

Q1 / 2006: Balda AG sees further growth

In the first quarter of 2006, the Balda Group increased its sales by 14.7 percent to 92.7 million euro compared to 80.8 million euro in the corresponding period last year.

Sales in the European manufacturing locations increased in the first quarter by 14.1 percent to 61.8 million euro (previous year: 54.1 million euro). In Asia proceeds jumped 28.0 percent to 28.0 million euro (previous year: 21.8 million euro). In America sales fell by 40.8 percent to 2.9 million euro (previous year: 4.9 million euro).

The operating result (EBIT) in the first quarter was 7.3 million euro (previous year: 10.2 million euro) – a 28.7 percent drop.

Results in the first quarter nevertheless completely reflect expectations. While drafting the budget, it became clear that the exceptional result of the corresponding period last year was a one-off. In addition, special effects have left their mark in the first quarter in 2006.

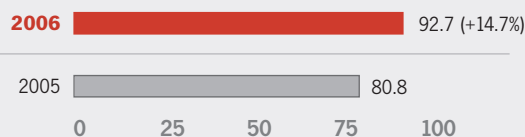
The costs of the full-scale expansion of the new Beijing location, which only had an effect on the output of goods at the end of the quarter under review, and expenses incurred for expanding tool-making operations in Suzhou, are investments into the future. Furthermore, additional costs were incurred in Hungary. In total these factors adversely affected the result to the tune of 1.9 million euro, and their effects had already been anticipated in the budget.

As was expected, the contribution to operating income of the European locations fell to 3.8 million euro (previous year: 4.2 million euro). The above-mentioned effects gave rise to a fall in profits to 3.2 million euro for the companies in Asia (previous year: 5.4 million euro). The EBIT of the plants in America fell slightly to 0.3 million euro (previous year: 0.6 million euro).

The EBIT margin in the first quarter was 7.3 percent compared with 12.4 percent in the extraordinarily strong period under review in 2005. Without the special effects, the Group would have almost achieved a double-digit EBIT margin in the first quarter of 2006.

Sales Q1

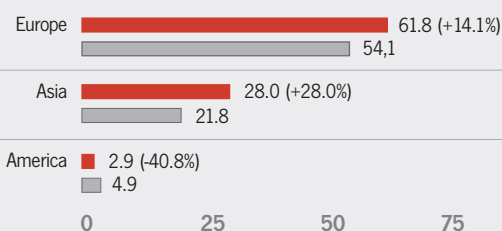
in million euro



Sales by region Q1

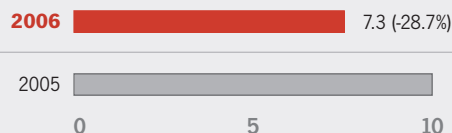
in million euro

■ = 2006 ■ = 2005



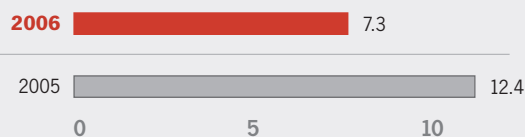
EBIT Q1

in million euro



EBIT margin Q1

in percent



The pre-tax result was 6.4 million euro (previous year: 9.2 million euro).

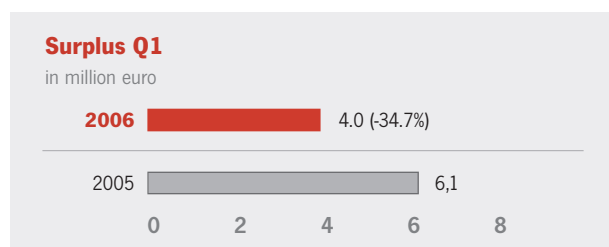
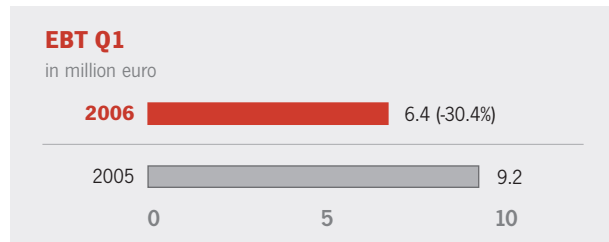
The EBT margin was 6.5 percent (previous year: 11.2 percent). Without the special effects, the EBT margin would have been 8.4 percent. The higher share of the German locations in the pre-tax result gave rise to a tax rate increase to 26.2 percent (previous year: 20.3 percent).

