COMBINED MANAGEMENT REPORT

*on Deutsche Beteiligungs AG
and the Deutsche Beteiligungs AG Group
for financial year 2017/2018*

COMBINED MANAGEMENT REPORT

Business overview

Deutsche Beteiligungs AG has reached the end of a financial year that only lived up to expectations in part. While the investment progress made by the DBAG funds was encouraging, the value appreciation of the portfolio lagged well behind our forecast. This was due, on the one hand, to the negative impact of the capital market and, on the other, to slight delays in the implementation of the necessary changes within some of our portfolio companies.

Net income came to 33.6 million euros. Total comprehensive income was hit by price losses on plan assets and amounted to 32.4 million euros. Earnings per share of 2.23 euros correspond to a return on equity per share – our key performance mark – of 7.8 percent.

The financial year 2017/2018 was dominated by investments. The investment team agreed seven MBOs. Five of these transactions had also become effective before the reporting date and complement our portfolio, which now consists of 27 equity investments and two investments in international buyout funds managed by third parties. One investment was sold successfully.

The Private Equity Investments segment reported earnings before tax of 27.6 million euros in 2017/2018, which was almost two-thirds lower than in the previous financial year. The earnings before tax reported by the Fund Investment Services segment (6.0 million euros) includes the positive effect associated with a larger calculation basis for the income generated by this segment.

The Group’s parent company also posted a much lower net income for the year than in 2016/2017, at 9.9 million euros. However, due to numerous successful disposals in previous financial years, it has a retained profit of 170.8 million euros; of this amount, 1.45 euros per share is to be distributed to the shareholders, i.e. a total of 21.8 million euros.

The Group and underlying conditions

Structure and business activity

Positioning: listed private equity company

Deutsche Beteiligungs AG (DBAG) is a publicly-listed private equity company. It initiates closed-end private equity funds ("DBAG funds") for investment in equity or equity-like instruments predominantly in unlisted companies, and provides advice regarding these funds. Employing its own assets, it enters into investments as a co-investor alongside the DBAG funds. Its investment focus, as a co-investor and fund advisor, is on mid-market German companies.

We support our portfolio companies for a period of usually four to seven years as a financial investor in a focused-partnership role with the objective of appreciating their value. The companies subsequently continue their development under a different constellation, for example, alongside a strategic partner, a new financial investor or as a listed company.

DBAG shares have been listed on the Frankfurt Stock Exchange since 1985. They are traded in the Prime Standard, the market segment with the highest transparency level.

Deutsche Beteiligungs AG is recognised as a special investment company, as defined by German statutory legislation on special investment companies (Gesetz über Unternehmensbeteiligungsgesellschaften – UBGG) and is therefore exempt from municipal trade tax. It returned its registration as a capital management company ("KVG") in accordance with the German Capital Investment Code (Kapitalanlagegesetzbuch – KAGB) due to a corresponding resolution passed by the Annual Meeting in February 2018. A Group company that is registered as a capital management company has been responsible for fund management since July 2017.

Group structure: Notes to the consolidated financial statements, pages 120ff.

Integrated business model: two business segments that are closely tied to DBAG funds

The roots of Deutsche Beteiligungs AG reach back to 1965. Since then, DBAG and its predecessor company have entered into equity investments in more than 300 companies – from the outset (also) through closed-end funds that invest on their own account. Today, DBAG funds bundle the assets of German and international institutions.

Fund details: Notes to the consolidated financial statements, pages 164ff.

Raising capital for DBAG funds is advantageous for DBAG and its shareholders, as well as for the investors in the funds.

- Shareholders participate in the fee income earned for advising DBAG funds ("Fund Investment Services"). The funds' assets create a substantially larger capital base, which enables investing in larger companies without reducing the diversity of the portfolio. What is more, as a special investment company, DBAG is only permitted to take majority positions within strict limits; structuring management buyouts (MBOs) together with the DBAG funds is, however, possible subject to no restrictions.
- The fund investors can, in turn, be assured that their advisor, in its role as a co-investor alongside the fund, pursues the same interests.

The two funds that are currently investing, DBAG Fund VII and DBAG Expansion Capital Fund (ECF), cover a wide section of the German private equity market, with equity investments of between ten and 100 million euros for management buyouts and growth financing. Currently, there is a total of five DBAG funds that are in different phases of their life cycles:

- The DBAG Fund IV buyout fund has sold all of its portfolio companies and is currently in liquidation.
- Its follow-on fund DBAG Fund V is in the disinvestment phase. Of the eleven original portfolio companies, ten had been sold by 30 September 2018.
- DBAG Fund VI ended its investment period in December 2016 and still holds investments in ten out of a previous total of eleven MBOs; one other investment has been sold, but the transaction had not yet been completed at the reporting date.
- DBAG ECF had ended its original investment period in May 2017. It made growth financing available to eight companies and entered into an MBO in the previous financial year. June 2017 saw the start of the first, and July 2018 the start of the second new investment period (DBAG ECF I/DBAG ECF II), which will run until the end of 2020 at the latest. The fund structured four MBOs in the financial year 2017/2018.

Development of DBAG ECF, pages 46ff.

- DBAG had initiated the DBAG Fund VII in 2016. The fund's investment period started in December 2016; between then and the cut-off date, the fund structured five MBOs, three of which had been completed by the cut-off date. Taking into account transactions that have been agreed but not yet completed, around 56 percent of the fund has been allocated.[1]

1 *Principal fund; top-up fund: 13 percent*

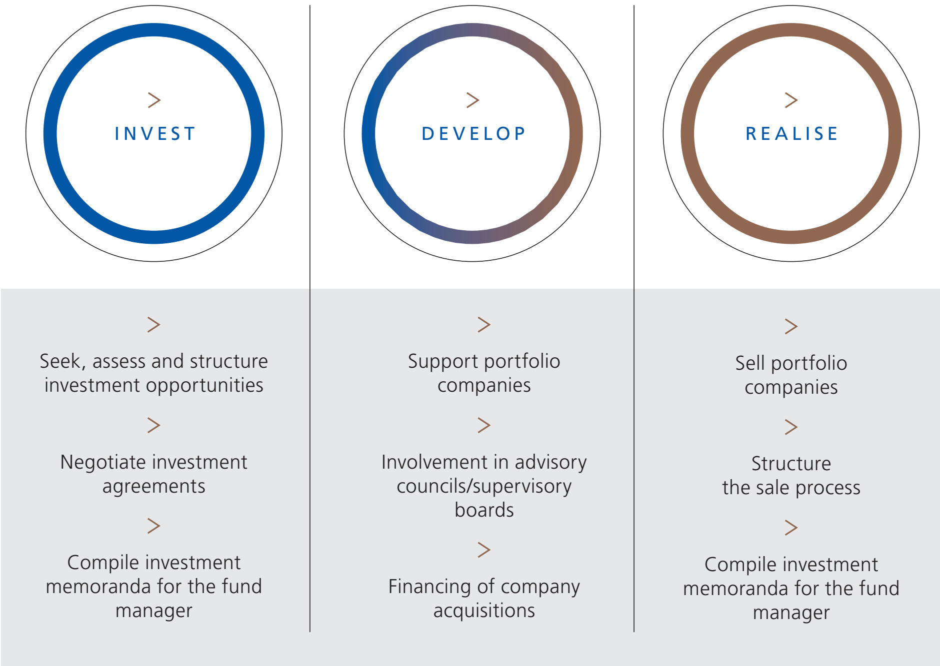
Fund		**Target**	**Start of investment period (vintage)**	**End of investment period**	Size	Thereof DBAG	**Share of DBAG's co-investments**
DBAG Fund IV (in liquidation)	Managed by DBG New Fund Management	Buyouts	September 2002	February 2007	€322mn	€94mn	29%
DBAG Fund V	Managed by DBG Managing Partner	Buyouts	February 2007	February 2013	€539mn	€105mn	19%
DBAG Expansion Capital Fund (DBAG ECF)	Managed by DBG Managing Partner	Growth financing	May 2011	May 2017	€212mn	€100mn	47%
DBAG ECF First New Vintage (DBAG ECF I)	Managed by DBG Managing Partner	Growth financing and small buyouts	June 2017	June 2018	€ 85mn	€ 35mn	41%
DBAG ECF Second New Vintage (DBAG ECF II)	Managed by DBG Managing Partner	Growth financing and small buyouts	June 2018	December 2020 (at the latest)	€56mn	€40mn	41%
DBAG Fund VI	Advised by DBG Advising	Buyouts	February 2013	December 2016	€700mn[1]	€133mn	19%
DBAG Fund VII	Advised by DBG Advising	Buyouts	December 2016	December 2022 (at the latest)	€1,010mn[2]	€200mn[3]	20%[4]

1 Without the co-investment of experienced members of the DBAG investment team
2 DBAG Fund VII consists of two sub-funds, a principal fund (808 million euros) and a top-up fund (202 million euros), without the co-investment of members of the investment team of DBAG; the top-up fund invests exclusively in transactions with an equity capital investment that exceeds the concentration limit of the principal fund for a single investment
3 DBAG has committed 183 million euros to the principal fund and 17 million euros to the top-up fund
4 The proportion of co-investments for the principal fund amounts to 20 percent and the proportion of co-investments for the top-up fund amounts to eight percent

Fund Investment Services business segment

Advisory services provided to DBAG funds are bundled in the Fund

INVESTMENT SERVICES BUSINESS SEGMENT



Advisory services by the investment team

The advisory services provided to the funds can be split into three material processes: first, we identify and assess investment opportunities ("investing"); second, we support the portfolio companies' development process ("developing"); third, we realise the value appreciation ("realising") upon a portfolio company's well-timed and well-structured disinvestment.

We manage these processes with our own resources in tried-and-tested workflows; responsibility for this lies primarily with the investment team. It consists of 22 investment professionals and is led by two Board of Management members. The team has a broad skill set combined with multifaceted experience in the investment business. It is supplemented by three employees in Research and Business Development. The auxiliary functions for the investment process and the administrative activities, which are collectively referred to as the "corporate functions", are bundled under the Chief Financial Officer, whose responsibilities also include portfolio valuation and risk management.

A project team of two to four individuals is generally responsible for each transaction. One of the two members of the Board of Management responsible for the investment process is assigned to each project team. One member of the project team will typically take a seat on the respective portfolio companies' advisory council or supervisory board in order to support their management.

Fees resulting from services for DBAG funds as a source of income

Fee income from fund investment services, pages 53ff.

2 Fees for the top-up fund are also measured by the invested capital during the investment phase.

DBAG receives volume-related fees for its investment services, which constitute a continual and readily forecastable source of income. For DBAG Fund V, DBAG Fund VI and DBAG Fund VII, fees during the investment period are based on the committed capital (only DBAG Fund VII in the past financial year[2]). After that, they are measured by the invested capital (only DBAG Fund V and DBAG Fund VI in the past financial year). The fees for DBAG ECF are based on the invested capital and we can also receive one-off fees based on individual transactions.

It follows from the fee methodology that fee income will decline with every exit from a fund's portfolio. In principle, considerable increases can only be achieved when a new fund is raised. Smaller increases are achieved every time DBAG ECF enters into a new investment, because the services in connection with this fund are paid based on the invested capital.

Strong identity of interest and incentives for the investment team

The members of the investment team with greater experience in investing (14 out of 22) and both Board of Management members personally co-invest their own money alongside the DBAG funds, generally investing one percent of the capital raised by the fund investors and DBAG. This is in compliance with fund investors' expectations (and is common in the industry), who, for reasons of identity of interest, expect such a private investment. The co-investing members of the investment team receive an incentive (which is, once again, standard practice in the industry) for generating the best possible financial performance for the funds. They receive a profit share that is disproportionate to their capital commitment ("carried interest") after the fund investors and DBAG have realised their invested capital plus a preferred return.

Investment team supported by strong network

The investment team can rely on a strong network, the nucleus of which is an "Executive Circle" consisting of 57 people. The members of the Executive Circle support us in identifying and initiating investment opportunities, assist us in assessing certain industries or back us prior to making an investment in the particularly comprehensive target company due diligence process. The Circle comprises experienced industry experts, including partners of previous investment transactions. The members have the industry experience that is relevant to DBAG. The network is supplemented by an extended group of bank representatives, consultants, lawyers and auditors.

Private Equity Investments business segment

Value creation on investments as a source of income

The Private Equity Investments business segment largely encompasses investments, which are held through investment entity subsidiaries. DBAG co-invests via these companies on the same terms, in the same companies and in the same instruments as the DBAG funds. To that end, DBAG has concluded co-investment agreements with the DBAG funds; these provide for a fixed investment ratio for the lifetime of a fund. These agreed ratios also apply upon an investment's disposal. Income derives from the value appreciation and sale of these investments.

Investment ratios of DBAG to DBAG funds, page 30

DBAG's investment strategy derives from the strategies of the current funds. This strategy can be adapted to reflect the Company's development or market changes, generally when a new fund is launched. The modes and specific structuring of an investment are geared to the individual financing situation. These could be:

Investment criteria, page 37f.

- a succession solution in a family-owned business,
- split-offs of peripheral activities from large corporations,
- a sale from the portfolio of another financial investor,
- a capital requirement to fund a company's growth.

Correspondingly, an investment can involve equity or equity-like instruments, taking either majority or minority positions. The first three financing situations mentioned above will usually be structured as majority acquisitions. Growth financing, on the other hand, is made by way of a minority interest or by providing equity-like funding.

Portfolio profile: predominantly MBOs

Our statement of financial position confirms the success of our investment activity. Since 1997, DBAG has financed a total of 48 MBOs together with DBG Fund III and DBAG Fund IV, DBAG Fund V, DBAG Fund VI and DBAG Fund VII, as well as with DBAG ECF since June 2017. So far, we have increased the value of the invested shareholders' equity to 2.1 times[3] the original amount. 29 of these investments had been realised completely or for the most part by the end of the previous financial year. These realisations have generated 2.9 times the invested capital.

Details on the portfolio on pages 65ff.

3 This takes into consideration all buyouts structured up to 30 September 2018; it does not take into consideration agreed but not yet completed transactions.

Investments in the form of growth financing are also attractive. These investments differ from MBOs in that, among other things, the companies' debt levels are mostly lower and the holding periods are usually longer. The rate of return is therefore lower than the rate of return for MBOs, while earnings in absolute terms are comparable.

Long-term financing of co-investments via the stock market

Risk attached to co-investment agreements, page 86f.

DBAG finances the co-investments alongside DBAG funds in the long term exclusively through the stock market. The structure of its statement of financial position attests to the special nature of the private equity business, with investments and realisations that cannot be scheduled. The Company maintains sufficient financial resources in order to take advantage of investment opportunities and to meet co-investment agreements at any time. Loans are only used in exceptional cases and only to serve short-term liquidity requirements. For longer planning horizons, we manage the amount of equity capital via distributions, share repurchases (as in 2005, 2006 and 2007) and capital increases (2004, 2016).

Objectives and strategy

Core objective: long-term increase in the Company's value

The core **BUSINESS OBJECTIVE** of our activity is to sustainably increase the value of Deutsche Beteiligungs AG. We achieve this by generating value contributions from both of our business segments, which influence each other reciprocally and positively. Since DBAG co-invests alongside its funds, the performance of its investment activity also contributes to the success of its fund services business, because a track record of excellent performance for existing investors is crucial when raising new funds.

Details on the return on equity per share, page 73

As is common in the private equity sector, our performance is measured over a period of ten years. Income from Fund Investment Services is significantly influenced by the initiation of new funds, which occurs approximately every four to five years, while the lifetime of a fund generally extends to ten years. Only when viewed over a sufficiently long period of time is it possible to assess whether we have reached the core objective of our business activity.

Support for portfolio companies in their development is time-limited; our portfolio is therefore subject to constant change. By the nature of our business model, investments may predominate in some years, and disinvestments in others. This, and the influence of external factors on value growth, could lead to strong fluctuations in performance from year to year. We measure an individual year's performance contribution by comparing it to a ten-year average. On average over this ten-year period, we aim to increase the equity per share by an amount that significantly exceeds the cost of equity.

Goal system comprising financial and non-financial objectives

In order to achieve the core business objective, DBAG pursues three financial and three non-financial objectives. The non-financial objectives make an indirect contribution, and the financial objectives a direct contribution, to achieving the core business objective.

OBJECTIVES OF DEUTSCHE BETEILIGUNGS AG

Financial objectives

GENERATE VALUE CONTRIBUTION FROM FUND INVESTMENT SERVICES	BUILD THE VALUE OF PORTFOLIO COMPANIES	HAVE SHAREHOLDERS PARTICIPATE IN OUR SUCCESS WITH STABLE, RISING DIVIDENDS

CORE BUSINESS OBJECTIVE
SUSTAINABLY INCREASE THE VALUE OF DBAG

SUPPORT PROMISING MID-MARKET BUSINESS MODELS	MAINTAIN AND BUILD ON OUR REPUTATION IN PRIVATE EQUITY MARKET	GARNER ESTEEM AS AN ADVISOR OF PRIVATE EQUITY FUNDS

Non-financial objectives

Financial objective: generate value contribution from Fund Investment Services

The performance of the Fund Investment Services business segment requires an appreciable, increasing level of managed and/or advised assets over the medium term; it is measured by sustainable growth in fee income for these services and its surplus over the relevant expenses.

Financial objective: build the value of portfolio companies

The business segment of Private Equity Investments delivers the greatest value contribution. The value of DBAG is therefore determined, first and foremost, by the value of its portfolio companies. To grow that value, DBAG supports the portfolio companies during a phase of strategic development in its role as a financial investor, usually over a period of four to seven years. The value increase is mostly realised when the investment is exited; for growth financing, this takes place during the holding period by way of current distributions. Investment decisions are based on assumptions in respect of the holding period and realisable value gains upon an investment's ultimate disposal. The targeted average annual internal rate of return (IRR) of a portfolio company is approximately 20 percent for growth financing and around 25 percent for MBOs, as is standard practice in the industry.

Financial objective: have shareholders participate in our success with dividends that are stable and rise as much as possible

We intend to have our shareholders participate in financial gains by paying stable dividends that will rise as much as possible. Future liquidity requirements for co-investments and securing the dividend capacity in the long run play a significant part in the decision on the amount of the distribution rate.

Non-financial objective: support promising mid-market business models

We aim to support the development of promising mid-market business models and therefore give our portfolio companies the leeway they need to successfully pursue their strategic development – with our equity as well as with our experience, knowledge and network. Our portfolio companies should remain well-poised beyond DBAG's investment period. We believe that the value of our portfolio companies at the time of their disposal will be particularly high, if the prospects for their further progress are favourable after we exit them.

Non-financial objective: maintain and build on our reputation in private equity market

Sustainability reporting, page 22

By successfully supporting our portfolio companies, we want to strengthen the standing we have built in the private equity market over five decades and underpin our reputation. We are particularly successful as an investment partner to mid-market family-owned businesses. The proportion of MBOs that involve company founders or family shareholders on the seller side is more than twice as high at DBAG as at our competitors. We are convinced that an appropriate consideration of the interests of all stakeholders in conjunction with an investment also serves to fortify our reputation. For that reason, we also follow ESG (environmental, social and governance) principles, which include compliance with our business policies.

Non-financial objective: garner esteem as an advisor of private equity funds

The assets of the DBAG funds constitute a substantial part of DBAG's investment base. The funds are organised as closed-end funds; regularly raising successor funds is therefore a requirement. This is why it is important for investors in this asset class to value us as an advisor. This is evident, for example, from the large proportion of fund investors who also subscribe to the successor fund, or who are now subscribing to their third or fourth DBAG fund. This will only succeed if investors in current funds achieve commensurate returns and if we are perceived to be reliable and trustworthy. We therefore attach great importance to open, responsible interaction with the fund investors.

Financial and non-financial performance indicators, page 73

Strategy: investments in mid-market German companies with potential for development

Clear investment criteria

DBAG invests in established companies with a proven business model. This approach excludes investments in early-stage companies and companies with a strong restructuring need. Moreover, we attach importance to seasoned and dedicated management teams that are able to realise objectives that have been mutually agreed upon.

Target companies should exhibit promising potential for development. This can involve enhancing their strategic positioning, for example by introducing a wider range of products, covering a larger geographical area or expanding the spare parts and service business. Earnings growth can also be stimulated by improving operational processes, for example through more efficient production.

Such companies are, among other things, characterised by leadership positions in their (possibly small) markets, entrepreneurially-driven management, strong innovative capacity and future-viable products. Many such mid-market companies can be found in Germany, for example, in mechanical and plant engineering, in the automotive supply industry and among industrial support services providers, as well as among industrial component manufacturers.

