Combined Management Report

of Deutsche Beteiligungs AG
and the
Deutsche Beteiligungs AG Group
for financial year 2022/2023

COMBINED MANAGEMENT REPORT

for the financial year from 1 October 2022 to 30 September 2023

BUSINESS OVERVIEW

Deutsche Beteiligungs AG (DBAG) reported better-than-expected results for the financial year 2022/23. Higher capital market valuations and a number of disposals – including very successful ones – helped DBAG beat its original guidance. The DBAG funds once again made encouraging investment progress, and value appreciation in the portfolio exceeded overall expectations. Higher capital market valuations had a positive impact that more than offset the strain the overall economy put on some portfolio companies, particularly those with industrial business models.

The Group's net asset value improved by 89.9 million euros in this context. Taking into account the dividend distributed (15.0 million euros), the net asset value was up by 18.1 per cent as against the value for the previous year. Earnings from Fund Investment Services totalled 14.0 million euros, compared to 15.4 million euros in the previous year. Net income stood at 105.8 million euros.

DBAG added three investments during the financial year 2022/2023, sold four completely and two partially. This brings the portfolio to 38 equity investments, plus one investment in an international buyout fund managed by third parties.

The Private Equity Investments segment generated earnings before taxes of 96.8 million euros in 2022/2023, significantly exceeding the previous year's result. The Fund Investment Services segment meanwhile reported a decrease in its earnings before taxes as higher other operating expenses and provisions for variable remuneration, triggered by the above-mentioned successful sales, took their toll.

All in all, DBAG posted good results for the year under review. Key performance indicators may be subject to short-term volatility – for example, if external factors change at short notice (see the section "Target system comprising financial and non-financial objectives"). However, the evaluation of DBAG's success requires a long-term observation period, as is common in the private equity sector.

At 54.6 million euros, the Group's parent company also posted higher net income than in the previous year – a good overall result as well. Again, however, given our business model, the limited informational value of a single annual result must be taken into account in the evaluation. The parent company's net retained profit stood at 264.2 million euros. 1.00 euro per share thereof is to be distributed to shareholders, i.e. a total of 18.8 million euros.

FUNDAMENTAL INFORMATION ABOUT THE GROUP

Structure and business activity

Deutsche Beteiligungs AG (hereinafter also referred to as “DBAG”) is a publicly-listed private equity company with its roots dating back to 1965. It initiates and structures closed-end private equity funds (“DBAG funds”) for investment in equity or equity-like instruments predominantly of unlisted companies, and provides advice for these funds. It enters into investments, also employing its own assets, as a co-investor alongside DBAG funds (“co-investments”) and also independently of these funds exclusively using its own financial resources (“Long-Term Investments”). DBAG traditionally focuses on mid-market companies. On a regional level, most of the portfolio companies have their registered office or main business focus in the German-speaking region of Europe (“Germany, Austria and Switzerland region”). Since 2020, DBAG has also been investing in companies in Italy. In individual cases, DBAG also invests in companies elsewhere in Europe.

However, all of the Company’s business processes and management are conducted at DBAG’s registered office in Frankfurt/Main, Germany. The Company also has an office in Milan, Italy: there is close and continuous dialogue between the two locations.

DBAG supports its portfolio companies during a phase of strategic development that usually spans several years, as a financial investor seeing itself as a partner and committed to increasing value. Once the planned development phase is completed, each company continues to grow and develop under a different arrangement: with a strategic partner, a new financial investor, or as a listed company, for example. It is at this point that the achieved increase in value is realised.

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

In the reporting year, Deutsche Beteiligungs AG was recognised as a special investment company, as defined by German statutory legislation on special investment companies (Gesetz über Unternehmensbeteiligungsgesellschaften – UBGG), and was therefore exempt from municipal trade tax. DBG Managing Partner GmbH & Co. KG, which is registered as a small capital management company (Kapitalverwaltungsgesellschaft – KVG) in accordance with the German Capital Investment Code (Kapitalanlagegesetzbuch – KAGB) is responsible for the management of DBAG’s German funds; DBG Management GP (Guernsey) Ltd. is registered in Guernsey as a KVG pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, and manages the funds based in Luxembourg and Guernsey.

Majority stake in ELF Capital Group

In September 2023, DBAG expanded its range of flexible financing solutions for mid-market companies to include private debt. For this purpose, DBAG has acquired a majority stake in

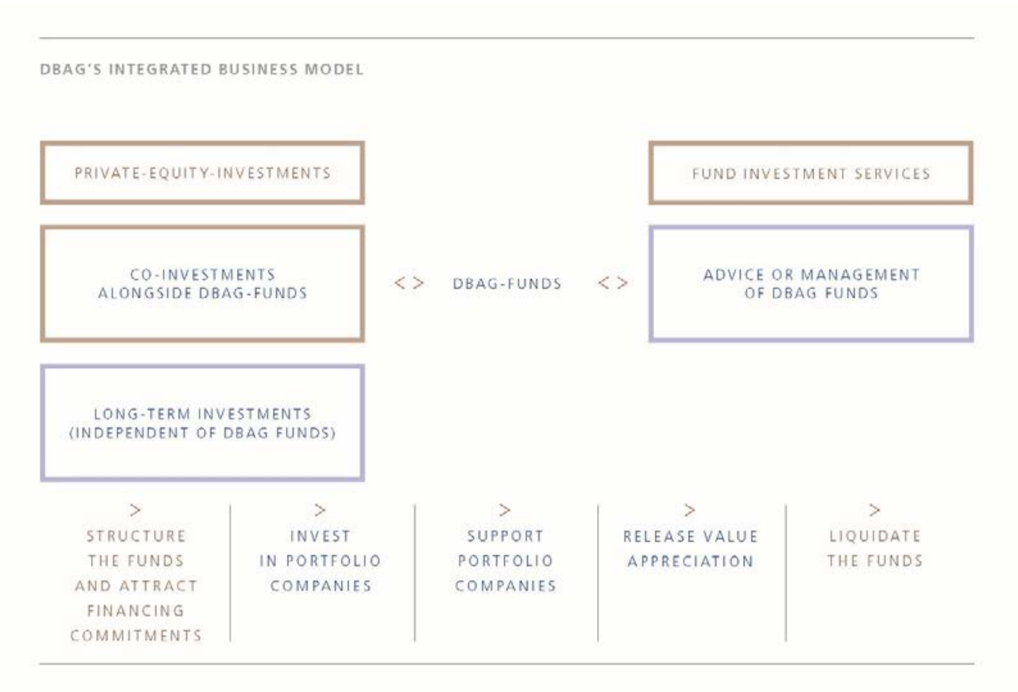
ELF Capital Group ("ELF Capital"), which comprises ELF Capital Advisory GmbH as well as the three general partners of the ELF funds. ELF Capital Advisory GmbH advises funds providing flexible private debt financings to medium-sized enterprises with a geographical focus on the Germany, Austria and Switzerland ("DACH") region, the Benelux countries and Scandinavia. DBAG's investment in ELF Capital offers both companies the potential to generate rapid and sustainable growth, and to realise synergies.

With this transaction, DBAG has initiated a significant evolution of its enterprise. As a limited partner, DBAG stands ready to make co-investments of up to 100 million euros in ELF Capital funds. This volume is comparable with DBAG's usual strategy for co-investments alongside DBAG funds.

Supplementing DBAG's product range by adding private debt financing required an extension of DBAG's corporate object. The corresponding amendment to the Memorandum and Articles of Association was resolved at DBAG's Extraordinary General Meeting on 2 November 2023; the corresponding entry into the Commercial Register was effected on 16 November 2023. Completion of the transaction and first-time consolidation of ELF Capital are envisaged for the first quarter of the financial year 2023/2024. The completion will require DBAG to give up its status as a special investment company.

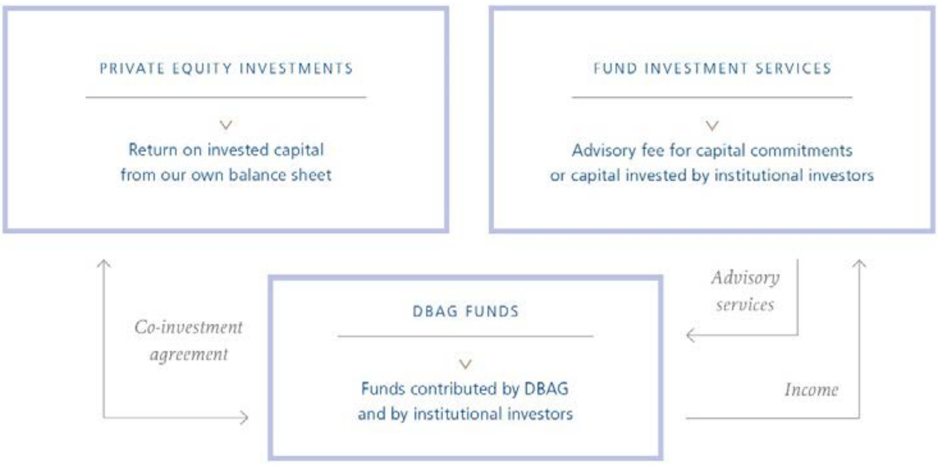
Since the transaction was not completed by the end of the reporting year, this management report for the 2022/2023 financial year is based on DBAG's position prior to the acquisition of a majority stake in ELF Capital. For information concerning the likely impact of the acquisition, please refer to the chapters "Opportunities and risks" and "Report on expected developments".

DBAG's integrated business model



DBAG's business model, which is geared towards increasing value for its shareholders, rests on two pillars – Private Equity Investments and Fund Investment Services. These segments are strongly interlinked through the DBAG funds. Because the DBAG funds are at its core, we refer to our business model as being integrated. The chart above outlines DBAG's integrated business model; it illustrates DBAG's remit in respect of the DBAG funds – from fund structuring and raising capital to liquidation. DBAG also uses its own assets to co-invest alongside the DBAG funds, as well as investing exclusively from its own assets in Long-Term Investments. These Long-Term Investments are described in the section entitled "Long-Term Investments that exceed the terms of standard private equity funds".

INTEGRATION BETWEEN DBAG FUNDS AND DBAG'S TWO BUSINESS SEGMENTS



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

- DBAG's shareholders participate in the fee income earned for advising DBAG funds ("Fund Investment Services") and in the value appreciation from the co-investments ("Private Equity Investments").
- The funds' assets create a substantially larger capital base, enabling it to invest in larger companies without reducing the portfolio's diversity.
- As a special investment company, DBAG is only permitted to take majority positions within strict limits; it can, however, structure management buyouts (MBOs) together with the DBAG funds.
- Fund investors can be confident that their advisor is pursuing the same interests as they are, as DBAG enters into co-investments alongside its funds.

Five DBAG funds at different stages of their life cycle

The following table summarises key information about current DBAG funds:

Fund	Target	Start of investment period	End of investment period	Size[1]	thereof DBAG	Share of DBAG's co-investment
DBAG Fund V (in liquidation)	Buyouts	February 2007	February 2013	€539mn	€105mn	19%
DBAG ECF I: DBAG Expansion Capital Fund	Growth financing	May 2011	May 2017	€212mn	€100mn	47%
DBAG ECF II: DBAG Expansion Capital Fund First New Vintage	Growth financing and small buyouts	June 2017	June 2018	€85mn	€35mn	41%
DBAG ECF III: DBAG Expansion Capital Fund Second New Vintage	Growth financing and small buyouts	June 2018	December 2020	€96mn	€40mn	41%
DBAG ECF IV: DBAG Expansion Capital Fund IV	Small buyouts	December 2022	December 2028 by the latest	€140mn	€69mn	49%
DBAG Fund VI	Buyouts	February 2013	December 2016	€700mn	€133mn	19%
DBAG Fund VII	Buyouts	December 2016	July 2022	€1,010mn[2]	€200mn[3]	20%[4]
DBAG Fund VIII	Buyouts	August 2020	December 2026 by the latest	€1,109mn[5]	€255mn[6]	23%[6]

1 DBAG Fund VI, DBAG Fund VII, DBAG Fund VIII, DBAG ECF IV: in each case excluding investments made by experienced members of DBAG's Investment Advisory Team and selected members of DBAG's senior management.
2 DBAG Fund VII consists of two sub-funds: a principal fund (808 million euros) and a top-up fund (202 million euros).
3 DBAG has committed 183 million euros to the principal fund and 17 million euros to the top-up fund.
4 The proportion of co-investments amounts to 23 per cent for the principal fund and 8 per cent for the top-up fund.
5 DBAG Fund VIII consists of two sub-funds: a principal fund (910 million euros) and a top-up fund (199 million euros).
6 DBAG has committed 210 million euros to the principal fund and 45 million euros to the top-up fund; the proportion of co-investments amounts to around 23 per cent in each case.

- DBAG Fund V is currently in liquidation. DBAG Fund VI and DBAG Fund VII are in the disinvestment phase. DBAG Fund VI still holds investments in six out of a previous total of eleven MBOs, of which two are already partly sold. The investment period of DBAG Fund VII ended in July 2022. The fund structured eleven MBOs. In addition, in the case of one company, a sub-segment was spun off and subsequently developed as an independent investment of the fund. One portfolio company was sold, with partial sales of two further portfolio companies.

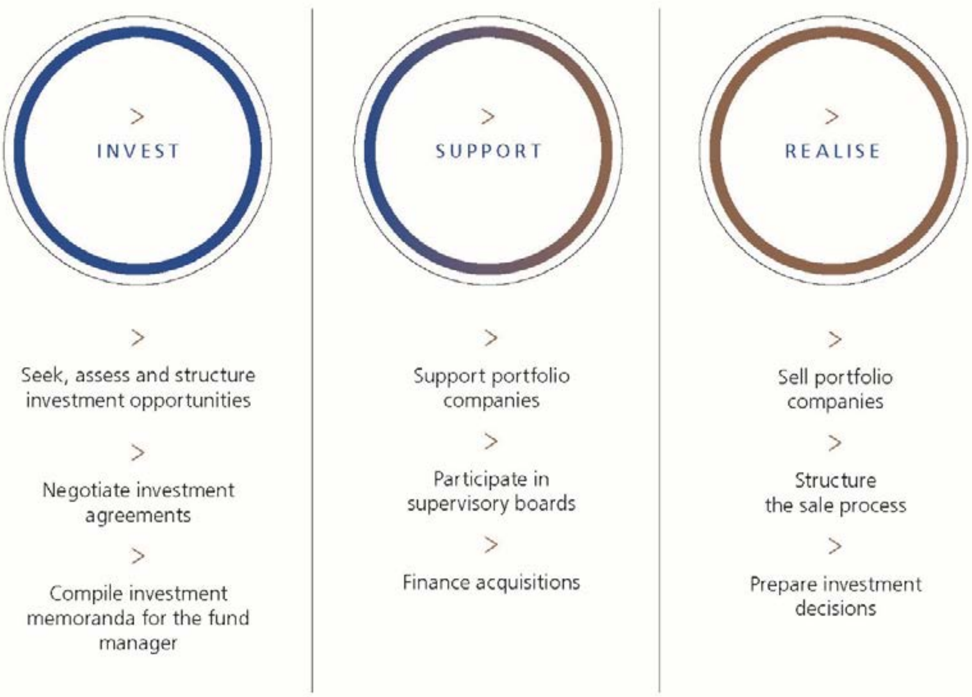
- DBAG ECF I ended its original investment period in May 2017. It made growth financing available to eight companies and entered into one MBO. Five of these investments have since been sold. The investment period of DBAG ECF II began in June 2017, and the investment period of DBAG ECF III in June 2018, ending in December 2020. DBAG ECF II and DBAG ECF III each participated in three MBOs. Two companies merged with each other. The investment period for DBAG ECF IV – a fund in the fundraising phase – began in December 2022; this fund already made three investments in July and August 2023. The investments agreed upon represent around 64 per cent of the fund's capital commitments. DBAG ECF IV closed another investment in October 2023.

- DBAG Fund VIII was initiated in 2019. The fund's investment period spans six years and started in August 2020. As at the reporting date, DBAG had structured seven MBOs for the fund. The investments agreed upon represent around 53 per cent of the fund's capital commitments.

DBAG's wide range of services for the DBAG funds

DBAG's primary task with regard to its funds is first of all to initiate and structure new funds. The advisory services provided for the DBAG funds during their term are summarised in the following chart and are also described in the section on "Implementing a structured investment process".

INVESTMENT SERVICES BUSINESS SEGMENT



As a fund advisor, DBAG prepares recommendations for the fund manager's investment decisions. In addition, the manager makes all of the decisions typically made by a shareholder, for example electing and appointing members of administrative bodies or approving distributions and capital increases. In order to ensure absolute certainty that the fund manager and their decisions are impartial, the right to appoint fund managers does not lie with DBAG, but rather with legal entities supervised by the Investment Advisory Team members.

DBAG enters into co-investments alongside the DBAG funds based on co-investment agreements with the DBAG funds that provide for a fixed investment ratio for the lifetime of a fund. This means that DBAG always invests in the same companies and in the same instruments as the funds, on the same terms.

Private Equity Investments business segment

The Private Equity Investments business segment largely comprises equity investments that DBAG has entered into either as co-investments alongside its funds or as Long-Term Investments. Income is generated from the value appreciation achieved when investments are sold, as well as from profit distributions and interest during the term of the investment.

Co-investments alongside DBAG funds

Investments alongside DBAG funds are mostly entered into as MBOs and generally have an investment term of four to seven years.

The focus is on investments in companies with an enterprise value of between 50 and 250 million euros as at the time of investment – i.e. companies at the upper end of the mid-market segment according to DBAG's definition of this segment for its business. If the DBAG Fund VIII top-up fund is incorporated, investments with an enterprise value of up to 400 million euros can be structured. The companies generally achieve revenues in the range of 50 to 500 million euros.

Long-Term Investments that exceed the terms of standard private equity funds

DBAG makes Long-Term Investments exclusively funded by its own assets. This enables us to support companies' value appreciation strategies that span a longer time horizon, while at the same time pursuing the same disciplined and professional investment strategy for value creation that we apply to co-investments alongside DBAG funds. The approach also means that, in principle, other investment scenarios that are not consistent with the investment strategies pursued by the existing DBAG funds may become feasible.

We structure Long-Term Investments as minority investments with a non-controlling interest and invest predominantly in family businesses, for example when they find themselves in need of capital to finance growth. We also offer majority investments in exceptional cases.

Limitation of the volume of individual investments

DBAG aims to limit the importance of individual risks in its investment portfolio. This is why DBAG Fund VIII, which is currently in its investment phase, largely provides for equity investments in individual MBOs of between 40 and 100 million euros. When it comes to structuring larger transactions with equity investments of up to 220 million euros, the top-up fund is included. For DBAG, this equates to equity investments of between approximately nine and 23 million euros, and for transactions involving the top-up fund, equity investments of up to 50 million euros in principle. Long-Term Investments are set to amount to between 15 and 35 million euros; larger investments may be entered into with co-investors.

