

## Letter to the Shareholders

Dear shareholders and business associates,

The BAVARIA Group closed fiscal year 2011 with an annual surplus in the amount of EUR 2.4 million; this compares to a loss of EUR 0.8 million in the prior year. Tax expense amounted to EUR 6.8 million (prior year EUR 5.8 million). Our tax expense exceeded our result due to the fact that our Company generally does not enter into profit-transfer agreements and also because profits of individual companies are generally not offset against losses of other companies.

As our report on the various business divisions shows, both Plant Engineering & Construction as well as Business Services recorded negative results. The main money loser in this context was SwissTex Group, which booked a negative EBITDA of EUR 22.1 million following the prior year's surplus of EUR 3.3 million. Given that both SwissTex companies were deconsolidated as of the fourth quarter of 2011, this will represent an extraordinary, on-time loss. Overall, this cost us almost EUR 6 million in equity capital that we had invested as recently in the second half of 2011, following a mistaken assessment of the associated risks and opportunities. Hopefully, the losses derived from Business Services, too, will soon be a thing of the past, given that we already deconsolidated the division's two main money losers in the third quarter of 2011.

The consolidated Group balance sheet lists all the companies presently in our portfolio, but therefore excludes the assets and liabilities of deconsolidated companies. Our cash balance declined by EUR 10.4 million to EUR 45.6 million, mainly due to our having to settle a legal dispute which was decided against us. We had already formed a provision for this amount in 2010, however, so that the payout did not encumber current earnings. Our net financial resources increased by EUR 10 million to EUR 3.1 million

We invested EUR 23.1 million in fixed assets. No dividend was paid in 2011. On the other hand, EUR 2.5 million was allocated to share repurchases over the course of the year. BAVARIA Industriekapital AG managed to book a surplus of EUR 6.9 million on its individual Annual Report (prior year EUR 5.1 million), despite EUR 3.6 million in write-downs on financial investments and increases in provisions of EUR 2.3 million. In this case, dividends from our investee companies served as a significant source of income.

The following overview shows the operating results achieved by the various business divisions over the past eight quarters:

**Quartalszahlen (nicht kumuliert)**

	Q1/ 2010	Q2/ 2010	Q3/ 2010	Q4/ 2010	Q1/ 2011	Q2/ 2011	Q3/ 2011	Q4/ 2011
<b>EBITDA in Mio. EUR</b>								
Serie/ Automotive	4,3	4,4	8,5	7,4	8,8	12,5	8,6	2,3
Anlagenbau	-2,2	1,4	1,7	3,3	-0,5	1,0	-3,3	-16,7
Business Services	-1,5	-2,9	-1,3	-3,0	-4,2	-1,7	-3,4	1,3
Saldo	0,6	2,9	8,9	7,7	4,1	11,8	1,9	-13,1

	Q1/ 2010	Q2/ 2010	Q3/ 2010	Q4/ 2010	Q1/ 2011	Q2/ 2011	Q3/ 2011	Q4/ 2011
<b>Umsatz in Mio. EUR</b>								
Serie/ Automotive	60,3	64,1	107,1	113,9	130,0	126,4	117,4	106,8
Anlagenbau	5,6	18,8	25,1	40,6	28,2	31,1	38,1	26,9
Business Services	49,5	51,9	52,0	49,5	46,4	46,7	33,7	18,2
Saldo	115,4	134,8	184,2	204,0	204,6	204,2	189,2	151,9

With an operating margin of 6.7%, the Serial Production/Automotive division was able to sustain its strong performance in 2011, serving as the main profit driver in the Group. In the fourth quarter, however, the division's result was encumbered mainly by extraordinary losses such as foreign currency effects.

We would like to emphasize once again that we regard the operating results and cash flow achieved by our investee companies and by BAVARIA Industriekapital AG as key benchmarks for our success in actively managing our shareholdings. The consolidated Group surplus, on the other hand, is a less reliable indicator given that it is heavily influenced by non-cash accounting entries such as company deconsolidations or the unwinding of negative goodwill.

BAVARIA Industriekapital AG is a majority family-owned company and therefore applies a long-term horizon to its investment activities. This year, we will recommend a minimal dividend payout of 4 cents/share to the General Shareholder Meeting, so as to continue shoring up our financial reserves and to make due allowance for our increased level of investment.

We would like to thank all of our 4,300 employees for their hard work.

We would like to assure our shareholders and business partners that we continue to take a bullish view of the future prospects BAVARIA Industriekapital AG. We are especially confident about the future performance of our existing portfolio of companies. We also continue to see plenty of opportunities to acquire additional companies on favorable terms. Thus, we were already able to complete three new takeovers in France in the first quarter of 2012.

We thank you for your continued trust. We are always happy to hear your improvement suggestions as well as any leads you may have for promising new deals.

Yours sincerely



Reimar Scholz

Executive Board Chairman



Harald Ender

Director of Operations