

## Letter to the shareholders

May 2011

Fellow shareholders and  
business associates,

Fiscal year 2011 has gotten off to a resounding start for BAVARIA Industriekapital AG. Thus, consolidated Group turnover surged to EUR 204.6 million, a 77 percent increase over the prior year's EUR 115.4 million!

The following chart illustrates the positive trend over the last five quarters:

	Q1/ 2010	Q2/ 2010	Q3/ 2010	Q4/ 2010	Q1/ 2011
<b>TURNOVER [in EUR millions]</b>					
Serial Production/Automotive	60.3	64.1	107.1	113.9	130.0
Plant Engineering & Construction	5.6	18.8	25.1	40.6	28.2
Business Services	49.5	51.9	52.0	49.5	46.4
Total	115.4	134.8	184.2	204.0	204.6

Meanwhile, the total operating result of our investee companies (EBITDA) improved by EUR 8.0 million, from EUR 0.6 million in Q1 2010 to EUR 8.6 million in Q1 2011.

The following chart shows the trend of operating results for our individual segments over the last five quarters:

	Q1/ 2010	Q2/ 2010	Q3/ 2010	Q4/ 2010	Q1/ 2011
<b>EBITDA [in EUR millions]</b>					
Serial Production/Automotive	4.3	4.4	8.5	7.4	12.3
Plant Engineering & Construction	-2.2	1.4	1.7	3.3	-0.1
Business Services	-1.5	-2.9	-1.3	-3.0	-3.6
Total	0.6	2.9	8.9	7.7	8.6

A particularly noteworthy development was the recovery of the automotive industry, which helped to drive the positive performance of our Serial Production business segment. A one-time extraordinary effect was generated by our acquisition of the Tri-Stone Group. This company was not yet included on the books in the comparison quarter, Q1 2010.

In the Plant Construction and Engineering business segment, the economic recovery helped us to grow turnover to EUR 28.2 million an increase of about EUR 22.6 million to the prior year, and to improve our quarterly result (EBITDA) to EUR -0.1 million from EUR -2.2 million. In the Business Services segment, on the other hand, turnover fell by EUR 3.1 million to EUR 46.4 million, while the operating loss increased by EUR 2.1 million to EUR -3.6 million. This was mainly due to the deconsolidation of the OSNY company. The fact that higher commodity prices could not be passed on in full to the customer also prevented us from boosting the operating result, despite the many improvement measures taken.

The following overview shows how the consolidated Group surplus was derived from the operating result (EBITDA):

#### **Reconciliation of EBITDA to Group net result**

	Q1/2010 in EUR millions	Q1/2011 in EUR millions	change
EBITDA of operating portfolio companies	0,6	8,6	8,0
Depreciation and amortization	-4,9	-5,9	-1,0
Interest result	-1,3	-1,8	-0,5
Taxes	-1,2	-2,8	-1,6
Extraordinary result	1,5	-0,5	-2,0
<i>Consolidation entries</i>			
Dissolution of negative goodwill	4,5	4,9	0,4
Deconsolidations	0,0	0,0	0,0
Other consolidation entries	0,0	0,3	0,3
<b>Group net result</b>	<b>-0,9</b>	<b>2,8</b>	<b>3,7</b>

The consolidated Group result for the 1st quarter of 2011 amounted to EUR 2.8 million, an increase of EUR 3.7 million over the prior year. The driving factors behind this growth in profitability were a significant improvement in the results of our operating companies and the reversal of negative goodwill in the amount of EUR 4.9 million.

For the year as a whole, we expect to see aggregate turnover of over EUR 800 million from our investee companies. The bullish trend is also borne out by a marked improvement in our investee companies' order backlog over the prior year, so that we look forward to profitable business performance in the coming quarters as well.

Thus, we can assure our shareholders as well as our business partners and associates that the future prospects of BAVARIA Industriekapital AG look very promising indeed. What makes us particularly optimistic is the development potential of our existing investee companies, as well as our ability to acquire new shareholdings at favorable terms going forward.

We would like to thank you once again for the trust you have placed in us. We are always happy to receive your feedback, improvement suggestions or leads regarding new company acquisitions.

Sincerely yours,

A handwritten signature in blue ink, appearing to read 'R. Scholz', with a long horizontal stroke extending to the right.

Reimar Scholz  
Spokesman of the Executive Board

A handwritten signature in blue ink, appearing to read 'H. Ender', with a long horizontal stroke extending to the right.

Harald Ender  
Head of Operations