



BAVARIA Industriekapital AG
Munich

Quarterly Report as of 30.09.2010

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Letter to the shareholders

In November 2010

Fellow shareholders and
business associates,

Changes for the better continued gaining momentum in Q3 and enabled BAVARIA Industriekapital AG to achieve Group turnover of EUR 434 million for the nine-month reporting period of 2010. This is an increase of 50% compared to the same period a year ago (EUR 289 million). Also during this period, the operating results (EBITDA) of the Group's active subsidiaries posted a year-on-year improvement of EUR 18.3 million to EUR 12.4 million. Turnover in Q3 alone amounted to EUR 184 million, while the operating result was EUR 8.9 million.

The following overview provides a very instructive picture of how the EBITDA has performed by quarter for the last two years since July 2008:

Quarterly figures (not year-to-date)

EBITDA in EUR million	Q3/ 2008	Q4/ 2008	Q1/ 2009	Q2/ 2009	Q3/ 2009	Q4/ 2009	Q1/ 2010	Q2/ 2010	Q3/ 2010
Series Manufacturers	4.0	-0.1	-3.3	0.1	2.0	-1.9	4.3	4.4	8.5
Plant Engineering & Constr.	2.1	0.8	-1.4	-1.1	0.2	2.7	-2.2	1.4	1.7
Business Services	1.7	-1.3	-0.2	-0.8	-1.4	-0.8	-1.5	-2.9	-1.3
Total	7.9	-0.5	-4.9	-1.9	0.8	0.1	0.6	2.9	8.9

The graphic clearly illustrates the decline in results since the start of the sales crisis in October 2008, and the later recovery over the course of 2010. In addition to a strong increase in results in the Series Manufacturers division, it also shows the decrease in losses in the Business Services division. Here we expect to at least achieve balanced operating results following the drastic, two-thirds reduction in personnel at the main loss maker Xenterio GmbH. This downsizing became necessary as turnover declined by more than two thirds following the loss of several important customers due to the sales crisis.

At any rate, all companies acquired since January 2009 have reached business breakeven, and none of the earlier loss makers were in danger of insolvency during those economically difficult times. This is all the more remarkable considering that BAVARIA Industriekapital AG traditionally tends to acquire and operationally overhaul unprofitable companies, which is something that generally involves additional losses at least for while.

The following overview carries the Group operating EBITDA over to Group net income:

Reconciliation of EBITDA to the Group Net Income

	year-to-date figures in EUR million	Quarterly figures in EUR million
EBITDA of operating portfolio companies	12.4	8.9
Depreciation and Amortization	-16.0	-6.0
Interest income and expense	-4.1	-1.5
Taxes	-3.4	-1.3
Extraordinary result	-3.0	-4.5
<i>Consolidation bookings:</i>		
Dissolution of negative goodwill	13.7	4.7
Other consolidation entries	-0.4	-0.1
Group Net Income	-0.8	0.2

Group net income is much less than the operating result due to depreciation, interest expenses and taxes paid – a situation that is not offset even by the consolidation entries. What is very encouraging, however, is that BAVARIA Industriekapital AG has been generating positive annual net income since third quarter – even after accounting for extraordinary expenses from the downsizing-related social plan at Xenterio GmbH.

We believe that our performance is best reflected in the following overview showing the quarterly operating results of the profitable companies (the lower line showing the number of profitable companies in the total number of companies):

Quarterly figures (not year-to-date)

	Q3/ 2008	Q4/ 2008	Q1/ 2009	Q2/ 2009	Q3/ 2009	Q4/ 2009	Q1/ 2010	Q2/ 2010	Q3/ 2010
EBITDA in EUR million	9.7	3.3	0.8	2.1	4.2	4.5	7.3	7.2	10.6
Number (Total no. Comp.)	5 (7)	3 (7)	2 (8)	3 (9)	7 (11)	5 (11)	7 (13)	8 (14)	9 (14)

Worth highlighting is the fact that of fourteen companies, nine are once again operating profitably. Extrapolated out to a full year, the quarterly results of those nine companies of EUR 10.6 million show an annual EBITDA of EUR 42.4 million, which reflects the Group's current run rate. The market capitalisation of BAVARIA Industriekapital AG, currently some EUR 80 million, is nearly twice our annual run rate. This also explains why we continue to buy back our own shares.

Cash and cash equivalents within the BAVARIA Group totaled EUR 59.7 million as at 30 September 2010, following EUR 58.9 million in the previous quarter and EUR 47.1 million a year ago. The special financial charges that arose in Q3 involved expenses for the social

plan of Xenterio GmbH, and the payment of a purchase price installment for the TriStone Group that was acquired in July.

