 million euros and relate almost exclusively to the Indian Infocom activities sold at the end of 2007.

The net loss in 2007 totalled 74.4 million euros after minus 34.7 million euros in the previous year. With losses carried forward of minus 17.0 million euros, the balance sheet loss of the AG increased in 2007 to 91.3 million euros.

CASH FLOW REFLECTS REPOSITIONING

The cash flow statement shows the origin and use of the cash streams in the 2007 financial year. It plays a central role in assessing the financial situation of the group. The cash streams of the discontinued activities are contained in the cash flow calculations shown. These also include the companies Balda Solutions Deutschland GmbH (BSD), Balda Werkzeug- und Vorrichtungsbau GmbH (BWV) and Balda Solutions Hungaria Kft. (BSH) which were sold at the end of the 2007 financial year.

In the 2007 financial year, Balda sold off the European Infocom activities and repositioned the group in the strong growth regions of Asia. Among other things, therefore, there was negative cash flow from operative business and a high negative cash flow from investments, which was slightly more than compensated for by the receipt of liquid funds from the financing activities.

OPERATIVE CASH FLOW

Based on an annual loss before taxes and financial costs of 55.3 million euros (previous year: 43.3 million euros), there was a positive cash flow from current business of 13.0 million euros (previous year: positive cash flow of 28.1 million euros). While the working capital was increased considerably in the previous year, a slight reduction was reported here at the end of 2007.

The outflow from **INVESTMENT ACTIVITIES** of 43.8 million euros was considerably below the previous year's level of 146.6 million euros. The previous year was still characterised by the purchase and sale of subsidiaries and investments totalling 112.2 million euros. The changes to material assets and intangible assets affecting payments increased in the 2007 financial year to 42.2 million euros from 34.7 million euros in the previous year.

HIGH INFLOWS FROM CAPITAL MEASURES

The inflow of cash from **FINANCING ACTIVITIES** totalled 61.6 million euros in 2007, after 94.3 million euros in the previous year. No dividends were paid in the reporting year. By contrast, the group received 35.2 million euros (previous year: 25.6 million euros) mainly from the further use of lines of credit. Moreover, in 2007 the issue of convertible participation rights and the implementation of a capital increase led to receipts of 97.6 million euros, which was partly used to redeem an option bond of 68.0 million euros.

LIQUIDITY SLIGHTLY INCREASED

Overall, there was a change in finances affecting the results from the three divisions of 4.8 million euros, so that the groups' financial resources, including the discontinued business divisions, as at 31 December 2007 totalled 44.9 million euros (previous year: 40.5 million euros).

INVESTMENTS STRENGTHEN PRODUCTION FACILITIES IN ASIA

While investment activities in 2006 were characterised by the further development of the group structure, expansion in Asia and the expansion of Asian production sites were the focus of the 2007 reporting year.

The overwhelming proportion of investments was made in expanding production of for TPK in Xiamen, China, purchasing additional property in Chennai, India, erecting an additional building in Ipoh (Malaysia), and expanding technical facilities in Suzhou, Beijing (China) and Malaysia.

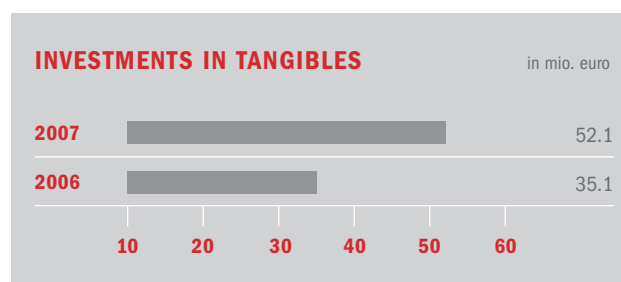
The investment volume in fixed assets to 31 December 2007 for the continued business divisions totalled 46.3 million euros 52.1, which is 48.4 percent above the level of the previous year (35.1 million euros). This breaks down as follows:

- Land and buildings: 11.2 million euros (previous year: 1.8 million euros)
- Technical equipment and machinery: 18.5 million euros (previous year: 9.2 million euros)
- Factory and office equipment: 5.6 million euros (previous year: 4.6 million euros)
- Advance payments and construction in progress: 16.8 million euros (previous year: 19.4 million euros)

The investment volume in fixed assets for discontinued business divisions totalled 4.4 million euros in the reporting year. The largest part of the investments was in German production sites, at 3.4 million euros. The investments mainly related to replacement investments for production facilities.

Investments in intangible assets in the continued business divisions amounted to 2.1 million euros in the 2007 financial year, remaining at roughly the level of the previous year (3.3 million euros). The prevalent part of these investments was for software and was related to the conversion of the company's internal software platform, among other things.

Overall, investment in fixed and intangible assets in the continued business divisions totalled 54.2 million euros to the reporting date, and 4.5 million euros in the discontinued divisions.



GROUP

BALANCE SHEET STRUCTURE OFFERS SOLID BASE FOR FURTHER GROWTH

In the 2007 financial year, the total assets of the Balda group fell from 443.4 million euros by 20.4 million euros or 4.6 percent to 423.0 million euros. The cause for this was mainly the selling-off of the European Infocom activities in 2007 as part of the repositioning of the group in the strong growth regions of Asia. The expansion of the business activities in Asia was not able to fully offset this development. The following companies were affected by the sell off: Balda-Heinz Kunststofftechnik GmbH + Co. KG (Balda-Heinze), HeRo Galvanotechnik GmbH (HeRo), Sächsische Metall- und Kunststoffveredelungs GmbH (SMK), Balda Solutions Deutschland GmbH (BSD), Balda Werkzeug- und Vorrichtungsbau GmbH (BWV) and Balda Solutions Hungaria Kft. (BSH).

Balda-Heinze, HeRo and SMK were already reported as at 31 December 2006 as “Discontinued Operations” in the accounts under the positions “Assets held for sale” and “Debts held for sale”, so they are not able to contribute to the explanation of the changes in the individual balance sheet positions between the financial years 2006 and 2007. Only BSD, BWV and BSH were designated in 2007 as “discontinued” business divisions and have had an impact on the changes explained below. They are labelled “discontinued end of 2007”. All six companies named above are summarised as “Discontinued Operations”.

The short-term assets decreased overall by 24.6 million euro or 14.8 percent to 141.7 million euro (previous year: 166.3 million euro). The long-term assets increased overall by 4.2 million euros or 1.5 percent to 281.3 million euros (previous year: 277.1 million euros).

STRUCTURE OF THE ASSETS

in percent

2007

Long-term assets	66.5
Short-term assets	33.5

2006

Long-term assets	62.5
Short-term assets	37.5

LIQUID FUNDS INCREASED

As at the reporting date on 31 December 2007, liquid funds increased from 38.3 million euros in the previous year by 4.6 million euros or 12.0 percent to 42.9 million euros. Corresponding notes on the changes to the liquid funds are contained in Cash flow on page []. The relative proportion of liquid funds in the balance sheet total was 10.1 percent, after 8.6 percent in the previous year. Trade debtors increased as at 31 December 2007 by 18.7 million euros or 46.4 percent to 59.0 million euros (previous year: 40.3 million euros) This increase corresponds to the increase in sales revenue from the continued business division, notably TPK.

INCREASED TURN-OVER FACTOR AS SYSTEM SUPPLIER

Inventories decreased overall by 17.4 million euros or 42.1 percent to 23.9 million euros (previous year: 41.3 million euros). The reason for this is mainly the reduction in unfinished and finished products and goods from 24.7 million euros by 14.2 million euros or 57.6 percent to 10.5 million euros. The deconsolidation of the discontinued operations as at the end of 2007 led to a reduction in unfinished and finished products from 12.4 million euros. The discontinued operations as at the end of 2007 overall contributed around 17 million euros to the reduction in inventories.

The turnover factor (relationship of the overall operating performance, including other operating income from the continued operation to inventories) increased in the reporting year from 8.0 to 11.3. Only the continued operations

are included in this calculation. As a system supplier, Balda increasingly no longer has to maintain stores of parts and components. They are removed from the consignment stores, which the suppliers maintain close to Balda's production sites, when required.

The other short-term assets decreased overall by 8.2 million euros or 35.9 percent to 14.6 million euros (previous year: 22.7 million euros). They mainly include the short-term proportions of receivables due from the sale of shares in Albea and in Balda-Heinze, HeRo and SMK. The disposal from the discontinued operations at the end of 2007 led to a reduction of 8.0 million euros.

The assets reported in the previous year under "Assets held for sale" (Balda-Heinze, HeRo, SMK) were all sold in 2007.

INCREASE IN FIXED ASSETS

Long-term assets increased as at 31 December 2007 by 4.2 million euros or 1.5 percent from 277.1 million euro to 281.3 million euros. The tangible assets increased by 14.1 million euros or 13.0 percent to 122.4 million euros (previous year: 108.3 million euros). This increase is due to the high level of investments in the Asia and India segments, above all in property, buildings and technical plant for the further expansion of the business activities in these regions. The disposal at the end of 2007 of the discontinued operations had an effect here of 18.7 million euro.

As at the reporting date, intangible assets fell from 71.9 million euros in the previous year by 5.9 million euros or 8.3 percent to 66.0 million euros as a result of scheduled depreciation.

The financial assets increased considerably from 3.3 million euros by 11.9 million euros to 15.2 million euros as at 31 December 2007 an.. This includes the long-term proportion of the demands from the sales of Albea and Balda-Heinze, HeRo and SMK.

Goodwill decreased overall by 7.0 million euros or 9.1 percent to 70.2 million euros (previous year: 77.2 million euros) because of currency fluctuations.

Asset intensity (proportion of long-term assets – without deferred taxes – in the balance sheet total) increased in the financial year 2007, in part because of investments in Asia, to 64.7 percent (previous year: 59.2 percent).

ORDER-RELATED TRADE ACCOUNTS PAYABLE

On the liabilities side of the balance sheet, the short-term liabilities increased from 121.2 million euros in the previous year by 57.4 million euros or 47.3 percent to 178.6 million euros as at the reporting date of 31 December 2007.

25.4 million euros in this position came from the discontinued operations. The short-term liabilities due towards banks and the short-term proportion of long-term loans increased in the year under review by 44.3 million euros or 89.6 percent to 93.7 million euros (previous year: 49.4 million euros). The cause for this considerable increase is an increased need for cash as a result of the losses in Europe and the large investments in Asia, as well as a reallocation from long-term loans of 10.0 million euros which was repaid in early January 2008.

Because of the start of production and the good order situation at TPK, trade creditors increased from 36.2 million euros to 46.4 million euros as at the reporting date. This is countered by disposals from the discontinued operations at the end of 2007 of 8.3 million euros.

The other short-term liabilities increased largely due to obligations from profit and loss transfer agreements from 18.3 million euros in the previous year to 32.8 million euros as at the 2007 reporting date. The disposal from the discontinued operations at the end of 2007 led to a reduction of 5.1 million euros.

The assets reported in the previous year under "Assets held for sale" (Balda-Heinze, HeRo, HeRo, SMK) were all sold in 2007.

REDUCTION IN LONG-TERM LIABILITIES

In 2007, long-term liabilities decreased from 152.3 million euros to 93.6 million euros. The largest reduction in this area was recorded for long-term loans. Inventories decreased overall by 51.0 million euros or 40.0 percent to 76.4 million euros (previous year: 127.4 million euros). The redemption of the option bonds had an impact here of 74.8 million euros (nominal value: 80 million euros) and was countered by the issue of convertible participation rights of 32.8 million euros (nominal value: 34.2 million euros). The net repayment of the long-term liabilities was largely financed by the capital increase implemented at the end of 2007.

STRUCTURE OF THE LIABILITIES		in percent
2007		
Short-term liabilities		42.2
Long-term liabilities		22.1
Equity capital		35.7
2006		
short-term liabilities		27.3
long-term liabilities		34.4
equity capital, incl. minority holdings		38.3

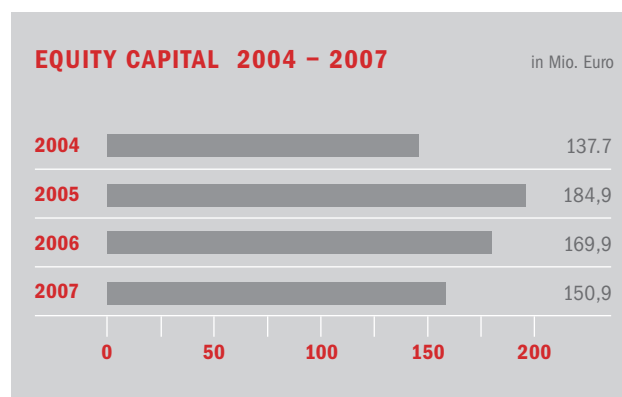
INCREASE IN SUBSCRIBED CAPITAL

The subscribed capital increased by 13.9 million euros or 34.5 percent to 54.2 million euros (previous year: 40.3 million euros). The increase is due in part to the capital increase which was agreed in November 2006. However, it was not recorded in the commercial register until 9 February 2007, so that the deposit amount in the previous year has been reported under the position "Deposit paid for implementation of the agreed capital increase". After registering the capital increase in 2007, this amount of 7.1 million euro was reallocated to subscribed capital. Secondly, the capital increase of 6.8 million euros entered in the commercial register on 20 December 2007 is reported under subscribed capital.

The increase in reserves from 57.4 million euros in the previous year by 87.2 million euros or 151.8 percent to 144.6 million euros as at the reporting date in 2007 also results largely from the two capital measures described above. Around 35.5 million euros was withdrawn from the position "Deposit paid for implementation of the agreed capital increase" and 58.9 million euros was moved from the registered capital increase in December 2007 into capital reserves. By contrast, the currency reserves developed from minus 2.2 million euro to minus 11.1 million euros because of the weak US dollar.

The Balda group finished the financial year 2007 with a balance sheet loss of 54.6 million euros (previous year: balance sheet profit of 18.6 million euros). This is mainly due to the negative result in the discontinued operations. Compared to the previous year (minus 42.0 million euros), the annual net loss increased by 31.3 million euros to 73.3 million euros.

Then equity ratio, including the reported minority stakes, fell from 38.3 percent to 35.7 percent as at 31 December 2007. Overall, the equity capital decreased by 19.0 million euros or 11.2 percent to 150.9 million euros (previous year: 169.9 million euros). Without including the minority stakes, the equity capital falls from 159.0 million euros in the previous year by 14.9 million euros or 9.4 percent to 144.1 million euros.



NET FINANCIAL LIABILITIES REDUCED

The net financial liabilities of the Balda group decreased from 142.3 million euros in the previous year to 132.7 million euros as at 31 December 2007. This includes all liabilities due to banks, lease liabilities and prepayments received, balanced by the liquid funds. In relation to the balance sheet total, the net financial liabilities at the end of 2007, at 31.4 percent, were approximately the same as in the previous year (32.1 percent). The net gearing, i.e. the of net financial liabilities to the group's equity capital, therefore only increased correspondingly slightly from 89.5 percent to 92.1 percent. The degree of indebtedness of the Balda group (debt capital divided by equity capital, including minority stakes) increased from a factor of 1.61 at the end of 2006 to a factor of 1.80 as at the 2007 reporting date.

AG

BALANCE SHEET TOTAL OF AG SLIGHTLY DECREASED

The balance sheet total of Balda AG as at 31 December 2007 totalled 280.4 million euros. Compared to the previous year (286.6 million euros), this is an increase of [] million euros or 2.2 percent. The increase in current assets was not able to compensate for the reduction in fixed assets in the financial year under review.

STRUCTURE OF THE ASSETS

in percent

2007

Fixed assets		83.7
Current assets		16.3

2006

Fixed assets		87.9
Current assets *		12.1

*There should be a footnote in the chart: Current assets including deferred items

The financial assets decreased from 246.4 million euros in the previous year by 15.7 million euros or 6.4 percent to 230.7 million euros in 2007. The sale of the European Infocom activities reduced the proportion of shares in associated companies by 29.8 million euros or 12.7 percent to 204.2 million euros (previous year: 234.0 million euros). At the same time, the other loans from these sales increased by 11.5 million euros.

CURRENT ASSETS INCREASED

Current assets increased in the 2007 reporting period from 34.4 million euros by 10.8 million euros or 31.2 percent to 45.2 million euros.

Receivables due from affiliated companies fell from 17.5 million euros by 4.2 million euros or 23.8 percent to 13.3 million euros as a result of the aforementioned sales. Other assets as at the reporting date totalled 4.2 million euros (previous year: 16.4 million euros). The altered payment modalities as a result of contractual adjustments of an agreement for sale in 2007 led to a write-down in the single financial statement of Balda AG of 6.1 million euros. The amount of the payments will now depend on future events, which the Board of Directors believes are likely to occur.

Cash, bank balances improved in 2007 from 0.5 million euros by 26.9 million euros to 27.4 million euros, mainly due to the remaining income from the capital increase implemented at the end of 2007.

EQUITY CAPITAL FALLS SLIGHTLY

The equity capital of the AG as at 31 December 2007 increased from 122.4 million euro by 6.7 million euros or 5.5 percent to 115.7 million euros.

The development of the subscribed capital is represented in the explanations regarding the subscribed capital of the group in this chapter.

The increase in capital reserves from 56.4 million euros in the previous year to 152.9 million euros as at the reporting date in 2007 also results largely from the two capital measures described above. Around 35.5 million euros was withdrawn from the position "Deposit paid for implementation of the agreed capital increase" and 60.9 million euros was moved from the registered capital increase in December 2007 into capital reserves.

The equity ratio fell slightly from 42.7 percent in the previous year to 41.3 percent.


Tax provisions of 1.5 million euros result from the tax audit started in 2007 for the years 2003 to 2006 and reflect the company's estimated future obligation. At the time this annual report was prepared, the tax audit was still ongoing.

The reduction in loans and liabilities due to banks of 15.4 million euro compared to the previous year results from the redemption of these liabilities which was financed by the capital increase implemented at the end of 2007. Furthermore, the liabilities due to affiliated companies fell from 9.2 million euros in the previous year to 5.7 million euros as at 31. December 2007 because of the sale of the European Infocom activities. By contrast, other liabilities increased from 1.2 million euros to 15.6 million euros.

STRUCTURE OF THE LIABILITIES

in percent

2007

Debt capital		58.7
Equity capital		41.3

2006

Debt capital		57.3
Equity capital		42.7

Net financial liabilities (all bank liabilities of the AG balanced by the liquid funds) of the AG totalled 67.7 million euros in 2007 compared to 64.3 million euros in the previous year. The relation to the balance sheet total in the 2007 financial year totalled 24.2 percent (previous year: 22.4 percent). Including the bonds, the ratio fell from 52.1 percent to 38.1 percent. In absolute terms, the amount fell from 149.3 million euros to 106.9 million euros.

PROVISIONS FOR COSTS ACCORDING TO SECTION 315 PARA 4 HGB AND NOTES

The Board of Directors has explained all the necessary information in a report, which can be read on the company's website and which will be handed out to the shareholders at the 2008 AGM. The Supervisory Board has audited both the information and the Board of Director's report.

COMPOSITION OF THE SUBSCRIBED CAPITAL

As a result of the capital increase, which was recorded in the Commercial Register on 9 February 2007, the capital stock of Balda AG increased from 40,279,025 euros by 7,108,063 euros to 47,387,088 euros. The capital increase took place through the issue of 7,108,063 new shares with a rateable amount of the capital stock of 1 Euro per share. These new shares participate in dividends from 1 January 2007.

With the recording in the commercial register on 20 December 2007, Balda AG implemented a capital increase of 6,769,584 million euros from 47,387,088 euros to 54,156,672 million euros. The subscribed capital as at 31 December 2007 therefore comprised 54,156,672 shares with a rateable proportion of the capital stock per share of 1 Euro. The new shares from this capital measure participate in dividends from 1 January 2008.

Balda AG shares are bearer shares.

RESTRICTIONS ON VOTING RIGHT OR TRANSFERS

Of the capital increase of 9 February 2007 by 7,108,063 shares, only 2,416,742 were authorised for stock exchange trading. For the remaining 4,691,321 shares, the company Max Gain Management Ltd, belonging to the Michael Chiang family, concluded a lock-up agreement with Balda AG until 31 March 2008.

Each share is entitled to one vote at the General Meeting. The Board of Directors is not aware of any other agreements between shareholders from which restrictions on voting rights or transfers of shares arise.

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HOLDINGS WITH MORE THAN TEN PERCENT OF THE CAPITAL

On 31 December 2007, the Chiang family, Richmond (BC), Canada, had a direct stake in the capital stock of the company of more than ten percent. In the first quarter of the current financial year 2008, Nord/LB Hannover increased its direct holding to more than ten percent. For further information about the holdings, see chapter IR and Shares on page [].

HOLDERS OF SHARES WITH SPECIAL RIGHTS

There are no company shares with special rights which grant controlling authority.

CHECKING VOTING RIGHTS FOR EMPLOYEES

As far as the Board of Directors is aware, employees who own shares in the company directly exercise their own voting rights.

APPOINTING AND DISCHARGING THE BOARD OF DIRECTORS

The members of the Board of Directors are appointed and discharged exclusively in accordance with the conditions of Sections 84 and 85 of the German Company Act. Accordingly, members of the Board are appointed by the Supervisory Board for a maximum of five years. Reappointment or an extension to the tenure for another five years is permissible. A new resolution by the Supervisory Board is required for this, which can be passed no earlier than one year before the end of the current tenure. An extension of tenure without a new resolution by the Supervisory Board is possible only for an appointment of less than five years, insofar as the total time in office as a result of this is not longer than five years. The Articles of Association of Balda AG allow appointments of less than five years in Section 7 para. 2. If, according to law or the Articles of Association, a required board member has not been appointed and the Supervisory Board does not make this corresponding appointment, in urgent cases according to Section 85 AktG the respective court can appointment the board member. As soon as this situation is rectified, the tenure of the court-appointed member shall end.

The Supervisory Board can revoke the appointment of board members for good reason. Good reason is gross breach of duty, inability to manage properly or loss of confidence by the General Meeting, unless the confidence has been withheld for obviously immaterial reasons. The revocation is valid until its invalidity has been legally determined.

CHANGES TO THE ARTICLES OF ASSOCIATION

According to Section 179 AktG, the General Meeting is responsible for changes to the Articles of Association. Section 23 of the Articles of Association of Balda AG authorise the Supervisory Board to decide changes to the Articles of Association, which only affect its interpretation, in particular changes to information about capital stock corresponding to the respective extent of the capital increases from conditional and authorised capital or capital decreased due to the withdrawal of shares.

The General Meeting passes its resolutions by a simple majority of the votes cast and, insofar is necessary according to the capital majority, with a simple majority of the shares entitled to vote, which are represented when the resolution is passed, unless the law or the Articles of Association require a greater majority. Abstentions are not counted. If there is a tie, a motion is considered rejected.

For resolutions regarding changes to the Articles of Association (except for a change to the purpose of the company or the term of the company), for ordinary capital increases where the subscription rights of the shareholders are not excluded and where preferential shares without voting rights are not issued, and for the issue of convertible bonds and income bonds and the granting of bonus rights where the subscription rights of shareholders are not excluded, a simple majority of the capital stock represented is sufficient.

POWERS OF THE BOARD OF DIRECTORS

AUTHORISED CAPITAL:

The Board of Directors is authorised, with the consent of the Supervisory Board, to increase the capital stock until 8 August 2012 by issuing new shares once or several times, but not by more than 16,923,960 euros, in return for cash and/or contributions in kind (authorised capital 2007). Paragraph 5 clause 1 of the Articles of Association has been amended correspondingly. The Board of Directors is authorised, with the consent of the Supervisory Board, to exclude shareholders' subscription rights,

- in order to exclude residual amounts from the subscription right,
- insofar as this is necessary in order to grant the holders of convertible and option bonds and bonus rights with swap and subscription rights, which have been issued by the company or group companies of the company on company shares, to grant a subscription right to the extent required after exercise of the swap or subscription right or after fulfilment of any conversion requirement, or
- if the rateable amount of the new shares in the capital stock does not exceed ten percent of the capital stock existing when this authorisation comes into effect and when the decision to exercise the authority is made and the issue price is not substantially less than the stock market price. The amount attributable to the shares, which are issued or sold on the basis of a corresponding authorisation and excluding the subscription right with direct or corresponding application of Section 186 para. 3 sentence 4 AktG, must be offset by the amount of ten percent of the capital stock. In the sense of this authorisation, the "issue price", when taking over new shares through a broker and an obligation for the broker to offer the new shares to one or more third parties named by the company, corresponds to the amount payable by the third party or third parties, moreover, the issue price corresponds to the issue amount.

In addition, the Board of Directors is authorised, with the consent of the Supervisory Board, to agree capital increases

Capital structure, Board of Directors and Change of Control

in return for contributions in kind if the purchase of the object of the contribution in kind is overwhelmingly in the interest of the company and the value of the contribution in kind does not significantly undercut the stock market price. Furthermore, the Board of Directors is authorised, with the consent of the Supervisory Board, to define the further content of the share rights and the conditions of the share issue.

CONTINGENT CAPITAL:

The capital stock of the company according to Section 192 para. 2 No. 1 AktG has been increased contingently by up to 19,677,249 euros through the issue of up to 19,677,249 new shares with profit entitlement from the start of the financial year in which they are issued (contingent capital 2007).

The contingent capital increase serves

- to grant shares to the holders of convertible bonds and options, which are issued by the company or one of its group companies before 28 April 2009 on the basis of the authorisation resolution under Agenda Item 7 of 29 April 2004 in the amended version agreed by the General Meeting under Agenda Item 9 on 1 June 2006, and
- to grant shares to the holders of bonus rights with convertible or option rights, which are issued by the company or one of its group companies before 8 August 2012 on the basis of the authorisation decision agreed by the General Meeting under Agenda Item 6 on 9 August 2007.

Furthermore, the General Meeting of 1 June 2006 decided to increase the capital stock conditionally by issuing up to 4,016,295 euros of new shares with profit participation from the start of the financial year for which the General Meeting has not yet made a profit appropriation resolution, by up to 4,016,295 shares (contingent capital 2006). The contingent capital increase serves to grant shares to the holders of subscription rights (share options), which are issued by the company before 30 June 2009 on the basis of the authorisation issued by the General Meeting under Agenda Item 9 of the General Meeting of 1 June 2006.

PARTICIPATION RIGHTS:

Furthermore, the Board of Directors is authorised, with consent from the Supervisory Board, to issue participation rights once or several times before 8 August 2012. The total nominal amount of the granted participation rights must not exceed 500 million euros.

The participation rights can also be issued in return for contributions in kind, insofar as the value of the contribution in kind corresponds to the issue price. They can also be issued, subject to the permissible total nominal amount, in the official currency of any OECD company as well as in euros. The participation rights can be both bearer and registered rights.

The participation rights can be connected with conversion and option rights for up to 19,677,249 bearer shares in the company. The number of shares granted and yet to be granted on the convertible or option rights on the basis of the existing authorisation according to the resolutions of the ordinary General Meetings of 29 April 2004 and 1 June 2006 must be offset against the maximum number of shares which can be granted on the convertible or option rights according to this authorisation.

In the event that the participation rights are linked to convertible and option rights to shares in the company, the swap or subscription price for a share corresponds to at least 80 percent of the average closing price for the company's shares in XETRA trading on the last five trading days before the date of the decision by the Board of Directors to issue participation rights.

In the event that the participation rights issued by the company are linked to convertible and option rights to shares in the company and, during the term of these participation rights, the company increases the capital stock by granting a subscription right to its shareholders or issues other bonds, including income bonds or participation rights with swap or subscription rights to shares in the company without also granting a subscription right to the owners of the participation rights issued according to this decision, to the same extent as they would be entitled after exercising their swap or subscription rights, the respective swap or subscription price shall be reduced irrespective of the Section 9 para. 1 AktG according to the

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provisions of the other conditions of the respective participation rights (dilution clause).

In any case, the rateable amount of the capital of the shares purchased per participation right must not exceed the nominal amount of the participation rights.

If participation rights are issued with convertible and option rights to shares in the company, the term of the granted participation rights must not exceed 20 years.

When issuing participation rights, the Board of Directors is authorised, with the consent of the Supervisory Board, to exclude shareholders' subscription rights,

- in order to offer the participation rights, which come with swap and subscription rights to shares in the company, to individual investors for subscription, insofar as the issue price does not substantially undercut the stock exchange price and the proportion of shares issued in this context with these participation rights does not exceed ten percent of the capital stock. The amount attributable to the shares, which are issued or sold on the basis of a corresponding authorisation and excluding the subscription right with direct or corresponding application of Section 186 para. 3 sentence 4 AktG, must be offset by the amount of ten percent of the capital stock.
- in order to offer the participation rights to individual investors for subscription, insofar as the issue price does not substantially undercut the stock exchange price and insofar as the participation rights are only similar to obligations, i.e. they do not justify either membership rights or convertible or option rights to shares in the company, do not grant participation in the liquidation proceeds and the amount of the payout is not based on the amount of the net annual profit, the net profit or the dividend,
- in order to exclude residual amounts from the subscription right,
- insofar as this is necessary to grant holders of swap and subscription rights issued by the company a subscription right to the participation rights to the extent to which they would be entitled after exercising their convertible or swap rights or after fulfilling any conversion requirements, or

- insofar as participation rights are issued in return for contributions in kind and the exclusion of the subscription right is in the overwhelming interest of the company.

The Board of Directors is also authorised, with consent from the Supervisory Board, to determine the further details of the issue and the resources of the participation rights, notably the issue price, denomination, term, amount of the annual payout, termination and participation in the appropriation of profits and proceeds from liquidation, when issuing participation rights with swap and subscription rights, the exercise periods and any conversion obligations.

PURCHASE OF OWN SHARES:

According to Section 71 para. 1 No. 8 AktG, the Board of Directors is authorised to purchase company shares once or several times until 8 February 2009. The time limit only applies to the purchase and not to the holding of shares. The purchased shares, together with other company shares owned by the company itself or attributable to the company according to Sections 71a et seq. AktG, must not exceed ten percent of the capital stock. Trading in company shares is excluded as a reason for the purchase. If the purchase takes place on the basis of a public offer to all shareholders of the company, the offered price or thresholds of the price ranges offered per share (without incidental costs) must not deviate from the Xetra closing price for the shares on the last trading day before the day of publication of the public offer by more than ten percent. In all other cases, the counter value paid by the company per share (without incidental costs) must not deviate from the Xetra closing price on the last trading day before the day of purchase by more than ten percent.

Moreover, the Board of Directors reserves the right to withdraw shares in the company without further resolutions by the General Meeting.

SALE OF OWN SHARES:

The Board of Directors is authorised, with consent from the Supervisory Board, to sell company shares in ways other than through the stock exchange or offers to all share-

holders. In particular, it may sell shares with exclusion of the shareholder's purchase rights to institutional investors, provided the amount does not exceed ten percent of the capital stock. Within the framework of a company merger or as counter payment for the purchase of companies or stakes in companies or as counter payment for other merchandise or services, the Board of Directors is authorised to transfer shares to third parties with exclusion of the shareholders' purchase rights. The sale price for the shares must not substantially undercut the stock exchange price as defined in Section 186 para. 3 sentence 4 AktG. The average Xetra closing price on the last five trading days before the sale of the respective shares shall apply.

CHANGE OF CONTROL AND COMPENSATION AGREEMENTS

Balda AG and group companies have various agreements which relate to the change of control in the event of a takeover bid. Balda AG abstains from giving more precise information about these agreements as this could put Balda AG at a material disadvantage.

In the event of a takeover bid, there are no compensation agreements with members of the Board of Directors or employees.

HIGH LEVELS OF PRODUCTION IN THE GLOBAL ORGANISATION

Balda, as a system supplier for high-tech products and solutions, pursues a strategy of globalisation and technological diversification. Balda is currently manufacturing more and more in the growth regions of Asia, where Balda Group customers are increasingly developing and producing. It is estimated that around 85 percent of all mobile telephones worldwide are now manufactured in the Far East and India. New layers of buyers are also developing there. The Asian mobile telephone market recorded market growth of 40 percent in 2007 according to information from EITO (The European Information Technology Observatory).

In the 2007 financial year, Balda focused more strongly on the core business fields of Infocom and Touch, along with Medical. On 26 February 2007, Balda sold Balda-Heinze GmbH & Co. KG (Balda-Heinze) and HeRo Galvanotechnik GmbH (HeRo), both with head offices in Herford (North Rhine-Westphalia), and Sächsische Metall- und Kunststoffveredelungs GmbH (SMK) in Oberlungwitz (Saxony). A long-term cooperation agreement ensures that Balda can continue to access the sold production capacities if required. Balda-Heinze is a provider of high quality plastic parts, HeRo and SMK specialise in galvanic processing. At the time of the sale, the three plants mainly manufactured for the automotive industry.

