

MONTOLD

Germany 2021 SME Statistics Review Number of enterprises, employment and VAD generation (based on 2018-2020 EC numbers)

Private Debt Fund

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German SME Sector Dynamics

The SME performance review is one of the main tools the European Commission (EC) to monitor and assess countries' progress in implementing the SME strategy and the Small Business Act (SBA). EC publishes a variety of research reports regularly to evaluate developments in the European SME sector. Here we present highlights of the SBA Factsheet on SME developments in Germany published by the EC.

The documents under review are 2021 SBA Fact Sheet for Germany

<https://ec.europa.eu/docsroom/documents/46076/attachments/1/translations/en/renditions/native> highlighting 2020 figures on Germany SME sector

And 2019 Fact Sheet

<https://ec.europa.eu/docsroom/documents/38662/attachments/12/translations/en/renditions/native> highlighting 2020 numbers, added with Montold estimates of relevant information.

According to the published estimates the total number of SMEs in 2020 increased by 2% in 2020 compared to 2018. There could have been a dip in 2020 on 2019 numbers on the back of Covid crisis, but unfortunately 2019 figures have not been published by the EC. We assume that there was a rapid increase in the number of SMEs in 2019 on 2018 following the dip in 2020 on 2019, but overall EC data shows an increase of 2% in 2020 vs. 2018 in the number of SME enterprises. The EC data doesn't show dynamics in each of the sized class of SME but pro rata 2% increase for each class is presented in the top table on the right. EC data also shows a drop in a number of large corporations in Germany by 230 business.

There has been overall increase of employment by 2.8% based on EC data between 2018 and 2020. But most of the increase occurred in the large corporations segment. SME employment dropped by 0.85 mln or 4.4%

Additional info on this topic is provided in the German Destatis Genesis database, but the last available info in that database goes to 2019

Overview of German SME Sector

	Number of enterprises '000 on 2018 estimates	Number of enterprises '000 on 2020 estimates
Micro	2079	2121
Small	381	388
Medium	62	63
Total SME	2522	2573
Large corporations	11.8	11.57
Total	2534	2584

	Number of persons employed '000 on 2018 estimates	Number of persons employed '000 on 2020 estimates
Micro	5795	5537
Small	7208	6887
Medium	6096	5825
Total SME	19099	18250
Large corporations	10884	12573
Total	29984	30823

Source: 2019, 2021 EC SBA Germany Factsheets micro firms (0-9 persons employed), small firms (10-49 persons employed), medium-sized firms (50-249 persons employed), and large firms (250+ persons employed).

German SME Sector Dynamics

VAD generation by SME sector in Germany declined by 9.8% in 2020 vs. 2018 or by 85 bn Eur

On the other hand VAD generated by large corporates increased by 11.8% in the same period to 908.2 bn Eur

Share of VAD generated by SME companies dropped from 54% in 2018 to 49% in 2020. This is a most dramatic shift in overall dynamics in the related sectors of the German economy.

Overall VAD generation remained almost unchanged in the period under review.

2021 Fact Sheet also discloses that the accommodation and food services sector was the most affected sector, with SME value added declining by 31.3% and SME employment falling by 11.7%. Other badly affected sectors were the manufacturing sector and the administrative, retail, tourism and support services sectors. The construction sector continued its growth trend.

EC views the dynamics in 2021 in the SME sector will be positive. SMEs are expected to recover, generating growth of 6.6% in value added and 1.4% growth in employment. Overall, SME value added in 2021 is expected to rise 2.4% above its 2019 level, with SME employment returning to its 2019 level.

In 2020, average SME productivity, calculated as value added per person employed, was approximately EUR 47 900, exceeding the EU average. SMEs in Germany are relatively large, employing an average of 7.1 people in 2020, almost double the EU average of 3.7.

Source:

<https://ec.europa.eu/docsroom/documents/46076/attachments/1/translations/en/renditions/native>

VAD Generation

	VAD Generation Eur Bn On 2018 estimates	VAD Generation Eur Bn On 2020 estimates
Micro	276.5	249.4
Small	334.4	301.6
Medium	357.7	322.6
Total SME	968.7	873.8
Large corporations	812	908.2
Total	1780.7	1782

Source: 2019, 2021 EC SBA Germany Factsheets micro firms (0-9 persons employed), small firms (10-49 persons employed), medium-sized firms (50-249 persons employed), and large firms (250+ persons employed).

Key Challenges

Innovation rate of German SMEs has declined in recent years, reaching only 19% in 2019. The number of innovative SMEs has also fallen sharply since 2006. Since 2005, the number of new high-tech start-ups per year has declined by more than 25%.

As per 2020, German SMEs are still lagging behind in IT investments. Their **digital investments** still only represent a small amount compared to what is currently invested in traditional innovations (EUR 19 billion against EUR 34 billion in 2019). As elsewhere, the pandemic seems to have boosted the widespread adoption of digital business practices, but whether this translates into a long-term trend is by no means clear.

Accelerated efforts to improve digital public services could help prompt SMEs to increase their digital investments. **The shortage of skilled labour** remains a major issue in Germany, with the average time to fill vacancies having more than doubled since 2010 according to the German Ministry of Economics. Despite the current pandemic, the skilled labour shortage is expected to increase until 2030.

Source:

<https://ec.europa.eu/docsroom/documents/46076/attachments/1/translations/en/renditions/native>

Key Successes

The policy response to the pandemic has been largely effective, swift and hands-on. This helped lessen the effects of the crisis. According to the KfW SME Panel 2020, Germany introduced numerous financial support measures for SMEs between March 2020 and the end of the year (e.g. emergency aid, short-term allowances). As reported in official public sources, as of mid-April 2021, EUR 89.4 billion had been paid out, more than half of it as credits (EUR 49.6 billion).

