Deutsche Beteiligungs AG

HALF-YEARLY FINANCIAL REPORT

AT 31 MARCH 2018
FIRST HALF-YEAR AND SECOND QUARTER
OF 2017/2018

AT A GLANCE

The listed Deutsche Beteiligungs AG invests in well-positioned mid-sized companies with growth potential. For many years now, we have been focusing in particular on industrial business models in selected sectors. With this experience and our expertise and equity, we support our portfolio companies in implementing a long-term and value-enhancing corporate strategy. Our entrepreneurial investment approach makes us a sought-after investment partner in the German-speaking world. We have been achieving above-average performance for years now – for our portfolio companies and for our shareholders and investors.

FINANCIAL HIGHLIGHTS

		1st half-year 2017/2018	1st half-year 2016/2017	**2nd quarter 2017/2018**	2nd quarter 2016/2017
Private Equity Investments segment					
Net result of investment activity	€mn	20.3	47.7	7.3	30.2
Earnings before tax	€mn	16.5	41.9	5.7	27.7
Cash flow from portfolio	€mn	4.0	24.8	3.4	29.3
Net asset value (reporting date)	€mn	447.6	401.7		
thereof portfolio value (reporting date)	€mn	293.8	341.4		
No. of investments (reporting date)		26	26		
Fund Investment Services segment					
Fee income from fund management and advisory services	€mn	14.5	12.8	7.4	7.6
Earnings before tax	€mn	2.9	2.2	2.2	2.3
Assets under management or advisement (reporting date)	€mn	1,765.1	1,809.2		
Group					
Earnings before tax (EBT)	€mn	19.3	44.1	7.9	30.0
Net income	€mn	19.3	44.1	7.9	30.0
Consolidated retained profit	€mn	221.1	176.6		
Shareholders' equity (reporting date)	€mn	442.7	395.0		
Earnings per share[1]	€	1.28	2.93	0.52	1.99
Equity per share	€	29.43	26.26		
Change in equity per share[2]	%	4.5	12.4	1.7	8.2
No. of employees (at end of period, including apprentices)		67	67		

1 Relative to the weighted average number of shares in the period in question
2 Change in equity per share relative to equity per share at beginning of reporting period (less the amount distributed)

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AT 31 MARCH 2018

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LETTER TO OUR SHAREHOLDERS

Frankfurt am Main, 7 May 2018

Dear Shareholders,

Purchasing a share in Deutsche Beteiligungs AG allows you to participate in a portfolio of 24 mid-market companies. All of them have an excellent position in their own way. As a leading provider on their market, for example, by virtue of their product range or as a pioneer of technical development. In addition, you benefit from the success of our Fund Investment Services, which is based on the trust of long-standing institutional investors from around the world, who know that they can rely on the expertise of our investment team and therefore invest in DBAG funds on a regular basis.

We support our portfolio companies in an important phase of their development, be it when they are making arrangements regarding company succession, experiencing a period of strong growth or tapping into new markets. There have been a lot of changes in the portfolio over the past few months in particular. Quite a few acquisitions at the level of portfolio companies are testimony to the change processes initiated by our investment. This also applies to companies that were acquired only recently. This is reflected, for example, in the substantial value contribution that we achieved in the first half of the year from the companies' earnings development.

In our business as a private equity investor, however, we also have to deal with unforeseen developments. This involves adjusting originally planned measures in terms of content or time frame, providing additional capital or making changes to the management of the portfolio companies – all with the aim of increasing the value of our investment. One thing we cannot influence is how the value of our portfolio will be affected by changes in the capital market.

In recent weeks, it transpired that, as things stand at the moment, we will not be able to achieve the net income we had originally planned for this financial year. We will explain the reasons for this in this report. You know that we do not manage DBAG based on the results of a single year: our latest Annual Report states that "we create value through our experience and perseverance". This remains our guiding principle.

Board of Management of
Deutsche Beteiligungs AG

Torsten Grede | Dr Rolf Scheffels | Susanne Zeidler

SHARES

The DBAG share – access to the attractive private equity asset class

Private equity for the price of a share

Private equity is designed primarily for mid-sized companies as a means of financing their growth or of organising their succession. It enhances their capacity to innovate, improves their competitive standing and creates growth potential in the process. The improved market position of the companies allows them to generate higher returns on the capital employed and thus increase their value.

Comparisons with listed or family-owned companies bear impressive testimony to this: companies financed using private equity have better financing structures, pursue clearer strategies and achieve stronger growth. As well as generating higher returns for their investors, this improves their ability to secure existing jobs and also to create additional ones.

Thus, investments in the private equity asset class often result in higher returns than other forms of equity investment. This is why private equity is also a fixed component of institutional investment strategies, which are the source of the capital commitments made to the DBAG funds, for example.

Deutsche Beteiligungs AG offers investors the opportunity to participate in this attractive asset class even if they only have a small volume of capital to invest, all while providing an investment form that can be traded on a daily basis and complies with internationally recognised transparency standards.

DBAG shares allow investors to participate in a unique integrated business model: they are given access to ongoing earnings contributions made by the advisory services provided to private equity funds and can participate in the performance of a portfolio of top-performing mid-sized companies that are not listed themselves.

Investor Relations: focus on proactive communication

We have traditionally sought to maintain intensive dialogue with investors and financial analysts. In the financial year 2017/2018, we are once again using a range of communication channels in order to achieve this – in particular, face-to-face meetings, analyst conferences and selected capital market conferences. In the first half of the year we spoke to almost 40 investors in five European countries over a period of nine days to present our shares, provide information on current business developments and to explain our further strategic development. For the second half of the year, we plan to spend another ten days or so with investor contacts.

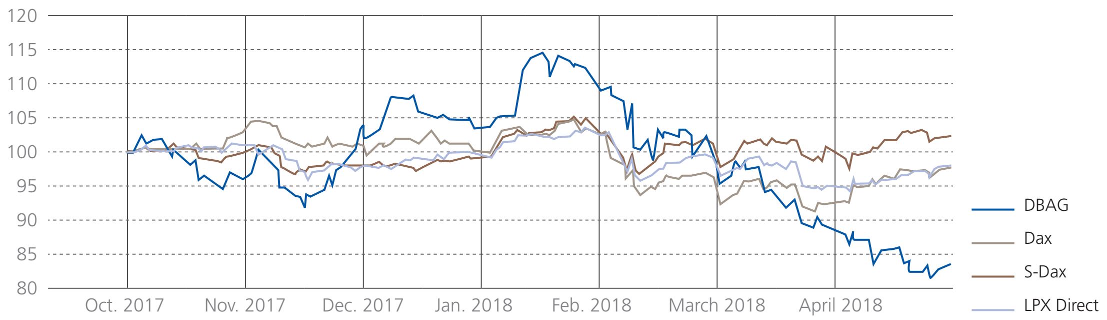
The Markets in Financial Instruments Directive (MiFID II) has applied across the EU since 3 January 2018. The Directive initiates a process that will see a change in the relationships between research providers, issuers and investors. We expect this to result in increased requirements for our investor relations work. This applies, for example, to organising talks with existing or potential investors. In preparation for the foreseeable consequences of the Directive, we issued another bank, Kepler Cheuvreux, with a mandate for capital market services in November 2017.

Share price performance and development in analyst estimates

Encouraging share price performance does not continue

PERFORMANCE OF DBAG SHARES AND BENCHMARK INDICES

(1 October 2017 – 30 April 2018, indexed to: 1 October 2017 = 100)



In the first half-year of 2017/2018, our shares were significantly more volatile than the market as a whole. After the start of the financial year, it initially fell behind the market trend before reaching a new all-time high of 52.10 euros on 15 January 2018. The significant price slump that followed was consistent with a pattern seen in comparable stock market phases: our shares reflect significant corrections on the market as a whole particularly strongly. The reason for this would appear to be the expectation that the lower valuations associated with the corrections will have a negative impact on the value development of the DBAG portfolio. Our shares closed the first six months of the financial year at a share price of 39.35 euros – the lowest level seen since the start of the financial year and down by around 24 percent on the high reached in January. All in all, the share price fell by 13.5 percent in the first six months of the financial year. Taking into account the dividend of 1.40 euros per share that has been distributed in the meantime, this results in negative share price performance of 10.8 percent in the first half of the year, while the comparative indices remained constant (S-Dax up by 0.9 percent) or showed less negative development (Dax down by 7.5 percent, LPX50 as a sector index for international listed private equity companies down by 4.8 percent). The negative share price performance continued at the beginning of the second half of the year.

Liquidity: considerable increase in trading volume on the regulated market

Trading activity in our shares has traditionally been particularly high – in terms of the number of shares traded – in the second quarter of the financial year, when our dividend is also paid out. In the current financial year, the average daily trading volume was around 40 percent higher than in the previous quarter in the months from January to March 2018. As in the past five financial years, the month of the dividend payment, February, was once again the month with the strongest revenues in the last twelve months. Overall, the liquidity of DBAG shares improved further. In the first half of 2017/2018, an average of over 44,000 shares were traded daily on Germany's stock exchanges, a good 40 percent more than in the first half of 2016/2017. Due to the higher share price level, the value traded was twice as high as in the previous year.

TRADING DATA FOR DBAG SHARES[1]

		1st half-year 2017/2018	1st half-year 2016/2017	1st half-year 2015/2016	1st half-year 2014/2015	1st half-year 2013/2014
Closing price at the start of the half-year	€	45.98	30.38	24.95	21.96	19.30
Closing price at the end of the half-year	€	39.35	31.95	26.95	29.77	19.40
High (closing price)	€	52.10	36.40	29.76	33.94	22.83
Low (closing price)	€	39.35	29.59	23.53	21.96	18.50
Market capitalisation[2] – total	€mn	601.0	480.7	368.6	407.1	265.3
Average revenue per trading day[3]	No.	44,017	31,061	32,425	75,001	33,441
Average revenue per trading day[3]	€mn	2.031	1.019	0.875	2.205	0.703

1 "H1 2017/2018", "H1 2016/2017" and "H1 2015/2016" include the period from 1 October to 31 March of the following year, while the other two periods each include the period from 1 November to 30 April of the following year.
2 End of the half-year period
3 Stock exchange trading

Further revenues were achieved in direct bank business and on electronic trading platforms. These revenues also increased significantly, reaching an average daily volume of around 21,700 shares; this was more than twice as much as in the comparable period of the previous year. The proportion of trade processed on Deutsche Börse's Xetra platform remained virtually unchanged at 56 percent (previous year: 57 percent).

Research: analysts give DBAG shares a positive rating overall

Five banks cover our shares by publishing regular assessments. In addition, we have engaged a further bank and two research companies to perform research on our shares. This allows us to ensure that as many potential investors as possible are made aware of the opportunities associated with our Company's development. Among other things, the research reports emphasise the fact that our business model differs from that of many other private equity companies, in particular the business model of the investment trusts listed on the London Stock Exchange, in the sense that we have our own investment team that makes a value contribution from Fund Investment Services.

After our shares had achieved or even exceeded the analysts' price targets following the above-average positive share price performance in 2017, most of them downgraded our stock from "buy" to "hold" or a similar assessment; in one case, another "buy" recommendation was issued after the share price slumped at the beginning of this year. The average price target of the analysts (population: six) was 43.48 euros at the time this report was prepared. We keep our website up to date with the latest analysts' assessments.

Dividend

We want our shareholders to participate in the Company's success by enjoying dividends that are as regular as possible. That is one of our financial objectives. The dividend should be stable and increase whenever possible. The aim is also for it to result in an attractive dividend yield – attractive both in general terms and, in particular, compared to other listed private equity firms.

At the end of February, we distributed the dividend for the 2016/2017 financial year; there were 15,043,994 shares with a dividend entitlement. Out of the retained profit totalling 181.9 million euros, 1.40 euros per share was distributed, i.e. a total of 21.1 million euros. This corresponds to a dividend yield of 3.9 percent in relation to the average share price for the 2016/2017 financial year.

As far as the current year and the next two years are concerned, we have already announced a stable dividend with the publication of the forecast for 2017/2018. This is due to the high retained profit of Deutsche Beteiligungs AG. It puts us in a position to offer an attractive dividend yield without the need for additional proceeds to be generated in connection with disposals in the short term.

Shareholder profile

Slight drop in proportion of private individual shareholders

The shares in Deutsche Beteiligungs AG have been traded as registered shares since July 2013. This gives us a certain degree of transparency regarding our shareholder structure. At 31 March 2018, just under 40 percent of our shares were held by private individual shareholders. This is around one percentage point less than at the most recent balance sheet date of 30 September 2017. A year ago, the proportion of private individual shareholders came to 43 percent. At 31 March 2018, there were 15,279 registered private individual shareholders (people and shareholder associations), four percent less than a year ago.

Two shareholders hold more than five percent of the shares: Rossmann Beteiligungs GmbH announced in December 2017 that it had fallen below the 15-percent threshold and held 14.91 percent in DBAG at that time. According to a notification dated December 2017, Mr Ricardo Portabella holds a stake of 6.65 percent in DBAG via Taiko. These two positions reduce the proportion of shares in free float. 78.4 percent of DBAG shares were in free float ownership at the reporting date, as defined by Deutsche Börse.

BASIC DATA

ISIN	DE 000 A1T NUT 7
Ticker symbol	DBANn.DE (Reuters)/DBAN (Bloomberg)
Listings	Frankfurt (Xetra and trading floor), Berlin-Bremen, Dusseldorf, Hamburg, Hanover, Munich, Stuttgart
Stock market segment	Regulated Market (Prime Standard)
Index affiliation (selection)	S-Dax (rank 39[1]); Classic All Share; C-Dax; Prime All Share; Deutsche Börse sector indices: DAXsector All Financial Services, DAXsubsector Private Equity & Venture Capital Other indices: LPX Buyout, LPX Europe, LPX50; Stoxx Private Equity 20
Designated sponsors	Bankhaus Lampe KG, Oddo Seydler Bank AG, M.M.Warburg & CO (AG & Co.) KGaA
Share capital	53,386,664.43 euros
Number of shares issued	15,043,994
thereof outstanding	15,043,994
First listing	19 December 1985

1 At 31 March 2018, measured by market capitalisation (liquidity measure ranking: 36)

INTERIM MANAGEMENT REPORT

FOR THE 1ST HALF-YEAR
AND 2ND QUARTER OF
FINANCIAL YEAR 2017/2018

The Group and underlying conditions

Structure and business activity

Positioning: listed private equity company

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

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

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

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

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

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

Raising capital for DBAG funds is advantageous for DBAG and its shareholders, as well as for the investors in the funds. First of all, shareholders will participate as a one-off in the fee income from the advisory services provided to DBAG funds (Fund Investment Services). But most importantly, the funds' assets create a substantially larger capital base, which enables investing in larger companies without reducing the diversity of the portfolio. Moreover, as a special investment company, DBAG is not permitted to take majority positions by itself; structuring management buyouts (MBOs) together with the DBAG funds is, however, possible. The fund investors can, in turn, be assured that their advisor, in its role as a co-investor alongside the fund, pursues the same interests.

The two funds that are currently investing, DBAG Fund VII and DBAG Expansion Capital Fund (ECF), cover a wide section of the German private equity market with equity investments of between 10 and 100 million euros for management buyouts and extension finances. Currently, there is a total of five DBAG funds that are in different phases of their life cycles:

- The DBAG Fund IV buyout fund has sold all of its portfolio companies and is currently in liquidation.
- Its follow-on fund DBAG Fund V is in the disinvestment phase. Of the eleven original portfolio companies, ten had been sold by 31 March 2018.
- DBAG Fund VI ended its investment period in December 2016 and still holds investments in ten out of a previous total of eleven MBOs.
- DBAG ECF ended its original investment period in May 2017. It has made extension finances available to eight companies and entered into an MBO in the previous financial year. June 2017 saw the start of the first new investment period (DBAG ECF I), which will run until the end of 2018. The fund has made two investments so far.
- DBAG had initiated the DBAG Fund VII in 2016. The fund's investment period started in December 2016; between then and the cut-off date, the fund structured three MBOs. Taking into account transactions that have been agreed but not yet completed, the fund is around 29 percent invested.[1]

1 Principal fund; top-up fund: 13 percent

Fund		Focus	Start of investment period (vintage)	End of investment period	Size	Thereof DBAG	Proportion of co-investments of DBAG
DBAG Fund IV (in liquidation)	Managed by DBG New Fund Management	Buyouts	September 2002	February 2007	€322mn	€94mn	29%
DBAG Fund V	Managed by DBG Managing Partner	Buyouts	February 2007	February 2013	€539mn	€105mn	19%
DBAG Expansion Capital Fund (ECF)	Managed by DBG Managing Partner	Extension finances	May 2011	May 2017	€212mn	€100mn	47%
DBAG ECF New investment phase ("DBAG ECF I")	Managed by DBG Managing Partner	Extension finances and small buyouts	June 2017	December 2018	€85mn	€35mn	41%
DBAG Fund VI	Advised by DBG Advising	Buyouts	February 2013	December 2016	€700mn [1]	€133mn	19%
DBAG Fund VII	Advised by DBG Advising	Buyouts	December 2016	At the latest December 2022	€1.010mn [2]	€200mn [3]	23% [4]

1 Without the co-investment of the experienced members of the DBAG investment team
2 The DBAG Fund VII consists of two sub-funds, a principal fund (808 million euros) and a top-up fund (202 million euros); without the co-investment of members of the investment team of DBAG; the top-up fund invests exclusively in transactions with an equity capital investment that exceeds the concentration limit of the principal fund for a single investment.
3 DBAG has committed 183 million euros to the principal fund and 17 million euros to the top-up fund.
4 The proportion of co-investments for the top-up fund amounts to 8 percent

Fund Investment Services business segment

Fees for services to DBAG funds as a source of incomee

Advisory services provided to DBAG funds are bundled in the Fund Investment Services business segment.

