

Press Release

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HANNOVER Finanz Study

Middle-market companies look for long-term investment partners rather than “in-and-out” speculators

Hanover, 06 May 2010. **What entrepreneurs want from private equity houses is a genuine capital contribution on a long-term basis. This is the upshot of a survey of middle-market opinion commissioned by the HANNOVER Finanz Group: a confirmation of our sustainable investment policy for participation in medium-sized businesses.**

HANNOVER Finanz expects an increase in demand from high-growth companies in the second half of 2010 as a result of a perceptible recovery of the market and the continued unwillingness of banks to extend credit to medium-sized businesses.

The trend towards a growing importance of venture capital in the middle market sector is currently reflected in a cautious increase in entrepreneurs’ readiness to entertain outside investment. According to the HANNOVER Finanz study, this is mainly because of an anticipated tightening of the banks’ lending policies. The HANNOVER Finanz Group has been financing middle-market companies from long-term “evergreen funds” for over 30 years. The soundness of these funds enables us to take a confident long-term view and to powerfully support our portfolio companies – even in times of economic turmoil. This business model distinguishes HANNOVER Finanz significantly both from other private equity houses and from the currently proliferating middle market funds. Overall value in 2009 was increased by a number of new acquisitions. The start of 2010 was notable for a renewed increase in inquiries from high-quality middle-market companies. We announced a first investment in April and now perceive the beginnings of a general economic recovery after a difficult year.

Long-term investment and minority shareholders wanted

Everybody wants him – the successful middle-market entrepreneur who identifies an undeveloped corner of the market and moves in to become the world leader. But what kind of financial support do such medium-sized businesses require to meet the challenges of a recovering market after the world financial crisis and the consequent recession? The HANNOVER Finanz Group and “Finance” put the question as to “Funding Growth in German Middle-Market Industry”, plans for growth, trends in funding and their attitude to serious investors in an anonymous poll of more than 700 companies. Over 10% responded and it became apparent that most of these were high-growth medium-sized businesses planning to make greater use of outside equity capital in the future. They are feeling the credit squeeze and expect the problem to become even more acute for middle-market companies in the foreseeable period ahead. Top of their list of requirements for private equity houses is a willingness to make a long-term investment commitment. Medium-sized businesses, which are often family concerns, also prefer the investment to take the form of a minority

shareholding or a “sleeping” participation. While welcoming advice from their equity capital partner on funding and strategy, they are averse to interference in operational matters or the composition of management. And when the investor moves out, they want to buy back his shareholding.

“The study has shown that our business model aimed at long-term commitment is the right one,” says HANNOVER Finanz Group spokesman Andreas Schober. “We have over 30 years’ experience of minority shareholdings in high-growth companies. The Fielmann opticians and Rossmann drugstore chains, in which we kept our holdings for well over ten years, are examples that speak for themselves.”

Long experience of tailoring solutions to individual requirements

Demand has now perceptibly revived. “Our reputation as long-term partners is attracting increasing numbers of inquiries from interested companies. In-and-out investments are not our thing. Having said that, it must be added that middle-market companies value not only our taking the long view but also the expertise of our interdisciplinary team which is prepared to sit down with an entrepreneur and his advisors and work out individually tailored, long-term solutions. Our business-minded management can draw on a wealth of experience from their own previous activities in a variety of positions in industry,” comments Schober with regard to the findings produced by the study. HANNOVER Finanz has a total of more than 30 years’ experience of a wide variety of participation models and has put more than a billion euros into around 180 successfully completed projects to date.

Increased value through acquisitions – satisfactory result for 2009

In addition to the resurgence of minority shareholdings, HANNOVER Finanz has a major interest in assisting its portfolio companies to expand through take-overs. Since the beginning of 2009 a total of six takeovers – so-called add-on acquisitions – have been carried out. Companies like KEYMILE International GmbH (Hanover/Vienna) and the frozen ready-to-eat meals specialist GETI WILBA (Bremervörde) took the opportunity to buy up subsidiaries of large industrial groups or independent medium-sized businesses with no succession of ownership which fit into their operations. KEYMILE, which is a client of HANNOVER Finanz Austria, acquired Aastra Networks GmbH, a subsidiary of the Aastra Group specialising in transmission technology. GETI WILBA extended its range of products by the acquisition of Brodersen & Köver, a family concern specialising in game which was up for sale owing to the lack of a successor to take over control.