We see these as our core sectors. The DBAG investment team has focused on industry and industry-related services and has a particular wealth of experience and expertise in this area. More than half of the investments in our portfolio come from these sectors. We are capable of structuring even complex transactions in these DBAG core sectors, such as the acquisition of companies from conglomerates or companies facing operational challenges.

Transactions in our core sectors, however, only make up around half of the private equity market. As a result, and also in the interests of further diversifying the risk in our portfolio, we have constantly broadened the range of industries we cover to include segments outside of our core sectors in recent years. Examples include transactions involving companies with business activities that are linked to the expansion of Germany's digital infrastructure. We invested in a software company for the first time last year. We had increasingly been observing transactions with business models that can be classed as mature in this growing and less cyclical sector.

Geographically, we focus on companies domiciled or whose business is centred in German-speaking regions. We limit any investments outside of this region to our core sectors.

DBAG co-investment ratio with the DBAG funds, page 30

The DBAG funds provide for equity investments in an individual transaction of between ten and 100 million euros, irrespective of the type of investment. When it comes to structuring larger transactions with equity investments of up to 200 million euros, the top-up fund of DBAG Fund VII is included. For DBAG, this equates to equity investments of between five and 20 million euros, and for transactions involving the top-up fund, equity investments of up to 34 million euros.

Depending on the business model of the future portfolio company, the equity invested by the DBAG funds corresponds to an enterprise value of between 20 and 400 million euros. Furthermore, the focus is on investments in companies with an enterprise value of between 50 and 250 million, i.e. companies at the upper end of the mid-market segment. This segment comprises almost 9,000 companies in Germany.

We endeavour to achieve a diversified portfolio. For investments in several companies operating in the same industry, we ensure that they serve different niche markets or operate in different geographical regions. Most of our portfolio companies operate internationally. This applies to the markets they serve, but also to their production sites.

Some of our portfolio companies produce capital goods. The demand for these products is generally subject to stronger cyclical swings than the demand for consumer goods. We therefore take particular care that finance structures are individually tailored. Investments in companies whose performance is more strongly linked to consumer demand mitigate the effects of business cycles on the value of the portfolio.

Investment performance as a prerequisite for growth in both business segments

In our business segment of Fund Investment Services, our aim is to achieve sustainable growth in assets under management or advisement. This is achieved by ensuring that a successor fund exceeds the size of its predecessor, or by launching further DBAG funds with new investment strategies that we have not pursued to date. The distribution of a higher fund volume among DBAG and the other investors determines the change in the basis for the fee income from investment services to funds, but first and foremost, it determines the growth opportunities open to the Private Equity Investments business segment.

Capital commitments to a (successor) fund are significantly influenced by the performance of a current fund. Thus, a prerequisite for increasing assets under management or advisement is, among other things, an excellent track record. Investors also value our investment team's experience, size and network.

In the long run, the portfolio value and, consequently, the earnings basis for value appreciation of the portfolio will only grow if the co-investment capital commitments made by DBAG increase and if DBAG can invest more assets alongside the funds. For that reason, the investment performance also determines the growth in the business segment of Private Equity Investments.

Steering and control

Key performance mark: return on capital employed

Our business policy is geared towards appreciating the value of DBAG over the long term by successful investments in portfolio companies and a successful Fund Investment Services business. The Company's value is understood to have increased in the long term when, on an average of ten years, the return on the capital employed per share exceeds the cost of equity. The key performance measure is the return on the Group's capital employed. We determine it from the equity per share at the end of the financial year and the equity, less dividends, at the start of the financial year.

It follows from the nature of our business and its accounting methodology that the Company's value may decrease in individual years, since it is primarily determined by the fair value of the portfolio companies at the end of a reporting period. That value is, however, also subject to influences beyond DBAG's control, such as those from the stock market.

We derive the cost of equity (rEK) once a year on the reporting date, based on the capital asset pricing model (CAPM) from a risk-free base rate (rf) and a risk premium for the entrepreneurial risk (ß). The risk premium is determined by also considering a risk premium for the stock market (rM) as well as DBAG's individual risk. The cost of equity is then derived as follows:

rEK = rf + ß * rM.

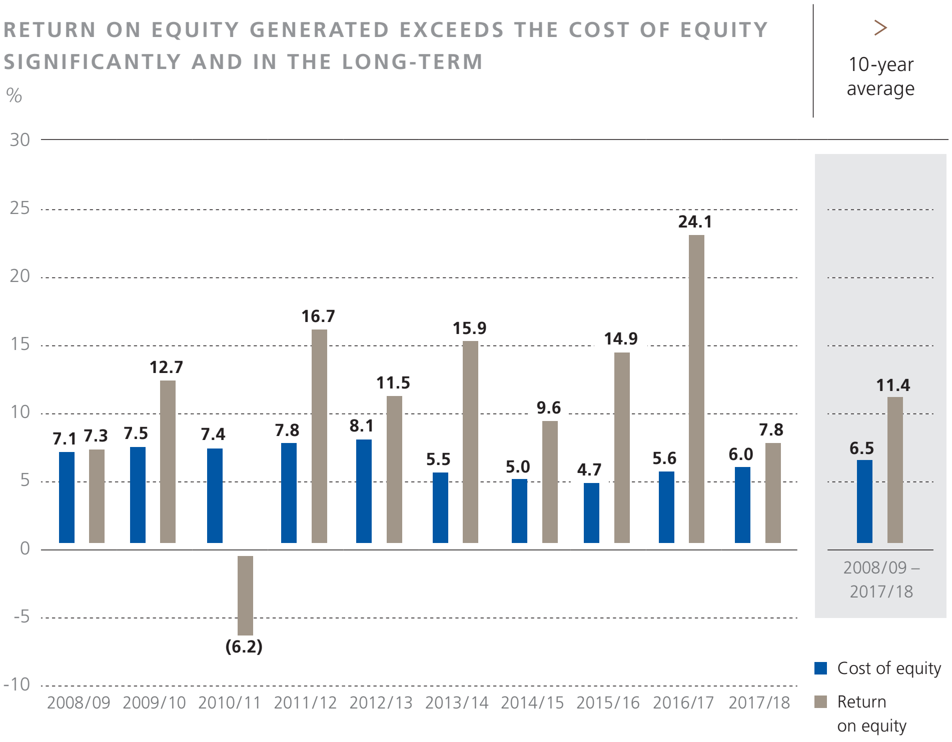
We derive the risk-free base rate from a zero-bond interest rate with a residual term of 30 years, based on the yield curve at the reporting date. At 30 September 2018, this value was 1.1 percent (previous year: 1.4 percent).

The market premium used remains unchanged at 7.0 percent.

For the individual risk measure, we use a ß (beta) of approximately 0.7 (at 30 September 2018, previous year: 0.6). This value corresponds to a levered beta factor for DBAG against the C-Dax for five years, which we consider appropriate due to the long-term nature of the business model.

RETURN ON EQUITY GENERATED EXCEEDS THE COST OF EQUITY SIGNIFICANTLY AND IN THE LONG-TERM

%



The cost of equity for DBAG thus derived at the reporting date is 6.0 percent (previous year: 5.6 percent). This calculated result remains strongly influenced by the unusually low interest rate level and the low risk position of DBAG in view of its capital structure. In order to reduce the impact of the interest rate level regarding the reporting date, we apply the average cost of equity calculated from the previous ten reporting dates as a measure of our long-term success. This figure comes to 6.5 percent for the financial years from 2008/2009 to 2017/2018; over the previous ten-year period, the cost of equity had averaged 6.6 percent.

Regular assessment of portfolio companies and of investment performance of DBAG funds

The intrinsic value of our shares is determined to a significant degree by the value of the investment portfolio and its development. Valuations may fluctuate strongly at short notice: portfolio companies are influenced by industry-related cycles, and valuation levels on the capital markets influence the valuations. Short-term changes therefore ordinarily do not convey a true picture of the success of an investment. We will frequently only know whether a private equity investment can be deemed successful after a number of years, upon its disposal. We therefore measure our performance by the average return on capital employed over a longer horizon, and not by the results of a single reporting period.

Because of the particularities of our activity, we do not steer our business by traditional annual indicators such as operating margins or EBIT. Instead, the key influential parameters at Group level are the several-year average return on capital employed and the medium-term development of the portfolio value. The latter is influenced by the investment progress, the value growth of individual investments and their realisation. On an annual basis, we measure the development by the net result of investment activity and earnings before tax that we achieve in our business segment of Private Equity Investments.

At the portfolio company level, traditional indicators, on the other hand, play a direct role: when making our decision to invest, we clearly define performance targets based on the business plans developed by the portfolio companies' managements – such as for revenues, profitability and debt. During the time of our investment, we valuate our portfolio companies at quarterly intervals using their current financial metrics (EBITDA, EBITA and net debt). On that basis, we closely follow their progress in a year-over-year and current budget comparison. We also consider other indicators, such as order intake and orders on hand.

The performance of our business segment of Fund Investment Services chiefly derives from the development of the volume of DBAG funds and total assets under management or advice. The volume of DBAG funds determines the fee income from investment services to funds. In addition to fee income, earnings before tax generated by Fund Investment Services is significantly influenced by the cost of identifying investment opportunities, of supporting the portfolio companies and of their ultimate disinvestment. These costs are incurred in the form of personnel expenses for our investment team and Corporate Functions, as well as the expenses for our Executive Circle and for legal and other advisors.

Ensuring performance: Board of Management members directly involved in all relevant operating processes

As mentioned, members of the Board of Management are also involved in the core processes of DBAG's business (i.e. investment, development, realisation). They are particularly involved in generating investment opportunities (deal flow) as well as in due diligence and negotiating acquisitions and disinvestments. Additionally, they discuss new investment opportunities and key new developments within the portfolio companies at weekly meetings with those members of the investment team who are involved in transactions or in supporting the portfolio companies.

A key instrument in ensuring performance is the investment controlling system which, by way of example, identifies deviations from the originally agreed development steps or provides information that may be useful for managing an investment portfolio, e.g. pointing to the potential negative impact that economic developments could have on the portfolio companies.

Business review of the Group

Macroeconomic and sector-related underlying conditions

Real economy: global growth momentum tapers off – upswing slows in Germany as well

In 2017/2018, dynamic global economic growth provided the basis for our business and the business of our portfolio companies. The forecasts for global economic growth released by the International Monetary Fund (IMF) were lifted several times. The recent forecast released by the IMF in April 2018 predicted year-on-year growth in world economic output of 3.9 percent both this year and in 2019. This was due to positive development in many economies. In particular, the IMF mentioned investment growth in the advanced economies, continued strong growth in the emerging Asian economies, the upturn in (Eastern) Europe's emerging markets and signs of a recovery in commodity-exporting countries.[4]

4 *"Cyclical Upswing, Structural Change – World Economic Outlook", International Monetary Fund, April 2018*

5 *"Challenges to Steady Growth – World Economic Outlook", International Monetary Fund, October 2018*

6 *"Aufschwung verliert an Fahrt – Weltwirtschaftliches Klima wird rauer" (Upswing loses momentum – choppier seas lie ahead for the global economy), Joint Economic Forecast 2/18, September 2018*

In its most recent analysis of October 2018, however, the IMF adjusted its growth expectations downwards for 2018 and 2019. It now only expects to see growth in economic output of 3.7 percent, and refers to a steady, as opposed to a dynamic, rate of growth.[5] It refers, among other things, to the increased likelihood of further negative shocks, as well as to growth impetus that is not of a very sustainable nature, such as the tax reform in the United States. German economic researchers share this view and also believe that the global economy is exposed to a whole range of risks, not least due to the most recent trade conflicts.[6] They have noticed a slowdown in the upswing in Germany, citing an economic slowdown in its main sales markets as one reason behind this development. They also, however, emphasise bottlenecks in production, particularly with regard to the availability of labour and the procurement of intermediate goods. According to economists, this is being overshadowed by challenges in the automotive industry in connection with the introduction of the new WLTP test procedure.

Our portfolio shows signs of almost all of the effects cited. It consists of companies that are subject to different market or economic cycles; it contains companies that respond promptly to the industries' changes in capital expenditure activity (such as iron foundries), and others that tend to notice changes in order intake or delivery call-offs at the end of a cycle (such as automotive suppliers). This means that changes in the overall conditions, which also include fluctuations in the prices of key commodities, vary in their impact on our portfolio and sometimes counteract each other. Consumer-oriented companies are benefiting from the strong domestic demand in Germany. Investments in fibre-optic expansion are benefiting from government efforts to expand the country's digital infrastructure. Overall, the underlying conditions for our portfolio companies this past financial year were good; trade restrictions and the United Kingdom's imminent exit from the European Union did not have any impact to speak of in 2017/2018.

Financial markets: financing conditions remain positive

In the spring of 2018 and in the first few summer months, the situation on the international financial markets initially reflected what was, on the whole, robust economic growth, albeit with strong variations between the individual currency areas. This was also reflected in the individual monetary policy decisions and expectations regarding the future monetary policy approach. The Federal Reserve continued to gradually increase its key rate. In the eurozone, the first key rate hike was recently tipped as unlikely to happen before the second half of 2019.

In the course of the year, however, unpredictability regarding the outcome of the trade conflicts, uncertainty regarding the course taken by the new Italian government, the drastic depreciation of the Turkish lira and the uncertainty surrounding Brexit – to name but the most important factors – put an increasing damper on sentiment. The stock markets were much more volatile than in the previous financial year, with share prices much lower, at least in Europe, and company valuations also lower on the whole.

The financing situation for the German corporate sector remains positive. Never before have fewer companies described their access to loans as "difficult" than at present. In addition to strong internal financing capabilities, this situation has been helped along by low interest rates, the easing of lending standards of banks and positive business development.[7] In July 2018, the total volume of loans to the corporate sector was up by almost six percent as against the previous year.[8]

This means that the overall conditions for the financing of our portfolio companies were still good. The supply of acquisition financing, which is key to our business, also remained good this past financial year. Private debt funds also made an increasing contribution to this trend by boosting the supply.

7 *"Stimmung auf dem Kreditmarkt ungebrochen gut – Unternehmensbefragung" (Credit market sentiment remains strong – Business Survey), KfW-Bank, July 2018*

8 *"Schlaglichter der Wirtschaftspolitik Oktober 2018" (Highlights of economic policy in October 2018), Federal Ministry for Economic Affairs and Energy, October 2018*

Currency rates: little impact on portfolio value; virtually neutral in this financial year

The direct impact of changes in exchange rates on the value of our portfolio has increased slightly with the investments in duagon and Sjølund over the last twelve months. It is low overall because we only make investments in currencies other than the euro in exceptional cases. In addition to the two companies named above, the investments in two other portfolio companies (mageba and Pfaudler) and those in the Harvest Partners international buyout fund, which is managed by a third party, are subject to currency risks. The US dollar and the Swiss franc lost value against the euro, whereas the British pound and the Danish krone made gains against the single currency. The changes of the parities in a bandwidth of -2.0 percent and -0.6 percent were minor on the whole; the impact of foreign exchange losses was offset by effects from foreign exchange gains, meaning that there was a slight gross increase in value of 0.3 million euros compared to the reporting date of 30 September 2017 due to changes in exchange rates.

Analysis of earnings sources, pages 56ff.

Beyond that, exchange rate fluctuations also have a direct influence on the business activities of our portfolio companies in their respective international markets. This is partly compensated for by the fact that the companies have manufacturing operations in various currency areas.

Private equity market: number and volume of transactions stable at a high level

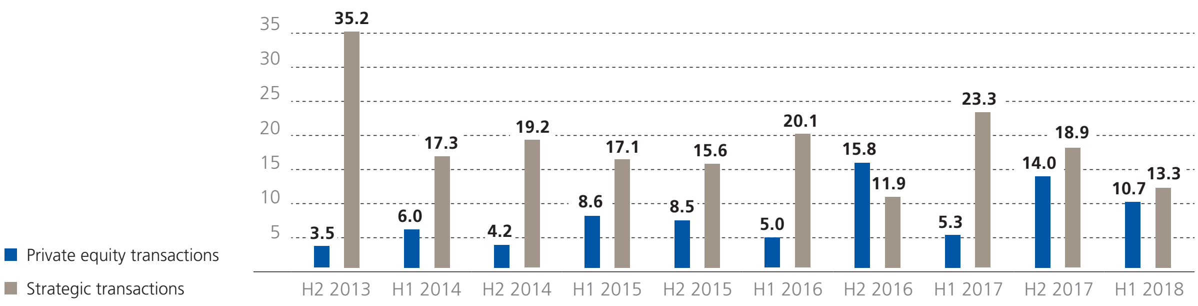
Due to the size and structure of the private equity market, comparisons over short periods of time are only of low informational value and at best allow statements to be made regarding trends. For example, it is often the case that more transactions are registered in the second half of the year than in the first. Transparency is limited: for every transaction on which a value is published, there is more than one transaction on which no quantitative information is released. As a result, the statistical information available from various sources does not provide a representative picture of market activity.

Taking this into account, we note that the private equity market is at a stable, high level in a long-term comparison. In the twelve-month period leading up to the end of June 2018, for example, 226 transactions involving financial investors were executed in Germany. This is only four more than in the previous twelve-month period – a difference that is not significant given the statistical uncertainty. The value of these 226 transactions has been put at 24.7 billion euros – 3.6 billion euros more than in the previous year. In 2017/2018, however, three transactions worth more than one billion euros each were registered, whereas no private equity transactions on this scale were reported in the 2016/2017 period. If we look at the average figures, we can see that there are no major differences between the values of private equity transactions in 2015, 2016 and 2017. Their share of the overall M&A market did not change to any considerable degree either.[9]

9 *"German Private Equity Deal Survey 2018HY1 – activities in Germany at a glance", EY, August 2018*

M&A MARKET GERMANY – TRANSACTION VALUE

€bn



Buyouts are increasingly dominating the private equity business in Germany. In 2017, 8.94 billion euros, or around 79 percent of all funds invested in Germany, went into majority takeovers of this nature; back in 2010, this percentage only came to around 65 percent. Growth financing, on the other hand, has dwindled in importance. Its share has dropped from more than twelve percent (2010) to just shy of nine percent; in 2017, this equated to equity investments of just under one billion euros.[10]

10 *"BVK Statistics for 2017", German Private Equity and Venture Capital Association, February 2018 ("Marktstatistik, Investitionen nach Finanzierungsanlass" [Market statistics, investments by financing situation])*

DBAG largely focuses on the mid-market segment in German-speaking regions in our business, that is, on transactions with an (enterprise) value of 50 to 250 million euros. The number and total value of transactions increased in this defined market segment in 2017. All in all, financial investors had structured 35 buyouts in the German mid-market segment by the end of the previous year – one more than in 2016. The total volume of the transactions came to around 4.4 billion euros, which is the highest value seen in the last 15 years.[11]

11 The information is based on a survey conducted by the industry magazine FINANCE on behalf of DBAG. The figure includes majority takeovers in the form of MBOs, MBIs and secondary/tertiary buyouts of German companies involving a financial investor with a transaction volume of between 50 and 250 million euros.

It is still the case that conditions in our market change slowly at best. Despite the peak in numbers and total volume of private equity transactions in 2017, we do not believe that there has been any fundamental change in the key factors influencing DBAG's business. There is a lot of competition for attractive investment opportunities. Strategic buyers are competing with financial investors and other bidders with medium- to long-term investment objectives, such as foundations and family offices. All groups of buyers have sufficient liquidity. Furthermore, a substantial volume of acquisition financing is still available at attractive conditions. This is all the more true because, for some years now, an increasing volume of financing has also been provided by private debt funds in addition to conventional banks. This large supply of assets seeking investment stands in contrast to a limited supply of investment opportunities. This has long been leading to more challenging valuations in general, meaning higher purchase prices.

Other sources also arrive at similar conclusions. The regular survey of market participants for the "German Private Equity Barometer" reveals that buyout investors in particular remain highly dissatisfied with entry valuations for new transactions. On a scale of between +100 and -100, the index value for this parameter recently still came to -54 – a striking contrast with the long-term average (2003 to 2018) of -18. At the same time, the business climate in the private equity market segment that is relevant to DBAG touched on a new high overall, according to the survey.[12]

12 "German Private Equity Barometer, Q2 2018", KfW Research, KfW Bank; Frankfurt am Main, July 2018

Business and portfolio review

Private Equity Investments: portfolio rejuvenated following brisk investment activity

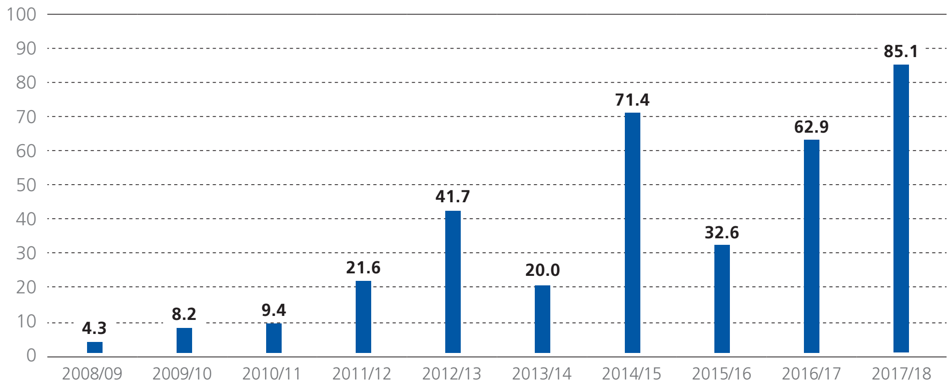
Investment decisions amount to 307 million euros

In the financial year 2017/2018, the portfolio of Deutsche Beteiligungs AG grew by five to a total of 29 investments, creating the most diverse portfolio witnessed in more than ten years. Five MBOs – one alongside DBAG Fund VII and four together with DBAG ECF – were added to the portfolio. In addition, agreements were reached on two further investments, although these transactions had not yet been finalised by the reporting date.[13] One investment was sold in 2017/2018, although the transaction only took effect after the reporting date. There was also one partial disposal, as well as numerous transactions in the portfolio companies.

