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.

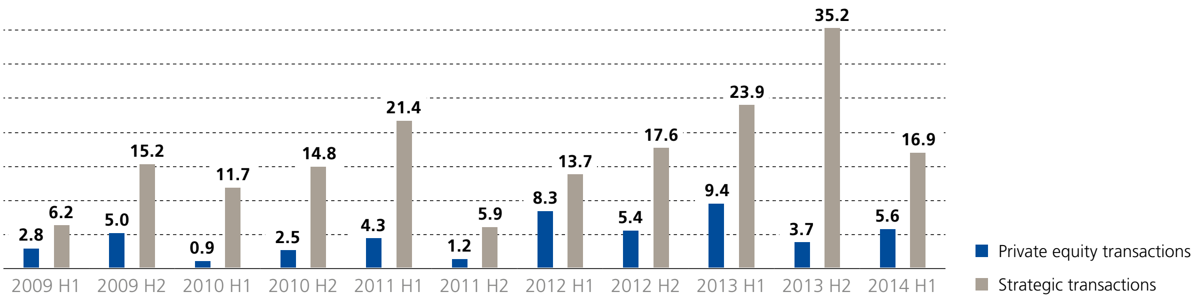
Private equity market in 2014: Competition more intense

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

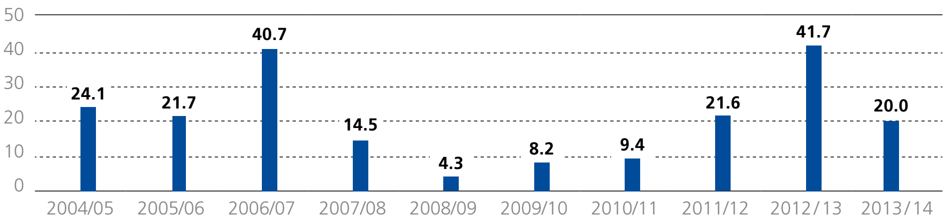
With the divestment of the remaining Homag shares in July 2014, we reached all of our objectives: in agreement with the second-largest shareholder, we identified a globally operating industrial company with strong regional roots as the buyer who we believe can provide an ideal platform for Homag to continue 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**

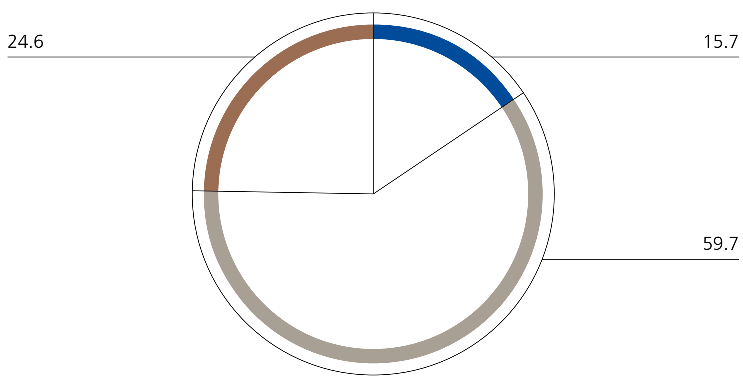
NET RESULT OF VALUATION AND DISPOSAL (BY COMPONENTS)

