Deutsche Beteiligungs AG

Long-term planning. Patience in development.

Writing success stories in eventful times.

ANNUAL REPORT 2017/2018

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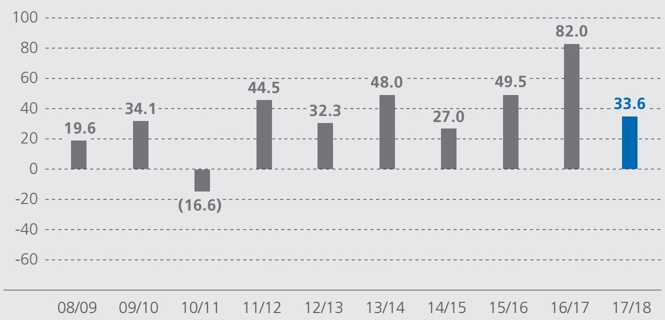
ANNUAL REPORT 2017/2018

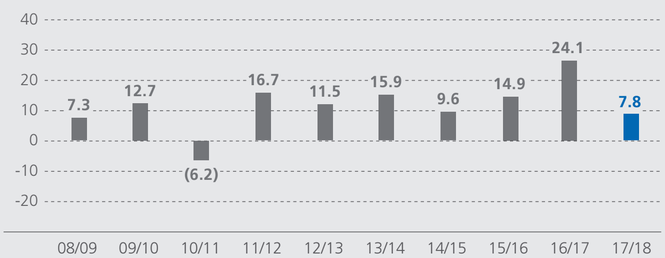
> *This symbol refers to a term that is defined in the glossary on pages 204f.*

LONG-TERM PERFORMANCE

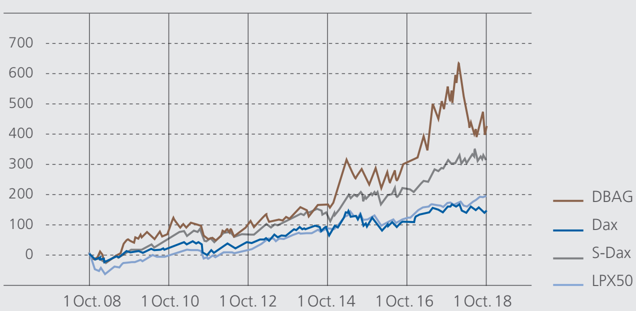
NET INCOME *(€mn)*



RETURN ON EQUITY PER SHARE *(%)*



PERFORMANCE OF DBAG SHARE AND BENCHMARK INDICES
(1 October 2008 to 30 September 2018, indexed 1 October 2008 = 100)



FINANCIAL YEAR 2017/2018

NET INCOME

33.6

MILLION EUROS

RETURN
on equity per share

7.8

PERCENT

PERFORMANCE
for shareholders

(19.8)

PERCENT

FINANCIAL YEAR 2017/2018

NET INCOME

33.6

MILLION EUROS

Net income fell short of our expectations. While the Fund Investment Services segment achieved a significant year-on-year increase, reporting net income of 6.0 million euros, the Private Equity Investments segment lagged further behind the result of the extremely successful year 2016/2017 than expected, coming in at 27.6 million euros. This was mainly due to the recent unfavourable developments in the capital markets.

Further information on net income is available on page 52.

RETURN
on equity per share

7.8

PERCENT

With a return on equity per share of 7.8 percent, we easily earned the cost of equity again in 2017/2018 and increased the value of Deutsche Beteiligungs AG. In a long-term comparison, however, the financial year fell short of the ten-year average for return on equity after taxes of 11.4 percent.

Further information on the historical development of returns is available on page 73.

PERFORMANCE
for shareholders

(19.8)

PERCENT

While our shares reached a new all-time high of 52.10 euros in January 2018, they were unable to maintain this level. At the end of the financial year, the share price came to 35.40 euros, down around 22 percent on the previous year. Taking into account the dividend of 1.40 euros, the value decreased by 19.8 percent. Over a ten-year period, however, our shares have still clearly outperformed most benchmark indices, with an increase in value of 16.2 percent.

Further information on DBAG’s shares is available on pages 18ff.

OUR MISSION STATEMENT

Stock exchange-listed Deutsche Beteiligungs AG invests in well-positioned mid-sized companies with potential for growth.

For many years, we have focused on industrial business models in selected sectors. With our experience, expertise and equity, we support our portfolio companies in implementing their sustainable, value-creating corporate strategies.

Our entrepreneurial approach to investing has made us a sought-after investment partner in the German-speaking world. We have achieved superior performance over many years – for our portfolio companies as well as for our shareholders and investors.

BOARD OF MANAGEMENT

DR ROLF SCHEFFELS

Born in 1966. Member of the Board of Management since January 2004; appointed until February 2021.

Investment Business, Investment Team Development, Investor Relations (funds)

TORSTEN GREDE
Spokesman of the Board of Management

Born in 1964. Spokesman of the Board of Management since March 2013; member of the Board of Management since January 2001; appointed until December 2023.

Strategy and Business Development, Investment Business, Investor Relations (funds), Investment Controlling, Corporate Communication, Compliance, ESG

SUSANNE ZEIDLER
Chief Financial Officer

Born in 1961. Member of the Board of Management since November 2012; appointed until October 2020.

Finance and Accounting, Investor Relations (stock market), Legal and Fiscal, Portfolio Valuation, Risk Management and Internal Audit, Human Resources, Organisation and IT

Frankfurt am Main, 30 November 2018

Dear Shareholders,

A glance at the earnings figures shows that we failed to meet our expectations for the past financial year. The development of our share price was similarly disappointing – it performed below average in 2017/2018. We would like to explain to you in this letter why we are nevertheless satisfied with the past financial year overall, why shares in Deutsche Beteiligungs AG are a good investment, and why we look ahead to the future with confidence. The seven new investments that we agreed in 2017/2018 play a key role in this.

Let's start with our net income: at 33.6 million euros, it gives us a return on equity of 7.8 percent. This means that we easily earned the cost of equity and increased the value of Deutsche Beteiligungs AG. However, we measure any individual year's performance contribution by comparing it with our average performance over a ten-year period. In this regard, a return on equity of 7.8 percent is significantly lower than the 11.4 percent we have achieved on average over the past ten years. An analysis of the net result from our investment business reveals two main reasons for the deviation – one has to do with the portfolio, while the other is outside our sphere of influence.

Our business is governed by a small number of individual transactions: outstanding proceeds from a disposal can turn a good net income into a very good net income; a poor start to a new investment can have a negative impact on what are otherwise satisfactory figures. Secondly, our business is subject to influences over which we have no control and that we cannot avoid – valuation ratios on the capital market.

Six company disposals with well above-average success had made the previous financial year 2016/2017 one of the most profitable in the Company's history. We raised our forecast twice – partly thanks to the tailwind from the capital market. Both of these factors failed to materialize in the past financial year. As we mentioned in last year's letter, we had already accounted in our plans for the fact that this time, we would not be able to offer so many mature companies in our portfolio. But one thing we cannot plan is how the share prices of peer group companies will develop on the stock markets. In 2017/2018, these prices fell again overall. This negatively impacted our net result of valuation in the amount of more than ten million euros: In relation to the return on equity, this represents a loss of around two percentage points.

While we had already anticipated fewer disposals from our portfolio for the reporting year, the second reason – the lower capital market valuations – significantly contributed to our failure to meet our forecast for the financial year 2017/2018. In addition, individual companies in our portfolio, which has now grown to 29 investments, are not progressing as quickly as we expected. We pointed this out early on. Value appreciation through higher revenues and earnings requires changes in the portfolio companies. 2017/2018 showed that, for various reasons, this will take longer for some companies. As an equity investor, dealing with unforeseen developments such as these is part of our business. This also includes adjusting the content or time frame of originally planned measures, providing additional capital or making changes to the management of the portfolio companies – all with the aim of increasing the value of our investment.

Our interests are the same as yours. The experienced members of our investment team have to take financial risks and support each DBAG investment using their own funds. If the equity investment is successful for DBAG's shareholders and the DBAG fund investors – something that can usually only be ascertained at the end of a fund's term – they receive carried interest, a share in this success that is disproportionate to their capital commitment. This not only results in an alignment of interests, but also provides long-term incentives and is a characteristic of the private equity industry. We had taken a different view to the German Federal Financial Supervisory Authority (BaFin) regarding how this carried interest should be recognised in the accounts. In June 2018, this disagreement was resolved: BaFin identified an error. It is important to bear in mind here that it was not a question of whether, but rather when, carried interest should be recognised in profit or loss. We have now made the appropriate changes to our accounting and also adjusted the figures for the previous year.

In contrast to previous years, our shares underperformed key benchmark indices in 2017/2018. This is particularly bad news for short-term shareholders. However, investors in our private equity funds only evaluate their success after a period of ten years. This perspective results in a different assessment of the past financial year: In a three-year comparison, our shares are in the middle of the rankings, and over five and ten year-periods they stand out positively.

As a shareholder, however, you are not only interested in share price performance. You know Deutsche Beteiligungs AG as a stock that pays high dividends, and this is something we do not plan to change. Our dividend policy translates our long-term business model, which can of course show short-term volatility in individual years, into a predictable and reliable payment. Our dividend should be stable and increase whenever possible. As a result, we are proposing to raise our dividend payment to 1.45 euros for 2017/2018. This once again results in an extremely attractive dividend yield.

Not only the high HGB retained profit of more than 170 million euros, but also our comfortable liquidity situation encourage us to promise you this kind of dividend over the next few years.

In the future, increases in the value of the new portfolio companies will contribute to our net income. Never before have we made as many investment decisions as we did in 2017/2018. We agreed seven management buyouts; in six of these cases, we have brought the company founders or family shareholders on board as our partners, which is something we consider a special sign of the confidence placed in us. These recent investments have allowed us to diversify the range of the business models in which we invest. We are guided in these activities by the changes in the economy and the opportunities we have identified in individual sectors. This is covered later on in this report. Funds were also used to make acquisitions at the level of our portfolio companies. The ratio of financial assets to financial resources in the consolidated statement of financial position improved due to the investment-related cash outflow. This has a positive impact on the return on the equity you provide. We were also able to draw on capital commitments made available to us by the investors of DBAG ECF for the second new investment period. Our assets under management and advisement are now higher than they were a year ago, and the Fund Investment Services segment is generating higher fee income.

Overall, 2017/2018 was an equally eventful and busy year with numerous transactions and the ensuing challenges. The employees of Deutsche Beteiligungs AG have helped to advance the Company with their high motivation and wealth of ideas.

The future outlook is – as always – fraught with uncertainty. There is no doubt that the challenges facing us today are greater than they were a year ago. Many observers believe that the share price fluctuations witnessed in recent months signal the emergence of a new overall climate. Political developments give us cause for concern, and the optimism seen in recent years has given way to mounting scepticism regarding economic trends.

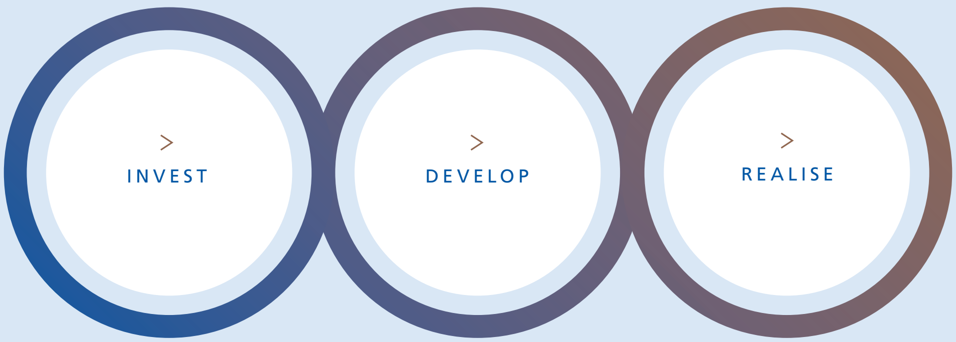
We have to accept these overall conditions. The following pages describe how we are positioning ourselves. We are publishing this Annual Report two months after the reporting date to provide you with information on our plans for the new financial year and beyond as early as possible.

Our projections for 2018/2019 include a slight increase in equity per share and a significant increase in the two years thereafter. A young portfolio with promising potential, an experienced investment team and an organisation with tried-and-tested processes bolster our confident outlook.

Our special thanks this year go to Andrew Richards. He supported our company on the Supervisory Board for more than 14 years, including twelve years as its Chairman. Over this long period of time, he made a significant contribution to DBAG becoming a leading investor in the German mid-market sector by establishing an attractive platform for asset investors in the private equity sector.

Torsten Grede | Dr Rolf Scheffels | Susanne Zeidler

THREE PHASES IN DBAG'S PORTFOLIO



Turning potential into real value.

INTERVIEW

Mr Grede, what sets DBAG apart from other private equity companies?

How does DBAG manage to write success stories in eventful times? What does software have to do with the Old Economy? What does DBAG need the funds for? And most importantly of all: what does this mean for the shareholders? Spokesman of the Board of Management Torsten Grede answers these and other questions on the strategy pursued by Deutsche Beteiligungs AG.

A real estate agent, software for route optimisation and the construction of fibre-optic networks – has DBAG recently entered completely different sectors than before?

That's true – we have broadened the range of industries in our portfolio. The focus, however, is still on investments in companies that are particularly characteristic of the German economy in what we describe as our core sectors: automotive suppliers, mechanical and plant engineering, companies that produce industrial components – from engine blocks to high-tech films and electronic controls for trains – and industrial service providers. But we no longer want to focus exclusively on these sectors.

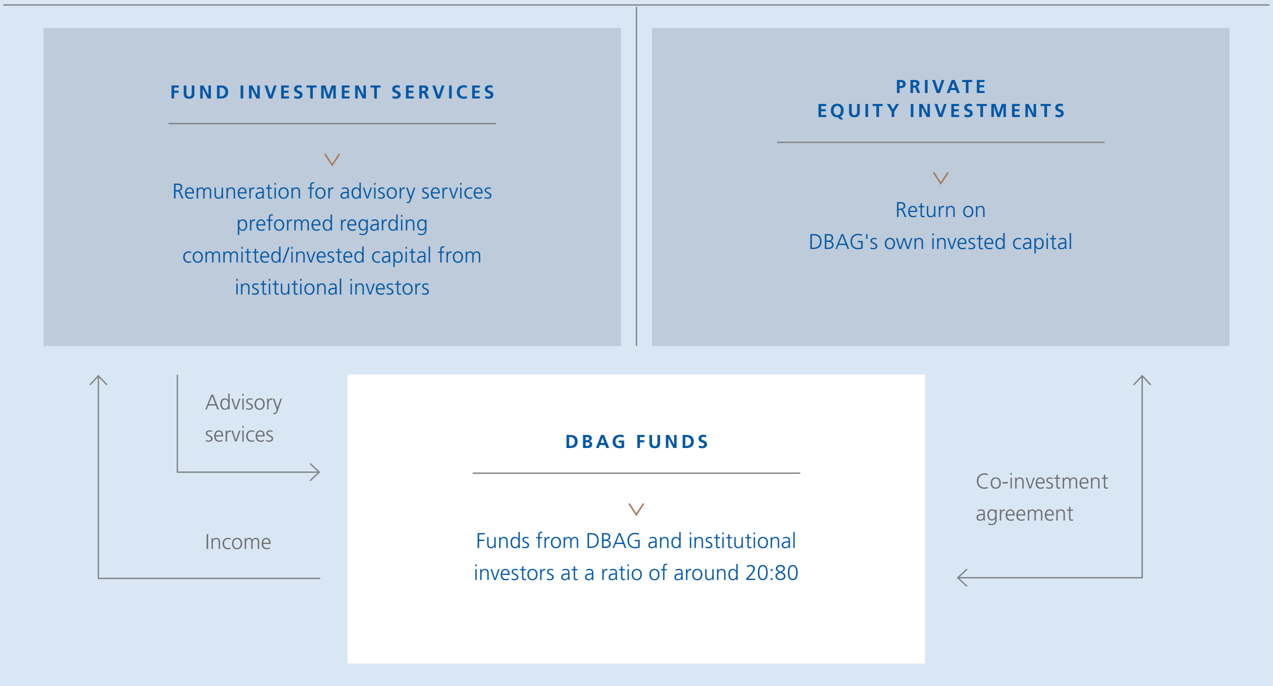
Why is that?

Our success over the past fifteen years has significantly increased the size of the funds we advise. The size of the market for equity investments, on the other hand, is finite. That's why we are now also taking a targeted look at business models outside the industrial sector. We make plans for the long term: before exploring new avenues, we perform a very careful assessment and establish a network of professionals with experience in the sector concerned.

So this isn't a new development?

No, not at all. The eleven investments made by DBAG Fund V all came from our traditional core sectors. In DBAG Fund VI, this now only applies to seven out of eleven investments. One of the "new business models" was Schülerhilfe, a company that we acquired in 2013: after a holding period of just under four years, we sold the tuition company, in an exceptionally successful transaction. And DBAG ECF has invested outside of our core sectors in five out of the six most recent transactions.

THE DBAG BUSINESS MODEL



And now you're adding digital business models to the portfolio?

Recently, we have been witnessing an increasing number of companies with digital business models on our market, operating in areas such as software, IT services and also e-commerce. These companies have often been sold at high prices. They also, however, offer considerable growth opportunities, for example due to the digitalisation of traditional business models or the trend towards companies shifting their own server and data centre capacities to the cloud. These companies can no longer be classed as start-ups. We have identified IT services and software as particularly attractive sub-segments.

duagon is a good example of how traditional business models are being digitalised: the company intends to use a major corporate acquisition to create a leading provider of solutions for data processing and communication in railway vehicles – digital solutions for products of the Old Economy.

DBAG has also had a stake in the fibre-optic sector for a number of years now. What sort of prospects do you expect to see in this sector?

In order to achieve digitalisation across the board, the right infrastructure is an absolute must. We first invested in high-speed Internet infrastructure providers more than five years ago. With the help of additional equity provided by us as real growth capital, these companies can make rapid investments in expansion so as to establish themselves on key markets. We have expanded our network in this sector, giving us access to further investment opportunities and resulting in us structuring three further MBOs since 2017.

What about investments in non-German-speaking countries?

While we are also open to attractive investment opportunities outside of the German-speaking world, this only applies to companies in our core sectors. This gives us an opportunity to make even broader use of the excellent understanding that our investment team has of the business models in our core sectors.

Much more return-seeking capital has been flowing into the private equity sector lately. Are there any transactions available at attractive prices at all these days?

It all depends on how you define "attractive". There is no doubt that prices have risen in recent years – as have share prices. Our market has also matured.

We therefore concentrate on understanding as early as possible where a company's development potential lies, and what can be done to tap into it. That's what "attractive" means for us.

The same answer that any of your competitors would give …

We have organised our team and our business processes to reflect this. This is why Deutsche Beteiligungs AG has been the most active private equity company in the German mid-market sector over the last ten years. We structured an impressive seven buyouts in 2017/2018. In five of these transactions, our partners were the company founders. DBAG obviously has something that other private equity companies don't.

What do you mean by that?

The achievements of entrepreneurs and employees in mid-market companies are something that really inspires us. In the past financial year, much of our business has involved interacting with company founders. Each one of them has a different personality. But they all have one objective in common: they want the new shareholder to develop "their" company in the best way possible and at the same time at least preserve what the founder has achieved to date. I think that we can often score points with our understanding of the business model concerned, since we get competent experts who are either working in the relevant sector themselves, or have gained management experience there, on board early on. This helps us to quickly get to grips with complex matters and to come across as a competent partner.

How do you then go about tapping into a company's development potential?

We can look back on numerous examples of healthy and successful development within our portfolio companies. These success stories are visible to the market thanks to the transparency that we offer ourselves as a listed company, which creates trust. Entrepreneurs can see how we define partnership and put it into practice.

What does that mean specifically?

As soon as we are even in the process of analysing a new investment opportunity, we start preparing for the establishment of our corporate governance system at the potential portfolio company. We seek out experienced entrepreneurial personalities to help us achieve this. They then support the management team of the portfolio companies, who have full responsibility for the operating business, on advisory councils/supervisory boards and act as their strategic sparring partners.

Private equity on the stock market is rather unusual – DBAG invests using funds from its balance sheet; the greater part of the funds comes from closed-end private equity funds. Why does DBAG need the funds?

They increase our capital base. Without the funds, we would not be able to achieve such a broadly diversified portfolio with what are now 27 investments. None of these investments account for more than six percent of our equity. This ensures broad risk diversification for our company and its shareholders.

We use DBAG ECF to invest in smaller companies, often companies that are experiencing strong growth. DBAG Fund VII is a private equity fund in the conventional sense, with a fund volume of one billion euros – the largest ever initiated by a German private equity company. The investors in our funds, who are predominantly international investors, come to us because we give them better access to the German mid-market segment that they would get by buying shares on the stock market.

And the investors clearly seem to keep coming back …

Around 90 percent of the funds for DBAG ECF II come from existing investors. The proportion of funds supplied by investors who are, or have been, invested in two or more DBAG funds is almost just as high. Success is a good argument. On average, we have generated more than 2.5 times the original capital invested. This lays the foundation for growth: we currently have assets under management and advisement totalling around 1.8 billion euros; ten years ago, this figure was half the size.

What is more, the funds pay us to find investment opportunities that will support companies in their development, and then to organise the disposal later down the line. This creates a steady stream of income that is easy to plan. This income covers DBAG's costs and also ensures a regular surplus – this increases the appeal of our shares.

When is the next fund coming?

That depends on a number of factors. The degree of investment is, of course, a key aspect. When a fund is more than 50 percent invested, that's normally when you start thinking about a successor fund.

The closed-end funds have a term of ten years, meaning that your investments are made for a limited period of time. Doesn't that work to your disadvantage when negotiating with entrepreneurs?

It's true that situations sometimes arise in which someone who is currently the owner of a company is seeking a long-term partner. We can offer DBAG ECF, which embarks on a new ten-year term every two years, in situations like these. This allows us to offer an investment term of eight years or more.

Our balance sheet isn't aware of any such limits. Equity investments made exclusively from DBAG's balance sheet would be one way of broadening the scope of our investments. But co-investing alongside a closed-end private equity fund is and remains the core element of our offering.

In 2016, you raised additional equity from your shareholders. How has DBAG developed since then?

At the time, DBAG had a net asset value of just under 390 million euros. Although we have since distributed almost 40 million euros to our shareholders, the net asset value has risen to more than 475 million euros, an increase of one third in two years all in all. We set the course for growth back in 2016 and went on to structure twelve MBOs in 2017 and 2018. Since the capital increase, the investment team has made investments accounting for a volume of more than 650 million euros. The DBAG balance sheet accounts for 150 million euros of this amount – significantly more than in the past.

Our current portfolio is young: more than half of our acquisition costs relate to investments made over the last two years. This is another high value in a historical comparison. These investments will form the basis for a further increase in DBAG's portfolio value and, as a result, in the value of the Company itself.

What are the next steps?

First of all, these figures clearly show that we have delivered on our growth promise. We have also benefited from favourable overall conditions in the process. In addition, our Company has undergone extensive internal development. Our processes are even more efficient and our decision-making processes are even quicker. We have worked hard on our market presence.

So, all in all, this creates a positive environment for ongoing investment and, as a result, for increases in value and further growth. The overall conditions, however, have deteriorated in general lately. This could hinder both our investment progress and the financial performance of our portfolio companies.

We currently expect the net asset value to increase by an average of around 10 percent in this financial year and in the next two financial years – with distributions that are at least on a par with the current amount.

THE DBAG INVESTMENT STRATEGY

MARKET SEGMENT

We invest in mid-market companies that generate revenues of between 20 million and 500 million euros a year. There are almost 9,000 companies in this category in Germany.

INVESTMENT SIZE

Depending on the transaction, we invest between ten million and 200 million euros in equity with our funds. This allows us to cover a significant part of the German M&A market that is accessible for private equity investments.

INVESTMENT APPROACH

We focus on companies that have dynamic management teams, enjoy a strong market position and offer development potential.

SECTORS

We are primarily interested in industrial business models. We can find such models in our core sectors and in selected other sectors.

REGIONS

We concentrate on the German-speaking world. We also invest in well-positioned mid-market companies beyond Germany's borders if they come from our core sectors.

FUND INVESTMENT SERVICES

Experience is everything.

The business segment of Fund Investment Services bundles the advisory services provided by the investment team of Deutsche Beteiligungs AG to the DBAG funds. In return for these services, DBAG receives volume-related remuneration that is easy to plan for. The basis for fee income declines along with disposals during a fund’s disinvestment phase; it increases when a new fund is initiated and can be closed. DBAG receives additional fees on the basis of individual transactions for the advice it provides to DBAG ECF.

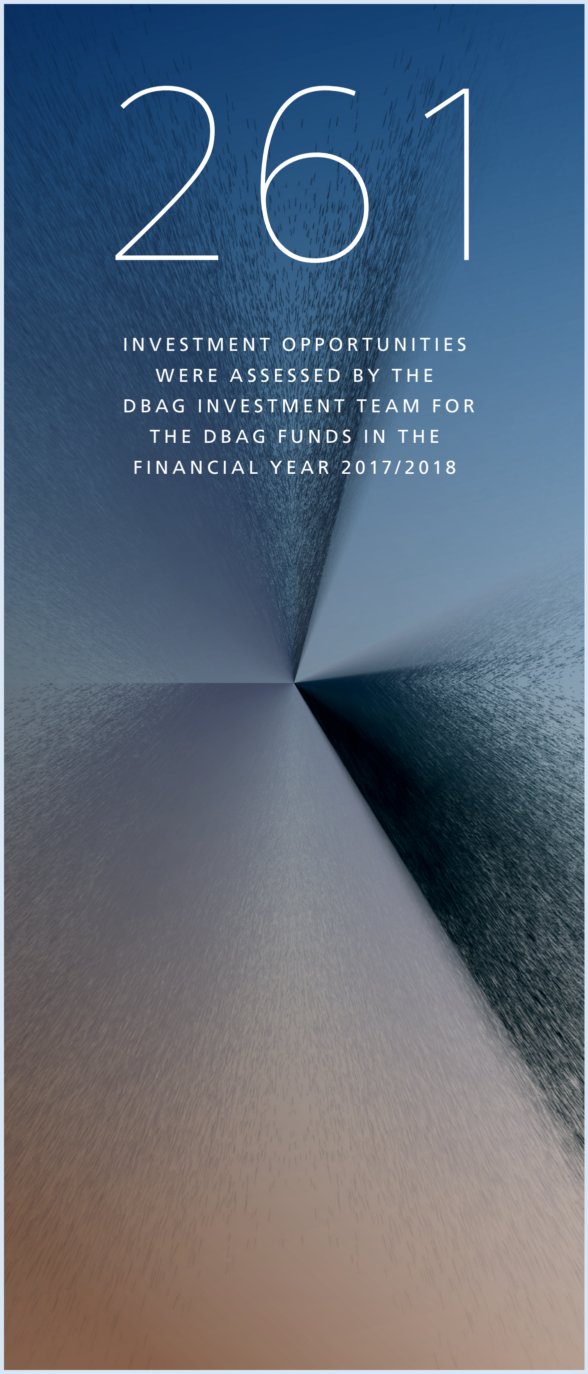
THE DBAG INVESTMENT TEAM

The members of the investment team are the key to success in the Fund Investment Services business: they prepare investment decisions, support portfolio companies and advise the funds on the sale of investments.

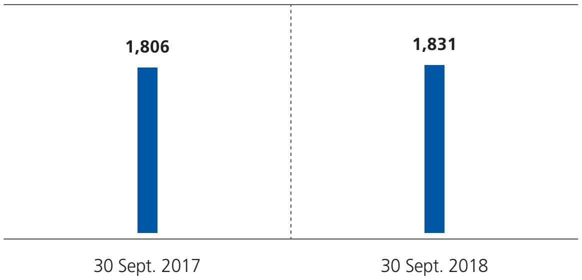
24 MEMBERS
make up the investment team, including two members of the Board of Management who are directly involved in the transaction business

9 YEARS
is the average length of service of investment team members at DBAG

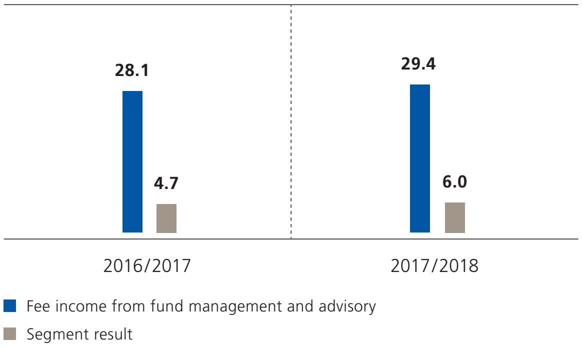
265 YEARS
of experience have the investment team members combined in the private equity business



ASSETS UNDER MANAGEMENT AND ADVISEMENT
€mn



INCOME AND EARNINGS OF FUND INVESTMENT SERVICES
€mn



DEVELOPMENTS IN 2017/2018

- Assets under management or advisement increased slightly due to the capital commitments raised for the second new investment period of DBAG ECF.
- DBAG's outstanding capital commitments and financial resources declined in line with the investment activity in the financial year 2017/2018.
- As investment activity progresses, outstanding capital commitments will continue to decline until a new fund is launched; they will also decline due to advisory and management expenses.

OUTLOOK

DBAG Fund VII is currently in its investment phase; more than half of the committed funds were invested at 30 September 2018. DBAG ECF is now in its second new investment phase. This means that assets under management or advisement have reached a peak for the time being. Assets can only increase if a new fund is launched or following very successful disposals, which increase DBAG's financial resources considerably.

DEVELOPMENTS IN 2017/2018

- Income from DBAG Fund VII was collected for the full year for the first time; in the previous year, income was only collected for around nine months.
- DBAG also received transaction-related remuneration from DBAG ECF for the first time in the financial year 2017/2018.
- Following the disposals made in previous years, DBAG received significantly lower income from DBAG Fund V (0.6 million euros, as against 2.6 million euros in the previous year) and DBAG Fund VI (9.7 million euros, as against 11.3 million euros in the previous year).
- Net expenses under other income/expenses are virtually unchanged in a year-on-year comparison.

OUTLOOK

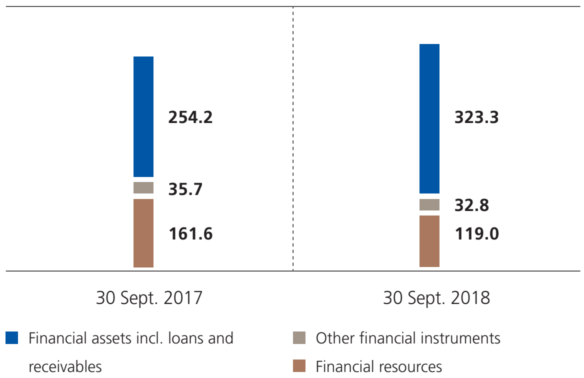
Due to the investment progress made by DBAG ECF, we expect slightly higher fee income from Fund Investment Services in the current financial year 2018/2019 in a year-on-year comparison. This is because we receive remuneration for this fund on the basis of the capital invested. We are expecting a follow-on fund for DBAG Fund VII by 2020/2021, and will then expect higher assets under advisement and significantly higher fee income from Fund Investment Services than in the current financial year 2018/2019. Taking into account the costs for possible fundraising activity, we expect to see earnings drop considerably in the Fund Investment Services segment in 2018/2019.

PRIVATE EQUITY INVESTMENTS

Working together towards success.

The Private Equity Investments segment comprises the investments in mid-market companies that Deutsche Beteiligungs AG makes alongside the DBAG funds. This results in the key influential factor for DBAG's net income: the net result of investment activity. It is determined by the performance of the existing portfolio and proceeds from the disposal of investments.

NET ASSET VALUE
€mn



BRISK INVESTMENT ACTIVITY

In the financial year 2017/2018, DBAG made five new investments alongside the DBAG funds and supported three acquisitions made by portfolio companies by providing additional equity capital.

85.1 MILLION EUROS
DBAG has invested in its portfolio

16.7 MILLION EUROS
is cumulative fair value of disposals from portfolio

29.2 MILLION EUROS
is total increase in value of carried portfolio

DEVELOPMENTS IN 2017/2018

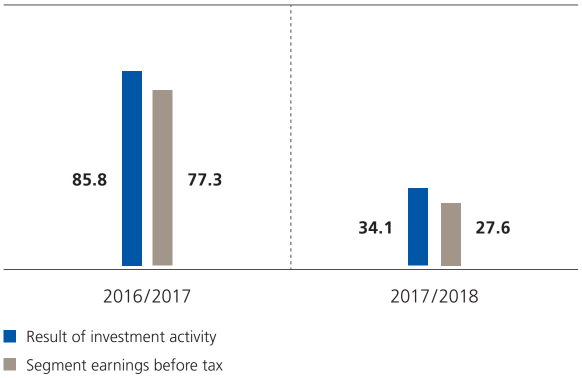
- Net asset value rose by 5.2 percent in the financial year 2017/2018 to 475.1 million euros, despite a dividend payment of 21.1 million euros; after adjustments to reflect the distribution, the increase came to 10.4 percent.
- The increase is attributable to investments of 85.1 million euros and value growth of the carried portfolio amounting to 29.2 million euros.
- Financial resources declined by 26.4 percent as a result of DBAG's investment activities; this decline was more than offset by the increase in portfolio value.

OUTLOOK

We expect to see a slight increase in net asset value in the financial year 2018/2019. Continued moderate growth is expected over the next two financial years. We have taken our dividend policy and the associated fund outflows into account in this forecast. Net asset value could be negatively impacted by a drastic decline in inputs for the portfolio valuation, for example due to a corresponding change in the valuation ratios in the stock market.

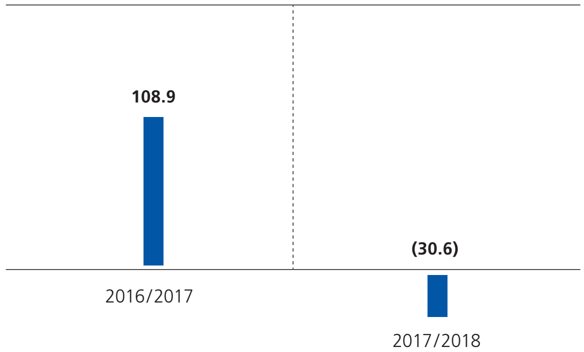
EARNINGS AND RESULT OF PRIVATE EQUITY INVESTMENTS

€mn



CASHFLOW PORTFOLIO

€mn



DEVELOPMENTS IN 2017/2018

- As expected, the net result of investment activity and the result achieved by the Private Equity Investments segment were significantly lower than in the previous year; in the financial year 2016/2017, a total of six disposals – including three that were particularly successful – allowed the Company to achieve the highest result since the introduction of IFRS reporting.
- The net result of investment activity in the financial year 2017/2018 was largely influenced by the development in the value of the carried portfolio.
- Carried interest entitlements of the investment team predominantly resulting from investments made by DBAG Fund VI and DBAG ECF reduced the net result of investment activity by a total of 7.8 million euros.

