

Letter to the Shareholders

May 2010

Dear shareholders and business associates,

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

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

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

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

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

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

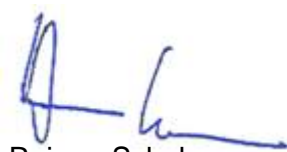
Thanks to consistent cost-cutting, the Series Manufacturers segment was able to boost its operating result by EUR 7.6 million to EUR 4.3 million. Much as in the prior year, the Plant Engineering and Construction segment reported a negative Q1 2010 operating result, due to the low level of deliveries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

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

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

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

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



Reimar Scholz

Chief Executive Officer