€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

%



<6.0x
6.0 to 8.0x
≥8.0x

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

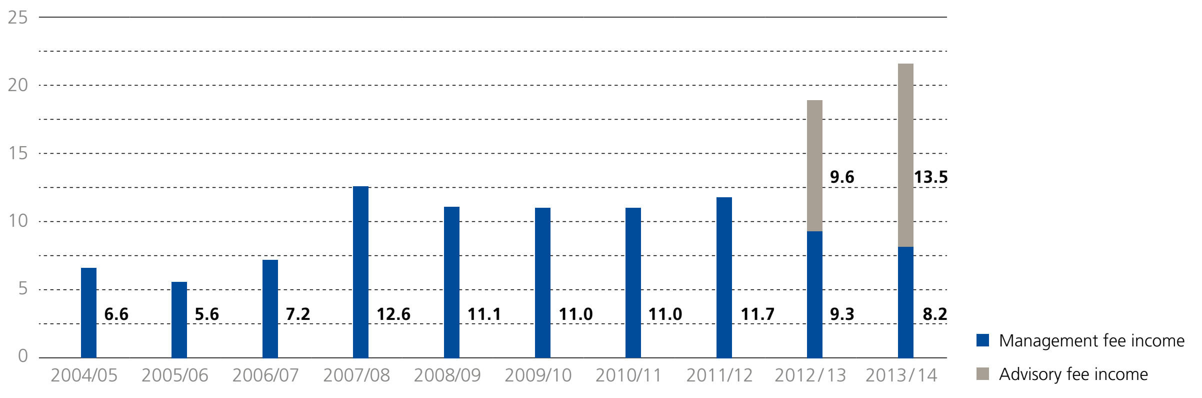
In 2013/14, we achieved **CURRENT INCOME FROM FINANCIAL ASSETS AND LOANS AND RECEIVABLES** totalling 4.2 million euros, down 2.3 million euros on the previous year (6.5 million euros). In the preceding year, this item was distorted by a special effect of 4.3 million euros. A company through which profit 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

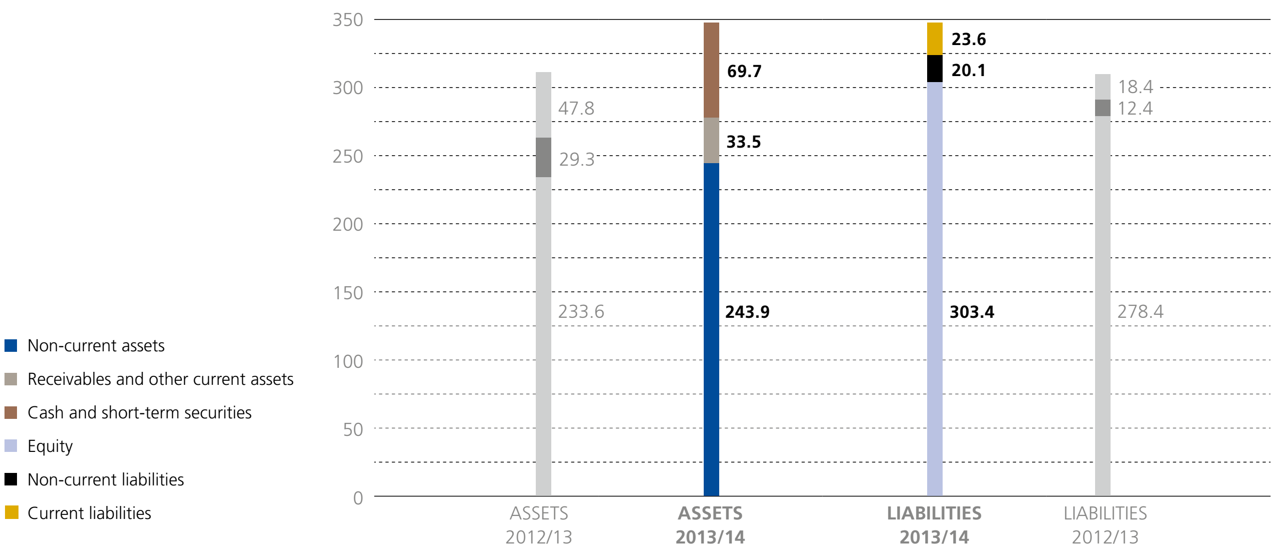
The assets of the Group totalling 347.1 million euros (previous year: 310.7 million euros) largely consist of the investment portfolio as well as cash and securities. Assets increased this past financial year. The value appreciation of the investment portfolio – which was partially realised through disinvestments – 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]:

