

Letter to the shareholders

May 2009

Fellow shareholders and
business associates,

The portfolio companies of BAVARIA Industriekapital AG were unable to escape the impact of the economic crisis in first quarter 2009. Turnover declined by 18% to EUR 95.8 million compared to the first quarter of the previous year. If the changes to the scope of the consolidation are not taken into consideration, then there was actually a 31% decrease in turnover to be reported as compared to the first quarter of the prior year. The EBITDA of the operating companies declined from plus EUR 4.6 million a year ago to minus EUR 4.9 million in the current year. With a comparable scope of consolidation, the EBITDA of minus EUR 5.5 million was even somewhat less. The K + S Group and the Fonderie du Poitou in particular were unable to repeat their strong earnings performance of the previous year. Appropriate cost-savings measures have already been implemented, but will not become fully effective until sometime in the second quarter.

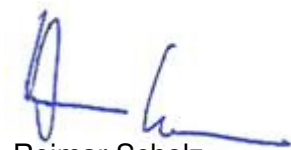
The development of financial resources mirrored the operating performance. The BAVARIA Group had cash and cash equivalents of EUR 54.1 million as at 31 March 2009, compared to EUR 62.9 million as at 31 December 2008. The amount of debt owed to banks increased at the same time from EUR 8.8 million as at 31 December 2008 to EUR 16.1 million as of 31 March 2009, which is due primarily to the funding of investments by the K+S Group. Of these liabilities to banks, EUR 7.2 million, or almost one half, is attributable to the new equity interest in Hunsfos. Cost-cutting drives were approved at the end of 2008 and in first quarter 2009, the effects of which will be apparent only at a later time. Long-term material orders, for example, were unable to be adjusted to the decline in demand. We do however expect to see these measures having a significant effect on earnings and financial resources as early as in second quarter 2009, such as a reduction in already ordered inventories improving the second-quarter liquidity.

Our companies are using a variety of measures to master what is a difficult economic environment. We expect clear positive results for the BAVARIA Group for the full 2009 year thanks to a number of different marketing activities, a program of strict cash management (e.g. optimizing the working capital) and additional cost savings. And finally, another important factor is that after acquisition by BAVARIA, our portfolio companies did not need to

take on any additional debt and hence do not have any structural problems of a financial nature.

We have a very positive assessment of the market for making new acquisitions at attractive terms. Our excellent track record in restructuring and revitalizing about twenty companies by now and our good reputation, particularly in the important automotive industry, are especially helpful for this.

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