



BAVARIA Industriekapital AG
Munich

Quarterly Report as of 31.03.2010

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Letter to the shareholders

May 2010

Fellow shareholders and
business associates,

BAVARIA Industriekapital AG is pleased to report positive performance in Q1 2010. Thanks to our new company acquisitions, we were able to boost our Q1 2010 turnover to EUR 115.4 million, a 21% improvement over the EUR 95.8 million achieved in Q1 2009.

The following graph shows the development of turnover in the past five quarters in our business segments:

Turnover in EUR million	Q1/2009	Q2/2009	Q3/2009	Q4/2009	Q1/2010
Series Manufacturers	63.0	57.9	68.1	70.3	60.3
Plant Engineering and Construction	8.5	7.2	10.1	22.3	5.6
Business Services	24.3	26.5	23.9	21.5	49.5
Total	95.8	91.6	102.1	114.1	115.4

The newly acquired companies in the segments Series Manufacturers (tech-FORM, Austria Druckguss) and Business Services (OSNY, Inasa Foil and Inasa Foil Sabiñánigo) contributed ca. EUR 49 million to the group's turnover.

The operating result (EBITDA) of the Group's subsidiaries amounted to EUR 0.6 million, a year-on-year increase of EUR 5.5 million - continuing the trend of positive operating results since the second half of 2009. The following graph shows the increase of operating results in the past five quarters in our business segments:

EBITDA in EUR million	Q1/2009	Q2/2009	Q3/2009	Q4/2009	Q1/2010
Series Manufacturers	-3.3	0.1	2.0	-1.9	4.3
Plant Engineering and Construction	-1.4	-1.1	0.2	2.7	-2.2
Business Services	-0.2	-0.8	-1.4	-0.8	-1.5
Total	-4.9	-1.9	0.8	0.1	0.6

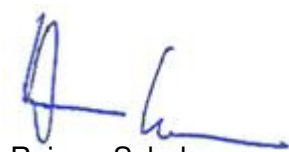
Thanks to consistent cost-cutting, the Series Manufacturers segment was able to boost its operating result by EUR 7.6 million to EUR 4.3 million. Much as in the prior year, the Plant Engineering and Construction segment reported a negative Q1 2010 operating result, due to the low level of deliveries made during the period. Since these deliveries are expected to increase as the year progresses, however, BAVARIA is counting on a marked improvement in this segment's operating result as well. Rising raw material prices however led to lower operating margins in the Business Services segment. The newly acquired company have contributed to EBITDA with EUR 1.9 million.

Almost all the companies of our Group saw a significant year-on-year improvement in order volume during the period. Moreover, cost structures are now significantly leaner than before. Thus, we are confident that the Group will be able to sustain its positive performance in the remaining quarters of 2010. We also expect an increase of operating results in the segment Business Services due to further improvements in efficiency. Turnover for the Group as a whole is expected to improve from EUR 404 million in 2009 to at least EUR 500 million in the current year.

The BAVARIA Group had cash and cash equivalents of EUR 70 million as at 31 March 2010, compared to EUR 76 million as at 31 December 2009. The amount of debt owed to banks remained at the low level of EUR 20 million.

We still have a very positive assessment of the market for making new acquisitions at attractive terms. As the latest example of the acquisition of French business activities by SwissTex shows, we intend to increasingly use our portfolio companies as platform for add-on acquisitions.

We can assure our shareholders and business associates that we have every confidence in the development of the BAVARIA group in spite of the tense economic conditions. We are especially optimistic about the possibility to complete new acquisitions at attractive terms. We thank you for your trust. Please let us know any suggestions, improvements or ideas on new transactions you might have.