OUTLOOK

The net result of investment activity can fluctuate considerably from year to year, as is typical given the nature of the business. Over the past five years, it reached values of between 29.2 and 85.8 million euros; this corresponds to an average value of 51.9 million euros. In the current financial year 2018/2019, we expect the net result of investment activity to be moderately lower than this average value. In 2018/2019, earnings before tax are expected to be moderately lower than the five-year average of 44.5 million euros; in the following two years, they will be significantly above the forecast for the current financial year. Our projections are based on stable capital market conditions in general.

DEVELOPMENTS IN 2017/2018

- As was to be expected, returns from the portfolio in 2017/2018 were significantly lower than in the previous year, totalling 66.8 million euros.
- Payments for capital calls used for investments in existing and new portfolio companies amounted to 97.5 million euros, slightly higher than in the previous year.
- The highly volatile nature of cash flow from the portfolio is typical of our business model.
- One out of the seven investments agreed in the financial year and one existing investment are currently still (partly) financed in the interim by short-term loans granted to investment entity subsidiaries.

OUTLOOK

We also expect to receive fund inflows from the disposal of investments and to pursue recapitalisation measures in 2018/2019, and expect to see a significant increase in the number of disposals as against the previous financial year. The co-investment agreements with DBAG ECF and DBAG Fund VII will produce an average annual investment amount of around 94 million euros over the next three years; we project that the investment volume in 2018/2019 will be higher than this amount, at around 112 million euros. All in all, we expect to see negative cash flow from the portfolio.

INVESTMENT OPPORTUNITIES FOR GLOBAL INVESTORS

The economic landscape is currently changing at an exceptionally fast pace. This is opening up interesting investment opportunities. Established industries are changing and new sectors are starting to play more of a role. We can make use of these opportunities thanks to our network and experience – and often even enjoy exclusive access to them. This allows us to create value for our shareholders and for fund investors across the globe. Just under 80 percent of our funds now come from other European countries, Asia and the US, with around half originating from pension funds, foundations and family offices.

23

PERCENT OF CAPITAL COMMITMENTS COME FROM NORTH AMERICA

65

PERCENT OF CAPITAL COMMITMENTS COME FROM EUROPE

12

PERCENT OF CAPITAL COMMITMENTS COME FROM ASIA

We focus in particular on industrial business models. We boast particular expertise in the mechanical and plant engineering sector (top: Frimo) and the automotive supply industry (bottom: Dieter Braun), as well as in the consumer goods industry (centre: More than Meals).

LAYING THE FOUNDATION FOR A PROMISING PORTFOLIO

INVESTING IN ATTRACTIVE BUSINESS MODELS

We are particularly well-acquainted with the industrial sector. In addition, we make investments in other industries: we are inspired by business models that offer development potential, for example thanks to high scalability, inorganic growth or geographical expansion. Within a short period of time, for example, we were very successful in advancing progress at the tuition company Schülerhilfe, selling the investment after only four years. Since July 2018, we have also been supporting the estate agent von Poll Immobilien in its expansion outside of the Germany, Austria and Switzerland region. Telio is expanding its telecommunications offering to include prisons and is using company acquisitions to enter other national markets.

DIVERSIFYING OUR SECTOR EXPERTISE

Beyond the four industrial core sectors, we have now transferred our expertise to other sectors, allowing us to considerably expand our investment opportunities. Consequently, we can offer shareholders and fund investors the opportunity to benefit from what are often above-average growth opportunities in new markets such as media and telecommunications.

MORE EFFICIENT BUSINESS PROCESSES

We have continuously refined our business processes over the past few years through standardisation. This has made our processes significantly quicker while ensuring that they remain as reliable as ever. In the meantime, we have been able to realise several challenging transactions at the same time. Our increased efficiency boosts our competitiveness. This allows us to tap into additional value-adding potential for our shareholders and fund investors.

GOOD ACCESS TO INVESTMENT OPPORTUNITIES

In addition to participating in auctions, we also have direct access to potential portfolio companies through our strong network of experienced industry experts. 13 out of 27 of our current investments can be traced back to our own network; transactions involving smaller equity investments, in particular, are negotiated and agreed outside of the cumbersome auction environment.

THE CURRENT
DBAG PORTFOLIO

The range of sectors is growing in tandem with the portfolio volume.

REVENUE GROWTH: 13.4 PERCENT

The 22 companies that were already in our portfolio at the beginning of the financial year and were not sold increased their revenues substantially. More than two-thirds of this increase was achieved using organic sources, but also by way of company acquisitions.

EBITDA GROWTH: 18.1 PERCENT

The 22 companies that were already in our portfolio at the beginning of the financial year and were not sold increased their EBITDA significantly; inorganic growth contributed less than one third to this trend.

DEBT: 3.1 TIMES EBITDA

Our portfolio companies have a sustainable capital structure based on the cash flow profile. They have debt corresponding to 3.1 times the current EBITDA on average. Twenty-five investments are included in this calculation.

VALUATION: 7.8 TIMES EBITDA

Our portfolio is characterised by a moderate valuation: 21 of the 27 portfolio companies were included in the valuation – the new/sold investments are not included.

PORTFOLIO COMPANIES

START OF INVESTMENT

2012
Heytex
PSS

2013
DNS:Net
inexio

2014
Infiana
Pfaudler
Unser Heimatbäcker

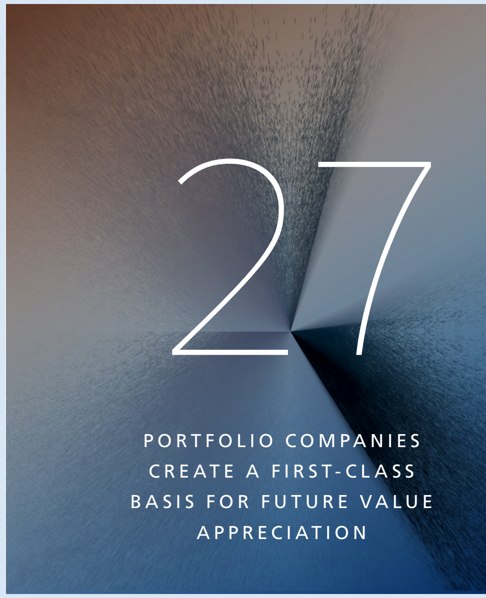
2015
Gienanth
JCK*
Novopress
Oechsler

2016
Frimo
mageba
Polytech
Rheinhold & Mahla
Telio

2017
Dieter Braun
duagon
More than Meals
vitronet

2018
BTV Multimedia
Karl Eugen Fischer
netzkontor nord
Sjølund
von Poll Immobilien

FLS
Kraft & Bauer
Radiologie-Gruppe



> INVEST

INVESTEMENTS SINCE START OF INVESTMENT

DBAG FUNDS

1,251

€MN

THEREOF DBAG SHARE

250.0

€MN

* A stake in JCK Holding GmbH Textil KG that was originally acquired in 1992 was substantially increased in 2015.

The information shown on pages 14 to 17 includes the following transactions that were agreed in financial year 2017/2018 but had not yet been completed at the reporting date: sale of Cleanpart, investments in FLS and Kraft & Bauer. The management buyout of the radiology group was agreed in financial year 2016/2017 but has not yet been completed.

CHANGES IN DBAG'S PORTFOLIO IN THE REPORTING YEAR

> INVEST

BTV Multimedia
Karl Eugen Fischer
netzkontor nord
Sjølund
von Poll Immobilien

FLS
Kraft & Bauer

SEVEN NEW INVESTMENTS AGREED IN THE REPORTING YEAR

In financial year 2017/2018, our investment team filtered seven particularly promising investment opportunities out of more than 250. This resulted in us making investments totalling more than 300 million euros.

Five of the transactions became effective before the financial year was over, with two taking effect after the reporting date. We supported two MBOs in our core industrial components sector and one in another core sector, namely in the mechanical and plant engineering sector.

In addition, we invested in two companies operating in the field of fibre-optic based network infrastructure, as well as in a software company and in an estate agent.

> DEVELOP

duagon
Gienanth
netzkontor nord
Pfaudler
Polytech
Sjølund
Telio
vitronet

PORTFOLIO COMPANIES IMPLEMENT STRATEGIC PLANS

Our portfolio companies developed in a variety of ways in 2017/2018.

Five companies made a total of eight acquisitions, while two companies merged with others.

This allowed the companies in question to forge ahead with their geographical expansion, the broadening of their product range or active sector consolidation. This not only leverages value-adding potential, but also ensures that the companies will remain well positioned beyond the duration of our investment.

The portfolio companies financed three out of the eight acquisitions using their own funds, while the other acquisitions were enabled by the funds, with DBAG also providing additional equity.

> REALISE

Silbitz

Cleanpart

SUBDUED DISPOSAL ACTIVITY: CONSIDERABLE POTENTIAL FOR VALUE APPRECIATION

The management teams at our portfolio companies implement their development plans on an ongoing basis. After the very high number of disposals in the previous financial year, we only sold one company (Cleanpart) completely in 2017/2018; the transaction only took effect after the reporting date.

A partial sale was also made: while DBAG Fund VI continues to hold the majority of the shares in Silbitz Group GmbH, we were able to give the foundry a strategic advantage by allowing Sistema Finance S.A. to acquire a stake, since the new co-owner can contribute good business connections in Russia and its neighbouring countries.

> INVEST

INVESTMENTS IN THE REPORTING YEAR

DBAG FUNDS

218.9 €MN

THEREOF DBAG SHARE

65.8 €MN

> DEVELOP

INVESTMENTS IN THE REPORTING YEAR

DBAG FUNDS

88.3 €MN

THEREOF DBAG SHARE

19.3 €MN

> REALISE

PROCEEDS FROM DISPOSALS IN THE REPORTING YEAR

DBAG FUNDS

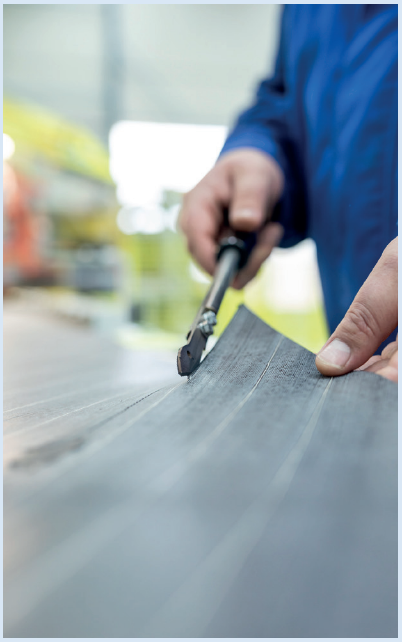
136.1 €MN

THEREOF DBAG SHARE

25.5 €MN

INVESTMENTS FROM THE CORE SECTORS DOMINATE THE PORTFOLIO

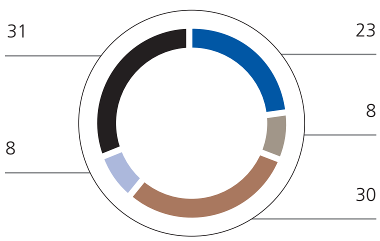
Investments in mechanical and plant engineering, in automotive suppliers and in companies that produce industrial components or offer services for industrial companies – this has been the cornerstone of DBAG's business for decades.



Karl Eugen Fischer manufactures machines that produce steel cord, the supporting structure of a tyre. So that the material can be cut cleanly, the cutting knife is heated.

PORTFOLIO VALUE BY SECTOR

% at 30 September 2018



- Mechanical and plant engineering
- Automotive supplier
- Industrial components
- Industrial services
- Industrial business models in other sectors: In particular consumer goods, information technology, media and telecommunications, real estate, medicine

A few years ago, we started making targeted investments outside our core sectors. After a period of five years, these companies now account for almost one third of the portfolio value. This means that we have considerably broadened our investment universe in a short space of time. This approach has paid off: the performance of companies outside our core sectors is no less impressive than that of our investments in traditional sectors.

Two new investments are good examples of the sort of business models that are attractive to us:

KARL EUGEN FISCHER

Karl Eugen Fischer is to the tyre industry what "Kleenex" is to users of paper tissues: the company's "Fischeranlage" has become a generic name for steel cord cutting machines. These steel wire and fabric layers, which are mainly coated with rubber (known as calendered cord material), are used for the tyre's supporting structure – its carcasses and belts. These give the tyre shape and driving stability. Nine out of the world's ten most successful tyre manufacturers rely on the machines produced by the company, which has a global market share of around 70 percent. Karl Eugen Fischer has been working with its customers to develop the machines for decades and is the preferred supplier for countless manufacturers. The company's outstanding technological position provides a solid foundation for further growth.

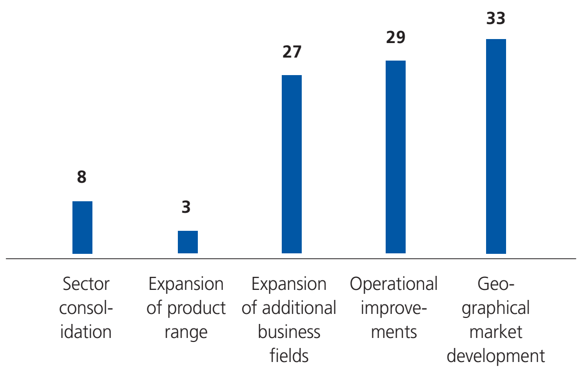
FLS

Not everything that the FLS software is capable of can be measured in key indicators: there's the smile on a customer's face when the food for their cooking party is delivered on time. Or the steady pulse of the dispatchers, who know that their service staff are on their way to the job site without any delay. Some things, on the other hand, can be measured in figures: increasing customer satisfaction, for example, or reduced travel expenses. FLS develops and distributes software that enables energy suppliers, industrial companies, financial service providers and commercial and real estate companies to plan and optimise their schedules and route planning for their field service employees and delivery vehicles. A heuristic algorithm that works using real-time data makes it possible to find solutions to planning tasks while taking account of a large number of influential factors. The business model is a response to growing expectations in ordering and delivery processes and traffic conditions that are almost impossible to predict. The market for optimisation software in this kind of environment is expanding at rates that are well into double digits, not least driven by the growth in e-commerce.

The product portfolio of Sjølund includes components for wind power plants.

PORTFOLIO VALUE BY VALUE APPRECIATION METHOD

% at 30 September 2018



As a private equity company, we support companies in their further development. The approaches we use to achieve value appreciation are systematic: the most important value lever is the company's strategic focus. The management teams of the portfolio companies usually have more than one approach at their disposal when it comes to refining this focus. The expansion of the product portfolio, geographical market development by way of international expansion and the expansion of the service business, accelerated by making company acquisitions and also with the aim of sector consolidation, are other possible methods for achieving value appreciation. Operational improvements can be achieved, for example, by optimising production processes. We use extensive compliance and sustainability standards, as well as KPI-based reporting, to improve corporate governance.

Two investments are testimony to the diversity of the available value-adding methods:

SJØLUND

To date, the Danish company has focused on wind power and the railway industry. It manufactures complex bent aluminium and steel components that are often relevant from a safety perspective for applications in these industries – always in line with the customer's specific requirements. The company's sales markets are expected to show significant growth over the next few years. Sjølund aims to grow in tandem with these markets and expand internationally – both through organic development and through acquisitions. The plan is to expand the company's business with existing customers in high-growth markets such as China and the US. In the future, the Chinese production site is also to produce components for wind power plants. The company also plans to achieve strategic development by restructuring its sales activities to focus more on the highly profitable mechanical engineering sector. A few months after the start of the investment, the acquisition of a site in Estonia opened up additional low-cost production capacities.

NETZKONTOR NORD

The fast-growing market for broadband connections offers a particular wealth of opportunities. Private equity companies provide the capital required to allow companies to actually exploit these opportunities. netzkontor nord already agreed two company acquisitions in the first DBAG year, allowing it to push ahead with its geographical expansion and the diversification of its customer base. The product portfolio is also becoming more diverse. Company acquisitions like these are a key value-adding approach pursued by private equity companies. As a result, DBAG and DBAG ECF have made additional equity available. This will allow the company, which used to be owned exclusively by its two founders, to grow and become an active consolidator in this attractive market.

Using this QR code or at www.dbag.com/portfolio you will find information on the current portfolio and further details, such as the companies' revenues and number of employees, or the exact names of the investing DBAG funds.

The DBAG share: three-fold identity of interest

Our creative and highly motivated employees boast a combined total of more than 250 years of investment experience. Their success is the prerequisite for our ability to achieve sustainable increases in assets under management and advisement and, as a result, to achieve sustainable increases in fee income from fund management and advisory services. As Deutsche Beteiligungs AG makes co-investments alongside the DBAG funds, the success achieved by our investment team also benefits our shareholders directly. The team members invest their own money in parallel with the funds and DBAG. This creates a three-fold identity of interest between our shareholders, our fund investors and our investment team.

BUSINESS MODEL AND EQUITY STORY

REAP TWICE THE BENEFITS FROM THE POTENTIAL OFFERED BY THE PRIVATE EQUITY BUSINESS WITH DBAG SHARES

The analyst estimates that we become aware of are documented on a regular basis and in a timely manner on our website under investor relations/shares/analysts' ratings.

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, at the same time, the opportunity to participate in the performance of a portfolio of top-performing mid-sized companies that are not listed themselves. At these companies, private equity opens up potential that they would not have been able to tap into without the additional funds. This benefits both the companies themselves and DBAG's shareholders. Sometimes – as in the past year – the implementation of planned measures has to be postponed, or the measures themselves have to be adjusted; this is also part of our business model. It is in situations like these, however, that our decades of experience in supporting change processes become all the more important. At the same time, we are continuously rejuvenating the portfolio thanks to our brisk investment activity. The portfolio currently comprises 27 companies, most of which are still in the very early days of realising their value-adding potential.

INTENSIVE AND OPEN DIALOGUE – THE CORNERSTONES OF DBAG'S INVESTOR RELATIONS WORK

DBAG is a member of
www.dai.de
www.bvkap.de
www.dirk.org
www.investoreurope.eu
www.lpec.com

We discuss the appeal of our business model, the development potential offered by our portfolio companies and their current developments with investors and financial analysts on an ongoing basis. If – as in the past financial year – our earnings development takes a trajectory that is not quite as straightforward as we would like it to be, or if extraordinary events, such as the identification of an error by the German Federal Financial Supervisory Authority (BaFin), need to be communicated, then regular dialogue with investors and financial analysts is all the more important. In line with this approach, we spent 20 days on the road in the past financial year and spoke to 70 companies in six European countries. The presentations can be accessed on our website.

In our investor relations work, we also make the most of investor contacts that we have established ourselves. This is our way of reflecting the changes that have come about in the relationship between companies and the financial community as a result of the Markets in Financial Instruments Directive (MiFID II). In preparation for the consequences of the Directive, we issued another bank, Kepler Cheuvreux, with a mandate for capital market services in November 2017. This means that five banks now cover our shares by publishing regular assessments. In addition, we have engaged a further bank and two research companies to prepare analyses on our shares. In their most recent studies, they make a clear distinction between the temporary earnings fluctuations that can occur in our business model and its long-term chances of success.

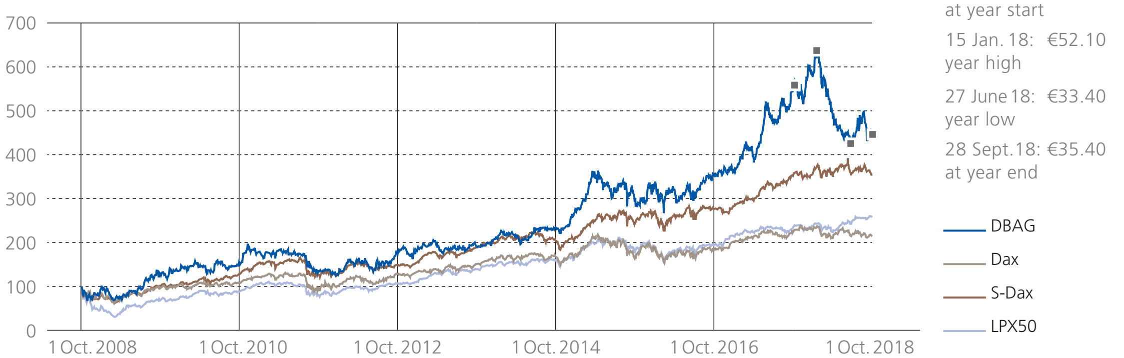
Our clear commitment to investor relations work continues to be met with a positive response on the market. In September 2018, Deutsche Beteiligungs AG was named the best capital market communicator among all S-Dax companies in the "Investors' Darling 2018" competition held by the Leipzig Graduate School of Management and the magazine *manager magazin* – for the third time running, after 2015 and 2016. In a comparison of all 160 companies listed on the Dax, M-Dax, S-Dax and TecDax, DBAG ranks 20th in the competition, outperforming more than half of all Dax companies.

SHARE PRICE AND DIVIDEND PERFORMANCE

BELOW-AVERAGE SHARE PRICE PERFORMANCE IN THE FINANCIAL YEAR 2017/2018

PERFORMANCE OF DBAG SHARES AND BENCHMARK INDICES

(1 October 2008 – 30 September 2018, indexed to: 1 October 2008 = 100)



At the start of the past financial year, our shares continued with the strong performance witnessed in the previous year. From mid-January onwards, increasing concerns among market participants that the economy could slow down, and that capital market multiples could weaken, then put pressure on our share price. In addition, we often observe a weaker share price trend around the time of our Annual Meeting and the subsequent dividend payment. As a result, the share price also fell in February of this year, albeit with trading volumes that were, in some cases, unusually high for our shares. This development initially continued, even after the earnings forecast for the current financial year was revised downwards in April 2018.

Despite the somewhat delayed increase in the value of some of our portfolio companies, others have made good progress in implementing their change processes. We have released a considerable investment volume of more than 300 million euros for these processes, as well as for the structuring of a whole series of new transactions. Towards the end of the financial year, investors started to focus more on the potential resulting from these measures again, meaning that the share price performance ended up on a volatile sideways trajectory.

This means that, all in all, our shares underperformed key benchmark indices in the reporting year. As the table below shows, however, their performance still clearly outperforms that of the indices, in some cases significantly so, in a longer-term comparison. This underscores the outstanding opportunities that our business offers and shows just what can be achieved by adopting a strategy that thinks ahead.

Master data and key indicators for DBAG's shares, as well as on the development of its liquidity, can be found on our website under investor relations/shares

PERFORMANCE[1] (P.A., %) OVER...

	DBAG shares	Dax	S-Dax	LPX50[2]
1 year (financial year 2017/2018)	(19.8)	(5.1)	(1.0)	9.1
3 years (financial years 2015/2016 to 2017/2018)	8.8	12.5	7.5	12.3
5 years (financial years 2013/2014 to 2017/2018)	18.1	7.4	13.1	13.0
10 years (financial years 2008/2009 to 2017/2018)	16.2	8.0	13.5	10.0

1 Adjusted for dividends
2 Index including the 50 biggest international listed private equity companies in terms of market capitalisation; DBAG shares are included in this index

PROPOSED DISTRIBUTION: DIVIDEND TO RISE TO 1.45 EUROS PER SHARE

Our dividend policy is explained in detail on pages 35f. of the management report

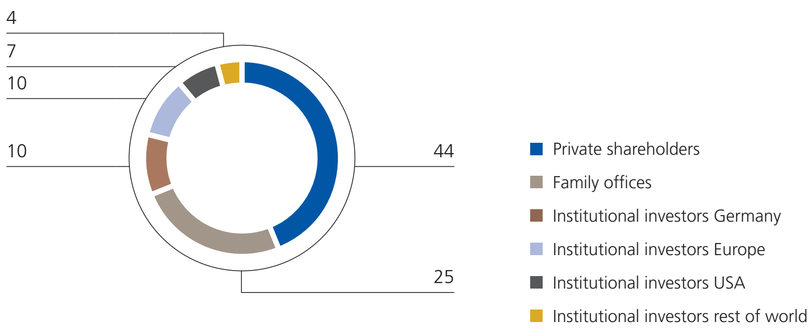
Notwithstanding the results, which are very volatile compared to the previous year, we strive to pay a stable dividend which should grow whenever possible. As a result, the Supervisory Board and the Board of Management recommend paying a dividend of 1.45 euros per share for the financial year 2017/2018, which corresponds to a total of 21.8 million euros. In the previous year, the dividend amounted to 1.40 euros per share. This means that the dividend yield for the reporting year is well above average at more than four percent. At the same time, the retained profit, which most recently amounted to 170 million euros, enabling such a high distribution and a comfortable liquidity situation make it possible to continue paying out such a dividend in the coming years.

SHAREHOLDER PROFILE

HIGHER PROPORTION OF PRIVATE SHAREHOLDERS AND FAMILY OFFICES

SHAREHOLDER PROFILE (AT 30 SEPTEMBER 2018)

%



At 30 September 2018, 44 percent of our shares were held by 16.086 private individuals and shareholder associations. This means that the share attributable this investor group is around three percentage points higher than a year ago. Also the proportion of family offices rose and expended from 23 percent to 25 percent. This also includes the two shareholders that hold more than five percent of the shares: Rossmann Beteiligungs GmbH announced in June 2018 that it held a stake of 15.20 percent. According to a notification dated December 2017, Mr Ricardo Portabella holds a stake of 6.65 percent in DBAG via Taiko SA. These two positions reduce the proportion of shares in free float. According to the voting rights notifications we have received, 78.2 percent of DBAG shares were in free float ownership at the reporting date, as defined by Deutsche Börse. This also includes the share held by the Norwegian state pension fund, which held 3.09 percent of voting rights in DBAG in June 2018, including re-transfer claims from securities loans.

All-around responsibility – even when investing.

Deutsche Beteiligungs AG is committed to the principles of sustainable corporate behaviour. Taking responsibility for the impact that our decisions have on others, both now and in the future, is consistent with the long-term nature of our business – in our investment process, in the development and subsequent disposal of our portfolio companies and in managing our Company. Our focus is on the criteria of corporate governance, business ethics, employment and social affairs and the environment.

CORPORATE GOVERNANCE

COMMITMENT: SUSTAINABILITY POLICY AND GERMAN CORPORATE GOVERNANCE CODE

Development can only be deemed sustainable when it meets the needs of the present while ensuring that the needs of future generations are also met. We have set out our sustainability principles in an Environment Social Governance (ESG) Policy. It addresses both the integration of the Principles for Responsible Investment in our investment process as well as corporate governance issues.

In addition, we have consistently followed nearly all of the recommendations and suggestions of the German Corporate Governance Code since its introduction. Investments in certain sectors and companies, in particular the armament industry, are excluded from the outset, based on our Policy. Moreover, we do not engage in unfriendly takeovers.

CONVICTION AND VALUES THAT GO BEYOND OUR COMPANY

As a company with firmly established ethical and social principles, we attach a great deal of importance to ensuring that our portfolio companies also meet our high standards. Due to the allocation of roles between the portfolio companies and DBAG, we only exert direct influence when selecting an investment. In the due diligence process, we examine opportunities and risks linked to compliance or non-compliance with ESG criteria. During the investment period, we exert an indirect influence by taking offices on advisory councils and supervisory boards. The advisory councils and supervisory boards of our portfolio companies address sustainability issues at least once a year.

The funds managed or advised by DBAG have a contractual obligation to introduce an ESG Policy, which includes regular reporting to the fund investors. This also allows the DBAG funds to take account of the increased demands placed on them by their investors in terms of the sustainability of their investments.

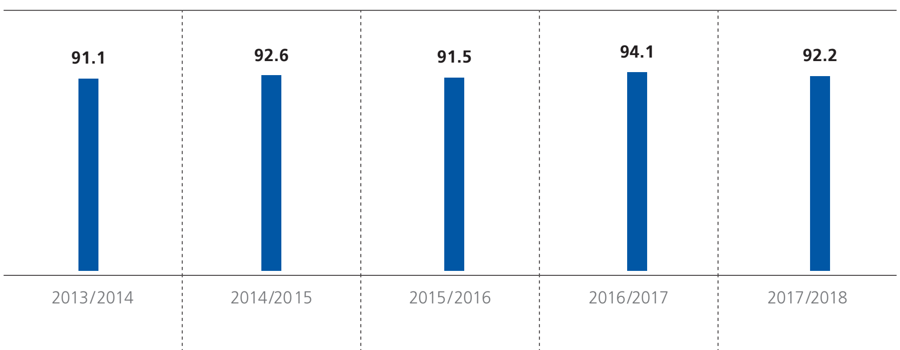
» We are convinced that taking sustainable action is an absolute must for our success as a private equity company. At the same time, sustainability is becoming a more important issue for our stakeholders – and this is having a very tangible impact on our business. For example, we have noticed that investors in our funds expect more exacting standards to be met. And last but not least, potential buyers of our investments also check whether the portfolio company concerned meets their ESG criteria before a takeover. «

SUSTAINABLE FINANCING STRATEGY AS THE BASIS FOR LONG-TERM SUCCESS

Our business activities are geared towards the overarching objective of appreciating the value of DBAG over the long term. The biggest value contribution comes from the Private Equity Investments segment, i.e. from investments in mid-market companies with growth potential that we make alongside the DBAG funds. Our sustainable financing strategy allows us to ensure that DBAG always has sufficient funds to make these co-investments under its own steam. DBAG finances its activities in the long term by way of the stock market and reinvests funds resulting from the disposal of its investments. Other than a credit line in place to temporarily offset irregular cash flows, the strategy does not involve taking out any bank debt. This is reflected in our solid consolidated statement of financial position, with an equity ratio in excess of 90 percent.

EQUITY RATIO OF TOTAL ASSETS

%



BUSINESS ETHICS

EXTENSIVE COMPLIANCE SYSTEM: ZERO TOLERANCE FOR NON-COMPLIANCE

Ensuring that statutory provisions are adhered to within Deutsche Beteiligungs AG itself and in the portfolio companies we lend our support to is an absolute must for us. This is an area in which we pursue a zero tolerance approach. We are strictly against all forms of corruption or other unethical business practices. In order to meet these high compliance standards both within our Company and in our dealings with our portfolio companies, we have introduced a far-reaching compliance system that documents and regulates our obligations. Our objective as a private equity company is not only to ensure that our own employees adhere to defined compliance standards.

Our code of conduct sets out our central values and guiding principles. Our Compliance Guideline sets out detailed regulations and implements provisions on business trips, hospitality,-dealing with gifts and invitations, employee transactions, equal treatment and IT. There are also precise requirements governing the organisation and monitoring of the compliance system – including its enhancement and regular training sessions for employees.

In our investment process, compliance regulations are taken into account in the due diligence process when new investments are evaluated. We have set out clear guidelines on what we expect from the compliance systems established at portfolio companies and do everything in our power to check that these standards are met. In order to ensure we have uniform standards in this area as well, we always work with the same compliance experts when carrying out assessments.

And last but not least, we also use our offices on advisory councils and supervisory boards to support our portfolio companies in promoting the establishment and enhancement of compliance systems within these companies.

THE DBAG COMPLIANCE SYSTEM

COMPLIANCE IN TRANSACTION PROCESS

COMPLIANCE WITHIN DBAG

»100% COMPLIANCE«

EQUAL TREATMENT
IT/DATA SECURITY
EMPLOYEE TRANSACTIONS
GIFTS/PERQUISITES
BUSINESS TRIPS
HOSPITALITY

ORGANISATION
CONTROL
FURTHER DEVELOPMENT
EMPLOYEE INFORMATION

COMPLIANCE IN PORTFOLIO COMPANIES

EMPLOYMENT & SOCIAL AFFAIRS

EMPLOYEES: THE BEST POSSIBLE WORK ENVIRONMENT FOR ALL STAFF

We want to offer all DBAG employees the best possible working environment. After all, we acknowledge that our employees are our most important resource. We put the same amount of emphasis on our culture of respect, openness and flat hierarchies as we do on our professionalism, stable processes and ongoing professional development. Our remuneration system ensures that all employees participate in the Company's success.

In relation to the size of the Company, DBAG invests an above-average amount in training. We had six apprentices working for us at the most recent reporting date; this corresponds to around 9 percent of our workforce.

FOUNDATION: SOCIAL AND CULTURAL COMMITMENT

The charitable foundation "Gemeinnützige Stiftung der Deutschen Beteiligungs AG" forms the basis of DBAG's ongoing social and cultural commitment. It aims to support active and former employees of current and previous portfolio companies and their relatives in times of need. The DBAG foundation also promotes the arts and cultural projects in the greater Frankfurt area.

Gemeinnützige Stiftung der Deutschen Beteiligungs AG

In September 2018, DBAG took part in the Malteser Social Day for the very first time. This nationwide Social Day allows teams of employees from numerous companies to be released from their duties in order to work on projects at social institutions that could not otherwise be realised due to a lack of financial or staff resources. DBAG employees performed renovation work at the Textorschule school in Frankfurt, planted flower beds and built a climbing wall.

ENVIRONMENT

CARBON DISCLOSURE PROJECT: ONGOING REDUCTION IN GREENHOUSE GAS EMISSIONS

DBAG has been involved in the Carbon Disclosure Project (CDP) surveys since 2011. The CDP is a global non-profit organisation that represents major institutional investors. It collects data on company greenhouse gas emissions, among other things, on behalf of institutional investors, which include our Company's shareholders. Participating in the CDP allows us to meet the demands for transparency coming from investors and the general public. The annual survey provides us with a good pool of data to facilitate continuous improvements in our level of CO_2 emissions.

Our business model means that our carbon footprint is relatively small. It is influenced primarily by the operation of our business premises, as well as by the use of company vehicles and by the business trips that our employees make.

COMBINED MANAGEMENT REPORT

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

COMBINED MANAGEMENT REPORT

Business overview

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

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

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

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

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

The Group and underlying conditions

Structure and business activity

Positioning: listed private equity company

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

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

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

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

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

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

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

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

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

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

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

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

Development of DBAG ECF, pages 46ff.