Investments in attractive mid-market companies

We invest in established, well-positioned companies with a proven and scalable business model and potential for development. The latter can come about from companies strengthening their strategic positioning – for example, by introducing a broader product range or by expanding regionally. Add-ons that accelerate the strategic development of companies or drive consolidation in an industry are often part of companies' development strategies. These strategies almost invariably involve improving operational processes and adapting them to reflect changes in the overall conditions, in particular. In this current phase of considerable geopolitical change, this strategic component has recently become especially important. We support our portfolio companies in developing and implementing their respective sustainability strategies, and in seizing the chances that arise during the transformation of our economy and society.

Moreover, we attach importance to an entrepreneurial mindset in our management teams and for these teams to be able to realise the agreed objectives and to react efficiently to new developments – for example due to lasting changes in supply chains or refinancing opportunities or because a new generation of employees is looking for companies to offer them different perks and prospects. The companies that are a good fit for our investment universe are also characterised by leadership positions in their (possibly small) markets, strong innovative capacity and products with good prospects. The business models of these companies are also aimed at reaping the benefits from the key structural trends in their respective sectors. Germany is home to many such mid-market companies.

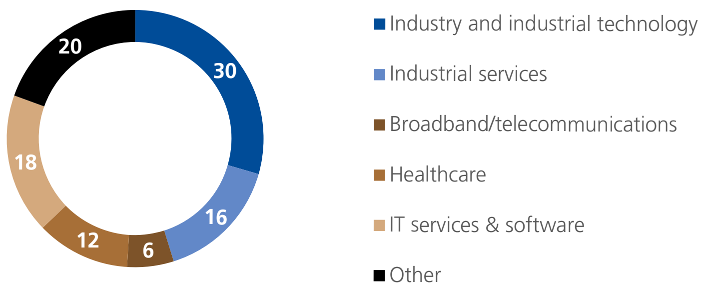
Broadly diversified sector spectrum

DBAG's investment focus traditionally has been on manufacturing companies and their service providers, who together form the basis for the excellent global reputation enjoyed by Germany's Mittelstand. Within this market segment, DBAG concentrates on the industry and industrial technology sectors in particular – i.e. companies from the automotive supplier, industrial components and mechanical plant engineering sectors whose products provide the foundation for automation, robotics and digitalisation. For around a decade, we have also been investing in companies from the broadband/telecommunications, IT services & software and healthcare sectors.

This means that a significant part of our portfolio focuses on business models that stand to gain particularly from the rapidly accelerating digitalisation of modern societies. These growth sectors are also less exposed to cyclical influences.

The decarbonisation of our way of life is also associated with extensive changes that open up new attractive investment opportunities. Companies that contribute to more sustainable lifestyles and business practices are therefore gaining importance in our portfolio, which includes, for example, companies whose business is reaping the benefits of stricter regulations for more efficient energy use, those involved in the circular economy, or those that advocate more sustainable construction.

SECTOR STRUCTURE BY ACQUISITION COSTS
%



Some of our portfolio companies produce capital goods or offer services for industrial companies. These sectors are traditionally characterised by stronger cyclicality than those previously mentioned. This means that we pay particular attention to an appropriate financing structure for these companies. We also aim to achieve a diversified portfolio within individual sectors. For investments in several companies in the same sector, we make sure that they serve different niche markets, have their own regional sales markets, operate in different geographical areas and pursue different business models.

Expansion of the portfolio's geographical focus

Most of our portfolio companies operate internationally. This applies to the markets they serve, but also to their production sites in part. In geographical terms, the majority of the portfolio companies have their registered office or main business focus in the German-speaking region of Europe. Since 2020, we have also invested in Italy, one of the most important industrialised economies in the European Union with a high proportion of family-owned companies. Up to a quarter of DBAG Fund VIII's volume can be invested there.

In exceptional cases, we also invest in companies that operate outside of German-speaking countries and Italy, focusing on sectors in which we have a lot of experience. As at 30 September 2023, companies domiciled in the Germany, Austria and Switzerland region accounted for 84 per cent of the portfolio value of our equity investments (30 September 2022: 81 per cent), including six per cent that were domiciled in Switzerland (30 September 2022: 6 per cent). Companies domiciled in Italy accounted for seven per cent of the portfolio value (30 September 2022: 10 per cent).

Long-term financing of DBAG's co-investments and Long-Term Investments via the stock market

DBAG finances its equity investments over the long term through the stock market. Debt financing is only used to structure MBOs at the level of the portfolio companies. This allows us to prevent the accumulation of debt across the various levels of an investment hierarchy. We manage the amount of DBAG's equity capital via share repurchases (as in 2005, 2006 and 2007) and capital increases (as in 2004, 2016 and 2021). Distributions also have an impact on the amount of equity capital.

The private equity business requires DBAG to always have sufficient financial resources available to allow it to exploit investment opportunities whenever they arise and to comply with its co-investment agreements. On the other hand, too high a level of financial resources dilutes returns. Considerable uncertainty regarding planning is the other side of the coin and is due to the nature of private equity business: investments and realisations depend on market conditions; some years are dominated by investments and others by realisations. This results in considerable fluctuation in cash flow from investment activity. As regular income from Fund Investment Services can only mitigate this effect to a very limited extent,

DBAG is using two revolving credit lines in an aggregate amount of 106.7 million euros to provide any funds required to finance investments until it receives funds from realisations. Please refer to the chapter "Financial position – assets" for details on the drawdown of credit lines during the reporting period.

Fund Investment Services business segment

Advisory services provided to, and the management of, DBAG funds are aligned in the Fund Investment Services business segment, based on task-sharing. DBAG receives fees for its advisory services to the DBAG funds that are calculated predominantly based on the size of the funds it advises; they constitute a continuous and readily forecastable source of income and make a key contribution to financing our business operations.

For the buyout funds (currently DBAG Fund VI, DBAG Fund VII and DBAG Fund VIII – principal fund in each case), fees during the investment period are based on the committed capital. After that, they are measured by the invested capital. The fees for the services provided to the DBAG Fund VII and DBAG Fund VIII top-up funds are based on the capital invested or committed, whichever is lower, during the entire fund term. DBAG receives a fee based on the capital invested for DBAG ECF I and, for DBAG ECF II and DBAG ECF III, additional one-off transaction-related fees. The fact that the fees after the end of the investment period are based on the capital invested means that fee income falls every time an investment from a fund's portfolio is sold. In principle, considerable increases can only be achieved when a new fund is launched.

Implementing a structured investment process

We use the same investment process for both our Long-Term Investments and our co-investments alongside DBAG funds. It has proven effective over a period of many years and is being enhanced and increasingly standardised as part of an ongoing process. We will explain key elements of the process below.

Invest

IDENTIFYING INVESTMENT OPPORTUNITIES

The relationships that we have built up over several decades of market presence are some of the most important channels to identify investment opportunities. These include relationships with both potential sellers and M&A advisors. We also actively generate investment opportunities by engaging with prominent entrepreneurs offering long-standing industry experience, i.e. our Executive Circle (see the section entitled "Investment Advisory Team supported by strong network"), through targeted marketing and by attending industry events, as well as through our own research capacities. We often gain access to companies at an early stage of the sales process by way of these channels. This increases the chances of successfully closing the transaction.

ALLOCATION OF INVESTMENTS

An Allocation Committee determines whether an investment opportunity will be proposed for DBAG fund(s) in the investment phase, or whether it will be classified as a potential Long-Term Investment. The decision-making process is fully documented and substantiated for each individual case so as to avoid any potential conflict of interest.

DUE DILIGENCE

If the initial assessment is positive, the next step is to conduct a detailed assessment of the potential portfolio company using a comprehensive process. This is to ensure that we concentrate our resources on the most attractive investment opportunities and examine all key issues in detail.

Support

As soon as an investment opportunity is under consideration, DBAG's Investment Advisory Team opens discussions with the company's management team concerning future development strategy and creating the resulting potential for value appreciation. The company's management implements the strategy. Interests are kept aligned due to the management's personal involvement in the company.

During the investment period, a member of DBAG's project team typically takes a seat on the advisory board or supervisory board of the respective portfolio company. Additionally, experienced entrepreneurs – usually from DBAG's Executive Circle – who have experience relevant to the portfolio company in question, are appointed to sit on these boards. These managers also usually hold (indirect) stakes in the company. The Investment Advisory Team and the members of DBAG's Executive Circle are not involved in the operational management of portfolio companies.

Realise

We do not trade in investments but instead support our portfolio companies as an equity investor over several years. However, due to the limited term of the DBAG funds, all investments of a DBAG fund must be completely settled during its term. Our experience suggests that it usually takes four to seven years before the further development of a portfolio company leads to a significant increase in its profitability and, as a result, to an increase in the value of the company that can be realised by selling it. In principle, we use the following methods in the disposal of a portfolio company, depending on whether we are selling to: a strategic or financial investor, or via the stock market, for example by placing shares. In the case of non-controlling interests, there may also be the option of selling to the main shareholder. When a company shows signs of very attractive further potential, the realised proceeds can also be used for a reinvestment.

DBAG's particular strengths play a key role in market success

We strongly believe that DBAG's unique selling point lies in a number of particular strengths, which is why we are continuously working on building on these strengths.

Experienced Investment Advisory Team

The DBAG Investment Advisory Team, including the two members of the Board of Management, consists of 34 investment professionals (previous year: 37), of which 13 are senior members: in recent years the team has seen constant expansion. The senior members have been with DBAG for an average of 13.46 years. The Investment Advisory Team has a broad skill set combined with multifaceted experience in the investment business. It is supplemented by four employees in Research and Business Development, two debt financing specialists and three lawyers.

Alignment of interest and incentives for the Investment Advisory Team

A key element of our strategy is to align the interests of DBAG and its shareholders, our Investment Advisory Team and investors in the DBAG funds. This is why those members of the Investment Advisory Team with greater experience in investing, the two Board of Management members responsible for the Investment Advisory Team, and additional staff members (21 individuals in total) personally co-invest their own money alongside the DBAG funds, investing between around one and two per cent of the capital raised by the fund investors and DBAG, as is common practice in the industry. The total amount of these personal co-investments stood at 17.3 million euros as at 30 September 2023.

Eligible members of the Investment Advisory Team have an incentive for generating the best possible financial performance for a fund: they also disproportionately participate in a fund's performance ("carried interest") in return for the contribution they make as shareholders after the fund investors and DBAG have realised their invested capital plus a preferred return.

Investment Advisory Team supported by strong network

The Investment Advisory Team can draw on a strong external network, the nucleus of which is an "Executive Circle" consisting of 87 people at the end of the financial year. Its members support the team in identifying and initiating investment opportunities, assessing specific sectors or, prior to making an investment, providing support during the due diligence of a target company. The Executive Circle comprises experienced entrepreneurs, including partners of earlier investment transactions. The members have industry experience that is relevant to DBAG. The network is supplemented by a large group of financial experts, consultants, lawyers and auditors.

Strong brand opens up attractive investment opportunities

DBAG structured its very first MBO back in 1997. Since then, DBAG has financed a total of 68 MBOs. In addition, 19 minority investments have been structured with the aim of driving corporate growth ("growth financing"): since the 2019/2020 financial year these have been joined by Long-Term Investments. DBAG currently holds four Long-Term Investments.

To date, the value of the equity invested since 1995 has been increased to 1.9 times (MBOs) and 2.7 times (growth financing) the original amount. 41 MBOs and 16 growth financing arrangements had been realised completely, or for the most part, by the end of the reporting period. Disposals and partial disposals generated multiples of 2.7 (MBOs) and 2.9 (growth financing) times the invested capital.

This track record demonstrates our ability to build a brand that, in our view, is strengthened further by our listing in the Frankfurt Stock Exchange's Prime Standard –the segment with the highest transparency requirements. This in turn repeatedly gives us direct access to investment opportunities beyond public offerings.

Access to family-owned or founder-managed mid-market companies

A total of 34 of the 68 MBOs that DBAG has financed since 1997 involved companies that were previously family-owned. We see this high proportion as one of our unique selling points. Between 2013 and 2022, approximately 58 per cent of the MBOs structured by DBAG involved this type of company, compared to 53 per cent in the overall market during the same period. The foundations of this success lie in a comprehensive understanding of the specifics of the mid-market sector and the industries in which we invest. This also includes our focus on value creation by enhancing business models and thus offering our portfolio companies more than purely financial support.

Comprehensive equity platform for mid-market companies

With its advisory and financing offering for MBOs and Long-Term Investments alike, DBAG sees itself as a provider of full-service equity capital solutions for mid-market companies. These solutions open up access to family businesses for whom financing with a rather shorter investment time horizon is difficult to secure. The DBAG funds we advise also benefit from this broad market access. As a private equity investor seeking to exploit the potential for value appreciation during a limited investment period, we also pursue a different approach than holding companies pursuing a buy-and-hold strategy.

Target system comprising financial and non-financial objectives

Core business objective: Sustainable increase in the Company's value

We enhanced our target system in the reporting year. The changes will apply as of the beginning of the 2023/2024 financial year, and the forecasts in accordance with the enhanced system are explained in the section of "Expected business development". The previous target system and the upcoming changes are explained below.

The core business objective of Deutsche Beteiligungs AG's activity remains unchanged: we aim to increase the value of DBAG in the long term. In this context, we have defined financial and non-financial targets.

This objective will continue to be achieved by increasing the value of the two business segments, namely Private Equity Investments and Fund Investment Services, while taking ESG aspects into account – i.e. environmental and social aspects of our business activities, as well as the principles of good corporate governance. It is consistent with the long-term nature of our business that we take responsibility for the impact that our decisions have on others, both now and in the future.

As is common in the private equity sector, a long period of time is required before DBAG can be judged on its success. This is why, for us, "sustainable" first of all means "in the long term". Income from investment activity is influenced to a significant degree by the appreciation in value of our portfolio companies. DBAG generally supports MBOs over a period of four to seven years, and enters into Long-Term Investments for typically more than seven years. Income from Fund Services is significantly influenced by the initiation of new funds. A fund is launched approximately every four to five years, while the usual lifetime of a fund is ten years.

Key indicators can also be headed on a downward trajectory in the short term. This is partly a typical feature of the business because, for example, income from Fund Services falls after investments are disposed of. This can also be attributable to external factors that can change significantly at short notice. This is the case, for example, with the valuation levels of listed peer group companies when we measure the fair value of our equity investments on a quarterly basis.

Financial objectives

Financial objective: Build the value of the Private Equity Investments business segment

Building the value of Private Equity Investments in the long run requires investments to be made in promising mid-market business models. To grow the value of the equity investments, DBAG supports the portfolio companies during a phase of strategic development spanning several years. The higher the increases in value that can be realised with the investments we have made, and the more pronounced the gross portfolio value increases as a result, the greater the increase in the value of the business segment.

Financial objective: Build the value of the Fund Investment Services business segment

An increase in the value of the Fund Investment Services business segment requires substantial assets under management or advisory that increase in the medium term. The higher the growth in fee income from Fund Investment Services, which tends to be volume-based, and the extent to which it exceeds the corresponding expenses, the greater the long-term increase in the value of the business segment.

Financial objective: Have shareholders participate in the Company's success through dividends that are stable and which rise whenever possible

Having shareholders participate in the Company's success through dividends that are stable and which rise whenever possible has been one of DBAG's financial targets so far. Three aspects played a key role when it came to deciding on the amount of the distribution: the inflow of funds from the two business segments (income from Fund Services and net inflows after disposals), future liquidity requirements for (co-)investments and securing the dividend capacity in the long run. DBAG also viewed an attractive dividend yield – in relation to the capital markets environment – as a significant element of shareholder participation in the Company's success.

Whilst we intend to continue having our shareholders participate in the Company's success through stable dividends, we will no longer be gearing management of our Company towards this. This former financial target will henceforth no longer be a part of our target system.

Non-financial objectives

We have not changed our non-financial objectives in the year under review. Greenhouse gas emissions, employee satisfaction and compliance remain essential factors for DBAG's business success. Taking this as a basis, we have defined the following three non-financial objectives:

Non-financial objective: Reduce or avoid greenhouse gas emissions

Business travel and company cars account for a major part of DBAG's carbon footprint. To prevent the generation of climate-damaging greenhouse gas emissions through travel, we encourage our staff to use the train as an alternative to short-haul flights and use video conferencing wherever possible and sensible to avoid travel. As from the 2022/2023 financial year, we will no longer add new company cars to our fleet and lease contracts of company cars currently in use will not be renewed. Instead, we have been offering employees a transit card since 1 January 2023, making it easier for them to increase use of public transport and reduce private car trips.

Non-financial objective: Improve employee satisfaction

Our success is virtually impossible without the professional and personal skills of our people, their experience and commitment. Improving employee satisfaction is therefore at the heart of our management. The more satisfied our employees are, the more we can assume that they will want to continue their professional development at DBAG.

In particular, we promote a project organisation based on teamwork and a system that ensures that responsibility is transferred swiftly in all areas of DBAG. Measures to promote employee health are just as much a part of the benefits we offer our employees as options to work remotely are. We cultivate a culture of respect, openness and flat hierarchies – just as we promote professionalism and stable processes. Our remuneration and incentive system is geared towards encouraging achievement and offering a motivating work environment.

Non-financial objective: Prevent compliance breaches

We are strictly against all forms of corruption or other unethical business practices. In order to meet these high compliance standards both within DBAG and in our dealings with portfolio companies, we have introduced a comprehensive compliance system that documents and regulates our obligations. Our Code of Conduct sets out our central values and guiding principles. Our Compliance Guideline sets out detailed regulations and information on implementation, for example with regard to dealing with gifts and invitations or the cooperation with sales partners.

Steering and control

Key performance indicators

Key performance indicator for the core business objective of achieving a "sustainable increase in DBAG's value"

The net asset value is the key performance indicator for any increase in DBAG's value. It is determined from the total assets less the total liabilities.

The main asset item is financial assets. They mainly include the gross portfolio value, reduced by carried interest entitlements resulting from shareholder contributions made by members of the Investment Advisory Team in the DBAG funds. The gross portfolio value corresponds to the market value of the portfolio companies on the relevant reporting date, which is calculated using the recognised valuation methods that are applied as standard in the industry. It is entirely possible for the gross portfolio value to fall in some years because it is also subject to influences that DBAG cannot control, such as the economy or developments on the capital market.

The net asset value does not change directly as a result of investments and disposals. In a first step, these merely produce a shift between financial investments and financial resources. The net asset value changes primarily as a result of changes in the value of the portfolio over the holding period of investments.

