



BAVARIA Industriekapital AG
Munich

Half-Year Report as of 30.06.2010

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Letter to the shareholders

August 2010

Fellow shareholders and
business associates,

The first half of 2010 was a positive one for BAVARIA Industriekapital AG, with Group turnover amounting to EUR 250 million, a 34% increase over the prior year (EUR 187 million).

During the same period, the operating result (EBITDA) of the Group's active subsidiaries climbed from EUR -6.8 million to EUR 3.5 million, a year-on-year improvement of more than EUR 10 million. Moreover, the Group's Q2 2010 operating result of EUR 2.9 million is the highest since the beginning of the sales crisis, as the following tables - showing turnover and quarterly results since the start of 2009 - illustrate:

Turnover in EUR million	Q1/2009	Q2/2009	Q3/2009	Q4/2009	Q1/2010	Q2/2010
Series Manufacturers	63.0	57.9	68.1	70.3	60.3	64.1
Plant Engineering and Construction	8.5	7.2	10.1	22.3	5.6	18.8
Business Services	24.3	26.5	23.9	21.5	49.5	51.9
Total	95.8	91.6	102.1	114.1	115.4	134.8

EBITDA in EUR million	Q1/2009	Q2/2009	Q3/2009	Q4/2009	Q1/2010	Q2/2010
Series Manufacturers	-3.3	0.1	2.0	-1.9	4.3	4.4
Plant Engineering and Construction	-1.4	-1.1	0.2	2.7	-2.2	1.4
Business Services	-0.2	-0.8	-1.4	-0.8	-1.5	-2.9
Total	-4.9	-1.9	0.8	0.1	0.6	2.9

Thus, the "Series Manufacturers" segment was once again able to boost its quarterly result, which amounted to EUR 4.4 million in Q2 2010. The "Plant Engineering and Construction" division also had a positive second quarter, earning a result of EUR 1.4 million, whereby the strongest increase is not expected to take place until the second half of the year, due to the delivery cycle. On the other hand, the Q2 result of the "Business Services" division was encumbered by such factors as the operating losses of Xenterio GmbH, which amounted to EUR -2.7 million in Q2 alone. If we factor out this particular company, we arrive at a consolidated operating result of EUR 5.7 million in Q2. On an annualized basis, this translates into an operating result of ca. EUR 23 million for the BAVARIA Group.

The BAVARIA Group had cash and cash equivalents of EUR 59 million as at 30 June 2010, which means a reduction of EUR 11 million in comparison to the first quarter of the year mainly due to our payment of the dividend of EUR 8 million in June 2010.

Following completion of our acquisition of TriStone Flowtech (formerly Trelleborg Fluid Solutions) on 2 July 2010, the turnover for the year as a whole is expected to climb to roughly EUR 600 million.

We still have a very positive assessment of the market for making new acquisitions at attractive terms. As the recent case of TriStone Flowtech demonstrates, we are at a distinct advantage when it comes to persuading conglomerate sellers who are particularly selective in choosing a buyer for their subsidiaries: To clinch the aforementioned deal, we had to make sure that not just the French labour unions but also the key automotive customers were completely sold on the future viability of our strategy. After all, we will remain connected to the seller for years to come via a nexus of supplier and sourcing relationships.

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

A handwritten signature in blue ink, appearing to read 'Reimar Scholz', with a stylized, cursive script.

Reimar Scholz
Chief Executive Officer

Group Key Figures

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

The Share

Number of shares	6,394,500
Share type	Bearer share certificates
Share capital	EUR 6,394,500.00
Voting rights	Each share has a vote entitlement
WKN	260555
ISIN	DE0002605557
Stock exchange code	B8A
Stock exchange segment	Entry Standard
Fiscal year	Same as calendar year
Accounting	In acc. with HGB (Commercial Code)
Designated sponsor	Equinet AG
Announcements	Electronic Bundesanzeiger (German Federal
Top price up to reporting date (30.03.2010)	EUR 13.50
Lowest price up to reporting date (04.01.2010)	EUR 10.60
Closing price (30.06.2010)	EUR 12.00
Market capitalization (30.06.2010)	EUR 76.7 million
Earnings Holding per share	EUR 1.29 (fiscal year 2009)
Dividend per share	EUR 1.25 (fiscal year 2009)

BAVARIA Industriekapital AG acquired a number of 150,986 own shares under the resolution of the Annual Shareholder Meeting of 20 June 2008, a number of 70,150 own shares under the resolution of the Annual Shareholder Meeting of 29 May 2009 and a number of 3,539 shares under the resolution of the Annual Shareholder Meeting of 11 June 2010.

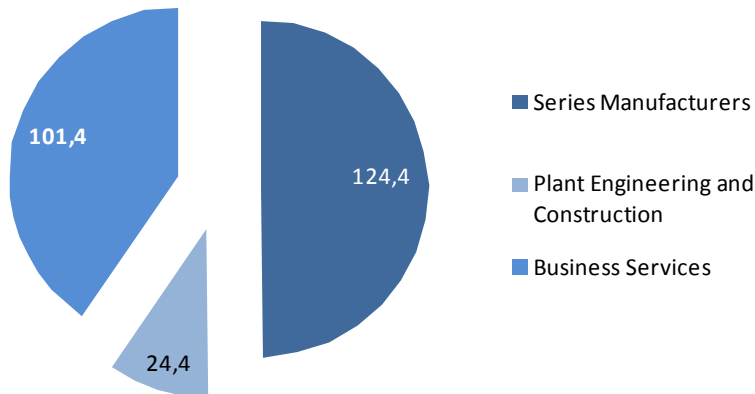
As of 30 June 2010, BAVARIA Industriekapital is therefore in possession of a total number of 224,675 own shares for an acquisition value of EUR 2.2 million.