The companies Balda Solutions Deutschland GmbH (BSD), Balda Werkzeug- und Vorrichtungsbau GmbH (BWV), both with head offices in Bad Oeynhausen, and Balda Solutions Hungaria Kft. (BSH) in Veszprém, Hungary, which used to operate within the Infocom division, were sold as at 31 December 2007. Since the time of the sale, the products of the Infocom division are no longer manufactured in Europe. This does not include the products from Balda Medical, which should continue to be produced to a large extent in Germany. The products in the tool manufacture division were already produced largely in Asia before the sale of Balda Werkzeug- und Vorrichtungsbau GmbH.

The modification of the organisational structure to match the global-regional strategy was completed in the reporting

year. Balda has invested in regions which will be important growth drivers in the future, and has redefined and re-optimised important processes within the business procedures of the Group correspondingly. The individual regions of the Balda Group – Europe, Asia, America (with Brazil) and India – operate largely independently. The sites cooperate on joint projects and profit from the benefits of the global organisation.

INFOCOM

In the traditional core business division of Infocom, Balda primarily develops and manufactures products for the telecommunication and information technology sector, such as plastic parts for mobile telephones, mobile landline phones and base stations. In addition, Balda also produces high-tech components for the periphery, including Bluetooth headsets and Bluetooth hands-free systems for vehicles. Balda's portfolio of work and services in the production of plastic components extends along the entire value-added chain. The range extends from developing new products and production technologies, to the manufacture of tools and production systems, injection casting and current surface technologies, through to assembly and delivery. In assembly, the Group's production units assemble components produced by the Group itself, along with purchased parts, to build complex component groups.

In contrast to the rest of the Balda Group, the European Infocom companies, whose business is not being continued after the sale, have specialised in manufacturing injection moulded components in comparatively small quantities and even single items. Their customers are from the mobile communications sector, but increasingly also from the cosmetics and automotive industries.

TOUCH

Balda made considerable progress in 2007 as a result of its extensive diversification into new technologies. Touch technology allows our own value-added chain to be extend-

ed, along with the further diversification into related markets, such as the area of consumer electronics. Balda will primarily work on the large-volume and high growth market for portable electronic devices that are suitable for the use of touch sensors, i.e. devices like smart phones, navigation systems, mobile PCs and others. In addition, Balda also wants to drive forward the launch and further spread of touch technology, for example in domestic appliances, information systems and even medical technological devices.

The manufacturing process for touch screens is made up of complex steps that extend from surface processing of the glass (including coating to increase strength and reduce reflections), through to laminating the LCD display with the touch sensor and high precision test processes under cleanroom conditions. Apart from the specific competence for touch technology, the Balda group profits from strong performance in the area of injection moulding and surface processing. Balda is the only company in the world that combines all the processes required for the manufacture of touch screens in a single plant.

MEDICAL

In the 2007 financial year, Balda Medical expanded its portfolio of work and services to include innovative surface processing (inline coating) and touch technologies and positioned itself as a system supplier that can cover all stages of the value-added chain.

FACTORS INFLUENCING THE MARKET

The markets for mobile end devices and other consumer goods are characterised by fast-moving trends. As a result, production in the Infocom and Touch divisions is exposed to considerable seasonal fluctuations. Balda counters these through planning as precisely as possible and adjusting capacities in constant consultation with the customers and taking into account the order situation and general market expectations. Balda continually analyses and optimises all processes along the entire value-added chain.

The market for medical technology is fragmented; depending on the sub-market Balda Medical faces tough crowding-out competition. Balda Medical's production therefore has

to match global pricing levels.

TECHNOLOGY AND INNOVATIONS

DEVELOPMENT PARTNERSHIPS STRENGTHEN CUSTOMER RELATIONSHIPS

In the last few years, production processes at Balda have changed a great deal. Previously, Balda as a production partner manufactured products and components for companies in the communications sector, above all in the mobile communications industry, according to a prescribed design. Increasingly, Balda is playing an active role at an early stage of the development and takes on important tasks such as the mould flow analysis – a simulation of the injection and flow behaviour of the molten plastic in the tool, in order to match plastic moulds and injection tools better and to allow for the highest quality requirements. By doing this, Balda secures all the production processes according to the quality management systems DFMA (Design for Manufacturing and Assembling) and FMEA (Failure Modes and Effects Analysis).

Depending on the customer and requirements, various levels of cooperation are possible. This extends from development support, via joint team work to outsourcing the entire development responsibility to Balda. Additional tasks such as carrying out quality and environmental tests are usually also combined with this. With complete outsourcing, the cooperation includes developing other parts, for example, the electronics.

As a result of early inclusion in the development process, Balda is able to set the tempo of the development from the start – a large advantage in view of the increasing trend towards fast-moving products. Time-consuming and expensive modifications and unnecessary improvements can be avoided. In addition, the development partnership has a positive impact on the customer relationship and strengthens Balda's position as a system supplier. Overall, the duration of the customer relationship at Balda has increased significantly from the average of six to eight months to an average of one and a half years. Another advantage lies in the fact that a design concept developed by Balda can also be offered to other manufactures, with modifications. As a

result, customers of Balda produce identical telephones with different appearances and quality requirements. Furthermore, Balda is now able to technologically develop a complete telephone independently. This reduces the dependence on only one customer and indicates the path for the future. The diversification of existing product lines and the development of our own products will play an even greater role.

GLOBALLY STANDARDISED MOULD CONSTRUCTION BRINGS COMPETITIVE ADVANTAGES

The modular tool system “Balda Global Tooling”, which was introduced at all the Group’s sites in late 2006, has proven itself excellently in the reporting year.

Typically, the production of moulds for plastic injection in low-wage countries is subject to high levels of risk. Modifications, as frequently arise in practice, are expensive and time-consuming. The advantage of “Balda Global Tooling” lies in the fact that the sites in Germany, China and Malaysia work with the same CAD (Computer Aided Design) software – a significant advantage when substantial changes arise. Short communication channels and regular personal contact guarantee consistently high quality production. Subsequent changes are uncomplicated, even if the tools have been produced by Balda in Suzhou or Ipoh. The sites not only exchange injection moulds, but also all necessary data and electrodes. They are perfectly synchronised with the German machinery. By setting uniform quality standards, the production level remains the same overall. The products, even if they are produced in China or Malaysia, therefore correspond to the German quality standard. In order to avoid subsequent changes, it is possible at all sites to test injection moulds before series production under real conditions. The modular construction of the tools allows a subsequent reuse of the construction units. Moreover, a company-wide standardised cavity or space system in the tools, which in conjunction with well matched machines leads to enhanced production processes, is also an advantage.

QUALITY

In the reporting year, Balda again achieved all its quality targets. All production sites have a certified quality management system according to ISO 9000, comply with globally uniform environmental standards and have specific audit of their respective customers. The plant in Xiamen, China, received its certification according to the OHSAS (Occupational Health and Safety Management System) for its safety management system on 17 January 2008. With the demonstrable documentation of the operating processes and responsibilities, Balda has fulfilled a significant requirement in the competition for customers and orders.

EUROPE

Within the framework of the innovation conferences in Bad Oeynhausen on 30/31 May und 13 June 2007, Balda Solutions Europa, with Singulus Technologies, presented the jointly developed the integrated production system DECOLINE.

In the financial year 2007, Balda Medical further developed the design and feel of a blood sugar meter from the Akku-Check series. The lancing device and casing was planned, manufactured and validated in Bad Oeynhausen. Production of the injection parts takes place at Balda in Malaysia, assembly of the components at Balda in China.

Production, supply chain management and purchasing

MALAYSIA

The Balda production facility in Malaysia changed over from long production lines to a modular system in the 2007 reporting year, which allows more flexible production processes and is better suitable for the modular tool machining system (Balda Global Tooling). After expanding capacity, the company has a production area of 21,000 sq.m. and among other things has 69 injection machines, three



paint machines, a device for tool machining and prominent research and development activities.

CHINA

The new production facility in Xiamen started volume production in the 2007 financial year. One speciality of this site facility is the new technology of the 3D injection stamp. Among other things, plastic components for Touch screen production by TPK are manufactured in Xiamen. TPK produces touch screens for all current systems up to a size of 44 inches (see chapter “Innovative technologies”, p. []). In the reporting year, the cleanroom capacities required for this were expanded. The new production facilities in Xiamen, but also in Beijing and Suzhou, where the capacities have also been expanded, correspond to the highest ecological requirements. (see chapter “Environment”, p. []). The research and development activities of the three Chinese locations have been concentrated in Beijing.



INDIA

The plant in Chennai, India, started operations in the 2007 financial year and has already been audited successfully by leading manufacturers. These customers also include a charger manufacturer that already uses Balda production in Brazil. Among others, 21 injection machines and a paint plant with a capacity of 3.5 million units per month are available for production. An expansion of capacities is planned. In the reporting year, Balda purchased a property of around 82,000 sq.m. for this.

USA

The facility in Raleigh, USA was established just two years ago as the main development centre for a large customer from the mobile communications sector. Here, Balda's design specialists begin working closely with the customer during the concept phase. Together they have developed a mobile telephone that has already become established in the market and has had sales worldwide of more than one million. The success of the US development unit led to a series of other projects in the reporting year.

BRAZIL

The two plants in Jaguariúna and Manaus produce plastic components for chargers, like those used, for example, in mobile telephones. The product range includes painted and unpainted casings for telephones, credit card readers and car alarms, as well as sub-component groups for mobile telephones. The production of the injection parts for chargers was expanded in the 2007 financial year to include the production of cables. Apart from manufacturing according to prescribed process plans, Balda is also responsible for all quality controls, including electronic components. Balda's customers in Brazil include the second largest manufacturer of chargers. Because of its high level of satisfaction with Balda, it now also has Balda produce components for chargers in India.

Potential customers were invited to a product presentation at the Technology Days which were held at the Manaus plant in the second quarter of 2007. Balda was able to generate new orders from customer contacts made during the exhibition. The Brazilian site was able to improve so



much in 2007, the year under review, that capacities are to be expanded during 2008 and investments are to be made in new machinery.

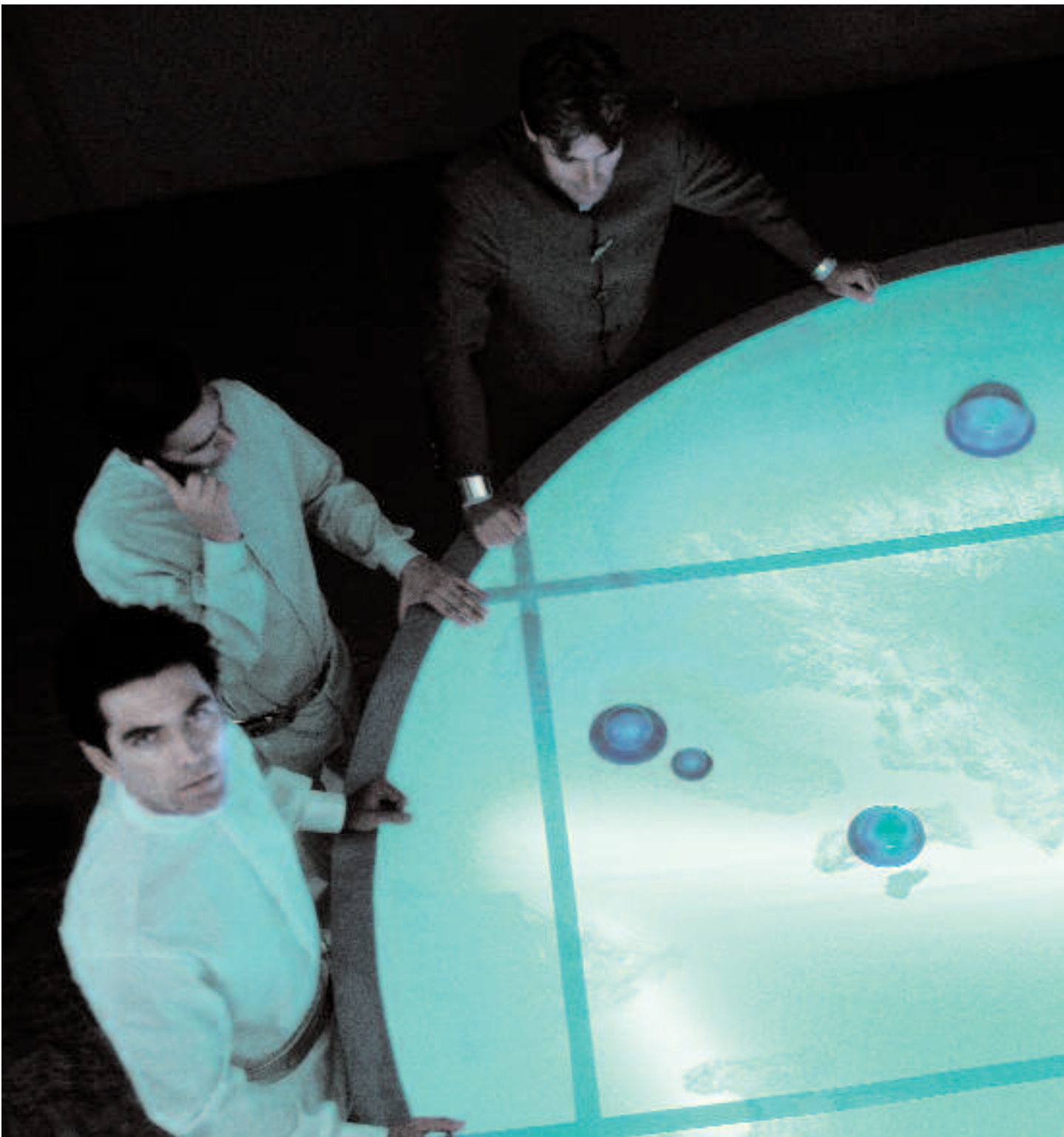
PURCHASING

Good supplier relationships are a strategically important factor in the success of the Balda Group (see also Risk management p. []). The responsibility for purchasing lies with the respective regional managers. In order to optimise quality, costs and delivery of the products, Balda works closely and for as long as possible with suppliers. Preferred suppliers are already integrated into the development process at an early stage in order to avoid delays in production and to achieve as much flexibility as possible. Balda gives clear requirements in respect of the required delivery



Production, supply chain management and purchasing

quality. All suppliers are audited in respect of quality, reliability and pricing in semi-annual globally standardised audits and, if applicable, receive corresponding optimisation plans.



ORGANISATION AND LEGAL CORPORATE STRUCTURE

DRIVING FORWARD THE GLOBAL-REGIONAL RESTRUCTURING

In the reporting year 2007, Balda selectively further developed and implemented the Group regional organisational structure agreed in 2005. The operational business and responsibility for results now lie fully in the regions under the management of Lead Offices. The management in the regions is incumbent upon the regional managers (CEOs). Despite the operational independence, networking of the competences within the Group is being intensified globally.

The strategic management of the Group is the responsibility of the holding company. It controls the regions through the prescribed, measurable parameters and qualitative goals. Specialist personal contacts, regular global meetings and further developed reporting and information technology standards form the basis of effective cooperation between the holding, the regional Lead Offices and the companies at the individual production sites.

NEW RESPONSIBILITIES FOR THE BOARD OF DIRECTORS

The responsibilities of the Board of Directors changed in the financial year 2007.

As part of the implementation of the global-regional organisational structure, the Director of Technology, Ralf Ackermann, left the Board of Directors on 04 May 2007. Until this time, he had been responsible for the Production, Technology, Global Purchasing, and Supply Chain Management divisions, as well as Quality and global Project Management. His tasks have been transferred to the regional managers.

According to the applicable rules of procedure, the Chairman (CEO) Joachim Gut is responsible for global sales, defining the strategy and development goals of the Balda group, publicity work (not Investor Relations), HR matters and internal audit.

The CFO since 1 November 2007, Dr. Dirk Eichelberger, heads the departments Controlling, Group Accounting, Taxes, Investor Relations, Information Technology, Finance and Legal.

NEW CORE BUSINESS DIVISIONS

As a result of the technological diversification, the weighting of the corporate divisions has changed. Through the participation in TPK Holding Ltd., the Touch division developed in the 2006 financial year into a new high-growth core business division – alongside the traditional core business division Infocom and the third central pillar Balda Medical.

SALE OF COMPANIES

In 2006, Balda continued to extensively pursue the stronger positioning gained in the Asiatic growth markets in 2005, through numerous new participations and joint ventures in the Asiatic region.

Balda further intensified its focus on the growth regions in the Far East through the sale of European activities in the financial year 2007.

Balda had already sold its Automotive division in late 2006, the sale of Balda-Heinze with the subsidiaries HeRo and SMK was completed in February 2007. In December 2007, Balda also sold the German Infocom business and the companies Balda Solutions Deutschland (BSD), Balda Werkzeug- und Vorrichtungsbau (BWV) and Balda Solutions Hungaria Kft., Hungary (BSH).

SALE OF EUROPEAN ACTIVITIES LEADS TO REDUCTION IN EMPLOYEE NUMBERS

Employee management and personnel development in the Balda Group were influenced by the further implementation of the global-regional organisational structure. Within the framework of the consistent strategic realignment of the company and the continued international expansion, personnel adjustments were necessary in the 2007 financial year, especially in the Europe region.

In February 2007, Balda sold Balda-Heinze GmbH & Co. KG and its subsidiaries HeRo Galvanotechnik GmbH and Sächsische Metall- und Kunststoffveredelungs GmbH (SMK). The European Infocom activities of Balda Solutions Deutschland GmbH, Balda Werkzeug- und Vorrichtungsbau GmbH and Balda Solutions Hungaria Kft. (Hungary) were sold as of 31 December 2007.

Because of the aforementioned structural adjustments and the usual fluctuation effects, the Group's employee numbers fell as at 31.12.2007 by 13.2 percent to 7,218 employees (previous year: 8,315 employees), including agency staff, temporary workers and trainees.



The total number of employees comprised 3,844 permanent employees and 3,374 temporary workers. The average number of employees, including agency staff, increased from 8,345 employees at the end of 2006 to 8,558 as at the reporting date at the end of 2007. No longer included as at 31 December 2006 are the 411 employees of the companies Balda Heinze, HeRo and SMK, which were sold in February 2007.

EUROPE

In Europe Balda employed a total of 219 people (previous year: 2,310 people) on the reporting date 31.12.2007. This reduction of 90.5 percent is due to the sale of Infocom's European activities by the company's core business during the year. The number of employees at the sold companies Balda Solutions Deutschland, Balda Werkzeug- und Vorrichtungsbau and Balda Solutions Hungaria Kft. averaged 1,079 in 2007. The average number of employees in Europe was 1,272 in the reporting year (previous year: 3,143 employees).

GERMANY

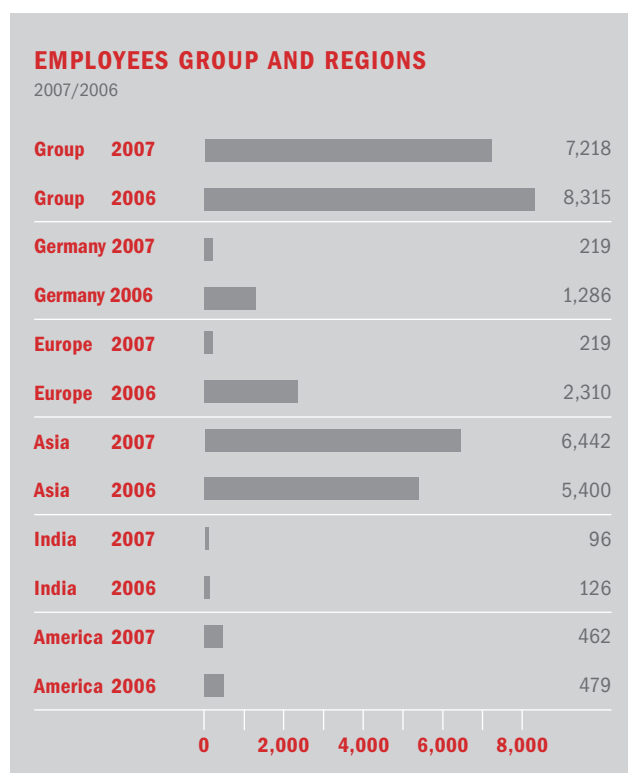
At the Germany-based companies of the Balda Group, Balda Solutions Deutschland, Balda Werkzeug- und Vorrichtungsbau and Balda Medical, there were an average of 663 employees in the 2007 reporting year, of whom 636 were permanent employees. Of these companies, only Balda Medical was still part of the Group on the reporting date with a total of 176 employees. Overall, an average of 539 employees worked for the companies Balda Solutions Deutschland and Balda Werkzeug- und Vorrichtungsbau which were sold in 2007. The number of employees at Balda AG fell by the end of the year to 43 (previous year: 51 employees). On average, Balda AG employed 50 people in the reporting year.

ASIA

As at 31 December 2007, a total of 6,441 employees worked in the Asia region at the Chinese facilities in Suzhou, Beijing and Xiamen – and at a plant in Malaysia. This is 19.3 percent more than in the previous year (5,400 employees). The expansion measures at TPK and the capacity expansion in Malaysia during the year were the primary contributors to this development. At the end of the year, 1,780 people were employed by TPK in Xiamen for Balda, which is more than three times the number of the previous year (471 employees). Apart from TPK, Balda employed an

average of 11 people at the facility in Xiamen in 2007. In Malaysia, employee numbers grew from 1,472 on 31 December 2006 to 1,867 employees at the end of the 2007 reporting year. In Suzhou, 2,019 people were employed at the end of the year (previous year: 3,458 employees), which was due to the fluctuating capacity utilisation during the year. The number of employees in Beijing remained almost unchanged compared to the previous year at 763 on the reporting date (previous year: 761 employees). On average, there were 6,762 Balda employees in Asia in the last financial year (previous year: 4,782 employees).

INDIA



At Balda-Motherston Solution India in the India region, which has been part of the Group since 2006, there were a total of 96 employees at the end of 2007 (previous year: 126). The annual average for 2007 totalled 115 employees (previous year: 40 employees).

AMERICA

The Brazilian facilities at Manaus and Jaguariúna (Sao Paulo region) and Balda USA had a total of 462 Balda employees at the end of the financial year. Compared to the previous year's figure of 479 employees, this is a slight reduction of 3.6 percent. On average, 359 people worked for Balda in the America region during the reporting year (previous year: 381).

PERSONNEL EXPENSES

The personnel expenses for the Balda Group were 77.9 million euros in 2007, a fall of 34.9 percent (previous year: 119.7 million euros). The proportion of personnel expenses in relation to total operating performance in the 2007 financial year was 24.4 percent (previous year: 31.7 percent). The reason for this change is the repositioning of the Group within the framework of global expansion and the related strategic measures.

In the continued business divisions, total personnel expenses for the last financial year reached 46.9 million euros (previous year: 33.1 million euros).

The personnel expenses include costs for temporary workers of 11.9 million euros (previous year: 30.0 million euros). The costs for employee reductions at the European sites were posted under other operating expenses.

COOPERATION WITH UNIVERSITIES

Cooperation with universities is an important tool in recruiting highly qualified personnel. In the last financial year there was cooperation between the individual companies of the Balda Group and renowned colleges, universities and research centres. The focus differed depending on the orientation of the regions.

PERSONNEL DEVELOPMENT

Targeted training measures play a significant role in the Group's strategic personnel development. The focus in Europe in the reporting year 2007 was on technology and engineering, management and social competence, followed by language training.

In order to train personnel from India, Balda regularly invited employees from the IT, Logistics and Quality planning divisions to three and six-month courses in Bad Oeynhausen.

Overall, the training and personnel development measures for 2007 in the Europe region totalled 0.29 million euros (previous year: 0.5 million euros). The expenses for training in Asia increased considerably compared to the previous year (0.1 million euros) to 0.5 million euros.

The Board of Directors thanks all employees for their outstanding performance and commitment in the 2007 financial year.



ENVIRONMENTAL MANAGEMENT AT A HIGH LEVEL ACROSS THE GROUP



Sustainable business activity is very important at all sites belonging to the Balda Group. Balda's environmental management targets the efficient use of raw materials and energy resources, the careful handling or avoidance of hazardous materials, and the reduction of waste to a minimum. The company pays particular attention to increasing energy efficiency in all production processes.

Naturally, Balda complies with the respective national environmental laws and corresponding legal provisions. The global environmental management system is certified according to ISO 14001. The same requirements apply to all sites, so that environmental protection within the entire group is ensured at the same high level. In the 2007 financial year, all of Balda's plants were certified again or for the first time.

In the reporting year 2007, the topic of environmental management was extremely important at the Chinese sites. The guidelines for environmental protection have again been considerably intensified in China. Numerous new conditions aim to improve recycling, environmental friendliness and energy efficiency and air pollution control.

For the first time, the Balda site in Beijing had its environmental management system successfully certified according to ISO 14001 in December 2007. Clear guidelines regulate the responsible use of raw materials and water, noise prevention, the avoidance and recycling of waste and the environmentally friendly disposal of hazardous materials. This also includes regular checks of the plant's surroundings. During the reporting year, employees were made familiar with the environmental management system and were sensitised to the subject of environ-

Environmental Protection

mental protection through regular training programmes. The regular examination and documentation of the system is mandatory here, as it is at the other Balda sites. During the 2007 reporting year, the site in Suzhou introduced a new system for treating water and also discovered considerable savings potential in terms of energy consumption.

In the 2007 financial year, the site Ipoh, Malaysia, subjected the existing environmental management system to an optimisation programme and now also complies with the stricter European environmental guidelines according to ROHS (Restriction of the use of certain hazardous substances in electrical and electronic equipment) (EU Directive 2002/95/EC). In procurement, it is ensured that “green” products are exclusively used. Left over paint is sold to recycling companies. Additional heat insulation ensures that there is a considerable reduction in energy consumption in the buildings. As a result of the introduction of a special drying process for paint residues, the cost of waste disposal has fallen by around 40 percent.

Environmentally friendly product design is now on the agenda for many manufacturers. This is why many of Balda’s customers have requirements which exceed the statutory regulations and include the entire supply chain in their environmental management. Because of the high environmental standards, Balda is now seen, after corresponding audits, as a “green partner” by many manufacturers.



“Sony Green Partner Approval” – certified as from 21 December 2006

ASIA IN 2008 FURTHERMORE ON A GROWTH CURVE

The continued divisions of the Balda group recorded a positive operating result (EBIT) as at the end of 2007. This trend will continue into 2008. This confirms the group's global repositioning strategy, which will also be continued consistently in 2008. In the fourth quarter of the 2007 financial year, the operating results (EBIT) in Asia's growth markets were around nearly 6.0 million euros. For 2008, Balda expects a considerable increase in sales and results in this area in particular.

The first half of 2008 will be traditionally weaker than the second half as experience shows that the new projects only impact on the sales and results in the second half of the year as a result of the start-up costs for the imminent new orders.

RESTRUCTURING OF THE EUROPEAN INFOCOM COMPANIES ASSUMED

At the end of the 2007 financial year, Balda sold the European Infocom subsidiaries Balda Solutions Deutschland GmbH (BSD), Balda Werkzeug- und Vorrichtungsbau GmbH (BWV), both domiciled in Bad Oeynhausen, and Balda Solutions Hungaria Kft. (BSH) in Veszprem, Hungary, to KS Plastic Solutions GmbH. The plan was for a consortium of investors led by AURELIUS AG of Munich to take over the companies, in a second step.

Within the framework of the profit and loss transfer contracts existing until the end of 2007, Balda had to bear the losses suffered by the German subsidiaries BSD and BWV from the 2007 financial year. When preparing the 2007 financial statements, it became clear that the KS Plastic Solutions group planned to report considerably higher losses to the German Infocom subsidiaries at the end of 2007 than appropriate and expected according to Balda's assessment. Since no agreement could be reached, despite intensive negotiations between the parties, Balda decided to buyback the three European companies and thus to avoid a time-consuming dispute.

After their deconsolidation as at 31 December 2007, from 7 March 2008 the companies BSD, BWV and BSH will again to report under "Discontinued Operations", as Balda is still seeking a corporately and strategically suitable purchaser for these divisions.

LIQUIDITY AND FINANCIAL SITUATION OF BALDA AG TIGHT

At the time of the buyback of the companies BSD, BWV and BSH, the available liquidity of Balda AG was not sufficient to pay a balance sheet loss equalisation at the amount demanded by the KS Plastic Solutions group and considered unreasonable by Balda. Before the sale and the subsequent buyback of the European Infocom activities, the liquidity and financial situation of Balda AG became increasingly tight in early 2008, also because existing credit agreements could no longer be fully exploited in view of the continued public speculation. The liquidity situation could be improved by the buyback of the three companies and the resulting possible reasonable results and through an insolvency prevention arrangement in respect of the claims from the profit and loss pooling agreements. In intensive discussions with all creditors, Balda has experienced universal consent regarding the further implementation of the desired refinancing. Since then, all conditions agreed for the continuation of the loans have been fulfilled to the previous extent. As a result, foreclosure of loans has been avoided. The loans from the banks are added to by financing commitments from private investors, and Balda AG is profiting from profit payouts for 2007 from the Asian subsidiaries (for further information in the financial situation see Risk Report p. []).

BALDA SHARE PRICE VERY VOLATILE AT THE START OF 2008

Balda shares started the new financial year with an Xetra closing price of EUR 9.46 on 2 January 2008. As a result of the continuing uncertainties triggered by developments in the US mortgage markets, global stock markets have fallen considerably over the course of the first quarter. Balda shares, like comparable stocks in the telecommunications industry, were not able to escape this effect. In view of the current market development, notably in view of the disputes with the KS Plastic Solutions group, Balda shares remained very volatile over the first three months of the current financial year.

Due to the taut financial situation, there were again further considerable falls in the share price in the first months of the current financial year 2008. This development must be considered independently of the developments on the international capital markets and does not reflect the development of the operating business. The lowest Xetra closing price in the first quarter of 2008 was 2.15 euros on 12 March 2008. [check price!]

SHAREHOLDER STRUCTURE REMAINS STABLE

The successfully implemented capital increase in December 2007 confirmed the course taken by Balda and the support from the shareholders. Nevertheless, shifts in the group of shareholders can always occur. Thus, for example, Morgan Stanley and the American investor Guy Wyser-Pratt have increased their positions considerably. Norddeutsche Landesbank Girozentrale, Hanover, has been a new major shareholder since 25 February 2008. Its voting rights total around 8.4 million shares. Further details and changes to the current shareholder structure can be found under Investor Relations and the shares, on p. [].

CONSISTENT PURSUANCE OF THE STRATEGIC REPOSITIONING

After the structural changes in the previous financial year 2007, Balda is planning to continue pursuing the strategic repositioning in 2008 and the focus on the core business divisions – above all in the growth regions of Asia. The transformation into a global high-tech group and the unavoidable structural adjustments within the Balda group are not yet complete.

EXCELLENT CHANCES IN GROWING MARKETS DESPITE WORLD ECONOMIC SLOWDOWN

WORLD ECONOMY

The world economy is expected to grow more slowly in the current year than in 2007, leading international institutions assume this. The International Monetary Fund (IMF) revised its forecast down in late January 2008 by 0.3 percent and now only predicts growth of 4.1 percent. As part of the sustained turbulence on the financial markets as a result of the mortgage crisis in the US, domestic demand in industrial nations is likely to weaken and could also result in greater consequences in emerging and developing countries.

The Bundesverband der deutschen Industrie (BDI) forecasts global growth in the current financial year of 4.5 percent (2007: 5.0 percent). The experts at the BDI see the economic climate and consumer confidence in the USA and in Europe noticeably weaker, but also foresee higher growth opportunities for the markets in emerging countries.

According to the assessment of the Swiss Institut Prognos, the global weight of China, India and other Asian emerging countries will increase considerably over the medium to long-term. According to Prognos, global exports will grow by 76 percent by 2015 and exports from China and India will triple.

EUROZONE

After confidence indicators started to fall from mid-2007, since January 2008 a slight upward trend has formed. The Zentrum für Europäische Wirtschaftsforschung (ZEW) believes this indicates an economic recovery from the middle of the current financial year 2008. The Organisation for Economic Cooperation and Development (OECD) expects economic growth for 2008 of 2.6 percent (2009: 1.9 percent). Provided that the economy in the USA improves again, the experts at the OECD expect the European economy to recover in the second half of 2008. The EU-wide inflation rate will remain at around 2.5 percent until the end of 200, according to the OECD.