This effect influenced the quarterly surplus of 4.0 million euro, which fell by 34.7 percent (previous year: 6.1 million euro).

On the basis of 40.16 million shares (status as per 31 March 2005), the surplus gives rise to basic earnings of 0.10 euro per share. In the previous year, the comparative figure of 0.154 euro was calculated on the basis of 39.76 million shares. The acquisition of the remaining 50 percent interest in Balda-Thong Fook Solutions has not influenced the results of the first quarter.

Due to the net income for the period, the Balda Group further improved the equity ratio in the period under review in absolute terms as well as in relation to the balance sheet total to 49.9 percent (year-end 2005: 49.1 percent).

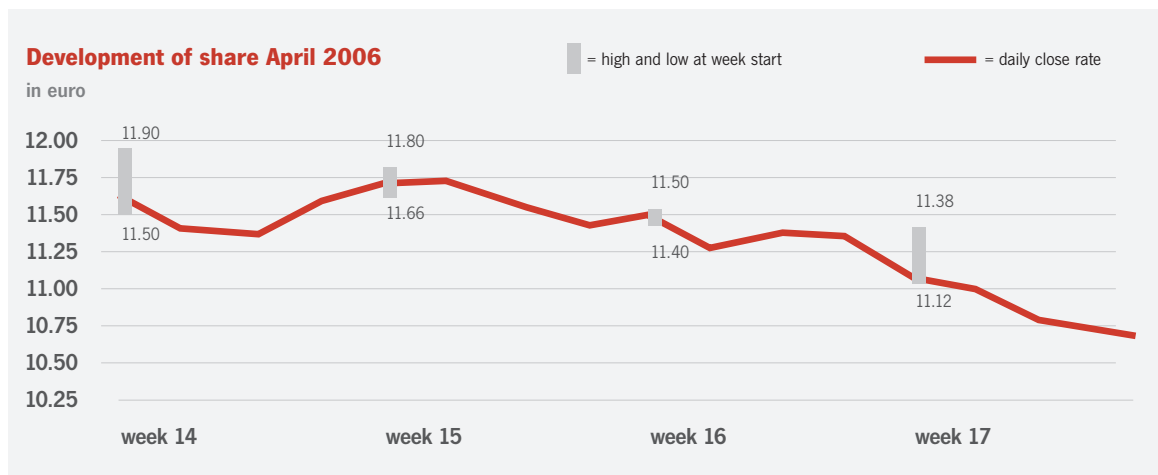
Balda plans to set up a manufacturing facility in Chennai, India, with the production start in the middle of the year. It is envisaged that up to 10 million euro be made available for investments. The Board has confirmed the projected sales growth for 2006 of about 15 percent to 450 to 460 million euro. The pre-tax result (EBT) shall be in the region of 46 to 48 million euro.



Share

Restrained start to the second quarter

The Balda share was unable to repeat the gains it made in March. After a strong start, the share reached a new 52-week high on 7 April (11.95 euro). The downswing followed towards the end of the month. Compared with the opening price on 3 April of 11.90 euro, the share lost 9.7 percent of its value in the 18 trading days of the month. The stock closed at 10.74 euro on 28 April, unable to keep pace with the development of the underlying indexes. The DAX gained 0.3 percent in April, maintaining its level above 6,000 points. The SDAX added 3.6 percent in the same period.



Analysts' Opinions

DZ Bank sticks to "buy" recommendation

In its weekly updates in April, DZ Bank kept to its "buy" rating for the Balda share.

"Der Aktionär" says "buy"

The experts at investor magazine "Der Aktionär" recommend purchasing Balda shares. The company, they maintain, is well positioned for the future. Although investments in Asia will place strains on results in the short term, it will also ensure growth and continuous earnings performance in the longer term. Against this backdrop, say the analysts, Balda is extremely attractively valued and should achieve above-average growth in the coming months (upside target: 17 euro).

First Berlin: Buy Balda

The analysts at First Berlin have reaffirmed their "buy" recommendation for Balda stocks, raising their upside target from 12.50 to 13.50 euro.

Nord LB: "Hold" Balda for upside target of 11.50 euro

The securities experts at Nord LB continue to recommend holding Balda shares. They see 2006 as a year of consolidation to create the basis for future growth. Their upside target remains at 11.50 euro.

pacconsec.de: "Hold"

According to pacconsec.de, Balda shares are appropriately valued at their current price. The analysts maintain their "hold" recommendation.

Sal. Oppenheim: "Buy" Balda

Sal. Oppenheim in April repeated its buy recommendation for Balda, with an upside target of 13 euro.

