

P R E S S R E L E A S E

Deutsche Beteiligungs AG posts first-half net income of 7.6 million euros

- **Capital market developments continue to burden results, despite marked improvement in the second quarter**
- **60 per cent of funds committed for DBAG Fund VII invested**
- **Forecast for the 2018/2019 financial year subject to risks**

Frankfurt am Main, 14 May 2019 – Deutsche Beteiligungs AG (DBAG) generated net income of 7.6 million euros in the first half of the 2018/2019 financial year. Capital markets developments have continued to weigh on results: the market recovery – and the associated increase in valuation multiples – during the second quarter has only partially offset the sharp decline in the first quarter of the financial year. At the reporting date, some of the multiples for listed peer group companies were still below their levels seen at the beginning of the financial year. This resulted in a negative gross contribution of around 13 million euros for the first six months of the financial year. Given developments on the capital markets and slower economic momentum, the forecast for 2018/2019 consolidated net income has come under pressure.

Whilst most portfolio companies have budgeted for higher revenues and earnings in 2019 and believe they are on the right track, some companies are feeling the influence of a changing environment – this applies to investments linked to the automotive or wind power sectors, for example. In individual cases, this weighs on the earnings improvement which is generally expected due to the change processes following the investment of a DBAG fund. Accordingly, earnings for the Private Equity Investments segment only amounted to 5.8 million euros after six months. Even though at 28.7 million euros, segment results for the second quarter markedly outperformed the same period of the previous financial year (Q2 2017/2018: 6.8 million), this reflected the diverging capital market developments when looking at a quarter-on-quarter comparison. The Fund Investment Services segment underperformed the forecast, recording net income of 1.8 million euros for the first half-year (previous year: 2.2 million euros). As expected, income from the DBAG Fund VI and DBAG Fund V was lower; non-recurring effects also had a negative impact.

“Volatility on the equity markets, and the related fluctuations in the multiples used for valuation of portfolio companies, impacted to varying degrees on the Group's net income in the first two quarters. This demonstrates once again that the information value of a single quarterly result is comparatively low, in the

case of DBAG”, the Company states in its half-yearly financial report published today. Given the structure of DBAG's business, results for individual quarters may fluctuate considerably, which is why they cannot be extrapolated to indicate the results of a full financial year. Specifically, the second quarter of 2018/2019 contributed 29.0 million euros to the half-year result of 7.6 million euros, which translates into return on equity per share of 1.8 per cent for the first six months of the financial year. In the 2017/2018 financial year, consolidated net income for the first half-year amounted to 18.5 million euros (restated), equivalent to return on equity of 4.4 per cent for the first six months. The earnings contribution of 32.3 million euros from the operating performance of the portfolio companies during the first six months of 2017/2018 exceeded the contribution for the current financial year by around 10 million euros. Consolidated net income for the second quarter of 2017/2018 amounted to 8.4 million euros (restated).

“Developments during the two recent quarters, and the resulting half-year result, are good examples why our business does not lend itself to a short-term assessment”, CFO Susanne Zeidler said today. She added: “Reaching our target for 2018/2019 will largely depend on how the equity markets perform over the coming months. We maintain our forecast made in November 2018 for the time being, even though the economic environment has deteriorated, and the forecast is under more pressure than before.”

There were three additions to DBAG's portfolio since the beginning of the financial year: the management buyouts (MBOs) of software developer FLS and of Kraft & Bauer, a provider of fire protection systems for machine tools, were closed in October 2018, alongside the MBO of Sero, a development and manufacturing service provider for electronic components. After the reporting date, DBAG Fund VII, which is advised by DBAG, agreed its seventh transaction: an MBO of service provider Cloudflight. This means that approximately 60 per cent of the investment commitments for the fund, which has been investing in medium-sized companies since December 2016, have now been invested.

Deutsche Beteiligungs AG, a listed private equity company, initiates closed-end private equity funds, and itself invests alongside those 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 the portfolio companies in implementing long-term and value-enhancing corporate strategy. Its entrepreneurial investment approach makes DBAG a sought-after investment partner in the German-speaking world. DBAG manages and advises capital amounting to around 1.7 billion euros.

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