

Letter to the Shareholders

In November 2011

Dear Shareholders and Business Associates,

The consolidated group surplus of BAVARIA Industriekapital AG for the first nine months of this year amounted to EUR 11.2 million – following a loss of EUR 0.8 million in the prior year. The surplus earned by our investee companies also improved during this period, rising by EUR 10.9 million to EUR 3.7 million. The Group's equity ratio remains at a high level with 27.4%; while the stated amount of equity capital was EUR 39.8 million, additional capital of EUR 67.5 million was derived as a result of a variance from capital consolidation.

Liquid resources amounted to EUR 53.9 million as of September 30, 2011. Debts and bank liabilities, including factoring of receivables, amounted to EUR 60.4 million.

Hunsfos, Xenterio and Faral, three money-losing companies that had been in liquidation since the third quarter, were deconsolidated. The rise in operating results caused tax expense to increase by 126% to EUR 5.2 million.

The following overview provides a reconciliation between the consolidated Group surplus, which is heavily influenced by consolidation bookings, and the overall result achieved by our investee companies, which is really the relevant measure of our performance.

Bridge of consolidated profit to group net result

	Q3/2011 EUR Mio.	in Q3/2010 EUR Mio.	in change
Concolidated Profit	11.2	-0.8	12.0
Dissolution of negative goodwill	-10.9	-13.7	2.8
Other consolidation entries	-10.2	0.0	-10.2
Profit adjustment deconsolidated companies	13.6	7.3	6.3
Group net result	3.7	-7.2	10.9

In the first nine months of 2011, the surplus earned by our investee companies, adjusted for deconsolidated companies, rose by EUR 10.9 million to EUR 3.7 million. After the addition of consolidation bookings of EUR 21.1 million and the elimination of the result contributed by deconsolidated companies of EUR 13.6 million, the stated consolidated Group surplus for the first nine months of 2011 amounted to EUR 11.2 million.

A comparison of the annual surpluses actually achieved by individual business segments follows below:

Group net result of the first three quarters in sectors

	Q3/2011 EUR Mio.	in Q3/2010 EUR Mio.	in change
Serial Production/Automotive	12.6	4.0	8.6
Plant Engineering & Construction	-4.5	-0.6	-3.9
Business Services	-3.7	-10.0	6.3
Others	-0.7	-0.6	-0.1
Group net result	3.7	-7.2	10.9

The annual surplus of our Serial Production/Automotive business segment amounted to EUR 12.6 million – an increase of EUR 8.6 million in relation to the prior year. In the Plant Construction & Engineering business segment, we expect to see a significantly improved result in the fourth quarter, given that the last three months of the year normally exhibit a rise in output. In the Business Services business segment, we do not expect to see improved results until 2012, however.

BAVARIA's market capitalization amounted to EUR 81.2 million as of September 30, 2011. The company exploited this favorable valuation during 2011 to buy back additional own shares; by the end of October, EUR 1.9 million (2.5% of share capital) had been allocated to this purpose. It is our intention to convert the relevant shares into treasury stock (5.9% as of the end of October) and to pave the way for further share repurchases at the next General Shareholders' Meeting.

We are watching the future macroeconomic trend with some concern, even though we have not yet had to absorb any significant decline in incoming orders. Accordingly, our planning for 2012 will be cautious. Developments on the currency and commodity markets have contributed to the uncertainty of the prevailing environment. Thus, the operating results of SwissTex Winterthur were encumbered particularly in the third quarter by the strength of the Swiss Franc, while Inasa was disadvantaged by the sharp increase in the price of aluminum.

On the positive side, the companies in our Serial Production/Automotive continued to operate profitably, since they had managed, for the most part, to conclude materials-adjustment clauses with their customers thanks to their strong market position. For the year as a whole, we expect to see turnover of over EUR 750 million from all of our active financial participations, as well as a further increase in the operating result.

We would like to assure all of our shareholders and business associates that we remain confident about the future prospects of BAVARIA Industriekapital AG. The improvement potential of our existing investee companies as well as our ability to acquire new participations on favorable terms give us particularly strong grounds for optimism.

We would like to thank you again for the trust you have placed in our company. We are always happy to hear your comments and/or suggestions for improvement, as well as any leads regarding potential new transactions.

Sincerely yours,

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

Reimar Scholz
Executive Board Chairman

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

Harald Ender
Head of Operations