While the dividend allows DBAG's shareholders to participate in the Company's success, the distribution reduces the financial resources and, as a result, the net asset value. In order to make the increase in the net asset value visible in a given financial year, the closing balance of the net asset value is adjusted to reflect the distribution made in that financial year and, where appropriate, the inflow from a capital increase.

The business performance of Deutsche Beteiligungs AG is generally subject to the same key performance indicators as the DBAG Group. As a result, the statements made regarding the key performance indicators for DBAG Group above also apply to Deutsche Beteiligungs AG.

Key performance indicator for the financial objective "Build the value of the Private Equity Investments business segment"

In order to measure and manage our financial objective of "building the value of the Private Equity Investments business segment", we used to focus on the development of this business segment's earnings, just as we had focused on earnings in the Fund Investment Services segment. However, earnings before taxes in Private Equity Investments is largely determined by the increase in the value of our portfolio companies. This means that both the direction and magnitude of change in the result are consistent with the change in net asset value. That is why we will only use the net asset value, as defined above, to measure and manage the objective of "building the value of the Private Equity Investments business segment" from the 2023/2024 financial year onwards.

Key performance indicator for the financial objective "Build the value of the Fund Investment Services business segment"

In order for the Fund Investment Services business segment to be successful, there have to be substantial assets under management or advisory that increase in the medium term; the volume of these assets determines the income from Fund Services. In addition to income from Fund Services, which is determined by the volume of assets under management or advisory, earnings before taxes generated by Fund Investment Services are significantly influenced by the cost of identifying investment opportunities, of supporting the portfolio companies, and of their ultimate disinvestment. We measure whether we have achieved the financial objective "Build the value of Fund Investment Services" by looking at the long-term development of earnings from Fund Investment Services. We do not carry out our own valuation for this business segment. By offering the greatest possible degree of transparency, we instead want to ensure that market participants can carry out their valuation on the most objective basis possible.

Earnings from Fund Investment Services may decline in individual periods. This is due to the fact that the calculation basis for advisory fee income depends on the portfolio volume. Even if advisory fees remain constant for a longer period of time, as is generally the case during a fund's investment phase, higher costs can send results on a downward trajectory. This explains why a longer observation period is important for this key performance indicator, too.

Key performance indicator for the financial objective "Have shareholders participate in the Company's success through dividends that are stable and which rise whenever possible"

We used the dividend per share and dividend yield metrics to measure and manage the degree to which shareholders participated in our performance. Our goal was a stable, if not annually increasing distribution per share in euros, and an attractive dividend yield.

Key performance indicator for the non-financial objective "Reduce or avoid greenhouse gas emissions"

We intend to do our part by cutting emissions from operations per employee (FTE). Progress is measured based on total scope 1, scope 2 and scope 3 emissions from business activities at our Frankfurt/Main offices, calculated in compliance with the Greenhouse Gas Protocol. When looking at scope 3, we currently take into account emissions from business travel and commuting as these are emissions we can influence.

Further emissions from operations are those stemming from advisory services we purchase. Most advisers however do not yet provide evidence of their carbon footprint, which prevents us from aligning our purchasing decisions with our ambition to reduce emissions.

Key performance indicator for the non-financial objective "Improve employee satisfaction"

We use software to monitor employee satisfaction, asking our staff for feedback on issues relating to organisational culture, leadership at DBAG, working conditions and other aspects. The software also calculates the employee satisfaction index as the arithmetic mean of all surveys conducted in a given financial year. We use this index as a key performance indicator.

Key performance indicator for the non-financial objective "Prevent compliance breaches"

In accordance with our strict approach, the target value for fines, penalties or similar expenses imposed for compliance or transparency violations at DBAG amounts to zero euros.

ESG aspects in budget planning for DBAG's portfolio companies

DBAG assumes responsibility not only for how its own business activities impact the environment and society, but also for the impact from business activities of its portfolio companies. That is why ESG aspects form part of the due diligence we undertake prior to any investment decision. During the investment term, we support our portfolio companies in expanding their sustainability strategy and establishing management on the basis of non-financial indicators. In addition to DBAG's three ESG-related fields of action presented above, occupational health and safety are further relevant fields of action. We have been requesting information on all five fields from our portfolio companies since 2020. In the 2023 financial year, ESG-based key performance indicators that cover a multi-year horizon were integrated into the budget planning of our portfolio companies for the first time, helping them enhance their contribution to society and increase their enterprise value.

BUSINESS REVIEW OF THE GROUP

Comparison between actual business developments and the forecast

		Actual 2021/2022 and 30 Sep 2022	Original forecast December 2022	New forecast July 2023[2]	Actual 2022/2023 and 30 Sep 2023	Degree of fulfillment forecast December 2022	Degree of fulfillment forecast July 2023
Financial performance indicators							
Net asset value[1] (reporting date)	€mn	579.5	680.0 to 755.0	570.0 to 630.0	669.4	Expectation met	Expectation met
Earnings before taxes Private Equity Investments	€mn	(111.3)	60.0 to 75.0		96.8	Expectation exceeded	
Earnings from Fund Investment Services	€mn	15.4	50.0 to 65.0		14.0	Expectation met	
Planned dividend per share for the financial year	€	0.80	1.60		1.00	Expectation not met	
Non-financial performance indicators							
CO_2 Footprint (scope 1-3)[2]	tCO_2/MA	2.5	2.4		2.9	Expectation not met	
Employee satisfaction	%	62	266 to 294		65	Expectation exceeded	
Payments from compliance breaches	€	0.00	0.0		0.0	Expectation met	
Other indicators							
Net income in accordance with IFRS	€mn	(97.6)	70.0 to 80.0	85.0 to 115.0	105.8	Expectation exceeded	Expectation met

1 Also used as a key performance indicator for the core business objective
2 On 17 July 2023, DBAG specified its forecast, indicating that it expected to achieve the upper half of the ranges previously forecast for net asset value and net income for the 2022/2023 financial year.

During the financial year 2022/2023, we upgraded our forecasts for the key performance indicators relevant to DBAG several times. This was driven by rising capital market multiples enhancing the valuations of our portfolio companies, combined with successful disposals that also contributed positively to valuations. In the course of our most recent forecast adjustment, we specified assumptions for net income and net asset value. The original guidance was exceeded for most key performance indicators and the most recent forecast was achieved.

The net asset value and earnings before taxes in the Private Equity Investments segment are largely defined by the performance of the portfolio companies; earnings before taxes in Private Equity Investments was clearly above the original expectations, driven in particular by the positive performance of the portfolio companies.

Income from Fund Services reached the target, supported by DBAG Fund VIII and DBAG Fund VII, which accounted for the majority of income as anticipated. Earnings from Fund Investment Services has met original expectations.

The dividend proposed for the year under review is above the previous year's dividend but does not meet the forecast. The proposal reflects DBAG's dividend policy, which was updated in November 2023. Carbon emissions per employee were 2.9 tonnes, mainly as a result of the increase in transaction activity warranting more business trips. Net income did exceed our original expectations for the same reasons as net asset value and earnings before taxes of Private Equity Investments.

Macroeconomic and sector-specific environment

Overall economic outlook: Recovery towards pre-pandemic trends increasingly seems out of reach

The same factors worldwide are influencing the macroeconomic environment: recovery from the COVID-19 pandemic has been slow, with the additional burden of Russia's war of aggression against Ukraine, accompanied by some massive price increases for consumers and businesses and the sharp interest rate hikes conducted by central banks to combat inflation. Against this backdrop, the International Monetary Fund (IMF) believes that overall economic development has proved to be remarkably resilient: growth however remains slow, uneven and increasingly divergent around the world. Global economic activity bottomed out at the end of 2022, but a full recovery towards pre-pandemic trends increasingly appears to be out of reach.

According to the IMF's latest projections, global growth will slow from 3.5 per cent in 2022 to 3.0 per cent in 2023. This remains well below the historical average. For developed countries, the IMF expects growth to slow from 2.6 per cent in 2022 to 1.5 per cent in 2023. The United States is expected to see stable development, while growth in the euro area is likely to weaken. Germany is the only country in the euro area that is even expected to see a contraction of gross national product in absolute terms. In China, which has suffered from particularly strict zero-COVID measures, growth is expected to accelerate from 3.0 per cent in 2022 to 5.0 per cent in 2023, although there might be further escalation of the country's real estate crisis on the horizon. This represents one of the main risks for the global economy.[1]

DBAG's portfolio companies are feeling the challenging operating conditions, even though their exposure to Russia, Belarus and Ukraine is very limited indeed. Whilst higher energy prices are a burden that most portfolio companies can still manage, it is supply chain bottlenecks in particular that continue to impede performance.

By expanding its investment strategy to sectors outside of the manufacturing industry in recent years, DBAG has been able to reduce the risks arising from economic and structural changes for the entire portfolio. In this way, DBAG benefits from the trend towards digitalisation, and from growing demand for its portfolio companies' products and services in the IT services & software sector, which accounted for 22 per cent of DBAG's portfolio value as at 30 September 2023 – up from just 9 per cent two years before. DBAG further diversified its range of sectors in the year under review, through several new investments in companies whose business development is being driven by ESG trends.

Financial markets: Funds are still available, albeit at more restrictive terms

Net demand for corporate loans in Germany, which had been positive until the third calendar quarter of 2022, saw a dramatic decline in the fourth quarter of 2022 and turned negative on balance. Demand has thus far failed to recover during 2023, tending to move sideways. In a parallel development, banks began imposing much more restrictive credit standards towards the end of 2022. Even though terms were relaxed to some extent in the second and third quarters of 2023, overall they remain more restrictive than in the coronavirus-ridden calendar year 2021.[2] The overall picture shows that financing conditions have deteriorated for companies in Germany. Leveraging our decades of experience, we continuously support

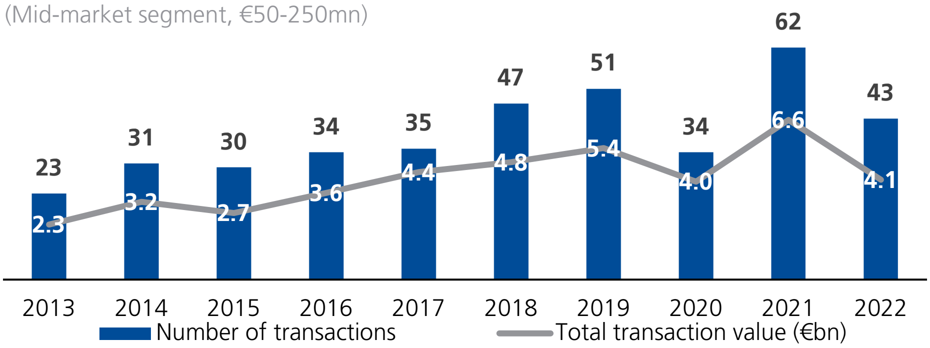
[1] International Monetary Fund, World Economic Outlook October 2023
[2] 24 Oct 2023 Press release by Deutsche Bundesbank: October results of the Bank Lending Survey (BLS) in Germany

our portfolio companies in adapting their financing structures to changing framework conditions and help them to optimise their position in the respective environment.

The supply of acquisition finance, which is key to our business, remained intact until the end of 2022, thanks in particular to private debt funds which financed 52 per cent of transactions in the German market during that year. There were 159 transactions financed by all providers during 2022. Their aggregate volume even slightly exceeded the record figure of 2021 (based on 158 transactions). Private debt funds financed slightly more than half of transactions (55 per cent).[3] According to data provided by Houlihan Lokey for the first half of 2023, the number of transactions during this period declined to 48. Banks and debt funds each accounted for half of the deals. Houlihan Lokey believes that both sources continue to be ready to provide new financings, albeit applying more conservative terms regarding debt multiples and other financing parameters.[4]

Private equity market 2022: The German mid-market buyout segment has shifted down a gear

NUMBER OF MBOS AND TRANSACTION VOLUME
(Mid-market segment, €50-250mn)



Due to the limited size and varied structure of the private equity market, comparisons over short periods of time continue to offer only low informational value. Furthermore, transparency is limited, since for every transaction on which a value is published, there are several transactions where no such information is released. We therefore regularly perform our own market analyses, together with the industry magazine FINANCE, in order to examine the market segment which DBAG addresses[5].

According to the most recent analysis available, financial investors structured a total of 43 management buyouts (MBOs) in 2022, a third less than the year before: the combination of war in Ukraine, soaring energy costs and accompanying inflation, along with higher interest rates, placed a major burden on the M&A market. Some developments already observed in 2021 persisted: primaries – transactions not executed between financial investors – accounted for a high share of the total, and the IT services and software sectors now account for an even larger proportion of mid-market MBOs. A total of 16 transactions took place in this sector in 2022, more than a third of the entire year's MBO total and significantly higher than the ten-year average of 17 per cent.

[3] Houlihan Lokey MidCapMonitor Q4 2022
[4] Houlihan Lokey MidCapMonitor Q2 2023
[5]Transactions where financial investors have acquired a majority stake in a German company alongside the management team, and which had a transaction value of between 50 and 250 million euros for the debt-free company. This information was compiled from publicly available sources, together with DBAG's own estimates and research in cooperation with the German industry magazine FINANCE.

Founders or family owners sold to financial investors in 27 out of the 43 transactions. Transactions with families and founders as sellers had already represented more than half of all transactions in the previous year. One buyout was the result of a larger group spinning out peripheral businesses to a financial investor. The remaining 15 MBOs were agreed upon between financial investors. Over the long term, Germany's *Mittelstand* buyout market is growing at an average annual rate of around seven per cent (CAGR 2013-2022).

In the year under review, DBAG successfully completed the partial disposal of one portfolio company in the IT services & software sector, and closed or agreed upon two new investments. At the same time, DBAG also structured succession arrangements for several founder-managed or family-owned businesses in the course of its investment. Between 2013 and 2022, roughly 58 per cent of DBAG's transactions involved family-owned companies, whereas these companies only acted on the market as sellers in 53 per cent of transactions.

Competition on the private equity market remained intense. Transactions were split among a large number of financial investors in 2022. 30 private equity firms were involved in the 43 transactions observed last year. DBAG figures in the buyout list with two MBOs in 2022 (previous year: three out of 62). It did complete an additional MBO in 2022, but this was not included in the analysis because the company was based in Italy. Over the past ten years DBAG has the highest market share in a fragmented market, with 26 of 390 MBOs (seven per cent); it is followed in the ranking by two competitors with 22 and 18 transactions respectively in the market segment under review.

The environment in the private equity market remained challenging in the first half of the 2023 calendar year, as revealed by a further survey conducted by FINANCE Magazine: although 45 per cent of respondents stated that they had a "great appetite for exits", another 45 per cent said that they had a "low" need for disposals. Nonetheless, DBAG managed to conclude attractive disposals. In the financial year 2022/2023, the Company closed or agreed upon a total of six disposals or partial disposals. At the end of the reporting year, DBAG assessed the risk that the general economy and economic cycles could have a negative impact on the financial position and financial performance of the portfolio companies as "high" – and hence, slightly lower than in the previous year, when the risk was deemed "very high". This also includes the risk of extended holding periods of investments, resulting in the gains on disposal being postponed or reduced.

Review of key events and transactions

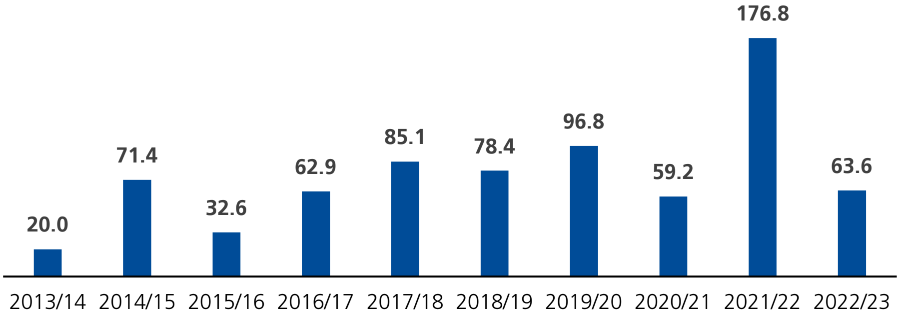
Private Equity Investments: Portfolio rejuvenation through realisations and investments in new companies

Realisations increase significantly

Following the financial year 2021/2022, which focused on expanding the portfolio with new equity investments and add-ons to existing portfolio companies, the financial year 2022/2023 saw a marked increase in realisations of equity investments. In addition, DBAG again made new attractive equity investments.

DBAG invested 63.6 million euros from its balance sheet in 2022/2023 (previous year: 176.8 million euros); this sum not only comprises new investments, but also increases in existing investments that were completed in the year under review. Of this amount, 28.8 million euros was accounted for by three new investments completed in the year under review (previous year: 145.1 million euros). 13.6 million euros (previous year: 9.5 million euros) was attributable to financing provided by DBAG (largely) alongside DBAG Fund VII and DBAG Fund VIII for add-ons made by portfolio companies. Increases in existing investments totalled 21.2 million euros (previous year: 22.2 million euros).

INVESTMENT IN THE PORTFOLIO
€mn



Successful disposals and expanding the portfolio to include attractive, new investments, dynamic development of the existing portfolio

The period under review saw a high level of disposal activity and new investments. The latter related to both management buyouts (MBOs) and Long-Term Investments as well as add-ons. We were again able to explore a wide range of new investment opportunities and provide support for three new equity investments completed in the year under review. The following transactions were made in the year under review:

- Investments: three new MBOs (AOE, Avrio Energie and TBD Technische Bau Dienstleistungen) were completed. In addition, one new MBO (ProMik) and one new Long-Term Investment (NOKERA) were agreed.

- Disposals: the disposal of three portfolio companies (BTV Multimedia, Heytex, Pmflex), partial disposal of two portfolio companies (Cloudflight and GMM Pfaudler) and derecognition of one portfolio company (Frimo) were completed. In addition, the disposal of one Long-Term Investment (R+S) was agreed.

- Add-ons: Ten add-on acquisitions by existing portfolio companies were completed and two were agreed.

One of the three newly agreed and completed MBOs is AOE, a specialised developer of agile software solutions, with customers from the e-commerce, telecommunications, aviation, healthcare, production, fintech and the public sector. Avrio Energie is an operator of renewable energy plants. Its portfolio includes a cutting-edge biogas plant that generates electricity and biomethane (renewable natural gas) from both agricultural produce and animal manure, thus contributing to improving the carbon footprint of biomethane clients. TBD Technische Bau Dienstleistungen is a provider of construction services for infrastructure solutions. The company was involved, for example, in the connection of the LNG terminal in Wilhelmshaven, where TBD, as an accredited testing laboratory, conducted the weld seam inspections.