The range of services in the Fund Investment Services business line is broad: we seek, assess and structure investment opportunities, negotiate investment agreements, compile investment memoranda for the fund manager, support the portfolio companies during the holding period and realise the funds' portfolios.

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

It follows from the fee methodology that fee income will decline with every exit from a fund's portfolio. In principle, an increase can only again be achieved when a new fund is raised.

Advisory services by the investment team

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

We manage these processes with our own resources in tried-and-tested workflows, primarily through the investment team. It consists of 21 investment professionals and is led by two Board of Management members. The team has a broad skill set combined with multifaceted

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

experience in the investment business. It is supplemented by three employees in Research and Business Development. The auxiliary functions for the investment process and the administrative activities, which are collectively referred to as the "corporate functions", are bundled under the Chief Financial Officer, whose responsibilities also include portfolio valuation and risk management.

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

The members of the investment team with greater experience in investing (14 out of 21) and both Board of Management members personally co-invest their own money in the DBAG funds, generally investing one percent of the capital raised by the fund investors and DBAG. This is in compliance with fund investors' expectations (and is common in the industry), who, for reasons of identity of interest, expect such a private investment. The co-investing members of the investment team receive an incentive (which is, once again, standard practice in the industry) for generating the best possible financial performance for the funds. They receive a profit share that is disproportionate to their capital commitment ("carried interest") after the fund has fulfilled certain conditions: DBAG must have realised its invested capital plus a minimum return.

Investment team supported by strong network

The investment team can rely on a strong network, the nucleus of which is an "Executive Circle" consisting of 60 contractually associated expert partners. The members of the Executive Circle support us in identifying and initiating investment opportunities, assist us in assessing certain industries or back us prior to making an investment in a particularly comprehensive due diligence process. The Circle comprises experienced industry experts, including partners of previous investment transactions. The members have the industry experience that is relevant to DBAG. The network is supplemented by an extended group of bank representatives, consultants, lawyers and auditors.

Private Equity Investments business segment

Value creation on investments as a source of income

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

DBAG's investment strategy derives from the strategies of the current funds. This strategy can be adapted to reflect the Company's development or market changes, generally when a new fund is launched. In 2011, for example, we launched DBAG ECF, a fund for extension finances, i.e. exclusively for minority financing. It aimed to build on the long-term successes of numerous comparable investments. Since the beginning of 2017, this fund has also been able to structure MBOs with equity investments of between 10 and 30 million euros, meaning that it invests in transactions that are too small for DBAG Fund VII. This fund in turn differs from its predecessor DBAG Fund VI in the sense that, in individual cases, it can also engage in minority investments or larger investments than possible in the past.

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

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

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

Portfolio profile: largely MBOs and extension finances

The largest part of DBAG's portfolio[3] (64 percent) is attributable to co-investments in 16 MBOs. In addition, there were eight expansion capital investments (33 percent of portfolio value) as well as investments in two international buyout funds (three percent) in the portfolio; the latter consist of older, externally managed funds that are gradually being liquidated through the sale of the underlying investments.

Our statement of financial position confirms the success of our investment activity. Since 1997, DBAG has financed 42 MBOs together with DBG Fund III and DBAG Fund IV, DBAG Fund V and DBAG Fund VI, as well as with DBAG Fund VII since the end of 2016. We have increased the value of the invested shareholders' equity to 2.3 times[4] the original amount. 29 of these investments had been realised completely or for the most part by the end of the previous financial year. These realisations have generated 2.9x the invested capital.

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

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

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

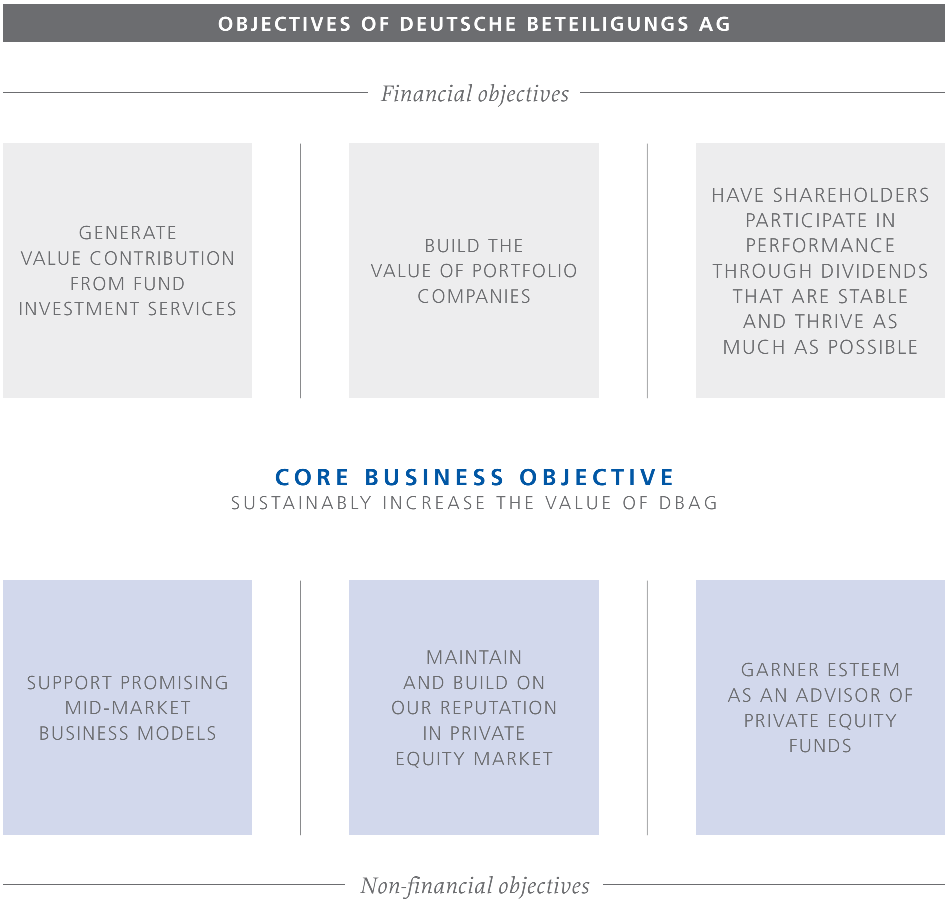
Objectives and strategy

Objective: to sustainably increase the value of DBAG through growth in both business segments

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

3 All disclosures concerning the composition of the portfolio, or which pertain to the portfolio volume and the portfolio value, relate to the value of the investments held directly and indirectly through intra-Group investment entities (at the reporting date of 31 March 2018) totalling 293.8 million euros; see also pages 31/32.

4 This takes into consideration all buyouts structured up to 31 March 2018; it does not take into consideration agreed but not yet completed transactions.



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

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

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

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

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

The overall financial performance of DBAG is derived from the gain in the Company's value in terms of equity per share, taking into consideration dividends paid.

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

By successfully supporting our portfolio companies, we want to strengthen the standing we have built in the private equity market over five decades and underpin our good reputation. We are particularly successful as an investment partner to mid-market family-owned businesses: Compared with our competitors, we structure twice as many buyouts of companies originating from family ownership in our market segment. We are convinced that an appropriate consideration of the interests of all stakeholders in conjunction with an investment also serves to fortify our reputation. For that reason, we also follow ESG (environmental, social and governance) principles, which include compliance with our business policies.

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

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

Clear investment criteria

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

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

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

We see these as our core sectors. The DBAG investment team has focused on industry and industry-related services and has a particular wealth of experience and expertise in this area. Around 70 percent of the investments in our portfolio come from these areas. That is why we are capable of structuring even complex transactions in these core sectors, such as the acquisition of companies from conglomerates or companies facing operational challenges. We also identify companies in other sectors that offer convincing development potential, for example, in the telecommunications or food industry sectors, which are relatively non-cyclical. Geographically, we focus on companies domiciled or whose business is centred in German-speaking regions.

The DBAG funds provide for equity investments in an individual transaction of between 10 and 100 million euros, irrespective of the type of investment. When it comes to structuring larger transactions with equity investments of up to 200 million euros, the top-up fund of DBAG Fund VII is included. For DBAG, this equates to equity investments of between 5 and 20 million euros, and for transactions involving the top-up fund, equity investments of up to 34 million euros.

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

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

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

Investment performance as a prerequisite for growth in both business segments

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

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

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

Steering and control

Key performance mark: return on capital employed

Our business policy is geared towards appreciating the value of DBAG over the long term by successful investments in portfolio companies and a successful Fund Investment Services business. It follows from the nature of our business and its accounting methodology that the Company's value may decrease in individual years, since it is largely determined by the fair value of the portfolio companies at the end of a reporting period. That value is, however, also subject to influences beyond DBAG's control, such as those from the stock market. The Company's value is understood to have increased in the long term when, on an average of, for example, ten years, the return on the capital employed per share exceeds the cost of equity. The key performance measure is the return on the Group's capital employed.

We determine it from the equity per share at the end of the financial year and the equity, less dividends, at the start of the financial year.

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

$$rEK = rf + ß * rM.$$

We derive the risk-free base rate from a zero-bond interest rate with a residual term of 30 years, based on the yield curve at the reporting date. At 30 September 2017, this value was 1.4 percent (previous year: 0.5 percent).

The market premium used remains unchanged at 7.0 percent.

For the individual risk measure, we use a ß (beta) of approximately 0.6 (30 September 2017). This value corresponds to a levered beta factor for DBAG against the C-Dax for five years, which we consider appropriate due to the long-term nature of the business model.

The cost of equity for DBAG thus derived as at the reporting date is 5.6 percent (previous year: 4.7 percent). This calculated result is strongly influenced by the extremely low interest rate level and the low risk position of DBAG in view of its capital structure. In order to reduce the impact of the interest rate level regarding the reporting date, we apply the average cost of equity calculated from the previous ten reporting dates as a measure of our long-term success. This figure comes to 6.6 percent for the financial years from 2007/2008 to 2016/2017; over the previous ten-year period, the cost of equity had averaged 6.9 percent.

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

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

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

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

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

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

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

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

Business review of the Group

Macroeconomic and sector-related underlying conditions

Real economy: global economic growth remains dynamic; upswing in Germany continues

The general optimism regarding the development of the global economy continues. In April 2018, for example, the International Monetary Fund (IMF) once again raised its forecast for the global economy: after 3.6 percent in April 2017 and 3.7 percent in October 2017, world economic output is now expected to grow by 3.9 percent year-on-year in the current year. In the IMF's opinion, this growth will be supported by broad-based, positive development in many economies. The IMF's report refers to individual instances of development, such as investment growth in the advanced economies, continued strong growth in the emerging Asian economies, the upturn in (Eastern) Europe's emerging markets and signs of a recovery in commodity-exporting countries. The IMF expects to see similarly high growth in the next year. In the medium term, the IMF anticipates a slight slowdown in growth; as soon as the economic upswing and the fiscal stimulus from the US come to an end, the prospects for the advanced economies remain subdued.[5]

The IMF highlights the development in Germany, which is reported to have been better than recently expected. The German Council of Economic Experts, which is responsible for assessing macroeconomic developments, is also of the view that the upturn in the German economy will continue. The Council has slightly lifted its forecast for 2018 and now expects average annual growth rates in real GDP of 2.3 percent and 1.8 percent in 2018 and 2019 respectively. The latest forecast states, "Compared with the forecast provided in the GCEE Annual Report 2017/2018, exports will make a somewhat higher contribution to growth, while there will be a smaller contribution from the components of domestic demand."[6]

The German Council of Economic Experts believes that the risks relating to economic development in Germany have intensified recently. In addition to uncertain political relations in Italy and the uncertainty surrounding the outcome of Brexit negotiations, it makes particular reference to the announcement by the United States to raise tariffs on steel and aluminium. The Council also mentions the shortage of labour as a threat to the growth momentum. The IMF cites the tightening of global financial conditions as a risk to its generally positive forecast – "sooner or later".

Our portfolio shows signs of almost all of the effects cited. The portfolio consists of companies that are subject to different market or economic cycles; it contains companies that respond promptly to the industries' changes in capital expenditure activity (such as iron foundries), and others that tend to notice changes in order intake or delivery call-offs at the end of a cycle (such as automotive suppliers). This means that changes in the overall conditions, which also include fluctuations in the prices of key commodities, vary in their impact on our portfolio and sometimes counteract each other. Consumer-oriented companies are benefiting from the sustained strong domestic demand fuelled by the ongoing increase in incomes in Germany. Companies with more of an international focus could benefit from positive developments on key foreign markets in the current financial year, provided that trade restrictions do not impair the exchange of goods to any considerable degree. All in all, the overall conditions for our portfolio companies over the last two quarters have been good.

Financial markets: higher volatility on the stock markets, continued favourable financing conditions in Germany

The situation on the global financial markets has clearly changed over the last few months. Volatility on the stock markets is now higher than it was around a year ago. The company valuations have also decreased overall. The intermittent significant slumps in share prices in February and March 2018, for example, have been associated with speculation about further interest rate hikes by the Federal Reserve in the US and a turnaround in the zero interest rate policy being pursued by the European Central Bank (ECB). As the ECB has opted to stick with its extremely expansionary monetary policy course for the time being, the yield differential between the two currency areas also increased.

5 "Cyclical Upswing, Structural Change – World Economic Outlook", International Monetary Fund, April 2018
6 "Economic Forecast for 2018 and 2019", German Council of Economic Experts, March 2018

Until now, the loose monetary policy has meant that financing conditions in Germany and the other major European economies continue to be exceptionally favourable. "In recent months, lending rates for German companies have largely remained at their lowest levels, while lending rates for consumer loans have declined once again. The Bank Lending Survey also suggests there has been a trend towards credit being extended more readily," the German Council of Economic Experts states in its latest economic forecast.

This means that the overall conditions for the financing of our portfolio companies are still good. Mid-sized companies are disproportionately reliant on loans because they only have a limited number of alternative refinancing options open to them, for example on the capital markets. This is why we take the likely funding needs into account in the structure of the statement of financial position when we acquire an investment. The supply of acquisition finance remained good in the first six months of the current financial year. Private debt funds also made an increasing contribution to this trend by boosting the supply.

Currency rates: little impact on portfolio value, but negative in this financial year

The direct impact of changes in exchange rates on the value of our portfolio has increased slightly following the investments in duagon and Sjølund over the last twelve months. It is low overall because we only make investments in currencies other than the euro in exceptional cases. In addition to the two companies named above, the investments in two other portfolio companies (mageba and Pfaudler) and those in the Harvest Partners international buyout fund, which is managed by a third party, are subject to currency risks. Since both the US dollar and the Swiss franc lost value against the euro, the gross decrease in value came to 1.3 million euros compared with the reporting date of 30 September 2017 due to changes in exchange rates.

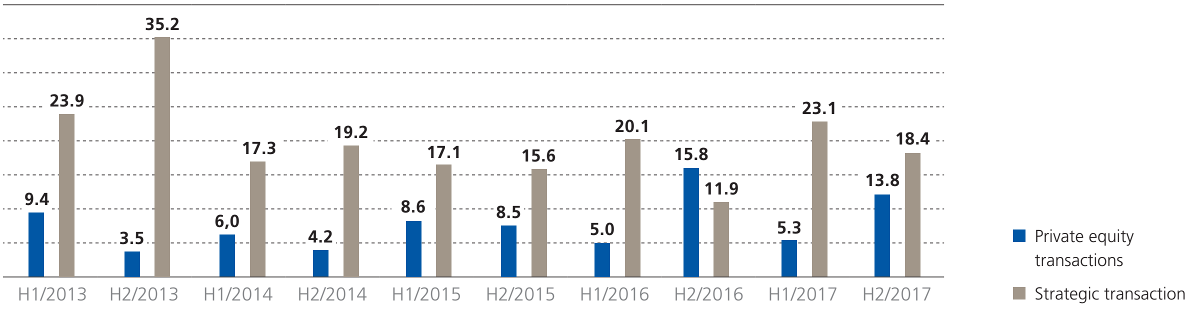
Beyond that, exchange rate fluctuations also have a direct influence on the business activities of our portfolio companies in their respective international markets. The fact that the companies have production facilities in various currency areas partially compensates for this.