GERMANY

The recovery in Germany is expected to lose impetus, but remains intact. OECD experts forecast GDP growth of just 1.8 percent for 2008 (2007: 2.6 percent). The report cites the weak dollar and high energy prices as the cause.

Unemployment should continue to fall, but more slowly than in 2007. The OECD names the further increase in oil and food prices as risk factors for the future economic development in Germany.

The Verband Öffentlicher Banken in Deutschland (VÖB) believes the risks for medium-term price stability remain. It believes that the ECB will raise interest rates in the second or third quarter of 2008 to 4.3 percent. There is further upward potential for the euro in the short-term. The US currency should strengthen in the second half of the year. The weakness of the US economy and the strong euro will slow German exports. The BDI expects exports to grow in 2008 by 6.0 percent, after 8.3 percent in the previous year. The researchers from Prognos assume that China will replace Germany as the world export champion by 2009 at the latest. But German exporters will continue to profit from globalisation and exports will grow by more than five percent per year until 2015.

STOCK MARKET

Developments in the worldwide stock exchanges depend to a large extent on the economic development of the USA. The leading German index has lost around 15 percent since its record high of 8,152 on 13 July 2007. Over the next two or three years, for example, the VÖB expects continued very volatile developments for the DAX. As part of the more positive economic prospects in the second half of 2008, an improvement is also expected for the stock market.

USA

The American central bank, the Fed, in February 2008 only expected growth of between 1.3 and 2.0 percent in the United States. According to the Fed, the reasons for this are an intensification of the property market correction, reduced availability of credit, turbulence on the financial markets and higher oil prices. The economic package passed by the US government in February 2008 should stimulate the economy in the second half of 2008. The IMF expects growth of 1.5 percent for the United States and refers to the indicators for weakness among consumers and on the labour market.

CHINA, INDIA, MALAYSIA

According to the IMF, developing countries such as China and India will easily overcome the current turbulence on the financial markets and will continue to expand. Growth in China should fall slightly in the current financial year from 11.4 percent in 2007 to ten percent. This is assessed positively by the experts from the IMF as the concerns of overheating in the economy will disappear as a result. The Asian Development Bank (ADB) expects economic growth for China of 10.5 percent after 11.4 percent in 2007. For India, the bank expects economic growth of 8.5 percent (2007: 8.5 percent). For the countries of the Association of South East Asian Nations (ASEAN), the ADB expects slightly weaker growth of 6.1 percent in the current financial year 2008 after 6.3 percent in 2007.

BRAZIL

According to a study by the German Institute of Global and Area Studies (GIGA), macroeconomic growth in the region Latin America is expected to weaken slightly in the current financial year 2008, but growth will remain robust at more than four percent. For Brazil, the Bundesagentur für Aussenwirtschaft (bfai) forecasts economic growth of 4.5 percent after 4.8 percent in 2007.

SECTOR SITUATION INFOCOM

Leading international market watchers continue to believe mobile communication is an expanding market. By 2010, the number of mobile phone users will grow globally in the coming years by 11.9 percent a year. This comes from the 2007 fact report by the market research institute tns infratest. The growth rates could fall slightly here in the coming years as a result of the increasing market penetration and the associated base effect. Analysts from iSuppli, for example, expect a slowdown in global growth rates from 12.8 percent in 2007 to 9.6 percent in the current financial year 2008. The growth drivers are increasingly the emerging countries in Asia, Africa and Latin America. Pyramid predicts average annual growth of 10.9 percent in the Asia/Pacific region until 2010. The market researchers predict stronger growth only for the region Africa/Middle of 13.6 percent. The European proportion of the world market is reducing. According to EITO, in 2010 it will be around 24 percent (2007: 27 percent). Market coverage in industrial nations is already very broad. Statistically, every inhabitant in Europe already has at least one mobile phone. The market researchers from EITO and eTFForecasts expect this level to be exceeded considerably. Germany exceeded this mark back in 2006.

Global sales of mobile phones is continuing without interruption. In the 2007 financial year, according to a study by the market research institute Gartner, for the first time more than one billion mobile phones were sold around the world. Sales increased by 16 percent to around 1.15 billion euro. For the current year, the analysts predict growth of ten percent. Despite the current economic concerns, the global market for mobile telephones is relatively immune against an economic downturn in the USA and Western Europe, as the main drivers in 2008 will continue to be the growth and developing regions. The analysts from iSuppli predict sales of 1.29 billion mobile phones for 2008. They are forecasting a slight slowing in growth from 16 percent in 2007 to almost twelve percent in 2008, again because of the high saturation levels in industrial countries.

While there is a high level of demand in Asia in the lower price segment, sales of multimedia devices are increasing in the developed markets of North America and Europe.

Mobile communication devices with integrated information technology, so-called Smart Phones, are particularly important for the future. In-Stat is predicting an annual growth rate in smart phones of an average of 33 percent by 2012. IDC forecasts annual sales of company-suitable mobile end devices of more than 82 million units by 2011.

SECTOR SITUATION TOUCH

The market for touch technologies also offers promising growth opportunities for Balda, based on market expectations. Touch technologies are finding their way into everyday life. The application possibilities of Touch sensors know no bounds according to leading analysts. They already span from mobile communication devices such as smart phones or navigation systems to large domestic appliances, information systems and medical technology devices. The growth rates are correspondingly high. Current research by iSuppli assume the market for touch screens in mobile telephones to grow from 110 million units in 2007 to more than 500 million units in coming years (2006: 38 million units). The sales of navigation devices with touch sensors is estimated to be 59 million in 2007, and 9 million for laptops and PCs. Multi-touch technology is considered to be considerably future-proof. The market value over the next five years should reach USD 433.1 million.

SECTOR SITUATION MEDICAL

Medical technology is a sector of the future, according to market analysts. According to information from the Bundesministerium für Gesundheit, medical technology has averaged growth rates of six percent since 1995. The export ratio is around 10.8 percent per year. For the pharmaceuticals sector, the market research institute IMS predicts growth of five to six percent, compared to six to seven percent in 2007. The study "Pharma 2020: The vision – Which path will you take?" by PricewaterhouseCoopers (PwC) assumes that the pharmaceuticals market will double by 2020 to 1.3 billion dollars.

FUTURE CORPORATE SITUATION OF BALDA AG

Balda AG acts within the group as a traditional management holding company which is initially accumulates the results of the subsidiaries, through payouts, and is financed in this way. The costs reallocation of the central services provided by for the group companies also makes a corresponding contribution to the financing. The extent of the business of the holding company will continue to be adjusted as part of the relocation of the core business fields from Europe. As much as possible shall be taken over by the national companies.

FUTURE CORPORATE SITUATION OF THE BALDA GROUP

For 2008, the Balda group is planning sales of 600 million USD or around 414 million euro and pre-tax profits (EBT) of 35 million USD. Based on the exchange rate underlying the budget of 1.45 USD per euro, this corresponds to around 24 million euros – the results in euros must be adjusted to the current dollar rate.

Despite the economic slowdown, mobile communications will remain an expanding market. This is why Balda expects growth in revenue of around 30 percent for the Infocom division in the current financial year 2008. Overall, this division should contribute around 50 percent to group revenue.

The market for Touch technology is particularly promising. With a proportion of around 40 percent of group revenue, the new core business division Touch will remain a driving force. In this division, Balda again forecasts increased revenue growth in 2008.

During 2008, Balda Medical should contribute almost ten percent to revenue growth. It is conceivable that under attractive marginal conditions Balda will involve a strategic investor in Medical or will even consider selling the company. This results from the strategic considerations in view of the sale of the European Infocom activities, the reduced holding function and the specific customer requirements of Medical.

The expansion of the Asian markets will continue uninterrupted. As a result, the growth prospects for Balda in the Asia region are currently particularly great. The group wants to achieve over 80 percent of its revenue here in the current financial year 2008. If the prices for supplied parts change, or the prices for the components used in production or currency relations, the revenue can fluctuate without this having an impact on the sales volume.

The group's investment volume is expected to reach as much as 50 million euro this year. The investments relate, in particular, to the Asian region and TPK, specifically the expansion in Touch production. These investments are also necessary in order to equip the company for additional volume orders from large customers in the rapidly growing market for Touch applications and to achieve a competitive critical mass.

The financing of the further growth of the Balda group – above all locally in the Asia sites – and the adjustment of the management and organisational structure to the regional positioning of the continued divisions is one of the central tasks for the Board of Directors in 2008.

FINANCIAL SITUATION

In principle, the plan is for the existing and additional liquid funds, the income expected from the operative business and available lines of credit to finance the implementation of the Balda group's projects planned for the financial year 2008. Apart from the successive relocation of the group financing to the regions, prospective additional financing is required. This is already becoming clear just from the size of the investments in TPK.

In conjunction with the sale at the end of 2007 and the subsequent buyback in March 2008 of the European Infocom companies Balda Solutions Deutschland GmbH, Balda Werkzeug- und Vorrichtungsbau GmbH and Balda Solutions Hungaria Kft., the liquidity situation and financial situation of Balda AG became tense (for further information about the buyback, see chapter Supplementary report, p. [] and Risk report, p. []). Subsequently, Balda has continued to hold intensive discussions with various lenders and since then has fulfilled all the agreed conditions required to continue the loans to the previous extent, so that a possible foreclosure of the loans has been avoided.

Our aim is to restructure the entire debt capital side and to secure the required funds and long-term required debt capital. The group is already moving forward here in Asia. In future, the AG should be financed, above all, through payouts from the subsidiaries and through internal group cost reallocations. The holding company's reduced costs and the increasingly profitable business in Asia will simplify the refinancing of the group considerably.

The liquidity and financial situation will be decisively supported in the current financial year 2008 by the further development of the discussions with banks and investors. The restructuring measures of the European Infocom subsidiaries and, in particular, the modalities of the planned sale of these companies will also play an important role.

TARGETED MEASURES IMPROVE RISK MANAGEMENT

NEW GROUP-WIDE OPPORTUNITY AND RISK MANAGEMENT

Balda is exposed to a series of opportunities and risks which can have a considerable impact on the asset, financial and income situation of the company. In order to be able to record, analyse, assess and steer opportunities and risks early and better, Balda will begin to improve the company-wide risk management system over the course of the 2008 financial year and integrate the existing steering and control processes. Performance indicators corresponding to the goals and principles of Value Reporting, i.e. a value-based, transparent and structured reporting is becoming increasingly important for Balda.

The regular audit of the risk management system going forward is the responsibility of group audit. It reports continually to the Management Board. The general managers of the group companies are responsible for risk management in day-to-day business. Within the framework of the planning, steering and reporting processes in the Balda group, there is monthly reporting about the deviations from the budget and from previously agreed assessments of the sales and costs developments. Controlling performs the central steering and assessments here. The probabilities of risks arising and the chances of their effect are also analysed using appropriate measures.

The new risk management system envisages a detailed plan of measures designed to enhance early identification of risks and risk management. The optimisation of the controlling instrument for the global standardisation of reporting is an important component of the measures. All locations are required to draw up monthly assessments of the development of the business on a target and actual basis. A binding risk management manual defines the responsibilities, appoints risk managers and deputies and makes clear requirements for risk audit and communication. The measures catalogue also includes a regular audit process, both

for the derived measures themselves and the marginal conditions, and takes place over a two-year cycle. In this way, assessment of the risk management within the group companies is triggered continually and the results are assessed centrally.

The figures-based liquidity management system envisages the continual assessment of the liquidity status. Closely interlinked with the corporate steering, the liquidity management system has a direct impact on the cash flow planning. Extensive risk records are also supposed to be carried out at regular intervals, which highlight the current chances and risks in order to be able to derive necessary measures therefrom if required.

In particular, the following risks can affect the asset, financial and income situation.

ENVIRONMENTAL AND SECTOR RISKS

OVERALL ECONOMIC RISKS

General economic conditions represent risk factors for Balda as an internationally operating company. Risks could arise from Balda from the future development of the world economy. The global growth in the 2007 financial year was robust, but slowed towards the end of the year. The reasons for this were mainly the disruptions on the financial markets after the mortgage crisis in the USA and the increasing oil price. For 2008, the International Monetary Fund (IMF) cut its forecasts for global economic growth to 4.1 percent. Falling domestic demand due to the sustained financial market turbulences, especially in industrial countries, could affect the future sales development in the area of Consumer Electronics. Another risk could arise from global monetary policies. The Euro/Dollar exchange rate remained consistently high after the end of the reporting year. Experts do not expect a change in this trend for 2008. Moreover, there

are further risks regarding price stability. According to experts, the rate of inflation will initially be high in 2008 because of the increasing energy and food prices.

REGULATORY AND POLITICAL RISKS

Depending on the development of the global political situation, there is a potential risk for globally active companies. Examples here include the conflicts in Afghanistan and Iraq, the nuclear policy of developing countries and the sustained threat from international terrorism. The possible consequences for Balda are difficult to assess: However, they could have a negative effect on consumption, the Balda share price and the possibilities for obtaining capital. There could also be an impact on the sales situation in the information technology and communications technology area, as well as on customer loyalty.

Higher wages, taxes and incidental costs, as well as restrictive national laws, could represent a risk at any Balda location. This also applies, moreover, to Balda's competitive environment.

MARKET RISKS

The development of the demand in the mobile communications market represents a specific risk for Balda. Balda still earns a large proportion of its revenues in the Infocom division. Balda has countered the resulting risks with a strategy of technological diversification and by using synergy effects which cross divisions. One risk could be the saturation of the mobile communications markets, especially in highly developed industrial nations. Statistically, every European already has at least one mobile telephone. The trend towards second or replacement devices with innovative application possibilities is currently uninterrupted, however. For emerging countries – notably for China, India and Brazil – market researchers expect further considerable growth rates to continue beyond 2008.

GROWING PRESSURE ON PRICES

The competition in the information and communication technology sector – notably in the mobile communications market – also increased in 2007. The product life cycles of mobile telephones are becoming ever shorter. Above all in

industrial nations, the mobile phone has become a lifestyle product. The price and cycle pressure was also a risk factor in the year under review. Balda is countering this risk with a shortening of cycle times and a further optimisation of the production processes.

Risks for the future economic situation of the Balda group could arise from the changes and fluctuations in prices for the parts used, for raw materials and supplies and in the prices achievable on the market for consumer electronics end products.

In the Touch division, in particular, the increasing market spread could lead to a fall in prices, for example if capacities are increased in the market more quickly than demand grows. New technologies and new application possibilities for existing technologies allow manufactures to demand a comparatively high price for their products as long as the technology represents an innovation in the market. As the market for portable electronic devices, in which touch technology is currently primarily used, is fast-moving and requires the continual development of new technologies and application possibilities, there is also a risk of falling prices here.

COMPETITION

The competition in the supplier sector has intensified further and can have a negative impact on margins. Globally, suppliers have increased their capacities, with direct consequences on pricing. Balda is trying to halt this pressure on prices and to keep margins as stable as possible through the early integration into the development process and constant technological innovations. There could be additional risks for Balda, in particular, if additional competitors, who are in the same situation as Balda to offer a complete mobile phone technology, enter the market.

STRENGTHENING THE MARKET POSITION THROUGH TOUCH TECHNOLOGY

Balda has strengthened its market position with the entry into touch screen production and the associated technological diversification. Balda is able to react flexibly to risks which could arise from a too-fast expansion of touch pro-

duction (see also technology risks, p. [] and growth risks []). Market researchers assume high levels of market growth in the mobile communications sector for the coming years. Touch technology is considered to be particularly future-proof here. Balda expects synergy effects in acquiring new customers, development and in production technologies from the combination of Touch and the competences of the other divisions. The broader position in the market due to the technological diversification and the synergy effects from the combination with the other core competences allows Balda to counter the risk of too-fast market growth through a stronger position.

CORPORATE STRATEGY RISKS

GROWTH RISKS

A risk could arise from the rapid growth of TPK, Xiamen. With the entry into touch technology and the varied application possibilities, Balda has reduced its dependence on the mobile communications market in the narrow sense as a result of the diversified position in the market. However, any technological diversification is generally exposed to risks. Apart from the risks connected with new markets and the acquisition of new customers, the production risk is notable here (see also technology risks, p. []). The use of touch technology requires a seamless process of complex production procedures, not least under cleanroom conditions, and extensive quality tests. The production processes and the use of production capacities must always be reassessed and adjusted where necessary. TPK also has to achieve the necessary size in order to be fit for large orders at competitive conditions. A capacity risk is associated with these investments (see also Touch technology risks, p. []).

RISKS FROM FOREIGN ACTIVITIES

There are risks which arise from cooperation at international production locations. Business policy goals, strategies or specific individual interests could diverge over time. Balda manages regular, open and intensive dialogue with the affiliated partners in the foreign subsidiaries. Balda tries to limit legal risks resulting from the international holding

structure through international legal advisors and lawyers who specialise in international contract law (see also Legal risks, p. []).

TECHNOLOGY RISKS

RISK OF TOUCH TECHNOLOGY

Market researchers forecast great market potential for touch technology. A risk could arise from the rapid growth of touch screen production at TPK (see also Growth risks, p. []). In five years, almost 40 percent of all mobile telephones could have a touch-sensitive display. After establishing the production works in the third quarter of 2006, over the course of 2007 production reached the level of mass production in just a few weeks. Production fulfils high quality requirements and is certified according to current ISO provisions. Should the market for touch technology not develop as quickly as expected, however, this would have a negative impact on Balda's business development.

The amount of revenue actually earned with touch sensors also depends on the extent to which touch sensors are sold alone or together with LCD screens. Expectations regarding revenue earned with touch sensors are therefore subject to specific uncertainties. As LCD displays are a purchased component, however, which are resold without a significant mark-up on the purchase price, the amount of profit earned with the sale depends on this to a large extent.

OTHER TECHNOLOGICAL RISKS

Uncalculated cost fluctuations in production and development could represent a risk. As Balda becomes more strongly integrated into the customers' development processes as a result of the increasingly customer-specific order handling, the purchasers' requirements are identified comparably early. In technological development, Balda is concentrating almost exclusively on customer-specific projects and collaborates with universities and external partners. As a result, Balda can better assess the technological development and reduce technological risks.

BALDA MEDICAL

Balda's medical division is exposed to liability risks to a considerable extent. It cannot be ruled out that technical problems with certain products can lead under some circumstances to injuries to the user, with possible negative consequences for the sustained market acceptance of the product and thus for the business development. Official certifications and strict monitoring of products minimise these risks.

OPERATING RISKS

CUSTOMER RISKS

The success of the Balda group depends largely on how successfully Balda's customers develop and market their products. Because of the market structures, Balda is still concentrating on a small number of large customers. The resulting risks could increase, especially if the business volume with these large customers increases disproportionately. High customer requirements for more complicated products also increase the risk that Balda could lose these large customers. With the strategy of technological diversification, Balda is increasingly trying to develop new customers and application areas. For example, Balda can also produce touch screens in sizes which are suitable for use in domestic appliances, for example, or in other application areas.

SUPPLIER AND PROCUREMENT RISKS

The large manufacturers in the area of consumer electronics have mostly started to impose requirements on their suppliers as to which suppliers they can purchase plastic granulate and paint from, for example. If one of these suppliers experiences delivery difficulties, the Balda group typically does not have a duty to stand in for the manufacturer. On the other hand, there is a risk that delivery difficulties can lead to lost revenue. Should this be the case, Balda can recommend alternative suppliers. Balda also counters delivery difficulties with careful audits of its suppliers in respect of the quality of the products supplied and punctual delivery. Consignment stores belonging to the suppliers close to Balda's production sites reduce storage

risk. Balda hedges against price fluctuations for purchased goods through individual agreements with customers. The customers are exposed to any increase in costs for a series of products. The new regional organisational structure is also an advantage here. The regions are now responsible for steering the increasing supplier and procurement risks connected with the majority of production sites.

CAPACITY RISKS

Seasonal fluctuations, such as due to Christmas business or the Chinese New Year increasing characterise the market for consumer electronics. Manufacturers expect suppliers like Balda to be able to deliver large quantities in a very short time and with a very short lead time, without the manufacturers issuing purchase guarantees. The provision of production capacities and qualified staff is capital-intensive. Herein lies a risk for the Balda group. Balda passes on excessive orders to external suppliers and at peak times employs temporary agency staff. Fluctuations in demand can be controlled flexibly as a result. In addition, Balda counters these through planning as precisely as possible and adjusting capacities in constant consultation with the customer, taking into account the order situation and general market expectations. Balda's customers have increasingly relocated their production to Asia, however – a trend which is continuing and which cannot be countered solely with steering measures, for example, in personnel management.

PERSONNEL RISKS

Balda has a high level of demand for internationally oriented managers and highly qualified experts and managers with technical or sector-specific know-how. As a result, Balda is competing on a global market and is currently seeking qualified managers and good engineers in all divisions. Through targeted personal development measures, Balda tries to promote and hold on to good employees permanently. However, there is a risk that managers in key positions will leave the Balda group in the future.

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, which could arise as a result of a network crash or unauthorised access to data, by outsourcing parts of the IT infrastructure to an internationally active computer centre. Access to these computers is therefore secured from all parts of the world.

FINANCIAL RISKS

CAPITAL MARKET AND FINANCING RISKS

The companies of the Balda group are financed to a considerable extent through debt capital within the framework of financial instruments such as bonds, promissory notes and loans. In 2007, the Balda group had sufficient lines of credit in all regions and liquidity was secured throughout the year.

THE FINANCING OF BALDA AG CONSISTS OF THE FOLLOWING MAIN PILLARS:

- A syndicated capital loan of 60 million euros (current drawdown 54 million euros) with a term until 2010
- A promissory note loan currently in the amount of 30 million euros (40 million euros at the reporting date) with a term until February 2010
- A bond in the amount of 5 million euros with a term until February 2009
- Annuity loan in the amount of 1 million euros (residual amount) with a term until December 2013

Owing to the sale of BSH, BSD and BWV, as well as the incomplete presentation of the quarterly figures as at 31 December 2007 on time, breaches of the credit agreements arose (potential right to cancellation). Within the framework of the promissory note documentation, agreed financial covenants were broken, but this was remedied through the granting of a waiver in February 2008.

With regard to the maturity of Balda AG's loss adjustment obligations towards BSD and BWV for 2007, a prevention arrangement pursuant to Section 302 para. 3, sentence 2

AktG was concluded with BSD and BWV on 10 March 2008 in order to avoid any incapacity to pay. Among other things, this provides for the deferral of the loss assumption claims.

A material requirement for the prevention arrangement is the financing banks waiving their right to cancellation under the credit agreements.

In view of this, and in order to make it possible to produce a restructuring plan for the Balda group, all of the banks that have provided financing to Balda AG have agreed to waive the use of the cancellation rights provided under their respective credit agreements until 16 June 2008. The waiving of cancellation rights is subject to the resolutive conditions according to the standstill agreement made with the financing banks on 11 April 2008, which according to current estimation can be met.

The current strategic plan is to restructure the entire debt capital side, in particular through investors, in order to secure the required funds and long-term debt capital. In the case that this is not successful, despite expectations, there would be a considerable liquidity and financing risk. In this scenario, Balda would be able to strengthen its own financing through third party investments in parts of the company or by selling parts of the activities. Balda Medical and the real estate assets would be a possibility here, but also the activities in Asia or America generally. Should the situation escalate, despite expectations, Balda could, for example, sell all or part of the TPK stake. At present, a sale of core activities is neither envisaged nor foreseeable. Such measures cannot be excluded, however, as things stand, if the efforts towards a comprehensive realignment of the refinancing to redeem the holding's corresponding bank liabilities remain without success.

The group counters possible interest rate changes with regular monitoring of the liquidity and interest risks in order to take any necessary interest heading measures in a timely manner. After the capital-intensive investments in the 2006 financial year, the resources were strengthened

in over the course of the reporting year 2007 with equity capital through the two capital increases.

FOREIGN CURRENCY RISKS

The global orientation of Balda's business activities leads to a number of payment streams in various currencies. The companies of the Balda group purchase deliveries and services overwhelmingly in the same currencies in which they sell their products. Therefore, Balda is only exposed to risks from exchange rate currencies to a limited extent. However, as Balda reports the consolidated results in euros, exchange rate fluctuations between the euro and other currencies in which the companies of the Balda group buy and sell have an effect. Balda tries to hedge against risks which could arise from this through measures such as cash and currency forwards. The department "Treasury", which is charged with securing these financial risks, constantly checks all relevant market developments and agrees corresponding measures with the relevant committees.

LEGAL RISKS

RISKS FROM THE HOLDING STRUCTURE

Balda counters legal uncertainties which could arise from the international holding structure of the group curtailing corporate control with internationally active legal advisors. For contracts, commercial questions or public matters, Balda employs its own lawyers in Europe and China.

LIABILITY RISKS

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

PATENT RISKS IN THE TOUCH DIVISION

The success of the touch technology largely depends on the willingness of the manufacturers to use touch sensors in their products. Open patent questions could keep manufacturers from fitting touch screens to devices. In this case, the market for touch sensors could grow more slowly than expected.

TRIALS

The trial regarding the powder inhaler, which had been pending in the Balda Medical division since 2005, was concluded in 2007.

There were no other significant legal disputes in the reporting period.

OTHER RISKS

ENVIRONMENTAL RISKS

All group companies of the Balda group have established environmental management in accordance with the standard DIN EN ISO 14001. There are no noteworthy environmental risks (for further information about environmental management, see chapter Environmental protection, p. []).

RESTRUCTURING

At the end of 2007, the European Infocom companies Balda Solutions Deutschland GmbH, Balda Werkzeug- und Vorrichtungsbau GmbH and Balda Solutions Hungaria Kft. were sold for strategic reasons. In early March 2008, these companies were bought back as a result of a dispute with the purchaser KS Plastic Solutions concerning the amount of the losses reported and to be equalised by the German subsidiaries (for further information regarding the buyback, see chapter Supplemental report, p. []). After the buyback of the European Infocom subsidiaries, the restructuring measures were continued. In parallel to this, discussions were started with potential purchasers of the companies. Should the restructuring and sale not proceed as planned, there could be additional liquidity, financing and income risks for Balda (see financing risks p. []).

SUMMARY

The above risks and uncertainties can have negative impacts on Balda's business activity. In particular, the financing risk is noteworthy here, which Balda can counter with the above measures and options. In the current liquidity planning, scenarios are also being considered in which a series of negative effects occur together ("worst case" scenario). From the current perspective, we are assuming, taking into account all scenarios, that the long-term continued existence

of the company is secured. Other risks and uncertainties are not known or not yet known at this time or cannot be assessed.

By carefully dealing with risks throughout the group and because of the optimisation measures envisaged for the early warning system for the 2008 financial year, Balda is trying to identify risks early and to introduce corresponding measures.

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Balda Group – Balance sheet as of 31 December 2007 – Assets

BALDA GROUP – BALANCE SHEET AS OF 31 DECEMBER 2007 – ASSETS

	Notes	31.12.2007 TEUR	31.12.2006 TEUR
A. Short-term assets			
I. Liquid funds	5.a.	42,921	38,335
II. Trade debtors	5.b.	58,998	40,308
III. Inventories	5.c.	23,922	41,346
1. Raw materials and supplies		11,416	12,057
2. Work in progress and finished goods and merchandise		10,457	24,688
3. Advance payments		2,049	4,601
IV. Income tax refund (acc. to IAS 12)	5.d.	1,306	4,343
V. Prepaid expenses and other current assets	5.e.	14,566	22,732
VI. Assets classified as held for sale	5.f.	0	19,256
Short-term assets		141,713	166,320
B. LONG-TERM ASSETS			
I. Tangible assets	5.g.	122,445	108,356
1. Land and buildings		47,781	40,185
2. Technical equipment and machinery		53,613	43,171
3. Other plants, factory and office equipment		8,643	8,931
4. Advance payments and construction in progress		12,408	16,069
II. Investment property	5.h.	0	1,537
III. Intangible assets	5.i.	65,963	71,900
IV. Financial assets	5.j.	15,247	3,318
1. Investments		1	1
2. Shares in affiliated companies		0	502
3. Receivables from associated companies		0	0
4. Other financial assets		15,246	2,815
V. Goodwill	5.k.	70,216	77,223
VI. Deferred taxes	5.l.	7,424	14,728
Long-term assets		281,295	277,062
TOTAL ASSETS		423,008	443,382

Balda Group – Balance sheet as of 31 December 2007 – Liabilities

BALDA GROUP – BALANCE SHEET AS OF 31 DECEMBER 2007 – LIABILITIES

	Notes	31.12.2007 TEUR	31.12.2006 TEUR
A. Short-term liabilities			
I. Short-term portion of finance lease liabilities	5.m.	632	561
II. Short-term liabilities towards banks and short-term portion of long-term loans	5.n.	93,681	49,423
III. Trade accounts payable	5.o.	46,418	36,185
IV. Advance payments received	5.p.	540	2,258
V. Short-term provisions	5.q.	2,840	5,896
VI. Tax liabilities	5.r.	1,643	1,590
VII. Other short-term liabilities	5.s.	32,802	18,280
VIII. Liabilities classified as held for sale	5.t.	0	7,004
Short-term liabilities		178,556	121,197
B. Long-term liabilities			
I. Long-term loans	5.u.	76,402	127,360
1. Bonds		36,897	79,783
2. Bonded loans		29,669	39,474
3. Bank loans		9,836	8,103
II. Long-term finance lease obligations	5.v.	461	745
III. Deferred taxes	5.w.	14,736	18,405
IV. Long-term provisions	5.w.	1,857	3,291
V. Other long-term liabilities	5.y.	94	2,517
Long-term liabilities		93,550	152,318
C. Shareholders' equity			
I. Subscribed share capital	5.z.	54,157	40,279
II. Deposits for execution of agreed capital increase		0	42,648
III. Reserves		144,570	57,415
IV. Retained earnings		-54,648	18,607
1. Net loss/profit		-73,255	-41,995
2. Profit carried forward		18,607	60,602
Group shareholders' equity		144,079	158,949
Minority interests		6,823	10,918
Total shareholders' equity		150,902	169,867
TOTAL LIABILITIES		423,008	443,382
Group shareholders' equity		34.06 %	35.85 %
Total shareholders' equity		35.67 %	38.31 %

Balda Group – Profit and loss statement in total expenditure format for the 2007 financial year

BALDA GROUP – PROFIT AND LOSS STATEMENT IN TOTAL EXPENDITURE FORMAT FOR THE 2007 FINANCIAL YEAR

IN TEUR	Notes II.	Continued operations 2007	Discontinued operations 2007	Group total 2007	Continued operations 2006	Discontinued operations 2006	Group total 2006
1. Revenues	6.a.	257,402	51,807	309,209	157,385	213,473	370,858
2. Other operating income	6.b.	15,555	4,598	20,153	2,515	7,803	10,318
3. Changes in inventories of finished goods and work in progress	6.c.	-1,575	-9,082	-10,657	2,683	-6,900	-4,217
4. Own work capitalised	6.d.	0	89	89	0	534	534
5. Material expenses	6.e.	149,868	17,569	167,437	89,348	82,182	171,530
6. Personnel expenses	6.f.	46,941	30,914	77,855	33,134	86,582	119,716
a) Wages and salaries		40,032	25,952	65,984	28,784	60,944	89,728
b) Expenses for temporary workers		6,909	4,962	11,871	4,350	25,638	29,988
7. Depreciations	6.g.	19,805	15,961	35,766	22,258	28,472	50,730
8. Other operating expenses	6.h.	46,225	46,841	93,066	35,065	43,710	78,775
9. Operating income		8,543	-63,873	-55,330	-17,222	-26,036	-43,258
10. Financial results	6.i.	-11,754	-1,207	-12,961	-5,359	-989	-6,348
11. Earnings from affiliated companies		0	-11	-11	0	71	71
12. Earnings before tax (and minority interests)		-3,211	-65,091	-68,302	-22,581	-26,954	-49,535
13. Taxes on income and earnings	6.j.	-5,525	242	-5,283	9,141	366	9,507
14. Earnings from minority interests		-8,736	-64,849	-73,585	-13,440	-26,588	-40,028
15. Minority interests		330	0	330	-1,967	0	-1,967
16. Earnings after taxes	6.k.	-8,406	-64,849	-73,255	-15,407	-26,588	-41,995
17. Profit carried forward		18,607	0	18,607	72,651	0	72,651
18. Dividends		0	0	0	-12,049	0	-12,049
19. Retained earnings		10,201	-64,849	-54,648	45,195	-26,588	18,607
Number of shares undiluted/diluted		47,632	47,632	47,632	40,414	40,414	40,414
Earnings per share (euro) – undiluted/diluted	6.l.	-0.176	-1.362	-1.538	-0.381	-0.658	-1.039

