BAVARIA
Industriekapital AG

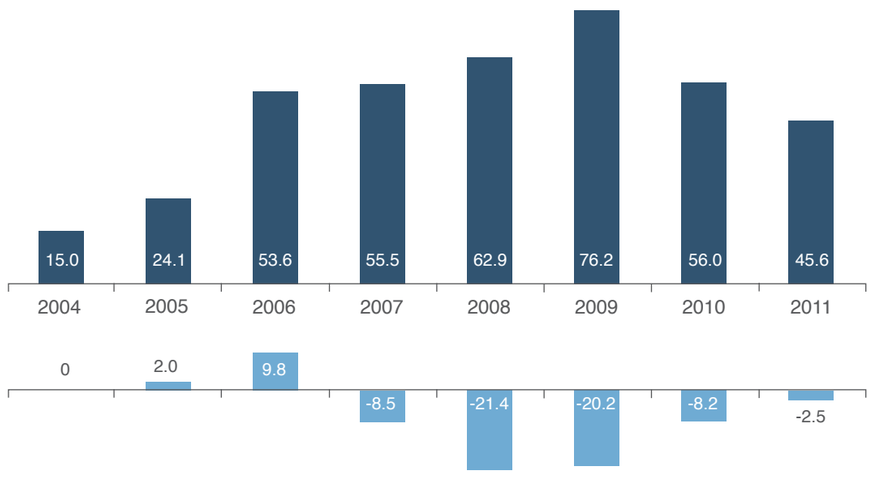
ANNUAL REPORT 2011

Group Key Figures

[in EUR millions]	2005	2006	2007	2008	2009	2010	2011
GROUP							
Profit and Loss							
Turnover	132.5	332.6	409.7	485.4	403.6	638.4	749.9
EBITDA (before dissolution of negative goodwill)	-3.4	32.2	29.1	37.3	-12.4	16.4	31.5
Net result	8.5	31.5	5.2	23.2	3.6	-0.8	2.4
- thereof dissolution of negative goodwill	16.5	19.2	8.9	13.1	48.7	18.4	17.0
Balance Sheet							
Equity	18.1	61.2	58.6	58.5	43.5	34.1	28.6
Total assets	100.0	232.4	277.4	321.7	342.1	448.5	323.3
Fixed assets	21.6	56.1	82.2	104.5	111.9	140.5	106.0
Cashflow							
Cashflow from current operations	-1.6	15.5	-4.8	38.2	16.6	-22.4	15.6
Cashflow from capital expenditure	2.0	-0.7	9.7	-13.2	-3.7	-33.9	-17.7
Cashflow from financing	0.7	9.7	-11.2	-20.3	-12.7	35.4	-3.6
Cash and cash equivalents (without treasury stock)	24.1	53.6	55.5	62.9	76.2	56.0	45.6
HOLDING COMPANY (AG)							
Profit and Loss							
Turnover	1.0	2.0	3.1	3.7	4.5	4.9	3.8
EBITDA	2.5	13.8	22.8	13.6	7.6	5.2	6.9
Net result	2.1	13.8	23.2	1.9	8.2	5.1	6.9
Balance Sheet							
Equity	4.2	28.8	45.4	37.5	26.0	21.1	25.4
Total assets	4.7	31.1	48.1	40.1	35.8	31.9	29.8
Fixed assets	0.4	0.5	0.9	1.3	1.3	1.1	9.8
Cashflow							
Cashflow from current operations	-0.7	9.2	3.8	13.7	6.9	6.5	4.7
Cashflow from capital expenditure	-0.1	-2.1	12.3	5.1	-0.1	0.2	-9.0
Cashflow from financing	2.0	10.8	-8.5	-21.4	-20.2	-8.2	-2.5
Cash and cash equivalents (without treasury stock)	1.3	19.2	26.8	24.2	10.8	9.3	2.5
TOTAL OF OPERATING PORTFOLIO COMPANIES							
Profit and Loss							
Turnover	132.5	332.6	409.7	485.4	403.6	638.4	749.9
EBITDA	-10.8	20.7	18.2	18.1	-5.8	20.1	4.7
Net result	-13.3	6.0	-13.4	-7.7	-36.0	-0.1	-40.6
Cashflow							
Cashflow from current operations	-0.9	6.3	-8.6	24.5	9.7	-28.9	10.9
Cashflow from capital expenditure	2.1	1.4	-2.6	-18.3	-3.6	-34.1	-8.7
Cashflow from financing	-1.3	-1.1	-2.7	1.1	7.5	43.6	-1.1
Cash and cash equivalents (without treasury stock)	22.8	34.4	28.7	38.7	65.4	46.7	39.8

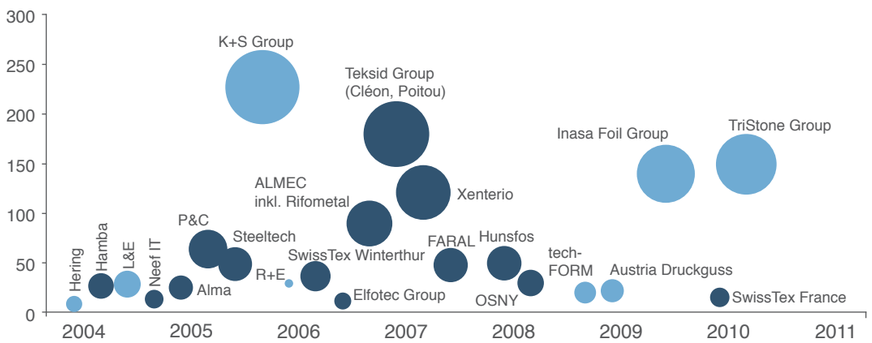
Group Cash and Cash Equivalents (Year-End)

(in EUR millions)



Deal Size

Sales (in EUR millions)



Content

Harald Ender, Reimar Scholz

Dear Shareholders,

The BAVARIA Group closed fiscal year 2011 with an annual surplus in the amount of EUR 2.4 million; this compares to a loss of EUR 0.8 million in the prior year. Tax expense amounted to EUR 6.8 million (prior year EUR 5.8 million). Our tax expense exceeded our result due to the fact that our Company generally does not enter into profit-transfer agreements and also because profits of individual companies are generally not offset against losses of other companies.

As our report on the various business divisions shows, both Plant Engineering & Construction as well as Business Services recorded negative results. The main money loser in this context was SwissTex Group, which booked a negative EBITDA of EUR 22.1 million following the prior year's surplus of EUR 3.3 million. Given that both SwissTex companies were deconsolidated as of the fourth quarter of 2011, this will represent an extraordinary, on-time loss. Overall, this cost us almost EUR 6 million in equity capital that we had invested as recently in the second half of 2011, following a mistaken assessment of the associated risks and opportunities. Hopefully, the losses derived from Business Services, too, will soon be a thing of the past, given that we already deconsolidated the division's two main money losers in the third quarter of 2011.

The consolidated Group balance sheet lists all the companies presently in our portfolio, but therefore excludes the assets and liabilities of deconsolidated companies. Our cash balance declined by EUR 10.4 million to EUR 45.6 million, mainly due to a settlement of a legal dispute. We had already formed a provision for this amount in 2010, however, so that the payout did not encumber current earnings. Our net financial resources increased by EUR 10 million to EUR 3.1 million.

We invested EUR 23.1 million in fixed assets. No dividend was paid in 2011. On the other hand, EUR 2.5 million was allocated to share repurchases over the course of the year. BAVARIA Industriekapital AG managed to book a surplus of EUR 6.9 million on its individual Annual Report (prior year EUR 5.1 million), despite EUR 3.6 million in write-downs on financial investments and increases in provisions of EUR 2.3 million. In this case, dividends from our investee companies served as a significant source of income.

The following overview shows the operating results achieved by the various business divisions over the past eight quarters:

Quarterly figures (not year-to-date)

EBITDA in EUR millions	Q1/ 2010	Q2/ 2010	Q3/ 2010	Q4/ 2010	Q1/ 2011	Q2/ 2011	Q3/ 2011	Q4/ 2011
Serial Production/Automotive	4,3	4,4	8,5	7,4	8,8	12,5	8,6	2,3
Plant Engineering & Construction	-2,2	1,4	1,7	3,3	-0,5	1,0	-3,3	-16,7
Business Services	-1,5	-2,9	-1,3	-3,0	-4,2	-1,7	-3,4	1,3
Total	**0,6**	**2,9**	**8,9**	**7,7**	**4,1**	**11,8**	**1,9**	**-13,1**

Turnover in EUR millions	Q1/ 2010	Q2/ 2010	Q3/ 2010	Q4/ 2010	Q1/ 2011	Q2/ 2011	Q3/ 2011	Q4/ 2011
Serial Production/Automotive	60,3	64,1	107,1	113,9	130,0	126,4	117,4	106,8
Plant Engineering & Construction	5,6	18,8	25,1	40,6	28,2	31,1	38,1	26,9
Business Services	49,5	51,9	52,0	49,5	46,4	46,7	33,7	18,2
Total	**115,4**	**134,8**	**184,2**	**204,0**	**204,6**	**204,2**	**189,2**	**151,9**

With an operating margin of 6.7%, the Serial Production/Automotive division was able to sustain its strong performance in 2011, serving as the main profit driver in the Group. In the fourth quarter, however, the division's result was encumbered mainly by extraordinary losses such as foreign currency effects.

We would like to emphasize once again that we regard the operating results and cash flow achieved by our investee companies and by BAVARIA Industriekapital AG as key benchmarks for our success in actively managing our shareholdings. The consolidated Group surplus, on the other hand, is a less reliable indicator given that it is heavily influenced by non-cash accounting entries such as company deconsolidations or the unwinding of negative goodwill.

BAVARIA Industriekapital AG is a majority family-owned company and therefore applies a long-term horizon to its investment activities. This year, we will recommend a minimal dividend payout of 4 cents/share to the General Shareholder Meeting, so as to continue shoring up our financial reserves and to make due allowance for our increased level of investment.

We would like to thank all of our 4,300 employees for their hard work.

We would like to assure our shareholders and business partners that we continue to take a bullish view of the future prospects BAVARIA Industriekapital AG. We are especially confident about the future performance of our existing portfolio of companies. We also continue to see plenty of opportunities to acquire additional companies on favorable terms. Thus, we were already able to complete three new takeovers in France in the first quarter of 2012.

We thank you for your continued trust. We are always happy to hear your improvement suggestions as well as any leads you may have for promising new deals.

Sincerely yours,

Reimar Scholz
Executive Board Chairman

Harald Ender
Director of Operations

Introduction of the organs

Executive Board

Reimar Scholz (CEO)
Dipl.-Kfm., MBA (INSEAD, Fontainebleau)

Reimar Scholz is the CEO and founder of BAVARIA Industriekapital AG. Reimar Scholz, born 1965, has worked in various senior management positions at General Electric in the United States and England. After that he was managing director of two IT companies. One of them, Articon Integralis AG, was floated on the stock market by him and turned into the European market leader for IT services as a result of additional acquisitions.

Harald Ender (COO)
Dipl.-Ing., Dipl.-Kfm.

Harald Ender, born 1952, is the COO for BAVARIA Industriekapital AG. After completing his studies at RWTH-Aachen in 1978, Harald Ender has almost exclusively worked within the automotive supplier industry, serving as CEO, COO, vice-president and president in the last 22 years. He was responsible for reorganizing and restructuring several companies, utilizing Lean Management methods.

Supervisory Board

Dr. Matthias Heisse, Attorney, Munich
Chairman of the Supervisory Board
Co-founder and managing partner of the corporate law firm Heisse Kursawe Eversheds

Dr. Gernot Eisinger, Businessman, Munich
Member of the Supervisory Board
Co-founder and managing partner of Afinum, a medium-sized holding company, and prior to that partner of Triumph-Adler AG as well as managing director of TA Spezialbauholding

Dr. Harald Linné, Businessman, Munich
Member of the Supervisory Board
Managing Partner of Atreus GmbH and previously Managing Partner of Boyden Interim Management.

Report of the Supervisory Board

(For the fiscal year from 1 January to 31 December 2011)

Over the past fiscal year, the Supervisory Board has carried out in a conscientious and pro-active manner the tasks incumbent upon it pursuant to the law, the Company by-laws and the principles of corporate governance. In the process, the Board has, in particular, advised the Executive Board with regard to the management of BAVARIA Industriekapital AG and the BAVARIA Group, while verifying that business management has been performed in a proper and commercially purposeful manner.

Thus, the Supervisory Board has commissioned regular reports (generally written but also oral) from the Executive Board on issues relevant to BAVARIA Industriekapital AG and the BAVARIA Group, including the progress of ongoing business transactions, the Company's economic status and performance, any strategic and structural measures, as well as any significant events and decisions. Thus, the Executive Board has provided the Supervisory Board with detailed, monthly written reports focusing on Company financing and risk management, on the performance of BAVARIA Industriekapital AG and its investee companies, as well as on acquisition procedures and business management. Also examined were basic aspects of the Company's business policies, strategic orientation, financial performance and profitability, while specifically allowing for developments in the market and competitive environment, as well as transactions of key significance for the Company. In so doing, the Executive Board fulfilled its informational obligations pursuant to the law, the Company by-laws and corporate governance principles as well as the Company regulations.

After having been comprehensively reviewed by the Executive Board and Supervisory Board, any proposed measures requiring Supervisory Board approval were presented for a formal vote and adoption of a corresponding resolution on the part of the Supervisory Board, based on the supporting information provided by the Executive Board.

1. Supervisory Board meetings

During the reporting period, the Supervisory Board held a total of five meetings on the following dates: 25 January 2011, 24 March 2011 (accounting review), 1 June 2011, 27 September 2011 and 12 December 2011.

As in previous years, attendance was exemplary: Each Supervisory Board meeting was attended by all Supervisory Board members.

Outside of its regular meetings, the Supervisory Board also adopted additional resolutions via a telephonic and/or electronic decision-making procedure. Furthermore, the Supervisory Board sustained a regular and intensive exchange of information, ideas and concerns with the Executive Board. In particular, the Chairman as well as other members of the Supervisory Board held working meetings on key topics and problems with members of the Executive Board outside of regularly scheduled Board meetings.

2. Key topics considered by the Supervisory Board in fiscal year 2011

In fiscal year 2011, the salient topics examined by the Supervisory Board were as follows:

- Business performance of the Company and its investee companies.
- Potentials for boosting performance and value.
- Fundamental aspects of Company policy, such as early identification of risk, auditing, market positioning and organization of the Company and Group, optimization of deal processes, changes in personnel, corporate governance and compliance.

- Ongoing development of appropriate compensation structures, both on a short and long-term incentive basis.
- Important individual topics (e.g. personnel expansion).
- Planning for financing, investments and other activities.
- Budget for 2012.

3. Company/consolidated Group annual reports, annual audit

The Annual Report, the Consolidated Group Annual Report and the Consolidated Group Management Report – including the accounts – have been audited by RP Richter GmbH Wirtschaftsprüfungsgesellschaft, a Munich-based public auditing firm formally appointed by the General Shareholder Meeting. Each report has received an unqualified opinion from the auditors.

The Supervisory Board had previously obtained a declaration of auditor independence pursuant to Clause 7.2.1 of the Corporate Governance Code, and had defined and comprehensively discussed key auditing topics with the auditors.

The annual financial statements of BAVARIA Industriekapital AG and the BAVARIA Group, as well as the corresponding auditor opinions, were submitted in a timely manner to the Supervisory Board in advance of its accounting review meeting.

The Supervisory Board has reviewed the Annual Report, the Consolidated Group Annual Report and the Consolidated Group Management Report, while taking cognizance and due account of the audit opinions in the context of discussions and meetings with the auditors. Based on the results of its own final review, the Supervisory Board found no grounds for objection to the Annual Report, Consolidated Group Annual Report or Consolidated Group Management Report. The accounting review meeting held on 28 March 2012 was also attended by the auditors, who once more recapitulated their key audit findings to the Supervisory Board and stood ready to field the Board's questions in an informed and professional manner. During this meeting, the Supervisory Board concurred with the results of the audits and formally approved the Annual Report of BAVARIA Industriekapital AG prepared by the Executive Board, along with the Consolidated Group Annual Report, as of the key reporting date of 31 December 2011. Thus, the Company's annual financial statements have been officially confirmed.

4. Allocation of profits

Furthermore, the Supervisory Board reviewed the allocation of profits proposed by the Executive Board while duly considering the Company's liquidity, financial footing and investment planning, as well as the financial policies of the Executive Board. The Supervisory Board decided to approve the Executive Board's profit-allocation proposal.

5. Dependent Companies Report

In their audit report, the auditors gave the following unqualified opinion with regard to the Dependent Companies Report prepared by the Executive Board: "After performing the audit review and analysis incumbent upon us, we hereby confirm that: 1) The information presented in the Report is correct; 2) That the legal transactions set forth in the Report did not involve an unreasonably high contribution from the Company."

The Supervisory Board has studied the 2011 Dependent Companies Report prepared by the Executive Boards as well as the corresponding audit reports in the context of direct discussions with the auditors. Based on the results of its own final review, the Supervisory Board formally concurred with the Auditors' report and found no grounds for objection to the declaration made by the Executive Board in the concluding section of the Dependent Companies Report.

6. Corporate governance / compliance

The Supervisory Board has devoted its attention to corporate governance and compliance issues on a regular basis. As a matter of principle, the Company ultimately strives to implement all the recommended provisions of the correspondingly applicable code – if need be, on a voluntary basis; this also applies to the effectiveness review conducted by the Supervisory Board itself.

The Supervisory Board has satisfied itself that all applicable provisions have been acknowledged and observed in a competent manner, and that the current company regulations issued by the Executive Board and Supervisory Board make due allowance for these principles.

In the past fiscal year 2011, no conflicts of interest were found to have arisen for members of the Supervisory Board. In this context, due note is taken of the consulting services performed by the Chairman's law firm with the Supervisory Board's approval. Thus, the activities of the Chairman's law firm on behalf of the Company were authorized in each case by a vote of the Supervisory Board – with the Chairman duly abstaining.

7. Formation of committees

Given the low number of its members, the Supervisory Board has not formed any committees.

8. Personnel changes

In fiscal year 2011, the Company's Executive Board continued to carry out its duties without any change in composition. The composition of the Supervisory Board also remained unchanged during the reporting period.

9. General Shareholder Meeting of BAVARIA Industriekapital AG in fiscal year 2011

The regular General Shareholder Meeting of BAVARIA Industriekapital AG took place on 1 June 2011. The next regular General Shareholder Meeting is scheduled for 25 May 2012.

The Supervisory Board would like to thank the members of the Executive Board as well all employees of the BAVARIA Industriekapital AG Group of Companies for their commitment and hard work in fiscal year 2011. We look forward to continued positive performance in the current fiscal year.

Munich, on 28 March 2012

On behalf of the Supervisory Board

Dr. Matthias Heisse
- Chairman -

The Share

The shares of BAVARIA Industriekapital AG performed better than the SDAX. During last year the share price basically did not move, whereas the index dropped by 15%.

Share repurchases totalled EUR 2.5 million last year; in the last 5 years since the listing beginning 2006 the total sum of EUR 60 million was returned to the shareholders in the form of buy backs and dividends. The proceeds from the initial public offer amounted to EUR 12 million.