Private equity market: more transactions in DBAG market segment; "dissatisfaction with entry valuations"

Changes on the private equity market rarely come to light within short periods of time. This means that quarterly or half-yearly data can only point towards possible trends at best. Due to the small population of transactions recorded, the data is sometimes influenced by individual transactions. In the second half of 2017, for example, around one-third of the value of private equity transactions was attributable to the acquisition of one investment in a listed company alone. If we look at the average figures, we can see that there are no major differences between the values of private equity transactions in 2015, 2016 and 2017. Their share of the overall M&A market has not changed to any considerable degree either.[7]

M&A-MARKET GERMANY – TRANSACTION VALUE

€bn



7 "Der Transaktionsmarkt in Deutschland – 2. Halbjahr 2017" (The transaction market in Germany – H2 2017), EY, December 2017

DBAG largely focuses on the mid-market segment in German-speaking regions in our business, that is, on transactions with an (enterprise) value of 50 to 250 million euros. The number and total value of transactions increased in this defined market segment in 2017. All in all, financial investors had structured 35 buyouts in the German mid-market segment by the end of 2017 – one more than in 2016. The total volume of the transactions came to around 4.4 billion euros, which is the highest value seen in the last 15 years.[8]

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

Information on market developments in our industry confirms our assessment. A survey conducted for the "German Private Equity Barometer", for example, revealed "considerable dissatisfaction" with the entry valuations for new transactions, particularly among buyout investors. On a scale of between +100 and -100, the index value for this parameter recently came to -62 – a striking contrast with the long-term average (2003 to 2017) of -16.[9]

Explanation of the key events and transactions

In the first half of the 2017/2018 financial year, Deutsche Beteiligungs AG made two new investments alongside DBAG ECF. The MBOs of Sjølund A/S and netzkontor nord GmbH are the first transactions executed since the start of the first new investment period of DBAG ECF in June 2017[10]; this means that more than a quarter of the committed capital has been called. In addition, the first six months of the financial year were mainly characterised by changes at existing DBAG portfolio companies, in particular due to Cleanpart selling a line of business, the partial disposal of Silbitz, the merger of duagon with MEN Mikro Elektronik GmbH and further company acquisitions at the portfolio company level.

New investments alongside DBAG ECF

DBAG ECF acquired a majority stake in Sjølund A/S, a Danish company from one of DBAG's core sectors with a high proportion of business in Germany, as part of an MBO. Sjølund is the largest provider in the niche market for complex bent aluminium and steel components. The company produces components for the nacelles of wind turbines and supplies train manufacturers with structural profiles and components for external cladding, for example for the front of the railcar, the window frames or the boarding area. Other customer markets are the construction sector and the mechanical engineering industry. For its co-investment alongside the fund, DBAG has invested 4.7 million euros from its balance sheet and holds approximately 22 percent of the shares in Sjølund.

In the first half of the year, the MBO of netzkontor nord GmbH was agreed and completed. The company offers a range of services relating to the planning and supervision of fibre-optic network construction and handles network management for operators. Netzkontor is the fourth company in the portfolio that is active in the field of fibre-optic networks; DBAG had first invested in this sector in 2013. The company currently focuses on the region of Schleswig-Holstein in Germany. DBAG ECF has taken over the majority of the shares in netzkontor from the company's founders. For its co-investment alongside the fund, DBAG invested 4.6 million euros; this accounts for approximately 34 percent of the shares in the company.

8 The underlying survey conducted by the industry magazine FINANCE on behalf of DBAG includes majority takeovers in the form of MBOs, MBIs and secondary/tertiary buyouts involving a financial investor with a transaction volume of between 50 and 250 million euros.
9 „German Private Equity Barometer: 4. Quartal 2017", KfW Research, Februar 2018
10 The first new investment period of DBAG ECF started in June 2017 and will continue until the end of 2018; after that, a new fund investment period is to be launched every two years.

The MBOs of Sjølund and netzkontor are the second and third majority investments made by DBAG ECF. The investment criteria were expanded in 2016, and so the fund also makes funds available for select MBOs. Previously, DBAG ECF had only made minority investments in companies in order to promote their growth.

DBAG Fund VI: Partial disposal of Silbitz Group GmbH

In February 2018, DBAG sold part of its investment in Silbitz Group GmbH. 22 percent of the shares in the foundry were taken over by Sistema Finance S.A. The subsidiary of the Russian conglomerate JFSC Sistema, which is listed on the London and Moscow stock exchanges, had already acquired a minority stake in Gienanth, the second foundry in DBAG's portfolio, in the previous financial year. DBAG Fund VI, alongside which DBAG invested in Silbitz in August 2015, will continue to hold the majority of the shares in the company. DBAG initially received around 1.3 million euros from the partial disposal.

DBAG Fund VII: Capital increase for a portfolio company

Shortly before the end of the first half of the year, the merger of the portfolio company duagon with MEN Mikro Elektronik GmbH was agreed. The two companies are being merged under the same umbrella to form one of the leading providers of software and hardware solutions for data processing and communications, particularly in rail vehicles. DBAG will invest up to 11 million euros in duagon alongside DBAG Fund VII to finance the transaction as part of a capital increase. The merger had not yet been completed by the reporting date and is scheduled for completion in May 2018. This will mean that DBAG Fund VII will be around 29 percent invested.

Other changes at the portfolio companies

In November 2017, Cleanpart Group GmbH sold its healthcare business line in order to focus on services for the semiconductor industry in the future. The buyer was VAMED, a hospital services provider that is majority owned by Fresenius SE & Co. KGaA. The purchase agreement had already been signed in September 2017; the agreed price was included in the investment valuation reported at 30 September 2017. Deutsche Beteiligungs AG received the funds resulting from the disposal and the subsequent refinancing of the company in a total amount of 4.1 million euros in the first half of 2017/2018. DBAG had invested in Cleanpart in April 2015 as part of an MBO alongside DBAG Fund VI.

In December 2017, Polytech agreed on a merger with the Israeli company G&G Biotechnology Ltd., a manufacturer of innovative and particularly light filling material for implants. DBAG Fund VI subscribed to a capital increase as part of the transaction; DBAG will be investing another 0.9 million euros in Polytech alongside DBAG Fund VI. At the same time, the shareholders of G&G will be taking over 20 percent of the shares in Polytech. The business combination and the capital increase had not yet been completed by the reporting date. The valuation reported for the investment in Polytech at 31 December 2017, however, already takes into consideration outcomes from the transaction.

In the first half of the year, DBAG's portfolio companies also forged ahead with their strategic development by acquiring other companies. Pfaudler (DBAG Fund VI) expanded its product range and product expertise by acquiring NORMAG Labor- und Prozesstechnik GmbH (revenues in 2017: twelve million euros) and interseal Dipl.-Ing. Rolf Schmitz GmbH, a provider of seal components (revenues in 2017: four million euros). From now on, both of the companies acquired in October 2017 will benefit from Pfaudler's global sales structures when tapping into new markets. Pfaudler financed both acquisitions using its own funds.

DBAG and DBAG ECF financed the acquisition of two companies by vitronet (DBAG ECF): Dankers Bohrtechnik GmbH and Dankers Projektierung GmbH (total revenues in 2016: 15 million euros) will expand the company's value chain to include civil engineering for fibre-optic networks. In the first quarter, DBAG invested 3.8 million euros in financing the acquisition. In December, vitronet reached an agreement on the acquisition of Enetty Holding GmbH, which is already its third company acquisition since the start of the investment. However, the transaction had not yet been completed at the reporting date.

In the context of restructuring measures, DBAG increased its share in Unser Heimatbäcker Holding GmbH alongside DBAG Fund VI in January 2018, investing a further 1.4 million euros in the company. In addition, the fund has taken over the shares, which are not currently recoverable, of the managing partner who has left the company. As a result, the share held by the fund has increased from 66.3 percent to 96.5 percent, with 18.3 percentage points attributable to DBAG (12.6 percent).

DBG Eastern Europe, one of the two externally managed international buyout funds in the DBAG portfolio, successfully sold an investment in March 2018. The funds from the transaction will be received received in the current quarter. The fund still has one investment following the disposal.

Earnings position

Overview

In the first half of 2017/2018, DBAG's net income came to 19.3 million euros. It was mainly impaired by the negative trend on the capital market. Changes in the multiples that DBAG uses in the valuation of its portfolio companies led to a negative value contribution on the whole. Improved results from the portfolio companies made a positive contribution to net income in the first half of the year.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€'000	**1st half-year 2017/2018**	1st half-year 2016/2017	**2nd quarter 2017/2018**[1]	2nd quarter 2016/2017[1]
Net result of investment activity	20,326	47,707	7,310	30,237
Fee income from fund management and advisory services	14,149	12,227	7,200	7,366
Net result of fund services and investment activity	**34,475**	**59,934**	**14,510**	**37,603**
Personnel costs	(7,572)	(9,703)	(3,443)	(4,036)
Other operating income	1,304	2,654	877	1,289
Other operating expenses	(8,718)	(8,537)	(3,936)	(4,742)
Interest income	(150)	(248)	(119)	(135)
Other income/expenses	**(15,136)**	**(15,834)**	**(6,621)**	**(7,623)**
Earnings before tax	**19,340**	**44,100**	**7,889**	**29,980**
Income taxes	(1)	0	(1)	0
Earnings after tax	**19,339**	**44,100**	**7,888**	**29,980**
Minority interest gains/losses	(17)	(20)	(6)	(12)
Net income	**19,322**	**44,080**	**7,882**	**29,969**
Other comprehensive income	(450)	(622)	(562)	49
Consolidated comprehensive income	**18,872**	**43,458**	**7,320**	**30,018**

1 The review only covers the figures from the first half of the year.

In the previous financial year, the net income had amounted to 44.1 million euros after the first six months, following completely different business performance. At that time, in addition to higher earnings expectations for the portfolio companies, successful disposals (Grohmann, FDG, Romaco) and simultaneous expressions of interest by potential buyers for individual portfolio companies had a positive impact on net income. Unlike in the current reporting period, capital market developments in the first two quarters of 2016/2017 had also increased net income.

In the first half of the year, the **NET RESULT OF FUND SERVICES AND INVESTMENT ACTIVITY** came to 34.5 million euros, as against 59.9 million euros in the same period of the previous year. It is still determined to a considerable degree by the net result of investment activity, both in terms of its absolute amount and in terms of its volatility (for details, please refer to the information under "Net result of investment activity"). At 14.1 million euros, **FEE INCOME FROM FUND MANAGEMENT AND ADVISORY SERVICES** was up on the prior-year value (12.2 million euros). This increase is mainly due to higher income from DBAG Fund VII. The fund's investment phase had only just commenced at the end of December 2016; as a result, in the first half of the current financial year, DBAG received significantly higher remuneration from fund advisory services than in the first six months of the previous year. In addition, transaction-related fees were collected from DBAG ECF I (0.4 million euros).

Net expenses within **TOTAL OTHER INCOME/EXPENSES**, i.e. the net amount of personnel costs, other operating income and expenses as well as net interest, came to 15.1 million euros, slightly down on the prior-year figure (15.8 million euros). Personnel costs were down on the first half of 2016/2017; in the previous year, they had included the performance-based remuneration resulting from the sale of the investment in Grohmann in the amount of 1.6 million euros. In addition, lower provisions were set up for performance-related remuneration in the first half of this financial year. As against the previous year, transaction-related expenses were lower; this results in lower income from passing on these costs. Other operating expenses nevertheless increased slightly in a year-on-year comparison because special expenses relating to other periods were recognised in an amount of 0.9 million euros in the first quarter. These are due to the subsequent adjustment to the remuneration that DBAG had received for the work performed by members of the investment team in supervisory bodies of DBAG Fund V portfolio companies since the start of the investment phase ten years ago.

Net result of investment activity

The **NET RESULT OF INVESTMENT ACTIVITY** for the first half of the year in the amount of 20.3 million euros (previous year: 47.7 million euros) was largely determined by the value growth of the interests in the portfolio companies, which are held via investment entity subsidiaries, with one exception (JCK). This means that it was influenced not only by the earnings expectations of the portfolio companies, but also – due to their valuation based on multiples of listed reference companies (peer groups) – by developments on the capital markets.

NET RESULT OF INVESTMENT ACTIVITY

€'000	**1st half-year 2017/2018**	1st half-year 2016/2017	**2nd quarter 2017/2018**[1]	2nd quarter 2016/2017[1]
Gross result of valuation and disposal portfolio	20,073	54,354	7,205	35,433
Gains attributable to minority interest in investment entity subsidiaries	(987)	(7,744)	334	(4,390)
Net result of valuation and disposal portfolio	19,086	46,609	7,539	31,043
Current income portfolio	4,014	4,125	262	1,759
Net result from portfolio	23,101	50,735	7,801	32,802
Net result from other assets and liabilities of investment entity subsidiaries	(2,774)	(3,029)	(491)	(1,611)
Net result from other financial assets	(1)	1	(1)	(954)
Net result of investment activity	**20,326**	**47,707**	**7,310**	**30,237**

1 The review only covers the figures from the first half of the year.

The **GROSS RESULT OF VALUATION AND DISPOSAL** of the portfolio after six months comes to 20.1 million euros, down by 34.3 million euros on the same period of the previous year. The considerable difference once again highlights just how outstandingly positive our earnings development was in 2016/2017. At that time, the net income in the first half of the year included significant contributions from investment disposals. At 17.7 million euros, three disposals that had already been agreed had influenced the net result of disposal. There have been no comparable transactions to date in the 2017/2018 financial year.

SOURCE ANALYSIS 1: After the first quarter, we reported that most companies had budgeted for higher revenues and earnings in 2018 and believed that they were on the right track. This has not changed to any considerable degree over the last three months. This is evident from the 17.9 million euro increase in the contribution made by **CHANGES IN EARNINGS** at the companies in the second quarter. Overall, in the first half of 2017/2018, earnings development at the portfolio companies made a positive contribution in the amount of 40.4 million euros to the net result of valuation – compared with 12.7 million euros in the corresponding period of the previous year.

We generally adjust our valuations at 31 December to reflect the portfolio companies' budgets for the new year. Depending on our empirical values regarding the reliability of the individual projections, we take into account that there is greater uncertainty surrounding the fulfilment of the budget this early in the year than in the second half of the financial year. As a result, we apply corresponding discounts to the budgeted results in individual cases – as we did at 31 December 2017. On the reporting dates that follow – for the first time at 31 March – the valuations are based on updated budget values on the basis of results that have actually been achieved and the ongoing earnings forecasts for the companies. If there are no updated figures available in individual cases, we take into account the latest information from the portfolio companies. The information available from the companies at 31 March 2018 largely confirms the budgets. As a result, we have reduced the uncertainty discounts in isolated cases. Since most portfolio companies had not yet updated their earnings forecasts at this reporting date, this naturally results, for the second quarter, in a lower contribution being made, compared with the first quarter, to the net result of valuation based on the changes in earnings at the portfolio companies.

We do not receive any ongoing distributions during the holding period of the investments as a general rule, at least not in cases involving an MBO. This allows the portfolio companies to use any surpluses to reduce their debt. This usually increases the value of our investments. In the first half of the year, however, debt levels for two investments increased significantly: in one case, the financing of a major add-on acquisition resulted in an increase in debt, while in another, debt rose after the financing was restructured (recapitalisation). These two companies made a negative value contribution of 16.1 million euros due to the increase in debt; this by far overcompensated for the positive effects from the reduction in debt at the other portfolio companies.

RESULT OF VALUATION AND DISPOSAL PORTFOLIO BY SOURCES
SOURCE ANALYSIS 1

€'000	**1st half-year 2017/2018**	1st half-year 2016/2017	**2nd quarter 2017/2018**[1]	2nd quarter 2016/2017[1]
Fair value of unlisted investments				
Change in earnings	40,425	12,709	17,934	(883)
Change in debt	(8,083)	7,223	(9,315)	(2,412)
Change in multiples	(15,627)	25,489	(3,054)	35,996
Change in exchange rates	(1,134)	890	(595)	51
Change, other	347	1,470	(198)	2,023
	15,929	47,781	4,772	34,775
Net result of disposal	1,394	9,334	500	393
Acquisition cost	(157)	0	20	0
Other	2,906	(2,761)	1,913	265
	20,073	**54,354**	**7,205**	**35,433**

1 The review only covers the figures from the first half of the year.

A comparison of the earnings contributions resulting from the change in the multiples used for valuation purposes explains the considerable difference between the net result of valuation and disposal in the previous year and in the current first half of the year. A positive contribution of 25.5 million euros in 2016/2017 has now turned into a negative value contribution of 15.6 million euros. This negative value contribution is due exclusively to changes in valuations on the capital markets. In the previous year, higher valuations of listed peer group companies had had a positive impact of 12.7 million euros on the net result of valuation; the net result of valuation had also been influenced positively, in an amount of 12.8 million euros, by disposal processes at four portfolio companies. The valuations of these investments had taken into account expressions of interest by potential buyers/multiples that we had already secured at that time based on agreements on disposals. There are no such value contributions in this half-year. Like changes in the valuations on the capital markets, they cannot be planned. Nevertheless, both factors – information gleaned from ongoing disposal processes and capital market developments – have a significant impact on our half-yearly and quarterly results. The resulting volatility in results is typical for the business.

Changes in exchange rates in the first half of the year had more of an impact on the valuation of the portfolio than is usually the case and, unlike in the same period of the previous year, this impact was negative. The value of the euro against the US dollar and the Swiss franc has increased, and it has remained virtually unchanged against the British pound. More DBAG investments are now affected by exchange rate fluctuations than a year ago.

"Other influences" (change in other factors) reflect improved planning assumptions and the resulting higher valuations of the portfolio companies valued using the DCF method, among other factors.

The net result of disposal in the amount of 1.4 million euros includes subsequent income from retentions relating to investments disposed of in the previous years. The completed disposal of a business line by Cleanpart has not reduced DBAG's share in the company, which is why it is not reflected in the net result of disposal. In the first half of the previous year, this item mainly included the earnings contribution made by the disposal of the investment in Grohmann (gross amount: 9.3 million euros).

Two of the investments in foreign portfolio companies still valued at acquisition cost are denominated in foreign currencies. Since these currencies have decreased in value against the euro, this has a negative impact on the quarterly result in the amount of 0.2 million euros.