BALDA GROUP – CASH FLOW FOR THE 2007 FINANCIAL YEAR

	Notes II.	31.12.2007 TEUR	31.12.2006 TEUR
Net loss/income before income taxes and financing costs		-55,330	-43,258
- Interest payments		-11,389	-4,600
- Income tax payments		-203	-393
+/- Write-offs/write-ups on long-term assets (excluding deferred taxes)		35,766	50,730
+/- Other non-payment affecting expenses and earnings		14,520	3,512
+/- Increase/decrease in tax refund and tax liabilities		1,612	-299
+/- Increase/decrease in provisions		241	-307
+/- Increase/decrease in inventories, trade accounts receivable and other assets not itemised within investment or financing activities		-3,898	25,960
+/- Increase/decrease in accounts payable and other liabilities not itemised within investment or financing activities		5,672	-3,221
= Cash flow from current business activity	4.a.	-13,009	28,124
thereof discontinued operations		-1,605	8,834
Cash flow from investment activities			
+/- Change in fixed assets affecting payment		-42,244	-34,686
+/- Change in financial assets affecting payment		-1,546	341
+/- Change from the acquisition and sale of subsidiaries affecting payment		0	-112,225
= Cash flow from investment activities	4.b.	-43,790	-146,570
thereof discontinued operations		-3,777	-4,217
Cash flow from financing activities			
- Payments from dividends		0	-12,049
+/- Change in liabilities to banks affecting payment		35,247	25,575
+ Payments from the buyback of option bonds		0	77,973
+ Cash inflow from the issue of bonded loans		-68,000	0
+/- Change in shares of external shareholders		-2,995	2,863
+ Cash inflow from capital increase		64,771	550
+/- Cash inflow from the issue of convertible participation rights		32,782	0
+/- Change in finance lease obligations affecting payment		-213	-609
= Cash flow from financing activities	4.c.	61,592	94,303
thereof discontinued operations		-325	-3,199
Change in cash and cash equivalents affecting payment	4.d.	4,793	-24,143
+/- Change in cash and cash equivalents from changes in the consolidated group		-386	22,317
+ Cash and cash equivalents at the beginning of the financial year including discontinued operations		40,486	42,312
= Cash and cash equivalents at the end of the financial year including discontinued operations		44,893	40,486
Cash and cash equivalents at the end of the financial year – discontinued operations		1,972	7,680
Cash and cash equivalents at the end of the financial year – continued operations		42,921	32,806
Total financial resources at end of the financial year			
Cash funds		42,921	32,806
Cash and cash equivalents shown in the balance sheet (excluding discontinued operations on the relevant balance sheet date)		42,921	38,335



BALDA GROUP – SEGMENT REPORTING FOR THE FINANCIAL YEAR 2007

Primary segment	REGION EUROPE		REGION ASIA		REGION AMERICA		REGION INDIA		INTER-SEGMENT-CORRECTIONS		GROUP	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
IN TEUR												
Revenues	80,560	230,209	215,430	128,246	15,816	15,327	5	0	-2,602	-2,924	309,209	370,858
Change from previous year	-65.0		68.0 %		3.2 %						-16.6 %	
Total operating performance ¹	88,331	235,670	221,616	130,669	17,554	17,048	66	0	-8,773	-5,894	318,794	377,493
Change from previous year	-62.5 %		69.6 %		3.0 %						-15.5 %	
Material expenses	33,013	90,018	125,140	75,529	11,265	8,817	8	0	-1,989	-2,924	167,437	171,530
in % of total operating performance	37.4 %	38.2 %	56.5 %	57.8 %	64.2 %	51.7 %	12.1 %				52.5 %	45.4 %
Personnel expenses	44,133	94,764	29,269	20,766	4,182	4,081	404	105	-133	0	77,855	119,716
in % of total operating performance	50.0 %	40.2 %	13.2 %	15.9 %	23.8 %	23.9 %	612.1 %				24.4 %	31.7 %
Other operating expenses (without costs for agency staff)	58,092	54,752	36,403	21,048	4,422	5,452	800	493	-6,651	-2,970	93,066	78,775
in % of total operating performance	65.8 %	23.2 %	16.4 %	16.1 %	25.2 %	32.0 %	1,212.1 %				29.2 %	20.9 %
EBITDA	-46,907	-3,954	30,804	13,326	-2,315	-1,302	-1,146	-598	0	0	-19,564	7,472
in % of total operating performance	-53.1 %	-1.7 %	13.9 %	10.2 %	-13.2 %	-7.6 %	-1,736.4 %				-6.1 %	2.0 %
Depreciations ²	22,113	17,222	8,540	5,263	-2,267	5,452	1,574	55	0	0	29,960	27,992
in % of total operating performance	25.0 %	7.3 %	3.9 %	4.0 %	-12.9 %	32.0 %	2,384.8 %				9.4 %	7.4 %
EBITA	-69,020	-21,176	22,264	8,063	-48	-6,754	-2,720	-653	0	0	-49,524	-20,520
in % of total operating performance	-78.1 %	-9.0 %	10.0 %	6.2 %	-0.3 %	-39.6 %	-4,121.2 %				-15.5 %	-5.4 %
Surplus depreciations ³	0	13,275	5,806	440	0	9,023	0	0	0	0	5,806	22,738
in % of total operating performance	0.0 %	5.6 %	2.6 %	0.3 %	0.0 %	52.9 %	0,0 %				1.8 %	6.0 %
EBIT	-69,020	-34,451	16,458	7,623	-48	-15,777	-2,720	-653	0	0	-55,330	-43,258
in % of total operating performance	-78.1 %	-14.6 %	7.4 %	5.8 %	-0.3 %	-92.5 %	-4,121.2 %				-17.4 %	-11.5 %
Investments ⁴	10,851	10,635	37,210	17,893	1,260	1,440	4,862	8,427	0	0	54,183	38,395
Segment assets ^{5/6}	33,040	86,109	296,792	266,412	10,573	12,144	12,452	8,839	18,500	-6,784	371,357	366,720
EBITDA in % of segment assets	-12.0 %	-4.6 %	4.5 %	5.0 %	-12.3 %	-10.7 %	-9.2 %				-5.3 %	2.0 %
Segment liabilities ⁷	25,330	46,513	57,760	27,774	7,826	5,866	4,090	2,820	-10,455	-14,546	84,551	68,427
Expenses not affecting payments (without write-offs)	8,805	3,766	164	250	313	403	0	0	0	0	9,282	4,419
Number of employees as of 31.12. ⁸	1,023	2,310	6,442	5,400	462	479	96	126	0	0	8,023	8,315
Number of employees as of 31.12. ⁹	218	126	6,442	5,400	462	479	96	126	0	0	7,218	6,131

(1) Gesamtleistung = Umsatzerlöse plus sonstige betriebliche Erträge plus/minus Bestandsveränderungen plus andere aktivierte Eigenleistungen

(2) ohne Abschreibungen auf Mehrwerte

(3) enthält auch Abschreibungen auf Geschäfts- oder Firmenwerte

(4) Investitionen = Investitionen in Sachanlagen und immaterielle Vermögenswerte nur fortgeführter Geschäftsbereich

(5) Segmentvermögen = langfristige Vermögenswerte plus kurzfristige Vermögenswerte ohne zinstragende Vermögenswerte,

aktive latente Steuern und Steuererstattungsansprüche

(6) Die Spalte Inter-Segment-Korrekturen enthält Überleitungsbeträge aus zinstragenden oder steuerbehafteten Posten in Höhe von TEUR 8.040

(7) Segmentverbindlichkeiten = nicht zinstragende Verbindlichkeiten und Rückstellungen sowie ohne Steuerverbindlichkeiten

(8) Anzahl Mitarbeiter am 31.12. = einschließlich Leiharbeiter, Aushilfen und Auszubildende inkl. aufgebener Geschäftsbereich

(9) Anzahl Mitarbeiter am 31.12. = einschließlich Leiharbeiter, Aushilfen und Auszubildende nur fortgeführter Geschäftsbereich

**BALDA GROUP – CONSOLIDATED FINANCIAL STATEMENTS,
 CHANGE IN LONG-TERM ASSETS (EXCLUDING DEFERRED TAXES) DURING THE 2007 FINANCIAL YEAR**

IN TEUR	DEPRECIATIONS							DEPRECIATIONS							NET BOOK VALUES	
	01.01.2007	Currency differences	Accruals	Disposals	Reclassifications	Deconsolidation	31.12.2007	01.01.2007	Currency differences	Accruals	Disposals	Reclassifications	Deconsolidation	31.12.2007	31.12.2007	31.12.2006
TANGIBLE ASSETS																
Land and buildings	51,616	-474	11,174	135	2,291	4,216	60,256	11,431	-110	3,982	33	0	2,795	12,475	47,781	40,185
Technical equipment and machinery	98,998	-1,601	18,456	8,203	14,682	27,636	94,696	55,827	-678	20,360	6,949	0	27,477	41,083	53,613	43,171
Other plants, factory and office equipment	18,444	-338	5,592	1,089	808	5,289	18,128	9,513	-186	3,970	645	0	3,167	9,485	8,643	8,931
Advance payments and construction in progress	16,069	-680	16,835	233	-17,856	1,727	12,408	0	0	0	0	0	0	12,408	16,069	
	185,127	-3,093	52,057	9,660	-75	38,868	185,488	76,771	-974	28,312	7,627	0	33,439	63,043	122,445	108,356
Real estate held as financial investments																
	1,537	0	0	1,537	0	0	0	0	0	0	0	0	0	0	0	1,537
INTANGIBLE ASSETS																
	76,939	-131	2,126	607	75	1,859	76,543	5,039	-58	7,454	193	0	1,662	10,580	65,963	71,900
FINANCIAL ASSETS																
Investments	1	0	0	0	0	0	1	0	0	0	0	0	0	0	1	1
Shares in affiliated companies	1,168	0	0	1,168	0	0	0	666	0	0	666	0	0	0	0	502
Loans to affiliated companies	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other financial assets	2,815	0	12,431	0	0	0	15,246	0	0	0	0	0	0	15,246	2,815	
	3,948	0	12,431	1,168	0	0	15,247	666	0	0	666	0	0	15,247	3,318	
GOODWILL																
	88,927	-7,007	0	0	0	0	81,920	11,704	0	0	0	0	0	11,704	70,216	77,223
	356,514	-10,231	66,614	12,972	0	40,727	359,198	94,180	-1,032	35,766	8,486	0	35,101	85,327	273,871	262,334

Balda Group – Changes to shareholders' equity for the 2006 – 2007 financial years

BALDA GROUP – CHANGES TO SHAREHOLDERS' EQUITY FOR THE 2006 – 2007 FINANCIAL YEARS

	Subscribed share capital	Deposits for execution of agreed capital increase	Capital reserves	Revenue reserve	Revaluation reserve	Currency reserve	Retained earnings	Balda AG shareholders	Minority shares	Total shareholders' equity
IN TEUR										
As of 01 January 2006	40,163	–	54,738	2	0	3,480	72,651	171,034	13,896	184,930
Conversion of convertibles	116	–	458	–	–	–	–	574	–	574
Shareholders' equity component of option bond	–	–	2,518	–	–	–	–	2,518	–	2,518
Dividend	–	–	–	–	–	–	–12,049	–12,049	–1,875	–13,924
Net income 2006	–	–	–	–	–	–	–41,995	–41,995	1,967	–40,028
Currency translation adjustment	–	–	–	–	–	–5,678	–	–5,678	–2,447	–8,125
Revaluation from acquisitions	–	–	–	–	1,879	0	–	1,879	–	1,879
Issue of shares for acquisitions	–	42,648	–	–	–	–	–	42,648	–	42,648
Accruals of minority interest through acquisitions or share sales	–	–	–	–	–	–	–	0	9,403	9,403
Disposals of minority interest through share sales	–	–	–	–	–	–	–	0	–13,983	–13,983
Accruals of minority interest through associations	–	–	–	–	–	–	–	0	3,957	3,957
Employee stock option plan	–	–	18	–	–	–	–	18	–	18
As of 31 December 2006	40,279	42,648	57,732	2	1,879	–2,198	18,607	158,949	10,918	169,867

	Subscribed share capital	Deposits for execution of agreed capital increase	Capital reserves	Revenue reserve	Revaluation reserve	Currency reserve	Retained earnings	Balda AG shareholders	Minority shares	Total shareholders' equity
IN TEUR										
As of 01 January 2007	40,279	42,648	57,732	2	1,879	–2,198	18,607	158,949	10,918	169,867
Shareholders' equity component of convertible participation rights	–	–	626	–	–	–	–	626	–	626
Dividend	–	–	–	–	–	–	–	0	–2,995	–2,995
Net income 2007	–	–	–	–	–	–	–73,255	–73,255	–330	–73,585
Currency translation adjustment	–	–	–	–	–	–8,851	–	–8,851	–610	–9,461
Reallocation of shares issued for acquisitions	7,108	–42,648	35,540	–	–	–	–	0	–	0
Capital increase	6,770	–	58,873	–	–	–	–	65,643	–	65,643
Disposals of minority interest through share purchases	–	–	–	–	–	–	–	0	–160	–160
Employee stock option plan	–	–	967	–	–	–	–	967	–	967
As of 31 December 2007	54,157	0	153,738	2	1,879	–11,049	–54,648	144,079	6,823	150,902

Balda AG – Balance sheet as of 31 December 2007 – Assets

BALDA AG – BALANCE SHEET AS OF 31 DECEMBER 2007 – ASSETS

	Notes II	31.12.2007 TEUR	31.12.2006 TEUR
A. FIXED ASSETS	2.a.		
I. Intangible fixed assets			
1. Concessions, industrial and property rights and similar rights and values as well as licences to such rights and values		2,285	1,316
2. Advance payments		188	1,419
		2,473	2,735
II. Tangible assets			
1. Land, titles to land and buildings including buildings on third-party land		0	950
2. Technical equipment and machinery		24	29
3. Other plants, factory and office equipment		1,273	498
4. Advance payments and construction in progress		278	1,227
		1,575	2,704
III. Financial assets			
1. Shares in affiliated companies		204,207	233,989
2. Loans to affiliated companies		14,110	10,988
3. Investments		901	1,406
4. Other loans		11,500	0
		230,718	246,383
		234,766	251,822
B. CURRENT ASSETS			
I. Receivables and other assets	2.b.		
1. Trade accounts receivable		303	121
2. Accounts receivable from affiliated companies		13,318	17,487
3. Receivables from associated companies		24	24
4. Other current assets		4,135	16,346
		17,798	33,978
II. Cash in hand, deposits in bank accounts and cheques	2.c.	27,387	461
		45,185	34,439
C. PREPAID EXPENSES	2.d.	425	345
TOTAL ASSETS		280,376	286,606

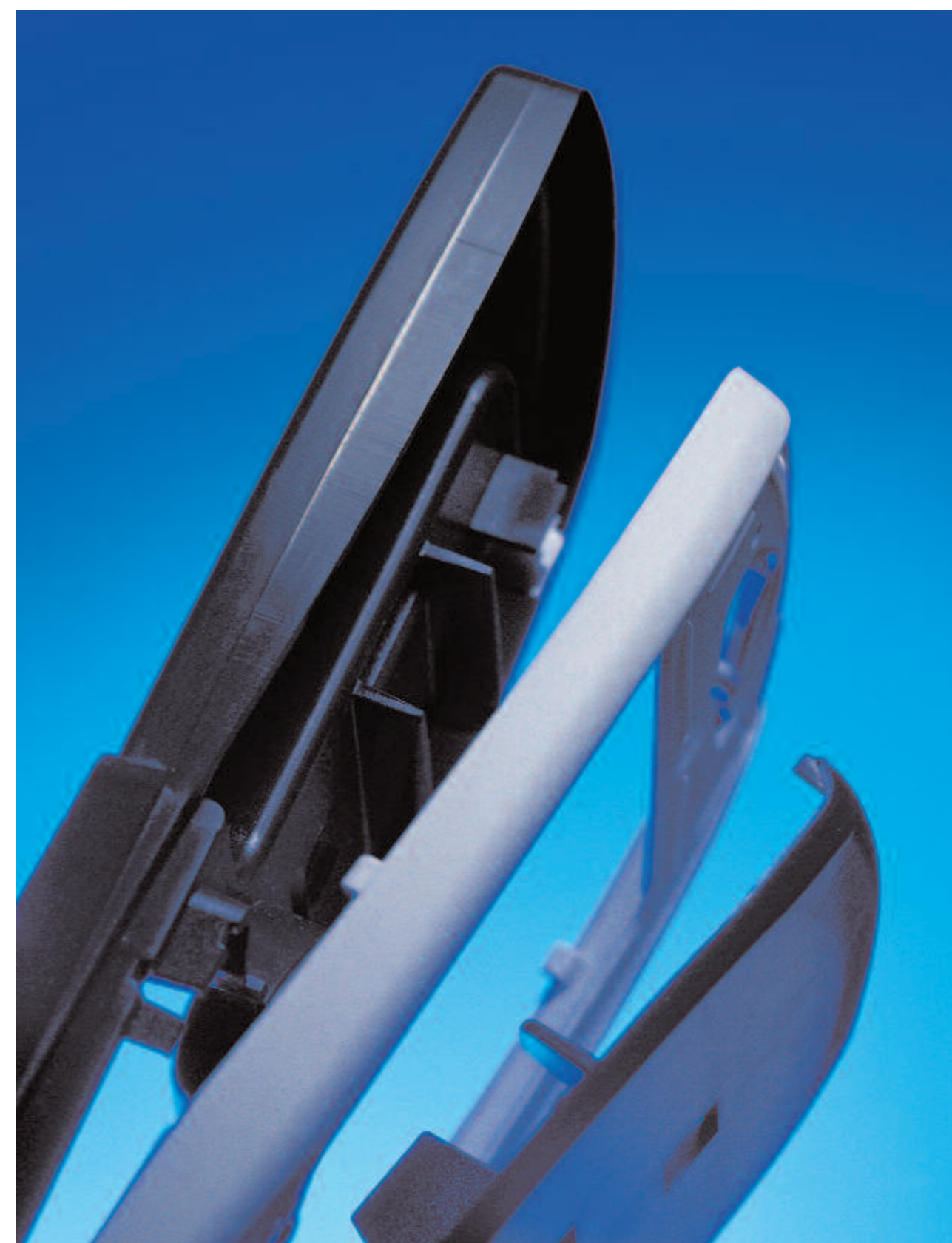
Balda AG – Balance sheet as of 31 December 2007 – Liabilities

BALDA AG – BALANCE SHEET AS OF 31 DECEMBER 2007 – LIABILITIES

	NOTES II	31.12.2007 TEUR	31.12.2006 TEUR
A. LIABILITIES	2.e.		
I. Shareholders' Equity		54,157	40,279
II. Deposits for execution of agreed capital increase		0	42,648
III. Capital reserves		152,873	56,407
IV. Revenue reserves		2	2
V. Retained earnings		-91,346	-16,957
		115,686	122,379
B. PROVISIONS	2.f.		
1. Tax provisions		1,500	0
2. Other provisions		5,505	2,105
		7,005	2,105
C. LIABILITIES	2.g.		
1. Bonds – thereof convertible: TEUR 34,200 (previous year: TEUR 0)		39,200	85,000
2. Liabilities to banks		95,100	64,725
3. Trade accounts payable		1,997	2,002
4. Accounts payable to affiliated companies		5,749	9,186
5. Other liabilities		15,639	1,209
- thereof from taxes TEUR 136 (previous year: TEUR 69)			
- thereof from social security: TEUR 4 (previous year: TEUR 13)			
		157,685	162,122
TOTAL LIABILITIES		280,376	286,606

BALDA AG – PROFIT AND LOSS STATEMENT FOR THE 2007 FINANCIAL YEAR

	Notes II	31.12.2007 TEUR	31.12.2006 TEUR
1. Revenues	3.a.	7,423	5,806
2. Other operating income	3.b.	14,845	10,372
3. Personnel expenses		-7,221	-5,503
a) Wages and salaries		-6,670	-5,081
b) Social security contributions, expenses for pensions and support		-551	-422
4. Depreciations			
a) Depreciation on intangible and tangible assets as well as capitalised expenses for the commencement and expansion of business operations		-722	-530
5. Other operating expenses	3.c.	-54,568	-15,546
6. Income from participating interests - thereof from affiliated companies: TEUR 0 (previous year: TEUR 14,196),		0	14,196
7. Income from profit transfer agreements		0	73
8. Income from other long-term investments and loans - thereof from affiliated companies: TEUR 0 (previous year: TEUR 0)		0	36
9. Other interest and similar income - thereof from affiliated companies: TEUR 1,536 (previous year: TEUR 2,038)		2,557	2,626
10. Depreciations on financial assets and on securities in current assets		-3,381	-28,830
11. Expenses from transfer of losses		-23,357	-11,726
12. Interest and other expenses - thereof from affiliated companies: TEUR 269 (previous year: TEUR 181)		-8,540	-6,560
13. Result from ordinary operations		-72,964	-35,586
14. Taxes on income and earnings	3.d.	-1,424	949
15. Other taxes		-1	-24
16. Annual loss		-74,389	-34,661
17. Loss/Profit		-16,957	29,753
18. Dividends		0	-12,049
19. Net loss	3.e.	-91,346	-16,957



Balda AG – Development of fixed assets in the 2007 financial year

BALDA AG – DEVELOPMENT OF FIXED ASSETS IN THE 2007 FINANCIAL YEAR

IN TEUR	ACQUISITION AND MANUFACTURING COSTS					ACCUMULATED DEPRECIATION				NET BOOK VALUES	
	01.01.2007	Accruals	Disposals	Reclassifications	31.12.2007	01.01.2007	Accruals	Disposals	31.12.2007	31.12.2007	31.12.2006
INTANGIBLE ASSETS											
Concessions, industrial and property rights and similar rights and values as well as licences to such rights and values	1,870	0	121	1,446	3,195	554	446	90	910	2,285	1,316
Advance payments	1,419	580	365	-1,446	188	0	0	0	0	188	1,419
	3,289	580	486	0	3,383	554	446	90	910	2,473	2,735
TANGIBLE ASSETS											
Land, titles to land and buildings including buildings on third-party land	2,842	0	2,842	0	0	1,892	0	1,892	0	0	950
Technical equipment and machinery	39	3	0	0	42	10	8	0	18	24	29
Other plants, factory and office equipment	866	259	302	955	1,778	368	268	131	505	1,273	498
Advance payments and construction in progress	1,227	266	260	-955	278	0	0	0	0	278	1,227
	4,974	528	3,404	0	2,098	2,270	276	2,023	523	1,575	2,704
FINANCIAL ASSETS											
Shares in affiliated companies	254,268	0	45,356	0	208,912	20,279	3,381	18,955	4,705	204,207	233,989
Loans to affiliated companies	10,988	6,600	3,478	0	14,110	0	0	0	0	14,110	10,988
Investments	16,149	0	1,003	0	15,146	14,743	0	498	14,245	901	1,406
Other loans	0	11,500	0	0	11,500	0	0	0	0	11,500	0
	281,405	18,100	49,837	0	249,668	35,022	3,381	19,453	18,950	230,718	246,383
	289,668	19,208	53,727	0	255,149	37,846	4,103	21,566	20,383	234,766	251,822

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2007

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 extend from material development through engineering, mould construction and manufacturing hardware components to surface technology and the manufacturing of Touch screens. Above all, the Info-com division is supplied, along with medical technology and related industries.

The consolidated financial statement was approved for publication on 22 April 2008 by the Board of Directors.

2. DETAILS OF THE BALDA AG CONSOLIDATED FINANCIAL STATEMENT

The consolidated financial statement was prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable within the European Union, the International Financial Reporting Interpretations Committee (IFRIC) and the additional applicable provisions of Section 315a para.1 HGB. The financial reporting methods applied comply with the European Union directives on financial reporting for consolidated financial statements.

All figures are in thousand euros (TEUR) unless stated otherwise.

Pursuant to IAS 1, we have made use of the option and prepared the consolidated financial statement according to the maturities, starting with the short-term due dates. 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, the Balda AG has therefore met the Deutsche Börse AG requirements as regards structured quarterly statements.

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

The financial statements of the companies included in the consolidated financial statement are based on uniform financial reporting and evaluation principles that conform to the IFRS.

3. DETAILS ABOUT 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) to 31 December of each year. Majority stakes are deemed to exist if Balda AG can determine the financial and business policy of a subsidiary in order to gain economic benefit.

Apart from Balda AG, the consolidated financial statement includes 4 domestic and 11 foreign subsidiaries on the way to full consolidation. In addition, 14 foreign and 2 domestic companies are included on a pro rata basis.

In 2007, Balda Solutions (Xiamen) Ltd., Xiamen and China and TPK Technology International Inc., Samoa, were founded. The companies started operations in the first quarter of 2007. Balda Solutions has been included in the consolidated financial statement within the framework of full consolidation and TPK on a pro rata basis at the time of capital contribution.

Because of the restructuring in Germany, the following companies left the Europe Region consolidation group of Balda AG in 2007:

As of 28 February 2007:

- Balda-Heinze GmbH & Co. KG, Herford
- Balda-Heinze Verwaltungs GmbH, Herford
- Sächsische Metall- und Kunststoffveredelungs GmbH, Oberlungwitz
- HeRo Galvanotechnik GmbH, Herford

As of 31 December 2007:

- Balda Solutions Deutschland GmbH, Bad Oeynhausen
- Balda Werkzeug- und Vorrichtungsbau GmbH, Bad Oeynhausen
- Balda Solution Hungaria Kft., Veszprém (Hungary)

The assets and debts, as well as the income and costs of the sold companies, are as follows:

IN TEUR	Consolidation scope, disposals from sales 2007
Short-term assets	47,699
Long-term assets	17,548
Short-term liabilities	33,283
Long-term liabilities	146
Revenues	51,807
Total operating performance	47,412
Material costs	17,569
Personnel expenses	30,914
Other operating costs	46,841
Costs for depreciation	15,961
Financial results	-1,207
Tax income	242
Net loss	-64,849

The consolidation is based on the financial statements of the fully and pro rata consolidated group companies as at 31 December 2007. The Indian company Balda Motherson Solution India Ltd. has a different financial year to 31 March. The interim report to 31 December 2007 has been audited.

Within the framework of the sale of the above companies as at 31 December 2007, a variable purchase price of up to 12 million euros, depending on the future results of the sold companies, has been agreed. Owing to the uncertainties regarding the future results of the companies, Balda considers that the amount of this variable purchase price cannot currently be reliably determined. Correspondingly, no financial asset from the variable purchase price agreement have been capitalised.

With the purchase contract of 17 December 2007, the shares in aimtec GmbH, Löhne, which is included in the consolidated financial statement at equity as an associated company, was sold.

b. Consolidation method

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

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 income, expenses, assets and debts as well as cash flows with similar Group items.

The earnings as well as assets and debts of associated companies are incorporated in this Group financial statement by application of the equity method. Interests in associated companies are given in the balance sheet at acquisition cost, adjusted by the changes in the Group's share of the net profit following the time of acquisition and losses due to depreciation. Losses that exceed the Group's share in associated companies are not reported.

c. Currency translation

All foreign companies of Balda AG 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 debts of the financially independent subsidiary and converted at the 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 intermediate holding Balda Investments Singapore Ltd. Balda AG has an indirect share of 50% in the TPK Holding Co. Ltd. a jointly managed group based in Asia which specialises in the manufacture of Touch screens.

In addition, Balda AG has 50% of the shares in Balda Lumberg Deutschland GmbH & Co. KG, an intermediate holding based in Germany for the Brazilian companies pro rata consolidated in the Balda Group, which specialise principally in the manufacture of high quality plastic components for the mobile telecommunications industry and related areas.

The share of assets, debts, earnings and expenses of the jointly managed companies attributable to the Group on 31 December 2007 and on 31 December 2006 is as follows:

IN TEUR	BALDA LUMBERG DEUTSCHLAND GMBH & CO. KG		TPK HOLDING CO. LTD.	
	2007	2006	2007	2006
Short-term assets	7,081	7,400	32,708	18,129
Long-term assets	4,242	5,296	44,939	21,323
Short-term debts	7,525	3,354	42,177	6,008
Long-term debts	2,053	2,511	7,152	5,010
Revenues	14,905	15,327	64,533	4,305
Material costs	11,265	8,817	51,218	3,065
Personnel expenses	3,507	4,081	5,839	1,251
Other operating costs	4,312	5,452	6,873	1,212

II. DETAILS ON THE CONSOLIDATED FINANCIAL STATEMENT OF BALDA AG

1. DETAILS REGARDING NEW AND AMENDED STANDARDS AND INTERPRETATIONS

New and amended standards and new interpretations that apply to periods under review beginning on or after 1 January 2007

STANDARD OR INTERPRETATION	title (time of entry into force) – application to financial years beginning at the time of the entry into force or later –
IAS 1 (revised 2005)	Amendment – Information about capital (1 January 2007)
IFRS 7 (IAS 32/IAS 30)	Financial Instruments: Information (1 January 2007)
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (1 March 2006)
IFRIC 8	Scope of IFRS 2 (1 May 2006)
IFRIC 9	Reassessment of embedded derivatives (1 June 2006)
IFRIC 10	Interim Financial Reporting and Impairment (1 November 2006)

The initial application of these interpretations did not have a significant impact on the asset, financial and income 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 and which may be applied by companies at an earlier date, but which are not yet applied by the company:

STANDARD OR INTERPRETATION	title (time of entry into force) – application to financial years beginning at the time of the entry into force or later –
IAS 1 (revised 2007)	Presentation of Financial Statements, Comprehensive revision including requiring a statement of comprehensive income (1 January 2009)
IAS 23 (revised 2007)	Borrowing Costs (1 January 2009)
IFRS 8	Operating Segments (1 January 2009)
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions (1 March 2007)
IFRIC 12	Service Concession Arrangements (1 January 2008)
IFRIC 13	Customer Loyalty Programmes (1 July 2008)
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (1 January 2008)

With regard to the initial application of these interpretations, there are not expected to be any significant impacts on the asset, financial and income situation or on the cash flow of Balda AG.

2. ACCOUNTING AND ASSESSMENT PRINCIPLES

The fundamental financial reporting and assessment methods used to prepare this consolidated financial statement are set out in the following sections. The accounting methods are principally 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 the existing circumstances. Where there are significant uncertainties regarding estimates which could lead to a significant adjustment to the reported assets and debts becoming necessary in the next few years, these are represented in the corresponding passages of the notes.

The **VALUATION OPTIONS** were exercised uniformly within the Group and were retained, in contrast to the previous 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, trade debtors and creditors, long-term debts, loans and credits, and certain other receivables and liabilities based on contractual agreements.

Financial assets are divided into the following categories: Financial assets at fair value through profit or loss, loans and receivables 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. A calculation is made on every reporting date as to whether objective indications suggest that there is a write-down of a financial asset 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.

When first recording these in the accounts, these financial assets or liabilities are reported at their acquisition costs, which correspond to the current value of the counter payment, including transaction costs, for fair values not reported against results. The subsequent valuation varies for the different categories of financial assets or liabilities and is described in detail as part of the accounting methods for the respective balance sheet items.

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 amortisations, plus or minus 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.

With regard to the targets, methods and processes of capital management, we refer to our statements in the situational report (page XX et seq.).

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.

DEBT CAPITAL COSTS are not capitalised but instead are reported in the period in which they arise.

Die **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
Technical equipment and machinery	3 to 10
Other plants, factory 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 lease instalment is divided into an interest and repayment portion so that the lease liability pays interest constantly. The interest portion of the leasing instalment 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 lives 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 initial valuation of **PROPERTIES KEPT AS FINANCIAL INVESTMENTS** is made at acquisition or manufacturing costs including incidental costs. Thereafter the properties held as financial investments are stated at their fair value. The fair value corresponds to the market conditions as at the reporting date. Profits or losses from changes in the fair values are stated in the profit and loss statement in the year they occur. Properties held as financial investments are removed from the accounts when they are sold or if they cease to be used permanently and no further future financial benefit can be expected from

their sale. At the same time, profits or losses from shutdown or sale are reported against income in the same year. Should a property be re-allocated to the properties held as financial investments, this property is stated in the balance sheet up to the time of the change in use according to the financial reporting and evaluation principles stated under tangible assets. Any difference arising between the book value and the fair value at the time of the change in use is stated in the result.