Group Management Report (Update)

Shareholding Portfolio

A. Series Manufactureres

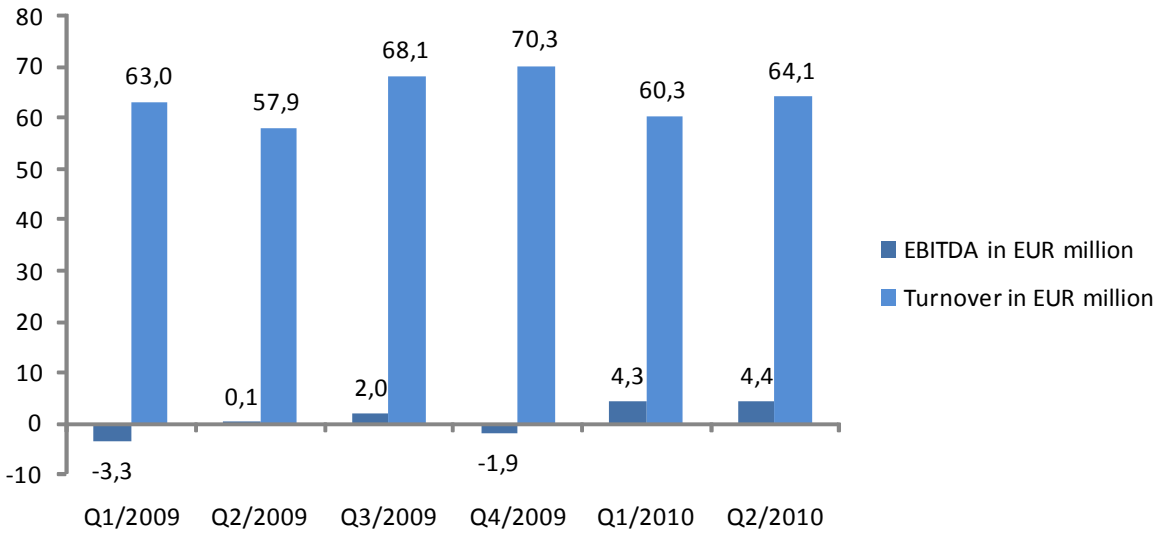
Turnover BAVARIA Group first half year 2010 (in EUR million)



The segment “Series Manufacturers” accounted for ca. 50% (prior year: 65%) or EUR 124.4 million (prior year: EUR 120.9 million) of the BAVARIA Group’s sales revenue.

A.1 Segment Turnover and Earnings

The following graphic shows the development of turnover and EBITDA of the segment “Series Manufacturers” since the first quarter 2009:



In comparison to last year the result could get improved due to increasing turnover. This is a result out of adopted structural measures, which were implemented in all subsidiaries of this segment.

A.2 Investments, depreciation and personnel changes

Capital expenditures in the Segment „Series Manufacturers“ amounted to EUR 3.1 million in the first half year 2010 (EUR 8.3 million py.) while depreciation on fixed assets amounted to EUR 6.6 million (EUR 7.5 million py.).

The number of employees decreased from 1,908 to 1,676, which is mainly due to the sale of Fonderie du Poitou Aluminium, Ingrandes sur Vienne/France, in December 2009 (ca. 550 employees).

Please also refer to our segment reporting in the Notes to the Financials.

A.3 Outlook

We are forecasting a stable development of sales and earnings for our companies in the segment „Series Manufacturers“

A.4 Portfolio companies

Kienle + Spiess Group

Date of acquisition June 2006
Managing Director Wolfgang Werheid
Legal domicile Sachsenheim/Germany, Bilston/UK, Tokod/Ungarn

The Kienle+Spiess Group is the leading European provider of stamped and die-cast components for electrical machinery and generators. Since 1935, the company has been known for the stamping and packing of rotor and stator laminations and all types of electrical drives. The main plant at Vaihingen/Sachsenheim has been in existence since the 1960s. In addition, Kienle+Spiess also has branch operations in the UK and Hungary.

Faral Group

Date of acquisition May 2008
Managing Director Giovanni Fregnan, Biagio Sissini
Legal domicile Modena / Italien and Carmaux / France

Faral S.p.A. was established in 1966 in Campogalliano (Modena/Italy), and became the first company to sell radiators made of aluminium (the "Tropical" line). Faral supplies the European market via 3 plants: a foundry and 2 varnishing/assembly works. Since October 2008, the Faral Group also has a branch location in France.

Tech-FORM SAS

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

Formerly known as ThyssenKrupp Sofedit Auxi-le-Château, 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 and testing equipment, Tech-Form is able to design and produce top-quality, competitively priced components tailored to the technical requirements of its customers (mainly in the automotive sector).

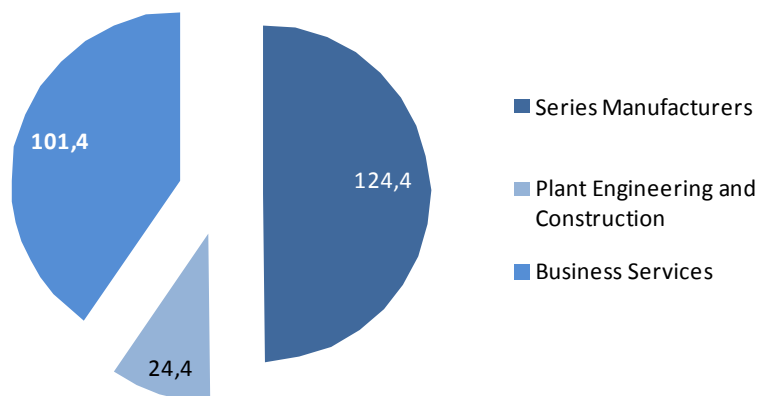
Austria Druckguss GmbH & Co. KG

Date of acquisition May 2009
Managing Director Alexander Schröfl
Legal domicile 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. By collaborating with partners in low-wage countries, the company will be able 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.