Reimar Scholz

Chief Executive Officer

Group Key Figures

	2009				2010
	31.03.	30.06.	30.09.	31.12.	31.03.
Key earnings figures in EUR million (cumulated)					
Group Turnover	95.8	187.3	289.4	403.6	115.4
EBITDA of operational active subsidiaries	-4.9	-6.8	-5.9	-5.8	0.6
Group net income	-6.6	-10.0	-10.4	3.6	-0.9
-thereof dissolution of negative goodwill	3.3	6.6	12.5	48.7	4.5
Key balance sheet figures in EUR million					
Equity	50.8	29.0	29.3	43.5	41.1
Total assets	323.2	315.6	313.6	342.1	349.0
Total fixed assets	115.8	125.2	122.1	111.9	110.0
Cash and cash equivalents	54.1	41.8	47.1	76.2	69.9

The Share

Number of shares	6.394.500
Share type	Bearer share certificates
Share capital	EUR 6,394,500.00
Voting rights	Each share has a vote entitlement
WKN	260555
ISIN	DE0002605557
Stock exchange code	B8A
Stock exchange segment	Entry Standard
Fiscal year	Same as calendar year
Accounting	In acc. with HGB (Commercial Code)
Designated sponsor	Equinet AG
Announcements	Electronic Bundesanzeiger (German Federal G
Top price up to reporting date (30.03.2010)	EUR 13.50
Lowest price up to reporting date (04.01.2010)	EUR 10.60
Closing price (31.03.2010)	EUR 13.00
Market capitalization (31.03.2010)	EUR 83.1 million
Earnings Holding per share	EUR 1.29 (fiscal year 2009)
Dividend per share	EUR 1.25 (fiscal year 2009)

Until 31 March 2010, a number of 150,986 BAVARIA Industriekapital shares were acquired under the resolution of the Annual Shareholder Meeting on 20 June 2008 and a number of 42,890 shares were acquired under the resolution of the Annual Shareholder Meeting on 29 May 2009 for a total acquisition value of EUR 1.8 million. In addition, a number of 27,260 shares were acquired due to a public offering in March 2010 for EUR 0.3 million.

As of 31 March 2010, BAVARIA Industriekapital is therefore in possession of a total number of 221,136 BAVARIA Industriekapital shares for an acquisition value of EUR 2.1 million.

Consolidated Profit And Loss Account 01 January – 31 March 2010

	31 March 2010		31 March 2009	
	TEUR	TEUR	TEUR	TEUR
1. Sales	115,448		95,753	
2. Increase or reduction of the inventories in finished and non-finished products	19,808		-4,376	
3. Own work capitalized	<u>404</u>	135,660	<u>350</u>	91,727
4. Other operating income		8,283		5,621
5. Cost of materials				
a) Raw materials, supplies and merchandise for resale	-76,588		-46,809	
b) Purchased services	<u>-10,737</u>	-87,325	<u>-5,868</u>	-52,677
6. Personnel costs				
a) Wages and salaries	-27,632		-24,469	
b) Social insurance and other social charges and benefits pensions	<u>-7,020</u>	-34,652	<u>-6,732</u>	-31,201
7. Depreciation on intangible assets of the fixed assets and property, plant and equipment		-5,015		-4,683
8. Other operating expenses		-16,930		-15,127
9. Other interest and similar income		50		348
10. Interest and similar expenses		-1,170		-214
11. Profit/loss on ordinary operations		<u>-1,099</u>		<u>-6,206</u>
12. Extraordinary income	4,747		0	
13. Extraordinary expenses	<u>-3,266</u>		<u>0</u>	
14. Extraordinary result		1,481		0
15. Taxes on income and earnings		-854		150
16. Other taxes		-431		-534
17. Net loss for the period		<u>-903</u>		<u>-6,590</u>
18. Net profit carried forward from previous year		24,375		41,134
19. Appropriation to reserve for treasury stock		1,826		0
20. Transfer to reserve for own shares		0		-127
21. Allocation for own shares acquired in past periods		-1,632		0
22. Acquisition of own shares		-278		0
23. Profit relating to other shareholders		228		90
24. Consolidated profit		<u><u>23,616</u></u>		<u><u>34,507</u></u>

