

## Press Release

### **Drive for innovation needs financial strength – Medium sized businesses rely on HANNOVER Finanz as their equity partner**

**The investment company reports strong demand and flourishing investment activity – 2010 results tripled from previous year.**

Hanover, 05 May 2011. **In the light of the constantly changing global economic structure, middle-market companies from a wide range of industries regard themselves as highly competitive and well positioned internationally, and are increasingly considering taking a financial investor on board. This is the result of the current HANNOVER Finanz study on the mood of the German middle-market sector. At the HANNOVER Finanz Group, investment policy continues to focus on partnerships with fast-growing medium sized businesses. The private equity company has once again been able to invest strongly in the course of the economic recovery, entering into three new partnerships in 2010 and a further two in 2011 to date. High quality inquiries - particularly from family businesses - illustrate the confidence of entrepreneurs in the Hanover-based investor which specializes in long-term commitments. There are 210 million euros waiting for further new investments.**

### **Medium sized businesses remain the driving force for growth - financial investors in greater demand**

German middle-market entrepreneurs regard themselves as well equipped to face the global challenges of a constantly changing economy, paying particular attention to the rising pressure on margins and the increasing need for investment. If they are to improve their competitiveness even further and exploit opportunities in consolidating markets, these firms will have to expand their activities significantly in all the areas they serve. These are the core results of the HANNOVER Finanz study on the mood of the German middle-market sector, performed by the equity capital partner together with “Markt und Mittelstand” magazine.

The firms polled expect a steep rise in their demand for extra capital to strengthen their market position and the associated investments. Fears of increasing obstacles to the granting of loans resulting from more stringent equity requirements for banks (Basle III), together with the rising need for investment, are increasingly requiring alternative sources of financing to be developed. Significantly more medium sized businesses than in recent years are therefore considering taking an investor on board. “The results of the study show that not only traditional values but also adaptability are among the strengths of German medium sized businesses. The German middle-market sector has overcome both the crisis and increasing globalization with its willingness and power to innovate. We see this as confirmation that our business model as a partner for medium sized enterprises is the right one. We invest in sound middle-market companies with sales of 20 to 500 million euros,” as HANNOVER Finanz Group’s CEO Andreas Schober comments on the study.

### **High quality inquiries – advantage from evergreen funds**

The private equity market has picked up strongly. Germany, with its strong middle-market sector, remains a sought-after location for investment. “The HANNOVER Finanz Group with

its wealth of experience gained in over 30 years in the German-speaking countries, and with its knowledge acquired from a vast range of industries and around 180 completed participation ventures, has a clear advantage here over many other market players. It has gained currency among medium sized businesses seeking to handle corporate succession or finance strong growth that the HANNOVER Finanz Group with its nine evergreen funds, i.e. long-term funds that run for an unlimited period, has a strong and stable financial base," Andreas Schober remarks.

The flow of high quality inquiries (dealflow), which had been seriously impaired in the last three years, a time of general economic difficulty, is once again as strong as it was before the financial crisis. Family businesses in particular are putting their trust in the HANNOVER Finanz Group as an equity capital partner with its business model aimed at long-term commitment and the traditional values of medium sized businesses. "We know that our reputation as a long-term partner ensures a continuous dealflow. Of course, owner-managed businesses and entrepreneurial families value not only our stamina, but also the expertise of our multidisciplinary team which is ready to contribute to the innovative capacity of middle-market entrepreneurs," says Schober to explain the persistent flow of high quality inquiries. Since its foundation in 1979, HANNOVER Finanz has to date made equity capital of over a billion euros available to German medium sized businesses.

### **2010 tripled from previous year – investment activity flourishes**

The continuing economic recovery is once again providing a conducive environment for the private equity market. The HANNOVER Finanz Group has been able to make three new investments totalling 50.7 million euros, in Faist ChemTec GmbH, Paper+Design GmbH tabletop and the Austrian Ludwig Reiter Schuhmanufaktur GmbH. 7.5 million euros flowed into 9 following investments. The equity company also made successful sales such as that of the foodstuffs and agricultural products analysis company AGROLAB GmbH back to the proprietors. In total, HANNOVER Finanz effected 3 successful sales amounting to around 56 million euros and 7 partial divestments to previous owners for over 14 million euros. The volume of participating interests in 44 companies is currently around 400 million euros.

The HANNOVER Finanz Group almost tripled its earnings in comparison with the previous year, achieving an annual surplus of 30.7 million euros (previous year: 10.5 million euros). The income from participations rose to around 41 million euros (previous year: approx. 30 million euros), reflecting the resilience of a broadly based portfolio with a comprehensive sectoral mix even in economically difficult times. All 44 of the businesses currently in the portfolio together earned over 3 billion euros in 2010, employing around 17,000 people.

### **2011 starts with two new participating interests – 210 million available for further investment**

HANNOVER Finanz embarked on the 2011 year with brisk investment activity. As HANNOVER Finanz director Jürgen von Wendorff remarks, "Many of the investments now made are attributable to the strong resurgence in demand of the previous year. If we had pursued all these inquiries to completion by the end of 2010, we would now be talking about an investment record." The fact that family businesses in particular recommend HANNOVER Finanz to others is illustrated above all by the participating interest in insulating film manufacturer Faist ChemTec GmbH taken up in mid-2010 and the investment in Biesterfeld VV GmbH & Co. KG made at the start of 2011, von Wendorff continues. Faist ChemTec

emerged from the film division of the insolvent Aksys group. Family entrepreneur Michael Faist acquired the division together with HANNOVER Finanz to form a new medium sized business. The family entrepreneurs behind the Biesterfeld company are also relying on HANNOVER Finanz to underpin the investments they expect to make in the future with equity capital. Owner-managed businesses are also highly interested in a partnership with HANNOVER Finanz. Financial clout is not the only factor in play, accompanied as it is by the expertise of the multidisciplinary HANNOVER Finanz team, as von Wendorff further notes. In the investment made at the end of December 2010 in Paper+Design GmbH tabletop, which produces decorative articles for dinner settings, there was a conspicuous need for the retail know-how which HANNOVER Finanz acquired through its earlier interest in the Rossmann drugstore chain. The retail know-how of HANNOVER Finanz was also the decisive factor in the participation taken up in March 2011 in the online trader Media Concept Bürobedarf GmbH. "E-commerce now plays an important part in the retail business, as we know from our holding in sports shoe dealer Runners Point. Ten years after the internet hype, inquiries of this kind now deserve a second look," Jürgen von Wendorff remarks on the acquisition of the new participating interests. There are now 210 million euros available for further new investments.

"The next completion of a new investment is now imminent. We are also expecting more interesting deals in the further course of 2011," von Wendorff says. Against the background of strong growth in sales, HANNOVER Finanz identifies an increasing demand for growth financing – especially in family-managed medium sized businesses – to improve their equity position.

#### **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 over 30 years of experience. Its commitments range from old economy industries to commerce and the new technologies. Since its foundation, this private equity company has seen continuous growth and an increasing number of successful participations. The principal focus is on funding growth and corporate succession in sound medium sized businesses with annual sales of between 20 and 500 million euros. The HANNOVER Finanz Group is one of the few private equity houses in Germany to take on minority as well as majority shareholdings.

The Group currently employs 40 people in Hanover and six more at 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 corporate 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 businesses is constituted by nine currently active "evergreen" funds that run for an unlimited period.

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