B. Plant Engineering & Construction

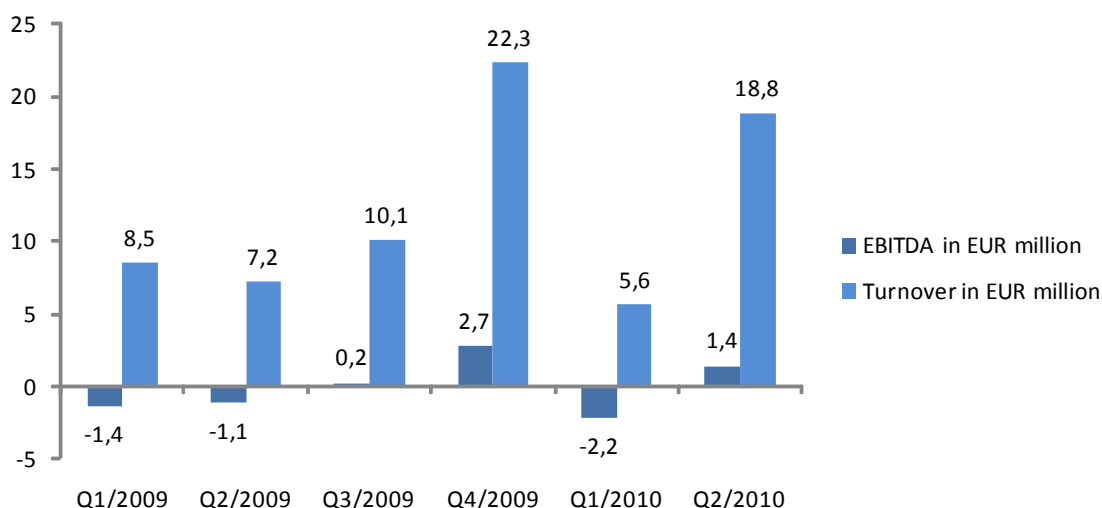
Turnover BAVARIA Group first half year 2010 (in EUR million)



The segment “Plant Engineering & Construction” accounted for ca. 10% (prior year: 8%) or EUR 24.4 million (prior year: EUR 15.7 million) of the BAVARIA Group’s sales revenue.

B.1 Segment Turnover and Earnings

The following graphic shows the development of turnover and EBITDA of the segment “Plant Engineering & Construction” since the first quarter 2009:



Along with the general jump in demand in the engineering industry, our portfolio companies of the “Plant Engineering & Construction” segment were also subject to a strongly increasing order book in the 2nd quarter 2010. Since some machines could already be completed and delivered in the 2nd quarter, the results have also strongly improved.

B.2 Investments, depreciation and personnel changes

Capital expenditures in the Segment “Plant Engineering & Construction“ amounted to EUR 0.1 million in the first half year 2010 (EUR 0.1 million py.) while depreciation on fixed assets amounted to EUR 0.3 million (EUR 0.3 million py.).

The number of employees increased from 274 to 402, which is mainly due to the acquisition of SwissTex France SAS (ca. 80 employees) and the consolidation of R+E Automationstechnik GmbH (ca. 30 employees).

Please also refer to our segment reporting in the Notes to the Financials.

B.3 Outlook

The economic pickup, which has already started, will continue in the upcoming quarters. We expect a significant increase in sales compared to 2009. Traditionally, the majority of machine deliveries and hence sales are achieved in the second half of each calendar year in the segment “Plant Engineering & Construction“. Consequently, we also expect a significant increase in both sales and results compared to the first half year of 2010.

B.4 Portfolio companies

Langbein & Engelbracht Group

Date of acquisition May 2004
Managing Director Dr. Peter Engelmann
Legal domicile Bochum/Germany

With branches in Bochum/Germany, Shanghai/ China, and Kaukauna (Wisconsin)/ USA, Langbein & Engelbracht GmbH (L&E) is a globally operating machine-construction company focusing on paper, surface technology and process technology. Boasting a long tradition, the company develops, pro-duces and installs customised systems for leading manufacturers in the following industries: automotives, chemicals, paper, synthetics, packaging, wood processing and waste incinera-tion.

SwissTex Group

Date of acquisition December 2006
Managing Director André Lienert
Legal domicile Winterthur/Schweiz

Based in Winterthur/Switzerland, SwissTex Winterthur AG develops, manufactures and distributes systems for the production of technical and industrial yarns (T&I) and bulk continuous filaments (BCF). In April 2010, SwissTex Winterthur AG acquired the assets of the company RITM SAS by the newly formed entity SwissTex France SAS and complemented its product range with machines and systems affiliated to the Textiles, BCF, T&I and glass industries fields.

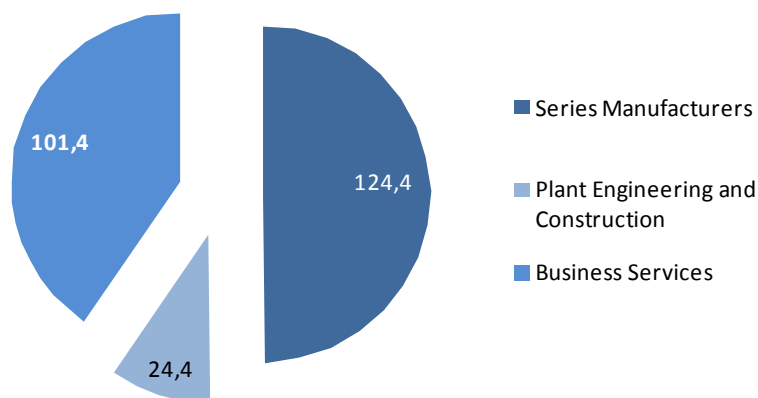
Hering AG

Date of acquisition January 2004
Managing Director Dr. Peter Engelmann
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 equipment such as heat exchangers, ventilators, dryers and vacuum units. Hering supplies well-known manufacturers in the following industries: chemicals, foodstuffs, environmental protection and cooling technology.

