COMBINED MANAGEMENT REPORT

on Deutsche Beteiligungs AG and the Deutsche Beteiligungs AG Group for financial year 2013/14

COMBINED MANAGEMENT REPORT

BUSINESS OVERVIEW

Deutsche Beteiligungs AG (DBAG) ended the 2013/14 financial year posting consolidated net income of 47.8 million euros. The profitable realisation of the largest investment and the good progress the portfolio companies have made led to a very satisfactory net result of valuation and disposal. A significant contribution also came from fee income for management and advisory services to funds. Comprehensive income, after accounting for actuarial losses arising from pension obligations, reached 41.4 million euros.

The portfolio of DBAG is a young one. Two older investments were realised in 2013/14, and new investment of 20.0 million euros was channelled into new or existing investee businesses. Nearly three quarters of the portfolio value are now attributable to investments that were entered into in the past five financial years. They have excellent prospects for value growth and profitable realisations in the coming years.

In addition, DBAG's net expense ratio recorded a considerable reduction on the prior year, resulting from higher fee income for management and advisory services to funds.

Sizable capital gains from realisations led to a profit for the year of 65.4 million euros for the Group's parent company. Adjusted for the profit carried forward from the previous year and the dividend paid in March 2014, the retained profit totalled 92.3 million euros. From that amount, 2.00 euros per share have been recommended for distribution to shareholders, or a total of 27.4 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 domiciled in Frankfurt/Main. It raises closed-end private equity funds ("DBAG funds") for investments in equity or equity-like financial instruments predominantly in non-quoted companies. Employing its own assets, it enters into investments as a co-investor alongside these private equity funds. Its investment focus as a co-investor and fund manager ("fund investment services") is on German "Mittelstand" companies.

List of subsidiaries and associates: Notes to the consolidated financial statements page 194

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, and are, among other things, a constituent of the S-Dax (national) as well as the LPX Direct and LPX Europe (international) indices. A stock market listing is exceptional for a private equity company: through the purchase of shares, it provides a unique opportunity for shareholders to profit both from fee income for investment services to funds as well as from earnings generated by a portfolio of unquoted companies.

www.deutsche-beteiligung.de/corporate-governance/

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. Since 14 July 2014, it is also registered as an AIF management company in accordance with the German Investment Code (KAGB). The corporate structure is presented in the notes to the consolidated financial statements on pages 144 and 146.

Business model: Raising closed-end private equity funds and co-investing alongside these funds

Deutsche Beteiligungs AG invests alongside the DBAG funds in German "Mittelstand" companies. Its roots reach back to 1965, when Deutsche Beteiligungs GmbH (DBG), its predecessor firm, was founded. Since then, initially DBG and, since its founding in 1984, DBAG have entered into equity investments in more than 300 companies. From the very beginning, investments were (also) made through funds. At first, these funds exclusively bundled assets from its partnership or shareholder base; raised in 2002, the DBAG Fund IV was the first fund to which investors outside the group of shareholders committed capital.

DBAG funds are structured as closed-end private equity funds and invest on their own account. They bundle the assets of German and international institutions. These institutional investors – pension funds, funds of funds, banks, foundations, insurance companies or family offices – generally do not themselves hold direct investments in our target market.

Fund details: Notes to the consolidated financial statements page 182

DBAG and DBAG funds invest on the same terms in the same investee businesses and in the same instruments. To that end, DBAG has concluded co-investment agreements with the DBAG funds. The co-investment agreements provide for a fixed investment ratio over the entire life of a fund. The monitoring of investments and their disinvestment also take place in parallel.

Fund	Target	Start of investment period ("vintage")	End of investment period	Size	Thereof DBAG	Investment ratio Fund : DBAG
DBAG Fund IV	Buyouts	September 2002	February 2007	€322mn	€94mn	1:3.43 (29.2%)
DBAG Fund V	Buyouts	February 2007	February 2013	€539mn	€105mn	1:5.14 (19.4%)
DBAG Expansion Capital Fund	Expansion financings	May 2011	May 2017	€242mn	€100mn	1:2.39 (41.8%)
DBAG Fund VI	Buyouts	February 2013	February 2018	€700mn[1]	€133mn	1:5.33 (18.8%)

1 Without the shares of the entity through which the members of the investment team invest (“carry entity”)

Risk arising from co-investment agreements page 116

In the current and the coming three financial years, the co-investment agreements could trigger outflows of 199 million euros for DBAG, insofar as DBAG does not make use of its right of refraining from a co-investment.

At the end of the reporting period, DBAG had financial resources of 150.7 million euros available for investment. To fulfil the investment commitments, DBAG will also be able resort to proceeds from future disinvestments or raise loans, if appropriate.

Business activity: Fund management services (“investment services”) to DBAG funds and co-investments in industrial and services companies

Realisation of value creation from investments a major source of income

Investment criteria page 62

Within the scope of its activity for DBAG funds, Deutsche Beteiligungs AG seeks investments in healthy companies with good prospects for development and (co-)invests in these companies. It backs these companies for a period of usually four to seven years as a financial investor in a focused-partnership role. It pursues the objective of appreciating the value of the portfolio companies. Deutsche Beteiligungs AG realises that value upon a portfolio company’s ultimate disinvestment. The portfolio companies continue their development under a different constellation, for example, alongside an industrial partner, a new financial investor or as a quoted company.

The modes and specific structuring of investments are geared to individual financing situations. These could be

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

Depending on the individual situation, an investment can involve equity or equity-like instruments and taking either majority or minority positions. A generational transition, for example, will usually be structured as a management buyout (MBO). In an MBO, financial investors acquire a *control interest;* the respective management team will also take an equity stake. Split-offs of peripheral activities from large corporations or a sale from the portfolio of another financial investor ("secondary buyout") are also usually structured as majority takeovers. Growth financings are made by way of a *minority interest* or by providing equity-like funding for businesses in the hands of families wishing to retain control over their companies.

Our investment performance is, first and foremost, based on proven private equity business processes. These include

- access to and assessment of transaction opportunities,
- an in-depth due-diligence process prior to making an investment,
- supporting the portfolio companies' managements in implementing their corporate concepts by taking offices on advisory councils and supervisory boards,
- a disinvestment process that is well-timed and well-structured.

Investment services to DBAG funds as a source of income

Raising capital for DBAG funds is advantageous both for the Company and, consequently, for its shareholders, as well as for the investors in the fund. As a private equity company, DBAG is not permitted to take majority positions by itself; structuring management buyouts together with the DBAG funds is, however, possible. The fund investors can, in turn, be assured of a strong identity of interest that ensues from their fund adviser's investment activity alongside the fund. The funds' assets also create a substantially larger capital base, which enables diversifying the portfolio more broadly. In addition, DBAG earns fee income for management or advisory services to the funds, which serves to cover a large part of its operating costs.

Fee income from investment services to funds page 77

Deutsche Beteiligungs AG provides management or advisory services to DBAG funds through two Group companies, both of which do not employ a staff of their own. Their business is discharged by DBAG or its staff.

Consolidated DBAG group of companies: Notes to the consolidated financial statements page 144

DBG New Fund Management *manages* DBAG Fund IV (fully invested), whereas DBAG Fund V (also fully invested) and the DBAG Expansion Capital Fund are managed by DBG Managing Partner. This means that they take decisions on the acquisition and disposal of investments. DBAG Fund VI has its own management company with its place of business in Guernsey, Channel Islands; it is therefore exclusively *advised* by DBG Managing Partner.

The range of services provided by the management or advisory firms is broad: they seek, assess and structure investment opportunities, negotiate investment agreements, compile investment memoranda for all funds (and, for DBAG Fund IV, DBAG Fund V and the DBAG Expansion Capital Fund, take investment decisions), support the portfolio companies during the holding period and realise the funds' portfolios. This range of services is referred to as "investment services to funds", or "investment services" for short.

The fees for these investment services to funds are in line with the industry standard: the amount is volume-related. During the investment phase, fees are based on the capital committed by the fund investors. After that, they are measured by the historical cost of the recoverable investments remaining in the respective fund's portfolio (DBAG Fund V, DBAG Fund IV, DBG Fonds III and DBG Fonds I).[1] In that respect, fee income for investment services is at least partially linked to the portfolio companies' value appreciation.

Portfolio profile: MBOs and expansion financings predominate

Details on the portfolio page 83 ff.

From 2000 to 2012, Deutsche Beteiligungs AG invested exclusively in MBOs. This evolved from a market environment in which expansion capital investments by private equity companies were less in demand. Today, the largest part of the portfolio[2], or 79 percent, is attributable to co-investments in eleven management buyouts. There were five expansion capital investments in the portfolio (15 percent of portfolio value) at the end of the period. Investments in three international buyout funds now account for a little less than six percent of the portfolio value; they consist of older investments that are gradually liquidated through the sale of the underlying portfolio companies.

Our track record confirms the success of our investment activity: since 1997, DBAG has sponsored 31 MBOs together with DBG Fonds III, DBAG Fund IV, DBAG Fund V and DBAG Fund VI. Of these investments, 21 have been realised completely or for the most part up to the end of this reporting year. Based on the realisations and the value of the current investments in the portfolio, these MBOs have generated 2.2 x the invested capital.[3]

Expansion capital investments are also attractive. These investments differ from MBOs in that, among other things, the companies' debt level is mostly lower. The holding period for a minority expansion capital investment is usually longer. The rate of return is therefore generally lower than those for MBOs, whereas earnings in absolute terms are comparable.

1 DBAG Fund V is still invested in seven companies. DBAG Fund IV still holds one investment. DBG Fonds III and DBG Fonds I are of subordinate importance for the fund advisory business of DBAG.

2 All disclosures concerning the composition of the "portfolio" (also referred to as "portfolio value") relate to the portfolio recognised in financial assets totalling 127.1 million euros and to loans receivable from portfolio companies of 25.9 million euros recognised in item "Loans and receivables" (note 19 and note 20); the value of this portfolio totals 153.1 million euros.

3 Considers 31 buyouts structured up to 30 September 2014.

Organisational position: Large investment team

Deutsche Beteiligungs AG is relatively small in size, and hierarchic structures are lean. The Board of Management consists of three members, and the number of staff in the DBAG Group totalled 56. The largest entity is a team of 21 investment professionals.[4] This team has a broad skill set combined with multifaceted experience in the investment business. A project team of two to four individuals is generally responsible for each transaction and is always supported by a member of the Board of Management.

Two of the three Board of Management members are intensively involved in transaction activities, meaning identifying transaction opportunities and supporting the portfolio companies during the holding period. These two Board of Management members are also members of the investment team. The support functions for the investment process, the administrative activities at DBAG, and the responsibility for investor relations are bundled under a Chief Financial Officer.

All staff are employed by Deutsche Beteiligungs AG and are located at the Company's headquarters. This is conducive to communication and creates short decision-taking lines. DBAG is able to completely cover the entire investment process with its own resources. Efficient, well-attuned processes make it possible to quickly implement investment decisions as well as to regularly valuate the portfolio on a timely basis.

Balance sheet management: Financing via the stock market

DBAG finances itself exclusively through the stock market. Its balance sheet structure attests to the special nature of the private equity business with investments and realisations that are not schedulable. The Company maintains sufficient liquidity in order to take advantage of investment opportunities and meet co-investment commitments alongside the funds at any time. Loans are only taken up 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), or, if appropriate, capital increases (2004).

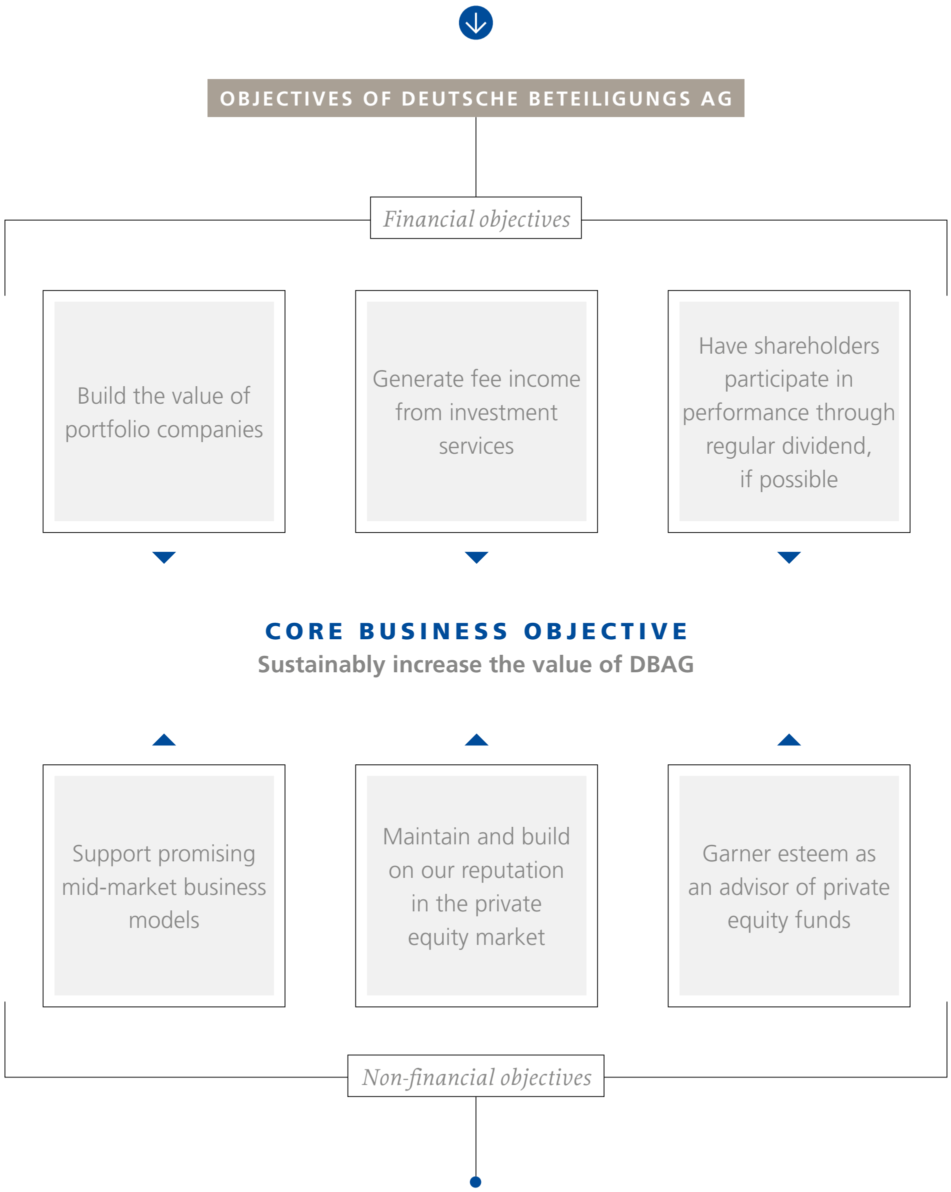
Co-investment commitments page 56

4 Without the members of the Board of Management

OBJECTIVES AND STRATEGY

Objective: To sustainably increase the value of DBAG by building the value of portfolio companies

The core **BUSINESS OBJECTIVE** is to sustainably increase the value of Deutsche Beteiligungs AG. DBAG reaches this objective in its role as an investor by rigidly implementing a strategy of "investing, developing and realising value growth", as well as by providing fund management and advisory services.



The value of DBAG is, first and foremost, determined by the value of the portfolio companies. To grow that value, DBAG supports the portfolio companies during a phase of strategic development in its role as a financial investor in a focused partnership. DBAG is invested in its portfolio companies for a mid- to long-term period, largely meaning a term of four to seven years. Value is built over that period and is mostly realised when the investment is exited. For expansion financings, the value growth is often partially realised during the holding period by way of current distributions. Investment decisions are based on assumptions concerning the holding period and realisable value gains upon an investment's ultimate disposal. The targeted average annual internal rate of return (IRR) based on these assumptions is approximately 20 percent for expansion financings and 25 percent for MBOs.

A sustainable positive value contribution, which is appropriately acknowledged by the capital market, is also to come from the business of investment services to funds. Its performance is measured by sustainable growth in fee income for these services and the return achieved from the surplus in fee income over the relevant expenses.

As is common in the private equity sector, the measure for our performance is a period of ten years. Support for portfolio companies in their development is limited in time. This, and the influence of external factors on value growth could entail strong fluctuations in the performance of individual years. Only when viewed over a sufficiently long time span is it possible to assess whether we have reached the core financial objective of our business activities. We measure the performance contribution of an individual year by comparison with the median performance over a ten-year horizon. On the average of this ten-year period, we aim to increase the net asset value per share by an amount that significantly exceeds the cost of equity.

Details on the return on net asset value per share page 88

We intend to have our shareholders participate in that value appreciation by paying a regular dividend (base dividend) and – in instances of particularly profitable realisations – a surplus dividend. This dividend model is consistent with the irregular cash inflows of our private equity business. The total return to shareholders therefore derives from the gain in the Company's value in terms of net asset value per share, plus dividends paid.

Besides its financial targets, Deutsche Beteiligungs AG also pursues a set of **NON-FINANCIAL OBJECTIVES**. 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 investments at the time of their disposal will be particularly high, if the prospects for their further progress are favourable after we exit them.

Our stance on sustainability issues is also discussed as an aspect of corporate governance page 67

A key aspect linked to an investment is to appropriately consider the interests of all stakeholders involved. By successfully supporting our portfolio companies, we want to substantiate the confidence we have gained in the market and among investors over nearly five decades and thereby maintain and underpin our good reputation. We are convinced that this also involves adhering to ESG (Environmental, Social and Governance) principles, which includes compliance with our business policies.

Financial and non-financial performance indicators page 88

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. These efforts will only succeed if investors in these funds achieve commensurate returns and we are perceived to be reliable and trustworthy. We therefore attach great importance to open, responsible interaction with the partners ("limited partners") in DBAG funds.

Strategy: Investments in German "Mittelstand" companies with exceptional potential for development

Broad spectrum of investment criteria

Deutsche Beteiligungs AG and its advised funds invest in companies with promising potential for development. That potential should enable the companies to augment their value, for example, by enhancing their strategic positioning, improving operational processes or by earnings growth. Such companies are, for instance, characterised by leadership positions in their (possibly small) markets, seasoned managements, strong innovative capacity and future-viable products.

Many such companies can be found in Germany's "Mittelstand", for example in mechanical engineering and plant construction, among automotive suppliers and industrial support services providers. DBAG's investment team is particularly experienced in these sectors: about half of all transactions in the past 15 years stem from these particularly strong sectors of Germany's "Mittelstand". It follows that the investment team has in-depth expertise in these sectors. Based on this expertise, even complex transactions are conceivable in these core sectors, such as spin-offs from large corporations or conglomerates or mergers. In recent decades, other new sectors, such as telecommunication or services, have increasingly gained in significance. There are companies operating in such sectors that also meet DBAG's investment criteria. Geographically, we concentrate our investments on companies domiciled in German-speaking countries.

We consider a broad range of criteria when taking our investment decisions. We principally examine whether the products and services of potential investee businesses address the needs arising from changing economic and societal conditions. Our particular focus is on the following trends:

- efficient generation and utilisation of energy,
- stewardship of natural resources,
- the challenges of climate change,
- growing mobility,
- efforts to increase productivity and
- progressive industrialisation in emerging countries.

We concentrate on mid-market companies. This means that our portfolio companies typically generate annual revenues of between 50 million and 500 million euros. Depending on the sector, size and earnings performance, the debt-free enterprise value of such companies will generally range from 50 million to 250 million euros. This magnitude basically applies irrespective of the type of investment. Investments in smaller companies may also be considered, if there is potential for significant growth. Neither do we exclude larger transactions. If appropriate, we structure such investments together with other investors who pursue a similar investment strategy.

We endeavour to achieve a diversified portfolio. That way, we avoid cluster risks and increase the probability of sharing in numerous growth opportunities. We may invest in companies operating in the same industry, but we take care that the companies serve different niche markets or operate in different geographical regions. Most of our portfolio companies operate internationally. That applies to the markets they serve and, increasingly, to their production sites.