Finally, we want to stress that we are still very confident about the further development of BAVARIA Industriekapital AG, despite what continues to be a fragile economic environment. We also have a favourable view about the possibility of acquiring new companies at attractive terms. We welcome and will address any ideas, suggestions for improvement, and information about new transactions that you may have. Thank you for the trust and confidence that you have placed in us.



Reimar Scholz
Chief Executive Officer

Group Key Figures

	2009				2010		
	31.03.	30.06.	30.09.	31.12.	31.03.	30.06.	30.09.
Key earnings figures in EUR million (cumulated)							
Group Turnover	95.8	187.3	289.4	403.6	115.4	250.3	434.4
EBITDA of operational active subsidiaries	-4.9	-6.8	-5.9	-5.8	0.6	3.5	12.4
Group net income	-6.6	-10.0	-10.4	3.6	-0.9	-1.0	-0.8
-thereof dissolution of negative goodwill	3.3	6.6	12.5	48.7	4.5	9.0	13.7
Key balance sheet figures in EUR million							
Equity	50.8	29.0	29.3	43.5	41.1	32.9	34.1
Total assets	323.2	315.6	313.6	342.1	349.0	361.5	476.5
Total fixed assets	115.8	125.2	122.1	111.9	110.0	107.9	151.1
Cash and cash equivalents	54.1	41.8	47.1	76.2	69.9	58.9	59.7

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 German Federal Gazette
Top price up to reporting date (10.08.2010)	EUR 14.84
Lowest price up to reporting date (04.01.2010)	EUR 10.60
Closing price (30.09.2010)	EUR 13.45
Market capitalization (30.09.2010)	EUR 86.0 million
Earnings Holding per share	EUR 1.29 (fiscal year 2009)
Dividend per share	EUR 1.25 (fiscal year 2009)

BAVARIA Industriekapital AG acquired a number of 150,986 own shares under the resolution of the Annual Shareholder Meeting of 20 June 2008, a number of 70,150 own shares under the resolution of the Annual Shareholder Meeting of 29 May 2009 and a number of 12,848 shares under the resolution of the Annual Shareholder Meeting of 11 June 2010.

As of 30 September 2010, BAVARIA Industriekapital is therefore in possession of a total number of 233,984 own shares for an acquisition value of EUR 2.3 million.

Consolidated Profit And Loss Account 01 January – 30 September 2010

	30 September 2010		30 September 2009	
	TEUR	TEUR	TEUR	TEUR
1. Sales	434,358		289,363	
2. Increase or reduction of the inventories in finished and non-finished products	14,294		-7,689	
3. Own work capitalized	<u>462</u>		<u>1,098</u>	
		449,114		282,771
4. Other operating income		23,076		19,025
5. Cost of materials				
a) Raw materials, supplies and merchandise for resale	-241,573		-136,303	
b) Purchased services	<u>-28,746</u>		<u>-21,516</u>	
		-270,319		-157,819
6. Personnel costs				
a) Wages and salaries	-90,056		-72,520	
b) Social insurance and other social charges and benefits pensions	<u>-23,039</u>		<u>-22,344</u>	
		-113,095		-94,864
7. Depreciation on intangible assets of the fixed assets and property, plant and equipment		-15,990		-15,595
8. Other operating expenses		-63,055		-42,122
9. Other interest and similar income		162		585
10. Interest and similar expenses		-4,253		-1,003
11. Profit/loss on ordinary operations		<u>5,640</u>		<u>-9,022</u>
12. Extraordinary income	4,877		1,675	
13. Extraordinary expenses	<u>-7,888</u>		<u>-235</u>	
14. Extraordinary result		-3,011		1,440
15. Taxes on income and earnings		-2,264		-793
16. Other taxes		-1,154		-2,038
17. Net income		<u>-789</u>		<u>-10,413</u>
18. Net profit carried forward from previous year		16,658		21,467
19. Transfer from earnings reserves		1,826		0
20. Transfer to earnings reserves		0		-127
21. Allocation for own shares acquired in past periods		-1,632		0
22. Acquisition of own shares		-421		0
23. Profit relating to other shareholders		84		193
24. Consolidated profit		<u><u>15,726</u></u>		<u><u>11,120</u></u>