The contributions to the net result of valuation and disposal included in the "**OTHER**" item are primarily attributable to two investments in international buyout funds managed by third parties and to companies through which representations and warranties dating from former divestments are (largely) settled ("Other investments"). The DBG Eastern Europe fund successfully sold one of its two remaining investments; this fund alone made a positive value contribution of 2.1 million euros, which further increases the overall success of this investment. Over the same period of the previous year, the assertion of a warranty claim by the buyer of an investment that was sold several years ago had also had a negative impact.

SOURCE ANALYSIS 2: The positive changes in value are attributable to eleven active portfolio companies (previous year: 14) and two (one) investments in international buyout funds managed by third parties. These also include the investments in duagon and Polytech, which were included at fair value for the first time at this reporting date, i.e. 31 December 2017. Four investments are recognised at their transaction price because they have been held for less than twelve months. Nine (previous year: four) investments had a negative effect on the net result of valuation and disposal in the first half of the year. The valuations for eight of the portfolio companies in question were hit by lower multiples for listed peer group companies. Had the capital market impact been neutral, the value contribution for two companies would have been positive.

RESULT OF VALUATION AND DISPOSAL PORTFOLIO BY SOURCES
SOURCE ANALYSIS 2

€'000	**1st half-year 2017/2018**	1st half-year 2016/2017	**2nd quarter 2017/2018**[1]	2nd quarter 2016/2017[1]
Positive movements	30,142	63,784	18,214	36,968
Negative movements	(10,069)	(9,431)	(11,009)	(1,534)
	20,073	**54,354**	**7,205**	**35,433**

1 The review only covers the figures from the first half of the year.

SOURCE ANALYSIS 3: In the first half of the financial year 2017/2018, DBAG's net result of valuation and disposal was characterised almost exclusively by a higher portfolio valuation overall. No investments had been sold by the reporting date at 31 March 2018; as mentioned above, the net result of disposal only includes income from retentions relating to sold investments. The figures for the first half of the previous year included the earnings contributions resulting from the sale of the investments in Grohmann and Romaco ("unrealised disposal gains on imminent sales basis").

RESULT OF VALUATION AND DISPOSAL PORTFOLIO BY SOURCES
SOURCE ANALYSIS 3

€'000	**1st half-year 2017/2018**	1st half-year 2016/2017	**2nd quarter 2017/2018**[1]	2nd quarter 2016/2017[1]
Net result of valuation	18,679	36,696	6,705	26,679
Unrealised disposal gains on imminent sales basis	0	8,346	0	8,362
Net result of disposal	1,394	9,312	500	393
	20,073	**54,354**	**7,205**	**35,433**

1 The review only covers the figures from the first half of the year.

GAINS ATTRIBUTABLE TO MINORITY INTEREST IN INVESTMENT ENTITY SUBSIDIARIES reduced the net result of investment activity in the first half of the financial year by 1.0 million euros (previous year: 7.7 million euros). These gains relate primarily to performance-related profit shares arising from private investments in the investment entity subsidiaries of DBAG Fund V and DBAG ECF ("carried interest"). These are attributable to those active and former members of the investment team of DBAG who have co-invested alongside the funds. The minority interests in investment entity subsidiaries recognised in the current financial statements mirror the net amount of realised and unrealised value appreciation of the investments of DBAG Fund V and DBAG ECF in the first six months of the financial year. The carry can change with future valuation movements of the funds' investments. Corresponding to the realisation of value gains on individual investments, carried interest payments will extend over a number of years.

The investment period of DBAG Fund VI ended in December 2016. Based on the capital that has flowed back to the investors to date, the requirements for the recognition of profit-related shares that result from private investments made by members of the investment team based on the DBAG method have not yet been met. The arithmetical carried interest from the DBAG Fund VI amounted to 9.3 million euros at 31 March 2018; this corresponds to a decrease of 0.3 million euros compared to 31 December 2017.

Due to good performance, the net asset value of DBAG Fund VII exceeds the total funds called and the minimum return on these funds for the first time at the reporting date. This results in theoretical carried interest of 0.6 million euros,[11] which will drop again initially as the fund continues to make investment progress.

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

The **NET RESULT FROM OTHER ASSETS AND LIABILITIES OF THE INVESTMENT ENTITY SUBSIDIARIES** came to -2.8 million euros after six months (previous year: -3.0 million euros). The item mainly includes the remuneration for the manager of DBAG Fund VI and DBAG Fund VII on the basis of the capital invested/committed by DBAG.

11 Further information on the inclusion of the theoretical carried interest: half-yearly financial statements, page 46, and 2016/2017 Annual Report, page 92.

Liquidity position

DBAG's financial resources consist of cash in the amount of 12.2 million euros and, following the extension of the investment strategy, also comprise 123.3 million euros in units in fixed-income and money market funds and securities of German issuers for the first time. These funds are available for investments. Other investment entity subsidiaries have financial resources totalling 18.0 million euros. These financial resources include securities worth 5.3 million euros and cash and cash equivalents of 12.8 million euros.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

INFLOWS (+)/OUTFLOWS (-)

€'000	**1st half-year 2017/2018**	1st half-year 2016/2017	**2nd quarter 2017/2018**[1]	2nd quarter 2016/2017[1]
Net income	19,322	44,080	7,882	29,969
Valuation (gains)/losses on financial assets and loans and receivables	(19,187)	(49,025)	(7,147)	(32,956)
Other non-cash-relevant changes	(8,662)	(10,885)	(2,514)	(4,712)
Cash flows from operating activities	**(8,527)**	**(15,830)**	**(1,778)**	**(7,699)**
Proceeds from disposals of financial assets and loans and receivables	10,840	51,614	8,227	30,647
Purchase of investments in financial assets and loans and receivables	(42,475)	(26,863)	(40,430)	(1,366)
Proceeds from disposals of other financial instruments	35,649	0	35,649	0
Proceeds from/acquisition of long and short-term securities	(89,977)	(26,024)	(89,977)	0
Other inflows and outflows	(185)	(236)	(131)	(159)
Cash flows from investing activities	**(86,147)**	**(1,510)**	**(86,662)**	**29,122**
Payments to shareholders (dividends)	(21,062)	(18,053)	(21,062)	(18,053)
Cash flows from financing activities	**(21,062)**	**(18,053)**	**(21,062)**	**(18,053)**
Change in cash funds from cash-relevant transactions	(115,736)	(35,392)	(109,502)	3,369
Cash funds at start of period	127,976	51,361	121,741	12,599
Cash funds at end of period	**12,239**	**15,969**	**12,239**	**15,969**

1 The review only covers the figures from the first half of the year.

In the first six months of the financial year 2017/2018, **FINANCIAL RESOURCES** pursuant to the IFRS, which exclusively comprise cash funds, dropped by 115.7 million euros to 12.2 million euros (at the reporting date of 30 September 2017: 128.0 million euros). In the second quarter, DBAG invested a large part of its existing financial resources in fixed-income and money market funds.

The negative **CASH FLOWS FROM OPERATING ACTIVITIES** are lower than in the first half of 2016/2017. In the first half of 2017/2018, advisory fees that had still been included in receivables at the reporting date in the previous year had already been collected.

CASH INFLOWS FROM INVESTING ACTIVITIES can be attributed to distributions made by the investment entity subsidiaries for DBAG Fund V and DBAG Fund VI. They relate to subsequent disposal income relating to retentions from investments made by DBAG Fund V that were disposed of in previous years (Broetje-Automation, Coperion, ProXES, Spheros), as well as the proceeds from the partial disposal of the investment in Silbitz and the refinancing of Cleanpart (both DBAG Fund VI). **CASH OUTFLOWS FROM INVESTING ACTIVITIES** related to the capital calls made by the investment entity subsidiaries for the new investments made by DBAG ECF I (Sjølund, netzkontor), follow-up investments in portfolio companies of DBAG Fund VI (Polytech, Unser Heimatbäcker) and follow-up investments in portfolio companies of DBAG ECF (DNS:NET, vitronet). DBAG's investment in More than Meals (DBAG Fund VII) in connection with the final structuring of the investment financing is also included as a cash outflow. The repayment of short-term loans that DBAG had granted as part of the structuring of the investments in duagon and More than Meals is also included in the cash flow statement for the first half of 2017/2018 as a cash inflow from the disposal of other financial instruments. All in all, there were fund inflows from investing activities of 4.0 million euros in the first six months. This corresponds to the balance of the use of funds for financial assets and loans and receivables in the amount of 31.6 million euros and the aforementioned fund inflow from the short-term loans. In 2016/2017, investment activity generated cash inflows of 24.8 million euros. This volatility is due to reporting-date factors and is also due to lower cash flows, albeit considerable ones in terms of amount, in the transaction business, meaning that it is typical for our business model. The investment of financial resources in securities is also included in the cash outflows from investing activities in the cash flow statement set out above.

Asset position

Asset and capital structure

Total assets at the reporting date of 31 March 2018 are down by 8.3 million euros, i.e. only slightly, compared with the beginning of the financial year. By contrast, there was a clear change in the **ASSET STRUCTURE**: at the current reporting date, non-current assets accounted for 84 percent of total assets (at the reporting date of 30 September 2017: 63 percent).

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€'000	**31 March 2018**	30 Sept. 2017
Financial assets and loans and receivables	312,065	262,605
Long-term securities	73,798	33,659
Other non-current assets	1,675	1,822
Non-current assets	**387,539**	**298,086**
Other financial instruments	0	35,649
Receivables and other assets	4,555	4,072
Short-term securities	49,477	0
Cash and cash equivalents	12,239	127,976
Other current assets	9,646	6,624
Current assets	**75,917**	**174,320**
Assets	**463,456**	**472,405**
Equity	442,695	444,884
Non-current liabilities	11,720	11,471
Current liabilities	9,041	16,050
Liabilities	**463,456**	**472,405**

At the same time, current assets had dropped by 98.4 million euros in total by 31 March 2018. On the one hand, cash funds are down considerably on the beginning of the financial year, in particular due to their investment in fixed-income and money market fund shares. In addition, the short-term loans that DBAG had granted as part of the structuring of the investments in duagon and More than Meals have also been repaid following the structuring of the acquisition financing. These loans (including interest) were recognised in current assets as other financial instruments at 30 September 2017; at 31 March 2018, the corresponding amount was included in the amounts recognised for financial assets (29.4 million euros) and financial resources (6.2 million euros).

The acquired fund units were allocated to current or non-current assets according to the funding needs that we currently anticipate for the coming twelve months; the funding needs are mainly determined by investment activity and are derived from the balance of disposal proceeds and capital calls for additional co-investments alongside the DBAG funds.

At 31 March 2018, 67 percent of total assets (30 September 2017: 56 percent) was invested in financial assets.

29 percent of total assets were attributable to financial resources of DBAG, which consist of cash, long-term and short-term securities; this percentage has decreased since the end of the last financial year (34 percent).

Shareholders' equity fell by 2.2 million euros as against the reporting date of 30 September 2017 to 442.7 million euros. The distribution for the previous year exceeded the net income in the first half of the year. Equity per share dropped from 29.57 euros to 29.43 euros as a result. In relation to the equity at the beginning of the financial year, reduced by the dividend distributed in February, this equates to an increase of 4.5 percent within six months.

The **CAPITAL STRUCTURE** is largely unchanged as against the end of the last financial year; the equity ratio increased from 94.2 percent to 95.5 percent.

Shareholders' equity covers the non-current assets in full and covers current assets at a rate of 73 percent.

Current liabilities have fallen by 7.0 million euros since 30 September 2017. This is largely due to the payment of variable remuneration for which provisions had been set up at 30 September 2017.

The **CREDIT LINE** of 50 million euros, which has been in place since the beginning of 2016, was not drawn down during the first six months or at the reporting date.

Financial assets and loans and receivables

Financial assets including loans and receivables are largely determined by the **PORTFOLIO VALUE**. Their increase at 31 March 2018 is largely due to portfolio additions and the value appreciation of the existing investments (see the comments below on the portfolio value).

FINANCIAL ASSETS AND LOANS AND RECEIVABLES

€'000	**31 March 2018**	30 Sept. 2017
Portfolio value (incl. loans and receivables)		
gross	293,816	251,722
Minority interest in investment entity subsidiaries	(12,588)	(12,904)
net	281,228	238,818
Other assets/liabilities of investment entity subsidiaries	30,761	22,373
Other non-current assets	76	1,415
Financial assets and loans and receivables	**312,065**	**262,605**

The **MINORITY INTEREST IN INVESTMENT ENTITY SUBSIDIARIES** fell by 0.3 million euros in total compared with the level at the start of the financial year. Carried interest distributions triggered by disposals from retentions relating to investments of DBAG Fund V that were sold in previous years slightly exceeded the value appreciation of the portfolio of DBAG Fund V and DBAG ECF in the first half of the year. Based on the capital that has flowed back to the DBAG Fund VI investors and the performance of DBAG Fund VII to date, the requirements for the recognition of performance-linked profit shares that result from private investments made by members of the investment team based on the DBAG method have not yet been met.

The increase in **OTHER ASSETS AND LIABILITIES OF THE INVESTMENT ENTITY SUBSIDIARIES** to 30.8 million euros is primarily due to the inflow of cash funds, receivables from bridge-over loans, from interest receivables and against portfolio companies

Portfolio and portfolio value

At 31 March 2018, the DBAG **PORTFOLIO** consisted of 24 equity investments and two investments in international private equity funds managed by third parties that we entered into in 2000 and 2002 respectively. The investments are held indirectly via investment entity subsidiaries with only one exception. The portfolio contains 16 management buyouts and 8 investments aimed at extension finances. The two international private equity funds are currently at the end of their disinvestment phase and only hold one investment each.

At 31 March 2018, the value of the 26 investments, including loans to and receivables from portfolio companies, and excluding bridge-over loans, amounted to 287.0 million euros (30 September 2017: 245.6 million euros); in addition, there were entities with a value of 6.8 million euros through which representations and warranties dating from former divestments are (largely) settled ("Other investments") and which are no longer expected to deliver appreciable value contributions (30 September 2017: 6.1 million euros). This brought the portfolio value to a total of 293.8 million euros (30 September 2017: 251.7 million euros).

Since the beginning of the financial year, the **PORTFOLIO VALUE** has increased by a gross value of 42.1 million euros. The additions amounting to a total of 31.3 million euros due to the new investments alongside DBAG ECF (Sjølund, netzkontor), the conversion of the short-term loans for the bridge-over financing of the investment in More than Meals and follow-up investments in existing portfolio companies, as well as the changes in the value of 18.7 million euros, are offset by disposals totalling 7.9 million euros. The disposals are attributable primarily to the disposal of a business line by Cleanpart[12], the repayment of a shareholder loan that was still in place by the former portfolio company Coperion and the partial disposal of the investment in Silbitz.

At 31 March 2018, the 15 biggest investments accounted for around 79 percent of the portfolio value (30 September 2017: 81 percent). The following table lists these 15 investments in alphabetical order. A full list of the portfolio companies can be found on the DBAG website and at the end of this report.

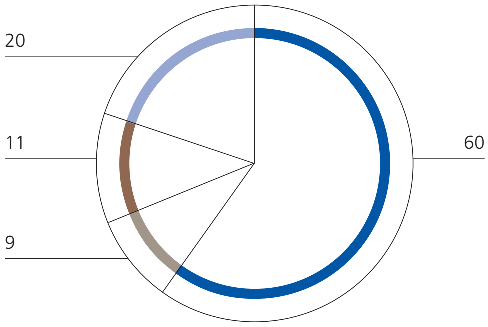
Company	Cost *€mn*	DBAG share *(in %)*	Investment type	Sector
Cleanpart Group GmbH	7.1	18.0	MBO	Industrial services
DNS:NET Internet Service GmbH	6.3	14.9	Extension	Information technology, media and telecommunication
duagon Holding AG	13.4	21.2	MBO	Industrial components
Frimo Group GmbH	14.8	14.4	MBO	Mechanical and plant engineering
Heytex Bramsche GmbH	6.3	16.8	MBO	Industrial components
inexio KGaA	7.5	6.9	Extension	Information technology, media and telecommunication
JCK Holding GmbH Textil KG	8.8	9.5	Extension	Consumer goods
More than Meals Europe S.à r.l.	16.5	12.5	MBO	Consumer goods
Novopress KG	2.3	18.9	Extension	Industrial components
Oechsler AG	11.2	8.4	Extension	Automotive suppliers
Pfaudler International S.à r.l.	12.2	17.7	MBO	Mechanical and plant engineering
Polytech Health & Aesthetics GmbH	13.3	18.5	MBO	Industrial components
Silbitz Group GmbH	4.3	12.4	MBO	Industrial components
Telio Management GmbH	13.4	16.3	MBO	Information technology, media and telecommunication
vitronet Projekte GmbH	10.9	43.4	MBO	Information technology, media and telecommunication

The following portfolio information is based on the valuations and resulting portfolio value at the reporting date of 31 March 2018. The investments in international buyout funds and investments in companies through which retentions for representations and warranties from exited investments are held are recognised under "Other". The information on debt (net debt, EBITDA) is based on the budgets of the portfolio companies for the financial year 2018.

12 The disposal has not reduced DBAG's share in the company, which is why it is not included in the net result of disposal; the cash inflow has, however, reduced the cost of the investment to be taken into account.