Many 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. When we enter into such investments, we see to it that, among other things, finance structures are resilient. Co-investments in companies whose performance is more strongly linked to consumer demand mitigate the effects of cyclical business models on the value of the portfolio.

Deutsche Beteiligungs AG invests in established companies with a proven business model. This approach excludes investments in early-stage companies. Moreover, we attach importance to the companies being led by seasoned and dedicated managements who are able to successfully realise the objectives that were mutually agreed.

Investment performance is prerequisite for growth in fund advisory business

Investors' assets are only available for a limited period of time. Beyond that, once invested, the capital committed by investors – unlike assets from the balance sheet of DBAG – cannot be invested another time: following a realisation, the capital is returned to investors. To ensure continuity in the fund advisory business, new funds must therefore be raised at regular intervals.

Our aim is to have a successor fund exceed the size of its predecessor. That way, total managed and advised assets will grow on a several-year average and with that the basis for fee income from investment services to funds.

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

STEERING AND CONTROL

Key performance mark: Return on net asset value

Our business policy is geared to appreciating the value of DBAG over the long term by successful investments in portfolio companies and a successful fund advisory business. It follows from the nature of the business and the financial accounting methodology that the Company's value may decrease in individual years. The Company's value is largely determined by the fair value of the portfolio companies at the end of a reporting period; that value is subject to influences beyond DBAG's control, such as those from the stock market. The Company's value is understood to have increased over the long term when, on an average of, for example, ten years, the return on net asset value per share exceeds the cost of equity. The key performance mark is the return on net asset value.

We determine the return on net asset value by comparing the NAV per share at the close of the financial year with the opening NAV per share, less dividends, at the onset of the financial year. To that end, we use the net asset value as stated in the consolidated financial statements, which are drawn up in compliance with the International Financial Reporting Standards (IFRS).

We derive the cost of equity (rEK) based on the capital asset pricing model (CAPM) from a risk-free base rate (rf) and a risk premium for the entrepreneurial risk (ß). We determine the risk premium 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 31 October 2014, this value was 2.0 percent (previous year: 2.5 percent).

The market risk premium used was an unchanged 7.0 percent.

For the individual risk measure we use an adjusted ß (beta) of 0.5. This value is based on the most recently utilisable observable levered beta factor for Deutsche Beteiligungs AG of 0.60 (at 31 October 2012; all subsequent values are not applicable due to the low liquidity of the shares). Since the ratio of (safe) financial resources to (risk-exposed) portfolio has since shifted in favour of financial resources, a discount of 0.10 is applied to the value of 0.60.

Inserting the three input factors in the formula, we arrive at a cost of equity for DBAG of 5.5 percent as at the most recent reporting date (previous year: 8.1 percent). This calculatory result is strongly influenced by the historically low interest rate level and the low risk position of DBAG on the reporting date following its recent profitable realisations. This is set against what we believe are shareholders' expectations of sustainably stable returns. In measuring our business performance, we will therefore use, unchanged, an alternative return of eight percent for the time being as a basis, instead of the arithmetically calculated cost of equity. We will, however, continue to monitor the developments in capital market data and adjust the cost of equity, if appropriate.

Details on the return on net asset value page 88

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

Mid-term performance of portfolio is key measure

The intrinsic value of our shares is determined to a significant degree by the value of the investment portfolio and its development. Valuations may be subject to considerable fluctuations at short notice. The reasons are the portfolio companies' susceptibility to industry-related cycles and valuation ratios in the stock markets. 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 actually be termed successful after a number of years, upon its disposal. We therefore measure our performance by the average return on net asset value per share over a longer horizon, and not by the results of a single financial year.

Because of the particularities of our business activity, we do not steer the business of DBAG by traditional annual indicators such as EBIT or profitability. The key influential parameter at Group level is the medium-term performance of the portfolio or of an individual investment.

At the portfolio company level, traditional indicators, however, play a direct role: when taking 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). Based on these monthly or quarterly reports, we closely follow the business trend in each portfolio company in a year-over-year and current budget comparison. We also consider other indicators, such as order intake and orders on hand.

The members of the Board of Management and investment professionals of Deutsche Beteiligungs AG regularly inform themselves about operational, financial and strategic developments at our portfolio companies through their work on advisory councils and supervisory bodies. They do so in keeping with the principles of good corporate governance.

Assessment of DBAG funds by commonly used indicators in the private equity industry

The success of DBAG funds is based on the investment performance. We measure it by indicators that are commonly used in the private equity industry. These include the relationship between the portfolio value or the relationship between distributions to investors and the capital called as well as the return on the capital called, determined by the internal rate of return method.

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

The members of the Board of Management are personally involved in the core processes of business operations at Deutsche Beteiligungs AG (i.e. investment management and fund advisory services). In their fund investment services, they specifically take decisions in conjunction with generating investment opportunities (deal flow) and with analysing (due diligence) or negotiating acquisitions and disinvestments. Additionally, they discuss key issues at weekly meetings with those members of the investment team who are involved in transactions or in supporting the portfolio companies. The members of the Board of Management take joint decisions on co-investments that DBAG enters into with the DBAG funds.

Opportunity and risk management page 108

A key instrument in ensuring performance is the risk management system. It addresses exposure to both operational risk and to risk inherent in the portfolio companies' development. The insight gained from the risk management system is discussed on a continual basis in the meetings on the state of the portfolio companies.

SUSTAINABILITY

Deutsche Beteiligungs AG has committed to sustainable corporate governance and meets high ESG standards. We take our guidance from our firm belief that development can only be termed sustainable when it meets the needs of the present without compromising the ability of future generations to meet their own needs.[5] As a private equity company, this commitment encompasses both the integration of the principles of responsible investment in our investment process as well as corporate governance issues. Through our engagement on advisory councils and supervisory boards, our efforts are also directed towards helping our portfolio companies pursue sustainable corporate governance goals. We have set out our sustainability principles in an ESG guideline.

At DBAG, our focus regarding sustainability is on the following issues:

- Environmental: minimisation of greenhouse gas emissions and high levels of resource efficiency;
- Employment and social affairs: we acknowledge that our employees are our most important resource;
- Corporate governance: we commit to the highest standards in corporate governance.

In practice, this means that we consciously reduce business travel to a necessary minimum and, instead, use alternative forms of communication to the extent possible. Our offices comply with the most modern environmental standards in respect of ventilation and air conditioning, heating and illumination. We report in detail on greenhouse gas emissions on an annual basis within the scope of the Carbon Disclosure Project.

Non-financial performance indicators – Sustainability page 92

The protection of our employees' health and maintenance of a discrimination-free workplace are key priority issues for us. In relation to the size of our Company, our engagement in training and education is very much above average.

The Board of Management and the Supervisory Board have always committed to responsible, transparent and sustainable value creation. Since its introduction, we have consistently followed nearly all of the recommendations and suggestions of the "German Corporate Governance Code" and have therefore subjected ourselves to the rules of good fiduciary corporate governance and surveillance. In respect of the currently valid Code, DBAG declared that there are no discrepancies.

Further regulatory information and commentary page 101

In our ESG guidelines, we have set out that all potential investments must also be analysed by ESG criteria. Investments in certain sectors and companies, in particular the armament industry, are excluded from the outset. Moreover, we do not engage in unfriendly takeovers. In the due-diligence process, we examine opportunities and risks linked to compliance or non-compliance with ESG criteria. There are special compliance rules in effect for the investment process itself, that is, for our conduct in transaction situations.

5 As defined in the United Nations report dated 1987 "Report of the World Commission on Environment and Development" ("Brundtland Report")

Increasing DBAG's value depends on the extent to which we succeed in augmenting the value of our portfolio companies. Ways to achieve this could extend to a company investing in research and development and strengthening its competitiveness through innovation. That, however, also implies a motivated staff and a high degree of acceptance among customers and suppliers. In short, the company must act in conformity with its social environment. We therefore attach great significance to our portfolio companies respecting social and ethical principles and minimising negative effects on nature. We are convinced that companies that uphold high ESG standards are managed better, are exposed to lower business risks and, ultimately, create more value.

Since every portfolio company is governed by very individual internal and external factors, the following ESG criteria may vary as to their relevance. Due to the allocation of roles between our portfolio companies and DBAG, we exert a *direct* influence only in respect of selecting an investment. During the holding period, we have an *indirect* influence by taking offices on advisory councils and supervisory boards. We focus on the following ESG criteria:

- Environment: minimisation and professional management of negative effects on nature;
- Employment and social affairs: furtherance of good work conditions, high social standards and provision of a positive contribution to society;
- Corporate governance and business ethics: maintenance of best-possible standards and furtherance of good business practices.

BUSINESS REVIEW OF THE GROUP

MACROECONOMIC AND SECTOR-RELATED UNDERLYING CONDITIONS

Real economy: Business dynamism has eased

The underlying macroeconomic conditions have softened in the past financial year. This is evidenced, for example, by the 2014 growth forecast for the German economy. It was corrected downward in the course of the year: the German Council of Economic Experts adjusted its forecast on the growth of the gross domestic product for 2014 from 1.9 percent in March to 1.2 percent (November 2014); the German government and the International Monetary Fund corrected their forecasts to a similar extent.[6] According to the economic experts, the damper for the German economy was, it seems, primarily triggered by higher geopolitical risk and the unfavourable economic trend in major member states of the eurozone. The expected uptrend in investment in machinery and equipment failed to take place, despite very favourable financing terms, whereas the consumer climate in Germany largely remained stable.

Of greater importance than the factors mentioned above for our portfolio companies' business performance, however, is the economic trend in the eurozone and in key emerging markets such as China, India or Brazil, as well as in the United States. Apart from the United States and Great Britain, expectations for the year in these economic regions were not fulfilled either. In the emerging countries, the business slowdown of 2013 continued in the first half of the year 2014. In some economies – such as Brazil – production even receded in the first half of the year. Expenditures on machinery and equipment remained below those of recent periods. In other emerging economies, the slowdown in growth was stronger than anticipated, due to country-specific factors, not least the crisis in Eastern Europe.

Financial markets: No major change

There was no fundamental change in the financial markets in 2014. The European Central Bank, however, continued to drive its low-interest-rate policy in 2014. The average interest rate for new loans to the corporate sector in the eurozone has dropped since the key rate was lowered from 0.5 percent in early November 2013 to 0.05 percent, or more than half a percentage point. In spite of this, the weakness of the banking system in key European economies leads banks to show restraint in granting loans, which has consequences for the real economy. In the US, an interest rate rise is on the agenda, but has not yet been implemented. In a number of emerging countries (Brazil, India, Russia) higher interest rates in 2014 have softened demand. A restrictive lending policy impedes industry in making capital expenditures and impacts those portfolio companies that manufacture capital goods.

6 "More confidence in market processes – Annual Economic Report 2014/15", German Council of Economic Experts, Wiesbaden, November 2014; 2014 Spring and Autumn Projections by the German Government, Federal Ministry for Economic Affairs and Energy, Berlin, April/October 2014; World Economic Outlook, International Monetary Fund, New York, January/October 2014

The financing that private equity companies require to structure MBOs is, on the other hand, amply available at attractive terms.

Currency rates: Negative impact on performance

Exchange rate swings affect our business both directly and indirectly: a part of the investments we entered into are denominated in US dollars (IFRS value at 31 October 2014: 19.4 million euros; previous year: 24.0 million euros), meaning that changes in exchange rates are directly reflected in the net result of valuation. The value of the US dollar against the euro increased by 8.4 percent between the two reporting dates. The investments denominated in US dollars therefore gained 1.5 million euros in value. In 2012/13, the currency rate had a negative effect of 1.2 million euros.

However, in 2013/14 we also recorded negative effects which arose from the currency weakness in major emerging markets. Portfolio companies operate production facilities in Brazil and Turkey. Income generated there led to lower profit contributions on a euro basis, due to devaluation of the local currencies. Beyond that, weaker local currencies dampen the demand for capital goods that are manufactured at the portfolio companies' German sites. The negative impact of currency parities on the portfolio value exceeded those on the positive side this past financial year.

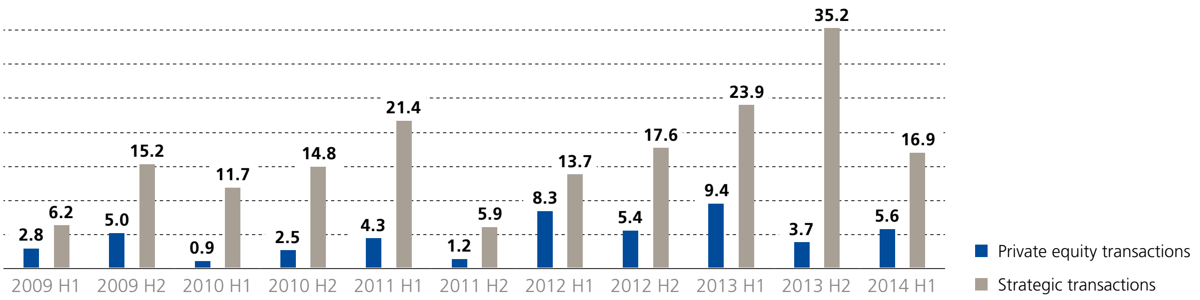
Private equity market in 2014: Competition more intense

Deutsche Beteiligungs AG pursues a highly focused investment strategy in respect of business models, company size and sectors. We focus on the mid-market segment in German-speaking regions, that is, on transactions with a value of 50 to 250 million euros. Measured by the number of transactions and investment volume, this encompasses a rather small section of the private equity market. It is therefore difficult to relate general statements on the private equity market in Germany[7] to the activities in our segment of the market, or deduce consequences from it for specific business opportunities. When a company is up for sale it has frequently not been decided whether the new owner is to be a strategic buyer or a financial investor. For that reason, we not only consider the market for private equity transactions, but also the M&A market as a whole.

7 Private equity transactions are not recorded separately in the official statistics. Information on market trends is therefore largely derived from reports by industry associations or by market participants, which revert to data provided by members or generally accessible information. Source: BVK data – "Der deutsche Beteiligungsmarkt im 1. Halbjahr 2014", Tab. 1, page 6; Bundesverband deutscher Kapitalbeteiligungsgesellschaften / German Private Equity and Venture Capital Association (BVK), Berlin, August 2014

M&A MARKET GERMANY – TRANSACTION VALUE

€bn



The M&A market grew in both of the past two years. Financial investors, however, have not profited in that growth.[8] Trade buyers have robust balance sheets and are increasingly employing their assets for acquisitions. Furthermore, in view of current low interest rate levels additional players in the M&A market have intensified the competition for attractive companies. Among these are foundations and family offices that manage the assets of a single or several families. The volume of the M&A market in which financial investors contend has been stable since 2012.

In our opinion, a key driver of the transaction activity in the private equity business is still the available liquidity: firstly, private equity funds have received huge streams of capital commitments and must now invest these assets. And secondly, there is a sufficient supply of acquisition finance available. These huge assets seeking investment stand in contrast to a limited supply of investment opportunities. As a consequence, valuations particularly for well-positioned companies have increased consistently. Accepting these high valuations on a historical comparison is easier for strategic buyers, who can include gains from synergies in their return considerations.

The number of investment opportunities which we can attend to has remained stable on a high level. The proportion of investment opportunities in our core sectors – that is, in mechanical engineering and plant construction, automotive suppliers and industrial support services – has remained constant at nearly 50 percent.

Trend in transaction opportunities page 92

8 Source: "Der Transaktionsmarkt in Deutschland, 1. Halbjahr 2014", Ernst & Young, July 2014

BUSINESS AND PORTFOLIO REVIEW

Portfolio movement: One new management buyout and add-on acquisitions by portfolio companies

DBAG entered into a new investment this past financial year: we structured the management buyout of the bakery chain "**UNSER HEIMATBÄCKER**", the second investment by DBAG Fund VI. We also increased our stake in an existing investment (**INEXIO**), supported portfolio companies in making add-on acquisitions of smaller companies (**ROMACO**, **UNSER HEIMATBÄCKER**) and met obligations arising from expansion capital agreements (**INEXIO**, **DNS:NET**).

We very successfully exited two investments (**HOMAG GROUP AG, DR. VOGLER**), following exceptionally long holding periods.

The investment in **HOMAG GROUP AG** was, measured by the historical cost and the portfolio value, the largest investment by far in our portfolio. It was also one of the oldest engagements: the initial investment, a minority stake, dates back to 1997. DBAG supported this mechanical engineering company's rapid expansion and backed profitability improvement programmes. The objective was to lead Homag to an initial public offering, with the effect of settling the succession issue in the family-owned business. In autumn of 2006, we agreed to increase our investment: DBAG, DBAG Fund IV and DBAG Fund V acquired the majority. The IPO of Homag Group AG in July 2007 enabled a partial realisation of the investment, the proceeds of which significantly exceeded the invested capital.

The economic outcome of the transaction is described in Earnings position – Net result of valuation and disposal page 75

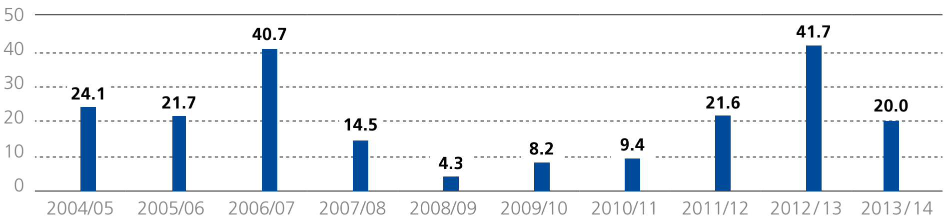
With the divestment of the remaining Homag shares in July 2014, we reached all of our objectives: in agreement with the second-largest shareholder, we identified a globally operating industrial company with strong regional roots as the buyer who we believe can provide an ideal platform for Homag to continue the excellent progress it has made following its successful realignment in recent years and achieve its growth objectives. Moreover, as was the case with all recent major divestments, we again found a strategic buyer who was willing to pay a premium on the market value. We therefore ended our long-standing investment, earning an attractive return: adding the present proceeds to those achieved from Homag's initial public offering in July 2007 and the dividends received since 1997, the investment will have returned a money multiple of 3.5 x. That means total proceeds are 2.5 times greater than the historical cost.

The year 1975 marked the beginning of the investment in **DR. VOGLER GMBH & CO. KG**, a regional automotive dealership operating eight locations in the greater Rhine-Main area. Effective 1 October 2014, we divested 94 percent of the silent holding in this company and 94 percent of the limited partner's share which we manage for DBG Fonds I, an older DBAG fund. DBAG regularly received distributions over the past decades. Most recently, DBAG had a 51-percent share in the company's economic performance and the fund a share of just over 18 percent. Added to that are the proceeds we have now received from the realisation of this investment, which was one of the smaller ones in the portfolio.

DBAG has been invested in Unser Heimatbäcker GmbH ("**UNSER HEIMATBÄCKER**") since June 2014. Measured by the number of outlets, the company is among the ten largest bakery chains in Germany. With some 360 outlets, 2,300 employees and annual revenues of 99 million euros (2013), it was initially formed through the merger of several bakery chains. Backed by DBAG, the company intends to play a proactive role in the bakery sector's consolidation. A first move was the acquisition of a smaller bakery group shortly after the onset of our investment, which the company's shareholders financed.

INVESTMENT IN THE PORTFOLIO

€mn



In 2013/14, DBAG initiated investment decisions on more than 92 million euros – 20.0 million from its own balance sheet and approximately another 72 million euros from investors' commitments to funds.

As a result of the investment restraint in the financial crisis years (2008 to 2011), DBAG's portfolio is currently a young one. At the end of the reporting period, 72 percent of the portfolio value was attributable to investments that had been in the portfolio for less than five years at that time (previous year: 42 percent).