The investments newly agreed in the reporting year but not yet completed include ProMik (MBO), a leading global systems provider of programming and testing solutions for series production in the electronics industry. Its broad range of services is geared towards sectors such as mobility, consumer goods or industrial applications. NOKERA (Long-Term Investment structured as a minority interest) is a producer of sustainable buildings in serial construction.

The new equity investments were offset by three disposals, two partial disposals, and the derecognition of one portfolio company in the year under review. This compares with two partial disposals and one derecognition in the financial year 2021/2022. The three completed disposals are: BTV Multimedia, a broadband telecommunications equipment and services provider, Heytex, a leading manufacturer of technical textiles serving a variety of end markets, Pmflex, a leading European manufacturer of electrical installation conduits.

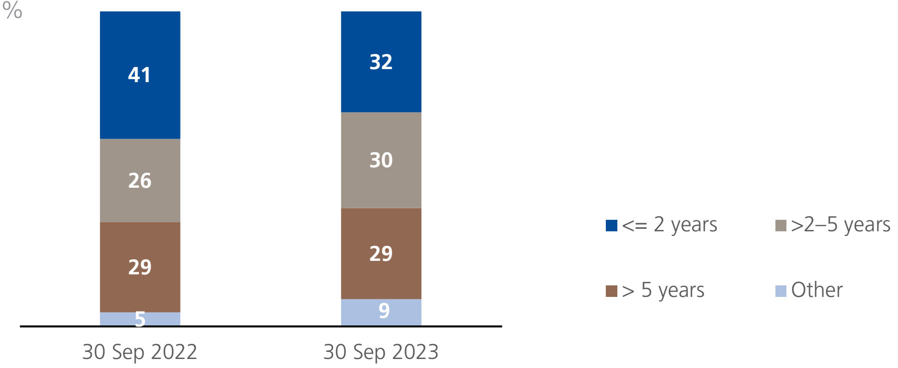
The two completed partial disposals related to: Cloudflight, a leading European full-service provider for industrial digital transformation, and GMM Pfaudler, a firm specialising in mechanical engineering solutions for the chemical and pharmaceutical industries. The derecognition of Frimo, a provider of tools and machinery for the automotive industry, following its insolvency did not have any effect on earnings in the year under review, since the investment's negative performance had been taken into consideration as at previous reporting dates. A further portfolio company is involved in challenging restructuring negotiations, which might lead to insolvency proceedings. That company's negative performance has already been taken into account in the portfolio valuation as at 30 September 2023.

The disposal of the Long-Term Investment in R+S, a leading provider of technical building services, was agreed in the reporting year but has not yet been completed.

At the end of the financial year 2022/2023, DBAG's investment portfolio therefore consisted of 38 companies (previous year: 39), including the four partially disposed equity investments Cloudflight, evidia, GMM Pfaudler and Telio. The investments which are no longer expected to deliver any appreciable value contributions, including the investment in an externally managed foreign buyout fund, and companies through which warranties on disposals are settled, must be added.

STRUCTURE OF THE PORTFOLIO ON BASIS OF ACQUISITION COSTS

%



Holding period of the portfolio companies

The share of investments in the portfolio for up to two years was 32 per cent on the reporting date on the basis of the acquisition costs (previous year: 41 per cent). Investments that we have already been supporting for two to five years account for around 30 per cent (previous year: 26 per cent). This is typically the period during which the implementation of the agreed measures for realising the development potential gain momentum. The negative economic influences experienced in manufacturing industry since 2019, the pandemic, the growing upward pressure on energy and raw material prices, interest rates and the resulting macro-economic impact since the war in Ukraine started could delay the companies' performance and lead to a longer holding period. The share of companies that have been in the portfolio for more than five years amounted to 29 per cent on the reporting date on the basis of the acquisition costs (previous year: 29 per cent).

DBAG's portfolio consisted of 38 portfolio companies as at 30 September 2023, plus one investment in an externally-managed foreign buyout fund.[1]

Name, event, registered office	DBAG fund	Description of company activities	Date of agreement or closing	Employees, revenues (€mn, rounded)	Equity contribution from DBAG (€mn, rounded)
MTWH Add-ons FIXO, Italy Metalstudio, Italy	DBAG FUND VIII	Industry and industrial technology Manufacturer of metal applications for the luxury goods industry	12/2022 (FIXO closing) 9/2023 (Metalstudio closing)	40, 14 (2022B² Fixo) resp. 320, 86 (2023B² Metalstudio)	8
in-tech Add-on ProIT, Romania	DBAG Fund VIII	IT services & software Engineering services and software	4/2023 (Closing)	123, 8 (2023B²)	-
akquinet Add-ons SI Consulting, Poland EKC, Germany MSC, Switzerland	DBAG Fund VII	IT services & software IT services	5/2023 (SI Consulting closing) 4/2023 (EKC closing) 4/2023 (MSC agreement)	292, 39 (2023FC³ resp. 2023B²)	2
Cloudflight Partial disposal, Germany	DBAG Fund VII	IT services & software Tailor-made services for cloud-first, digital product development and digital transformation	3/2023 (Closing)	1000, 92 (2022)	-
Karl Eugen Fischer Add-on KTT, Slovakia	DBAG Fund VII	Industry and industrial technology Mechanical engineering for the tyre industry	12/2022 (Closing)	229, 22 (2023B²)	-
operasan Add-ons NZ St. Wendel, Germany NZ Kamen, Germany NZ Roth, Germany	DBAG Fund VII	Healthcare Nephrology and dialysis	1/2023 (NZ St. Wendel Closing) 4/2023 (NZ Kamen Closing) 8/2023 (NZ Roth agreement)	96, 13 (2022B² and 2023FC³)	4
Pmflex Disposal, Italy	DBAG Fund VII	Industry and industrial technology Production and marketing of protection conduits for electrical cables	1/2023 (Closing)	142, 155 (2022FC³)	-
Frimo Derecognition, Germany	DBAG Fund VI	Industry and industrial technology Tools and machinery for the automotive industry	2/2023 (Closing)	1028, 179 (2022)	-
GMM Pfaudler Partial disposal, India	DBAG Fund VI	Industry and industrial technology Corrosion-resistant technologies, systems, and services for the chemical, pharmaceutical, food and energy industries	12/2022 und 8/2023 (Closing)	984, 327 (2021/2022)	-
Heytex Disposal, Germany	DBAG Fund V	Industry and industrial technology Manufacturer of technical textiles	2/2023 (Closing)	543, 160 (2022FC³)	-
Netzkontor Add-ons IMT, Germany Adams, Germany	DBAG ECF I	Broadband/telecommunications Services for the telecommunications sector	12/2022 (IMT closing) bzw. 3/2023 (Adams closing)	176, 26 (2023B²)	-
BTV Multimedia Disposal, Germany	DBAG ECF III	Broadband/telecommunications Equipment and services for broadband communications	5/2023 (Closing)	222, 140 (2023B²)	-

[1] For acquisitions, the figures in the tables relate to the companies acquired.
[1] "B" refers to budgeted value
[3] "FC" indicates forecast

Name, event, registered office	DBAG fund	Description of company activities	Date of agreement or closing	Employees, revenues (€mn, rounded)	Equity contribution from DBAG (€mn, rounded)
AOE Acquisition	DBAG ECF IV	IT services & software Agile software development	8/2023 (Closing)	200, 21 (2023FC[3])	11
Avrio Energie Acquisition	DBAG ECF IV	Other Biogas platform	7/2023 (Closing)	10, 10 (2023B[2])	9
TBD Technische Bau Dienstleistungen Acquisition	DBAG ECF IV	Industrial services Construction services for infrastructure solutions	8/2023 (Closing)	369, 38 (2023FC[3])	10
ProMik Acquisition	DBAG ECF IV	Industry and industrial technology Programming and testing solutions for the electronics manufacturing industry	9/2023 (Agreement)	60, 15 (2023FC[3])	15
NOKERA Minority stake, Switzerland	Long-Term Investment	Other Construction supplier & industry	7/2023 (Agreement)	400, 78 (2022)	21
R+S Disposal, Germany	Long-Term Investment	Industrial services Technical building equipment	7/2023 (Agreement)	2123, 338 (2022)	-

Fund Investment Services

Having started its investment period in December 2022, DBAG ECF IV made good investment progress in the year under review. The fund had a positive impact on callable capital commitments and hence, on the volume of assets under management or advisory; disposals and partial disposals had the opposite effect. On balance, assets under management or advisory remained roughly unchanged compared to the previous year, at approximately 2.5 billion euros.

Majority investment in ELF Capital Group expands range of flexible financing solutions

Deutsche Beteiligungs AG has acquired a majority stake in ELF Capital Group ("ELF Capital") in the year under review, thereby expanding its range of flexible financing solutions for mid-market companies to include private debt. Closing of the transaction and first-time consolidation of ELF Capital are envisaged for the first quarter of the financial year 2023/2024 – subject, in particular, to the amendment of DBAG's corporate object. (Please refer to the chapter "Fundamental information about the Group".)

Financial performance

Overall assessment: Net income up significantly on the previous year

At 105.8 million euros, DBAG's net income for the financial year 2022/2023 is significantly above the previous year. It is defined in particular by increased valuation multiples for the peer group companies we use to value our portfolio companies, and by transaction effects related to the successful disposals we realised in the year under review. Last year, net income was still influenced by the negative capital market development following the interest rate turnaround and by burdened earnings at the portfolio companies, and was therefore very negative.

In the Private Equity Investments segment, net income from investment activity rose from -98.9 million euros in the previous year to 109.6 million euros in the financial year under review. The positive contribution was especially due to changes in multiples. As communicated in our ad-hoc releases in January, February, April and July 2023, the successful disposals of our portfolio companies and the positive performance of peer group companies on the capital market led to an increase in net gains and losses on measurement and disposal.

At 45.9 million euros, income from Fund Services was higher than in the previous year (43.2 million euros).

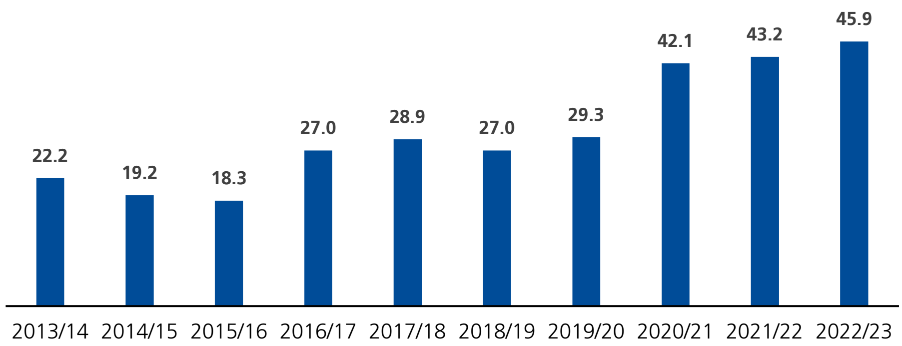
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€'000	**2022/2023**	2021/2022
Net income from investment activity	109,577	(98,883)
Income from Fund Services	45,859	43,156
Income from Fund Services and investment activity	**155,435**	**(55,726)**
Personnel expenses	(27,088)	(24,550)
Other operating income	4,748	3,739
Other operating expenses	(22,320)	(18,274)
Net interest income	(2,191)	(1,107)
Other income/expense items	**(46,851)**	**(40,192)**
Earnings before taxes	**108,585**	**(95,918)**
Income taxes	(2,799)	(1,639)
Earnings after taxes	**105,786**	**(97,557)**
Net income attributable to other shareholders	(6)	(7)
Net income	**105,780**	**(97,564)**
Other comprehensive income	(753)	8,624
Total comprehensive income	**105,026**	**(88,939)**

Overview: Positive capital market development influences investment activity

INCOME FROM FUND SERVICES AND INVESTMENT ACTIVITY soared compared with the previous year, driven by higher net income from investment activity that mainly determines this item (for details, please refer to the information under "Net income from investment activity") and by income from Fund Services that exceeded the previous year's results, as expected (for details on the development of fees, please refer to the information under "Fund Investment Services segment").

INCOME FROM FUND SERVICES
€mn



Other income/expense items: Increase in net expenses

The rise in net expenses in **OTHER INCOME/EXPENSE ITEMS**, i.e. the net amount of personnel expenses, other operating income and expenses, as well as net interest income, resulted primarily from higher other operating expenses and higher personnel expenses.

PERSONNEL EXPENSES (see note 11 to the consolidated financial statements) increased by 2.5 million euros as a result of higher provisions for performance-related remuneration, which went up by 3.9 million euros mainly driven by the successful disposals in the year under review. 1.2 million euros of the increase was attributable to provisions for Board of Management members. Expenses for fixed salaries, on the other hand, increased only slightly in the financial year 2022/2023. The number of employees averaged 91 in the financial year under review, compared to 85 for the previous year. The fact that one-off expenses related to the retirement of a Board of Management member were not incurred in the year under review contained the increase in personnel expenses. For more information on Board of Management remuneration, please refer to the remuneration report available on our website[7].

OTHER OPERATING INCOME increased compared to the previous year (see note 12 to the consolidated financial statements). This item is largely made up of income from consultancy expenses that can be passed through, which was higher than in the previous year.

Income from consultancy expenses that can be passed through was offset by corresponding expense items, which are reported under **OTHER OPERATING EXPENSES** (for more information, please refer to note 13 to the consolidated financial statements). The latter increased in the year under review. In particular, increases were seen in consultancy expenses (including in connection with transactions for which expenses cannot be passed on to DBAG funds), maintenance costs for IT infrastructure, hiring expenses, as well as costs for interim management and freelance fees. Depreciation of property, plant and equipment also increased following the move to new premises.

Higher interest expenses (2.3 million euros versus 1.1 million euros in the previous year) due to the credit line drawn down in the year under review were the main reason for **NET INTEREST INCOME** (see note 14 to the consolidated financial statements) declining overall, whilst interest income increased only slightly, from 0.0 million euros to 0.1 million euros.

Other comprehensive income influenced by slightly higher pension provisions

OTHER COMPREHENSIVE INCOME declined in the year under review, mainly as a result of higher pension provisions. The previous year's figure benefited from higher actuarial gains on measurement of pension obligations reflecting a marked increase in the underlying discount rate for pension provisions. In the year under review, the discount rate only saw a slight increase from 3.74 per cent to 4.06 per cent (see note 24 to the consolidated financial statements "Gains (+)/ losses (-) on remeasurement of the net defined benefit liability (asset)").

Net income from investment activity: Positive impact from capital market development

The change in **NET INCOME FROM INVESTMENT ACTIVITY** from -98.9 million euros in the previous year to 109.6 million euros in the 2022/2023 financial year was due primarily to the performance of the investments in the portfolio companies, which – with one exception (JCK) – are held via investment entity subsidiaries, as reflected in **GROSS GAINS AND LOSSES ON MEASUREMENT AND DISPOSAL**. This means that the net gains depend not only on the earnings outlook of the portfolio companies, but also – due to their valuation based on multiples of listed reference companies (peer groups) – on capital market developments. Net income from investment activity also includes current portfolio income and the net amount of expenses and income of the investment entity subsidiaries.

NET INCOME ATTRIBUTABLE TO OTHER SHAREHOLDERS OF INVESTMENT ENTITY SUBSIDIARIES corresponds to gross gains and losses on measurement and disposal. Specifically, this relates to carried interest entitlements resulting from private investments made by members of the Investment Advisory Team in the DBAG funds' investment entity subsidiaries. The carried interest entitlements essentially reflect the net performance of the DBAG fund investments. This means that carried interest changes, depending on the further

[7] See https://www.dbag.com/investor-relations/corporate-governance

performance of the fund investments and in the course of distributions following disposals from a fund's portfolio, provided that the contractual conditions are met. The beneficiaries of these entitlements are those active and former members of the DBAG Investment Advisory Team who co-invested alongside the funds.

Whilst entitlements that had to be accounted for DBAG ECF and DBAG Fund VII were higher in the year under review, entitlements for DBAG Fund VI were lower. DBAG Fund VIII commenced investments in August 2020. No carried interest has been recognised for this fund to date. In the previous year, lower entitlements especially for DBAG ECF and DBAG Fund VI had to be taken into account.

NET INCOME FROM INVESTMENT ACTIVITY

€'000	2022/2023	2021/2022
Gross gains and losses on measurement and disposal portfolio	114,643	(130,033)
Net income attributable to other shareholders of investment entity subsidiaries	(10,508)	28,263
Net gains and losses on measurement and disposal portfolio	**104,134**	**(101,771)**
Current portfolio income	17,179	14,587
Net portfolio income	**121,313**	**(87,184)**
Net gains and losses from other assets and liabilities of investment entity subsidiaries	(13,032)	(13,191)
Net gains and losses from other financial assets and other financial instruments	1,295	1,492
Net income from investment activity	**109,577**	**(98,883)**

CURRENT PORTFOLIO INCOME mainly relates to interest payments on shareholder loans, and exceeded the previous year's figure which largely related to one DBAG Fund VII company. The year-on-year increase in the amount of loans granted to existing and new portfolio companies also had an effect.

Changes to **NET GAINS AND LOSSES FROM OTHER ASSETS AND LIABILITIES OF INVESTMENT ENTITY SUBSIDIARIES** are mainly a result of remuneration for the respective managers of DBAG Fund VI, DBAG Fund VII and DBAG Fund VIII, based on the capital invested/committed by DBAG, plus incidental transaction costs for Long-Term Investments. **INCOME FROM OTHER FINANCIAL ASSETS** were lower in the year under review, in particular due to measurement effects through other financial assets.

Analysis of gross gains and losses on measurement and disposal

SOURCE ANALYSIS 1: As at the 30 September 2023 reporting date, we determined the fair value of 33 portfolio companies (previous year: 29) using the multiples method. We based this calculation (largely) on the expected result for 2023 and the company debt levels expected at the end of the year, as well as on capital market valuations and exchange rates at the reporting date. Three portfolio companies (previous year: eight) are still carried at their original transaction price because they have been held for less than twelve months. They account for 4.6 per cent of the portfolio value (previous year: 25.6 per cent). Our valuation of the externally-managed foreign buyout fund was based on the valuation of the fund manager. The valuation of the shares in GMM Pfaudler Ltd. (listed in India) is based on the agreed disposal valuation.

In the financial year 2022/2023, the contribution from the companies' **CHANGES IN EARNINGS** was positive, at 39.4 million euros. 19 companies (previous year: 19) made a positive contribution, whilst ten companies (previous year: five) made a negative contribution. The remaining companies made no contribution from changes in earnings. For several companies, improved earnings were the result of add-ons, which were accompanied by an increase in debt. Positive earnings contributions were mainly delivered by companies from the IT services & software and broadband/telecommunications sectors. Negative earnings contributions were attributable, for example, to supply chain bottlenecks, which resulted in one company reducing its earnings expectations. And market disruptions dampened customer spending at two other companies.

