

P R E S S R E L A S E

Deutsche Beteiligungs AG: Rapid investment progress in the third quarter

- **28.9 million euros net income after nine months**
- **Most recently corrected forecast confirmed**
- **Three more MBOs**

Frankfurt am Main, Germany, 7 August 2018. After the first three quarters of the financial year 2017/2018, Deutsche Beteiligungs AG (DBAG) posts net income of 28.9 million euros. This corresponds to a return on equity of 6.8 per cent after nine months. The portfolio companies expect largely improved results for the current year and are achieving the progress in strategy, market presence and quality of results that was planned at the beginning of the investment. This has increased the total value of DBAG investments. The value contribution made by the operating performance of the portfolio companies, i.e., by changes in earnings and debt, is now higher than it was a year ago. In the quarterly statement, which was published today, the listed private equity company also reports on intensive investment activity over the last three quarters.

Both segments made a positive contribution to net income: The net result of investment activity (Private Equity Investments segment) includes expressions of interest in individual portfolio companies from potential buyers, which had a value-enhancing effect. In the Fund Investment Services segment, earnings were boosted by higher income from DBAG Fund VII and DBAG ECF.

Accounting adjustments

In its most recent quarterly statement, DBAG has adjusted a key detail of its accounting. As already reported at the end of June, this is a reaction to the error (“Fehlerfeststellung”) identified by the German Federal Financial Supervisory Authority (BaFin). The error was found in the consolidated financial statements at 30 September 2015. Although the amount of equity, i.e., assets attributable to shareholders, at this reporting date was confirmed, the routine audit had left a question mark over the IFRS-compliant recognition of carried interest – the question being not whether, but rather when, carried interest should be recognised in profit or loss.

The new method now results in the carried interest of the DBAG funds being recognised in profit or loss earlier. This has reduced the net income for the current financial year by 2.1 million euros in the first three quarters. Another 8.4 million euros will be allocated to the previous financial year 2016/2017; the

comparative figures for the previous year have been adjusted accordingly. Based on the previous method, carried interest would only have been recognised in subsequent periods, namely if its payment was drawing closer, making it more probable.

The announcement of the change in methodology was also associated with a correction to the forecast. This recently revised forecast for the current financial year 2017/2018 (1 October to 30 September) has now been confirmed: Assuming stable capital market conditions, DBAG expects to report positive net income for the fourth quarter, but the net income for 2017/2018 as a whole will nevertheless be significantly, i.e., by more than 20 percent, below the reference point for this forecast of 43.0 million euros.

Vote of confidence: Investors commit further funds for DBAG ECF

In the first nine months, DBAG invested in five new equity investments and facilitated numerous acquisitions at the level of the portfolio companies. In the third quarter of the financial year alone, investments in three management buyouts (MBOs) were agreed alongside the DBAG funds. The investment in the mechanical engineering company Karl Eugen Fischer marks the fourth transaction executed by DBAG Fund VII; around one-third of its funds has now been called. The MBOs of the estate agency von Poll Immobilien and the retail and service group BTV Braun Telecom were structured by DBAG ECF. In the third quarter, the fund received capital commitments from investors for a further investment period: a further 97 million euros will be available for investments in smaller mid-market companies (equity investments of between 10 and 30 million euros) up until the end of 2020, almost 40 million euros of which will come from DBAG. 90 percent of the remaining commitments come from existing investors in DBAG funds.

The business of a private equity company is characterised by a small number of transactions, each representing significant amounts. Results are also heavily influenced by external factors in the short term, such as changes in valuation ratios on the capital markets. This means that the results of individual quarters can fluctuate widely; moreover, they cannot be extrapolated to the entire financial year. The third quarter of 2017/2018 contributed 11.1 million euros to total net income of 28.9 million euros after nine months. In the previous financial year, multiple, in part unusually successful, completed or initiated company disposals had resulted in (adjusted) net income of 71.4 million euros, of which 27.3 million euros were generated in the third quarter.

“The uncertainty resulting from the enforcement process, which had been ongoing for more than two years, is now over,” said Chief Financial Officer Susanne Zeidler upon the publication of the quarterly figures, “meaning that the capital market can now get back to concentrating on what remains the positive

fundamental development of our company.” After all, “We have invested in well-positioned companies and we are confident in our ability to achieve our financial and non-financial targets in this financial year and beyond.”

The listed Deutsche Beteiligungs AG initiates closed-end private equity funds and invests alongside the DBAG funds in well-positioned mid-market companies with growth potential. DBAG focuses on those industry sectors where Germany’s “Mittelstand” is particularly strong in international comparison. With its experience, expertise and equity, DBAG supports its portfolio companies in implementing a long-term and value-enhancing corporate strategy. Its entrepreneurial investment approach makes it a sought-after investment partner in the German-speaking world. The DBAG Group manages and advises capital amounting to around 1.8 billion euros.

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