

PRESS RELEASE

Deutsche Beteiligungs AG: Structural realignment of Pfaudler Group improves global market coverage

- **Listed Indian subsidiary acquires majority**
- **Successful strategic re-positioning since 2015**
- **Positive performance of an MBO from DBAG Fund VI**
- **Unplanned positive contribution to valuation for the fourth quarter of 2019/2020**

Frankfurt/Main, 20 August 2020. DBAG Fund VI and Deutsche Beteiligungs AG (DBAG) have realigned the structure of Pfaudler Group (Pfaudler): GMM Pfaudler Ltd. (GMM), the group's listed Indian subsidiary, and the Patel family, GMM's second-largest shareholder, will acquire 80 per cent of Pfaudler's European and American core business. The stakes held by DBAG Fund VI (advised by DBAG) and by Pfaudler's management, will also be sold in the same proportion. Corresponding agreements were signed today. The transaction will create the prerequisites for closer global cooperation between the two companies. DBAG and DBAG Fund VI will maintain a stake of 20 per cent in Pfaudler Group's core business. Together with their stake of just above 50 per cent in GMM, they will thus continue to participate in the company's performance.

Closing of the disposals agreed upon today is subject to various conditions, including approval by GMM's independent shareholders as well as by antitrust authorities and foreign trade authorities in several countries. Against this background, closing of the transaction is envisaged to take place in a few months' time.

Positive contributions to net asset value and net income

The transaction will realise a positive value contribution for the current fourth quarter of DBAG's financial year 2019/2020. This value contribution exceeds the amount already incorporated in the forecast published on 6 August 2020 by approximately ten million euros. This is based on the portion of the current market capitalisation of GMM Pfaudler Ltd. (listed in India) that is attributable to DBAG on a look-through basis; given the volatility of GMM's share price, DBAG has taken a haircut into consideration when determining the value contribution, as well as tax effects and carried interest entitlements. All other factors being unchanged, from today's perspective this will translate into an unplanned positive contribution to the private equity investment's net asset value as at 30 September 2020 (as set out above), and to net income for the full

financial year 2019/2020. Depending on GMM's market capitalisation at the reporting date (30 September), the effect on both indicators might turn out to be higher or lower. Further influencing factors include, in particular, developments in DBAG's portfolio since the publication of the most recent forecast, and on the capital markets: the forecast published on 6 August 2020 was based on the assumption that valuation multiples as at 30 September 2020 will not materially differ from those prevailing on 30 June 2020.

Investments in the product offer, modernisation of sites, and the services business

DBAG and DBAG Fund VI acquired Pfaudler in December 2014 from National Oilwell Varco, Inc., an American oil and gas distribution company, subsequently structuring an MBO. Particular challenges were Pfaudler's strategic re-positioning through an expansion of the product range, alongside the company's modernisation and a reduction of the investment backlog. Five acquisitions over recent years contributed to a broader technological foundation. Moreover, several production sites in Europe and China were restructured and modernised: in Germany, this included giving up the more than 100-year old inner-city production site in Schwetzingen (Baden-Württemberg), and establishing a modern production facility a few kilometres away in Waghäusel. In addition, the group increased the number of decentralised service locations – from three to four in Europe, also via acquisitions, and from two to three in the US via organic growth.

“With the MBO, we created the prerequisites for a successful strategic re-positioning, also supporting the major changes in the company by financing company acquisitions”, Torsten Grede, Spokesman of the Board of Management of Deutsche Beteiligungs AG, recalled today. He added: “The company's successful development once again affirms that cyclical business models provide opportunities for us as a financial investor – even in a challenging environment.” Commenting on the industrial logic of the transaction, Mr Grede said: “Realigning the group's structure holds significant benefits in terms of global market coverage”, noting that growth and a further boost to profitability are possible.

“Tailwind from the global chemical and pharmaceutical industries”

Upon the occasion of signing the contract today, Thomas Kehl, Chief Executive Officer and Chairman of the Executive Board, pointed out the positive outlook for GMM: “In addition to the current tailwind for the global chemical and pharmaceutical industry, the group can benefit from substantial investments in the establishment of state-of-the-art production sites in Europe, the US, as well as in India and China.”

“The merger of Pfaudler and GMM Pfaudler will create a fully-integrated provider of anti-corrosion technologies, systems, and services, under GMM’s leadership,” said Tarak Patel, Managing Director at GMM Pfaudler Ltd., emphasising that “this transaction is insofar unique as it unites the strengths of three very different partners – the third generation of a renowned business family, Pfaudler’s professional management, and a financial investor.”

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. DBAG Group’s assets under management or advisory amount to approximately 2.5 billion euros.

*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*