GROSS GAINS AND LOSSES ON MEASUREMENT AND DISPOSAL PORTFOLIO BY SOURCES: SOURCE ANALYSIS 1

€'000	**2022/2023**	2021/2022
Fair value of unlisted investments		
Change in earnings	39,354	80,667
Change in debt	(59,420)	(78,612)
Change in multiples	121,003	(150,797)
Change in exchange rates	(6,638)	2,014
Change – other	(41,852)	2,293
Other	(814)	(519)
Subtotal	51,633	-144,954
Net gains and losses on disposal	63,009	14,921
	114,643	**(130,033)**

As a general rule, we do not receive any current distributions from portfolio companies during the holding period. The portfolio companies therefore mostly use surpluses to reduce their **DEBT** and occasionally also for distributions in conjunction with refinancings. At the same time, growth through add-ons is a core element of the corporate strategy of many of our portfolio companies, designed to accelerate the expansion of their market presence. This applies in particular to our investments in broadband/telecommunications, IT services & software and healthcare, where our portfolio companies rely heavily on buy-and-build strategies. The resulting higher debt levels are offset by positive earnings contributions from the add-ons. Supply chain bottlenecks also led some of the portfolio companies to increase their funding requirements.

The change in **MULTIPLES** includes two effects. Firstly, we report the earnings contribution from changes to valuation multiples of listed peer group companies, which we use for the valuation of portfolio companies. Secondly, we take into consideration the findings derived from transaction processes. The earnings multiples of listed peer group companies on the reporting date of the financial year were largely higher than those on the reporting date of the previous year. The change in multiples led to a positive effect on earnings in the year under review, primarily among investments in the industry and industrial technology, industrial services and IT services & software sectors – following noticeably negative net contributions from this earnings component in the previous year.

Changes in **EXCHANGE RATES** impacted in particular on the value of the investments in duagon (Swiss francs) and congatec (US dollar). As in the previous year, **CHANGES IN THE OTHER** item had a negative impact on net gains and losses on measurement and disposal.

NET GAINS AND LOSSES ON DISPOSAL was driven, in particular, by value contributions from the partial disposal of the investments in Cloudflight and GMM Pfaudler, and from the disposal of the investments in BTV Multimedia and Pmflex. Net gains and losses on disposal in the financial year 2021/2022 in turn had been marked by the partial disposal of Telio and the von Poll Immobilien refinancing.

Contributions to net measurement gains and losses shown in the **OTHER** item mainly relate to effects associated with the partial disposal of the investments in Cloudflight and GMM Pfaudler. Discounting effects relating to residual items also played a role.

SOURCE ANALYSIS 2: 23 portfolio companies (previous year: 12) made a positive contribution to the development of net gains and losses on measurement and disposal in the year under review. Of these, one company is valued at its disposal price.

Eleven (previous year: 20) equity investments made a negative contribution to net gains and losses on measurement and disposal of the 2022/2023 financial year. A negative valuation effect also occurred for the remaining stake in an externally-managed foreign buyout fund.

GROSS GAINS AND LOSSES ON MEASUREMENT AND DISPOSAL PORTFOLIO BY SOURCES: SOURCE ANALYSIS 2

€'000	**2022/2023**	2021/2022
Positive movements	146,997	42,702
Negative movements	(32,354)	(172,735)
	114,643	**(130,033)**

SOURCE ANALYSIS 3: Net gains and losses on measurement and disposal in the 2022/2023 financial year reflect the overall positive development of multiples of the listed peer group companies. Disposals and partial disposals have also contributed their part to significantly positive net gains and losses on disposal. For information on net gains and losses on disposal, we refer to source analysis 1.

GROSS GAINS AND LOSSES ON MEASUREMENT AND DISPOSAL PORTFOLIO BY SOURCES: SOURCE ANALYSIS 3

€'000	**2022/2023**	2021/2022
Net measurement gains and losses	51,634	(144,954)
Net gains and losses on disposal	63,009	14,921
	114,643	**(130,033)**

TEN-YEAR SUMMARY OF EARNINGS

	2013/ 2014	2014/ 2015	2015/ 2016	2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	2021/ 2022	**2022/ 2023**
		11 months								
Net income from investment activity[1]	50.7	29.2	59.4	85.8	31.1	49.6	(16.9)	178.4	(98.9)	109.6
Income from Fund Services	22.2	19.2	18.3	27.0	28.9	27.0	29.3	42.1	43.2	45.9
Other income/expense items[2]	(24.5)	(21.3)	(28.4)	(30.9)	(30.2)	(31.5)	(28.2)	(34.7)	(40.2)	(46.9)
EBT	48.4	27.1	49.3	82.0	29.7	45.1	(15.8)	185.7	(95.9)	108.6
Net income	48.0	27.0	49.5	82.0	29.7	45.9	(16.8)	185.1	(97.6)	105.8
Other comprehensive income[3]	(6.4)	0.4	(6.5)	2.9	(1.2)	(7.7)	2.7	2.2	8.6	(0.8)
Total comprehensive income	41.6	27.4	43.0	84.9	28.5	38.2	(14.1)	187.3	(88.9)	105.0
Return on equity per share (%)[4]	15.9	9.6	14.9	24.1	6.9	9.1	(3.2)	44.2	(12.7)	18.1

1 Net gains and losses on measurement and disposal as well as current income from financial assets
2 Net amount of other income and expense items
3 Actuarial gains and losses on remeasurement of the net defined benefit liability are recognised directly in equity, via other comprehensive income.
4 Since the financial year 2020/2021: total comprehensive income divided by the opening balance of equity (in previous years: total comprehensive income divided by opening balance).

Financial position – liquidity

Overall assessment: Redemption of credit lines from successful disposals

As at 30 September 2023, DBAG's financial resources totalling 20.0 million euros comprised cash and cash equivalents. The investment entity subsidiaries hold additional financial resources – exclusively cash and cash equivalents – amounting to 9.1 million euros. Credit lines totalling 106.7 million euros remained undrawn as at the reporting date (for the financing strategy and credit lines, please refer to the information under "Long-term financing of DBAG's co-investments and Long-Term Investments via the equity market").

The following condensed statement of cash flows in accordance with IFRS shows the changes in cash and cash equivalents.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

INFLOWS (+)/OUTFLOWS (-)

€'000	2022/2023	2021/2022
Net income	105,780	(97,564)
Measurement gains (-)/losses (+) and gains (-)/losses (+) on disposal of financial assets	(107,235)	101,751
Other non-cash changes	10,802	25,350
Cash flow from operating activities	**9,347**	**29,538**
Proceeds from disposals of financial assets and other financial instruments	162,963	122,111
Payments for investments in financial assets and other financial instruments	(113,575)	(253,727)
Cash flow from investment activity	49,388	(131,617)
Proceeds from (+)/payments for (-) investments in securities	0	74,802
Other cash inflows and outflows	(719)	(861)
Cash flow from investing activities	**48,669**	**(57,675)**
Proceeds from capital increases	(42)	(280)
Payments for lease liabilities	(1,072)	(1,073)
Proceeds from drawdowns of credit facilities	15,000	41,000
Payments for redemption of credit lines	(56,000)	0
Payments to shareholders (dividends)	(15,044)	(30,088)
Cash flow from financing activities	**(57,157)**	**9,559**
Net change in cash and cash equivalents	**860**	**(18,579)**
Cash and cash equivalents at start of reporting period	19,158	37,737
Cash and cash equivalents at end of reporting period	**20,018**	**19,158**

CASH AND CASH EQUIVALENTS in accordance with IFRS increased in the financial year 2022/2023. The balance of **CASH FLOW FROM OPERATING ACTIVITIES** was positive and significantly below the previous year's figure. Firstly, this is attributable to the fact that net income is largely based on the change in value in connection with the fair-value measurement of the portfolio. Realised proceeds from disposals are shown in cash flow from investing activities. The receipt of 27.8 million euros in advisory fees for DBAG Fund VII in the financial year 2021/2022 (which had been deferred since July 2019) was a material factor leading to the decline from the previous year's result.

CASH FLOW FROM INVESTING ACTIVITIES was positive in the year under review. It is characterised mainly by the cash flow from investment activity and is also influenced by the change in securities holdings, in which surplus funds are temporarily invested until they are needed for investments. Money market fund units in the amount of 74.8 million euros were sold in the financial year 2021/2022, whereas no net change was recorded in the year under review.

Investment activity resulted in an inflow of funds in the year under review, compared to an outflow in the previous year. The volatility of the cash flows from investment activity is due to reporting date factors and also due to cash flows being concentrated on a few – yet sizeable – amounts in the transaction business, which is typical for Deutsche Beteiligungs AG's business model.

DBAG Fund VII and DBAG Fund VIII structure the financing of their investments in two stages: before structuring of the acquisition financing is finalised, the investments are initially pre-financed using loans over a period of up to nine months. This approach optimises the return on the capital employed for the funds. As a result, DBAG grants short-term loans to its investment entity subsidiaries ("Payments for investments in financial assets and other financial instruments"), which are subsequently refinanced ("Proceeds from disposals of financial assets and other financial instruments").

Proceeds from disposals of financial assets and other financial instruments mainly related to the inflow of funds from the partial disposal of Cloudflight and the disposals of BTV Multimedia, Heytex and Pmflex (see the chapter "Review of key events and transactions"). Payments for investments in financial assets and other financial instruments resulted from capital calls made by investment entity subsidiaries for the investments and add-ons made by DBAG ECF, DBAG Fund VI, DBAG Fund VII and DBAG VIII or the Long-Term Investments, as described in the chapter mentioned.

CASH FLOW FROM FINANCING ACTIVITIES was largely driven by the redemption of the credit line that had been drawn in the previous year. In addition, the dividend was paid out to DBAG's shareholders following the Annual General Meeting on 28 February 2023.

TEN-YEAR SUMMARY OF CASH POSITION

€'000	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	**2022/2023**
		11 months								
Cash flow from operating activities	0.0	7.1	(0.6)	(0.5)	9.9	(12.3)	(6.7)	(7.6)	29.5	9.3
Cash flow from investing activities	67.9	20.1	1.9	95.1	(93.2)	54.5	(8.4)	(47.0)	(57.7)	48.7
Cash flow from financing activities	(16.4)	(27.4)	23.5	(18.1)	(21.1)	(21.8)	(10.5)	74.0	9.6	(57.2)
Net change in financial resources[1]	51.5	(0.1)	24.8	76.6	(104.4)	20.4	(25.6)	19.4	(18.6)	0.9

1 Financial resources: cash and cash equivalents along with securities, excluding financial resources of investment entity subsidiaries

Financial position – assets

Overall assessment: Solid statement of financial position with high equity ratio

DBAG's financial position is defined by its predominantly equity-financed financial assets. The equity ratio amounts to 94.5 per cent of total assets (previous year: 89.6 per cent). Equity still covers non-current assets in full and current assets at 30.9 per cent (previous year: 22.7 per cent).

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€'000	30 Sep 2023	30 Sep 2022
Financial assets	635,404	553,323
Other non-current assets	14,779	3,317
Deferred tax assets	1,790	3,190
Non-current assets	**651,973**	**559,831**
Other financial instruments	17,990	42,225
Receivables and other assets	16,584	23,137
Cash and cash equivalents	20,018	19,158
Other current assets	1,705	2,056
Current assets	**56,296**	**86,576**
Total assets	**708,269**	**646,407**
Equity	669,379	579,455
Non-current liabilities	16,813	5,840
Current liabilities	22,077	61,112
Total equity and liabilities	**708,269**	**646,407**

Asset and capital structure: further increase in financial assets

Total assets as at the reporting date of 30 September 2023 stood at 708.3 million euros – above the levels seen at the end of the financial year 2021/2022. On the assets side, factors increasing total assets included above all the higher valuation of financial assets. On the capital side, this effect led to an increase in equity.

The main factors reducing total assets were declines in other financial instruments, as well as receivables and other assets. On the capital side, the dividend payment reduced DBAG's equity, while the redemption of the credit line reduced current liabilities.

The **ASSET STRUCTURE** has shifted in favour of non-current assets; this is mainly down to the higher valuation of financial assets. Non-current assets now account for 92.1 per cent of total assets (previous year: 86.6 per cent). Of the total assets, 89.7 per cent (previous year: 85.6 per cent) are accounted for by financial assets. Cash and cash equivalents account for 2.8 per cent (previous year: 3.0 per cent) of total assets.

The **CAPITAL STRUCTURE** has shifted in favour of equity compared to the end of the last financial year.

EQUITY stood at 669.4 million euros (previous year: 579.5 million euro) – an increase that mainly reflected the higher net income. Equity per share thus increased from 30.81 euros at the beginning of the reporting period to 35.59 euros at the end of the period. Based on equity per share (reduced by the dividend payment) at the beginning of the financial year, this corresponds to a return on equity of 18.1 per cent; a return on equity of -12.7 per cent was achieved in the previous year. Please refer to the notes to the consolidated financial statements (note 22) regarding purchases of treasury shares.

NON-CURRENT LIABILITIES increased in particular due to the rise in non-current lease liabilities, as a result of the move to new premises. The decrease in **CURRENT LIABILITIES** largely resulted from the redemption of the credit lines.

Financial assets: Portfolio value increased significantly

Financial assets are largely determined by the **VALUE OF THE PORTFOLIO** which, excluding interests of other shareholders in investment entity subsidiaries (largely carried interest), amounted to 631.9 million euros as at 30 September 2023, compared with 567.3 million euros at the end of the previous financial year. During the reporting period, additions from three new equity investments, from ongoing investing activities as well as positive changes in the value of the portfolio companies were offset by disposals of three portfolio companies, partial disposals of two portfolio companies, and the derecognition of one portfolio company (cf. the comments on portfolio value below).

INTERESTS OF OTHER SHAREHOLDERS IN INVESTMENT ENTITY SUBSIDIARIES have increased in absolute terms compared to the levels at the beginning of the year under review, largely due to the increase in performance-based profit shares from private investments by members of the Investment Advisory Team for the DBAG ECF (please refer to the information under "Net income from investment activity").

OTHER ASSETS AND LIABILITIES OF THE INVESTMENT ENTITY SUBSIDIARIES include cash and cash equivalents of 9.1 million euros, receivables vis-à-vis investments from loans and interest in the amount of 38.5 million euros and other financial assets and assets of 34.0 million euros. This is offset by liabilities from other financial instruments and unpaid advisory fees of 19.6 million euros.

FINANCIAL ASSETS

€'000	30 Sep 2023	30 Sep 2022
Portfolio value		
gross	631,917	567,280
Interests of other shareholders in investment entity subsidiaries	(31,029)	(23,462)
net	600,887	543,818
Other assets and liabilities of investment entity subsidiaries	34,322	9,371
Other financial assets	195	135
Financial assets	**635,404**	**553,323**

Portfolio and portfolio value

As at 30 September 2023, DBAG's total investment portfolio consisted of 38 equity investments, including the four partially sold equity investments Cloudflight, evidia, GMM Pfaudler and Telio. In addition, there is one investment in an externally-managed foreign private equity fund, which is of minor significance, and investments in companies through which representations and warranties on previous disposals are settled, and which are no longer expected to deliver any appreciable value contributions ("Other" investments).

As at 30 September 2023, the value of the 38 equity investments, including loans and receivables extended to them and excluding short-term bridge financing, amounted to 625.8 million euros (previous year: 565.1 million euros). These are attributable to 31 management buyouts – including the four partially disposed equity investments, three growth financings and four Long-Term Investments – two of which are majority and two non-controlling interests; in addition, other investments totalled 5.9 million euros (previous year: 5.4 million euros). This brought the portfolio value to a total of 631.9 million euros (previous year: 567.3 million euros).

The portfolio's growth during the course of the financial year 2022/2023 was attributable to positive net changes in the amount of 51.6 million euros, additions of 63.6 million euros and disposals of 50.6 million euros. With regard to the number of portfolio companies that contributed to the net amount of positive and negative changes in value respectively, and the reasons for this development, we draw attention to source analysis 1 and 2, respectively (please refer to the information under "Financial performance").

The additions mainly relate to the new investments AOE, TBD Technische Bau Dienstleistungen and Avrio Energie. We also supported add-ons by portfolio companies with additional equity: MTWH, Green Datahub and vitronet accounted for the highest individual amounts in this respect. The disposals relate first and foremost to the sale of Pmflex, BTV Multimedia and Heytex as well as to the partial sale of Cloudflight and GMM Pfaudler.

In the year under review, the change in multiples of listed peer group companies led to a value increase of our equity investments in industry and industrial technology. As a result, their valuation increased to 1.14 times acquisition cost as at the reporting date, compared to 0.96 times in the previous year. On balance, the valuation of investments in the broadband/telecommunications, IT services & software and healthcare sectors deteriorated slightly to 1.32 times (previous year: 1.33 times). This was also due to transactions, as new equity investments are initially measured at acquisition cost.

The share of companies with leverage (net debt/EBITDA) of 3.0 or more increased again in the year under review, to 74 per cent, which was also due to the portfolio composition. As at the previous year's reporting date, this figure amounted to 69 per cent. For information on the development of the portfolio companies' debt, please refer to source analysis 1 (see the section on "Financial performance").

Our portfolio companies are measured at fair value, which corresponds to the acquisition cost in the first twelve months after the investment was made, unless we see indications for a change in value. The bulk of the expected increase in value is often generated in the second to fifth year after entering into the investment. Therefore, in absolute terms, the largest share of the increase in value of our portfolio is accounted for by investments with this holding period. The number of companies that we have held in the investment portfolio for five years or longer saw their valuation improve to 1.19 times their original acquisition cost (previous year: 1.07 times) as at the reporting date.

The 15 largest investments accounted for 69 per cent of the portfolio value as at 30 September 2023 (30 September 2022: 67 per cent). The table below shows these 15 companies sorted by their portfolio value. They are split into three groups of five companies each, and are listed alphabetically within their group. The first group consists of the five companies with the highest portfolio value, followed by the next five, which includes the sixth- to tenth-largest, and the last group with the eleventh- to fifteenth-largest companies (in each case by their value in the portfolio).

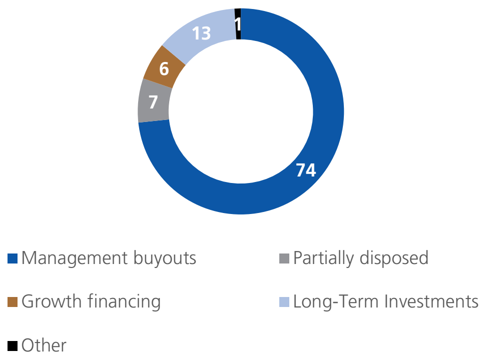
The following information on the structure of the portfolio is based on the valuations and resulting portfolio value of the 38 equity investments as at the reporting date. The information on leverage (net debt, EBITDA) relates largely to the (updated) expectations of the portfolio companies for the 2023 financial year.