C. Business Services

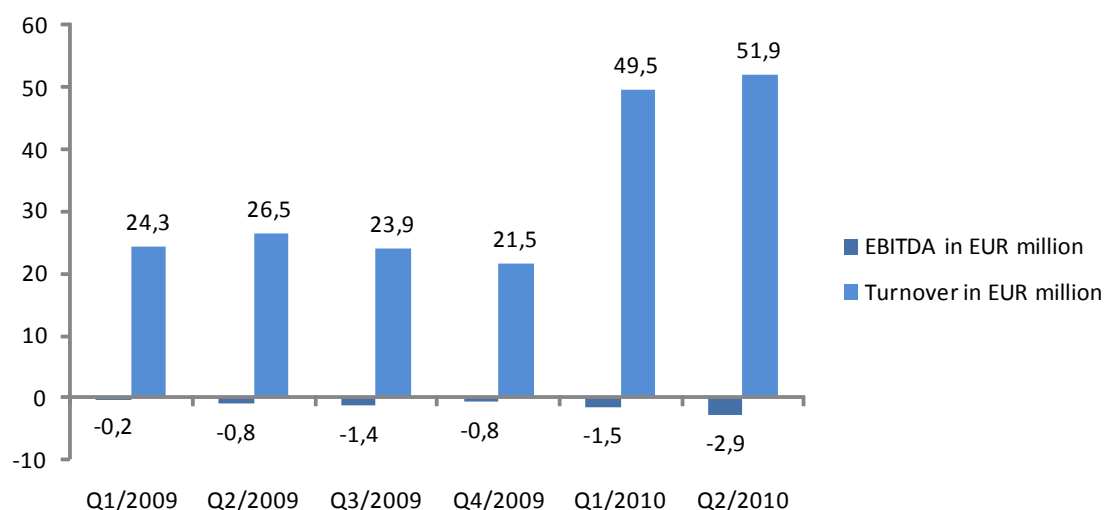
Turnover BAVARIA Group first half year 2010 (in EUR million)



The segment “Business Services“ accounted for ca. 40% (prior year: 27%) or EUR 101.4 million (prior year: EUR 50.7 million) of the BAVARIA Group’s sales revenue.

C.1 Segment Turnover and Earnings

The following graphic shows the development of turnover and EBITDA of the segment “Business Services“ since the first quarter 2009:



The sales increase is mainly related to the newly acquired companies Inasa Foil SA and Inasa Foil Sabiñanigo S.L. in Spain. This more than compensates the continuously decreasing sales of Xenterio. Strongly increasing raw material prices have a negative impact on the earnings development, since these cannot immediately be passed on to the customers.

C.2 Investments, depreciation and personnel changes

Capital expenditures in the Segment „ Business Services “ amounted to EUR 2.1 million in the first half year 2010 (EUR 0.7 million py.) while depreciation on fixed assets amounted to EUR 2.9 million (EUR 1.9 million py.).

The number of employees increased from 637 to 738, which is mainly due to the acquisition of the Spanish aluminium foil companies Inasa Foil SA and Inasa Foil Sabiñanigo S.L. (ca. 140 employees) and the consolidation of R+E Automationstechnik GmbH (ca. 30 employees).

Please also refer to our segment reporting in the Notes to the Financials.

C.3 Outlook

We are forecasting a stable sales development. The results will be positively influenced by the freshly implanted cost savings and structural measures, especially at our new portfolio companies in Spain.

C.4 Portfolio companies

Xenterio GmbH

Date of acquisition January 2008
Managing Director Hans Joachim Hermann
Legal domicile Offenburg/Germany

Xenterio traces its origins back to the 1960s, and the establishment of the now defunct AEG-Telefunken. As a so-called provider of “EMS” (Electronic Manufacturing Services), Xenterio offers a wide range of partnership options in the field of electronics manufacturing. The firm’s core business consists of the production and rigging of network systems for the telecommunications market. The company’s services range from industrialisation (through mass production) to after-sales services.

Hunfos Fabrikker AS

Date of acquisition December 2008
Managing Director Jan-Tore Vale, Mark Gooseman
Legal domicile Vennesla/Norway

The Hunfos Fabrikker paper mill was established in Vennesla, Southern Norway in 1886. Today, Hunfos’ entire product range is made using sustainable, environmentally friendly cellulose pulp. This not only conforms to BAVARIA’s environmental standards but also helps Hunfos adapt to customer/end-user requirements. The firm’s 3 most important business segments are unvarnished speciality paper, “high white” solid fibreboard lamination, and so-called “transfer paper” for the textile industry.

Hunfos boasts an annual production capacity of 58,000 tons, all of which is earmarked for export. While its main sales market is Europe, Hunfos also supplies customers in Asia as well North and South America.

OSNY Pharma SAS

Date of acquisition March 2009
Managing Director Sean Higgins
Legal domicile Osny/France

Osny Pharma produces medications administered orally or in the form of sprays. As a “Contract Research Organisation” (CRO), Osny Pharma participates in all phases of synthetic development of active agents, including official certification and manufacture of the finished pharmaceutical product. Thus, Osny Pharma’s customers benefit from its smooth and reliable one-stop service and experience in all phases of synthesis, right up to the certification

phase. Osny Pharma also offers the made-to-order development of pharmaceutical agents on a laboratory or pilot-plant scale, as well as pharmaceutical analysis.