The **INTERESTS** stated in the financial assets are reported in the balance sheet at acquisition cost. The interests do not exert any significant influence. The interests from associated companies are valued at equity. The loans and other financial assets are reported at their procurement costs or at the lower recoverable amount.

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 honouring 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 honoured.

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 honour 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.

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. SEGMENT REPORTING

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 2007”.

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 I 3.a. refer on the whole to the Europe region and are included in the segment reports.

Depreciation expenses in the amount of TEUR 12,934 (previous year: TEUR 4,402) in Europe and TEUR 5,177 in America accrued in the financial year 2007 due to impairment tests for tangible assets. In the previous year, there were Other depreciation costs on tangible assets in America of TEUR 5,177 and on goodwill in the Europe region of TEUR 10,615. In the America region there were original value reinstatements TEUR 3,054 (previous year: depreciation of TEUR 9,023).

The income from affiliated companies TEUR –11 (previous year: TEUR 71) reported according to EBIT in the profit and loss statement is allocated to the European region. The stake was sold in December 2007.

The segment result from the discontinued business divisions as at the reporting date totalled TEUR –63,873 (previous year: TEUR –26,036) and in both years is allocated exclusively to the Europe region.

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					
	Plastics processing and Surface finishing		Development, Engineering and mould construction		Touch screens		Reconciliation		Group	
IN TEUR	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Revenues	218,541	334,151	26,514	32,401	64,154	4,306	0	0	309,209	370,858
Changes compared to the previous year	-34.60 %	-6.4 %	-18.17 %	-19.6 %	1,389.88 %	100.0 %	0	0	-16.62 %	-6.6 %
Investments ¹	23,846	28,328	3,341	2,205	26,996	7,862	0	0	54,183	38,395
Segment assets ²	171,558	201,946	11,419	23,598	168,605	133,136	19,775	8,040	371,357	366,720

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 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. CASH FLOW STATEMENT

The cash flow statement has been prepared in accordance with IAS 7 Cash Flow Statements. Cash flows are classified according to whether they arise from operating investing, or financing activities.

The development and composition of the cash flows are included in the cash flow statement (annex).

The individual cash flow statement items are as follows:

a. Cash flow from current business activity

The cash flow from current business activity in 2007 totalled TEUR -13,009 (previous year: TEUR 28,124). The increase in working capital and the rise in interest payments, among other things, contributed to this development. The decreased net results with simultaneously lower depreciations came alongside non-payment affecting expenses, largely arising from the result of the deconsolidation. The interest payments of TEUR 11,389 are calculated from the difference between interest income (TEUR 755) and interest expenses (TEUR 12,144).

b. Cash flow from investment activities

In the financial year 2007, the Group acquired tangible and intangible assets amounting to TEUR 54,183. Payments of TEUR 43,508 were made for the acquisition of tangible and intangible assets. Received payments from sales of TEUR 1,264 were offset.

The Group paid TEUR 1,546 for the issue of loans.

c. Cash flow from financing activities

The changes in liabilities to banks affecting payments come largely from the use of current account overdrafts. The convertible participation rights issued in 2007 and the capital increase implemented in 2007 together led to income of TEUR 97,553, which was partly used to redeem an option bond of TEUR 68,000.

In the year under review, no significant new leasing contracts that met the criteria of financial leasing were made. These liabilities were repaid to TEUR 213.

d. Changes to cash and cash equivalents affecting payments

Overall, financial resources increased by about TEUR 4,793. Cash and cash equivalents as at the reporting date totalled TEUR 42,921 (previous year: TEUR 40,486). Included in this figure are the liquid assets of the discontinued business operations amounting to TEUR 1,972.

5. NOTES ON THE INDIVIDUAL POSITIONS OF THE CONSOLIDATED BALANCE SHEET

SHORT-TERM ASSETS

a. Liquid funds

Cash and cash equivalents include cash on hand, capital investments saleable at any time, bank balances and cheques. With regard to the development of 'Liquid funds', please refer to notes on the cash flow statement under 'II.4. Cash flow statement'.

b. Trade accounts receivable

Trade accounts receivable as at the reporting date totalled TEUR 58,998 (previous year: TEUR 40,308).

Because of the sale of aimtec GmbH with effect from 17 December 2007, as at the reporting date there were no receivables due from associated companies (previous year: TEUR 39).

All receivables have a residual term of less than one year.

The value adjustments for receivables as at the balance sheet date amounted to TEUR 2,058 (previous year: TEUR 2,961). In addition, we refer to our statements regarding credit risk under II.5.ac. 'Management of risks from financial instruments'.

The trade debtors not written down break down in terms of maturity as follows:

IN TEUR	Book value	including: Neither written down nor overdue upon maturity	including: Not written down upon maturity and overdue in the following time ranges				
			Up to 30 days	Between 31 and 60 days	Between 61 and 90 days	Between 91 and 120 days	More than 120 days
Trade debtors as at 31.12.2007	58,998	50,573	5,550	1,762	127	356	610
Trade debtors as at 31.12.2006	40,308	28,287	7,459	1,641	451	627	798

With regard to trade debtors neither written down nor overdue, as at the reporting date there is no indication that the debtors will not fulfil their payment obligations.

The write-downs on trade debtors developed as follows:

IN TEUR	2007	2006
Write-downs as of 1 January	2,961	1,858
Additions	593	2,070
Consumption	-1,492	-943
Exchange rate differences	-4	-24
Write-downs as of 31 December	2,058	2,961

c. Inventories

Write-downs of TEUR 3,791 (previous year: TEUR 9,866) were reported in the profit and loss statement on the inventories on the reporting date.

d. Tax refunds

The tax refunds are exclusively for income taxes pursuant to IAS 12.

e. Other short-term assets

The other current assets include, among other things, refund claims for value added taxes amounting to TEUR 4,444 (previous year: TEUR 6,316) and the short-term proportion of the receivables from company sales of TEUR 3,833 (previous year: TEUR 7,862).

The other short-term assets, including other financial assets, break down as follows:

IN TEUR	31. 12. 2007	31. 12. 2007	31. 12. 2006	31. 12. 2006
	Total	including: Short-term	Total	including: Short-term
Loans and receivables granted	29,708	14,462	25,474	22,659
Derivate	104	104	73	73
Total	29,812	14,566	25,547	22,732

The loans and receivables granted not written down break down in terms of maturity as follows:

IN TEUR	Book value	including: Neither written down nor overdue upon maturity	including: Not written down upon maturity and overdue in the following time ranges				
			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. 2007							
Loans and receivables granted							
residual term of up to 1 year	14,566	11,180	677	43	0	5	2,499
residual term over 1 year	15,246	9,283	0	0	0	0	0
31. 12. 2006							
Loans and receivables granted							
residual term of up to 1 year	22,731	9,940	1,916	0	0	0	2,333
residual term over 1 year	2,816	108	0	0	0	0	0

With regard to loans and receivables granted and neither written down nor overdue, as at the reporting date there is no indication that the debtors will not fulfil their payment obligations.

f. Assets classified as held for sale

The assets reported in 2006 were sold during 2007. We refer, in particular, to our statements under '1.3.a. Scope of consolidation'.

LONG-TERM ASSETS

With regard to the changes in the individual long-term asset areas (without deferred taxes), please refer to our statement on the development of long-term assets, which we have included as an annex to the Notes.

g. Tangible assets

The balance sheet values in the consolidated financial statement correspond to fair value at the time of the initial consolidation or acquisition or to manufacturing costs at the time of the initial balancing, less scheduled and non-scheduled depreciation.

Impairment losses for material assets (buildings) totalled TEUR 12,934 (previous year: TEUR 9,579) in the financial year. The fair value minus sale costs for the building has been calculated by a valuer appointed by the company.

In the financial year, reinstatements of original values up to the achievable value (useful value) because of improved prospects in Brazil (CGU) of around TEUR 3,054 have been made on tangible fixed assets. The discount rate applied to the calculation of the useful value was around 23% in 2007 (previous year: around 26%).

Loans and lease agreements are secured through mortgages and collateral of around TEUR 7,200.

The book values of the leased assets – stated in “Land and buildings” and in “Technical equipment and machinery” – comprise the following:

IN TEUR	31. 12. 2007	31. 12. 2006
Land and buildings		
Acquisition costs	807	1,494
Cumulative depreciations	10	101
Book value	797	1,393
Technical equipment and machinery		
Acquisition costs	2,883	3,274
Cumulative depreciations	898	907
Book value	1,985	2,367

h. Investment property

In the previous year, one property with a fair value of TEUR 1,537 was recorded under investment property. The fair value was calculated using the net income calculation based on existing leases by discounting the expected cash flows. A discount rate of 4.0% was used as a basis. From the third quarter of 2007, this property was reported in ‘property held for sale’ and as at 31 December 2007 has been sold within the framework of the sale of Balda Solutions Deutschland GmbH. Rental income amounting to TEUR 109 was received in 2007 (previous year: TEUR 99).

i. Intangible assets

The intangible assets are primarily capitalised customer relationships and software acquired against payment.

The development costs and intangible assets generated by the company itself can be capitalised pursuant to IAS 38 under the conditions stated therein. The total research and development costs in the 2007 financial year amounted to approximately EUR 5,300 million (previous year: around EUR 2,400 million). The overwhelming proportion of these costs was for development. The development costs were not capitalised as there was no reliable means of defining and allocating manufacturing costs according to IAS 38.51.

The capitalised customer relationships from the acquisition of the 50% stake in TPK Holding Co. Ltd. and Balda Solutions Malaysia Sdn. Bhd. are depreciated over a period of 7 and 8 years respectively.

j. Financial assets

The participation in associated companies reported last year as at equity relates to aimtec GmbH. The stake was sold in December 2007. The pro rata income received to the time of the sale totalled TEUR 11 (previous year: TEUR 71).

The other financial assets involve loans and receivables originated by enterprise. This mainly includes the long-term proportion of receivables from the sale of subsidiaries TEUR 13,638 (previous year: TEUR 2,708). Parts of the receivables were reallocated to long-term as a result of a new contract in 2007. The actual payout of the receivables depends on the occurrence of future events. Even a negative deviation in the assumptions underlying the valuation by 40% would not result in any other valuation of the receivables.

k. Goodwill

The company's value as a going concern was determined using the discounted cash flow expectations of the individual operating companies. The discount rate before taxes used as a basis was 11.8% (previous year: between 17.2% and 26.0%). The value in use determined in this way only partially exceeded the book values as of 31 December 2007. There would not have been any write-down amounts, even if future payment streams differ by 40%.

l. Deferred taxes

Under deferred taxes on the asset side, the following amounts for temporary differences are reported for the 2006 and 2007 financial years:

IN TEUR	31. 12. 2007	31. 12. 2006
Tax relief claims and realisable loss carry-forwards	4,434	14,074
Consolidation effects	0	250
Evaluation corrections in accordance with IFRS	2,990	404
Total	7,424	14,728

Deferred tax assets for tax loss carry-forwards are shown only to the extent that future taxable profits were considered likely as at the reporting date. The valuation approach is based on projected tax results. The Group did not record deferred tax assets amounting to TEUR 15,900 (previous year: TEUR 945). The underlying losses of around TEUR 50,900 (previous year: TEUR: 4,478) can be offset by future profits however.

In contrast to the previous year, a tax rate of 29.8% was taken into account in 2007. The reasons for this are the changes connected with the 2008 corporation tax reform. Corporation tax has been reduced from 25% to 15%. As a result, the charge from the unchanged solidarity surcharge also falls automatically. In addition, the tax assessment factor for trade tax has been reduced from 5% to 3.5%. By contrast, it must be remembered that in future the trade tax will not reduce either its own assessment base or the assessment base for corporation tax.

The deferred tax claim was reduced by TEUR 1,005 (previous year: TEUR 310) as a result of the deconsolidation of the discontinued business division.

SHORT-TERM LIABILITIES

m. Short-term portion of finance lease liabilities

The short-term liabilities from lease agreements totalled TEUR 632 (previous year: TEUR 561) as at the reporting date and refer to amounts from the finance lease which are due within one year.

We also refer to our statements under III. e. 'Other information about finance leasing'.

n. Short-term liabilities towards banks and short-term portion of long-term loans

The short-term portion of long-term loans pertains to the repayment rates due within the next 12 months for medium and long-term loans. All amounts are therefore due within one year. An amount of TEUR 10,000 has been reallocated here from 'Long-term loans' and was already paid in early January 2008.

We also refer to our statements under II. 5 u. 'Long-term loans'.

o. Trade accounts payable

The liabilities mainly derive from material deliveries and services and have increased by TEUR 10,233 compared to the previous year.

p. Advance payments received

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

q. Short-term provisions

The short-term provisions break down as follows:

	As at 01. 01. 2007	Currency differences	Consumption	Redemption	Consolidation scope Disposal	Allocation	As at 31. 12. 2007
IN TEUR							
Short-term provisions	5,896	-37	4,596	687	5,036	7,300	2,840

The provisions include, among other things, provisions for compensation payments. They are based on the most likely value for defective products as estimated on the basis of past experience.

TEUR 4,075 was allocated to the reserves in the financial year for restructuring expenses. This relates to the discontinued operations and pending workforce reduction at the Bad Oeynhausen location in 2008. This amount was then directly deducted within the framework of the deconsolidation.

r. Tax liabilities

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

s. Other current liabilities

The other current liabilities include mainly the following:

IN TEUR	2007	2006
Equalisation obligations	13,563	0
Loan liabilities	4,465	0
Liabilities from wage and church tax	3,225	1,482
Other personnel expenses (holiday, premiums/bonuses, etc.)	3,144	2,364
Wages and salaries, including social insurance	2,492	4,031
Liabilities from interest	1,229	777
Outstanding credits to customers	0	1,263
Other short-term liabilities	4,684	8,363
Total	32,802	18,280

Equalisation obligation includes the accrual of the equalisation obligations from profit and loss transfer agreements for the companies sold as at the end of 2007, which in part have been offset against existing receivables due from these companies.

The loan liabilities include, inter alia, a loan received from the external Indian shareholder (TEUR 2,580), that was reported in the previous year under Long-term loans. In 2008, the plan is to deposit the loan into the capital reserves of Balda Motherson Solution India Ltd.

t. Liabilities classified as held for sale

The liabilities reported in 2006 were sold during 2007. We refer, in particular, to our statements under '1.3.a. Scope of consolidation'.

LONG-TERM LIABILITIES

u. Long-term loans

The option bond issued on 26 July 2006 with a nominal value of TEUR 80,000 was redeemed in November 2007 by a payment of TEUR 68,000. The interest incurred to this point has been paid.

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% 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 can be issued from the conditional capital agreed by the General Meeting of 9 August 2007. The conversion price is EUR 7.22. If the Balda shares' closing price on Xetra reaches at least EUR 12.50 during the term, Balda can demand conversion. The papers have been issued within the framework 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%) 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 626 was transferred to the capital reserves. Using the effective interest rate method with an interest rate of 9.52%, compounding was applied to the liability component over the life of the bond. Interest costs for the year under review totalled TEUR 375.

A bonded loan (TEUR 40,000) with a fixed interest rate of 3.8% and a final maturity in February 2010 was issued in February 2005. The effective rate of interest for the loan is 4.2%. As in the previous year, interest expenses of around TEUR 1,680 (previous year: TEUR 1,671) are taken into account. As at the reporting date, an amount of TEUR 10,000 has been reallocated to the 'short-term liabilities towards banks and short-term portion of long-term loans'.

In addition, we refer to our statements regarding credit risk under II.5.ac. 'Management of risks from financial instruments'.

v. Long-term finance leasing liabilities

The long-term finance lease liabilities of TEUR 461 (previous year: TEUR 745) refer to the amortisation amounts for the liabilities from the "finance lease". All liabilities fall due after one year but before five years.

We also refer to our statements under III. e. 'Other information about finance leasing'.

w. Deferred taxes

IN TEUR	2007	2006
Consolidation effects	0	0
Evaluation corrections in accordance with IFRS	2,150	3,405
Customer relationships from initial consolidation	12,304	12,995
Amount recorded directly in shareholders' equity	282	2,005
Total	14,736	18,405

A deferred tax debt of TEUR 282 has been allocated neutrally to the equity capital components from the convertible participation rights issued in the reporting year. Deferred taxes totalling TEUR 423 have been reported for other temporary differences, in particular as a result of the consideration of transaction costs. The deferred taxes reduced the interest on the convertible participation rights in 2007 by TEUR 7 with an effect on the results.

The accrued deferred taxes were reduced by TEUR 159 (previous year: TEUR 90) as a result of the deconsolidation of the discontinued business division.

x. Long-term provisions

Changes in provisions were as follows:

	As at 01. 01. 2007	Exchange rate	Consump- tion	Redemp- tion	Consoli- dation scope disposal	Allocation	As at 31. 12. 2007
IN TEUR							
Long-term Provisions	3,291	196	112	1,289	417	188	1,857

The provisions reported in the year under review pursuant to IFRS 3 in connection with the acquisition of the subsidiaries of the joint venture Balda Lumberg were reduced by TEUR 1,104 to TEUR 1,407.

The long-term provisions include pension obligations amounting to TEUR 139 (previous year: TEUR 154).

y. Other long-term liabilities

The decrease in other long-term liabilities is due to the loan given to the company Balda Motherson Solution India Ltd. by the minority shareholder (previous year: TEUR 2,511). The interest on the loan is 7% and in 2007 it is reported under short-term liabilities, in contrast to 2006.

z. Shareholders' equity

The development of the shareholders' equity of the Balda Group can be found in the change in shareholders' equity calculations, which has been added as an annex to the Group's financial statements.

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

On 9 February 2007, a capital increase of TEUR 7,108 to TEUR 47,387 was recorded in the commercial register through the issue of 7,108,063 new shares with a pro rata amount of the share capital of EUR 1.00 per share. At the same time, the amount of TEUR 35,540 was transferred to the capital reserves. As at 31 December 2006, the amounts under the item 'Deposits for execution of agreed capital increase' were reported in the shareholders' capital.

On 20 December 2007, a capital increase of TEUR 6,770 to TEUR 54,157 was recorded in the commercial register through the issue of 6,769,584 new shares with a partial amount of the share capital of EUR 1.00 per share. At the same time, the amount of TEUR 58,873 was transferred to the capital reserves.

Furthermore, the General Meeting decided that the Board of Directors, with the consent of the Supervisory Board and without further resolutions by the General Meeting, can increase the equity capital by up to TEUR 23,694 (authorised capital) by 8 August 2012.

The General Meeting of 9 August 2007 decided that the Board of Directors, with the consent of the Supervisory Board and without further resolutions by the General Meeting, can issue participation rights until 8 August 2012 singly or multiply with a maximum nominal value of TEUR 500,000. The participation rights can be connected with conversion or option rights for up to 19,677,249 bearer shares in the company.

In order to service these conversion or option rights, the General Meeting of 9 August 2007 decided to increase the share capital of the company as required up to TEUR 19,677 by issuing 19,677,249 new shares with profit participation from the start of the financial year in which they are issued.

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% 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 can be issued from the conditional capital agreed by the General Meeting of 9 August 2007. The conversion price is EUR 7.22. If the Balda shares' closing price on Xetra reaches at least EUR 12.50 during the term, Balda can demand conversion. The papers have been issued within the framework of the existing authorisations and exclude subscription rights.

The shareholders' equity component of TEUR 626 (TEUR 282) contained from the issue of the convertible profit-sharing bonds, taking into account the deferred taxes (TEUR 366) was transferred to the capital reserves. With the regard to the liability components, please refer to our statements under long-term liabilities.

The revaluation reserves result from the uncovered customer relationships within the successive purchase of shares in Balda Solutions Malaysia Sdn. Bhd. The first 50% share has been included, without any effect on earnings and less deferred taxes, in the revaluation reserve.

The different amounts resulting from the currency conversions of the balance sheet and profit and loss statements of the foreign companies published in their local currency are included in the currency reserves, without any effect on income, as required by IAS 21.

The following notes refer to minority holdings.

In the year under review, a payout of TEUR 2,995 was made to the minority shareholder in Asia.

Currency differences of TEUR 610 from the translation of the assets and debts at the spot rates on the reporting date have been taken into account on a pro rata basis.

aa. Share-based remuneration

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

The exercise price of the granted options is based on the average of the 10 days prior to the time of granting. The option holder is fully entitled to the option two years after allocation and the option can be exercised following his retention period (qualifying period) of two years. The Group can payout the option in shares or as a cash settlement. The maximum term of the option 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%. This exercise condition is not taken into account when calculating the option price.

The following tranches had been issued by the company by 31 December 2007:

Date of granting	Number of options	Outstanding options	Exercise price in Euro	Retention period in years	Expiration date
01. 12. 2006	500,000	500,000	6.38	2	30. 11. 2011
30. 05. 2007	950,000	820,000	10.33	2	29. 05. 2012
01. 11. 2007	200,000	200,000	7.55	2	31. 10. 2012

Details regarding the outstanding stock options during the year are represented below:

	2007	2007	2006	2006
	Number of options	Weighted average exercise price in EUR	Number of options	Weighted average exercise price in EUR
Outstanding at the start of the financial year	500,000	6.38	0	–
Granted during the financial year	1,150,000	9.85	500,000	6.38
Lapsed during the financial year	–130,000	10.33	0	–
Exercised during the financial year	0	–	0	–
Expired during the financial year	0	–	0	–
Outstanding at the end of the financial year	1,520,000	8.66	500,000	6.38
Exercisable at the end of the financial year	0	–	0	–

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

Options granted in Date of granting	2007 01. 11. 2007	2007 30. 05. 2007	2006 01. 12. 2006
Weighted average share price (total 2007)	10.31	10.31	6.09 EUR
Weighted average exercise price (total 2007)	9.85	9.85	6.38 EUR
Expected volatility	39.1 %	37 %	34 %
Expected term	3 years	3 years	3 years
Risk-free interest rate	3.94 %	4.31 %	3.69 %
Expected dividends	3 %	3 %	3 %

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

As at the reporting date the weighted average of the remaining contractual term was 4.37 years.

The weighted average of the fair values of the options in 2007 totalled EUR 1.80 (previous year: EUR 1.19).

As a counter payment for the services provided, TEUR 967 is recorded as personnel expenses.

ab. Additional information regarding financial instruments

The book values, valuations and fair values according to valuation categories are represented in the table as follows:

31. 12. 2007 IN TEUR	Valuation category according to IAS 39	Book value as of 31. 12. 2007	Balance sheet valuation according to IAS 39		
			Continued procurement costs	Fair Value against results	Fair Value as of 31. 12. 2007
Assets					
Liquid funds	LaR	42,921	42,921		42,921
Trade debtors	LaR	58,998	58,998		58,998
Other short-term 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
Short-term liabilities towards banks and short-term portion of long-term loans	FLAC	93,681	93,681		93,681
Long-term loans	FLAC	76,402	76,402		76,402
Other short-term 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 according to IAS 39:					
Loans and Receivables (LaR)	LaR	131,731	131,731	0	131,731
Financial Assets Held for Trading (FAHFT)	FAHFT	104	0	104	104
Financial Liabilities Measured at Amortised Cost (FLAC)	FLAC	250,490	250,490	0	250,490

31. 12. 2006 IN TEUR	Valuation category according to IAS 39	Book value as of 31. 12. 2006	Balance sheet valuation according to IAS 39		
			Continued procurement costs	Fair Value against results	Fair Value as at 31. 12. 2006
Assets					
Liquid funds	LaR	38,335	38,335		38,335
Trade debtors	LaR	40,308	40,308		40,308
Other short-term assets	LaR	22,732	22,732		22,732
Other financial assets	LaR	2,815	2,815		2,815
Derivative financial assets	FAHfT	73		73	73
Liabilities					
Trade accounts payable	FLAC	36,185	36,185		36,185
Short-term liabilities towards banks and short-term portion of long-term loans	FLAC	49,423	49,423		49,423
Long-term loans	FLAC	127,360	127,360		127,360
Other short-term liabilities	FLAC	18,280	18,280		18,280
Other long-term liabilities	FLAC	2,517	2,517		2,517
Finance lease liabilities	FLAC	1,306	1,306		1,306
Aggregated by valuation categories according to IAS 39:					
Loans and Receivables (LaR)	LaR	104,190	119,255	0	119,255
Financial Assets Held for Trading (FAHfT)	FAHfT	73	0	73	73
Financial Liabilities Measured at Amortised Cost (FLAC)	FLAC	235,071	185,087	0	185,087

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

The net results by valuation categories break down as follows:

IN TEUR	From the subsequent valuation			from interest	from disposal	Net result 2007	Net result 2006
	at Fair Value	Currency translation	Write-down				
Loans and Receivables (LaR)	0	-478	-6,279	1,793	0	-4,964	-4,360
Financial Assets Held for Trading (FAHT)	101	0	0	0	0	101	74
Financial Liabilities Measures at Amortised Cost (FLAC)	0	-729	0	-14,731	6,805	-8,655	-7,407
Summe	101	-1,207	-6,279	-12,938	6,805	-13,518	-11,693

ac. Management of the risks from financial instruments

Currency risks

Currency risks exist in the group largely from the operating business. However, the risks are not considered great as the group companies mainly manage their activities in their respective currencies. Foreign currency transactions are used in part in order to hedge the cash flow for foreign currency transactions. Because of the limited 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 operational division.

In order to represent market risks, IFRS 7 demands sensitivity analyses which show the effects of hypothetical changes of relevant risk variables on the results and equity. Apart from currency risks, the group is exposed to interest rate risks. The periodic effects are determined 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 which are denominated in a currency different from the functional currency and which are monetary in nature; exchange rate-related differences 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 enters into financial instruments.

Foreign currency transactions are mainly in CNY, USD and TWD. If the euro had been five percent higher (lower) against all currencies on 31 December 2007, the consolidated results would have been around TEUR 650 higher (lower).

Credit risk

An actively operated, local debtor management should ensure that the global companies obtain information about the creditworthiness of business partners from corresponding credit agencies and insurers in advance. Moreover, conclusions can be drawn from the payment behaviour of customers in the past. Insofar as is possible, the receivables are also secured

through credit insurance. In the operational business, arrears are constantly monitored locally. Default risks are taken into account with individual write-downs. Because of these group-wide prescribed policies, the arrears of assets that have not been written down are assessed as low.

Interest risk

The Balda group is exposed to interest risks mainly in the Europe, Asia 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 risks for financial instruments with fixed interest rates. If there are changes to the market interest rates for financial instruments with variable interest, these have a direct effect on interest payments interest transactions and thus on the equity. If interest rates of the variable interest financial liabilities had increased (decreased) by approx. 10%, this would have had a negative (positive) effect on the financial results of TEUR 100.

Liquidity risk

The narrow definition of liquidity risk is the risk that financial resources are not available to a sufficient extent in order to fulfil all payment obligations punctually.

In a broader sense, liquidity risk for the Balda group means any restriction in borrowing or capital acquisition abilities (e.g. rating), through which the implementation of the corporate strategies or room for financial action could generally be affected. The main factors affecting the liquidity risk (development of earning power, economic development, assessment of creditworthiness by external parties) are outside the financial management's area of influence.

Liquidity risk management, therefore, is the analysis of the risk and use of financial instruments (e.g. agreeing sufficient credit, diversification of lenders, fixing the capital binding) to limit the risk within the framework of the environment which cannot be influenced. In order to monitor and steer the liquidity risk, Balda uses a web-based cash management software. It records all main future payment streams from financial and operational payments systematically and checks their validity by comparing them against the actual account balances.

The following table shows the contractually agreed (undiscounted) interest and amortisation payments for the original financial liabilities and derivative financial instruments:

IN TEUR	Book value 31.12.2007	Cash flows 2008		Cash flows 2009		Cash flows 2010 – 2012		Cash flows 2013 ff.	
		Inter- est	Amorti- sation	Inter- est	Amorti- sation	Inter- est	Amorti- sation	Inter- est	Amorti- sation
Original financial liabilities									
Due to banks and loans	170,083	6,175	98,511	4,129	8,547	8,617	31,497	2,736	34,200
Other liabilities	32,896	0	32,802	0	94	0	0	0	0
Finance lease liabilities	1,093	48	632	19	229	14	231	0	0
Derivative financial instruments	104	0	104	0	0	0	0	0	0

The underlying interest rates vary for variable interest rates from 3.8% to 7.7% p.a. and for fixed interest rates from 3.75% to 8.0% p.a.

6. NOTES ON THE ITEMS OF THE CONSOLIDATED PROFIT AND LOSS STATEMENT

a. Revenues

The revenues of the Balda Group in this financial year are made up of TEUR 65,513 (previous year: TEUR 76,806) from domestic sources and TEUR 243,696 (previous year: TEUR 294,052) from international sources.

b. Other operating income

The other operating income listed in the consolidated profit and loss statement is made up as follows:

IN TEUR	2007	2006
Income from the reversal of loans	6,805	0
Income from the dissolution of provisions	1,976	64
Earnings from the release of short-term liabilities	1,286	453
Book gains from the disposal of assets	289	2,044
Earnings from the release of value adjustments on claims	18	1,130
Earnings from the sale of material goods	173	777
Others	9,606	5,850
Total	20,153	10,318

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

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

d. Own work capitalised

This item shows the services provided by the Group for assets listed in the tangible fixed assets.

e. Material expenses

The material expenses of the Balda Group decreased in comparison to the previous year by TEUR 4,093 to TEUR 167,437. The material cost ratio as the ratio of material costs to total operating performance was 52.5% in the 2007 financial year (previous year: 45.4%).

f. Personnel expenses

Personnel expenses in the Group fell by TEUR 41,861 from TEUR 119,716 to TEUR 77,855. The personnel cost ratio as the ratio of personnel costs to total operating performance was 24.4% in the 2007 financial year (previous year: 31.7%).

g. Depreciation

Depreciations decreased by TEUR 14,964 to TEUR 35,766. Based on valuation audits in the reporting year according to IAS 36, there are no unscheduled depreciations on goodwill (previous year: TEUR 19,638). Impairments of TEUR 12,934 (previous year: TEUR 9,579) were charged to tangible assets. In addition, reinstatements of value were made in the previous year on unscheduled depreciations of TEUR 3,054.

h. Other operating expenses

The other operating expenses mainly include:

IN TEUR	2007	2006
Expenses from the disposal of group companies	24,697	0
Premises, maintenance and overheads	9,810	12,673
Training/employee benefit costs	8,927	8,371
Energy costs	6,604	8,501
Impairments on receivables and receivable losses	6,314	4,709
Legal and consultancy costs	6,285	5,552
Travel, car, marketing expenses and investor relations	5,877	7,471
IT costs	4,062	3,654
Rental and leasing costs	3,967	5,749
Outward freight and storage costs	3,129	6,735
Administration costs	2,585	2,946
Insurance	991	1,368
Research and development	960	1,073
Others	8,858	9,973
Total	93,066	78,775

In the financial year, expenses for social plans totalling TEUR 4,075 are included under apprenticeships/personnel-related costs (previous year: TEUR 4,130).

i. Financing costs

The tax expenses in the profit and loss statement comprise the following:

IN TEUR	2007	2006
Interest expenses	14,754	7,711
Interest income	1,793	1,363
Total	12,961	6,348

j. Taxes on income and earnings

The tax expenses in the profit and loss statement comprise the following:

IN TEUR	2007	2006
Actual tax expenditure	1,823	-743
Deferred tax expenses/income from the occurrence or reversal of temporary differences	-6,360	2,251
Changes to capitalised deferred tax claims on losses carried forward	9,820	-11,015
Total tax expenses	5,283	-9,507

The tax on the Group's earnings before taxes deviates from the theoretical amount, an amount that results from applying the theoretical income tax rate of 38.6% (previous year: 38.6%) on the income before taxes, as follows:

IN TEUR	2007	2006
Earnings before taxes	-68,302	-49,535
Theoretical income tax rate 2007 38.6 % (previous year: 38.6%)	-26,364	-19,120
Difference in tax rate	-3,250	-602
Non-tax-deductible expenses and income	14,551	7,045
Change in rate of taxes	3,069	0
Realisation of tax losses carried forward	0	-435
Tax losses, for which no deferred taxes were capitalised	15,860	1,361
Taxes for previous year	1,417	2,246
Actual tax expenses	5,283	-9,507

k. Net loss/income

The net loss after taxes for the year, taking into account the external shareholders' proportion of TEUR 330, is TEUR 73,255.

l. Earnings per share – undiluted and diluted

The undiluted earnings per share are calculated as follows:

IN TEUR	2007	2006
Group share of net income after taxes according to the profit and loss statement (TEUR)	-73,255	-41,995
Weighted average of the issued shares (in thousands)	47,632	40,414
Earnings per share according to IAS 33 (EUR) (undiluted and diluted)	-1,538	-1,039

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 the exercise price was below the average share price in the reporting period.

