

Letter to the Shareholders

Dear shareholders and business associates,

The net asset value ("NAV") per share decreased by 3.2% to EUR 69 in the financial year 2018. Over the same period, the DAX decreased by 18.3% to 10,559 points. Over the last five years, the net asset value per share has risen by 72.5% from EUR 40 to EUR 69 (11.5% p.a.) and the DAX by 10.5% (2% p.a.). Since our IPO in January 2006, the net asset value per share has risen sixfold (14.3%) while the DAX doubled (5.3% p.a.).

In 2018 we invested only very cautiously. Our cash balance totaled EUR 136 million at year end. Adding a EUR 47 million tax receivable, our cash and cash equivalents totaled EUR 183 million. Our net assets fell by EUR 20 million to EUR 341 million:

	31.12.2017	30.6.2018	31.12.2018
Participations	35	20	20
Shares	145	139	138
Cash*	181	200	183
Net	361	359	341

*including a EUR 47 million tax receivable

We repurchased 126,587 own shares for EUR 7.2 million. Excluding own shares, the total number of shares was reduced to 4,933,160 (previous year 5,059,747). Our net asset value per share fell from EUR 71.3 to EUR 69.1 by end of 2018. On balance, our net assets decreased by EUR 13 million (-9%). The value of the participations decreased by EUR 15 million as a result of the sale of the Asterion Group in early 2018.

Our five largest positions developed as follows in 2018:

(EUR Mio.)	31.12.2017	31.12.2018	Gain	incl. dividend
Berkshire Hathaway	12.6	13.6	1.0	7.9%
Inv. AG TGV	11.2	11.4	0.8	7.1%
Brederode	9.9	10.6	0.3	3.0%
Ryman Healthcare	10.5	10.5	0.4	3.8%
Summerset Group	7.7	8.8	1.4	18.2%
Net	51.9	54.9	3.9	7.5%

Our five largest positions defied the market decline with a rise of 7.5%. Unfortunately our remaining equity portfolio declined in line with the market with a decrease of EUR 17 million (-18%). Perhaps worth mentioning is our EUR 8.3 million investment in the Indian financial services provider Piramal Enterprises (+0.1 million) 2018. We hope that the company will benefit from the growth of the Indian middle class and its desire for an owned apartment.

Finally, it should be noted that we have donated again in 2018 for social purposes. We contributed EUR 250,000 to build a university in Burkino Faso (<https://www.sternstewartinstitute.com>). BAVARIA

Industries Group AG will continue to invest cautiously. We value openness and are pleased about your suggestions and suggestions for improvement. We are always grateful for transaction proposals.

Kind Regards

A handwritten signature in blue ink, consisting of a stylized 'R' followed by a horizontal line and a small flourish.

Reimar Scholz
Chief Executive Officer