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

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

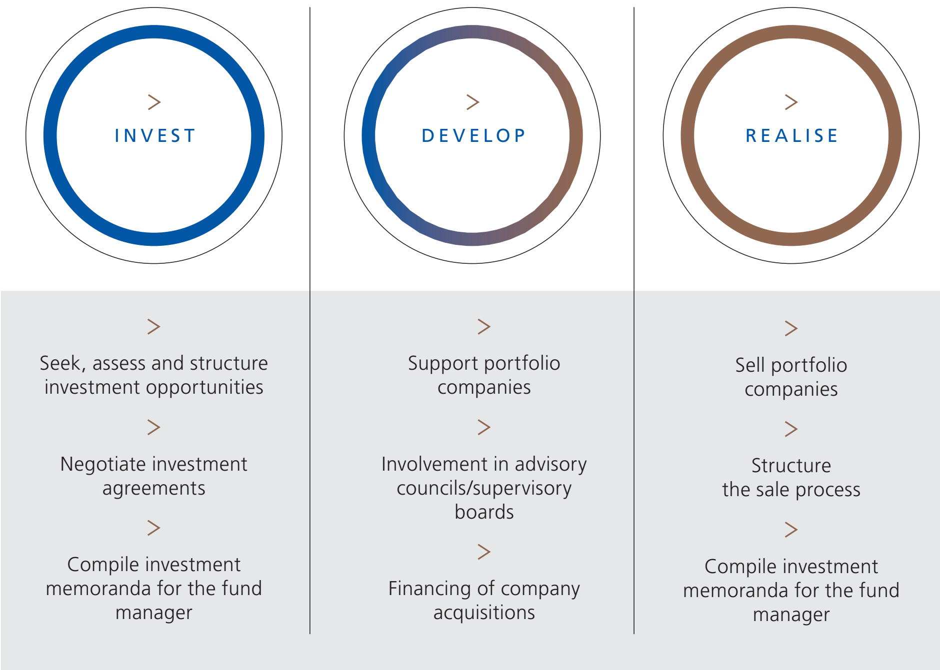
Fund		**Target**	**Start of investment period (vintage)**	**End of investment period**	Size	Thereof DBAG	**Share of DBAG's co-investments**
DBAG Fund IV (in liquidation)	Managed by DBG New Fund Management	Buyouts	September 2002	February 2007	€322mn	€94mn	29%
DBAG Fund V	Managed by DBG Managing Partner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

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

Fund Investment Services business segment

Advisory services provided to DBAG funds are bundled in the Fund

INVESTMENT SERVICES BUSINESS SEGMENT



Advisory services by the investment team

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

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

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

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

Fee income from fund investment services, pages 53ff.

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

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

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

Strong identity of interest and incentives for the investment team

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

Investment team supported by strong network

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

Private Equity Investments business segment

Value creation on investments as a source of income

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

Investment ratios of DBAG to DBAG funds, page 30

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

Investment criteria, page 37f.

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

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

Portfolio profile: predominantly MBOs

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

Details on the portfolio on pages 65ff.

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

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

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

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

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

Objectives and strategy

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

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

Details on the return on equity per share, page 73

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

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

Goal system comprising financial and non-financial objectives

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

OBJECTIVES OF DEUTSCHE BETEILIGUNGS AG

Financial objectives

GENERATE VALUE CONTRIBUTION FROM FUND INVESTMENT SERVICES

BUILD THE VALUE OF PORTFOLIO COMPANIES

HAVE SHAREHOLDERS PARTICIPATE IN OUR SUCCESS WITH STABLE, RISING DIVIDENDS

CORE BUSINESS OBJECTIVE
SUSTAINABLY INCREASE THE VALUE OF DBAG

SUPPORT PROMISING MID-MARKET BUSINESS MODELS

MAINTAIN AND BUILD ON OUR REPUTATION IN PRIVATE EQUITY MARKET

GARNER ESTEEM AS AN ADVISOR OF PRIVATE EQUITY FUNDS

Non-financial objectives

Financial objective: generate value contribution from Fund Investment Services

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

Financial objective: build the value of portfolio companies

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

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

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

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

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

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

Sustainability reporting, page 22

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

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

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

Financial and non-financial performance indicators, page 73

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

Clear investment criteria

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

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

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

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

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

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

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

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

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

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

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

Investment performance as a prerequisite for growth in both business segments

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

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

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

Steering and control

Key performance mark: return on capital employed

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

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

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

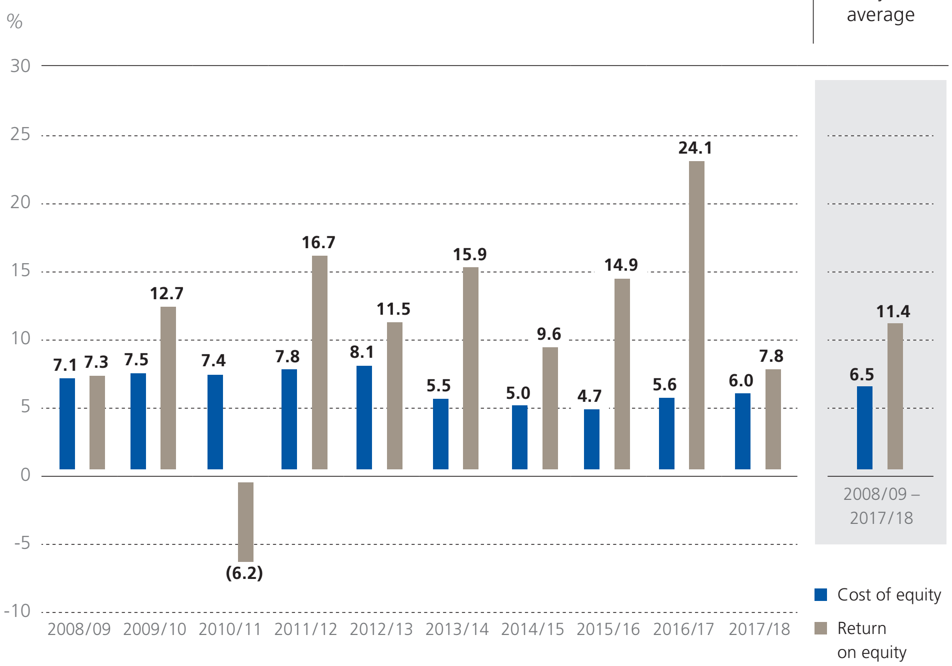
rEK = rf + ß * rM.

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

The market premium used remains unchanged at 7.0 percent.

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

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



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

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

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

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

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

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

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

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

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

Business review of the Group

Macroeconomic and sector-related underlying conditions

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

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

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

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

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

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

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

Financial markets: financing conditions remain positive

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

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

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

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

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

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

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

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

Analysis of earnings sources, pages 56ff.

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

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

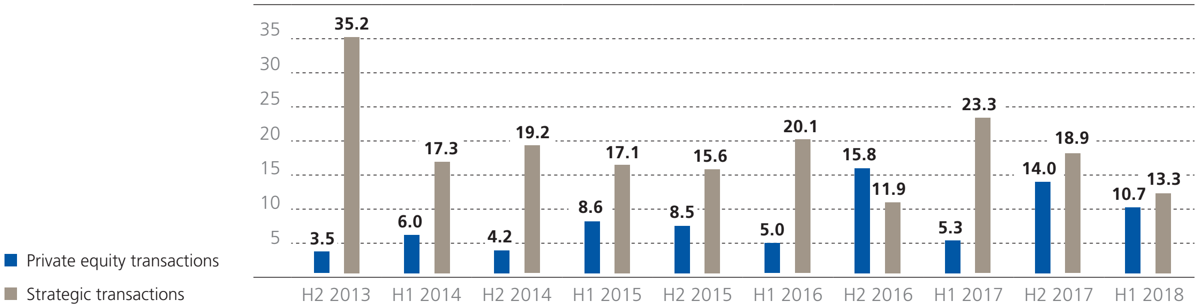
Due to the size and structure of the private equity market, comparisons over short periods of time are only of low informational value and at best allow statements to be made regarding trends. For example, it is often the case that more transactions are registered in the second half of the year than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

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

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

M&A MARKET GERMANY – TRANSACTION VALUE

€bn



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

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

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

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

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

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

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

Business and portfolio review

Private Equity Investments: portfolio rejuvenated following brisk investment activity

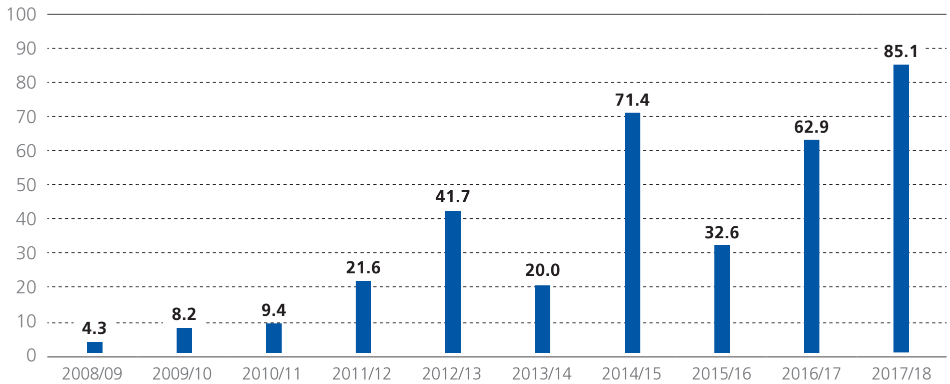
Investment decisions amount to 307 million euros

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

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

INVESTMENT IN THE PORTFOLIO

€mn



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

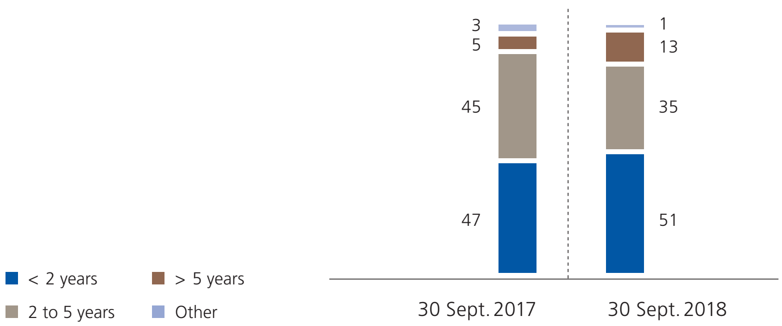
PFAUDLER INTERNATIONAL S.À R.L. expanded its product range and product expertise by acquiring Normag Labor- und Prozesstechnik GmbH (revenues in 2017: twelve million euros) and interseal Dipl.-Ing. Rolf Schmitz GmbH, a provider of seal components (revenues in 2017: four million euros). From now on, both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

Externally managed international fund investments: disposal of a portfolio company

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

AGE STRUCTURE OF THE PORTFOLIO ON BASIS OF ACQUISITION COSTS

%



Portfolio has become younger

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

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

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

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

Comparability with the previous year

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

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

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

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

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

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

Earnings position

Overall assessment: net income well below long-term average

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

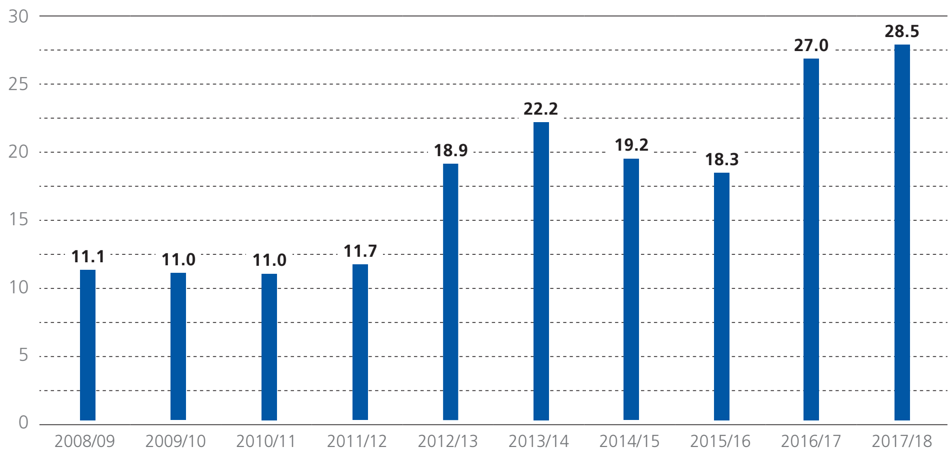
Overview: significantly lower income from investment activity, further increase in the Fund Investment Services segment

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

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

FEE INCOME FROM FUND MANAGEMENT AND ADVISORY SERVICES

€mn



Other income/expenses: net expenses ratio down again

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

Remuneration system, pages 198ff.

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

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

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

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

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

Net result of investment activity hit by capital market developments

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

Portfolio valuation procedure, pages 126ff.

NET RESULT OF INVESTMENT ACTIVITY

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

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

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

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

RESULT OF VALUATION AND DISPOSAL PORTFOLIO BY SOURCES
SOURCE ANALYSIS 1

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

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

Vintage profile of portfolio, page 50

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

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

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

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

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

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

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

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

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

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

RESULT OF VALUATION AND DISPOSAL PORTFOLIO BY SOURCES
SOURCE ANALYSIS 2

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

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

RESULT OF VALUATION AND DISPOSAL PORTFOLIO BY SOURCES
SOURCE ANALYSIS 3

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

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

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

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

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

TEN-YEAR SUMMARY OF EARNINGS

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

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

Liquidity position

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

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

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

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

INFLOWS (+)/ OUTFLOWS (-)

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

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

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

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

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

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

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

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

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

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

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

TEN-YEAR SUMMARY OF CASH POSITION

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

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

Asset position

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

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

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

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

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

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

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

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

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

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

Change in portfolio value, page 65

FINANCIAL ASSETS INCL. LOANS AND RECEIVABLES

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

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

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

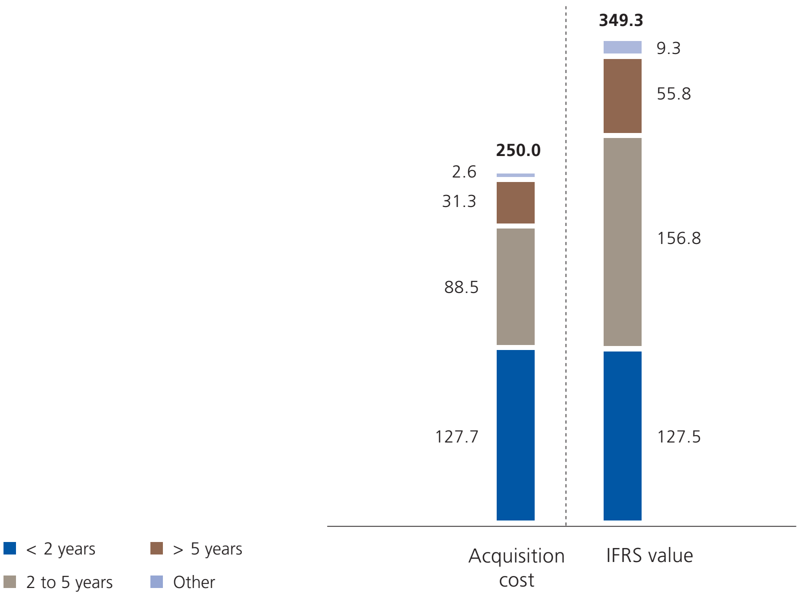
The drop in the **OTHER ASSETS AND LIABILITIES OF THE INVESTMENT ENTITY SUBSIDIARIES** to 1.9 million euros is due primarily to the conversion of a short-term interim financing in place on the previous reporting date into an equity investment (More than Meals).

Portfolio and portfolio value

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

PORTFOLIO VALUE BY AGE STRUCTURE

€mn at 30 September 2018



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

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

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

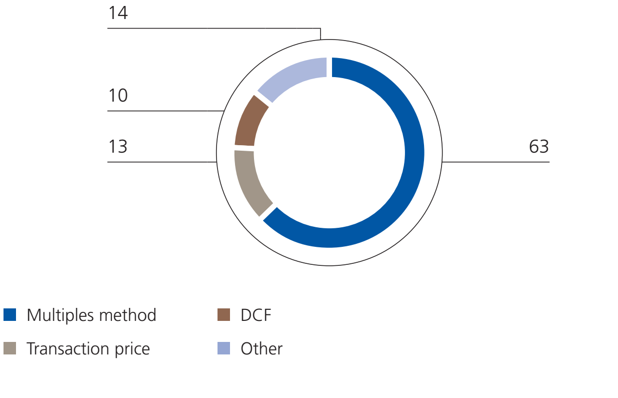
Company	Cost	Equity share DBAG	Investment type	Sector
	€mn	%		
Cleanpart Group GmbH	5.9	18.1	MBO	Industrial services
DNS:Net Internet Service GmbH	6.3	14.9	Expansion capital	Information technology, media and telecommunication
duagon Holding AG	22.3	19.8	MBO	Industrial components
Gienanth GmbH	3.9	11.7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

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

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

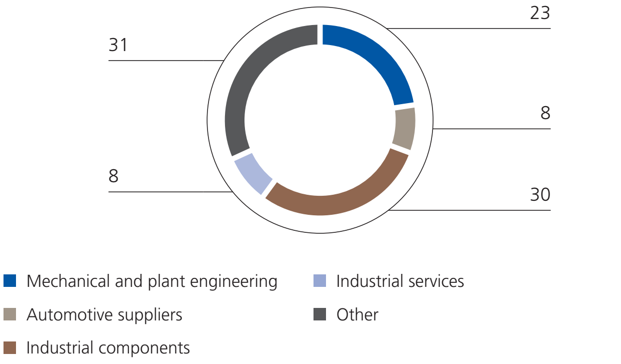
PORTFOLIO VALUE BY VALUATION METHOD

%



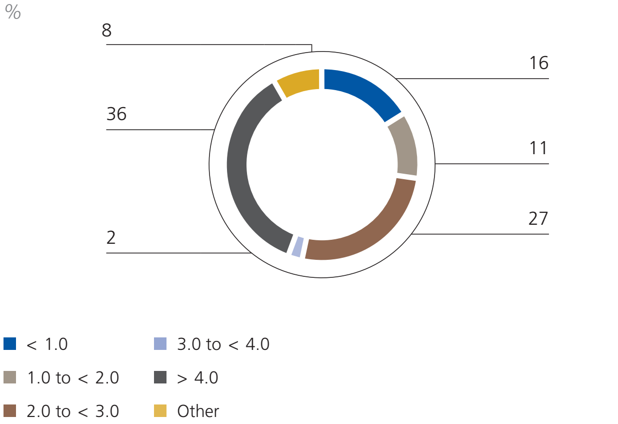
PORTFOLIO VALUE BY SECTORS

%



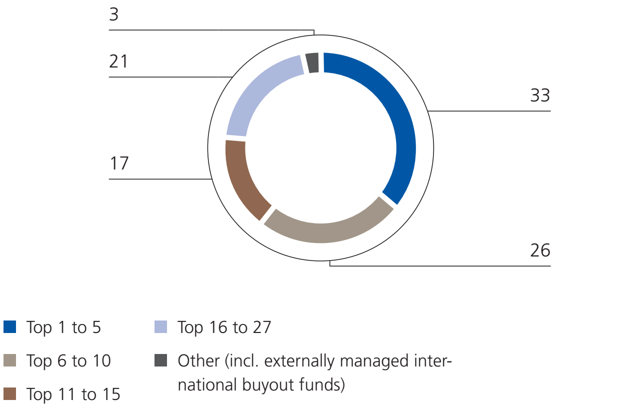
PORTFOLIO VALUE BY NET DEBT/EBITDA OF PORTFOLIO COMPANIES

%



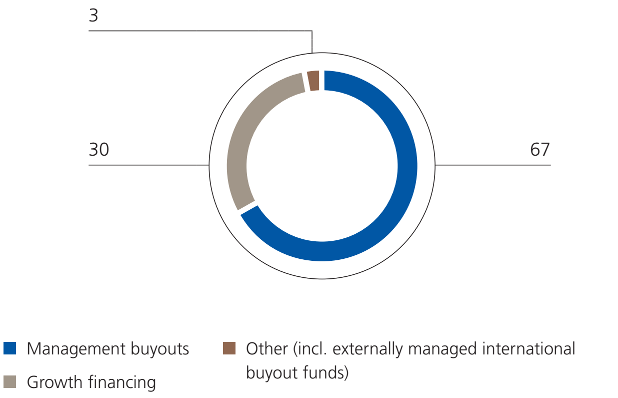
CONCENTRATION OF PORTFOLIO VALUE

Size categories %



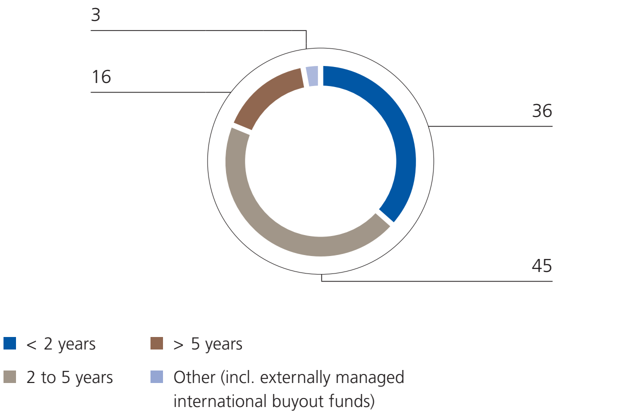
PORTFOLIO VALUE BY TYPE OF INVESTMENT

%



PORTFOLIO VALUE BY AGE

Categories %



Comparison of actual and projected business performance

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

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

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

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

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

Information on investment opportunities, page 75

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

Business performance by segments

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

SEGMENT EARNINGS STATEMENT, PRIVATE EQUITY INVESTMENTS

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

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

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

NET ASSET VALUE AND AVAILABLE LIQUIDITY

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

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

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

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

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

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

Fund Investment Services segment: further improvement in earnings

NET ASSET VALUE AND AVAILABLE LIQUIDITY

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

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

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

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

ASSETS UNDER MANAGEMENT OR ADVISEMENT

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

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

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

Financial and non-financial performance indicators

Return on Group equity per share

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

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

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

Performance: total return of 181 percent since 31 October 2008

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

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

People: high level of satisfaction, long length of service

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

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

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

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

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

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

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

Staff profile: high apprenticeship quota

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

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

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

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

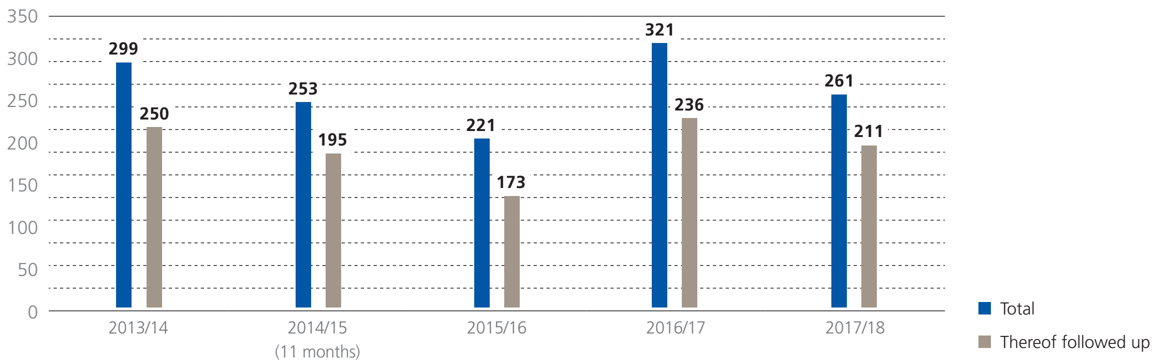
Remuneration: participation in company success

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

Investment opportunities: better-quality deal flow

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

Transaction opportunities



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

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

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

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

Earnings position

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

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

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

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

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

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

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

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

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

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

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

Earnings position, page 52

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

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

Profit for the year: 9.9 million euros

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

Asset position

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

Assets: marked increase following brisk investment activity

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

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

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

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

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

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

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

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

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

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

Liquidity position

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

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

Capital structure: no liabilities to banks

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

Comparison of actual and projected business performance

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

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

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

Opportunities and risks

Objective: contribution to value creation by balancing opportunities and risks

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

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

Risk management system

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

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

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

Structures: decentralised organisation of risk management

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

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

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

Instruments: risk register with 42 risk factors

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

Processes: risk identification in individual corporate departments

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

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

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

EXPECTED VALUE (COMBINATION OF PROBABILITY AND IMPACT)

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

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

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

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

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

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

Description of risk factors

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

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

Risks of the Fund Investment Services segment

Inability to cover the personnel requirement

Staff turnover, page 73

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

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

Inability to raise capital commitments from external investors to DBAG funds

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

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

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

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

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

Risks of the Private Equity Investments segment

Investment strategy proves to be unattractive

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

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

Insufficient access to new, attractive investment opportunities

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

Investment opportunities, page 75

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

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

Transaction opportunities are not transformed into investments

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

External risks

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

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

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

Information on the holding periods of current investments, page 50

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

Lower valuation level on the capital markets

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

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

Access to stock and credit markets is not ensured

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

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

Endangerment of DBAG's independence

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

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

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

Operational risks

Insufficient protection of confidential data against unauthorised access

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

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

RISK FACTORS WITH A HIGH EXPECTED VALUE

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

Material changes compared with the preceding year

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

Description of opportunities

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

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

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

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

Private Equity Investments: strategic advancement with DBAG Fund VII

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

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

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

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

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

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

General statement on opportunities and risks

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

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

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

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

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

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

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

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

Report on expected developments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Expected development of underlying conditions

Market: no change in a competitive environment that remains intense

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

Borrowings: constant supply based on unchanged conditions

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

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

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

Macroeconomic environment: “Upswing losing momentum”

At the time this forecast was released, the German economy was still in a growth phase. The same applies to other major economies in which our portfolio companies have production operations or sell their products. The momentum has, however, tapered off. Whereas the last two years have brought rising growth rates, economists now expect the global economy to show stable rates of growth.[19] The Joint Economic Forecast published by five German economic research institutes at the end of September 2018 is entitled "Aufschwung verliert an Fahrt – Weltwirtschaftliches Klima wird rauer" (Upswing loses momentum – choppier seas lie ahead for the global economy).[20] In this forecast, the economists once again single out the domestic economy as the pillar propping up German economic growth. They expect German exports to remain stable for the time being and that, in 2019 and beyond, exports will "increase in line with global economic development ... with only a gradual drop in growth rates".

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

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

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

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

Information on cyclical risks, page 89

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

Expected business development

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

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

FORECAST FOR FURTHER BUSINESS DEVELOPMENT

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

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

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

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

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

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

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

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

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

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

General forecast

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

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

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

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

Frankfurt am Main, 20 November 2018

The Board of Management

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of comprehensive income

for the period from 1 October 2017 to 30 September 2018

€'000	Notes	**1 Oct. 2017 to 30 Sept. 2018**	1 Oct. 2016 to 30 Sept. 2017
			adjusted[1]
Net result of investment activity	10	34,133	85,835
Fee income from fund management and advisory services	11	28,536	27,047
Net result of fund services and investment activity		**62,669**	**112,881**
Personnel expenses	12	(16,812)	(20,743)
Other operating income	13	3,697	4,605
Other operating expenses	14	(15,557)	(14,349)
Interest income	15	344	154
Interest expenses	16	(702)	(556)
Other income/expenses		**(29,029)**	**(30,889)**
Earnings before tax		**33,640**	**81,993**
Income taxes	17	(18)	(1)
Earnings after taxes		**33,622**	**81,992**
Minority interest gains (-)/losses (+)	27	(25)	(37)
Net income		**33,597**	**81,955**
a) Items that will not be reclassified subsequently to profit or loss			
Gains (+)/losses (-) on remeasurements of the net defined benefit liability (asset)	29	(1,155)	3,510
b) Items that will be reclassified subsequently to profit or loss			
Unrealised gains (+)/losses (-) on available-for-sale securities	22	(47)	(585)
Other comprehensive income		**(1,203)**	**2,925**
Total comprehensive income		**32,394**	**84,880**
Earnings per share in € (diluted and basic)[2]	36	2.23	5.45

1 Adjusted in accordance with IAS 8 (see note 4 of the notes to the consolidated financial statements)
2 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 30 September 2018

INFLOWS (+)/OUTFLOWS (-)

€'000	Notes	1 Oct. 2017 to 30 Sept. 2018	1 Oct. 2016 to 30 Sept. 2017
			adjusted[1]
Net income		33,597	81,955
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	10, 18, 19, 20	(24,718)	(69,803)
Gains (-)/losses (+) from disposals of non-current assets	10, 18	(1,133)	(12,076)
Increase (-)/decrease (+) in income tax assets	24	78	1,824
Increase (-)/decrease (+) in other assets (netted)	21, 23, 24, 25	3,091	1,523
Increase (+)/decrease (-) in pension provisions	29	887	(3,753)
Increase (+)/decrease (-) in provisions for taxes	17, 24	17	0
Increase (+)/decrease (-) in other provisions	28	(5,556)	(2,518)
Increase (+)/decrease (-) in other liabilities (netted)	24, 26, 27, 30	3,595	(2,389)
Cash flows from operating activities[2]		**9,858**	**(460)**
Proceeds from disposals of property, plant and equipment and intangible assets	18	177	141
Purchase of investments in property, plant and equipment and intangible assets	18	(303)	(571)
Proceeds from disposals of financial assets and loans and receivables	10, 19, 20	30,302	199,286
Purchase of investments in financial assets and loans and receivables	10, 19, 20	(63,826)	(54,697)
Proceeds from disposals of other financial instruments		36,546	0
Payments for investments in other financial instruments	23	(33,664)	(35,649)
Proceeds from disposals of long- and short-term securities	22, 32	41,384	12,641
Payments for investments in long- and short-term securities	22, 32	(103,818)	(26,024)
Cash flows from investing activities		**(93,200)**	**95,127**
Payments to shareholders (dividends)	26	(21,062)	(18,053)
Cash flows from financing activities		**(21,062)**	**(18,053)**
Change in cash funds from cash-relevant transactions		(104,404)	76,614
Cash funds at start of period	32	127,976	51,361
Cash funds at end of period	32	**23,571**	**127,976**

1 Adjusted in accordance with IAS 8 (see note 4 of the notes to the consolidated financial statements)

2 This includes received and paid income taxes of 107 thousand euros (previous year: 1,805 thousand euros), as well as received and paid interest and dividends of 6,151 thousand euros (previous year: 1,405 thousand euros).

Consolidated statement of financial position

at 30 September 2018

€'000	Notes	30 Sept. 2018	30 Sept. 2017 adjusted[1]
ASSETS			
Non-current assets			
Intangible assets	18	438	693
Property, plant and equipment	18	839	1,129
Financial assets	19	323,304	252,830
Loans and receivables	20	0	1,338
Long-term securities	22	55,458	33,659
Total non-current assets		**380,039**	**289,648**
Current assets			
Receivables	21	1,091	3,649
Short-term securities	22	40,000	0
Other financial instruments	23	32,766	35,649
Income tax assets	24	345	423
Cash and cash equivalents		23,571	127,976
Other current assets	25	7,408	6,624
Total current assets		**105,181**	**174,320**
Total assets		**485,220**	**463,968**
EQUITY AND LIABILITIES			
Equity	26		
Subscribed capital		53,387	53,387
Capital reserves		173,762	173,762
Retained earnings and other reserves		(6,331)	(5,129)
Consolidated retained profit		226,962	214,427
Total equity		**447,779**	**436,447**
Liabilities			
Non-current liabilities			
Minority interests	27	180	148
Provisions for pension obligations	29	12,209	11,323
Total non-current liabilities		**12,389**	**11,471**
Current liabilities			
Other current liabilities	30	15,773	1,233
Other provisions	24	17	0
Tax provisions	28	9,262	14,818
Total current liabilities		**25,052**	**16,050**
Total liabilities		**37,441**	**27,521**
Total equity and liabilities		**485,220**	**463,968**

1 Adjusted in accordance with IAS 8 (see note 4 of the notes to the consolidated financial statements)

Consolidated statement of changes in equity

for the period from 1 October 2017 to 30 September 2018

€'000	Notes	1 Oct. 2017 to 30 Sept. 2018	1 Oct. 2016 to 30 Sept. 2017 adjusted[1]
Subscribed capital			
At start and end of reporting period	26	**53,387**	**53,387**
Capital reserves			
At start and end of reporting period	26	**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	29	(1,155)	3,510
At end of reporting period		(22,760)	(21,605)
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	22	(47)	(300)
Change in reporting period through profit or loss	22	0	(284)
At end of reporting period		(102)	(55)
At end of reporting period		**(6,331)**	**(5,129)**
Consolidated retained profit			
At start of reporting period		214,427	150,525
Dividend		(21,062)	(18,053)
Net income		33,597	81,955
At end of reporting period		**226,962**	**214,427**
Total		**447,779**	**436,447**

1 Adjusted in accordance with IAS 8 (see note 4 of the notes to the consolidated financial statements)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year from
1 October 2017 to 30 September 2018

General information

1. Principal activity of the Group

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. It receives income as a co-investor through the increase in value of the company in which it has invested and as a fund advisor, performing services for the DBAG funds.

DBAG returned its registration as a capital management company ("KVG") in accordance with the German Capital Investment Code (Kapitalanlagegesetzbuch – KAGB) based on a corresponding resolution passed by the Annual Meeting in February 2018. A Group company that is registered as a capital management company has been responsible for fund management since July 2017.

DBAG is domiciled at Börsenstraße 1 in 60313 Frankfurt am Main, Federal Republic of Germany. The company is listed in the register of the Frankfurt am Main Local Court under HRB 52491.

2. Basis of preparation

The consolidated financial statements of DBAG at 30 September 2018 have been prepared in conformity with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission for application in the European Union. The interpretations of the International Financial Reporting Interpretations Committee (IFRIC) relevant to the consolidated financial statements are also applied. Additionally, the commercial law requirements stipulated in § 315e (1) of the German Commercial Code (Handelsgesetzbuch – HGB) have been taken into account.

The consolidated financial statements fairly present the asset, financial and earnings position. To that end, the information contained therein constitutes a faithful representation of the effects of transactions, other events and conditions in conformity with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the IFRS framework.

The 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 notes to the consolidated financial statements.

The accounting, valuation and consolidation policies, as well as the notes and disclosures to the consolidated financial statements, are applied consistently, except when IFRS rules or the identification of an error in earlier consolidated financial statements by the financial supervisory authority BaFin necessitate changes (see Note 3 and Note 4).

The consolidated financial statements have been structured in conformity with the rules of IAS 1.

The consolidated statement of comprehensive income is structured based on the nature of expense method. In the interest of presenting information that is relevant to the business of DBAG as a private equity business, the net result of investment activity has been disclosed instead of revenues. Items of other comprehensive income are stated after taking into account all tax effects in that context as well as the respective reclassified amounts. Reclassifications between other comprehensive income and profit or loss are presented in the notes to the consolidated financial statements.

In the consolidated statement of cash flows, cash flows are differentiated according to operating activities as well as investing and financing activities (see Note 32). The cash flows from investing activities also include the proceeds and payments resulting from changes in the long- and short-term securities held.

The presentation in the consolidated statement of financial position differentiates between long- and short-term assets and liabilities. Assets and liabilities are categorised as short-term if they fall due or are met within twelve months after the closing date, otherwise as long-term.

For the sake of clarity, individual items on the consolidated statement of comprehensive income and on the consolidated statement of financial position have been presented together. These items are disclosed and discussed separately in the notes to the consolidated financial statements.

The 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.

On 20 November 2018, the Board of Management of DBAG authorised the consolidated financial statements and the combined management report for issue to the Supervisory Board. The Supervisory Board will pass a vote on 29 November 2018 as to its approval of the consolidated financial statements.

3. 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 reporting period that ended at 30 September 2018

In the financial year 2017/2018, there were 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 consolidated financial statements at 30 September 2018.

