

Letter to the Shareholders

August 2012

Dear shareholders and business associates,

Due to the deconsolidations performed in second half 2011, consolidated Group turnover declined in first half 2012 from EUR 408.7 million to EUR 357.5 million, a 13.5% drop in relation to the prior year's period. On the other hand, the consolidated Group operating result (EBIT) climbed to EUR 22.9 million from EUR 12.4 million in the prior year, while the net result rose from EUR 3.4 million to EUR 9.1 million. Financial liabilities declined by more than half, from EUR 84.3 million to EUR 40.2 million. A year-on-year comparison of BAVARIA's individual business segments is presented below.

Quarterly figures (not-year to date)

	1. HJ	2. HJ	1. HJ
EBITDA [in EUR millions]	2011	2011	2012
Serial Production/Automotive	21,3	10,9	24,5
Plant Engineering & Construction	0,4	-20,0	0,2
Business Services	-5,8	-2,1	-9,0
Total	15,9	-11,2	15,7

	1. HJ	2. HJ	1. HJ
TURNOVER [in EUR millions]	2011	2011	2012
Serial Production/Automotive	256,4	224,2	243,4
Plant Engineering & Construction	59,3	65,0	19,5
Business Services	93,1	51,9	94,6
Total	408,7	341,1	357,5

As in the prior year, the main contribution to the bottom line came from the Serial Production/Automotive segment, which booked an operating result (EBIT) of EUR 16.5 million; this translates into an operating margin of 6.8% based on semi-annual turnover of EUR 243.4 million. Thanks to operational improvements, we were able to significantly boost the margin of the Serial Production/Automotive segment (prior year: 4.8%). The Plant Construction and Engineering segment, meanwhile, turned in a break-even result that was practically unchanged from the prior year. (EUR 0 million in both years). Here, depreciation/write-downs amounted to only about EUR 0.2 million.

The operating loss of the Business Services segment, by contrast, rose to EUR -10.6 million from EUR -7.9 million in the prior year, while depreciation/write-downs amounted to EUR 1.6 million. The decision to shut down our investee company *Inasa Foil S.A* resulted in a value-impairment loss of approximately EUR 10 million. This loss involved a devaluation of the asset side of balance sheet that became necessary after an attempt to implement a new Spanish labor law failed in the face of opposition by the workforce of *Inasa Foil*. Said law had granted a company losing money over several years the option to reduce wages to the level of regional collective agreement. The workforce reacted to this measure with extended strikes, however, which caused key customers to look elsewhere for

suppliers. (Some of these actually turned to *Sabiñánigo*, our Spanish aluminum plant). Thus, the company's employees ultimately preferred to obtain a severance payment and lose their jobs.

Events of operational significance included, in the first half of 2012, the integration of the three newly acquired investee companies, the implementation of further structural improvements at existing portfolio companies, as well as the agreements concluded in second half 2012 for the purchase of two additional companies. Thus, we believe *BAVARIA Industriekapital AG* enjoys a favorable position, even despite the troubled macroeconomic outlook for the second half of the year.

We would like to thank you for your continued trust. Please do not hesitate to contact us with any suggestions for improvements or with any promising leads for new transactions.

Yours sincerely

A handwritten signature in blue ink, appearing to be '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 be 'H. Ender', with a stylized 'H' and 'E'.

Harald Ender
Head of Operations