WestLB raises Balda to "add"

Following its "reduce" recommendation, WestLB now rates Balda shares with an "add". The bank points to the company's optimism during the teleconference on publication of its quarterly figures. It predicts that the increase in margins and sales compared to the previous quarter will improve investor confidence.

Strong Sell Sell Hold **Buy** Strong Buy



Markets and Trends

IDC study: Mobile phone market adds 26 percent in the first quarter

Mobile phone makers enjoyed higher sales in the first quarter of 2006. The research institute IDC reports that the global market added 26 percent in the first three months compared to the same period the previous year to stand at 226.7 million handsets sold.

**India: Now more than 90 million mobile subscribers**

The number of people with a mobile phone in India has passed the 90-million mark, with another 37.7 million new users recorded on the subcontinent last year. There are currently 49 million fixed-line subscribers in the country. Altogether, an extra 41.2 million people joined the ranks of India's phone customers to take the total figure to 139.6 million subscribers.

More than 50 percent of subscribers can receive e-mails on their mobile phones

According to the 2005 Mobinet study by business consultants A.T. Kearny and Cambridge University, 53 percent of all mobile phone users can receive e-mails on their devices. A total of 56 percent of users call up their messages on their e-mail-enabled phones or use them to access the Internet at least once a month.

Focus shifts to mobile banking

A study by the Technical University of Hamburg-Harburg signals a noticeable trend towards mobile banking. A year or two ago, very few banks offered this service. In the meantime, 75 percent of financial institutes offer mobile banking. Of the mobile phone users surveyed, 92 percent said they were interested in mobile financial services, with three quarters expressing a willingness to pay for them.

Updating mobile phone software without a PC

More and more mobile phone makers now let their customers update their handset software. Whereas previously most users did this with a PC, it will now be possible via the mobile phone network. Plans foresee using a service client to check the update server for new software versions at regular intervals. According to IT experts, network operators are unlikely to charge their customers for these and similar service downloads.



Mobile phone as ticket machine and electronic pass

In Hanau, in Germany's Hesse state, bus and tram passengers can now use their mobile phone to purchase tickets as well as using it as an electronic pass. Mobile phones must support wireless transmission ("near field communication"). By holding the phone against the contactless reader, a special program in the handset records boarding and alighting stops and where to change. The regional transport authority issues a monthly invoice detailing all trips at the best price.

Disney offers family cell phone with built-in nanny function

US media giant Disney has launched a new kind of mobile phone designed to give parents more control over their children's phoning habits. "Disney Mobile" is the first handset developed especially for families, the company reports. It lets parents track calls, text messages, images and file downloads on their offspring's wireless devices.

Mobile TV arrives in time for FIFA World Cup

The June kickoff to the FIFA World Cup will be accompanied by the launch of mobile TV in Germany. Mobiles Fernsehen Deutschland GmbH has been granted the requisite transmission capacities by 13 regional broadcasters. Beginning in the twelve World Cup match venues, mobile phone users will be able to receive programs on ZDF, N24, MTV and a comedy and entertainment channel in cooperation with ProSiebenSat.1 and two radio stations.



Inside Balda

The Balda AG 2006 Annual Report is available online at www.balda.de/ir. The report can also be ordered in print via this link.

During a two-day mailing action at the beginning of April, Balda sent out more than 1,000 copies of the report.



Investor Relations

On 26 April, Balda AG held a teleconference on publication of its first quarterly report in 2006. Joachim Gut, CEO, and Volker Brinkmann, CFO, reported the results and answered questions from 30 analysts, fund managers and journalists.

Joachim Gut confirmed that earnings growth for 2006 would be on-target at 15 percent, to 450 to 460 million euro. The company reported that mobile phone makers' raised forecasts of market development was excellent news for Balda. The Board of Management sees investments for the future as concluded for the time being. The locations in China could now work at full speed, it said. Another plant will be opened in Chennai, India, in the middle of the year.



Balda Glossary

Consolidated companies

All companies included in the Group statement – i.e. those fully consolidated and those consolidated according to the equity method – are considered consolidated entities. The requirement is a controlling interest by the parent company, manifesting itself in the latter's direct or indirect ability to determine the subsidiary's financial and business policy. The inclusion of a subsidiary begins with the acquisition of a controlling interest by the Group and ends when this ceases to apply.

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Further information on Balda stock can be found in the Internet at www.balda.de/ir. Here you can obtain the latest research on the Balda stock each day.

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