VINTAGE PROFILE OF PORTFOLIO

	Number of investments	Cost (*€mn*)	IFRS value (*€mn*)	IFRS value (*%*)
< 2 years	8	53.9	67.4	44.1
2 to 5 years	4	33.0	42.6	27.8
> 5 years	7	18.7	35.9	23.5
Other [1]		14.3	7.1	4.7
Total	**19**	**119.9**	**153.1**	

1 Value of remaining parts of exited investments (retentions for representations and warranties, etc.)

Fundraising: Funds in first half of investment phase

In 2011, we raised a fund for minority investments in family-owned businesses in the form of growth capital (DBAG Expansion Capital Fund) and in 2012 a fund for buyouts (DBAG Fund VI). The funds still have more than two and three years, respectively, in their investment periods ahead of them; thus, there was no need for fundraising activity this past financial year. Total advised assets[9] amounted to 1.3 billion euros at the reporting date, of which 153.1 million euros were attributable to the consolidated balance sheet of the DBAG Group and 199.1 million euros to undrawn capital commitments by DBAG.

Shares: Considerable advance in market price

DBAG shares outpaced their benchmark indices in 2013/14. Driven by a strong uptrend at the start of the financial year, they reached their highest price point in January 2014, closing at 22.82 euros in Xetra trading. The Xetra year-end closing rate on 31 October 2014 of 21.83 euros represents a gain of 12.8 percent compared with the year before (31 October 2013).

In March 2014, a dividend of 0.40 euros per share and a surplus dividend of 0.80 euros per share, or a total of 16.4 million euros, were paid for financial year 2012/13. This corresponds to a dividend yield of 6.6 percent based on the opening net asset value per share at the beginning of financial year 2012/13, or of 6.2 percent measured by the annual closing rate of that financial year. The share price movement and dividend payment add up to a total return for DBAG shareholders of 19.5 percent over the financial year. In comparison with benchmark indices and over different periods, share performance is as follows:

SHARE PERFORMANCE *(p.a., %)* **OVER ...**

	DBAG shares	Dax	S-Dax	LPX Direct[1]
1 year (financial year 2013/14)	19.5	3.2	0.0	8.5
3 years (financial years 2011/12 to 2013/14)	18.9	16.9	14.4	20.2
5 years (financial years 2009/10 to 2013/14)	13.7	11.4	14.4	16.3
10 years (financial years 2004/05 to 2013/14)	16.2	8.8	8.5	5.7

1 LPX Direct: index of 30 international listed private equity companies that, like DBAG, enter into direct investments

9 Sum of invested capital of DBAG funds and of DBAG as well as outstanding capital commitments

EARNINGS POSITION

Overall assessment: Consolidated net income clearly up after profitable exits

The consolidated net income of 47.8 million euros in financial year 2013/14, following net income of 32.3 million euros in the previous year, primarily stems from a very satisfactory net result of valuation and disposal of financial assets and loans and receivables (net result of valuation and disposal), which reached 50.3 million euros, compared with the prior year's 34.5 million euros (before minority interest). Almost 60 percent of the net result of valuation and disposal comes from disposals of financial assets; value movements on financial assets and loans and receivables over the course of the year account for some 40 percent. In 2012/13, the net result of valuation and disposal was strongly driven by the rise in the market value of the investment in Homag Group AG.

The gain in the net result of fund services and investment activity (76.2 million euros; previous year: 59.9 million euros) also reflects higher fee income from fund management and advisory services. The net expense ratio, that is, the net amount of income from fund management and advisory services and total other income/expenses adjusted for special effects [10], was 0.7 percent, which is clearly down on the previous year's 2.5 percent. Other income/expenses is largely composed of the expenses for the management of our portfolio and for management and advisory services to DBAG funds.

Net result of valuation and disposal: Greatest contribution from profitable realisations

The **NET RESULT OF VALUATION AND DISPOSAL**, which was 50.3 million euros (previous year: 34.5 million euros), is the largest constituent in the net result of fund services and investment activity. It is composed of valuation movements totalling 21.3 million euros (previous year: 29.1 million euros) and net disposals of 28.9 million euros (previous year: 5.4 million euros).

Homag Group AG delivered 24.6 million euros, the largest single contribution towards the net result of the valuation and disposal. That is the amount by which the net sales proceeds exceeded the valuation of this investment at the start of the financial year. The divestment of automotive dealership Dr. Vogler and reversals of warranty retentions from former divestments contributed 4.4 million euros towards the net result of disposal.

The value of the carried portfolio (net result of valuation) exceeds the previous year's amount by 21.6 million euros. The gain stems from those investments that were in the portfolio during the entire financial year. Investments that have been held for less than one year are carried at transaction cost, which is deemed to be the best estimate of their fair value, preventing them from contributing towards a value gain over that period of time.[11] On the back of a favourable business trend, most portfolio companies delivered a positive value contribution in 2013/14: at the valuation date, nearly all portfolio companies had forecast higher earnings and lower debt

10 Remuneration components linked to performance
11 Applies at the reporting date to investment in Unser Heimatbäcker; also, three other older investments, all of which are small, are carried at amortised cost.

for 2014 as compared with the preceding year; frequently, budgets were surpassed. When in singular cases 2014 revenues and earnings fell short of the previous year's or budgeted levels, market influences were responsible, which we do not consider as being permanent or which would endanger the strategic positioning of the portfolio company in question.

NET RESULT OF VALUATION AND DISPOSAL (BY SOURCES)

€mn	2013/14	2012/13
Valuation of unquoted investments (multiples method)		
Change in earnings	8.0	1.0
Change in multiples	8.2	2.9
Change in debt	2.4	0.4
Change in exchange rates	1.1	(1.2)
Positive value movement due to Homag share price	0.0	23.6
Net result of disposal[1]	27.2	5.4
Other	3.4	2.4
	50.3	**34.5**

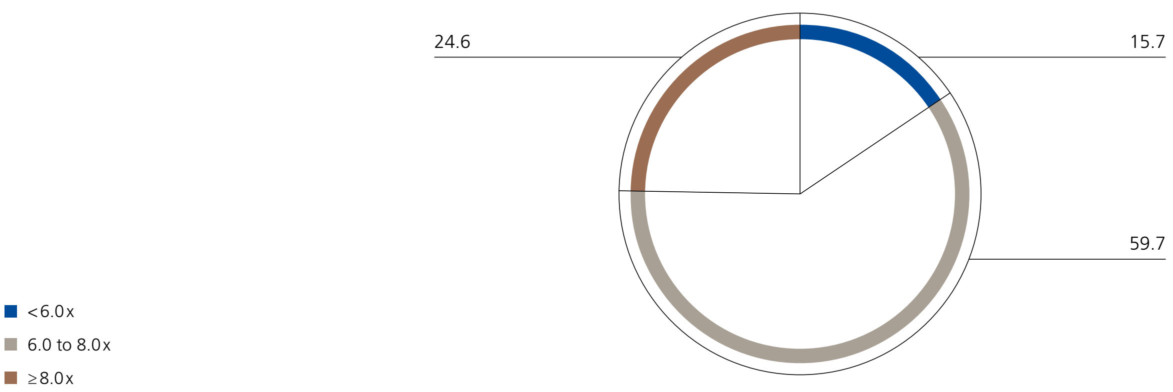
NET RESULT OF VALUATION AND DISPOSAL (BY COMPONENTS)

€mn	2013/14	2012/13
Positive valuation movement		
Share price movement Homag	0.0	23.6
Other positive valuation movements	27.7	9.4
Negative valuation movements	(6.0)	(1.7)
Net result of disposal[1]	27.2	5.4
Other	1.4	(2.2)
	50.3	**34.5**

1 Contributions to income of €1.7mn from receipt of purchase price components initially retained relating to disinvestments of past financial years are recognised in "Other". See notes to the financial statements, "Other current assets", page 161.

PORTFOLIO VALUE BY UNDERLYING EBITDA MULTIPLES

%



Movements in stock market multiples had a positive value effect in net terms: whereas the EBITDA multiple for a peer group of mechanical engineering companies declined from 7.7x in the previous year to 7.3x, the multiples for peer groups of other sectors were higher than at the preceding valuation date, or than those used in the transaction price.

Current income from financial assets: Higher interest entitlements on shareholder loans

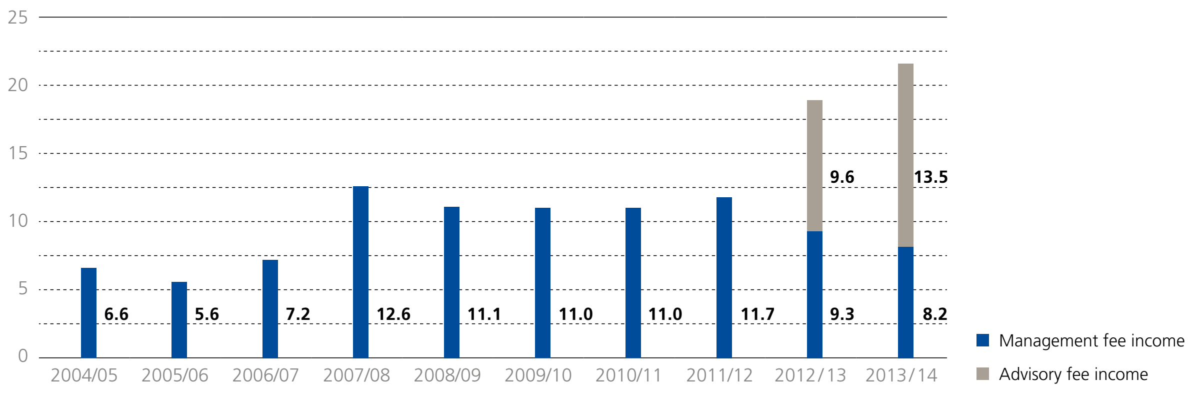
In 2013/14, we achieved **CURRENT INCOME FROM FINANCIAL ASSETS AND LOANS AND RECEIVABLES** totalling 4.2 million euros, down 2.3 million euros on the previous year (6.5 million euros). In the preceding year, this item was distorted by a special effect of 4.3 million euros. A company through which profit entitlements from investments by a fund company of DBAG Fund IV are settled paid a distribution in 2012/13. This distribution (positive effect on income) led to current income of 4.3 million euros, but concurrently to a distribution-related write-down on this company (negative effect on income) of 2.2 million euros. Profit distributions from the portfolio (dividends, among other things) in 2013/14 reached 2.2 million euros (previous year: 2.1 million euros). Interest entitlements arising from shareholder loans granted within the scope of acquisition financing in the previous and reporting year totalled nearly 1.6 million euros in 2013/14 (previous year: 0.2 million euros).

Fee income from fund management and advisory services: Increased through new buyout fund

FEE INCOME FROM FUND MANAGEMENT AND ADVISORY SERVICES amounted to 21.7 million euros (previous year: 18.9 million euros). The increase in 2013/14 is due to the fact that we received fees for advisory services to DBAG Fund VI for a full year for the first time; the previous year only saw fee income from this fund starting with the onset of its investment period in February 2013. We also received a performance-related payment (1.2 million euros) from an older DBAG fund; this is a non-regularly recurrent special effect. Conversely, management fee income from DBAG Fund V declined further, as scheduled. Management fees from the DBAG Expansion Capital Fund also decreased: in view of the delayed investment progress, we reached an agreement with the investors to prolong the investment period and to lower management fees.

FEE INCOME FROM FUND MANAGEMENT AND ADVISORY SERVICES

€mn



Fee income from fund management and advisory services page 57

Fee income from management and advisory services to funds generally depends on the size of the DBAG fund; performance-related components are only paid by DBG Fonds I. Fee income declines along with every exit from the portfolio, insofar as the fund's investment period has ended. An increase in fee income can only be expected when a new DBAG fund is raised, if the size of that follow-on fund is greater than the current investing fund.

Movement in Other income/expenses

Determination of performance-linked remuneration pages 91 and 101

PERSONNEL EXPENSES in 2013/14 increased to 16.5 million euros, up 2.7 million euros on the previous year's 13.8 million euros. Two constituents of this item changed significantly compared with the preceding year. The reduction in the number of Board of Management members led to a decline in fixed emoluments. However, following profitable realisations, expenses for emoluments linked to investment performance were considerably higher. Provisions of 4.2 million euros were made for this in 2013/14, compared with 0.1 million euros the year before.

Additionally, in view of this year's improved result compared with that of the previous year, provisions for variable income components linked to the Company's general performance were also higher (4.6 million euros, following 3.5 million euros in the prior year).

OTHER OPERATING INCOME, totalling 9.8 million euros, was up on the previous year's 5.7 million euros. The largest part of this item, or 7.6 million euros, relates to reimbursed costs for screening investment opportunities; DBAG, in its management and advisory capacity, can charge these costs to DBAG funds. Proportionate to their investment ratio, DBAG funds carry a part of the expenses for screening those investments that do not terminate in a transaction. Reimbursed costs increased by 3.5 million euros on the prior year. 1.1 million euros are attributable to value-added tax refunds for previous years. In 2012/13, there were no such refunds.

The costs for screening investment opportunities are, in turn, the largest item in **OTHER OPERATING EXPENSES** (21.2 million euros, previous year: 18.2 million euros). Transaction-related consultancy and screening costs – which are partially reimbursable by DBAG funds – were 10.9 million euros, an increase of 3.8 million euros on the previous year (7.1 million euros); the difference largely explains the rise in Other operating expenses. The second-largest position under this heading is the management fee that DBAG pays for its co-investment share in DBAG Fund VI. This fee was charged for a full year for the first time and therefore exceeded the previous year's 1.9 million euros; that amount is contained in fee income from fund management and advisory services. The other major components remained constant for the most part: general consultancy costs again amounted to 1.4 million euros, and office rental to 1.1 million euros, compared with 1.0 million euros last year. Other operating expenses also include numerous smaller positions pertaining to costs incurred in the ordinary course of business.

NET INTEREST mirrors another deterioration in interest rates for low-risk investment vehicles. At 0.3 million euros, it remained low (previous year: 0.1 million euros). **INTEREST INCOME** reached 0.4 million euros (previous year: 0.9 million euros). Contributing towards the decline was lower interest on investment in securities (down by 0.1 million euros compared with 2012/13). The difference, however, is chiefly attributable to a one-off effect: in the previous year, 0.4 million euros related to an erroneous tax refund that was corrected in the same financial year. Correspondingly, this largely explains the change in **INTEREST EXPENSES** of 0.6 million euros (0.2 million euros in financial year 2013/14; previous year: 0.8 million euros). Interest expenses were relieved by another 0.3 million euros due to higher expected interest income on plan assets. Conversely, however, this is set against a loss in a comparable amount charged to Other comprehensive income. The reason is a change in the accounting method.

TEN-YEAR SUMMARY OF EARNINGS

€mn	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	**2013/14**
Net result of investment activity [1]	51.8	114.4	165.0	(53.4)	31.8	53.2	(4.5)	51.3	41.0	54.5
Other income/expenses [2]	(6.4)	(23.5)	(9.3)	(1.9)	(9.4)	(15.5)	(15.4)	(4.0)	(7.3)	(6.0)
EBIT	41.6	89.1	150.8	(60.5)	20.4	36.8	(23.0)	46.2	33.6	48.2
EBT	42.3	90.9	155.6	(55.3)	22.4	37.6	(19.9)	47.0	33.8	48.5
Consolidated net income	41.3	82.7	136.5	(51.1)	19.6	34.1	(16.6)	44.5	32.3	47.8
Other comprehensive income [3]					(2.3)	(3.3)	0.7	(6.2)	(3.7)	(6.4)
Total comprehensive income					17.3	30.8	(15.9)	38.3	28.6	41.4
Consolidated retained profit	35.5	57.2	118.2	29.2	52.6	73.1	37.3	70.8	86.7	118.1
Return on NAV per share %	20.0	36.4	56.2	(17.5)	7.3	12.7	(6.2)	16.7	11.5	15.8

1 Net result of valuation and disposal as well as current income from financial assets

2 Net amount of other income and expense items; up to and including FY 2007/08 “Other comprehensive income”, starting FY 2012/13 incl. income from fund management and advisory services

3 Since FY 2009/10, actuarial gains/losses on pension obligations/plan assets are taken directly to equity through “Other comprehensive income”.

FINANCIAL POSITION

Overall assessment: Sound financial position enhances scope

The Group, in our view, continues to boast a sound financial position. Its financial resources (cash and interest-bearing securities) are sufficient to finance the investment projects planned for the current financial year and beyond. Liquid funds have been invested in safe vehicles that additionally allow us to access the funds at short notice, should they be needed to finance investment projects. In the current financial market environment, however, these generate low returns.

Particularities in assessing financial position: Irregular payment flows

Major payment flows in our operations commonly stem from a small number of investments and disinvestments. This gives rise to irregular and difficult-to-predict payment flows. We respond to these conditions through our finance management: for the short to mid-term, we draw on available liquidity. Alternatively, we can raise borrowings, if appropriate. For longer planning horizons, we steer the amount of equity capital through distributions, share repurchases (as in 2005, 2006 and 2007) or, if appropriate, capital increases (2004).

The financial resources reported at the end of the financial year totalling 150.7 million euros (thereof 112.4 million euros in German government securities and, to a small degree, fixed-rate securities of banks with a credit rating based on Standard & Poor's of A or better) are available for future investment. Investment commitments alongside DBAG Fund VI and the DBAG Expansion Capital Fund amount to approximately 199 million euros (31 October 2014). Broken down over a period of four years, that means about 50 million euros annually. We plan to cover that liquidity requirement from our proprietary capital and inflows from realisations of investments.

Cash flows: Higher cash flows from investment activities

INVESTMENT AND DISINVESTMENT ACTIVITIES in 2013/14 led to cash inflows of 70.8 million euros (previous year: 18.7 million euros). These derive from payments for investments in the portfolio netted against proceeds from disposals of investments.

In financial year 2013/14, proceeds from disposals of financial assets amounting to 90.8 million euros (previous year: 60.4 million euros) largely stemmed from inflows following successful disinvestments: Homag Group AG, Dr. Vogler and (indirectly) DBG Eastern Europe and Harvest Partners IV, in total 84.1 million euros. The greatest portion is attributable to the disinvestment of Homag Group AG; subsequent to exits from the portfolios of DBG Eastern Europe and Harvest Partners IV, two older international buyout funds, DBAG received 2.3 million euros. Additional inflows came from the repayment of a shareholder loan, which we had granted to finance the investment in FDG S.A. Due to its good economic development, the company was able to refinance itself and repay the loan as well as the interest accrued, a total of 3.2 million euros. Furthermore, warranty retentions from former disinvestments were reversed (2.1 million euros).

Payments for investment in financial assets reached 20.0 million euros (previous year: 41.7 million euros). These pertain to the acquisition of an interest in one new portfolio company (Unser Heimatbäcker, 9.9 million euros) and to follow-on investment in existing investee businesses: DNS:net and inexio received further tranches to finance growth; in addition, we increased our interest in inexio (in total, 3.9 million euros). We invested a total of 5.9 million euros in Romaco and Stephan Machinery (to be named ProXES in future) to finance add-on acquisitions. Additions to the securities portfolio led to (net) outflows of 33.9 million euros (previous year: (net) inflows of 6.7 million euros). Total cash flows from investing activities this past financial year amounted to 36.3 million euros (previous year: 25.4 million euros).

Expenditures on property, plant and equipment and intangible assets at DBAG totalled 0.7 million euros in financial year 2013/14 (previous year: 0.3 million euros). Overall, property, plant and equipment and intangible assets are insignificant and remained nearly unchanged at 1.5 million euros at the reporting date.

As in the previous year, **CASH FLOWS FROM FINANCING ACTIVITIES** amounted to 16.4 million euros. These pertain exclusively to the dividend payment.

The negative **CASH FLOWS FROM OPERATING ACTIVITIES** improved by 10.6 million euros to -1.4 million euros. A major accounting transaction was the repayment of a loan granted to a newco for bridge-over financing of a new investment in the fourth quarter of the preceding financial year (Schülerhilfe, 8.9 million euros).