13 One of these transactions had already been agreed in 2016/2017.

INVESTMENT IN THE PORTFOLIO

€mn



In 2017/2018, DBAG invested 85.1 million euros from its statement of financial position (previous year: 62.9 million euros); this amount includes not only the new investments, but also increases in existing investments.

Detailed information on all portfolio companies at www.dbag.com/portfolio

In its role as a fund manager and advisor, DBAG initiated investment decisions on equity investments in the financial year 2017/2018 of around 307 million euros (previous year: 345 million euros). The investment decisions related not only to the seven new MBOs, but also, in the amount of 67 million euros, to the financing of company acquisitions by the portfolio companies and, to a lesser extent (21 million euros) also to capital injections aimed at the restructuring of existing portfolio companies. 85.3 million euros (previous year: 73.0 million euros) of the investment decisions were attributable to the co-investments made by DBAG (largely) alongside DBAG Fund VII and DBAG ECF.

DBAG ECF: four new MBOs and further company acquisitions – 37 percent of the funds allocated at the reporting date

In 2017/2018, DBAG invested in four new companies alongside DBAG ECF. The second new investment period of DBAG ECF started prematurely with the agreement on the MBO of BTV Multimedia GmbH in June 2018; the fund had previously acquired majority stakes in Sjølund A/S, netzkontor nord GmbH and von Poll Immobilien GmbH. Another investment was agreed just before the reporting date with the MBO of FLS GmbH; this means that 37 percent of the funds committed for the second new investment period have now been allocated.

SJØLUND is the largest provider in the niche market for complex bent aluminium and steel components. The Danish company produces components for the nacelles of wind turbines and supplies train manufacturers with structural profiles and components for external cladding. Other customer markets are the construction sector and the mechanical engineering industry.

Sjølund's sales markets are expected to show significant growth. The factors that point to this development are megatrends such as the use of renewable energy, population growth and increasing urbanisation. This should allow Sjølund to achieve further growth and expand internationally – both through organic development and through acquisitions. An initial company acquisition, which allowed Sjølund to gain a production site in eastern Europe, was concluded in September 2018. The company also plans to achieve strategic development by restructuring its sales to focus more on the highly profitable mechanical engineering sector. Sjølund has been part of the portfolio since January 2018.

NETZKONTOR NORD offers a range of services relating to the planning and supervision of fibre-optic network construction and handles network management for operators. The company currently focuses on the region of Schleswig-Holstein in Germany. DBAG ECF had taken over the majority of the shares in netzkontor from the company's founders. netzkontor made its first purchase just after DBAG ECF began investing in the company in January 2018. The acquisition of BIB TECH GmbH will allow netzkontor to broaden its customer base, expand regionally and secure additional capacities for network planning and project management. Another acquisition was agreed in September 2018: BFE Nachrichtentechnik GmbH is a company boasting 40 years' experience in the planning and assembly of, and interference suppression for, all kinds of communications and data networks. The plan is to drive forward netzkontor's regional expansion and diversify its customer base by way of further acquisitions.

Since its establishment in 2000, **VON POLL IMMOBILIEN** has developed into one of the leading broker platforms in the premium segment in the Germany, Austria and Switzerland region. Today, the company's network consists of around 280 offices in Germany and other locations in ten European countries; more than 800 brokers operate under the "von Poll Immobilien" brand umbrella. In a macroeconomic climate currently following a consistently positive trend, the agency is benefiting from increased demand for high-quality residential property in cities, metropolitan areas and holiday destinations. It is therefore expected that von Poll Immobilien will grow by opening new offices and expand on its market position. Its first targets will be European markets such as Belgium, France, Italy, Spain, the UK and Poland. von Poll Immobilien has been in the portfolio since July 2018.

BTV MULTIMEDIA GMBH is a retail and service company that develops, produces and sells components for the construction of cable and fibre-optic networks. It offers everything needed to build, upgrade and operate such infrastructures, making the company one of the few full-service providers on the market. BTV has been part of the DBAG portfolio since August 2018 and is the fifth telecommunications company that DBAG has invested in since 2013. In addition to growing organically, BTV aims to develop further as a company by expanding its range of products and services through further company acquisitions.

VITRONET PROJEKTE GMBH made two acquisitions in 2017/2018. First, the simultaneous acquisition of Dankers Bohrtechnik GmbH and Dankers Projektierung GmbH (total revenues in 2017: 15 million euros) in October 2017 expanded the value chain of the company to include civil engineering for fibre-optic networks. vitronet acquired Enetty Holding GmbH in May 2018 using its own funds. Enetty bundles fibre-optic paths from various network providers to create a single direct connection that can be sublet to customers on the basis of long-term contracts. The acquisitions made by vitronet were followed by the refinancing of the company in May 2018.

FLS GMBH will be a new addition to the portfolio in the new financial year. The company provides software for real-time schedule and route planning in service and logistics. This software enables energy suppliers, industrial companies, financial service providers and commercial and real estate companies to plan and optimise their schedules and route planning for their field service employees and delivery vehicles. The company operates against a background of growing expectations in ordering and delivery processes and dynamic traffic conditions that are almost impossible to predict. The market for optimisation software in this kind of environment is expanding at rates that are well into double digits. FLS stands out due to the services it offers, which are customised to the needs of the customer groups mentioned in particular. The investment resolves the succession issue within the family business.

DBAG Fund VII: one new investment and a capital increase – 56 percent of the funds allocated

In 2017/2018, DBAG invested in one company alongside DBAG Fund VII and financed a capital increase at an existing company. A further MBO was agreed shortly before the reporting date, increasing the proportion of allocated funds up to 56 percent.[14]

14 *Including the funds earmarked for the investment in the radiology group, the investment was agreed in March 2017 but has not yet been completed because not all of the legal requirements had been met.*

In June 2018, DBAG Fund VII acquired a majority stake in **KARL EUGEN FISCHER GMBH (KEF)**, the world's leading manufacturer and developer of cutting systems for the tyre industry, as part of an MBO. Tyre manufacturers use the machinery produced by KEF primarily to manufacture rubber-coated steel wire and fabric layers (known as calendered cord material) for tyre carcasses and tyre belts. These layers form the supporting structure for the tyre and give it shape and driving stability. KEF's machinery cuts this cord with absolute precision.

The merger of the portfolio company **DUAGON HOLDING AG** with MEN Mikro Elektronik GmbH (MEN) was completed in May 2018. The two companies are being merged to form one of the leading providers of software and hardware solutions for data processing and communications, particularly in rail vehicles. duagon and MEN already have leading competitive positions in their markets. While MEN's computers ensure the fail-safe and reliable control of brakes, doors and other sub-systems of railway vehicles and railway networks, duagon components allow these systems to communicate with the central rail network. Both companies are a good match not only with regard to their product ranges, but also in terms of their technological expertise and their global sales structures. The shared expertise should enable the development of new products and complete solutions. The focus will be on automatic safety systems and trends such as autonomous driving, which is also relevant to the rail transportation sector.

KRAFT & BAUER HOLDING GMBH, another company that has achieved a leading position in its niche market, will join the portfolio in the new financial year. Kraft & Bauer develops, produces and installs fire protection systems for machine tools. The focus is on extinguishing systems controlled by microprocessors that detect fires and initiate the extinguishing process using sensors. Kraft & Bauer's systems are used in machines that involve an increased fire risk, such as millers, lathes and grinders that work with particularly high levels of precision and speed. Demand for these high-performance machines – and, as a result, for corresponding fire protection systems – is on the rise. In addition, Kraft & Bauer benefits from a stable service business thanks to a broad installed base of more than 30,000 systems in Germany alone, as the fire protection systems have to be inspected and maintained at regular intervals. The planned development steps include geographical expansion beyond the markets in which it is currently active.

DBAG Fund VI: disposal, partial disposal and further changes at portfolio companies

The sale of the second investment from the DBAG Fund VI portfolio was agreed with **CLEANPART GROUP GMBH** in August. The buyer is the Mitsubishi Chemicals Corporation (MCC), a Japanese conglomerate which also owns Shinryo, a competitor of Cleanpart. This means that a strategic investor will once again become the new shareholder of a company that has been successfully developed further with DBAG's support. Cleanpart is a services company for the semiconductor industry. The company maintains process-critical components in machines that are primarily used in the production of logic chips, memory chips and comparable components. DBAG and DBAG Fund VI invested in Cleanpart in April 2015 as part of a succession solution for the company, which was managed by the founding family. As well as managing the succession issue, the aims of the investment were continued technological development and focusing on its business in the semiconductor industry. For this purpose, the company's former second business segment, healthcare, was sold to a strategic investor in November 2017 following highly successful performance. Despite this sale, the revenues and headcount of the remaining semiconductor business at the end of the investment were significantly higher than the figures for the entire company at the beginning of the investment.

In February 2018, Sistema Finance S.A. had acquired 22 percent of the shares in **SILBITZ GROUP GMBH**. The subsidiary of the Russian conglomerate JFSC Sistema, which is listed on the London and Moscow stock exchanges, had already acquired a minority stake in Gienanth, the second foundry in DBAG's portfolio, in the previous financial year. DBAG Fund VI, alongside which DBAG invested in Silbitz in August 2015, will continue to hold the majority of the shares in the company.

In June 2018, the implant manufacturer **POLYTECH HEALTH & ASTHETICS GMBH** and the Israeli company G&G Biotechnology Ltd., a manufacturer of innovative, particularly light filling material for implants, joined forces. DBAG Fund VI subscribed to a capital increase as part of the transaction. At the same time, the G&G shareholders acquired 20 percent of the shares in Polytech.

In the context of restructuring measures, DBAG increased its investment in **UNSER HEIMATBÄCKER GMBH** alongside DBAG Fund VI in January and June 2018, investing a further 2.1 million euros in the company in total. In addition, the fund has taken over the shares of the managing partner who has left the company and other former management members.

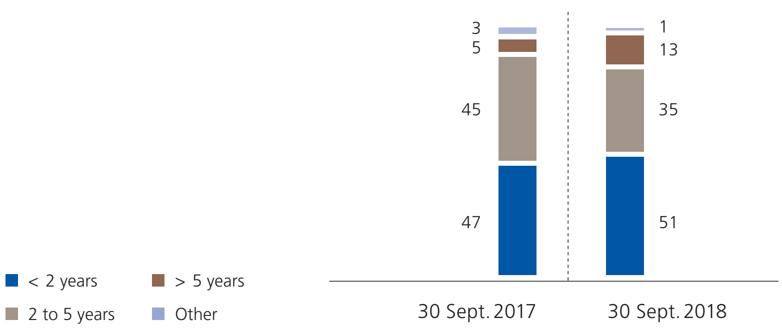
PFAUDLER INTERNATIONAL S.À R.L. expanded its product range and product expertise by acquiring Normag Labor- und Prozesstechnik GmbH (revenues in 2017: twelve million euros) and interseal Dipl.-Ing. Rolf Schmitz GmbH, a provider of seal components (revenues in 2017: four million euros). From now on, both of the companies acquired in October 2017 will benefit from Pfaudler's global sales when tapping into new markets. Pfaudler financed both acquisitions using its own funds.

Externally managed international fund investments: disposal of a portfolio company

The two externally managed international buyout funds, DBG Eastern Europe and Harvest Partners IV, which only has one investment in the US, are now of minor importance for DBAG's portfolio. DBG Eastern Europe successfully sold an investment in March 2018; the fund now also still holds one stake.

AGE STRUCTURE OF THE PORTFOLIO ON BASIS OF ACQUISITION COSTS

%



Portfolio has become younger

The investment activities over the last financial year have produced a younger portfolio. The proportion attributable to the eleven (previous year: nine) investments that have been in the portfolio for less than two years in relation to the total cost of the portfolio, which comprises 27 equity investments (this does not include investments in buyout funds managed by third parties for granting warranties), has increased to more than half. A further eleven companies have been in the portfolio for between two and five years, and five for more than five years.

Fund Investment Services: second new investment period of DBAG ECF begins early

The agreement of the MBO of BTV signalled the start of the second new investment period of DBAG ECF, referred to as DBAG ECF II for short, in June 2018. The fund's first new investment period (DBAG ECF I) ended early after only twelve months. So far, 80 percent of the committed funds for DBAG ECF I have been called. Further subsequent investments to support the enhancement of the existing portfolio companies are expected. Investors have committed a total of 97.0 million euros for DBAG ECF II, of which 39.7 million euros are co-investment commitments made by DBAG. The second new investment period is to last until 31 December 2020 at the latest. Around 90 percent of the committed funds come from existing investors.

With the start of the investment period of DBAG ECF I in June 2017, new agreements on the advisory fee had come into force, resulting in significantly higher income earned through fund advisory services for this fund in 2017/2018. We receive ongoing remuneration of 1.75 percent of the invested capital for our advisory services and an additional one-off fee corresponding to two percent of the invested capital upon conclusion of a new investment.

Comparability with the previous year

Our accounting at 30 September 2018 has changed as against the previous reporting dates, and we have also adjusted comparative figures at 30 September 2017 and figures for the comparative period from 1 October 2016 to 30 September 2017 within this context. As a result, the figures in this management report can be compared against the information published in the past only to a limited extent. This essentially applies to the disclosures on the net result of investment activity, as well as to the amount of financial assets and equity. The commentary based on the German Commercial Code (HGB) is not affected by the change in accounting; as a result, these prior-year figures have been left unchanged.

The change in accounting was prompted by the identification of an error during the enforcement procedure in connection with the spot check on the consolidated financial statements at 30 September 2015. We have reported on this procedure several times, for example in the 2016/2017 Annual Report (page 92).

On 26 July 2018, the German Federal Financial Supervisory Authority (BaFin) found that the consolidated financial statements of DBAG at 30 September 2015 (financial year 2014/2015) violated accounting standards. It takes a different view on the IFRS-compliant consideration of carried interest entitlements arising from private investments made by investment managers in the investment entity subsidiary for DBAG's co-investments alongside DBAG Fund V. Specifically, the question relates to the point in time at which carried interest is to be recognised at fair value in connection with the valuation of the investment entity subsidiary of DBAG Fund V (DBAG Fund V Group). No objections have been raised regarding the fair value of DBAG Fund V Konzern at 30 September 2015.

As a result, we changed the accounting method used for the recognition of carried interest and reported on this basis for the first time in our quarterly statement at 30 June 2018. We no longer calculate the fair value of the investment entity subsidiaries based on the assumption that the relevant DBAG fund will continue as planned, but – in line with BaFin's understanding – based on the assumption of the full liquidation of a fund's portfolio on each reporting date, namely irrespective of whether the portfolio companies are ready for sale or not. In line with this method, carried interest is generally first recognised at an earlier point in time in connection with the calculation of the fair value of the investment entity subsidiary – irrespective of the fact that the carried interest amounts taken into account in earlier periods may be reduced in later periods due to the investment progress made or the further development in value of the portfolio, or that the company law requirements for carried interest may not be met at all.

The change in methodology has an impact on the valuation of DBAG's shares in the investment entity subsidiary of DBAG Fund VI at 30 September 2018. At the reporting date, these shares were valued 12.1 million euros lower than based on the previous method. The IFRS rules require that, when the methodology is changed, the accounts must be prepared as if the new method had always been applied; this means that the comparative figures have to be adjusted. Based on this new method, the valuation of the investment entity subsidiary of DBAG Fund VI at 30 September 2017 would already have had to take into account 8.4 million euros in carried interest, reducing the value accordingly. As a result, the adjusted net income (1 October 2016 to 30 September 2017) is 8.4 million euros lower based on the new method.

The only difference between the previous and the new method relates to how the amount is distributed in profit or loss over the periods; the two methods result in the same carried interest amount over the entire term of a fund.

Earnings position

Overall assessment: net income well below long-term average

At 33.6 million euros, DBAG's net income for the 2017/2018 financial year remained significantly lower than in the previous year, when the second-highest result since the introduction of IFRS accounting (2003/2004) had been achieved after several disposals that were very successful, even in a long-term comparison. At 34.1 million euros, the net result of investment activity fell considerably short of the previous year's figure and, as a result, also failed to live up to the expectations for the reporting year, because individual companies made significantly lower or negative value contributions. As expected, fee income from fund management and advisory services reached a record high. (Negative) net expenses ("Other income/expenses" in the condensed consolidated statement of comprehensive income) decreased slightly to 29.0 million euros. The fact that we set up significantly lower provisions for performance-based remuneration in 2017/2018 contributed to this development.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€'000	2017/2018	2016/2017 adjusted[1]
Net result of investment activity	34,133	85,835
Fee income from fund management and advisory services	28,536	27,047
Net result of fund services and investment activity	**62,669**	**112,881**
Personnel expenses	(16,812)	(20,743)
Other operating income	3,697	4,605
Other operating expenses	(15,557)	(14,349)
Interest income	(357)	(402)
Other income/expenses	**(29,029)**	**(30,889)**
Earnings before tax	**33,640**	**81,993**
Income taxes	(18)	(1)
Earnings after taxes	**33,622**	**81,992**
Minority interest gains/losses	(25)	(37)
Net income	**33,597**	**81,955**
Other comprehensive income	(1,203)	2,925
Total comprehensive income	**32,394**	**84,880**

1 Adjusted in accordance with IAS 8 (carried interest of DBAG Fund VI Konzern (Guernsey) L.P.)

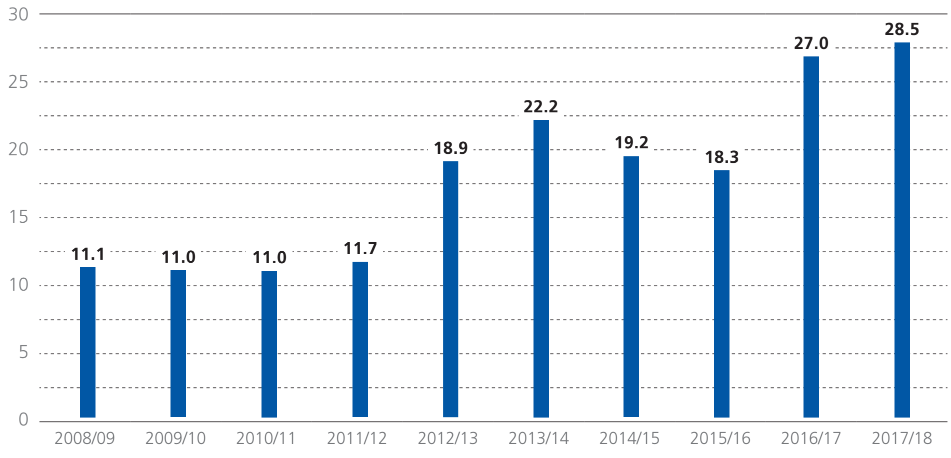
Overview: significantly lower income from investment activity, further increase in the Fund Investment Services segment

The **NET RESULT OF FUND SERVICES AND INVESTMENT ACTIVITY** came to 62.7 million euros. This means that it was down significantly on the prior-year figure (112.9 million euros). The drop is attributable to the development of the *net result of investment activity*, which is the main driver of this item, both in terms of its amount and in terms of its volatility (for details, please refer to the information under "Net result of investment activity").

At 28.5 million euros, *fee income from fund management and advisory* services was up again in a year-on-year comparison (27.0 million euros). The increase in income is due to higher income from DBAG Fund VII (16.2 million euros as against 12.6 million euros), but also from DBAG ECF (1.9 million euros as against 0.5 million euros). DBAG Fund VII's investment phase had only just commenced at the end of December 2016; as a result, DBAG has now received significantly higher remuneration from fund advisory services than in the previous year. Within DBAG ECF, the agreement on transaction-related remuneration had a positive effect.