German SMEs continue to be highly competitive in international markets. The fact that Germany ranks among the top three exporting countries in the world is in no small measure due to SMEs, which represent 97.1% of all export-driven companies. More than half of the world's 'hidden champions' – firms that are global leaders in their market niches – come from Germany.

According to government sources, **access to capital is relatively easy** for German SMEs compared to other EU countries. Only a small number of SMEs have limited access to financial instruments.

DISCLAIMER

MARKETING, NO COMMITMENT OFFERING

This document is a marketing communication. The purpose of this document is to introduce Montold German SME Lending Fund (the "Fund"). This document is not an invitation to invest and is neither an offer to sell nor a solicitation to buy interests in the Fund. Therefore this document does not include a complete description and information that is relevant to the Fund. The decision to invest in the Fund can only be made based on the full fund documentation. Prior to making an investment please refer to the limited partnership agreement of Montold SME Lending Fund GmbH & Co. KG dated 21 June 2021, as amended from time to time (the "LPA"), and the Fund's confidential information memorandum (the "PPM"), including the "Risk Factors" section therein, which contains a discussion of the risks and uncertainties that we believe are material to our business, operating results and financial condition. The LPA and PPM shall be provided to you prior to making an investment decision. This document must be read in conjunction with the LPA and the PPM in order to fully understand all the implications of an investment in the Fund, its terms, structure and investments, regulatory and tax risks and risks associated with conflicts of interest and carefully evaluate those described risks before making an investment in the Fund.

TARGET AUDIENCE

This document exclusively addresses investors in Germany who are professional or semi-professional investors as defined in the German Capital Investment Act (KAGB). As a registered AIF-capital management company (AIF-Kapital-verwaltungsgesellschaft) under § 2 para. 4 and § 44 of the KAGB, Montold does not actively market the Fund outside of Germany.

OWN DUE DILIGENCE, NO INDIVIDUAL RECOMMENDATION

Nothing contained in this document is intended to constitute legal, tax, securities or investment advice. The general opinions and information contained in this document should not be acted or relied upon by any person without obtaining its own specific and relevant legal, tax, securities or investment advice.

It is firmly recommended that all interested investors will carry out their own due diligence of the fund documentation prior to any investment into the Fund and should consider their own investment, legal and tax advice.

FUND'S STRUCTURE

The Fund is a non-listed German limited partnership (Kommanditgesellschaft) which intends to invest all of its total assets (net assets plus borrowings for investment purposes) in private credit investments (loans issued in private offerings or issued by private companies).

RISKS

This investment involves a high degree of risk. You should purchase these securities only if you can afford the complete loss of your investment. You should read the LPA and PPM carefully for a description of the risks associated with an investment in the Fund.

These risks include, but are not limited to, the following:

- We have no prior operating history and there is no guarantee that we will achieve our investment objectives.

-This is a "blind pool" offering and thus you will not have the opportunity to evaluate our investments before we make them

-There is no guarantee that suitable investments will be or can be secured in the desired amounts or at all, or that they will be successful.

-You should not expect to be able to sell your interest regardless of how we perform.

-You should consider that you may not have access to the money you invest for an extended period of time.

-We do not intend to list the interests in the Fund on any securities exchange, and we do not expect a secondary market in our interests to develop.

-Because you may be unable to sell your interests, you will be unable to reduce your exposure in any market downturn.

-We intend to implement an interest repurchase program, but only a limited number of interests will be eligible for repurchase and repurchases will be subject to available liquidity and other significant restrictions.

-An investment in interests is not suitable for you if you need access to the money you invest. See "Suitability Standards" and "Interest Repurchase Program" in the PPM.

-We cannot guarantee that we will make distributions and, if we do, we may fund such distributions from sources other than cash flow from operations, including, but not limited to the sale of assets, borrowings, return of capital or offering proceeds, and we have no limits on the amounts we may pay from such sources. A return of capital (1) is a return of the original amount invested, (2) does not constitute earnings or profits and (3) will have the effect of reducing the basis such that when a limited partner sells its interest the sale may be subject to taxes even if the interest is sold for less than the original purchase price.

-Distributions may also be funded in significant part, directly or indirectly, from temporary waivers or expense reimbursements borne by Montold or its affiliates, that may be subject to reimbursement to Montold or its affiliates. The repayment of any amounts owed to our affiliates will reduce future distributions to which you would otherwise be entitled.

-We expect to use leverage, which will magnify the potential for loss on the amounts invested in the Fund.

FORWARD-LOOKING STATEMENT DISCLOSURE

Certain information contained in this document constitutes "forward-looking statements", which can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "anticipate", "estimate", "believe", "continue" or other similar words, or the negatives thereof. These may include our financial projections, estimates and their underlying assumptions, statements about plans, objectives and expectations with respect to future operations, and statements regarding future performance. Such forward-looking statements are inherently uncertain and there are or may be important factors that could cause actual outcomes or results to differ materially from those indicated in such statements. Montold believes these factors include but are not limited to those described under the section entitled "Risk Factors" in the PPM. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in the LPA and the PPM. Except as otherwise required by any federal securities or other regulatory law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

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OTHER

Numerical data is approximate and as of July 30, 2021, unless otherwise noted. The words "we", "us", and "our" refer to the Montold and/or the Fund, unless the context requires otherwise.