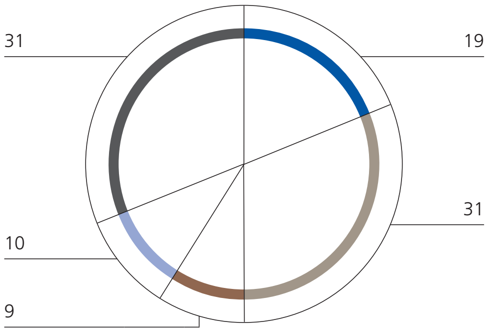
Portfolio profile

PORTFOLIO VALUE BY VALUATION METHOD
%



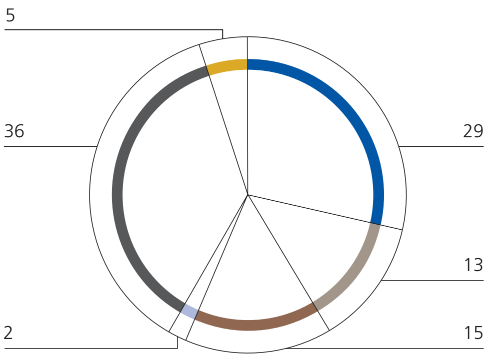
- Multiples method
- DCF
- Transaction price
- Purchase offer/realised

PORTFOLIO VALUE BY SECTOR
%



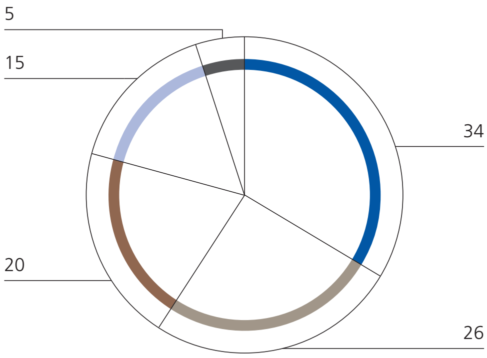
- Mechanical and plant engineering
- Automotive suppliers
- Industrial components
- Other
- Industrial services

PORTFOLIO VALUE BY NET DEBT/EBITDA OF PORTFOLIO COMPANIES
%



- < 1.0
- 3.0 to < 4.0
- 1.0 to < 2.0
- ≥ 4.0
- 2.0 to < 3.0
- Other

CONCENTRATION OF PORTFOLIO VALUE
Size categories %



- Top 1 to 5
- Top 16 to 22
- Top 6 to 10
- Other (including externally managed international buyout funds)
- Top 11 to 15

Business performance by segments

Private Equity Investments segment

SEGMENT EARNINGS STATEMENT, PRIVATE EQUITY INVESTMENTS

€'000	**1st half-year 2017/2018**	1st half-year 2016/2017	**2nd quarter 2017/2018**[1]	2nd quarter 2016/2017[1]
Net result of investment activity	20,326	47,707	7,300	30,237
Other income/expenses	(3,848)	(5,821)	(1,609)	(2,564)
Earnings before tax	**16,478**	**41,887**	**5,701**	**27,673**

1 The review only covers the figures from the first half of the year.

EARNINGS BEFORE TAX in the Private Equity Investments segment came to 16.5 million euros in the first six months of the year, which is 25.4 million euros less than the previous year. This is due to the lower **NET RESULT OF INVESTMENT ACTIVITY**, which had included the earnings contributions resulting from disposals and pending sales. We refer to the information on this item provided in the section titled "Earnings position". Net expenses under **OTHER INCOME/ EXPENSES**s (net amount of internal management fees, personnel costs, other operating income and expenses as well as net interest) fell by 2.0 million euros in comparison with the same period of the previous year. In the first half of 2016/2017, this included the performance-based remuneration resulting from the sale of the investment in Grohmann in the amount of 1.6 million euros. The figure includes internal management fees paid to the Fund Investment Services segment in the amount of 0.4 million euros (previous year: 0.6 million euros).

NET ASSET VALUE AND AVAILABLE LIQUIDITY

€'000	**31 March 2018**	30 Sept. 2017
Financial assets incl. loans and receivables	312,065	262,605
Other financial instruments	0	35,649
Financial resources	135,515	161,634
Bank liabilities	0	0
Net asset value	**447,580**	**459,888**
Financial resources	135,515	161,634
Credit line	50,000	50,000
Available liquidity	**185,515**	**211,634**
Co-investment commitments alongside DBAG funds	**226,780**	**253,745**

We refer to the section on net assets and financial position for information on the changes to financial assets and financial resources. Following the repayment of the short-term loans (including interest) that DBAG granted as part of the structuring of the investment in duagon and More than Meals, the net asset value at 31 March 2018 no longer includes any **OTHER FINANCIAL INSTRUMENTS**. The corresponding amount has been distributed among financial assets and financial resources.

At 31 March 2018, the **CO-INVESTMENT COMMITMENTS ALONGSIDE THE DBAG FUNDS** were not fully covered by the available financial resources (cash including long-term and short-term securities), with coverage amounting to 60 percent; to balance the irregular cash flows attached to our business model, the Company has had a credit facility of 50 million euros at its disposal since January 2016. It is provided by a consortium of two banks for a term of five years.

The surplus of co-investment commitments over the **AVAILABLE FUNDS** amounts to 13 percent of financial assets, compared with 16 percent at 30 September 2017. We expect to be able to cover the surplus, which is the result of further disposals, over the next few years.

Fund Investment Services segment

The Fund Investment Services segment closed the quarter with **EARNINGS BEFORE TAX** in the amount of 2.9 million euros, as against 2.2 million euros in the same period of the previous year. The **FEE INCOME FROM FUND MANAGEMENT AND ADVISORY SERVICES** rose year on year. Although the fees received from DBAG Fund V and DBAG Fund VI were lower than in the previous year due to the sale of investments held by both funds, this effect was more than compensated for by much higher income from DBAG Fund VII and DBAG ECF. Unlike in the previous year, DBAG received remuneration from DBAG Fund VII throughout the first six months of the current financial year. The fund investment phase had only started at the end of December 2016. With the first two investments made by DBAG ECF since the beginning of the first new investment phase of the fund (netzkontor, Sjølund), DBAG also received one-off fees based on the individual transactions (0.4 million euros). These transaction-related fees were agreed in the last financial year with the investors of the first new investment phase for DBAG ECF. The segment information also takes into consideration internal income from the Private Equity Investments segment in the amount of 0.4 million euros (previous year: 0.6 million euros).

SEGMENT EARNINGS STATEMENT, FUND INVESTMENT SERVICES

€'000	1st half-year 2017/2018	1st half-year 2016/2017	2nd quarter 2017/2018[1]	2nd quarter 2016/2017[1]
Fee income from fund management and advisory services	14,530	12,788	7,390	7,649
Other income/expenses	(11,668)	(10,575)	(5,202)	(5,342)
Earnings before tax	**2,862**	**2,214**	**2,188**	**2,307**

1 The review only covers the figures from the first half of the year.

Net expenses under "**OTHER INCOME/EXPENSES**" were up on the value for the same period of the previous year. This included expenses of 0.9 million euros caused by the aforementioned subsequent adjustment to the remuneration paid for the work performed by members of the investment team in supervisory bodies of DBAG Fund V portfolio companies.

ASSETS UNDER MANAGEMENT OR ADVISEMENT

€'000	31 March 2018	30 Sept. 2017
Portfolio companies at cost	824,747	730,958
Short-term bridge-over financing of new investments	0	164,694
Outstanding capital commitments to funds	804,884	748,591
Financial resources and other financial instruments (of DBAG)	135,515	161,634
Assets under management or advisement	**1,765,145**	**1,805,877**

There have been no major changes in **ASSETS UNDER MANAGEMENT OR ADVISEMENT** since the beginning of the financial year. The reason for the slight decline lies in the lower financial resources of DBAG and the repayment of the short-term bridge-over financing for new investments already referred to above. Both of these factors were not compensated for in full by the increase in the item "Portfolio companies at cost" and the higher outstanding capital commitments of third-party investors. The item "Portfolio companies at cost" reflects the net amount from disposals (mainly the disposal of a business line by Cleanpart, the repayment of a shareholder loan that was still in place by the former portfolio company Coperion and the partial disposal of the investment in Silbitz) and additions (mainly the new investments in netzkontor and Sjølund, the conversion of the short-term loans as part of the structuring of the investment in More than Meals and follow-up investments in DNS:NET, Polytech, Unser Heimatbäcker and vitronet). We refer to the section titled "Liquidity position" for information on the changes in the financial resources of DBAG.

Financial and non-financial performance indicators

Return on Group equity per share

In the first half of the year, Group equity per share decreased by 0.10 euros to 29.43 euros. After adjusting for the dividend of 1.40 euros per share that was distributed, the return is calculated based on Group equity per share of 28.17 euros. This brings the return on Group equity after six months to 4.5 percent.

Performance

Adjusted for dividends and surplus dividends, DBAG recorded an aggregate total return of 129 percent based on the Group equity per share over a period of over ten years, from 31 October 2007 to 31 March 2018; this equates to an increase of 8.3 percent per year over this ten-year period.[13]

Employees

Our employees are our most important resource; as a result, our corporate culture and other factors that have a bearing on employee satisfaction are a top priority. We report on the corresponding key figures and our remuneration system once a year.

At 31 March 2018, DBAG employed 33 female and 28 male staff (without the members of the Board of Management or apprentices), making a total of 61 employees. This figure is unchanged as against 30 September 2017. The proportion of female employees remains unchanged at 54 percent. DBAG had six apprentices at the reporting date; this represents an apprenticeship quota of around ten percent. Not included in these figures are the three employees on parental leave at the reporting date.

Transaction opportunities

In a highly competitive environment, we were able to assess 148 investment opportunities in the first half of the year (same period of the previous year: 139). In addition to participating in auctions, our network affords us direct access to portfolio companies and assists us in initiating investment opportunities through a proprietary deal flow. In line with the prior year, approximately half of the investment opportunities came from our core sectors, that is, mechanical and plant engineering, automotive suppliers, industrial services and manufacturers of industrial components.

Significant events after the end of the period

DBAG ECF I agreed on a further investment after the reporting date; it is still subject to financing, among other things. The investment would result in a co-investment of around 14 million euros for DBAG. Following the completion of the transaction, DBAG ECF I would be around 70 percent invested.

Opportunities and risks

For information on the opportunities and risks, we refer to the statements set out in the combined management report at 30 September 2017. They continue to apply in principle. In particular, the "risks with a high expected value" have not changed.[14]

Forecast

Net income is largely determined by net income in the Private Equity Investments segment. In the short term, it is heavily influenced by individual events or developments that cannot be predicted at the beginning of a financial year. As a result, unlike the net income from Fund Investment Services, it can only be planned to a limited extent.

13 The calculation implies a reinvestment of dividends into equity per share in each case at the end of the second quarter of a financial year (30 April or 31 March); until 2015, the dividend was paid at the end of March; since then, it has been paid at the end of February.
14 Cf. 2016/2017 Annual Report, pages 112ff.

The private equity investments consist of investments in 24 companies and two international buyout funds managed by a third party. The co-investments for an individual investment fluctuated considerably – among what are currently the 15 largest investments in terms of value alone, it ranges from between approximately two million euros to more than 16 million euros. This means that, although they can show similar development, individual investments have a different impact on the value of the portfolio. Moreover, the companies have been in the portfolio for varying lengths of time. This means that they are at different stages in the process of change initiated at the beginning of the investment. The changes are designed to enable value appreciation, for example due to a broader product portfolio or extended geographical market coverage, more efficient operational processes or better corporate governance. The value increases are not linear. It usually takes a few quarters before the changes made start to bear fruit. The value appreciation is sometimes affected by external factors, for example by changes in commodity prices or exchange rates. The portfolio companies cannot escape economic factors entirely.

Results of short periods are also influenced considerably by one-off events such as company disposals and developments on the capital markets. This is another reason why the informational value of the results for a single quarter is relatively low. The result cannot be used to draw any conclusions as to the results for an entire financial year, nor does it make sense to compare figures from our portfolio (net result of valuation and disposal) for certain quarters in a financial year with the same quarter of the previous year. It is not only the case that our business is not linear; it also does not follow any seasonal pattern.

Our original forecast from November 2017 was based on constantly stable valuation ratios on the capital markets. In actual fact, lower multiples reduced the gross result of valuation by 15.8 million euros in the first half of the year; we do not expect to be able to compensate for this deterioration in earnings by way of higher-than-anticipated earnings contributions from developments at the portfolio companies. Individual companies will make a lower value contribution than expected in the current financial year – because change processes are getting off to a slower start, because the companies are meeting with resistance as far as commodities prices are concerned or are being hit by additional personnel costs due to weekend shifts in light of higher capacity utilisation.

From the two reasons described above, we expect to see a lower gross result of valuation than initially planned all in all. We have therefore lowered the forecast for the 2017/2018 financial year in connection with the preparation of these interim financial statements. The biggest part of the forecast correction is due to lower valuations on the capital market, which we can neither forecast nor influence.

From the two reasons described above, we expect to see a lower gross result of valuation than initially planned all in all. We have therefore lowered the forecast for the 2017/2018 financial year in connection with the preparation of these interim financial statements. The biggest part of the forecast correction is due to lower valuations on the capital market, which we can neither forecast nor influence.

We had previously assumed that our net income would be significantly, i.e. more than 20 percent, higher than the reference parameter of 43.0 million euros. We now expect to see net income for 2017/2018 that is down moderately, i.e. by 10 to 20 percent[15] on the reference parameter of 43.0 million euros. This forecast is also subject to the proviso that the valuation ratios on the capital markets at 30 September 2018 are not substantially different to those on the most recent valuation date at 31 March 2018. We have not included further exchange rate fluctuations in our forecast.

We use the average net income for the last five financial years as the reference parameter. This shows once again just how little importance we attach to comparisons based on short periods.

Given the explanation of the volatility of quarterly results and the correction made to the forecast, and based on the results achieved so far, the net income for the third quarter – like the net income for the second quarter – will be significantly lower than the net income for the third quarter of the previous financial year.

15 Cf. 2016/2017 Annual Report, page 127

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AT 31 MARCH 2018

Consolidated statement of comprehensive income

for the period from 1 October 2017 to 31 March 2018

€'000	1 Oct. 2017 to 31 March 2018	1 Oct. 2016 to 31 March 2017
Net result of investment activity	20,326	47,707
Fee income from fund management and advisory services	14,149	12,227
Net result of fund services and investment activity	**34,475**	**59,934**
Personnel costs	(7,572)	(9,703)
Other operating income	1,304	2,654
Other operating expenses	(8,718)	(8,537)
Interest income	168	7
Interest expenses	(31)	(255)
Other income/expenses	**(15,136)**	**(15,834)**
Earnings before tax	**19,340**	**44,100**
Income taxes	(1)	0
Earnings after tax	**19,339**	**44,100**
Minority interest gains (-)/losses (+)	(17)	(20)
Net income	**19,322**	**44,080**
a) Items that will not be reclassified subsequently to profit or loss		
Gains (+)/losses (-) on remeasurements of the net defined benefit liability (asset)	(352)	(150)
b) Items that will be reclassified subsequently to profit or loss		
Unrealised gains (+)/losses (-) on available-for-sale securities	(98)	(473)
Other comprehensive income	**(450)**	**(622)**
Consolidated comprehensive income	**18,872**	**43,458**
Earnings per share in € (diluted and basic)[1]	1.28	2.93

1 The earnings per share calculated in accordance with IAS 33 are based on net income divided by the average number of DBAG shares outstanding in the reporting period.

Consolidated statement of cash flows

for the period from 1 October 2017 to 31 March 2018

INFLOWS/(OUTFLOWS)

€'000	**1 Oct. 2017 to 31 March 2018**	1 Oct. 2016 to 31 March 2017
Net income	19,322	44,080
Valuation gains (-)/losses (+) on financial assets and loans and receivables, depreciation and amortisation of property, plant and equipment and intangible assets, gains (-)/losses (+) on long and short-term securities	(18,412)	(35,426)
Gains (-)/losses (+) from disposals of non-current assets	(60)	(12,441)
Increase (-)/decrease (+) in income tax assets	(103)	(116)
Increase (-)/decrease (+) in other assets (netted)	(2,064)	(5,973)
Increase (+)/decrease (-) in pension provisions	220	31
Increase (+)/decrease (-) in other provisions	(6,970)	(4,946)
Increase (+)/decrease (-) in other liabilities (netted)	(460)	(1,037)
Cash flows from operating activities[1]	**(8,527)**	**(15,830)**
Proceeds from disposals of property, plant and equipment and intangible assets	76	55
Purchase of investments in property, plant and equipment and intangible assets	(261)	(291)
Proceeds from disposals of financial assets and loans and receivables	10,840	51,614
Purchase of investments in financial assets and loans and receivables	(42,475)	(26,863)
Proceeds from disposals of other financial instruments	35,649	0
Payments for investments in long and short-term securities	(89,977)	(26,024)
Cash flows from investing activities	**(86,147)**	**(1,510)**
Payments to shareholders (dividends)	(21,062)	(18,053)
Cash flows from financing activities	**(21,062)**	**(18,053)**
Change in cash funds from cash-relevant transactions	(115,736)	(35,392)
Cash funds at start of period	127,976	51,361
Cash funds at end of period	**12,239**	**15,969**

1 This includes received and paid income taxes of -103 thousand euros (previous year: -138 thousand euros), as well as received and paid interest and dividends of 1,109 thousand euros (previous year: 367 thousand euros).

