Deutsche Beteiligungs AG

PRESS RELEASE

Deutsche Beteiligungs AG: Net income at 50.2 million euros

- **Recommended dividend 1.20 euros per share**
- **Course set for growth in both business lines**
- **Five new portfolio companies**
- **Good start to new financial year**

Frankfurt am Main, 15 December 2016. Deutsche Beteiligungs AG (DBAG) ended its 2015/2016 financial year posting net income of 50.2 million euros. The key contributor is the net result of investment activity of 60.1 million euros. It largely derives from the value growth of the carried portfolio, which also benefited from the generally uptrend in the stock market during the financial year. Additionally, net income contains gains on disposals of investments. Shareholders will participate in this year's very satisfactory performance by earning a dividend of 1.20 euros per share. Comprehensive income reached 43.0 million euros. In 2015/2016, it was appreciably impacted by another decline in the actuarial rate used to measure pension provisions. At 16.0 percent, the return on equity per share, the key performance mark, clearly exceeded the cost of equity. The preceding 2014/2015 (eleven-month truncated) financial year saw net income of 27.0 million euros and a return on equity per share of 10.0 percent; comprehensive income had totalled 27.4 million euros.

Key indicators (IFRS)	2015/2016	2014/2015 (11 months)
Net income	€50.2mn	€27.0mn
Return on equity per share	16.0 %	10.0 %
Dividend (2015/2016: recommended)	€1.20	€1.00

DBAG's balance sheet is robust: with a capital-to-assets ratio of more than 90 percent, DBAG has almost 80 million euros (30 September 2016) available for investment from the balance sheet alone. These financial resources as well as additional inflows from agreed divestments and a 50-million-euro credit line are sufficient to fulfil DBAG's co-investment agreements for the current and the coming two years.

Business lines exhibited different development in reporting year

Pre-tax net income by the Private Equity Investments business line was up significantly: totalling 53.1 million euros, it surpassed that of the previous year by 28.2 million euros, or more than 100 percent. The result mirrors profitable divestments as well as the generally good performance of the portfolio companies. This led to a correspondingly high net result of investment activity, which additionally benefited from the uptrend in the stock market. In the financial year, DBAG sold its investments in automotive supplier Spheros and Broetje-Automation, a mechanical and plant engineering company, to strategic buyers, achieving a premium on the general market valuation.

The Fund Investment Services business line posted negative pre-tax net income of -3.0 million euros, following a positive 2.2 million euros in the preceding year. Fee income generated by fund management and advisory services, at 19.5 million euros, was down on the prior year by 1.0 million euros, as expected and as is typical of the business: fees decrease when the calculatory base is reduced due to divestments or refinancings. Net expenses contain higher variable remuneration as a result of the financial year's good performance and higher other operating expenses than in 2014/2015, including non-regularly recurring expenses such as for fundraising and the advancement of DBAG's structure (2.4 million euros).

Course set for growth in both business lines

In 2015/2016, DBAG set the course for the future. It takes the Company onto a path of growth and relates, first and foremost, to its capital resources and strategic positioning. DBAG Fund VII, which closed in September 2016 with commitments of 1,010 million euros, is the largest German private equity fund for investment in the *Mittelstand*. "In the coming years, the new fund ensures a significant increase in fee income from our fund investment services, and it will drive this business line sustainably to profitability," said Susanne Zeidler, Chief Financial Officer of this listed private equity company, in Frankfurt today. Investors have also committed new capital to DBAG ECF, the programme launched in 2011 for investments in owner-managed *Mittelstand* companies.

DBAG also intends to grow in the Private Equity Investments business line and has therefore made greater co-investment commitments to DBAG Fund VII than to predecessor funds. To fulfil these commitments without having to resort to long-term loans, DBAG increased its capital by ten percent in September 2016. The proportion of institutional investors in DBAG's shareholder base has grown as a result of the manner and scope of this corporate action.