FEE INCOME FROM FUND MANAGEMENT AND ADVISORY SERVICES

€mn



Other income/expenses: net expenses ratio down again

(Negative) net expenses within **TOTAL OTHER INCOME/EXPENSES**, i.e. the net amount of personnel expenses, other operating income and expenses as well as net interest, fell by 1.9 million euros as against the prior-year value. Taking into account the fact that the equity used in the course of the financial year 2017/2018 was almost a tenth higher than in the previous year, the expenses ratio fell again – as it did in 2016/2017. Net management expenses (net amount of fee income from fund management and advisory services and personnel expenses, net consultancy expenses and other expenses) amounted to 5.6 million euros, corresponding to 1.3 percent of the average equity available in the financial year 2017/2018. In the previous year, this ratio had amounted to 2.1 percent based on net management expenses of 8.4 million euros. After adjustments to reflect non-recurring effects (e.g. expenses for an enforcement procedure or fundraising), the net cost ratio comes to 1.1 percent for this year and 1.5 percent for the previous year.

Remuneration system, pages 198ff.

Personnel expenses were lower, mainly because variable remuneration amounted to only 5.0 million euros in the reporting year, compared with 9.9 million euros in the previous year. The change primarily reflects the weaker business development and the significantly lower number of successful disinvestments, as the variable remuneration of employees is calculated, among other things, based on the number of new investments, the development of existing investments and the number and success of divestments, and is also determined to a considerable degree by net income and the associated return on equity. In the previous year, the item also included performance-based remuneration of 1.8 million euros under an older remuneration system due to the disposal of an approximately 20-year-old investment. There was no remuneration to speak of based on this system in the reporting year. The decline in variable remuneration was offset by higher expenses for wages and salaries. This is due to the fact that we employ more people in the investment team and corporate functions than in the previous year, and to the fact that we are following the income trends in general and in our industry.

The development in *other operating income* put pressure on the net amount of total other income/expenses. It was 0.9 million euros lower – because we were able to pass on fewer costs from our investment activity to the DBAG funds (2.9 million euros as against 3.5 million euros in the previous year), and because there was almost no income from the disposal of financial instruments and securities in 2017/2018 (previous year: 0.4 million euros).

The lower income from the reimbursement of transaction-related consultancy expenses corresponds to a decrease in this item under *other operating expenses* (4.2 million euros compared to 4.4 million euros) which, at 15.6 million euros, were nevertheless slightly higher than in the previous year (14.3 million euros). Three main factors explain the change. Special expenses relating to other periods in the amount of 0.9 million euros have the biggest impact; these are due to the subsequent adjustment to the remuneration that DBAG had received for the work performed by members of the investment team in supervisory bodies of DBAG Fund V portfolio companies since the start of the investment phase ten years ago. General consultancy expenses, for example for data protection or regulatory issues, as well as for the introduction of a portfolio management system, were up by 0.3 million euros in a year-on-year comparison. The expenses for the stock exchange listing and for investor relations have also increased, namely by 0.2 million euros. This can be attributed to the changes due to MiFID II.

Other comprehensive income dropped by 4.1 million euros year-on-year. Whereas in the previous year, actuarial gains had led to positive other comprehensive income after an increase in the underlying actuarial interest rate, price losses on plan assets that serve to finance the pension obligations had to be recognised in this financial year.

Pension obligations and plan assets: Notes to the consolidated financial statements, page 133f.

Net result of investment activity hit by capital market developments

The net result of investment largely mirrors the value growth of the interests in the portfolio companies, which – with one exception (JCK) – are held via investment entity subsidiaries. This means that it depends not only on the expectations of the portfolio companies, but also – due to their valuation based on multipliers of listed reference companies (peer groups) – on developments on the capital markets. The net result also includes current income from the portfolio and the net amount of expenses and income of the investment entity subsidiaries. It also includes the profit-sharing entitlements attributable to minority partners in investment entity subsidiaries.

Portfolio valuation procedure, pages 126ff.

NET RESULT OF INVESTMENT ACTIVITY

€'000	2017/2018	2016/2017 adjusted[1]
Gross result of valuation and disposal portfolio	33,739	106,890
Gains in minority interest in investment entity subsidiaries	(8,030)	(22,791)
Net result of valuation and disposal portfolio	**25,709**	**84,099**
Current income portfolio	16,246	8,813
Net result portfolio	**41,955**	**92,912**
Net result other assets and liabilities of investment entity subsidiaries	(7,146)	(6,685)
Net result other financial assets	(676)	(392)
Net result of investment activity	**34,133**	**85,835**

1 Adjusted in accordance with IAS 8 (carried interest of DBAG Fund VI Konzern (Guernsey) L.P.)

The **GROSS RESULT OF VALUATION AND DISPOSAL** of the portfolio remained at 73.2 million euros in the reporting year, and was therefore significantly lower than in the previous year. The considerable difference once again highlights just how outstandingly positive the financial year 2016/2017 was; the result for that year included significant contributions from six company disposals. The prices achieved within this context were based on a valuation that not only reflected the positive strategic development of the companies thanks to the support of DBAG, but also reflected an overall positive mood on the capital markets, which in 2016/2017, unlike in the reporting year, had also boosted the value of the other portfolio companies.

SOURCE ANALYSIS 1: At 30 September 2018, we calculated the fair value of 19 portfolio companies (previous year: 14) using the multiples method. We based this calculation (largely) on the expected result for 2018 and the company debt levels expected at the end of the year, as well as on capital market valuations and exchange rates at the reporting date. We applied uncertainty discounts to the expected results of some companies. Four companies are included at the original transaction price (where appropriate, after adjustments to reflect changes in exchange rates). We valued two companies that showed particularly strong growth using the DCF procedure. Our valuations of the foreign buyout funds were based on the valuation of the fund managers.

RESULT OF VALUATION AND DISPOSAL PORTFOLIO BY SOURCES
SOURCE ANALYSIS 1

€'000	**2017/2018**	2016/2017
Fair value of unlisted investments		
Change in earnings	37,181	11,434
Change in debt	(19,965)	(3,847)
Change in multiples	3,142	18,540
Change in exchange rates	255	(1,214)
Change, other	10,872	3,446
	31,485	28,359
Net result of disposal	4,578	81,803
Acquisition cost	0	(362)
Other	(2,324)	(2,909)
	33,739	**106,890**

The contribution made by the change in the result and in debt can be considered an indicator of operational improvements at the portfolio companies or an indicator of their strategic further development. All in all, the value contribution made by the operating performance of the portfolio companies – changes in earnings and debt – is now 17.2 million euros higher than in the previous year (7.6 million euros). This value contribution, however, comes from a significantly larger number of companies than in 2016/2017, meaning that the average value contribution per portfolio company has fallen. The value contribution made by operating performance fell short of expectations. A number of companies delivered a lower value contribution than initially expected. The budget deviations are essentially due to change processes at these companies that are developing more slowly than planned. It is also important to note that at the current reporting date, the portfolio was younger than it was a year ago. Performance is not linear, but rather accelerates over the term of the investment. Acquisitions in the portfolio tend to first of all increase the companies' debt and reduce their value as a result, before the strategic and operational improvements associated with the acquisition take effect and increase the value of the investment.

Vintage profile of portfolio, page 50

The comparison of the earnings contributions resulting from the change in the *multiples* used for valuation is distorted. In the previous year, it only reflected the influence of changes in capital market multiples, which were positive overall at the time. In the reporting year, two effects were reflected in the value contribution resulting from the change in the multiples: firstly, the influence of changed, and on average lower, capital market multiples – which have been negative overall this year – and secondly, the impact of gains on disposal. The individual valuations take into account expressions of interest from potential buyers, as well as the implied multiple determined as a result of the agreed disposal of the investment in Cleanpart and the purchase price negotiated in connection with this disposal. Overall, this resulted in a positive contribution of 13.6 million euros.

This positive contribution was largely offset by the headwind coming from the capital market. All in all, the dampened sentiment on the stock markets resulted in a negative value contribution of 10.5 million euros. This is because the valuation of the remaining portfolio companies at the current reporting date was predominantly based on lower multiples than in the previous year. For example, the peer group multiples for the valuation of companies in the mechanical and plant engineering sector fell from 11.3 and 15.0 (EBITDA and EBITA) to 8.7 and 11.8 respectively in a year-on-year comparison. In the automotive supplier peer group, the multiples fell from 7.2 and 10.3 (EBITDA and EBITA) to 5.7 and 8.4, respectively.

Value contributions from disposal processes and capital market developments cannot be planned. Nevertheless, they can significantly influence our results. The resulting volatility in results is typical for the business.

Changes in exchange rates had virtually no impact in 2017/2018; the negative contribution made by the loss in value of the Danish krone (Sjølund valuation) was more than offset by the increase in the value of the Swiss franc (mageba, duagon), the US dollar (Pfaudler) and the British pound (More than Meals).

Our planning assumptions for one portfolio company that we value using the DCF method have improved in light of the positive financial development of this investment. The resulting change in valuation is included under "*Change, other*".

The *net result of disposal* of 4.6 million euros includes proceeds from the disposal of remaining investments in international buyout funds managed by third parties and subsequent proceeds from retentions relating to investments disposed of in previous years. In the previous year, six completed disposals had been included in the net result of disposal.

In the previous year, there was a negative effect from portfolio companies recognised at *cost* due to changes in exchange rates.

DBG Eastern Europe, one of the two externally managed international buyout funds, distributed the funds received following a disposal; this is reported under current income from the portfolio in the amount of 4.3 million euros. This distribution is, however, reflected in the net result of valuation with a loss in value of 3.2 million euros; it is included in "*Other*". Positive contributions to this item came from the other externally managed international buyout funds and from companies through which representations and warranties dating from former divestments are (largely) settled ("other investments").

SOURCE ANALYSIS 2: The positive changes in value are attributable to twelve active portfolio companies (previous year: eleven) and one investment (previous year: none) in an externally managed international buyout fund. They also include three out of the six investments which were recognised at fair value for the first time on this and the two previous reporting dates. Four (previous year: six) investments are recognised at their transaction price because they have been held for less than twelve months. Eleven (previous year: five) investments were given a lower valuation than in the previous year. In seven cases, the valuation was negatively influenced by lower multiples of listed reference companies; in four out of these seven cases, the value contribution would have been positive had the capital market influence been neutral. One company valuation only became negative due to a different exchange rate.

If the negative performance is not solely attributable to capital market developments, reasons specific to the company in question must be cited in each case. If development potential cannot be tapped into as quickly as expected, this can also result in adjustments being made to the originally agreed investment approach in individual cases. As explained above, DBG Eastern Europe had a negative impact on the net result of valuation and disposal due to a distribution.

RESULT OF VALUATION AND DISPOSAL PORTFOLIO BY SOURCES
SOURCE ANALYSIS 2

€'000	**2017/2018**	2016/2017
Positive movements	66,344	128,025
Negative movements	(32,605)	(21,135)
	33,739	**106,890**

SOURCE ANALYSIS 3: The success resulting from the sale of the investment in Cleanpart is reported under *unrealised disposal gains on imminent sales basis*, as the transaction was agreed before the reporting date of 30 September 2018, but was not completed until after that date. The net result of disposal has already been explained above (source analysis 1).

RESULT OF VALUATION AND DISPOSAL PORTFOLIO BY SOURCES
SOURCE ANALYSIS 3

€'000	**2017/2018**	2016/2017
Net result of valuation	21,316	25,087
Unrealised disposal gains on imminent sales basis	7,845	0
Net result of disposal	4,578	81,803
	33,739	**106,890**

GAINS IN MINORITY INTEREST IN INVESTMENT ENTITY SUBSIDIARIES reduced the net result of investment activity by 8.0 million euros in 2017/2018 (previous year: 22.8 million euros). They relate primarily to carried interest entitlements.

The carried interest entitlements recognised in these financial statements mirror the net amount of realised and unrealised value appreciation of the investments of the DBAG funds during the reporting year. An amount of 12.1 million euros is attributable to DBAG Fund VI. This amount was recognised for the first time due to the change in methodology following the identification of an error referred to above; the adjusted figures for the previous year include 8.4 million euros within this context. The carry can change with future valuation movements of the funds' investments and in the course of payments following disposals from a fund's portfolio, provided that the contractual conditions are met. Corresponding to the realisation of value gains on individual investments, carried interest payments will extend over a number of years. DBAG Fund VII only started investing in April 2017. The new method does not result in the recognition of any carried interest for this fund at the reporting date either.

The **CURRENT INCOME FROM THE PORTFOLIO** relates mainly to interest payments on shareholder loans and a distribution made by DBG Eastern Europe following the disposal of one of the two remaining investments of this externally managed international buyout fund.

The net result from other assets and liabilities of the investment entity subsidiaries came to -7.1 million euros (previous year: -6.7 million euros). The item mainly includes the remuneration for the manager of DBAG Fund VI and DBAG Fund VII on the basis of the capital invested/committed by DBAG.

TEN-YEAR SUMMARY OF EARNINGS

€mn	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	**2017/2018**
							11 months	adjusted[1]	adjusted[2]	
Net result of investment activity[3]	31.8	53.2	(4.5)	51.3	41.0	50.7	29.2	59.4	85.8	34.1
Fee income from fund management and advisory services	–	–	–	–	–	22.2	19.2	18.3	27.0	28.5
Other income/expenses[4]	(9.4)	(15.5)	(15.4)	(4.0)	(7.3)	(24.5)	(21.3)	(28.4)	(30.9)	(29.0)
EBT	22.4	37.6	(19.9)	47.0	33.8	48.4	27.1	49.3	82.0	33.6
Net income	19.6	34.1	(16.6)	44.5	32.3	48.0	27.0	49.5	82.0	33.6
Other comprehensive income[5]	(2.3)	(3.3)	0.7	(6.2)	(3.7)	(6.4)	0.4	(6.5)	2.9	(1.2)
Total comprehensive income	17.3	30.8	(15.9)	38.3	28.6	41.6	27.4	43.0	84.9	32.4
Return on equity per share %	7.3	12.7	(6.2)	16.7	11.5	15.9	9.6	14.9	24.1	7.8

1 Adjusted due to amendments to IFRS 10 (see note 3 of the notes to the consolidated financial statements for 2016/2017)
2 Adjusted in accordance with IAS 8 (carried interest of DBAG Fund VI Konzern (Guernsey) L.P.)
3 Net result of valuation and disposal and current income from financial assets
4 Net amount of other income and expense items; up to and including FY 2007/2008 "Other comprehensive income", up to FY 2012/2013 incl. income from fund investment services
5 Since FY 2009/2010, actuarial gains/losses on plan assets are recorded directly in equity through "Other comprehensive income"

Liquidity position

Overall assessment: financing secured for investment projects in the financial year 2018/2019

DBAG's financial resources in the amount of 119.0 million euros consist of cash in the amount of 23.6 million euros and securities of German issuers (33.1 million euros). Following the extension of the investment strategy, they also comprise 62.3 million euros in units in fixed-income and money market funds for the first time. These funds are available for investments. The investment entity subsidiaries have further financial resources totalling 13.0 million euros. These financial resources include securities worth 5.2 million euros and cash and cash equivalents of 7.8 million euros.

Our financing strategy aims to keep financial resources available, namely roughly in an amount corresponding to an average one-year investment programme. DBAG finances its activities in the long term by way of the stock market and not by bank debt. It aims to always be in a position to fulfil the requirements set out in the co-investment agreements with the DBAG funds.

Outstanding co-investment commitments alongside DBAG Fund VII and DBAG ECF amounted to approximately 198 million euros at 30 September 2018. Based on the investment progress planned for the new financial year and the two following years, DBAG will have an average liquidity requirement for investments of around 94 million euros annually; the actual requirement may fluctuate strongly.

The following statement of cash flows based on the IFRS shows the changes in cash funds.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

INFLOWS (+)/ OUTFLOWS (-)

€'000	2017/2018	2016/2017 adjusted[1]
Net income	33,597	81,955
Valuation (gains)/losses and (gains)/losses on disposals of financial assets and loans and receivables	(27,168)	(83,598)
Other non-cash-relevant changes	3,429	1,183
Cash flows from operating activities	**9,858**	**(460)**
Proceeds from disposals of financial assets and loans and receivables	30,302	199,286
Acquisition of investments in financial assets and loans and receivables	(63,826)	(54,697)
Proceeds from disposals of other financial instruments	36,546	0
Acquisition of investments in other financial instruments	(33,664)	(35,649)
Proceeds from/(acquisition of) long- and short-term securities	(62,434)	(13,384)
Other inflows and outflows	(125)	(430)
Cash flows from investing activities	**(93,200)**	**95,127**
Payments to shareholders (dividends)	(21,062)	(18,053)
Cash flows from financing activities	**(21,062)**	**(18,053)**
Change in cash funds from cash-relevant transactions	(104,404)	76,614
Cash funds at start of period	127,976	51,361
Cash funds at end of period	**23,571**	**127,976**

1 Adjusted in accordance with IAS 8 (carried interest of DBAG Fund VI Konzern (Guernsey) L.P.)

FINANCIAL RESOURCES pursuant to the IFRS, which exclusively comprise cash funds, dropped by 104.4 million euros to 23.6 million euros in the financial year 2017/2018 (reporting date of 30 September 2017: 128.0 million euros). We had invested a large part of our existing financial resources in fixed-income and money market funds in the second quarter.

TOTAL CASH FLOWS FROM OPERATING ACTIVITIES were positively influenced mainly by the following transactions: an amount of 2.4 million euros was collected from a receivable from a portfolio company dating back to previous years. We have also already received fees for advisory services provided to DBAG Fund VII in the amount of 4.1 million euros that relate to the first quarter of the new financial year.

CASH FLOW FROM INVESTING ACTIVITIES was negative in the reporting period at 93.2 million euros. 62.4 million euros of this amount is attributable to the investment of funds in fixed-income and money market funds. Investment activity resulted in a cash outflow of 30.6 million euros in 2017/2018. These cash outflows consisted of total proceeds and payments relating to financial assets and to loans and receivables in the amount of -33.5 million euros, and of total proceeds and payments relating to other financial instruments in the amount of 2.9 million euros. In the previous financial year, investment activity generated cash inflows of 108.9 million euros. This volatility is partly due to reporting-date factors and is also due to lower cash flows, albeit considerable ones in terms of amount, in the transaction business, meaning that it is typical for our business model.

Proceeds from disposals of financial assets and loans and receivables are attributable, specifically, to distributions made by the investment entity subsidiaries for DBAG Fund V and DBAG Fund VI, as well as DBAG ECF. They relate to subsequent disposal income pertaining to retentions from investments made by DBAG Fund V that were disposed of in previous years (Broetje-Automation, Coperion, ProXES, Spheros), as well as the proceeds from the partial disposal of the investment in Silbitz and the refinancing of Cleanpart following the partial disposal of one of the two business segments (both DBAG Fund VI). We received funds from DBAG ECF following the repayment of short-term interim financing (vitronet). The Harvest Partners buyout fund also distributed funds.

Payments for investments in financial assets and loans and receivables related to the capital calls made by the investment entity subsidiaries for new investments made by DBAG ECF (Sjølund, netzkontor, von Poll Immobilien, BTV) and for follow-up investments in portfolio companies of this fund (DNS:Net, R&M) and DBAG Fund VI (Frimo, Polytech, Unser Heimatbäcker). DBAG Fund VII also called funds in the course of the final structuring of the investment financing for More than Meals.

The repayment of short-term loans that DBAG had granted as part of the structuring of the investments in duagon and More than Meals is also included in the cash flow statement for the first half of 2017/2018 as a cash inflow from the disposal of other financial instruments.

DBAG once again granted short-term loans in connection with the structuring of the investment in KEF, which was completed in the third quarter, and the follow-up investment in duagon. The resulting cash outflows are recognised as payments for investments in other financial instruments.

Securities transactions resulted in a payout balance of 62.4 million euros.

The payout of the dividend at the end of February 2018 (21.1 million euros) reduced the financial resources.