Inasa Foil Group

Date of acquisition December 2009
Managing Director Miguel Lizarraga , Francisco Ruba Alamañac
Legal domicile Sabiñánigo and Irurtzun / Spanien

The Inasa aluminium foil factory was originally established as a cable works in 1957 in Irurtzun (near Pamplona). In 1968, the plant began producing aluminium foil, switching over to the “continuous casting” process in 1980. Inasa’s foil products are used not only in the kitchen, but also in sophisticated construction solutions, high-grade packaging for beverages, foods and cosmetics, as well as in a range of technical goods.

The Sabiñánigo aluminium-foil factory was established in 1927 in Sabiñánigo, Huesca (Spain), 120 km north of Zaragoza. Able to look back on an eventful history, the operation today produces high-grade aluminium foil used in packing solutions for the foodstuffs, cosmetics and pharmaceutical industries. The plant’s flexible approach to production and stringent service orientation allow Sabiñánigo to keep pace with fast-changing customer requirements. Sabiñánigo has a production capacity of about 22,500 tonnes of foil. The plant’s products are marketed primarily in Central Europe and Spain.

Significant events after the reporting date

As of 2 July 2010, BAVARIA Industriekapital AG has completed the acquisition of the Fluid Solutions business operations from Trelleborg Automotive. The Fluid Solutions business, which will in the future operate under the name of TriStone Flowtech, has approximately 1,900 employees and operations in Poland, the Czech Republic, Slovakia, Turkey, Spain, Italy, France and Germany. TriStone Flowtech manufactures components such as hoses for engine-cooling and air-supply solutions

TriStone is headquartered in Mannheim and achieved a turnover of approximately EUR 130 million in 2009. The group serves the major European car companies with its locations close to their main manufacturing bases. The first consolidation will be done in the 3rd Quarter 2010.

Outlook

We expect a favourable development of the present portfolio. Statements of sales and result expectation of BAVARIA cannot be made precisely, since this depends substantially on the number and the size as well as the restructuring level of the enterprises acquired and sold.

Based on the existing portfolio, sales for 2010 will presumably amount to approximately a minimum of EUR 550 million; on this basis we expect a positive operational EBITDA (not including releases from negative goodwill and consolidation effects).

We expect further company acquisitions up to the end of the year 2010.

Consolidated Profit And Loss Account 01 January – 30 June 2010

	30 June 2010		30 June 2009	
	TEUR	TEUR	TEUR	TEUR
1. Sales	250,287		187,307	
2. Increase or reduction of the inventories in finished and non-finished products	9,689		-10,783	
3. Own work capitalized	<u>442</u>		<u>753</u>	
		260,418		177,277
4. Other operating income		15,527		11,585
5. Cost of materials				
a) Raw materials, supplies and merchandise for resale	-137,475		-86,365	
b) Purchased services	<u>-18,744</u>		<u>-10,987</u>	
		-156,219		-97,352
6. Personnel costs				
a) Wages and salaries	-55,314		-48,456	
b) Social insurance and other social charges and benefits pensions thereof pensions TEUR 1,637 (Previous year TEUR 2,385)	<u>-14,126</u>		<u>-14,207</u>	
		-69,440		-62,663
7. Depreciation on intangible assets of the fixed assets and property, plant and equipment		-9,993		-9,810
8. Other operating expenses		-38,150		-28,808
9. Other interest and similar income		97		545
10. Interest and similar expenses		<u>-2,635</u>		<u>-568</u>
11. Profit/loss on ordinary operations		-395		-9,794
12. Extraordinary Income	4,743		1,400	
13. Extraordinary expenses	-3,253		0	
14. Extraordinary Result		<u>1,490</u>		<u>1,400</u>
15. Taxes on income and earnings		-1,332		-376
16. Other taxes		<u>-766</u>		<u>-1,229</u>
17. Net loss		-1,003		-9,999
18. Net profit carried forward from previous year		16,658		21,467
19. Transfer from earnings reserves		1,826		0
20. Transfer to earnings reserves		0		-127
21. Allocation for own shares acquired in past periods		-1,632		0
22. Acquisition of own shares		-317		0
23. Profit relating to other shareholders		<u>256</u>		<u>243</u>
21. Consolidated profit		<u>15,788</u>		<u>11,584</u>

Consolidated Balance Sheet as of 30 June 2010

Assets

	30 June 2010		30 June 2009	
	TEUR	TEUR	TEUR	TEUR
A. Fixed assets				
I. Intangible assets				
1. Patents, trademarks, licenses and similar rights	2,126		2,193	
2. Goodwill	5,801		6,753	
3. Prepayment on account	<u>0</u>		<u>0</u>	
		7,927		8,946
II. Property, plant & equipment				
1. Land, leasehold rights and buildings incl. buildings on leased land	39,261		37,188	
2. Machinery and equipment	52,623		61,014	
3. Other equipment, plant and office equipment	3,667		3,602	
4. Advanced payments and construction-in-progress	<u>4,308</u>		<u>14,436</u>	
		99,869		116,240
III. Financial assets				
1. Shareholdings in affiliated companies	37		0	
2. Investments	18		39	
3. Other loans	<u>0</u>		<u>1</u>	
		55		40
		107,851		125,226
B. Current assets				
I. Inventories				
1. Raw materials and supplies	25,154		36,976	
2. Work-in-progress	36,660		19,361	
3. Finished products and merchandise	24,355		12,597	
4. Advance payments	<u>901</u>		<u>255</u>	
		87,070		69,189
II. Accounts receivable and other assets				
1. Receivables from trade	68,029		60,899	
2. Receivables from group companies	1		89	
3. Other assets	<u>37,059</u>		<u>14,869</u>	
		105,089		75,857
III. Marketable securities				
1. Treasury Stock	0		1,425	
2. Other marketable securities	<u>5,299</u>		<u>5,392</u>	
		5,299		6,817
IV. Cash and cash equivalents		<u>53,646</u>		<u>36,360</u>
		251,104		188,223
C. Prepaid expenses		2,422		2,155
D. Deferred Tax Assets		110		0
		361,488		315,605