Standards and interpretations, as well as amendments to standards and interpretations applicable for the first time, that have no effects on the reporting period that ended at 30 September 2018

In the consolidated financial statements at 30 September 2018, the following amendments to standards were applicable for the first time:

- Amendments to IAS 7 "Statement of Cash Flows",
- Amendments to IAS 12 "Income Taxes",
- Annual improvements to IFRS "2014 to 2016 Cycle": Amendments to IFRS 12 "Disclosure of Interests in Other Entities".

The Amendments do not have any impact on the consolidated financial statements of DBAG.

New standards and interpretations that have not yet been applied

a) Endorsed by the European Union

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. DBAG 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.

Amendments to IAS 40 "Investment Property" (1 January 2018)

These amendments relate to real estate investors and are not relevant to DBAG.

Annual improvements to IFRS "2014 to 2016 Cycle" (1 January 2018)

The following two standards were amended with effect from 1 January 2018 within the scope of the annual improvement project for the 2014 to 2016 cycle:

- IAS 28 "Investments in Associates and Joint Ventures" and
- IFRS 1 "First-time Adoption of IFRS".

The Amendments to IAS 28 "Investments in Associates and Joint Ventures" include the clarification that investment entities have a fair-value option when recognising each investment in an associate or a joint venture for the first time. DBAG already recognises its investments in associates at fair value through profit or loss, so the amendment has no effect on the presentation of the consolidated financial statements.

The Amendments to IFRS 1 "First-time Adoption of IFRS" are changes to the wording of transitional provisions. The amendments have no effect on the presentation of the consolidated financial statements of DBAG.

Amendments to IFRS 2 "Share-based Payment" (1 January 2018)

The Amendments to IFRS 2 involve clarifications on the classification and measurement of share-based payment. There are currently no share-based payment schemes in place at DBAG. The Amendments to IFRS 2 therefore have no impact on the presentation of the consolidated financial statements of DBAG.

IFRS 9 "Financial Instruments" (1 January 2018)

The new IFRS 9 "Financial Instruments" replaces the present standard IAS 39 "Financial Instruments: Recognition and Measurement". Like IAS 39, IFRS 9 comprises the topics of classification and measurement, impairment and hedging transactions. An implementation project was carried out in the reporting year to analyse the effects of IFRS 9.

According to the current status of our analysis, the following effects are expected on the presentation of the consolidated financial statements:

Classification and measurement

The new standard IFRS 9 brings fundamental changes to the classification and measurement of financial assets.

IFRS 9 introduces a uniform concept for classifying financial assets. From now on, financial instruments are classified according to two criteria, the business model criterion and the cash flow criterion, into three categories. Measurement follows from the classification.

IFRS 9 provides for the following three categories of financial assets:

- "measured at amortised cost",
- "measured at fair value through other comprehensive income",
- "measured at fair value through profit or loss".

Financial assets whose cash flows consist solely of payments of principal and interest satisfy the cash flow criterion. They are classified according to the IFRS 9 business model criterion for DBAG:

- If the business model provides for the asset to be held to collect contractual cash flows, the asset is measured at amortised cost.
- If the business model provides for both the holding and sale of assets, to cover a certain liquidity requirement for instance, these assets are measured at fair value through other comprehensive income.

However, financial assets attributable to DBAG's investment business are always measured at fair value through profit or loss. The same applies to financial assets whose cash flows do not consist solely of payments of principal and interest.

In the future, the measurement method results directly from the classification. The following overview shows the categories and resulting measurement methods according to IAS 39 (until 30 September 2018) and IAS 9 (expected from 1 October 2018):

Financial assets	Category according to IAS 39	Measurement method according to IAS 39	Category and measurement method according to IFRS 9
Financial assets	Measured at fair value through profit or loss	Measured at fair value through profit or loss	Measured at fair value through profit or loss
Loans and receivables[1]	Loans and receivables	Measured at amortised cost	Measured at amortised cost
Securities			
Fixed-rate securities	Available-for-sale financial assets	Measured at fair value directly in "Other comprehensive income"	Measured at fair value directly in "Other comprehensive income"
Retail funds	Available-for-sale financial assets	Measured at fair value directly in "Other comprehensive income"	Measured at fair value through profit or loss
Other assets			
Trade receivables	Loans and receivables	Measured at amortised cost	Measured at amortised cost
Receivables from co-investment funds	Loans and receivables	Measured at amortised cost	Measured at amortised cost
Rental deposit	Loans and receivables	Measured at amortised cost	Measured at amortised cost
Interest receivables on securities	Loans and receivables	Measured at amortised cost	Measured at amortised cost
Purchase price retention	Loans and receivables	Measured at amortised cost	Measured at amortised cost
Receivables			
Receivables from associates	Loans and receivables	Measured at amortised cost	Measured at amortised cost
Receivables from portfolio companies	Loans and receivables	Measured at amortised cost	Measured at amortised cost
Other financial instruments	Loans and receivables	Measured at amortised cost	Measured at fair value through profit or loss
Cash and cash equivalents	Loans and receivables	Measured at amortised cost	Measured at amortised cost

1 This item does not exist at 1 October 2018.

In summary, the following changes are expected to result from the adoption of IFRS 9 at 1 October 2018:

- Changes in the fair value of shares in retail funds (62,336 thousand euros, unchanged from 30 September 2018 according to IAS 39) are no longer recognised in other comprehensive income, but through profit or loss in net income. Changes in value recognised in equity until the first-time application of IFRS 9 (-36 thousand euros) are reclassified within equity.
- Other financial instruments consist of loans to investment entity subsidiaries; they were previously measured at amortised cost and will be measured at fair value through profit or loss according to their classification (business model criterion) in the future. This means that changes in value from the quarterly measurement are recognised through profit or loss. At 1 October 2018, 32,766 thousand euros will be recognised from the investment entity subsidiary DBAG Fund VII Konzern as bridge-over financing for new investments in accordance with IFRS 9 (30 September 2018: 32,766 thousand euros in accordance with IAS 39).

The forecast effects are immaterial for Deutsche Beteiligungs AG.

Impairment

IFRS 9 introduces a new impairment concept for financial instruments that are structured as debt instruments. Whereas only incurred losses were recognised under IAS 39, IFRS 9 also requires recognition of expected losses. In the future, DBAG will establish a risk provision for potential future impairment losses on financial assets in these categories upon addition of the asset. A risk provision amounting to the expected losses over the full lifetime (simplified impairment model) will be recognised for receivables from associates, receivables from co-investment funds and trade receivables, regardless of their credit quality. First-time adoption effects from this amendment will be recognised in equity in line with the transitional provisions. If expectations of the amount and/or accrual of recognised potential impairment losses should change, the changes are recognised in accordance with the measurement category for the financial instrument (at amortised cost or at fair value through other comprehensive income). Overall, IFRS 9 will therefore lead to the earlier and broader recognition of impairment losses. Over time, this recognition of impairment losses will reverse until the principal and interest payable on a financial instrument has been repaid in full. The introduction of the new impairment concept is expected to affect the consolidated financial statements of DBAG by around 50 to 150 thousand euros, which is not material in the overall context of the consolidated financial statements.

Hedging transactions

The new provisions on hedge accounting set out in IFRS 9 are designed to provide for a closer alignment of risk management strategy and accounting. At 30 September 2018, DBAG had not entered into any hedging relationships, meaning that the new provisions are not relevant to DBAG.

Transitional provisions

To simplify matters, IFRS 9 provides companies with the option, at the time of first-time adoption, not to adjust comparative information on classification and measurement for prior periods (including impairment losses). Given that the effects on the consolidated financial statements are immaterial overall, DBAG has decided to make use of this option. The first-time adoption effects will be recognised cumulatively in equity at 1 October 2018 and are expected to amount to less than 250 thousand euros overall. The effects of first-time adoption will therefore not have a material impact on the presentation of the consolidated financial statements of DBAG.

Amendments to IFRS 4 "Insurance Contracts" (1 January 2018)

The amendments to IFRS 4 are related to the introduction of IFRS 9 and are designed to provide relief to companies that offer insurance contracts to their customers, within the scope of IFRS 4, with regard to the application of IFRS 9 until the introduction of the new standard on insurance contracts. The rules are irrelevant for DBAG.

Amendments to IFRS 9 "Financial Instruments" (1 January 2019)

The additions to IFRS 9 clarify how prepayment features with negative compensation are to be treated for the classification of financial assets. The amendments do not have any impact on the consolidated financial statements of DBAG.

IFRS 15 "Revenue from Contracts with Customers" (1 January 2018)

The new Standard supersedes IAS 11 "Construction Contracts" and IAS 18 "Revenue" as well as the associated interpretations. The new IFRS 15 harmonises past IFRS rules and those applied under the US GAAP. IFRS 15 contains a new model for recognising revenue arising from contracts with customers. Revenue is recognised when the customer acquires control over the agreed goods and services and is able to obtain the benefits from them.

Financial instruments fall within the scope of IFRS 9 and are therefore excluded from the scope of IFRS 15. The first-time adoption of IFRS 15 consequently has no effect on the "net result of investment activity".

DBAG generates "Fee income from fund management and advisory services" for providing services to the DBAG funds. This income falls within the scope of the new IFRS 15. It is made up of remuneration for services performed, which is based on

- fund volume or
- invested capital or
- completed transactions.

Remuneration based on fund volume or invested capital is calculated semi-annually in line with the provisions of the Articles of Association of the respective fund. Recognition in income occurs after the service has been delivered.

When the service is provided or the transaction completed, the investors in the DBAG fund acquire the power of disposal over the service and derive the benefits from it. The new IFRS 15 requires no changes to the recognition of fee income from Fund Investment Services. The introduction of IFRS 15 is not expected to have an effect on the consolidated financial statements of DBAG.

Changes to IFRS 15 "Revenue from Contracts with Customers" (1 January 2018)

The changes relate to clarifications made by the IASB in response to questions raised in connection with the first-time adoption of IFRS 15, which make its application easier in individual circumstances. This has no effect on the consolidated financial statements of DBAG.

IFRS 16 "Leases" (1 January 2019)

The new standard supersedes IAS 17 "Leases". IFRS 16 introduces a new model for lessees on recognising lease liabilities based on future lease payments and the right to use of a leased asset. For lessors, the rules of IAS 17 largely remained unchanged. The scope of the standard mainly encompasses the lease for the business premises at Börsenstraße 1 in Frankfurt am Main, the DBAG's vehicles and the Company's photocopiers and coffee machines. The impact of the adoption of IFRS 16 on the consolidated financial statements of DBAG is still being analysed. A conclusive assessment of the effects is not yet possible.

IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (1 January 2018)

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation is not relevant for DBAG.

IFRIC 23 "Uncertainty over Income Tax Treatments" (1 January 2019)

IFRIC 23 clarifies the accounting for uncertainties in income taxes. It is applicable to taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The impact of the adoption of IFRIC 23 on the consolidated financial statements of DBAG is currently being analysed. A conclusive assessment of the effects is not yet possible.

b) Not yet endorsed for application in the European Union

The following standards have been issued by the IASB and the IFRIC, but have not yet been endorsed by the European Commission for adoption in the European Union.

Amendments to IAS 19 "Employee Benefits"

The amendments to IAS 19 specify the IFRS requirements for the treatment of amendments, curtailments or the settlement of a defined-benefit pension plan. In addition, a clarification was included on the effects of plan amendments, curtailments or settlements on asset ceiling requirements. Its effects on the consolidated financial statements of DBAG are currently being analysed. A conclusive assessment of the effects is not yet possible.

Annual improvements to IFRS "2015 to 2017 Cycle"

The annual improvements concern the following accounting standards:

- IAS 12 "Income Taxes",
- IAS 23 "Borrowing Costs",
- IFRS 3 "Business Combinations" and IFRS 11 "Joint Arrangements".

The amendments to IAS 12 specify the tax treatment of dividends. The amendments to IAS 23 clarify how the capitalisation of borrowing costs is to be discontinued when a qualifying asset has been made ready for its intended use or sale. The amendments to IFRS 3 and IFRS 11 clarify measurement when the control of interests in an entity previously held as a joint operation is transferred. The effects of the amendments on the consolidated financial statements of DBAG are currently being analysed. A conclusive assessment of the effects is not yet possible.

Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Interests in Associates and Joint Ventures"

The amendments to IFRS 10 and IAS 28 relate to the sale of assets to an associate or joint venture and to the contribution of assets made to an associate or joint venture. The amendments to IFRS 10 and IAS 28 will not have any impact on the consolidated financial statements of DBAG.

IFRS 14 "Regulatory Deferral Accounts"

The new IFRS 14 standard permits first-time adopters of the IFRS to continue to account for deferral account balances in accordance with their national accounting rules in their IFRS-formatted financial statements. The rules are irrelevant for DBAG.

IFRS 17 "Insurance Contracts"

The new IFRS 17 supersedes IFRS 4 "Insurance Contracts". Compared with IFRS 4, the accounting rules for insurance contracts under the new standard are more restrictive and reduce the available accounting options. The rules are irrelevant for DBAG.

Amendments to the Conceptual Framework that are not yet applicable (1 January 2020)

The amendments to the Conceptual Framework include new provisions for measurement principles, the fundamental requirements of the presentation and publication of financial information and basic questions relating to the derecognition of assets and liabilities. Amendments are also made to the definition and recognition of assets and liabilities. The effects of the amendments to the Conceptual Framework on the consolidated financial statements of DBAG are currently being analysed. The assessment of the effects on the consolidated financial statements of DBAG is not yet complete.

4. Amendment of an accounting method due to the identification of an error in previous consolidated financial statements

Starting in January 2016, the consolidated financial statements of DBAG at 30 September 2015 (financial year 2014/2015) were the subject of a random audit by the Financial Reporting Enforcement Panel (FREP) and the German Federal Financial Supervisory Authority (BaFin) as part of two-stage enforcement proceedings. BaFin, which is responsible for the second stage, closed the proceedings on 24 July 2018 by determining that an error had been made; on 27 July 2018, it ordered the publication of the error and the main elements of its reasoning. DBAG published the text on the same day.

Nature of the error

BaFin said that in its consolidated financial statements at 30 September 2015, DBAG had not accounted for investment managers' carried interest for DBAG Fund V in accordance with IFRS when measuring the carrying amount for the investment entity subsidiary for this fund. This caused net income from investment activity and thus net income for 2014/2015 to have been reported too low and net income from earlier periods correspondingly too high.

According to the method previously used by DBAG, carried interest was recognised as soon as it could be assumed that contractual conditions of the fund for paying carried interest were met. To judge whether these conditions had been met, DBAG previously assumed that the fund would continue as planned and the individual portfolio companies would be developed until they were ready for sale.

In the future, when judging whether these conditions are met, DBAG will assume the total liquidation of a fund portfolio at each reporting date, regardless of whether the portfolio companies are ready for sale or not. All other things being equal, this will mean that carried interest is taken into account for the measurement of an investment entity subsidiary of a fund in an earlier reporting period. The period between the first time carried interest is included in the measurement and the actual date of carried interest payments will be correspondingly longer.

Change of accounting method in the consolidated financial statements at 30 September 2018

We took the opportunity offered by the identification of the error in the third quarter of financial year 2017/2018 to change the method of including carried interest in the valuation of investment entity subsidiaries, beginning with the quarterly statement at 30 June 2018. For a description of the new method, see Note 7, entitled "Valuation procedures used in measuring fair value".

No retroactive adjustment to correct the error for DBAG Fund V, DBAG ECF or DBAG Fund VII

The error identified by BaFin related to the recognition in the proper period of carried interest for **DBAG FUND V** in the context of measuring the investment entity subsidiary for DBAG's co-investments alongside this fund in the period from 1 November 2014 (opening balance in accordance with IFRS 10) to 30 September 2015. The fair value for the investment entity subsidiary measured at 30 September 2015 was not queried by BaFin, however. Since BaFin only identified the prior period error in financial year 2017/2018, it must in principle be corrected retroactively in the consolidated financial statements at 30 September 2018 by adjusting the comparative figures for the previous year. However, the effects of the error concern the period from 1 November 2014 to 30 September 2015 (short financial year) – a period that is not presented in our current consolidated financial statements at 30 September 2018. There is therefore no need to adjust the comparative figures for 2016/2017 for DBAG Fund V in the consolidated financial statements at 30 September 2018.

The same applies to **DBAG ECF**. DBAG has included carried interest in the measurement of the investment entity subsidiary for this fund since 30 September 2016. Since then, the new method has also produced the same results for this fund, so for DBAG ECF there is also no need to adjust the comparative figures for the previous year in the consolidated financial statements at 30 September 2018.

No carried interest is recognised for the investment entity subsidiary for **DBAG FUND VII** at 30 September 2018 using the new method. There is therefore no need to adjust the comparative figures.

Retroactive adjustment to correct an error at 30 September 2017 for DBAG Fund VI

For the investment entity subsidiary for **DBAG FUND VI**, the new method first produces a different fair value to the previous method at 30 September 2017. Comparative figures must therefore be adjusted in accordance with IAS 8. The following tables show the adjustment of comparative figures in the consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of financial position and consolidated statement of changes in equity, and the change in earnings per share:

Adjustment of consolidated statement of comprehensive income according to IAS 8 for the period from 1 October 2016 to 30 September 2017

€'000	1 Oct. 2016 to 30 Sept. 2017		**1 Oct. 2016 to 30 Sept. 2017**
	before adjustment	IAS 8 – adjustment	adjusted
Net result of investment activity	94,272	(8,438)	85,835
Fee income from fund management and advisory services	27,047	0	27,047
Net result of fund services and investment activity	**121,319**	**(8,438)**	**112,881**
Personnel expenses	(20,743)	0	(20,743)
Other operating income	4,605	0	4,605
Other operating expenses	(14,349)	0	(14,349)
Interest income	154	0	154
Interest expenses	(556)	0	(556)
Other income/expenses	**(30,889)**	**0**	**(30,889)**
Earnings before tax	**90,430**	**(8,438)**	**81,993**
Income taxes	(1)	0	(1)
Earnings after taxes	**90,430**	**(8,438)**	**81,992**
Minority interest gains (-)/losses (+)	(37)	0	(37)
Net income	**90,392**	**(8,438)**	**81,955**
a) Items that will not be reclassified subsequently to profit or loss			
Gains (+)/losses (-) on remeasurements of the net defined benefit liability (asset)	3,510	0	3,510
b) Items that will be reclassified subsequently to profit or loss			
Unrealised gains (+)/losses (-) on available-for-sale securities	(585)	0	(585)
Other comprehensive income	**2,925**	**0**	**2,925**
Total comprehensive income	**93,318**	**(8,438)**	**84,880**
Earnings per share in € (diluted and basic)[1]	6.01	(0.56)	5.45

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.

Adjustment of consolidated statement of cash flows according to IAS 8 for the period from 1 October 2016 to 30 September 2017

INFLOWS (+)/OUTFLOWS (-)

€'000	1 Oct. 2016 to 30 Sept. 2017		**1 Oct. 2016 to 30 Sept. 2017**
	before adjustment	IAS 8 – adjustment	adjusted
Net income	90,392	(8,438)	81,955
Value 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	(78,241)	8,438	(69,803)
Gains (-)/losses (+) from the disposal of non-current assets	(12,076)	0	(12,076)
Increase (-)/decrease (+) in income tax assets	1,824	0	1,824
Increase (-)/decrease (+) in other assets (netted)	1,523	0	1,523
Increase (+)/decrease (-) in pension provisions	(3,753)	0	(3,753)
Increase (+)/decrease (-) in other provisions	(2,518)	0	(2,518)
Increase (+)/decrease (-) in other liabilities (netted)	2,389	0	2,389
Cash flows from operating activities	**(460)**	**0**	**(460)**
Proceeds from disposals of property, plant and equipment and intangible assets	141	0	141
Purchase of investments in property, plant and equipment and intangible assets	(571)	0	(571)
Proceeds from disposals of financial assets and loans and receivables	199,286	0	199,286
Purchase of investments in financial assets and loans and receivables	(54,697)	0	(54,697)
Purchase of investments in other financial instruments	(35,649)	0	(35,649)
Proceeds from disposals of long- and short-term securities	12,641	0	12,641
Purchase of investments in long- and short-term securities	(26,024)	0	(26,024)
Cash flows from investing activities	**95,127**	**0**	**95,127**
Payments to shareholders (dividends)	(18,053)	0	(18,053)
Cash flows from financing activities	**(18,053)**	**0**	**(18,053)**
Change in cash funds from cash-relevant transactions	76,614	0	76,614
Cash funds at start of period	51,361	0	51,361
Cash funds at end of period	**127,976**	**0**	**127,976**

Adjustment of consolidated statement of financial position according to IAS 8 at 30 September 2017

€'000	30 Sept. 2017		**30 Sept. 2017**
	before adjustment	IAS 8 – adjustment	adjusted
ASSETS			
Non-current assets			
Intangible assets	693	0	693
Property, plant and equipment	1,129	0	1,129
Financial assets	261,267	(8,438)	252,830
Loans and receivables	1,338	0	1,338
Long-term securities	33,659	0	33,659
Total non-current assets	**298,086**	**(8,438)**	**289,648**
Current assets			
Receivables	3,649	0	3,649
Other financial instruments	35,649	0	35,649
Income tax assets	423	0	423
Cash and cash equivalents	127,976	0	127,976
Other current assets	6,624	0	6,624
Total current assets	**174,320**	**0**	**174,320**
Total assets	**472,405**	**(8,438)**	**463,968**
EQUITY AND LIABILITIES			
Equity			
Subscribed capital	53,387	0	53,387
Capital reserves	173,762	0	173,762
Retained earnings and other reserves	(5,129)	0	(5,129)
Consolidated retained profit	222,864	(8,438)	214,427
Total equity	**444,884**	**(8,438)**	**436,447**
Liabilities			
Non-current liabilities			
Minority interest	148	0	148
Provisions for pension obligations	11,323	0	11,323
Total non-current liabilities	**11,471**	**0**	**11,471**
Current liabilities			
Other current liabilities	1,233	0	1,233
Other provisions	14,818	0	14,818
Total current liabilities	**16,050**	**0**	**16,050**
Total liabilities	**27,521**	**0**	**27,521**
Total equity and liabilities	**472,405**	**(8,438)**	**463,968**

Adjustment of consolidated statement of changes in equity according to IAS 8 for the period from 1 October 2016 to 30 September 2017

€'000	1 Oct. 2016 to 30 Sept. 2017		**1 Oct. 2016 to 30 Sept. 2017**
	before adjustment	IAS 8 – adjustment	adjusted
Subscribed capital			
At start and end of reporting period	**53,387**	**0**	**53,387**
Capital reserves			
At start and end of reporting period	**173,762**	**0**	**173,762**
Retained earnings and other reserves			
Legal reserve			
At start and end of reporting period	403	0	403
First-time adoption of IFRS			
At start and end of reporting period	16,129	0	16,129
Reserve for gains/losses on remeasurements of the net defined benefit liability (asset)			
At start of reporting period	(25,115)	0	(25,115)
Change in reporting period	3,510	0	3,510
At end of reporting period	(21,605)	0	(21,605)
Change in unrealised gains/losses on available-for-sale securities			
At start of reporting period	529	0	529
Change in reporting period outside profit or loss	(300)	0	(300)
Change in reporting period through profit or loss	(284)	0	(284)
At end of reporting period	(55)	0	(55)
At end of reporting period	**(5,129)**	**0**	**(5,129)**
Consolidated retained profit			
At start of reporting period	150,525	0	150,525
Dividend	(18,053)	0	(18,053)
Net income	90,392	(8,438)	81,955
At end of reporting period	**222,864**	**(8,438)**	**214,427**
Total	**444,884**	**(8,438)**	**436,447**

5. Disclosures on the group of consolidated companies and on interests in other entities

5.1 Status of DBAG as an investment entity in terms of IFRS 10

DBAG initiates closed-end private equity funds ("DBAG funds") for investments in equity or equity-like instruments primarily in unlisted companies. It solicits capital commitments from institutional investors to DBAG funds and provides asset management services to them via fully consolidated subsidiaries. The management companies of the DBAG funds are under the obligation to their investors to invest the capital based on a contractually-agreed investment strategy that aims to achieve either increases in value and/or the generation of current income. DBAG measures and evaluates the performance of the investments entered into by the DBAG funds at quarterly intervals on a fair value basis. Thus, DBAG, as a parent company, has the typical characteristics of an investment entity in terms of IFRS 10.

At the same time, DBAG is recognised as a special investment company, as defined by German legislation on special investment companies (Gesetz über Unternehmensbeteiligungsgesellschaften – UBGG). In that capacity, it enters into investments using its proprietary capital as a co-investor alongside DBAG funds. Based on co-investment agreements with the DBAG funds, DBAG and the funds invest at the same terms in the same companies and in the same instruments. The co-investments serve the purpose of achieving an alignment of interests between DBAG and the DBAG funds it manages via subsidiaries. In the opinion of the Board of Management, the co-investments do not affect the status of DBAG as an investment entity in terms of IFRS 10.

5.2 Group of consolidated companies

As an investment entity in terms of IFRS 10, DBAG only consolidates such subsidiaries that provide investment-related services to the investment entity. The following subsidiaries are consolidated unchanged in the Group's consolidated financial statements at 30 September 2018:

Name	Domicile	Capital interest %	If differing, voting interest %
AIFM-DBG Fund VII Management (Guernsey) LP	St Peter Port, Guernsey, Channel Islands	0.00	
DBG Advising GmbH & Co. KG	Frankfurt am Main, Germany	20.00	
DBG Fund VI GP (Guernsey) LP	St Peter Port, Guernsey, Channel Islands	0.00	
DBG Fund VII GP S.à r.l.	Findel, Luxembourg	100.00	
DBG Management GmbH & Co. KG	Frankfurt am Main, Germany	100.00	
DBG Management GP (Guernsey) Ltd.	St Peter Port, Guernsey, Channel Islands	3.00	0.00
DBG Managing Partner GmbH & Co. KG	Frankfurt am Main, Germany	20.00	
DBG New Fund Management GmbH & Co. KG	Frankfurt am Main, Germany	100.00	
European PE Opportunity Manager LP	St Peter Port, Guernsey, Channel Islands	0.00	

These subsidiaries provide the management and advisory services for DBAG funds. The range of Fund Investment Services comprises identifying, analysing and structuring investment opportunities, negotiating the investment agreements, compiling investment memorandums for the funds, supporting the portfolio companies during the holding period and realising the funds' portfolio companies. When managing DBAG funds, the range of services additionally includes taking investment decisions.

In the case of DBG Fund VII GP S.à r.l., DBG Management GmbH & Co. KG and DBG New Fund Management GmbH & Co. KG, the parent-subsidiary relationship results from the fact that DBAG holds the majority of voting rights in these entities.

DBAG does not hold a majority of the voting rights in AIFM-DBG Fund VII Management (Guernsey) LP, DBG Advising GmbH & Co. KG, DBG Fund VI GP (Guernsey) LP, DBG Management GP (Guernsey) Ltd., DBG Managing Partner GmbH & Co. KG, European PE Opportunity Manager LP or European PE Opportunity Manager LP. However, in the six entities mentioned, there are partners with voting rights who are parties related to DBAG and give DBAG a controlling position in terms of IFRS 10. DBAG therefore has control over the entity's relevant activities; it also receives the majority of the distributable amounts and can influence the amount of these variable returns.

Further comments on these subsidiaries can be found in Note 39 under the heading "Other related parties".

5.3 Unconsolidated investment entity subsidiaries

The co-investments that DBAG makes using its proprietary capital in order to align its interests with those of managed and/or advised DBAG funds within the scope of its business activity are made through its own companies (referred to as "co-investment vehicles"), which each also meet the criteria for an investment entity as defined in IFRS 10. These entities serve the sole purpose of bundling the co-investments of DBAG alongside a fund. The subsidiary Deutsche Beteiligungsgesellschaft mbH (DBG) also meets the criteria for classification as an investment entity but, unlike the co-investment vehicles, this company also provides investment-related services. The co-investment vehicles and DBG – known collectively as investment entity subsidiaries – are not consolidated but rather recognised at fair value through profit or loss and presented under financial assets (see also the comments in Note 7 under the heading "Fair value measurement of financial assets through profit or loss").

Name	Domicile	Capital/voting interest %
DBG Fourth Equity Team GmbH & Co. KGaA i. L.	Frankfurt am Main, Germany	100.00
DBAG Fund V Konzern GmbH & Co. KG	Frankfurt am Main, Germany	99.00
DBAG Expansion Capital Fund Konzern GmbH & Co. KG[1]	Frankfurt am Main, Germany	99.00
DBAG Fund VI Konzern (Guernsey) L.P.	St Peter Port, Guernsey, Channel Islands	99.99
DBAG Fund VII Konzern SCSp	Findel, Luxembourg	99.99
DBAG Fund VII B Konzern SCSp	Findel, Luxembourg	99.99
Deutsche Beteiligungsgesellschaft mbH	Königstein/Taunus, Germany	100.00

1 DBAG ECF comprises three consecutive investment periods of DBAG ECF (original investment period, first and new second new investment period), which are managed as separate accounting areas.

Before the co-investments alongside the DBAG funds were introduced, DBAG invested in individual portfolio companies and international funds via DBG. Distributions from this company are only expected after the disposal of the two remaining investments.

The investments by DBAG using its proprietary capital alongside the DBAG funds are based on co-investment agreements with the funds. This means that DBAG has a contractual obligation to provide financing for investments and costs at a fixed rate for each of the funds; it can, however, unilaterally waive that contractual obligation (right to opt out), but would then forgo the opportunity of investing alongside the respective fund for the remaining term of that DBAG fund. However, based on its business activity, DBAG has the economic intention of providing finances to the co-investment vehicles in cases of investment decisions by DBAG funds for the purposes of profitably investing its capital and of aligning its interests with those of the fund investors.

At the reporting date, DBAG has the following obligations under co-investment agreements ("callable capital commitments"):

€'000	2017/2018		
Name	Capital commitments	Capital calls	Callable capital commitments
DBG Fourth Equity Team GmbH & Co. KGaA i. L.	93,737	91,108	0
DBAG Fund V Konzern GmbH & Co. KG	103,950	102,578	1,372
DBAG ECF Konzern GmbH & Co. KG Original Vintage (DBAG ECF)	100,000	69,696	30,408
DBAG ECF Konzern GmbH & Co. KG First New Vintage (DBAG ECF I)	34,751	23,240	11,511
DBAG ECF Konzern GmbH & Co. KG Second New Vintage (DBAG ECF II)	39,715	14,658	25,057
DBAG Fund VI Konzern (Guernsey) L.P.	133,000	132,987	4,475
DBAG Fund VII Konzern SCSp	183,000	71,996	111,004
DBAG Fund VII B Konzern SCSp	17,000	2,350	14,650
	705,153	**508,613**	**198,477**

€'000	2016/2017		
Name	Capital commitments	Capital calls	Callable capital commitments
DBG Fourth Equity Team GmbH & Co. KGaA i. L.	93,737	91,108	0
DBAG Fund V Konzern GmbH & Co. KG	103,950	102,578	1,372
DBAG ECF Konzern GmbH & Co. KG Original Vintage (DBAG ECF)	100,000	68,923	31,871
DBAG ECF Konzern GmbH & Co. KG First New Vintage (DBAG ECF I)	34,751	0	34,751
DBAG Fund VI Konzern (Guernsey) L.P.	133,000	132,987	9,409
DBAG Fund VII Konzern SCSp	183,000	12,500	170,500
DBAG Fund VII Konzern B SCSp	17,000	416	16,584
	665,438	**408,513**	**264,485**

The callable capital commitments are determined in accordance with the Articles of Association of the fund. They comprise capital commitments that have not yet been drawn down, as well as recallable distributions. The partnership agreements for the DBAG funds allow up to 20 percent of distributions to be recalled for follow-on investments in existing portfolio companies. This means that an individual fund can achieve an investment level of up to 120 percent. At the reporting date, DBAG ECF Konzern GmbH & Co. KG (original investment period) and DBAG Fund VI (Guernsey) L.P. both include recallable distributions in their callable capital commitments.

Based on its co-investment activity, DBAG received the following repayments from, or made the following investments in, investment entity subsidiaries that are carried at fair value:

€'000	2017/2018	
Name	Payments	Investments
DBG Fourth Equity Team GmbH & Co. KGaA i. L.	0	0
DBAG Fund V Konzern GmbH & Co. KG	5,211	0
DBAG Expansion Capital Fund Konzern GmbH & Co. KG	10,996	1,462
DBAG Expansion Capital Fund Konzern GmbH & Co. KG First New Vintage (DBAG ECF I)	0	23,240
DBAG Expansion Capital Fund Konzern GmbH & Co. KG Second New Vintage (DBAG ECF II)	0	4,982
DBAG Fund VI Konzern (Guernsey) L.P.	10,235	4,484
DBAG Fund VII Konzern SCSp	0	71,996
DBAG Fund VII B Konzern SCSp	0	2,350
	26,441	**108,514**

€'000	2016/2017	
Name	Payments	Investments
DBG Fourth Equity Team GmbH & Co. KGaA i. L.	1,427	0
DBAG Fund V Konzern GmbH & Co. KG	120,967	525
DBAG Expansion Capital Fund Konzern GmbH & Co. KG First New Vintage (DBAG ECF I)	4,946	15,486
DBAG Expansion Capital Fund Konzern GmbH & Co. KG Second New Vintage (DBAG ECF II)	0	0
DBAG Fund VI Konzern (Guernsey) L.P.	52,019	47,946
DBAG Fund VII Konzern SCSp	0	12,500
DBAG Fund VII Konzern B SCSp	0	416
	179,359	**76,874**

Distributions from DBAG Fund V Konzern GmbH & Co. KG of 5,211 thousand euros relate to the repayment of a vendor loan in connection with the disposal of a portfolio company and the release of escrow amounts from other disposals in the previous year.

Distributions of 10,996 thousand euros from DBAG Expansion Capital Fund Konzern GmbH & Co. KG stem primarily from the repayment of a shareholder loan and the transfer of realised income from an investment vehicle. Payments of 1,462 thousand euros relate to a follow-on investment in a portfolio company.

DBAG ECF I and DBAG ECF II made total investments in new portfolio companies and existing investments of 28,222 thousand euros in the financial year.

DBAG Fund VI Konzern (Guernsey) L.P. paid out returns on partial sales of 10,235 thousand euros and invested 4,484 thousand euros in existing portfolio companies.

DBAG Fund VII Konzern SCSp and DBAG Fund VII B Konzern SCSp continued to invest in existing portfolio companies. In addition, DBAG Fund VII Konzern SCSp acquired a new portfolio company.

5.4 Other unconsolidated subsidiaries

Name	Domicile	Capital/voting interest %
Bowa Geschäftsführungs GmbH i. L.	Frankfurt am Main, Germany	100.00
DBG Advising Verwaltungs GmbH	Frankfurt am Main, Germany	20.00
DBG Managing Partner Verwaltungs GmbH	Frankfurt am Main, Germany	20.00

Bowa Geschäftsführungs GmbH i. L. is unconsolidated due to immateriality.