TEN-YEAR SUMMARY OF CASH POSITION

€mn	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	**2017/2018**
							11 months	adjusted[1]	adjusted[2]	
Cash flows from operating activities	(3.5)	(12.8)	0.9	(9.6)	(12.0)	0.0	7.1	(0.6)	(0.5)	9.9
Cash flows from investing activities	19.6	(44.4)	33.1	(18.2)	18.7	67.9	20.1	1.9	95.1	(93.2)
Cash flows from financing activities	(5.5)	(13.7)	(19.1)	(10.9)	(16.4)	(16.4)	(27.4)	23.5	(18.1)	(21.1)
Change in financial resources[3]	10.6	(70.9)	14.9	(38.8)	(9.8)	50.9	(0.1)	24.8	76.6	(104.4)

1 Adjusted due to amendments to IFRS 10 (see note 3 of the notes to the consolidated financial statements for 2016/2017)
2 Adjusted in accordance with IAS 8 (carried interest of DBAG Fund VI Konzern (Guernsey) L.P.)
3 Financial resources: cash and cash equivalents and long-term securities, excl. financial resources in investment entity subsidiaries

Asset position

Overall assessment: increase in assets based on portfolio performance with intensive investment activity

Total assets at 30 September 2018 are 21.3 million euros higher than at the start of the financial year, mainly due to the increase in financial assets and shareholders' equity. In 2017/2018, new investments clearly outweighed the disposal of existing portfolio companies. The performance of the continued investments is another factor. Financial resources have already fallen considerably after the investments made in the previous financial year, but still account for around one quarter of the Group's assets, which otherwise consist largely of the investment portfolio.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€'000	30 Sept. 2018	30 Sept. 2017 adjusted[1]
Financial assets incl. loans and receivables	323,304	254,168
Long-term securities	55,458	33,659
Other non-current assets	1,277	1,822
Non-current assets	**380,039**	**289,648**
Other financial instruments	32,766	35,649
Receivables and other assets	1,436	4,072
Short-term securities	40,000	0
Cash and cash equivalents	23,571	127,976
Other current assets	7,408	6,624
Current assets	**105,181**	**174,320**
Total assets	**485,220**	**463,968**
Equity	447,779	436,447
Non-current liabilities	12,389	11,471
Current liabilities	25,052	16,050
Total equity and liabilities	**485,220**	**463,968**

1 Adjusted in accordance with IAS 8 (carried interest of DBAG Fund VI Konzern (Guernsey) L.P.)

Asset and capital structure: assets dominated by financial assets; capital structure essentially unchanged

In financial year 2017/2018, we added five investments to the portfolio; the existing investments increased in value and there was only a limited number of disposals. This resulted in the extension of the statement of financial position and a change in the asset structure. Financial assets increased significantly, while financial resources declined. At the period ending 30 September 2018, 67 percent of assets were invested in financial assets (previous year: 55 percent). Just under a quarter of the assets (previous year: 35 percent) are attributable to financial resources available for future investments. Short-term loans that DBAG had granted to an investment entity subsidiary as part of the restructuring of the investment in new portfolio companies (KEF, duagon) are recognised in current assets as other financial instruments with a value of 32.8 million euros at the reporting date. Current liabilities include the obligation from a capital call for an investment agreed just before the reporting date, as well as the fees from investment services to funds that were collected in advance.

The ratio of financial assets to financial resources moved in the right direction. It came to 2.7 to 1 at 30 September 2018 (30 September 2017: 1.6 to 1).

Shareholders' equity increased by 11.3 million euros as against the reporting date of 30 September 2017 to 447.8 million euros, thanks to the net income. Equity per share rose from 29.01 euros to 29.76 euros. In relation to equity per share (including deductions for distributions) at the beginning of the financial year, this equates to an increase of 7.8 percent.

The **CAPITAL STRUCTURE** is once again largely unchanged as against the end of the last financial year; the equity ratio fell from 94.1 percent to 92.3 percent. Shareholders' equity covers the non-current assets as at the two previous reporting dates in full and covers current assets at a rate of 64 percent (previous year: 84 percent). Part of the liquidity was invested in fixed-income and money market funds. Some of these securities that will not be required for investments in the near future are reported under non-current assets.

The **CREDIT LINE** of 50 million euros, which has been in place since the beginning of 2016, was not drawn down during the past financial year or at the reporting date. The term of the credit line was extended in the third quarter of the financial year until 2023 at more favourable terms than before.

Financial assets and loans and receivables: significant increase in portfolio value following investments

Financial assets including loans and receivables are largely determined by the **PORTFOLIO VALUE**. The main reasons behind the increase at 30 September 2018 include portfolio additions and the value appreciation of the existing investments.

Change in portfolio value, page 65

FINANCIAL ASSETS INCL. LOANS AND RECEIVABLES

€'000	**30 Sept. 2018**	30 Sept. 2017
		adjusted[1]
Portfolio value (incl. loans and receivables)		
gross	349,289	251,722
Minority interest in investment entity subsidiaries	(27,952)	(21,341)
net	321,336	230,380
Other assets/liabilities of investment entity subsidiaries	1,893	22,373
Other non-current assets	75	1,415
Financial assets incl. loans and receivables	**323,304**	**254,168**

1 Adjusted in accordance with IAS 8 (carried interest of DBAG Fund VI Konzern (Guernsey) L.P.)

The **MINORITY INTEREST IN INVESTMENT ENTITY SUBSIDIARIES** increased by 6.6 million euros in total compared with the level at the start of the financial year. The change in value includes the increase in performance-linked profit shares that result from private investments made by members of the investment team due to the increase in the value of the DBAG Fund VI and DBAG ECF portfolios, as well as carried interest distributions triggered by disposals from retentions relating to investments of DBAG Fund V that were sold in previous years.

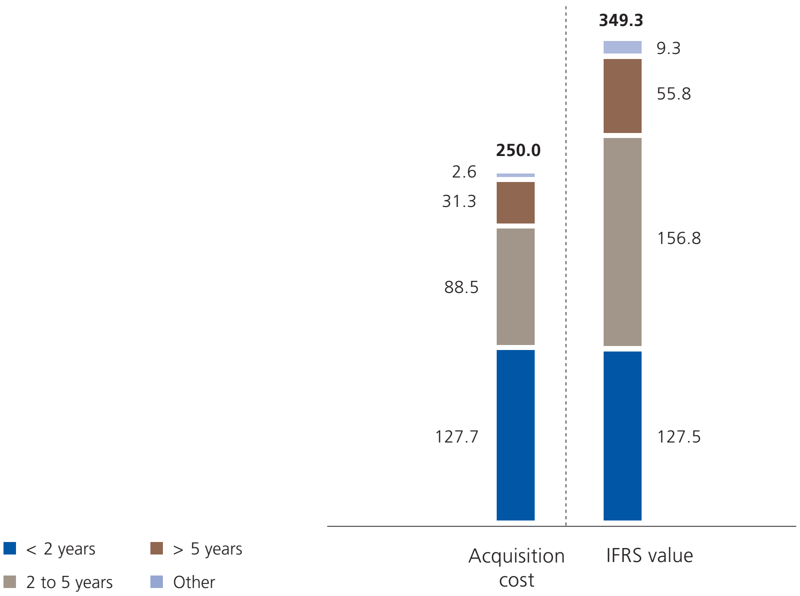
The drop in the **OTHER ASSETS AND LIABILITIES OF THE INVESTMENT ENTITY SUBSIDIARIES** to 1.9 million euros is due primarily to the conversion of a short-term interim financing in place on the previous reporting date into an equity investment (More than Meals).

Portfolio and portfolio value

At 30 September 2018, the DBAG **PORTFOLIO** consisted of 27 equity investments and two investments in international private equity funds managed by third parties that we entered into in 2000 and 2002 respectively. The investments are held indirectly via investment entity subsidiaries with only one exception (JCK). The portfolio contains 19 management buyouts and eight investments aimed at growth financing. The two international private equity funds both only hold one portfolio company and are nearing the end of their disinvestment phase; their share of the portfolio value has decreased again and only comes to 0.6 percent (previous year: 2.4 percent).

PORTFOLIO VALUE BY AGE STRUCTURE

€mn at 30 September 2018



At 30 September 2018, the value of the 27 investments, including loans to and receivables from portfolio companies, and excluding short-term interim financings, amounted to 340.0 million euros (30 September 2017: 245.6 million euros); in addition, there were entities with a value of 9.3 million euros through which representations and warranties dating from former divestments are (largely) settled ("Other investments") and which are no longer expected to deliver appreciable value contributions (30 September 2017: 6.1 million euros). These also include the two international private equity funds managed by third parties. This brought the portfolio value to a total of 349.3 million euros (30 September 2017: 251.7 million euros). The value of the 27 investments, including loans to and receivables from portfolio companies, and excluding short-term interim financings, amounted to (as in the previous year) 1.4 times the original cost.

The portfolio value increased by 97.6 million euros in gross terms during the financial year. The additions amounting to a total of 85.1 million euros due to the new investments alongside DBAG Fund VII (KEF) and DBAG ECF (Sjølund, netzkontor, BTV, von Poll Immobilien), the conversion of the short-term loans for the interim financing of the investment in More than Meals and follow-up investments in existing portfolio companies, as well as the changes in the value of 29.2 million euros, are offset by disposals totalling 16.7 million euros. Almost one-third of the disposals are attributable to the refinancing of the investment in vitronet, the acquisition of which had initially been financed exclusively using equity. In addition, they include the disposal of a business line by Cleanpart, the repayment of a shareholder loan that was still in place by the former portfolio company Coperion and the partial disposal of the investment in Silbitz.

At 30 September 2018, the 15 biggest investments accounted for around 77 percent of the portfolio value (30 September 2017: 81 percent). The following table lists these 15 investments in alphabetical order.

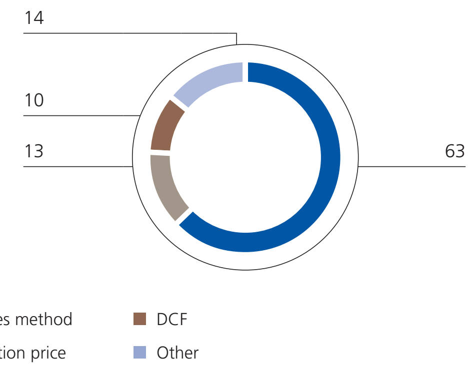
Company	Cost	Equity share DBAG	Investment type	Sector
	€mn	%		
Cleanpart Group GmbH	5.9	18.1	MBO	Industrial services
DNS:Net Internet Service GmbH	6.3	14.9	Expansion capital	Information technology, media and telecommunication
duagon Holding AG	22.3	19.8	MBO	Industrial components
Gienanth GmbH	3.9	11.7	MBO	Industrial components
inexio Informationstechnologie und Telekommunikation KGaA	7.5	6.9	Expansion capital	Information technology, media and telecommunication
JCK Holding GmbH Textil KG	8.8	9.5	Expansion capital	Consumer goods
Karl Eugen Fischer AG	22.7	16.5	MBO	Mechanical and plant engineering
Novopress KG	2.3	18.9	Expansion capital	Mechanical and plant engineering
Oechsler AG	11.2	8.4	Expansion capital	Automotive suppliers
Pfaudler International S.à r.l.	12.2	17.7	MBO	Mechanical and plant engineering
Polytech Health & Aesthetics GmbH	13.1	15.0	MBO	Industrial components
Silbitz Group GmbH	4.3	13.0	MBO	Industrial components
Telio Management GmbH	13.4	15.8	MBO	Information technology, media and telecommunication
vitronet Projekte GmbH	4.3	43.4	MBO	Information technology, media and telecommunication
von Poll Immobilien GmbH	11.7	36.9	MBO	Real estate agent

The following portfolio information is based on the valuation and resulting portfolio value at the reporting date of 30 September 2018. The investments in international buyout funds in companies through which retentions for representations and warranties from exited investments are held are recognised under "Other". The debt (net debt, EBITDA) relates to the expected debt at the end of the financial year 2018 and the EBITDA of the portfolio companies that is expected for this year, or for 2017/2018 if the reporting date falls during the year.

Full overview of the portfolio companies at www.dbag.com/portfolio

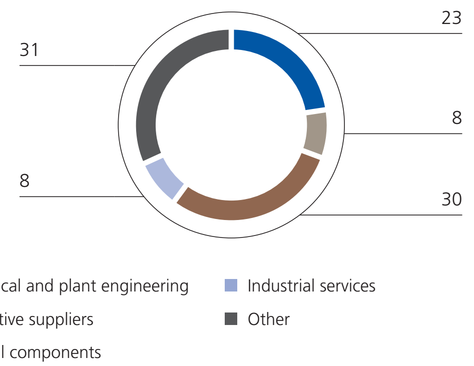
PORTFOLIO VALUE BY VALUATION METHOD

%



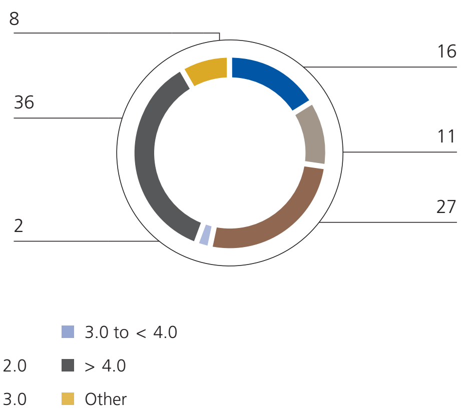
PORTFOLIO VALUE BY SECTORS

%



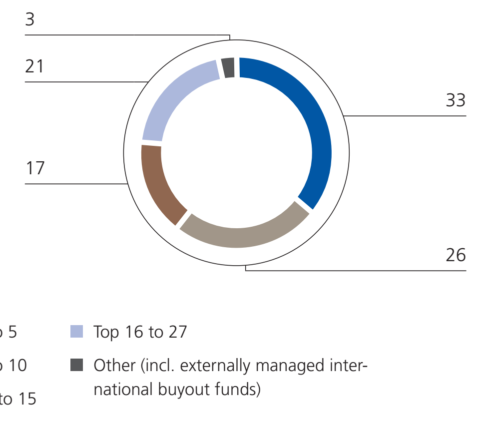
PORTFOLIO VALUE BY NET DEBT/EBITDA OF PORTFOLIO COMPANIES

%



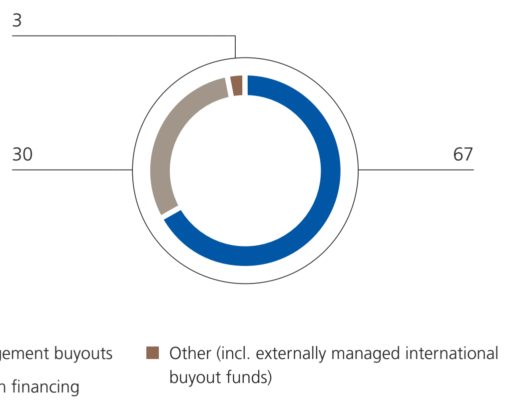
CONCENTRATION OF PORTFOLIO VALUE

Size categories %



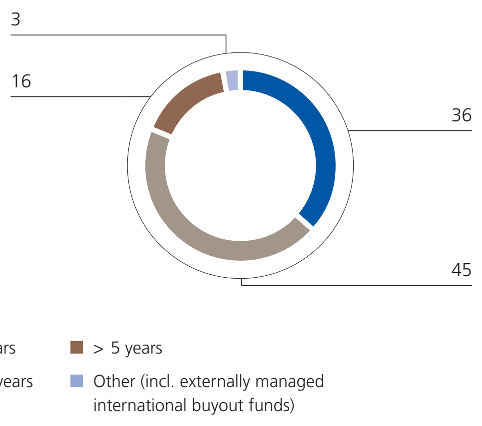
PORTFOLIO VALUE BY TYPE OF INVESTMENT

%



PORTFOLIO VALUE BY AGE

Categories %



Comparison of actual and projected business performance

SUMMARY OF ASSESSMENT BY BOARD OF MANAGEMENT OF THE BUSINESS TREND AND ACHIEVEMENT OF TARGETS (PROJECTED/ACTUAL COMPARISON)

	Actual 2016/2017[1]	**Forecast**[2]	**Expectations 2017/2018**	**Actual 2017/2018**	
Financial performance indicators					
PRIVATE EQUITY INVESTMENTS SEGMENT					
Net result of investment activity	€85.8mn	€46.7mn	Much higher	€34.1mn	Expectation not met
Earnings before tax	77.3mn	€49.6mn	Slightly higher	€27.6mn	Expectation not met
Cash flow from investing activities (excl. securities)	€108.9mn	€108.9mn	Much lower	€(30.6)mn	Expectation met
thereof investments (excl. securities)	€(54.7)mn	€(54.7)mn	Slightly higher	€(63.8)mn	Expectation met
Net asset value (at reporting date)	€451.5mn	€459.9mn	Slightly higher	€475.1mn	Expectation met
thereof financial resources (at reporting date)	€161.6mn	€161.6mn	Much lower	€119.0mn	Expectation met
No. of investments (at reporting date)	24	24	Moderately higher	29	Expectation exceeded
FUND INVESTMENT SERVICES SEGMENT					
Fee income from fund management and advisory services	€28.1mn	€28.1mn	Slightly higher	€29.4mn	Expectation met
Earnings before tax	€4.7mn	€4.7mn	Moderately higher	€6.0mn	Expectation exceeded
Assets under management or advisement (at reporting date)	€1,806mn	€1,806mn	Slightly lower	€1,831mn	Expectation not met
GROUP					
Net income	€82.0mn	€43.0mn	Much higher	€33.6mn	Expectation not met
Shareholders' equity (at reporting date)	€436.4mn	€444.9mn	Slightly higher	€447.8mn	Expectation met
Earnings per share	€5.45	€3.43	Much higher	€2.23	Expectation not met
Equity per share	€29.01	€29.57	Slightly higher	€29.76	Expectation met
Return on Group equity per share	24.1%	15.7%	Much lower	7.8%	Expectation met
SINGLE ENTITY					
Net income in accordance with HGB	€144.3mn	€144.3mn	Much lower	€9.9mn	Expectation met
Dividend per share	€1.40	€1.40	Unchanged	€1.45	Expectation exceeded
Non-financial performance indicators					
No. of employees (at reporting date, incl. apprentices)	67	67	Slightly higher	71	Expectation met
Investment opportunities	321	321	Unchanged	261	Expectation not met

1 Adjusted in accordance with IAS 8 (carried interest of DBAG Fund VI Konzern (Guernsey) L.P.)
2 Was not adjusted for the purposes of the projected/actual comparison

Our expectations regarding the performance of the portfolio companies were not met in the financial year 2017/2018. At several portfolio companies, measures that are usually initiated in order to achieve an increase in value were started later than planned and have not yet delivered the expected results. In addition, performance was impaired by a turnaround in sentiment on the capital market, which resulted in lower valuation multiples on average. Our forecast does not include changes in these multiples as a general rule. These two reasons explain why the results-oriented financial key indicators in the Private Equity Investments segment failed to live up to expectations. As this segment's result has a major impact on net income, the other key earnings ratios also fell short of expectations.

The investment progress made exceeded our expectations. Because this happened more quickly at DBAG ECF than planned, we were able to end the fund's first new investment period (DBAG ECF I) sooner than expected, and start raising funds for the fund's second new investment period over the past financial year (DBAG ECF II). This had a positive impact on fee income from investment services to funds and meant that our assets under management and advisement were higher than planned at the reporting date. Consequently, and due to the brisk investment activity of DBAG ECF, the portfolio consisted of more investments than planned at the end of the financial year. This is another aspect that we consider to be a positive deviation from our forecast. The same applies to the increase in the dividend in line with our dividend policy.

Information on investment opportunities, page 75

The number of investment opportunities that we address within a financial year is a rough indicator of our deal flow. Although we explored fewer investment opportunities than expected, the quality of these investment opportunities was at least on a par with the previous year, meaning that this deviation is not significant.

Business performance by segments

Private Equity Investments segment: net result significantly down on previous year and long-term average

SEGMENT EARNINGS STATEMENT, PRIVATE EQUITY INVESTMENTS

€'000	**2017/2018**	2016/2017 adjusted[1]
Net result of investment activity	34,133	85,835
Other income/expenses	(6,536)	(8,547)
Earnings before tax	**27,597**	**77,288**

1 Adjusted in accordance with IAS 8 (carried interest of DBAG Fund VI Konzern (Guernsey) L.P.)

Pre-tax net income in the Private Equity Investments segment came to 27.6 million euros, 49.7 million euros less than a year earlier. This is due to the much lower net result of investment activity, which had included the earnings contributions resulting from several disproportionately successful disposals in the previous year. We refer to the information on this item provided in the section titled "Earnings position". Net expenses under Other income/expenses (net amount of internal management fees, personnel expenses, other operating income and expenses as well as net interest) fell by 2.0 million euros in comparison with the same period of the previous year. In the previous year, this item had included the performance-based remuneration resulting from the sale of the investment in Grohmann Engineering in the amount of 1.6 million euros. In addition, segment net income in the current financial year is burdened less by transaction-related consultancy costs following a change in invoicing practice. The figure includes internal management fees paid to the Fund Investment Services segment in the amount of 0.9 million euros (previous year: 1.1 million euros).

