

Letter to the shareholders

August 2009

Fellow shareholders and
business associates,

The drastic downturn in the economy left an indelible mark on the BAVARIA Group's revenues, earnings and financial situation in 2009.

Group turnover in the first half-year of 2009 declined 23% to EUR 187.3 million compared to the same period a year ago. Not accounting for changes in the scope of the consolidation, the decline would have been 40%. Since personnel costs decreased only slightly by EUR 1.7 million to EUR 62.7 million, the personnel cost rate for the reporting period surged to 35% (compared to 26% in the prior-year period). Consequently, the net earnings (EBITDA) for the operating subsidiaries declined from EUR 10.7 million in the year-earlier period to minus EUR 6.8 million. Compared to first quarter 2009, the loss in second quarter 2009 was able to be significantly reduced from EUR 4.9 million to EUR 1.9 million.

The BAVARIA Group had cash and cash equivalents totaling EUR 41.8 million as at 30 June 2009 (compared to EUR 54.1 million in the previous quarter). The dividend distribution of EUR 19.7 million has since been made. The amount of debt to banks increased to EUR 19.7 million compared to EUR 16.1 million in the previous quarter. This increase is attributable to payments for investments undertaken especially in the K+S Group.

How did we respond to these developments?

In light of uncertainties in terms of assessing the nature and scope of the economic crisis, our portfolio companies drew their conclusions and took the necessary steps with varying degrees of delay. For this reason we had to make some changes in management. We expect that we can again achieve operational profitability in the second half of the year through the actions that were initiated. We can already see a significant recovery in the June results for the larger equity holdings K+S Group and Fonderie du Poitou.

The important thing, and as expected, is that we were able to benefit from this crisis when making new acquisitions. After taking over the French production of hormone products from Catalent in first quarter 2009, we succeeded in expanding our involvement in the automotive sector in second quarter 2009 by acquiring operational elements of ThyssenKrupp AG in France and a light metals casting facility from Georg Fischer in Austria. Each of the

acquisitions in France was made with the approval of the works council and the unions. Even the French and German automotive clients gave their consent prior to the sale to BAVARIA.

We expect to make further acquisitions in the second half of the year, particularly in the automotive segment. There is a relatively small demand on the part of reputable buyers in contrast to the large supply of available companies. As always, the things that help us here are our solid financial situation and the excellent reputation we have earned from having successfully turned around more than twenty companies. So far no corporate buy-out has been funded through borrowing. We are also extremely proud of the fact that we made all our restructurings a success with no government subsidies or guarantees.

We have a very positive outlook for BAVARIA Industriekapital AG's future performance despite the difficult economic situation. We know that we can rely and build on the trust placed in us, the proven relationships with our partners and the dedication of our staff.

Best regards,

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

Reimar Scholz
Chief Executive Officer