Number of shares	6,394,500 shares
Type of shares	Individual bearer shares
Authorised capital	EUR 6,394,500.00
Voting rights	Each share confers one voting right
WKN	260555
ISIN	DE0002605557
Stock exchange code	B8A
Stock excjange segment	Entry Standard
Fiscal year	Equivalent to the calender year
Accounting peresentation	As per German Commercial Code (HGB)
Designated Sponsor	Close Brothers Seydler Bank AG
Announcements	Elektronischer Bundesanzeiger (Electronic Federal Gazette)
Top share price in 2011 (14.02.2011)	EUR 16.85
Lowest share price in 2011 (29.11.2011)	EUR 12.20
Closing price (30.12.2011)	EUR 12.35
Market capitalisation (30.12.2011)	EUR 73.7 Mio.
Earnings Holding per share	EUR 1.07 (for fiscal year 2011)
Dividend per share	EUR 0.04 (for fiscal year 2011)

Statement of Compliance

BAVARIA Industriekapital AG puts great emphasis on sound corporate governance rules.

Although the Company is not exchange-listed and is thus is not obligated to comply, the Executive Board and Supervisory Board of BAVARIA Industriekapital AG hereby declare that the Company has complied, and continues to comply, with the recommendations of the “German Corporate Governance Codex” government commission (as published by the Federal Ministry of Justice in the official part of the (furthermore effective) Electronic Federal Bulletin of 26 May 2010, hereinafter DCGK), subject to the following exceptions:

Executive Board

Item 4.1.5 DCGK: Diversity by filling of management positions
The German Corporate Governance Codex recommends in Item 4.1.5 that when filling vacancies in leadership positions, the Executive Board pay attention to diversity and, in particular, aim for reasonable consideration of women. In deviation from Item 4.1.5, BAVARIA Industriekapital AG fills vacancies in its corporate bodies and leadership positions in accordance with the qualifications of the applicants and the interests of the company.

Item 4.2.4 DCGK: Disclosure of individual Executive Board salaries
The disclosure of individual Executive Board salaries called for under Item 4.2.4 of the Codex was not implemented. In the judgement of BAVARIA Industriekapital AG, such a disclosure would infringe upon personal privacy rights/laws. Thus, the final decision in this matter has been left up to the individual Executive Board Member concerned.

Supervisory Board and Committees

Item 5.1.2 DCGK: Diversity / Succession Planning / Age limit on the Executive Board
In Item 5.1.2 the German Corporate Governance Codex recommends that when filling vacancies on the Executive Board, the Supervisory Board pay attention to diversity and, in particular, aim for reasonable consideration of women, ensure long term succession planning and set an upper age limit for the Executive Board.

In deviation from Item 5.1.2 of the Codex, there is presently no need for additional, long-term succession planning for the Executive Board, given its present age structure. This is also why no upper age limit for Executive Board members has thus far been established.

In the interests of the company, persons ought to be selected for membership of the Executive Board on the basis of their technical and personal suitability and qualifications. The Supervisory Board takes the view that the special weighting of further criteria prescribed by the Codex for membership of the Executive Board would unduly restrict selection of candidates, both men and women, for the Executive Board. In this connection one must also consider that the Executive Board currently consists of just two members.

Items 5.3.1, 5.3.2 und 5.3.3 DCGK: Committees of the Supervisory Board
In deviation from Items 5.3.1, 5.3.2 and 5.3.3 of the Codex, the Supervisory Board of the Company does not form committees, since the size of the Company and of the Board let not be seem appropriate at the present time.

Item 5.4.1 DCGK: Establishment of concrete objectives for the composition of the Supervisory Board / Age limit for Supervisory Board members
In the new version of the DCGK of 26 May 2010, Item 5.4.1 Par. 2 and 3 contain new recommendations by which the Supervisory Board should state concrete objectives for

its composition that take account of the company's specific situation, its international activities, potential conflicts of interest, and upper age limit for members of the Supervisory Board and diversity and provide for appropriate participation by women. Suggestions of the Supervisory Board made to the selection committees involved should take account of these objectives.

Personal and technical suitability, experience and qualifications should be also the decisive selection criteria for filling vacancies on the Supervisory Board. A link to concrete objectives to be laid down in advance would unduly restrict flexibility with filling future vacancies, without the company deriving other evident advantages. Moreover, the recommendations of the Codex are generally considered anyway when vacancies in the Supervisory Board are filled, without there being a need for establishment of concrete objectives.

There is no general upper age limit for members of the Supervisory Board because it is the competence of each member of or candidate for the Supervisory Board that should be primarily decisive. In particular, experience also plays an important role. Also, in view of the fact that application of Germany's General Equal Treatment Law by analogy can at least be discussed even though this law does not apply directly, the company considers that establishment of an upper age limit would not be proper.

Financial Statement

Item 7.1.1 DCGK: Accounting
In deviation from the recommendation in Item 7.1.1, the Company has opted to continue preparing its accounts pursuant to the German Commercial Code (HGB) rather than IFRS regulations. This because the required changeover would be unlikely to generate added value, especially given the time and expense it would entail.

Munich, on 23 March 2012



Reimar Scholz
The Executive Board

Harald Ender

Dr. Matthias Heisse
The Supervisory Board

Corporate Governance Report

BAVARIA Industriekapital AG almost fully compliant with stringent German Standards.

Pursuant to Item 3.10 of the current German Corporate Governance Codex, the Executive Board and Supervisory Board of BAVARIA Industriekapital AG report regularly on corporate governance. This reporting occurs on a voluntary basis, since § 161 of the German Stock Corporation Act (AktG) has no binding applicability for BAVARIA Industriekapital AG, by virtue of the fact that the Company is Entry-Standard-listed rather than exchange-listed.

2011 Statement of Compliance
According to the Statement of Compliance released by BAVARIA Industriekapital AG for 2011, the Company complied fully with the German Corporate Governance Codex except for only a few deviations, which are spelled out below:

Executive Board

Section 4.1.5 DCGK: Diversity on the Executive Board
Section 4.1.5 of the German Corporate Governance Code (DCGK) recommends that the Supervisory Board should take account of diversity when appointing the members of the Executive Board, especially by striving for the appropriate inclusion of women. In deviation from Section 4.1.5, BAVARIA Industriekapital AG fills managerial vacancies and/or positions on its governing bodies based on the qualifications of the candidates and the best interests of the Company.

Section 4.2.4 DCGK: Disclosure of emoluments received by individual Executive Board members
The disclosure of individual Executive Board salaries called for under Item 4.2.4 of the Codex was not implemented. In the judgement of BAVARIA Industriekapital AG, such a disclosure would infringe upon personal privacy rights/laws. Thus, the final decision in this matter has been left up to the individual Executive Board Member concerned.

Supervisory Board and committees

Section 5.1.2 DCGK: Diversity on the Supervisory Board / succession planning
Section 5.1.2 of the German Corporate Governance Code (DCGK) recommends that the Supervisory Board should take account of diversity when appointing the members of the Supervisory Board, especially by striving for the appropriate inclusion of women, and that it should ensure long-term succession planning while setting a maximum age limit for the Executive Board.

In deviation from Section 5.1.2 of the Code, the Company is currently foregoing any extensive, long-term succession planning for the Executive Board in view of its age structure. Thus, the Company has also refrained from setting a maximum age limit for Executive Board members.

Executive Board members are to be selected based on the best interests of the Company while allowing for the personal aptitude and professional qualifications of the candidates. In the opinion of the Supervisory Board, overweighting the additional criteria set forth in the Code would restrict its freedom to select potential male or female candidates for the Executive Board. Another factor to be considered is that the Executive Board presently consists of only two members.

Sections 5.3.1, 5.3.2 and 5.3.3 DCGK: Supervisory Board committees
In deviation from Sections 5.3.1, 5.3.2 and 5.3.3 of the Code, the Supervisory Board does not form committees, since this is not possible and/or purposeful given the present size of the Company and of the Board.

Section 5.4.1, Par. 2 and 3 DCGK: Setting specific targets for Supervisory Board composition
The revised version of the German Corporate Governance Code (DCGK) of May 26, 2010, introduces new recommendations under Section 5.4.1 Par. 2 and 3 which call upon the Supervisory Board to set specific targets with regard to its composition. Said targets are to be met while making due allowance for the following: the company's individual operating situation and international activities; potential conflicts of interest; a maximum age limit (to be set) for supervisory Board members; diversity and an appropriate inclusion of women. The candidates proposed to the Supervisory Board to the responsible selection committees are to reflect said targets.

Instead, the Company has decided that personal and professional aptitude, qualifications and experience should be the decisive factors when it comes to appointing the Supervisory Board as well. Committing in advance to specific targets would restrict the Company's flexibility with regard to future staffing without providing any other apparent benefits. In any case, due allowance is already being made for the remaining objectives set forth by the Code with regard to Supervisory composition without the need to set specific targets.

There is currently no general maximum age limit for Supervisory Board members, given that competence is to be the main criterion for selecting a given candidate/member for the Supervisory Board. In the process, a key emphasis is placed on experience. The Company also sees no justification for setting a maximum age limit from the point of view of the General Equal Treatment Act (AGG), whose implementation, though not directly applicable, may at least be considered by way of analogy.

Accounting

Section 7.1.1 DCGK: Accounting
In deviation from the recommendation in Item 7.1.1, the Company has opted to continue preparing its accounts pursuant to the German Commercial Code (HGB) rather than IFRS regulations. This is because the required changeover would be unlikely to generate added value, especially given the time and expense it would entail.

Executive Board and Supervisory Board
The Executive Board manages the Company under its own responsibility. In the process, the Board is obligated to pursue the best interests of the Company while striving for sustained growth in the Company value. The Executive Board of BAVARIA Industriekapital AG currently consists of two persons. The Supervisory Board has established rules of procedure for the Executive Board which particularly govern the division of duties among its members as well as it collaboration with the Supervisory Board.

The Executive Board provides the Supervisory Board with regular, timely and competitive updates regarding all circumstances relevant to the Company in terms of its planning, business performance, strategic orientation, risk situation and risk management.
The Supervisory Board advises and monitors the Executive Board in its management of the Company. Pursuant to the Articles of Association, the Supervisory Board consists of three members.

The Supervisory Board reviews particularly BAVARIA Industriekapital AG's annual report and consolidated Group report, the Group management report as well as the proposal on the allocation of the unappropriated profits and decides after its own review, if the annual report and consolidated Group report are approved.

The particulars of the collaboration between the Supervisory Board and Executive Board, including abstentions from approval of Executive Board activities, are set forth in the respective Rules of Procedures of the two Boards. The tasks of the Supervisory Board, moreover, are set forth in the Supervisory Board's own Rules of Procedure.

The Executive Board and Supervisory Board collaborate closely and on the basis of trust in order to promote the best interests of the Company. All material business events and/or transactions are dealt with jointly. Members of the Executive Board or Supervisory Board must disclose any conflicts of interest to the Supervisory Board.

Shareholders and General Shareholders' Meeting

Our shareholders receive regular updates via the Company's recurring publications regarding the Group's business development as well as its assets, financial position and profitability (annual and quarterly reports). These are released pursuant to a financial calendar accessible on our internet homepage: www.baikap.de, category "Investor Relations". In addition, the date of our annual General Shareholders' Meeting is also published in the financial calendar, once it has been set.

The annual General Shareholders' Meeting is organised and conducted so as to ensure that all shareholders are informed promptly, comprehensively and effectively before and during the meeting, while facilitating the exercise of their rights. Thus, we also provide our shareholders with the usual services associated with the granting of a power of attorney and/or voting instructions in connection with the General Shareholders' Meeting.

The last General Shareholders' Meeting of BAVARIA Industriekapital AG took place on 01 June 2011. The next official General Shareholders' Meeting has been scheduled for 25 May 2012.

Compensation report

Compensation of the Supervisory Board

Pursuant to § 12, Par. 2 of the Company's Articles of Association, the General Shareholders' Meeting sets the amount of remuneration, if any, payable to the members of the Supervisory Board. Accordingly, the fixed payment currently amounts to EUR 10,000 per annum plus applicable VAT. Remuneration for the Chairman of the Supervisory Board is twice this amount.

The performance-based remuneration of the members of the Supervisory Board as provided for in Item 5.4.6, of the Corporate Governance Codex is granted in the form of convertible debentures. In accordance with the resolution of the General Shareholders' Meeting of 5 September 2006, the Executive Board was authorised to grant a total of 16,500 convertible debentures (after the share split: 49,500 units) to the Supervisory Board. These convertible debentures were allotted and taken up in full (in December 2006); each convertible debenture entitles the holder to subscribe to one BAVARIA share.

The conversion price corresponds to a specific average price at the time of allotment. The conversion rights may be exercised no earlier than two years after issuance of the convertible debenture ("minimum waiting period"). The minimum waiting period expires on the first anniversary of the issue date. Conversion does not depend on the attainment of additional performance goals.

In aggregate, the Supervisory Board received remuneration of EUR 40,000 during the past fiscal year, allocated as follows (while allowing for applicable VAT):

Dr. Matthias Heisse (Chairman)	20,000 EUR
Dr. Gernot Eisinger	10,000 EUR
Dr. Harald Linné	10,000 EUR

In addition, the members of the Supervisory Board received the following additional payments in connection with consulting agreements during the last fiscal year:

EUR 63,561.92 (net) to the Munich-based legal firm of Heisse Kursawe Eversheds for legal advisory services rendered.

Executive Board compensation
The remuneration of the members of the Executive Board includes both fixed and variable components. During the past fiscal year, said remuneration amounted to a total of EUR 1,143,852 (previous year: EUR 1,180,991). Of this, EUR 646,248 (previous year: EUR 623,748) was fixed and EUR 497,604 (previous year: EUR 557,243) was performance-based. The performance-based payments (about 44%, previous year 47% of total remuneration) are essentially contingent on individual and Company-related objectives. Furthermore, each Board Member has the opportunity to earn a share-based bonus under a Company profit-sharing scheme.

Information on stock-option programmes
There is no existing stock-option programme.

Ownership of shares in BAVARIA Industriekapital AG by the Executive Board and Supervisory Board
Holdings of Company shares by members of the board and/or Supervisory Board must be disclosed individually insofar these amount to more than 1% of the Company's issued shares (whether the shares are held directly or indirectly).

As of 31 December 2011 and 31 December 2010, the members of the Executive Board BAVARIA Industriekapital AG owned the following direct or indirect shareholdings:

Executive Board Member	As of 31 Dec 2011 (No. of shares)	As of 31 Dec 2010 (No. of shares)
Reimar Scholz	**4,331,573**	**4,314,423**
Harald Ender	**113,164**	**100,000**

As of 31 December 2011, the members of the Supervisory Board held a total of 0 shares out of the Company's issued capital (prior year: 0 shares).

Insurance for members of the Executive Board and Supervisory Board
BAVARIA Industriekapital AG has taken out financial loss coverage (D&O liability insurance) for the members of the Supervisory Board and the Executive Board of the Company with an appropriate retention amount.

Transparent communication
In order to ensure maximum possible transparency, we aim to provide all target groups with the same information at the same time. Thus, both institutional and private investors can obtain timely information on recent developments at the Group via the Internet. All press releases as well as the Company's Articles of Association are published on our website.

Accounting and auditing of the annual accounts / Management of Risks and Chances
Thanks to its risk/opportunity management system, BAVARIA Industriekapital AG is able to systematically identify and assess risks and opportunities, while taking appropriate measures in response. The system is continuously enhanced by the Company. Further information is provided in our Group management report as part of the annual report 2011.

The Company has appointed RP RICHTER GmbH Wirtschaftsprüfungsgesellschaft, Munich as its external auditor for fiscal year 2011. The auditors are obligated to promptly notify the Chairman of the Supervisory Board of any grounds for disqualification or appearance of partiality that emerge during the audit. The auditor will also promptly report any discoveries or events that turn up during the audit, insofar as they have a material impact on the duties of the Supervisory Board. In addition, the auditors will notify the Supervisory Board if they discover any facts during the audit that contravene the Statement of Compliance issued by the Executive Board and Supervisory Board pursuant to § 161 of the Stock Corporation Act (AktG).

Prevention of conflicts of interest
Private business dealings or outside employment by members of the Executive Board must be promptly disclosed to the Supervisory Board; if applicable, such dealings/employment must be duly authorised before being undertaken. The Supervisory Board must report any conflicts of interests and their consequences to the General Shareholders' Meeting. In the year under review, there were no conflicts of interest to report on the part of either the Executive Board or the Supervisory Board. Due note is taken in this context of the consulting services provided to the Company by the law firm of the Supervisory Board Chairman, an activity expressly authorized by the Supervisory Board.

BAVARIA Industriekapital AG – Who we are.

Founded in 2003, BAVARIA Industriekapital AG is a fast-growing industrial holding company. Currently, its portfolio comprises 11 going companies employing a total of roughly 5,200 people.

Our business strategy is to acquire predominant revenue-poor/unprofitable companies and turn them around by means of comprehensive and sustained restructuring. In the process, we back up our investee companies as a strong partner. A key part of our strategy is to spin off those activities which are merely peripheral to the investee company's core business. Running these activities on a standalone basis then allows us to identify new growth potential. The application of our in-house "Bavaria Operating System" enables us to improve revenue streams, heighten competitiveness and introduce stringent cash management. By fully involving the investee company's workforce along the way, we are able to draw on their skills and experience to help achieve the turnaround. Meanwhile, our team of specialist provides on-site support for management, thus further ensuring the success of our restructuring.

Before being acquired by BAVARIA Industriekapital AG, the investee company is partly faced with the inevitable shutdown of its operations. Once we take over the reins, however, we quickly put the company back on course to profitability. Although restructuring is often associated with personnel adjustments, in almost all cases after stabilization of earnings the workforce increases over the medium term. This is because we set great store in the potential and initiative of human resources when it comes to securing lasting company success.

Our business model is based on operational improvements in our investee companies. This also includes investments to reduce costs, but also to increase capacity or new product line.

Our investee companies - The type of company we look for:
Target sectors: manufacturing or industrial services.
Annual turnover: At least EUR 50 million.
Opportunity to acquire a majority stake, preferably 100%.
Identifiable improvement potentials.

Going forward, we intend to continue acquiring companies without having to compromise our standards. Steady growth and improved operating results form a solid basis for success, both for the investee company as well as for BAVARIA Industriekapital AG.

Our mission statement - We stand behind and beside our companies.
We pursue our objectives in a sustainable fashion and with a long-term perspective, in order to create company value while also safeguarding jobs. Integrity, trust and responsibility play a key role in this context. We stand beside our investee companies as a strong partner.

Responsibility - We are committed to creating value and sustainability.
We are conscious of the heavy responsibility we take on when we acquire a distressed company. We are ready to take tough decisions while respecting the interests of all stakeholders, and we remain accountable for these decisions. Moreover, we have developed our own risk management system for the early identification of critical events that could endanger the survival of the investee company.

Integrity - Joining together to achieve a common goal.
For us, integrity means ethical conduct, a commitment to honest dealings and a reliable work ethic. We not only live up to these standards ourselves, but expect them from our partners as well. Thus, mutual trust forms the basis for a collaborative effort to restore our investee companies to profitability. This is how we make our restructuring successful and credible.

Performance - We set high benchmarks – beginning with ourselves.
We set objectives which we aim to achieve not only through our own efforts but also via the performance of the investee company's management and workforce. We work with a clear focus on achieving positive operating results and on reaping the rewards of our success. In order to effectively assess and improve the situation in our investee companies, we work together closely with both management and employees when to it comes to formulating and implementing our demanding targets.

