

## **Press Release**

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### **Steady return on investment beats riding the wave crests**

**HANNOVER Finanz Group with good results: investors respond to steady flow of earnings with support of new funds and fresh capital. The private equity house specialising in middle-market companies has profited from the turbulence triggered off by the subprime crisis and registers an increase in attractive new business prospects. HANNOVER Finanz Austria, too, has launched a new fund and reports a positive deal flow.**

The HANNOVER Finanz Group ended the year 2007 with a very good result, having taken advantage of high prices on the private equity market to sell holdings in middle-market companies and return to its investors substantial profits. The deal flow from high-quality new business prospects is on the increase. "Given the choice between a steady return and a one-off super return, we go for the former," is how HANNOVER Finanz chairman Albrecht Hertz-Eichenrode summarised the Group's investment policy, alluding to the 'Super Return' keynote theme of the private equity industry's annual convention. "We prefer achieving a steady return of between 15 and 20 percent for our investors to riding the crest of every giant wave that comes along. This is a policy that served us well at the end of the 1990s when we resisted the enticements of the dotcom hype. We steered a middle course and that was absolutely right."

The Hanover based private equity house has consistently avoided the rude awakenings suffered by other players in the industry when the mega-deals failed to materialise.

With its unlimited-period evergreen funds HANNOVER Finanz can afford to wait for the unrealistically inflated prices resulting from an over-excited private equity market to fall, says Hertz-Eichenrode. This kind of staying power is also paying off in the current subprime crisis. "We are clearly profiting from the turbulence caused by the

crisis. We are registering a marked increase in approaches from high-quality, owner-managed middle-market companies. Prices have returned to a realistic level and even traditional, family-owned companies are showing increasing interest in private equity capital. We are expanding and have just launched new funds,” reports the HANNOVER Finanz chairman and adds, “Our high liquidity means that, given suitable projects, we can provide funding for middle-market companies bypassing the banks.” At the present time bank loans are not only more costly than before but also subject to appreciably more severe scrutiny of risk.

### **Advantage of evergreens: long-term commitment – moderate leverage**

The HANNOVER Finanz story makes the benefits clear. Since 1979 the private equity house has been investing capital acquired from medium-sized insurance companies in middle-market businesses on a long-term basis through stable evergreen funds. By this means HANNOVER Finanz has been able to make use of below-average leverage in acquiring middle-market companies with an annual turnover of between € 20 million and € 300 million and is far more independent of bank loans than the other players in the private equity market.

### **Strong demand – profitable exits**

In the year 2007 HANNOVER Finanz received well over 1,000 inquiries from medium-sized companies. The high prices that characterised the market in 2007 did not begin to give way until towards the end of the year. Accordingly, the Group took advantage of the situation in 2007 to sell off holdings, some of the exits not being finalised until the beginning of 2008. Currently, HANNOVER Finanz has just completed the acquisition of a new shareholding and anticipates the completion of five more deals in the first half of 2008.

### **Investors respond to steady return with support of new funds**

The policy of long-term investment pays off: a new fund has now been raised. Once again the capital has been provided by medium-sized insurance companies and pension funds. The HANNOVER Finanz Group's Austrian subsidiary also launched a new fund in 2007.

### **MBO/MBI finance continues to be the major factor**

In 2007, too, management buy-outs and buy-ins were the most important factor. € 29.9 million in equity and around € 34 million in acquisition loans went into three new company shareholdings and seven existing ones. The HANNOVER Finanz Group has booked an annual surplus of € 65.7 million for the year 2007. HANNOVER Finanz sold three complete shareholdings and parts of two others in 2007. Invested capital at year-ending was approx. € 400 million spread over 55 companies. More than € 300 million including cash from the new funds is available for new investment.

### **Portfolio companies turn over € 3.5 billion**

In the year 2007 the HANNOVER Finanz Group's portfolio companies were together turning over € 3.4 billion and employing around 14,300 people. The companies' order books are looking good. Many of the portfolio companies have taken new steps in their expansion abroad and into new markets. RUNNERS POINT, for example, has captured new target groups with its Sidestep and Run<sup>2</sup> store concept. Formerly a subsidiary of KarstadtQuelle, the management buy-out assisted by HANNOVER Finanz led to the introduction of a new logistics system and the company has now cracked the € 100 million turnover target.

## **HANNOVER Finanz Austria grows with new fund**

The business year 2007 was also an extremely good one for HANNOVER Finanz Austria. The Austrian subsidiary, too, took advantage of the high market prices to sell off long-standing holdings. In addition to this, Raiffeisen Zentralbank Österreich was acquired as another evergreen fund investor. “The deal flow developed well for our Austrian subsidiary, too. Significant factors here were Austrian management’s numerous contacts and the advantage of being able to offer a finance package even for larger transactions by using the combined capacity of the HANNOVER Finanz Group. This positive trend continued through the first quarter of 2008 and the next closing is anticipated in the course of the next few weeks,” reports Andreas Schober, deputy chairman of the HANNOVER Finanz Group responsible for the Austrian subsidiary, “Our move into the Austrian market eight years ago has shown itself to be strategically sound. We can take advantage of all the opportunities of a growing private equity market there.”

On the subject of the subprime crisis Schober says, “The turbulence on the international financial markets has affected Austria much less than Germany. Although the crisis of confidence has had marked effects on the Austrian banks’ refinancing conditions, credit lines for businesses have been scarcely affected.”

### **Valued expertise**

In recognition of his long experience in financing middle-market companies the German association of the private equity industry BVK has appointed HANNOVER Finanz Group chairman Albrecht Hertz-Eichenrode to join Thomas Pütter of Allianz Capital Partners and Dr. Ludolf von Wartenberg of the BDI in a new board of advisors.

### **On the golden mean since 1979: 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 nearly 30 years experience. The Group currently employs 41 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 management company while also running its own portfolio of company holdings. The major shareholders of HANNOVER Finanz GmbH are its management and Hannover Re, 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 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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