



BAVARIA Industriekapital AG  
Munich

Quarterly Report as of 30.09.2008

# Table of Contents

- Letter to the shareholders..... 3
- Group Key Figures ..... 5
- The Share ..... 6
- Consolidated Profit And Loss Account: 01 January – 30 September 2008 ..... 7
- Consolidated Balance Sheet as of 30 September 2008..... 8
- Development of Group Equity.....10
- Notes to Quarterly Report.....11
  - Accounting and Valuation Techniques.....11
  - Scope of Consolidation.....11
  - Notes to Individual Balance Sheet and P&L Items .....12
- List of Share Ownership as of 30 September 2008.....14
- Financial Calendar (prospective) .....15
- Imprint .....15

## Letter to the shareholders

November 2008

Fellow shareholders and  
business associates,

BAVARIA Industriekapital AG continued its growth in the first nine months of 2008. Compared to the previous year, the turnover rose by 30% to EUR 376 million and the consolidated net income during the first nine months of 2008 was EUR 28 million (previous year EUR 2 million). The operating income of the affiliated companies before depreciation and amortization (EBITDA) improved to almost EUR 19 million (previous year EUR 12 million). The affiliates Kienle + Spiess Group and Fonderie du Poitou Aluminium contributed a total of EUR 20 million to the results of the first nine months.

The financial resources of our group rose to EUR 61 million, despite outflows for dividend payments 2007 and share buybacks in an aggregate amount of EUR 21 million. Overall, an additional EUR 2 million have been used for share buybacks since the end of the 2007 financial year, the share buyback program will be continued within the scope of the existing approval of the annual shareholder meeting.

Notwithstanding the tense economic conditions, we expect another increase in profits during the fourth quarter. Amongst others, one positive factor marks the rapid success of the restructuring efforts at the newly acquired companies Xenterio and Faral; after several years of losses, they made a positive earnings contribution for the first time with EUR 1 million in the third quarter. By virtue of the traditionally stronger output in the fourth quarter, we also expect a stronger performance increase for the majority of affiliates in the plant engineering sector. A pronounced earnings decline is however foreseen at the French affiliate Fonderie du Poitou Aluminium in the serial manufacturing / automotive sector as a result of the major slump in the local automotive market.

We have a very positive assessment of the market for making new acquisitions at attractive terms. Our excellent track record in restructuring and revitalizing about twenty companies by now and our good reputation, particularly in the important automotive industry, are especially helpful for this.

At the beginning of the third quarter 2008, the Executive Management of BAVARIA was expanded and Harald Ender has joined our Executive Board. The manager with 27 years of

leadership experience in the automotive industry is responsible for the operative restructuring of the portfolio companies. Harald Ender has been an executive director of a BAVARIA Industriekapital AG portfolio company since October 2005. Since August 2007 he has been working as a restructuring director for the holding.

In November 2008, we supported the non-profit organisation EXIT ([www.exit-deutschland.de](http://www.exit-deutschland.de)) with a contribution in the amount of EUR 50,000. With this contribution, we provided important assistance to dropouts from the extreme right-wing milieu, enabling them to start a new, self-determined life. Both BAVARIA and the EXIT organisation consider it essential to improve the perspectives for the future and to be a competent contact person at all times. This common ground and the desire for social commitment are the reason why we stuck up as a mentor for EXIT.

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.

A handwritten signature in blue ink, appearing to read 'Reimar Scholz', with a stylized initial 'R' and a long horizontal stroke.

Reimar Scholz  
Chief Executive Officer

## Group Key Figures

	30.09.2007	31.12.2007	30.06.2008	30.09.2008
<b>Key earnings figures in EUR million</b>				
Group turnover	291.9	409.7	244.4	375.5
EBITDA (before dissolution of negative goodwill)	7.4	29.1	29.8	37.4
Group net result	1.8	5.2	26.5	28.3
- therefor dissolution of negative goodwill	3.2	8.9	7.8	10.1
<b>Key balance sheet figures in EUR million</b>				
Equity	56.1	58.6	63.6	65.4
Total Assets	247.9	277.4	333.0	342.0
Fixed Assets	58.4	82.2	98.8	97.7
Cash and cash equivalents	48.2	57.2	54.1	61.2