NET ASSET VALUE AND AVAILABLE LIQUIDITY

€'000	30 Sept. 2018	30 Sept. 2017 adjusted[1]
Financial assets incl. loans and receivables	323,304	254,168
Other financial instruments	32,766	35,649
Financial resources	119,029	161,634
Bank liabilities	0	0
Net asset value	**475,099**	**451,451**
Financial resources	119,029	161,634
Credit line	50,000	50,000
Available liquidity	**169,029**	**211,634**
Co-investment commitments alongside DBAG funds	**198,477**	**253,745**

1 Adjusted in accordance with IAS 8 (carried interest of DBAG Fund VI Konzern (Guernsey) L.P.)

Overall, the net asset value has increased slightly compared to the same period of the previous year. We refer to the section on net assets and financial position for information on the changes to financial assets.

Co-investment commitments alongside the DBAG funds fell by 55.3 million euros on balance. We serviced capital calls for new investments and acquisitions of portfolio companies in the amount of 90.1 million euros; this is offset by an increase following the start of DBAG ECF's second new investment period (39.7 million euros).

As in the previous year, around 60 percent of the commitments are covered by the available financial resources (cash including long-term securities). A credit line of 50 million euros is available to compensate for the irregular cash flows resulting from our business model. It is provided by a consortium of two banks and was extended in the third quarter until 2023 at more favourable conditions.

The surplus of co-investment commitments over the available funds amounts to nine percent of financial assets, compared with 17 percent at 30 September 2017. We expect to be able to cover this surplus, which is the result of further disposals, over the next few years.

Fund Investment Services segment: further improvement in earnings

NET ASSET VALUE AND AVAILABLE LIQUIDITY

€'000	2017/2018	2016/2017
Fee income from fund management and advisory services	29,388	28,111
Other income/expenses	(23,345)	(23,407)
Earnings before tax	**6,042**	**4,704**

Information on income generated by the DBAG funds, pages 76ff.

The Fund Investment Services segment closed the financial year with earnings before tax in the amount of 6.0 million euros, as against 4.7 million euros in the same period of the previous year. This again signals the continuation of the improvement in earnings in this segment. The fee income from fund management and advisory services rose year on year. Although the fees received from DBAG Fund V and DBAG Fund VI were lower than in the previous year due to the sale of investments held by both funds, this effect was more than compensated for by much higher income from DBAG Fund VII and DBAG ECF. Unlike in the previous year, DBAG received remuneration from DBAG Fund VII for the entire financial year. The fund investment phase had started at the end of December 2016. The investments made in both new investment periods of DBAG ECF (netzkontor, Sjølund, von Poll Immobilien, BTV) meant that DBAG also received one-off fees based on the individual transactions (1.1 million euros). These transaction-related fees were agreed in the last financial year with the investors of DBAG ECF. The segment information also takes into consideration internal income from the Private Equity Investments segment in the amount of 0.9 million euros (previous year: 1.1 million euros).

Net expenses under other income/expenses hardly changed in a year-on-year comparison. The one-off expense resulting from the subsequent adjustment of the remuneration for the work performed by members of the investment team in supervisory bodies of DBAG Fund V portfolio companies is offset by a lower allocation to the provision for performance-related variable remuneration.

ASSETS UNDER MANAGEMENT OR ADVISEMENT

€'000	**30 Sept. 2018**	30 Sept. 2017
		adjusted[1]
Funds invested in portfolio companies	862,076	730,958
Funds drawn down but not yet invested	23,387	0
Short-term interim financing of new investments	145,086	164,694
Outstanding capital commitments of third-party investors	681,799	748,591
Financial resources (of DBAG)	119,029	161,634
Assets under management or advisement	**1,831,378**	**1,805,877**

1 Adjusted in accordance with IAS 8 (carried interest of DBAG Fund VI Konzern (Guernsey) L.P.)

The amount of assets under management and advisement has increased slightly since the beginning of the financial year. The increase in the item "Funds invested in portfolio companies", including the item "Funds drawn down but not yet invested" (FLS), more than compensated for the decline in short-term interim financing, outstanding capital commitments and financial resources. The increase reflects the net amount from additions and disposals. Despite the substantial capital calls due to the new investments, the outstanding capital commitments only fell by 66.8 million euros; the commitments for DBAG ECF II (56.3 million euros) had a positive effect. We refer to the section titled "Liquidity position" for information on the changes in the financial resources of DBAG.

Financial and non-financial performance indicators

Return on Group equity per share

Group equity grew by 0.75 euros per share in the financial year 2017/2018 to 29.76 euros per share. After adjusting for the dividend of 1.40 euros per share that was distributed, the return is calculated based on Group equity per share of 27.61 euros. This brings the return on Group equity to 7.8 percent. The return on equity exceeded the cost of equity of 6.0 percent. In 2016/2017, the return had amounted to 24.1 percent with a cost of equity of 5.6 percent.

For information on the influential factors: earnings position, pages 52ff.

Over the past ten-year period (2008/2009 to 2017/2018), we achieved an average return on equity after taxes of 11.4 percent. This is almost 4.9 percentage points in excess of the average cost of Group equity, which, according to our computation, was approximately 6.5 percent.

Performance: total return of 181 percent since 31 October 2008

Adjusted for dividends, DBAG recorded a total return of 181 percent based on the Group equity per share over a period of nearly ten years from 31 October 2008 to 30 September 2018; this equates to an average annual total return of 11.0 percent over this ten-year period.[16]

16 *The calculation implies a reinvestment of dividends and surplus dividends in equity per share in each case at the end of the second quarter of a financial year (30 April or 31 March); until 2015, the dividend was paid at the end of March; since then, it has been paid at the end of February.*

People: high level of satisfaction, long length of service

Personal performance and a team-based work environment are key characteristics of our corporate culture. Our success is based on a culture of professionalism and mutual respect. As a result, we attach great importance to treating each other and our business partners with respect. In our daily work, we take care to ensure a high level of professionalism and stable processes. In doing so, we utilise our lean structures and short decision-making routes. In our most recent employee survey (September 2017), which achieved a relatively high participation rate of 80 percent, around 90 percent of the participants once again stated that they were very satisfied or satisfied with the latitude they are given to carry out their daily routine and with the work climate in the Company.

The private equity business requires a great amount of resilience from employees. Assignments within our organisation call for a high degree of identification with the role. We promote this sense of identification in various ways. We foster a culture of direct communication, team-based project organisation and delegating responsibility early on, in all areas of the Company. The aforementioned co-investments made by selected members of the investment team, using their own money, in the DBAG funds also serve to strengthen the identification of employees with the business.

	Number of staff	Number of departures	Fluctuation rate %
Financial year 2017/2018	71	2	2.8
Average for financial years 2008/2009 to 2017/2018	59	2	4.0

We attach particular importance to nurturing a corporate culture in which loyalty to the Company can prosper. 96 percent of the participants in the 2017 employee survey had said that they plan to stay with the Company for a longer period of time. One measure of loyalty is the employees' years of service to the Company: in the reporting year, investment managers had been with DBAG for an average of nine years (previous year: more than seven years), while the average length of service in corporate functions was six years.[17]

17 The representation does not include apprentices, employees with a fixed-term work contract and employees leaving the Company due to retirement.

Our performance thrives on the professional and personal skills of our people at all levels and in all areas of the Company. In addition to excellent management skills and sector knowledge, the members of our investment team need keen leadership and motivation qualities, communication skills and social competency.

We regularly strive to develop these qualifications and competencies. This past year again, more than half of the staff participated in further education and training programmes. To that end, we endeavour to match the training with personal development needs.

Staff profile: high apprenticeship quota

At 30 September 2018, DBAG employed 35 female and 30 male staff (without the members of the Board of Management or apprentices), making a total of 65 employees. Our personnel recruitment and development is aimed at fostering talent; it is oriented around their qualification, independent of an applicant or employee's gender. Over the past five financial years, two-thirds of the new employees hired were women; almost 40 percent of the new members of the investment team were women.

	30 Sept. 2018	30 Sept. 2017
Number of employees (excl. Board of Management)	71	67
thereof full-time	56	54
thereof part-time	9	7
thereof apprentices	6	6

At the end of financial year 2017/2018, six apprentices were qualifying for their future professions; this represents an apprenticeship quota of nine percent. The average employee age is virtually unchanged and stands at 39 (previous year: 38 years of age). Not included in these figures are the four employees on parental leave at the reporting date.

During the past financial year, we offered 20 students (previous year: nine) an internship for a period of several months, allowing them to gain insight into the responsibilities of an investment manager. We prefer to award the internship to students who are about to complete their studies. We use this instrument to present DBAG as an interesting employer.

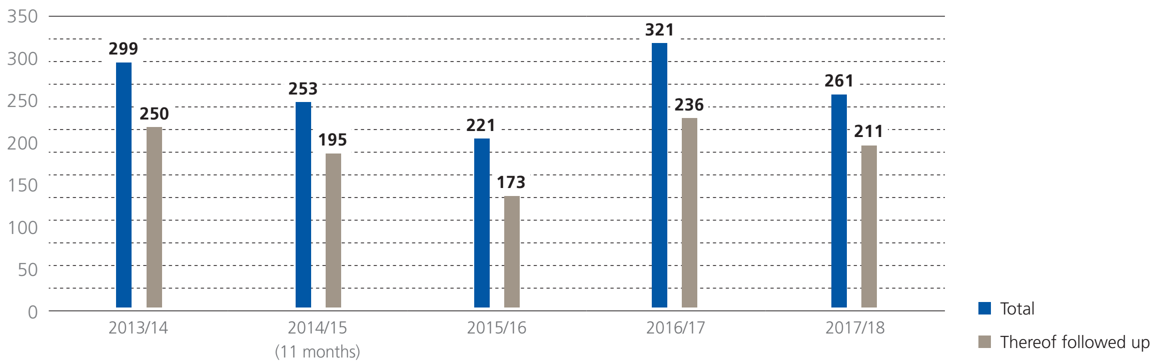
Remuneration: participation in company success

The compensation system at Deutsche Beteiligungs AG is geared to endorsing performance and – in addition to a motivating work environment – offering a financial incentive to attract and retain key staff, while also driving DBAG's performance. This system has proved its worth. The variable income components for key members of the investment team are oriented around personal contributions to the long-term performance of DBAG. Our success is based on new investments entered into, good performance of the portfolio companies and profitable realisations – these are also the factors that influence the variable remuneration. The variable remuneration paid to the other members of the investment team and the employees based in Corporate Functions also rewards individual performance and also takes business developments into account.

Investment opportunities: better-quality deal flow

In addition to participating in auctions, our network affords us direct access to portfolio companies and assists us in initiating investment opportunities through a proprietary deal flow. In 2017/2018, this produced around six percent of the investment opportunities. The proportion of successfully agreed investments, however, is much higher. Four out of 17 transactions over the last three financial years, or just under one-quarter, came from our network.

Transaction opportunities



In 2017/2018, we screened 261 investment opportunities. Although this figure is significantly lower than in the previous year, the quality of our deal flow improved. The proportion of investment opportunities that we investigated in more detail increased considerably year-on-year from 74 to 81 percent. We followed up on 211 potential transactions. Almost 55 percent of them, much more than in the previous year, related to our core sectors. The number of investment opportunities for growth financing fell considerably again, coming to less than five percent. We made offers for 44 investments, another increase as against the previous year, namely by more than 60 percent.

Financial review of Deutsche Beteiligungs AG (commentary based on the German Commercial Code – HGB)

The separate financial statements are accessible at www.dbag.com/investor-relations/publications; a printed version is also available on request

The management report on Deutsche Beteiligungs AG and the Group management report for the 2017/2018 financial year are presented combined, in conformity with § 315 (5) HGB in connection with § 298 (2) sentence 2 HGB. The presentation of the economic position of DBAG is based on a condensed statement of financial position and a condensed profit and loss account derived from the statement of financial position and profit and loss account as prescribed by HGB. The complete annual financial statements of DBAG based on HGB are published in the online version of the Federal Gazette, together with the consolidated financial statements.

Earnings position

Overall assessment: net income for the year down considerably on record level seen in the previous year with a virtually neutral net result of disposal

Net income for financial year 2017/2018 was down considerably on the previous year at 9.9 million euros. 2016/2017 had been one of the most successful financial years in the history of Deutsche Beteiligungs AG. In the previous year, seven divestments had been completed, five of them with disposal proceeds that were, in some cases, well above average in relation to the capital multiplier. In 2017/2018, on the other hand, no divestments were completed. Fluctuations like these are typical for the private equity business. Total other income/expenses were lower, also because personnel expenses and other operating expenses were down on the prior-year value.

Net result of fund services and investment activity: down considerably on the previous year's level

The net result of fund services and investment activity is fundamentally determined by gains or losses on disposals of investments and net write-ups/write-downs on investments. The latter are performed at the lower of cost or market and according to the applicable procedure for reversals of impairment losses, based on HGB. The current net result of valuation and disposal includes the proceeds stemming from the disposal of one investment from the portfolio of the externally managed international buyout fund Harvest Partners IV (1.3 million euros) and follow-on results (0.5 million euros) from earlier disposals. Seven investments had been disposed of in the previous year. The net result of valuation and disposal was hit by write-downs on financial assets and securities classified as current assets (0.5 million euros).

Key components of *current income from financial assets* include profit distributions (particularly from DBAG ECF) and interest income from portfolio companies. In 2017/2018, this includes a distribution of 5.0 million euros made by the subsidiary Deutsche Beteiligungs GmbH, via which the second externally managed international buyout fund, DBAG Eastern Europe, is held. This fund had made a distribution following the disposal of an investment.

CONDENSED PROFIT AND LOSS STATEMENT OF DEUTSCHE BETEILIGUNGS AG (BASED ON HGB)

€'000	**2017/2018**	2016/2017
Net result of valuation and disposal[1]	1,340	147,197
Current income from financial assets	11,067	4,732
Fee income from fund management and advisory services	26,096	23,544
Net result of fund services and investment activity	**38,504**	**175,474**
Personnel expenses	(17,953)	(20,873)
Other operating income (excl. write-ups)	2,277	2,284
Other operating expenses	(9,755)	(10,697)
Depreciation and amortisation on intangible fixed assets and property, plant and equipment	(682)	(712)
Income from other securities and loans within financial assets	507	581
Other interest and similar income	344	662
Interest and similar expenses	(3,295)	(2,366)
Total other income/expenses	**(28,556)**	**(31,122)**
Earnings before tax	**9,948**	**144,352**
Income taxes	(17)	0
Other taxes	(7)	(9)
Net income for the year	**9,924**	**144,342**

1 The net result of valuation and disposal is composed of profit-and-loss item "Income from disposals of investments" of 147.8 million euros (previous year: 12.6 million euros) and write-ups in the financial year of 0.0 million euros (previous year: 1.1 million euros) that are recognised in the item "Other operating income". "Losses on disposals of investments" and "Write-downs on financial assets" in the amount of 0.6 million euros (previous year: 11.3 million euros) were deducted

The *fee income from fund management and advisory services* once again rose to well above the level seen in the previous year. This is also due to the fact that the basis for calculating the remuneration was higher than in recent years, and that income was collected on the basis of agreed transactions (DBAG ECF). Whereas the consolidated financial statements include the gross fee income from investment services to funds, this amount reflects the net income after deductions for the expenses incurred by the subsidiary responsible for fund advisory and management services.

Other income/expenses: net amount much lower due to drop in personnel expenses

Net expenses under other income/expenses improved by 2.6 million euros year-on-year. Personnel expenses, other operating income excluding write-ups and other operating expenses were largely influenced by the same factors as the Group. The drop in personnel expenses is largely due to the fact that lower provisions were set up for performance-related remuneration to be paid to employees and the Board of Management due to business developments. The other operating income includes 1.2 million euros resulting from the reversal of provisions set up in previous years

Earnings position, page 52

for performance-related remuneration to be paid to employees. In the previous year, this item had included a reimbursement of consultancy expenses by the DBAG funds of 0.9 million euros; since the beginning of the financial year 2017/2018, transaction-related consultancy expenses and the resulting reimbursements have been recognised at the level of a subsidiary. The operating expenses fell due to lower expenses relating to the acquisition and disposal of investments (0.6 million euros as against 1.5 million euros in the previous year). The expenses for external staff to cover temporary personnel requirement peaks owing to illness, maternity leave and parental leave also halved (0.3 million euros as against 0.6 million euros in the previous year).

The **FINANCIAL RESULT** worsened from -1.1 million euros to -2.4 million euros. This is mainly due to the change in the fair value of plan assets used to finance the pension obligations. The pension obligations also increased. Other interest income includes income from deferred purchase price interest from a disposal in the financial year 2015/2016.

Profit for the year: 9.9 million euros

Deutsche Beteiligungs AG is reporting net income of 9.9 million euros for the 2017/2018 financial year. Including the profit carried forward from the previous year and the dividend payment, the retained profit amounted to 170.8 million euros, of which 3.5 million euros are barred for distribution pursuant to statutory requirements.

Asset position

Total assets of DBAG largely consist of the investment portfolio as well as securities and cash and cash equivalents. In 2017/2018, assets dropped slightly by 3.3 million euros compared to the preceding financial year. The income from investment activity was lower than the distribution for the previous year; in February 2018, a sum of 21.1 million euros was distributed to shareholders.

Assets: marked increase following brisk investment activity

INTERESTS IN ASSOCIATES represent the largest item in DBAG's non-current assets. Associates, for instance, are entities through which DBAG co-invests; the co-investments alongside the respective DBAG funds are bundled in these co-investment vehicles. Other major non-current asset items are **DIRECTLY HELD INVESTMENTS** that are shown in "investments" as well as **LONG-TERM SECURITIES**, which constitute key components of DBAG's financial resources.

CONDENSED STATEMENT OF FINANCIAL POSITION OF DEUTSCHE BETEILIGUNGS AG (BASED ON HGB ANNUAL FINANCIAL STATEMENTS)

€'000	30 Sept. 2018	30 Sept. 2017
Equity shares in associates	253,132	202,883
Investments	3,414	4,488
Investment securities	55,559	33,714
Other non-current assets	1,277	1,820
Non-current assets	**313,383**	**242,905**
Receivables and other assets	63,659	65,489
Securities classified as current assets	40,002	0
Cash and cash equivalents	7,668	119,721
Current assets	**111,329**	**185,210**
Prepaid expenses/deferred income	**566**	**510**
Total assets	**425,278**	**428,625**
Subscribed capital	53,387	53,387
Capital reserves	175,177	175,177
Revenue reserves	403	403
Retained profit	170,766	181,904
Equity	**399,732**	**410,870**
Provisions	**13,986**	**17,461**
Liabilities	**11,560**	**294**
Total equity and liabilities	**425,278**	**428,625**

The increase in interests in associates in the financial year 2017/2018 is the result of the investments in five new companies (85.1 million euros). The divestments and repayments of short-term interim financings (total of 2.9 million euros) had the opposite effect.

The value of directly held investments declined due to the disposal of an investment from the Harvest Partners IV portfolio. Investments are made indirectly via investment entity subsidiaries.

Investment securities increased due to the purchase of units in fixed-income and money market funds to invest cash and cash equivalents that were not required for investments in the first instance.

Current assets: significant change in structure following investment of cash funds

The structure of current assets has changed considerably. In the previous year, 65 percent of current assets were attributable to cash and cash equivalents, which were unusually high due to high cash inflows after disposals. Following investments and the investment of cash funds that were not required in fixed-income and money market funds, cash funds accounted for seven percent of current assets at 30 September 2018. Other current assets included receivables from a loan granted to a company of DBAG Fund VII to provide interim financing for capital calls that the fund intends to use to complete the financing of the investments in KEF and duagon, and receivables from consultancy and management companies of the DBAG funds.

Provisions: impairment loss recognised on plan assets calls for higher provisions to cover pension obligations

Two opposing developments are reflected in the drop in provisions compared with the previous reporting date. The provisions to cover pension obligations were much higher. They rose from 2.3 million euros to 4.6 million euros and the present value of the pension obligations exceeds the plan assets to this extent. The majority of the other provisions are associated with performance-related remuneration with regard to personnel. At 6.6 million euros, this was down considerably on the value witnessed at the start of the financial year (11.0 million euros) at the reporting date. 6.3 million euros of this amount related to the last financial year.

Liquidity position

Particularities in assessing liquidity position: cash flows characterised by irregular outflows

The financial resources reported at the period end of 103.2 million euros (investment securities and current assets of 95.6 million euros and cash and cash equivalents of 7.7 million euros) are available to meet investment commitments. Based on the investments planned for the new financial year and the two following years, DBAG will have an average liquidity requirement for investments of around 94 million euros annually; the actual requirement may fluctuate strongly.

Capital structure: no liabilities to banks

In financial year 2017/2018, DBAG financed its activities from its existing financial resources and/or its cash flows. In order to take advantage of investment opportunities at all times, there is also a credit line in place. It ensures DBAG's ability to co-invest alongside the DBAG funds at all times, in addition to creating greater efficiency of the statement of financial position. The credit line was not drawn down during the financial year or at the reporting date. The drop in equity to 399.7 million euros at 30 September 2018 is attributable to the outflow of funds due to the distribution. At 30 September 2017, shareholders' equity totalled 410.9 million euros, of which 21.1 million euros were distributed to shareholders as dividends in February 2018. The CAPITAL-TO-ASSETS ratio of 94.0 percent at the period end (previous year: 95.9 percent) remained very high.