Teamwork – We are always open to constructive dialog.
Communication and cooperation in a team setting are key prerequisites for innovation and creativity. Teamwork is not just a question of leadership style, however; it is a critical factor in motivating the workforce and in preparing them to tackle new challenges and tasks.

A win/win situation - We want everyone to come out ahead.
We only acquire companies with clear improvement potential. Active management of our financial participation allows us to boost revenues and profits. Even before an acquisition is finalised, our Best-Practices Team is busy developing a concrete action plan that will then be promptly implemented in cooperation with management. Since our own management stands to profit from the success of our turnaround companies, we are able to effectively position our executives as "entrepreneurs". Ultimately, our track record speaks for itself!

A win/win situation: We take over companies that have generally been making losses for years and bring them back into the black in short order, while securing the jobs of the affected workforce. Since our acquisition involves the spin-off of unprofitable, peripheral activities, it allows the company's former owners to once again concentrate on their core business. In other words, BAVARIA Industriekapital AG comes in as a long-term investor in the company. We also participate successfully in sectors that tend to be avoided by financial investors with quick exit strategies, e.g. plant construction firms or companies particularly susceptible to the business cycle.

Charitable activities

Against Malaria Foundation
Malaria is an infectious disease that is transmitted by female Anopheles mosquitoes and causes fever, diarrhea and cramps. More than one million people die each year, half of them are children. On average, every 45 seconds a child dies from malaria.

The annual number of new cases in 2010 stood at around 216 million, the annual death toll at over a million people.

Malaria can be combated with the consistent use of a simple mosquito net. This keeps with special insecticides network of groomed and kills the mosquitoes. The nets protect not only active against contact with the disease vector, but also help to decimate them. A family of four can include up to four years to sleep safely.

BAVARIA Industriekapital AG is supporting with a donation of € 50,000.00, ie 14,964 nets, the Against Malaria Foundation (www.againstmalaria.com).

GROUP MANAGEMENT REPORT

I. General environment and operations

1. Overall economic environment and market

Over the course of 2011, the global economy continued along the growth path it had embarked on the previous year, albeit at a slightly slower pace. Thus, global trade is estimated to have expanded by 4.0% in 2011 (source: International Monetary Fund), thereby surpassing the pre-crisis level achieved in 2009.

This global growth continued to be driven by the expansive monetary policies of central banks. In the process, we saw the rapidly expanding emerging economies outpace the low growth rates of the industrialized economies.

With 1.6%, the Eurozone counted among the slower-performing regions, due mainly to the significant uncertainties associated with Europe's public debt crisis.

Economic growth in Germany slowed to an annualized average rate of 2.7%, as opposed to 3.6% in the prior year (source: International Monetary Fund).

2. The BAVARIA business model

BAVARIA's business model encompasses the acquisition, restructuring, rehabilitation and eventual resale of distressed companies. In the course of our restructuring measures, we deploy our own team from the holding company as well as temporary workers so as to actively support the investee company's management team.

Our acquisition criteria, which we review on an ongoing basis, are currently as follows:

- Target industries: manufacturing/processing or industrial services.
- Turnover: at least EUR 50 million.
- Mode of investment: acquisition of a majority stake, preferably 100%.
- The target company must have discernable turnaround potential.

3. Performance of the Company

BAVARIA Industriekapital AG is the parent company of the BAVARIA Group, and is directly or indirectly involved in all of the Group's business activities. In fiscal year 2011, BAVARIA Industriekapital AG derived its financing almost entirely from its own equity capital (as in the prior year). During the reporting year, the Company's equity capital increased from EUR 21.1 million in the prior year to EUR 25.4 million as of 31 December 2011.

A key benchmark we use to measure our performance is the net change in BAVARIA Industriekapital's financial resources fund. This is summarized in the table below:

Net change in BAVARIA'S financial resource fund in 2011 (in EUR millions)

Cash flow from ongoing operations	2011	2010
Annual surplus	6.9	5.1
Writedowns on financial investments	0.3	1.2
Increase/decrease in provisions	-6.6	0
Decrease in receivables, in other assets and accruals	3.9	0.3
Increase/decrease in trade payables as well as other liabilities not associated with investment or financing activities	0.2	-0.1
	4.7	6.5
Cash flow from investment activities		
Inflows from the sale of financial investments	0.1	0.4
Outflows for the acquisition of financial investments	-2.9	-0.2
Re-classification of receivables previously treated as current assets into loans treated as financial assets	-6.2	0
	-9.0	0.2
Cash flow from financing activities		
Dividend distributions	0	-7.7
Payments to shareholders for the repurchase of own shares	-2.5	-0.5
	-2.5	-8.2
Changes in the cash balance of the financial resource fund	-6.8	-1.4
Financial resource fund at the start of the fiscal year	9.3	10.8
Financial resource fund at the end of the fiscal year [1]	2.5	9.3

[1] The financial resources fund comprises cash and cash equivalents as well as short-term securities included in working capital, with the exception of own shares.

The negative change in the financial resources fund was the result of payouts in connection with a legal case that was decided against the Company by a court of arbitration. A provision had previously been formed to cover these costs. The Company is presently appealing the case before the German Federal Court of Justice (Bundesgerichtshof). The financial resources fund, including non-operating subsidiaries, amounted to EUR 9.2 million as of 31 December 2011 (prior year EUR 10.9 million).

Development of the shareholding portfolio

Details regarding the various investee companies can be found in the "Shareholding Portfolio" section.

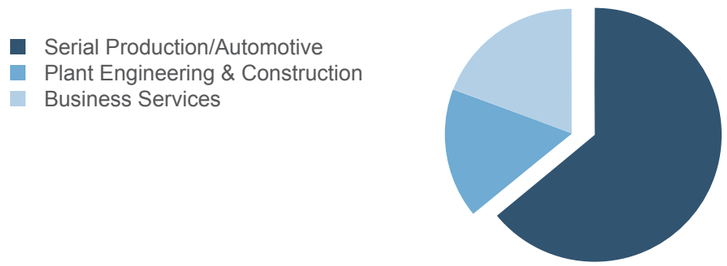
Dividend distributions and share repurchases by BAVARIA Industriekapital AG

By resolution of the General Shareholder Meeting on 1 June 2011, no dividends were paid out for fiscal year 2010. Counting the shares acquired in prior years, the Company held a total of 425,367 own shares as of 31 December 2011.

II. Shareholding portfolio

1. Serial Production/Automotive

Sales Revenues 2011



In 2011, the Serial Production/Automotive segment accounted for EUR 480.6 million (prior year EUR 345.4 million) or roughly 64% (prior year 54%) of the BAVARIA Group's turnover revenues. The FARAL Group was deconsolidated in the second half of the year.

Trends in the automotive and electronics industries

The remaining companies in this segment belong to the automotive industry (tech-FORM, ADG and TriStone) or the electronics industry (Kienle + Spiess Group).

Demand for all types of motors, meanwhile, is dependent on the economic trend in the key customer sectors, such as electronics, drive & control technology, energy-generation systems and automotive/industrial technology.

According to the ZVEI industry association, production in the German electronics industry underwent a further 13% YoY increase in 2011 (after adjustments for price factors), following 14% growth in the prior year. This means that the declines of 2009 have been more than made good.

Given that our investee companies in the automotive industry do business with a wide range of domestic and foreign automobile manufacturers and suppliers, it is difficult to recognize an overall industry trend. The German passenger vehicle market, for example, proved more stable in 2011 than many had expected (source: German Association of the Automotive Industry (VDA)). Thus, new vehicle registrations rose by 9% and vehicle exports by 7% in relation to the prior year.

Segment turnover and result

Turnover revenues amounted to EUR 480.6 million, our about 39% above the prior year's figure. At EUR 32.2 million, the segment's EBITDA was also significantly higher than in the prior year (EUR 24.6 million). The increase in turnover and result was due mainly to the completed consolidation of the TriStone Group (which had been consolidated for only half of 2010) and to improved performance by the K+S Group.

The calculated profit/loss earned by the deconsolidated investee companies of the FARAL Group is included in the overall segment result up to the date of deconsolidation. Additional key performance figures for the segment as well as details regarding deconsolidation may be found in the Notes to the Consolidated Group Annual Report.

Investments, depreciation/amortization, personnel development

Over the past fiscal year, the companies in this segment made investments of roughly EUR 20 million (prior year EUR 11.1 million), thus exceeding the volume of depreciation/amortization taken of EUR 17.5 million (prior year EUR 16.2 million). All investments continued to be carefully reviewed and appraised with a critical eye. By purchasing the assets of a competitor in Mexico, the TriStone Group was able to open its first production location in North America.

As of the reporting date, the segment's workforce comprised 3,744 persons (prior year 2,746), the increase being due mainly to the completed consolidation of the TriStone Group.

Outlook for 2012 and beyond

As we see it, the demand picture seems headed for stabilization, but remains subject to major risks. Looking ahead at 2012 and subsequent years, we continue to expect further increases in performance. Should the Eurozone crisis flare up once more, it would be hard to predict the ramifications for our portfolio companies. In order to prepare our investee companies for such macroeconomic risks, we have commissioned the performance of so-called "stress tests".

To create additional protection in the event of an economic crisis, we ensure that our investee companies in the segment under review develop new growth potentials in a sustained fashion by investing in new products and operating locations.

Portfolio companies

As of 31 December 2011, the Serial Production/Automotive segment comprised the following four investee companies:

a) Kienle+Spiess Group

Date of acquisition June 2006
Managing Director Wolfgang Werheid
Legal domiciles Sachsenheim/Germany, Bilston/United Kingdom, Tokod/Hungary

The Kienle+Spiess Group is the leading provider of stamped and die-cast components for electrical machinery and generators throughout Europe. Since 1935, this company has been known for the stamping and packing of rotor and stator laminations as well as all types of electrical drives. The main plant at Vaihingen and Sachsenheim has been in existence since the early 1960s. Kienle+Spiess also has a branch operation in the UK and Hungary, respectively.

b) tech-FORM

Date of acquisition June 2009
Managing Director Jérôme Della Siega
Legal domiciles Auxi-le-Château/France

The tech-FORM company was founded in 1917 in Auxi-le-Château, 200 km north of Paris. With its expertise in metal-forming processes such as stamping and flow forming, tech-FORM specializes in the development and manufacturing of steel and aluminium pulleys, torsional-vibration dampers and gearbox components for automotive applications. Thanks to investments in development, laboratory and testing equipment, tech-Form is able to design and produce top-quality, competitively priced components tailored to the requirements of its customers (mainly in the automotive sector).

c) Austria Druckguss

Date of acquisition Mai 2009
Managing Director Alexander Schröfl
Legal domiciles Gleisdorf/Austria

ADG KG is a provider of complex, die-casting components as well as machining services. The components' weight ranges from a few grams to as much as 3 kilos. A wide variety of aluminium alloys are used, with some allowing for up to 8% distension.

Collaborating with partners in low-wage countries will help the company to better meet customer needs in the near future. Solid expertise in stamping and chipping processes, coupled with outstanding project management and the ability to produce cost effectively: these are the advantages that ADG KG can pass on to its customers.

d) TriStone Flowtech Group

Date of acquisition July 2010
Managing Director Günter Frölich
Legal domiciles Frankfurt on the Main/Germany, Carquefou/France, Cirié/Italy, Wałbrzych/Poland, Nová Baňa/Slovakia, Tarazona/Spain, Hrádek nad Nisou/Czech Republic, Çerkezköy/Turkey, São Paulo/Brazil, Delicias/Mexico

TriStone Flowtech specializes in “Flowtech” solutions for the automobile industry, which it develops and prototypes at three separate R&D locations and manufactures at seven separate plants. Besides its proven expertise in products and systems and its ability to produce flexibly and efficiently in proximity to the customer, TriStone also offers on-site support from experienced project teams and in-house engineers.

The result: Cutting-edge technical solutions in the areas of engine cooling, air charge and air intake, as well as long-term supplier relationships with all major automakers.

The main products in the **Motor Cooling** field are extruded rubber hoses, either made of multi-layer, fabric-reinforced EPDM or single-layer, fibre-reinforced TriStone composite materials. This, together with single/multi-layer synthetic ducts and range of TriStone coupling elements, allows TriStone to offer a variety of complex motor-cooling assemblies. TriStone’s motor-cooling product palette is completed by its range of compact or dual cooling-water expansion tanks, which can fulfil several purposes at the same time.

In the Air Charge field, the main products include extruded hoses made of silicon or HT-Vamac, blow-moulded air ducts and injection-moulded resonators. High-performance materials for the EURO 6 standard combined with intelligent, integrated solutions and systems expertise in the areas of air-flow routing, acoustics, structures, thermodynamics and decoupling, gives TriStone the ability to offer its customers comprehensive system development and production from a single source.

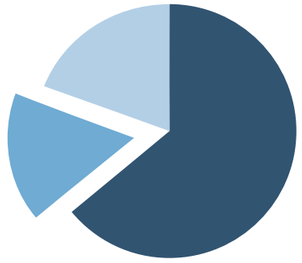
The main productions in the Air Intake field include compact air-filter cartridges, filter elements, air ducts, hoses, baffle plates, flap gates and exhaust units, which together represent wide-ranging systems know-how in air-flow routing, acoustics, filtering and decoupling.

In addition to offering a comprehensive product and systems range, TriStone is working intensively on adapting proactively to the future needs of its customers and the changing requirements of the automotive sector. This makes TriStone a go-to partner of choice for automakers when it comes to developing new engine designs. A key advantage is the fact that TriStone has its own branches in ten countries.

2. Plant Engineering & Construction

Sales Revenues 2011

- Serial Production/Automotive
- Plant Engineering & Construction
- Business Services



In 2011, the Plant Engineering & Construction segment booked EUR 124.3 million in turnover revenue (prior year EUR 90.1 million) or roughly 17% (prior year 14%) of the turnover revenue of the entire BAVARIA Group. The SwissTex Group was deconsolidated from the segment as of 31 December 2011.

Trends in the plant engineering & construction sector

According to the German Engineering Association (VDMA), 2011 was a successful year for plant construction and engineering, with the sector registering growth both domestically and abroad. On the other hand, growth varied significantly by industry. Thus, the process and automation technology sector expanded, while manufacturers of textile-producing machines faced a progressive slump in demand in the wake of reduced investment activity in China.

Segment turnover and result

Segment turnover amounted to EUR 124.3 million or about 38% higher than in the prior year. Turnover from ongoing activities amounted to EUR 45 million (prior year EUR 34.5 million), which corresponds to growth of roughly 30%. At EUR –19.6 million, the EBITDA of the segments fell significantly short of the prior year’s figures of EUR 4.2 million. Factoring out the SwissTex Group, which was deconsolidated as of 31 December 2011, yields a segment EBITDA of EUR 2.6 million.

The calculated profit/loss earned by the deconsolidated investee companies of the FARAL Group is included in the overall segment result up to the date of deconsolidation.

Additional key data relevant to the segment’s performance can be found in the Notes to the Consolidated Group Annual Report.

Investments, depreciation/amortization, personnel development

Plant Engineering & Construction is typically not very investment-intensive. On the balance sheet, the accumulation of work in progress plays a much more important role than investments in fixed assets, which tend to be limited. Thus, investments in this segment accounted for only EUR 1.1 million, while depreciation/amortization amounted to EUR 0.8 million

The decline in personnel to 251 persons from 409 in the prior year was due mainly to the deconsolidation of the SwissTex Group.

Outlook for 2012 and beyond

We expect the remaining portfolio companies to exhibit stable development of turnover and performance in the years to come.

Portfolio companies

As of 31 December 2011, the Plant Engineering & Construction segment comprised the following companies:

a) Langbein & Engelbracht

Date of acquisition May 2004
Managing Director Franz-Josef Schanze
Legal domiciles Bochum/Germany, Shanghai/China, Kaukauna, WI/USA

Langbein & Engelbracht GmbH (L&E) is a globally operating machine-construction company with branches in Bochum (Germany), Shanghai (China) and Kaukauna (Wisconsin, USA). L&E focuses on paper, surface and process technology. Boasting a long tradition, the company develops, produces and installs customized systems for well-known manufacturers in the following industries: automotive, chemicals, paper, synthetics, packaging, wood processing and waste incineration.

b) Hering

Date of acquisition January 2004
Managing Director Stefan Schröder
Legal domicile Gunzenhausen/Germany

Hering AG, a well-established name in the heat-exchanger sector, has been a leading international supplier of oil-purification systems for many years. This systems-construction company develops and manufactures products in the areas of heat exchangers, ventilator and dryer technology and vacuum technology. Hering supplies well-known manufacturers in the following industries: chemicals, foodstuffs technology, environmental protection and cooling technology.

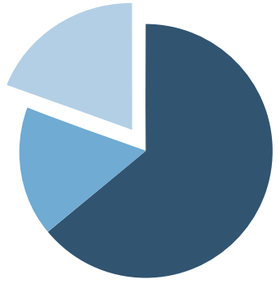
c) R+E

Date of acquisition January 2006 and January 2010 (50% stakes, respectively)
Managing Director Michael Becher
Legal domicile Fellbach-Schmiden/Germany

R+E develops, prototypes and manufactures assembly systems for a wide range of applications. In addition, R+E develops and produces shaker-conveyors for separating bulk material, and also distributes aluminium structural shapes for the construction of assembly workstations and systems. These assembly systems are used to turn out ultra-precision products for medical, pharmaceutical, electronic and automotive applications.

3. Business Services

Sales Revenues 2011



In 2011, the Business Services segment earned EUR 145.0 million (prior year EUR 202.9 million), or 19% (prior year 32%) of the BAVARIA Group's total turnover revenues. The companies Xenterio and Hunsfos were deconsolidated as of 30 September 2011.

Industry trends

It is difficult to make a general statement about industry trends affecting the business services segment, due to the sector's heterogeneous composition. Basically speaking, however, the environment was marked by considerable cost pressure which the portfolio companies were able to pass on to customers to only a limited degree, given the differing competitive situations prevailing on the procurement, sales and currency markets.

Segment turnover and result

Without the deconsolidated companies Xenterio and Hunsfos, the segment had EUR 107.1 million in turnover and EBITDA of EUR -3.3 million.

The calculated profit/loss earned by the deconsolidated investee companies Xenterio and Hunsfos is included in the overall segment result up to the date of deconsolidation.

Additional key data relevant to the segment's performance and details on the deconsolidations can be found in the Notes to the Consolidated Group Annual Report.

Investments, depreciation/amortization, personnel development

In 2011, depreciation/amortization taken amounted to EUR 3.9 million (prior year EUR 5.6 million), while the investments were EUR 5.2 million (prior year EUR 5.7 million). When the balance sheet restructuring within the Inasa Group is factored in, investments came to only EUR 3.3 million, a figure comparable to that of the prior year.

The average number of employees for the year declined from 748 to 292, mainly due to the deconsolidations within the segment.

Outlook for 2012 and beyond

The key challenge facing the remaining portfolio company, the Inasa Group, consists specifically in boosting capacity utilization at its two plants in Irurtzun and Sabiñánigo.

Portfolio companies

As of 31 December 2011, the Business Services segment comprised the following two companies:

a) Inasa Sabiñánigo

Date of acquisition December 2009
Managing Director Santiago Gonzalez
Legal domicile Sabiñánigo/Spain

The Inasa Sabiñánigo aluminium-foil factory was founded in 1927 in Sabiñánigo, Huesca (Spain), 120 km north of Zaragoza. It produces high-grade aluminium foil used in packaging solutions for the foodstuffs, cosmetics and pharmaceutical industries. The production capacity is about 22,500 tonnes of foil. Inasa Sabiñánigo's products are marketed primarily in Central Europe and Spain.