With DBAG Fund VII and the new tranche of DBAG ECF, DBAG has now broadened its investment range: DBAG Fund VII, based on its structure, is able to invest in larger buyouts, providing equity capital of up to 200 million euros in each case. This is nearly twice the amount so far possible on its own, without further co-investors. Concurrently, DBAG ECF will now also invest in smaller buyouts involving equity capital investments of between ten and 30 million euros. “DBAG has thus enlarged its position as the platform for all equity capital solutions in the mid-market and strengthens our already strong market position,” said Torsten Grede, Spokesman of the Board of Management, commenting on the annual consolidated financial statements issued today.

Five new portfolio companies
DBAG, in its role as a fund manager and advisor, initiated investment decisions on some 278 million euros in 2015/2016, 62 million euros of which derive from DBAG’s balance sheet. Investments were made in three new management buyouts (MBOs) and two new growth financings. Additionally, several existing investments were increased. “Family owners were our partners in four of these investments,” DBAG Spokesman Grede said. “The confidence these family owners have shown in us and our good reputation are valuable assets we can use for further transactions.” And, with a view to DBAG Fund VII, whose investment period will now commence less than four years after the start of the predecessor fund, he added: “We intend to maintain our good investment pace.”

Recommended dividend of 1.20 euros per share
DBAG recently aligned its dividend policy to the development of its business model: “We are meanwhile generating considerably higher income from the management and advisory services to funds,” CFO Zeidler said. “Both enable us to modify our distribution practice. We have therefore decided to provide greater consistency in our dividends and make them even more shareholder-friendly. We intend to pay a stable dividend, which – whenever possible – will increase,” Zeidler said.

Dividend yield of 4.4 percent remains attractive
As before, the dividend yield is to remain attractive – both in a general comparison, but also as measured by the dividends of other listed private equity firms. The recommended dividend of 1.20 euros equates to a return of 4.4 percent on the average market price over the 2015/2016 financial year. The dividend is a substantial part of the total return to DBAG shareholders. In 2015/2016, shareholders achieved a total return of 23 percent on their DBAG shares. That performance clearly outpaced key benchmark indices.

Good start to new financial year
Since the outset of the new financial year on 1 October 2016, DBAG has entered into a further investment: automotive supplier Dieter Braun GmbH is the eleventh and final MBO of DBAG Fund VI. In addition to these new investments, DBAG’s portfolio currently comprises another five MBOs and nine investments in companies the majority of which is in family ownership as well

as two investments in international buyout funds. “Overall, our portfolio is in good shape,” said Spokesman of the Board of Management Grede. “It includes increasingly mature investments that attract the attention of other investors – as was the case with Grohmann Engineering, our oldest investment – which we very successfully divested to Tesla Motors in November.”

For 2016/2017, DBAG nonetheless expects net income slightly below that of the past financial year on a comparable basis. The reason is last year’s high baseline, which, as reported, benefited from stock market effects. “Net income will result in a return on equity per share that will significantly exceed the cost of equity and thereby our minimum target for the long-term average,” states the Annual Report issued today.

DBAG is also set to develop positively in the medium term. For the two financial years after 2016/2017, the Board of Management expects at least a moderate improvement in net income for the Fund Investment Services business line compared to 2016/2017, as a result of a broader calculation base for management and advisory fees. For the business line of Private Equity Investments, the Company anticipates that the portfolio value will grow by more than fifteen percent annually and that segment net income will significantly exceed the 2016/2017 level. On that basis, for the two subsequent financial years, DBAG aims to achieve significantly higher net income than in 2016/2017, which will result in a significantly higher return on equity than in 2016/2017.

Deutsche Beteiligungs AG, a listed private equity company, initiates closed-end private equity funds and invests alongside the DBAG funds in well-positioned mid-sized companies with potential for development. DBAG focuses on industrial sectors in which Germany’s ‘Mittelstand’ is particularly strong on an international comparison. With its experience, expertise and equity, DBAG supports the portfolio companies in implementing corporate strategies that sustainably create value. Its entrepreneurial approach to investing has made DBAG a sought-after investment partner in the German-speaking world. Assets under management or advisement by the DBAG Group amount to approximately 1.8 billion euros.

Public Relations and Investor Relations • Thomas Franke
Börsenstrasse 1, 60313 Frankfurt am Main
Tel. +49 69 95 787-307 • +49 172 611 54 83 (mobile)
E-Mail: thomas.franke@dbag.de