## 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 Gazette)
Top price up to reporting date (05.05.2008)	EUR 16.46
Lowest price up to reporting date (23.01.2008)	EUR 10.10
Closing price (30.09.2008)	EUR 10.80
Market capitalization (30.09.2008)	EUR 69.1million
Earnings Holding per share	EUR 3.56 (fiscal year 2007)
Dividend per share	EUR 3.00 (fiscal year 2007)

Until 30 September 2008, a number of 32,404 BAVARIA Industriekapital shares were acquired under the resolution of the Annual Meeting on 20 June 2008 for a total acquisition value of EUR 0.4 million.

## Consolidated Profit And Loss Account: 01 January – 30 September 2008

	<b>30 September 2008</b>		<b>30 September 2007</b>	
	TEUR	TEUR	TEUR	TEUR
1. Sales	375,518		291,892	
2. Increase or reduction of inventories in finished and on-finished products	407		9,830	
3. Other work capitalized	<u>921</u>		<u>5</u>	
		376,846		301,726
4. Other operating income		37,356		12,238
5. Cost of materials				
a) Raw materials, supplies and merchandise for resale	-210,613		-160,802	
b) Purchased services	<u>-17,608</u>		<u>-21,949</u>	
		-228,221		-182,751
6. Personnel costs				
a) Wages and salaries	-73,309		-62,038	
b) Social insurance and other social charges and benefits pensions	<u>-21,242</u>		<u>-15,933</u>	
		-94,551		-77,971
7. Depreciation on intangible assets of the fixed assets and property, plant and equipment		-11,953		-8,213
8. Other operating expenses		-43,844		-42,681
9. Other interest and similar income		1,436		1,398
10. Interest and similar expenses		-821		-420
11. Depreciation on financial assets and on marketable securities of the current assets		-31		-45
<b>12. Profit/ loss on ordinary operations</b>		<u><b>36,217</b></u>		<u><b>3,282</b></u>
13. Extraordinary expenses		-1,006		0
14. Tax on income and earnings		-5,232		-1,403
15. Other taxes		-1,672		-98
<b>16. Net income</b>		<u><b>28,306</b></u>		<u><b>1,781</b></u>
17. Net profit carried forward from previous year		39,828		41,041
18. Dividends		-19,184		-6,615
19. Transfer to revenue reserves		-1,537		-581
20. Income from capital reduction		221		0
21. Profit relating to other shareholders		-217		1,731
<b>22. Consolidated profit</b>		<u><u><b>47,416</b></u></u>		<u><u><b>37,357</b></u></u>

## Consolidated Balance Sheet as of 30 September 2008

### Assets

	30 Sept. 2008		30 Sept. 2007	
	TEUR	TEUR	TEUR	TEUR
<b>A. Fixed assets</b>				
I. Intangible assets				
1. Patents, trademarks, licenses and similar rights	420		989	
2. Goodwill	7,752		6,573	
3. Prepayments on account	<u>39</u>		<u>0</u>	
		8,211		7,562
II. Property, plant & equipment				
1. Land, leasehold rights and buildings incl. buildings on leased land	34,695		18,972	
2. Machinery and equipment	46,950		24,024	
3. Other equipment, plant and office equipment	3,310		2,805	
4. Advanced payments and construction-in-progress	<u>4,357</u>		<u>4,222</u>	
		89,313		50,024
III. Financial assets				
1. Shareholdings in affiliated companies	136		776	
2. Investments	15		9	
		<u>151</u>		<u>785</u>
		<b>97,675</b>		<b>58,371</b>
<b>B. Current assets</b>				
I. Inventories				
1. Raw materials and supplies	33,351		23,086	
2. Work-in-progress	26,091		28,764	
3. Finished products and merchandise	17,409		16,205	
4. Advance payments	<u>2,071</u>		<u>1,783</u>	
		78,921		69,837
II. Accounts receivable and other assets				
1. Receivables from trade	83,149		59,950	
2. Receivables from group companies	6		0	
3. Other assets	<u>19,720</u>		<u>10,814</u>	
		102,875		70,765
III. Marketable securities				
1. Treasury stock	351		581	
2. Other marketable securities	<u>6,014</u>		<u>0</u>	
		6,365		581
IV. Cash and cash equivalents		<u>54,808</u>		<u>47,666</u>
		<b>242,969</b>		<b>188,849</b>
<b>C. Prepaid expenses</b>		1,347		688
		<u><b>341,991</b></u>		<u><b>247,909</b></u>