Equity and liabilities

	30 June 2010		30 June 2009	
	TEUR	TEUR	TEUR	TEUR
A. Equity				
I. Subscribed capital		6,170		6,395
1. Share capital	6,395		6,395	
2. Own shares	-225		0	
II. Capital reserve		8,605		8,605
III. Revenues reserves		6		1,431
1. Restricted reserve	6		6	
2. Reserve for treasury stock	0		1,425	
IV. Difference from currency translation		1,287		302
V. Offsetting item for holdings of other shareholders		1,025		640
VI. Consolidated profit		15,788		11,584
		32,881		28,957
B. Difference from consolidation of capital (negative goodwill)		64,726		81,730
C. Accruals				
1. Accruals for pensions and similar commitments	65,764		60,844	
2. Tax reserves	3,060		5,201	
3. Other accruals	53,053		46,210	
		121,877		112,256
D. Liabilities				
1. Debt due to banks	28,624		19,703	
2. Advanced payments received on orders	17,664		6,234	
3. Trade payables	78,185		44,321	
4. Other liabilities	15,536		14,804	
		140,010		85,062
E. Deferred Income		1,993		7,599
E. Deferred Tax Liabilities		0		0
		361,488		315,605

Development of Group Equity

EUR thousands	<i>Subscribed capital</i>	<i>Capital reserve</i>	<i>Revenue reserves</i>	<i>Difference from currency translation</i>	<i>Offsetting item for holdings of other shareholders</i>	<i>Consolidated profit</i>	<i>Group equity</i>
31 December 2008	6,395	8,605	1,304	-6	1,088	41,134	58,520
Net result 30.06.2009						-9,999	-9,999
Dividend pay-out						-19,667	-19,667
Capital decrease							0
Reclassification in retained earnings			127			-127	0
Foreign currency differences				308			308
Shares of other partners					-448	243	-205
30 June 2009	6,395	8,605	1,431	302	640	11,584	28,957
31 December 2009	6,395	8,605	1,832	1,020	1,293	24,375	43,520
Net result 30.06.2010						-1,003	-1,003
Dividend pay-out						-7,717	-7,717
Capital decrease							0
Allocation for own shares acquired in past periods	-194		-1,826			194	-1,826
Acquisition of capital redemption	-31					-317	-348
Foreign currency differences				267			267
Shares of other partners					-268	256	-12
30 June 2010	6,170	8,605	6	1,287	1,025	15,788	32,881

Consolidated statement of cash flows 01 January – 30 June 2010

The cash and cash equivalent funds include all cash balances and cash equivalents as far as they are not subject to third-party claims. The effects from changes of consolidation scope have been eliminated.

	01.01- 30.06.2010 <u>TEUR</u>	01.01. - 30.06.2009 <u>TEUR</u>
Consolidated net income ahead of extraordinary items	-1,003	-11,399
Earnings proportions of minority shareholders		
Without-payment effective holdings	-12	-12
Depreciation on fixed asset items	9,993	9,810
Gains on sales of fixed assets	0	132
Changes in accruals	3,251	-3,860
Dissolution of differences from the capital consolidation	-9,022	-6,570
Payments from extraordinary items	<u>0</u>	<u>1,400</u>
Gross cash flow	3,207	-10,499
Change in inventories	-20,279	13,468
Change in receivables, other assets and the rest of the assets	-18,489	12,208
Changes in liabilities und the rest of total equities and liabilities	<u>22,527</u>	<u>-21,582</u>
Cash flow from current operations	-13,034	-6,405
Payments for investments in fixed assets	-5,381	-9,163
Currency differences in fixed assets	0	-748
Payments from disposals of items of intangible fixed assets	280	381
Payments for capital expenditure into the financial assets	<u>-1,061</u>	<u>0</u>
Cash flow from investment activities	-6,162	-9,530
Dividends to the shareholders	-7,717	-19,667
Purchase of treasury shares	-348	-127
Pay-outs to minority shareholders	0	-194
Proceeds from borrowing of financial liabilities	<u>8,658</u>	<u>10,927</u>
Cash flow from financing activities	593	-9,061
Payment-effective change of cash and cash equivalents	-18,603	-24,996
Net funds addition from change in scope of consolidation	1,076	3,525
Currency differences	267	308
Cash and cash equivalents at start of the period	<u>75,543</u>	<u>62,765</u>
Cash and cash equivalents as of 30 June (not including pledged funds)	<u>58,283</u>	<u>41,602</u>

