



+++ Ad hoc announcement +++

Portfolio company Auctionata | Paddle8 has filed for preliminary insolvency and is in conversations about the funding of the continuation

Berlin, 19 January 2017 - Auctionata | Paddle8, a portfolio company of German Startups Group, has preliminarily filed for insolvency. The management is, according to their own statements, in advanced conversations about the separation from Paddle8, the US counterpart only recently merged into Auctionata in 2016, and is leading various active conversations with promising investors.

In connections with these events, the convertible loans granted to Auctionata | Paddle8 by German Startups Group and other investors could render themselves depreciated or even worthless, which would constitute a subsequent event adjusting the values per 31. December 2016 and negatively impact the consolidated net result of German Startups Group for the financial year 2016 by up to 0.17 euros per share (IFRS). Since a prediction relating to the continuation of Auctionata cannot be provided at this moment, it is not yet clear whether and to what extent a depreciation will become necessary. In the case of further unfavourable development, German Startups Group would conclusively carry out a complete write-off.

The profit and loss account of German Startups Group in the financial year 2017 is not affected by the above-mentioned events (IFRS).

Information and explanation of the issuer on this news

The management of Auctionata is leading the said conversations with promising investors to fund the continuation and further strategic development of - after the separation from Paddle8 - the leaner Auctionata and to develop its powerful technology platform with proprietary, patented livestream auction technology for professional consigners and traditional auction houses.

The failure of portfolio companies is an immanent part of the venture capital business, which can essentially only be counteracted by risk diversification. Risk diversification on the level of German Startups Group has also had risk-absorbing effects in this case. Even though it has been a focus investment, the ratio of the last book value of shares and granted convertible loans to the consolidated balance sheet total per 31 December 2016 was only about 5%. Based on the acquisition costs, the ratio to the consolidated balance sheet total per 31 December 2016 was around 6%.

When making venture capital investments, the key variables are the ratio between risk and return and the probability of occurrence that is assumed. In the case of Auctionata | Paddle8, the upside potential were several times higher than the acquisition costs in the management's opinion. In addition, the positive development seemed more likely than the negative one that



has now occurred. German Startups Group has issued two different tranches of convertible loans in 2016. A large number of venture capitalists and other professional financial investors co-invested in both tranches as well as a further later tranche, in which German Startups Group has not participated.

The decrease in value of the Auctionata | Paddle8 shareholding initially took place already on 8 January 2017 when the management of German Startups Group, due to new information from Auctionata | Paddle8, considered it surprisingly and for the first time predominantly likely that Auctionata | Paddle8 would conduct a financing round in the near future that would lead to a decrease in value of the shares held by German Startups Group and not simultaneously to an increase in value of the convertible loans, which would have entitled the company to convert them into Auctionata | Paddle8 shares at a significant discount. This decrease in value was part of the guidance adjustment published on 8 January 2017. In the early morning of 31 December 2017, an urgently appointed conversation between a manager of Auctionata | Paddle8 and the Managing Director of German Startups Group lead to the completely surprising understanding that a financing round of Auctionata | Paddle8 planned for the beginning of the year, in which the convertible loans should have been converted and German Startups Group would have benefitted from the discounts it was entitled to, which would have constituted an event leading to an increase in value dating back to 31. December 2016, will presumably not take place. This lead to an immediate decrease of the guidance on 31 December 2016. The ad hoc announcement on 22 December 2016 was, however, based on an event of another portfolio company; whereas, the decrease in value carried out by German Startups Group on this occasion was compensated for by other intermittent increases in value so that the guidance was not to be adjusted at this moment. Because of this, it resulted in a constellation of events, whose separate effects as well as the chronological sequence of the respective guidance adjustments are difficult to comprehend for externals. Each in its own right, however, needed to be published, and each one did not allow for a prediction of the other subsequent, at this point in time still unknown events.

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