Consolidated Balance Sheet as of 31 March 2010

Assets

	31 March 2010		31 March 2009	
	TEUR	TEUR	TEUR	TEUR
A. Fixed assets				
I. Intangible assets				
1. Patents, trademarks, licenses and similar rights	2,247		1,176	
2. Goodwill	6,030		6,982	
3. Prepayments on account	<u>0</u>		<u>0</u>	
		8,277		8,158
II. Property, plant & equipment				
1. Land, leasehold rights and buildings incl. buildings on leased land	40,304		35,753	
2. Machinery and equipment	54,953		56,698	
3. Other equipment, plant and office equipment	3,347		3,593	
4. Advanced payments and construction-in-progress	<u>3,108</u>		<u>11,601</u>	
		101,712		107,645
III. Financial assets				
1. Shareholdings in affiliated companies	0		2	
2. Investments	18		40	
3. Other loans	<u>0</u>		<u>0</u>	
		18		42
		110,007		115,845
B. Current assets				
I. Inventories				
1. Raw materials and supplies	22,158		35,459	
2. Work-in-progress	31,215		19,336	
3. Finished products and merchandise	19,702		17,190	
4. Advance payments	<u>233</u>		<u>323</u>	
		73,308		72,308
II. Accounts receivable and other assets				
1. Receivables from trade	68,897		63,623	
2. Receivables from group companies	1		91	
3. Other assets	<u>23,987</u>		<u>13,729</u>	
		92,885		77,443
III. Marketable securities				
1. Treasury stock	0		1,425	
2. Other marketable securities	<u>5,798</u>		<u>5,717</u>	
		5,798		7,142
IV. Cash and cash equivalents		<u>64,087</u>		<u>48,336</u>
		236,078		205,229
C. Prepaid expenses		2,730		2,171
D. Deferred Tax Assets		204		0
		<u>349,020</u>		<u>323,245</u>

Equity and liabilities

	31 March 2010		31 March 2009	
	TEUR	TEUR	TEUR	TEUR
A. Equity				
I. Subscribed capital	6,395		6,395	
Treasury Stock	-221		0	
		6,173		6,395
II. Capital reserve		8,605		8,605
III. Revenue reserves		6		1,431
1. Restricted reserve	6		6	
2. Reserve for treasury stock	0		1,425	
IV. Difference from currency translation		1,593		-939
V. Offsetting item for holdings of other shareholders		1,068		793
VI. Consolidated profit		<u>23,616</u>		<u>34,507</u>
		41,061		50,792
B. Difference from consolidation of capital (negative goodwill)		67,137		74,569
C. Accruals				
1. Accruals for pensions and similar commitments	65,865		59,903	
2. Tax reserves	3,626		7,913	
3. Other accruals	<u>51,326</u>		<u>40,238</u>	
		120,817		108,054
D. Liabilities				
1. Debt due to banks	19,930		16,136	
2. Advanced payments received on orders	12,134		3,783	
3. Trade payables	72,481		47,799	
4. Notes payables	<u>13,341</u>		<u>20,557</u>	
		117,886		88,275
E. Deferred income		2,103		1,556
F. Deferred Tax Liabilities		16		0
		<u>349,020</u>		<u>323,245</u>

Development of Group Equity

EUR thousands	<i>Subscribed capital</i>	<i>Capital reserve</i>	<i>Revenue reserves</i>	<i>Difference from currency translation</i>	<i>Offsetting item for holdings of other shareholders</i>	<i>Consolidated profit</i>	<i>Group equity</i>
31 December 2008	6,395	8,605	1,304	-6	1,088	41,134	58,520
Net result 31.03.2009						-6,590	-6,590
Dividend pay-out							0
Capital decrease							0
Reclassification in retained earnings			127			-127	0
Foreign currency differences				-933			-933
Shares of other partners					-295	90	-205
31 March 2009	6,395	8,605	1,431	-939	793	34,507	50,792
31 December 2009	6,395	8,605	1,832	1,020	1,293	24,375	43,520
Net result 31.03.2010						-903	-903
Dividend pay-out							0
Capital decrease							0
Allocation for own shares acquired in past periods	-194		-1,826			194	-1,826
Acquisition of capital redemption	-28					-278	-306
Foreign currency differences				573			573
Shares of other partners					-225	228	3
31 March 2010	6,173	8,605	6	1,593	1,068	23,616	41,061

Notes to Quarterly Report

Accounting and Valuation Techniques

These consolidated financial statements have been drawn up on accordance with the valid HGB (German Commercial Code) and were not subject to an audit. The interim report has not been changed in the accounting and valuation techniques compared with the financial statements in fiscal year 2009. The new accounting guidelines in form of an amendment to the German Commercial Code called "BilMoG" (Bilanzmodernisierungsgesetz, law updating German GAAP) must be applied for all fiscal years starting on or after January 1, 2010. This quarterly report reflects those new accounting guidelines for the first time.