In late July 2011, the company's management and shareholders decided to launch a court-supervised restructuring of Inasa Foil Sabiñanigo in order to reduce wage/salary costs. A corresponding application was approved by the court of competent jurisdiction in September 2011.

b) Inasa Foil

Date of acquisition December 2009
Managing Director Santiago Gonzalez
Legal domicile Irurtzun/Spain

The Inasa Foil aluminium foil factory was established in 1957 in Irurtzun (near Pamplona). In 1968, the plant began producing aluminium foil, switching over to the "continuous casting" process in 1980. Inasa Foil's products are used for high-grade packaging for beverages, foods and cosmetics, are processed in a range of technical goods, and also sold for use in households.

III. Assets, finances and earnings of the Group

Balance sheet ratios

As of 31 December 2011, the BAVARIA Group's balance sheet total amounted to EUR 323.3 million, a year-on-year decrease of 28%. This change was mainly attributable to the deconsolidations of the reporting year.

Assets

Fixed assets amounted to EUR 106.0 million (prior year EUR 140.5 million), thus accounting for 32.8% of the balance sheet total (prior year 31.3%). Of this, 90.2% (EUR 95.7 million) were tangible assets, compared to 91.9% (EUR 129.1 million) in the prior year.

Current assets – excluding liquid funds – amounted to EUR 170.6 million or 52.8% of the balance sheet total (prior year EUR 252.1 million, or 56.2%). This includes inventories of EUR 69.9 million (prior year EUR 110.3 million).

This decline was mainly attributable to changes in the scope of consolidation. The operating investee companies kept their inventory of short-term assets essentially unchanged in relation to the prior year.

Liquid resources (excluding securities) amounted to EUR 45.6 million (prior year EUR 56.0 million) as of 31 December 2011.

Equity and liabilities

The Group's equity capital (including variances from capital consolidation) fell from EUR 124.5 million to EUR 91.2 million. As a result, the consolidated Group's economic equity ratio increased slightly to 28.2% (prior year 27.7%). The variances on the liability side of the balance sheet represent future revenues accruing to money-losing subsidiaries that have not yet been recognized as income for reasons of prudence.

Provisions declined from EUR 120.3 million in the prior year to EUR 98.4 million. Of this, pension provisions amounted to EUR 56.1 million (prior year EUR 70.1 million) as of 31 December 2011.

Liabilities declined significantly, from EUR 200.1 million in the prior year to EUR 131.5 million. This was due mainly to the year's deconsolidations.

For detailed explanations of the capital flows calculation as well as employee statistics of the BAVARIA Group, please see the Appendix.

Revenues and earnings

In fiscal year 2011, the turnover of the BAVARIA Group rose to EUR 749.9 million from EUR 638.4 million in the prior year. Here, the main contributions came from the K+S Group with EUR 231 million and from the TriStone Group with EUR 179.8 million. 2011 marked the first full year of the TriStone Group's inclusion in the Consolidated Group Annual Report. The investee companies deconsolidated during the year contributed turnover of EUR 136.9 million up to the date of deconsolidation.

The effective date of deconsolidation of an investee company is the date on which control over the company is lost concomitant with its sale or insolvency. The turnover and result of an investee company flow into the Consolidated Group Annual Report of the BAVARIA

Group until such time as deconsolidation takes place, and are therefore recognized on a pro-rata basis only.

In 2011, the Group's result before extraordinary expenses, depreciation/amortization, financial result and taxes (EBITDA) amounted to EUR 47.1 million, including reversals of negative goodwill and proceeds from deconsolidation, an increase of 12.3 million over the prior year's figure of EUR 34.8 million.

The 2011 annual Group surplus amounted to EUR 2.4 million, compared to EUR –0.8 million in the prior year. In both reporting periods, the Group surplus was influenced by the following significant consolidation effects:

(in EUR Mio.)	2011	2010
Reversal of negative goodwill	17,0	18,4
Gains/losses from deconsolidation	33,5	-3,2
Amortization of goodwill	-1,7	-1,3
Gains/losses from debt consolidation	0	0,1
	48,8	14,0

Please see the Notes to the Consolidated Financial Statements for a comprehensive overview of positive and negative variances derived from capital consolidation and from deconsolidation.

IV. Dependency report

BAVARIA Industriekapital AG is majority-owned by AS Vermögensverwaltungs GmbH. We have therefore prepared a "Report on Relationships with Affiliated Companies", as required under § 312 of the German Stock Corporation Act (AktG). This report concludes with the following affidavit: "In summary we hereby declare that, to the best of our knowledge at the time at which the legal transactions were undertaken, BAVARIA Industriekapital AG and its subsidiaries received adequate (arm's-length) consideration in return for each legal transaction".

V. Significant events after the reporting date

On 1 February 2012, BAVARIA Industriekapital AG took over the operations of Griset S.A.S.. Griset is one of the leading European manufacturers of hammered and machined stepbands made of copper, copper alloys and aluminum. Each year, Griset produces roughly 16,000 tons of rolled products. In 2011, the company achieved a turnover of roughly EUR 130 million with its 185 employees.

The second acquisition from the Trelleborg Group involved the purchase of the business operations of "CARBODY" on 1 March 2012. The CARBODY Group has about 550 employees and operating locations in France and the Czech Republic. CARBODY builds components for the automotive industry, such as pedal systems, insulation materials and air-control systems.

The third acquisition was successfully completed on 6 March 2012, when BAVARIA acquired Technology Luminaires S.A.S., a lighting manufacturer, from the Phillips Group. This firm is located in Nevers, France, and has a workforce of 165.

An application to open insolvency proceedings with regard to the assets of SwissTex France was made on 25 February 2012. The opening of proceedings (redressement judiciaire) followed on 29 February 2012. We presume that the sureties granted will be called in by the financing credit institutions. A provision for EUR 2.3 million was created for this purpose.

While the present Report was being prepared, SwissTex Winterthur applied for a debt-restructuring moratorium (Nachlasstundung) under Swiss law. The sell-off of shares is to take place in the context of said moratorium, so that a significant encumbrance on the exercise of rights is given.

VI. Future risks and opportunities

The future business performance of the BAVARIA Group is subject to risks and opportunities closely associated with the Group's business model. The BAVARIA Group's risk management is geared toward minimising risks while evaluating potential earnings and the risks they entail. As a rule, we do not conclude profit-transfer agreements, nor do we grant sureties or guarantees on behalf of our subsidiaries. Thus, any losses or write-downs by individual subsidiaries generally do not have a financial impact on the holding level. In order to promptly anticipate a potential crisis at any of its investee companies, BAVARIA collects and analyses a wide range of key data from its subsidiaries on a monthly basis.

Risks and opportunities of company acquisition

When it comes to identifying and acquiring turnaround companies, BAVARIA's specialized acquisition team can draw on many years of experience as well as an extensive support

network. Thus, BAVARIA is optimally positioned to exploit a wealth of entrepreneurial opportunities. Admittedly, the high potential returns of investing in "companies with turn-around potential" makes this a highly competitive market sector. However, BAVARIA's credibility as an experienced and successful restructuring expert gives us a competitive edge over our rivals, many of whom are less versed in the legalities and other technical ins and outs of this niche business.

In the context of a planned company acquisition, a French subsidiary was sued for damages in March 2011. However, the Executive Board is currently working on the assumption that the lawsuit will not give rise to any significant risks.

Risks and opportunities of company resale

Due to changes in the general business environment, the resale of an investee company can prove to be difficult. The present financial crisis, whose impact is still being felt, is likely to make company resales and possible exit strategies (e.g. stock market floatation) more complicated and/or less profitable. Thus, the possibility of negative effects on the assets, finances and earnings of the Group cannot be regarded as negligible. At the same time, our many years of experience and well-established BAVARIA network provide us with excellent chances us to pursue resale opportunities with success.

Risks and opportunities of restructuring distressed companies

In isolated cases, BAVARIA may acquire a stake in a company whose restructuring proves to be more challenging than originally assumed. In such a case, one cannot exclude that the takeover company will ultimately become insolvent, due to its difficult point of departure and/or a premature acquisition decision by BAVARIA. Insofar as restructuring proves to be unsuccessful, there is always the risk that the capital and effort invested – specifically the purchase price paid and any residual claims – may be lost.

Fluctuations in price and volume on capital and commodity markets can also have a negative impact on the assets, finances and earnings of the various BAVARIA Group companies. BAVARIA counters such risks on a case-by-case basis by continually monitoring a number of indicators so that early action can be taken. Moreover, the BAVARIA Executive Board maintains close contact with the managers of each investee company, receives a monthly report from each company and, in many cases, is represented on the company's Supervisory Board and/or advisory committee. Nonetheless, this does not exclude the possibility that its management information system will fail to deliver required information, fail to deliver it in time, or deliver erroneous information, and that this will cause wrong decisions to be taken.

Although the shareholdings of the BAVARIA Group run a wide gamut of industries, thus ensuring risk diversification, unfavourable business cycles can exert a negative impact on the assets, finances and earnings of the Group.

Default risk at the level of BAVARIA Industriekapital AG

One of the cornerstones of BAVARIA's investment strategy is to limit the risk of loss as far as possible by means of contractual provisions and safeguards. For instance, the Group generally refrains from concluding internal profit-transfer agreements. As in the past, the Executive Board of BAVARIA will also avoid assuming liability vis-à-vis subsidiaries, except in exceptional cases and even then only to a very limited extent. The main risk faced by BAVARIA involves quantifying the time and expense required to rehabilitate a given investee company. Insofar as this estimate is inaccurate, there is the corollary risk that the investee company may become insolvent. This risk is monitored on a continual basis.

Personnel risk

The successful acquisition, rehabilitation and resale of companies requires a great deal of specialized know-how and managerial experience. To implement its business model, BAVARIA must ensure that it has sufficiently qualified personnel at its disposal. Due to our proven track record, we generally receive a surfeit of applications from highly qualified candidates for advertised job vacancies. BAVARIA is an attractive employer thanks to its careful and selective personnel recruiting process, the substantial independence that it grants its on-site restructuring managers, and its competitive, performance-based compensation package. That only the most competent managers are deployed is one of the key success factors of BAVARIA's business model.

Other personnel risks at the level of BAVARIA Industriekapital AG are those associated with the performance and conduct of individual managers. BAVARIA Industriekapital AG steadily expands its management team to offset these risks.

Financing, interest rate and currency risks

BAVARIA's management considers that the future performance of the Group is also dependent to a more than negligible extent on risks associated with currencies, interest rates and financing, since these can exert a significant influence on the Group's assets, finances and earnings.

The companies of the BAVARIA Group are becoming increasingly active outside the Eurozone, in terms of both distribution and sourcing. Thus, currency-exchange risks are to be classified as significant. The companies of the BAVARIA Group counter this risk on a case-by-case basis by means of hedging via appropriate futures/option contracts. However, the Group absolutely steers clear of speculative transactions.

Given the continued reluctance of credit institutions to lend, refinancing may prove difficult for individual investee companies. The risks of interest-rate hikes or delayed credit flows can have significant effects on the financial position of a given investee company, thus also indirectly impacting BAVARIA Industriekapital AG. Rising interest rates increase an investee company's financing costs, which can in turn have a negative effect on its restructuring, ability to pay dividends and re-sale potential.

Tax-related risks

We continually monitor the tax-related risks that the BAVARIA business model gives rise to. Due to the fact that income from shareholdings held by capital investment companies is generally tax-exempt, BAVARIA falls into a low tax bracket. The foregoing is based on the assumption that § 8b of the German Corporate Tax Act (KStG) is applicable to BAVARIA.

Risk management system

The BAVARIA Executive Board has instituted an early-warning system to identify developments that may endanger the existence of the Company. A corresponding risk report is updated once every six months. The subsidiaries are not included in this formal risk-management system.

VII. General forecast

Macroeconomic outlook

In view of the Eurozone's public debt crisis, the International Monetary Fund (IMF) is assuming a slowdown in growth. Thus, the Fund has scaled back its growth outlook for the German economy to a mere 0.3%. The IMF justifies this bearish view on the grounds of the worsening of the Eurocrisis in the 3rd quarter of 2011. On the other hand, the IMF forecast currently numbers among the more pessimistic ones. The German Council of Economic Experts (Sachverständigenrat), for example, posits a growth rate of 0.9% in its autumn report.

The IMF forecasts 3.3% growth for the global economy in 2012 and 3.9% in 2013. However, the Eurozone's prospects are less promising: Thus, economic contraction of –0.5% is expected for 2012 and only a small plus of 0.8% for 2013.

BAVARIA Industriekapital AG

The future success of BAVARIA Industriekapital AG is not only dependent on the performance of its existing portfolio of companies, but is also strongly influenced by its company acquisitions and sales. On the strength of its present portfolio, BAVARIA Industriekapital AG was able to begin the year 2012 on a positive note. For a discussion of the outlook for individual portfolio segments, please see the "Shareholding Portfolio" section of this report.

Looking ahead at 2012 and beyond, we expect to see demand hold mostly steady at pre-crisis levels while capacity utilization remains high. Thus, our focus will continue to be on the efficient handling and execution of customer orders. At the same time, we see opportunities to gain additional market share. Nonetheless, all investment decisions are reviewed very carefully and released only if they promise definite benefit in the foreseeable future. We are not able to exclude increased risks of litigation.

Although our industry is becoming more and more competitive, new acquisitions are likely to continue to be an important source of BAVARIA's growth, especially in the German-speaking parts of Europe. BAVARIA's track record of successfully restructured companies speaks for itself in this regard. Thus, we will continue to strive for 3 to 4 new acquisitions per year in 2012 and beyond, insofar as we can find companies that are realistically valued. In selecting our acquisition targets, we will tend to favour high quality and a relatively large size. Besides focussing on our traditional core business of taking over distressed companies with turnaround potential (EBIT margin below 3%), we also intend to grow by ramping up our expansion of existing investee companies by means of "add-on" acquisitions. Western Europe remains a critical and attractive growth market for BAVARIA. We have won the acceptance and cooperation of unions and works councils even when it comes to difficult issues of personnel cutbacks. This, along with share prices, will allow us to take advantage of increased buying opportunities in the future.

As we see it, BAVARIA continues to be in a position to maintain its existing portfolio of investee companies over the mid-to-long term. At present, however, it is difficult to predict when the next profitable company sell-offs can be realized.

Given these background conditions, it is impossible to make a definite forecast of the BAVARIA Group's future turnover and earnings. Nonetheless, on the strength of our existing portfolio and our promising start to fiscal year 2012, the Executive Board expects this year

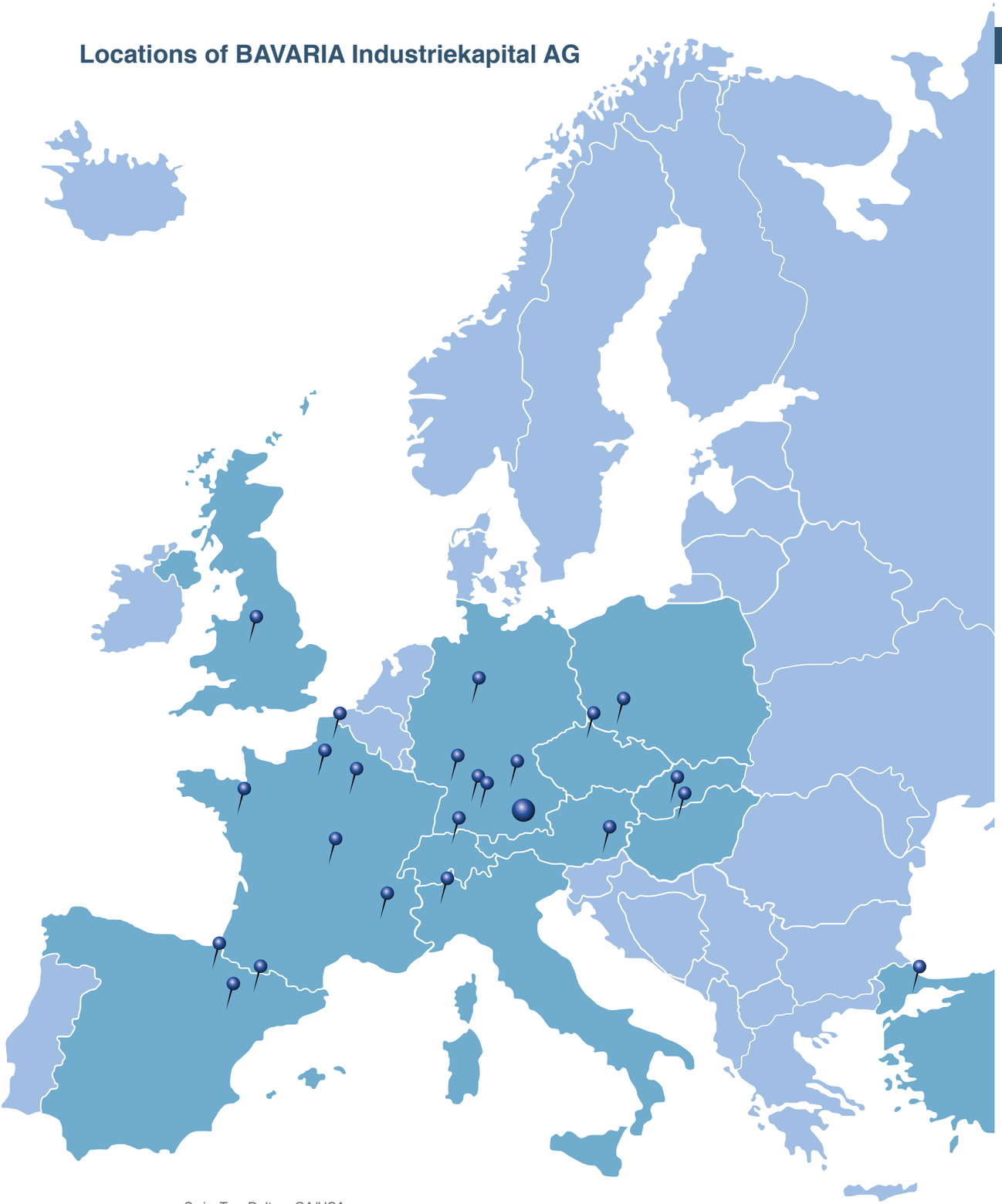
and the coming years to be successful ones for BAVARIA Industriekapital AG, in terms of both earnings as well as equity capital growth. All the prerequisites for this are in place.