DBG Advising Verwaltungs GmbH and DBG Managing Partner Verwaltungs GmbH do not provide investment-related services and are therefore not consolidated; rather, they are recognised at fair value through profit or loss.

5.5 Interests in associates

DBAG is invested in three companies over which it exerts significant influence; it has the ability to participate in financial and business policy decisions without being able to control these decision processes. Based on DBAG's voting interests of between 20 to 50 percent, the following entities are considered associates:

Name	Domicile	Capital interest %	If differing, voting interest %
DBG Asset Management Ltd.	Jersey, Channel Islands	50.00	35.00
RQPO Beteiligungs GmbH	Frankfurt am Main, Germany	49.00	
RQPO Beteiligungs GmbH & Co. Papier KG	Frankfurt am Main, Germany	44.10	

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.

The aggregate financial data for these immaterial associates is shown in the following table:

STATEMENT OF FINANCIAL POSITION		
€'000	**31 Dec. 2017**	31 Dec. 2016
Assets		
Fixed assets	2,846	2,581
Current assets	153	443
Total assets	**2,999**	**3,024**
Equity and liabilities		
Equity	328	361
Provisions	2	2
Liabilities	2,669	2,661
Total equity and liabilities	**2,999**	**3,024**

Statement of profit or loss		
€'000	**1 Jan. 2017 to 31 Dec. 2017**	1 Jan. 2016 to 31 Dec. 2016
Revenue	2,913	(15)
Other expenses and income	47	(39)
Taxes	0	0
Net income for the year	**2,960**	**(54)**

5.6 Interests in portfolio companies and international funds

DBAG holds direct interests in one portfolio company and one international fund. It has no significant influence over these entities since it does not participate in their financial or operating policy decisions. DBAG holds the following interests directly:

Name	Domicile	Capital interest %	If differing, voting interest %
JCK Holding GmbH Textil KG	Quakenbrück, Germany	3.60	0.00
Harvest Partners IV GmbH & Co KG	Munich, Germany	9.86	0.00

The investment held directly is measured at fair value through profit or loss.

For the international fund investment, use is made of the option of designating it at fair value through profit or loss upon initial recognition ("fair value option" in accordance with IAS 39.9).

5.7 Interests in unconsolidated structured entities

Within the scope of the business activity of DBAG and its subsidiaries as external capital management companies or investment service providers to private equity funds, contractual arrangements exist between DBAG and structured entities of managed or advised DBAG funds that DBAG sponsored within the scope of its business activity. In particular, in the founding phase of a fund, DBAG prepays certain external third-party charges. These costs are reimbursed by the investors in a fund when that fund's investment period starts. No external third-party costs were prepaid or reimbursed in financial year 2017/2018 (previous year: none).

The following companies that DBAG sponsored within the scope of the business activity described above are structured entities that were neither consolidated nor held at fair value through profit or loss at 30 September 2018:

Name	Domicile	Capital/voting interest %
DBAG Fund IV International GmbH & Co. KG i. L.	Frankfurt am Main, Germany	0.00
DBAG Fund IV GmbH & Co. KG i. L.	Frankfurt am Main, Germany	0.00
DBAG Fund V GmbH & Co. KG	Frankfurt am Main, Germany	0.00
DBAG Fund V International GmbH & Co. KG	Frankfurt am Main, Germany	0.00
DBAG Fund V Co-Investor GmbH & Co. KG	Frankfurt am Main, Germany	0.00
DBAG Expansion Capital Fund GmbH & Co. KG	Frankfurt am Main, Germany	0.00
DBAG Expansion Capital Fund International GmbH & Co. KG	Frankfurt am Main, Germany	0.00
DBAG Fund VI (Guernsey) L.P.	St Peter Port, Guernsey, Channel Islands	0.00
DBG Fund HoldCo GmbH & Co. KG	Frankfurt am Main, Germany	0.00
DBAG Fund VI Feeder GmbH & Co. KG	Frankfurt am Main, Germany	0.00
DBAG Fund VII SCSp	Findel, Luxembourg	0.00
DBAG Fund VII B SCSp	Findel, Luxembourg	0.00
DBAG Fund VII B Feeder GmbH & Co. KG	Frankfurt am Main, Germany	0.00
DBAG Fund VII Feeder GmbH & Co. KG	Frankfurt am Main, Germany	0.00
European Private Equity Opportunities I LP	St Peter Port, Guernsey, Channel Islands	0.00

The companies listed are the investment vehicles for the German and international investors in the DBAG funds.

The DBAG Group does not have contractual or economic commitments to these unconsolidated structured entities to provide financing or assets. Exposure to economic risk relates exclusively to the management and advisory activity for the DBAG funds. Group companies receive management or fund advisory fees based on contractual agreements[1] for the services provided to DBAG funds (see Note 5.2 and Note 39).

Exposure to loss from these unconsolidated structured entities exists only for receivables arising from the management and advisory activity of the DBAG Group for the DBAG funds.

€'000	**30 Sept. 2018**	30 Sept. 2017
Name	**Maximum exposure to loss**	Maximum exposure to loss
DBAG Fund IV GmbH & Co. KG i.L.	0	0
DBAG Fund IV International GmbH & Co. KG i.L.	0	0
DBAG Fund V GmbH & Co. KG	45	0
DBAG Fund V International GmbH & Co. KG	104	0
DBAG Fund V Co-Investor GmbH & Co. KG	0	0
DBAG Expansion Capital Fund GmbH & Co. KG (Original Vintage)	148	264
DBAG Expansion Capital Fund First New Vintage GmbH & Co. KG	39	0
DBAG Expansion Capital Fund International GmbH & Co. KG (Original Vintage)	90	200
DBAG Expansion Capital Fund International First New Vintage GmbH & Co. KG	151	0
DBAG Expansion Capital Fund International Second New Vintage GmbH & Co. KG	137	0
DBAG Fund VI (Guernsey) L.P.	1,964	413
DBAG Fund VII SCSp	701	3,831
DBAG Fund VII B SCSp	2	91
	3,382	**4,798**

There were no contractual or economic commitments at the reporting date (previous year: none) arising from all other unconsolidated structured entities in which DBAG acted as a sponsor that could result in an inflow or outflow of funding or involve exposure to loss for the DBAG Group.

Disclosures on list of shareholdings pursuant to § 313 (2) HGB

The disclosures on the list of shareholdings pursuant to § 313 (2) German Commercial Code (HGB) can be found in Note 44 of these notes to the consolidated financial statements.

1 Management fees from DBAG Fund V and DBAG Expansion Capital Fund, management and advisory fees from DBAG Fund VI and DBAG Fund VII; no management fees have been paid from DBAG Fund IV since April 2016.

6. Consolidation methodology

In addition to DBAG, nine (previous year: nine) of the other consolidated companies prepare their separate annual financial statements at 30 September. The remaining consolidated companies' reporting date is concurrent with the calendar year. For consolidation purposes, these companies prepare interim financial statements at the reporting date of DBAG.

The financial statements of consolidated companies are drawn up based on uniform accounting policies.

Capital consolidation is performed using the purchase method based on the date that DBAG obtained a controlling influence over the subsidiary in question (acquisition date). Acquisition costs are offset by the fair value of the acquired identifiable assets and assumed liabilities as well as contingent liabilities. The carrying amounts are amortised in the subsequent periods. Goodwill required to be capitalised has not yet occurred.

Intra-Group profits and losses and transactions as well as all unrealised income and expenses are eliminated when preparing the consolidated financial statements. Deferred income taxes are taken into account in consolidation procedures.

7. Accounting and valuation policies

Recognition of assets and liabilities

Non-financial assets are recognised in the consolidated statement of financial position if it is probable that the future economic benefit will flow to DBAG and their cost or other value can be reliably measured.

Non-financial liabilities are recognised in the consolidated statement of financial position if it is probable that the settlement of a present obligation will require an outflow of resources embodying economic benefits and the amount of the settlement can be reliably measured.

Regular-way purchase or sale of financial assets or financial liabilities as well as equity instruments (generally referred to as financial instruments in accordance with IAS 32) are consistently recognised or derecognised for all categories of financial instruments on the settlement date.

Categories 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. Level 3 financial instruments are also classified as investment entity subsidiaries, interests in portfolio companies, international fund investment and "other". The classes are formed based on the valuation methodologies.

For financial assets that are measured at fair value in profit or loss, only such assets exist as are designated to this category upon initial recognition. These mainly relate to investments. Financial assets classified as held for trading or as held to maturity do not exist.

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:

- interests in investment entity subsidiaries (subsidiaries that may not be consolidated in accordance with IFRS 10; see Note 5.3),
- interests in associates (interests in portfolio companies with a share of voting rights between 20 and 50 percent; see Note 5.5),
- other interests in portfolio companies (interests in portfolio companies with a share of voting rights of less than 20 percent; see Note 5.6),
- international fund investment (see Note 5.6).

The financial assets are measured initially and at all subsequent quarterly and annual reporting dates at fair value by the DBAG's **INTERNAL 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.

DBAG has developed **VALUATION GUIDELINES** for fair value measurement 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 valuation guidelines set out further details on IPEVG provisions, insofar as the latter are vague or IFRS compliance so requires, in order to allow them to be applied in intersubjectively clear terms to DBAG. The IPEVG are not mandatory guidelines; rather they summarise standard valuation practices in the private equity industry.

General principles of fair value measurement

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.

The valuation is performed at the relevant reporting date for the quarterly and annual financial statements (valuation date), taking all 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.

In determining the fair value, critical judgements on the part of the Valuation Committee will become necessary to a certain extent, i.e. assumptions and estimates must be made. These are constructively substantiated by the Valuation Committee and documented in the valuation records. To that end, the assumptions and estimates are based on the premises of current knowledge and the experience of the Valuation Committee and are consistently applied without arbitrariness. If the portfolio company's actual performance or the underlying conditions differ from the trend expected at the preceding valuation date, the premises and, if appropriate, the fair value are adjusted at the next valuation date.

Whenever a portfolio company is disposed of, the Valuation Committee analyses whether or not and, if so, to what extent the realised value differs from the most recently calculated fair value (a process known as "backtesting"). Backtesting provides information on the causes of the changes in value, in order to make ongoing improvements to the valuation process.

Fair value at the acquisition date

At initial recognition, the fair value corresponds to the transaction price. Ancillary costs of the transactions are not capitalised, but are immediately expensed. Ancillary costs attributable to a transaction include fees paid to intermediaries, consultants (e.g. legal or corporate consultants), agents and brokers, charges paid to regulatory authorities and stock exchanges as well as taxes and fees incurred in connection with the transaction.

Fair value hierarchy for subsequent measurement

At subsequent reporting dates, the fair value is measured on a going-concern basis.

As far as possible, the fair value of a portfolio company at the subsequent reporting dates is measured based on prices from transactions in the market that were observed on the valuation date or immediately prior to that date. This is normally possible for companies whose shares are quoted on the stock exchange. These portfolio companies are valued at the closing rate on the valuation date or the closing rate on the last day of trading prior to this date. In determining prices, the principal market or the most advantageous market is used as the relevant stock exchange. The fair value thus determined is neither reduced by premiums attaching to the sale of larger blocks of shares nor by deductions for disposal costs. Should the sale be subject to contractually agreed restrictions (lock-up), a risk-adjusted deduction is made on the observed transaction price. The amount of the risk-adjusted deduction is at the discretion of the Valuation Committee.

For unlisted companies, a valuation methodology may be considered that is based on a signed purchase agreement or a binding purchase bid, if the completion of the purchase agreement is sufficiently assured or if the purchase bid seems sufficiently realisable. If appropriate, valuations can be based on the price at which a significant amount of new investments in the portfolio company were made (financing rounds) or on significant comparative prices of recent transactions that have taken place in the market.

If the transaction price observed in the market at the valuation date or the price of the most recent investment made prior to the valuation date does not constitute a sufficiently reliable method – because of insufficient liquidity in the market for instance or in the event of a forced transaction or distressed sale – valuation procedures are used that measure fair value on the basis of assumptions.

Fair value measurement methods on hierarchy level 3

The following valuation methods are used to measure level 3 financial instruments:

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

For the **SUM-OF-THE-PARTS PROCEDURE**, individual asset and liability items are valuated separately at fair value and then aggregated to the net asset value of the unconsolidated subsidiaries. To that end, portfolio companies are generally valuated using the multiples or DCF method (see below).

The members of the investment team have committed to take an interest in the DBAG funds DBAG Fund IV, DBAG Fund V, DBAG Fund VI, DBAG Fund VII and DBAG ECF. For the members of the investment team, under certain conditions (see Note 39), this can result in a profit share that is disproportionate to the capital invested ("carried interest"). For the purposes of calculating fair value, the total liquidation of the fund portfolio at the reporting date is assumed for the first time at 30 September 2018 (see Note 4) when assessing whether these conditions are met. If the total sales proceeds realised at a reporting date plus the fair values of the investments still in the portfolio are equivalent to the full repayment of capital (see Note 39), then the co-investment vehicle's share of NAV is reduced by arithmetical carried interest.

For the **MULTIPLES METHOD**, the enterprise value is determined by applying a multiple to an appropriate indicator of the company's value. Valuations are generally performed on the basis of Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) or Earnings Before Interest, Tax and Amortisation (EBITA). The total value of the company is generally measured as a mean on the basis of EBITDA and EBIT, in exceptional cases solely on the basis of EBITDA. Median EBITDA is defined as the leading multiple when deriving multiples from peer group companies.

The indicator derives from a portfolio company's current financial metrics. To arrive at a maintainable indicator of value, these metrics are adjusted for special effects, such as non-recurring expenses or discounts for risk projects. In addition, discounts or premiums are made on the applied indicators if there is current information that is not yet reflected in these financial metrics. The multiple is derived from the market capitalisation of a publicly listed peer group. Companies are selected for the peer group that are comparable with the investee business to be valued as regards their business model, the geographical focus of their operations as well as their size. If the portfolio company to be valued differs in certain aspects compared with features of companies in the peer group, discounts or premiums are applied to the relevant multiple. As long as these differences between the portfolio company to be valued and the peer group companies exist, these discounts or premiums are applied consistently.

If no listed peers that are comparable with the company to be valued in terms of size, growth rates and margins are known, the multiple is set based on the starting multiple. These starting multiples are extrapolated in line with the development of the reference multiple, which is determined using the median for a peer group of similar companies that are as comparable as possible.

In the **DCF METHOD**, fair value is determined by discounting expected future cash flows. The portfolio company's existing budgeting is used as the basis for projecting future cash flows. This is adjusted by discounts or premiums, if current findings exist that were not yet considered in the budgets. If there is no suitable basis for transition to a terminal value at the end of the forecast period, a less detailed trend phase follows. For the time following the forecast period and, if appropriate, the trend phase, a terminal value is used that may be adjusted by a growth rate. We derive the discount rate by the WACC model (WACC = weighted average cost of capital) from the weighted cost of equity and cost of debt. In discounting equity, we derive the rate from a risk-free base rate and a risk premium to capture the business risk involved. The discount rate for debt corresponds to the refinancing rate for the company to be valued. For valuations of interests in international funds using the DCF method, the expected proceeds from the sale of portfolio companies are discounted to the present value by applying the appropriate rate.

Recognition of revenues

Due to the particularities arising from the operating activities of the DBAG Group as a financial investor, the "net result of investment activity" and "fee income from fund management and advisory services" are presented instead of revenues in the consolidated statement of comprehensive income. The net result of investment activity comprises the net result of valuation and disposal as well as current income from financial investments, loans and receivables.

The **NET RESULT OF VALUATION** comprises movements in the fair value of financial assets and loans and receivables that are derived at each valuation date using the valuation principles described above.

The **NET RESULT OF DISPOSAL** contains profits that were realised upon disposal of financial assets and loans and receivables. For regular-way sales, disposals are recognised at the settlement date. The profits achieved on the sale are therefore recorded at that date. The settlement date is the day on which the contractually agreed obligations between the selling and purchasing parties to the contract have been fulfilled. In the DBAG Group, this is usually on the day on which the interests in the divested portfolio company are transferred in exchange for the receipt of cash, a purchaser's loan or other financial assets. In the event of contractually-agreed purchase price retentions for representations and warranties or other risks, these are recognised at a future date at which claims to warranty obligations or other risks are no longer probable. This may also be done on a contractually-agreed pro rata basis in partial amounts per period.

CURRENT INCOME consists of distributions from the investment entity subsidiaries (co-investment vehicles and DBG), dividends and interest payments from directly held portfolio companies and distributions from international investment funds.

- **DISTRIBUTIONS FROM CO-INVESTMENT VEHICLES** primarily consist of (net) proceeds on the disposal of portfolio companies, distributions from portfolio companies, interest on shareholder loans and repayments on shareholder loans. Recognition in income occurs according to contractual conditions.
- **DISTRIBUTIONS FROM DBG** are recognised on the date of the distribution resolution.
- **DIVIDENDS FROM DIRECTLY HELD PORTFOLIO COMPANIES** are recognised on the day that distributions or dividends are declared; **INTEREST PAYMENTS** are recognised *pro rata temporis* or in the period in which they accrue.
- **DISTRIBUTIONS FROM INTERNATIONAL FUND INVESTMENT** are recognised in income according to contractual conditions.

FEE INCOME FROM FUND MANAGEMENT AND ADVISORY SERVICES is recorded when the services are delivered.

Impairment test for financial assets at fair value outside profit or loss

An impairment test for financial assets measured at fair value outside profit or loss is conducted at each reporting date. At DBAG, this relates to financial assets falling under the categories of "Loans and receivables" as well as "Financial assets available for sale". The impairment test is designed to identify whether there is objective evidence that an asset is impaired. Such objective evidence could be:

- significant financial difficulty on the part of the issuer or obligor,
- breach of contract, for example, default or delinquency in interest or principal payments,
- concessions by the DBAG Group to a borrower for economic or legal reasons relating to the borrower's financial difficulty,
- the probability that the borrower will enter bankruptcy or another financial reorganisation,
- the disappearance of an active market for that financial asset because of financial difficulties,
- observable data, such as the payment status of borrowers or adverse changes in national or local economic conditions, indicating that there is a measurable decrease in the estimated future cash flows from the financial asset.

Impaired financial assets are derecognised when there is objective evidence that a receivable is uncollectible or that future cash flows can no longer be expected

Intangible assets/property, plant and equipment

Intangible assets and property, plant and equipment are valued at amortised cost.

Intangible assets were exclusively acquired against payment.

The useful life for intangible assets is determinable and extends from two to five years. For property plant and equipment, useful economic life is termed from three to thirteen years. Additions are depreciated *pro rata temporis*, beginning in the month of acquisition. Regular depreciation is offset on a straight-line basis.

Beyond that, intangible assets and property, plant and equipment are subject to impairment review, if certain events and/or changes in circumstances indicate that the carrying amount may no longer be recoverable. An impairment loss amounting to the difference between the carrying amount and the recoverable amount is recognised. The recoverable amount is the higher of an asset's fair value (less costs to sell) and its utility value.

Loans and receivables

The item "Loans and receivables" comprises loans, shareholder loans and receivables with a fixed term and without an embedded derivative requiring separation. These relate to financial assets within the meaning of IAS 39, which are designated to the category of "Loans and receivables" at initial recognition and carried at amortised cost. Loans and receivables are subject to an impairment test at each reporting date (see also the section on the impairment test above). Impairment losses on loans and receivables are recognised in the item "Net result of investment activity" in the consolidated statement of comprehensive income.

Securities

Securities comprise interest-bearing bonds and investments in retail funds. They are designated to the category of "Available-for-sale financial assets". Designation to this category occurs because they may be sold at any time to cover liquidity requirements arising from DBAG's investment activity. The securities are initially recognised at fair value, which corresponds to their cost at the time of the transaction, and at fair value directly in "Other comprehensive income" at the subsequent reporting dates. The fair value measurement of securities is based on prices by dealers or price information systems (Reuters, Bloomberg, etc.). These are indicative prices, since observed transaction prices are not regularly available for bonds due to low market turnover. Prices for units in retail funds can be taken directly from a price information system.

Changes in fair value are recognised in "Retained earnings and other reserves" in the consolidated statement of financial position and in "Unrealised gains/(losses) on available-for-sale securities" in the consolidated statement of comprehensive income. An impairment test is conducted at each reporting date (see also the section on the impairment test above). If there is objective evidence of impairment, the aggregate loss recognised in reserves is reclassified to "Other operating expenses" in profit or loss in the consolidated statement of comprehensive income, even if the securities were not derecognised. An impairment account is used to record impairments. Gains and losses realised on disposal of securities of this category are reclassified accordingly, insofar as this has not occurred at earlier reporting dates by way of an impairment test.

Other assets

"Other assets" comprise receivables from DBAG funds, other receivables and prepaid expenses. Where applicable, this item also contains the net asset position arising from offsetting plan assets with pension obligations. With the exception of prepaid expenses, value-added tax and the net asset position arising from offsetting plan assets with pension obligations, these relate to financial assets as defined in IAS 39.

These financial assets are classified in the measurement category "Loans and receivables". They are initially recognised at cost and are tested for impairment at the subsequent reporting dates (see the section on the impairment test).

If there is objective evidence of impairment, the loss is recognised in "Other operating expenses" in the consolidated statement of comprehensive income.

Receivables

The line item "Receivables" contains receivables from portfolio companies. These relate to financial assets that are allocated to the category of "Loans and receivables" upon initial recognition and valued at cost. At subsequent reporting dates, they are tested for impairment (see the section on the impairment test). If there is objective evidence of impairment, the loss is recognised in the item "Other operating expenses" in the consolidated statement of comprehensive income.

Other financial instruments

The item "Other financial instruments" includes short-term loans to our investment entity subsidiaries. These are financial assets in terms of IAS 39. Depending on their characteristics as equity or liability instruments, they are allocated to and measured in the category "Loans and receivables" at the time of the initial recognition of the financial instruments. Loans and receivables are subject to an impairment test at each reporting date (see also the section on the impairment test). Impairment losses are recognised in the item "Other operating expenses" in the consolidated statement of comprehensive income.

Income tax assets

The item "Income tax assets" contains receivables from corporation and investment income tax. These relate to current taxes resulting from taxable income. Income tax assets are recognised in the relevant amount for tax purposes.

Cash and cash equivalents

"Cash and cash equivalents" relates to cash in banks, time deposits and overnight money. These are allocated to the category of "Loans and receivables" and are carried at amortised cost.

Deferred taxes

According to the IFRS, deferred taxes are recognised on temporary differences arising between the tax bases of assets and liabilities and their IFRS carrying amounts in the accounts (balance sheet-orientated method). Temporary differences based on the IFRS are any differences that are not of a permanent nature. The IFRS require recognition of both deferred tax assets and liabilities, if the criteria for recognition exist.

Additionally, expected tax reductions from loss carryovers are capitalised in the IFRS format, if an appropriate level of taxable income is expected to be achieved in the foreseeable future against which unused tax loss carryovers may be offset. The tax rates expected to apply at the balance sheet date are used to determine deferred taxes.

Changes to deferred taxes are basically recognised in profit or loss, insofar as the circumstances to which they relate were recognised in profit or loss and were not charged or credited to equity.

Minority interest

"Minority interest" in the consolidated statement of financial position contains the minority share ownership belonging to other investors in companies that are fully consolidated in the Group accounts. It is recognised within liabilities, since it concerns shares in partnerships which do not meet the definition of equity in accordance with the IFRS. Minority interest is carried as a financial liability pursuant to IAS 39. Initial and subsequent valuation is at the proportionate carrying amount of minority interest in the company capital.

Pension obligations and plan assets

Pension obligations arising from defined benefit plans exist at DBAG. Application of the plans is subject to the date at which the respective employee joined the company. Pension obligations of Group companies are set against assets of a legally independent entity ("contractual trust arrangement" in the form of a bilateral trust), which must be used exclusively to cover the pension commitments given and are not accessible to creditors (qualified plan assets).

The pension obligations are offset, by an asset of a legally independent entity ("contractual trust agreement" in the form of a two-way trust) that may only be used to cover the pension commitments given and are not accessible to any creditors (qualified plan assets).

The pension obligations under the defined benefit obligations are measured using the actuarial projected unit credit method. This method involves measuring the future obligations based on the *pro rata* benefit entitlements acquired up until the reporting date. They show the part of the benefit obligations that has been recognised in profit or loss by the reporting date. The valuation includes assumptions regarding the future development of certain actuarial parameters, such as the life expectancy of current and future pensioners, increases in salaries and pensions, and the interest rate used to discount the obligations. The actuarial rate is calculated based on the returns that are valid at the reporting date for long-term industrial bonds of issuers with the highest credit ratings with a comparable maturity.

The plan asset is measured at fair value.

For presentation in the financial statements, the present value of pension obligations is netted against the fair value of the plan asset. Should the fair value of the plan asset exceed the present value of pension obligations, a net defined benefit asset is recognised in "Other non-current assets". A net defined benefit liability is recognised in "Provisions for pension obligations".

Service cost is recognised in personnel expenses and net interest on the net defined benefit liability (asset) in interest expenses. Net interest comprises interest expenses on pension obligations and the interest income on plan assets. It is calculated using the actuarial rate that applies to pension obligations.

Remeasurements of the net defined benefit liability are recognised in other comprehensive income. They comprise actuarial gains and losses from changes in financial and demographic assumptions as well as from experience-related changes.

Other provisions

Other provisions are carried in liabilities, if a third-party obligation and the probability of an outflow of resources to settle the obligation exist. Non-current provisions are discounted.

Other liabilities

Liabilities of the Group are carried in "Other liabilities" in conformity with IAS 39. They are initially recognised at cost. Subsequent measurement for discounted loans is at amortised cost using the effective interest method.

Other financial commitments, contingent liabilities and trusteeships

Other financial obligations are recognised outside the balance sheet. They ensue to the extent that a legal or constructive third-party obligation exists for DBAG at the reporting date. This is measured on initial recognition at fair value.

Existing obligations arising from rental and lease contracts are carried as permanent debt obligations outside the balance sheet. Future payment commitments are discounted. Contingent liabilities are disclosed at the settlement amount and trusteeships at their fair value in the notes to the consolidated financial statements.

Net result of valuation and disposal of financial assets and loans and receivables

This item contains realised gains and losses arising from disposals of financial assets and from changes in the fair value of financial assets. This caption also includes impairment losses on loans and receivables carried at amortised cost.

Other comprehensive income

In addition to net income, other comprehensive income is the second component of total comprehensive income. Through other comprehensive income, transactions are recognised outside profit or loss. Other comprehensive income is shown before taxes. Shareholders from outside of the Group do not participate in other comprehensive income within the DBAG Group.

Offsetting

In preparing the consolidated statement of financial position and the consolidated statement of comprehensive income, assets and liabilities, as well as income and expenses, are generally not offset, unless this is stipulated or expressly permitted by a requirement.

Leases

Only operating lease commitments exist. Lease payments are recognised as an expense.

Foreign currency

Receivables and liabilities stated in foreign currency are recognised in the consolidated income statement using the closing-rate method. Since the group of consolidated companies of DBAG does not include entities with different functional currencies, there are no effects from currency translations in this context.

8. 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, accounting and valuation methods that have been applied based on judgements are detailed in Notes 5 to 7 above.

The amounts recognised in the financial statements are primarily influenced by the fact that, as the parent company, DBAG is deemed to have the status of an investment entity pursuant to IFRS 10. This status assessment had to be performed again in the previous financial year 2016/2017 after DBAG transferred certain services relating to fund management and advisory services that it had previously performed itself to its subsidiaries. The aim of the assessment was to determine whether DBAG had the power to direct these subsidiaries. As, based on the overall circumstances, the subsidiaries are to be included in the consolidated financial statements as fully consolidated companies, the investment-related services performed by them are to be attributed to DBAG, meaning that DBAG still has the status of an investment entity pursuant to IFRS 10.

As a result, the investment entity subsidiaries are still not included in the consolidated financial statements as fully consolidated companies, but rather are recognised at fair value. The fair value of investment entity subsidiaries is significantly determined by the fair value of the portfolio companies, which were already being carried at fair value in the consolidated financial statements prior to the implementation of IFRS 10.

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

Preparation of the consolidated financial statements 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 these consolidated financial statements. 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 next 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 total shareholders' equity as being material; an adjustment is also material when it serves the clarity of the asset, financial and earnings position. Moreover, in our materiality judgements, we consider the possible effects in relation to the financial data in these consolidated financial statements as well as qualitative aspects.

A significant risk exists in financial assets, the fair value of which was determined using inputs not based on observable market data (hierarchy level 3: see Note 34.2). Fair values at level 3 are contained in "Financial assets" in the amount of 323,304 thousand euros (previous year, adjusted: 252,478 thousand euros). 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 financial statements of +/-20,842 thousand euros (previous year: 17,926 thousand euros). This equates to five percent of the total shareholders' equity (previous year, adjusted: four percent).

Notes to the consolidated statement of comprehensive income

10. Net result of investment activity

€'000	2017/2018	2016/2017
		adjusted[1]
Interests in investment entity subsidiaries	31,239	73,248
Interests in portfolio companies	609	13,712
International fund investment	2,386	(1,120)
Other financial assets	(100)	(5)
	34,133	**85,835**

1 Adjusted in accordance with IAS 8 (see note 4)

The investment entity subsidiaries constitute subsidiaries of DBAG through which DBAG co-invests in DBAG funds (see note 5.3) and DBG. These subsidiaries are no longer permitted to be consolidated based on IFRS 10; instead, they are to be recognised at fair value through profit or loss. The significant assets of these investment entity subsidiaries are interests in and receivables from portfolio companies.

Net income from interests in investment entity subsidiaries include changes in the fair values of portfolio companies held via these vehicles, after deduction of carried interest in the cases of co-investment vehicles of DBAG Fund V, DBAG ECF and DBAG Fund VI. In addition, this item includes the net returns from the disposal or partial disposal and the recapitalisation of portfolio companies from investment entity subsidiaries, as well as 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 is based on the net result of valuation and disposal and the current income for distributions and interest on loans and variable capital accounts.

The international fund investment was entered into in April 2001 in order to geographically diversify financial assets more strongly. The fund in question is not managed by DBAG. The second international fund investment that was reported here prior to the adjustment pursuant to IFRS 10 is now included in the net asset value of DBG.

Other financial investments include subsidiaries that do not provide investment-related services and interest in associates (see Notes 5.4 and 5.5).

For further information on the net result of investment activity, we refer to the management report (see pages 55ff.).

11. Fee income from fund management and advisory services

€'000	2017/2018	2016/2017
DBAG Fund V	662	2,554
DBAG ECF	733	522
DBAG ECF I	983	0
DBAG ECF II	198	0
DBAG Fund VI	9,669	11,337
DBAG Fund VII	16,238	12,582
Other	53	52
	28,536	**27,047**

Management and advisory fee income stems from management and fund advisory services for the DBAG funds (see note 1 and further comments in Note 39).

The fee income from DBAG Fund V and DBAG Fund VI dropped following divestments over the last twelve months.

Income from DBAG ECF, DBAG ECF I and DBAG ECF II increased due to the investments made in the reporting year.

Higher income was received from DBAG Fund VII than in the previous year. The fund's investment period began at the end of December 2016; this was therefore the first time that fund management income was received for a full financial year.

12. Personnel expenses

€'000	2017/2018	2016/2017
Wages and salaries		
Fixed salary and fringe benefits	10,314	9,427
Variable remuneration, performance-related	4,864	8,124
Variable remuneration, transaction-related	166	1,793
	15,344	**19,344**
Social contributions and expenses for pension plans	**1,468**	**1,399**
thereof from pension plans	624	558
	16,812	**20,743**

The performance-related variable remuneration concerns members of the Board of Management and DBAG employees. For more information on the Board of Management's remuneration, please refer to the remuneration report, which is an integral part of the management report.

Since the financial year 2014/2015, the performance-related variable remuneration scheme for managing members of the investment team has been oriented around new investments entered into, portfolio performance and profitable realisations. For the other members of the investment team and employees in corporate functions, the system is based on company and personal performance.

In the previous year the performance-related variable remuneration showed an amount of 69 thousand euros for holiday and Christmas allowances and in-kind benefits from share purchases by employees. As of this financial year, this remuneration is included in the item "Fixed salary and fringe benefits" (77 thousand euros), with the corresponding changes to the comparative figures for the previous year.

Deal-based variable remuneration concerns active and former members of the Board of Management and members of the investment team based on older systems no longer in use. For a description of these systems we also refer to the remuneration report.

Number of employees (without Board of Management members):

	30 Sept. 2018	30 Sept. 2017
Employees (full-time)	56	54
Employees (part-time)	9	7
Apprentices	6	6

The Board of Management consisted of three members at the end of financial year 2017/2018 (previous year: three members).

In financial year 2017/2018, an average of 63 employees (previous year: 61) and five apprentices (previous year: six) were employed at Deutsche Beteiligungs AG.

13. Other operating income

€'000	2017/2018	2016/2017
Income from consultancy expenses that can be charged on	2,914	3,540
Income from exchange rate differences	133	0
Income from the reversal of provisions	123	98
Income from positions held on supervisory boards/advisory councils	57	238
Income from disposal of long- and short-term securities	17	200
Income from disposal of other financial instruments	0	218
Other	454	312
	3,697	**4,605**

Consultancy expenses charged on relate to advances on behalf of DBAG funds and/or portfolio companies. The drop in income from consultancy expenses charged on corresponds with the decrease in consultancy expenses charged on (see note 14).

Income from exchange rate differences stems from a purchase price receivable held in US dollars. It relates to an investment realised in financial year 2015/2016.

Income from positions held on supervisory boards and advisory councils relates to income from work by DBAG employees on the supervisory boards of DBAG portfolio companies or external companies. Remuneration for work on the boards of portfolio companies held via the DBAG funds has been presented under income from fund management and advisory services since financial year 2017/2018.

14. Other operating expenses

€'000	2017/2018	2016/2017
Consultancy expenses that can be charged on	2,949	3,341
Other consultancy expenses	1,154	863
Auditing and tax consultancy expenses	1,070	1,196
Consultancy expenses for deal sourcing	1,032	958
Consultancy expenses	6,206	6,358
Office rental expenses	1,166	1,082
Travel and hospitality expenses	1,028	1,097
Value-added tax	967	910
Expenses resulting from the repayment of Advisory Board remuneration to funds	932	0
External employees and other personnel costs	849	997
Depreciation and amortisation of property, plant and equipment and intangible assets	683	714
Stock market listing	653	597
Maintenance costs for hardware and software	530	449
Corporate communications, investor relations, media relations	507	410
Supervisory Board remuneration	400	406
Other	1,638	1,328
	15,557	**14,349**

The drop in consultancy expenses charged on corresponds with the decrease in income from consultancy expenses charged on (see note 13).

The increase in other advisory expenses chiefly relates to advisory services purchased in connection with the introduction of a new IFRS standard and to advisory expenses concerning data protection and anti-money laundering legislation.

The expenses for premises relate primarily to office rent. The increase results from leasing additional office space for DBAG employees.

The "VAT" item relates to non-deductible input tax based on revenues that are not taxable.