Scope of Consolidation

The consolidated financial statements include BAVARIA Industriekapital AG as the parent company, and affiliated companies in which BAVARIA Industriekapital AG either directly or indirectly has the majority of the voting rights or in which direct control is handled in another way. Five subsidiaries have not been included in the consolidation, consisting of companies for which consolidation is optional according to § 296 HGB.

The scope of consolidation has not materially changed in comparison to the consolidated financial statements as of 31 December 2009. R+E Automationstechnik GmbH, Fellbach-Schmidlen, was consolidated for first time due to an acquisition of further 50% of shares (BAVARIA Industriekapital AG now owns 100% of the shares) on 1 January 2010. In Q1 of 2010, R+E generated sales in the amount of ca. 634 TEUR.

Notes to Individual Balance Sheet Items

Goodwill from consolidation of capital

Development as of 31 March 2010 in EUR thousands

Book value 31.12.2009	Addition	Amortization	Final consolidation	Book value 31.03.2010
6,258	0	-228	0	6,030

Development as of 31 March 2009 in EUR thousands

Book value 31.12.2008	Addition	Amortization	Final consolidation	Book value 31.03.2009
7,210	0	-228	0	6,982

Subscribed capital

As of 31 March 2010, the subscribed capital amounts to EUR 6,394,500.00.

The “contingent capital I” (employee participation program) of EUR 511,500.00 (up to 511,500 bearer shares) had lapsed and all options were no longer exercisable. Consequently the Supervisory Board has adopted a corresponding amendment to the BAVARIA Articles of Association on April 14, 2010, thus annulling the contingent capital.

The “contingent capital II” (convertible bonds for members of the Supervisory Board) amounts to EUR 49,500.00 (up to 49,500 bearer shares). Thereof, EUR 16,500 (up to 16,500 bearer shares) are no longer exercisable.

Presentation of own shares according to BilMoG (amendment to German GAAP)

Until 31 March 2010, a number of 221,136 BAVARIA Industriekapital shares were acquired for a total acquisition value of EUR 2.1 million.

Since the new regulations of BilMoG came into effect on January 1, 2010, a capitalization of own shares with presentation of a corresponding reserve for own shares in equity is no longer allowed. This new rule must also be applied for all shares which were acquired before

January 1, 2010. Those shares must be reclassified according to the new guidelines of § 272, para. 1a of the German Commercial Code (HGB).

In consequence, the reserve for own shares was accordingly resolved and allocated to revenue reserves. The nominal value of those shares was visibly set off against the share capital. The amount in excess thereof was deducted from the revenue reserves. At the same time, the previously capitalized own shares were eliminated, reducing the revenue reserves. The individual amounts associated with those reclassifications are presented in the "Development of Group Equity".

Difference from consolidation of capital (acquisition profits)

Development as of 31 March 2010 in EUR thousands

Book value 31.12.2009	Addition	Dissolution	Final consolidation	Book value 31.03.2010
71,213	382	-4,458	0	67,137

The additions result from the first consolidation of R+E Automationstechnik GmbH.

Development as of 31 March 2009 in EUR thousands

Book value 31.12.2008	Addition	Dissolution	Final consolidation	Book value 31.03.2009
69,603	8,258	-3,292	0	74,569

The additions result from the first consolidation of OSNY Pharma SAS and OSNY Pharma Holding SAS.