TEN-YEAR SUMMARY OF FINANCIAL DATA

€mn	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	**2013/14**
Cash flows from operating activities	(35.6)	(4.1)	(2.6)	3.0	(3.5)	(12.8)	0.9	(9.6)	(12.0)	(1.4)
Cash flows from investing activities[1]	132.2	168.8	65.0	3.8	19.6	(44.4)	33.1	(18.2)	18.7	70.8
Cash flows from financing activities	(57.1)	(40.7)	(71.4)	(57.3)	(5.5)	(13.7)	(19.1)	(10.9)	(16.4)	(16.4)
Change in financial resources[2]	39.5	124.0	(9.0)	(50.5)	10.6	(70.9)	14.9	(38.8)	(9.8)	52.4

1 Adjusted for cash flows from additions to and disposals of securities; as of FY 2012/13 also adjusted for cash flows from additions to and disposals of property, plant and equipment

2 Financial resources: cash and short- and long-term securities

ASSET POSITION

Overall assessment: Increase in assets due to positive value movement of portfolio

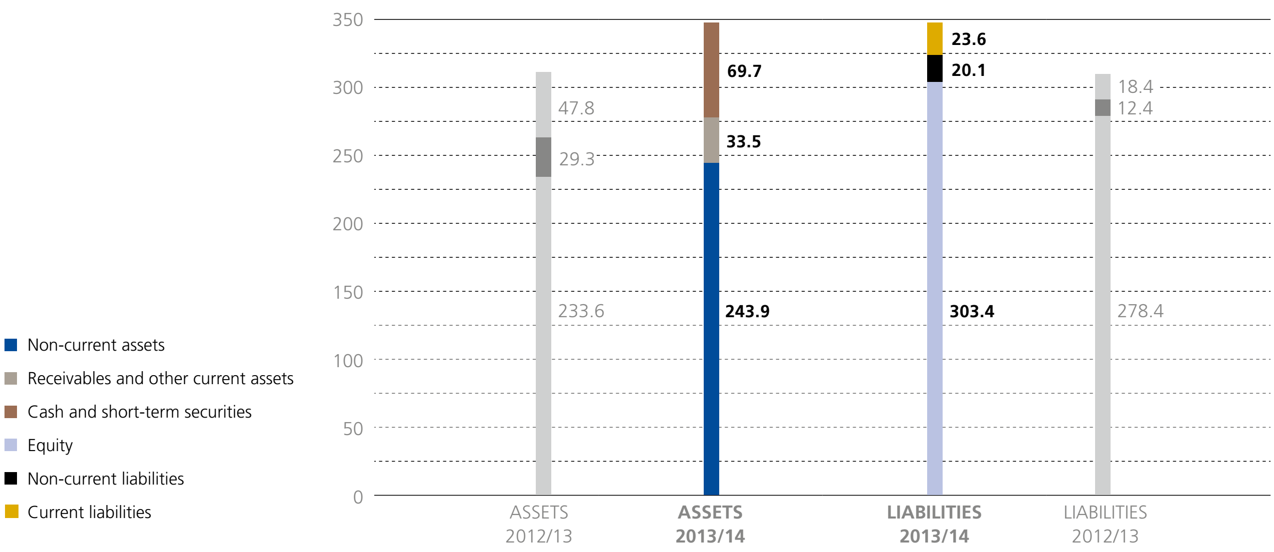
The assets of the Group totalling 347.1 million euros (previous year: 310.7 million euros) largely consist of the investment portfolio as well as cash and securities. Assets increased this past financial year. The value appreciation of the investment portfolio – which was partially realised through disinvestments – led to a gain in assets that exceeded the dividend distribution of 16.4 million euros. With liquid or near-liquid assets of 150.7 million euros, the Company has more than 40 percent of its total assets available to meet its investment commitments to DBAG funds.

Asset structure: Changed, following realisations

NON-CURRENT ASSETS – which predominantly consist of financial assets, loans and receivables as well as long-term securities – totalled 243.9 million euros (previous year: 233.6 million euros) and comprised 70 percent of total assets (previous year: 75 percent). Subsequent to the exit of the largest investment in the portfolio (Homag Group AG), there was a shift in the composition of this balance sheet item at the expense of financial assets. **LONG-TERM SECURITIES**, which largely consist of securities of German sovereign issuers with a term of up to six years, increased by 30.5 million euros to 81.0 million euros; cash from successful disposals that is not required in the short to mid-term was invested in securities. **OTHER NON-CURRENT ASSETS** (0.4 million euros; previous year: 0.9 million euros) exclusively contained corporation tax credits at the reporting date.

STRUCTURE OF FINANCIAL POSITION

€mn



CURRENT ASSETS amounted to 103.2 million euros at the end of the period, which exceeds those of the prior year (77.1 million euros). The increase is due to a rise in cash (38.3 million euros; previous year: 19.8 million euros) as well as in other current assets. These increased from 11.4 million euros in the prior year to 18.5 million euros, due to higher receivables from DBAG funds for reimbursable costs and for advisory services.

Portfolio value: Lower, following exit of largest investment

The value of the Group's investments is reflected in the statement of financial position in financial assets as well as loans and receivables. The sum of both of these items amounted to 161.0 million euros at 31 October 2014 (previous year: 180.9 million euros). It consisted of investments in 19 companies and international private equity funds valued at 153.1 million euros ("portfolio value"; previous year: 172.7 million euros) as well as shares in companies the value of which is mainly attributable to minority interest. The latter is contained under this balance sheet heading in an amount of 8.0 million euros.

Compared with the opening value at the beginning of the financial year, the value of the investment portfolio decreased by 58.3 million euros in 2013/14 through disposals, partial disposals and repayments from fund investments. A primary contributor was the disinvestment of Homag Group AG (56.0 million euros).

The investment in new and existing portfolio companies (20.0 million euros) as well as value gains of the carried portfolio (21.3 million euros) did not offset the decrease in the portfolio value caused by disposals, partial disposals and repayments from fund investments.

Portfolio profile: Ten investments account for 78 percent of portfolio value

We measure the fair value of our investments at quarterly intervals. Valuation changes are recognised in the consolidated statement of comprehensive income.

Our valuation methodology is detailed in the notes to the consolidated financial statements page 146

78 percent of the portfolio value (IFRS) at 31 October 2014 is attributable to the following ten investments[12]:

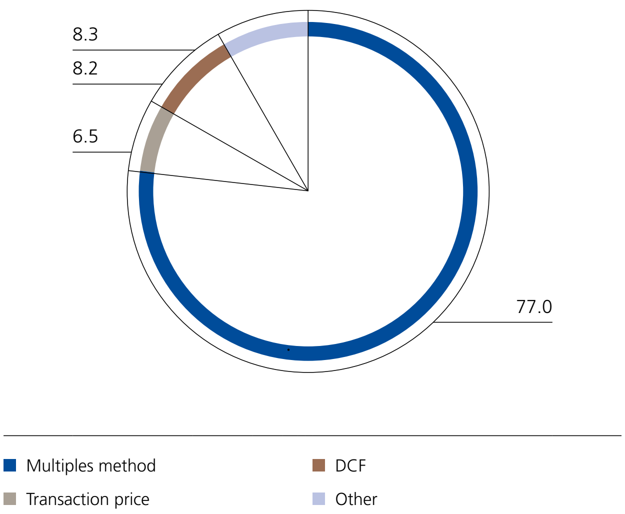
12 See footnote 3, page 58; the investments are alphabetically ordered regardless of their valuation.

Company	Cost €mn	Equity share DBAG %	Investment type	Sector
Broetje-Automation GmbH	5.6	18.8	MBO	Mechanical engineering and plant construction
Clyde Bergemann Group	9.2	15.7	MBO	Mechanical engineering and plant construction
Formel D GmbH	10.4	15.1	MBO	Industrial services
Grohmann GmbH	2.1	25.1	Expansion capital	Mechanical engineering and plant construction
Heytex Bramsche GmbH	6.4	17.1	MBO	Industrial services
Romaco GmbH	11.2	18.7	MBO	Mechanical engineering and plant construction
Schülerhilfe GmbH	9.8	17.8	MBO	Education
Spheros GmbH	13.9	15.7	MBO	Mechanical engineering and plant construction
Stephan Machinery GmbH ("ProXES")	5.9	18.8	MBO	Mechanical engineering and plant construction
Unser Heimatbäcker GmbH	9.9	15.6	MBO	Consumer goods

Based on the valuations at the reporting date, the portfolio is structured as follows. The data is based on the previously mentioned "portfolio". The breakdown of equity by the portfolio companies' net debt is also based on that portfolio; however, investments in international buyout funds as well as investments in entities through which retentions for representations and warranties arising from exited investments are held were omitted (2014 net debt and 2014 EBITDA based on portfolio companies' forecasts at 30 September 2014).

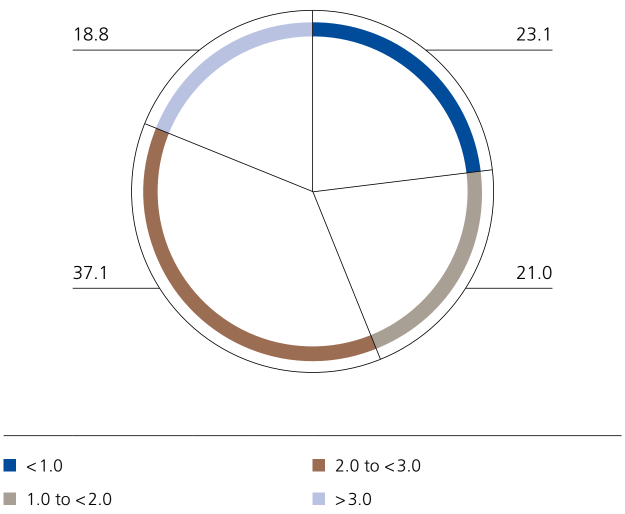
PORTFOLIO VALUE BY VALUATION METHOD FOR INVESTMENTS

%



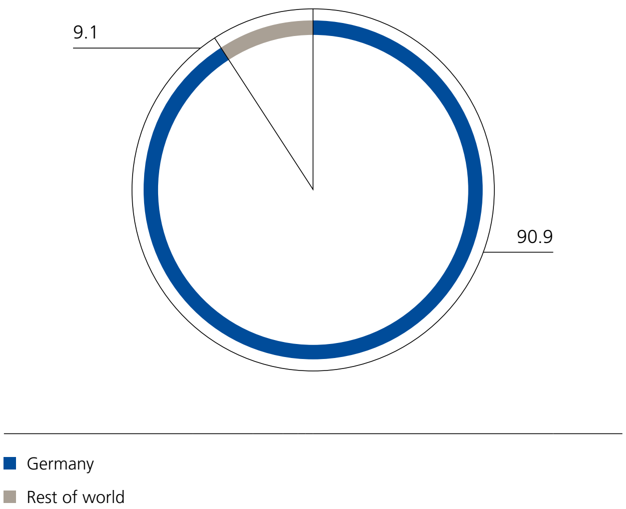
PORTFOLIO VALUE BY NET DEBT/EBITDA OF PORTFOLIO COMPANIES

%



PORTFOLIO VALUE BY GEOGRAPHICAL DISSEMINATION OF INVESTMENTS

%



PORTFOLIO VALUE BY SECTOR DISSEMINATION OF INVESTMENTS

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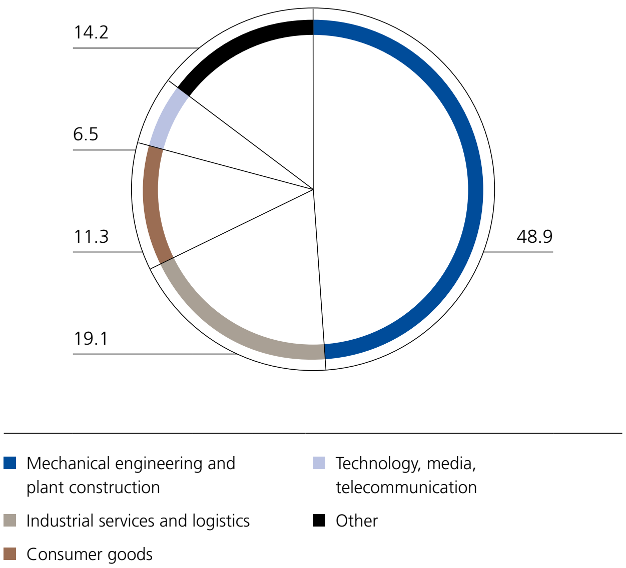


Capital structure: No liabilities to banks

In 2013/14, the DBAG Group financed its activities from its financial resources – cash and interest-bearing securities – backed by a very high capital-to-assets ratio. At 31 October 2014, the Group recorded equity capital of 303.4 million euros. One year ago, it had totalled 278.4 million euros; of that amount, dividends of 16.4 million euros were paid to shareholders. The equity capital at 31 October 2014 was reduced in financial year 2013/14 by further actuarial losses that arose on remeasurements of pension obligations in the amount of 6.7 million euros. We remeasured the obligations based on current interest rate levels. The **CAPITAL-TO-ASSETS RATIO** of 87.4 percent (previous year: 89.6 percent) remained very high.

NON-CURRENT LIABILITIES, totalling 20.1 million euros at 31 October 2014, exceeded the previous year's 13.8 million euros. This item primarily contains minority interest and provisions for pension obligations. Minority interest liabilities increased by 0.3 million euros to 10.4 million euros. These relate to an investment fund that invested alongside DBAG Fund IV; members of the Board of Management and a select group of staff indirectly hold shares in this fund. These liabilities are recognised in "Minority interest" in the consolidated statement of financial position. Provisions for pension obligations were 9.4 million euros (previous year: 3.4 million euros). The present value of pension obligations exceeds the fair value of plan assets by that amount. Unlike in financial years up to 2011/12, we again chose not to balance the current underfunding by an allocation to plan assets. We want to maintain the availability of the required funds in the event of rising interest rates and possible overfunding.

CURRENT LIABILITIES amounted to 23.6 million euros at the reporting date (previous year: 18.4 million euros). Provisions for performance-linked remuneration not yet paid totalled 12.6 million euros (previous year: 8.5 million euros). As in the past, the Group had no liabilities to banks.

Financial resources: Significant increase following exits

The Group had financial resources of 150.7 million euros at 31 October 2014. They consisted of two components: cash in the amount of 38.3 million euros and another 112.4 million euros recognised in current assets in line item **SHORT-TERM SECURITIES** (31.4 million euros) and in non-current assets in line item **LONG-TERM SECURITIES** (81.0 million euros). These relate to securities of German sovereign issuers. To improve interest income without changing the risk position, we invested liquid funds in floating-rate bonds with maturities of between two and three years. These bonds typically provide a high degree of liquidity and low price risk; a part of these bonds had a term of less than one year at the end of the period.

Financial resources increased over the 2013/14 financial year by 52.3 million euros. Major cash flows relate to returns from disposals as well as new investment and the dividend payment.

TEN-YEAR SUMMARY OF FINANCIAL POSITION

€mn	31 Oct. 2005	31 Oct. 2006	31 Oct. 2007	31 Oct. 2008	31 Oct. 2009	31 Oct. 2010	31 Oct. 2011	31 Oct. 2012	31 Oct. 2013	**31 Oct. 2014**
Financial assets	198.9	121.5	209.6	138.3	137.2	129.9	93.5	150.7	166.8	135.0
Securities/cash	40.7	164.7	155.8	105.2	124.0	140.7	155.6	105.8	98.3	150.7
Other assets	26.6	33.8	29.1	28.7	27.0	45.5	30.8	42.5	45.6	61.4
Equity	246.6	289.0	353.6	244.8	256.8	273.9	238.9	266.2	278.4	303.4
Liabilities/provisions	19.7	31.1	40.8	27.4	31.5	42.2	41.0	32.8	32.3	43.7
Total assets	266.3	320.1	394.4	272.3	288.3	316.1	279.9	299.0	310.7	347.1

COMPARISON OF ACTUAL AND PROJECTED BUSINESS PERFORMANCE

SUMMARY OF ASSESSMENT BY BOARD OF MANAGEMENT ON THE ECONOMIC TREND AND ACHIEVEMENT OF OBJECTIVES (PROJECTED/ACTUAL COMPARISON)

	Actual 2012/13	**Projected 2013/14**	**Actual 2013/14**
Consolidated net income	€32.3mn	Since no contribution projected from Homag Group AG: clearly below prior year	€47.8mn, thereof contribution to income Homag Group AG €25.6mn (incl. dividend)
Return on net asset value per share	11.5% with cost of equity of 8.1%	To reach cost of equity	15.8% with assumed cost of equity of 8.0%
Net result of investment activity	€41.0mn	Since no contribution projected from Homag Group AG: clearly below prior year	€54.5mn, thereof contribution Homag Group AG €25.6mn (incl. dividend)
Contribution to income from unquoted portfolio	€7.7mn	Clearly in excess of prior year	€25.7mn
Net expense ratio	2.5%	Less than 3% and slightly below prior year	0.7%
Personnel costs	€13.8mn	Without performance-related remuneration slightly less than prior year	Without performance-related remuneration €12.4mn
Fee income from investment services to funds	€18.9mn	Slightly in excess of prior year	€21.7mn, thereof €1.2mn for performance-linked remuneration Fonds I (not predictable)
Other operating income (without fee income from investment services)	€5.7mn	Strongly dependent on transaction activity, in the order of prior year	€9.8mn due to higher reimbursable transaction-related consultancy costs
Other operating expenses (incl. write-downs)	€18.2mn	Slightly less than prior year due to non-recurrence of two special effects	€21.2mn due to higher transaction-related consultancy costs
Net interest	€0.1mn	Net interest unchanged	€0.3mn (impact of IAS 19)
Financial resources	€98.3mn	Without realisations, lower at end of financial year	€150.7mn, thereof realisations €90.8mn
New investment	€44.5mn	€50mn	€20.0mn

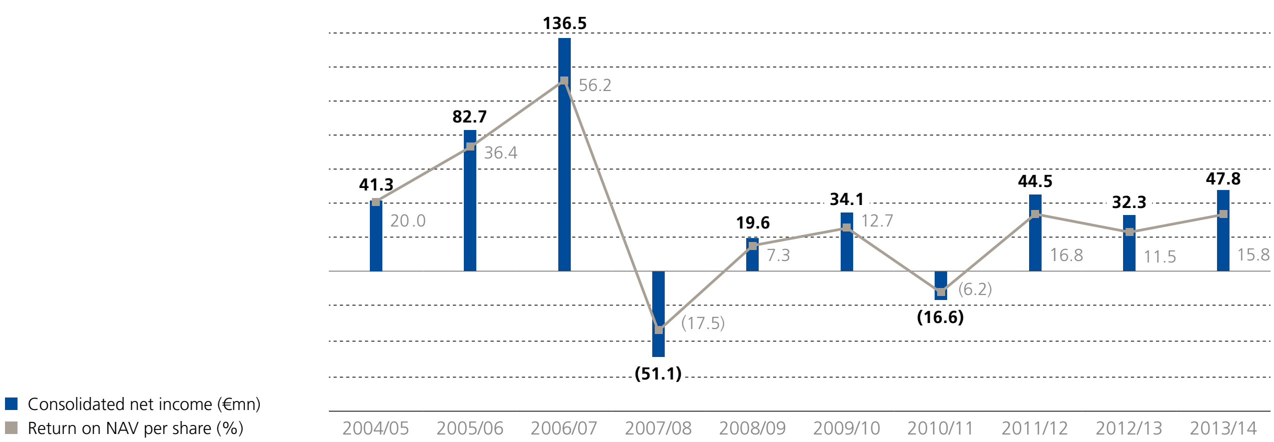
Except for new investment, the forecast issued in January 2014 was achieved in all points, and in some instances clearly overachieved. That also applies to the key performance indicator – the return on net asset value per share. Reaching 15.8 percent, it significantly surpassed the forecast, even though – unpredictable – actuarial losses arising from remeasurements of pension obligations weighed on the return, accounting for about 2.6 percentage points.

FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

Return significantly exceeds cost of equity: Consolidated net asset value per share rose by 15.8 percent in 2013/14

The return on consolidated net asset value per share is our core performance indicator. It discloses by way of the movement in financial assets and the net result of fund services and investment activity to what extent the portfolio companies' performance contributed to a change in consolidated net asset value. This past financial year, consolidated net asset value increased by 1.82 euros per share, even though the Company paid a dividend of 1.20 euros. The return on consolidated net asset value per share thus reached 15.8 percent. It is based on consolidated net income of 47.8 million euros. Comprehensive income, which is relevant in determining the return, was 41.4 million euros; 2013/14 comprehensive income contains an actuarial loss of 6.7 million euros. The return on consolidated net asset value of 15.8 percent thus exceeds the cost of equity which we have set at 8.0 percent (previous year: 11.5 percent and 8.1 percent, respectively).[13]

CONSOLIDATED NET INCOME *(€mn)*
AND RETURN ON NAV PER SHARE *(%)*



13 In determining the return, the dividend paid per share in the financial year (€1.20) is deducted from the consolidated net asset value per share as at the preceding reporting date (31 October 2013: €20.36). We relate the consolidated net asset value per share at 31 October 2014 of €22.18 to that amount (€19.16).

Our business is strongly influenced by irregular transactions (investments in portfolio companies and their disinvestment). It is also significantly determined by external factors beyond our control (e.g. cyclical trends or stock market conditions). Changes in valuation ratios may temporarily obliterate the value gains achieved by the portfolio companies through higher margins or an improved strategic positioning. For that reason, we assess our performance based on the average return on consolidated net asset value over a longer horizon. Over the past ten-year period (2004/05 to 2013/14), we achieved an average return on consolidated net asset value of 15.3 percent. This is more than seven percentage points in excess of the average cost of equity, which, according to our computation, was between seven and nine percent – with the exception of the reporting year.

Performance: Aggregate total return of 236 percent since 31 October 2004

Taking dividends and surplus dividends into account, DBAG recorded an aggregate total return of 236 percent based on net asset value per share in the ten-year period from 31 October 2004 to the end of the past financial year; this equates to an average annual total return of 12.8 percent over this ten-year period.[14] Total return is a key indicator for the performance of listed private equity companies and allows a comparison with other equity investments over longer periods of time, for example, with the performance of stock indices or stock funds.

Valuation of DBAG shares: Market price frequently in excess of net asset value

Our investor relations activities are targeted, among other things, at attaining a fair valuation of DBAG shares. For listed private equity companies, this is mostly assessed by the difference between the share price and net asset value, without differentiating whether the respective company exclusively holds investments or – like DBAG – additionally achieves substantial fee income from fund management and advisory services. This past financial year, DBAG shares traded at a premium to net asset value of up to twelve percent on about half of the trading days, and they closed at a discount to net asset value per share of up to five percent on some 45 percent of trading days. Only on 18 trading days did they trade at a discount of five to a maximum of eight percent.

14 The calculation implies a reinvestment of dividends and surplus dividends in net asset value per share in each case at the end of the second quarter of a financial year (30 April); the dividend is usually paid at the end of March.

People: Dedication and personal performance are key features of our corporate culture

Personal performance and a team-based work environment are key characteristics of our corporate culture. We attach great importance to treating each other and our business partners with respect. In our daily work, we emphasise a high level of **PROFESSIONALISM** and stable processes. In doing so, we utilise our lean structures and short decision-taking routes. This has the advantage that the members of the Board of Management are in regular contact with most employees and learn, for instance, about the extent of the staff's satisfaction not by indicators, but in everyday interaction.

The private equity business involves managing heavy workloads. Assignments within our organisation call for a high level of **IDENTIFICATION** with the role. We endorse this by fostering a culture of direct communication, lean reporting lines and team-based project organisation. We also delegate responsibility and accountability early on.

We attach particular importance to nurturing a corporate culture in which **LOYALTY** to the Company can prosper. One measure for this is the staff's years of service to the Company: investment managers and senior executives have been with DBAG for an average of more than eight years (previous year: nine years). Staff fluctuation at Deutsche Beteiligungs AG is low: it averaged less than five percent over the past ten years. In 2013/14, four employees left the Company, which corresponds to a rate of about seven percent.[15]

	Number of staff	Number of departures	Fluctuation rate %
Financial year 2013/14	58	4	6.9
Average over financial years 2009/10 to 2013/14	52	3	5.8
Average over financial years 2004/05 to 2013/14	52	2	3.8

Our performance thrives on the professional and personal skills of our people at all levels and in all areas of the Company. The members of our investment team need to identify the right businesses for an investment; they need to recognise the potential and motivate the managements of these businesses to tap that potential. Ultimately, they will need to steer the process of profitably realising the investment. In addition to excellent management skills and sector knowledge, this calls for keen leadership and motivation qualities, communication skill and social competency.

We regularly strive to develop both the professional and personal competencies of our staff. This past year again, more than three quarters of the staff participated in further education and training programmes. In selecting the right programmes, we endeavour to match the training with personal development needs.

15 The representation does not include apprentices, employees with a fixed-term work contract and retiring employees.

Staff profile: High training rate

At 31 October 2014, Deutsche Beteiligungs AG employed a staff of 26 female und 25 male employees (without the members of the Board of Management), or a total of 51, which is two more than at the previous year's reporting date. Additionally, five apprentices are currently qualifying for their future professions; this represents an apprenticeship quota of nine percent (previous year: six apprentices, apprenticeship quota of eleven percent). The average age is 38.0 years (previous year: 39.0 years). Not included in these figures are the three female and one male employee on parental leave at the reporting date.

		2013/14	2012/13
Number of employees (without Board of Management)		56	55
thereof full-time		46	45
thereof part-time		5	4
thereof apprentices		5	6
Personnel costs and social contributions	*€mn*	11.4	9.7

During the reporting year, we offered 14 students (previous year: also 14) an internship for a period of several months, allowing them to gain insight into the responsibilities of an investment manager or investor relations 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. Through our consistent business model, our corporate culture of collaborative interaction and our attractive working conditions, we again succeeded in attracting highly qualified people.

Employee compensation: Incentivisation through variable components

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. The Company creates an opportunity for select staff to share in its annual performance. The extent of this scheme follows the practice common in the private equity industry.

Compensation is composed of fixed and performance-related components, as well as components with long-term incentive effects. A constituent of the performance-linked compensation scheme, which has largely remained unchanged for more than ten years, is a bonus that rewards the performance of DBAG and personal performance. The factors that are considered when measuring the Company's performance include the value appreciation of individual portfolio companies as well as realisations from the portfolio or the number and quality of new investments. Profit-sharing schemes that allow the team members to participate in the performance of DBAG's investments have a long-term incentive effect.

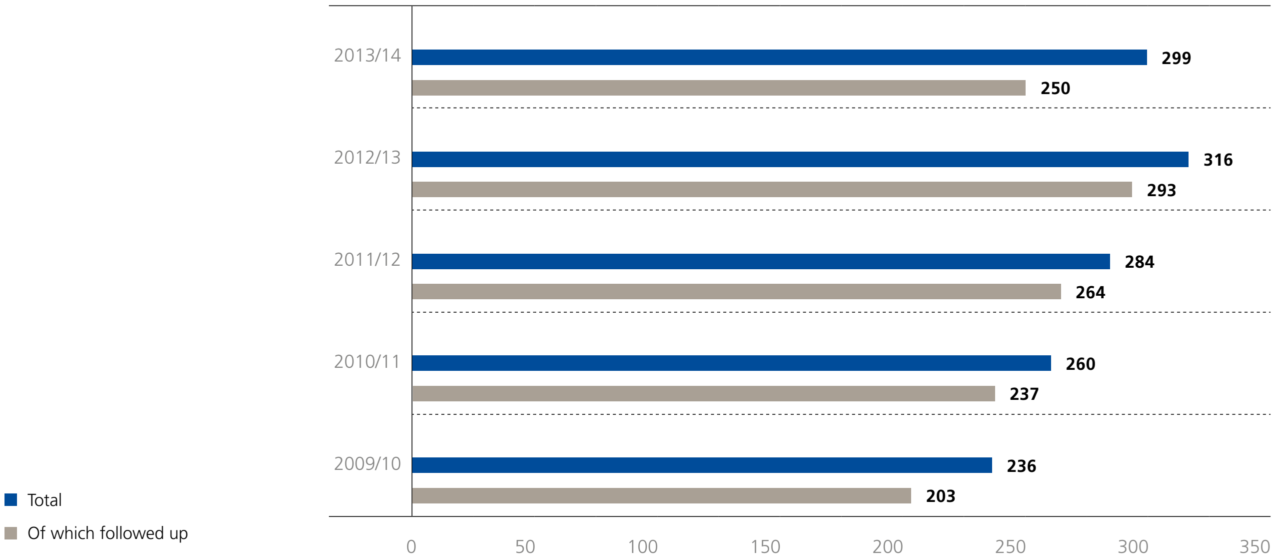
As a listed company, DBAG offers an employee share purchase plan to active and former employees. In the reporting year, 69 percent of the staff took advantage of the offer (previous year: 71 percent).

Transaction opportunities: High proportion of proprietary deal flow

In addition to participating in auctions, our network assists us in originating transaction opportunities through a proprietary deal flow. In 2013/14, nearly 30 percent of all transaction opportunities originated by way of direct contacts – either the owners of companies addressed us or we addressed companies directly. In the comparative financial year, that proportion was 35 percent, or slightly higher.

In 2013/14, we screened 299 investment opportunities; 182 related to potential MBOs and 117 concerned expansion financings. This represents a marginal decline compared with the previous year's 316 opportunities. The proportion of transaction opportunities that were initially followed up declined from 93 to 84 percent.

TRANSACTION OPPORTUNITIES



Sustainability: Adherence at DBAG and portfolio companies

Corporate governance/sustainability page 67

We adhere to sustainability aspects in the operational processes of DBAG as well as at the portfolio companies in as far as we are able to exert an influence as a co-owner. From the corporate governance perspective, we stated that ESG principles, as a manifestation of the sustainability concept, are a constituent of our analyses and decision-taking processes. Our understanding of responsible governance is reflected in, among other things, a tried-and-true opportunity and risk management system, a stable staff structure, as well as open communication with the Company's shareholders.

DBAG also participates in the Carbon Disclosure Project (CDP). The aim of this non-profit organisation is to have companies disclose their environmental impact, such as climate-damaging greenhouse gas emissions. The latest report (data for 2013) revealed a significant improvement in the rating measured by CDP performance scores. With a score of 81 (out of 100; previous year: 51) in the climate disclosure score, DBAG had a far better rate than the average among S-Dax listed companies (score of 52). In 2014, DBAG was named “Best Improver” among 160 German corporations assessed.

We also attach importance to ESG principles when selecting our investments. During the due diligence process we examine the degree to which target companies meet modern environmental, social and governance standards. That enhances the attractiveness of portfolio companies for potential buyers. Our aim is to have the value created within our portfolio companies realised at an attractive price in four to seven years. We have therefore chosen to exclusively invest in business models that meet these criteria and have sound long-term perspectives.

Before entering into an investment, ESG-related opportunities and risks are evaluated and documented. Based on these findings, we endeavour to achieve an improvement in ESG performance factors during the time of our investment, as far as our role as a co-owner of a portfolio company allows. We monitor the ESG progress at our portfolio companies over an investment’s entire holding period. This past financial year, we succeeded in having even those companies that have been in the portfolio for longer adopt ESG guidelines of their own.

Foundation: Social and cultural commitment by DBAG

The “Gemeinnützige Stiftung der Deutschen Beteiligungs AG”, a non-profit charitable foundation, was established and accredited in October 2010. It represents the cornerstone of DBAG’s lasting commitment to social and cultural projects. The foundation’s focal point is to support active and former employees of current and former DBAG portfolio companies and their dependants in emergency cases. The foundation also sponsors the arts and cultural projects in the greater Frankfurt area. We view DBAG’s social and cultural engagement as a contribution towards affirming and building the Company’s good reputation.

www.dbag-stiftung.de

This past financial year, the foundation finalised one project and sponsored two new projects. We increased the foundation’s endowment by another T€20.

OVERALL ASSESSMENT OF THE ECONOMIC POSITION OF THE GROUP

In the opinion of the Board of Management, the Deutsche Beteiligungs AG Group was economically very sound at the time this combined management report was drawn up.

Posting a consolidated net income of 47.8 million euros and a return on net asset value per share of 15.8 percent, the Group achieved excellent results in financial year 2013/14. This performance largely derives from the projected progress the portfolio companies have made, from two profitable realisations, as well as from higher fee income for investment services to private equity funds. Fee income forms a solid basis serving to cover a major part of current operating costs.

The Group remains soundly capitalised: it has sizeable liquid resources and no bank debt.

FINANCIAL REVIEW OF DEUTSCHE BETEILIGUNGS AG (COMMENTARY BASED ON THE GERMAN COMMERCIAL CODE – HGB)

The annual financial statements are accessible at www.deutsche-beteiligung.de/investor-relations; a printed version is also available on request.

The management report on Deutsche Beteiligungs AG and the Group management report for financial year 2013/14 are presented combined, in conformity with § 315 (3) HGB in connection with § 298 (3) HGB. The presentation of the economic position of Deutsche Beteiligungs AG is based on an abridged balance sheet and an abridged profit and loss account derived from the balance sheet and profit and loss account as prescribed by HGB. The complete annual financial statements of Deutsche Beteiligungs AG based on HGB are published in the "Bundesanzeiger" (Federal Gazette), together with the consolidated financial statements.

EARNINGS POSITION

Overall assessment: Exceptionally profitable financial year completed

In financial year 2013/14, Deutsche Beteiligungs AG achieved a profit for the year of 65.4 million euros, or 29.8 million euros over that of the preceding 2012/13 financial year (35.6 million euros), for which a total dividend of 1.20 euros per share – consisting of a base dividend of 0.40 euros per share and a surplus dividend of 0.80 euros per share – was paid in March 2014. The main contribution towards the result came from the profitable realisation of an investment (Homag Group AG).

Net result of valuation and disposal: Significant increase following profitable exits

The net result of valuation and disposal is determined by earnings or losses from the disposal of investments as well as write-downs netted against write-ups on investments contained in the portfolio at the reporting date. Write-downs and write-ups are performed at the lower of cost or market and the applicable procedure for reversals of impairment losses. The upper ceiling for write-ups is the historical cost. The net result of valuation and disposal of 58.6 million euros (previous year: 34.5 million euros) largely reflects the two profitable realisations in the course of this financial year (Homag Group AG, Dr. Vogler Group).

ABRIDGED PROFIT AND LOSS ACCOUNT OF DEUTSCHE BETEILIGUNGS AG (BASED ON HGB)

T€	2013/14	2012/13
Net result of valuation and disposal [1]	58,590	34,485
Current income from financial assets	11,963	6,791
Fee income from fund management and advisory services	20,093	20,705
Total net result of investment activity	**90,646**	**61,981**
Personnel expenses	(16,434)	(16,499)
Other operating income (without write-ups)	4,002	5,527
Other operating expenses	(10,812)	(13,975)
Depreciation and amortisation on property, plant and equipment and intangible assets	(416)	(419)
Interest income	664	807
Interest expenses	(1,810)	(1,306)
Total other income/expenses	**(24,806)**	**(25,865)**
Result of ordinary activity	65,840	36,116
Income taxes	(405)	(491)
Other taxes	(7)	(6)
Profit for the year	**65,428**	**35,619**

1 The net result of valuation and disposal is composed of p/l items “Income from the disposal of investments” (€58.6mn) and write-ups in the financial year of €0.4mn that are recognised in item “Other operating income”. “Write-downs on financial assets” in the amount of €0.4mn were deducted.

Current income from financial assets: Higher, after distribution of free liquidity

In financial year 2013/14, we recorded **CURRENT INCOME FROM FINANCIAL ASSETS** in the amount of 12.0 million euros, which is 5.2 million euros in excess of the prior year’s 6.8 million euros. Income from financial assets contains distributions, typical of the business, of 9.5 million euros from associated companies. These distributions stem from retentions on disinvestments of previous periods, but primarily also from the maturity of securities in which free liquidity had previously been invested. Also recognised herein are profit distributions and interest earnings from portfolio companies.

Fee income from fund management and advisory services: Marginal decline

Fee income from management and advisory services to DBAG funds of 20.1 million euros contains for the first time fee income from DBAG Fund VI for a full year. The previous year's amount of 20.7 million euros was positively distorted by a special effect of approximately four million euros.

In total, the **NET RESULT OF FUND SERVICES AND INVESTMENT ACTIVITY** of 90.6 million euros exceeded that of the also very successful previous year (62.0 million euros) by about 46 percent.

TOTAL OTHER INCOME/EXPENSES of -24.8 million euros was slightly below the previous year's -25.9 million euros.

Other operating income: Decline due to structural change

Other operating income without write-ups declined from 5.4 million euros to 4.0 million euros. In the reporting year, DBG Managing Partner GmbH & Co. KG, a consolidated company, assumed the fund management and advisory activities. Due to this structural change, proceeds from investment management-related reimbursable expenses declined.

Personnel expenses: Stable overall, despite higher performance-linked emoluments

In financial year 2013/14, **PERSONNEL EXPENSES** remained nearly constant, decreasing by 0.1 million euros from 16.5 million euros to 16.4 million euros in 2013/14. Provisions for performance-related income components, which totalled 8.4 million euros, were significantly in excess of the previous year's 3.6 million euros. The reasons for this are the profitable disinvestments of Homag Group AG and the Dr. Vogler Group (4.2 million; previous year: 0.1 million for investment performance Coveright) as well as variable components based on personal performance – these were also higher than in the previous year in view of the Company's improved general performance. The costs for salaries and social contributions declined. Expenses recognised for pension obligations were significantly lower. They decreased from 3.2 million euros to 0.3 million euros; in the preceding year, 1.5 million euros were recognised to account for a modification of mortality tables.

Other operating expenses: Decreased compared with the previous year

Other operating expenses amounted to 10.8 million euros in the financial year, or 3.2 million euros below those of the prior year (14.0 million euros). This item largely contains expenses for the management of investments, meaning the acquisition, monitoring and disinvestment of portfolio companies or fund investments. The largest position in other operating expenses is the external expenditures for screening investment opportunities (partly chargeable to the DBAG funds); these costs decreased from 5.3 million euros (2012/13) to 2.5 million euros (2013/14). Other operating expenses also include numerous smaller items pertaining to costs incurred in the ordinary course of business.

Net interest: Negative due to higher interest charges arising on pension obligations

Net interest was negative (-1.1 million euros; previous year: -0.5 million euros) and once again considerably lower than that of the preceding year. Slightly lower interest income of 0.7 million euros compared with the previous year (2012/13: 0.8 million euros) mirrors the current low interest rate level for short-term investments; balances on current accounts, for example, currently earn no interest at all. The decline in interest income is due to lower interest on tax refunds. Interest expenses (1.8 million euros, following 1.3 million euros) include interest on pension obligations.

Profit of 65.4 million euros for the year

Deutsche Beteiligungs AG posted an annual profit of 65.4 million euros for financial year 2013/14. The previous year's profit had totalled 35.6 million euros. The Company's return on equity was 23.2 percent. In the prior year, it amounted to 15.2 percent.

Retained profit of 92.3 million euros

Including the profit carried forward from the previous year and the dividend payment, the retained profit amounted to 92.3 million euros.

ASSET POSITION

The major asset positions of Deutsche Beteiligungs AG are **THE DIRECTLY HELD INVESTMENTS** that are shown in "Investments", in addition to **EQUITY SHARES IN ASSOCIATES**, which, for their part, hold further investments: until 2006, DBAG primarily held investments directly; since then, it holds its investments indirectly as a result of the structure of DBAG funds. Also, non-current assets include **INVESTMENT SECURITIES**; these securities constitute significant parts of the financial resources of Deutsche Beteiligungs AG. Together with cash and cash equivalents, these resources are available for future investment.