Munich, on 16 March 2012

Reimar Scholz
Executive Board Member

Harald Ender
Executive Board Member

Locations of BAVARIA Industriekapital AG



- SwissTex, Dalton, GA/USA
- L&E America Eniromental Technologies LLC, Kaukauna, Wi/USA
- Langbein & Engelbracht Engineering & Co., Shanghai/China
- TriStone Flowtech, Delicias, Chihuahua/Mexico

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated profit and loss account for 2011

(in EUR)		31 Dec. 2011		31 Dec. 2010
1. Sales	749,934,533.54		638,378,724.96	
2. Increase or reduction of inventories in finished and non-finished products	-538,809.15		13,610,099.76	
3. Other own work capitalised	1,341,745.01		754,334.67	
		750,737,469.40		652,743,159.39
4. Other operating income		73,923,740.69		38,580,517.75
5. Cost of materials				
a) Raw materials, supplies and merchandise for resale	-437,039,041.66		-355,600,163.57	
b) Purchased services	-45,254,064.41		-42,137,547.93	
		-482,293,106.07		-397,737,711.50
6. Personnel costs				
a) Wages and salaries	-144,506,406.69		-127,739,657.72	
b) Social insurance and other social charges and benefits	-35,448,741.21		-33,734,273.01	
		-179,955,147.90		-161,473,930.73
7. Depreciation		-22,646,341.58		-23,021,306.86
a) on intangible and tangible fixed assets	-20,953,205.58		-21,717,553.86	
b) on group level	-1,693,136.00		-1,303,753.00	
8. Other operating expenses		-115,339,719.93		-97,327,361.87
9. Other interest and similar income		360,807.08		693,965.30
10. Interest and similar expenses		-8,279,874.71		-6,895,668.38
11. Depreciation on marketable securities		-5,820.47		0.00
12. Profit on ordinary operations		**16,502,006.51**		**5,561,663.10**
13. Extraordinary income	688,338.81		7,857,872.82	
14. Extraordinary expenses	-7,959,136.89		-8,465,412.38	
15. Extraordinary result		-7,270,798.08		-607,539.56
16. Tax on income and earnings	-5,503,045.16		-4,167,176.06	
17. Other taxes	-1,293,598.35		-1,580,138.54	
18. Total taxes		-6,796,643.51		-5,747,314.60
19. Net income		**2,434,564.92**		**-793,191.06**
20. Net profit carried forward from previous year		15,230,225.85		16,658,432.48
21. Dissolution of the reserve for treasury stock as at 31.12.2009		0.00		1,826,238.69
22. Compensation for treasury stock as of 31.12.2009		0.00		-1,632,362.69
23. Appropriation to the reserve restricted in relation to treasury stock		-188,139.00		-237,228.00
24. Income from open dismissal of the principal amount of own shares		188,139.00		
25. Purchases of treasury stock		-2,517,530.33		-459,969.73
26. Profit relating to other shareholders		-122,899.33		-131,693.84
27. Consolidated profit		**15,024,361.11**		**15,230,225.85**

Consolidated balance sheet as of 31 December 2011

Assets (in EUR)		31 December 2011		31 December 2010
A. FIXED ASSETS				
I. Intangible fixed assets				
1. Patents, trademarks, licenses and similar rights	1,334,316.25		2,674,707.27	
2. Goodwill	7,025,959.67		8,516,721.27	
3. Advance payments	27,671.00		0.00	
		8,387,946.92		11,191,428.54
II. Property, plant & equipment				
1. Land, leasehold rights and buildings incl. buildings on leased land	40,334,783.76		49,456,380.74	
2. Machinery and equipment	43,794,107.12		68,394,638.78	
3. Other equipment, plant and office equipment	4,668,149.72		4,154,784.41	
4. Advance payments and construction-in-progress	6,869,347.65		7,065,056.17	
		95,666,388.25		129,070,860.10
III. Financial fixed assets				
1. Shareholding in affiliated companies	9.00		4.00	
2. Investments	1,993,037.61		17,813.24	
3. Long-term securities	229.74		231,920.35	
4. Other loans	0.00	1,993,276.35	1.00	249,738.59
		106,047,611.52		140,512,027.23
B. CURRENT ASSETS				
I. Inventories				
1. Raw materials and supplies	22,427,782.21		35,435,151.79	
2. Work-in-progress	28,196,216.87		42,479,113.73	
3. Finished products and merchandise	17,829,460.11		31,183,396.02	
4. Advanced payments	1,474,700.34		1,249,899.32	
		69,928,159.53		110,347,560.86
II. Account receivables and other assets				
1. Receivables from trade	75,163,016.72		105,240,416.04	
2. Receivables from group companies	0.00		1,960.37	
3. Other assets	24,850,858.51		30,761,115.85	
		100,013,875.23		136,003,492.26
III. Marketable securities				
1. Treasury stock	0.00		0.00	
2. Other marketable securities	661,409.36		70,374.02	
		661,409.36		70,374.02
IV. Cash and cash equivalents		45,568,830.11		55,966,140.68
		216,172,274,23		302,387,567.82
C. PREPAID EXPENSES		1,117,883.74		5,642,460.26
TOTAL ASSETS		323,337,769.49		448,542,055.31

Equity and Liabilities (in EUR)		31 December 2011		31 December 2010
A. EQUITY				
I. Issued capital		5,969,133.00		6,157,272.00
1. Subscribed capital	6,394,500.00		6,394,500.00	
2. Nominal value of treasury stock	-425,367.00		-237,228.00	
II. Capital reserve		8,605,500.00		8,605,500.00
III. Revenue reserves		430,867.00		242,728.00
1. Legal reserve	5,500.00		5,500.00	
2. Reserve restricted in relation to treasury stock	425,367.00		237,228.00	
3. Reserve for treasury stock	0.00		0.00	
IV. Consolidated profit		15,024,361.11		15,230,225.85
V. Offsetting item for holdings of other shareholders		1,073,161.73		1,364,665.98
VI. Difference from currency translation		-2,461,329.00		2,548,750.63
		28,641,693.84		34,149,142.46
B. DIFFERENCE FROM CONSOLIDATION OF CAPITAL		62,578,603.49		90,301,081.64
C. ACCRUALS				
1. Accruals for pensions and similar commitments	56,142,858.42		70,100,646.21	
2. Tax reserve	6,829,310.88		3,097,063.61	
3. Other accurals	35,475,736.15		47,060,379.48	
		98,447,905.45		120,258,089.30
D. LIABILITIES				
1. Debt due to banks	42,485,056.03		63,103,308.15	
2. Advanced payments received on orders	8,909,791.90		8,953,657.05	
3. Trade payables	61,130,389.95		108,819,103.35	
4. Other liabilities	18,928,418.29		19,214,024.79	
		131,453,656.17		200,090,093.34
E. DEFERRED INCOME		1,487,246.01		2,450,196.38
F. DEFERRED TAXES		728,664.53		1,293,452.19
TOTAL EQUITY AND LIABILITIES		323,337,769.49		448,542,055.31

Consolidated statement of changes in equity

(EUR thousands)	Share numbers in circulation	Subscribed capital	Capital reserve	Earned surplus	Difference from currency translation	Offsetting item for holdings of other share-holders	Conso-lidated profit	Group equity
31 December 2009	**6,394,500**	**6,395**	**8,605**	**1,832**	**1,020**	**1,293**	**24,375**	**43,520**
Net income 2010							-793	-793
Dividend payouts							-7,717	-7,717
Compensation for treasury stock as of 31.12.2009		-194		-1,632			194	-1,632
Appropriation to the reserve restricted in relation to treasury stock							-237	-237
Purchases of treasury stock		-44		43			-460	-461
Foreign currency differences					1,529			1,529
Shares of other partners						72	-132	-60
31 December 2010	**6,394,500**	**6,157**	**8,605**	**243**	**2,549**	**1,365**	**15,230**	**34,149**
Net income 2011							2,435	2,435
Appropriation to the reserve restricted in relation to treasury stock				188			0	188
Purchases of treasury stock		-188					-2,518	-2,706
Foreign currency differences					-5,010			-5,010
Shares of other partners						-292	-123	-415
31 December 2011	**6,394,500**	**5,969**	**8,605**	**431**	**-2,461**	**1,073**	**15,024**	**28,641**

Consolidated statement of cash flows

(EUR thousands)	2011	2010
Consolidated net income ahead of extraordinary items	9,705	-186
Payment-ineffective portion of extraordinary items		-4,639
Earnings proportions of minority shareholders without payment-effective portions	-292	0
Depreciation on fixed assets	22,633	23,021
Gains and losses on sales of fixed assets	252	-215
Write-ups on fixed assets		-929
Changes in accruals	-10,930	-6,702
Dissolution of differences from the capital consolidation	-17,759	-18,419
Gains/Losses from the final consolidation of group companies	-31,592	3,220
Other payment-ineffective changes	-63	0
„Gross“ cash flow	**-28,046**	**-4,849**
Change in inventories	15,036	-33,673
Change in receivables, other assets and rest of the assets	14,474	-15,591
Change in liabilities and rest of total equities & liabilities	14,149	27,689
Proceeds from extraordinary items		4,032
Cash flow from current operations	**15,613**	**-22,392**
Payments for capital expenditure into the intangible and tangible fixed assets	-24,700	-18,491
Currency differences in fixed assets	2,323	-717
Payments from disposals of items of intangible and tangible fixed assets	6,648	825
Payments for acquisition of group companies		-15,306
Payments for capital expenditure into the financial assets	-1,985	-232
Cash flow from capital expenditure activities	**-17,714**	**-33,921**
Payments for the purchase of own shares	-2,518	-503
Payouts to shareholders		-7,717
Payouts to minority shareholders		-60
Pledging of cash and cash equivalents	-3,900	500
Proceeds from borrowing of financial liabilities		43,138
Repayment of borrowings	2,796	0
Cash flow from financing activities	**-3,622**	**35,358**
Payment-effective change of the cash and cash equivalents	-5,723	-20,955
Net funds addition from change in scope of consolidation	-5,033	-258
Currency differences	-2,788	1,544
Cash and cash equivalents at start of the period	55,874	75,543
Cash and cash equivalents as of 31 December	**42,330**	**55,874**

Composition of cash and cash equivalents	31.12.2011	31.12.2010
Cash-in-hand, balances with banks	45,569	55,966
Less cash at bank as deposit	-3,900	-162
Short-term marketable securities	661	70
	42,330	55,874

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. BAVARIA Industriekapital AG – Company profile

BAVARIA Industriekapital AG (BAVARIA) was established on 3 April 2002. The Company has its legal domicile in Munich, Germany, and has been entered in the commercial register of the Munich District Court since 8 August 2002 (Section B: No.143 858). The initial public offering of the Company's shares (ISIN DE0002605557) was made on 26 January 2006 in the Entry Standard (Open Market) segment of the Frankfurt Stock Exchange.

BAVARIA is an industrial holding company that takes over distressed firms and boosts their performance through active management. The business model includes acquiring investee companies and boosting their earnings. Thus, unlike traditional holding companies, BAVARIA does not confine itself to merely holding and managing an investee company's shareholdings. Rather, BAVARIA pursues three complementary objectives simultaneously: cutting costs, tapping new sources of turnover and saving imperiled jobs wherever possible. It relies on the initiative and support of the investee company's workforce to boost innovation and avoid all forms of waste, such as reject rates or unnecessary waiting times during production. After all, only companies that are profitable over the long term offer secure workplaces. To boost performance, BAVARIA works with its own in-house team of specialists, which stand ready to support the investee company's management.

II. Scope of consolidation

Besides BAVARIA as parent company, the Consolidated Group Annual Report covers those affiliates in which BAVARIA is directly or indirectly entitled to a majority of the voting rights and/or over which it otherwise exercises centralized control.

The companies included in BAVARIA's Consolidated Group Annual Report are listed separately in the appended "Schedule of Shareholdings". A total of 12 companies have not been included in the consolidated statements. The following companies have been left out of the Consolidated Group Annual Report pursuant to § 296 Par. 1, No. 1 of the German Commercial Code (HGB) because they are being unwound and/or liquidated: OSNY Pharma SAS, Osny, France; OSNY Pharma Holding SAS, Osny, France; Fonderie Aluminium de Cléon SAS, Cléon, France; Teksid Deutschland GmbH, Heilbronn, Germany; Elfotec AG, Mönchaltdorf, Switzerland; Elfotec Ltd., Annacotty, Ireland; Hunsfos Fabrikker AS, Vennesla, Norway; as well as FARAL S.p.A., Modena, Italy. Furthermore, insolvency proceedings have been opened with regard to the assets of the following companies: Xenterio GmbH, Offenburg, Germany; FARAL France SAS, Carmaux, France; as well as SwissTex France S.A.S., Valence, France. Finally, SwissTex Winterthur AG, Winterthur, Switzerland, has been left out because an application for a Swiss debt-restructuring moratorium was filed while the present Annual Report was being prepared.

BAVARIA's scope of consolidation is subject to continual change, so that a comparison of its consolidated group annual reports over time is only possible to a limited extent. In particular, due to the differing business activities of the various investee companies included, the interrelationships among the individual items of BAVARIA's Consolidated Group Balance Sheet and Profit/Loss Statement are marked by continual fluctuations.

The changes in the scope of consolidation since the Consolidated Group Annual Report as of 31 December 2010 have been as follows:

- SwissTex AG was deconsolidated as of 31 December 2011. The massive appreciation of the Swiss Franc together with project delays led to large losses. While the present Report was being prepared, an application for a Swiss debt-restructuring moratorium (Nachlassstundungsgesuch) was filed. Since shares are sold in the context of the moratorium, a significant encumbrance on the exercise of rights is given

- SwissTex France SAS was also deconsolidated as of 31 December 2011, in the wake of financing bottlenecks caused by project delays. The Company was subsequently forced to enter into a so-called “redressement” procedure as of 29 February 2012, which will culminate either in a continuation of the business under new ownership or in liquidation.

- The 3rd quarter saw the deconsolidation of FARAL SpA (as of 30 September 2011) along with the associated deconsolidation of FARAL SAS (as of 31 December 2011). FARAL SpA entered into a settlement procedure that resulted in its sale to a third party, while FARAL SAS, entered into a “redressement” procedure under French law. Both events resulted in BAVARIA’s loss of control over the respective company.

- Another company deconsolidated in the 3rd quarter (as of 30 September 2011) was Xenterio GmbH. The outsourcing of electronics manufacturing for the telecom industry to Asia and the resulting loss of turnover made a continuation of the business impossible despite our best restructuring efforts, so that the company had to declare insolvency.

- Entry into an insolvency procedure was also the reason for the deconsolidation of Hunsfos Fabrikker AS as of 30 September 2011. Due to a host of individual factors, the company could no longer be run in a profitable manner. These factors specifically included the adverse trend of the Norwegian currency (krone), high raw-materials prices that could not be sufficiently passed on to the market, as well as limited value-creation depth relative to the competition.

The key data for the aforementioned deconsolidations are shown below:

(EUR thousands)	SwissTex Winterthur	SwissTex France	Hunsfos AS	Xenterio GmbH	FARAL S.A.S	FARAL S.p.A	Total
Fixed Assets	1,479	893	7,574	826	125	18,893	29,790
Working capital	16,482	10,441	14,713	2,345	1,224	12,221	57,426
- thereof liquid funds	43	452	3.025	452	247	1	4,220
	17,961	**11,334**	**22,287**	**3,171**	**1,349**	**31,114**	**87,216**
Equity	-15,542	-5,612	3,244	-9,900	467	8,186	-19,157
Accruals	1,328	22	3,216	12,026	34	3,202	19,828
Liabilities	32,175	16,924	15,827	1,045	848	19,726	86,545
- thereof to banks	12,052	2,306	5,366	0	0	3,690	23,414
	17,961	**11,334**	**22,287**	**3,171**	**1,349**	**31,114**	**87,216**
Sales 2011 (till deconsolidations)	62,523	16,810	33,268	4,670	1,820	19,192	138,283
Loss 2011	-20,718	-6,212	-2,883	-4,111	-257	-6,342	-40,523

III. Reporting date for the Consolidated Group Annual Report

The key reporting date for the Consolidated Group Annual Report is that of the parent Company, BAVARIA Industriekapital AG (31 December 2011).

The fiscal year of each operating subsidiary is that of the parent Company. The Consolidated Group Annual Report takes into account all facts with a financial impact on the subsidiaries insofar as they have occurred to the key reporting date.

IV. Consolidation principles

Principles of financial reporting

The Annual Report of BAVARIA Industriekapital AG for 31 December 2011 was prepared in compliance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The new accounting rules introduced under the Accounting Law Modernization Act (BilMoG), whose use is mandatory for all fiscal years beginning on or after 1 January 2010, were duly applied to the present Consolidated Group Annual Report.

The annual reports of the individual subsidiaries were prepared pursuant to the guidelines of §§ 238 et seq. HGB, and specifically comply with the stipulations for incorporated companies set forth under §§ 264 et seq. HGB, as well as with the provisions of the German Stock Corporation Act.

The present Consolidated Group Annual Report was prepared pursuant to §§ 290 et seq. HGB.

Some of the items whose disclosure on the Balance Sheet and/or Profit & Loss Statement is mandated by law have been presented in summary form. The respective itemizations or explanations can be found in the Notes.

The Group Profit & Loss Statement was prepared using the Total Cost Method.

Consolidation methods

Method of capital consolidation
For acquisitions through 31 December 2009:
§ 301, Par. 1, Sent. 2, No. 1 HGB, former version, provides for alternative methods of capital consolidation for purposes of financial reporting insofar as a given acquisition was carried out up to and including 31 December 2009. Accordingly, the Company opted to use the Book Value Method, and thus recorded its shareholdings in the various consolidated companies at acquisition value (as per § 301, Par. 2 HGB).

For acquisitions on or after 1 January 2010:
Capital consolidation is performed using the Revaluation Method (§ 301, Par. 1 HGB, New Version), namely in such a way that the financial consideration paid to acquire a company (acquisition costs) is offset against its acquired, identified assets and assumed debts, accruals/deferrals and extraordinary items. Each of these items is stated at its value at the time of acquisition.

Resulting debit variances that could not be otherwise allocated were capitalized on the

Group balance sheet and amortized over a useful life of 5 years. Credit variances are reversed and flow into the Company's net income calculation pursuant to insofar as the conditions of § 309, Par. 2 HGB are met.

Credit variances resulting from capital consolidation are stated separately on the consolidated Group Balance Sheet between equity capital and external capital (debt) in accordance with their specific character.

Other consolidation procedures
The following subsidiary-specific items were eliminated in the course of consolidation: receivables, liabilities, sales revenues, other expenses, other revenues, interest income and associated expenses, as well as interim Group results. All significant consolidation procedures with an effect on income are subjected to tax accrual and/or deferral, insofar as the variance in taxes payable is expected to be offset in subsequent fiscal years.

V. Accounting and valuation methods

In the reporting year, as well as in the prior year, due allowance was made for the relevant provisions of the German Commercial Code (HGB), as amended by the Accounting Law Modernization Act (BilMoG).

The BAVARIA Industriekapital AG Consolidated Group Annual Report was prepared in accordance with the accounting and valuation principles set forth below:

As a rule, valuations were made under the assumption that investee company operations would be continued (Going Concern Principle) pursuant to § 252, Par. 1, No. 2 HGB.

Intangible assets that have been purchased against payment are capitalized at acquisition costs minus scheduled linear amortization. As a rule, their useful life is assumed to be 3 - 5 years. Company goodwill purchased against consideration is calculated by netting out acquisition costs against the value of individual company assets, minus the debts at the time they are assumed. As of 1 January 2010, company goodwill is generally subject to regular amortization over 5 years (previously: 10 years).

Tangible assets are capitalized at acquisition cost and are depreciated linearly over their useful life. Economic assets with a net worth of up to EUR 150 are fully depreciated in the year of acquisition. Financial assets are valued at acquisition cost or marked down to fair market value (if applicable) as of the reporting date. Reversals of impairment losses pursuant to the Value Recovery Principle are performed up to the acquisition cost amount carried on the books, insofar as the reasons for a long-term value impairment no longer apply.

Financial assets are valued at acquisition cost and/or marked down to fair market value (if necessary).

Inventories are valued at acquisition/manufacturing cost and/or marked down to fair market value (if necessary), while allowing for reasonable, general administrative costs.