III. OTHER INFORMATION

a. Average number of employees

The following figures apply to Balda Group employees including temporary employees, trainees and apprentices:

	2007	2006
Directors	2	3
Administrative staff	1,003	1,158
Technical and commercial staff	3,493	3,609
Temporary employees	3,911	3,416
Temporary staff, trainees	149	162
Total	8,558	8,348

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

b. Contingent liabilities

The Group's contingent liabilities are as follows:

IN TEUR	2007	2006
From surety bonds	0	511
From guarantee obligations	4,412	0
Total	4,412	511

c. Other financial obligations

IN TEUR	2007	2006
< 1 year	13,395	9,768
2 to 5 years	4,273	9,108
> 5 years	0	7,190
Total	17,668	26,067

The other financial obligations in the Group refer to TEUR 9,771 (previous year: TEUR 4,762) in purchase commitments for investments in material assets which are to be paid out in 2008. Financial obligations resulting from the Group's rental and leasing contracts total TEUR 7,897 (previous year: TEUR 21,304).

The Group's obligations resulting from rental and leasing contracts all stem from operating leases (as defined by the IFRS) held by the Group companies.

d. Contingent debts and receivables

As at the reporting date there are no contingent debts or receivables in the group.

e. Further information regarding finance leasing

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

IN TEUR	MATURITIES			
	TOTAL	TO 1 YEAR	BETWEEN 2 AND 5 YEARS	MORE THAN 5 YEARS
31.12.2007				
Minimum lease payments	1,174	654	520	0
Interest retained	81	48	33	0
Cash values	1,093	606	487	0
31.12.2006				
Minimum lease payments	1,410	633	777	0
Interest retained	104	72	32	0
Cash values	1,306	561	745	0

f. Consolidated companies and shareholdings

The following table shows the consolidated companies of the Balda Group on 31 December 2007:

COMPANY	Registered office	Holding	Investment ratio	Shareholders' equity TEUR	Annual result TEUR
Balda AG	Bad Oeynhausen	direct	100.00 %	115,686	74,389
Balda Grundstücks-Vermietungs GmbH & Co. KG	Bad Oeynhausen	direct	100.00 %	27,617	-2,762
Balda Grundstücks-Verwaltungs GmbH	Bad Oeynhausen	direct	100.00 %	25	2
Balda Medical Verwaltungsgesellschaft mbH	Bad Oeynhausen	direct	100.00 %	17	1
Balda Medical GmbH & Co. KG	Bad Oeynhausen	direct	100.00 %	-1,977	-2,103
Balda Solutions USA, Inc.	Raleigh (N.C./USA)	direct	100.00 %	32	67
Balda Investments Mauritius Ltd.	Mauritius	direct	100.00 %	5,305	-16
Balda Motherson Solution India Ltd. via Balda Investments Mauritius Ltd.	New Delhi (Indien)	indirect	60.00 %	6,885	-2,670
Balda Investments Singapore Pte. Ltd.	Singapore	direct	95.00 %	124,998	3,501
Balda Solutions (Suzhou) Ltd. via Balda Investments Singapore Pte. Ltd.	Suzhou (China)	indirect	100.00 %	21,725	4,989
BSSU Sales and Finance Ltd. via Balda Investments Singapore Pte. Ltd.	(British Virgin Islands)	indirect	100.00 %	1	0
Balda Solutions (Beijing) Ltd. via Balda Investments Singapore Pte. Ltd.	Beijing (China)	indirect	100.00 %	12,085	6,542
Balda Solutions Malaysia Sdn. Bhd. über die Balda Investments Singapore Pte. Ltd.	Ipoh (Malaysia)	indirect	100.00 %	21,452	8,757
BSM Sales and Finance Ltd. via Balda Investments Singapore Pte. Ltd.	(British Virgin Islands)	indirect	100.00 %	1	1
Balda Solutions (Xiamen) Ltd. via Balda Investments Singapore Pte. Ltd.	Xiamen (China)	indirect	100.00 %	1,204	-438
Balda AVY Investments Singapore Pte. Ltd. via Balda Investments Singapore Pte. Ltd.	Singapore	indirect	60.00 %	63	-6
Proportionally consolidated companies					
Balda Lumberg Deutschland GmbH & Co. KG	Bad Oeynhausen	direct	50.00 %	29,369	-3
Balda Lumberg Technologies Plasticos da Amazonia Industria e Comercio Ltda. via Balda Lumberg Deutschland GmbH & Co. KG	Manaus (Brasilien)	direct	0.10 %		

COMPANY	Registered office	Holding	Investment ratio	Shareholders' equity TEUR	Annual result TEUR
Balda Lumberg Technologies Industria e Comercio Ltda. via Balda Lumberg Deutschland GmbH & Co. KG über Balda Lumberg Technologies Plasticos da Amazonia Industria e Comercio Ltda.	São Paulo (Brasilien)	indirect	100.00 %	-3,362	-2,492
Balda Lumberg Verwaltungsgesellschaft mbH via Balda Lumberg Deutschland GmbH & Co. KG	Bad Oeynhausen	indirect	100.00 %	27	0
TPK Holding Co. Ltd. via Balda Investments Singapore Pte. Ltd.	George Town (Cayman Islands)	indirect	50.00 %	56,635	3,404
Improve Idea Investments Ltd. via TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Apia (Samoa)	indirect	100.00 %	11,401	769
TPK Touch Solutions Inc. Improve Idea Investments Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Taipeh (Taiwan)	indirect	100.00 %	1,793	936
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 %	137	0
TPK Advanced Solutions Corp. via TPK Touch Solutions Inc., Improve Idea Investments Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Taipeh (Taiwan)	indirect	51.00 %	604	415
Upper Year Holdings Ltd. via TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Apia (Samoa)	indirect	99.00 %	4,345	462
TPK Touch Solutions (Xiamen) Inc. über Upper Year Holdings Ltd., TKP Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Xiamen (China)	indirect	100.00 %	37,725	3,178
TPK Lens Solutions Inc. via Upper Year Holdings Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Xiamen (China)	indirect	100.00 %	948	-2,459
TPK Touch Systems (Xiamen) Inc. via Upper Year Holdings Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Xiamen (China)	indirect	100.00 %	697	0
Optera TPK Holding Pte. Ltd. via TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Singapur	indirect	50.00 %	5,796	626

COMPANY	Registered office	Holding	Investment ratio	Shareholders' equity TEUR	Annual result TEUR
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 %	5,945	-138
TPK Technology International Inc. via TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Apia (Samoa)	indirect	100.00 %	226	-117
		indirect	99.80 %	10,948	-10,569

g. Executive bodies of Balda AG

Balda AG Supervisory Board

- Herr Richard Roy, Dreieich (Chairman), Management consultant
- Mr Bernd Fennel, Löhne (Deputy Chairman)
Managing Director of Fennel Systems GmbH and Fennel GmbH & Co. KG
- Mr Paul A. Stodden, Munich
Chairman of Orion Cable GmbH (since 30 January 2007)
- Mr Othmar Vock, Itlingen, Switzerland Management consultant
- Mr Lutz Völker, Rheinbreitbach
Managing Director of aspect corporate advisors GmbH
- Mr Mark C. Joseph Twaalfhoven (until 30 November 2007)
Managing Director of Teleplan N.V.

The following members of Balda AG's Supervisory Board also hold positions on bodies at the companies specified:

- 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)
Realtech AG, Walldorf (Deputy Chairman of the Supervisory Board) until 22 May 2007
Freenet AG, Hamburg (member of the Supervisory Board) since 20 July 2007
- Mr Bernd Fennel is also a member of the following Supervisory and Advisory Boards:
Fennel Stiftung, Löhne (Chairman of the Board of Trustees)
Fennel Cosmed GmbH & Co. KG, Bad Oeynhausen (Chairman of the Advisory Board)
- Mr Paul A. Stodden is also a member of the following Management Board:
Swisscom IT Service AG, Ostermundigen, Switzerland (Member of the Management Board)
since 10 September 2007

- Mr Othmar Vock is also a member of the following Management Boards:
 - Swisscom AG, Bern, Switzerland (member of the Management Board)
 - Ivoclar-Vivadent, Schaan, Liechtenstein (member of the Management Board)
 - SWX Swiss Exchange (member of the Admissions Office) until 31 December 2007
 - Cytos AG, Schlieren, Switzerland (member of the Management Board)

- Mr Mark Twaalfhoven (until 30 November 2007) also held the following position:
 - China Yachting Business Partnership Ltd., (President)

Balda AG Board of Directors

- Mr Joachim Gut, Schermbeck (Chairman of the Board of Directors)
 - Human Resources, Public Relations, Internal Audit, Strategy
 - Sales, Marketing, Engineering, Purchasing
- Dr Dirk Eichelberger, Munich (since 1 November 2007)
 - Finance, Controlling, IT, Law/Insurance/Taxes, Investor Relations
- Mr Ralf Ackermann (in dt. Volker Brinkmann), Bad Oeynhausen (until 31 October 2007)
 - Finance, Controlling, IT, Law/Insurance/Taxes, Investor Relations
- Mr Ralf Ackermann, Bad Oeynhausen (until 4 May 2007)
 - Engineering, Purchasing

Mr Gut is also

- Chairman of the Board of Directors of Balda Beteiligungs AG, Zug, Switzerland,
- Chairman of the Board of Directors of
 - Balda Investments Singapore Pte. Ltd., Singapore,
 - Balda Solutions (Suzhou) Ltd., Suzhou, China
 - Balda Solutions (Beijing) Ltd., Beijing, China
 - Balda Solutions Malaysia Sdn. Bhd., Ipoh/Malaysia
- Deputy Chairman of the Board of Directors of Balda Motherson Solution India Ltd. Chennai, India
- Member of the Board of Directors of
 - Balda Investments Mauritius Ltd., Mauritius
 - Balda Solutions Xiamen Ltd., Xiamen, China
 - TPK Holding Co. Ltd., Cayman Islands
 - Improve Ideal Investments Ltd., Samoa
 - Upper Year Holdings Ltd., Samoa
 - New Strategy Investment Ltd., Samoa
 - Balda AVY Investments Singapore Pte. Ltd. (since 30 January 2007)

Herr Ackermann was also

- Member of the Board of Directors of
 Balda Solutions (Suzhou) Ltd., Suzhou, China
 Balda Solutions (Beijing) Ltd., Beijing, China
 Balda Solutions Xiamen Ltd., Xiamen, China
 TPK Holding Co. Ltd., Cayman Islands
 Balda Motherson Solution India Ltd. Chennai, India

Herr Brinkmann was also

- Member of the Board of Directors of Balda Beteiligungs AG, Zug, Switzerland,
- Member of the Board of Directors of
 Balda Investments Singapore Pte. Ltd., 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
 Balda Solutions USA Inc., Raleigh, USA
 Balda Motherson Solution India Ltd. Chennai, India
 Balda AVY Investments Singapore Pte. Ltd. (since 30 January 2007)

Dr Eichelberger is also

- Member of the Board of Directors of
 Balda Investments Singapore Pte. Ltd., Singapore, (since 5 November 2007)
 Balda Solutions (Suzhou) Ltd., Suzhou, China (since 12 November 2007)
 Balda Solutions (Beijing) Ltd., Beijing, China (since 12 November 2007)
 Balda Solutions Malaysia Sdn. Bhd., Ipoh/Malaysia (since 5 November 2007)
 Balda Investments Mauritius Ltd., Mauritius (since 5 November 2007)
 Balda Solutions Xiamen Ltd., Xiamen, China (since 12 November 2007)
 TPK Holding Co. Ltd., Cayman Islands (since 20 November 2007)
 Balda Solutions USA Inc., Raleigh, USA (since 5 November 2007)
 Balda Motherson Solution India Ltd. Chennai, India (since 21 November 2007)
 Balda AVY Investments Singapore Pte. Ltd. (since 5 November 2007)

Remuneration of the Board of Directors and the Supervisory Board

With regard to the information about the remuneration of the Board of Directors and the Supervisory Board, please refer to the remuneration report in the Management Report ([see page 61 f.](#)).

EXECUTIVE BODY SHAREHOLDINGS	31. 12. 2007	31. 12. 2006	Change
J. Gut	50,000	50,000	0
V. Brinkmann ¹	–	410	–410
R. Ackermann ¹	–	2,800	–2,800
D. Eichelberger	0	0	0
Board of Directors, total	50,000	53,210	–3,210
B. Fennel	0	0	0
R. Roy	8,000	8,000	0
P. Stodden	0	0	0
M. Twaalfhoven ²	–	0	0
L. Völker	0	0	0
O. Vock	0	0	0
Supervisory Board, total	8,000	8,000	0

¹No longer a member of the Board of Directors as of 31 December 2007

²No longer a member of the Supervisory Board as at 31 December 2007

There were no other significant purchases or sales by the Executive Bodies in 2007.

h. Relationships to affiliated companies and persons

Relationships to members of the management in key positions

In addition to those Group companies that were included in the consolidated financial statement, there were, through Bernd Fennel's membership in the Supervisory Board, further companies that were closely associated with the Balda Group as defined by IAS 24, to which the Group had the following business relations in the year 2007:

Goods and Services purchased by the Balda AG Group:

Beckmann GmbH & Co. KG built new tools and carried out changes as well as repairing tools for a total value of TEUR 200.

For the realisation of transportation services, the Balda Group used the services of Stratos GmbH for a total of TEUR 65.

Some products and unused tools and machinery were stored by Stratos GmbH until dispatch as the storage capacity at Balda Solutions Deutschland GmbH was full. Storage and handling costs of TEUR 684 were charged for this.

In addition, the following deliveries and services were purchased from Fennel GmbH & Co. KG to 31 December 2007:

IN TEUR	
Plastic parts/tools	85
Personnel/Services	17
Rent/Leasing	6

At the start of the year, Fennel GmbH & Co. KG manufactured plastic components and component groups for various customer projects of Balda Solutions Deutschland GmbH due to capacity shortages.

For the use of certain machines, Fennel GmbH & Co. KG charged the Balda Group the leasing costs without any premium. It remains the lessee.

Further costs total TEUR 79, including pro rata maintenance costs for the software licences of Fennel Systems GmbH, courier services, services from Wittekindquelle, FIS GmbH and the Fennel Innovation Centre as well as various forwarded costs.

Goods and Services delivered by Balda AG Group:

The sale of plastic and zinc die-cast components to Fennel GmbH & Co. KG for a total of TEUR 8 refers to galvanisation finishing. The delivery of resin totalling TEUR 5 to Fennel GmbH & Co. KG was calculated at market prices.

The billing for tools and their repairs to Fennel GmbH & Co. KG of TEUR 49 was made by the Balda group without mark-up.

The Balda group sold assets to Fennel GmbH & Co. KG at usual market conditions for TEUR 14.

Other expenses totalling TEUR 56 were charged at cost to the Fennel Group.

The delivery and services programme consisted mainly of the following receivables and liabilities as of 31 December 2007 with respect to the following companies:

RECEIVABLES	TEUR
Fennel GmbH & Co. KG	79
Miscellaneous	2

LIABILITIES	TEUR
Beckmann GmbH & Co. KG	17
Stratos GmbH	44
Miscellaneous	10

The following proportional transactions were carried out in 2007 with management members in key positions abroad and the companies controlled by these members:

	TEUR
Sale of goods	27,496
Purchase of services	230
Purchase of material	717

On 31 December 2007 there were receivables totalling TEUR 2,349 and liabilities TEUR 501.

Relationships to associated companies

Until 17 December 2007, Balda AG held 50% of the shares in aimtec GmbH, which is included in the Group as an associated subsidiary. The stake was sold to Fennel Technologies AG and transferred to Fennel Systems GmbH.

aimtec GmbH billed the Group for a total of TEUR 1,865 for its IT services. The Balda group purchased assets from aimtec GmbH for a total of TEUR 292. For other services, the Balda group was charged TEUR 51.

aimtec GmbH billed the Fennel Group for IT services totalling TEUR 1,419.

In 2007, aimtec GmbH purchased the following services from Fennel GmbH & Co. KG at usual market conditions:

	TEUR
Rent	39
Human Resources	17
Telephone/Electricity	7
Rent/Leasing	20

At the end of the year the accounts receivable for the Balda group with respect to aimtec GmbH totalled TEUR 123 and the liabilities totalled TEUR 196.

From the business relationships with Fennel Group, as at 31 December 2007 the following receivables were reported in addition to the liabilities owed by aimtec GmbH to Fennel GmbH & Co. KG of TEUR 9:

RECEIVABLES	TEUR
2H Jara Profile GmbH & Co. KG	58
Beckmann GmbH & Co. KG	49
Fennel GmbH & Co. KG	709
Fennel Systems GmbH	13
Gemeinnützige Gesellschaft Haus der innovativen Ausbildung und Qualifizierung GmbH	27
KTF GmbH Co. & KG	102
Miscellaneous	8

Relationships to Joint Ventures, where companies of the Balda Group are the partners

The following information corresponds to the values stated in the consolidated financial statement.

Balda Lumberg Technologies Plásticos da Amazônia Indústria e Comércio Ltda. (Brazil) purchased materials from Lumberg Connect GmbH & Co. KG in Schalksmühle for a total value of TEUR 20.

As of 31 December 2007 there were accounts receivable totalling TEUR 18 with respect to Lumberg Connect GmbH & Co. KG in Schalksmühle.

Balda Motherson Solution India Ltd. (India) rents commercial space from the joint-venture partner Motherson Sumi Systems Ltd. In 2007 the rent costs TEUR 246. Balda Motherson Solution India Ltd. paid interest of TEUR 136 for a loan. Other costs of TEUR 145 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 with respect to Motherson Sumi Systems Ltd. and its companies of TEUR 6,721 as well as accounts receivable worth TEUR 166 as a deposit for the rental contract.

i. Events after the reporting date

With effect from 7 March 2008, Balda AG bought back its shares in Balda Solutions Deutschland GmbH, Balda Werkzeug- und Vorrichtungsbau GmbH and Balda Solutions Hungaria Kft.

j. Auditor's fee

The following auditor's fees are recorded in the financial year as costs:

	TEUR
For the audit	270
für sonstige Bestätigungsleistungen	340
Total for other services	812

k. Application of statutory exemption provisions according to Section 264 para. 3 HGB and Section 264 b HGB

Balda Medical GmbH & Co. KG, Bad Oeynhausen, has, in part, applied the exemption provisions according to Section 264 para. 3 HGB and according to Section 264 b HGB.

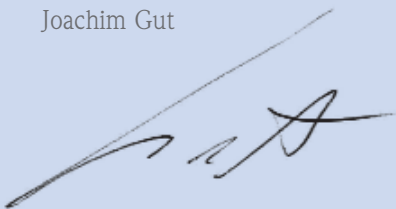
l. Proposal for distribution of unappropriated earnings

The proposal will be made to the general meeting that the result should be carried forward.

Bad Oeynhausen, den 21. April 2008

The Board of Directors

Joachim Gut



Dr. Dirk Eichelberger



“We guarantee to the best of our knowledge that, according to the applicable principles of accounting, the consolidated financial report provides an image of the asset, financial and income situation of the group corresponding to the actual situation, and the financial results and the situation of the company are represented in the in the consolidated management report such that an image is provided which corresponds to the actual situation, and the main chances and risks of the future development of the group are described.”

BALDA AKTIENGESELLSCHAFT, BAD OEYNHAUSEN

NOTES FOR THE 2007 FINANCIAL YEAR

I. GENERAL INFORMATION

Balda Aktiengesellschaft is located in Bad Oeynhausen, Germany, and acts exclusively as a holding company.

The business activities of the Balda subsidiaries range from materials development through to engineering, manufacturing touch screens, mould construction and manufacturing hardware components, and surface technology. Above all, the Infocom division is supplied, along with the automotive, medical technology and related industries.

II. NOTES ON THE ANNUAL REPORT OF BALDA AG

With shares issued pursuant to Section 2, para. 1, sent. 1 German Securities Trading Act (WpHG) Balda AG is trading on an organised market within the meaning of Section 2, para. 5 German Securities Trading Act (WpHG) and is thus considered a large corporation pursuant to Section 267, para. 3, sent. 2 German Commercial Code (HGB).

Unless otherwise stated, all figures are stated in thousands of euros (TEUR).

1. Methods of accounting and valuation

The annual report of Balda AG is prepared in accordance with the principles of Sections 242 to 256 HGB and Section 264 et seq. HGB and the Companies Act.

Intangible and tangible assets are stated at acquisition or manufacturing cost, less scheduled straight line depreciation. As a general rule, depreciation based on the following operating life expectancies:

	YEARS
Software	3 to 5
Buildings, including buildings on third party land	33
Technical equipment and machinery	3 to 10
Other plants, factory and office equipment	4 to 10

Low value assets are completely written off in the year of acquisition,

Financial assets are valued at acquisition costs.

Where the value of fixed assets calculated by the methods outlined above exceeds the value attributed on the balance sheet date, it is taken into account through extraordinary depreciation.

Receivables and other assets are stated at nominal value. Value adjustments were made for identifiable risks. Short-term foreign currency receivables are translated at the lowest exchange rate either at the time they are first entered into the books or at the balance sheet date.

Provisions take into account all identifiable risks and uncertain liabilities.

Liabilities are carried at the repayable amount. The difference between the amount repayable and the payout amount is shown under deferred charges and prepaid expenses. Short-term foreign currency liabilities are translated at the highest exchange rate either at the time they are first entered into the books or at the balance sheet date.

The methods of accounting and valuation remain unchanged from the previous year.

2. NOTES ON INDIVIDUAL ITEMS OF THE BALANCE SHEET

2.a. Fixed assets

For details see table in the appendix on changes in fixed assets.

INTANGIBLE FIXED ASSETS

The Advanced Planning System (APS), completed in 2007, is reported under intangible fixed assets. This is a production planning system that is intended for use by various subsidiaries.

TANGIBLE ASSETS

In the 2007 financial year, a developed real estate was sold at the residual book value.

The increase in "Other plants, factory and office equipment" results mainly from the capitalisation of the developed IT system landscape, which was previous outsourced and had been reported partly under "Advance payments and construction in progress".

FINANCIAL ASSETS

The reduction in shares in affiliated companies of TEUR 29,782 mainly results from the sale of the following shares:

As of 28 February 2007:

- Balda-Heinze GmbH & Co. KG, Herford
- Balda-Heinze Verwaltungsgesellschaft mbH, Herford
- Sächsische Metall- und Kunststoffveredelungs GmbH, Oberlungwitz
- HeRo Galvanotechnik GmbH, Herford

As of 31 December 2007:

- Balda Solutions Deutschland GmbH, Bad Oeynhausen
- Balda Werkzeug- und Vorrichtungsbau GmbH, Bad Oeynhausen
- Balda Solution Hungaria Kft., Veszprém (Hungary)

In addition, there was a write-down on the hostake in Balda Grundstücks-Vermietungs GmbH & Co. KG because of an estimated long-term reduction in value of TEUR 3,381. The write-down is included in the Profit and Loss Statement under Depreciations on financial assets and securities of the current assets.

Loans to affiliated companies include loans to Balda Investments Singapore Pte. Ltd. of TEUR 10,198 and to Balda Motherson Solution India Ltd. of TEUR 3,912.

The reduction in shares in holding companies results from the disposal of aimtec GmbH, Löhne, whose shares were sold through a contract dated 17 December 2007.

Other loans include Balda AG's receivables from the purchase contracts relating to the sale of the automotive companies (TEUR 11,500).

2.b. Receivables and other assets

Receivables due from affiliated companies (TEUR 13,318; previous year: TEUR 17,487) include trade account receivables of TEUR 875 (previous year: TEUR 2,166).

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 173 (previous year: TEUR 253).

2.e. Shareholders' equity

Changes in the equity capital of Balda AG are as follows:

	Share capital TEUR	Deposit paid for execution of agreed capital increase TEUR	Capital reserves TEUR	Revenue reserves TEUR	Balance sheet loss TEUR
As of 01 January 2007	40,279	42,648	56,407	2	-16,957
Increase in shareholders equity	13,878	-42,648	96,466	0	0
Annual net loss 2007	0	0	0	0	74,389
As of 31 December 2007	54,157	0	152,873	2	91,346

On the balance sheet date the share capital amounts to TEUR 54,157. It is divided into 54,156,672 bearer shares without a par value with entitlement to full dividends.

On 9 February 2007, a capital increase of TEUR 7,108 to TEUR 47,387 was recorded in the commercial register through the issue of 7,108,063 new shares with a partial amount of the share capital of EUR 1.00 per share. At the same time, the amount of TEUR 35,540 was transferred to the capital reserves. As at 31 December 2006, the amounts under the item 'Deposits for execution of agreed capital increase' were posted under equity capital.

On 20 December 2007, a capital increase of TEUR 6,770 to TEUR 54,157 was recorded in the commercial register through the issue of 6,769,584 new shares with a partial amount of the share capital of EUR 1.00 per share. At the same time, the amount of TEUR 60,926 was transferred to the capital reserves.

With a resolution passed by the General Meeting on 9 August 2007, the Board of Directors was authorised to purchase company shares until 8 February 2009. The total amount of company shares purchased must not exceed 10% of the share capital.

The General Meeting of 9 August 2007 decided that the Board of Directors, with the consent of the Supervisory Board and without further resolutions by the General Meeting, can issue participation rights until 8.08.2012 singly or multiply with a maximum nominal value of TEUR 500,000. The participation rights can be connected with conversion or option rights for up to 19,677,249 bearer shares in the company.

In order to service these conversion or option rights, the General Meeting of 9 August 2007 decided to increase the share capital of the company as required up to TEUR 19,677 by issuing 19,677,249 new shares with profit participation from the start of the financial year in which they are issued.

Furthermore, the General Meeting decided that the Board of Directors, with the consent of the Supervisory Board and without further resolutions by the General Meeting, can increase the equity capital by up to TEUR 23,694 (authorised capital) by 8 August 2012.

2.f. Provisions

Tax provisions of TEUR 1,500 result from the tax audit started in 2007 for the years 2003 to 2006 and reflect the company's estimated obligation. At the time this annual report was prepared, the tax audit was still ongoing.

The other provisions mainly include amounts for outstanding incoming invoices (TEUR 1,206), an anticipated loss (TEUR 1,854) and personnel provisions (TEUR 1,185).

2.g. Liabilities

The residual terms of the liabilities are represented as follows:

	31.12.2007 TEUR	< 1 YEAR TEUR	1 TO 5 YEARS TEUR	> 5 YEARS TEUR
Bonds	39,200	0	5,000	34,200
Due towards financial institutions	95,100	64,225	30,875	0
Trade accounts payable	1,997	1,997	0	0
Accounts payable to affiliated companies	5,749	3,841	1,908	0
Other liabilities	15,639	15,639	0	0
Total	157,685	85,702	37,783	34,200

The option bond issued on 26 July 2006 with a nominal value of TEUR 80,000 was redeemed in November 2007 by a payment of TEUR 68,000. The interest incurred to this point has been paid. The income from the redemption is recorded under other operating income.

As at the reporting date, bonds included 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% 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 can be issued from the conditional capital agreed by the General Meeting of 9 August 2007. The conversion price is EUR 7.22. If the Balda shares' closing price on Xetra reaches at least EUR 12.50 during the term, Balda can demand conversion. The papers have been issued within the framework of the existing authorisations and exclude subscription rights. A consortial financing agreement for TEUR 60,000 was agreed on 29 November 2007, TEUR 54,000 of this was used as at the reporting date for the short-term.

The bonded loan taken out in February 2005 of TEUR 40,000 accrues interest at 3.75% p.a. and matures on 23 February 2010. TEUR 10,000 was repaid early in January 2008.

Liabilities to affiliated companies (TEUR 5,749) included trade accounts payable of TEUR 146. In the previous year, liabilities from group financial transactions of TEUR 9,189 were offset by trade accounts receivable of TEUR 3.

The increase in liabilities mainly results from the accrual of the equalisation obligation from the profit and loss transfer agreement towards Balda Solutions Deutschland GmbH and Balda Werkzeug- und Vorrichtungsbau GmbH, which has partly been offset by receivables due from the respective companies.

Contingent liabilities and other financial obligations

Contingent liabilities of Balda AG are as follows:

	2007 TEUR	2006 TEUR
from guarantees	0	511
from warranty commitments	4,412	2,896
Total	4,412	3,407

The warranty commitments as at 31 December 2007 existed for the companies sold in 2007. In the previous year, the warranty commitments related exclusively to subsidiaries.

Balda AG's other financial obligations from fixed-term contracts are as follows:

	2007 TEUR	2006 TEUR
< 1 Year	1,147	835
1 to 5 Years	2,789	3,118
> 5 Years	0	110
Total	3,936	4,063

All other financial obligations arise solely from rental and lease obligations and other long-term acceptance obligations.

In addition, there are annual obligations of TEUR 183 from a building lease agreement of unlimited duration with Balda Grundstücks-Vermietungs GmbH & Co. KG.

NOTES ON INDIVIDUAL ITEMS OF THE INCOME STATEMENT

3.a. Revenues

Revenues mainly comprise income from services rendered by employees. Due to a homogeneous turnover structure, there is no need for a breakdown according to fields of activity or across geographical markets.

3.b. Other operating income

The other operating income includes income from the redemption of the option bond (TEUR 12,000) and income from the forwarding of costs (TEUR 2,338).

3.c. Other operating costs

The increase in other operating costs mainly results from losses from the disposal financial assets of around TEUR 19,143.

3.d. Taxes on income and earnings

The items result mainly from the formation of provisions for the estimated requirement based on the current tax audit. In the previous year, the results of Balda AG were improved by taxes on income and earnings of TEUR 949. The refunds relate mainly to corporation tax in previous years.

Earnings per share

	2007	2006
Net loss/income for the year (TEUR)	-74,389	-34,661
Weighted average of the shares issued (in thousands)	46,824	40,237
Earnings per share (EUR)	-1.589	-0.862

II. OTHER INFORMATION

Average number of employees

In the 2007 financial year, Balda AG on average employed 50 people (previous year: 43).

Executive bodies

Balda AG Supervisory Board

- Mr Richard Roy, Dreieich (Chairman), Management consultant
- Mr Bernd Fennel, Löhne (Deputy Chairman),
Managing Director of Fennel Systems GmbH and Fennel GmbH & Co. KG
- Mr Paul A. Stodden, Munich, Chairman of the Management Board of Orion Cable GmbH (since 30.01.2007)
- Mr Othmar Vock, Itlingen, Switzerland, Management consultant
- Mr Lutz Völker, Rheinbreitbach, Managing Director of aspect corporate advisors GmbH
- Mr Mark C, Joseph Twaalfhoven (until 30 November 2007), Managing Director of Teleplan N.V.