PORTFOLIO STRUCTURE (15 LARGEST INVESTMENTS IN TERMS OF PORTFOLIO VALUE AS AT 30 SEPTEMBER 2023)

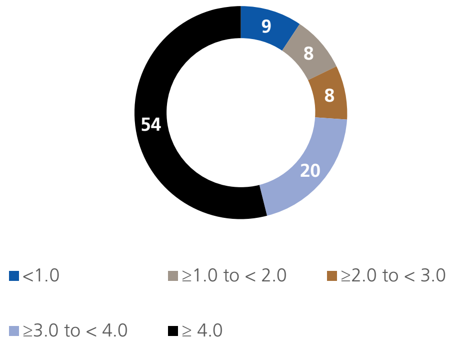
Company	Acquisition cost	Equity share DBAG	Investment type	Sector	Group share of the portfolio
	€mn	%			%
Cartonplast	25.3	15.8	MBO	Industrial services	
freiheit.com	20.8	16.7	MBO	IT services/software	
R+S	18.3	67.6	Long-Term Investments	Industrial services	
Solvares	18.4	27.9	MBO	IT services/software	
vitronet	19.9	39.2	MBO	Broadband/telecommunications	30.5
congatec	23.6	21.7	MBO	Industry and IndustryTech	
Dantherm	23.6	8.1	MBO	Industry and IndustryTech	
duagon	27.4	20.9	MBO	Industry and IndustryTech	
Green Datahub	25.7	100.0	Long-Term Investments	IT services/software	
Itelyum	not published	not published	MBO	Industrial services	22.1
in-tech	17.0	15.3	MBO	IT services/software	
Karl Eugen Fischer	22.7	20.2	MBO	Industry and IndustryTech	
MTWH	21.7	10.9	MBO	Industry and IndustryTech	
Oechsler	11.2	8.4	Growth	Industry and IndustryTech	
vhf	25.0	21.3	Long-Term Investments	Healthcare	16.5

Portfolio structure[1]

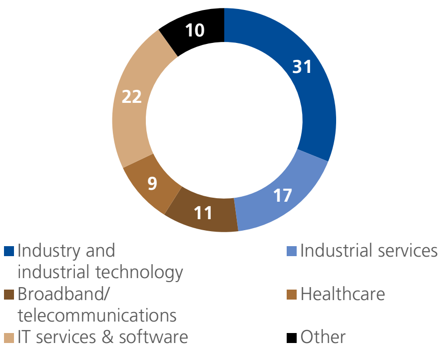
PORTFOLIO VALUE BY TYPE OF INVESTMENT
%



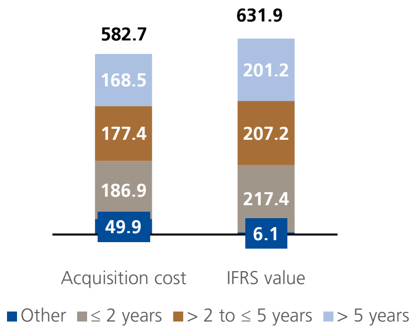
PORTFOLIO VALUE BY NET DEBT/EBITDA
%



PORTFOLIO VALUE BY SECTORS
%



PORTFOLIO VALUE BY AGE STRUCTURE
€mn as at 30 September 2023



1 Portfolio value by leverage does not include any partial disposals or residual items

TEN-YEAR SUMMARY OF THE STATEMENT OF FINANCIAL POSITION

	31 Oct 2014	30 Sep 2015	30 Sep 2016	30 Sep 2017	30 Sep 2018	30 Sep 2019	30 Sep 2020	30 Sep 2021	30 Sep 2022	**30 Sep 2023**
			adjusted[1]	adjusted[2]	adjusted[2]					
Financial assets[3]	163.4	247.7	316.3	254.2	318.9	385.7	390.7	545.3	553.3	635.4
Securities/cash and cash equivalents	140.7	58.3	72.6	161.6	119.0	69.4	18.4	112.8	19.2	20.0
Other assets	28.5	21.2	15.2	48.2	43.4	36.5	65.5	76.8	73.9	52.8
Equity	303.0	303.1	369.6	436.4	443.8	460.2	423.5	698.8	579.5	669.4
Liabilities	29.6	24.1	34.5	27.5	37.5	31.5	51.1	36.2	67.0	38.9
Total assets	332.6	327.2	404.2	464.0	481.3	491.6	474.6	735.0	646.4	708.3

1 Adjusted due to amendments to IFRS 10 (see note 3 to the consolidated financial statements 2016/2017)
2 Restated in accordance with IAS 8
3 Until 2018/2019: including loans and receivables

Business performance by segment

Private Equity Investments segment

SEGMENT EARNINGS STATEMENT – PRIVATE EQUITY INVESTMENTS

€'000	2022/2023	2021/2022
Net income from investment activity	109,577	(98,883)
Other income/expense items	(12,754)	(12,413)
Earnings before taxes	**96,823**	**(111,296)**

EARNINGS BEFORE TAXES in the Private Equity Investments segment were higher than the previous year's noticeably negative figure. This is due to the increase in **NET INCOME FROM INVESTMENT ACTIVITY**. Please refer to the notes on this item in the section on "Financial performance". The negative balance of **OTHER INCOME/EXPENSE ITEMS** (the sum of internal management fees, personnel expenses, other operating income and expenses, as well as net interest income) was affected by two opposing developments. On the one hand, unlike in the previous year, there were no severance payments related to a member of the Board of Management stepping down in the reporting year. On the other hand, variable remuneration increased (please also refer to the explanations in the section on "Financial performance"). On balance, other income/expense items increased slightly. This balance also comprises internal management fees for the Fund Investment Services segment which today only concern DBAG ECF. These internal management fees are recognised as expenses in the Private Equity Investments segment and as income in the Fund Investment Services segment (see the explanations in the notes to the consolidated financial statements).

NET ASSET VALUE AND AVAILABLE LIQUIDITY

€'000	30 Sep 2023	30 Sep 2022
Non-current assets	651,973	559,831
Current assets	56,296	86,577
Non-current liabilities	(16,813)	(5,840)
Current liabilities	(22,077)	(61,113)
Net asset value	**669,379**	**579,455**
Financial resources	20,018	19,158
Credit lines	106,660	65,660
Available liquidity	**126,678**	**84,818**
Co-investment commitments alongside DBAG funds	**244,038**	**199,267**

The **NET ASSET VALUE** exceeded the previous year's figure during the year under review. Significantly positive net measurement gains and losses reported in financial assets through portfolio value were the main driver.

Key factors for the net change in financial resources in the financial year 2022/2023 were the proceeds from disposals, payments for investments, dividend payments to our shareholders and the repayment of credit lines. On balance, the effects of these items largely offset each other in the year under review. Please refer to the "Financial position – assets" and "Financial position – liquidity" sections for information on the changes to financial assets and financial resources as at the reporting date.

Available liquidity increased significantly in the year under review. Cash flow from investment activity in the amount of 49.4 million euros contributed in particular to the rise in financial resources, which include only cash and cash equivalents (please refer to the information under "Financial position – liquidity").

With a view to the co-investment commitments and the funds required for Long-Term Investments, DBAG has two credit lines at its disposal, with which we aim to compensate for the irregular cash flows typical of our business: one credit line totalling 66.7 million euros and one credit line totalling 40 million euros, both expiring in May 2025. Both credit lines were not drawn down as at the reporting date.

Pending **CO-INVESTMENT COMMITMENTS ALONGSIDE DBAG FUNDS** were higher year-on-year as at the current reporting date, due to the increase in investment commitments in connection with the DBAG ECF IV and despite DBAG's continued investing activity. The largest share remains attributable to DBAG Fund VIII, whose investment period runs until December 2026 at the longest.

Due to the increase in available liquidity compared to the increase in co-investment commitments, the latter were covered by available liquidity to a higher extent on 30 September 2023 (51.9 per cent) compared to 42.6 per cent in the previous year. This was despite new investments weighing on available liquidity. The surplus of co-investment commitments relative to financial assets fell to 18.5 per cent, compared to 20.7 per cent on 30 September 2022.

Fund Investment Services segment

SEGMENT EARNINGS STATEMENT – FUND INVESTMENT SERVICES

€'000	2022/2023	2021/2022
Income from Fund Services	46,931	44,279
Other income/expense items	(32,885)	(28,902)
Earnings before taxes	**14,046**	**15,377**

The Fund Investment Services segment ended the financial year with lower **EARNINGS BEFORE TAXES** compared to the previous year, as expected. **INCOME FROM FUND SERVICES** slightly increased in a year-on-year comparison.

DBAG has earned fees in the amount of 2.4 million euros from the new DBAG ECF IV fund for the first time. Further add-ons executed by existing portfolio companies had a positive effect on DBAG Fund VII; fees from the fund increased to 17.5 million euros (previous year: 16.2 million euros). At 19.2 million euros, income from DBAG Fund VIII was roughly on a par with the previous year's level of 19.1 million euros. Income from DBAG Fund ECF and DBAG Fund VI declined as expected, to 1.2 million euros (previous year: 1.4 million euros) and 5.3 million euros (previous year: 6.4 million euros) respectively, as the income from these funds is now calculated on the basis of capital invested and no longer on the basis of the committed funds. The segment information also takes into consideration internal income from the Private Equity Investments segment (see the explanations in the notes to the consolidated financial statements).

The negative balance of **OTHER INCOME/EXPENSE ITEMS** was higher year-on-year, due in particular to higher other operating expenses and provisions for variable remuneration, triggered by the above-mentioned successful sales (see the explanations in the notes to the consolidated financial statements).

ASSETS UNDER MANAGEMENT OR ADVISORY

€'000	**30 Sep 2023**	30 Sep 2022
Funds invested in portfolio companies	1,947,318	1,810,313
Funds called but not yet invested	4,486	2,017
Short-term bridge financing for new investments	75,288	182,833
Outstanding capital commitments of third-party investors	452,375	489,997
Financial resources (of DBAG)	20,018	19,158
Assets under management or advisory	**2,499,484**	**2,504,318**

ASSETS UNDER MANAGEMENT OR ADVISORY were slightly below the level at the end of the financial year 2021/2022. Short-term bridge financing for new investments and outstanding commitments by fund investors declined a result of investing activities. This contrasts with an increase in the amount of funds invested in or drawn down for portfolio companies. DBAG's financial resources rose slightly in the reporting period, in particularly as a result of investing activities and the repayment of credit lines. In addition, dividends were paid to the Company's shareholders in early March 2023. Please refer to the "Financial position – liquidity" section for information on changes in DBAG's financial resources.

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

The management report and the Group management report of Deutsche Beteiligungs AG for the financial year 2022/2023 are presented combined, in conformity with section 315 (5) in conjunction with section 298 (2) sentence 1 of the HGB. The presentation of DBAG’s economic position is based on a condensed statement of financial position and a condensed profit and loss account derived from the statement of financial position and profit and loss account as prescribed by the HGB. The complete annual financial statements of DBAG based on the HGB are published in the German Company Register (Unternehmensregister), together with the consolidated financial statements.

Comparison between actual business developments and the forecast

		Actual 2021/2022	Expectations 2022/2023	**Actual 2022/2023**	
Dividend	€	0.80	1.60	1.00	Expectation not met

The dividend proposed for the year under review is above the previous year's dividend but does not meet the forecast. The proposal reflects DBAG's dividend policy, which was updated in November 2023.

Financial performance

Overall assessment: Net income significantly higher year-on-year

Net income for 2022/2023 markedly exceeded the previous year’s figure, mainly because gains from disposal of investments were realised to a significantly greater extent and write-downs of financial assets were lower in the year under review than in the previous year. This bolstered net gains and losses on measurement and disposal. In contrast to the previous year, however, income from investments was negative; income from Fund Services fell slightly short of the previous year's figure. The negative balance of other income/expense items increased compared with the previous year.

Income from Fund Services and investment activity: Income more than doubled

Income from Fund Services and investment activity is largely determined by gains or losses from the disposal of investments and by the balance of write-downs or write-ups on investments. The latter are carried out in accordance with the moderate lower of cost or market principle and the applicable procedure for the reversal of impairment losses in accordance with the HGB.

The sale of BTV Multimedia and Pmflex and the partial disposal of Cloudflight had a particular impact on **NET GAINS AND LOSSES ON MEASUREMENT AND DISPOSAL**, while write-downs on financial assets (in particular relating to DBAG Fund VI) posed a strain. Write-downs on financial assets had been a major factor in the previous year's net gains and losses on measurement and disposal, driven by negative changes in the value of several portfolio companies and the partial disposal of the investment in Telio.

INCOME FROM INVESTMENTS is mainly attributable to loss allocations from affiliated companies in the amount of 7.4 million euros and distributions from one directly held portfolio company in the amount of 0.5 million euros.

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

€'000	**1 Oct 2022 to 30 Sep 2023**	1 Oct 2021 to 30 Sep 2022
Net gains and losses on measurement and disposal[1]	63,728	(16,159)
Result from investments	(6,898)	14,924
Income from Fund Services	39,286	40,392
Total income from Fund Services and investment activity	**96,117**	**39,158**
Personnel expenses	(27,764)	(24,135)
Other operating income (excluding write-ups)	1,112	1,587
Other operating expenses	(14,087)	(12,687)
Depreciation and amortisation on intangible fixed assets and property, plant and equipment	(330)	(402)
Income from other securities, or loans and advances held as financial assets	48	35
Other interest and similar income	916	1,360
Interest and similar expenses	(1,730)	(3,643)
Total other income/expense items	**(41,834)**	**(37,885)**
Earnings before taxes	**54,283**	**1,274**
Income taxes	305	(524)
Other taxes	(2)	(5)
Net income	**54,587**	**744**

1 Net gains and losses on measurement and disposal comprise the income statement items "Gains from disposal of investments" of 83.8 million euros (previous year: 9.9 million euros), and "Write-downs of financial assets" in the aggregate of 20.1 million euros (previous year: 26.0 million euros).

INCOME FROM FUND SERVICES fell short of the previous year's figure. While the gross income from Fund Investment Services is taken into account in the consolidated financial statements, this item in the financial statements in accordance with the HGB includes net income less the expenses of the subsidiaries involved in management and fund advisory services.

Other income/expense items: Higher negative balance than in the previous year

The negative balance of other income/expense items was higher than in the previous year. Specifically, personnel expenses in the year under review were higher than in the previous year, mainly on account of the successful business performance and the associated increase of provisions for performance-related remuneration. Other operating expenses rose too, mainly as a result of higher consultancy expenses, IT infrastructure maintenance costs, recruitment costs, costs for interim management and freelance fees. As interest cost for pension obligation decreased, so did interest and similar expenses.

Following 0.7 million euros for 2021/22, DBAG reported **NET INCOME** of 54.6 million euros for the year under review.

Financial position – assets

DBAG's total assets largely consist of the investment portfolio held via investment entity subsidiaries, short-term receivables and financial resources.

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

€'000	**30 Sep 2023**	30 Sep 2022
Interests in affiliated companies	560,260	518,691
Loans to affiliated companies	1,800	1,000
Investments	3,346	3,349
Other non-current assets	1,199	854
Non-current assets	**566,605**	**523,893**
Receivables and other assets	52,835	94,649
Cash and cash equivalents	7,358	7,838
Current assets	**60,192**	**102,487**
Prepaid expenses	**1,024**	**807**
Total assets	**627,822**	**627,187**
Subscribed capital	66,725	66,733
Capital reserve	267,282	267,344
Retained earnings	403	403
Net retained profit	264,165	224,622
Equity	**598,574**	**559,102**
Provisions	**28,903**	**26,085**
Liabilities	**345**	**41,999**
Total equity and liabilities	**627,822**	**627,187**

Non-current assets: Increase driven by new investments

INTERESTS IN AFFILIATED COMPANIES are the largest item in DBAG's non-current assets. Affiliated companies are companies through which DBAG makes its investments. The co-investments in the investments made by the individual DBAG funds are bundled in these investment entity subsidiaries. DBAG also enters into Long-Term Investments via one investment entity subsidiary in each case. The increase in the item during the financial year 2022/2023 resulted from additions totalling 94.3 million euros, primarily consisting of new investments and funds to support add-on acquisitions made by DBAG's portfolio companies. Disposals have an offsetting effect; this mainly involves disposals which generated returns from investment entity subsidiaries. As at 30 September 2023, write-downs in the amount of 20.1 million euros were recognised on shares in three affiliated companies since the fair value is expected to be permanently below the acquisition costs.

Loans to affiliated companies relates to our subsidiary in Italy and our newly-established subsidiary in Luxembourg. The investments item relates to an older directly held investment.

Current assets: Receivables from affiliated companies decrease

On the back of lower receivables from loans and profit allocations, current assets saw a significant decrease in receivables from affiliated companies.

Liabilities: Credit line not drawn as at the reporting date

To manage its short-term financing requirements, DBAG uses two revolving credit lines in an aggregate amount of 106.7 million euros. The main reason behind the year-on-year differences in liabilities is that while 41.0 million euros had been drawn as at the previous reporting date, DBAG's credit lines had not been tapped as at this year's reporting date.

Financial position – liquidity

Financial resources were always sufficient during the course of the year under review to fulfil co-investment agreements, and to finance the Company’s operations.

Particularities in assessing the liquidity position: Cash flows characterised by uneven outflows

At the end of the year under review, DBAG had financial resources of 7.4 million euros (previous year: 7.8 million euros). In addition, it can draw on the aforementioned credit lines at any time. We assume that we will be able to cover the anticipated need for the planned investments in the new financial year and the two years that follow through financial resources, returns form disposals and credit lines.

Capital structure: Equity ratio remains at a high level

DBAG funded most of its activities in the financial year 2022/2023 using its own cash flow. The equity ratio improved to 95.4 per cent as at the reporting date, compared to 89.1 per cent at the end of financial year 2021/2022, as net retained profit increased significantly more than total assets.

OPPORTUNITIES AND RISKS

Objective: Contribution to value creation by consciously balancing opportunities and risks

Deutsche Beteiligungs AG is exposed to multiple risks through its business activities in the Private Equity Investments and Fund Investment Services business segments. These risks result, among other things, from the expected returns that are customary in our business, from our geographical focus, our sector focus and from the investment volume targeted annually.

As a private equity company, we consider risk management to be one of our core competencies. We believe our track record of more than 50 years shows our ability to successfully balance the risks and rewards of our business. We want to exploit our opportunities and moderately take on the exposure to the risks involved. Taking risks that could jeopardise the Group's continued existence is not acceptable.

DBAG's risk profile is influenced by our risk propensity. We steer it using the risk management activities set out subsequently. Our risk propensity derives from our objective of sustainably augmenting the value of DBAG. To that end, we pursue a conservative approach, which, among other things, is reflected in the high equity ratio in DBAG's statement of financial position.