Receivables and other assets are reported at face value minus a one-off allowance for general default risk. Doubtful receivables are subject to individual valuation. Receivables denominated in foreign currencies are generally valued using the mean spot exchange rate as of the reporting date, insofar as the remaining maturity is shorter than 12 months. If the remaining maturity is longer than 12 months, valuation is performed at acquisition cost, minus any unscheduled depreciation, if applicable.

Securities are valued at acquisition cost or marked down to fair market value, if necessary.

Liquid assets are reported at face value. Amounts denominated in foreign currencies are valued at the mean spot exchange rate as of the reporting date.

Pension provisions are formed on the basis of contractually binding pension claims. The future amounts needed to cover benefit obligations arising from pension guarantees were valued using biometric probabilities on the basis of the net present value of future pension entitlements (Projected Unit Credit Method). Expected increases in wages/salaries and pension benefits were taken into account in the calculation of the net present value of vested, future pension benefits.

The actuarial valuation of future pension obligations is based on an interest rate of 4.50% to 6.25%, depending on the remaining terms of the individual obligations. Insofar as it was not possible to assume a specific remaining term, the interest rate used was the one published by the German Bundesbank for remaining terms of 15 years (pursuant to § 253, Par. 2, Sent. 2 HGB). An interest rate of 2.00% - 7.5% per annum was used to reflect future wage/salary increases. The mortality statistics applied were derived from the actuarial tables published by Dr. Klaus Heubeck (2005G) or, in the case of our foreign subsidiaries, the mortality tables provided by the statistical offices of the countries in question.

Tax provisions and other provisions are formed to reflect the full amount of future payments due in accordance with customary professional due diligence, while taking into account all identifiable risks and uncertain obligations. Other provisions are formed so as to include appropriate and adequate individual allowances to cover all identifiable risks from uncertain obligations and potential losses from pending transactions, while also allowing for any foreseeable price/cost increases. Significant provisions with a remaining term of more than one year are discounted with an interest based on the term-appropriate, average market interest rate (based on the past seven fiscal years), as calculated and published by the German Bundesbank. Tax reserves are calculated under the assumption that § 8b of the German Corporate Tax Act (KStG) is applicable to BAVARIA Industriekapital AG.

Liabilities are reported at their repayment amount as of the reporting date. Liabilities denominated in foreign currencies and having a term of less than one year are generally valued using the mean spot rate as of the reporting date. If they have a remaining term of more than one year, this applies only insofar as the conversion results in a higher amount.

The application of commercial law on the one hand and tax law on the other may give rise to differing valuations for assets, debts and accruals/deferrals, as well as for carry-forwards of losses and/or interest that are eligible for consideration. Any such differences in valuation are reported as a **deferred tax liability**, insofar as they give rise to a foreseeable net tax liability in future fiscal years. Differences that give rise to net tax savings are not reported as deferred tax assets pursuant to § 274, Par. 1, Sent. 2 HGB.

Currency conversions

Financial assets, receivables, other assets, securities, liquid assets, provisions, financial obligations and other liabilities as well as guarantees and other commitments denominated in foreign currency are generally valued using the mean spot rate on the reporting date. The values of fixed assets and inventories acquired with foreign currency are generally stated using the mean spot rate as of the transaction date.

The functional currency used by BAVARIA Industriekapital AG as the group parent is the euro (EUR).

Insofar as the annual reports of individual subsidiaries are denominated in foreign currencies, all amounts are restated using the Functional Currency Method.

All balance sheet items of the foreign companies included in the consolidated Group were converted into EUR using the mean spot rate on the reporting date – with the exception of equity capital (subscribed capital, reserves, profit/loss carried forward), which was restated using historical exchange rates. Variances in equity capital due to currency conversions (i.e. because of year-by-year fluctuations in exchange rates) were posted under “equity capital variances from currency conversions”, with no effect on income.

Revenues and expenses were restated using the average annual exchange rate. The annual result from the restated Profit & Loss Statement was transferred to the balance sheet and the variance was posted under “equity capital variance from currency conversions” without affecting income.

Cash Flow Statement

The financial resources fund consists of cash balances, bank deposits/credits and short-term securities forming part of current assets (working capital).

VI. Notes to the Balance Sheet

Fixed Assets

The development of fixed assets is shown below:

	Acquisition and manufacturing costs							
(EUR thousands)	01.01.2011	Additions	Write-ups	Disposals	Reclas-sifications	Currency translations	Changes in scope of conso-lidation	31.12.2011
I. Intangible assets								
1. Patents, trademarks, licenses & similar rights	5,611	701	0	145	6	-88	-1,736	4,349
2. Goodwill	18,751	891	0	688	0	0	0	18,954
3. Prepayments on account	0	28	0	0	0	0	0	28
	24,362	**1,620**	**0**	**833**	**6**	**-88**	**-1,736**	**23,331**
II. Fixed assets								
1. Land and buildings	63,776	900	0	546	483	-1,555	-9,000	54,058
2. Technical plant and machinery	108,061	12,293	0	4,332	2,677	-2,868	-33,793	82,038
3. Other equipment, office and plant furnishings	11,419	3,148	0	571	28	-71	-2,830	11,123
4. Advance payments/ construction in progress	7,079	6,739	0	3,322	-3,193	-132	-288	6,883
	190,335	**23,080**	**0**	**8,771**	**-5**	**-4,626**	**-45,911**	**154,102**
III. Financial investments								
1. Shareholding in affiliated companies	0	0	0	0	0	0	0	0
2. Investments	18	1,981	0	0	0	0	-6	1,993
3. Long-term securities	232	4	0	0	0	6	-242	0
4. Other loans	0	0	0	0	0	0	0	0
	250	**1,985**	**0**	**0**	**0**	**6**	**-248**	**1,993**
	214,947	**26,685**	**0**	**9,604**	**1**	**-4,708**	**-47,895**	**179,426**

	Depreciation								Book values	
(EUR thousands)	01.01.2011	Additions	Write-ups	Dispo-sals	Reclas-sifica-tions	Currency transla-tions	Chan-ges in scope of conso-lidation	31.12. 2011	31.12. 2011	31.12. 2010
I. Intangible assets										
1. Patents, trademarks, licenses & similar rights	2,936	1,026	0	143	0	-57	-748	3,014	1,335	2,675
2. Goodwill	10,235	1,693	0	0	0	0	0	11,923	7,026	8,516
3. Prepayments on account	0	0	0	0	0	0	0	0	28	0
	13,171	**2,719**	**0**	**143**	**0**	**-57**	**-748**	**14,942**	**8,369**	**11,191**
II. Fixed assets										
1. Land and buildings	14,319	2,498	0	292	0	-207	-2,595	13,723	40,335	49,457
2. Technical plant and machinery	39,667	15,478	13	2,067	0	-2,124	-12,723	38,244	43,794	68,395
3. Other equipment, office and plant furnishings	7,264	1,951	0	456	0	-37	-2,267	6,455	4,668	4,154
4. Advance pay-ments/ construction in progress	14	0	0	0	0	0	0	14	6,869	7,065
	61,264	**19,927**	**13**	**2,815**	**0**	**-2,368**	**-17,585**	**58,436**	**95,666**	**129,071**
III. Financial investments										
1. Shareholding in affiliated companies	0	0	0	0	0	0	0	0	0	0
2. Investments	0	0	0	0	0	0	0	0	1,993	18
3. Long-term securities	0	4	0	0	0	0	0	0	0	232
4. Other loans	0	0	0	0	0	0	0	0	0	0
	0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1,993**	**250**
	74,435	**22,646**	**13**	**2,958**	**0**	**-2,425**	**-18,333**	**73,378**	**106,048**	**140,512**

Intangible assets

Consolidated goodwill for the Group changed as follows during the fiscal year (in EUR thousands):

2011					2010				
Increase	Decrease	Group change	Amortized	Book value	Increase	Decrease	Group change	Amortized	Book value
891	688	0	1,693	7,026	3,562	0	0	1,304	8,516

The Group's consolidated goodwill as of 31 December 2011 was attributable mainly to companies of the K+S Group (EUR 4,181,000) and TriStone Group (EUR 2,461,000). The remaining average amortization period for consolidated goodwill is roughly 5 years.

A useful life of 10 years is applied to goodwill acquired before 1 January 2010. This 10-year useful life, which exceeds the 5-year period for company goodwill pursuant to § 314 Par. 1 No. 20 HGB, is based on the planned, long-term holding horizons of the respective companies.

An expected useful life of 5 years is applied to goodwill acquired after 1 January 2010.

The useful life of industrial property rights and licenses is 3 to 5 years. Useful life was determined on the basis of the expected period of actual use. All intangible assets are amortized linearly.

Tangible assets

The useful life is 3 to 10 years for fixtures and furnishings and 8 to 20 years for technical equipment and machinery, depending on their commercial use. Buildings are depreciated based on an economic useful life of 25 to 30 years.

Financial assets

The item "shareholdings in affiliated companies" includes non-consolidated holdings valued at acquisition price minus any necessary markdowns to fair value.

Geographic distribution

The geographic distribution of fixed assets is as follows:

31 December 2011 (EUR thousands)	Germany	European Union	Europe (non-EU)	Asia	Total
Intangible assets	2,118	6,196	0	75	8,389
Tangible assets	18,747	76,899	0	20	95,666
Financial assets	9	1,984	0	0	1,993
Total fixed assets	**20,874**	**85,078**	**0**	**95**	**106,048**

31 December 2010 (EUR thousands)	Germany	European Union	Europe (non-EU)	Asia	Total
Intangible assets	2,504	7,244	1,353	90	11,191
Tangible assets	18,571	101,470	9,005	25	129,071
Financial assets	9	9	232	0	250
Total fixed assets	**21,084**	**108,723**	**10,590**	**115**	**140,512**

Current assets (working capital)

(Not including securities, cash balances, or bank deposits/credits)

(EUR thousands)	31 December 2011	31 December 2010
Raw materials and supplies	22,428	35,435
Work in progress	28,196	42,479
Finished goods and goods for resale	17,829	31,183
Payments on account	1,475	1,250
Trade receivables	75,163	105,240
Receivables from affiliated companies	0	2
Other assets	24,851	30,762
	169,942	**246,351**

"Other assets" includes EUR 10,876,000 in receivables from the tax authorities.

"Trade receivables" does not include any accounts receivable with a remaining term of more than one year. "Other assets" includes assets with a remaining term of more than one year totaling EUR 591,000.

Equity capital

During the reporting year, equity capital declined by EUR 5,507,000 to EUR 28,642,000.

(EUR thousands)	31 December 2011	31 December 2010
Subscribed capital	5,969	6,157
Capital reserve	8,605	8,605
Retained earnings	431	243
Variances from currency conversions	-2,461	2,549
Adjustment for minority shareholders	1,073	1,365
Group balance sheet profit	15,025	15,230
Equity capital	**28,642**	**34,149**

The Group balance sheet profit of EUR 15,025,000 includes profits carried forward from the prior year in the amount of EUR 15,230,000.

1. Subscribed capital

Subscribed capital amounts to EUR 6,394,500.00 Subscribed capital has been fully paid in and consists of 6,394,500 no-par shares with a calculated nominal value of EUR 1.00 per share.

Contingent capital amounts to EUR 49,500.00

Treasury shares (own repurchased shares) are stated at calculated nominal value separately from subscribed capital. These treasury shares were acquired on the basis of authorizations pursuant to § 71, Par. 1, No. 8 of the German Stock Corporation Act (AktG). The Company does not derive any rights from these treasury shares; in particular, they do not carry any dividend rights.

a) Treasury shares (own shares)

By resolution of the General Shareholder Meeting on 11 June 2010, the Company was empowered, pursuant to § 71, Par. 1, No. 8 of the German Stock Corporation Act (AktG), to acquire own shares up to 10% all in all of equity capital (as of the acquisition date of said shares), at any time until 10 June 2015. This right may be exercised in whole or in part, and in this case more than once. The previous authorization to purchase own shares pursuant to the General Shareholder Meeting of 29 May 2009 was thereby superseded.

- The authorization may not be used by the Company to trade in its own shares.
- The Executive Board was empowered, with the consent of the Supervisory Board, to use Company shares acquired pursuant to this authorization for the purpose of introducing Company shares to foreign stock exchanges on which they are not yet listed.
- The Executive Board was empowered, with the consent of the Supervisory Board, to offer Company shares acquired pursuant to this authorization to third parties in the context of company mergers and acquisitions of companies (or of shareholdings therein).
- The Executive Board was empowered, with the consent of the Supervisory Board, to offer Company shares to persons who are, or have been, employed by the Company or its affiliates within the meaning of §§ 15 et seq. of the German Stock Corporation Act (AktG), or to grant/transfer such shares after a blocking period of not less than one year.

- The Executive Board was empowered, with the consent of the Supervisory Board, to retire Company shares acquired pursuant to this authorization without having to obtain a further resolution from the General Shareholder Meeting. These shares may also be retired via a simplified procedure (without a reduction of equity capital) by adjusting the pro-rata nominal amount of the remaining no-par shares in the Company's equity capital. The retirement of shares may also be limited to a portion of the Company shares acquired. The right to retire shares pursuant to the authorization may be exercised more than once.

As of 31 December 2011, the Company has made the following share repurchases:

- On the basis of the authorization granted by the General Shareholder Meeting on 20 June 2008, a total of 150,986 own shares (of which 139,458 shares were acquired in 2008).
- On the basis of the authorization granted by the General Shareholder Meeting on 29 May 2009, a total of 70,150 own shares (of which 27,260 shares were acquired under a repurchase offer pursuant to the authorization granted by the General Shareholder Meeting on 29 May 2009).
- On the basis of the authorization granted by the General Shareholder Meeting on 11 June 2010, a total of 204,231 shares (of which 16,092 shares were acquired in 2010).

These repurchased shares amount to a total of EUR 425,367 or 6.7% of equity capital.

Share repurchases in 2011 based on the General Shareholder Meeting of 11 June 2010

Date	Repurchased shares (units)	Share of equity capital (in %)	Average price	Total market price (in EUR)	Cumulative no. of shares	Cumulative share of equity capital
Mar 11	272	0.00	16.50	4,486.64	272	0.01%
Apr 11	3,927	0.06	13.90	54,577.95	4,199	0.06%
May 11	26,057	0.41	14.04	365,752.62	30,256	0.47%
Jun 11	10,150	0.16	14.32	145,379.47	40,406	0.63%
Jul 11	14,325	0.22	14.69	210,436.96	54,731	0.85%
Aug 11	51,923	0.81	13.75	713,923.37	106,654	1.66%
Sep 11	11,305	0.18	12.82	144,970.67	117,959	1.84%
Oct 11	24,400	0.38	12.60	307,393.64	142,359	2.22%
Nov 11	30,712	0.48	12.55	385,348.66	173,071	2.70%
Dec 11	15,068	0.24	12.29	185,260.35	188,139	2.94%

b) Authorized capital

Authorized capital (2005/ I)

Pursuant to a joint proposal from the Executive Board and Supervisory Board, the General Shareholder Meeting resolved on 10 November 2005 to authorize the Executive Board (with Supervisory Board approval) to increase the Company's equity capital by up to EUR 1,102,500.00 through one or more new issues of no-par, bearer shares in return for cash or in-kind contributions, at any time until 9 November 2010.

Authorized capital (2008/ I)

By resolution of the General Shareholder Meeting of 20 June 2008, the Executive Board is authorized (subject to Supervisory Board approval) to increase equity capital by up to EUR 2,094,750.00 through one or more issues of shares (Authorized Capital 2008/I) in return for cash or in-kind contributions at any time until 19 June 2013. The shareholders' subscription rights may be suspended insofar as any of the following apply:

- The issue price is not significantly below the concurrently determined stock-exchange price of the shares, and the equity increase resulting from cash contributions does not exceed 10% of equity capital
- Equity capital is to be increased by in-kind contributions for acquisition of companies.
- Suspension of the shareholders' subscription rights is required in order to exercise convertible-bond rights, convertible profit-sharing rights or options.
- Suspension of shareholder's subscription rights is required to smooth odd lots.

c) Contingent capital

Contingent capital (2005) – stock options for employees
As proposed by the Executive Board and Supervisory Board, the General Shareholder Meeting of 20 December 2005 agreed to a contingent increase in the Company's equity capital of up to EUR 511,500, via the issue of up to 511,500 no-par bearer shares (Contingent Capital 2005). This contingent capital increase can be implemented only insofar as the associated option rights were issued and exercised by 31 December 2009.

The temporal and material prerequisites for Contingent Capital I have now lapsed, since the deadline for the granting of share options pursuant to § 4, No. 3 of the Company Bylaws expired on 31 December 2009 and no additional exercisable share options were in circulation at that time. To the extent that share options had been issued before that date, corresponding waiver declarations were provided and, in one particular case, a corresponding judicial settlement was made.

By resolution of the Supervisory Board on 14 April 2010, § 4, No. 3 of the Company Bylaws (Contingent Capital I) was therefore revoked without replacement. The corresponding commercial register entry was made on 2 June 2010.

Contingent capital (2006/I) – convertible bonds for members of the Supervisory Board
At the recommendation of the Executive Board and Supervisory Board, the General Shareholder Meeting of 5 September 2006 agreed to a contingent increase in the Company's equity capital of up to EUR 49,500.00 through the issue of up to 49,500 no-par bearer shares (Contingent Capital 2006/I). This contingent capital increase was to be implemented only insofar as the associated convertible bonds were issued and the embedded options to convert said bonds to no-par shares were exercised. The shareholders' statutory subscription rights were excluded.

In December 2006, convertible bonds in the amount of EUR 49,500.00 were issued to the members of the Company's Supervisory Board at a minimum issue amount of EUR 0.33 per bond and a calculated nominal value of EUR 1.00 per bond. The members of the Supervisory Board exercised their conversion options fully and all convertible bonds were officially issued as of 31 December 2006 in accordance with the conversion conditions set forth on that date. As per said conditions, the conversion price was set at EUR 21.70 per bond.

Each convertible bond contained an embedded option allowing its conversion into a single individual share in the Company. The convertible bonds matured after five years on 31 December 2011. None of the Supervisory Board Members exercised their conversion rights.

2. Capital reserve

As of the reporting date, the capital reserve amounted to EUR 8,605,500.00.

3. Reserve due to own shares

In order not to increase the distributable balance sheet profit with respect to own shares and in order to make due provision for creditor protection, a new "reserve due to own shares" was formed in the reporting year.

The "reserve due to own shares" changed as follows during the reporting year:

	(EUR thousands)
Reserve due to own shares as of 31 December 2010	237
Formation of a "reserve due to own shares" for own shares acquired during the current fiscal year (stated at nominal value)	188
Reserve due to own shares as of 31 December 2011	**425**

Variance arising from capital consolidation
The variance arising from capital consolidation (negative goodwill) shown as of the reporting date will be dissolved in subsequent years in accordance with its origin and allocated to income.

In fiscal years 2010 and 2011, this item changed as follows:

2011				2010			
Increase	Reversal	Deconsolidation	Book value	Increase	Reversal	Deconsolidation	Book value
0	17,319	10,403	62,579	40,874	18,418	3,368	90,301

A variance arising from capital consolidation (negative goodwill) arises when a company is acquired at a price below the book value of its equity capital (as per the balance sheet). The negative goodwill is reversed in the Consolidated Group Annual Report and applied towards income in accordance with the progress of restructuring and rehabilitation of the investee company, insofar as additional other expenses or losses are still expected.