Expenses for the reimbursement of advisory board remuneration to funds result from subsequent offsetting against management fees for DBAG Fund V. DBAG had received the advisory board remuneration for work by members of its investment team on supervisory boards of portfolio companies in DBAG Fund V since the investment period began ten years ago.

Expenses for external staff and other personnel costs include the costs of temporary staff to cover for employees on sick leave and parental leave, recruitment expenses and staff training.

"Other" consists of miscellaneous operating expenses, in particular motor vehicles, insurance and offices supplies.

15. Interest income

€'000	2017/2018	2016/2017
Other financial instruments	313	132
Tax authorities	29	10
Other	3	13
	344	**154**

Interest income from other financial instruments relates to loans granted to associates (see note 23).

16. Interest expenses

€'000	2017/2018	2016/2017
Interest expenses for pension provisions	540	312
Expected interest income on plan assets	(380)	(196)
Net interest on net defined benefit liability	160	116
Credit line	513	432
Securities	18	5
Other	11	3
	702	**556**

The interest income on plan assets is calculated using the same discount rate that is used for determining the present value of pension obligations. For information on the parameters used for the two components of the net interest on the net defined benefit liability, we refer to note 29.

Interest expenses for the line of credit of 513 thousand euros (previous year: 432 thousand euros), relate to the annual availability fee for the credit facility in the amount of 50 million euros, which was paid in December 2015 and extended in financial year 2017/2018.

17. Income taxes

€'000	2017/2018	2016/2017
Current taxes	18	1
Deferred taxes	0	0
	18	**1**

Effective taxes relate to corporation tax and the solidarity surcharge for the financial year 2017/2018.

Deferred taxes take into account the occurrence or reversal of temporary differences between the IFRS carrying amounts and the tax purpose-based carrying amounts of assets and liabilities. Temporary differences primarily exist for financial assets and pension provisions. This financial year, the Group companies have for the most part recorded a surplus in deferred tax assets that largely originated from existing loss carryforwards. Based on the type of business activities and their applicable tax treatment, it is not probable that sufficient taxable profit will be available against which they can be utilised. These deferred tax assets were therefore not capitalised. At 30 September 2018, there were neither deferred income tax assets nor deferred income tax liabilities taken directly to equity.

Reconciliation between the theoretically expected tax charge for an incorporated company and the current amount recognised in the consolidated financial statements of DBAG is as follows:

€'000		2017/2018	2016/2017
Earnings before tax		33,640	81,993[1]
Applicable corporate tax rate	%	31.925	31.925
Theoretical tax income/expenses		**10,739**	**26,176**[1]
Change in theoretical tax income/expenses:			
(Tax-exempt) positive net earnings from valuation and disposal		(10,902)	(3,057)[1]
Negative earnings from valuation and disposal		2,828	24,808[1]
Change in temporary differences where deferred taxes were not recognised (non-capitalised gains)		0	4,176
Current income from investments		(294)	0
Change in temporary differences where deferred taxes were not recognised (non-capitalised gains)		860	2,588[1]
Taxes from previous years		(3,629)	(55,136)
Tax rate differential		29	50
Other effects		351	395[1]
Income taxes		**(18)**	**(1)**
Taxation ratio	%	(0.05)	0.00

1 Adjusted in accordance with IAS 8 (see note 4)

The expected tax rate for corporations is composed of corporation tax and a solidarity surcharge (15.825 percent) as well as municipal trade tax (16.10 percent). The tax rate for DBAG is unchanged at 15.825 percent. As an equity investment company, DBAG is exempt from municipal trade tax.

A main pillar of DBAG's business is the acquisition and disposal of investments alongside the DBAG funds. The investments largely relate to corporate enterprises. The tax effect in accordance with § 8b German Corporation Tax Act (KStG) for the (positive) net result of valuation and disposal totals 10,902 thousand euros (previous year, adjusted: 3,057 thousand euros).

Based on existing Group budgets, deferred taxes arising from temporary differences between the IFRS and tax purpose-based carrying amounts were not recognised at Group level due to lack of recoverability.

Notes to the consolidated statement of financial position

18. Intangible assets/property, plant and equipment

	Acquisition cost			
€'000	1 Oct. 2017	Additions	Disposals	**30 Sept. 2018**
Intangible assets	1,601	35	0	1,636
Property, plant and equipment	3,194	268	673	2,789
	4,795	**303**	**673**	**4,425**

	Depreciation and amortisation				Carrying amounts	
€'000	1 Oct. 2017	Additions	Disposals	**30 Sept. 2018**	**30 Sept. 2018**	30 Sept. 2017
Intangible assets	909	289	0	1,198	438	693
Property, plant and equipment	2,065	394	508	1,950	839	1,129
	2,974	**683**	**508**	**3,148**	**1,277**	**1,822**

	Acquisition cost			
€'000	1 Oct. 2016	Additions	Disposals	30 Sept. 2017
Intangible assets	1,471	130	0	1,601
Property, plant and equipment	3,069	441	316	3,194
	4,540	**571**	**316**	**4,795**

	Depreciation and amortisation				Carrying amounts	
€'000	1 Oct. 2016	Additions	Disposals	30 Sept. 2017	30 Sept. 2017	30 Sept. 2016
Intangible assets	625	284	0	909	693	846
Property, plant and equipment	1,834	431	200	2,065	1,129	1,235
	2,459	**714**	**200**	**2,974**	**1,822**	**2,081**

Intangible assets were exclusively acquired against payment.

Depreciation and amortisation in the reporting year exclusively relate to regular depreciation.

19. Financial assets

€'000	**30 Sept. 2018**	30 Sept. 2017 adjusted[1]
Interests in investment entity subsidiaries	318,098	246,479
Interests in portfolio companies	4,828	5,301
International fund investment	303	974
Other financial assets	75	77
	323,304	**252,830**

1 Adjusted in accordance with IAS 8 (see note 4)

Financial assets are measured at fair value in profit or loss (see notes 7 and 10).

This item exhibited the following movements in the reporting year:

€'000	1 Oct. 2017	Additions	Disposals	Value movements	30 Sept. 2018
Interests in investment entity subsidiaries	246,479	73,502	23,230	21,348	318,098
Interests in portfolio companies	5,301	21	352	(141)	4,828
International fund investment	974	0	895	225	303
Other financial assets	77	0	0	(2)	75
	252,830	**73,523**	**24,478**	**21,429**	**323,304**

€'000	1 Oct. 2016	Additions	Disposals	Value movements	30 Sept. 2017 adjusted[1]
Interests in investment entity subsidiaries	289,600	54,764	46,162	(51,722)	246,479
Interests in portfolio companies	21,888	0	17,050	462	5,301
International fund investment	2,093	0	0	(1,120)	974
Other financial assets	64	30	8	(10)	77
	313,646	**54,793**	**63,220**	**(52,389)**	**252,830**

1 Adjusted in accordance with IAS 8 (see note 4)

Additions to shares in investment entity subsidiaries relate to capital calls for investments in portfolio companies and management fees (see management report, pages 45ff.).

The disposals of shares in investment entity subsidiaries result from distributions stemming from disposals of portfolio companies and repayments of shareholder loans or short-term interim financing that were extended to portfolio companies.

Movements in value are recorded under the item "Net result of investment activity" in the consolidated statement of comprehensive income (see note 10).

For further information on financial assets, we refer to the management report (see pages 45ff.).

20. Loans and receivables

€'000	2017/2018	2016/2017
At start of financial year	1,338	2,695
Addition	0	0
Disposal	0	0
Reclassification	(1,443)	(1,253)
Value movement	105	(105)
	0	**1,338**

The receivables were reclassified because the residual term of the remaining balance of a purchase price receivable in connection with the sale of the investment in Clyde Bergemann GmbH now amounts to less than one year. The changes in value are the result of currency rate changes.

21. Receivables

€'000	30 Sept. 2018	30 Sept. 2017
Receivables from affiliated companies	1,091	1,244
Receivables from investments	0	2,405
	1,091	**3,649**

Receivables from affiliated companies are mainly owed by DBAG ECF and DBAG Fund VI for management fees and by DBAG Fund VII for costs that were charged on.

Receivables from investments from the previous year principally relate to receivables from a clearing account with a portfolio company, which were received this year.

These receivables are not recognised at fair value in profit or loss but are instead subject to an impairment test at every reporting date (see note 7).

22. Securities

Securities held at 30 September 2018 were exclusively acquired as investments of cash and cash equivalents not immediately required.

Classification of securities by term:

€'000	30 Sept. 2018	30 Sept. 2017
Long-term securities	55,458	33,659
Short-term securities	40,000	0
	95,458	**33,659**

Classification of securities by term:

€'000	30 Sept. 2018	30 Sept. 2017
Money market funds	34,234	0
Fixed-income funds	28,102	0
Fixed-rate securities	33,122	33,659
	95,458	**33,659**

All securities have been designated to the category of "available-for-sale financial assets" (see note 7).

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 with issuer ratings that are 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 of -47 thousand euros (previous year: -585 thousand euros) is recognised in the consolidated statement of comprehensive income in "Unrealised gains/(losses) on available-for-sale securities". No profit or loss on the disposal of securities in this category was recognised in the reporting year that required reclassification to net income (previous year: loss of 284 thousand euros).

23. Other financial instruments

€'000	30 Sept. 2018	30 Sept. 2017
Loans granted to affiliated companies	32,766	35,649
	32,766	**35,649**

Loans granted to affiliated companies include short-term loans that DBAG granted to the DBAG Fund VII Group companies as part of the structuring of the investment in new portfolio companies.

24. Tax assets, tax provisions and deferred taxes

€'000	30 Sept. 2018	30 Sept. 2017
Tax assets		
Other non-current assets	0	0
Income tax assets	345	423
Tax provisions	17	0

Income tax assets contain imputable taxes for the financial year 2017/2018 and the previous year.

Tax provisions relate to corporation tax and the solidarity surcharge, since positive taxable income was assessed for financial year 2017/2018, which resulted in tax payments as a result of the minimum tax rule, despite the existing tax loss carryforwards.

Deferred tax assets and liabilities are offset in conformity with IAS 12.74. There were no deferred tax liabilities in the reporting year or in the preceding year.

Tax loss carryforwards have been recognised in deferred taxes as follows:

€'000	30 Sept. 2018	30 Sept. 2017
Tax loss carryforward, corporation tax	96,114	97,276
thereof usable	0	0
Tax loss carryforward, municipal trade tax	13,740	15,128
thereof usable	0	0

Due to the type of business activities and their applicable tax treatment, it is not probable that sufficient taxable profit will be available at the relevant Group companies against which the tax loss carryforwards can be utilised.

25. Other current assets

€'000	30 Sept. 2018	30 Sept. 2017
Receivables from management and advisory services	2,351	4,834
Receivables from expenses that can be charged on	1,956	761
Receivables from DBAG funds	4,637	5,595
Purchase price receivable	1,534	101
Lease security deposits	405	405
Interest receivable on securities	278	279
Value-added tax	346	154
Other receivables	208	92
	7,408	**6,624**

The receivables from management and advisory services mainly relate to DBAG Fund VI.

Receivables from expenses charged on mainly relate to DBAG ECF and DBAG Fund VII.

The purchase price receivable relates to the purchase price receivable from the sale of the investment in Clyde Bergemann GmbH as the period to maturity is now within one year (see note 20).

Value-added tax pertains to outstanding refunds of input tax credits.

Other receivables mainly contain prepaid expenses.

26. Equity

Subscribed capital / number of shares

€'000	2017/2018	2016/2017
At start of financial year	53,387	53,387
Addition	0	0
At end of financial year	**53,387**	**53,387**

All shares in Deutsche Beteiligungs AG are no-par value registered shares in financial year 2017/2018. Each share is entitled to one vote.

The shares are admitted for trading on the Frankfurt Stock Exchange (Prime Standard) and the Dusseldorf Stock Exchange (Regulated Market). Shares in the Company are also traded on the Open Market of the Berlin, Hamburg-Hanover, Munich and Stuttgart Stock Exchanges.

The subscribed capital (share capital) is split into 15,043,994 no-par value shares. Arithmetically, the capital attributable to each share equals approximately 3.55 euros per share.

Sale of own shares to employees and retirees

The Company offers employees and retirees of Deutsche Beteiligungs AG and of a subsidiary an employee share purchase plan at preferential terms, which is orientated around tax legislation and limits. The following depicts the transactions involving own shares in financial year 2017/2018:

	Purchase/ sale price per share	Number of shares	Proportion of share capital	
	€		€'000	‰
At 1 Oct. 2017		0	0	0.0
Addition	35.15	5,000	18	0.3
Transfer	24.36	3,041	11	0.2
Disposal	34.34	1,959	7	0.1
At 30 Sept. 2018	**0.00**	**0**	**0**	**0.0**

Authorised Capital

Shareholders at the Annual Meeting on 22 February 2017 authorised the Board of Management to raise the share capital of the Company, with the consent of the Supervisory Board, until 21 February 2022 by up to a total of 13,346,664.33 euros through one or more issues of new no-par registered shares in exchange for cash or non-cash contributions (Authorised Capital 2017). The number of shares in that context must be increased proportionately to the share capital. In the past financial year 2017/2018, the Board of Management did not make use of this authorisation.

Purchase of own shares

By resolution of the Annual Meeting on 21 February 2018 the Board of Management is authorised, with the consent of the Supervisory Board, to purchase own shares in the period until 20 February 2023 of up to ten percent of the current share capital of 53,386,664.43 euros – or, in the event that this value is lower – of the share capital at the time the authorisation is exercised, for purposes other than trading in own shares.

Conditional Capital

The Board of Management is authorised, with the consent of the Supervisory Board, to issue, by one or in several issues, bearer or registered warrant-linked bonds and/or convertible bonds (jointly referred to as "bonds") in the period until 21 February 2022 with or without a maturity cap for a total nominal amount of up to 140,000,000.00 euros. It is also authorised to grant holders of warrant-linked bonds warrants, and the holders or creditors of convertible bonds conversion rights (or conversion obligations, if applicable), to registered shares in the Company with a proportionate share in the share capital of up to 13,346,664.33 euros under the conditions specified for the warrant-linked bonds or convertible bonds (jointly referred to as "bond conditions").

In addition to euros, the bonds may also be denominated in an official currency of an OECD country, limited to the equivalent amount in euros.

The bonds may also be issued by affiliates in which the Company directly or indirectly holds a majority. In such an event, the Board of Management shall be authorised, with the consent of the Supervisory Board, to guarantee for the bonds and to grant the holders and/or creditors of such bonds option or conversion rights to no-par registered shares in the Company.

Capital reserve

€'000	2017/2018	2016/2017
At start of financial year	173,762	173,762
Addition	0	0
At end of financial year	**173,762**	**173,762**

The capital reserve comprises, unchanged, amounts achieved in the issuance of shares in excess of the nominal value.

Retained earnings and other reserves

Retained earnings and other reserves comprise:

- the legal reserve, as stipulated by German stock corporation law,
- first-time adopter effects from the IFRS opening balance at 1 November 2003,
- provisions for actuarial gains/losses arising from defined benefit pension obligations/plan assets (see note 29) and
- unrealised gains/losses on available-for-sale securities (see note 22).

Consolidated retained profit

At the ordinary Annual Meeting on 21 February 2018, shareholders voted to use the retained profit for the financial year 2016/2017 of 181,903,759.71 euros to pay a dividend of 1.40 euro per no-par value share on the 15,043,994 dividend-carrying shares. The residual amount of 160,842,168.11 euros was carried forward to the new account.

€'000	2017/2018	2016/2017
Distribution sum	21,061,591.60	18,052,792.80

In its separate accounts at 30 September 2018, which are consistent with the German Commercial Code (HGB), the retained profit of Deutsche Beteiligungs AG amounts to 170,766,135.32 euros (previous year: 181,903,759.71 euros).

At the forthcoming Annual Meeting, the Board of Management and the Supervisory Board will recommend paying a dividend of 1.45 euros per share for financial year 2017/2018.

In Germany, dividends paid to shareholding corporations are subject to a corporation tax rate of five percent plus a solidarity surcharge and, to the same extent, municipal trade tax, insofar as these do not relate to free-floating investments (i.e. interests of less than 15 percent). Dividends earned by natural persons are subject to a flat rate withholding tax (*Abgeltungssteuer*) of 25 percent plus a solidarity surcharge and, if applicable, church tax, which the dividend-paying company pays directly to the taxation authority.

27. Minority interest

€'000	**2017/2018**	2016/2017
At start of financial year	148	127
Addition	22	0
Disposal	16	16
Profit share	26	37
At end of financial year	**180**	**148**

Minority interest includes capital and earnings shares of shareholders from outside of the Group. Minority interest relates to DBG Advising GmbH & Co. KG, DBG Managing Partner GmbH & Co. KG, DBG Management GP (Guernsey) Ltd., DBG Fund VI GP (Guernsey) LP., AIFM-DBG Fund VII Management (Guernsey) LP and European PE Opportunity Manager LP.

Minority interest attributable to DBG Advising GmbH & Co. KG developed as follows:

€'000	**2017/2018**	2016/2017
At start of financial year	0	0
Addition	22	0
Disposal	0	0
Profit share	0	0
At end of financial year	**22**	**0**

Minority interest attributable to DBG Managing Partner GmbH & Co. KG (DBAG Fund V and DBAG ECF) developed as follows:

€'000	**2017/2018**	2016/2017
At start of financial year	26	26
Addition	0	0
Disposal	0	0
Profit share	1	0
At end of financial year	**27**	**26**

Minority interest attributable to DBG Management GP (Guernsey) Ltd. (DBAG Fund VI) developed as follows:

€'000	**2017/2018**	2016/2017
At start of financial year	117	102
Addition	0	0
Disposal	5	0
Profit share	14	15
At end of financial year	**126**	**117**

Minority interest attributable to DBG Fund VI GP (Guernsey) LP (DBAG Fund VI) developed as follows:

€'000	**2017/2018**	2016/2017
At start of financial year	2	0
Addition	0	0
Disposal	7	10
Profit share	10	11
At end of financial year	**4**	**2**

Minority interest attributable to AIFM-DBG Fund VII Management (Guernsey) LP developed as follows:

€'000	**2017/2018**	2016/2017
At start of financial year	4	0
Addition	0	0
Disposal	4	7
Profit share	0	11
At end of financial year	**0**	**4**

As in the previous year there were no liabilities towards minority shareholders relating to European PE Opportunity Manager LP.

28. Other provisions

€'000	1 Oct. 2017	Utilisation	Reversal	Addition	30 Sept. 2018
Personnel-related commitments	13,119	10,929	1,249	7,121	8,062
Expert opinions and other advisory services	338	334	4	114	114
Auditing and review expenses	377	348	0	329	358
Costs for Annual Report and Annual Meeting	358	358	0	390	390
Consultancy expenses	176	78	40	41	100
Other	449	334	115	237	237
	14,818	**12,380**	**1,408**	**8,233**	**9,262**

Provisions for personnel-related commitments chiefly consist of variable emoluments of 6,573 thousand euros (previous year: 10,988 thousand euros). Of this, 5,661 thousand euros (previous year: 8,165 thousand euros) for performance-related remuneration for the financial year under review and a further 912 thousand euros (previous year: 2,822 thousand euros) relate to transaction-related remuneration (see note 12). Corresponding provisions have been made for transaction-related remuneration since financial year 2005/2006. In the reporting year, 2,076 thousand euros thereof were paid out and an amount totalling 452 thousand euros was reversed, since the conditions for entitlement were no longer fulfilled.

The provisions for expert opinions and other advisory services relate to advisory expenses associated with regulatory requirements.

The "other" category includes, in particular, provisions for external staff, process optimisation, IT projects and events.

There are no non-current provisions at 30 September 2018.

29. Pension obligations and plan assets

The disclosure in the statement of financial position has been derived as follows:

€'000	30 Sept. 2018	30 Sept. 2017
Present value of pension obligations	36,171	35,831
Fair value of plan assets	(23,962)	(24,508)
Provisions for pension obligations	**12,209**	**11,323**

The present value of pension obligations developed as follows:

€'000	2017/2018	2016/2017
Present value of pension obligations at start of financial year	35,831	39,536
Interest expenses	540	312
Service cost	439	473
Benefits paid	(868)	(833)
Actuarial gains (-)/losses (+)	229	(3,657)
Present value of pension obligations at end of financial year	**36,171**	**35,831**

The present value of pension obligations on the reporting date is calculated based on an expert actuarial opinion. The expert opinion is based on the following actuarial assumptions:

		30 Sept. 2018	30 Sept. 2017
Actuarial rate	%	1.54	1.55
Salary trend (incl. career trend)	%	2.50	2.50
Pensions trend	%	2.00	2.00
Life expectancy based on modified actuarial charts created by Dr Klaus Heubeck		2005G	2005G
Increase in income threshold for state pension plan	%	2.00	2.00

The actuarial rate is calculated using the i-boxx corporate AA10+ interest rate index, which is calculated based on interest rates for long-term bonds of issuers with the highest credit ratings.

The life expectancy assumptions are based on the 2005 G actuarial life tables by Dr Klaus Heubeck. They were modified as per 31 October 2013 to account for the particularities of the beneficiaries of the DBAG Group's defined benefit plans and individual defined benefit commitments. A comparison with similar groups of individuals revealed an average longer life expectancy of three years for the DBAG scheme members and beneficiaries.

At 30 September 2018, the weighted average term of defined benefit obligations was 14.4 years (previous year: 14.3 years).

Plan assets developed as follows over the past financial year:

€'000	2017/2018	2016/2017
Fair value of plan assets at start of financial year	24,508	24,460
Expected interest income	380	196
Gains (+)/losses (-) from the difference between actual and expected returns on plan assets	(927)	(147)
Fair value of plan assets at end of financial year	**23,962**	**24,508**

The following amounts were reported in net income:

€'000	2017/2018	2016/2017
Service cost	439	473
Interest expenses	540	312
Expected interest income on plan assets	(380)	(196)
	599	**589**

Past service cost is shown in personnel expenses.

The net amount of interest expenses and expected interest income on plan assets is recognised in the item "interest expenses".

"Gains/(losses) on remeasurements of the net defined benefit liability (asset)" recognised in other comprehensive income developed as follows in financial year 2017/2018:

€'000	2017/2018	2016/2017
Actuarial gains (+)/losses (-) at start of financial year	(21,605)	(25,115)
Gains (+)/losses (-) from the difference between actual and expected returns on plan assets	(927)	(147)
Gains (+)/losses (-) from experience-related changes	(229)	3,657
Actuarial gains (+)/losses (-) at end of financial year	**(22,760)**	**(21,605)**

The loss of 927 thousand euros in the financial year 2017/2018 (previous year: 147 thousand euros) results from the decrease in the fair value of plan assets as well as the application of the same discount rate that is also used in determining the present value of pension obligations.

The loss of 229 thousand euros (previous year: profit of 3,657 thousand euros) due to changes based on past experience are due to the slight fall in the discount rate; in the previous year the discount rate increased.

Amount, timing and uncertainty of future cash flows

The DBAG Group is exposed to risk arising from pension obligations for defined benefit plans and individual defined benefit commitments. Risk exposure particularly extends to changes in the present value of pension obligations and in the fair value trend of plan assets.

Changes in the present value of pension obligations result in particular from changes in actuarial assumptions. The actuarial rate and life expectancy exert a significant influence on the present value. The actuarial rate is subject to (market) interest rate risk. A change in average life expectancy impacts the length of pension payments and, consequently, the liquidity risk. Based on reasonable estimates, possible changes in these two actuarial parameters would have the following impact on the present value of pension obligations:

€'000	30 Sept. 2018	30 Sept. 2017
Actuarial rate		
Increase by 50 bps	2,710	(2,471)
Decrease by 50 bps	(2,417)	2,776
Average life expectancy		
Increase by 1 year	(1,210)	(1,200)
Decrease by 1 year	1,234	1,222

The sensitivity analysis shown above is based on a change in one parameter, while all others remain constant.

Since February 2015, the plan assets have been invested in a special fund. This special fund has an unlimited term and is administrated based on a capital investment strategy with a long-term orientation and capital preservation. The investment strategy is aimed at generating returns that at least correspond to the actuarial rate.

Depending on the asset class, the performance of the special fund is exposed to (market) interest rate risk (interest-bearing securities) or (market) price risk (shares). If the market interest rate for interest-bearing securities rises (falls), the return on plan assets will rise (fall). If the market price of shares rises (falls), the return on plan assets will rise (fall).

Like interest-bearing securities, the present value of pension obligations depends on the (market) interest rate risk. If the market interest rate for interest-bearing securities rises (falls), the present value of pension obligations will fall (rise).

As for the past three prior years, current budgetary planning for the financial year 2018/2019 does not provide for allocations to plan assets.

30. Other current liabilities

€'000	30 Sept. 2018	30 Sept. 2017
Liabilities to affiliated companies	9,680	6
Advance management fees	4,099	0
Trade payables	1,003	94
Liabilities to investments	93	0
Other liabilities	899	1,133
	15,773	**1,233**

Liabilities to affiliated companies relate to a capital call by DBAG ECF II for a new investment.

Advance management fees consist exclusively of management fees from DBAG Fund VII.

Other current liabilities mainly relate to liabilities arising on wage tax.

31. Other financial commitments

Other financial commitments are detailed by call commitments and permanent debt obligations in the following nominal amounts:

€'000	30 Sept. 2018	30 Sept. 2017
Call commitments	1,169	2,495
Permanent debt obligations	2,974	3,116
	4,143	**5,611**

Possible call commitments relate to international funds that may draw down additional funding for investments and costs, as well as contractually agreed potential investments in a portfolio company of DBAG ECF.

The following provides an overview of the due dates of permanent debt obligations at 30 September 2018:

€'000	< 1 year	1–5 years	> 5 years	**Total**
Permanent debt obligations	1,230	1,744	0	**2,974**
thereof rental contracts	783	1,305	0	**2,089**

Permanent debt obligations pertain, in particular, to office rental for the premises on Börsenstrasse 1 in Frankfurt am Main. The non-terminable office rental contract began on 1 August 2011 and runs until 31 May 2021. DBAG is entitled to renew the rental contract twice for a period of five years each time.

As in the previous year, there were no contingent **LIABILITIES** at 30 September 2018.

TRUST ASSETS totalled 12,340 thousand euros at 30 September 2018 (previous year: 16,146 thousand euros). Of this, 6,096 thousand euros (previous year: 13,208 thousand euros) is attributable to the management of trust accounts for the settlement of purchase prices and 6,239 thousand euros (previous year: 2,933 thousand euros) is attributable to interests in two portfolio companies that are held by Group companies for two managed funds. Trust liabilities exist in an equivalent amount. The DBAG Group does not generate any income from trustee activities.

32. Notes to the consolidated statement of cash flows

The objective of consolidated statements of cash flows based on IAS 7 is to report on and create transparency in a group's relevant flows of cash. Cash flows are differentiated according to operating activities as well as investing and financing activities. The indirect presentation method was applied for cash flows from operating activities. Cash flows from investment activities are presented by the direct method.

Proceeds and payments relating to financial assets and to loans and receivables are recorded in cash flows from investing activities instead of in cash flows from operating activities, since this classification gives a truer representation of DBAG's business model.

Proceeds and payments arising on interest are presented in cash flows from operating activities.

There were no cash flows to be reported based on changes in the group of consolidated companies.

Cash funds at the beginning and end of the period existed in the form of cash deposits in banks.

Since financial year 2007/2008, a part of the financial resources not needed in the near term has been invested in securities (bonds and retail funds). The securities serve, as do cash and cash equivalents, to meet the Group's payment obligations. According to IAS 7, these securities do not constitute financial resources, since the maturity of the bonds has so far always been longer than three months from the date of acquisition and the retail funds have an indefinite life. IAS 7.16 requires the purchase and sale of these securities to be recognised as cash flows from investing activities.

Other disclosures

33. Financial risks

The DBAG Group is exposed to financial risks that arise from its investment activities in portfolio companies and from other financial instruments. Due to the risk exposure attached to these financial instruments, the value of assets and/or profits may be reduced. There are no hedging relationships between financial instruments. Consequently, a basis for the application of hedge accounting does not exist.

The following describes in conformity with IFRS 7 the financial risks arising from financial instruments to which the DBAG Group is exposed. The objectives and the methods used to manage these risks are also discussed. There has been no change compared with the previous year.

33.1 Market risk

The fair value of financial instruments or future cash flows of financial instruments may fluctuate due to changes in market prices. Based on IFRS 7, market risk comprises the components of currency risk, interest risk and other price risk. Exposure to market risk is regularly monitored in its entirety.

33.1.1 Currency risk

The DBAG Group's exposure to currency risk relates to investments that are denominated in British pounds sterling, Danish krone, Swiss francs or US dollars and in which future returns will be made in a foreign currency. Currency risk exposure arising from these investments concerns future proceeds from these portfolio companies and, consequently, also their fair value. Changes in exchange rates also have an influence on the operations and competitiveness of our portfolio companies in respect of their procurement and customer markets. The extent of that impact would depend in particular on the portfolio companies' individual value-creation structure and degree of internationalisation.

Currency risk management

Individual transactions denominated in foreign currency are not hedged, since both the holding periods of and the proceeds from these investments are uncertain. The portfolio held in US dollars will decline with the receipt of returns from the remaining fund investments in this currency.

Extent of currency risk

The item "Financial assets" contains financial instruments amounting to 22,067 thousand euros (previous year: 10,622 thousand euros) that are exposed to US dollar currency rate risk. Financial assets totalling 35,564 thousand euros (previous year: 7,972 thousand euros) are subject to a Swiss franc exchange rate risk, 5,997 thousand euros (previous year: 2,137 thousand euros) are subject to an exchange rate risk against the British pound, and 3,860 thousand euros (previous year: 0 thousand euros) are subject to an exchange rate risk against the Danish krone. The effects on income arising from exchange rate-related changes in the fair value of financial assets amount to 814 thousand euros (previous year: -1,090 thousand euros).

Exchange rate sensitivity

An increase/decrease in the euro/foreign currency rate by ten percent would result in an exchange rate-related decrease/increase in net income for the year and in the equity of the DBAG Group of 6,749 thousand euros (previous year: 2,073 thousand euros).

33.1.2 Interest risk

Changes in market interest rates directly affect income from investments of financial resources and the valuations of our portfolio companies measured by the discounted cash flow method. Changes in market interest rates also have an influence on the profitability of portfolio companies.

Interest rate risk management

Financial resources are principally invested with a short-term horizon. Interest derivatives to hedge a certain interest rate level are not used, since the amount of financial resources is subject to strong fluctuations and not reliably predictable. The interest rate for the line of credit is EURIBOR plus a margin. The EURIBOR applied when the credit is used depends on the chosen interest rate period, which can be up to six months.

Extent of interest rate risk

At the reporting date, financial resources (the sum of cash funds and securities) totalled 119,029 thousand euros (previous year: 161,634 thousand euros). There was no interest income from the investment (previous year: 0 thousand euros). The line of credit was not used in the reporting year.

Interest rate sensitivity

In relation to the portfolio companies and international funds valued by the discounted cash flow method, an increase or decrease of 100 basis points in the reference interest rate would result in a decrease or increase in net income for the year and in the equity of the DBAG Group of 853 thousand euros (previous year: 1,881 thousand euros).

33.1.3 Other price risks

Exposure to other price risk primarily exists in future valuations of the interests in co-investment vehicles and portfolio companies. These are measured at fair value. Valuation changes are recognised directly in the consolidated statement of comprehensive income. For details on the risk management system, we refer to the commentary in the combined management report in the section "Opportunities and risks".

Other price risk management

The Board of Management constantly monitors the market risk inherent in the portfolio companies held directly or through co-investment vehicles. Towards that end, the DBAG Group receives reports on the portfolio companies' course of business on a timely basis. Board of Management members or other members of the investment team hold offices on supervisory or advisory boards of portfolio companies. Additionally, the responsible investment team members monitor the progress of portfolio companies through formally implemented processes.

Extent of other price risks

Based on the measurement of financial assets at fair value through profit or loss, valuation movements in a period are directly recognised in the consolidated statement of comprehensive income. In the financial year 2017/2018, the net result of valuation was 21,316 thousand euros (previous year, adjusted: 25,087 thousand euros).

Other price risk sensitivity

The valuation of portfolio companies is influenced by a number of factors that relate to the financial markets on the one hand, and to the markets in which the portfolio companies operate on the other. These influential factors include valuation multiples, earnings and debt of the portfolio companies. The sensitivity of the valuation is largely determined by the multiples used to measure the fair value of financial instruments categorised in Level 3. A change in the multiples of +/- 0.1 would have an effect ceteris paribus of 2,084 thousand euros on the fair value of financial instruments categorised in Level 3 (previous year, adjusted: 1,793 thousand euros) (see notes 34.2 and 9, based on a change of +/-1).

33.2 Liquidity risk

There is currently no recognisable exposure to liquidity risk for the DBAG Group. Free cash funds amounted to 23,571 thousand euros (previous year: 127,976 thousand euros). Together with general government securities or securities of issuers with highest ratings totalling 33,122 thousand euros (previous year: 33,659 thousand euros), fixed-income and money market funds of 62,336 thousand euros (previous year: 0 thousand euros) and an existing credit line of 50,000 thousand euros (previous year: 50,000 thousand euros), the DBAG Group has cash and cash equivalents of 169,029 thousand euros (previous year: 211,634 thousand euros). The co-investment agreements alongside the DBAG funds amount to 198,477 thousand euros (previous year, adjusted: 253,745 thousand euros). It is assumed that we will be able to cover the shortfall of

29,448 thousand euros on the reporting date (previous year: 42,111 thousand euros) using cash inflows from realisations of portfolio companies.

It is assumed that both the retail funds and the fixed-interest bonds are saleable at short notice, if necessary, due to the issuers' very good ratings and the securities' short duration. Other current liabilities fall due within one year.

33.3 Credit/default risk

Extent of credit/default risk

The following balance sheet items are basically exposed to a one hundred percent credit/default risk:

€'000	30 Sept. 2018	30 Sept. 2017
		adjusted[1]
Financial assets	323,304	252,830
thereof hybrid financial instruments	0	0
thereof primary financial instruments	323,304	252,830
Loans and receivables	0	1,338
Receivables	1,091	3,649
Securities	95,458	33,659
Cash and cash equivalents	23,571	127,976
Other financial instruments	32,766	35,649
Other current assets, if financial instruments	6,493	5,737
	482,683	**460,836**

1 Adjusted in accordance with IAS 8 (see note 4)

Credit/default risk management

Financial assets: DBAG addresses default risk by means of its risk management system. Management of default risk is described in the combined management report under "External risks" (see page 89 "Negative impact of the general economy and economic cycles in individual sectors on portfolio companies").

Loans and receivables: debtors are either current portfolio companies or parts of former portfolio companies. DBAG is kept informed regularly and promptly about the course of business of debtor companies. If there is evidence that debtors may fail to meet obligations, they are asked to promptly propose and implement measures that will put them in a position to meet their obligations.

Receivables: see previous statement on loans and receivables.