Comparison of actual and projected business performance

Net income for the year down considerably on the previous year as predicted

The net income for 2016/2017 was the result of a financial year that featured seven disposals, most of which generated proceeds that were well above-average. The financial year was unusual overall in terms of its development and produced a result that was similarly unusual. In 2017/2018, we had predicted fewer company disposals on the basis of the further development of the companies in the portfolio at the start of the financial year, and had assumed standard capital multiples within this context. As a result, we expected much lower net income for the year. This expectation was confirmed.

The amount of the dividend is higher than the planned distribution. This positive deviation from our forecast reflects our dividend policy.

Opportunities and risks

Objective: contribution to value creation by balancing opportunities and risks

Deutsche Beteiligungs AG is exposed to multiple risks through its Fund Investment Services and Private Equity Investments business segments. These are founded, among other things, on the expected returns that are customary in the private equity industry, on our geographical and sector focus, and on the new investment volume targeted annually. In its more than 50-year history, DBAG has proven its ability to successfully balance the risks and rewards of its business. We want to exploit our opportunities and moderately take on the exposure to the risk involved. Risk that endangers the continuity of the Company must basically be avoided.

DBAG's risk profile is influenced by our risk propensity. We steer it using the risk management activities that are set out in this report; they are meant to contribute to value creation by specifically balancing opportunities and risks. As a private equity company, we consider risk management to be one of our core competencies. Our risk propensity derives from our objective of augmenting the value of DBAG; as described, we measure our performance by the long-term increase in the value of the Company. To that end, we pursue a conservative approach, which, among other things, is mirrored in DBAG's statement of financial position structure by its high equity ratio. DBAG activities are financed in the long term by equity; bank liabilities are only entered into in the short term to bridge discrepancies between cash inflows and outflows.

Risk management system

We consider risk management to be a proactive and preventative process for controlling risk. Risk, in our opinion, refers to potentially negative events that ensue from possible hazards. Hazards, in turn, are either non-predictable events or basically predictable, but nevertheless coincidental, events.

The risk management system is an integral part of our business processes. It takes into account the statutory requirements set out by legislation, the German Corporate Governance Code and international accounting standards.

The system is based on our values and our experience, and it serves the objective described of contributing to value creation by balancing rewards and risks. This will be achieved when our risk management ensures a comprehensive overview of the Group's risk profile. Particularly events involving material negative financial implications must be recognised promptly so that counteraction can be taken to avoid, mitigate or control these risks.

Structures: decentralised organisation of risk management

Risk management is the direct responsibility of the Board of Management. It is overseen by the Audit Committee of the Supervisory Board. Furthermore, the Internal Audit department, as an independent constituent, monitors the efficacy of the risk management system; DBAG has delegated the internal audit services to an auditing firm.

The Risk Committee, which reflects the decentralised organisation of risk management within DBAG, plays a key role. It consists, on the one hand, of the Board of Management and the Risk Manager, who reports directly to the Chief Financial Officer, and it also comprises risk officers at the level below the Board of Management. The Managing Directors in charge of the individual corporate departments support the Risk Manager in identifying and assessing risk in their areas of responsibility.

The Risk Manager develops the risk management system on an ongoing and systematic basis. In the financial year 2015/2016, the risk manual was revised and the risk report was redesigned. The manual was most recently checked to ensure that it was up to date in July 2018, and adjusted, for example, to include the changes to our organisational structure. The objective of our risk management system is to inform the Board of Management and the Supervisory Board about the risks involving high and very high expected values ("significant risks"; expected value is a combination of probability of occurrence and extent of impact). The risk assessment criteria are aligned with the Board of Management's risk strategy. Risks are recorded, monitored and managed on an ongoing basis. The aim is to avoid, mitigate or transfer the negative effects of risks.

Instruments: risk register with 42 risk factors

The basis of the risk management system is a risk management manual and a risk register. The manual contains company-specific principles on the methodology of risk management and describes the risk management instruments and their mode of operation. The risk register presents and analyses all the risks that we consider significant. It is updated on a quarterly basis; at the period ending 30 September 2018, it contained 42 individual risks (previous year: 40). The significant risks, their causes and effects, as well as the specified actions required to control and monitor these risks, are also documented in a risk report addressed to the corporate bodies of DBAG.

Processes: risk identification in individual corporate departments

Risk management is an ongoing process that is firmly integrated into our workflows. The risk management process has been devised to ensure that risks are identified early on and risk management instruments are used appropriately; it is structured according to the following procedure:

Risks are identified directly at a departmental level by the Managing Directors responsible for these units. Particular attention is paid to risks that may jeopardise the continuity of the Company as well as risks of major significance to the asset, financial and earnings position of DBAG. To that end, appropriate early warning indicators are employed – measures, in other words, that are either themselves indicators of changes in a risk or suitable as measurement tools to identify changes in risk-driving factors. Such indicators include, for instance, the number of transaction opportunities screened, the employee turnover rate and employee satisfaction.

During the risk analysis and assessment process, identified risks are classified by the responsible Risk Administrator in coordination with the Risk Manager on the basis of a matrix. First, they are categorised according to the probability of their occurrence on a four-point scale. The probability of occurrence is designated as “unlikely” (less than 20 percent), “low” (20 to 50 percent), “possible” (50 to 70 percent) or “likely” (greater than 70 percent). In addition, the impact is classified according to the severity of financial consequences, reputational consequences, regulatory consequences and management action required; the potential impact is assessed subsequent to the action taken to avoid or mitigate the risk.

EXPECTED VALUE (COMBINATION OF PROBABILITY AND IMPACT)

PROBABILITY				1 Low	2 Moderate	3 High	4 Very high
	> 70%	**Likely**	4	Moderate	High	Very high	Very high
	50-70%	**Possible**	3	Very low	Moderate	High	Very high
	20-50%	**Seldom**	2	Very low	Moderate	High	High
	< 20%	**Unlikely**	1	Very low	Very low	Moderate	High

IMPACT	**1 Low**	**2 Moderate**	**3 High**	**4 Very high**
Financial consequences	< €10mn	€10-50mn	€50-100mn	> €100mn
Reputational consequences	Isolated negative media coverage	Broader negative media coverage	Extensive negative media coverage and temporary loss of confidence by investors	Extensive negative media coverage and long-term loss of confidence by investors
Regulatory consequences	Conditional caution	Reorganisation	Reorientation of business activity	Suspension of business activity
Management action required	Event covered by normal routine	Critical event addressed with existing resources	Critical event requiring more extensive management action	Disaster requiring significant management action

The Risk Manager subsequently examines the individual risks and the actions adopted to diversify the risks to ascertain their completeness and effectiveness. The implementation of this action as well as its management and monitoring is the responsibility of the Risk Administrators in the respective corporate units.

Risk control basically pursues the objective of keeping the overall risk at acceptable and manageable levels for DBAG. The objective of risk control is therefore not to completely preclude risk, but rather to ensure that a targeted risk level is not exceeded. Suitable action to control risk may avoid, reduce or transfer risks.

Risk avoidance means completely precluding risk. Since complete avoidance of risk generally also means precluding opportunities for reward, this form of risk intervention cannot be applied across the board, but only to risks for which security takes priority over other corporate objectives. Measures taken to *reduce risk* are meant to decrease the probability of the occurrence of the risk and/or limit the impact. The residual risk that remains after the action has been implemented is consciously accepted or transferred to third parties. Insurance contracts, a classical risk management instrument, serve to *transfer risk*. Special contractual arrangements and financial instruments are also examples of transferring risk to third parties.

Risks are reported to the complete Board of Management on a quarterly basis. In addition, the entire Board of Management is involved in risk management through the Risk Committee. Risks that are identified outside of these regular intervals are reported to the Risk Manager immediately. This ensures a comprehensive and current analysis of risk exposure at all times. Once every financial year, the Board of Management extensively informs the Audit Committee about DBAG's risk exposure. In the event of an unexpected material change in the exposure to risk, the Board of Management informs the Audit Committee of the Supervisory Board immediately.

Description of risk factors

The table on page 91 describes all risks with a "high" expected value, based on our definition, which is determined by the probability of occurrence and extent of impact; the risks with a high expected value are the same as those reported at the reporting date for the financial year 2016/2017. In our estimation and assessment, there are still no risks with a "very high" expected value.

We have allocated operational risks to the business segment that is most strongly affected by the risk. However, over the long term, the consequences of risks allocated to the Fund Investment Services segment would also affect the Private Equity Investments segment and vice versa. In addition to the risk factors described, there are further risks that we regularly monitor and control. These risks have an influence on whether and to what extent we achieve our financial and non-financial objectives.

Risks of the Fund Investment Services segment

Inability to cover the personnel requirement

Staff turnover, page 73

Performance in private equity is closely linked to the people acting in the field. Investors in funds also base their capital commitment decision on the stability and experience of the investment team. Dissatisfied employees or a high staff fluctuation rate can cause greater workloads for other employees; if DBAG were to earn a negative reputation as an employer, this would be detrimental to the Company's personnel recruitment. We address the risk of possible staff turnover by systematically developing the skills and knowledge of our people, as well as using a competitive remuneration scheme that fits to standard practice in the industry and allowing members of the investment team to make private investments in the DBAG funds, enabling them to enjoy participation in fund performance that is disproportionate to the profit-sharing awards (carried interest). We regularly offer individualised training programmes; personality-based training activities are an integral constituent of career plans.

We measure employee satisfaction in a survey every two years. In view of the Company's current position, we do not expect bottlenecks to occur over the short or medium term.

Inability to raise capital commitments from external investors to DBAG funds

We will be able to pursue our strategy in its present form in the long term only if we succeed in soliciting capital commitments to DBAG funds. This requires that the Company or its investment team establishes a proven track record of successful investment activity yielding attractive returns, which depends on the solid performance of the investments and on the investment progress of a fund. Further influencing factors are the macroeconomic environment, the sentiment in the stock markets and general readiness of private equity investors to make new capital commitments. Fundamental changes to tax legislation that would lead to taxes being imposed on foreign partners of German fund entities would have serious disadvantages for DBAG. Without further capital commitments, the stability of the management and staff that we need to support the portfolio would not be ensured.

We address this risk, among other things, by a regular dialogue with existing and potential investors in DBAG funds. In selecting investors, we place special emphasis on their ability to possibly also invest in follow-on funds. Additionally, we regularly review our investment strategy.

Extraordinary termination of investment period of one or several DBAG funds or extraordinary liquidation of a fund

The investment period of DBAG funds ends automatically when Fund Investment Services are no longer provided by certain key persons defined in the fund agreements (the leading members of the investment team). Moreover, the fund investors have the right (typically with a 75 percent majority) to end the investment period of that respective fund. The reasons that could cause them to initiate such a resolution include an unsatisfactory performance of the fund's investments, insufficient investment progress or a fundamental lack of confidence. In cases involving serious contractual breaches, investors have the right to replace the fund management company or liquidate the fund.

Ending the investment period of a fund would consequently lead to a considerable reduction in fee income for advisory services to that fund. Should fund investors revoke DBAG's advisory mandate for a DBAG fund, DBAG would forfeit the fee income from that fund. Should this happen with all funds, it would forfeit fee income from Fund Investment Services altogether. Furthermore, DBAG would no longer be able to exert any influence over the management of the investments entered into with the fund in question. Without the funds at its side, DBAG's opportunities to make its own investments would also be limited. Ongoing communication and early response to the wishes of fund investors serve to mitigate this risk. Above all, however, our sustained investment performance counteracts this risk.

Risks of the Private Equity Investments segment

Investment strategy proves to be unattractive

A key prerequisite for our performance is an attractive investment strategy. Without successful investing activity, it would not be possible to generate the targeted returns on equity, investors would withdraw their committed capital and new commitments to funds could not be raised. The Board of Management and the investment team therefore examine on a regular basis the extent to which our sector focus and geographical emphasis provide an adequate deal flow and a sufficient number of promising investment opportunities.

To mitigate this risk, we regularly review our investment strategy and monitor the market.

Insufficient access to new, attractive investment opportunities

Access to new investment opportunities is crucial for our operations. If we did not make new investments, the structure of our statement of financial position would change. The portfolio value would exhibit slower growth and the proportion of financial resources on the statement of financial position that hardly bear interest would increase – both would come at the expense of the return on equity. In the medium term, the performance of the Fund Investment Services segment would also be adversely affected: the investors in the funds expect investment progress that is commensurate with the committed fund size. If this were not achieved, our chances of raising a successor fund would be diminished, thus impacting the performance of Fund Investment Services in the medium term.

Investment opportunities, page 75

However, we have no influence on developments in the private equity market. With a view to the persistent low interest rate phase and the abundant stream of capital associated with it, we are competing not only with strategic investors, but also with foundations and family offices seeking more profitable investment opportunities. By contrast, the maintenance of our network and our marketing efforts are aspects that we can influence ourselves.

Our ability to mitigate the risks arising from a decline in the number of potential transactions is very limited. If we invest less, the potential for value growth in the segment of Private Equity Investments will decline in the medium term. We address this risk, among other things, by originating investment opportunities that are not broadly available in the market. We have implemented an ongoing process to improve how we identify investment opportunities. This also includes the constant expansion of our network of M&A consultants, banks and industry experts.

Transaction opportunities are not transformed into investments

Even if there is a sufficient supply of attractive investment opportunities, there is a risk of these not culminating in concrete investments. One reason for this may be a lack of competitiveness – because we react too slowly due to insufficient processes or are unable to arrange the acquisition financing. To avoid the consequences arising from this risk – inadequate investment progress, negative effects for future DBAG funds – we continually strive to improve our internal knowledge transfer and to adapt the relevant processes to a changed competitive environment.

External risks

Negative impact of the general economy and economic cycles in individual sectors on portfolio companies

The development of our portfolio companies is influenced by market factors such as geographical and sector-related economic cycles, political and financial changes, commodity prices and exchange rate trends. These market factors are subject to a variety of influences. Cyclical impacts in the wake of political instability or limited capability of the banking system can also affect the portfolio companies' earnings, financial and asset position. Technological changes can also have a negative impact on individual companies or on the companies operating in a certain sector. This could extend the holding periods of investments, resulting in the gains on disposal being postponed or reduced. In extreme cases, it could lead to a total loss of capital for individual investments. In such an event, our reputation would be at stake.

Market factors, in particular, sometimes change at very short notice, and our ability to address them is limited. Short-term results, however, are not decisive for success in private equity. Our investment decisions are based on plans that target value development over a span of several years. The holding periods for investments generally extend beyond the duration of individual cyclical phases.

Information on the holding periods of current investments, page 50

If appropriate, we adapt our value development approach to an individual investment. This requires closely monitoring the portfolio companies' progress. The portfolio's diversification basically already counters the risk arising from cyclical trends in individual sectors.

Lower valuation level on the capital markets

Valuation ratios on the capital markets are reflected in the measurement of the fair value of our portfolio companies and, thereby, the portfolio value. A lower valuation level, expressed in lower valuation multipliers, generally results in a lower portfolio value. They can be a burden on the prices at which we are able to divest companies and thus impair our profitability.

We cannot avert the risk arising from the capital markets. We can, however, mitigate that risk by avoiding high entry prices. Achieving an improved strategic position of the portfolio companies would justify a higher multiple. Since sectors are rarely all equally affected by changes in the equity market, diversifying the portfolio also counters exposure to this risk.

Access to stock and credit markets is not ensured

DBAG finances its activities in the long term by way of the stock market; over the short term, a credit facility may be used to cover temporal discrepancies between expected cash inflows and outflows. The most recent capital increase and agreement on a credit line in the financial year 2015/2016 also have to be viewed in this context. Corporate action can only succeed if DBAG is considered an attractive investment opportunity. Rising market prices for and sufficient liquidity in our shares – both requirements for the membership of DBAG shares in the S-Dax – facilitate future corporate actions. Additionally, without adequate access to the financial, credit and stock markets, DBAG's autonomy would be jeopardised in the long run.

We therefore foster an intensive dialogue with current and potential investors. In addition to ongoing investor relations work – the dividend policy, for example, which has stable, rising dividends as its goal, preferably on an upward trajectory, also aims to make shares in DBAG more attractive.

Endangerment of DBAG's independence

Rules governing the revocation of management authority for DBAG Fund V, DBAG Fund VI, DBAG Fund VII and DBAG ECF: Notes to the consolidated financial statements, "Related party transactions", pages 163ff.

A subpar valuation of DBAG shares could enable the entry of a principal shareholder and result in them exerting control in the Company. But since the investors in DBAG funds expect the DBAG investment team to provide their advisory services free from the influence of third parties, this loss of independence would basically jeopardise DBAG's business model: investors would neither commit to new DBAG funds (on the contrary, they could terminate existing advisory agreements), nor would another capital increase be possible on attractive terms. As described above, investors could also end the funds' investment period if (e.g. through the control of a principal investor) the key personnel defined in the fund agreements were no longer materially involved in investment services to the funds.

Fostering intensive contact with current and potential investors also mitigates this risk. We have additionally set out a legal structure that shields the Fund Investment Services business from the influence of third parties. In the event that such control is exerted, the management authority of DBAG can be revoked for the Group company charged with providing advisory and management services to DBAG funds.

Operational risks

Insufficient protection of confidential data against unauthorised access

Our business not only requires suitable software and hardware, but also effective data security as well as data access by authorised persons at any time. Of key significance is secure protection against unauthorised access, for instance, to sensitive information about potential transactions, the portfolio companies or the economic data of DBAG. There is a risk of such unauthorised access through cyberattacks, weak spots in our network or, for example, through installation of undesirable software by DBAG staff. Our knowledge advantage would be lost, and we could be open to extortion.

DBAG has its own qualified IT specialists; they are supported by external consultants, if needed. DBAG attempts to respond to the continually growing IT risk by, among other things, conducting regular internal and external reviews. In an additional security audit in September 2018, consultants verified that, in their opinion, DBAG's network was sufficiently protected against cyberattacks. We encrypt our communication channels through state-of-the-art technologies and use the latest virus protection software and security technology.

RISK FACTORS WITH A HIGH EXPECTED VALUE

	Risk exposure vs previous year	Probability of occurrence	Extent of impact
Risks of the Fund Investment Services segment			
Inability to cover the personnel requirement	Unchanged	Low	High
Inability to raise capital commitments from external investors to buyout funds	Unchanged	Unlikely	Very High
Extraordinary termination of investment period or extraordinary liquidation of one or several DBAG funds	Unchanged	Unlikely	Very High
Risks of the Private Equity Investments segment			
Investment strategy proves to be unattractive	Unchanged	Low	High
Insufficient access to new, attractive investment opportunities	Unchanged	Low	High
Transaction opportunities not tranformed into investments	Unchanged	Low	High
External risks			
Negative impact of general economy and economic cycles in certain sectors on earnings, financial and asset position of portfolio companies	Unchanged	Low	High
Lower valuation level on the capital markets	Unchanged	Possible	High
Access to stock and credit markets is not ensured	Unchanged	Low	High
Endangerment of DBAG's independence	Unchanged	Unlikely	Very High
Operational risks			
Insufficient protection of confidential data against unauthorised access	Unchanged	Possible	High

Material changes compared with the preceding year

Compared with the end of the financial year 2016/2017, we now consider the likelihood of not having sufficient access to new and attractive investment opportunities to be "low", i.e. lower than in the past. We have made further improvements to our deal sourcing process to make it more systematic and our market access has become broader again. The expected risk value, however, remains "high" due to the ongoing considerable potential damage for DBAG and the DBAG funds.

Description of opportunities

Opportunity management is an integral constituent of our operating business. Value creation largely occurs in our core activities of investing, developing and realising our investments. We therefore place special emphasis on continually improving our business processes. Opportunity management outside of ordinary business operations, such as optimising investments of liquid assets, is not actively pursued.

Fund Investment Services: possibility of higher fee income from DBAG ECF following investment progress

Income from investment services to funds is readily forecastable, because fee agreements are largely fixed for a fund's term. After the start of the investment period of DBAG Fund VII in December 2016, fee income from buyout funds is therefore capped initially until the end of the investment period, which will last for six years at the most. Opportunities could, however, arise from positive investment performance. We remain committed to making continuous improvements to our business processes and strengthening the performance of our investment team. This will make us more competitive in a market in which those players that are able to assess business models and exploit transaction opportunities quickly have the edge. This would benefit our investment progress. If we therefore manage to invest the funds committed before the end of the six-year period and launch a successor fund with a similar or larger volume earlier as a result, DBAG will receive higher fee income from advisory services provided to this successor fund earlier as well.