List of Share Ownership as of 31 March 2010

Group Parent Company	currency	proportion of capital in %	
		direct	indirect
BAVARIA Industriekapital AG, Munich			
Konsolidierungskreis			
Executive Consulting AG, Munich	EUR	100,00	
Hering Wärmetauscher Holding AG, Munich	EUR		62,59
Hering AG, Gunzenhausen	EUR		59,28
Nevira Vermögensverwaltung AG, Munich	EUR	78,00	
BAVARIA Maschinenbau Holding II AG, Munich	EUR	88,75	
Langbein & Engelbracht GmbH, Bochum	EUR		83,43
Langbein & Engelbracht Industrial Eng.& Co., Shanghai/ China	CNY		83,43
Verwaltungsgesellschaft 0906 GmbH, Munich	EUR	100,00	
Blitz 05-316 GmbH & Co. KG, Munich	EUR	100,00	
R&E Automationstechnik GmbH, Fellbach-Schmidlen	EUR	100,00	
Kienle + Spiess GmbH, Sachsenheim	EUR		99,74
Kienle + Spiess Hungary Kft, Tokod/ Hungary	HUF		99,74
Wardstorm Ltd., Ellesmere Port/ UK	GBP		99,74
Sankey Laminations Ltd., Ellesmere Port/ UK	GBP		99,74
G.L. Scott & Co. Ltd., Ellesmere Port/ UK	GBP		99,74
Bavariaring 0906 GmbH, Munich	EUR	100,00	
SwissTex Winterthur AG, Winterthur/ Switzerland	CHF	100,00	
Bavaria Chemicals GmbH, Munich	EUR	75,00	
Bavaria Maschinenbau Ltd., Valletta/ Malta	(1) EUR	100,00	
Elfotec AG, Mönchaltorf/ Switzerland (in liquidation)	(1) CHF		75,00
Elfotec Ltd., Annacotty/ Irland (in liquidation)	(1) EUR		75,00
baikap Holding 010607 GmbH, Munich	EUR	100,00	
baikap Holding 020607 GmbH, Gräfelfing	EUR	100,00	
EMS Holding Bavaria GmbH, Gräfelfing	EUR	100,00	
Pharma Holding Bavaria GmbH, Munich	EUR	100,00	
Fonderies Aluminium de France SAS, Paris/ France	EUR		100,00
Fonderie Aluminium de Cléon SAS, Cléon/ France	(1)		100,00
Fonderie du Poitou Aluminium SAS, Ingrandes sur Vienne/ France	EUR		100,00
Teksid Deutschland GmbH, Heilbronn (in liquidation)	(1) EUR		100,00
Xenterio GmbH, Offenburg	EUR		100,00
FARAL S.p.A., Modena/ Italy	EUR		100,00
K+S Holding GmbH & Co. KG, Munich	EUR		94,80
Kienle + Spiess Logisztikai, Tokod/ Hungary	HUF		99,74
FARAL France SAS, Carmaux/ France	EUR		100,00
Hunfos Fabrikker AS, Vennesla/ Norway	NOK		100,00
Die-Cast Holding Bavaria GmbH, Munich	EUR	100,00	
baikap Holding 061108 GmbH, Munich	EUR		100,00
baikap Holding 070309 GmbH, Munich	EUR	100,00	
baikap Holding 080309 GmbH, Munich	EUR	100,00	
OSNY Pharma SAS, Osny / France	EUR		100,00
OSNY Pharma Holding SAS, Osny/ France	EUR		100,00
Tech-FORM SAS, Auxi-Le-Château/ France	EUR		100,00
Austria Druckguss GmbH & Co KG, Gleisdorf/ Austria	EUR		100,00
Austria Druckguss GmbH, Gleisdorf/ Austria	EUR		100,00
baikap Holding 090709 GmbH, Munich	EUR	100,00	
baikap Holding 100709 GmbH, Munich	EUR	100,00	
Inasa Foil Sabinánigo S.L. (formerly: Laminados Sabinánigo S.L.), Sabinánigo, Huesca/ Spain	EUR		100,00
INASA Foil S.A., Iruztun bei Pamplona/ Spain	EUR		100,00
L&E America Environmental Technologies LLC, Kaukauna, Wisconsin/ USA	USD		66,74

(1) not consolidated in accordance with § 296 HGB

Financial Calendar

(prospective)

11 June 2010

Annual Shareholder Meeting

13 August 2010:

Quarterly report Q2 2010

15 November 2010:

Quarterly report Q3 2010

Imprint

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