

PRESS RELEASE

Deutsche Beteiligungs AG initiates new private equity fund

- **Investors and DBAG commit more than one billion euros**
- **Volume of assets under advisory rises to around 2.5 billion euros**
- **DBAG also to enter into investments using its own financial resources only**
- **Successful financial year 2018/2019: Net income of 45.9 million euros**
- **Dividend rises to 1.50 euros per share**
- **Cautious outlook for 2019/2020**

Frankfurt/Main, 10 December 2019 – Deutsche Beteiligungs AG (DBAG) has initiated a further private equity fund. With capital commitments of more than one billion euros to date, the DBAG Fund VIII exceeds the volume of its predecessor fund: DBAG Fund VII was closed in 2016, with commitments of 1,010 million euros. DBAG will co-invest 255 million euros – an increase of more than 25 per cent compared to the DBAG Fund VII. Four years after the start of the predecessor fund's investment period, the sustained swift progress achieved with investments provided the basis for the new fundraising. DBAG took investment decisions on around 380 million euros in the financial year 2018/2019 under review, co-investing around 78 million from its own financial resources alongside the DBAG funds. Net income of 45.9 million euros (previous year: 29.7 million euros) exceeded the expectations set at the beginning of the financial year. The good results were driven, in particular, by investments in DBAG's new focus sectors: broadband telecommunications, IT services/software and healthcare. DBAG maintains its dividend policy, proposing a distribution of 1.50 euros per share (previous year: 1.45 euros).

Target level for DBAG Fund VIII: 1.1 billion euros

The target volume for DBAG Fund VIII is investment commitments of 1.1 billion euros, including co-investments by DBAG. Given the target yield levels of future investments, as with previous funds, this is only slightly higher than the size of the predecessor fund. The investment period of DBAG Fund VII commenced in December 2016. Since then the fund has structured eight management buyouts, three of which were executed using the top-up fund.

The Company expects DBAG Fund VIII to be completed in early 2020. The fund will predominantly structure equity investments between 40 and 100 million euros, equivalent to company values between 75 and 250 million euros. Like its

predecessors, DBAG Fund VIII consists of two sub-funds: the main fund - with a target volume of 900 million euros - includes 210 million euros in DBAG co-investments; this is supplemented by a top-up fund with a volume of 200 million euros (DBAG's share: 45 million euros). This structure facilitates larger transactions: including the resources from the top-up fund, investments of up to 220 million euros per transaction are possible.

DBAG Fund VIII will increase DBAG's volume of assets under management or advisory to around 2.5 billion euros; besides investments by DBAG and DBAG funds, this comprises capital commitments and DBAG's available financial resources.

Broader offering: Longer-term equity investments

The launch of the new fund is associated with a strategic development at DBAG: going forward, the Company will finance particularly long-term, predominantly minority stakes in owner-managed mid-market enterprises purely from its own financial resources. Such Principal Investments involve investment opportunities exceeding the typical term of a private equity fund, which are thus incompatible with the investment strategy of funds advised by DBAG. "It became evident during the financial year under review just how attractive such non-controlling shareholdings in family-owned enterprises can be, with the successful sales of Novopress and inexo", said Torsten Grede, Spokesman of the Board of Management, when presenting the consolidated financial statements 2018/2019 in Frankfurt today. These two disposals account for more than half of net gains and losses on measurement and derecognition 2018/2019.

Burdens from investments related to automotive and wind power industries

Back in 2013, DBAG embarked upon targeted investments outside its traditional core sectors of mechanical and plant engineering, automotive suppliers, industrial services and industrial components. "This has now paid off, with corresponding profit contributions from these investments", Mr Grede said – noting that slowing growth momentum, which has meanwhile led to a recession in the German industrial sector, burdened results. The operating performance of some portfolio companies related to the automotive and wind power industries has weakened compared to previous years. The capital markets now value similar enterprises with lower multiples, burdening the measurement of these investments in DBAG's accounts.