Risk management system

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

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

The system is based on our values and our experience, and it serves the objective of contributing to value creation by balancing rewards and risks. To achieve this, our risk management needs to ensure a comprehensive overview of the Group's risk profile. In particular, risks involving material negative financial implications must be recognised promptly so that action can be taken to avoid, mitigate, pass on or control these risks.

Structures: Decentralised organisation of risk management

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

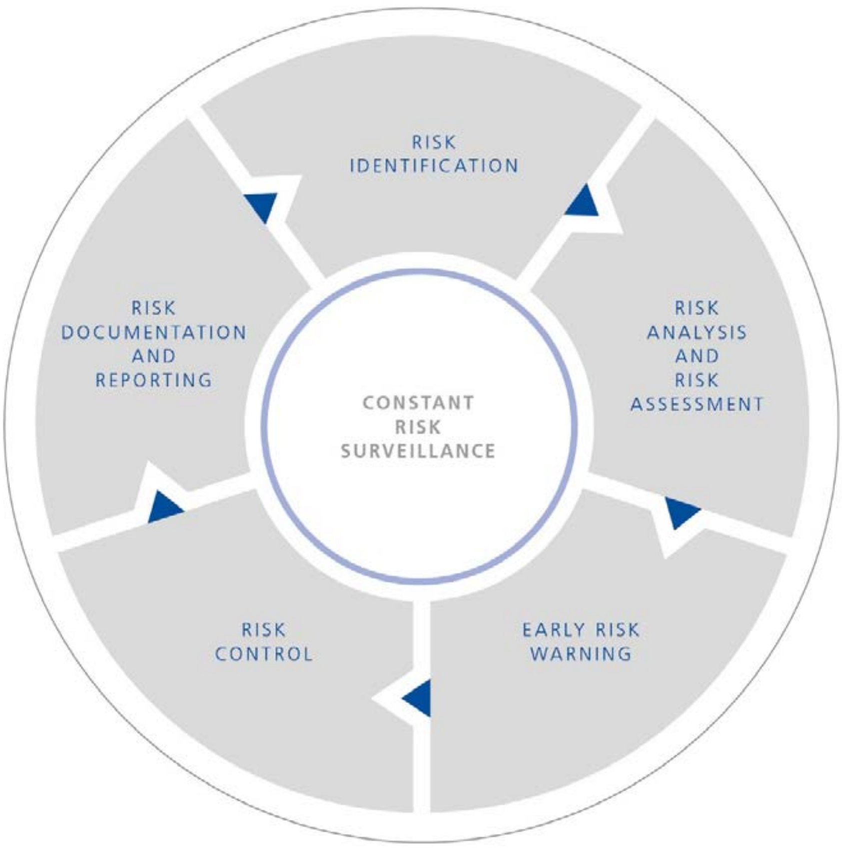
The Risk Committee, which reflects the organisation of risk management within DBAG, plays a key role. The committee consists of the Board of Management and the Risk Manager, who reports directly to the member of the Board of Management responsible for risk management, and also comprises risk officers at the level below the Board of Management. The Managing Directors in charge of the individual corporate departments support the Risk Manager in identifying and assessing risk in their areas of responsibility.

The Risk Manager develops the risk management system on an ongoing and systematic basis, most recently mainly in response to the requirements stipulated in section 91 (3) of the AktG. For example, a quarterly calculation of risk-bearing capacity was incorporated into the risk assessment process and related processes documented in a manual. Moreover, the objectives of the risk management system were operationalised further with regard to risk avoidance, risk reduction, risk sharing and risk transfer, and risk acceptance. Additional improvements were also made to the risk culture and to the objectives of the risk management system.

The objective of our risk management system is to inform the Board of Management and the Supervisory Board about the risks involving high and very high expected values ("material risks"; the expected value is a combination of probability of occurrence and extent of impact). The risk assessment criteria are aligned with the Board of Management's risk strategy. Risks are recorded, monitored and managed on an ongoing basis.

Processes: Risk identification in individual corporate departments

DBAG's risk management process is structured according to the following procedure:



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

During the risk analysis and assessment process, identified risks are classified by the responsible Risk Administrator in coordination with the Risk Manager on the basis of a matrix. First, they are categorised according to the probability of their occurrence on a four-point scale. In addition, their extent of impact is evaluated, based on four criteria; potential extent of impact is assessed subsequent to the action taken to avoid or mitigate the risk. The following chart outlines the details of this risk matrix.

EXPECTED VALUE (COMBINATION OF PROBABILITY AND IMPACT)

PROBABILITY			Impact 1	Impact 2	Impact 3	Impact 4
> 70%	**likely**	4	moderate	high	very high	very high
> 50–70%	**possible**	3	very low	moderate	high	very high
20–50%	**seldom**	2	very low	moderate	high	high
< 20%	**unlikely**	1	very low	very low	moderate	high

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

The Risk Manager subsequently examines the individual risks and the actions adopted for completeness. The implementation of these actions as well as their management and monitoring is the responsibility of the Risk Administrators in the respective corporate units.

The principal objective for risk management is to keep overall risk at acceptable and manageable levels for DBAG. The objective is therefore not to completely preclude risk, since that would generally also mean precluding opportunities for reward. This form of risk intervention can thus only be applied to risks for which security takes priority over other corporate objectives. Measures taken to reduce risk are meant to decrease the probability of occurrence of the risk and/or limit extent of impact. The residual risk that remains after the action has been implemented is consciously accepted or transferred to third parties. Insurance contracts, a classical risk management instrument, serve to transfer risk. Special contractual arrangements and financial instruments are also examples of transferring risk to third parties.

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

Instruments: Risk register with 61 individual risks

DBAG's risk management manual contains company-specific principles on the methodology of risk management and describes the risk management instruments and their mode of operation. The risk register is updated on a quarterly basis; on the reporting date of 30 September 2023, it outlined and evaluated 61 individual risks (previous year: 59). The material risks, their causes and effects, as well as the actions required to manage these risks, are also documented on a quarterly basis in a risk report addressed to DBAG's Board of Management.

The following table outlines the material risks as at the reporting date.

RISK FACTORS WITH A HIGH EXPECTED VALUE

	Risk exposure vs previous year	Probability of occurence	Extent of impact
Risks of the Fund Investment Services segment			
Inability to cover the personnel requirement	unchanged	possible	high
Inability to raise capital commitments from external investors for DBAG Fund IX to the extent necessary	unchanged	low	very high
Extraordinary termination of investment period or extraordinary liquidation of one or several DBAG funds	unchanged	unlikely	very high
Risks of the Private Equity Investments Segment			
Investment strategy proves to be unattractive or is insufficiently implemented	unchanged	low	high
Insufficient access to new, attractive investment opportunities	unchanged	low	high
Transaction opportunities not transformed into investments	unchanged	low	high
External risks			
Negative impact of general economy and economic cycles on earnings, financial and asset position of portfolio companies	lower	possible	high
Lower valuation level on the capital markets	unchanged	possible	high
Threat to DBAG's independence	unchanged	unlikely	very high
Operational risks			
Insufficient protection of confidential data against unauthorised access	unchanged	possible	high

Material changes compared with the preceding year

DBAG encountered no new material risks during the reporting year, nor did any cease to exist. For the risk "Negative impact of general economy and economic cycles on the financial position and financial performance of portfolio companies", the expected value has decreased from "very high" to "high" in the 2022/2023 financial year, as we now consider the probability of occurrence of this risk to be "possible", whereas we had still considered it to be "probable" on the reporting date of the 2021/2022 financial year.

For the other material risks, the expected values remain "high". However, as at the reporting date, we assessed the probability of occurrence for the risk "Insufficient protection of confidential data against unauthorised access" as "possible", whereas at the end of the previous year we still considered it to be "low".

Explanation of individual risks

The following section outlines those risks (out of the total of 61 individual risks in our risk register) with a "high" expected value based on our definition; DBAG is currently not exposed to risks with a "very high" expected value. We allocate operational risks to the business segment that is most strongly affected by the respective risk. However, over the long term, the consequences of risks allocated to the Fund Investment Services segment would also affect the Private Equity Investments segment and vice versa.

Risks of the Fund Investment Services segment

Inability to cover the personnel requirement

Performance in the private equity business is closely linked to the people acting in the field. Investors in funds also base their capital commitment decision on the stability and experience of the Investment Advisory Team. Dissatisfied employees or a high staff fluctuation rate can cause greater workloads for other employees; if DBAG were to earn a negative reputation as an employer, this would be detrimental to the Company's personnel recruitment. We limit the risk of possible staff turnover among other things using a competitive remuneration scheme that conforms to standard industry practice, and by allowing members of the Investment Advisory Team with prolonged investment experience, as well as selected other employees, to participate in fund performance that is disproportionate to the profit-sharing awards (carried interest). We regularly offer individualised training programmes; personality-based training activities are an integral constituent of career plans. We also attach great value to our employees being able to reconcile family and working life. Since employee satisfaction is one of our non-financial key performance indicators, we conduct recurring surveys several times a year to determine this KPI. We use the feedback to improve work processes with the objective of increasing employee satisfaction. The number of employees increased by seven in the year under review, to 96 as at 30 September 2023. In view of the Company's current position, we do not envisage staff shortages over the short or medium term.

Inability to raise capital commitments from external investors for DBAG Fund IX to the extent required

DBAG will only be able to continue to pursue its strategy in the long term if the Company succeeds in soliciting capital commitments to DBAG funds. Following DBAG Fund VIII whose investment period will end no later than in December 2026, this risk will affect DBAG Fund IX, for which fundraising has yet to commence.

To achieve this, the Company and its Investment Advisory Team must establish a proven track record over many years of successful investing activity yielding attractive returns, which depends on the solid performance of investments in absolute terms and on the investment progress of a fund. More recently, the consideration of ESG aspects in a company's business activities has also become increasingly important. Further influencing factors are the macroeconomic environment, sentiment on the capital markets and general readiness of private equity investors to make new capital commitments. Changes to tax legislation that would lead to taxes being imposed on foreign partners of German fund entities would have serious disadvantages for DBAG. Without further capital commitments, the stability of the management and staff that DBAG needs to support the portfolio would not be ensured.

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

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

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

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

Risks of the Private Equity Investments segment

Investment strategy proves to be unattractive or its implementation is inadequate

A key prerequisite for our performance is an attractive investment strategy. Without successful investing activity, we would be unable to realise the targeted value appreciation, investors would withdraw their committed capital, and new commitments to funds could not be raised. In order to mitigate this risk, the Board of Management and the Investment Advisory Team regularly examine on a regular basis the extent to which our sector focus, our geographical emphasis and the financing solutions we offer for the mid-market segment provide a sufficient number of promising investment opportunities. For example, our successful entry into the Italian market contributes to risk reduction.

Moreover, we regularly review our investment strategy and monitor the market. The Investment Advisory Team discusses experience gleaned from due diligence processes with consultants and service providers on a regular basis, in order to prevent incorrect due diligence results. The standardisation of internal processes and the accelerated transfer of knowledge within the Investment Advisory Team also help us achieve this.

Insufficient access to new, attractive investment opportunities

Access to new investment opportunities is crucial for our operations. We need these opportunities to be able to achieve an increase in net asset value in the first place, at least in the long term. Moreover, the structure of our statement of financial position would change even in the absence of new investments. The portfolio value and, as a result, the net asset value would exhibit a slower growth and the proportion of financial resources on the statement of financial position would increase. In the medium term, the performance of the Fund Investment Services segment would also be adversely affected: the investors in the DBAG funds expect investment progress that is commensurate with the committed fund size.

If this progress was not achieved, our chances of raising funds for a successor fund would be diminished, thus impacting the performance of Fund Investment Services in the medium term.

We have no influence on developments in the private equity market. With a view to the low interest rate environment of recent years and the abundant supply of capital associated with it, we are now not only competing with strategic investors and other private equity companies, but also with foundations and family offices seeking more profitable investment opportunities. Despite the interest rate turnaround seen on global markets, these capital providers have not fully backed away from the private equity market so far. By contrast, the maintenance of our network and our marketing efforts are aspects that we can influence ourselves.

Our ability to mitigate the risk that the number of potential transactions declines is very limited. If we invest less, the potential for value growth in the Private Equity Investments segments will decline in the medium term. We address this risk, among other things, by originating investment opportunities that are not broadly available in the market. We have also implemented an ongoing process to improve how we identify investment opportunities. This also includes the constant expansion of our network of M&A consultants, banks and industry experts. The various investments agreed or concluded in the reporting year demonstrate that we are able to successfully tap into new investment opportunities even when times are rough.

Transaction opportunities are not transformed into investments

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

External risks

Negative impact of general economy and economic cycles on the financial position and financial performance of portfolio companies

The development of our portfolio companies is influenced by market factors such as geographical and sector-related economic cycles, political and financial changes, energy and commodity prices, bottlenecks along the supply chain and exchange rate changes. These market factors, in turn, are subject to a variety of influences themselves.

What started as an individual crisis when the Covid-19 pandemic broke out a few years ago, has since evolved into somewhat of an ongoing polycrisis. Russia’s war of aggression in Ukraine, China’s hunger for global power and recurring terrorist attacks (most recently by Hamas in Israel in October 2023) has caused the global political power structure to change – significantly impacting global economic flows, and hence – albeit often indirectly – on DBAG’s portfolio companies. However, it is not only politics that have the potential to cause sustainable changes. Short-term supply chain disruptions, highly volatile financial markets and especially strongly fluctuating energy and raw material costs are also likely. Fundamental technological changes can also have a negative impact on individual companies, or on companies operating in a certain sector.

These factors – either individually or as a whole – could extend the holding periods of investments and result in postponed or reduced gains on disposal which may lead to a total loss of capital for individual investments in a worst-case scenario. In such an event, our reputation would be at stake. Market factors, in particular, sometimes change at very short notice, and our ability to address them is limited.

In general, short-term results are not decisive for success in the private equity business. Our investment decisions are based on plans that target value development over a span of several years. The holding periods for investments generally extend beyond the duration of individual cyclical phases. If appropriate, the value development approach to an individual investment has to be adapted by the management of the portfolio company. This requires close monitoring of the portfolio companies' progress. The portfolio's diversification basically already counters the risk arising from cyclical trends in individual sectors.

Lower valuation levels on the capital markets

Valuation levels on the capital markets are reflected in the measurement of the fair value of our portfolio companies and, thereby, the portfolio value. A lower valuation level, expressed in lower valuation multiples of listed peer group companies, generally results in a lower portfolio value. Even though valuation levels on the capital markets have increased in the year under review, a decline in valuations is possible going forward – especially if interest rates continue to rise, which many experts anticipate will happen.

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

Threat to DBAG's independence

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

By fostering intensive contact with current and potential equity investors we mitigate this risk. We have additionally set out a legal structure that shields the Fund Investment Services business from the influence of third parties. In the event that such control is exercised, DBAG's management authority for the Group company charged with providing advisory or management services to DBAG funds may be withdrawn.

Operational risks

Insufficient protection of confidential data against unauthorised access

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

DBAG has its own qualified IT specialists; they are supported by external consultants, if needed. DBAG responds to the continually growing IT risk by, among other things, conducting regular internal and external reviews. We have considerably stepped up the efforts made to protect our systems and data in recent years – with regard to both staff and technical resources. In addition, we have continuously increased staff training with regard to IT risks. Last but not least, we perform recurring security audits for the DBAG systems that can be accessed from the internet, for the configuration of our office communication software and for the website, implementing the insights gained from these audits in a timely manner.

Description of opportunities

Opportunity management is an integral constituent of our operating business; we therefore continuously improve its processes. We do not actively pursue opportunity management outside of ordinary business operations, such as optimising investments of cash and cash equivalents.

Private debt investments: Strategic advances thanks to a broader financing portfolio that now includes private debt solutions

DBAG acquired a majority stake in ELF Capital in September 2023, which will allow the Company to expand its range of flexible financing solutions to include private debt. Debt funds are gradually seizing market share from traditional bank lenders, assuming a growing role in financing mid-market enterprises. The partnership between DBAG and ELF Capital aims to act as a full-service provider for the financing needs of mid-market companies across their entire capital structure. Both parties contribute attractive, complementary networks and will benefit from economies of scale in terms of financing solutions for mid-market companies and additional investment opportunities for fund investors. DBAG shareholders in turn will benefit from the new investment because low-volatility income from Fund Investment Services is set to show stronger growth in the medium term and because DBAG will further diversify its range of investments.

Private Equity Investments: Strategic advances with Long-Term Investments and expansion of geographical focus

In the financial year 2019/2020, we added Long-Term Investments (cf. section "Long-Term Investments that exceed the terms of standard private equity funds") to the platform we use to provide equity solutions to the mid-market segment, expanding our offering and tapping into new investment opportunities. This offering has been very well-received in the market. DBAG currently holds four Long-Term Investments, and agreed one disposal and one investment in the year under review, neither of which was concluded by the reporting date. We aim to increase the number of Long-Term Investments.

The expansion of our geographical focus to include investments in Italy has opened the door to new investment opportunities. We successfully sold our first investment in Italy in the year under review and are currently invested in two Italian companies. The prospects for further MBOs in Italy are favourable: there are only a few private equity companies active in Italy with as strong a focus on companies with industrial business models as DBAG. We have been present on the Italian market via our office in Milan since September 2021 and had four investment professionals helping us serve the Italian market directly as at 30 September 2023. The successful disposal of our investment in Pmflex in the year under review clearly shows how attractive the Italian market is.

Private Equity Investments: Strengthening our competitive edge with a large and experienced Investment Advisory Team

Competition for attractive investment opportunities remains intense. 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. Among other things, this means that due diligence has to be performed, acquisition financing structured and management participation programmes have to be agreed in a short space of time. The size of its Investment Advisory Team, which continuously welcomed more new members over the past years, and its entire workflow can open up opportunities for DBAG. After all, the Company is in a position to execute transactions, and sometimes several transactions at once, within a short period of time. The size of our Investment Advisory Team remained nearly unchanged vis-à-vis the previous year as at the reporting date 30 September 2023 (33 employees versus 34 employees as at 30 September 2022).

Aside from its speed and capacity to act during the investment phase, a large and experienced Investment Advisory Team offers attractive perspectives to future portfolio companies when it comes to supporting the implementation of value creation strategies. That allowed DBAG to support add-on acquisitions by many of its portfolio companies in the year under review which also strengthens DBAG's competitive edge when company owners choose a private equity partner.