Consolidated statement of financial position

at 31 March 2018

€'000	31 March 2018	30 Sept. 2017
ASSETS		
Non-current assets		
Intangible assets	563	693
Property, plant and equipment	1,113	1,129
Financial assets	312,065	261,267
Loans and receivables	0	1,338
Long-term securities	73,798	33,659
Total non-current assets	**387,539**	**298,086**
Current assets		
Receivables	4,029	3,649
Short-term securities	49,477	0
Other financial instruments	0	35,649
Income tax assets	526	423
Cash and cash equivalents	12,239	127,976
Other current assets	9,646	6,624
Total current assets	**75,917**	**174,320**
Total assets	**463,456**	**472,405**
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	53,387	53,387
Capital reserve	173,762	173,762
Retained earnings and other reserves	(5,578)	(5,129)
Consolidated retained profit	221,124	222,864
Total equity	**442,695**	**444,884**
Liabilities		
Non-current liabilities		
Minority interest	178	148
Provisions for pension obligations	11,543	11,323
Total non-current liabilities	**11,720**	**11,471**
Current liabilities		
Other current liabilities	1,193	1,233
Other provisions	7,848	14,818
Total current liabilities	**9,041**	**16,050**
Total liabilities	**20,761**	**27,521**
Total equity and liabilities	**463,456**	**472,405**

Consolidated statement of changes in equity

for the period from 1 October 2017 to 31 March 2018

€'000	1 Oct. 2017 to 31 March 2018	1 Oct. 2016 to 31 March 2017
Subscribed capital		
At start and end of reporting period	**53,387**	**53,387**
Capital reserve		
At start and end of reporting period	**173,762**	**173,762**
Retained earnings and other reserves		
Legal reserve		
At start and end of reporting period	403	403
First-time adoption of IFRS		
At start and end of reporting period	16,129	16,129
Reserve for gains/losses on remeasurements of the net defined benefit liability (asset)		
At start of reporting period	(21,605)	(25,115)
Change in reporting period	(352)	(150)
At end of reporting period	(21,957)	(25,265)
Change in unrealised gains/losses on available-for-sale securities		
At start of reporting period	(55)	529
Change in reporting period outside profit or loss	(98)	(473)
At end of reporting period	(153)	57
At end of reporting period	**(5,578)**	**(8,676)**
Consolidated retained profit		
At start of reporting period	222,864	150,525
Dividend	(21,062)	(18,053)
Net income	19,322	44,080
At end of reporting period	**221,124**	**176,552**
Total	**442,695**	**395,025**

Condensed notes to the interim consolidated financial statement for the first six months of the financial year 2017/2018

General information

1. Basis of preparation of the half-yearly financial report

These interim consolidated financial statements of Deutsche Beteiligungs AG (DBAG) at 31 March 2018 have been prepared in accordance with § 115 (3) of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) and in conformity with International Accounting Standard 34 (IAS 34). They are consistent with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Commission for use in the European Union. The compulsory interpretations of the International Financial Reporting Interpretations Committee (IFRIC) relevant to half-yearly financial reporting have also been applied.

The interim consolidated financial statements consist of the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of financial position, the consolidated statement of changes in equity and these condensed notes to the consolidated financial statements (“selected explanatory notes”).

Deutsche Beteiligungs AG has made use of the simplification of stock exchange rules (§ 53 BörsO FWB) and has issued a quarterly statement on the first quarter instead of a quarterly financial report. For that reason, the consolidated statement of comprehensive income and the consolidated statement of cash flows contained in the interim consolidated financial statements at 31 March 2018 do not present quarterly data.

The interim consolidated financial statements have been drawn up in euros. The amounts are presented rounded to thousands of euros, except when transparency reasons require presenting amounts in euros. Rounding differences in the tables in this report may therefore occur.

2. Changes in accounting methods due to amended rules

Standards and interpretations, as well as amendments to standards and interpretations applicable for the first time, that have an impact on the current reporting period

In the financial year 2017/2018, there are no new standards and interpretations or amendments to standards and interpretations that have become applicable for the first time and that have an impact on the reporting period ending on 30 September 2018.

Standards and interpretations applicable for the first time, as well as amendments to standards and interpretations, that have no impact on the current reporting period

In the financial year 2017/2018, the following new standards and interpretations or amendments to standards and interpretations have become applicable for the first time (see 2016/2017 Annual Report, pages 148f.):

- Amendment to IAS 7 “Statement of Cash Flows”
- Amendments to IAS 12 “Income Taxes”
- Annual improvements to IFRS “2014 to 2016 Cycle”
  - IAS 28 “Investments in Associates and Joint Ventures” (1 January 2018)
  - IFRS 1 “First-time Adoption of International Financial Reporting Standards” (1 January 2018) and
  - IFRS 12 “Disclosure of Interests in Other Entities” (1 January 2017)

The amendments do not have any impact on the consolidated financial statements of Deutsche Beteiligungs AG.

Standards and interpretations endorsed by the European Union for mandatory application in a future period

The following standards and interpretations were issued by the IASB and IFRIC and endorsed by the European Commission for application in the European Union. The effective date, indicating when the respective standard or interpretation is required to be applied, is given in parentheses. Deutsche Beteiligungs AG intends to initially apply the respective standards and interpretations for the annual period that starts after that effective date. No use will therefore be made of voluntary early application of these standards and interpretations (see 2016/2017 Annual Report, pages 141f.):

- Amendments to IAS 40 "Investment Property" (1 January 2018)
- Amendments to IFRS 2: "Share-based Payment" (1 January 2018),
- IFRS 9 "Financial Instruments" (1 January 2018),
- Amendments to IFRS 9 "Financial Instruments" (1 January 2019),
- Application of IFRS 9 "Financial Instruments" together with IFRS 4 "Insurance Contracts" (1 January 2018),
- IFRS 15 "Revenue from Contracts with Customers" (1 January 2018),
- IFRS 16 "Leases" (1 January 2019),
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (1 January 2018).

Deutsche Beteiligungs AG analyses the impact of the introduction of new standards on the presentation of the consolidated financial statements on an ongoing basis, evaluating the most recent assessments. At 31 March 2018, there are no new findings regarding the impact of the listed changes on the consolidated financial statements. We refer to pages 141 to 149 of the Annual Report 2016/2017 for further details.

3. Accounting and valuation policies

Fair value measurement of financial assets through profit or loss

Due to the operating activities of the DBAG Group as a financial investor, the consolidated financial statements are largely characterised by the measurement of financial assets at fair value through profit or loss. Financial assets chiefly comprise:

- investment entity subsidiaries (subsidiaries that cannot be consolidated, in compliance with IFRS 10),
- interests in associates (interests in portfolio companies with a proportion of the voting rights between 20 and 50 percent),
- other interests in portfolio companies, i.e. shares in portfolio companies with a proportion of the voting rights of less than 20 percent, and
- international fund investments.

The investment entity subsidiaries are subsidiaries of DBAG through which DBAG co-invests in DBAG funds (co-investment vehicles) as well as Deutsche Beteiligungsgesellschaft mbH. Due to the exemption in IFRS 10 for investment entities, these subsidiaries cannot be consolidated. Instead, they are required to be treated as financial instruments in terms of IAS 39 and measured at fair value through profit or loss.

As a private equity business in terms of IAS 28, DBAG makes use of the option of measuring its interests in associates in conformity with the rules of IAS 39 at fair value through profit or loss. Thus, no associates are carried at equity.

For other interests in portfolio companies and international fund investments, use is made of the option of designating these at fair value through profit or loss upon initial recognition ("fair value option" in accordance with IAS 39.9).

The financial assets are measured initially and at all subsequent quarterly and annual reporting dates at fair value by a Valuation Committee. The Valuation Committee includes the members of the Board of Management, the head of finance and accounting, the finance and accounting officer and the investment controllers.

Valuation procedures used in measuring fair value

The fair values for the various classes of assets are measured in accordance with consistent valuation procedures and on the basis of uniform input factors. DBAG has developed valuation guidelines for fair value accounting in accordance with IFRS 13. These guidelines are based on the recommendations set out in the International Private Equity and Venture Capital Valuation Guidelines (IPEVG) in the version dated December 2015, insofar as these are consistent with the IFRS.

The IPEVG are not mandatory guidelines, but rather summarise standard valuation practices in the private equity industry. The valuation guidelines set out further details on IPEVG provisions, insofar as the latter are vague or undefined, in order to allow them to be applied in intersubjectively clear terms to DBAG.

The valuation is performed at the relevant reporting date for the annual financial statements, taking all of the information that has an impact on value into account, i.e. all of the events between the valuation date and the date on which the consolidated financial statements are prepared, insofar as these events provide information that is relevant for the purposes of the valuation that market participants were already aware of, or ought to have been aware of, on the valuation date.

The following valuation approaches continue to be applied:

- for the net asset value of the unconsolidated subsidiaries, in particular the investment entity subsidiaries, the sum-of-the-parts procedure,
- for established portfolio companies, the multiples method and
- for fast-growing portfolio companies and for international fund investments, the discounted cash flow (DCF) method

We refer to pages 154 to 162 of the Annual Report 2016/2017 for a detailed description of the valuation methods.

4. Significant events and transactions

Events and transactions that are significant for an understanding of the changes that have taken place in the Group's asset, financial and earnings position of the Group since the end of the preceding financial year are discussed in the interim management report in the section "Review of significant events and transactions" beginning on page 22.

5. Seasonal and cyclical effects

Seasonal and cyclical effects are reflected in the valuation of financial assets at fair value through profit and loss. For further information we refer to the commentary on pages 34ff. in the interim management report.

6. Unusual items

No significant items have been recorded affecting assets, liabilities, equity, net income for the period or cash flows that are unusual because of their nature, size or frequency.

7. Use of judgement in applying the accounting policies

Application of the accounting policies requires making judgements that can materially influence the reported amounts in the financial statements. The consolidation as well as accounting and valuation methods applied that were based on judgements are detailed in pages 149 to 162 of the Annual Report 2016/2017.

As the parent company, Deutsche Beteiligungs AG has the status of an investment entity in terms of IFRS 10. As a result, the investment entity subsidiaries are not included in the consolidated financial statements as fully consolidated companies, but are instead recognised at fair value. The fair value of the investment entity subsidiaries is, in turn, significantly determined by the fair value of their shares in portfolio companies.

The IFRS-compliant consideration of carried interest in the measurement of the investment entity subsidiaries and the related reporting in the notes to the consolidated financial statements are the subject of an enforcement procedure that the Federal Financial Supervisory Authority (BaFin) has been leading since January 2017. DBAG had previously objected to the outcome (identification of an error) of a random sample examination of the consolidated financial statements at 30 September 2015 conducted by the German Financial Reporting Enforcement Panel (FREP). If BaFin concurs with the opinion that resulted in the identification of the error, then arithmetical carried interest of 9.3 million euros would have to be included for the first time in the measurement of the investment entity subsidiary of DBAG Fund VI at 31 March 2018, with arithmetical carried interest of 0.6 million euros having to be included in the measurement of the investment entity subsidiary of DBAG Fund VII. If BaFin shares the view on which our current method for taking carried interest into consideration is based, then this amount would not have to be included in the consolidated financial statements at 30 September 2018 with a value-reducing effect. As we still consider our method to be appropriate, and given that the enforcement procedure is still ongoing, we have continued to apply our method in the current financial year 2017/2018. Regarding the inclusion of carried interest in the valuation of the investment entity subsidiaries of DBAG Fund V and DBAG ECF, both methods produce the same result.

8. Future-oriented assumptions and other major sources of estimation uncertainty

Preparation of this half-yearly financial report requires the use of future-oriented assumptions and estimations. These can have a material impact on the carrying amounts of consolidated statement of financial position items as well as the level of income and expenses. What future-oriented assumptions and estimations have in common is the uncertainty about the outcomes. The Board of Management makes decisions on assumptions and estimations after careful consideration of the most recently available reliable information and past experience. Assumptions and estimations also relate to issues over which the Board of Management has no influence, for instance, economic or financial market conditions. The actual outcomes can differ from the assumptions and estimations underlying this half-yearly financial report. In the event that new data and information become available or that changes take place, the assumptions and estimations are adjusted accordingly. The effect of a change in an assumption or estimation is recognised in the financial year that the change takes place and, if appropriate, in later financial years in the carrying amount of that item in the consolidated statement of financial position as well as in the consolidated statement of comprehensive income.

Due to assumptions about the future and other major sources of estimation uncertainty, there is a risk of having to make material adjustments to the carrying amounts of assets or liabilities within the financial year. We judge the materiality by means of the effects on net assets. We would consider an adjustment to the carrying amount in the range of three percent of Group equity as being material or when it serves to clarify the asset, financial and earnings position. Moreover, in our materiality judgements, we consider the possible effects in relation to the financial data in these interim consolidated financial statements as well as qualitative aspects.

A significant risk exists twofold for financial assets,

- to the extent that their fair value was determined using inputs that were not mainly based on observable market data (hierarchy level 3: see note 15.2), or
- to the extent that their value depends on an estimate of the probability of certain conditions arising in the future (net asset values of the investment entity subsidiaries, see note 11).

Fair values at level 3 are used to measure "Financial assets" with a carrying amount of 312,065 thousand euros (at 30 September 2017: 260,915 thousand euros) (see note 14.2 in this half-yearly financial statement). They concern those financial assets that are valued using the multiples method. The extent of possible effects in the event of an adjustment of assumptions and estimations is not quantifiable. However, should the underlying multiples change by +/-1, this would result ceteris paribus in an adjustment in the fair values recognised in the half-yearly financial statements of +/-22,271 thousand euros (at 30 September 2017: 16,773 thousand euros). This equates to five percent of the total shareholders' equity (at 30 September 2017: four percent).

Net asset values of the investment entity subsidiaries are contained in "Financial assets" in the amount of 305,692 thousand euros (at 30 September 2017: 254,917 thousand euros). They concern those financial assets that are valued using the sum-of-the-parts procedure. The interest of DBAG in the net asset value is based on the partnership agreements for the profit distribution. These provide for changes in the distribution of profit ("carried interest") if certain conditions triggering carried interest payments are met. As long as these conditions have not yet been met, the estimate of the probability of these occurring in the future is associated with considerable uncertainty. The conditions have already been met for the investment entity subsidiaries for DBAG Fund V and DBAG ECF. However, they have not yet been met for the investment entity subsidiaries for DBAG Fund VI and DBAG Fund VII. In both cases, at the time the interim consolidated financial statements were prepared, we continue to believe that the conditions are unlikely to be met, which is why we have not included any carried interest in our calculation of the pro rata net asset value.

Notes to the consolidated statement of comprehensive income and the consolidated statement of financial position

9. Net result of investment activity

€'000	**1st half-year 2017/2018**	1st half-year 2016/2017
Interests in intra-Group investment entities	18,935	37,374
Interests in portfolio companies	117	10,115
International fund investments	1,275	216
Other financial assets	(1)	1
	20,326	**47,707**

The investment entity subsidiaries constitute subsidiaries of DBAG through which DBAG co-invests in DBAG funds (see 2016/2017 Annual Report, note 4.3) and DBG mbH. These subsidiaries are no longer permitted to be consolidated based on IFRS 10; instead, they are to be recognised at fair value. These subsidiaries are no longer permitted to be consolidated based on IFRS 10; instead, they are to be recognised at fair value. The significant assets of these investment entity subsidiaries are interests in and receivables from portfolio companies.

The net income resulting from the shares in investment entity subsidiaries includes the net change in the fair values of the interests in portfolio companies held via these vehicles, following deductions for carried interest on the change in value in the co-investment vehicles of DBAG Fund V and DBAG ECF. In addition, this includes the net returns from subsequent disposal proceeds of DBAG Fund V, returns on partial sales of two portfolio companies in the DBAG Fund VI and interest income and dividend income from various investments.

Directly held interests in portfolio companies encompass DBAG investments entered into prior to the launch of DBAG Fund V. The result represents the net result of valuation and disposal. The result in the previous year primarily represented the result on disposal of the directly held investment in Grohmann (9,334 thousand euros).

International fund investments pertain to one investment by DBAG in a fund entered into in April 2001. The result includes the change in valuation and a dividend paid by the fund.

Other financial assets include subsidiaries that do not provide investment-related services.

For further information on the net result of investment activity, we refer to the interim management report (see pages 25ff.).

10. Fee income from fund management and advisory services

€'000	1st half-year 2017/2018	1st half-year 2016/2017
DBAG Fund V	380	1,444
DBAG ECF	312	244
DBAG ECF First New Vintage	443	0
DBAG Fund VI	4,826	6,015
DBAG Fund VII	8,078	4,472
Other	110	52
	14,149	**12,227**

Management and advisory fee income stems from the management and advising of private equity funds alongside which Deutsche Beteiligungs AG co-invests.

The fee income from advisory services to DBAG Fund V and DBAG Fund VI fell compared to the previous year following divestments of portfolio companies.

The income from advisory services to DBAG ECF First New Vintage includes transaction-based remuneration following the acquisition of two portfolio companies in the second quarter of 2017/2018.

11. Financial assets

€'000	31 March 2018	30 Sept. 2017
Interests in intra-Group investment entities	305,692	254,917
Interests in portfolio companies	5,028	5,301
International fund investments	1,269	974
Other financial assets	76	77
	312,065	**261,267**

Financial assets are measured at fair value through profit or loss (see the Annual Report 2016/2017, note 6).