Opportunities are arising from the fee arrangements set out for DBAG ECF, by which we receive fees based on the invested capital. The calculated basis for fees rises with every new investment this fund makes. In addition, we can collect structuring fees for individual transactions.

Private Equity Investments: strategic advancement with DBAG Fund VII

Details on DBAG Fund VII and on changes to DBAG ECF, pages 46ff.

DBAG Fund VII represents a strategic advancement for DBAG. Due to its structure, the fund is able to invest in larger buyouts using equity of up to 200 million euros. This means that DBAG's offering is now much broader than it was before. Our transaction activity in the previous financial year showed that we are also very competitive with our offering for smaller MBOs. The broader offering makes DBAG more visible on the market, opening up opportunities for additional investments and, as a result, for growth in the portfolio value.

Competition for attractive investment opportunities has become more intense in recent years. A factor that is sometimes crucial in the competitive field is the ability to come to an agreement with the vendor within a tight time frame. Rapid availability of the required funding can shorten the acquisition process. In that respect, opportunities could arise from DBAG's solid financial resources, which enable the Company to make financing commitments under its own steam.

External changes: increase in value thanks to higher capital market multiples; positive effect from higher interest rates

The value of our portfolio companies at a specific reporting date is significantly influenced by stock market conditions. This was again evidenced in the past financial year. The net result of valuation and disposal (gross) was hit by lower capital market multiples in the amount of around 10.5 million euros. Multiples are subject to constant change. If the assessment of the companies' outlook were to improve again, this would augment valuation multipliers, which, in turn, have an influence on our valuations.

A higher interest rate level would allow us to reverse an additional part of our pension provisions; this would increase the equity per share by way of an increase in other comprehensive income.

General statement on opportunities and risks

In 2017/2018, DBAG's business model, which is geared towards a long-term view, has proved its worth once again. There was no material change in the exposure to risks and opportunities compared with the preceding year. In our estimation, there are currently no recognisable individual or cumulative risks that would endanger the continuity of DBAG or the Group as a going concern. This estimation is based on an analysis and assessment of the material individual risks to which the Company is exposed, as well as on the risk management system in place. We do not currently perceive any extraordinary opportunities.

Key features of the accounting-related internal control and risk management system (§ 289 (4) and § 315 (4) German Commercial Code – HGB)

The internal control system (ICS) is an integral constituent of the risk management system at Deutsche Beteiligungs AG. It is orientated around the internationally recognised framework document for internal control systems issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The extent and design of the internal control and risk management system are aligned with the special requirements of the Fund Investment Services and Private Equity Investment business. The duty of the internal audit – which has been delegated to an external service provider – is to monitor the functioning and effectiveness of the ICS independently of processes in a multi-year examination scheme within the Group and at Deutsche Beteiligungs AG and to thereby promote ongoing improvements to business processes. The accounting-related part of the ICS is a component of the annual audit within the scope of a risk-oriented audit approach. Finally, the Supervisory Board's Audit Committee oversees the ICS, as required by § 107 (3) of the German Stock Corporation Act (*Aktiengesetz* – AktG).

DBAG prepares its separate and consolidated financial statements in conformity with the applicable accounting and valuation principles of the German Commercial Code (HGB) and the International Financial Reporting Standards (IFRS). The internal accounting guidelines are set out in an accounting manual and in valuation guidelines; they consider the different principles of the IFRS and HGB. New accounting rules are regularly reviewed to ascertain the implications for DBAG and its subsidiaries, and, if necessary, the accounting guidelines are adapted.

Moreover, DBAG possesses clearly defined organisational, control and surveillance structures. Explicit assignments within the accounting process are in place. The IT systems used in accounting are largely operated with standard software products; these are protected against unauthorised internal and external access by comprehensive access permissions. All individuals involved in the accounting process are qualified for their assignments. The number of individuals working here is sufficient to handle the workflow. The aim is to minimise the risk of erroneous accounting. Staff regularly participate in further education programmes and professional training sessions on tax- and accounting-related topics. Additionally, advice from external experts is solicited on specific accounting issues.

Material accounting-related processes are regularly examined analytically in respect of the availability and operability of the installed internal controls. The completeness and validity of accounting data are regularly reviewed manually based on random samples and plausibility checks. For processes that are particularly relevant in accounting, the four-eyes principle is consistently employed.

The internal controls are designed to ensure that the external financial reporting by DBAG and the Group is reliable and in conformity with the valid accounting rules. The aim is to minimise the risk of possible misstatements on the actual asset, financial and earnings position. We also gain important insight into the quality and operability of accounting-related internal controls through the annual audit of the separate and consolidated financial statements as well as a review of the half-yearly consolidated financial statements.

Report on expected developments

Period covered by this report: short-term predictions do not do justice to business model

Our business lends itself to a medium- to long-term planning and forecast horizon. That applies both to the co-investment activity and to fund investment services.

Events or trends that were not predictable at the beginning of a financial year frequently have a significant impact on the net income of a period. These include realisations that, at times, achieve prices clearly in excess of their most recent valuation, as well as unexpected developments in portfolio companies' consumer markets or in the stock market. The broad spread in which the return on equity has fluctuated over the past ten years is proof of this: the return ranged from -6.2 percent to 24.1 percent, but averaged 11.4 percent.

The DBAG funds have a term of ten years. With the exception of DBAG ECF, the fees we receive for management or advisory services are methodically fixed over that term. That is why fee income is readily projectable over the short term, but at the same time it is also capped. Increases can only result from a follow-on fund in principle. Its size and, consequently, its income potential, is orientated around the former fund's investment performance, meaning that the income potential can only be judged conclusively at the end of the term. This, too, is indicative of the long-term orientation of our business.

As a result, we will be forecasting key figures not only for the ongoing, new financial year 2018/2019. We will also take the forecast for 2018/2019 as a basis in order to set out our expectations regarding further development over the next two financial years.

The forecast is based on our integrated medium-term planning for 2021, which consists of a projected profit and loss statement, a projected statement of financial position and a projected statement of cash flows. For the Private Equity Investments segment, it is based on detailed assumptions on future investments alongside the DBAG funds that are currently investing, as well as on the holding period and the expected capital multiplier for each individual portfolio company. We use this information to predict the development of the cost and fair values of the portfolio and, based on these figures, the net result of valuation and disposal based on the IFRS, the net result of disposal based on the German Commercial Code and – at the level of the individual DBAG fund via which the Company made investments in the companies – the development of carried interest. Unlike in the previous years, we have not assumed a linear increase in the value of the individual portfolio companies over the holding period. Rather, we have refined our forecast and now apply a standardised value appreciation trend that includes smaller increases in value at the start of the holding period and larger ones towards the end.

In the Fund Investment Services segment, we take into account the development in fee income from Fund Investment Services and other income/expenses, i.e. mainly personnel expenses, variable remuneration and consultancy expenses, as well as expenses for fundraising in individual years. We prepare detailed plans for expenses in the first planning year; thereafter, the various expense items are projected based on aggregate assumptions.

Irrespective of our dividend policy, we are not planning to make any changes to the dividend for the time being. All plan assumptions that have an impact on cash are included in the projection of financial resources.

Type of forecast: qualified and comparative based on individual points of reference for the forecast

The net income in the Private Equity Investments segment, net income and the return on equity per share are determined to a considerable degree by the net result of investment activity, which can fluctuate considerably from year to year, as is typical given the nature of our business. Over the last five years, this has amounted to values of between 29.2 million euros and 85.8 million euros. We also expect these key financial indicators to show marked volatility over the current medium-term planning period. As a result, neither an interval forecast nor a point forecast of these indicators is feasible. We have therefore limited ourselves as before to making a qualified comparative forecast[18] on expected developments.

18 *German Accounting Standard No. 20 (GAS 20) provides for three types of forecasts: the disclosure of a numerical value ("point forecast"), a range between two numerical values ("interval forecast") and a change in relation to the actual value of the reporting period stating the direction and intensity of that change ("qualified comparative forecast").*

We base our forecasts on different values. As far as the net result of investment activity (and as a result, also earnings before tax in the Private Equity Investments segment), net income and the return on equity per share are concerned, a qualitative and comparative forecast based on the values for the previous year does not make sense due to the very volatile nature of our results. As a result, we have based our forecasts for these indicators on the average value for the last five years. We use the prior-year values based on the carried portfolio for the other financial and non-financial key indicators, making adjustments for factors that would not recur on a regular basis.

In line with this approach, in this forecast we also classify changes in income, the net result of investment activity, net income and the return on equity per share differently than the other key indicators for the first time. We use the following system for these highly volatile indicators. We describe changes of up to 20 percent as "slight", changes of more than 20 percent but less than 40 percent are "moderate" and changes of 40 percent and more as "significant".

Changes in the other key indicators are still evaluated within a narrower range. Deviations of up to ten percent are considered "slight", and changes of more than ten percent but less than 20 percent are termed "moderate". Changes of 20 percent and more are called "significant".

Expected development of underlying conditions

Market: no change in a competitive environment that remains intense

The number of investment opportunities that have come to our attention has been moving in a narrow corridor over a five-year period. The same applies to the number of transactions observed on our market. As far as the current and the next two financial years are concerned, we expect to see a constant supply – in terms of number and volume – of investment opportunities on our market.

Borrowings: constant supply based on unchanged conditions

The debt market for acquisition finance is diverse. Debt funds have been increasing the supply for some time now; they offer financing through unitranches or mezzanine. The gap created by the withdrawal of some banks following the financial crisis has now been closed. The business in leveraged finance for transactions in the private equity field is attractive. As a result, we expect to see a sufficient supply of this sort of financing over our forecast horizon; as far as the 2018/2019 financial year is concerned, we expect to see a constant supply at conditions that are largely unchanged.

Asset class of private equity: no changes in the short term

Private equity is firmly rooted as an asset class worldwide. It is an integral part of the investment strategy of many institutional investors. The proportion of private equity in the dissemination of assets is not constant and may even decrease. We believe that the turnaround in interest rates that has already begun in the US and has been announced in Europe will result in higher interest rates overall during our forecast period. This could result in changes in asset allocation among investors, with a negative impact on private equity, and reduce the availability of capital commitments for private equity funds in the medium term. The recent successes (DBAG ECF II 2017/2018, DBAG Fund VII 2015/2016) nonetheless confirmed that, in view of its above-average track record and under current market conditions, DBAG can at least expect to be able to raise follow-on funds in due time prior to the end of the investment periods of the presently investing funds and solicit sufficient capital commitments.

Macroeconomic environment: “Upswing losing momentum”

At the time this forecast was released, the German economy was still in a growth phase. The same applies to other major economies in which our portfolio companies have production operations or sell their products. The momentum has, however, tapered off. Whereas the last two years have brought rising growth rates, economists now expect the global economy to

19 *"Challenges to Steady Growth – World Economic Outlook", International Monetary Fund, October 2018*

20 *"Aufschwung verliert an Fahrt – Weltwirtschaftliches Klima wird rauer" (Upswing loses momentum – choppier seas lie ahead for the global economy), Joint Economic Forecast 2/18, September 2018*

show stable rates of growth.[19] The Joint Economic Forecast published by five German economic research institutes at the end of September 2018 is entitled "Aufschwung verliert an Fahrt – Weltwirtschaftliches Klima wird rauer" (Upswing loses momentum – choppier seas lie ahead for the global economy).[20] In this forecast, the economists once again single out the domestic economy as the pillar propping up German economic growth. They expect German exports to remain stable for the time being and that, in 2019 and beyond, exports will "increase in line with global economic development ... with only a gradual drop in growth rates".

There is a consensus that the risks to the German and international economy have increased over the last six months. Economists mention the trend towards increasing protectionism and, in particular, the risk of a further escalation of the trade conflict between the US and China. Other trouble spots include the crises in Argentina and Turkey, which are triggering a loss of confidence in other emerging markets and could result in a much more pronounced deterioration in financing conditions. As far as the risks hanging over the European economy are concerned, concerns are focused on the possibility of a hard Brexit and the growing risk of a debt crisis in Italy.

Our portfolio companies operate in numerous markets and geographical regions. This means that they are subject to very different cyclical influences: for companies such as More than Meals or Unser Heimatbäcker, domestic demand in Germany is of much greater influence than for Infiana or Frimo, which offer their goods and services on a global scale. Some, such as Infiana or Gienanth, are strongly affected by developments in certain commodity prices. Our investments that are involved in the expansion of the fibre-optic network in Germany, on the other hand, are subject to entirely different influences – the level of economic growth is unlikely to determine their success to any considerable extent, at least in the short term. We have not included the impact of changes in commodity prices or exchange rates in our forecast.

Information on cyclical risks, page 89

Compared with the end of the financial year 2016/2017, we are now faced with a macroeconomic environment characterised by much greater uncertainty. While we expect to see stable growth and assume, as a result, that the underlying conditions will basically be favourable for our portfolio companies in the new financial year 2018/2019, we cannot predict whether the risks mentioned above will only materialise in the medium term, or will materialise earlier. Nor can we predict what sort of impact this will have on global economic growth

Expected business development

The point of reference used for the forecast in the table below corresponds – in line with the comments on the type of forecast – either to the actual value for 2017/2018 or to the average value over the last five years for the performance indicator in question.

Our forecasts are based on the expectations regarding developments on the private equity market, the capital markets and developments within the economy as described above. Our projections do not reflect one scenario in which the circumstances described in the risks mentioned would materialise to a considerable degree. If trade disputes between major economies are exacerbated further, if a hard Brexit becomes a reality, the euro crisis flares up again and valuations on the capital markets plummet, we will not be able to achieve our forecasts. This scenario could result not only in a lower net result of investment activity, but also in delays in investment progress and in the disposal of mature portfolio companies.

FORECAST FOR FURTHER BUSINESS DEVELOPMENT

	Actual 2017/2018	**Basis for the forecast**	**Expectations for 2018/2019**	Target up to 2020/2021 as against 2018/2019
Financial performance indicators				
PRIVATE EQUITY INVESTMENTS SEGMENT				
Net result of investment activity[1]	€34.1mn	€51.9mn	20 to 40% lower	More than 40% higher
Earnings before tax	€27.6mn	€44.5mn	20 to 40% lower	More than 40% higher
Cash flow from investing activities (excl. securities)	€(30.6)mn	€(30.6)mn	More than 20% lower	More than 20% higher
thereof investments (excl. securities)	€(63.8)mn	€(63.8)mn	More than 20% higher	More than 20% lower
Net asset value (at reporting date)	€475.1mn	€475.1mn	Up to 10% higher	More than 20% higher
thereof financial resources (at reporting date)	€119.0mn	€119.0mn	More than 20% lower	More than 20% higher
No. of investments (at reporting date)	29	29	Up to 10% higher	More than 20% lower
FUND INVESTMENT SERVICES SEGMENT				
Fee income from fund management and advisory services	€29.4mn	€29.4mn	Up to 10% higher	More than 20% higher
Earnings before tax	€6.0mn	€6.0mn	Up to 10% lower	More than 20% higher
Assets under management or advisement (at reporting date)	€1,831.4mn	€1,831.4mn	10 to 20% lower	More than 20% higher
GROUP				
Net income[1]	€33.6mn	€48.0mn	20 to 40% lower	More than 40% higher
Shareholders' equity (at reporting date)	€447.8mn	€447.8mn	Up to 10% higher	More than 20% higher
Earnings per share[1]	€2.23	€3.29	20 to 40% lower	More than 40% higher
Equity per share	€29.76	€29.76	Up to 10% higher	More than 20% higher
Return on Group equity per share[1]	7.8%	14.6%	20 to 40% lower	More than 40% higher
SINGLE ENTITY				
Net income in accordance with HGB	€9.9mn	€9.9mn	More than 20% higher	
Dividend per share	€1.45	€1.45	Unchanged	Unchanged
Non-financial performance indicators				
No. of employees (at reporting date, including apprentices)	71	71	Unchanged	Unchanged
Investment opportunities	262	262	Unchanged	Unchanged

1 The forecast is based on the average value of the previous five financial years

The **NET RESULT OF INVESTMENT ACTIVITY** is the item that has the biggest impact on the *Private Equity Investments segment* and on net income. It is also the item with the greatest budgetary and forecast uncertainty. The item is determined to a considerable degree by the net result of valuation and disposal; current income from financial assets and loans and receivables is of lesser significance.

Projections of the contribution to income for the portfolio are based on current assumptions regarding the holding period and, as explained above, on a standardised annual increase in the value of the investments during this holding period.

The net result of valuation represents the net amount of positive and negative value movements of the portfolio companies. These value movements derive from the change in the fair value of an investment in comparison to the preceding valuation date. In the past, there were instances when sizeable capital gains were realised on disposal of investments, for example because industrial buyers were willing to pay premiums on the estimated fair value for strategic reasons or because financial investors paid such premiums after intense competition among bidders. Such events are not predictable. This is why we have assumed that the sale price corresponds to the fair value calculated in each case. Current income from financial assets and loans and receivables is also not forecast individually. We assume that earnings generated from the portfolio companies are ploughed back in and therefore flow into the achievable market price to the same extent.

Based on our assumptions, we expect a net result of investment activity that is moderately lower than the forecast. In the next two years (2019/2020 and 2020/2021), we then expect to see values that are considerably higher than the values expected in the coming financial year.

EARNINGS BEFORE TAX in the *Private Equity Investments segment* will be moderately lower than the forecast, and will then be much higher than in 2018/2019 in the two following years.

Based on the co-investment agreements with the DBAG funds, we predict that **INVESTMENTS** will be much higher than in the last financial year in 2018/2019. We expect to see a significant increase in the number of divestments as against the level seen most recently; we do not predict any gains on disposals as a general rule, but rather assume that investments will be sold at their fair value. This will nevertheless produce a much lower (negative) **CASH FLOW FROM INVESTING ACTIVITIES** in 2018/2019.

We want to continue to invest in 2018/2019 and expect to see positive development in the value of the portfolio that will exceed the distribution. As a result, the **NET ASSET VALUE** on the next reporting date will be slightly higher than the value currently being reported. We then expect to see this value increase moderately in the two following years, meaning that by the end of the financial year 2020/2021, which marks the end of our forecast period, the net asset value should be much higher than the value seen at the end of the current new financial year. Total **FINANCIAL RESOURCES**, which form part of the net asset value, will drop considerably, also because the planned investments and the distribution will be higher than the returns from planned divestments.

The **FEE INCOME FROM FUND MANAGEMENT AND ADVISORY SERVICES** is determined largely by the fund volume. The conditions under which fees are paid for our management and advisory services are customarily fixed for a fund's entire term. This makes it easy for us to budget for this income. Due to the investment progress made by DBAG ECF in the past financial year, we expect income in 2018/2019 to be up slightly year-on-year; by the end of 2020/2021, we expect to have a new fund, higher assets under advisement and, as a result, much higher fee income from the fund investment services than in 2018/2019. We expect to see a slightly lower result in the *Fund Investment Services segment* in 2018/2019; earnings will then improve again significantly in the two years leading up to the end of the forecast period. **ASSETS UNDER MANAGEMENT AND ADVISEMENT** will initially fall moderately in the current financial year; we then expect to see much higher assets by the end of 2020/2021.

General forecast

Net income for 2018/2019 moderately lower than the point of reference used for the forecast, with a marked increase predicted in the ensuing years

The forecast for the new, current financial year is, however, subject to much greater uncertainty than in previous years due to the overall environment. Taking this into account, we expect **NET INCOME FOR 2018/2019** to see a moderate drop compared with the point of reference used for the forecast; compared with the 2017/2018 value, however, our forecast corresponds to a slight increase. With regard to the two ensuing years (2019/2020 and 2020/2021), we then expect to see values that are significantly, i.e. more than 40 percent, higher than the value for the current financial year. This development will be based, among other things, on the current age structure of the portfolio, which is dominated by investments that had been in the portfolio for less than two years on the reporting date. The **RETURN ON EQUITY PER SHARE** will be much higher than the cost of equity, which we expect to be unchanged as against 2017/2018 in both years. We expect **EQUITY PER SHARE** to increase slightly in the current, new financial year 2018/2019 and the following year. For the last planning year, we expect a moderate increase.

Profit for 2018/2019 according to the German Commercial Code up considerably year-on-year

Deutsche Beteiligungs AG is reporting a retained profit in accordance with the German Commercial Code of 170.8 million euros at 30 September 2018. 21.8 million euros of this amount is to be distributed in February 2019. Our dividend policy provides for a dividend that remains stable and increases whenever this is possible. Over the medium-term planning period, we expect the dividend to be constant to start off with. We expect that our retained profit for the coming year and the next two years will allow us to make a distribution in the planned amount.

Frankfurt am Main, 20 November 2018

The Board of Management