

Dear shareholders, dear business friends,

the BAVARIA Industries Group ended the 2019 financial year with an increase in net value. The net value of our operating investments and financial assets rose by 13% to EUR 385 million. The net value per share increased by 14% to EUR 79. We bought back shares for EUR 2.4 million in the past year; as a result, the number of shares decreased by 43,015 to 4,890,145 without taking ownership of treasury shares into account.

A comparison with the DAX shows an increase of 25.5% in 2019 compared to the result of 14%. However, if the comparison is based on the last five years, the net value of our share rose by 64% (10.4% p.a.) compared to 35% for the DAX.

The individual picture is as follows: We continue to estimate the net value of our direct holdings at EUR 20 million. Our profitable holdings generated an EBIT of EUR 4.7 million (previous year: EUR 3.7 million). The market value of our equity investments at the end of the year was EUR 233 million, while the acquisition costs were EUR 181 million. Through sales and dividend payments, we also realized a profit of EUR 5.7 million. The cash in the holding company and in the non-operating companies amounted to EUR 95 million. There was also EUR 33 million, which we invested in Xetra Gold (21% increase in 2019).

Our largest equity positions developed as follows:

(EUR Mio.)	31.12.2018	31.12.2019	Gain + Dividend
Japan	24,6	38,7	5,8
India	9,9	18,4	-1,8
Berkshire Hathaway	13,6	17,6	2
Brederode SA	10,6	17,5	4,3
Ryman Healthcare	10,5	16,4	5,6
Inv. AG TGV	11,4	14,9	3,5
Summerset Group	8,8	13,4	3,9
Total	89,4	136,9	23,3

With the exception of our Indian shares (loss of EUR 1.8 million), our investments developed well. In addition to increasing value, we expanded our positions.

Our overall portfolio shows the following development for 2019:

Mio. EUR	31.12.2018	31.12.2019
Financial investments	138	233
Cash/Xetra Gold	183	132
Company Portfolio	20	20
Total	341	385
Per share in EUR	69	79

While cash and cash equivalents consisted of tax receivables of EUR 47 million in 2018, they decreased to EUR 4 million last year. At the end of 2019, liquid funds including tax receivables and gold accounted for EUR 132 million or 34% of the total portfolio. In the past five years, we have focused on portfolio sales due to lack of opportunities. We hope that the current crisis will create new buying opportunities.

The effects of the corona pandemic hit us hard in the first quarter of this year. The decline in the overall portfolio amounted to 53 million and thus more than cancelled out the total growth of the previous year. The net worth per share decreased by 15% from EUR 79 to 67. The DAX fell by 25% in the first quarter. Compared to the end of 2018, the DAX decreased by 6%, while our value decreased by 3%. This demonstrates the importance of not losing money when investing. The higher the loss in a year, the disproportionately more you have to earn afterwards to recover the loss. The 20% loss in the first year can only be compensated for by an increase in value of 25% in the second year. With a 50% loss in value, you have to grow by 100% in the following year to compensate for the loss.

In April and early May, prices then rose again rapidly due to the inflationary monetary and fiscal policies of the industrialized countries. The real economy, on the other hand, is in a state of shock. We expect corporate news to deteriorate further, putting pressure on securities prices again. Prices also tend to fall in the real economy. However, if demand recovers in the next few years, the inflation risk increases due to the large expansion of the money supply. Not least because increasing de-globalization and trade conflicts increase production costs. In both scenarios, gold offers security. With rising inflation, property and commodities are a good protection against currency devaluation. This also includes shares, provided they can pass the increased factor costs on to customers.

In our investment decisions, we assume that growth will mainly take place in the emerging markets in India and Asia in the next few years. That is why we have moved our focus of investment there. We would also like to invest in private equity transactions again but are still

waiting for a weakening of purchase prices. Our investment philosophy continues to focus on capital preservation. We will continue to invest cautiously.

We value openness and the exchange of information. Therefore we look forward to your suggestions for improvement. We are always grateful for transaction leads.

Sincerely yours

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

Reimar Scholz

Chief Executive Officer