Fund Investment Services: Higher fees thanks to investment progress made by the top-up fund of DBAG Fund VIII and additional fees from the DBAG Expansion Capital Fund IV

Income from Fund Investment Services is readily forecastable, because fee agreements are largely fixed for a fund's term. Following the start of the investment period of DBAG Fund VIII in August 2020, fee income from buyout funds is therefore capped initially until the end of the investment period, which will last for six years at the most. Opportunities may arise from the use of the top-up fund: the fee for this sub-fund is based not on the amount of funds committed, but rather on the lower of funds committed and invested. If we are successful in structuring transactions using the top-up fund, DBAG generates correspondingly higher income from Fund Investment Services.

In addition, the DBAG Expansion Capital Fund IV is currently raising funds. The more successful fundraising turns out – in other words: the higher future investment volumes are – the higher future fee income from Fund Investment Services should be.

If the addition of Long-Term Investments to the investment strategy continues as successfully, we could also launch a fund specifically for this investment strategy which would generate extra advisory fee income. Expanding our regional investment focus to Italy also offers us the opportunity to generate additional advisory fee income – provided that the wider geographical footprint helps us raise more funds than for a fund with a stronger focus on the Germany, Austria and Switzerland region.

General statement on opportunities and risks

In the financial year 2022/2023, we seized numerous opportunities by investing in attractive new companies and supporting our portfolio companies in realising their development potential. There has been no fundamental change in the opportunity and risk situation compared to the previous year, although we consider the ongoing geopolitical challenges to be significant. Whilst our portfolio companies will continue to be required to demonstrate a high degree of adaptability, we believe that they are very well placed to do so. Based on the information at our disposal today, there are currently still no recognisable individual or cumulative risks that would endanger the continued existence of DBAG or the Group as a going concern. This estimation is based on an analysis and assessment of the previously mentioned significant individual risks to which the Company is exposed, as well as on the risk management system in place. We do not perceive any extraordinary opportunities either.

Key features of the accounting-related internal control and risk management system[8]

The Internal Control System (ICS) is based on the internationally recognised framework document for internal control systems issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The scope and the design of an appropriate and effective ICS are within the discretion and responsibility of the Board of Management. The effectiveness of the ICS is overseen by the Audit Committee of DBAG's Supervisory Board.

DBAG's ICS describes measures and controls to minimise the risks inherent in the corporate processes of the Company's different areas, ensuring that DBAG achieves its core business objective. It incorporates the principles, procedures and measures (provisions) aimed at the organisational implementation of management decisions introduced by the management of the Company, which serve to ensure:

- the effectiveness and profitability of business activities (including the protection of assets, including the prevention and detection of asset misappropriation);
- the proper functioning and reliability of internal and external accounting (bookkeeping, financial statements and management report); and
- compliance with relevant statutory and legal requirements applicable to the Company.

The extent and design of the internal control and risk management system are aligned with the special requirements of the Fund Investment Services and investment activity. The task of Internal Audit – which has been delegated to an external service provider – is to monitor the functioning and effectiveness of the ICS independently of processes in a multi-year examination scheme at Group level and at Deutsche Beteiligungs AG, and to thereby promote ongoing improvements to business processes.

Risk management is an ongoing process that is firmly integrated into DBAG's workflows. Please refer to the chapter "Risk management system" for details on the key features.

During the financial year 2022/2023, the Board of Management did not receive any information that would suggest material inefficiencies in the effectiveness or inadequacy of the ICS. As a matter of principle, it should be noted that an internal control system, irrespective of its design, cannot provide absolute certainty of detecting flaws in our business processes.

Key features of the accounting-related internal control and risk management system (sections 289 (4) and 315 (4) of the HGB)

The accounting-related part of the ICS is a component of the annual audit within the scope of a risk-oriented audit approach. Finally, the Supervisory Board's Audit Committee oversees the ICS, as required by section 107 (3) of the AktG.

DBAG prepares its separate and consolidated financial statements in conformity with the applicable accounting policies of the HGB and the International Financial Reporting Standards (IFRSs). The internal accounting guidelines are set out in an accounting manual and in measurement/valuation guidelines; they consider the different principles of the IFRSs and HGB

[8]Does not form part of the audited combined management report

standards. New accounting rules are regularly reviewed to ascertain the implications for DBAG and its subsidiaries, and if necessary, the accounting guidelines are adapted.

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

We regularly analyse material accounting-related processes in respect of the availability and operability of the installed internal controls, focusing on different aspects each time, implementing the insights gained without undue delay. The completeness and validity of accounting data are regularly reviewed manually, based on random samples and plausibility checks. For processes that are particularly relevant to accounting, we consistently employ the principle of dual control.

The internal controls are designed to ensure that external financial reporting by DBAG and the Group is reliable and complies with the valid accounting rules. The aim is to minimise the risk of possible misstatements on the actual financial position and financial performance.

REPORT ON EXPECTED DEVELOPMENTS

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

Medium- to long-term planning and forecast horizons characterise our business. This applies equally to co-investments, to Long-Term Investments and to Fund Services.

Individual events or short-term trends that were not predictable at the beginning of a financial year frequently have a significant impact on the earnings contribution of investment activities for a given period. These include company disposals that, at times, achieve prices in excess of their most recent valuation, as well as unexpected developments in the individual customer markets of portfolio companies, or on the capital markets.

DBAG funds have a term of ten years. With the exception of the DBAG VII top-up fund, the DBAG VIII top-up fund and DBAG ECF, the fees we receive for fund management or advisory services are contractually fixed over that period. That is why fee income is readily projectable, but at the same time it is also capped. Increases can only result from a follow-on fund, as a matter of principle. The size of such a follow-on fund, and consequently its income potential, is largely determined by the predecessor fund's investment performance, which can only be determined at the end of its term. This, too, is indicative of the long-term nature of our business.

As a result, we will be forecasting key figures not only for the current, new financial year 2023/2024. We will also use these forecasts as a basis for setting financial year 2025/2026 targets.

The forecast is based on our medium-term planning for 2026, which consists of a projected profit and loss statement, a projected statement of financial position, and a projected statement of cash flows. For the Private Equity Investments segment, it is based on detailed assumptions concerning future co-investments alongside the DBAG funds and on Long-Term Investments, as well as on the holding period and the expected capital multiple for each individual portfolio company. We use this information to predict the development of the acquisition cost and fair values of the portfolio and, based on these figures, net gains and losses on measurement and disposal based on the IFRSs, the net gains or losses from disposal based on the HGB and – at the level of the individual DBAG fund via which the Company made investments in the companies – the development of carried interest. We do not assume a linear increase in the value of the individual portfolio companies over the holding period. Rather, we apply a standardised value appreciation trend that includes smaller increases in value at the start of the holding period and larger ones towards the end.

In the Fund Investment Services segment, we take into account the development in income from Fund Services and other income/expense items, i.e. mainly personnel expenses, variable remuneration and advisory expenses, including expenses for fundraising (such as for a successor fund or other private equity fund) in individual years. We prepare detailed plans for expenses in the first planning year; thereafter, the various expense items are projected based on aggregate assumptions.

All plan assumptions that have an impact on cash are included in the projection of cash and cash equivalents.

Various types of forecast for different key performance indicators

For the key performance indicator (KPI) of our core business objective "Sustainable increase in DBAG's value" and the KPIs for our financial targets, we forecast ranges between two numerical values between which the respective performance indicators are expected to lie in the forecast period. The interval ranges for the indicators included in the forecast are based on the varying degrees to which they can be planned: Earnings from Fund Investment Services are largely pre-determined for the forecast period, making them easy to plan. As this indicator is smaller, in absolute terms, than net asset value, we forecast it using a comparatively larger percentage interval than that used for the development in net asset value. By contrast, we use point forecasts for our non-financial KPIs. We no longer forecast any other indicators. The acquisition of [a majority stake in] ELF Capital was already taken into account when forecasting the financial performance indicators. The business performance of Deutsche Beteiligungs AG is generally subject to the same key performance indicators as the DBAG Group. As a result, the statements made for the DBAG Group above also apply to Deutsche Beteiligungs AG.

Expected development of underlying conditions

M&A market: Marked increase in activity

In terms of the investment opportunities we were able to review in the financial year 2022/2023, M&A activity has increased steadily. In the year under review as a whole, we investigated 241 opportunities, down slightly on the 246 reviewed in the previous year. It is important to remember, however, that the market slowed considerably in the financial year 2021/2022 after getting off to a strong start. After bottoming out in the fourth quarter of the financial year 2021/2022, the market environment showed a significant and lasting improvement. In the months from January to September 2023, for example, the number of investment opportunities we looked into was up by 17 per cent year-on-year. In any event, it is also not only the absolute number of opportunities that matters, but first and foremost their quality. We believe that we are still well positioned in this respect – primarily due to our excellent access to family businesses and what are often bilateral negotiation situations generated through our network.

Borrowings: Financing partners likely to remain selective in their lending approach

Although we observed a slight normalisation of the debt financing market in the second half of the 2023 calendar year, both banks and debt funds remained highly selective in their lending approach overall. Against the backdrop of the weak macroeconomic environment, higher interest rates and geopolitical risks, we do not expect this to change to any fundamental degree in the financial year 2023/2024. While very defensive companies and companies that are not being hit as hard by the current risk factors will probably be able to obtain financing at attractive conditions, the financing market will remain much tighter for companies that are exposed to greater macroeconomic risks, as well as for those whose corporate strategy is more difficult to communicate. In line with the current situation, we expect financiers to remain open to increasing existing credit lines in a buy-and-build context, as well as to follow-up financing and loan renewals. If, on the other hand, geopolitical risks start to subside and macroeconomic expectations stabilise further, or even improve, we expect to see a rapid increase in risk appetite again, particularly among banks.

Private equity firmly rooted as an asset class worldwide

Private equity is firmly rooted as an asset class worldwide. As an integral part of many institutional investors' investment strategy, it offers access to the development potential offered by the SME sector. That was true in the past and continues to hold true. What has changed, however, is the economic and political environment which has persistently become more challenging and could turn out to be more volatile. As a result, the relative attractiveness of different asset classes is bound to change more frequently than in the recent past, with market participants' expectations as to the interest rate environment and future movements being the main drivers. Generally, rising interest rates mean that asset classes competing with private equity become more attractive, which could significantly hamper growth of the private equity asset class.

However, we wish to point out again that in our experience the attractiveness of DBAG funds is not only dependent on investors' general view of the market, but also on their sentiment toward specific sub-markets (Europe, Germany, manufacturing industry, services, etc.) – and in particular on the investment performance DBAG funds have delivered so far. Although we are aware of the hit that the relative attractiveness of the German market has taken and of the risk that the challenging macroeconomic environment might impact DBAG fund performance – at least temporarily, successful fundraising for DBAG ECF IV supports our view that, given its investment history, DBAG can expect to succeed in launching successor funds in due time before the end of the investment period of the currently investing fund, with sufficient capital commitments solicited, even in the current market environment.

Macroeconomic environment: Soft landing expected with what remains a long list of risks hanging over the global economy

The IMF expects the global economy to grow by 3.0 per cent in the 2023 calendar year and by 2.9 per cent in 2024. This means that it is predicting a soft landing scenario overall, albeit with significant regional differences. Growth of 1.5 per cent and 1.4 per cent is forecast for the world's industrialised nations in 2023 and 2024 respectively, with growth in the US likely to slow from 2.1 per cent to 1.5 per cent and Chinese growth set to drop back from 5.0 per cent to 4.2 per cent, while the eurozone might be able to up its growth rate from 0.7 per cent to 1.2 per cent, with Germany also able to return to an increase in gross national product of 0.9 per cent in 2024 after contracting by 0.5 per cent in 2023.

The IMF recently identified greater balance in terms of the relative importance of the various individual risks for the purposes of this outlook, as central banks across the globe have acted decisively to contain financial turbulence. This means that a hard landing for the global economy is looking less likely, although a large number of different risks still outweigh the opportunities on balance. The crisis in the Chinese real estate sector, for example, could intensify further with a knock-on effect on the global economy as a whole. Sustained high inflation would call for higher key interest rates than currently expected. More climate-related and geopolitical shocks might trigger high levels of volatility in food and energy prices. Increasing geoeconomic fragmentation would hamper global trade and translate into volatile prices within supply chains. Last but not least, more than half of the world's low-income developing countries are faced with, or are at a serious risk of, debt problems due to rising interest rates.[9]

Although the challenging global economic and geopolitical framework is affecting the corporate sector as a whole, our portfolio companies nevertheless operate in a large number of markets and regions. Since we expanded our sector spectrum – most recently to include

[9] International Monetary Fund, World Economic Outlook October 2023

companies whose business is driven by ESG topics – and increased the share of companies from the IT services & software sector contributing to the portfolio value, this holds all the more true. These companies are less exposed to cyclical influences than industrial business models, for example. Individual assessments are particularly important; that applies to the economic environment for the different business models and to the development potential of the companies in 2024 that form the basis of our forecasts. Given the variety of business models in our portfolio, we expect these different factors to offset each other, at least in part.

Expected business development

Our forecasts assume that the expectations outlined above regarding the development of the private equity market, the supply of debt financing and capital as well as the economy will materialise. A scenario in which the circumstances described in the risks mentioned would materialise to a greater degree is not reflected in our planning.

		2022/2023 and 30 Sep 2023	Expectations 2023/2024	Expectations 2025/2026
Financial performance indicators				
Net asset value (reporting date)[1]	€mn	669.4	675.0 to 790.0	840.0 to 980.0
Earnings from Fund Investment Services	€mn	14.0	9.0 to 13.0	11.0 to 16.0
Non-financial performance indicators				
CO2 Footprint (scope 1-3)[2]	t CO_2/MA	2.9	2.8	2.6
Employee satisfaction	%	65	66	68
Payments from compliance breaches	€	0.0	0.0	0.0

1 Defined as total assets minus total liabilities including provisions
2 Scope 3 currently comprises business travel and commuting

We concluded the reporting year with results that were significantly higher than the expectations we had at the start of the financial year 2022/2023. This can be traced back, in particular, to higher multiples of peer group companies on the capital market, which influenced the performance of our portfolio companies, as well as to successful disposals, which boosted our net asset value. In light of the outlined macroeconomic developments expected and having weighed up the risks and opportunities, we expect the further development in our portfolio value to initially remain muted in 2023/2024, especially concerning the industrial portfolio.

Taking into account the distribution to be made after the 2024 Annual General Meeting – 18.8 million euros is the proposed figure – the **NET ASSET VALUE** as at the reporting date of 30 September 2024 is expected in a range between 675 and 790 million euros. Adjusted for the proposed distribution, this equates to an increase in value of between four and 21 per cent.

We then expect to see this value increase further in the following two years, meaning that by the end of the 2025/2026 financial year, i.e. by the end of our planning horizon, the net asset value is projected to amount to between 840 and 980 million euros. Adjusted for the anticipated dividend distribution, these projections point towards an average annual increase in the net asset value of between 10 and 16 per cent.

Net income from investment activity is the item that has the greatest impact on the portfolio value and, consequently, on the net asset value. At the same time, net income from investment activity is also the item with the greatest budgetary and forecast uncertainty. It is determined to a considerable degree by net gains and losses on measurement and disposal; current income from financial assets and loans and receivables, on the other hand, is less relevant.

Projections of the earnings contribution for the portfolio are based on current assumptions regarding the holding period and on a standardised annual increase in the value of the investments during this holding period. The assumptions on the holding period include our assessment of the impact that the current macroeconomic environment will have on the individual investments. We also take into account deviations from the initial premises on which our assessment on the absolute value contribution of the change measures initiated in the portfolio companies is based.

Net measurement gains and losses represent the net amount of positive and negative changes in value of the portfolio companies. These changes in value derive from the assumptions on the change in the fair value of an investment in comparison to the preceding reporting date. In the past, there were instances when sizeable gains were realised on disposal of investments, for example because industrial buyers were willing to pay premiums on the estimated fair value for strategic reasons or because financial investors paid such premiums after intense competition among bidders. Such events are not predictable. This is why we have assumed that the sale price corresponds to the fair value calculated in each case.

The changes in earnings multiples for the listed reference companies are not predictable either. We therefore always assume unchanged multiples from when the forecast is prepared. On the other hand, the value contribution generated from their actual development during a planning period can be positive as well as negative, as in the recently concluded financial year. Current income from financial assets and loans and receivables is also not forecast individually. We assume that earnings generated from the portfolio companies are ploughed back in and therefore flow into the achievable market price to the same extent.

Based on our assumptions, we expect to see **EARNINGS FROM FUND INVESTMENT SERVICES** ranging from 9 to 13 million euros in the current financial year 2023/2024. This is below the levels seen in the last financial year, as we essentially anticipate lower income and increased expenses. This decline is not unusual; it assumes that the launch of the investment phase of a planned successor fund, and thus the income inflow for advisory services rendered, will only occur at some point in time during the financial year 2025/2026, whilst expenses are incurred for the entire financial year. Turning to the last year of the planning period, earnings from Fund Investment Services are expected to be between 11 and 16 million euros.

We intend to systematically reduce our **CARBON FOOTPRINT**, aiming to cut carbon emissions per employee (scope 1 to 3; scope 3 currently comprises business travel and commuting) to 2.8 tonnes in the financial year 2023/2024 and to 2.6 tonnes by the financial year 2025/2026, following 2.9 tonnes in the year under review. In pursuit of this goal, we encourage our staff to use the train as an alternative to short-haul flights and use video conferencing wherever possible and sensible to avoid travel. We will continue not to add any new company cars to our fleet, and lease contracts of company cars currently in use will not be renewed. In addition, we will continue to offer our employees a transit card, making it easier for them to increase use of public transport and reduce private car trips.

We make sure to include the feedback we receive from our surveys on **EMPLOYEE SATISFACTION** in our business processes, refining the processes accordingly. Our aim is to increase employee satisfaction and raise the arithmetic mean of all the survey values during a financial year from 65 per cent in the financial year 2022/2023 to 66 per cent in 2023/2024 and to 68 per cent towards the end of our medium-term planning period.

Our zero tolerance policy for any form of corruption and other unethical business practices remains fully and firmly in place and we continue to adhere to our goal of 0 euros in **PAYMENTS FOR COMPLIANCE VIOLATIONS** in any given financial year.

General forecast

Performance expected to normalise after exceptional year

The forecasting framework for the current financial year 2023/2024 is a subdued one, meaning that we can expect the economy's business processes to remain under pressure. We therefore expect a continuously challenging environment. In view of the increasing number of investment opportunities, we remain optimistic regarding the M&A market and anticipate a further improvement in demand compared to the reporting year.

We believe that Deutsche Beteiligungs AG's performance should remain positive in the current financial year, and we anticipate a further increase in net asset value from the higher comparison base. Earnings from Fund Investment Services are likely to drop vis-à-vis the previous financial year 2022/2023, in line with the life cycle of the funds and in view of cost developments. This would make 2023/2024 another successful financial year when measured against a ten-year period.

Frankfurt/Main, 24 November 2023