Insofar as the negative goodwill is not associated with expected future expenses or losses, it is reversed as follows with a corresponding effect on income:

a) The portion of the negative goodwill that does not exceed the current market value of the acquired non-monetary assets of the investee company is recognized in regular installments based on the (weighted) average, remaining useful life of the depreciable assets acquired.
b) The portion of the negative goodwill that exceeds the current market value of the acquired non-monetary assets of the investee company is recognized as income during the initial consolidation.

The reversal of negative goodwill is reflected in the Consolidated Group Profit & Loss Statement under "other operating income".

The increases in negative goodwill resulted mainly from initial consolidations. 2011 saw the deconsolidation of the FARAL Group.

Provisions

(EUR thousands)	31 December 2011	31 December 2010
Pension provisions	56,143	70,101
Tax provisions	6,829	3,097
Other provisions	35,476	47,060
	98,448	**120,258**

Pension provisions

As of the reporting date, the amount needed to cover pension obligations amounted to EUR 56,143,000 (prior year EUR 70,101,000).

Other provisions

Other provisions mainly consisted mainly of personnel-related obligations (EUR 17,107,000), litigation risks (EUR 3,353,000), outstanding invoices (EUR 5,558,000), warranty obligations (EUR 2,470,000), maintenance foregone (EUR 480,000) as well as restructuring measures (EUR 808,000).

Liabilities

(EUR thousands)	31 December 2011	31 December 2010
Liabilities to credit institutions	42,485	63,103
Advance payments received for orders	8,910	8,954
Trade liabilities	61,130	108,819
Other liabilities	18,928	19,214
	131,453	**200,090**

The term structure of liabilities is summarized below:

31 December 2011 (EUR thousands)	< 1 year	1-5 years	> 5 years	Total
Liabilities to credit institutions	34,962	5,268	2,255	**42,485**
Advance payments received for orders	8,910	0	0	**8,910**
Trade liabilities	61,128	2	0	**61,130**
Other liabilities	18,477	27	424	**18,928**
	123,477	**5,297**	**2,679**	**131,453**

Liens on real property in the aggregate amount of EUR 3,900,000 were granted to various secured third parties: These served mainly as sureties for loans and lines of credit which, however, had not been tapped as of the reporting date.

31 December 2010 (EUR thousands)	< 1 year	1-5 years	> 5 years	Total
Liabilities to credit institutions	54,171	5,956	2,976	**63,103**
Advance payments received for orders	8,954	0	0	**8,954**
Trade liabilities	108,816	3	0	**108,819**
Other liabilities	15,047	3,788	379	**19,214**
	186,988	**9,747**	**3,355**	**200,090**

Deferred tax liabilities

Deferred tax liabilities are reported at the consolidated Group level based on a tax rate of 30%. The respective deferred tax liabilities of the Company's subsidiaries were calculated based on the tax rate expected to apply in each case. Deferred tax liabilities arise mainly in the context of variances arising from the valuation of inventories and provisions for tax purposes.

Contingencies and commitments

Perpetual guarantee in favor of Banco Bilbao

Under an agreement dated 15 December 2009, BAVARIA industriekapital AG assumed a perpetual guarantee in favor of Banco Bilbao Vizcaya Agentaria S.A. (Huesca/Spain) to cover the obligations of Inasa Foil Sabiñánigo S.L (Sabiñánigo, Huesca/Spain) up to a maximum amount of EUR 174,000.

Perpetual guarantee in favor of Commerzbank

Under an agreement dated 1 January 2011, BAVARIA industriekapital AG assumed a perpetual, directly enforceable guarantee in favor of Commerzbank (formerly Dresdner Bank) to cover the obligations of R+E Automationstechnik GmbH in connection with a credit facility for EUR 300,000.

Perpetual guarantee in favor of CIC (Credit Industriel et Commercial)

Under an agreement dated 7 July 2011, BAVARIA Industriekapital AG pledged a bank account with a credit balance of over EUR 350,000 in favor of Credit Industriel et Commercial SA (Paris/France), in order to secure the obligations of tech-Form SAS arising out of a loan agreement with CIC.

Perpetual guarantee in favor of CA (Credit Agricole Nord de France)

Under an agreement dated 7 July 2011, BAVARIA Industriekapital AG pledged an additional bank account with a credit balance of over EUR 150,000 in favor of Credit Agricole Nord de France (Cedex/France), in order to secure all obligations of tech-Form SAS arising out of a loan agreement with CA in connection with the financing of a tech-Form SAS project.

Perpetual guarantee in favor of CIC Lyonnaise de Banque

Under agreements dated 14 June 2011, BAVARIA Industriekapital AG granted CIC Lyonnaise de Banque, (Valence/France) a perpetual guarantee covering the obligations of SwissTex France SAS (Valence/France) up to a maximum amount of EUR 2,500,000.

Since CIC had claimed recourse against the guarantee, a provision for EUR 1,414,000 was formed as of 31 December 2011. Thus, the remaining obligation amount is EUR 1,086,000.

Perpetual guarantee in favor of BNP Paribas Arc Alpin Entreprises

Under agreements dated 14 June 2011, BAVARIA Industriekapital AG granted BNP Paribas Arc Alpin Entreprises (Montbonnot/France), an additional perpetual guarantee to cover the obligations of SwissTex France SAS (Valence/France) up to a maximum amount of EUR 2,500,000.

Since BNP had claimed recourse against the guarantee, a provision for EUR 674,000 was formed as of 31 December 2011. Thus, the remaining obligation amount is EUR 1,826,000.

BAVARIA Industriekapital AG enters into obligations and commitments only after a careful evaluation of risks and generally only in connection with its own business operations and/or the operations of its affiliates and investee companies. On the basis of an ongoing evaluation of the risks pertaining to the guarantees and commitments undertaken, and after duly allowing for all information available as of this writing, BAVARIA Industriekapital AG is currently working on the assumption that the obligations underlying the aforesaid guarantees and commitments can be properly fulfilled by the respective principal debtors. Thus, BAVARIA Industriekapital AG considers that there is only a low probability that an adverse claim will be made in connection with any of the aforesaid guarantees and commitments.

Perpetual guarantee by TriStone Holding

In order to secure the obligations of its subsidiary CER (Turkey) in connection with a loan agreement, TriStone Holding has pledged a bank account with a credit balance of over EUR 3,400,000.

Financial obligations

Total financial obligations arising from purchase commitments and long-term rental/leasing agreements with fixed durations amounted to EUR 17,102,000 (prior year EUR 13,988,000).

The term structure of these financial obligations can be summarized as follows:

	31 December 2011	31 December 2010
Term	(EUR thousands)	(EUR thousands)
< 1 year	14,062	8,766
1 - 5 years	2,159	4,452
> 5 years	881	770
Total	17,102	13,988

EUR 13,658,000 of these financial obligations is attributable to purchase commitments arising from the order backlogs of Group companies (prior year EUR 7,697,000).

Other sureties

Warranty and down-payment guarantees were issued in an aggregate amount of EUR 30,926,000 (prior year EUR 32,138,000)

Auditors' fees

During the reporting year, the following fees were paid to public auditors for audits, consultations and other services:

2011

	Total Germany	Of which Group auditors:
	(EUR thousands)	(EUR thousands)
Fee for audit of the 2011 Annual Report	162	75
Fees for other audits in 2011	0	0
Fees for tax consulting in 2011	92	9
Fee for other services in 2011	7	0
Total	261	84

2010

	Total Germany	Of which Group auditors:
	(EUR thousands)	(EUR thousands)
Fee for audit of the 2010 Annual Report	206	129
Fees for other audits in 2010	25	0
Fees for tax consulting in 2010	130	15
Fee for other services in 2010	71	126
Gesamt	432	270

Transactions not appearing on the balance sheet

Factoring

Seven subsidiaries in the BAVARIA Group use factoring as a financing tool. The total scope of such factoring amounts to roughly EUR 60 million. Some of these factoring agreements involve bona fide open factoring, whereby the factoring partner assumes the entire default risk, but thereby excludes certain customers, avoids cumulative risks by means of quotas, and assumes receivables on a pro-rata basis only. The other agreements involve "quasi factoring", whereby the default risk continues to be borne by the customer. However, the associated default risk for BAVARIA remains limited because factoring is used mainly by our investee companies in the automotive industry.

The objective and benefit of factoring is to bring about improvement in the liquidity and risk position of the company in question. On the negative side, the costs associated with factoring must be charged against revenues. Another potential disadvantage is the disclosure of receivable sell-offs in the context of open factoring, since customers generally settle their liabilities directly with the factoring firm.

The use of factoring channels and the associated liabilities are reported on the balance sheet in the item "liabilities to credit institutions".

Sale-and-lease-back transactions

Three subsidiaries of the BAVARIA Group have made use of sale-and-lease-back transactions as a financing tool during past fiscal years. In the years 2000 and 2007, three buildings used for operations were sold off and at the same time long-term lease-back

agreements were concluded for these buildings. The minimum rental period in each case was 15 or 10 years. The resulting total obligation is included in “other financial obligations”, insofar as it has not otherwise been taken into account on the balance sheet.
In 2010, a machine worth EUR 0.4 million was sold off and leased back under a corresponding agreement. The minimum rental period is 5 years.

The objective and benefit of sale-and-lease-back transactions is the procurement of liquid funds, i.e. positive cash flows for the company in question. The associated risks mainly involve the leasing installments that the company commits to paying.

In October 2011, a sale-and-lease-back agreement for EUR 450,000 was concluded in order to finance a growth-project investment.

Financial derivatives not reported at market value

In the course of their worldwide business, investment and financing activities, the companies of the BAVARIA Group are specifically exposed to risks from fluctuating exchange rates, interest rates and commodity prices. These risks can be hedged and/or eliminated by means of financial derivatives.

In order to hedge against risks arising from fluctuations in the value of assets, liabilities, pending business and anticipated transactions denominated in foreign currencies, the companies of the BAVARIA Group make use of financial derivatives, albeit to a restricted extent. The financial instruments employed consist mainly of currency futures/options contracts.

To a lesser extent, financial derivatives are also used by the BAVARIA Group to hedge against commodity-price risks associated with sourcing/procurement transactions. The instruments used for such hedging include commodity futures/options contracts.

The existing portfolio of financial derivatives is being held exclusively for hedging purposes. The following table summarizes the financial derivatives in place as of 31 December 2011:

31 December 2011 (EUR thousands)	Nominal volume	Market volume
Currency hedging contracts	9,398	-1,322 [1]
Commodity hedging contracts	906	19 [2]
	10,304	-1,303

[1] Calculated on the basis of changes in currency futures prices.
[2] Calculated on the basis of changes in commodity futures prices.

VII. Notes to the consolidated profit & loss statement

Sales revenues

Sales revenues from the initial consolidation and deconsolidation of companies are only recognized on a pro-rata basis (starting with the initial consolidation date and/or ending on the deconsolidation date).

The sales revenues of the BAVARIA Group can be broken down by regional market:

(EUR thousands)	2011	2010
European Union (excluding Germany)	359,777	321,351
Germany	260,180	216,160
Europe, other countries	23,344	22,227
US/North America	12,931	13,664
Asia	7,352	5,081
Africa	2,400	2,263
Other areas	83,951	57,633
	749,935	638,379

Other operating revenues

Other operating revenues can be broken down as follows:

(EUR thousands)	2011	2010
Gains from the reversal of negative goodwill	16,997	18,419
Gains from currency translations	10,283	7,620
Gains from the reversal of provisions	8,296	4,708
Gains from value adjustments	1,246	1,908
Gains from abatement of liabilities	-89	1,133
Revenues from subsidies	551	949
Gains from insurance reimbursements	156	0
Gains from disposal of fixed assets	-78	696
Revenues from lease/rental agreements	142	234
Gains from debt consolidation	-22	116
Gains from deconsolidation of shareholdings in affiliated companies	33,536	0
Gains from write-ups to fixed assets	0	929
Sundry operating revenues	2,905	1,869
	73,924	38,581

Gains from the reversal of negative goodwill result from the regular reversal of negative goodwill in accordance with the progress of ongoing restructuring of the remaining investee companies.

Materials expense

In fiscal year 2011, materials expense amounted to EUR 482,293,000 (prior year EUR 397,738,000).

Personnel expenses

Personnel expense changed as follows in year-on-year terms:

(EUR thousands)	2011	2010
Wages and salaries	144,506	127,740
Social insurance contributions and pension/support costs Of which: EUR 1,627,000 for pensions (prior year EUR 2,735,000)	35,449	33,734
	179,955	**161,474**

Depreciation/amortization

There was no extraordinary depreciation/amortization during the fiscal year.

Other operating expenses

(EUR thousands)	2011	2010
Packing and freight	17,909	16,201
Repair and maintenance	13,986	14,320
Third-party services, insurance and premiums	13,048	12,368
Losses from currency translation	11,738	8,247
Rentals and leasing	6,975	5,807
IT costs	5,101	4,519
Travel and lodging	5,244	4,198
Administrative costs	3,760	3,750
Costs of temporary personnel	3,698	3,700
Losses from deconsolidation	1,944	3,219
Commissions	4,004	3,047
Attorney/notary fees and court costs	3,111	2,088
Other personnel costs	2,119	1,863
Management consulting costs	1,388	1,600
Allocations to provisions for litigation risks	3,007	1,529
Warranties and guarantees	3,264	0
Advertising	1,065	1,237
Allocations for value adjustments	1,825	1,233
Bad receivables	638	36
Losses from debt consolidation	35	5
Sundry operating expenses	11,482	8,360
	115,340	**97,327**

The item “sundry operating expenses” in the amount of EUR 11,482,000, consists of various operating expenses incurred at the individual company level, such as, for example: accounting and auditing costs, personnel-recruiting expenses, Supervisory Board and/or Advisory Board compensation, etc.

Net interest income

(EUR thousands)	2011	2010
Interest income and similar revenue Of which: from affiliated companies: EUR 13,000 (prior year EUR 17,000)	361	694
Interest expense and similar costs Of which: to affiliated companies: EUR 0.00 (prior year EUR 0.00)	-8,280	-6,896
	-7,919	**-6,202**

In 2011, interest expenses were attributable mainly to the TriStone Group and Inasa Foil Group.

Extraordinary income/expense

Extraordinary income in the amount of EUR 688,000 was derived mainly from the reversal of provisions at Fonderie d’Ingrandes (EUR 653,000). Extraordinary expense in the amount of EUR 7,959,000 consists mainly of expenses associated with the value-impairment of work in progress at SwissTex Winterthur (EUR 3,828,000), as well as severance/settlement payments in the context of restructuring measures at Inasa (EUR 2,534,000).

Taxes on income

Income tax expenses include both taxes payable directly on income as well as the deferred taxes.

Out-of-period income and expenses

The “sundry operating revenues” item includes EUR 9.5 million (prior year EUR 6.6 million) in revenues from outside the reporting period. These involve the reversal of provisions as well as changes to value adjustments.

VIII. Reporting by segment

Serial Production/Automotive

The "Serial Production/Automotive" business segment comprises companies that are active in the serial manufacture of components, or, at least in part, as automotive suppliers, specifically:

- In 2011: the K+S Group, tech-FORM, ADG KG, TriStone Group and the FARAL Group, whereby the FARAL companies were deconsolidated as of 30 September 2011 and 31 December 2011.
- In 2010: the K+S Group, the FARAL Group, tech-FORM, ADG KG and the TriStone Group.

Plant Engineering & Construction

The "Plant engineering & construction" business segment comprises all companies involved in the construction and engineering of plant and machinery, specifically:

- In 2011: Hering, the L&E Group, the SwissTex Group (deconsolidated as of 31 December 2011) and R+E.
- In 2010: Hering, the L&E Group, the SwissTex Group and R+E.

Business Services

The "Business Services" segment comprises all operating companies that cannot be allocated to any of the foregoing business segments:

- In 2011: Xenterio (deconsolidated in Q3), Hunsfos (deconsolidated in Q3), Inasa Sabiñánigo as well as Inasa Foil.
- In 2010: Xenterio, Hunsfos, OSNY Pharma (deconsolidated as of 31 December 2010), Inasa Sabiñánigo as well as Inasa Foil.

The "Others" segment mainly consists of the BAVARIA group's non-operating holdings and interim holdings.

The after-tax surplus for each business segment is reported as the "segment result". Transactions between the various segments are priced according to the "arm's-length principle".

The following Segment Report was prepared in accordance with German Financial Reporting Guidelines DSR3:

31 December 2011 (EUR thousands)	Serial Production/ Automotive	Plant Engineering & Construction	Business Services	Others	Consolidation	Group
Sales						
with external third parties	480,628	124,300	145,007	0	0	749,935
with group companies	0	23	0	3,925	-3,948	0
Profit and Loss Statement						
Segment net income	2,381	-25,886	-17,052	-576	43,568	2,435
depreciation included therein	17,542	832	3,902	4,454	-4,084	22,646
Interest result included therein	5,747	756	1,930	-514	0	7,919
Taxes included therein	6,167	824	302	-492	-5	6,797
Extraordinary result included therein	349	3,874	3,046	3	0	7,271
EBITDA	32,186	-19,599	-7,872	2,875	39,479	47,068
other non-cash items (incl. Extraordinary)	-1,761	3,369	-3,752	8,525	-54,521	-48,140
Income/loss from holdings in consolidated companies	0	0	0	13,559	-13,559	0
Balance Sheet						
Total assets	225,649	31,128	57,891	23,834	-15,164	323,338
Investments in fixed assets	19,966	1.104	5,211	296	108	26,685
Provision, accruals and liabilities	181,472	17,405	39,218	5,833	-11,810	232,118
Employees	**3,477**	**251**	**292**	**10**	**0**	**4,297**

31 December 2010 (EUR thousands)	Serial Production/ Automotive	Plant Engineering & Construction	Business Services	Others	Consolidation	Group
Sales						
with external third parties	345,387	90,082	202,910	0	0	638,379
with group companies	0	0	0	4,879	-4,879	0
Profit and Loss Statement						
Segment net income	1,069	1,852	-3,049	5,088	-5,753	-793
epreciation included therein	16,163	860	5,562	18	418	23,021
Interest result included therein	4,565	445	1,966	-774	0	6,202
Taxes included therein	3,374	1,005	820	548	0	5,747
Extraordinary result included therein	-594	68	-13,987	0	15,120	607
EBITDA	24,577	4,230	-8,688	4,880	9,785	34,784
other non-cash items (incl. Extraordinary)	5,673	254	20,769	-210	-554	25,932
Income/loss from holdings in consolidated companies	0	0	0	5,940	-5,940	0
Balance Sheet						
Total assets	257,071	65,310	111,363	33,366	-18,568	448,542
Investments in fixed assets	11,088	1,910	5,708	17	1,684	20,407
Provision, accruals and liabilities	198,420	54,692	82,324	11,507	-22,852	324,091
Employees	**2,746**	**409**	**748**	**10**	**0**	**3,913**

The stated number of employees was valid as of 31 December 2011.

Arriving at the consolidated Group figures

2011 segment results

The 2011 consolidated column contains the following main items: gains from deconsolidation (EUR 33.1 million), reversal of negative goodwill (EUR 15.6 million), elimination of value adjustments between segments (EUR 7.8 million), elimination of dividend payouts between segments (EUR –13.6 million), as well as amortization of goodwill, insofar as it is not allocated to a specific segment (EUR –0.9 million).