This item exhibited the following movements in the reporting year:

€'000	1 Oct. 2017	Additions	Disposals	Value movements	31 March 2018
Interests in intra-Group investment entities	254,917	42,475	7,266	15,566	305,692
Interests in portfolio companies	5,301	0	352	80	5,028
International fund investments	974	0	0	295	1,269
Other financial assets	77	0	0	(1)	76
	261,267	**42,475**	**7,618**	**15,941**	**312,065**

€'000	1 Oct. 2016	Additions	Disposals	Value movements	30 Sept. 2017
Interests in intra-Group investment entities	289,600	54,764	46,162	(43,284)	254,917
Interests in portfolio companies	21,888	0	17,050	462	5,301
International fund investments	2,093	0	0	(1,120)	974
Other financial assets	64	30	8	(10)	77
	313,646	**54,793**	**63,220**	**(43,952)**	**261,267**

Additions in the half-yearly financial report 2017/2018 primarily represent the capital calls by DBAG investment entity subsidiaries ECF First New Vintage, for its new investments Sjølund AS and Netzkontor GmbH, and DBAG Fund VII, as part of the final restructuring of the equity financing for More than Meals (see interim management report, pages 22f. and page 32f.).

The disposals made by the investment entity subsidiaries result from dividends paid by DBAG Fund V as a result of disposals of investments made in the previous years and by DBAG Fund VI as a result of the partial disposals of two portfolio companies.

Movements in value are recorded under the item "Net result of investment activity" in the consolidated statement of comprehensive income (see note 9 in this half-yearly financial statement).

For further information on income from financial assets, we refer to the interim management report (see pages 24ff.)

12. Loans and receivables

€'000	**1st half-year 2017/2018**	2016/2017
At start of financial year	1,338	2,695
Additions	0	0
Disposals	0	0
Reclassifications	(1,443)	(1,253)
Value movements	105	(105)
	0	**1,338**

The reclassification is in connection with the remaining purchase price receivable from the sale of the investment in Clyde Bergemann GmbH in the financial year 2015/2016 as the period to maturity is now within one year. The value movements are the result of discounting effects and currency rate changes.

13. Securities

Securities held at 31 March 2018 were exclusively acquired as investments of cash and cash equivalents not immediately required.

Classification of securities by term:

€'000	**31 March 2018**	30 Sept. 2017
Long-term securities	73,798	33,659
Short-term securities	49,477	0
	123,275	**33,659**

Classification of securities by type:

€'000	**31 March 2018**	30 Sept. 2017
Money market funds	49,477	0
Fixed-income funds	40,412	0
Fixed-rate securities	33,386	33,659
	123,275	**33,659**

All securities have been designated to the category of "available-for-sale financial assets" (see Annual Report 2016/2017, note 6).

The change compared to 30 September 2017 is largely due to the investment of cash funds in fixed-income and money market funds. The fixed-income funds include corporate bonds whose issuer rating is predominantly investment grade. Due to the considerable diversification of the bonds and the credit rating of the issuers, the credit risk associated with the fund units is low.

The change in fair value at 31 March 2018 of -98 thousand euros (at 30 September 2017: -585 thousand euros) is recognised in the consolidated statement of comprehensive income in "Unrealised gains/ (losses) on available-for-sale securities".

14. Other financial commitments, contingent liabilities and trusteeships

OTHER FINANCIAL COMMITMENTS consist of call commitments and permanent debt obligations in the following nominal amounts:

€'000	**31 March 2018**	30 Sept. 2017
Call commitments	1,245	2,495
Permanent debt obligations	2,725	3,116
	3,970	**5,611**

Possible call commitments relate to fund investments that may draw down additional funding for investments and costs, as well as contractually agreed potential investments in portfolio companies.

There were no **CONTINGENT LIABILITIES** at 31 March 2018.

TRUST ASSETS totalled 9,031 thousand euros at 31 March 2018 (at 30 September 2017: 16,146 thousand euros). Of this, 6,094 thousand euros (at 30 September 2017: 13,208 thousand euros) is attributable to the purchase price retentions for two portfolio investment companies disposed of and 2,933 thousand euros (reporting date 30 September 2017: 2,933 thousand euros) is still attributable to interests in two portfolio companies that are held by Group companies for two managed funds. Trust liabilities exist in an equivalent amount. DBAG does not generate any income from trustee activities.

Other disclosures

15. Financial instruments

The key items in the statement of financial position of Deutsche Beteiligungs AG containing financial instruments (financial assets and long- and short-term securities) are carried completely at fair value. Financial instruments carried at amortised cost are largely recognised in current assets or current liabilities. Their term is less than one year. For these instruments, we assume that the carrying amount reflects their fair value.

15.1 Classes of financial instruments

Classes of financial instruments according to IFRS 7 are designated in the DBAG Group in accordance with the categories defined in IAS 39. For financial assets that are measured at fair value through profit or loss, only such assets exist as were designated to this category due to the changed rules of IFRS 10 or upon initial recognition. These mainly relate to investments. Financial assets classified as held for trading or as held to maturity still do not exist.

Financial instruments have been designated to the following categories:

VALUATION CATEGORY

€'000	**Carrying amount 31 March 2018**	**Fair Value 31 March 2018**	Carrying amount 30 Sept. 2017 adjusted	Fair value 30 Sept. 2017 adjusted
Financial assets at fair value in profit or loss				
Financial assets	312,065	312,065	261,267	261,267
thereof hybrid financial instruments	0	0	0	0
thereof primary financial instruments	312,065	312,065	261,267	261,267
	312,065	**312,065**	**261,267**	**261,267**
Available-for-sale financial assets				
Long-term securities	73,798	73,798	33,659	33,659
Short-term securities	49,477	49,477	0	0
	123,275	**123,275**	**33,659**	**33,659**
Loans and receivables				
Loans and receivables	0	0	1,338	1,338
Receivables	4,029	4,029	3,649	3,649
Other financial instruments	0	0	35,649	35,649
Cash and cash equivalents	12,239	12,239	127,976	127,976
Other current assets, if financial instruments[1]	9,465	9,465	6,541	6,541
	25,733	**25,733**	**139,504**	**139,504**
Other financial liabilities				
Minority interest	178	178	148	148

1 Does not include prepaid expenses/deferred income, value-added tax receivables and other items, of 180 thousand euros (previous year: 82 thousand euros)

There were no impairments to financial assets designated as loans and receivables recognised in the reporting year nor in the previous year.

Financial instruments in “Loans and receivables”, “Receivables” and “Other current assets” chiefly relate to portfolio companies and DBAG funds. Due to close relationships with obligors, due dates are negotiated in individual instances and mutually agreed. Quantitative data on past due financial instruments is therefore not disclosed. These financial instruments are mostly not hedged.

Impairments are recognised when there is objective evidence that the obligor will not be able to meet his payment obligations in the future (see Annual Report 2016/2017, note 6). An assessment of obligors’ credit quality is based on a regular exchange of information with the obligors.

15.2 Disclosures on hierarchy of financial instruments

All financial instruments are categorised in conformity with IFRS 13 according to the following three levels, regardless of whether they are measured at fair value or not:

LEVEL 1: Use of prices in active markets for identical assets or liabilities.

LEVEL 2: Use of inputs that are observable, either directly (as prices) or indirectly (derived from prices).

LEVEL 3: Use of inputs that are not materially based on observable market data (unobservable inputs). The materiality of these inputs is judged on the basis of their influence on fair value measurement.

Hierarchy of **FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE ON A RECURRING BASIS**:

ITEM IN STATEMENT OF FINANCIAL POSITION

€'000	Fair value 31 March 2018	Level 1	Level 2	Level 3
Financial assets at fair value in profit or loss				
Financial assets	312,065	0	0	312,065
Available-for-sale financial assets				
Long-term securities	73,798	0	73,798	0
Short-term securities	49,477	0	49,477	0
	123,275	**0**	**123,275**	**0**
	435,340	**0**	**123,275**	**312,065**

ITEM IN STATEMENT OF FINANCIAL POSITION

€'000	Fair value 30 Sept. 2017	Level 1	Level 2	Level 3
Financial assets at fair value in profit or loss				
Financial assets	261,267	0	352	260,915
Available-for-sale financial assets				
Long-term securities	33,659	0	33,659	0
	294,926	**0**	**34,011**	**260,915**

Level 2 financial assets in the previous year pertained to an investment that was measured at a purchase price indication in an illiquid market. The investment was sold in the first half of the financial year 2017/2018.

Level 2 securities relate to fund assets and German public-sector bonds from issuers with the highest credit ratings, the liquidity of which is limited due to their trading in the secondary market.

For all financial instruments recognised in the statement of financial position at fair value at 31 March 2018 and the preceding reporting date, fair value measurement is recurring. In this reporting period, the DBAG Group has no assets or liabilities that are not valued on a recurring basis at their respective fair values.

For the classes as in IFRS 13, the valuation categories according to IAS 39 have been defined for Level 1 and 2 financial instruments in the DBAG Group.

Level 3 financial instruments are attributable to the following **CLASSES**:

ITEM IN STATEMENT OF FINANCIAL POSITION

€'000	Interests in intra-Group investment entities	Interests in portfolio companies	International fund investments	Other	**Total**
31 March 2018					
Financial assets	**305,692**	**5,028**	**1,269**	**76**	**312,065**
30 Sept. 2017					
Financial assets	254,917	4,948	974	77	260,915

RECONCILIATION of financial instruments attributed to Level 3 in the first half-year 2017/2018:

ITEM IN STATEMENT OF FINANCIAL POSITION

€'000	1 Oct. 2017	Additions	Disposals	At fair value in profit or loss	31 March 2018
Financial assets					
Interests in intra-Group investment entities	254,917	42,475	7,266	15,566	305,692
Interests in portfolio companies	4,948	0	0	80	5,028
International fund investments	974	0	0	295	1,269
Other	77	0	0	(1)	76
	260,915	**42,475**	**7,266**	**15,941**	**312,065**

ITEM IN STATEMENT OF FINANCIAL POSITION

€'000	1 Oct. 2016	Additions	Disposals	At fair value in profit or loss	30 Sept. 2017
Financial assets					
Interests in intra-Group investment entities	289,600	54,764	46,162	(43,284)	254,917
Interests in portfolio companies	21,536	0	17,050	462	4,948
International fund investments	2,093	0	0	(1,120)	974
Other	64	30	8	(10)	77
	313,293	**54,793**	**63,220**	**(43,952)**	**260,915**

The gains recorded through profit or loss totalling 15,941 thousand euros (previous year: loss of 43,952 thousand euros) were recognised in "Net result of investment activity" (thereof net result of disposal: 0 thousand euros [previous year: 0 thousand euros] and net result of valuation 15,941 thousand euros [previous year: -43,952 thousand euros] from the net balance of financial instruments).

For Level 3 financial instruments at fair value, the possible **RANGES FOR UNOBSERVABLE INPUTS** are as follows:

ITEM IN STATEMENT OF FINANCIAL POSITION

€'000	**Fair value 31 March 2018**	Valuation method	Unobservable parameter	Range
Financial assets				
Interests in intra-Group investment entities	305,692	Net asset value[1]	Average EBITDA/EBITA margin	2% to 33%
			Net debt[2] to EBITDA	-1.9 to 6.5
			Multiples discount	0% to 20%
Interests in portfolio companies	5,028	Multiples method	Average EBITDA/EBITA margin	7%
			Net debt[2] to EBITDA	2.4
			Multiples discount	0%
International fund investments	1,269	DCF	N/A	N/A
Other	76	Net asset value	N/A	N/A
	312,065			

1 In the sum-of-the-parts procedure for interests in investment entity subsidiaries, a significant share relates to the interests in portfolio companies. Insofar as the multiples method is used for the interests in portfolio companies, the same unobservable inputs are applied as those used in determining the fair value of "Interests in portfolio companies" (see also commentary in 2016/2017 Annual Report, note 6).

2 Net debt of portfolio company

ITEM IN STATEMENT OF FINANCIAL POSITION

€'000	Fair value 30 Sept. 2017	Valuation method	Unobservable parameter	Range
Financial assets				
Interests in intra-Group investment entities	254,917	Net asset value[1]	Average EBITDA/EBITA margin	3% to 40%
			Net debt[2] to EBITDA	-4 to 6.4
			Multiples discount	0% to 20%
Interests in portfolio companies	4,948	Multiples method	Average EBITDA/EBITA margin	7%
			Net debt[2] to EBITDA	2.7
			Multiples discount	0% to 0%
International fund investments	974	DCF	N/A	N/A
Other	77	Net asset value	N/A	N/A
	260,915			

1 See footnote 1 in the preceding table

2 See footnote 2 in the preceding table

By reasonable estimate, **CHANGES IN UNOBSERVABLE INPUTS** would have the following effects on fair value measurement amounts of Level 3 financial instruments:

ITEM IN STATEMENT OF FINANCIAL POSITION

€'000	**Fair value 31 March 2018**	Change in unobservable inputs		Change in fair value
Financial assets[1]				
Interests in investment entity subsidiaries	305,692	EBITDA and EBITA	+/- 10%	29,843
		Net debt	+/- 10%	11,522
		Multiples discount	+/- 5 percentage points	4,643
Interests in portfolio companies	5,028	EBITDA and EBITA	+/- 10%	1,962
		Net debt	+/- 10%	709
		Multiples discount	+/- 5 percentage points	0
International fund investments	1,269	N/A		N/A
Other	76	N/A		N/A
	312,065			

1 For financial assets that were acquired within the past twelve months, a change in the unobservable inputs has no effect on the fair value, insofar as these were valued at their transaction price at the valuation date, in accordance with the IPEVG.

ITEM IN STATEMENT OF FINANCIAL POSITION

€'000	Fair value 30 Sept. 2017	Change in unobservable inputs		Change in fair value
Financial assets[1]				
Interests in investment entity subsidiaries	254,917	EBITDA and EBITA	+/- 10%	22,339
		Net debt	+/- 10%	8,317
		Multiples discount	+/- 5 percentage points	1,940
Interests in portfolio companies	4,948	EBITDA and EBITA	+/- 10%	734
		Net debt	+/- 10%	265
		Multiples discount	+/- 5 percentage points	0
International fund investments	974	N/A		N/A
Other	77	N/A		N/A
	260,915			

1 See footnote 1 in the preceding table

The difference between the unobservable inputs EBITDA and EBITA is depreciation on property, plant and equipment. The key factors influencing income have an effect on both unobservable inputs; consequently, there is an interrelationship between EBITDA and EBITA. For that reason, the change in fair value is shown together in the sensitivity analysis for the two unobservable inputs, with all other inputs remaining constant.

The sensitivity analysis shown above for net debt and multiples discount is based on a change in one parameter, while all others remain constant.

15.3 Net gains/losses on financial instruments recognised at fair value in the statement of financial position

Net gains and losses on financial instruments at fair value recognised in the statement of financial position comprise fair value movements in profit or loss, realised gains or losses on disposal of financial instruments, impairment losses, reversals in profit or loss and currency rate changes.

Contained in the consolidated statement of comprehensive income are the following **NET GAINS/LOSSES ON FINANCIAL ASSETS RECOGNISED AT FAIR VALUE IN THE STATEMENT OF FINANCIAL POSITION**:

NET GAINS AND LOSSES ON FINANCIAL ASSETS MEASURED AT FAIR VALUE IN PROFIT OR LOSS

€'000	**1st half-year 2017/2018**	**Level 1**	**Level 2**	**Level 3**	1st half-year 2016/2017	Level 1	Level 2	Level 3
Net result of investment activity	20,326	0	0	20,326	47,347	0	0	47,347
Other operating income	0	0	0	0	0	0	0	0
Other operating expenses	0	0	0	0	0	0	0	0
	20,326	**0**	**0**	**20,326**	**47,347**	**0**	**0**	**47,347**

NET GAINS AND LOSSES ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

€'000	**1st half-year 2017/2018**	**Level 1**	**Level 2**	**Level 3**	1st half-year 2016/2017	Level 1	Level 2	Level 3
Other operating income	0	0	0	0	0	0	0	0
Other operating expenses	0	0	0	0	0	0	0	0
Other income/expenses	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Unrealised gains (+)/losses (-) on available-for-sale securities	(98)	0	(98)	0	(473)	0	(473)	0
thereof transfers from other comprehensive income to profit or loss	0	0	0	0	0	0	0	0
Net result of valuation and disposal	**(98)**	**0**	**(98)**	**0**	**(473)**	**0**	**(473)**	**0**
Interest income	**(10)**	**0**	**0**	**0**	**(2)**	**0**	**0**	**0**

The net gains/losses on financial assets recognised at fair value through profit or loss result from financial assets that are required to be recognised at fair value based on IFRS 10 and financial assets that were designated as at fair value through profit and loss on initial recognition.

16. Issuances, repurchases and repayments of equity instruments and debt instruments

Equity or debt instruments were neither issued, repurchased nor repaid by Deutsche Beteiligungs AG in the first six months of financial year 2017/2018.

17. Disclosures on segment reporting

The business policy of Deutsche Beteiligungs AG is geared to augmenting the value of DBAG over the long term through successful investments in portfolio companies in conjunction with sustainable income from management and advisory services to funds. The investments are always entered into as a co-investor alongside DBAG funds, either as majority investments by way of management buyouts (MBOs) or minority investments aimed at financing growth.