## Equity and liabilities

	30 Sept. 2008		30 Sept. 2007	
	TEUR	TEUR	TEUR	TEUR
<b>A. Equity</b>				
I. Subscribed capital		6,395		6,615
Contingent capital: 561,000.00 Euro				
II. Capital reserve		8,605		8,385
III. Revenue reserves		357		587
1. Restricted reserve	6		6	
2. Reserve for treasury stock	351		581	
IV. Difference from currency translation		1,588		974
V. Offsetting item for holdings of other shareholders		1,066		2,139
VI. Consolidated profit		47,416		37,357
		<b>65,426</b>		<b>56,057</b>
<b>B. Difference from consolidation of capital (negative goodwill)</b>		72,372		8,488
<b>C. Accruals</b>				
1. Accruals for pensions and similar commitments	57,398		54,643	
2. Tax reserves	8,078		5,078	
3. Other accruals	38,059		27,897	
		<b>103,535</b>		<b>87,618</b>
<b>D. Liabilities</b>				
1. Debt due to banks	5,852		17,593	
2. Advanced payments received on orders	18,490		22,629	
3. Trade payables	57,590		42,225	
4. Notes payables	16,181		10,006	
		<b>98,112</b>		<b>92,453</b>
<b>E. Deferred income</b>		<b>2,546</b>		<b>3,293</b>
		<b>341,991</b>		<b>247,909</b>

## Development of Group Equity

<b>TEUR</b>	<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>
<b>31 December 2007</b>	6,615	8,385	1,707	269	1,815	39,827	<b>58,618</b>
Net Profit 30 September 2008						28,306	28,306
Dividend pay-out						-19,184	-19,184
Capital increase	-220	220	-2,887			221	-2,666
Reclassification in retained earnings			1,537			-1,537	0
Foreign currency differences				1,319			1,319
Shares of other partners						-749	-966
<b>30 September 2008</b>	<b>6,395</b>	<b>8,605</b>	<b>357</b>	<b>1,588</b>	<b>1,066</b>	<b>47,416</b>	<b>65,427</b>

## 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 2007.

### **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. Nine subsidiaries have not been included in the consolidation, consisting of companies for which consolidation is optional according to § 296 HG.

The scope of consolidation has materially changed as follows in comparison to consolidated financial statements as of 31 December 2007:

- Elfotec AG, Mönchaltendorf/ Switzerland has stopped its business operations in 2007 and is deconsolidated in Q1 2008.
- Elfotec Ltd., Annacotty/ Irland, has started the liquidation in April 2008 and is deconsolidated in Q1 2008.
- ALMEC S.p.A., Nusco/ Italien, has been sold April 2008 and is deconsolidated in Q1 2008.
- Xenterio GmbH, Offenburg (previously named: Elcoteq Communications Technology GmbH), was acquired in January 2008 and is consolidated for the first time in Q1 2008.
- Faral S.p.A., Modena/ Italien, was acquired in May 2008 and is consolidated for the first time in Q2 2008.
- In June 2008 further 4.8 % of Kienle + Spiess Group were acquired and consolidated for the first time.

## Notes to Individual Balance Sheet and P&L Items

### Goodwill from consolidation of capital

Development as of 30 September 2008 in EUR thousands

Book value 31.12.2007	Addition	Amortization	Merger within group	Final consolidation	Book value 30.09.2008
6,852	2,601	-631	-899	-171	7,752

Development as of 30 September 2007 in EUR thousands

Book value 31.12.2006	Addition	Amortization	Merger within group	Final consolidation	Book value 30.09.2007
6,696	479	-595	0	-7	6,573

### Subscribed capital

As of 30 September 2008, the subscribed capital amounts to EUR 6,394,500.00.

The “contingent capital I” (employee participation program) amounts to EUR 511,500.00 (up to 511,500 bearer shares).