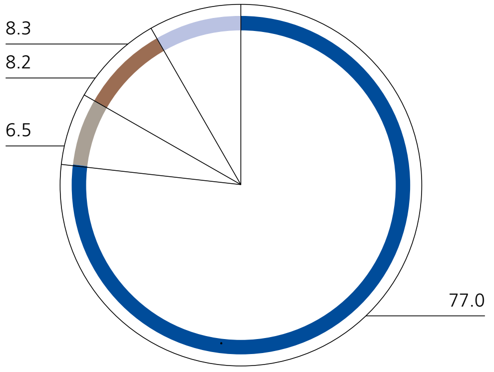
12 See footnote 3, page 58; the investments are alphabetically ordered regardless of their valuation.

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

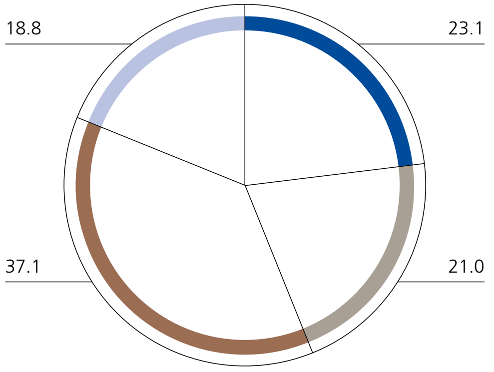
%



Multiples method
DCF
Transaction price
Other

PORTFOLIO VALUE BY NET DEBT/EBITDA OF PORTFOLIO COMPANIES

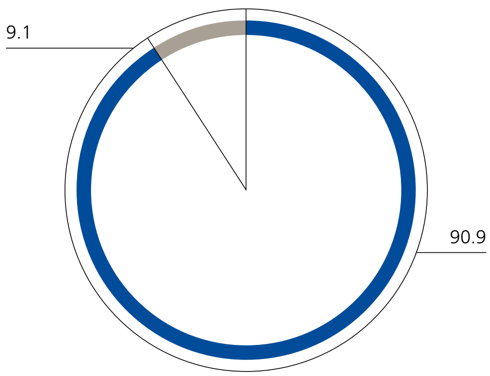
%



< 1.0
2.0 to < 3.0
1.0 to < 2.0
> 3.0

PORTFOLIO VALUE BY GEOGRAPHICAL DISSEMINATION OF INVESTMENTS

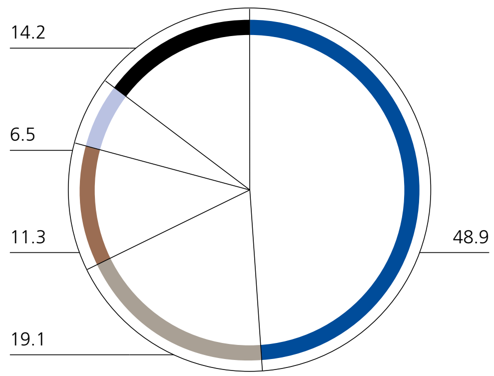
%



■ Germany
■ Rest of world

PORTFOLIO VALUE BY SECTOR DISSEMINATION OF INVESTMENTS

%



■ Mechanical engineering and plant construction
■ Technology, media, telecommunication
■ Industrial services and logistics
■ Other
■ Consumer goods