The following members of Balda AG's Supervisory Board also hold positions on bodies at the companies specified:

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)
- Realtech AG, Walldorf (Deputy Chairman of the Supervisory Board) until 22 May 2007
- Freenet AG, Hamburg (member of the Supervisory Board) since 20 July 2007

Mr Bernd Fennel is also a member of the following Supervisory and Advisory Boards:

- Fennel Stiftung, Löhne (Chairman of the Board of Trustees)
- Fennel Cosmed GmbH & Co. KG, Bad Oeynhausen (Chairman of the Advisory Board)

Mr Paul A. Stodden is also a member of the following Supervisory Boards:

- Swisscom IT Service AG, Ostermundigen, Switzerland (Member of the Management Board) since 10 September 2007

Mr Othmar Vock is also a member of the following Management Boards:

- Swisscom AG, Bern, Switzerland (member of the Management Board)
- Ivoclar-Vivadent, Schaan, Liechtenstein (member of the Management Board)
- SWX Swiss Exchange (member of the Admissions Office) until 31 December 2007
- Cytos AG, Schlieren, Switzerland (member of the Management Board)

Mr Mark Twaalfhoven (to 30 November 2007) also held the following positions:

- China Yachting Business Partnership Ltd. (President)

Balda AG Board of Directors

- Mr Joachim Gut, Schermbeck (Chairman of the Board of Directors)
Human Resources, Investor Relations, Internal Audit, Strategy
Sales, Marketing
- Dr Dirk Eichelberger, Munich (since 1 November 2007)
Finance, Controlling, IT, Law/Insurance/Taxes, Investor Relations
- Mr Ralf Ackermann, Bad Oeynhausen (until 4 May 2007)
Engineering, Purchasing
- Mr Volker Brinkmann, Bad Oeynhausen (until 31 October 2007)
Finance, Controlling, IT, Law/Insurance/Taxes, Investor Relations

Mr Gut is also

- Chairman of the Board of Directors of Balda Beteiligungs AG, Zug, Switzerland (until 23 May 2007)
- Chairman of the Board of Directors of
Balda Investments Singapore Pte. Ltd., Singapore,
Balda Solutions (Suzhou) Ltd., Suzhou, China
Balda Solutions (Beijing) Ltd., Beijing, China
Balda Solutions Malaysia Sdn. Bhd., Ipoh, Malaysia
- Deputy Chairman of the Board of Directors of Balda Motherson Solution India Ltd. Chennai, India
- Member of the Board of Directors of
Balda Investments Mauritius Ltd., Mauritius
Balda Solutions Xiamen Ltd., Xiamen, China
TPK Holding Co. Ltd., Cayman Islands
Improve Ideal Investments Ltd., Samoa
Upper Year Holdings Ltd., Samoa
New Strategy Investment Ltd., Samoa
Balda AVY Investments Singapore Pte. Ltd. (since 30.01.2007)

Until his departure, Mr Ackermann was also

- Member of the Board of Directors of
Balda Solutions (Suzhou) Ltd., Suzhou, China
Balda Solutions (Beijing) Ltd., Beijing, China
Balda Solutions Xiamen Ltd., Xiamen, China

TPK Holding Co. Ltd., Cayman Islands
 Balda Motherson Solution India Ltd. Chennai, India

Until his departure, Mr Brinkmann was also

- Member of the Board of Directors of Balda Beteiligungs AG, Zug, Switzerland (until 23 May 2007)
- Member of the Board of Directors of
 - Balda Investments Singapore Pte. Ltd., 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
 - Balda Solutions USA Inc., Raleigh, USA
 - Balda Motherson Solution India Ltd. Chennai, India
 - Balda AVY Investments Singapore Pte. Ltd. (since 30 January 2007)

Dr Eichelberger is also

- Balda Investments Singapore Pte. Ltd., Singapore (since 5 November 2007)
- Balda Solutions (Suzhou) Ltd., Suzhou, China (since 12 November 2007)
- Balda Solutions (Beijing) Ltd., Beijing, China (since 12 November 2007)
- Balda Solutions Malaysia Sdn, Bhd., Ipoh, Malaysia (since 5 November 2007)
- Balda Investments Mauritius Ltd., Mauritius (since 5 November 2007)
- Balda Solutions Xiamen Ltd., Xiamen, China (since 12 November 2007)
- TPK Holding Co. Ltd., Cayman Islands (since 20 November 2007)
- Balda Solutions USA Inc., Raleigh, USA (since 5 November 2007)
- Balda Motherson Solution India Ltd. Chennai, India (since 21 November 2007)
- Balda AVY Investments Singapore Pte. Ltd. (since 05 November 2007)

Remuneration of the Board of Directors and the Supervisory Board

For information about the remuneration of the Board of Directors and the Supervisory Board, please refer to the remuneration report in the Management Report (see page 61 f.)

Executive body shareholdings

	31.12.2007	31.12.2006	Change
J. Gut	50,000	50,000	0
D. Eichelberger	0	0	0
V. Brinkmann ¹	–	410	–410
R. Ackermann ¹	–	2,800	–2,800
Board of Directors, total	50,000	53,210	–3,210
B. Fennel	0	0	0
R. Roy	8,000	8,000	0
P. Stodden	0	0	0
M. Twaalfhoven ²	–	0	0
L. Völker	0	0	0
O. Vock	0	0	0
Supervisory Board, total	8,000	8,000	0

¹ No longer a member of the Board of Directors as at 31 December 2007

² No longer a member of the Supervisory Board as at 31 December 2007

There were no other significant purchases or sales by the Executive Bodies in 2007.

Affiliated companies and holding companies (shareholdings)

The following is a list of the stakes owned by Balda AG in subsidiaries as at 31 December 2007.

Company	Registered office	Holding	Shareholders equity	Eigenkapital	Earnings before interest
				TEUR	TEUR
Balda Grundstücks-Vermietungs GmbH & Co. KG	Bad Oeynhausen	direct	100.00 %	27,617	–2,762
Balda Grundstücks-Verwaltungs GmbH	Bad Oeynhausen	direct	100.00 %	25	2
Balda Medical Verwaltungsgesellschaft mbH	Bad Oeynhausen	direct	100.00 %	17	1
Balda Medical GmbH & Co. KG	Bad Oeynhausen	direct	100.00 %	–1,977	–2,103
Balda Solutions USA, Inc.	Raleigh (N.C./USA)	direct	100.00 %	32	67
Balda Investment Mauritius Ltd.	Mauritius	direct	100.00 %	5,305	–16
Balda Motherson Solution India Ltd. via Balda Investments Mauritius Ltd.	New Delhi, India	indirect	60.00 %	6,885	–2,670
Balda-Lumberg Deutschland GmbH & Co. KG	Bad Oeynhausen	direct	50.00 %	29,369	–3
Balda-Lumberg Technologies Plasticos da Amazonia Industria e Comercio Ltda. via Balda-Lumberg Deutschland GmbH & Co. KG	Manaus, Brazil	direct	0.10%		
		indirect	99.80%	10,948	–10,569

Company	Registered office	Holding	Shareholders equity	Eigenkapital TEUR	Earnings before interest TEUR
Balda-Lumberg Technologies Industria e Comercio Ltda, via Balda-Lumberg Technologies Plasticos da Amazonia Industria e Comercio Ltda., Balda-Lumberg Deutschland GmbH & Co. KG	Sao Paulo, Brazil	indirect	100.00 %	-3,362	-2,492
Balda-Lumberg Verwaltungsgesellschaft mbH via Balda-Lumberg Deutschland GmbH & Co. KG	Bad Oeynhausen	indirect	100.00 %	27	0
Balda Investments Singapore Pte. Ltd.	Singapore	direct	95.00 %	124,998	3,501
Balda Solutions (Suzhou) Ltd. via Balda Investments Singapore Pte. Ltd.	Suzhou, China	indirect	100.00 %	21,725	4,989
BSSU Sales and Finance Ltd. via Balda Investments Singapore Pte. Ltd.	British Virgin Islands	indirect	100.00 %	1	0
Balda Solutions (Beijing) Ltd. via Balda Investments Singapore Pte. Ltd.	Beijing, China	indirect	100.00 %	12,085	6,542
Balda Solutions Malaysia Sdn, Bhd, via Balda Investments Singapore Pte. Ltd.	Ipoh, Malaysia	indirect	100.00 %	21,452	8,757
BSM Sales and Finance Ltd. via Balda Investments Singapore Pte. Ltd.	British Virgin Islands	indirect	100.00 %	1	1
Balda Solutions (Xiamen) Ltd. via Balda Investments Singapore Pte. Ltd.	Xiamen, China	indirect	100.00 %	1,204	-438
Balda AVY Investments Singapore Pte. Ltd. via Balda Investments Singapore Pte. Ltd.	Singapore	indirect	60.00 %	63	-6
TPK Holding Co. Ltd. via Balda Investments Singapore Pte. Ltd.	George Town, Cayman Islands	indirect	50.00 %	56,635	3,404
Improve Idea Investments Ltd. via TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Apia, Samoa	indirect	100.00 %	11,401	769
TPK Touch Solutions Inc. (former TKP Optical Solutions Corp.) via Improve Idea Investments Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Taipeh, Taiwan	indirect	100.00 %	1,793	936
New Strategy Investment Ltd. via TPK Optical Solutions Corp., Improve Idea Investments Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Apia, Samoa	indirect	100.00 %	137	0
TPK Advanced Solution Corp. (former IdealTEK Corp.) via TPK Optical Solutions Corp., Improve Idea Investments Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Taipeh, Taiwan	indirect	51.00 %	604	415

Company	Registered office	Holding	Shareholders equity	Eigenkapital TEUR	Earnings before interest TEUR
Upper Year Holdings Ltd. via TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Apia, Samoa	indirect	99.00 %	4,345	462
TPK Touch Solutions (Xiamen) Inc. (former: TPK Optical Solutions (Xiamen) Inc.) via Upper Year Holdings Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Xiamen, China	indirect	100.00 %	37,725	3,178
TPK Lens Solutions Inc. (former: G & P Optical Solutions Inc.) via Upper Year Holdings Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Xiamen, China	indirect	100.00 %	948	-2,459
TPK Touch Systems (Xiamen) Inc. (former: Sunshine Technology (Xiamen) Inc.) via Upper Year Holdings Ltd., TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Xiamen, China	indirect	100.00 %	697	0
Optera TPK Holding Pte. Ltd. via TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Singapore	indirect	50.00 %	5,796	626
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 %	5,945	-138
TPK Technology International Inc. via TPK Holding Co. Ltd., Balda Investments Singapore Pte. Ltd.	Apia, Samoa	indirect	100.00 %	226	-117

¹ being founded

DISCLOSURE PURSUANT TO SEC. 26 PARA. 1 GERMAN SECURITIES TRADING ACT (WPHG)

The disclosures in compliance with section 26 para. 1 of the German Securities Trading Act (WpHG) regarding the existence of a participation which has been reported according to Section 21 para. 1 WpHG are reproduced below:

BALDA AG, BAD OEYNHAUSEN
WKN 521510, ISIN DE0005215107

NOTICE PURSUANT TO SEC. 26 PARA. 1 WPHG

Yun Ling Chiang informed us on 13 February 2007 pursuant to Section 21 para. 1 WpHG that the share voting rights held by Max Gain Management Ltd., (domiciled at Offshore Chambers, Ground Floor NPF Building, Beach Road, P.O. Box 217, Apia, Samoa), in our company, Balda AG, Bergkirchener Strasse, 32549 Bad Oeynhausen, Germany, registered in the commercial register of Bad Oeynhausen Local Court under No. HRB 3077, on 9 February 2007 exceeded the thresholds of 3%, 5%, 10% and reached the threshold of 15% and thus holds a stake of 15% (corresponding to 15.00% of the voting rights).

Yun Lin Chiang has also informed us that Yield Return Investments Ltd., (domiciled at Offshore Chambers, Ground Floor NPF Building, Beach Road, P.O. Box 217, Apia, Samoa) exercises a controlling interest in Max Gain Management Ltd. The share of voting rights held by Yield Return Investments Ltd. on 9 February 2007 exceeded the thresholds of 3%, 5%, 10% and reached the threshold of 15% (corresponding to 15.00% of the voting rights). This share of voting rights belong to Max Gain Management Ltd. and must be attributed fully to Yield Return Investments Ltd. through Section 22 para. 1 No. 1 WpHG.

Yun Ling Chiang, domiciled in Canada, has informed us that it exercises a controlling interest in Yield Return Investments Ltd. which in turn exercises a controlling interest in Max Gain Management Ltd.

Yun Lin Chiang's share of voting rights on 9 February 2007 exceeded the thresholds of 3%, 5%, 10%, and reached the threshold of 15% and totals 15% (corresponding to 15.00% of the voting rights). This share of voting rights belong to Max Gain Management Ltd. and must be attributed fully to Yun Ling Chiang according to Section 22 para. 1 No. 1 WpHG.

Bad Oeynhausen, February 2007
 Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

BALDA AG, BAD OEYNHAUSEN
WKN 521510, ISIN DE0005215107

NOTICE PURSUANT TO SEC. 26 PARA.1 WPHG

Cycladic Capital LLP, 4 Albemarle Street, London, England, informed us on 16 February 2007 pursuant to Sections 21 and 22 WpHG that, because of the increased number of shares in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, its share of voting rights in our company had fallen below the 10% threshold on 14 February 2007 and is now 9.57% which corresponds to 4,534,411 votes. 8.87% of the votes belong to Cycladic Catalyst Master Fund and are attributable to Cycladic Capital LLP according to Section 22 para. 1 No. 1 and No. 6 sentence 2 WpHG.

Cycladic Catalyst Master Fund, 4 Albemarle Street, London, England, informed us on 16 February 2007 pursuant to Sections 21 and 22 WpHG that, because of the increased number of shares in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, its share voting rights in our company had fallen below the 10% threshold on 14 February 2007 and is now 8.87% which corresponds to 4,202,658 votes.

Bad Oeynhausen, February 2007
 Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

BALDA AG, BAD OEYNHAUSEN
WKN 521510, ISIN DE0005215107

NOTICE PURSUANT TO SEC. 26 PARA.1 WPHG

FMR Corp., Boston, Massachusetts 02109, USA, informed us on 13 March 2007 pursuant to Section 21 (1) WpHG that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 26 February 2007 exceeded the threshold of 5% and now totals 5.30% (2,133,602 shares). The voting rights are attributable to FMR Corp. according to Section 22 (1) 2 WpHG in conjunction with Section 22 (1) 1 No. 6 WpHG.

Bad Oeynhausen, March 2007
 Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

BALDA AG, BAD OEYNHAUSEN
WKN 521510, ISIN DE0005215107

NOTICE PURSUANT TO SEC. 26 PARA.1 WPHG

Guy P. Wyser-Pratte, USA, informed us on 15 March 2007 that on the basis of the registration of the capital increase on 9 February 2007 his share of voting rights in Balda AG had fallen below the 5% threshold. His voting rights in Balda AG on 9 February 2007 totalled 4.9%, which corresponds to 2,320,081 votes.

On 14 February 2007 he again exceeded the threshold of 5% of the voting rights in Balda AG. He informed us in a timely manner pursuant to Sections 21 para. 1, 22 para. 1 sentence 1 No. 1 WpHG that his voting rights in Balda AG now total 5.004%, which corresponds to 2,371,081 votes.

These voting rights are held by Wyser-Pratte Management Co., Inc. and are attributable to him according to Section 22 para. 1 sentence 1 No. 1 WpHG, as Wyser-Pratte Management Co., Inc. has to be treated as his subsidiary.

Wyser-Pratte Management Co., Inc., New York, NY 10022, USA, informed us on 15 March 2007 that on the basis of the registration of the capital increase on 9 February 2007 its voting rights in Balda AG had fallen below the 5% threshold. On 9 February 2007 its stake totalled 4.9%, which corresponds to 2,320,081 votes.

On 14 February 2007 it again exceeded the threshold of 5% of the voting rights in Balda AG. It notified us in a timely manner pursuant to Section 21 para. 1 WpHG that its share of the voting rights in Balda AG now totals 5.004%, which corresponds to 2,371,081 votes.

Bad Oeynhausen, March 2007
Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

BALDA AG, BAD OEYNHAUSEN
WKN 521510, ISIN DE0005215107

NOTICE PURSUANT TO SEC. 26 PARA.1 WPHG
CORRECTION TO THE VOTING RIGHTS NOTIFICATION OF 14 MARCH 2007

Fidelity Management & Research Company, Boston, Massachusetts 02109, USA, informed us on 22 March 2007 pursuant to Section 21 (1) WpHG that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 26 February 2007 exceeded the threshold of 3% and now totals 4.07% (1,928,642 shares). On 27 February 2007 the share of voting rights exceeded the 5% threshold and now totals 5.40% (2,559,773 shares). The voting rights are attributable to Fidelity Management & Research Company according to Section 22 (1) 1 No. 6 WpHG.

To summarise, FMR Corp., Boston, Massachusetts 02109, USA, informed us on 22 March 2007 pursuant to Section 21 (1) WpHG as a correction that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 26 February 2007 exceeded the threshold of 3% and, including the share in Section 1, now totals 4.50% (2,133,602 shares). On 27 February 2007 the share of voting rights exceeded the 5% threshold and now totals 5.83% (2,764,733 shares). The voting rights are attributable to FMR Corp. according to Section 22 (1) 2 WpHG in conjunction with Section 22 (1) 1 No. 6 WpHG.

Bad Oeynhausen, March 2007
Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

Fidelity Management & Research Company reported according to Section 26 para. 1 sent. 2 on 02.04.2007 that its proportion in its own shares in Balda AG, Bad Oeynhausen, Germany, ISIN: DE0005215107, WKN: 521510 on 28.03.2007 exceeded the 10% threshold and now totals 10.12% (corresponding to 4,794,919 votes).

NOTICE PURSUANT TO SEC. 26 PARA.1 WPHG
CORRECTION TO THE VOTING RIGHTS NOTIFICATION OF 3 APRIL 2007

FMR Corp., Boston, Massachusetts 02109, USA, informed us on 3 April 2007 pursuant to Section 21 (1) WpHG that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 28 March 2007 exceeded the threshold of 10% and now totals 10.12% (4,794,919 shares). The voting rights are attributable to FMR Corp. according to Section 22 (1) 2 WpHG in conjunction with Section 22 (1) 1 No. 6 WpHG.

Bad Oeynhausen, April 2007
Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

BALDA AG, BAD OEYNHAUSEN
WKN 521510, ISIN DE0005215107

NOTICE PURSUANT TO SEC. 26 PARA.1 WPHG

Lloyds TSB Group Plc, Edinburgh, UK, informed us on 4 July 2007 that its proportion of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 6 June 2007 exceeded the 3% threshold and now totals 3.255%. This corresponds to 1,542,658 shares. The voting rights are attributable to Lloyds TSB Group Plc Corp. through Scottish Widows Plc according to Section 22 (1) sent. 1 No. 1 WpHG.

Lloyds TSB Group Plc, Edinburgh, UK, informed us on 4 July 2007 that through its wholly-owned subsidiary, Scottish Widows Plc, Edinburgh, UK, its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 6 June 2007 exceeded the 3% threshold and now totals 3.255%. This corresponds to 1,542,658 shares.

Bad Oeynhausen, im Juli 2007
Balda AG, Bergkirchener Str, 228, 32549 Bad Oeynhausen

BALDA AG, BAD OEYNHAUSEN
WKN 521510, ISIN DE0005215107

NOTICE PURSUANT TO SEC. 26 PARA.1 WPHG

Cycladic Capital LLP, London, England, informed us on 5 July 2007 pursuant to Section 21 and 22 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 28.06.2007 fell below the threshold of 5 % and now totals 4.46 % (2,113,518 shares). 4.13 % of the voting rights (1,955,958 shares) belong to Cycladic Catalyst Master Fund and are attributable to Cycladic Capital LLP according to Section 22 para. 1 sent. 1 No. 6 WpHG.

Cycladic Catalyst Master Fund, London, England, informed us on 5 July 2007 pursuant to Section 21 (1) WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 25 June 2007 fell below the threshold of 5 % and now totals 4.94 %, which corresponds to 2,339,933 shares.

Cycladic Capital LLP, London, England, informed us on 5 July 2007 pursuant to Section 21 and 22 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 29 June 2007 fell below the threshold of 3 % and now totals 2.88 % (1,363,518 shares). 2.66 % of the voting rights (1,261,870 shares) belong to Cycladic Catalyst Master Fund and are attributable to Cycladic Capital LLP according to Section 22 para. 1 sent. 1 No. 6 WpHG.

Cycladic Catalyst Master Fund, London, England, informed us on 5 July 2007 pursuant to Section 21 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 29 June 2007 fell below the threshold of 3 % and now totals 2.66 %, which corresponds to 1,261,870 shares.

Bad Oeynhausen, July 2007

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

BALDA AG, BAD OEYNHAUSEN
WKN 521510, ISIN DE0005215107

NOTICE PURSUANT TO SEC. 26 PARA.1 WPHG

FMR Corp., Boston, Massachusetts 02109, USA, informed us on 28 August 2007 pursuant to Section 21 (1) WpHG that its share of voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 22 August 2007 fell below the threshold of 10 % and now totals 9.70 % (4,595,799 shares). The voting rights are attributable to FMR Corp. according to Section 22 (1) 2 WpHG in conjunction with Section 22 (1) 1 No. 6 WpHG. The share of voting rights belonging to FIDELITY SMALL CAP STOCK FUND totals 4.48 % of these voting rights.

Bad Oeynhausen, August 2007

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

Sapinda International Ltd., London, England, informed us on 17 September 2007 pursuant to Section 21 para 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 14 February 2007 fell below the threshold of 5 % and now totals 8.44 % (4,000,000 shares).

The voting rights are attributable with effect from 18 July 2007 to Robert Hersov as the sole shareholder of Sapinda International Ltd., London, England, according to Section 22 para. 1 WpHG.

Bad Oeynhausen, September 2007

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

CORRECTION TO THE NOTICE OF 20 SEPTEMBER 2007

Die Sapinda International Ltd., London, UK, informed us on 17 September 2007 pursuant to Section 21 para 1 WpHG that because of the capital increase its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 14 February 2007 fell below the threshold of 10 % and now totals 8.44 % (4,000,000 shares).

Robert Hersov, London, UK, on 14 September 2007 informed us that on 18 July 2007 he became the sole shareholder of Sapinda International Ltd., London, UK. He also reported pursuant to Section 21 para. 1 WpHG that his share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 18 July 2007 exceeded the thresholds of 3 % and 5 % and on this date totalled 8.44 % (4,000,000 shares), as he had received all voting rights held by Sapinda International Ltd., London, UK, on this day according to Section 22 para. 1 sent. 1 No. 1 WpHG.

Bad Oeynhausen, September 2007

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

Audley European Opportunities Master Fund Ltd., Guernsey, UK, informed us on 11 October 2007 pursuant to Section 21 para. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 9 October 2007 exceeded the 10% threshold and on this date totalled 10.09% (4,781,379 shares).

Bad Oeynhausen, October 2007
Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

FMR LLC. (a limited liability company in Delaware, with headquarters in Boston, USA) informed us that as a result of an internal restructuring by merger, with effect from 1 October 2007, it was the legal successor in title of FMR Corp. and had assumed its rights and duties.

In view of this, FMR LLC., Boston, USA, informed us pursuant to Section 21 para 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 1 October 2007 exceeded the thresholds of 3% and 5% and now totals 5.85% (2,773,710 shares).

All voting rights are attributable to FMR LLC according to Section 22 para. 1 sent. 1 No. 6 sent. 2 WpHG.

Bad Oeynhausen, November 2007
Balda AG, Bergkirchener Str, 228, 32549 Bad Oeynhausen

Lloyds TSB Group Plc., Edinburgh, UK, has reported that the share of the voting rights belonging to its wholly-owned subsidiary, Scottish Widows, Edinburgh, UK, in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, on 18 September 2007 fell below the 3% threshold and on this date totalled 2.553% (1,209,619 shares).

Furthermore, Lloyds TSB Group Plc., Edinburgh, UK, informed us on 5 November 2007 pursuant to Section 21 para. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 18 September 2007 fell below the threshold of 5% and now totals 2.553% (1,209,619 shares).

All voting rights are attributable to Lloyds TSB Group Plc Corp. through Scottish Widows Plc according to Section 22 para. 1 sent. 1 No. 1 WpHG.

Bad Oeynhausen, November 2007
Balda AG, Bergkirchener Str, 228, 32549 Bad Oeynhausen

NOTICE PURSUANT TO SEC. 26 PARA.1 WPHG

HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, informed us on 13 November 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 9 November 2007 exceeded the threshold of 3% and on this date totalled 4.15% (1,964,745 shares).

The voting rights are attributable with effect from 09.11.2007 to HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, according to Section 22 para. 1 sent. 1 No. 1 WpHG.

The voting rights attributable to HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, are held through the following companies controlled by HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, whose share of the voting rights in Balda AG on 9 November 2007 each total 3% or more: HYPO ALPE-ADRIA-BANK AG.

In addition, HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, informed us on 13 November 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 12 November 2007 fell below the threshold of 3% and on this date totalled 1.05% (498,657 shares).

The voting rights are attributable to HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, according to Section 22 para. 1 sent. 1 No. 1 WpHG.

In addition, HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, informed us on 19 November 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 13 November 2007 exceeded the threshold of 3% and on this date totalled 3.56% (1,685,299 shares).

In addition, HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, informed us on 19.11.2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 15 November 2007 fell below the threshold of 3% and on this date totalled 2.62 percent (1,241,537 shares).

The voting rights are attributable to HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, according to Section 22 para. 1 sent. 1 No. 1 WpHG.

The voting rights attributable to HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, are held through the following companies controlled by HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, whose share of the voting rights in Balda AG on 9 November 2007 each total 3% or more: HYPO ALPE-ADRIA-BANK AG.

In addition, HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, informed us on 20 November 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 16 November 2007 exceeded the threshold of 3% and on this date totalled 3.80% (1,799,982 shares).

The voting rights are attributable to HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, according to Section 22 para. 1 sent. 1 No. 1 WpHG.

The voting rights attributable to HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, are held through the following companies controlled by HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, whose share of the voting rights in Balda AG on 16 November 2007 each total 3% or more: HYPO ALPE-ADRIA-BANK AG.

In addition, HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, informed us on 20 November 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 19 November 2007 fell below the threshold of 3% and on this date totalled 2.62% (1,241,537 shares).

The voting rights are attributable to HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, according to Section 22 para. 1 sent. 1 No. 1 WpHG.

Bad Oeynhausen, November 2007

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

NOTICE PURSUANT TO SEC. 26 PARA.1 WPHG

Bayerische Landesbank, Munich, Germany, informed us on 13 November 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 9 November 2007 exceeded the threshold of 3% and on this date totalled 4.15% (1,964,745 shares).

The voting rights are attributable to Bayerische Landesbank, Munich, Germany, according to Section 22 para. 1 sent. 1 No. 1 WpHG.

The voting rights attributed to Bayerische Landesbank, Munich, Germany, are held through the following companies controlled by Bayerische Landesbank, Munich, Germany, whose share in the voting rights of Balda AG on 09.11.2007 each totalled 3% or more:

HYPO ALPE-ADRIA-BANK INTERNATIONAL AG

HYPO ALPE-ADRIA-BANK AG.

In addition, Bayerische Landesbank, Munich, Germany, informed us on 13 November 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 12 November 2007 fell below the threshold of 3% and on this date totalled 1.05% (498,657 shares).

The voting rights are attributable to Bayerische Landesbank, Munich, Germany, according to Section 22 para. 1 sent. 1 No. 1 WpHG.

In addition, Bayerische Landesbank, Munich, Germany, informed us on 16 November 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 13 November 2007 exceeded the threshold of 3% and on this date totalled 3.56% (1,685,299 shares).

The voting rights are attributable to Bayerische Landesbank, Munich, Germany, according to Section 22 para. 1 sent. 1 No. 1 WpHG.

The voting rights attributed to Bayerische Landesbank, Munich, Germany, are held through the following companies controlled by Bayerische Landesbank, Munich, Germany, whose share in the voting rights of Balda AG on 13.11.2007 each totalled 3% or more:

HYPO ALPE-ADRIA-BANK INTERNATIONAL AG

HYPO ALPE-ADRIA-BANK AG.

In addition, Bayerische Landesbank, Munich, Germany, informed us on 16 November 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 15 November 2007 fell below the threshold of 3% and on this date totalled 2.62% (1,241,537 shares).

The voting rights are attributable to Bayerische Landesbank, Munich, Germany, according to Section 22 para. 1 sent. 1 No. 1 WpHG.

Bad Oeynhausen, November 2007
Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

Bayerische Landesbank, Munich, Germany, informed us on 20 November 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 16 November 2007 exceeded the threshold of 3% and on this date totalled 3.80% (1,799,982 shares).

With effect from 16 November 2007 the voting rights are attributable to Bayerische Landesbank, Munich, Germany, according to Section 22 para. 1 sent. 1 No. 1 WpHG through HYPO ALPE-ADRIA-BANK INTERNATIONAL AG and HYPO ALPE-ADRIA-BANK AG, both of Klagenfurt, Austria.

In addition, Bayerische Landesbank, Munich, Germany, informed us on the same day pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 19 November 2007 fell below the threshold of 3% and on this date totalled 2.62% (1,241,537 shares).

With effect from 19 November 2007, the voting rights are attributable to Bayerische Landesbank, Munich, Germany, according to Section 22 para. 1 sent. 1 No. 1 WpHG.

Bad Oeynhausen, November 2007
Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, informed us on 20 November 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 16 November 2007 exceeded the threshold of 3% and on this date totalled 3.80% (1,799,982 shares).

The voting rights are attributable with effect from 16 November 2007 to HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, according to Section 22 para. 1 sent. 1 No. 1 WpHG through HYPO ALPE ADRIA BANK AG, Klagenfurt, Austria.

In addition, HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, informed us on the same day pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 19 November 2007 fell below the threshold of 3% and on this date totalled 2.62% (1,241,583 shares).

The voting rights are attributable with effect from 19.11.2007 to HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, according to Section 22 para. 1 sent. 1 No. 1 WpHG.

In addition, HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, informed us on 23 November 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 20 November 2007 exceeded the threshold of 3% and on this date totalled 3.37% (1,598,813 shares).

The voting rights are attributable with effect from 20 November 2007 to HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, according to Section 22 para. 1 sent. 1 No. 1 WpHG through HYPO ALPE ADRIA BANK AG, Klagenfurt, Austria.

In addition, HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, informed us on 27 November 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 23 November 2007 exceeded the 3% and 5% thresholds and on this date totalled 7.05% (3,340,946 shares).

The voting rights are attributable with effect from 23 November 2007 to HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, according to Section 22 para. 1 sent. 1 No. 1 WpHG through HYPO ALPE ADRIA BANK AG, Klagenfurt, Austria.

Bad Oeynhausen, November 2007
Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

HYPO ALPE-ADRIA-BANK AG, Klagenfurt, Austria, informed us on 13 November 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 9 November 2007 exceeded the threshold of 3% and on this date totalled 4.15% (1,964,745 shares).

In addition, HYPO ALPE-ADRIA-BANK AG, Klagenfurt, Austria, informed us on the same day pursuant to Section 21 para 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 12 November 2007 fell below the threshold of 3% and on this date totalled 1.05% (498,657 shares).

In addition, HYPO ALPE-ADRIA-BANK AG, Klagenfurt, Austria, informed us on 16 November 2007 pursuant to Section 21 para 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 13 November 2007 exceeded the threshold of 3% and on this date totalled 3.56% (1,685,299 shares).

In addition, HYPO ALPE-ADRIA-BANK AG, Klagenfurt, Austria, informed us on the same day pursuant to Section 21 para 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 15.11.2007 fell below the threshold of 3% and on this date totalled 2.62% (1,241,537 shares).

In addition, HYPO ALPE-ADRIA-BANK AG, Klagenfurt, Austria, informed us on 20 November 2007 pursuant to Section 21 para 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 16 November 2007 exceeded the threshold of 3% and on this date totalled 3.80% (1,799,982 shares).

In addition, HYPO ALPE-ADRIA-BANK AG, Klagenfurt, Austria, informed us on the same day pursuant to Section 21 para 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 19 November 2007 fell below the threshold of 3% and on this date totalled 2.62% (1,241,537 shares).

In addition, HYPO ALPE-ADRIA-BANK AG, Klagenfurt, Austria, informed us on 23 November 2007 pursuant to Section 21 para 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 20 November 2007 exceeded the threshold of 3% and on this date totalled 3.37% (1,598,813 shares).

In addition, HYPO ALPE-ADRIA-BANK AG, Klagenfurt, Austria, informed us on 27 November 2007 pursuant to Section 21 para 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 23 November 2007 exceeded the 3% and 5% thresholds and on this date totalled 7.05% (3,340,946 shares).

Bad Oeynhausen, November 2007

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

Bayerische Landesbank, Munich, Germany, informed us on 23 November 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 20 November 2007 exceeded the threshold of 3% and on this date totalled 3.37% (1,598,813 shares).

With effect from 20.11.2007 the voting rights are attributable to Bayerische Landesbank, Munich, Germany, according to Section 22 para. 1 sent. 1 No. 1 WpHG through HYPO ALPE-ADRIA-BANK INTERNATIONAL AG and HYPO ALPE-ADRIA-BANK AG, both of Klagenfurt, Austria.

In addition, Bayerische Landesbank, Munich, Germany, informed us on 27 November 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 23 November 2007 exceeded the 3% and 5% thresholds and on this date totalled 7.05% (3,340,946 shares).

With effect from 23.11.2007 the voting rights are attributable to Bayerische Landesbank, Munich, Germany, according to Section 22 para. 1 sent. 1 No. 1 WpHG through HYPO ALPE-ADRIA-BANK INTERNATIONAL AG and HYPO ALPE-ADRIA-BANK AG, both of Klagenfurt, Austria.

In addition, Bayerische Landesbank, Munich, Germany, informed us on 29 November 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 23 November 2007 fell below the 5% and 3% thresholds and on this date totalled 2.20% (1,044,043 shares).

With effect from 27.11.2007, the voting rights are attributable to Bayerische Landesbank, Munich, Germany, according to Section 22 para. 1 No. 1 WpHG.