Segment Reporting

Segment reporting in EUR thousands

	Series	Plant Engineering	Business		Conso-	
30.06.2010 in EUR thousands	Manufacturers	& Construction	Services	Others	lidation	Group
<i>Sales</i>						
- with external third parties	124.390	24.415	101.467	15	0	250.287
- with group companies	0	0	0	2.512	-2.512	0
<i>Profit and Loss Statement</i>						
- Segment net income	-1.328	-1.401	-7.022	753	7.995	-1.003
- depreciation included						
therein	6.571	296	2.943	8	175	9.993
- Interest result included therein	1.722	82	1.159	-423	0	2.540
- taxes included therein	1.339	276	364	120	0	2.099
- extraordinary income and						
expense included therein	385	-4	-1.871	0	0	-1.490
EBITDA	8.689	-751	-4.427	458	8.170	12.139
<i>Balance Sheet</i>						
- Total assets	162.435	51.573	141.327	22.746	-16.593	361.488
- Investments in						
fixed assets	3.103	140	2.128	10	0	5.381
- Provision, accruals						
and liabilities	141.531	39.795	103.585	10.060	-31.091	263.880
<i>Employees</i>	1.676	402	738	8	233	3.057
	Series	Plant Engineering	Business		Conso-	
30.06.2009 in EUR thousands	Manufacturers	& Construction	Services	Others	lidation	Group
<i>Sales</i>						
- with external third parties	120.865	15.701	50.718	0	0	187.284
- with group companies	1	0	0	2.128	-2.106	23
<i>Profit and Loss Statement</i>						
- Segment net income	-12.195	-2.632	-2.132	562	6.398	-9.999
- depreciation included						
therein	7.477	269	1.881	9	174	9.810
- Interest result included therein	310	27	412	-726	0	23
- taxes included therein	1.229	-223	213	386	0	1.605
- extraordinary income and						
expense included therein	0	0	-1.400	0	0	-1.400
EBITDA	-3.179	-2.559	-1.026	231	6.572	39
<i>Balance Sheet</i>						
- Total assets	202.179	22.520	80.963	22.410	-12.467	315.605
- Investments in						
fixed assets	8.346	91	721	5	0	9.163
- Provision, accruals						
and liabilities	146.974	15.252	70.169	3.544	-31.021	204.918
<i>Employees</i>	1.908	274	637	9	0	2.828

Series Manufacturers

2010: Kienle + Spiess Group, Faral Group, tech-FORM, Austria Druckguss

2009: Kienle + Spiess Group, Faral Group, tech-FORM, Austria Druckguss, Fonderie du Poitou Aluminium

Plant Engineering & Construction

2010: Hering, Langbein & Engelbracht Group, SwissTex (inkl. French activities), R+E

2009: Hering, Langbein & Engelbracht Group, SwissTex

Business Services

2010: Xenterio, Hunsfos, OSNY Pharma, Inasa Foil Group (Sabiñánigo, Inasa)

2009: Xenterio, Hunsfos, OSNY Pharma

Notes to the half-year report

Accounting and Valuation Techniques

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

Scope of Consolidation

The consolidated financial statements include BAVARIA Industriekapital AG as the parent company, and affiliated companies in which BAVARIA Industriekapital AG either directly or indirectly has the majority of the voting rights or in which direct control is handled in another way. Five subsidiaries have not been included in the consolidation, consisting of companies for which consolidation is optional according to § 296 HGB. The scope of consolidation has changed as follows in comparison to consolidated financial statements as of 31 December 2009:

- R+E Automationstechnik GmbH, Fellbach-Schmidlen, was consolidated for first time due to an acquisition of further 50% of shares (BAVARIA Industriekapital AG now owns 100% of the shares) on 1 January 2010. In the first half of the year of 2010, R+E generated sales in the amount of ca. 2,142 TEUR with a little positive result.
- In April 2010, SwissTex Winterthur AG acquired the assets of the French company RITM by the newly formed entity SwissTex France SAS and complemented its product range with machines and systems affiliated to the Textiles, BCF, T&I and glass industries fields. The first consolidation was performed in the 2nd Quarter 2010 based on preliminary values. Due to the short period of time between acquisition and first consolidation, no final figures were available. The preliminary first consolidation resulted in a negative Goodwill of ca. EUR 2.9 million.
In the first half year of 2010, the French entity achieved sales of ca. EUR 2.3 million with a balanced result. We expect sales of ca. EUR 20 million for the full year 2010 for the French entity.

- As of July 2 2010, BAVARIA Industriekapital AG has completed the acquisition of the Fluid Solutions business operations from Trelleborg Automotive. The Fluid Solutions business will in the future operate under the name of TriStone Flowtech. Since the acquisition was completed after balance sheet date, no first consolidation was performed in this half year report. The main balance sheet key figures as of 2 July 2010 of the new group, which comprises nine individual companies, based on local preliminary book values, are as follows:

in EUR million	
Fixed Assets	30
Current Assets	50
Total Assets	80
Equity	36
Provisions and Liabilities	44
Total Equity and Liabilities	80

Notes to Individual Balance Sheet and P&L Items

Goodwill from consolidation of capital

Development as of 30 June 2010 in TEUR

Book value 31.12.2009	Addition	Amortization	Final consolidation	Book value 30.06.2010
6,258	0	-456	0	5,802

Development as of 30 June 2009 in TEUR

Book value 31.12.2008	Addition	Amortization	Final consolidation	Book value 30.06.2009
7,210	0	-457	0	6,753

Subscribed capital

The subscribed capital as of 30 June 2010 amounts to EUR 6,394,500.00. The calculative nominal value of the circulating shares remains unchanged at the value of 1.00 EUR per share. According to the new guidelines of BilMoG the nominal value of those shares was visibly set off against the share capital. The amount in excess thereof was deducted from the revenue reserves.

Consolidated retained earnings

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

	EUR thousands
Net profit carried forward from previous year 31.12.2009	24,375
./. Dividend distribution according to Shareholders' Resolution dated 11.06.2010	./. 7,717
Net profit carried forward from previous year 30.06.2010	16,658

Difference from the consolidation of capital (negative goodwill)

Development as of 30 June 2010 in EUR thousands

Book value 31.12.2009	Addition	Dissolution	Final consolidation	Book value 30.06.2010
71,213	2,535	-9,022	0	64,726

The addition mainly results from the company SwissTex SAS.