The “contingent capital II” (convertible bonds for members of the Supervisory Board) amounts to EUR 49,500.00 (up to 49,500 bearer shares).

Until 30 September 2008, a number of 32,404 BAVARIA Industriekapital shares were acquired under the resolution of the Annual Meeting on 20 June 2008 for a total acquisition value of EUR 0.4 million via the stock exchange.

## Difference from consolidation of capital (acquisition profits)

Development as of 30 September 2008 in EUR thousands

Book value 31.12.2007	Addition	Dissolution	Final consolidation	Book value 30.09.2008
32,339	51,029	-10,140	-856	72,372

Development as of 30 September 2007 in EUR thousands

Book value 31.12.2006	Addition	Dissolution	Final consolidation	Book value 30.09.2007
9,233	4,959	-3,185	-2,519	8,488

## List of Share Ownership as of 30 September 2008

Group parent company	Proportion of capital in %	
	direct	indirect
BAVARIA Industriekapital AG, München		
<b>Share ownership</b>		
Executive Consulting AG, München	100.00	
Hering Wärmetauscher Holding AG, München	75.00	
Hering AG, Gunzenhausen		70.50
Neef IT Solutions AG, Karlsruhe	78.00	
BAVARIA Maschinenbau Holding II AG, München	88.75	
Langbein & Engelbracht GmbH, Bochum		83.43
Langbein & Engelbracht Industrial Eng.& Co., Shanghai/ China		83.43
Verwaltungsgesellschaft 0906 GmbH, München	100.00	
Blitz 05-316 GmbH & Co. KG, München	100.00	
R&E Automationstechnik GmbH, Fellbach-Schmidlen	(1)	50.00
Kienle + Spiess GmbH, Sachsenheim		99.74
Kienle + Spiess Hungary Kft, Tokod/ Ungarn		99.74
Wardstorm Ltd., Ellesmere Port/ UK		99.74
Sankey Laminations Ltd., Ellesmere Port/ UK		99.74
G.L. Scott & Co. Ltd., Ellesmere Port/ UK		99.74
Bavariaring 0906 GmbH, München	100.00	
SwissTex Winterthur AG, Winterthur/ Schweiz	100.00	
Force Ltd., Birmingham/ UK	(1)	75.00
Oldenburg Ltd., Birmingham/ UK	(1)	100.00
Bavaria Chemicals GmbH, München		75.00
Bavaria Maschinenbau Ltd., Sliema/ Malta	(1)	100.00
Elfotec AG, Mönchaldorf/ Schweiz	(1)	75.00
Elfotec Ltd., Annacotty/ Irland	(1)	75.00
baikap Holding 010607 GmbH, München		100.00
baikap Holding 020607 GmbH, München		100.00
baikap Holding 030807 GmbH, München		100.00
baikap Holding 040807 GmbH, München	(1)	100.00
Fonderies Aluminium de France SAS (vorher TK Aluminum-France SAS), Paris/ Frankreich		100.00
Fonderie du Poitou Aluminium SAS, Ingrandes sur Vienne/ Frankreich		100.00
Teksid Deutschland GmbH, Heilbronn (in Abwicklung)	(1)	100.00
Xenterio GmbH (vormals Elcoteq Communications Technology GmbH), Offenburg		100.00
FARAL S.p.A., Modena/ Italien		100.00
K+S Holding GmbH & Co. KG, München		94.90
Kienle + Spiess Logisztikai, Tokod/ Ungarn	(1)	99.74

(1) not consolidated in accordance with § 296 HGB

## Financial Calendar (prospective)

### **31 March 2009**

Publication of Group Accounts and Individuals Accounts as of 31 December 2008

### **May 2009**

Annual Shareholder Meeting

### **2 June 2009**

Quarterly report Q1 2009

### **24 August 2009**

Quarterly report Q2 2009

### **23 November 2009**

Quarterly report Q3 2009

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### **Issuer**

Bavaria Industriekapital AG  
Bavariaring 24  
80336 Munich

Tel: +49 (0)89 - 729 8967 - 0  
Fax: +49 (0)89 - 729 8967 - 10

info@baikap.de  
www.baikap.de

### **Editor**

Svea Strohm  
Head of Finance

svea.strohm@baikap.de