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

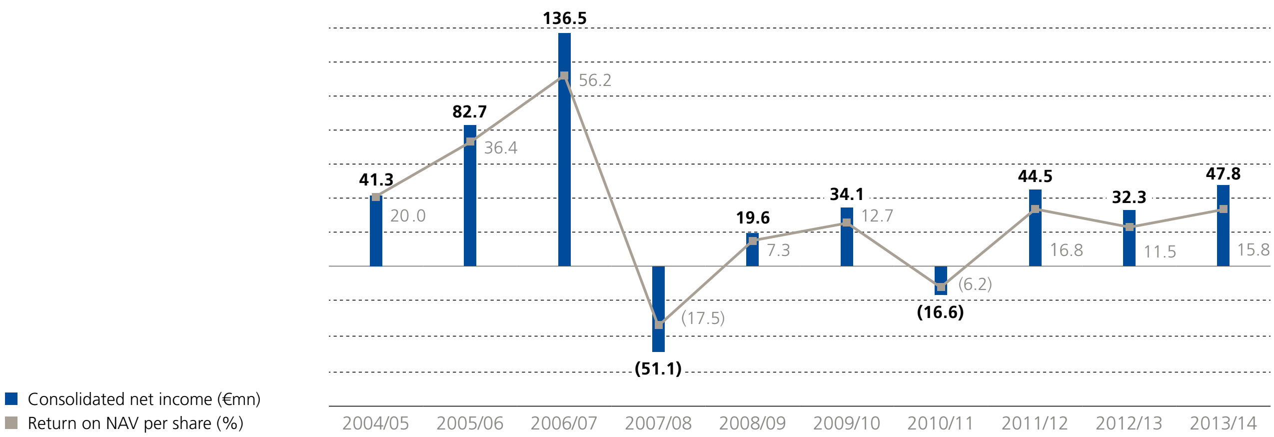
Except for new investment, the forecast issued in January 2014 was achieved in all points, and in some instances clearly overachieved. That also applies to the key performance indicator – the return on net asset value per share. Reaching 15.8 percent, it significantly surpassed the forecast, even though – 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.

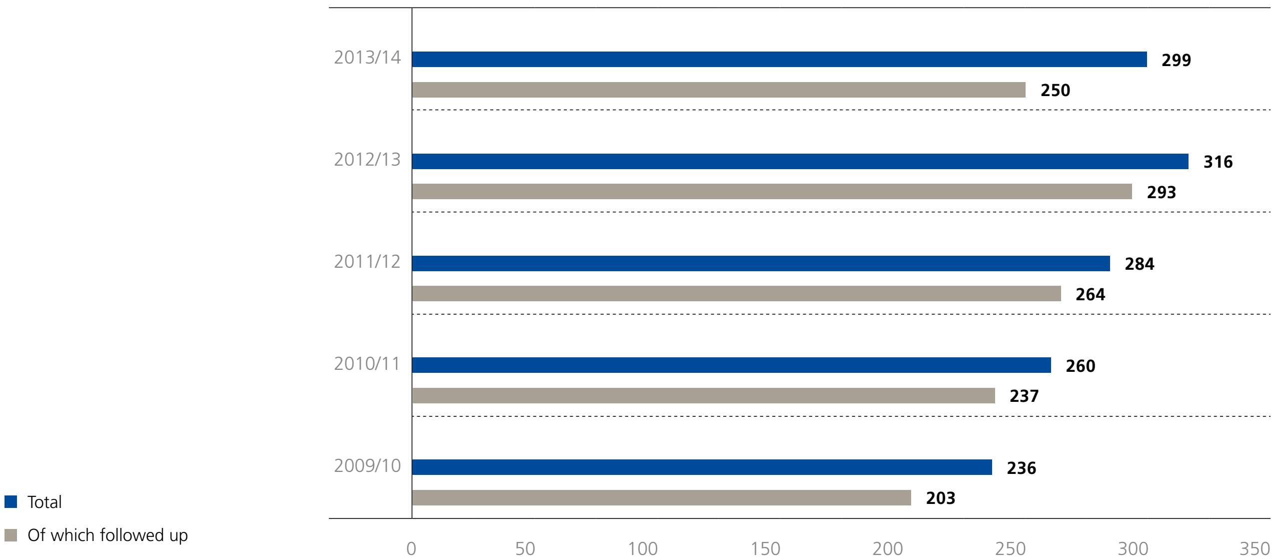
As a listed company, DBAG offers an employee share purchase plan to active and former employees. In the reporting year, 69 percent of the staff took advantage of the offer (previous year: 71 percent).

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.