11.5 per cent average return on equity

Group net asset value (adjusted for distributions) rose by 5.2 per cent. Net income from Fund Investment Services totalled 3.0 million euros, compared to 5.6 million euros in the previous year. Net income stood at 45.9 million euros. Total comprehensive income was burdened by higher additions to pension provisions, on the back of significantly lower interest rates. Earnings per share of 3.05 euros translate into return on equity of 9.1 per cent, clearly exceeding the cost of capital which is currently at 5.7 per cent. DBAG has generated average return on equity of 11.5 percent over a ten-year period.

Key financial indicators (IFRS)	2018/2019	2017/2018
Segment result – Private Equity Investments	€42.1 million	€24.2 million
Net asset value	€472.1 million	€470.7 million
Segment result – Fund Investment Services	€3.0 million	€5.6 million
Net income	€45.9 million	€29.7 million
Return on equity per share	9.1 %	6.9 %
Dividend per share (2018/2019 proposal)	€1.50	€1.45

DBAG continues to have a solid statement of financial position, with an equity ratio of around 94 percent. Financial resources showed a marked year-on-year decline: approximately 120 million euros are available for investment. DBAG plans to co-invest around 90 million euros on average per annum over the three financial years ahead (2019/2020 plus two subsequent years). DBAG added five new investments to its portfolio during the 2018/2019 financial year, including radiology group blikk Holding – an investment already agreed upon in 2016/2017. In all cases, company founders or family shareholders chose DBAG as their partner. The same number of companies left the portfolio, which therefore continues to comprise 27 investments in (predominantly) German mid-market enterprises.

Average value appreciation of 14 per cent per annum over five years

With the start of the investment period of DBAG Fund VIII – expected in 2020 – DBAG's current revenues from managing and advising private equity funds (27.0 million euros in 2018/2019) will rise further. “The new fund will support the growth of DBAG – in both business segments”, DBAG's Chief Financial Officer Susanne Zeidler emphasised: “Thanks to larger co-investments, net asset value will rise strongly over the medium term, whilst net income from Fund Investment Services will already show a marked increase in the new financial year. In this way, we will see strong momentum to increase DBAG's company value – our core objective.” Further potential for growing net asset value will arise from the extension of the product offer to include Principal Investments – exposures which typically have a longer investment period. DBAG's net asset value has increased by more than half since 2014, to around 480 million euros, despite

total distributions to shareholders of 102 million euros. This translates into a value appreciation of close to 14 per cent per annum.

Cautious outlook for 2019/2020

DBAG's Board of Management is taking a cautious stance over the short term, i.e. for the current financial year 2019/2020: “We expect a rather muted development, especially for industrial companies in our portfolio” said Mr Grede. “They feel the uncertainty – especially from structural changes in the automotive industry, but also from international trade conflicts.” Given the economic outlook, DBAG's Board of Management anticipates that the value of some investments will increase at a later stage than originally planned. Accordingly, the forecast only provides for a slight increase in net asset value, by approximately three per cent; given a proposed distribution to shareholders of 22.6 million euros during the current financial year, net asset value as at the 30 September 2020 reporting date will be slightly below the figure at the most recent reporting date. Net income from Fund Investment Services, however, will grow significantly in 2019/2020. Net income is expected to be moderately lower than the five-year average – that is, in a range between 28 and 37 million euros.

Deutsche Beteiligungs AG, a listed private equity company, initiates closed-end private equity funds, and itself invests alongside those funds predominantly in well-positioned mid-market companies with development potential. DBAG focuses on those industry sectors where Germany's 'Mittelstand' is strong in international comparison. A growing portion of DBAG's equity investments is deployed in its new focus sectors of broadband/telecommunications, IT services/software and healthcare. Its long-term, value-enhancing entrepreneurial investment approach makes DBAG a sought-after investment partner in the German-speaking world. Assets under management and advisory by DBAG Group amount to 1.7 billion euros; with the new DBAG Fund VIII, the figure is set to rise to around 2.5 billion.

*Public Relations and Investor Relations · Thomas Franke
Börsenstrasse 1 · 60313 Frankfurt am Main, Germany
Telephone +49 69 95787-307 · +49 172 6115483 (mobile)
E-mail: thomas.franke@dbag.de*