ABRIDGED BALANCE SHEET OF DEUTSCHE BETEILIGUNGS AG (BASED ON HGB)

T€	**2013/14**	2012/13
Equity shares in associates	128,013	121,134
Investments	19,900	43,279
Securities	97,073	57,570
Other non-current assets	1,455	1,307
Non-current assets	**246,441**	**223,290**
Receivables and other assets	27,309	18,010
Cash and cash equivalents	23,302	2,309
Current assets	**50,611**	**20,319**
Prepaid expenses	**344**	**385**
Miscellaneous assets	**1,908**	**3,231**
Assets	**299,304**	**247,225**
Subscribed capital	48,533	48,533
Capital reserve	141,394	141,394
Retained earnings	403	403
Retained profit	92,276	43,259
Equity	**282,606**	**233,589**
Provisions	**16,481**	**13,235**
Liabilities	**217**	**327**
Deferred income	**0**	**74**
Liabilities	**299,304**	**247,225**

In financial year 2013/14, shares in associated companies rose by 6.9 million euros, increasing from 121.1 million euros to 128.0 million euros. The gain is due to the investment in a new portfolio company (Unser Heimatbäcker), further capital calls for expansion capital investments (DNS:NET, inexio) and follow-on investments in existing investee businesses.

Following the disinvestment of Homag Group AG, the value of directly held investments declined significantly to 19.9 million euros (previous year: 43.3 million euros). Investments are made indirectly, write-ups are capped at acquisition cost, and there were no impairment losses to be recognised.

Investment securities increased in net terms by 39.5 million euros to 97.1 million euros.

Current assets: Significant increase due to higher cash position

Current assets rose significantly in the financial year: at 31 October 2014, they amounted to 50.6 million euros, a gain of 30.3 million euros on the previous year. Cash and cash equivalents accounted for nearly half of current assets at the reporting date; another constituent under this item was a receivable from a portfolio company arising from non-distributed profit entitlements.

Provisions: Higher than in the previous year

At the end of the period, provisions amounted to 16.5 million euros, or 3.3 million euros over those of the previous year (13.2 million euros). Provisions were chiefly made to cover performance-related income components; 4.2 million euros thereof are attributable to the reporting year, and 4.2 million euros were made over the last eight financial years, but are still subject to a payout stop.

FINANCIAL POSITION

Particularities in assessing financial position: Cash flow characterised by irregular outflows

The strong **FINANCIAL RESOURCES** reported at the end of the period of 120.4 million euros (investment securities of 97.1 million euros and cash and cash equivalents of 23.3 million euros) are available to meet investment commitments. Based on the investment progress planned for the coming three to four years, DBAG will have an average liquidity requirement of some 50 million euros annually; the actual requirement may fluctuate strongly.

Capital structure: No liabilities to banks

In financial year 2013/14, Deutsche Beteiligungs AG financed its activities from its available financial resources. At 31 October 2014, the Company reported equity of 282.6 million euros, which compares with 233.6 million euros at 31 October 2013; dividend payments to shareholders account for 16.4 million euros of that amount. The **CAPITAL-TO-ASSETS RATIO** of 94.4 percent (previous year: 94.5 percent) remained very high.

COMPARISON OF ACTUAL AND PROJECTED BUSINESS PERFORMANCE

Profit for the year: Profitable disinvestment leads to overachievement of forecast

The profit for the year of Deutsche Beteiligungs AG primarily depends on the extent to which larger capital gains on disposals have been achieved and whether material write-downs are to be recognised due to permanent impairment losses. The profit for the year of 35.6 million euros posted in 2012/13 stemmed primarily from a profitable disposal. We were unable to foresee at the beginning of the financial year whether such a disposal would be possible in 2013/14 as well. For that reason, we had forecast in 2012/13 that the profit for the year would clearly "fall short of that posted for the past financial year". Totalling 65.4 million euros, it is actually nearly double the previous year's profit, the reason being that the largest investment by far in the portfolio was sold highly profitably.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

After the end of the period, DBAG signed three agreements on investments alongside DBAG Fund VI.

Huhtamaki Films is a manufacturer and finisher of films. Huhtamaki Films has been a division of Finland-based Huhtamäki Oyi, which sold the division to the DBAG-advised DBAG Fund VI and the division's management in an MBO. DBAG will hold approximately 17 percent in Huhtamaki Films and invest up to 12.5 million euros. The company is headquartered in Forchheim, Germany.

The Pfaudler Process Solutions Group (Pfaudler) manufactures glass-lined reactors and components for the chemical and pharmaceutical industries. Pfaudler, with its head office in Schwetzingen, Germany, has been part of National Oilwell Varco, Inc., a US-based supplier to the oil and gas industries. DBAG Fund VI will initially acquire the group completely; it is planned to have its management co-invest in a management buyout. DBAG will hold approximately 15 percent in Pfaudler and invest proprietary capital of up to eight million euros for its stake.

Gienanth GmbH (Gienanth) is an iron foundry that manufactures products by hand-moulded and machine-moulded casting processes for the global market at two sites in Germany. DBAG Fund VI will initially acquire the company completely; Gienanth's management is expected to co-invest in a management buyout. DBAG will hold approximately 19 percent in the company and invest equity of up to 14 million euros in its stake.

ADDITIONAL STATUTORY INFORMATION AND COMMENTARY

REMUNERATION REPORT

Management remuneration: Geared to assignment, personal and company performance

The Supervisory Board decides on the remuneration framework and all remuneration components for the members of the Board of Management. Shareholders at the Annual Meeting approved the system in 2011. Total remuneration for the members of the Board of Management consists of the following components:

- a fixed annual salary,
- a variable annual bonus,
- variable remuneration components with long-term incentive effects,
- non-cash components, and
- where applicable, pension benefits.

Criteria for the appropriateness of remuneration levels are, in particular, the responsibilities of the respective Board of Management member, his/her personal performance, and the financial position, performance and prospects of Deutsche Beteiligungs AG. To that end, the structure and level of schemes common to the private equity industry, which are required to attract and retain qualified key personnel, are considered.

Insofar as the members of the Board of Management receive emoluments for offices held in other companies, these are transferred to DBAG. A severance pay cap is provided for in the service contracts of all Board of Management members. The D&O (Directors and Officers) liability insurance which the Company has taken out contains a deductible for the Board of Management members. No advances or loans have been granted to Board of Management members.

COMPONENTS NOT LINKED TO PERFORMANCE consist of a fixed base salary paid on a monthly basis and non-cash emoluments. Non-cash emoluments largely pertain to the value based on applicable tax rules for the use of a company car. In financial year 2013/14, they amounted to T€572 for Mr Grede, T€572 for Dr Scheffels, and T€316 for Ms Zeidler.

The annual bonus represents the **PERFORMANCE-RELATED REMUNERATION COMPONENT** for the members of the Board of Management. It is linked to the personal performance of the Board members over the past financial year and can generally reach half the fixed base salary. Personal performance is determined by the Supervisory Board at its equitable discretion.

As a **VARIABLE COMPONENT WITH LONG-TERM INCENTIVE EFFECTS**, the members of the Board of Management are also awarded a bonus that is based on the Company's performance over the reference period (the reporting year and the two prior financial years). The Supervisory Board determines the Company's performance based on the return on net asset value. Eligibility for a bonus starts when the return at least amounts to the cost of equity (currently 8 percent); the maximum amount is reached at 20 percent.

In its meeting on 18 November 2014, the Executive Committee of the Supervisory Board discussed the amount of both variable income components for financial year 2013/14 and recommended them to the Supervisory Board. The Supervisory Board approved the recommendation and fixed the variable remuneration for the three members of the Board of Management at a total of T€1,154. Of that amount, T€710 are attributable to the performance-related component and represent the maximum amount possible for each member of the Board of Management. The variable income component with long-term incentive effects was fixed uniformly at approximately 63 percent of the maximum amount possible and totals T€444.

Allowing the investment team to share in the long-term performance of investments is standard procedure in the private equity industry. To that end, the focus is commonly not on the performance of a single investment. Rather, the profit effects of a pool of investments made over a specific investment period are considered. This procedure therefore also reflects downside developments. For that reason, the remuneration for the Board of Management members who are concurrently members of the investment team consists of further variable components. These allow the Board of Management members to participate in the investment performance of DBAG and therefore have a long-term incentive effect. In the past years, the design of these variable components was adapted in conformity with the changed practice in the private equity sector. Currently, there are two models in place that are orientated around the relevant investment period:

- The profit-sharing scheme for investments entered into up to the year 2000 is geared to the return on net asset value of DBAG. Profit-sharing awards are only granted if the return on net asset value for the reporting year exceeds the mark of 15 percent before taxes and bonuses. The computation base of net asset value relates exclusively to investments included in this variable component, which chiefly consists of the investments in Homag Group AG (that part invested prior to 2007), in Grohmann GmbH and the Dr. Vogler Group. For current members of the Board of Management who concurrently are members on the investment team, the realisations of the investments in Homag and the Dr. Vogler Group have resulted in remuneration components of T€1,006 for financial year 2013/14. Only those current and former Board of Management members who joined DBAG prior to August 2000 receive this remuneration component. With the realisation of these older investments, this profit-sharing scheme has again declined in significance for the future.

- The scheme installed for investments made from 2001 to 2006 is common practice in the private equity industry. Profit-sharing awards are granted beginning at a minimum return on the investments of eight percent annually after calculatory costs of two percent. They are exclusively paid from realised profits. The entitlement of current Board of Management members under this profit-sharing scheme totals T€372 for financial year 2013/14, following T€74 for the previous year. Two thirds of these entitlements are paid after the close of a financial year. Entitlement to the remaining one third is subject to a final review after the disinvestment phase of all investments involved has been completed, and is paid in the amount of the remaining final entitlement.

Performance-related components of this kind will no longer be awarded for co-investments entered into since 2007, i.e., the commencement of the investment period of DBAG Fund V, nor for those that will be made in the future. The members of the Board of Management, who are also members of the investment team, have since then been sharing in the performance of these investments through a private co-investment. This is detailed in note 38 to the consolidated financial statements "Information based on IAS 24, Carried interest investments by key management staff".

The remuneration for current Board of Management members in financial year 2013/14 totalled T€3,992 (previous year: T€2,124) and is distributed over the individual components as follows:

	Component not linked to performance		Performance-related components		Components with long-term incentive effects		Total	
T€	**2013/14**	2012/13	**2013/14**	2012/13	**2013/14**	2012/13	**2013/14**	2012/13
Torsten Grede	572	535	280	241	910	59	1,762	835
Dr Rolf Scheffels	572	515	280	280	818	14	1,670	809
Susanne Zeidler	316	300	150	180	94	0	560	480
Total	**1,460**	**1,350**	**710**	**701**	**1,822**	**73**	**3,992**	**2,124**

Follow-on emoluments of former Board of Management members arising from performance-linked profit-sharing schemes for older investments (investments entered into up to 31 December 2000 and from 2001 to 2006) amount to a total of T€1,479.

Pension arrangements: Two models

Pension commitments to members of the Board of Management are based on two models. Commitments to Board of Management members initially appointed to the Board up to 1 January 2001 provide for defined annual pension benefits. Members appointed later to the Board participate in a contribution plan. This plan is also applicable to other staff of Deutsche Beteiligungs AG; it has been closed to employees exempt from collective agreements and members of the corporate bodies since the beginning of financial year 2004/05. Board of the Management members appointed for the first time to the Board since then do not receive pension benefits.

Pension arrangements for Torsten Grede provide for defined annual pension benefits; they amount to T€87. Dr Rolf Scheffels participates in a contribution plan: for each year of service, a one-time pension contribution is paid that is measured by a percentage of the total compensation paid for that year. The annual retirement benefit component amounts to 0.75 percent of total compensation, and six percent on those parts of the emoluments exceeding the income threshold set by the state pension plan, each multiplied by an age factor that decreases with increasing age. The annual contribution for Board of Management members is based solely on the fixed salary. The accrued pension capital for Dr Scheffels is capped at a contribution that corresponds to an annual pension entitlement of T€87. At 31 October 2014, the cap did not have an effect. The pension capital for Dr Scheffels at 31 October 2014 amounted to T€2,010 (previous year: T€1,419).

More information in the notes to the consolidated financial statements, note 30 "Pension obligations and plan assets"

	Service cost		Present value of the defined benefit obligation	
T€	**2013/14**	2012/13	**31 Oct. 2014**	31 Oct. 2013
Torsten Grede	62	41	1,522	1,024
Dr Rolf Scheffels	54	46	1,154	920
Total	**116**	**87**	**2,676**	**1,944**

This past financial year, the sum of T€842 (previous year: T€727) was paid to former Board of Management members or their surviving dependents. The present value of pension obligations to former Board of Management members or surviving dependents totalled T€23,266 at the end of the reporting period (previous year: T€20,020).

Supervisory Board compensation: New scheme applied for the first time

The remuneration for members of the Supervisory Board is determined by shareholders at the Annual Meeting. In financial year 2013/14, it was based for the first time on a resolution passed at the Annual Meeting on 26 March 2013 and consisted of two components: an annual fixed fee of T€50 and bonuses for the chairmanship, vice chairmanship and committee membership. In the preceding 2012/13 financial year, the annual fixed fee had amounted to T€30; the performance-related component contained in the former scheme did not fall due in 2012/13.

The Chairman of the Supervisory Board receives a maximum of twice the fixed fee, irrespective of his membership on various committees. The Vice Chairman of the Supervisory Board and the Chairman of the Audit committee receive a maximum of one and a half times the fixed fee. Membership on the Executive Committee is compensated by one quarter of the fixed fee.

Remuneration paid to members of the Supervisory Board totalled T€388 in financial year 2013/14 (previous year: T€233). It was distributed as follows:

T€	Fixed fee	Bonus	Total
Andrew Richards (Chairman)	50	50	100
Roland Frobel	50	0	50
Wilken von Hodenberg	50	0	50
Philipp Möller	50	13	63
Dr Hendrik Otto	50	0	50
Gerhard Roggemann (Vice Chairman)	50	25	75
Total	**300**	**88**	**388**

The arrangements for the remuneration of the Supervisory Board are presented on the Internet at www.deutsche-beteiligung.de/corporate-governance

In financial year 2013/14, members of the Supervisory Board did not receive fees for consultancy services.

TAKEOVER-RELATED DISCLOSURES (§ 289 (4) AND § 315 (4) GERMAN COMMERCIAL CODE – HGB

The share capital of Deutsche Beteiligungs AG amounted to 48,533,334.20 euros at the end of the reporting period on 31 October 2014. It is denominated into 13,676,359 no-par value registered shares. Arithmetically, the capital attributable to each share is approximately 3.55 euros. Various classes of shares do not exist. All shares carry the same rights and obligations. Except for any possible own shares on which the Company is not entitled to exercise rights, each no-par value share carries one vote. The right to vote begins when the shares are paid in full. Rights and obligations attached to the shares ensue from the statutory provisions, in particular §§ 12, 53a ff., 118 ff., and 186 German Stock Corporation Act (AktG).

In August 2012, the Company was notified in accordance with § 21 German Securities Trading Act (WpHG) that 25.04 percent of the voting rights and the share capital were held directly by Rossmann Beteiligungs GmbH, Burgwedel, Germany, and indirectly by Mr Dirk Rossmann, Germany. The voting rights held by Rossmann Beteiligungs GmbH are attributable to Mr Dirk Rossmann in accordance with § 22 (1) sentence 1 No. 1 of the German Securities Trading Act (WpHG). A decontrol agreement has existed between Deutsche Beteiligungs AG and Rossmann Beteiligungs GmbH since March 2013. According to the agreement, Rossmann Beteiligungs GmbH undertakes to exercise, for resolutions concerning the election or dismissal of Supervisory Board members, the voting rights attached to shares in DBAG attributable to the Rossmann group as a whole, now and in the future, within a scope of no more than 45 percent of the voting capital present at an Annual Meeting. The agreement is valid for a term of five years. The Board of Management knows of no other restrictions relating to voting rights or the vesting of shares.

In accordance with the Articles of Association of DBAG, the Board of Management consists of at least two individuals. Its actual number of members is determined by the Supervisory Board, which, pursuant to § 84 (1) German Stock Corporation Act (Aktiengesetz – AktG), appoints the members of the Board of Management for a maximum period of five years. A reappointment or prolongation for a maximum period of five years is admissible. A simple majority of the votes cast is required for appointments of members to the Board of Management. In the event of an equality of votes, the Chairman of the Supervisory Board has the casting vote (§ 11 (4) of the Articles of Association). In accordance with the Articles of Association, the Supervisory Board may exempt all or individual members of the Board of Management, in general or in individual cases, from the restrictions in § 181 German Civil Code (Bürgerliches Gesetzbuch – BGB). To date, no use has been made of these provisions. Based on § 84 (3) German Stock Corporation Act, the revocation of an appointment is only admissible for reasonable cause.

Amendments to the Articles of Association may be adopted pursuant to the provisions of §§ 179, 133 of the German Stock Corporation Act (AktG) and to § 5 (3) and (4) and § 17 of the Articles of Association. The Articles of Association of DBAG make use of the option to deviate from the required majority as stipulated by law and provide for basically adopting resolutions at the Annual Meeting by a simple majority of votes and, insofar as a majority of the share capital is required, by a simple majority of the share capital, except where the law or the Articles of Association determine otherwise. The Supervisory Board may adopt amendments to the Articles of Association that relate merely to the wording.

At the Annual Meeting on 23 March 2011, the Board of Management was authorised, in accordance with § 71 (1) No. 8 German Stock Corporation Act (AktG), to purchase own shares of up to ten percent of the share capital up to and including 22 March 2016. The Board of Management may choose to acquire shares via the stock exchange or via a tender offer to all shareholders or an invitation to submit such a tender.

The Board of Management is authorised, subject to consent by the Supervisory Board, to resell own shares, for example, as consideration in conjunction with corporate acquisitions or mergers or acquisitions of investments in enterprises under suspension of shareholders' pre-emptive rights in other ways than via the stock exchange or by a public offer to all shareholders.

Pursuant to the resolution adopted at the Annual Meeting on 24 March 2010, the Board of Management has been authorised, with the consent of the Supervisory Board, to raise the share capital until 23 March 2015 by up to a total of €24,266,665.33 (Authorised Capital 2010) through one or several issues of new registered no-par shares in exchange for cash and/or non-cash contributions. Shareholders shall principally be granted subscription rights. The Board of Management is, however, authorised to exclude shareholders' pre-emptive rights in certain instances and within a certain capital range.

In conjunction with the authorisation adopted at the Annual Meeting on 24 March 2010 concerning the issuance of warrant-linked bonds and/or convertible bonds with the option of excluding shareholders' pre-emptive rights in certain instances and within a certain capital range, the share capital of the Company may be conditionally raised by up to €24,266,665.33 euros through the issuance of 6,838,179 new registered shares to holders or creditors of warrant-linked bonds and/or convertible bonds who exercise their option or conversion rights or fulfil their conversion obligations (Conditional Capital 2010/I).

These authorisations are detailed in the respective resolutions passed at the Annual Meetings mentioned above. In the reporting year, the Board of Management did not make use of the authorisations.

For details on the authorisations: www.deutsche-beteiligung.de Agenda for the Annual Meetings on 24 March 2010 and 23 March 2011

The members of the Board of Management do not have a special right to terminate their service contracts in the event of a change of control at Deutsche Beteiligungs AG. In this event, they are also not entitled to severance payments based on compensation agreements.

CORPORATE GOVERNANCE STATEMENT (§ 289A GERMAN COMMERCIAL CODE – HGB)

The Corporate Governance Statement pursuant to § 289a HGB is permanently accessible at our website in section *Investor Relations* under *Corporate Governance* (www.deutsche-beteiligung.de/management-declaration). It contains the Declaration of Conformity to the German Corporate Governance Code in accordance with § 161 German Stock Corporation Act (Aktiengesetz – AktG), information on corporate governance practices and the responsibilities and processes of the Board of Management and the Supervisory Board. The Corporate Governance Statement and, in that context, the other statutory information on corporate governance are an integral part of the audited combined management report.

