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## The management of German Startups Group changes guidance for the financial year 2016

**Berlin, 08 January 2017** - The management of German Startups Group now only expects an operating loss after tax of approximately 0.01 euros per share for the financial year 2016 (IFRS). The change is essentially attributable to the decrease in value of two shareholdings because, following an analysis of last few days' information, the management of German Startups Group considers it largely probable that a company valuation equivalent to German Startups Group's valuation of its shares would not be achieved in a possible future financing round for both companies. In addition, the already announced extraordinary expenses of 0.05 euros per share due to the depreciation of prepaid equity procurement expenses in 2016 could increase to up to approximately 0.10 euros per share following recent insights (IFRS). Overall, the company now only expects a loss after tax of approximately 0.10 euros per share (IFRS).

### Information and explanation of the issuer to this news

High volatility of startups' valuations is a structural part of the venture capital business, but is not announced by the growth companies themselves and also does not come to light in conventional, unlisted VC funds because they, unlike German Startups Group, are not subject to transparency requirements, but only publish value gains ultimately generated over the multi-year lifetime of the funds. In order to generate stable profits in the VC business over the individual accounting periods, not only steady value gains, but also events of objectivisation evenly distributed along the timeline, such as, for example, capital increases of startups, would be needed for the valuation method of preferring third-party objectivised valuations that German Startups Group applies. In real life, an even distribution over time occurs only rarely. Instead, each positive and negative news, just as capital increases and so-called exits, often occur in clusters so that the earnings performance should fluctuate over the individual financial years. However, the management does not expect further negative events to arise in the short term.

The shares in the portfolio companies have not changed on a percentage basis due to the applied decreases in value so that, in the case of a future exit at a particular price, it would result in a higher profit or a lower loss than it would be the case without the applied decrease in value.

As generated in the previous years, the company expects a substantial profit for 2017 in an amount which cannot be projected yet. Many of its portfolio companies have, in its opinion, by now reached exit maturity. The prospects for a profit in 2017 have not been diminished, in the company's opinion, by the above-mentioned decreases in value, but have ceteris paribus more likely improved.



**GERMAN STARTUPS | GROUP**

According to the assessment of German Startups Group's management, the net asset value per share is noticeably above the current stock price. It has, according to the company's assessment, emerged as essential for the price formation process despite the profits generated by German Startups Group in the previous years.

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