Consolidated Balance Sheet as of 30 September 2010

Assets

	30 Sept. 2010		30 Sept. 2009	
	TEUR	TEUR	TEUR	TEUR
A. Fixed assets				
I. Intangible assets				
1. Patents, trademarks, licenses and similar rights	2,240		1,952	
2. Goodwill	8,749		6,487	
3. Prepayment on account	<u>0</u>		<u>0</u>	
		10,989		8,439
II. Property, plant & equipment				
1. Land, leasehold rights and buildings incl. buildings on leased land	58,594		36,264	
2. Machinery and equipment	70,179		59,669	
3. Other equipment, plant and office equipment	4,494		3,395	
4. Advanced payments and construction-in-progress	<u>6,868</u>		<u>14,310</u>	
		140,135		113,638
III. Financial assets				
1. Shareholdings in affiliated companies	0		1	
2. Investments	18		40	
3. Other loans	<u>0</u>		<u>1</u>	
		18		42
		151,142		122,119
B. Current Assets				
I. Inventories				
1. Raw materials and supplies	31,632		27,050	
2. Work-in-progress	45,159		21,294	
3. Finished products and merchandise	30,433		13,777	
4. Advance payments	<u>2,131</u>		<u>325</u>	
		109,355		62,446
II. Accounts receivable and other assets				
1. Receivables from trade	108,154		62,612	
2. Receivables from group companies	0		77	
3. Other assets	<u>40,768</u>		<u>16,001</u>	
		148,922		78,690
III. Marketable securities				
1. Treasury Stock	0		1,425	
2. Other marketable securities	<u>290</u>		<u>5,829</u>	
		290		7,254
IV. Cash and cash equivalents		<u>59,384</u>		<u>41,234</u>
		317,951		189,624
C. Prepaid expenses		7,284		1,886
D. Deferred Tax Assets		129		0
		<u>476,506</u>		<u>313,629</u>

Equity and liabilities

	30 Sept. 2010		30 Sept. 2009	
	TEUR	TEUR	TEUR	TEUR
A. Equity				
I. Subscribed capital		6,161		6,395
1. Share capital	6,395		6,395	
2. Own shares	-234		0	
II. Capital reserve		8,605		8,605
III. Revenues reserves		6		1,431
1. Restricted reserve	6		6	
2. Reserve for treasury stock	0		1,425	
IV. Difference from currency translation		2,435		855
V. Offsetting item for holdings of other shareholders		1,163		892
VI. Consolidated profit		15,726		11,120
		34,096		29,298
B. Difference from consolidation of capital (negative goodwill)		102,906		75,777
C. Accruals				
1. Accruals for pensions and similar commitments	71,359		61,396	
2. Tax reserves	4,256		6,197	
3. Other accruals	58,922		43,311	
		134,537		110,904
D. Liabilities				
1. Debt due to banks	54,612		20,657	
2. Advanced payments received on orders	18,441		7,321	
3. Trade payables	100,271		46,892	
4. Other liabilities	29,319		15,195	
		202,643		90,065
E. Deferred Income		2,324		7,585
F. Deferred Tax Liabilities		0		0
		476,506		313,629

Development of Group Equity

EUR thousands	Subscribed capital	Capital reserve	Revenue reserves	Difference from currency translation	Offsetting item for holdings of other shareholders	Consolidated profit	Group equity
31 December 2008	6,395	8,605	1,304	-6	1,088	41,134	58,520
Net result 30.09.2009						-10,413	-10,413
Dividend pay-out						-19,667	-19,667
Capital decrease							0
Reclassification in retained earnings			127			-127	0
Foreign currency differences					861		861
Shares of other partners					-196	193	-3
30 September 2009	6,395	8,605	1,431	855	892	11,120	29,298
31 December 2009	6,395	8,605	1,832	1,020	1,293	24,375	43,520
Net result 30.09.2010						-789	-789
Dividend pay-out						-7,717	-7,717
Capital decrease							0
Allocation for own shares acquired in past periods	-194		-1,826			194	-1,826
Acquisition of capital redemption	-40					-421	-461
Foreign currency differences					1,415		1,415
Shares of other partners					-130	84	-46
30 September 2010	6,161	8,605	6	2,435	1,163	15,726	34,096

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.

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. Four 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 changed as follows in comparison to 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 the first nine months of the year of 2010, R+E generated sales in the amount of ca. EUR 3.1 million with a slightly positive result.
- In April 2010, SwissTex Winterthur AG acquired the assets of the French company RITM by the newly formed entity SwissTex France SAS and complemented its product range with machines and systems affiliated to the Textiles, BCF, T&I and glass industries fields. The first consolidation was performed in the 2nd Quarter 2010. Since April 2010, the French entity achieved sales of ca. EUR 9.5 million with a positive result (EBITDA). We expect sales of ca. EUR 20 million for the consolidated part of the year 2010 for the French entity.
- As of July 2 2010, BAVARIA Industriekapital AG has completed the acquisition of the Fluid Solutions business operations from Trelleborg Automotive. Since then, the Fluid

Solutions business operates under the name of TriStone Flowtech. Since the acquisition was completed, the TriStone Gruppe achieved sales of ca. EUR 36.5 million and a positive result (EBITDA).