Development as of 30 June 2009 in EUR thousands

Book value 31.12.2008	Addition	Dissolution	Final consolidation	Book value 30.06.2009
69,603	18,697	-6,570	0	81,730

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

Other operating income

	30.06.2010	30.06.2009
	TEUR	TEUR
Income from the dissolution of negative goodwill	9,022	6,570
Exchange rate gains on company level	3,121	3,223
Release of accruals and provisions	1,905	597
Rental income	140	124
Exchange rate gains from consolidation	30	1
Income from the disposal of fixed assets	7	8
Other operating income	1,302	1,062
	15,527	11,585

Other operating expense

	30.06.2010	30.06.2009
	TEUR	TEUR
External services, insurance and contributions	8,435	6,064
Packaging and freight	6,600	2,659
Repair and maintenance	5,457	3,615
Exchange rate losses	3,804	2,381
Administrative expenses	2,340	2,238
Travel and entertainment	1,535	929
Rent	1,277	1,583
Commissions	1,248	1,035
Leasing and other rent	1,084	790
Advertisement	615	394
Others	5,755	7,120
	38,150	28,808

Schedule of shareholdings as of 30 June 2010

Group Parent Company	currency	proportion of capital in %	
		direct	indirect
BAVARIA Industriekapital AG, Munich			
Companies included in the consolidation			
Executive Consulting AG, Munich	EUR	100.00	
Hering Wärmetauscher Holding AG, Munich	EUR		62.59
Hering AG, Gunzenhausen	EUR		59.28
Nevira Vermögensverwaltung AG, Munich	EUR	78.00	
BAVARIA Maschinenbau Holding II AG, Munich	EUR	88.75	
Langbein & Engelbracht GmbH, Bochum	EUR		83.43
Langbein & Engelbracht Industrial Eng.&. Co., Shanghai/ China	CNY		83.43
Verwaltungsgesellschaft 0906 GmbH, Munich	EUR	100.00	
Blitz 05-316 GmbH & Co. KG, Munich	EUR	100.00	
R&E Automationstechnik GmbH, Fellbach-Schmidlen	EUR	100.00	
Kienle + Spiess GmbH, Sachsenheim	EUR		99.74
Kienle + Spiess Hungary Kft, Tokod/ Hungary	HUF		99.74
Wardstorm Ltd., Ellesmere Port/ UK	GBP		99.74
Sankey Laminations Ltd., Ellesmere Port/ UK	GBP		99.74
G.L. Scott & Co. Ltd., Ellesmere Port/ UK	GBP		99.74
Bavariaring 0906 GmbH, Munich	EUR	100.00	
SwissTex Winterthur AG, Winterthur/ Switzerland	CHF	100.00	
Bavaria Chemicals GmbH, Munich	EUR	75.00	
Bavaria Maschinenbau Ltd., Valletta/ Malta	✓ (1) EUR	100.00	
Elfotec AG, Mönchaltorf/ Switzerland (in liquidation)	✓ (1) CHF		75.00
Elfotec Ltd., Annacotty/ Irland (in liquidation)	✓ (1) EUR		75.00
baikap Holding 010607 GmbH, Munich	EUR	100.00	
baikap Holding 020607 GmbH, Gräfelfing	EUR	100.00	
EMS Holding Bavaria GmbH, Gräfelfing	EUR	100.00	
Pharma Holding Bavaria GmbH, Munich	EUR	100.00	
Bavaria France Holding SAS (formerly: Fonderies Aluminium de France SAS), Paris/ France	EUR		100.00
Fonderie Aluminium de Cléon SAS, Cléon/ France	✓ (1)		100.00
Fonderie d'Ingrandes (formerly: Fonderie du Poitou Aluminium SAS), Ingrandes sur Vienne/ France	EUR		100.00
Teksid Deutschland GmbH, Heilbronn (in liquidation)	✓ (1) EUR		100.00
Xenterio GmbH, Offenburg	EUR		100.00
FARAL S.p.A., Modena/ Italy	EUR		100.00
K+S Holding GmbH & Co. KG, Munich	EUR		94.80
Kienle + Spiess Logisztikai, Tokod/ Hungary	HUF		99.74
FARAL France SAS, Carmaux/ France	EUR		100.00
Hunsfos Fabrikker AS, Vennesla/ Norway	NOK		100.00
Die-Cast Holding Bavaria GmbH, Munich	EUR	100.00	
baikap Holding 061108 GmbH, Munich	EUR		100.00
baikap Holding 070309 GmbH, Munich	EUR	100.00	
Inasa Foil GmbH (formerly: baikap Holding 080309 GmbH), Munich	EUR	100.00	
OSNY Pharma SAS, Osny/ France	EUR		100.00
OSNY Pharma Holding SAS, Osny/ France	EUR		100.00
Tech-FORM SAS, Auxi-Le-Château/ France	EUR		100.00
Austria Druckguss GmbH & Co KG, Gleisdorf/ Austria	EUR		100.00
Austria Druckguss GmbH, Gleisdorf/ Austria	EUR		100.00

	currency	proportion of capital in %	
		direct	indirect
baikap Holding 090709 GmbH, Munich	EUR	100.00	
Bavaria Purchasing Group GmbH (formerly: baikap Holding 100709 GmbH), Munich	EUR	100.00	
Inasa Foil Sabiñánigo S.L. (formerly: Laminados Sabiñánigo S.L.), Sabiñánigo, Huesca/ Spain	EUR		100.00
INASA Foil S.A., Iruztun bei Pamplona/ Spain	EUR		100.00
L&E America Environmental Technologies LLC, Kaukauna, Wisconsin/ USA	USD		66.74
baikap Holding 110510 GmbH, Munich	EUR	100.00	
baikap Holding 120510 GmbH, Munich	EUR	100.00	
SwissTex France SAS, Valence/ France	EUR		100.00

(1) not consolidated in accordance with § 296 HGB

Financial Calendar

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