Depreciation/amortization/write-downs in 2011

The 2011 consolidated column contains the elimination of write-downs on financial assets (EUR –4.1 million).

Other non-cash items 2011

The 2011 consolidated column includes the following, salient non-cash items: reversal of negative goodwill (EUR 15.6 million), gains from deconsolidation (EUR 33,1 million) as well as the elimination of value adjustments and write-downs on financial assets (EUR 7.9 million). Also included are, among other items, increases and/or reversals of value adjustments as well as provision reversals, insofar as these items arose at the individual company level.

Segment assets and liabilities in 2011

In terms of segment assets/liabilities items, the 2011 consolidated column mainly includes the elimination of receivables and liabilities between segments. In 2011, the assets of the business segments were attributable almost entirely to Germany and the rest of the European Union. For a regional breakdown of assets, please see our notes on the Company's fixed assets.

2010 segment results

The 2010 consolidated column contains the following key items: reversal of negative goodwill (EUR 18.4 million); losses from deconsolidation (EUR –3.2 million); elimination of

loan abatements between segments (EUR –14.7 million); elimination of dividend payouts between segments (EUR –5.9 million); amortization of goodwill, insofar as it is not allocated to a specific segment (EUR –0.4 million).

Depreciation/amortization/write-downs in 2010
The 2010 consolidated column includes amortization of goodwill, insofar as it is not allocated to a specific segment (EUR 0.4 million).

Other non-cash items 2010
The 2010 consolidated column includes the following salient non-cash items: reversal of negative goodwill (EUR 18.4 million); non-cash loan abatements (EUR -15.1 million); losses from deconsolidation (EUR –3.2 million). Also included are, among other things, increases and/or reversals of value-adjustments as well as provision reversals, insofar as these items arose at the individual company level.

Segmental assets and liabilities in 2011
In terms of segment assets/liabilities items, the 2010 consolidated column mainly includes eliminations of receivables and liabilities between segments. In 2010, the assets of the business segments were attributable almost entirely to Germany and the rest of the European Union, with the exception of Hunsfos (Norway) and SwissTex (Switzerland) For a regional breakdown of assets, please see our notes on the Company's Schedule of Fixed Assets.

IX. Miscellaneous information

Executive Board and Supervisory Board

Executive Board
- Reimar Scholz, Degree in Business Administration
  (Dipl. Kaufmann),
  Residing in Gauting, Germany.
  Head of Acquisitions (Executive Board Chairman)
- Harald Ender, Degrees in Engineering and Business Administration
  (Dipl.-Ingenieur, Dipl. Kaufmann),
  Residing in Landsberg, Germany.
  Head of Operations (Executive Board Member)

Insofar as only one Executive Board Member has been appointed, he/she is entitled to act as sole representative of the Company. Insofar as more than one have been appointed, any two Executive Board Members may jointly represent the company.

Mr. Reimar Scholz is entitled to act as sole representative.

Mr. Harald Ender is entitled to represent the company in tandem with another Executive Board Member or a fully authorized agent (Prokurist).

The Executive Board Members have been released from the restrictions of § 181 of the German Civil Code (BGB).

Supervisory Board
- Dr. Matthias Heisse, attorney at law, residing in Munich (Chairman)
- Dr. Gernot Eisinger, businessman, residing in Munich (Deputy Chairman)
- Dr. Harald Linné, businessman, residing in Munich

Total remuneration of the Supervisory Board and Executive Board as well as former members of these bodies
Total remuneration of Supervisory Board Members amounted to EUR 40,000 (prior year: EUR 40,000), of which EUR 0.00 was paid to former Supervisory Board Members (prior year: EUR 0.00).

During the reporting year, the Company paid fees of EUR 64,000 (prior year: EUR 114,000) to the law firm of Heisse Kursawe Eversheds, of which Dr. Heisse is a partner. This occurred in the context of a separate consulting agreement pursuant to §114 of the German Stock Corporation Act (AktG).

Total remuneration received by Executive Board Members in 2011 amounted to EUR 1,144,000 (prior year 1,181,000).

Employees
The total workforce of the companies included in the scope of consolidation as of 31 December 2011 numbered 4,297 persons (prior year 3,913 employees). The chart below shows a breakdown of the BAVARIA Group's workforce for the past two years:

	2011	2010
Industrial workers	2,899	1,875
Employees	1,313	1,967
Trainees	85	71
	4,297	**3,913**

Relationships with affiliated persons/entities
BAVARIA has customary business dealings with affiliated but not consolidated subsidiaries. The transactions with these companies are negligible in scope, arise in the course of normal operations and are performed under arm's-length conditions.

Moreover, none of the companies of the Group has engaged in any significant business transactions with members of BAVARIA's Executive Board or Supervisory Board, or with persons belonging to their respective families.

X. Schedule of shareholdings

All numbers in local currency (1,000s)	Currency	Share of equity in %		Equity	Net income	Exchange rate
		direct	indirect			
Group parent company						
BAVARIA Industriekapital AG, Munich				25,429	6,882	
Schedule of shareholdings						
Executive Consulting AG, Munich	(1) EUR	100.00		38	0	
Hering Wärmetauscher Holding AG, Munich	(1) EUR	75.00		47	-1	
Hering AG, Gunzenhausen	(2) EUR		71.06	1,169	137	
Nevira Vermögensverwaltung AG, Munich (in liquidation)	(3), (5) EUR	78.00		-316	-75	
BAVARIA Maschinenbau Holding II AG, Munich	(1) EUR	98.75		73	18	
Langbein & Engelbracht GmbH, Bochum	(2) EUR		92.83	5,600	-138	
Langbein & Engelbracht Industrial Eng.& Co., Shanghai, China	(2) CNY		92.83	-5,353	-1,026	0.12133
Verwaltungsgesellschaft 0906 GmbH, Munich	(1) EUR	100.00		36	12	
Blitz 05-316 GmbH & Co. KG, Munich	(1) EUR	100.00		55	12,799	
R+E Automationstechnik GmbH, Fellbach-Schmiden	(2) EUR	100.00		-66	147	
Kienle + Spiess GmbH, Sachsenheim	(2) EUR		99.74	19,673	8,730	
Kienle + Spiess Hungary Kft, Tokod, Hungary	(2) HUF		99.74	2,441,071	414,027	0.00320
Wardstorm Ltd., Ellesmere Port, UK	(2) GBP		99.74	7,114	0	1.19333
Sankey Laminations Ltd., Ellesmere Port, UK	(2) GBP		99.74	5,979	550	1.19333
G.L. Scott & Co. Ltd., Ellesmere Port, UK	(2) GBP		99.74	0	0	1.19333
Bavariaring 0906 GmbH, Munich	(1) EUR	100.00		5	-14	
SwissTex Winterthur AG, Winterthur, Switzerland	(2), (6) CHF		100.00	2,262	231	0.82163
Bavaria Chemicals GmbH, Munich	(1) EUR	75.00		21	2	
Elfotec AG, Mönchaltdorf, Switzerland (in liquidation)	(4), (5) CHF		75.00	-	-	0.82163
Elfotec Ltd., Annacotty, Irland (in liquidation)	(4), (5) EUR		75.00	-	-	
baikap Holding 010607 GmbH, Munich	(1) EUR	100.00		-868	-959	
baikap Holding 020607 GmbH, Gräfelfing	(1) EUR	100.00		-4	-29	
EMS Holding Bavaria GmbH, Gräfelfing	(1) EUR	100.00		-252	-10	
Pharma Holding Bavaria GmbH, Munich	(1) EUR	100.00		11	-14	
Bavaria France Holding SAS , Neuilly sur Seine, France (prev. Fonderies Aluminium de France SAS)	(2) EUR		100.00	1,777	569	
Fonderie Aluminium de Cléon SAS, Cléon, France	(4), (5) EUR		100.00	-	-	
Fonderie d'Ingrandes, Neuilly sur Seine, France (prev. Fonderie du Poitou Aluminium SAS)	(2) EUR		100.00	329	505	
Teksid Deutschland GmbH, Heilbronn (in liquidation)	(4), (5) EUR		100.00	-	-	
Xenterio GmbH, Offenburg	(2), (6) EUR		100.00	-5,789	-3,017	
FARAL S.p.A., Modena, Italy	(2), (6) EUR		100.00	9,582	-3,984	
K+S Holding GmbH & Co. KG, Munich	(1) EUR		94.80	1	582	
Kienle + Spiess Logisztikai, Tokod, Hungary	(2) HUF		99.74	-58,396	-82,184	0.00320
FARAL France SAS, Carmaux, France	(2), (6) EUR		100.00	727	1,796	
Hunsfos Fabrikker AS, Vennesla, Norway	(2), (6) NOK		100.00	46,369	-38,674	0.12872
Die-Cast Holding Bavaria GmbH, Munich	(1) EUR	100.00		91	66	

All numbers in local currency (1,000s)	Currency	Share of equity in %		Equity	Net income	Exchange rate
		direct	indirect			
baikap Holding 061108 GmbH, Munich	(1) EUR		100.00	22	-2	
baikap Holding 070309 GmbH, Munich	(1) EUR	100.00		12	-1	
Inasa Foil GmbH (prev. baikap Holding 080309 GmbH), Munich	(1) EUR		100.00	22	-2	
OSNY Pharma SAS, Osny, France	(4), (5) EUR		100.00	-	-	
OSNY Pharma Holding SAS, Osny, France	(4),(5) EUR		100.00	-	-	
tech-FORM SAS, Auxi-Le-Château, France	(2) EUR		100.00	1,680	-197	
Austria Druckguss GmbH & Co KG, Gleisdorf, Austria	(2) EUR		100.00	1,678	-1,345	
Austria Druckguss GmbH, Gleisdorf, Austria	(7) EUR		100.00	19	3	
baikap Holding 090709 GmbH, Munich	(1) EUR	100.00		22	-2	
Bavaria Purchasing Group GmbH (ehem. baikap Holding 100709 GmbH), Sachsenheim	(1) EUR	100.00		47	6	
Inasa Foil Sabiñánigo S.L. (prev. Laminados Sabiñánigo S.L.), Sabiñánigo, Huesca, Spain	(2) EUR		100.00	3,758	-942	
INASA Foil S.A., Irurtzun near Pamplona, Spain	(2) EUR		100.00	26,474	-1,840	
L&E America Environmental Technologies LLC, Kaukauna, Wisconsin, USA	(9) USD		74.26	-14	-84	0.77220
baikap Holding 110510 GmbH, Munich	(1) EUR	100.00		-2,224	-2,248	
baikap Holding 120510 GmbH, Munich	(1) EUR	100.00		-970	-994	
SwissTex France SAS, Valence, France	(2), (6) EUR		100.00	600	-400	
TriStone Flowtech Holding SAS, Carquefou, France	(2) EUR		100.00	-1,553	-1,603	
TriStone Flowtech Slovakia spol Sro, Nová Bana, Slovakia	(2) EUR		100.00	5,893	689	
TriStone Flowtech Poland Sp zoo, Walbrzych, Poland	(2) EUR		100.00	11,474	4,306	
TriStone Flowtech France SAS,Carquefou, France	(2) EUR		100.00	-1,352	-1,389	
TriStone Flowtech Czech Republic s.r.o, Hrádek nad Nisou, Czech Republic	(2) EUR		100.00	7,252	4,802	
TriStone Flowtech Istanbul Otomotive SVTLS, Çerkezköy, Turkey	(2) EUR		100.00	1,253	1,204	
TriStone Flowtech Italy SpA, Cirié, Italy	(2) EUR		100.00	9,439	796	
TriStone Flowtech Germany GmbH, Frankfurt on the Main	(2) EUR		100.00	105	221	
TriStone Flowtech Spain SAU, Tarazona, Spain	(2) EUR		100.00	1,758	-1,002	
TriStone Flowtech Solutions SNC, Carquefou, France	(2) EUR		100.00	-1,032	53	
TriStone Flowtech Mexico S. de R.L. de C.V.	(8) EUR		100.00	-	-	
baikap Holding 130810 GmbH, Munich	(1) EUR	100.00		23	-2	
baikap Holding 140810 GmbH, Munich	(1) EUR	100.00		23	-2	
baikap Holding 150911 GmbH, Munich	(1) EUR	100.00		24	-1	
baikap Holding 160911 GmbH, Munich	(1) EUR	100.00		24	-1	
Bavaria France Metals SAS, Nanterre, France	(8) EUR		100.00	-	-	

(1) Unaudited annual report for 31 December 2011 pursuant to German Commercial Code (HGB).
(2) Audited annual report for 31 December 2010 pursuant to local accounting principles.
(3) Audited annual report for 31 December 2008 pursuant to German Commercial Code (HGB).
(4) Not consolidated pursuant to § 296 of the German Commercial Code (HGB).
(5) Company is in liquidation.
(6) Company was deconsolidated as of 31 December 2011.
(7) Unaudited annual report for 31 December 2010 pursuant to local accounting principles.
(8) Newly established in 2011; an annual report is not yet available.
(9) Unaudited annual report for 31 December 2010 pursuant to US-GAAP.

External affiliations of the Group

BAVARIA is included in the consolidated group annual report of AS Beteiligungen und Vermögensverwaltung GmbH (formerly AS Vermögensverwaltungs GmbH), Gräfelfing/Germany. The present Consolidated Group Annual Report is published in the Electronic Federal Gazette (elektronischer Bundesanzeiger), where it may be inspected online.

Profit distribution/recommended dividend

In 2011, the General Shareholder resolved that BAVARIA would not pay a dividend for the year.

At the upcoming General Shareholders' Meeting, the Executive Board and Supervisory Board of BAVARIA Industriekapital AG will recommend that only the statutory minimum dividend, or EUR 0.04 per share, be paid out of the Company's balance sheet profit of EUR 15,024,361.11, with the remaining profit to be carried forward. This will allow for the Company's increased investment activities during the reporting year.

Munich, on 21 March 2012

Reimar Scholz
Executive Board

Harald Ender
Executive Board

Audit opinion of the statutory auditor

We have audited the consolidated annual financial statements prepared by BAVARIA Industriekapital AG, München, comprising the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in shareholders' equity and the notes to the consolidated annual financial statements, together with the consolidated management report for the financial year of 1 January 2011 to 31 December 2011. The preparation of the consolidated annual financial statements and the consolidated management report in accordance with the provisions of German commercial law are the responsibility of the company's legal representatives. Our responsibility is to express an opinion on the consolidated annual financial statements, together with the bookkeeping system, and on the consolidated management report based on our audit.

We conducted our audit of the consolidated annual financial statements in accordance with Article 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany, IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated annual financial statements and in accordance with the applicable financial reporting framework and in the consolidated management report are detected with reasonable assurance. Knowledge of the Group's business activities and the economic and legal environment and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the Group's accounting-related internal control system and the evidence supporting the disclosures in the consolidated annual financial statements and consolidated management report are examined primarily on a test basis within the framework of the audit.

The audit includes assessing the annual financial statements of the entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated annual financial statements and the consolidated management report. We believe that our audit provides a reasonable basis for our opinion. Our audit has not led to any reservations.

In our opinion, based on findings of our audit, the consolidated annual financial statements comply with the relevant legal provisions and give a true and fair view of the Group's net assets, financial position and results of operations in accordance with German principles of adequate and orderly accounting. The consolidated management report is consistent with the consolidated annual financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

The above auditor's opinion may only be used in connection with audit report. Any use out of context of our audit report requires our agreement in advance. Publication or propagation of the annual financial statements and management report in any form other than the audited version (including translation in other languages) requires our agreement our auditor's opinion is quoted or if our audit is referred to. We particularly refer to Article 328 HGB.

Munich, on 27 March 2012

RP RICHTER GmbH
Wirtschaftsprüfungsgesellschaft

Frank Stahl
Wirtschaftsprüfer
[German Public Auditor]

Martin Costa
Wirtschaftsprüfer
[German Public Auditor]

List of Abbreviations

ADG KG	Austria Druckguss GmbH & Co. KG, Gleisdorf, Austria
AktG	German Stock Corporation Act
BAVARIA Industriekapital	BAVARIA Industriekapital AG, Munich
BilMoG	Accounting Law Modernisation Act
CARBODY	CARBODY, Witry les Reims, France
DRS	German Financial Reporting Guidelines
EGHGB	Introductory Act to the German Commercial Code
FARAL France	FARAL France SAS, Carmaux, France
FARAL Italy	FARAL S.p.A., Modena, Italy
FDI	Fonderie d´Ingrandes (prev. FDPA Fonderie du Poitou Aluminium SAS), sur Vienne, France
Geo L. Scott	Geo L. Scott & Co. Ltd., Ellesmere Port, UK
Griset	Griset S.A.S., Villers Saint-Paul, France
Hering	Hering AG, Gunzenhausen
HGB	German Commercial Code
HGB a. F.	German Commercial Code former version
HR	Commercial Register
Hunsfos	Hunsfos Fabrikker AS, Vennesla, Norway
IDW	Institut der Wirtschaftsprüfer in Germany e.V., Düsseldorf
Inasa Foil	Inasa Foil S.A. Irurtzun, Spain
Inasa Sabiñánigo	Inasa Foil Sabiñánigo S.L. (prev. Laminados Sabiñánigo S.L.), Sabiñánigo, Huesca, Spain
KStG	German Corporate Tax Act
K+S Germany	Kienle + Spiess GmbH, Sachsenheim
K+S Hungary	Kienle + Spiess Hungary Ipari kft., Tokod, Hungary
K+S Logistik	Kienle + Spiess Hungary Logisztikai, Tokod, Hungary
L&E	Langbein & Engelbracht GmbH, Bochum
L&E USA	L&E America Environmental Technologies LLC, Kaukauna, Wisconsin, USA
L&E Shanghai	L&E Industrial Eng.&. Co., Shanghai, China
OSNY Pharma	OSNY Pharma SAS, Osny, France
OSNY Holding	OSNY Pharma Holding SAS, Osny, France
R+E	R+E Automationstechnik GmbH, Fellbach-Schmiden
Sankey	Sankey Laminations Ltd., Ellesmere Port, UK
SwissTex	SwissTex Winterthur AG, Winterthur, Switzerland
SwissTex France	SwissTex France SAS, Valence, France
tech-FORM	tech-FORM SAS, Auxi-le-Château, France
TEUR	Thousand EUR
Technology Luminaires S.A.S.	Technology Luminaires S.A.S., Nevers Cedex, France
TriStone Germany	TriStone Flowtech Germany GmbH, Frankfurt on the Main
TriStone France	TriStone Flowtech France SAS, Carquefou, France
TriStone Holding	TriStone Flowtech Holding SAS, Carquefou, France
TriStone Italy	TriStone Flowtech Italy S.p.A., Cirié, Italy
TriStone Poland	TriStone Flowtech Poland Sp. zo.o., Walbrzych, Poland
TriStone Slovakia	TriStone Flowtech Slovakia spol S.r.o., Nová Bana, Slovakia
TriStone Solution	TriStone Flowtech Solution SNC, Carquefou, France
TriStone Spain	TriStone Flowtech Spain S.A., Tarazona, Spain
TriStone Czech Republic	TriStone Flowtech Czech Republic s.r.o., Hrádek nad Nisou, Czech Republic
TriStone Turkey	TriStone Flowtech Istanbul Otomotiv Sanayi ve Ticaret Limited Sirketi, Cerkezköy, Turkey
Wardstorm	Wardstorm Ltd., Ellesmere Port, UK
Xenterio	Xenterio GmbH, Offenburg

Imprint

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