The complete Board of Management (as the "chief operating decision maker" in terms of the IFRS) manages the two business lines of investment and fund management and advisory services based on the operating result (segment net income). For that reason, the business lines of Private Equity Investments and Fund Investment Services are presented as reportable segments.

Segmental analysis for the first half-year 2017/2018:

SEGMENTAL REPRESENTATION FROM 1 OCTOBER 2017 TO 31 MARCH 2018

€'000	**Private Equity Investments**	**Fund Investment Services**	**Reconciliation Group**	**Group 1st half-year 2017/2018**
Net result of investment activity	20,326	0	0	20,326
Fee income from fund management and advisory services [1]	0	14,530	(381)	14,149
Net result of fund services and investment activity	**20,326**	**14,530**	**(381)**	**34,475**
Other income/expenses	(3,848)	(11,668)	381	(15,136)
Earnings before tax (segment result)	**16,478**	**2,862**	**0**	**19,340**
Income taxes				(1)
Earnings before tax (segment result)				**19,339**
Minority interest gains (-)/losses (+)				(17)
Net income				**19,322**
Financial assets and loans and receivables	312,065			
Financial resources [2]	135,515			
Net asset value	**447,580**			
Managed and advised assets [3]		**1,779,573**		

1 A synthetic internal administration fee is calculated for the Private Equity Investments segment and taken into account when determining segment net income. The fee is based on DBAG's co-investment interest.

2 The financial resources serve DBAG for investments in financial assets and loans and receivables. They contain the line items "Cash and cash equivalents", "Long-term securities" and "Short-term securities".

3 Managed and advised assets comprise financial assets, loans and receivables, the financial resources of DBAG as well as the investments and callable capital commitments to DBAG-managed and advised private equity funds. The investments and loans and receivables are recognised at cost.

Segmental analysis for the first half-year 2016/2017

SEGMENTAL REPRESENTATION FROM 1 OCTOBER 2016 TO 31 MARCH 2017

€'000	Private Equity Investments	Fund Investment Services	Reconciliation Group	Group 1st half-year 2016/2017
Net result of investment activity	47,707	0	0	47,707
Fee income from fund management and advisory services [1]	0	12,788	(561)	12,227
Net result of fund services and investment activity	**47,707**	**12,788**	**(561)**	**59,934**
Other income/expenses	(5,821)	(10,575)	561	(15,834)
Earnings before tax (segment result)	**41,887**	**2,214**	**0**	**44,100**
Income taxes				0
Earnings before tax (segment result)				**44,100**
Minority interest gains (-)/losses (+)				(20)
Net income				**44,080**
Financial assets and loans and receivables	339,178			
Financial resources [2]	62,476			
Net asset value	**401,654**			
Managed and advised assets [3]		**1,809,177**		

1 See footnote 1 in the preceding table
2 See footnote 2 in the preceding table
3 See footnote 3 in the preceding table

18. Related party transactions

At 31 March 2018, the members of the Board of Management held the following number of shares in the Company (unchanged from the previous year): Torsten Grede 20,323; Dr Rolf Scheffels 10,290 and Susanne Zeidler 9,000. Of the members of the Supervisory Board, Philipp Möller held 1,000 shares and Wilken von Hodenberg held 1,000 shares in Deutsche Beteiligungs AG.

Loans advanced to key management personnel totalled 60 thousand euros (previous year: 214 thousand euros). Deutsche Beteiligungs AG received interest in the amount of two thousand euros on these loans in the first half-year of the financial year 2017/2018. No loans have been granted to members of the Board of Management.

Current and former key management personnel have committed to investing in the DBAG Fund IV, DBAG Fund V, DBAG Fund VI, DBAG Fund VII and DBAG Expansion Capital Fund. For those participating, this can result in a profit share that is disproportionate to their capital commitment ("carried interest") after the fund has fulfilled certain conditions overall. These conditions have been fulfilled if the Deutsche Beteiligungs AG Group and the investors in the respective DBAG fund have realised their invested capital, plus a minimum return of 8.0 percent per annum ("full repayment"). The carried interest corresponding to a maximum of 20 percent is paid out once net proceeds on disposal are generated and full repayment has been achieved. The structure of the carried interest schemes, their implementation and performance conditions are in conformity with common practice in the private equity industry and constitute a prerequisite for the placement of DBAG funds. For the individuals participating, their partnership status constitutes a privately carried investment risk and is aimed at promoting the staff's initiative and dedication to the success of the investment.

Key management personnel as well as former key management personnel involved have made investments in, and/or have the following repayments from the investment activities of **DBAG FUND IV** attributable to them in the first six months of the financial year 2017/2018:

	Investments during the financial year		Cumulative investments at reporting date		Repayments during the financial year	
€'000	Board of Management	Senior management	Board of Management	Senior management	Board of Management	Senior management
Period from 1 Oct. 2017 to 31 March 2018						
DBG Advisors IV GmbH & Co. KG	0	0	430	0	131	0
DBG Advisors Kommanditaktionär GmbH & Co. KG	0	0	84	0	0	0
DBG Investment Team GmbH & Co. KG	0	0	325	740	85	184
Total 1st half-year 2017/2018	**0**	**0**	**839**	**740**	**216**	**184**
Period from 1 Oct. 2016 to 31 March 2017						
DBG Advisors IV GmbH & Co. KG	0	0	430	0	0	0
DBG Advisors Kommanditaktionär GmbH & Co. KG	0	0	84	0	0	0
DBG Investment Team GmbH & Co. KG	0	0	325	740	0	0
Total 1st half-year 2016/2017	**0**	**0**	**839**	**740**	**0**	**0**

The key management personnel involved as well as former key management personnel have made the following investments or have the following repayments from the investment activity of **DBAG FUND V** attributable to them in the first half of the 2017/2018 financial year; 19 percent is attributable to the DBAG co-investment vehicle (DBAG Fund V Konzern GmbH & Co. KG) in each case:

	Investments during the financial year		Cumulative investments at reporting date		Repayments during the financial year	
€'000	Board of Management	Senior management	Board of Management	Senior management	Board of Management	Senior management
Period from 1 Oct. 2017 to 31 March 2018						
DBG Advisors V GmbH & Co. KG	0	0	3,446	2,554	1,988	1,517
Period from 1 Oct. 2016 to 31 March 2017						
DBG Advisors V GmbH & Co. KG	0	0	3,408	2,527	12,837	9,805

The key management personnel involved as well as former key management personnel have made the following investments in the first half of the 2017/2018 financial year or have the following repayments from the investment activity of **DBAG EXPANSION CAPITAL FUND** attributable to them; 47 percent is attributable to the DBAG co-investment vehicle (DBAG Expansion Capital Fund Konzern GmbH & Co. KG) for DBAG ECF in each case, and 41 percent for DBAG ECF's first new investment period (DBAG ECF I) in each case:

	Investments during the financial year		Cumulative investments at reporting date		Repayments during the financial year	
€'000	Board of Management	Senior management	Board of Management	Senior management	Board of Management	Senior management
Period from 1 Oct. 2017 to 31 March 2018						
DBG Advisors Expansion GmbH & Co. KG	13	53	334	1,250	0	0
DBG Advisors Expansion FNV[1] GmbH & Co. KG	0	0	0	0	0	0
DBG Team Expansion FNV[1] GmbH & Co. KG	148	97	148	97	0	0
Total 1st half-year 2017/2018	**161**	**150**	**482**	**1,347**	**0**	**0**
Period from 1 Oct. 2016 to 31 March 2017						
DBG Advisors Expansion GmbH & Co. KG	14	69	261	983	0	0

1 First New Vintage

The key management personnel involved as well as former key management personnel have made the following investments or have the following repayments from the investment activity of **DBAG FUND VI** attributable to them in the first half of the 2017/2018 financial year; 19 percent is attributable to the DBAG co-investment vehicle (DBAG Fund VI Konzern (Guernsey) L.P.) in each case:

	Investments during the financial year		Cumulative investments at reporting date		Repayments during the financial year	
€'000	Board of Management	Senior management	Board of Management	Senior management	Board of Management	Senior management
Period from 1 Oct. 2017 to 31 March 2018						
DBG Advisors VI GmbH & Co. KG	49	92	2,931	4,427	156	253
Period from 1 Oct. 2016 to 31 March 2017						
DBG Advisors VI GmbH & Co. KG	789	1,312	2,871	4,320	0	0

The key management personnel involved as well as former key management personnel have made the following investments or have the following repayments from the investment activity of **DBAG FUND VII** attributable to them in the first half of the 2017/2018 financial year; 23 percent is attributable to the DBAG co-investment vehicle (DBAG Fund VII Konzern SCSp and DBAG Fund VII B Konzern SCSp) in each case:

	Investments during the financial year		Cumulative investments at reporting date		Repayments during the financial year	
€'000	Board of Management	Senior management	Board of Management	Senior management	Board of Management	Senior management
Period from 1 Oct. 2017 to 31 March 2018						
DBG Advisors VII GmbH & Co. KG	13	25	21	25	0	0
DBG Team VII GmbH & Co. KG	0	0	1,048	930	0	0
Total 1st half-year 2017/2018	**13**	**25**	**1,069**	**955**	**0**	**0**
Period from 1 Oct. 2016 to 31 March 2017						
DBG Advisors VII GmbH & Co. KG	0	0	8	0	0	0
DBG Team VII GmbH & Co. KG	16	0	18	0	0	0
Total 1st half-year 2016/2017	**16**	**0**	**26**	**0**	**0**	**0**

Apart from these, there were no other related party transactions in the first six months of the financial year 2017/2018 materially affecting the asset, financial or earnings position of the Group in this period. We refer to pages 189ff. in the Annual Report 2016/2017 for detailed information on transactions with related parties.

19. Changes in the composition of the Group

Deutsche Beteiligungs AG is recognised as a special investment company, as defined by German statutory legislation on special investment companies (Gesetz über Unternehmensbeteiligungsgesellschaften - UBGG) and is therefore exempt from municipal trade tax. In addition, until now it has also been registered as a capital management company (Kapitalverwaltungsgesellschaft - KVG) in accordance with the German Capital Investment Code (Kapitalanlagegesetzbuch - KAGB). Since 1 July 2017, a Group company that is also registered as a capital management company has been responsible for fund management; as a result, DBAG no longer makes use of its own registration, which it has cancelled. The cancellation was effective at 8 March 2018 on registration of the amendment to the Articles of Association, which was decided upon at the Annual Meeting.

There were no changes in the composition of the Deutsche Beteiligungs AG Group compared with the status at 30 September 2017.

20. Significant events after the end of the reporting period

DBAG ECF I agreed on a further investment after the reporting date; it is still subject to financing, among other things. The investment would result in a co-investment of around 14 million euros for DBAG. Following the completion of the transaction, DBAG ECF I would be around 70 percent invested.

OTHER INFORMATION

Statement of responsibility

We confirm to the best of our knowledge, and in accordance with the applicable reporting principles for half-yearly financial reporting, that the consolidated half-yearly financial statements give a true and fair view of the asset, financial and earnings position of the Group and that the interim Group management report presents a true and fair view of the business development and the position of the Group, together with a description of the material risks and opportunities associated with the expected development of the Group for the remaining months of the financial year.

Frankfurt am Main, Germany, 3 May 2018

The Board of Management

Torsten Grede

Dr Rolf Scheffels

Susanne Zeidler

Review certificate

We have reviewed the condensed interim consolidated financial statements of Deutsche Beteiligungs AG, Frankfurt/Main – comprising the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and condensed notes – together with the interim group management report of Deutsche Beteiligungs AG, for the period from 1 October 2017 to 31 March 2018 that are part of the semi annual (or quarterly financial report) according to § 115 WpHG ["Wertpapierhandelsgesetz": "German Securities Trading Act"]. The preparation of the condensed interim consolidated financial statements in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting" as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Frankfurt am Main, 4 May 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft

Portfolio companies

Company	Revenues in 2017 *€mn*	Employees	Core business
Cleanpart Group GmbH	61	480	Industrial services for the semiconductor industry
Dieter Braun GmbH	83	1,500	Cable systems and interior vehicle lighting
DNS:NET Internet Service GmbH	14	120	Telecommunications and IT services
duagon Holding AG	26	60	Network components for railway vehicles
Frimo Group GmbH	237	1,300	Tools and machinery for the automotive industry
Gienanth GmbH	135	760	Machine and hand-moulded castings for the automotive supply industry, production of engine blocks
Heytex Bramsche GmbH	114	500	Manufacture of technical textiles
inexio Informationstechnologie und Telekommunikation KGaA	55	260	Telecommunications and IT services
Infiana Group GmbH	201	800	Specialised films
JCK Holding GmbH Textil KG	654	1,200	Textile trading and distribution of merchandising articles
mageba AG	95	800	Products and services for the infrastructure and building construction sectors
More than Meals Europe S.à r.l.	488	3,250	Chilled ready meals and snacks
netzkontor Nord GmbH	8	100	Services for the telecommunications sector
Novopress KG	N/A	110	Tool systems for the sanitary, electrotechnical and construction industries
Oechsler AG	373	2,600	Plastics technology for the industries of the future
Pfaudler International S.à r.l.	234	1,400	Mechanical engineering company for the processing industry
Plant Systems & Services PSS GmbH	38	210	Industrial services for the energy and process industry
Polytech Health & Aesthetics GmbH	36	180	Provider of high-quality silicone implants
Rheinhold & Mahla GmbH	101	530	Interior outfitting for ships and marine installations
Silbitz Group GmbH	157	1,050	Hand-moulded and automated moulded castings with steel and iron bases
Sjølund A/S	228	120	Components made from aluminium and steel
Telio Management GmbH	41	110	Communications and media systems for correctional facilities
Unser Heimatbäcker GmbH	138	2,900	Bakery chain
vitronet Projekte GmbH	46	100	Construction of fibre-optic networks
Investments in international buyout funds managed by third parties			
DBG Eastern Europe II	In the disinvestment phase since 2010; the portfolio now only contains one out of ten original investments		
Harvest Partners IV	In the disinvestment phase since 2007; the portfolio now only contains one out of nine original investments		
Investment that had not yet been completed at 31 March 2018			
radiology group	55	550	Radiology services and treatment

Revenues in 2017: The revenues were partly as expected for 2017; some companies have financial years that deviate from the calendar year
duagon Holding AG, mageba AG: figures in CHF; Pfaudler Process Solutions Group: figures in USD; Sjølund A/S: figures in DKK

Forward-looking statements bear risks

This half-yearly financial report contains statements related to the future prospects and progress of Deutsche Beteiligungs AG. These statements reflect the current views of the management of Deutsche Beteiligungs AG and are based on the relevant plans, estimates and expectations. Our statements are subject to risk and uncertainty, and so the actual results may vary materially. Although we believe that these forward-looking statements are realistic, we cannot guarantee that the contents of these statements will come to fruition.

Disclaimer

The figures in this half-yearly financial report are generally presented in thousands or millions of euros where relevant. Rounding differences may occur between the amounts presented and their exact value; these are of an insignificant nature.

This half-yearly financial report is published in German and in English. The German version of this statement is authoritative.

Version dated: 7 May 2018

Company domicile: Frankfurt am Main
Entered in the commercial register of
the Frankfurt am Main
Local Court under the commercial
register no. B 52 491

Financial calendar

14 MAY 2018
DSW Forum,
Frankfurt am Main

16 MAY 2018
Warburg Small Cap Selection,
Frankfurt am Main (investor conference)

28 MAY 2018
Roadshow Munich

30 MAY 2018
Roadshow London

6 JUNE 2018
Roadshow Dublin

7 JUNE 2018
LPEQ Annual Investor Conference,
London

13 JUNE 2018
Dr. Kalliwoda Capital Markets Conference,
Warsaw (investor conference)

7 AUGUST 2018
Publication of quarterly statement
pertaining to the third quarter of 2017/2018,
analysts' conference call, Frankfurt am Main

6 SEPTEMBER 2018
SRC Research Forum Financials & Real Estate 2018,
Frankfurt am Main (investor conference)

24– 27 SEPTEMBER 2018
Baader Investment Conference,
Munich (investor conference)

NOVEMBER 2018
German Equity Forum 2018
(Deutsches Eigenkapitalforum),
Frankfurt am Main

30 NOVEMBER 2018
Publication of consolidated
financial statements for 2017/2018
Analyst conference, Frankfurt am Main

DEAR SHAREHOLDERS,

Are you interested in receiving regular information on Deutsche Beteiligungs AG? We would be happy to include you in our shareholder mailing list. If you wish to be included, simply complete this page and send it back to us by post, fax or email. You will find our contact details at the bottom of this page.

In addition, you can access our shareholder portal all year round. The portal allows you to register for the future electronic dispatch of the invitation to, and documents for, the Annual Meeting, as well as to consult your shareholder data and update your contact details.

You can access the shareholder portal at https://ip.computershare.de/deutsche-beteiligung or via our website: www.dbag.com/investor-relations/annual-meeting/

PERSONAL DETAILS

Title/first name/surname:

Street/house number:

Postcode/town or city/country:

Email address:

Shareholder number (if available):

Please send me the following information

☐ News/information on Deutsche Beteiligungs AG by email

☐ Annual Report of Deutsche Beteiligungs AG by post

☐ Invitation to the Annual Meeting of Deutsche Beteiligungs AG exclusively by email

IR CONTACT

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Information for shareholders

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ISIN DE 000A1TNUT7
Ticker symbol: DBAGn (Reuters),
DBAN (Bloomberg)