Securities: the item includes bonds from domestic public-sector issuers and Pfandbrief bonds with ratings from Moody's or Standard & Poor's of at least A, as well as units in retail funds. Based on the credit rating of the issuers, we assume that these securities only have a very low credit risk.

Cash and cash equivalents: cash funds of DBAG are held in deposits with German banking institutions. The deposits are integrated in the respective banks' protection systems.

Other current assets: debtors are regularly the DBAG funds of Deutsche Beteiligungs AG. Payment obligations by DBAG funds can be met by capital calls directed to their investors.

34. 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.

34.1 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 in profit or loss, only such assets exist as were designated to this category 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 30 Sept. 2018	Fair value 30 Sept. 2018	Carrying amount 30 Sept. 2017 adjusted[1]	Fair value 30 Sept. 2017 adjusted[1]
Financial assets at fair value through profit or loss				
Financial assets	323,304	323,304	252,830	252,830
thereof hybrid financial instruments	0	0	0	0
thereof primary financial instruments	323,304	323,304	252,830	252,830
	323,304	**323,304**	**252,830**	**252,830**
Available-for-sale financial assets				
Long-term securities	55,458	55,458	33,659	33,659
Short-term securities	40,000	40,000	0	0
	95,458	**95,458**	**33,659**	**33,659**
Loans and receivables				
Loans and receivables	0	0	1,338	1,338
Receivables	1,091	1,091	3,649	3,649
Other financial instruments	32,766	32,766	35,649	35,649
Cash and cash equivalents	23,571	23,571	127,976	127,976
Other current assets, if financial instruments[2]	7,017	7,017	6,541	6,541
	31,679	**31,679**	**139,504**	**139,504**
Other financial liabilities				
Minority interest	180	180	148	148

1 Adjusted in accordance with IAS 8 (see note 4)
2 Does not include prepaid expenses/deferred income, value-added tax and other items of 391 thousand euros (previous year: 82 thousand euros).

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

Financial instruments in "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 their payment obligations in the future (see note 7). An assessment of obligors' credit quality is derived from a regular exchange of information with the obligors.

34.2 Disclosures on the hierarchies 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.

34.2.1 Hierarchy of financial instruments measured at fair value on a recurring basis

ITEM IN STATEMENT OF FINANCIAL POSITION

€'000	**Fair value 30 Sept. 2018**	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss				
Financial assets	323,304	0	0	323,304
Available-for-sale financial assets				
Long-term securities	55,458	0	55,458	0
Short-term securities	40,000	0	40,000	0
	95,458	**0**	**95,458**	**0**
	418,761	**0**	**95,458**	**323,304**

ITEM IN STATEMENT OF FINANCIAL POSITION

€'000	Fair value 30 Sept. 2017	Level 1	Level 2	Level 3
	adjusted[1]			
Financial assets at fair value through profit or loss				
Financial assets	252,830	0	352	252,478
Available-for-sale financial assets				
Long-term securities	33,659	0	33,659	0
	33,659	**0**	**33,659**	**0**
	286,489	**0**	**34,011**	**252,478**

1 Adjusted in accordance with IAS 8 (see note 4)

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 investments in retail funds and German public-sector bonds from issuers with the highest credit ratings traded in the secondary market.

For all financial instruments recognised in the statement of financial position at fair value at 30 September 2018 and the preceding financial year, fair value measurement is recurring.

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 investment entity subsidiaries	Interests in portfolio companies	International fund investment	Other	Total
30 Sept. 2018					
Financial assets	318,098	4,828	303	75	**323,304**
30 Sept. 2017 adjusted[1]					
Financial assets	246,479	4,948	974	77	**252,478**

1 Adjusted in accordance with IAS 8 (see note 4)

Offsetting and reconciliation for Level 3 financial instruments:

ITEM IN STATEMENT OF FINANCIAL POSITION

€'000	1 Oct. 2017	Addition	Disposal	Gains/losses through profit or loss	30 Sept. 2018
Financial assets					
Interests in investment entity subsidiaries	246,479	73,502	23,230	21,348	318,098
Interests in portfolio companies	4,948	21	0	(141)	4,828
International fund investment	974	0	895	225	303
Other	77	0	0	(2)	75
	252,478	**73,523**	**24,126**	**21,429**	**323,304**

ITEM IN STATEMENT OF FINANCIAL POSITION

€'000	1 Oct. 2016	Addition	Disposal	Gains/losses through profit or loss	30 Sept. 2017
					adjusted[1]
Financial assets					
Interests in investment entity subsidiaries	289,600	54,764	46,162	(51,722)	246,479
Interests in portfolio companies	21,536	0	17,050	462	4,948
International fund investment	2,093	0	0	(1,120)	974
Other	64	30	8	(10)	77
	313,293	**54,793**	**63,220**	**(52,389)**	**252,478**

1 Adjusted in accordance with IAS 8 (see note 4)

Reclassification between Levels 1 and 3 takes place as of the date of the event causing the reclassification. There were no reclassifications between the levels during the reporting period.

Of the gains recorded through profit or loss totalling 21,429 thousand euros (previous year, adjusted: losses of 52,389 thousand euros), 21,429 thousand euros (previous year, adjusted: -52,389 thousand euros) were recognised in "Net result of investment activity".

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 30 Sept. 2018	Valuation method	Unobservable parameter	Range
Financial assets				
Interests in investment entity subsidiaries	318,098	Net asset value[1]	Average EBITDA/EBITA margin	2% to 35%
			Net debt[2] to EBITDA	(3.4) to 6.0
			Multiples discount	0% to 20%
Interests in portfolio companies	4,828	Multiples method	Average EBITDA/EBITA margin	7%
			Net debt[2] to EBITDA	2.5
			Multiples discount	0%
International fund investment	303	DCF	N/A	N/A
Other	75	Net asset value	N/A	N/A
	323,304			

1 The net asset value of the investment entity subsidiaries is largely determined by the fair value of the interests in the portfolio companies and by the other assets and liabilities. If the multiples method is used for the interests in portfolio companies, the same unobservable inputs are used as those for calculating the fair value for "Interests in portfolio companies" (see commentary in note 7).

2 Net debt of portfolio company

ITEM IN STATEMENT OF FINANCIAL POSITION

€'000	Fair value 30 Sept. 2017 adjusted[3]	Valuation method	Unobservable parameter	Range
Financial assets				
Interests in investment entity subsidiaries	246,479	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%
International fund investment	974	DCF	N/A	N/A
Other	77	Net asset value	N/A	N/A
	252,478			

1 See footnote 1 in preceding table
2 See footnote 2 in preceding table
3 Adjusted due to correction in accordance with IAS 8 (see note 4)

By reasonable estimate, changes in unobservable inputs would have the following effects on fair value measurement of Level 3 financial assets:

ITEM IN STATEMENT OF FINANCIAL POSITION

€'000	**Fair value 30 Sept. 2018**	Change in unobservable inputs		Change in fair value
Financial assets[1]				
Interests in investment entity subsidiaries	318,098	EBITDA and EBITA	+/-10%	22,450
		Net debt	+/-10%	5,566
		Multiples discount	+/-5 percentage points	1,145
Interests in portfolio companies	4,828	EBITDA and EBITA	+/-10%	1,978
		Net debt	+/-10%	777
		Multiples discount	+/-5 percentage points	0
International fund investment	303	N/A		N/A
Other	75	N/A		N/A
	323,304			

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
	adjusted[1]			
Financial assets[2]				
Interests in investment entity subsidiaries	246,479	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 investment	974	N/A		N/A
Other	77	N/A		N/A
	252,478			

1 Adjusted due to correction in accordance with IAS 8 (see note 4)
2 See footnote 1 in 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.

34.3 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.

The following net gains/losses on financial instruments recognised at fair value in the statement of financial position are contained in the consolidated statement of comprehensive income:

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

€'000	**2017/2018**	**Level 1**	**Level 2**	**Level 3**	2016/2017	Level 1	Level 2	Level 3
Other operating income	17	0	17	0	200	0	200	0
Other operating expenses	(79)	0	(79)	0	(33)	0	(33)	0
Other income/expenses	**(62)**	**0**	**(62)**	**0**	**167**	**0**	**167**	**0**
Unrealised gains (+)/losses (-) on available-for-sale securities	(47)	0	(47)	0	(585)	0	(585)	0
thereof transfers from other comprehensive income to profit or loss	0	0	0	0	(284)	0	(284)	0
Net result of valuation and disposal	**(47)**	**0**	**(47)**	**0**	**(300)**	**0**	**(300)**	**0**
Interest income	**(18)**	**0**	**(18)**	**0**	**(5)**	**0**	**(5)**	**0**

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

€'000	2017/2018	Level 1	Level 2	Level 3	2016/2017 adjusted[1]	Level 1	Level 2	Level 3
Net result of investment activity	34,133	0	0	34,133	85,684	0	0	85,684
Other operating income	0	0	0	0	218	0	0	218
Other operating expenses	0	0	0	0	0	0	0	0
	34,133	**0**	**0**	**34,133**	**85,902**	**0**	**0**	**85,902**

1 Adjusted in accordance with IAS 8 (see note 4)

Net gains and losses on financial assets that are measured at fair value in profit or loss result in full from financial instruments that are measured at fair value in profit or loss upon initial recognition.

34.4 Net gains and losses on financial instruments recognised at amortised cost in the statement of financial position

Net gains and losses on financial instruments recognised at amortised cost in the statement of financial position largely comprise fee income from fund management and advisory services, consultancy expenses and reimbursable costs as well as interest.

€'000	2017/2018	Level 1	Level 2	Level 3	2016/2017	Level 1	Level 2	Level 3
Net result of investment activity	0	0	0	0	150	0	0	150
Fee income from fund management and advisory services	28,536	0	0	28,536	27,047	0	0	27,047
Total net result of fund services and investment activity	**28,536**	**0**	**0**	**28,536**	**27,197**	**0**	**0**	**27,197**
Other operating income	2,914	0	0	2,914	3,540	0	0	3,540
Other operating expenses	(4,215)	0	0	(4,215)	(5,043)	0	0	(5,043)
Interest income	305	0	0	305	142	0	0	142
Total other income/expenses	**(997)**	**0**	**0**	**(997)**	**(1,361)**	**0**	**0**	**(1,361)**

35. Capital management

The objective of DBAG's capital management is to ensure the Group's long-term capital requirement and augment the equity per share by a rate that at least exceeds the cost of equity on a long-term average.

For longer planning horizons, the amount of equity is managed by dividend distributions and share repurchases and, if appropriate, capital increases.

All in all, the capital of DBAG comprises the following:

€'000		30 Sept. 2018	30 Sept. 2017 adjusted[1]
Liabilities			
Minority interest		180	148
Provisions		21,488	26,140
Other liabilities		15,773	1,233
		37,441	**27,521**
Equity			
Subscribed capital		53,387	53,387
Reserves		167,431	168,633
Consolidated retained profit		226,962	214,427
		447,779	**436,447**
Equity as a proportion of total capital	%	92.28	94.07

1 Adjusted in accordance with IAS 8 (see note 4)

In addition to the capital requirement as stipulated by the German Stock Corporation Act, DBAG is subject to capital restrictions under the German Special Investment Company Act (Gesetz über Unternehmensbeteiligungsgesellschaften – UBGG). To maintain the status of a special investment company, DBAG must have made a paid-in capital contribution of 1,000 thousand euros to its share capital. This amount was fully paid in, both in the reporting year and the preceding year.

36. Earnings per share based on IAS 33

		2017/2018	2016/2017 adjusted[1]
Net income	€'000	33,597	81,955
Shares issued at reporting date		15,043,994	15,043,994
Shares outstanding at reporting date		15,043,994	15,043,994
Average number of shares		15,043,994	15,043,994
Basic and diluted earnings per share	in €	2.23	5.45

1 Adjusted in accordance with IAS 8 (see note 4)

Basic earnings per share are computed by dividing the net income for the year attributable to Deutsche Beteiligungs AG by the weighted average number of shares outstanding during the financial year.

"Potential shares" can dilute earnings per share within the scope of stock option programmes. DBAG has not had a stock option programme for years. There are therefore no outstanding stock options at the reporting date. Diluted earnings were therefore equal to basic earnings.

37. 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.

In order to be able to separately manage the two described business lines of DBAG, the internal reporting system calculates an operating net income (segment net income) for each of the business lines of investments and fund management and advisory services. For that reason, the business lines of Private Equity Investments and Fund Investment Services are presented as reportable segments.

SEGMENTAL REPRESENTATION FOR FINANCIAL YEAR 2017/2018

€'000	Private Equity Investments	Fund Investment Services	Reconciliation Group	Group 2017/2018
Net result of investment activity	34,133	0	0	34,133
Fee income from fund management and advisory services[1]	0	29,388	(852)	28,536
Net result of fund services and investment activity	**34,133**	**29,388**	**(852)**	**62,669**
Other income/expenses	(6,536)	(23,345)	852	(29,029)
Earnings before tax (segment result)	**27,597**	**6,042**	**0**	**33,640**
Income taxes				(18)
Earnings after taxes				**33,622**
Minority interest gains (-)/losses (+)				(25)
Net income				**33,597**
Financial assets and loans and receivables	323,304			
Financial resources[2]	119,029			
Net asset value	**475,099**			
Assets under management or advisement[3]		**1,831,378**		

1 A synthetic internal administration fee is calculated for the Investment 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 Assets under management or advisement comprise financial assets, loans and receivables, the financial resources of DBAG as well as the investments and callable capital commitments to DBAG-managed private equity funds. The investments and loans and receivables are recognised at cost.

SEGMENTAL REPRESENTATION FOR FINANCIAL YEAR 2016/2017

€'000	Private Equity Investments	Fund Investment Services	Reconciliation Group	Group 2016/2017
				adjusted[4]
Net result of investment activity	85,835	0	0	85,835
Fee income from fund management and advisory services[1]	0	28,111	(1,065)	27,047
Net result of fund services and investment activity	**85,835**	**28,111**	**(1,065)**	**112,881**
Other income/expenses	(8,547)	(23,407)	1,065	(30,889)
Earnings before tax (segment result)	**77,288**	**4,704**	**0**	**81,993**
Income taxes				(1)
Earnings after taxes				**81,992**
Minority interest gains (-)/losses (+)				(37)
Net income				**81,955**
Financial assets and loans and receivables	254,168			
Financial resources[2]	161,634			
Net asset value	**451,451**			
Assets under management or advisement[3]		**1,805,877**		

1 See footnote 1 in the preceding table
2 See footnote 2 in the preceding table
3 See footnote 3 in the preceding table
4 Adjusted due to correction in accordance with IAS 8 (see note 4)

Products and services

DBAG invests as a co-investor in companies alongside DBAG funds by way of majority takeovers or minority investments. We basically structure majority takeovers as so-called management buyouts (MBOs). Growth financing is made by way of a minority investment, for example, via a capital increase. Within the scope of its investment activity, DBAG achieved a net result of valuation and disposal as well as current income from financial assets and loans and receivables totalling 34,133 thousand euros (previous year, adjusted: 85,835 thousand euros). Fee income for management and advisory services to funds amounted to 28,536 thousand euros in the reporting year (previous year: 27,047 thousand euros).

Geographical activities and sector focus

Geographically, we concentrate our co-investments primarily on companies domiciled in German-speaking regions. Of the net result of investment activity, 31,643 thousand euros (previous year, adjusted: 83,261 thousand euros) are attributable to companies domiciled in German-speaking regions and 2,490 thousand euros (previous year, adjusted: 2,574 thousand euros) to companies located in the rest of the world.

DBAG prefers to co-invest alongside the DBAG funds in companies operating in the sectors of automotive suppliers, industrial services, industrial components as well as mechanical and plant engineering, but also invests in other sectors such as services, information technology, media and telecommunications as well as consumer goods. The net result of valuation and disposal as well as current income from financial assets are distributed over these sectors as follows:

€'000	Automotive suppliers	Industrial services	Industrial components	Machine and plant engineering	Other	**Total**
30 Sept. 2018						
Interests in investment entity subsidiaries	(2,989)	5,305	12,429	4,710	11,783	31,239
Interests in portfolio companies	0	0	0	0	609	609
International fund investment	0	0	0	0	2,386	2,386
Other	0	0	0	0	(100)	(100)
	(2,989)	**5,305**	**12,429**	**4,710**	**14,678**	**34,133**
30 Sept. 2017 adjusted[1]						
Interests in investment entity subsidiaries	21,830	(845)	12,024	35,775	4,464	73,248
Interests in portfolio companies	0	0	0	13,205	507	13,712
International fund investment	0	0	0	0	(1,120)	(1,120)
Other	0	0	0	0	(5)	(5)
	21,830	**(845)**	**12,024**	**48,980**	**3,846**	**85,835**

1 Adjusted in accordance with IAS 8 (see note 4)

For more information on the composition of the portfolio and its development, we refer to the management report, "Business and portfolio review", pages 45ff. and "Portfolio and portfolio value", pages 65ff.

Significant customers

DBAG's customers are the investors in DBAG funds. The funds raised by DBAG bundle the assets committed by German and international institutional investors, especially by pension funds, funds of funds, banks, foundations, insurance companies or family offices.

DBAG generates its fee income for advisory and management services from investors of whom none account for more than ten percent of total income.

38. Declaration of Conformity pursuant to the German Corporate Governance Code

A "Declaration of Conformity" pursuant to § 161 of the German Stock Corporation Act (*Aktiengesetz* – AktG) was submitted by the Board of Management and the Supervisory Board of Deutsche Beteiligungs AG and is permanently accessible to shareholders at DBAG's website.

39. Information on related parties

Remuneration based on employment or service contracts for key management staff

Key management personnel in terms of IAS 24 are the Board of Management members, senior executives and the Supervisory Board members of Deutsche Beteiligungs AG. The basic principles of the remuneration system and the total remuneration paid to the members of the Board of Management, former Board of Management members and the members of the Supervisory Board are presented in the remuneration report. The remuneration report is an integral constituent of the combined management report. Personalised information in conformity with § 314 (1) no. 6 of the German Commercial Code (Handelsgesetzbuch – HGB) is also disclosed there.

Total payments to key management personnel consist of cash and non-cash remuneration. Total cash payments amounted to 10,677 thousand euros in the reporting year (previous year: 12,884 thousand euros). Non-cash remuneration primarily consists of the amounts recognised in accordance with the tax basis for the use of company cars.

In the reporting year, a total of 566 thousand euros was allocated to pension provisions (previous year: 614 thousand euros) as defined by the IFRS for key management staff (service cost and interest cost), thereof a service cost of 348 thousand euros (previous year: 379 thousand euros). Defined benefit obligations for key management staff amounted to 14,723 thousand euros at the end of the reporting period (previous year: 14,188 thousand euros).

Loans in the amount of 95 thousand euros were granted at standard market conditions to key management staff (previous year: 60 thousand euros). No loans or advances were granted to members of the Supervisory Board or the Board of Management. The DBAG Group has not entered into any guarantees for members of the Board of Management or the Supervisory Board.

No member of the Supervisory Board or the Board of Management holds shares, share options or other derivatives representing one percent or more of the subscribed capital.

For the financial year 2017/2018, the members of the Supervisory Board were granted fixed remuneration, as well as additional remuneration for the Chair, Vice Chair and for committee membership in the amount of 388 thousand euros (previous year: 388 thousand euros).

Two members of the Board of Management are minority partners in the consolidated entities DBG Advising GmbH & Co. KG and DBG Managing Partner GmbH & Co. KG. For their income we refer to note 27.

Participation in carried interest schemes by current and former key management staff

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 preferred return of 8.0 percent per annum ("full repayment"). Carried interest of not more than 20 percent[2] is paid on every euro of sales proceeds once capital has been repaid in full; the remaining 80 percent[3] (net sales proceeds) is paid to the investors in the relevant DBAG fund and to DBAG. 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.

Carried interest is recognised in the valuation of DBAG's interest in the co-investment vehicles of the respective funds at fair value ("net asset value"). For fair value measurement purposes, since 30 September 2018 the total liquidation of a fund's portfolio has been assumed at the reporting date (see note 4). In the financial year 2017/2018, the net asset value of the co-investment vehicles DBAG Fund V, DBAG ECF and DBAG Fund VI was reduced by carried interest of 25,553 thousand euros in total (previous year, adjusted: 19,278 thousand euros). This reduced the result of investment activity and, consequently, net income by 7,540 thousand euros (previous year, adjusted: 22,258 thousand euros – see management report, page 59f.). Carried interest for DBAG VII is unchanged at 0 thousand euros at the reporting date (previous year: 0 thousand euros). This carried interest, which is included in the valuation, can also increase or decrease in value and is not paid out until the conditions set out in the Articles of Association are met.

DBAG Fund IV

DBAG Fund IV consists of the following fund companies that jointly enter into investments at a fixed ratio:

Fund company	Qualification	Investment by investment team %	Max. carried interest of investment team %
DBAG Fund IV GmbH & Co. KG i. L.	Related party	1	20.8
DBAG Fund IV International GmbH & Co. KG i. L.	Related party	1	20.8
DBG Fifth Equity Team GmbH & Co. KGaA i. L.	Related party	0.67	approx. 30
DBG Fourth Equity Team GmbH & Co. KGaA i. L.	Unconsolidated subsidiary	0	0

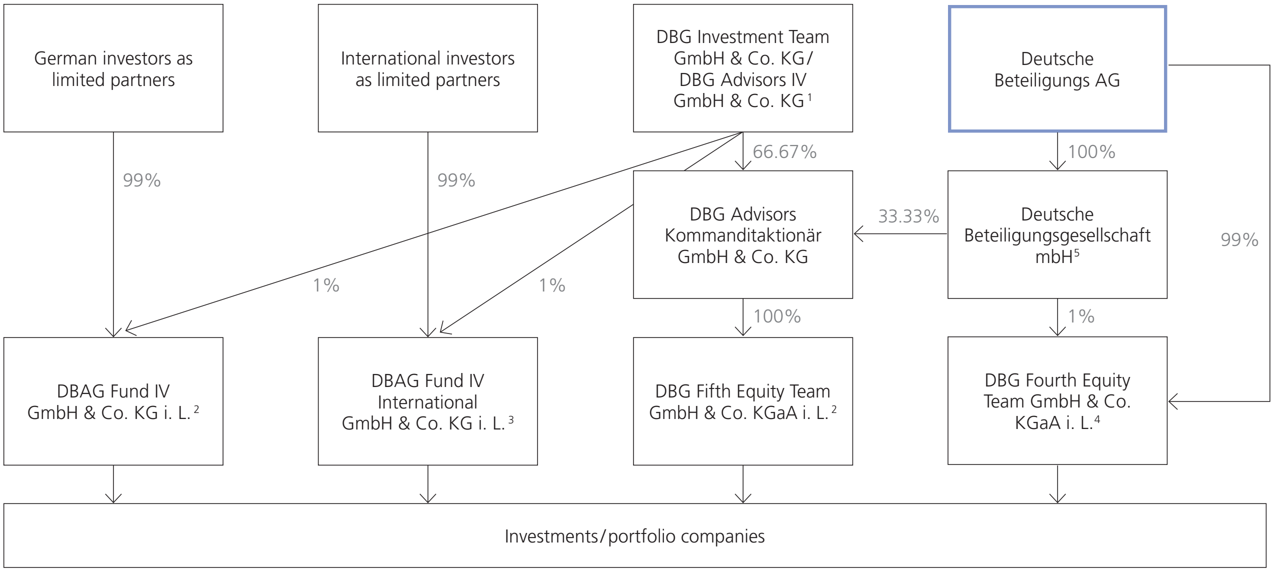
For DBAG Fund IV, a group of key management personnel and former key management personnel have invested their own money at a fixed ratio in the companies listed above. DBG Advisors IV GmbH & Co. KG, which is a related party and not included in the consolidated accounts of DBAG, acts as an intermediary for investments in the first two fund companies named above. Key management personnel are invested directly through DBG Advisors IV GmbH & Co. KG, or indirectly through DBG Investment Team GmbH & Co. KG. Interests in DBG Fifth Equity Team GmbH & Co. KGaA i. L. are held indirectly through DBG Advisors Kommanditaktionär GmbH & Co. KG. DBAG indirectly holds a 33.33 percent interest in DBG Advisors Kommanditaktionär GmbH & Co. KG, while the other 66.67 percent are held by key management personnel. Key management personnel have not yet provided capital contributions amounting to 69 thousand euros in DBG Advisors Kommanditaktionär GmbH & Co. KG (previous year: 69 thousand euros).

Apart from that, no outstanding balances exist between DBG Advisors Kommanditaktionär GmbH & Co. KG and related parties.

2 For DBAG Fund VII B Konzern SCSp, the maximum disproportionate profit share is 10 percent.
3 For DBAG Fund VII B Konzern SCSp, the share of investors and DBAG together is 90 percent.

OVERVIEW INVESTMENTS STRUCTURE OF DBAG FUND IV

The percentages relate to the equity share.



1 Investment vehicle for Board of Management and senior executives
2 Investment vehicle for German investors
3 Investment vehicle for international investors
4 Unconsolidated co-investment vehicle, measured at fair value
5 Unconsolidated subsidiary, measured at fair value

Company included in the DBAG consolidated financial statements

The key management personnel involved as well as former key management personnel received the following repayments in financial year 2017/2018 from parties related to **DBAG FUND IV**:

	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 30 Sept. 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 2017/2018	**0**	**0**	**839**	**740**	**216**	**184**
Period from 1 Oct. 2016 to 30 Sept. 2017						
DBG Advisors IV GmbH & Co. KG	0	0	430	0	0	0
DBG Advisors Kommanditaktionär GmbH & Co. KG	0	0	84	0	289	0
DBG Investment Team GmbH & Co. KG	0	0	325	740	211	457
Total 2016/2017	**0**	**0**	**839**	**740**	**500**	**457**

DBAG Fund V

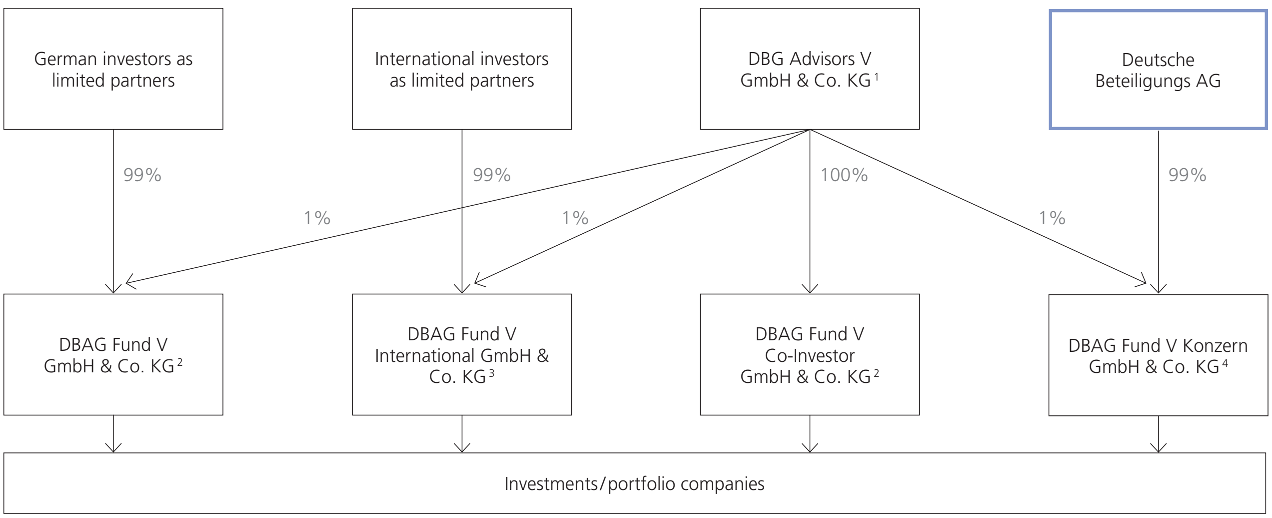
DBAG Fund V consists of the following fund companies that jointly enter into investments at a fixed ratio:

Fund company	Qualification	Investment by investment team %	Max. carried interest of investment team %
DBAG Fund V GmbH & Co. KG	Related party	1	20.8
DBAG Fund V International GmbH & Co. KG	Related party	1	20.8
DBAG Fund V Co-Investor GmbH & Co. KG	Related party	1	approx. 45
DBAG Fund V Konzern GmbH & Co. KG	Unconsolidated subsidiary	1	20.8

For DBAG Fund V, a group of key management personnel as well as individual former key management personnel and other members of the investment team have invested their own money at a fixed ratio in all of the four fund companies listed above. The interests in DBAG Fund V GmbH & Co. KG and DBAG Fund V International GmbH & Co. KG are transacted through the investing general partner of these fund companies, DBG Advisors V GmbH & Co. KG, which is a related party to DBAG. DBG Advisors V GmbH & Co. KG acts as the sole limited partner of DBAG Fund V Co-Investor GmbH & Co. KG. DBG Advisors V GmbH & Co. KG is the sole general partner of DBAG Fund V Konzern GmbH & Co. KG.

OVERVIEW INVESTMENTS STRUCTURE OF DBAG FUND V

The percentages relate to the equity share.



1 Investment vehicle for Board of Management and senior executives
2 Investment vehicle for German investors
3 Investment vehicle for international investors
4 Unconsolidated co-investment vehicle, measured at fair value

Company included in the DBAG consolidated financial statements

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; 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 30 Sept. 2018						
DBG Advisors V GmbH & Co. KG	18	13	3,464	2,568	3,928	3,002
Period from 1 Oct. 2016 to 30 Sept. 2017						
DBG Advisors V GmbH & Co. KG	37	27	3,446	2,554	88,883	67,848

DBAG Expansion Capital Fund

The DBAG Expansion Capital Fund consists of the following fund companies that jointly enter into investments at a fixed ratio:

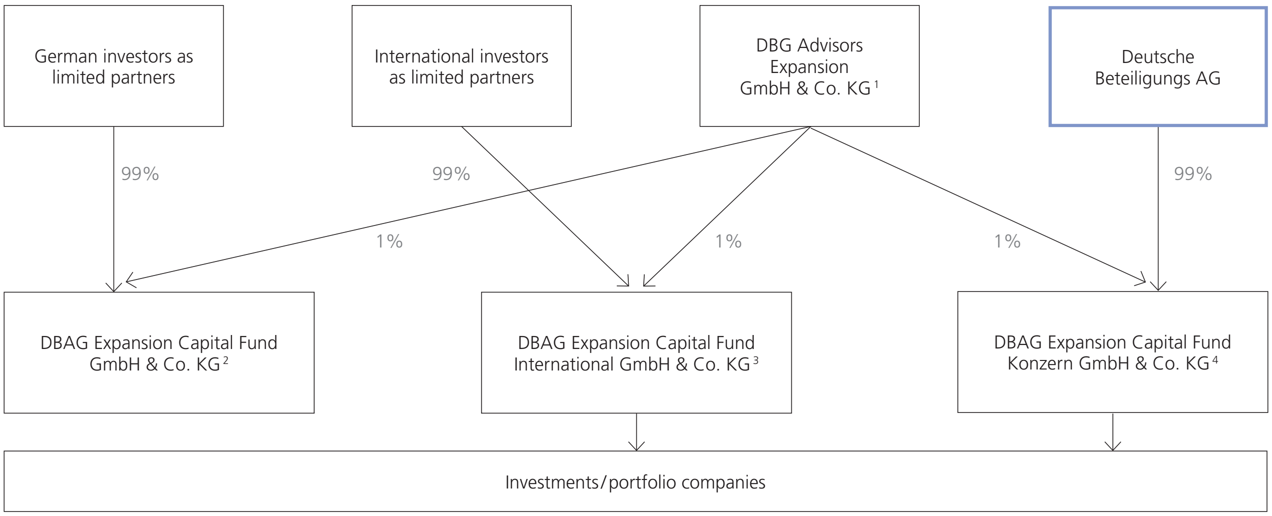
Fund company	Qualification	Investment by investment team %	Max. carried interest of investment team %
DBAG Expansion Capital Fund GmbH & Co. KG	Related party	1	20.8
DBAG Expansion Capital Fund International GmbH & Co. KG	Related party	1	20.8
DBAG Expansion Capital Fund Konzern GmbH & Co. KG	Unconsolidated subsidiary	1	20.8

For the DBAG Expansion Capital Fund, a group of key management personnel as well as individual former key management personnel and other members of the investment team have invested their own money at a fixed ratio in all of the three fund companies listed above. The interests in DBAG Expansion Capital Fund GmbH & Co. KG and DBAG Expansion Capital Fund International GmbH & Co. KG were transacted at 31 May 2017 through the investing general partner of these fund companies, DBG Advisors Expansion GmbH & Co. KG. With effect from 1 June 2017, DBG Advisors Expansion GmbH & Co. KG switched to the role of limited partner; it is a related party with regard to DBAG. DBG Advisors Expansion GmbH & Co. KG is the sole general partner of DBAG Expansion Capital Fund Konzern GmbH & Co. KG.

The term of the DBAG Expansion Capital Fund was extended until 31 December 2020 this past financial year. The first extension of the term (DBAG ECF I) involved the establishment in 2017 of the two companies DBG Advisors Expansion FNV GmbH & Co. KG and DBG Team Expansion FNV GmbH & Co KG, which have held an interest in the investing limited partner, DBG Advisors Expansion GmbH & Co. KG, since 1 June 2017 and are related parties of DBAG. The second extension of the term (DBAG ECF II) involved the establishment in the past financial year of the two additional companies DBG Advisors Expansion SNV GmbH & Co. KG and DBG Team Expansion SNV GmbH & Co. KG, which have held an interest in the investing limited partner, DBG Advisors Expansion GmbH & Co. KG, since 1 June 2018 and are related parties of DBAG. The partners of the four companies newly established in 2017 and 2018 are also key management personnel/individual former key management personnel and other members of the investment team.

OVERVIEW INVESTMENTS STRUCTURE OF DBAG EXPANSION CAPITAL FUND

The percentages relate to the equity share.