Notes to Individual Balance Sheet and P&L Items

Goodwill from consolidation of capital

Development as of 30 September 2010 in TEUR

Book Value 31.12.2009	Addition	Amortization	Final Consolidation	Book Value 30.09.2010
6,258	3,260	-769	0	8,749

Development as of 30 September 2009 in TEUR

Book Value 31.12.2008	Addition	Amortization	Final Consolidation	Book Value 30.09.2009
7,210	0	-686	-37	6,487

Subscribed capital

The subscribed capital as of 30 September 2010 amounts to EUR 6,394,500.00. The calculative nominal value of the circulating shares remains unchanged at the value of 1.00 EUR per share. According to the new guidelines of BilMoG 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.

Consolidated retained earnings

The annual shareholders' meeting of 11 June 2010 passed the resolution to pay a dividend of EUR 7,716,705.00 and carry forward the remaining net profit of TEUR 1,496.

	EUR thousands
Net profit carried forward from previous year 31.12.2009	24,375
./. Dividend distribution according to Shareholders' Resolution dated 11.06.2010	./. 7,717
Net profit carried forward from previous year 30.09.2010	16,658

Difference from the consolidation of capital (negative goodwill)

Development as of 30 September 2010 in TEUR

Book value 31.12.2009	Addition	Dissolution	Final consolidation	Book value 30.09.2010
71,213	45,368	-13,675	0	102,906

The additions mainly result from the acquisition of the TriStone Group and SwissTex SAS.

Development as of 30 September 2009 in TEUR

Book value 31.12.2008	Addition	Dissolution	Final consolidation	Book value 30.09.2009
69,603	18,698	-12,524	0	75,777

The additions mainly result from the acquisition of the three companies OSNY Pharma SAS, Austria Druckguss GmbH & Co KG and tech-FORM s.a.r.l.

Schedule of shareholdings as of 30 September 2010

Group Parent Company	currency	proportion of capital in %	
		direct	indirect
BAVARIA Industriekapital AG, Munich			
Companies included in the consolidation			
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, Mönchaldorf/ 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	
Bavaria France Holding SAS , Neuilly sur Seine/ France (formerly: Fonderies Aluminium de France SAS)	EUR		100,00
Fonderie Aluminium de Cléon SAS, Cléon/ France	(1)		100,00
Fonderie d'Ingrandes, Ingrandes sur Vienne/ France (formerly: Fonderie du Poitou Aluminium SAS)	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	
Inasa Foil GmbH (formerly: 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

(1) not consolidated in accordance with § 296 HGB

	currency	proportion of capital in %	
		direct	indirect
baikap Holding 090709 GmbH, Munich	EUR	100,00	
Bavaria Purchasing Group GmbH (formerly: baikap Holding 100709 GmbH), Munich	EUR	100,00	
Inasa Foil Sabiñánigo S.L. (formerly: Laminados Sabiñánigo S.L.), Sabiñánigo, Huesca/ Spain	EUR		100,00
INASA Foil S.A., Iurtzun bei Pamplona/ Spain	EUR		100,00
L&E America Environmental Technologies LLC, Kaukauna, Wisconsin/ USA	USD		66,74
baikap Holding 110510 GmbH, Munich	EUR	100,00	
baikap Holding 120510 GmbH, Munich	EUR	100,00	
SwissTex France SAS, Valence/ France	EUR		100,00
TriStone Flowtech Holding SAS, Carquefou/ France	EUR		100,00
Tristone Flowtech Slovakia spol Sro, Nova Bana/ Slowakei	EUR		100,00
Tristone Flowtech Poland Sp zoo, Walbrzych/ Polen	PLN		100,00
Tristone Flowtech France SAS, Carquefou/ France	EUR		100,00
Tristone Flowtech Czech Republic s.r.o, Hradek nad Nisou/ Czech Republic	EUR		100,00
Tristone Flowtech Istanbul Otomotive SVTLS, Çerkezköy/ Turkey	TRY		99,00
TriStone Flowtech Italy SpA, Cirie/ Italy	EUR		100,00
Tristone Flowtech Germany GmbH, Mannheim	EUR		100,00
TriStone Flowtech Spain SAU, Tarazona/ Spain	EUR		100,00
TriStone Flowtech Solutions SNC, Carquefou/ France	EUR		100,00
baikap Holding 130810 GmbH, Munich	EUR	100,00	
baikap Holding 140810 GmbH, Munich	EUR	100,00	

(1) not consolidated in accordance with § 296 HGB

Financial Calendar

31 March 2011:

Publication of Group Accounts and Individual Accounts as of 31 December 2010

13 May 2011:

Quarterly Report Q1 2011

Prospective 1 June 2011:

Annual Shareholder Meeting

12 August 2011:

Quarterly Report Q2 2011

15 November 2011:

Quarterly Report Q3 2011

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