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Private Equity Backed Midmarket Company Outperforms During Financial Crisis
Riverside Agrees to Sell German Loudspeaker Manufacturer Teufel to HgCapital

After four years of successful ownership, The Riverside Company, the global private equity firm focused on the midmarket, is selling Berlin-based Teufel Speakers GmbH (“Teufel”) to HgCapital, the European sector-focused private equity investor. The acquisition is yet to be completed and is subject to regulatory approval. The value of the transaction is undisclosed.

Teufel, the leading designer and online retailer of loudspeaker systems in Germany, designs, markets and sells its own brand audio speaker systems (home theatre, multimedia, integrated systems) directly through its B2C internet platform, www.teufelaudio.com. Based in Berlin with 72 employees, the business is focused on the mid-to-high-end segment of the market. With the support of Riverside, the company expanded its portfolio and started to successfully sell into other European countries, including the UK, last year. Teufel is operating in a market growing at 15%+ p.a., as a result of increasing loudspeaker penetration and customer preference for online shopping. The company is uniquely positioned in the value chain as it has no offline retail channel.

Riverside acquired Teufel in 2006, implemented a succession plan with the new CEO Thorsten Reuber and has worked with the management team to more than double the Company’s revenue and earnings in this period. The number of employees has also risen from 26 to 72, reflecting the growth in the business. This transaction highlights the benefits of Riverside’s growth oriented investment focus in the midmarket for all parties.

The management board of Teufel supports the transaction, recognizing HgCapital's strong track record with similar businesses and its in-depth understanding of the online retail arena. Management will maintain a significant stake in the business. This announcement represents HgCapital's second transaction in the German market in as many months, following the acquisition of Munich based SimonsVoss Technologies AG in May.

Justin von Simson and Kai Romberg executed the transaction for HgCapital. HgCapital was advised by Oliver Felsenstein (Clifford Chance), Sascha Pfeiffer (DC Advisory) and Sanja Mikic (Deloitte). The Riverside Partner in charge of the transaction was Volker Schmidt with the support of Kai Köppen and Peter Schaberger. Riverside was advised on the sale by Alexander Grünwald and Thomas Egli (Altium Capital AG) and Dr. Simon Preisenberger (Watson, Farley & Williams LLP).

Volker Schmidt, Partner of Riverside in Munich said:

“Teufel is a success story for all parties involved. The management of the company has developed a very dynamic business and the offer to Teufel's customers is now more comprehensive than ever before. The Teufel case is a great example on how private equity can add value to small/ mid-cap companies.”

Commenting on the investment, Thorsten Reuber, CEO of Teufel said:

“The partnership with Riverside was a success. The past decade has been an exciting time in the company's history as the business has evolved into one of Europe's leading vendors of high quality audio speaker systems. We have grown much faster than would have been possible without the Private-Equity Investor. Thus we now look forward to continuing to work with a Private Equity Investor like HgCapital. HgCapital also has a reputation of adding value right across the supply chain, and we have a fantastic opportunity to further diversify and extend our business under their stewardship.”

Justin von Simson of HgCapital said:

“Teufel has used its technological expertise and online infrastructure to give it a unique competitive edge. Teufel's business model, which is based on a high quality, attractively priced product offering with strong distribution and an outsourced production, will provide an excellent platform to drive future growth of Teufel. We look forward to working alongside management to realize the company's full potential and to bringing our experience from other portfolio companies with a similar business model to the business.”

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About Riverside

www.riversidecompany.com or www.riversideeurope.com

The Riverside Company is a global private equity firm focused on acquiring leading small and medium-sized enterprises (with a value of up to \$200 million/€200 million) and partnering with strong management teams to enhance the success of its companies through acquisitions and organic growth. Since its founding in 1988, the firm has invested in 232 transactions with a total enterprise value of \$5.0 billion/€ 4.1 billion. The investment portfolio in North America, Europe and Asia includes 73 companies with annual sales totaling \$3.3 billion/€2.7 billion, EBITDA of \$506 million/ €415 million and more than 13,000 employees (June 2009). Riverside offers the resources to complete acquisitions smoothly – thanks to its more than \$3.0 billion/ €2.5 billion in assets under management, more than 185 professionals in 19 offices (Atlanta, Brussels, Budapest, Chicago, Cleveland, Dallas, Hong Kong, Los Angeles, Luxembourg, Madrid, Melbourne, Munich, New York, Prague, San Francisco, Seoul, Stockholm, Tokyo and Warsaw) and its longstanding relationships with partner lenders.

According to Thomson Venture Economics, seven of Riverside's nine mature funds rank in the top 25% of all funds (as at December 31, 2009). The firm's investors include the world's leading pension funds, endowments, funds of funds, insurance companies and banks.

In 2009, Buyouts Magazine named Riverside "Buyout Firm of the Year," and M&A Journal also recognized the firm as "Private Equity Firm of the Year."

About HgCapital

www.hgcapital.com

HgCapital is a sector focused private equity investor in the European mid-market. We focus on investments with an enterprise value in the range of £50-£500 million. Our business model combines sector specialization with dedicated, pro-active support to our portfolio companies as well as the corresponding management expertise across all phases of the investment process.

HgCapital manages £3 billion for some of the world's leading institutional and private investors.