In addition, Bayerische Landesbank, Munich, Germany, informed us on 03.12.2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 29.11.2007 exceeded the threshold of 3% and on this date totalled 3.41% (1,614,020 shares).

With effect from 29 November 2007 the voting rights are attributable to Bayerische Landesbank, Munich, Germany, according to Section 22 para. 1 sent. 1 No. 1 WpHG through HYPO ALPE-ADRIA-BANK INTERNATIONAL AG and HYPO ALPE-ADRIA-BANK AG, both of Klagenfurt, Austria.

In addition, Bayerische Landesbank, Munich, Germany, informed us on 04 December 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 03 December 2007 fell below the threshold of 3% and on this date totalled 1.63% (772,688 shares).

With effect from 03.12.2007, the voting rights are attributable to Bayerische Landesbank, Munich, Germany, according to Section 22 para. 1 No. 1 WpHG.

Bad Oeynhausen, December 2007
Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, informed us on 29 November 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 27 November 2007 fell below the 3% and 5% thresholds and on this date totalled 2.20% (1,044,043 shares).

The voting rights are attributable with effect from 27.11.2007 to HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, according to Section 22 para. 1 sent. 1 No. 1 WpHG.

In addition, HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, informed us on 03 December 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 29 November 2007 exceeded the threshold of 3% and on this date totalled 3.41% (1,614,020 shares).

The voting rights are attributable with effect from 29 November 2007 to HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, according to Section 22 para. 1 sent. 1 No. 1 WpHG through HYPO ALPE ADRIA BANK AG, Klagenfurt, Austria.

In addition, HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, informed us on 04 December 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 03 December 2007 fell below the threshold of 3% and on this date totalled 1.63% (772,688 shares).

The voting rights are attributable with effect from 03.12.2007 to HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, according to Section 22 para. 1 sent. 1 No. 1 WpHG.

Bad Oeynhausen, December 2007
Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

HYPO ALPE-ADRIA-BANK AG, Klagenfurt, Austria, informed us on 29 November 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 27 November 2007 fell below the 5% and 3% thresholds and on this date totalled 2.20% (1,044,043 shares).

In addition, HYPO ALPE-ADRIA-BANK AG, Klagenfurt, Austria, informed us on 3 December 2007 pursuant to Section 21 para 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 29 November 2007 exceeded the threshold of 3% and on this date totalled 3.41% (1,614,020 shares).

In addition, HYPO ALPE-ADRIA-BANK AG, Klagenfurt, Austria, informed us on 4 December 2007 pursuant to Section 21 para 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 3 December 2007 fell below the threshold of 3% and on this date totalled 1.63% (772,688 shares).

Bad Oeynhausen, December 2007
Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

UBS AG, Zürich, Switzerland, informed us on 10 December 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 6 December 2007 exceeded the threshold of 3% and on this date totalled 3.08% (1,458,953 shares).

Bad Oeynhausen, December 2007

Balda AG, Bergkirchener Str, 228, 32549 Bad Oeynhausen

UBS AG, Zürich, Switzerland, informed us on 13 December 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 11 December 2007 fell below the threshold of 3% and on this date totalled 2.92% (1,382,658 shares).

Bad Oeynhausen, December 2007

Balda AG, Bergkirchener Str, 228, 32549 Bad Oeynhausen

Bayerische Landesbank, Munich, Germany, informed us on 13 December 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 11 December 2007 exceeded the threshold of 3% and on this date totalled 3.19% (1,510,259 shares).

With effect from 11.12.2007 the voting rights are attributable to Bayerische Landesbank, Munich, Germany, according to Section 22 para. 1 sent. 1 No. 1 WpHG through HYPO ALPE-ADRIA-BANK INTERNATIONAL AG and HYPO ALPE-ADRIA-BANK AG, both of Klagenfurt, Austria.

In addition, Bayerische Landesbank, Munich, Germany, informed us on 13 December 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 12 December 2007 exceeded the 3% and 5% thresholds and on this date totalled 6.34% (3,002,306 shares).

With effect from 12 December 2007 the voting rights are attributable to Bayerische Landesbank, Munich, Germany, according to Section 22 para. 1 sent. 1 No. 1 WpHG through HYPO ALPE-ADRIA-BANK INTERNATIONAL AG and HYPO ALPE-ADRIA-BANK AG, both of Klagenfurt, Austria.

Bad Oeynhausen, December 2007

Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, informed us on 13 December 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 11 December 2007 exceeded the threshold of 3% and on this date totalled 3.19% (1,510,259 shares).

The voting rights are attributable with effect from 11 December 2007 to HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, according to Section 22 para. 1 sent. 1 No. 1 WpHG through HYPO ALPE ADRIA BANK AG, Klagenfurt, Austria.

In addition, HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, informed us on 13 December 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 12 December 2007 exceeded the 3% and 5% thresholds and on this date totalled 6.34% (3,002,306 shares).

The voting rights are attributable with effect from 12 December 2007 to HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, according to Section 22 para. 1 sent. 1 No. 1 WpHG through HYPO ALPE ADRIA BANK AG, Klagenfurt, Austria.

Bad Oeynhausen, December 2007

Balda AG, Bergkirchener Str, 228, 32549 Bad Oeynhausen

HYPO ALPE-ADRIA-BANK AG, Klagenfurt, Austria, informed us on 13 December 2007 pursuant to Section 21 para 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 11 December 2007 exceeded the threshold of 3% and on this date totalled 3.19% (1,510,259 shares).

In addition, HYPO ALPE-ADRIA-BANK AG, Klagenfurt, Austria, informed us on 13 December 2007 pursuant to Section 21 para 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 12 December 2007 exceeded the 3% and 5% thresholds and on this date totalled 6.34% (3,002,306 shares).

Bad Oeynhausen, December 2007

Balda AG, Bergkirchener Str, 228, 32549 Bad Oeynhausen

Dr Georg Kofler, Munich, Germany, informed us on 19 December 2007 pursuant to Section 21 para 1 sent. 1 WpHG that his share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 17 December 2007 exceeded the 3% and 5% thresholds and on this date totalled 6.33% (3,000,000 shares).

The voting rights are attributable with effect from 17 December 2007 to Dr Georg Kofler, Munich, Germany, according to Section 22 para. 1 sent. 1 No. 1 WpHG through Fernseh-Holding S.à.r.l., Luxembourg, which is controlled by him.

Bad Oeynhausen, December 2007
Balda AG, Bergkirchener Str, 228, 32549 Bad Oeynhausen

Fernseh-Holding S.à.r.l., Luxembourg, informed us on 19 December 2007 pursuant to Section 21 para 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 17 December 2007 exceeded the 3% and 5% thresholds and on this date totalled 6.33% (3,000,000 shares).

Bad Oeynhausen, December 2007
Balda AG, Bergkirchener Str, 228, 32549 Bad Oeynhausen

Bayerische Landesbank, Munich, Germany, informed us on 17 December 2007 pursuant to Section 21 para 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 13 December 2007 fell below the 5% and 3% thresholds and on this date totalled 0.01% (6,000 shares).

The voting rights are attributable with effect from 11 December 2007 to Bayerische Landesbank, Munich, Germany, according to Section 22 para. 1 sent. 1 No. 1 WpHG.

Bad Oeynhausen, December 2007
Balda AG, Bergkirchener Str, 228, 32549 Bad Oeynhausen

HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, informed us on 17 December 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 13 December 2007 fell below the 5% and 3% thresholds and on this date totalled 0.01% (6,000 shares).

The voting rights are attributable with effect from 13.11.2007 to HYPO ALPE-ADRIA-BANK INTERNATIONAL AG, Klagenfurt, Austria, according to Section 22 para. 1 sent. 1 No. 1 WpHG.

Bad Oeynhausen, December 2007
Balda AG, Bergkirchener Str, 228, 32549 Bad Oeynhausen

HYPO ALPE-ADRIA-BANK AG, Klagenfurt, Austria, informed us on 17 December 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 13 December 2007 fell below the 5% and 3% thresholds and on this date totalled 0.01% (6,000 shares).

Bad Oeynhausen, December 2007
Balda AG, Bergkirchener Str, 228, 32549 Bad Oeynhausen

Ms Yun Ling Chiang, Richmond, BC, Canada, informed us on 20 December 2007 pursuant to Section 21 para 1 sent. 1 WpHG that her share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 20 December 2007 exceeded the threshold of 15% and on this date totalled 15.27% (8,267,927 shares).

The voting rights are attributable to Ms Yun Ling Chiang, Richmond, BC, Canada, according to Section 22 para. 1 sent. 1 No. 1 and sent. 2 WpHG through Yield Return Investments Limited and Max Gain Management Limited, both of Apia, Samoa.

Bad Oeynhausen, January 2008
Balda AG, Bergkirchener Str, 228, 32549 Bad Oeynhausen

Yield Return Investments Limited, Apia, Samoa, informed us on 20 December 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 20 December 2007 exceeded the threshold of 15% and on this date totalled 15.27% (8,267,927 shares).

The voting rights are attributable to Yield Return Investments Limited, Apia, Samoa according to Section 22 para. 1 sent. 1 No. 1 WpHG through Max Gain Management Ltd., Apia, Samoa.

Bad Oeynhausen, January 2008
Balda AG, Bergkirchener Str, 228, 32549 Bad Oeynhausen

Max Gain Management Ltd., Apia, Samoa, informed us on 20 December 2007 pursuant to Section 21 para 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 20 December 2007 exceeded the threshold of 15% and on this date totalled 15.27% (8,267,927 shares).

Bad Oeynhausen, January 2007
Balda AG, Bergkirchener Str, 228, 32549 Bad Oeynhausen

Bayerische Landesbank, Munich, Germany, informed us on 2 January 2008 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 31 December 2007 exceeded the threshold of 3% and on this date totalled 4.30% (2,327,112 shares).

These voting rights are attributable to Bayerische Landesbank, Munich, Germany, according to Section 22 para. 1 sent. 1 No. 1 WpHG through HYPO ALPE-ADRIA-BANK INTERNATIONAL AG and HYPO ALPE-ADRIA-BANK AG, both of Klagenfurt, Austria.

Bad Oeynhausen, January 2008
Balda AG, Bergkirchener Str, 228, 32549 Bad Oeynhausen

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Bad Oeynhausen, January 2008
Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen
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Bad Oeynhausen, January 2008
Balda AG, Bergkirchener Str, 228, 32549 Bad Oeynhausen

Bayerische Landesbank, Munich, Germany, informed us on 20 December 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 18 December 2007 exceeded the threshold of 3% and on this date totalled 3.29% (1,558,730 shares).

These voting rights are attributable to Bayerische Landesbank, Munich, Germany, according to Section 22 para. 1 sent. 1 No. 1 WpHG through HYPO ALPE-ADRIA-BANK INTERNATIONAL AG and HYPO ALPE-ADRIA-BANK AG, both of Klagenfurt, Austria.

In addition, Bayerische Landesbank, Munich, Germany, informed us on 20 December 2007 pursuant to Section 21 para 1 sent. 1 WpHG that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 19 December 2007 fell below the threshold of 3% and on this date totalled 0.00% (0 shares).

0.00% (0 voting rights) of these voting rights are attributable to Bayerische Landesbank, Munich, Germany, according to Section 22 para. 1 sent. 1 No. 1 WpHG.

Bad Oeynhausen, January 2008
Balda AG, Bergkirchener Str, 228, 32549 Bad Oeynhausen

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Bad Oeynhausen, January 2008
Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

FMR LLC., Boston, USA, informed us pursuant to Section 21 para 1 WpHG on 8 January 2008 that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 7 December 2007 fell below the 5% threshold and on this date totalled 4.28% (2,029,590 shares).

All voting rights are attributable to FMR LLC according to Section 22 para. 1 sent. 1 No. 6, sent. 2 WpHG. The voting rights are attributable to FMR LLC, Boston, USA, inter alia, through Fidelity Commonwealth Trust, Boston, USA, which holds 3% or more of the voting rights as shareholder of Balda AG.

Bad Oeynhausen, January 2008
Balda AG, Bergkirchener Str, 228, 32549 Bad Oeynhausen

Fidelity Management & Research Company, Boston, USA, informed us pursuant to Section 21 para 1 WpHG on 08 January 2008 that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 7 December 2007 fell below the 5% threshold and on this date totalled 3.90% (1,846,448 shares).

All voting rights are attributable to Fidelity Management & Research Company, Boston, USA, according to Section 22 para. 1 sent. 1 No. 6 WpHG. The voting rights are attributable to Fidelity Management & Research Company, Boston, USA, inter alia through Fidelity Commonwealth Trust, Boston, USA, which holds 3% or more of the voting rights as shareholder of Balda AG.

In addition, Fidelity Management & Research Company, Boston, USA, informed us pursuant to Section 21 para 1 WpHG on 08 January 2008 that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 20 December 2007 fell below the 3% threshold and on this date totalled 2.99% (1,620,048 shares).

All voting rights are attributable to Fidelity Management & Research Company, Boston, USA, according to Section 22 para. 1 sent. 1 No. 6 WpHG.

Bad Oeynhausen, January 2008
Balda AG, Bergkirchener Str, 228, 32549 Bad Oeynhausen

Fidelity Commonwealth Trust, Boston, USA, informed us pursuant to Section 21 para 1 WpHG on 8 January 2008 that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 26 April 2007 exceeded the 3% threshold and on this date totalled 3.45% (1,633,470 shares).

In addition, Fidelity Commonwealth Trust, Boston, USA, informed us pursuant to Section 21 para 1 WpHG on 8 January 2008 that its share of the voting rights in Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen, Germany, on 10 December 2007 fell below the 3% threshold and on this date totalled 2.85% (1,349,248 shares).

Bad Oeynhausen, January 2008
Balda AG, Bergkirchener Str. 228, 32549 Bad Oeynhausen

CORPORATE GOVERNANCE

In October 2007, the Board of Directors and the Supervisory Board submitted a declaration of conformity according to Section 161 of the German Public Companies Act (AktG) regarding corporate governance and made this permanently available to the shareholders on the Balda AG website (<http://www.balda.de>).

AUDITOR'S FEE

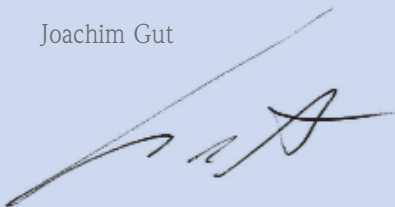
With regard to the auditor of the annual report as defined in Section 319 para. 1 sent. 1 and 2 HGB, the following fee has been duly registered for the financial year:

	TEUR
For the audit	180
für sonstige Bestätigungsleistungen	202
For other services	340
Total	722

Bad Oeynhausen, den 17. April 2008

The Board of Directors

Joachim Gut



Dr Dirk Eichelberger



“We guarantee to the best of our knowledge that, according to the applicable principles of accounting, the consolidated financial report provides an image of the asset, financial and income situation of the group corresponding to the actual situation, and the financial results and the situation of the company are represented in the in the consolidated management report such that an image is provided which corresponds to the actual situation, and the main chances and risks of the future development of the group are described.”

AUDITOR'S STATEMENT – GROUP

We have audited the consolidated financial statements prepared by Balda AG, Bad Oeynhausen, for the financial year spanning 1 January until 31 December 2007, consisting of the consolidated balance sheet, the consolidated income statement, the changes to equity, the cash flow statement and the consolidated notes as well as the Group annual report of Balda AG, which is summarised together with the company's annual report. The preparation of the consolidated financial statements and summarized annual report in accordance with the applicable rules of the IFRS and the EU and the supplementary provisions contained in Section 315a of the German Commercial Code (HGB), is subject to the responsibility of the company's Supervisory Board. It is our responsibility, on the basis of the audit conducted by us, to present our evaluation of the consolidated financial statements and the summarised annual report.

We conducted our consolidated annual audit in accordance with Section 317 HGB and the principles laid down by the German Institute of Auditors (IDW) for proper auditing. These set out that the audit is to be planned and carried out in such a way that any inaccuracies or infringements that have a significant effect on the true presentation of the company's assets, financial position and earnings by means of the consolidated financial statements and by means of the combined annual report, taking into account the applicable statutory accounting requirements, are detected with sufficient certainty. In determining the actions to be taken in the course of the audit, knowledge about the business activities and the commercial and legal environment of the Group is taken into consideration, as are any expectations relating to possible errors.

In the context of the audit, the effectiveness of the internal financial accounting monitoring system and evidence of the accuracy of the details in the consolidated financial statements and combined annual report are predominantly assessed on the basis of random samples. The audit includes an evaluation of the annual financial statements of the companies included in the consolidated financial statements, the differentiation of all the companies to be

consolidated, the accounting and consolidation principles applied and the key projections of the Board of Directors as well as an appraisal of the overall presentation of the consolidated financial statements and the combined annual report. We are of the opinion that our audit provides an adequate and secure basis for our appraisal.

OUR AUDIT IDENTIFIED NO CAUSE FOR OBJECTION.

In our opinion, based on the knowledge gained during the audit, the consolidated financial statements conform to the IFRS, as they apply in the European Union, and German commercial law additionally applicable under Section 315a [1] HGB, and give an accurate view of the assets, the financial position and the profit situation of the Group. The summarised annual report conforms to the consolidated financial statements and, as a whole, gives an accurate view of the assets, the financial and profit situation of the Group, stating opportunities and potential future risks in an appropriate manner.

Bielefeld, den 21. April 2008

PricewaterhouseCoopers

Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

Carsten Schürmann

Wirtschaftsprüfer

ppa. Dirk Schäfer

Wirtschaftsprüfer

AUDITOR'S STATEMENT – AG

We have audited the financial statements – consisting of the consolidated balance sheet, the income statement and the notes – including the accounts and the annual report, which is combined with the consolidated annual report of the Balda AG, Bad Oeynhausen, for the financial year from 1 January to 31 December 2007. In accordance with German commercial law, the accounts and the preparation of financial statements and the combined annual report are the responsibility of the company's Board of Directors. It is our responsibility, on the basis of the audit conducted by us, to present our evaluation of the financial statement, including the accounts and the combined annual report.

We conducted our consolidated annual audit in accordance with Section 317 HGB and the principles set out by the German Institute of Auditors (IDW) for proper auditing. These set out that the audit is to be planned and carried out in such a way that any inaccuracies or infringements that have a significant effect on the true presentation of the company's assets, financial position and earnings by means of the consolidated financial statements and by means of the combined annual report, taking into account the applicable statutory accounting requirements, are detected with sufficient certainty. In determining the actions to be taken in the course of the audit, knowledge about the business activities and the commercial and legal environment of the company is taken into consideration, as are any expectations relating to possible errors. In the context of the audit, the effectiveness of the billing related internal monitoring system and evidence of the accuracy of the details in the consolidated financial statements and combined annual report are predominantly assessed on the basis of random samples. The audit includes an evaluation of the principles of accounting applied and key projections of the Board of Directors as well as an appraisal of the overall presentation of the financial statements and the combined annual report. We are of the opinion that our audit provides an adequate and secure basis for our appraisal.

OUR AUDIT IDENTIFIED NO CAUSE FOR OBJECTION.

In our opinion, based on the knowledge gained during the audit, the consolidated financial statements comply with the law and give, in compliance with the principles of proper accounting, a true and fair view of the assets, the financial position and the profit situation of the company. The summarised annual report conforms to the consolidated financial statements and, as a whole, gives an accurate view of the assets, the financial and profit situation of the Group, stating opportunities and potential future risks in an appropriate manner.

Bielefeld, den 21. April 2008

PricewaterhouseCoopers

Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

Carsten Schürmann

Wirtschaftsprüfer

ppa. Dirk Schäfer

Wirtschaftsprüfer

TECHNICAL GLOSSARY

→ 5-WIRE RESISTIVE TOUCH TECHNOLOGY

Specification of "normal" resistive touch construction, in which only the lower, stable glass layer is used in order to calculate the coordinates of the contact.

→ SPACER, SPACER DOTS

Component group which, in the manufacture of touch screen displays, separates two conductive layers in their original position.

→ ACOUSTIC RECOGNITION SYSTEM

Technology in which the contact point of the finger or stylus is localised by the tone triggered by the control unit as a result of the contact.

→ ACTIVE DIGITIZER TOUCH

Process in which a battery-powered stylus is used for writing input in tablet PCs and inductive digitisers behind the display record the movement of the stylus.

→ BENDING WAVE TOUCH TECHNOLOGY

Bending wave touch technology is a relatively new process, in which pressure-sensitive sensors on the reverse of the screen measure the noise triggered by the contact and forward it as an electrical signal. This technology detects (pressure) contacts through bending waves which are produced on the touch screen as an effect of a contact. The vibrations caused by the contact are received by signal converters which are fitted to the screen. The touch surface can be very rough. The technology works with any finger, a gloved hand, stylus head, etc. It is much less sensitive to scratches and foreign bodies on the touch surface than other acoustic wave technology.

→ BLUETOOTH

Technology for the radio transmission of language and data over a short distances.

→ CERAMIC INJECTION MOULDING, CIM

With CIM technology, the form is produced uniquely by injection mould. A granulate made from ceramic powder and a plastic binder is injected into the mould, compressed in a sintering furnace at approx. 1300°C and is used after only minimum finishing. As a result, the smallest dimensions and filigree structures are possible. CIM is very useable for high mass production of a complicated design with fixed tolerances, such as required in capillaries. It is a very effective way of producing complex precision parts with a maximum degree of repeatability and reproducibility.

→ CONTROLLER

In the field of computer hardware, electronic units which steer or control various processes are described as controllers.

→ DIN EN ISO 13485

Describes the quality management - systems guidelines for medical products.

→ 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, which clearly define all the procedures within a company.

→ DISPLAY

Protective cover made of crystal-clear plastic for a mobile phone's screen, for example.

→ ELECTRODE

An electrode is an electrical conductive part in an electrical or electronic component or structural element, which acts as a transition from a conductor-bound current into another medium.

→ INMOULD DECORATION, IMD

Inmould 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. IMD is used to produce displays for mobile phones, among other things.

→ INMOULD LABELLING, IML

Inmould labelling 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 film protects the (decorative) print from being rubbed off. Inmould 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, when manufacturing packaging.

→ INDIUM TIN OXIDE, ITO

Indium tin oxide is a transparent, semi-conducting material which is used in the production of analogue resistive touch screens.

→ INDUCTION

Electromagnetic induction (induction) is the occurrence of an electrical current along a conductive loop as a result of a change in the magnetic flow.

→ INFOCOM

The high-tech products business that includes both telecommunication and information technology components, which complement one another. Thus information and communication technology merge together synergetically.

→ INFRARED TOUCH

In infrared touch systems, mini-infrared LEDs create an invisible light grid on the screen. If the light beams are interrupted by contact, one or more phototransistors send a signal with the corresponding coordinates to the control unit which can localise the point of contact this way.

→ INFRARED

Infrared light (short: IR light) describes electromagnetic waves in physics in the spectral range between visible light and long-wave microwaves.

→ INFRARED TECHNOLOGY

Radio technology which allows wireless data transfer. As a result, data can be transmitted via an IrDA interface on a mobile phone to another device by infrared light.

→ IRDA INTERFACE

The Infrared Data Association (IrDA) describes physical specifications and communication protocols of an infrared interface for exchanging data by infrared light (850 to 900 nm) over short distances, for example for use in a PAN (Personal Area Network).

→ CALIBRATION

Determines the accuracy of a dimension of a measuring device (e.g. scales) without interfering in the measuring system. Example: Checking scales by placing a test weight on them.

→ CAPACITOR

Electronic component that can store and re-emit an electric charge very quickly. A capacitor generally comprises two separate, insulated, conductive surfaces. Capacitors are needed in almost all electronic switches.

→ MULTI-COMPONENT INJECTION CASTING

Multi-component injection casting is the sequential combining of several melts during an injection process in a tool. The melts can be positioned next to or in each other.

→ METAL INJECTION MOULDING, MIM

MIM is a cost-effective alternative to traditional fine casting, the result cannot be distinguished from the conventionally produced part.

→ MP3 TECHNOLOGY

Music data can be compressed using this data format. MP3 technology is used, for example, in MP3 players, mobile telephones and computers.

→ MULTI-TOUCH TECHNOLOGY

Multi-touch technology is based on a system of human-machine interaction. It combines an input and output device and as a result can be produced without traditional input devices such as mouse, keyboard or stylus. The screen, which is considerably more functional than a normal touch screen, assumes their function. It is operated exclusively with the fingers and can process several inputs simultaneously, and as a result it can be operated with all fingers simultaneously or with several hands. This technology also allows objects on the screen to be controlled directly.

→ SURFACE CAPACITIVE TOUCH TECHNOLOGY

Surface capacitive (capacitor controlled) touch screens (also called capacitive touch screens) comprise a glass plate with a conductive coating on which a weakly capacitive field is fitted. Unlike resistive systems, no other layers are required. When the screen is touched, a current flows between the four corners of the screen and the site touched. The control unit can localise touched site using the current flow.

→ SURFACE ACOUSTIC WAVE TOUCH SCREENS

Surface acoustic wave touch screens use ultrasonic waves which flow over the screen. If a person touches the glass surface, the ultrasonic wave is absorbed there and the control unit can calculate the precise position.

→ OPTICAL IMAGING TECHNOLOGY

Technology in which the contact point is calculated by micro cameras on the screen.

→ ORIGINAL DESIGN MANUFACTURERS, ODM

An original design manufacturer is a company which assumes a large amount of contract production. It manufactures products developed by other companies which are ultimately sold under their brand name.

→ **ORIGINAL EQUIPMENT MANUFACTURERS, OEM**

Originally, an OEM (original equipment manufacturer) was a company that supplied equipment to other companies in order to resell or combine this with another product, however the brand name of the reseller was used, e.g. a manufacturer of mobile communication devices could sell its mobile phones to a telephone network operator for them to then be resold under a new name.

For some time, OEM has been used to describe manufacturers who purchase a product or a component of the same and reuse it or integrate it into a new product with their own brand name.

→ **PERSONAL DIGITAL ASSISTANT, PDA**

PDA's are small, compact, handheld PCs without a keyboard, but instead with a touch-sensitive screen with stylus input; mainly used as an electronic diary, address and note book.

→ **PHYSICAL VAPOUR DEPOSITION, PVD**

The term physical vapour deposition describes a group of vacuum-based coating processes or thin layer technologies in which the coating is formed directly through condensation of a material vapour of the original material. With this process, plastic and metal components are finished with metallic surfaces such that the appearance of genuine metal parts is produced.

→ **PIEZOELECTRIC SENSORS**

Piezoelectric sensors have proven themselves as a universal instrument for measuring various processes. They are used to measure pressure, acceleration, voltage or force in quality and process control.

→ **PIEZOELECTRIC**

Materials are piezoelectric if electric charges occur as a result of their mechanical deformation on the surface. This phenomenon is the "direct piezoelectric effect". By contrast, these materials deform as a result of an electric current; this is then called the "inverse piezoelectric effect".

→ **PROJECTED CAPACITIVE TOUCH**

Projected capacitive touch screens have protective layers made from glass on the front and back of the display. Sensors are embedded in a grid in the middle layer. Upon touch, a conductive connection is produced between the finger and sensors, the position of which is calculated by the control unit.

→ **PHYSICAL VAPOUR DEPOSITION, PVD**

The term physical vapour deposition describes a group of vacuum-based coating processes or thin layer technologies in which the coating is formed directly through condensation of a material vapour of the original material.

→ **PVD COATING**

Coating process that is named after the original state of the coating material (vapour).

→ **RESISTIVE TOUCH**

Resistive (resistive controlled) touch systems are the most cost-effective and common systems. They typically comprise a hardened film which is pulled taut across a glass layer and separated from it only by small, barely visible spacers (spacer dots). Both layers are coated with a conductive material. A slight touch bends the film and it comes into contact with the glass layer. As a result of the resistance of the contact, a different voltage occurs at this location, which the control unit uses to localise the precise location of the finger or stylus.

→ **SANDWICH CONSTRUCTION**

Multi-layer construction in some touch screen systems.

→ **SLIMPHONE**

Slimphones are ultra-slim mobile telephones. The lifestyle-oriented telephones are partly made from a half-casing of metal.

→ **SMALL FACTORS**

These are, for example, displays with a diameter of two to eight inches.

→ **SMARTPHONE**

Smartphones combine the functionalities of a PDA with those of a mobile telephone, whereby the starting point is either the computer or the telephone, depending on the manufacturer. This means that Smartphones are able to login to a mobile telephone network, but they can also run applications as small computers like a PDA.

→ **SPACER DOTS**

see Spacers

→ **SURFACE ACOUSTIC WAVE TOUCH TECHNOLOGY**

see Surface acoustic wave touch screens

→ **TABLET PC**

The term Tablet PC describes a PC which can be used, inter alia, like a notebook. The user can input data by stylus or finger directly on the screen, which is intended to facilitate a more natural use of computers.

→ **TOUCH PAD**

A touch pad is a touch-sensitive surface for controlling the cursor on laptops or notebooks. It replaces the mouse and is normally located on the keyboard.

→ **TOUCH SCREEN**

Touch screens are displays that are sensitive to touch, with screen areas that simultaneously function as a sensor field. Touching certain places on the surface of the screen can control the menu of a programme, for example, or enter data into a computer. These sensor screens are being used in a growing number of technical products. Areas of application are personal portable devices, public information systems and phone systems such as mobile phones, office systems and multimedia applications, as well as consumer electronics, including kitchen equipment and navigation devices.

→ **TOUCH TECHNOLOGIES**

The main touch technologies differ in the way they convert the user's touch into signals. For example, the touch can be recorded and converted by measuring the voltage (resistive and capacitive), by optical processes (infrared, optical image) or by measuring the tones or waves triggered by the touch (acoustic recognition, wave recognition). Multi-touch technology, which can process several inputs simultaneously, is becoming increasingly important.

KEY FIGURES

IN MIO. EUR	2007	2006	Change vs. 2006 in %	2005	2004	2003
Revenues	309.2	370.9	-16.6	397.2	377.7	272.9
Total performance	318.8	377.5	-15.5	422.0	383.3	287.0
Material expenses ratio (in %) ¹	52.5	45.4	7.1	39.9	38.2	38.9
Personell expenses ratio (in %) ¹	24.4	31.7	-7.3	27.6	25.8	27.8
EBITDA	-19.6	7.5	-361.3	71.8	79.8	54.3
EBIT	-55.3	-43.3	-27.7	53.9	51.9	28.9
EBIT margin (in %) ¹	-17.3	-11.5	-5.8	12.8	13.5	10.1
EBT	-68.3	-49.5	-38.0	49.7	47.7	22.8
Net loss of the year	-73.3	-42.0	-74.5	33.4	28.0	11.6
Operating margin after interest and tax (in %)	-23.8	-10.8	-120.3	8.4	7.4	4.2
Cash flow from current business activity	-13.0	28.1	-146.3	31.3	48.0	45.4
Investments ⁴	54.2	38.4	41.1	33.9	17.7	18.8
Shareholders' equity	150.9	169.9	-11.2	184.9	137.7	104.4
Equity ratio (in %) ²	35.7	38.3	-2.6	53.0	51.6	43.8
Total assets	423.0	443.4	-4.6	348.6	266.7	238.1
Employees (as at 31.12.)	8,023	8,315	-3.5	8,044	5,532	3,599
Earnings per share (in euro) ³	-1.35	-1.04	-29.8	0.832	0.705	0.383
Year's closing price (in euro)	9.10	7.12	27.8	11.00	8.47	6.18
Dividends (in mio. euro)		-		12.0	8.0	3.8
Dividends per share (in euro)		-		0.30	0.20	0.10
(1) in percent of the total performance						
(2) in percent of the total assets						
(3) as at the end of the period						
(4) in tangible assets and intangible fixed assets						

FINANCIAL CALENDAR 2008

- **22 APRIL 2008**
PUBLICATION OF ANNUAL RESULTS 2007
Discussion of Annual Financial Statements,
Frankfurt am Main
Analyst Conference, Frankfurt am Main
- **07 MAY 2008**
INTERIM REPORT
1st Quarter 2008
Conference Call with analysts and reporters
- **29 JULY 2008**
ANNUAL GENERAL MEETING
Stadthalle Bielefeld
- **06 AUGUST 2008**
INTERIM REPORT
2nd Quarter 2008
Conference Call with analysts and reporters
- **29 OCTOBER 2008**
INTERIM REPORT
3rd Quarter 2008
Conference Call with analysts and reporters

- **INVESTOR RELATIONS**
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XXX

Balda AG

Annual Report 2007

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