OPPORTUNITIES AND RISKS

OPPORTUNITY AND RISK MANAGEMENT SYSTEM

Objective: Optimise the reward/risk profile

The business policy of Deutsche Beteiligungs AG is targeted at increasing the value of DBAG by making profitable investments in portfolio companies. In other words: we take advantage of opportunities to invest in promising companies. To exploit these opportunities, it is crucial to have an effective opportunity management system in place, for instance, through ongoing market observation and structured analysis of identified and feasible potential investments.

Our risk management system has the objective of providing a comprehensive overview of the Group's risk profile. Events involving material negative financial effects for the Group in particular must be recognised promptly so that we can define and take counteraction to avoid, mitigate or manage these risks.

The management of opportunities and risks is our daily routine: we understand it as an integrated continual entrepreneurial process. The objective is to optimise the reward-risk profile. Risk that endangers the continuity of the Company must be avoided.

Strategy: Appropriately monitor all phases of investment activity

The purpose of the risk management system is to identify, analyse, control and monitor risk exposure. In that context, the individuals responsible develop recommendations on the design of risk management processes, on an appropriate estimation of business-specific rewards and risk, and on utilising opportunities and risk.

Key risks and opportunities in our business relate to the four phases involved in our investment activities: the identification, acquisition, holding and disposal of investments. The management of opportunities and risks therefore considers detailed information from the operating business of the investment team in the analysis. Optimising the opportunity-risk profile begins when screening potential investments and extends to applying suitable instruments in monitoring and supporting our portfolio companies – the core of our operational business.

Structure: Board of Management directly responsible

The basis of the risk management system is a risk management manual, which, we believe, depicts and analyses exposure to all major risks. We document the specified action to control and monitor these risks. This is firmly embedded in the Group's workflows and achieved through organisational directives and the definition of processes. Additionally, there are numerous instruments and measures that we employ to monitor and manage specific entrepreneurial opportunities and risks. Risk management is the direct responsibility of the Board of Management: a risk manager has been appointed who reports directly to the CFO.

Processes: Board of Management regularly assesses opportunities and risks

The monitoring, adaptation and optimisation of the risk management framework are the responsibility of a risk manager, who reports to the responsible Board of Management member. The results of ongoing risk surveillance are presented to the complete Board of Management in a quarterly risk management report. Significant risks that emerge unexpectedly – for instance, from certain portfolio companies – must be reported immediately.

The Board of Management is directly involved in an appropriate evaluation of risks and opportunities and how they are addressed. It regularly reviews whether assessments have changed and which action is to be taken in response. Basically, a member of the Board of Management, who is also a member of the investment team, is assigned to every portfolio company. This ensures that the entire Board of Management gains direct and prompt knowledge of any new developments in respect of opportunities and risks.

The Board of Management comprehensively informs the Supervisory Board at least on a quarterly basis about the Company's risk exposure and that of its investee businesses. In the event of an unexpected and material change in the exposure to risk, the Board of Management informs the Supervisory Board immediately.

INVESTMENT STRATEGY ALIGNED TO OBJECTIVES

Deutsche Beteiligungs AG basically invests only in established companies with proven business models. Our investee businesses should have a leadership position in their – possibly very small – market.

Co-investments in the form of expansion financings can generate a part of the earnings that are achievable from these investments as dividends or interest during the holding period. By contrast, the main part of the profit from MBOs is generally realised at the end of the investment phase. The majority shareowner in an MBO is able to exert greater control. Based on our estimation and experience, expansion capital investments tend to have a lower risk profile than MBOs, since these target companies generally have lower levels of debt. Correspondingly, we expect somewhat lower returns on these investments.

The development of individual investee businesses directly affects the performance of the Company. Should an individual portfolio company exhibit a negative business trend and its value be impaired, such developments must not put the Company itself at risk. We therefore principally limit the amount invested in any one investment. The acquisition cost should not exceed ten percent of the Company's equity at the time of the investment. An asymmetrical development in the value of individual investments could, however, cause the value of an individual portfolio company to total more than ten percent of DBAG's equity.

DBAG focuses on investments in larger companies. Experience has shown that such companies tend to have a seasoned management team, a solid market position and are generally more stable, for instance, because they operate globally. Co-investments in larger companies will therefore tend to mitigate risk. Acquiring larger companies, and at the same time diversifying the portfolio by sectors, customer markets and business models by investing in many such companies, requires a broad capital base. DBAG achieves this together with the DBAG funds.

A diversified portfolio – both in terms of the number of investments and of various business models – not only mitigates risk, it also creates opportunities. DBAG primarily invests in companies with promising development potential. Such companies can be found in various sectors of Germany's "Mittelstand". In addition to strongly cyclical business models, there are companies that serve relatively stable consumer demand and thereby mitigate the effects of cyclical swings. Nonetheless, the portfolio is focused on certain sectors. For instance, companies operating in the mechanical engineering and plant construction sector accounted for a significant proportion of 49 percent of the total portfolio. These mechanical engineering and plant construction companies, however, operate in very different niche markets and geographical regions so that, in our opinion, no particular sector risk exists.

Although the concentration in DBAG's portfolio declined this past financial year, 53.2 percent of the portfolio value related to only five investee businesses at the reporting date. However, in view of the high proportion of liquid funds at the reporting date in relation to equity and the smaller share of financial assets, we consider the risk arising from this concentration as being acceptable.

We generally enter into our co-investments without there being an obligation to provide follow-on financing for portfolio companies in times of crisis. Nevertheless, this could become advisable in certain instances for a number of reasons, such as ensuring earnings opportunities or for reputational reasons. We cannot exclude that such follow-on financings may become necessary in the future. In assessing a portfolio company's additional funding needs, we apply the same criteria as we do for new investments. However, additional aspects may be relevant for the decision. In certain circumstances, the risk profile for follow-on funding may be greater than for new investments.

DESCRIPTION OF RISK FACTORS

	Probability of occurrence	Possible financial effects	Risk exposure vs. previous year
External and sector risks			
Economic cycles	likely	significant	increased
Changes in legal and taxation framework	possible	moderate	unchanged
Strategic and operational risks			
Access to investment opportunities	possible	significant	unchanged
Performance of portfolio investments	possible	significant	unchanged
Fundraising	possible	significant	unchanged
Personnel risks	possible	significant	unchanged
Operational risks	unlikely	significant	reduced
Financial risks			
Equity for the financing of investments (liquidity)	unlikely	significant	unchanged
Availability of acquisition finance	possible	significant	unchanged
Currency and interest rate risks	possible	moderate	increased

In the estimation of the Board of Management, the risk factors described in the following could have a significant negative impact on the asset, financial and earnings position of Deutsche Beteiligungs AG, the price of DBAG shares and the Company's reputation. Other risks that may be unknown or currently regarded as insignificant could also affect DBAG's performance. Also described is how these risks are addressed by the opportunity and risk management system.

EXTERNAL AND SECTOR RISKS

Economic cycles: Selective investment process to mitigate risk exposure

The development of our portfolio companies is influenced by a variety of market factors. These include geographical and sector-related economic cycles, political and financial scenarios as well as commodity prices and currency rate trends. The performance of our portfolio companies – specifically, their earnings and financial position – determines the development of the investments' fair value which, in turn, has a direct impact on the Group's earnings and financial position. Additionally, valuation ratios in the equity and financial markets are mirrored in the measurement of the fair value of our portfolio companies.

Information on the holding periods of current investments page 73

These market factors sometimes change at very short notice, and our ability to address them may, of course, be limited. Short-term results, however, are not decisive for success in private equity. Our investment decisions are based on strategic plans that target value creation over a span of several years. The holding periods for investments generally extend beyond the length of individual cyclical phases. We held the investments (MBOs and expansion financings) that were realised over the past ten financial years for an average of about five years.

We address the opportunities and risks involved in economic cycles through a careful selection of portfolio companies. The basis for this is our investment strategy. However, our investment decisions are also driven by other specific considerations – not least by the purchase price for new investments, which must hold out prospects of achieving returns on the investment commensurate with the risk involved.

Subsequent to Schülerhilfe in the prior financial year, Unser Heimatbäcker is the second company that has a stronger focus on the German domestic market and consumer demand than a number of our other portfolio companies. Moreover, both sectors – tutoring services and bakeries – are considered stable and non-cyclical. In contrast, the businesses of most of our portfolio companies are internationally diversified and have different geographical focuses. Specific country-related economic trends should, as a rule, normally not materially impact the performance of the total portfolio. However, in times of massive global downturns, negative impacts on the portfolio companies and their valuation may be unavoidable.

We do not expect such a massive downturn at the moment; however, we do see risks for the economy in the coming twelve months. Among them are an aggravated geopolitical environment, persistent weak growth in Europe and in many growth countries, as well as the interest rate policy of central banks. The political conflicts in Eastern Europe have already entailed economic sanctions, and in a number of regions in the world there are militant conflicts that threaten to escalate. In major member states of the European Union (France, Italy), business dynamism is weak. Growth has slowed down in Germany as well. If the low-interest-rate policy of key central banks were to be ended, this could – depending on the timing and design of the interest turnaround – harbour the risk of major macroeconomic distortions and greater volatility in the stock markets.

Legal and taxation framework: Greater legal certainty following registration as an AIF management company

Our business is subject to many different regulatory and fiscal influences. These have an effect on the immediate investment business as well as on opportunities to raise, manage and advise funds. This gives rise to risks, but occasionally may also create opportunities for the Company.

We successfully completed the registration process pursuant to the German Investment Code (KAGB) in July 2014 and have since been registered as an AIF management company. However, there is still a certain degree of legal uncertainty about the interpretation of this very new law issued by the German Federal Financial Supervisory Authority (BaFin). The KAGB sets out new regulations on the marketing of shares in funds. The extent to which this will entail material hindrances when raising the next DBAG fund, is not completely foreseeable at the moment. Furthermore, the interplay between the KAGB and the German Special Investment Company Act (UBGG) has not been conclusively clarified and also requires an interpretation on the part of two different supervisory authorities – the Ministry of Economics of the State of Hesse for UBGG, and BaFin for KAGB.

The directive by the European Commission on a reform of insurance and reinsurance regulations in Europe defines, among other things, the solvency requirements and risk management for the insurance industry. This directive (Solvency II) has not yet been transposed into national law, but is to take place by the end of March 2015, with application of the new rules starting in 2016. It cannot be excluded that it may then become more difficult for insurance companies to invest in private equity funds. Insurance companies, however, only represent a (small) part of potential investors in private equity funds. Company pension schemes and pension funds are not affected by the directive. On the other hand, insurance companies could then transact their private equity investments through public companies; this could create opportunities for additional demand for DBAG shares.

Fundamental changes to tax legislation that would lead to taxes being imposed on foreign partners of German fund companies would have serious disadvantages for DBAG. International investors could, for instance, make private equity investments in Germany through competitors of Deutsche Beteiligungs AG who invest in Germany via foreign fund structures. This would impact the Company's ability to raise capital for parallel investment funds. Adverse taxation conditions could therefore compel us to make radical structural changes. This might include relocating the Company's domicile.

Risks may also ensue from foreign-based legislation that regulates financial investors, fund investors or funds. Particularly in the aftermath of the most recent financial crisis, rules have been changed, such as in the United States. At present, however, there is no indication that the Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA) or the Foreign Account Tax Compliance Act (FATCA) would restrict our business activity.

We regularly review amendments to legal frameworks on the marketing of our shares. DBAG shares are not affected by the restrictions of the British Financial Conduct Authority for non-mainstream pooled investments.

STRATEGIC AND OPERATIONAL RISKS

Access to investment opportunities: Tapping deal sources

Access to new investment opportunities is of key significance for our operations. Without a sufficient number of attractive investment opportunities we would be unable to successfully pursue our business model. Investors in DBAG funds expect investment activity to progress in a way that is commensurate with the committed fund size. If a part of the committed assets were not invested within the fixed investment period, this would diminish chances for raising a successor fund. The follow-on fund might then either be smaller in size, or, at worst, no new fund would come to pass at all. Fund investors in existing funds would possibly also want to lower fees for investment services to the funds.

However, we have no influence on developments in the private equity market. Recently, the competitive environment has changed: with a view to the persistent low-interest-rate phase and the abundant stream of capital associated with it, financial investors are not only competing with strategic investors, but, increasingly also with foundations and family offices seeking more profitable investment opportunities.

Our ability to mitigate the risks arising from a decline in the number of potential transactions is very limited. We address this risk, among other things, by originating transaction opportunities through a proprietary deal flow. That gives us greater independence from general market trends and increases the probability of completing transactions.

Our success also depends on gaining early knowledge of potential transactions in our market. We have built the resources and instruments to ensure a prospective high-quality deal flow.

In seeking informational leads, DBAG utilises existing contacts that stem from its long-standing market presence. We attach great importance to cultivating our network, which consists of board members, senior executives and partners of former portfolio companies, representatives of banks, consultants, attorneys and auditors. The network also includes a circle of experienced sectoral experts. In regular meetings with the members of our network, we regularly discuss transaction opportunities in specific core sectors, such as in mechanical engineering or the automotive supplier industry. Of particular significance is our investment team; boasting 23 members (including the two Board of Management members); it is one of the largest in our segment of the market. Targeted public relations activity and cultivation of our network assist in augmenting awareness of DBAG and strengthening our market presence. Compared with its mostly unquoted competitors, DBAG profits from its stock market listing. It creates higher awareness of DBAG's activities among the general public and allows potential investment partners to gain insight into the investor. Moreover, the transparency and regulation linked to a stock market listing help to build confidence.

Performance of investments: Addressed through close monitoring

Current income from the portfolio companies (dividends, profit distributions or interest income) is momentarily of subordinate importance for the performance of DBAG. This is rarely an issue in structuring MBOs; it can, however, play a greater role in expansion financings. DBAG's strategy is primarily focused on increasing the value of the portfolio companies. A key business-linked risk is therefore attached to the portfolio companies' performance. In extreme cases, this could lead to a total loss of the capital invested and possibly entail further adverse consequences, such as a loss of reputation.

We address this risk by a comprehensive set of instruments: we work on projects in project teams consisting of a number of staff and always involving a member of the Board of Management. We follow defined processes during the acquisition, holding and realisation phases. These measures are aimed at ensuring professional, systematic processes. They are designed to set the platform for successful purchasing and selling decisions. Moreover, we want to respond quickly both to developments that may either endanger the targeted value growth or possibly create opportunities for additional value appreciation.

During the acquisition phase only such investment projects are pursued as conform to our investment strategy. An exacting due diligence investigation precedes every investment decision or recommendation. This may include mandating external consultants. These procedures serve to identify the opportunities and risks inherent in an investment decision or recommendation with a high degree of certainty. We endeavour to limit, redeploy or otherwise mitigate exposure to risk. This is achieved, for instance, through the appropriate formulation of contract terms, warranty agreements or insurances.

We ordinarily finance our investments through equity and – for buyouts – bank loans. Beyond that, additional funding sources may be used, such as mezzanine capital and vendor loans. Structuring the financing is a key component in the acquisition phase. This is where all findings gained in the due diligence process and in developing the corporate plan are considered.

We attach great importance to a robust financing structure and therefore compile a detailed model calculation ahead of an investment. Debt levels should leave scope for the company to develop as projected and to service its debt. The financing should contain reserves in the event of the company's underperformance.

During the development phase, meaning the holding period, we render our support primarily by taking offices on supervisory boards or advisory councils. The portfolio companies' monthly financial metrics are processed in a standardised controlling procedure. The investment-controlling unit analyses the data independently. We review and discuss projects based on quarterly reports. We discuss events and developments of topical importance in meetings of the Board of Management and in the investment team's project meetings.

We create the platform for an investment's successful development as early as the acquisition phase. That includes considering who might be an interested party for the portfolio company at the end of the development phase that we supported. If DBAG and the DBAG fund merely hold a minority position, agreements on the ways and terms of ending the investment are regularly made at the onset of the investment. We will only enter into investments in portfolio companies whose development is assessed to be sustainably positive, where we can expect sufficient buying interest on the part of trade buyers or financial investors, or where prospective eligibility for flotation exists. Realisation opportunities are regularly discussed during the quarterly reviews of the portfolio companies' performance.

The risk management instruments currently employed are, in our opinion, suited to ensuring early identification of possible negative developments in portfolio companies, thus allowing for any necessary counteraction to be taken. Concurrently, these instruments should enable us to identify opportunities that contribute towards optimising the performance of investments. These instruments, for example, include capital increases to enable the purchase of a complementary business, or adjusting the capital structure by a dividend distribution.

Fundraising: Track record a prerequisite for future DBAG funds

Advantages of investing alongside DBAG funds page 56/57

We will only be able to pursue our strategy in its present form in the long term, if we succeed in soliciting capital commitments to DBAG funds. This requires the ability of the Company or its investment team to boast a positive track record in making private equity investments that have generated attractive returns on the invested capital, which depends on the absolute performance of the investment and on the investment progress of a fund. Other key aspects from the investors' point of view are the stability and experience of the investment team. Also of influence are the overall economic environment, sentiment in the equity markets and readiness on the part of private equity investors to make new capital commitments. We recently succeeded in keeping key parameters used to determine the fees for advising the funds stable. However, it cannot be ruled out that investors in follow-on funds will want to negotiate lower fees in some years' time.

DBAG Fund VI, which currently invests in MBOs, has capital commitments from external investors of 567 million euros. The investment period began in February 2013, or less than two years ago. In a sector comparison, investors rate the two predecessor funds, DBAG Fund V and DBAG Fund IV, a success. The DBAG Expansion Capital Fund has only completed about half of its investment period. Thus, there are sufficient assets available for at least the next two years. Consequently, there is currently no identifiable risk for DBAG arising from competition for new capital commitments.

DBAG is a co-investor in relation to DBAG funds. Compared to DBAG, the DBAG funds provide the larger part of the capital. They have own structures that take decisions on acquisitions and disposals. DBAG has committed to enter into co-investments alongside the DBAG funds. This co-investment activity can, however, be terminated unilaterally by DBAG; in that scenario, however, DBAG would forfeit the opportunity of co-investing alongside the respective fund and would not have an influence on the management of the vintage portfolio entered into jointly with the respective fund.

A Group company in which DBAG as a managing limited partner holds a 20 percent interest receives a profit priority share from the respective funds for investment services. DBAG is entitled to the full profit priority share of this Group company. The management position of Deutsche Beteiligungs AG may be revoked. Exposure to risk stemming from the revocation of contractual relations is currently deemed to be very low. Rules governing the revocation of management authority for DBAG Fund V, DBAG Fund VI and the DBAG Expansion Capital Fund are presented in the notes to the consolidated financial statements in section "Related party transactions".

Personnel risk: Retaining highly qualified staff through competitive incentive systems

Performance in private equity is closely linked to the people acting in the field. This holds particularly true for the investment team. Our business is highly specialised, and in our lean organisation the contribution made by every single individual is important. For that reason, other corporate services that support the investment business also require highly qualified and motivated staff.

The Company boasts a very loyal staff. At the end of financial year 2013/14, the staff (without apprentices) had an average of eight years of service; the investment team members have also been with the Company for an average of more than eight years.

We address the risk of staff fluctuation by fostering a motivating corporate culture and systematically developing the skills and knowledge of our people. We regularly offer (individualised) training programmes and provide monetary incentives through, for instance, variable income components. The comparatively small number of staff allows us to align assignments and development potential to the needs and capabilities of each of our people.

To be able to meet potential human resources needs, we regularly follow personnel movements in our sector. In view of the Company's current staffing, we do not expect bottlenecks to occur over the short or mid-term.