As a consequence of the global financial crisis, we have recently focused most of our attention on intensive support of our existing portfolio companies. Owing to the unfavourable market situation, the HANNOVER Finanz Group made only one new investment, in the amount of € 20 million. Six additional investments in existing clients accounted for a further € 16.6 million. On the other hand, we made successful sales of our interests in aleo solar AG to Robert Bosch GmbH and the De Maekelboerger industrial bakery to another investor. All in all, HANNOVER Finanz booked five successful sales for approximately € 26 million, three partial repayments of invested capital in the amount of over € 8 million and one full repayment in the amount of € 5 million. At the end of 2009 our investments in 44 companies totalled € 404 million.

Given the difficult world economic situation, HANNOVER Finanz achieved a respectable result, with an annual surplus of € 10.5 million. At around € 30 million, income from shareholdings was at the level of the foregoing year, reflecting the stability of our broad-based portfolio with its comprehensive mix of different sectors of industry. In the year 2009

the 44 companies currently in our portfolio employed a total of around 17,000 people and turned over more than € 3.2 billion.

First investment of 2010

Effective 05 May 2010, HANNOVER Finanz together with the family concern Michael Faist acquired the sound absorption division of AKsys automotive parts suppliers with 700 employees at locations in Worms and Frankfurt. 60% of the new FAIST Tec GmbH is owned by Michael Faist and the other 40% by the HANNOVER Finanz Group. The owners of the new company have worked out a concept for the long-term development of the locations. "We have devised a special participation model which combines both mezzanine capital and genuine equity capital and opens up long-term prospects for the new enterprise," comments Goetz-Hertz-Eichenrode, the executive director of HANNOVER Finanz responsible for the transaction. "We have full confidence in the company's management and future. Sound absorption technology is an important factor in both cars and household appliances and has always been highly profitable."

The AKsys Group came into being in 2001 as a management buy-out of the automotive divisions of CWW-Gerko and Rütgers Kunststofftechnik (RKT), which was itself a product of the break-up of the Rütgers Group. In 2002 AKsys merged with FAIST Automotive while retaining its name.

New generation on the executive board

Having previously held positions at Deloitte and the Alpha Group, a European private equity company, Goetz-Hertz-Eichenrode (34) is to take a seat on the HANNOVER Finanz Group's executive board with effect from July 2010. Since July 2009 he has been serving a "probationary year" as a deputy director of HANNOVER Finanz. Goetz-Hertz-Eichenrode is a chartered accountant and a qualified auditor. He took his degree in international business management (Dipl.-Kfm.) at the European Business School in Oestrich-Winkel supplemented by terms in France and the USA. During this time he acquired extensive knowledge of the private equity business – principally at 3i (USA), Deutsche Beteiligungs AG and Initiative Finance & Gestion (France).

HANNOVER Finanz chairman Andreas Schober comments: "We take a long-term view when planning the future of HANNOVER Finanz – just as we always advise our middle-market partners to do. We began to build up a young team three years ago and this new generation has now reached the board room."

About the HANNOVER Finanz Group

Independent of major corporations or banks and with institutional investors at its back, the HANNOVER Finanz Group, established in 1979, has 30 years experience. The Group currently employs 40 people in Hanover and six more in its Vienna based subsidiary HANNOVER Finanz Austria. The original nucleus of the HANNOVER Finanz Group is HANNOVER Finanz GmbH, which acts as the Group's managing company while also running its own portfolio of company holdings. The major shareholders of HANNOVER Finanz GmbH are its management and Hannover Rück, each with 25%. The basis of long-term investments in middle-market industry is constituted by nine currently active "evergreen" funds that run for an unlimited period. Commitments range from old economy industries to commerce and the new technologies. Since 1979 this private equity house has seen continuous growth and an increasing number of successful participations. The principal focus

is on funding growth and the succession of ownership in sound medium-sized businesses. The HANNOVER Finanz Group is one of the few private equity houses in Germany to take on minority as well as majority shareholdings.

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