Operational risk: Regular IT security audits against cyber attack

Operational risk plays a subordinate role in view of the relatively low number of administrative transactions, the relatively small number of staff and the involvement of several people in larger transactions. Exposure to operational risk is largely avoided through appropriate organisational procedures. For instance, our liquidity management requires that larger drawdowns of liquid funds be made jointly by two members of the Board of Management, up to a specified base liquidity limit.

Other operational risks relate to corporate services that support the investment business. These include the organisational units of finance, human resources, legal and fiscal, organisation/IT and public relations/investor relations. We ensure proper organisational workflows in these corporate sectors through a sufficient number of qualified people and the provision of suitable equipment and financial resources. This past financial year we started a project aimed at assessing and improving the processes in these areas. First steps have already been taken, but the project has not yet been completed.

Our business not only requires suitable software and hardware, but also data security, data access by authorised persons at any time and protection against unauthorised data access. DBAG has its own qualified IT specialists; they are supported by external consultants, if needed. In addition to standard software for our office communication, we use further applications for special purposes, such as accounting, investment controlling and customer relations management (CRM). If necessary, we have standard software adapted to meet our requirements. The software we use is continually updated and upgraded. Data is saved by daily back-ups and additionally by secured data archiving. Redundant server architecture warrants permanent access. Sensitive data is protected by a comprehensive access authorisation system.

DBAG attempts to respond to the continually growing IT risk by, among other things, regular external reviews. In an additional security audit in October 2014, consultants verified that, in their opinion, DBAG's network is sufficiently protected against cyber attack. In light of the audit findings, the Company believes that there are no risks that would endanger operations.

FINANCIAL RISKS

Equity for the financing of investments: Sufficient financial resources available

Cash outflows to finance investments in portfolio companies as well as cash inflows from the investments – in particular, sales proceeds – constitute the main treasury activities at DBAG. These transactions cause irregular payment flows that are hardly calculable: neither are investments in portfolio companies in terms of their timing, number or amounts foreseeable, nor do we know when an investment will be exited. The Company aims to have sufficient financial resources available at all times in order to accommodate its portion of the finance for investment transactions. This requires Deutsche Beteiligungs AG having access to financial, credit and stock markets, if appropriate.

There is currently no recognisable risk arising from the funding of the Group. By continually addressing and maintaining contacts with existing and potential investors as a core activity of investor relations, we aim to create the platform for DBAG to access the stock market in order to generate additional equity, if necessary.

We chiefly hold our liquid reserves in the form of public-sector securities or of other issuers with highest credit ratings and – from case to case – in time deposits with banks, whose credit standing we consider to be good, based on their ratings. In view of its sizeable cash and securities position, the Company currently does not require credit facilities.

Availability of debt finance for acquisitions: Acquisition loans not a limiting factor

Loans furnished by banks or funds are used – as is customary in the private equity sector – to finance MBOs. Acquisition finance is therefore required in adequate amounts and at acceptable terms to finance investment projects. Apart from the financing structure of a transaction, lines of credit are also required for capital expenditures and for financing portfolio companies' business operations. Loan facilities depend on the economic environment and conditions in the credit markets; DBAG has no direct influence on these.

We aim to have banks and other financial partners see us as professional, sound and dependable partners. Our risk-conscious and analytical procedures in selecting and structuring investment projects support the readiness of banks to extend facilities. Focusing in our investment strategy on established companies, whose operations, in our opinion, have a comparatively low risk profile, also serves that purpose.

This past financial year, acquisition finance for our line of business – i.e. mid-market MBOs in select sectors and with moderate debt levels – was not a limiting factor. Beyond that, our financial resources occasionally allow us to initially fund an investment completely from equity and then arrange the debt financing after agreeing on the investment. Moreover, we should also stand to profit from our long market presence and good relationships with many banks when competing for lending facilities in the future. We therefore assess the risk of insufficient availability of debt financing for us as being low.

A possible restrictive policy on the part of banks in funding acquisitions can also hamper our activities in the event of a proposed disinvestment. Financial investors are regularly among the potential buyers for our investments, who for their part also depend on a sufficient supply of acquisition finance. Low availability of finance influences their investment behaviour and, consequently, the sales proceeds we are able to achieve.

A restrictive lending policy in the banking sector may also tend to encumber the portfolio companies' operational and strategic development. Portfolio companies can also be directly affected when clients cut down on capital expenditures or do not place orders due to lack of funding. On the other hand, this also creates opportunities. Such situations can trigger demand for expansion funding, which we provide through the DBAG Expansion Capital Fund.

We expect that the supply of debt financing will remain constant and therefore at adequate levels for our requirements. However, we are not in a position to make reliable predictions on the future availability of borrowings.

Currency and interest rate risks

Disclosures on financial risks: Notes to the consolidated financial statements page 168

Exchange rate fluctuations, such as between the euro and the US dollar, have increased over the course of 2014. We therefore assess the currency risk as being greater than a year ago. The management, extent and sensitivity of currency and interest rate risks are detailed in section "Additional notes" in the notes to the consolidated financial statements. We refer to the information disclosed there.

DESCRIPTION OF OPPORTUNITIES

Opportunities inherent in external and sector changes

The value of our portfolio companies at a specific reporting date is significantly influenced by stock market conditions. This was again evidenced this past financial year: 8.2 million euros of the net result of valuation and disposal are attributable to higher stock market multiples and thereby to improved confidence on the part of market participants. Should the optimism in the stock markets continue to grow, this would lead to higher valuations, which, in turn, would have an influence on our valuations.

In view of the persistent low-interest-rate policy, we would not rule out that monetary flows will continue to be channelled into the stock markets and drive prices there. Should higher valuation levels also strike the M&A business, this could possibly lead to higher capital gains on disposals of our investments.

Strategic and operational opportunities

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 for DBAG from its sizeable financial resources, which enable DBAG to make financing commitments under its own steam.

We continued to pursue a project in 2013/14 aimed at analysing our internal processes. The project accounts for the growth Deutsche Beteiligungs AG has exhibited in the past years: the investment team was expanded, and, since 2011, DBAG has managed or advised two funds that are concurrently in their investment phase. Based on the analysis, options for optimising our processes were identified, which we began to implement in 2013/14. After completion of the project, we may, for instance, be able to tap additional proprietary transaction opportunities or assess potential investments more specifically.

Opportunities arising from changes in financing conditions and exchange rates

Deutsche Beteiligungs AG had financial resources of 150.7 million euros at the end of the period; these are largely invested at fixed interest rates. However, a part of these resources yields interest at the three- or six-month EURIBOR rate. Should these rates rise by one percentage point, this would result in interest income – irrespective of possible outflows of funds due to our investment activity or a dividend payment. An overall higher interest rate level would also allow us to reverse part of our pension provisions; this would increase the net asset value per share through higher other comprehensive income.

A lower interest rate level, on the other hand, could decrease the cost of acquisition finance; this would improve the return on debt-financed investments.

In addition to unchanged stock market ratios, our forecast also implies stable currency rates. Approximately 19 million euros of the portfolio value at 31 October 2014 are attributable to investments denominated and valued in US dollars. For example, an increase in the exchange rate of the US dollar against the euro would, viewed in isolation, trigger a positive valuation movement of 1.9 million euros.

GENERAL STATEMENT ON OPPORTUNITIES AND RISKS

Continuity of Group not at risk; no exceptional opportunities

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. An assessment of the exposure to risks is presented in the overview on page 111 of this combined management report. Neither do we currently recognise any exceptional opportunities.

There was no material change in the exposure to risks and opportunities compared with the preceding year. Overall, we presently judge the exposure to risks and opportunities as being balanced.

KEY FEATURES OF THE ACCOUNTING-RELATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM (§ 289 (5) AND § 315 (2) NO. 5 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 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework underscores the fact that even when appropriate and functional systems have been put in place there can be no absolute guarantee that risks are identified and managed.

The extent and design of the internal control and risk management system are aligned to the special requirements of the fund management and advisory business. The duty of the internal audit is to monitor the functioning and effectiveness of the ICS independent of processes within the Group and at Deutsche Beteiligungs AG and thereby promote ongoing improvements to business processes. The accounting-related part of the ICS is subject to an annual review as to its effectiveness by the external auditor within the scope of a risk-oriented audit approach in spot tests. Finally, the Audi Committee has the oversight responsibility over the ICS, as is required by § 107 (3) of the German Stock Corporation Act (AktG).

DBAG prepares its separate and consolidated financial statements in conformity with the applicable accounting and valuation principles of the German Commercial Code (Handelsgesetzbuch – 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 as to their 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 access internally and externally 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. The staff regularly participates 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.

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 assessment, planning and prognosis horizon. That applies both to co-investment activity and to fund management and advisory services.

Events or trends that were not predictable at the beginning of a financial year frequently have a significant impact on the consolidated results 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. This means that the results of a single financial year only conditionally reflect the long-term performance of our co-investments alongside the DBAG funds. This is also evidenced by the broad spread in which the return on net asset value fluctuated over the past ten years: that spread ranged from -17.5 percent to 56.2 percent, but averaged 15.3 percent; the two extreme values were incidentally recorded in two consecutive years.

The DBAG funds alongside which we co-invest have a term of ten years. 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. An increase in fee income can only result after a follow-on fund has been closed. Its size and, consequently, potential fee income will be oriented around the investment performance of the original fund and will only be conclusively assessable at the end of that fund's term. This, too, is indicative of the long-term orientation of our business.

In view of the high volatility of key financial performance indicators and the difficulty in planning individual income-relevant transactions, it is not possible to make either an interval forecast, or a point forecast of these indicators. We have therefore limited ourselves to making a qualified comparative forecast [16] on the expected development of underlying conditions and of individual components of the consolidated statement of financial position and the consolidated statement of comprehensive income for the coming financial year.

For the inputs, we use the previous year's data based on the carried portfolio. Non-regularly recurrent components are adjusted. For instance, disposal results and performance-linked emoluments are not considered. In view of the high volatility inherent in our business, changes 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 "significant".

16 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").

EXPECTED DEVELOPMENT OF UNDERLYING CONDITIONS

Market: Supply of private equity capital growing more strongly than the deal flow

Based on the dynamism of the investment opportunities that have come to our knowledge over the past six months, we expect a constant demand in our market – both in number and value – for the current 2014/15 financial year.

Borrowings: Availability stable at high level

The debt market for acquisition finance has changed considerably in recent years. Following the banking and financial crisis in 2008, the availability of finance was significantly reduced. Since 2012 at the latest, the availability and terms of financing to structure MBOs have, however, again been sufficient. New lenders, such as debt funds, provide financings through unitranche or mezzanine[17] loans. Banks' business in acquisition finance for private equity transactions is attractive. We therefore expect that such financings will continue to be sufficiently available; for financial year 2014/15, we expect the supply to remain constant.

Asset class of private equity: Still of fundamental significance

Private equity is firmly rooted as an asset class worldwide. It constitutes an integral part of the investment strategy of many institutional investors. The proportion of private equity in asset dissemination is not constant and may even decrease. However, we do not expect commitments to private equity funds to decline fundamentally. We successfully raised DBAG funds most recently in 2011 and 2012. Since their investment periods will end in 2017 and 2018 at the earliest, the question of whether we would be able to solicit sufficient capital commitments to a fund is not significant for 2014/15.

Macroeconomic environment: Basically positive, if geopolitical conflicts do not escalate

In its most recent annual economic report[18], the German Council of Economic Experts expects that the gross domestic product in Germany will grow by 1.0 percent. The Council primarily expects positive momentum to come from domestic demand. This would be beneficial for those portfolio companies whose operations are restricted to the German market. As in 2014, investments in machinery and equipment and in construction are not expected to generate any appreciable contributions to growth, and the Council assesses that dynamism in the export business will be low.

17 Unitranche: a type of loan, bond or debenture that combines senior and subordinated debt into one debt instrument; mezzanine: hybrid capital between voting capital and senior debt

18 "More confidence in market processes – Annual Economic Report 2014/15", German Council of Economic Experts, Wiesbaden, November 2014

Information on cyclical risks
page 112

For most of our portfolio companies and, consequently, our investment performance, the economic trend in Germany or the eurozone is not the only decisive factor. Many of our investee businesses not only market their products and services worldwide, but also partially maintain global production structures. Thus, the business trend in emerging economies has an – in some instances, considerable – impact on the demand for the capital goods our portfolio companies provide. For the eurozone and other European countries, the German Council of Economic Experts expects that growth will be nearly unchanged compared with 2014; growth in the United States and major emerging countries (Brazil, India) will be stronger in 2015 than last year. The Chinese economy is expected to continue to grow at a comparatively high rate.

Assuming, as the Council of Economic Experts does, that geopolitical conflicts do not escalate, the scenario described would represent favourable underlying conditions for our portfolio companies in the new 2014/15 financial year.

EXPECTED BUSINESS DEVELOPMENT

Development of market position: Basis for continued performance

Deutsche Beteiligungs AG has a long-standing market presence. The shareholders of DBAG and the investors in DBAG funds have achieved superior returns. Not least due to our extensive investment experience do we expect to continue conducting the Company's business successfully and maintain our strong position in our market segment despite more intense competition. We adhere to our objective of generating earnings in excess of the cost of equity on average in the long term. Large parts of our sizeable financial resources are invested in secure, but low-interest-bearing German government securities and Pfandbrief bonds. This makes it more difficult to reach our return target: over the long-term average, the return is to exceed the cost of equity. Nonetheless, we expect to generate a return in financial year 2014/15 within the range of the cost of equity.

We also adhere to our non-financial objectives. We want DBAG to remain a reputable investment partner for mid-market companies in German-speaking regions and a major player in the market for management buyouts and expansion financings. We want to remain a sought-after advisor to private equity funds as well as an esteemed employer in Germany's private equity sector.

Portfolio: Value growth as planned

Our co-investment decisions are founded on an in-depth analysis that includes business plans for multi-year periods. We intend to support our portfolio companies over a period of five to seven years, during which the companies' potential for development is to be turned into an appropriate value appreciation. Our assessment of the portfolio companies' development potential at the time of our entry has basically remained unchanged. In light of that and with a view to the economic forecast, we expect the portfolio companies to continue their pattern of progress as scheduled in the current 2014/15 financial year.

Net result of investment activity: Moderately in excess of previous year on comparable basis

The item with the greatest weight for the Company's performance – and with the greatest budgetary and forecast uncertainty – is the net result of valuation and disposal. It decisively determines the net result of investment activity, which includes current income from financial assets and loans and receivables.

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.

Valuation methodology page 112

At each valuation date, we estimate the value for which an investment could be sold under current market conditions. We employ the same procedure for the period covered by this forecast. However, an investment may be sold in the course of that period. In the past, there were instances when sizeable capital gains were realised on disposals of investments because industrial buyers were willing to pay strategic premiums on the estimated fair value. Such events are not calculable. Our forecast assumption, therefore, is that disinvestments will be transacted at the investment's estimated fair value and no gain or loss on disposal will be realised. Current income from financial assets and loans and receivables is also not forecast individually; we assume that generated earnings are ploughed back and therefore flow into the achievable market price to the same extent. Our forecast therefore does not differentiate between the net result of valuation and disposal and current income; rather, we project the overall contribution to income from investment activity.

Determining the fair value of every individual investment involves making forward-looking assumptions. These assumptions are subject to considerable uncertainty. The uncertainty is even greater when valuations are projected to a future date, as is the case for forecasts. We take that greater uncertainty into account by estimating the contribution to income for the total portfolio, instead of deriving it by netting the value movements of the individual portfolio companies. Past experience has shown that unexpected positive and unexpected negative developments in individual portfolio companies partly even one another out.

Projections of the contribution to income for the portfolio are based on current assumptions regarding the holding period and the average annual value appreciation of the investments during that holding period – irrespective of the fact that value growth is not linear every year to the same assumed extent.

On a comparable basis, i.e. without considering gains on disposals, our forecast for the net result on investment activity is that it will be moderately in excess of that of the preceding year. In 2013/14, the net result of investment activity contained a net result of disposal of 28.9 million euros.

Fee income from fund investment services: Slightly below that of the prior year

Fee income from fund management and advisory services page 57 and 77

Fee income from management and advisory services to funds is readily projectable, because it is largely based on the size of the fund. The conditions under which fees are paid for our management and advisory services are fixed for a fund's entire term.

Up to the time a new DBAG fund is raised, fee income will tend to decline with every realisation from the portfolio. Due to the exits achieved this past financial year, we anticipate that this item will be slightly below that of the preceding year.

Other income/expenses: Significant increase in net expense ratio after historical low

Total other income/expenses can be understood as net expenses for managing our portfolio and for managing and advising DBAG funds. To assess the expenses in a financial year, this item needs to be adjusted for special effects. Such special effects are, for instance, expenses for raising a DBAG fund (not recurrent every year) and performance-related remuneration components (2013/14: 4.2 million euros). Management expenses are set against fee income from management and advisory services to funds, which is recognised in the net result of fund services and investment activity.

We consider total other income/expenses and fee income from fund management and advisory services as "net expenses" and measure these in relation to the Company's average equity. In 2013/14, the net expense ratio was 0.7 percent – benefiting from a value-added tax refund that related to former years and a performance-linked profit share from an older DBAG fund. Based on our estimate of the development of key other income/expense items, we expect that the net expense ratio in 2014/15 will be significantly above that of the preceding financial year; however, the net expense ratio is not expected to exceed 2.0 percent.

Financial resources: Clearly lower by the end of the financial year

In line with our investment commitment to the funds, we aim to make an average of two to three new investments each financial year in both management buyouts and expansion financings. Based on an average sum of ten million euros for each investment, the liquidity requirement would amount up to 50 million euros annually. Acquisitions and realisations in the private equity business, however, take place at irregular intervals. For that reason, acquisitions (as in 2012/13) or realisations (as in 2013/14) may predominate in individual years.

The extent to which our operating business generates cash is largely determined by the cash flows from our investing activities. Should acquisitions predominate in a financial year, cash flows from investing activities may be negative in that period. In this event, the Group would be able to fall back on abundant liquidity reserves. If necessary, it could procure funding through borrowings or a capital increase. In line with the assumption that we intend to again focus on investments in 2014/15, we have budgeted an outflow of liquidity for 2014/15 and significantly lower **FINANCIAL RESOURCES** for the end of the financial year.

GENERAL FORECAST

2014/15: Consolidated net income slightly above prior year on a comparable basis

Deutsche Beteiligungs AG is well placed. With a history of five decades, the Company is an established and successful player in the German private equity market. It has a solid financial base and good prerequisites for future fundraising campaigns. DBAG's portfolio contains investments in attractive companies which have excellent potential for value growth. That growth may, however, not be linear from year to year. DBAG's staff is experienced and highly motivated. These underlying conditions are, in our opinion, an outstanding platform on which Deutsche Beteiligungs AG and the company value can develop positively this current 2014/15 financial year.

On a comparable basis – that is, without considering gains on disposals and transaction-related variable remuneration – we expect a slight increase in consolidated net income for 2014/15 compared with the previous year (comparative basis of the previous year: 47.8 million euros, less 24.7 million euros, or 23.1 million euros). We are confident that the return on net asset value per share will reach the cost of equity – our minimum target for the long-term average.

Under the same premises for Deutsche Beteiligungs AG (separate financial statements based on the German Commercial Code – HGB), we expect the annual profit on a comparable basis to be significantly lower than that of the reporting year (comparable basis of the previous year: 65.4 million euros, less 54.4 million euros, or 11.0 million euros). The past year was marked by a highly successful disinvestment of a particularly large investment; our forecast for the coming period does not consider any divestments and, consequently, any capital gains on disposal.

We intend to adhere to our dividend policy. It provides for the payment of a consistent dividend, if possible, even for financial years ending with negative net income or in which there were no particularly profitable disposals. We expect that the retained profit of DBAG (after the distribution for financial year 2013/14) will enable the payment of such a base dividend for the current and for subsequent financial years. As before, surplus dividends remain tied to particularly profitable realisations, which, however, cannot be planned.

Frankfurt/Main, 19 December 2014

The Board of Management