1 Investment vehicle for Board of Management and senior executives
2 Investment vehicle for German investors
3 Investment vehicle for international investors
4 Unconsolidated co-investment vehicle, measured at fair value

Company included in the DBAG consolidated financial statements

The key management personnel involved as well as former key management personnel have made the following investments or have the following repayments from investment activity of the DBAG Expansion Capital Fund attributable to them. Depending on the respective investment period, DBAG's co-investment vehicle (DBAG Expansion Capital Fund Konzern GmbH & Co. KG) accounts for 47 percent of DBAG ECF and 41 percent each of DBAG ECF I and II:

	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 30 Sept. 2018						
DBG Advisors Expansion GmbH & Co. KG	13	53	334	1,250	47	174
DBG Advisors Expansion FNV GmbH & Co. KG	0	0	0	0	0	0
DBG Team Expansion FNV GmbH & Co. KG	350	229	350	229	0	0
DBG Advisors Expansion SNV GmbH & Co. KG	0	0	0	0	0	0
DBG Team Expansion SNV GmbH & Co. KG	123	0	123	0	0	0
Total 2017/2018	**486**	**283**	**807**	**1,479**	**47**	**174**
Period from 1 Oct. 2016 to 30 Sept. 2017						
DBG Advisors Expansion GmbH & Co. KG	73	283	321	1,197	21	79
DBG Advisors Expansion FNV GmbH & Co. KG	0	0	0	0	0	0
DBG Team Expansion FNV GmbH & Co. KG	0	0	0	0	0	0
Total 2016/2017	**73**	**283**	**321**	**1,197**	**21**	**79**

DBAG Fund VI

DBAG Fund VI consists of the following fund companies that jointly make co-investments at a fixed ratio:

Fund company	Qualification	Capital share held by investment team[1] %	Max. carried interest of investment team %
DBAG Fund VI (Guernsey) L.P.	Related party	0.01	20.0
DBAG Fund VI Konzern (Guernsey) L.P.	Unconsolidated subsidiary	0.01	20.0

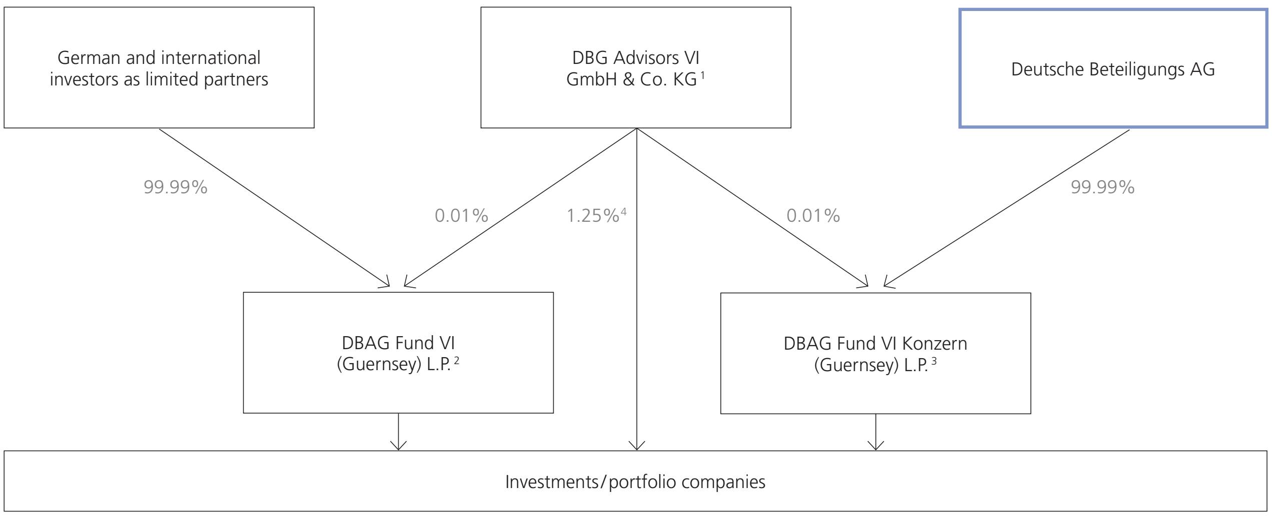
1 DBG Advisors VI GmbH & Co. KG makes investments in parallel with DBAG Fund VI; see the diagram on the investment structure below.

For DBAG Fund VI (consisting of DBAG Fund VI (Guernsey) L.P. and DBAG Fund VI Konzern (Guernsey) L.P.) through DBG Advisors VI GmbH & Co. KG, a group of key management personnel and individual former key management personnel as well as other members of the investment team are entitled to 20 percent of the profits of DBAG Fund VI, payable upon achieving a full repayment to German and international investors (limited partners). The full repayment is considered achieved when the limited partners of DBAG Fund VI receive cash or non-cash distributions in the amount of their paid-in capital in addition to a preferred return.

DBG Advisors VI GmbH & Co. KG is a related party to DBAG and serves the investment team as an investment vehicle. Supplemental to the 20 percent share of profits (after full repayment) of DBAG Fund VI, DBG Advisors VI GmbH & Co. KG makes a proportional direct investment in the investees of 1.25 percent. DBAG Fund VI Konzern (Guernsey) L.P. is an unconsolidated investment entity subsidiary (see note 4).

OVERVIEW INVESTMENTS STRUCTURE OF DBAG FUND VI

The percentages relate to the equity share.



1 Investment vehicle for Board of Management and senior executives
2 Investment vehicle for German investors
3 Unconsolidated co-investment vehicle, measured at fair value
4 Co-investment rate based on total fund volume

Company included in the DBAG consolidated financial statements

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; 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 30 Sept. 2018						
DBG Advisors VI GmbH & Co. KG	104	201	2,986	4,537	335	547
Period from 1 Oct. 2016 to 30 Sept. 2017						
DBG Advisors VI GmbH & Co. KG	800	1,328	2,882	4,336	746	1,213

DBAG Fund VII

The fund consists of the following fund companies that jointly make co-investments at a fixed ratio:

Fund company	Qualification	Capital share held by investment team[1] %	Max. carried interest of investment team %
DBAG Fund VII SCSp	Related party	0.01	20.0
DBAG Fund VII B SCSp	Related party	0.01	10.0
DBAG Fund VII Konzern SCSp	Unconsolidated subsidiary	0.01	20.0
DBAG Fund VII B Konzern SCSp	Unconsolidated subsidiary	0.01	10.0

1 DBG Team VII GmbH & Co. KG makes investments in parallel with DBAG Fund VII; see the diagram on the investment structure on the next page.

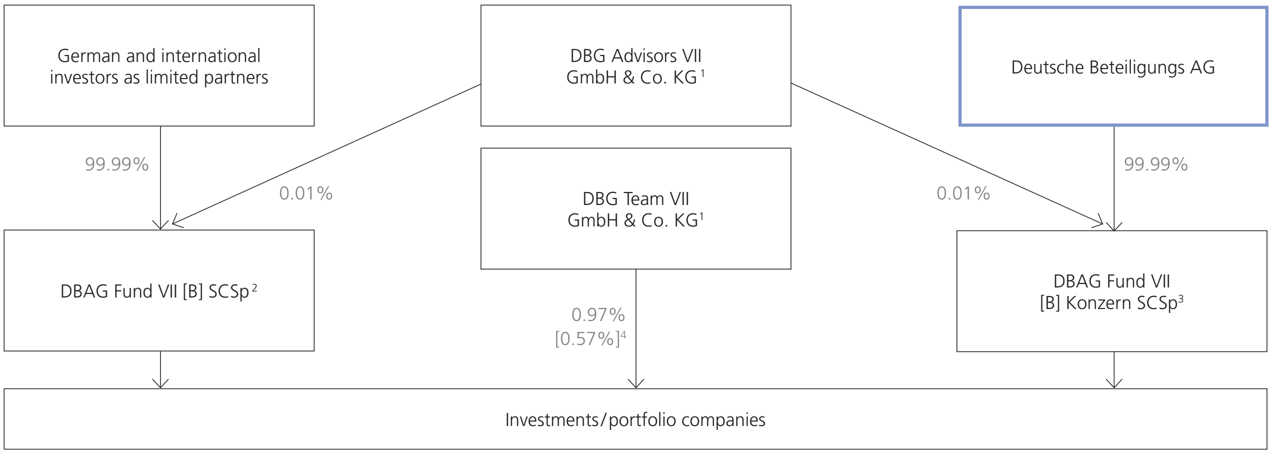
For DBAG Fund VII through DBG Advisors VII GmbH & Co. KG, a group of key management personnel and other members of the investment team are entitled to 20 percent of the profits of DBAG Fund VII, payable upon achieving a full repayment to German and international investors (limited partners). The full repayment is considered achieved when the limited partners of DBAG Fund VII receive cash or non-cash distributions in the amount of their paid-in capital in addition to a preferred return. In addition, pro rata direct investments are made by DBG Team VII GmbH & Co. KG, which has mainly the same shareholders as DBG Advisors VII GmbH & Co. KG.

DBG Advisors VII GmbH & Co. KG and DBG Team VII GmbH & Co. KG are related parties to DBAG. DBG Team VII GmbH & Co. KG serves the investment team as an investment vehicle.

DBAG Fund VII Konzern SCSp and DBAG Fund VII B Konzern SCSp are unconsolidated investment entity subsidiaries of DBAG (see note 4).

OVERVIEW INVESTMENTS STRUCTURE OF DBAG FUND VII

The percentages relate to the equity share.



1 Investment vehicle for Board of Management and senior executives
2 Investment vehicle DBAG Fund VII SCSp and DBAG Fund VII B SCSp for investors
3 Unconsolidated co-investment vehicles DBAG Fund VII Konzern SCSp and DBAG Fund VII B Konzern SCSp, measured at fair value
4 Co-investment rate based on capital commitments made by members of the investment team in relation to the DBAG Fund VII SCSp (or DBAG Fund VII B SCSp).

Company included in the DBAG consolidated financial statements

The key management personnel involved have made the following investments in DBAG Fund VII; a total of 23 percent is attributable to the DBAG co-investment vehicles (DBAG Fund VII Konzern SCSp and DBAG Fund VII Konzern B SCSp):

	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 30 Sept. 2018						
DBG Advisors VII GmbH & Co. KG	13	25	21	25	0	0
DBG Team VII GmbH & Co. KG	522	442	1,570	1,373	0	0
Total 2017/2018	**534**	**467**	**1,590**	**1,398**	**0**	**0**
Period from 1 Oct. 2016 to 30 Sept. 2017						
DBG Advisors VII GmbH & Co. KG	0	0	8	0	0	0
DBG Team VII GmbH & Co. KG	1,046	930	1,048	930	0	0
Total 2016/2017	**1,046**	**930**	**1,056**	**930**	**0**	**0**

Other related parties

Companies in the DBAG Group manage or provide advice to the following funds alongside which DBAG co-invests:

Fonds	Status
DBAG Fund IV	End of investment period: 15 Feb. 2007
DBAG Fund V	End of investment period: 15 Feb. 2013
DBAG ECF	Start of investment period: 27 Jan. 2011
DBAG ECF I	Start of investment period: 1 Jun. 2017
DBAG ECF II	Start of investment period: 20 Jun. 2018
DBAG Fund VI	End of investment period: 20 Dec. 2016
DBAG Fund VII	Start of investment period: 21 Dec. 2016

The DBAG Group earned the following fee income for management services and advisory services from the management of/advice provided to the various DBAG funds (see also note 11):

€'000	2017/2018	2016/2017
DBAG Fund V	662	2,554
DBAG ECF	733	522
DBAG ECF I	983	0
DBAG ECF II	198	0
DBAG Fund VI	9,669	11,337
DBAG Fund VII	16,238	12,582
Other	53	52
	28,536	**27,047**

The contractual term of DBAG Fund IV ended on 15 September 2016. The fund companies of DBAG Fund IV, which comprise DBAG Fund IV GmbH & Co. KG, DBAG Fund IV International GmbH & Co. KG and DBG Fifth Equity Team GmbH & Co. KG, are being liquidated in accordance with statutory requirements and under company law. The full liquidation of these fund companies will presumably be completed in 2019. DBAG does not generate any income from the liquidation of companies.

The fund companies DBAG Fund V GmbH & Co. KG and DBAG Fund V International GmbH & Co. KG (DBAG Fund V) are managed by the managing general partner, DBG Managing Partner GmbH & Co. KG, a DBAG subsidiary. DBAG Fund V Co-Investor GmbH & Co. KG is managed through the subsidiary DBG Management GmbH & Co. KG.

The fund companies DBAG Expansion Capital Fund GmbH & Co. KG and DBAG Expansion Capital Fund International GmbH & Co. KG are also managed by DBG Managing Partner GmbH & Co. KG, the managing limited partner. Deutsche Beteiligungs AG itself holds a 20 percent interest in this, and Mr Grede and Dr Scheffels each hold a 40 percent interest. The interests in the general partner of DBG Managing Partner GmbH & Co. KG are held by DBG Managing Partner GmbH & Co. KG itself. It is entitled to annual income for the management services described above for several of the DBAG Fund V and DBAG Expansion Capital Fund companies. For DBAG Fund V, this income, pursuant to the partnership agreement, amounts to 2.0 percent of the historical cost of the fund companies' investments after the investment period has ended. For DBAG Expansion Capital Fund, the income corresponds to 0.875 percent of the cost of the investments made up until 31 May 2017, or 1.75 percent of the cost of all investments made from 1 June 2017 onwards. In addition, as of 1 June 2017 the company receives one-off remuneration of 2 percent of the cost for each new transaction.

DBG Advising GmbH & Co. KG has been advising DBG Managing Partner GmbH & Co. KG since 1 July 2017. Fee income from advisory services is based on a share of the management company's profits. As of 1 October 2017, the general partner receives an annual liability fee corresponding to 12.5 percent (until 30 September 2017: 5 percent) of its capital stock (financial year: 3,125 euros, previous year: 1,250 euros), Mr Grede and Dr Scheffels receive interest of 2 percent on their capital accounts (118 euros each) and the rest of the company's profit is allocated to Deutsche Beteiligungs AG.

Deutsche Beteiligungs AG is the managing limited partner of DBG Advising GmbH & Co. KG. Deutsche Beteiligungs AG holds a 20 percent interest in this company, and Mr Grede and Dr Scheffels each hold a 40 percent interest. Deutsche Beteiligungs AG receives 80 percent of this company's profits for the management of the company as a profit priority share. After deducting the liability charges of the general partner (3,125 euros) and expenses for interest paid on balances in shareholders' accounts (50 euro each), Deutsche Beteiligungs AG is also entitled to the company's residual profits. The general partner of DBG Advising GmbH & Co. KG can terminate the management agreement with DBAG at three months' notice to the end of a quarter. In this case, Deutsche Beteiligungs AG would also be entitled to the total residual profits of DBG Advising GmbH & Co. KG, after deducting the general partner's liability charges, expenses for interest paid on balances in shareholders' accounts and, if appropriate, expenses for setting up own operations for the fund management companies. Expenses for setting up own business operations would be incurred if management services were no longer rendered by Deutsche Beteiligungs AG and were performed by DBG Advising GmbH & Co. KG itself.

The interests in the general partner of DBG Advising GmbH & Co. KG are held by DBG Advising GmbH & Co. KG itself; the principals of the general partner of DBG Advising GmbH & Co. KG are Mr Grede, Dr Scheffels and Mr Döring.

The fund company DBAG Fund VI (Guernsey) L.P. is managed by the managing partner DBG Fund VI GP (Guernsey) LP. DBG Advising GmbH & Co. KG advises the management company of fund manager DBAG Fund VI (Guernsey) L.P. Fee income from advisory services to DBAG Fund VI is based on a share of the profits of the management company, DBG Fund VI GP (Guernsey) LP. For the management company and/or the fund manager of DBAG Fund VI, the income amounted to 2.0 percent of the capital commitments of 700 million euros, or, at 21 December 2016, to 2.0 percent of the cost for the fund's investments after the investment period has ended.

Concurrently, DBAG pays a fee through DBAG Fund VI Konzern (Guernsey) L.P. for the management of its co-investment. The advisory fee corresponded to 2.0 percent of the capital commitments totalling 133 million euros of DBAG Fund VI Konzern (Guernsey) L.P. as the co-investment vehicle of DBAG, or, at 21 December 2016, 2.0 percent of the cost for the fund's investments after the investment period has ended.

The management of the fund company DBAG Fund VII SCSp and DBAG Fund VII B SCSp (collectively known as DBAG Fund VII) is the responsibility of the managing partner DBG Fund VII GP S.à r.l. (LuxGP), which has outsourced the portfolio and risk management activities to AIFM-DBG Fund VII (Guernsey) L.P. (AIFM). DBG Advising GmbH & Co. KG provides advice to AIFM in connection with these activities. Fee income from advisory services to DBAG for Fund VII is based on a share of the profits of AIFM. The management fees (collected jointly by LuxGP and AIFM) correspond, during the investment period, to 2.0 percent of the investment commitments of 625 million euros of DBAG Fund VII SCSp and to 1.0 percent of the cost to DBAG Fund VII B SCSp. After the end of the investment period, fees will amount to 2.0 percent of the cost for the investments of DBAG Fund VII SCSp, and 1.0 percent of the cost for the investments to DBAG Fund VII B SCSp.

Concurrently, DBAG pays a fee through DBAG Fund VII Konzern SCSp and DBAG Fund VII Konzern B SCSp on each investment for the management of its co-investment. The advisory fee during the investment period amounts to 2.0 percent of the capital commitment of 183 million euros to DBAG Fund VII Konzern SCSp and 1.0 percent of the cost to DBAG Fund VII Konzern B SCSp. After the end of the investment period, fees amount to 2.0 percent of the cost of DBAG Fund VII Konzern SCSp and 1.0 percent of the cost of DBAG Fund VII B Konzern SCSp.

A requirement for raising the fund commitments was that Mr Grede and Dr Scheffels would be available for the management of the fund companies over the long term, irrespective of whether they remain appointed as members of the Board of

Management of Deutsche Beteiligungs AG. For that reason, the two individuals named have dormant employment contracts with DBG Advising GmbH & Co. KG.

Key management personnel of DBAG serve on a number of supervisory bodies of existing or former DBAG portfolio companies. For the period from 1 October 2017 to 30 September 2018, they were entitled to compensation totalling 56 thousand euros (previous year: 221 thousand euros) for these services, which has been transferred in full to DBAG and recognised in "Other operating income".

Key members of the management team have also passed on to DBAG their remuneration for work on the boards of portfolio companies held via DBAG funds. This remuneration is included in the item "Income from fund management and fund advisory services" and is offset against the management fee for DBAG Fund V and DBAG ECF. For DBAG Fund VI and DBAG Fund VII they are only offset against the management fee when the amount of supervisory board or advisory board remuneration exceeds 25 thousand euros per annum and per portfolio company.

Metzler Trust e.V. is a related party that acts as a trustee within the scope of a bilateral contractual trust arrangement for pension-related plan assets. The company receives an annual net fee of eight thousand euros for administration services.

In October 2010, DBAG established an incorporated foundation under civil law named "Gemeinnützige Stiftung der Deutschen Beteiligungs AG". It was initially endowed with assets of 100 thousand euros in cash. In financial year 2017/2018, another 20 thousand euros (previous year: 20 thousand euros) were allocated to the Foundation's endowment to pursue its tax-privileged objectives. At 30 September 2018, total allocations to the Foundation's endowment amounted to 250 thousand euros (previous year: 230 thousand euros). The purpose of the Foundation is to support charitable causes. A further aim is to promote the arts and cultural projects in the greater Frankfurt area. The Foundation is considered a related party in terms of the IFRS.

40. Risk management

For information on risk management objectives and methods, please refer to note 33 and to the discussion in the combined management report.

41. Events after the reporting date

Three transactions were closed after the reporting date for which contracts were signed in financial year 2017/2018. DBAG received some 19 million euros in October 2018 from the sale of its investment in Cleanpart Group GmbH. In the same month, investments were made in the software company FLS GmbH (FLS) and in Kraft & Bauer Holding GmbH (Kraft & Bauer), a leading supplier of fire extinguishing systems for machine tools. DBAG invested around nine million euros in FLS and around 14 million euros in Kraft & Bauer.

At the start of the new financial year, DBAG Fund VII agreed an MBO of SERO Schröder Elektronik Rohrbach GmbH (Sero). DBAG is investing around eleven million euros alongside the fund.

Mr Andrew Richards retired from the Supervisory Board of DBAG with effect from the close of 13 October 2018. Mr Gerhard Roggeman, previously the Vice Chairman, was elected by the Supervisory Board as the new Chairman with effect from 14 October. Dr Hendrik Otto is now the Vice Chairman of the Supervisory Board and Chairman of the Audit Committee.

42. Fees for audit and audit-related services

Total fees paid to the auditors of the financial statements KPMG break down as follows:

€'000	2017/2018 Parent company	2017/2018 Subsidiary	2017/2018 Total	2016/2017 Parent company	2016/2017 Subsidiary	2016/2017 Total
Audit of consolidated/separate financial statements	455	37	492	538	35	573
Tax advisory services	39	27	66	57	41	99
Other consultancy services (not reimbursable)	7	13	20	28	0	28
	501	**77**	**578**	**623**	**76**	**699**
Other consultancy services (reimbursable)	0	0	0	0	0	0
	501	**77**	**578**	**623**	**76**	**699**

The services associated with auditing the consolidated and annual financial statements also include activities associated with the review of the half-yearly financial statements at 31 March 2018, audit activities relating to the audit of the annual financial statements at 30 September 2018 that were brought forward and consultancy services related to the latest enforcement procedure.

The drop in audit fees relate to lower expenses in connection with the enforcement procedure, which ended in July 2018, relating to the consolidated financial statements at 30 September 2015.

The tax advisory services include support services related to the preparation of tax returns and advice on individual matters concerning VAT.

The other consultancy costs relate to legal advice, advice on social security law matters and advice on mandatory statutory reporting requirements.

43. Members of the Supervisory Board and Board of Management

Supervisory Board*

ANDREW RICHARDS
Bad Homburg v. d. Höhe (Chairman)

Corporate consultant

No statutory offices or comparable offices in Germany and internationally

GERHARD ROGGEMANN
Hanover (Vice Chairman)

Corporate consultant

Statutory offices
- Bremer AG, Paderborn (Vice Chairman since 28 August 2018)
- GP Günter Papenburg AG, Schwarmstedt (Chairman)
- WAVE Management AG, Hanover (Vice Chairman)

SONJA EDELER
Hanover

Head of Finance and Accounting of Dirk Rossmann GmbH, Burgwedel

No statutory offices or comparable offices in Germany and internationally

WILKEN FREIHERR VON HODENBERG
Hamburg

Lawyer

Statutory offices
- Schloss Vaux AG, Eltville
- SLOMAN NEPTUN Schiffahrts-AG, Bremen
- WEPA Instrustrieholding SE, Arnsberg

PHILIPP MÖLLER
Hamburg

Managing Partner of Möller & Förster GmbH & Co. KG, Hamburg

No statutory offices or comparable offices in Germany and internationally

DR HENDRIK OTTO
Dusseldorf

Member of the Board of Management of WEPA Industrieholding SE, Arnsberg

No statutory offices or comparable offices in Germany and internationally

* Statutory offices: offices held on other statutory supervisory boards; comparable offices in Germany and internationally: offices held on comparable domestic and international supervisory bodies of commercial enterprises, at 30 September 2018

Board of Management*

TORSTEN GREDE

Frankfurt am Main (Spokesman)

Comparable offices in Germany and internationally

- Treuburg Beteiligungsgesellschaft mbH, Ingolstadt
- Treuburg GmbH & Co. Familien KG, Ingolstadt

DR ROLF SCHEFFELS

Frankfurt am Main

Comparable offices in Germany and internationally

- JCK Holding GmbH Textil KG, Quakenbrück
- Preh GmbH, Bad Neustadt a. d. Saale

SUSANNE ZEIDLER

Bad Homburg v. d. Höhe

Comparable offices in Germany and internationally

- DBG Fifth Equity Team GmbH & Co. KGaA i. L., Frankfurt am Main (Vice Chairwoman)

* Statutory offices: offices held on other statutory supervisory boards; comparable offices in Germany and internationally: offices held on comparable domestic and international supervisory bodies of commercial enterprises, at 30 September 2018

44. List of subsidiaries and associates pursuant to § 313 (2) HGB

Name	Domicile	Equity share %	Equity €'000	Operating result of past financial year €'000
SUBSIDIARIES				
Companies included in the consolidated financial statements				
AIFM-DBG Fund VII Management (Guernsey) LP	St Peter Port, Guernsey	0.00	254	16,192
DBG Advising GmbH & Co. KG	Frankfurt am Main	20.00	12,098	25,887
DBG Fund VI GP (Guernsey) LP	St Peter Port, Guernsey	0.00	1	0
DBG Fund VII GP S.à r.l.	Luxembourg	0.00	34	1
DBG Management GmbH & Co. KG	Frankfurt am Main	100.00	132	(38)
DBG Management GP (Guernsey) Ltd.	St Peter Port, Guernsey	3.00	229	140
DBG Managing Partner GmbH & Co. KG	Frankfurt am Main	20.00	4,072	22
DBG New Fund Management GmbH & Co. KG	Frankfurt am Main	100.00	3	(4)
European PE Opportunity Manager LP	St Peter Port, Guernsey	0.00	0	0
Companies not included in the consolidated financial statements				
Bowa Geschäftsführungsgesellschaft mbH i. L.	Frankfurt am Main	100.00	55	(5)
Change Management Verwaltungs GmbH	Frankfurt am Main	100.00	25	0
DBAG Expansion Capital Fund Konzern GmbH & Co. KG	Frankfurt am Main	99.00	94,344	2,369
DBAG Fund V Konzern GmbH & Co. KG	Frankfurt am Main	99.00	9,588	1,429
DBAG Fund VI Konzern (Guernsey) L.P.	St Peter Port, Guernsey	99.99	120,101	18,407
DBAG Fund VII B Konzern SCSp	Luxembourg	99.99	1,589	(824)
DBAG Fund VII Konzern SCSp	Luxembourg-Findel, Luxembourg	99.99	32,326	(3,077)
DBG Advising Verwaltungs GmbH	Frankfurt am Main	100.00	18	(3)
DBG Advisors Kommanditaktionär GmbH & Co. KG	Frankfurt am Main	33.33	2,354	311
DBG Alpha 5 GmbH	Frankfurt am Main	100.00	25	0
DBG Beteiligungsgesellschaft mbH	Frankfurt am Main	100.00	85	(8)
DBG Epsilon GmbH	Frankfurt am Main	100.00	21	(1)
DBG Fifth Equity Team GmbH & Co. KGaA i. L.	Frankfurt am Main	33.33	1,123	(114)
DBG Fourth Equity International GmbH	Frankfurt am Main	100.00	37	1
DBG Fourth Equity Team GmbH & Co. KGaA i. L.	Frankfurt am Main	100.00	460	(4)
DBG Managing Partner Verwaltungs GmbH	Frankfurt am Main	100.00	12	1
DBG My GmbH i. L.	Frankfurt am Main	100.00	132	(3)
DBV Drehbogen GmbH	Frankfurt am Main	100.00	31	(1)
Deutsche Beteiligungsgesellschaft mbH	Königstein/Taunus	100.00	11,560	1,825

Name	Domicile	Equity share %	Equity €'000	Operating result of past financial year €'000
ASSOCIATES				
antennen electronic GmbH	Hanover	40.96	31	6
braun teleCom GmbH	Hanover	40.96	4,762	2,123
DBAG ECF Fonds I Beteiligungs GmbH	Frankfurt am Main	47.54	17,370	6,759
DBAG ECF Pontis GmbH & Co. KG	Frankfurt am Main	25.00	14,910	(50)
DBAG ECF Pontis Verwaltungs GmbH	Frankfurt am Main	47.54	24	1
DBAG ECF Präzisionstechnik Beteiligungs GmbH	Frankfurt am Main	41.78	31	(40)
DBG Asset Management, Ltd.	Jersey	50.00	291	2,966
ECF Breitbandholding GmbH	Frankfurt am Main	41.78	17,059	(411)
Heinrich GmbH	Wismar	40.96	67	0
Netzkontor Gruppe GmbH Führungsholding	Flensburg	33.79	25	(2)
Plant Systems & Services PSS GmbH	Bochum	20.47	587	(92)
POTT Kabelservice GmbH	Hamburg	40.96	645	43
Rana Beteiligungsgesellschaft mbH	Frankfurt am Main	47.54	20	0
RQPO Beteiligungs GmbH	Frankfurt am Main	49.00	37	1
RQPO Beteiligungs GmbH & Co. Papier KG	Frankfurt am Main	44.10	0	(6)
Tridecima Grundstücksverwaltungsgesellschaft mbH	Neubiberg	30.08	1,322	3,560
Vitronet GmbH	Essen	33.90	7,810	1,166

OTHER COMPANIES

Based on its investments, DBAG holds more than five percent of the voting rights in the following corporations:

Coveright Surfaces Beteiligungs GmbH i. L.	Frankfurt am Main
Heytex Bramsche GmbH	Bramsche
JCK Holding GmbH Textil KG	Quakenbrück
Mageba Holding AG	Bülach

Frankfurt am Main, 20 November 2018

The Board of Management

Torsten Grede Dr Rolf Scheffels Susanne Zeidler

INDEPENDENT AUDITOR'S REPORT

Report on the audit of the consolidated financial statements and combined management report

Opinion

We have audited the consolidated financial statements of Deutsche Beteiligungs AG, Frankfurt am Main, and its subsidiaries (the Group) – comprising the consolidated statement of financial position at 30 September 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 October 2017 to 30 September 2018, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. We have also audited the combined management report of Deutsche Beteiligungs AG, Frankfurt am Main, for the financial year from 1 October 2017 to 30 September 2018.

In our opinion, based on our audit findings,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the supplementary requirements of German commercial law pursuant to § 315e (1) HGB, and give a true and fair view of the net assets and financial position of the Group at 30 September 2018, and of its results of operations for the financial year from 1 October 2017 to 30 September 2018, in accordance with these requirements, and
- the accompanying combined management report as a whole provides a suitable view of the Group's position. In all material respects, the combined management report is consistent with the consolidated financial statements, complies with German statutory requirements and suitably presents the opportunities and risks of future development.

Pursuant to § 322 (3) clause 1 HGB, we state that our audit has not led to any reservations with respect to compliance of the consolidated financial statements and the combined management report.

Basis for opinion regarding the consolidated financial statements and the combined management report

We conducted our audit of the consolidated financial statements and combined management report in accordance with § 317 HGB and the EU Audit Regulation (No 537/2014; hereinafter referred to as EU Audit Regulation) and the generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW). Our responsibilities under those regulations and guidelines are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and combined management report" section of our report. We are independent of the Group companies in accordance with the requirements of European Union law as well as German commercial law and the rules of professional conduct, and we have fulfilled our other ethical responsibilities under German professional law in accordance with these requirements. In addition, pursuant to Article 10 (2) (f) EU Audit Regulation, we hereby declare that we did not provide any of the prohibited non-audit services referred to in Article 5 (1) EU Audit Regulation. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements and combined management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 October 2017 to 30 September 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

The measurement of financial assets

We refer to the statements set out in the notes to the consolidated financial statements on accounting and valuation methods (note 7), on the changes in the recognition of carried interest in the IFRS 13 measurement due to an error that was identified (note 4), on future-oriented assumptions and other major sources of estimation uncertainty (note 9), on the financial assets (note 19), on the net result of investment activity (note 10), on the financial instruments (note 33) and the information on related parties (note 38), as well as to the statements provided in the combined management report on the business review of the Group.

Financial statement risk

The "financial assets" item of the annual financial statements amounts to 323.3 million euros and consists largely of DBAG's interests in the investment entity subsidiaries that are not consolidated in accordance with IFRS 10.31. Pursuant to IFRS 13, these interests are recognised at fair value in profit or loss.

Due to the sum-of-the-parts procedure, changes in the fair value of the portfolio companies, in particular, have an impact on the fair values of the interests in the investment entity subsidiaries. In addition, the fair values of the interests in the investment entity subsidiaries that are attributable to DBAG are reduced by carried interest.

The valuation process implemented for calculating the fair values of the portfolio companies in IFRS 13 is complex. The multiples method is primarily used in order to calculate the fair values of the portfolio companies. The necessary valuation assumptions are discretionary, as they cannot be observed on the market. In addition, there are complex contractual provisions in place regarding the calculation of carried interest for the investment entity subsidiaries. These need to be given appropriate consideration when measuring the fair values of the interests in the investment entity subsidiaries.

As far as the annual financial statements are concerned, there is a risk that the fair values of the portfolio companies applied to the measurement of financial assets might not meet the requirements of IFRS 13, meaning that the value estimated might not be appropriate. Due to the complex contractual provisions regarding the calculation of carried interest, there is also a risk that these contractual provisions will not be given appropriate consideration when the interest is measured for the investment entity subsidiaries. Finally, there is a risk that the information provided in the notes on the measurement of financial assets is not appropriate.

Our audit approach

We started by arriving at an understanding of the procedure used to calculate the fair values as part of the measurement of interests in investment entity subsidiaries and evaluated whether the valuation guidelines implement the requirements of IFRS 13 in a sufficient and appropriate manner. In order to gain an understanding of the organisational structure of the valuation process, we used a structural audit of the valuation process to interview the individuals involved and consult process descriptions, status reports, valuation documentation and minutes of meetings. Based on this information, we assessed the appropriateness of the controls that had been put in place, in particular with regard to checking the valuation proposals made by the Valuation Committee.

Our substantive audit activities included checking the documentation on the calculation of the fair values of all portfolio companies to see whether the values were calculated based on the valuation process put in place by the Company for all portfolio companies. In cases involving portfolio companies that had been recognised at fair value for the first time, our evaluation also looked at whether the requirements for the selection of the valuation method applied had been met. We also clarified the calculation of all fair values for all portfolio companies.

We audited the unobservable valuation assumptions based on a risk-oriented, deliberate selection. Regarding selected estimates of the long-term results and debt of the portfolio companies, we verified that these estimates had been derived from the individual company projections and had been approved at the level of the portfolio company by the latter's supervisory body. If adjustments had been made to the company projections by Deutsche Beteiligungs AG, we consulted the documented grounds and discussed them with the responsible employees. We also compared selected value-driving assumptions used in the company projections (in particular the EBITDA margins) to check whether these were in a range that we had arrived at based on external information on the corresponding key performance indicators of peer group companies. Regarding the earnings multiples for the application of the multiples method, we consulted our valuation specialists in order to check that the group of peer group companies and the multiples had been derived appropriately from the company and capital market data on the peer group companies. As far the application of the DCF method with regard to the capitalisation interest rate is concerned, we once again consulted our valuation experts, comparing the underlying assumptions (in particular the risk-free rate and the market risk premium) against the publicly available data and evaluating these assumptions.

We also conducted substantive audit activities relating to the inclusion of carried interest when calculating the fair value of the interest in the investment entity subsidiaries attributable to DBAG. In particular, we verified whether Deutsche Beteiligungs AG had identified all investment entity subsidiaries for which carried interest had to be included in the measurement of the fair value of their interest. We also verified whether the calculation of carried interest had been included in accordance with the contractual provisions and in a manner that was arithmetically accurate, both in the reporting period and in the corrected prior-year comparative figures.

Finally, we assessed whether the information provided in the notes on the measurement of financial assets was appropriate.

Our conclusions

The discretionary decisions regarding the unobservable assumptions used in the valuation of the portfolio companies were made appropriately with regard to the requirements set out in IFRS 13. Carried interest is taken into account appropriately pursuant to IFRS 13 when measuring the fair value of the interests in the investment entity subsidiaries. The corresponding explanatory information provided in the notes to the consolidated financial statements is appropriate.

Other information

- The statutory representatives are responsible for the other information. The other information includes the Annual Report, which is likely to be presented to us after the date of the auditor's report, with the exception of the audited consolidated financial statements and combined management report, as well as our auditor's report.

Our audit opinions on the consolidated financial statements and on the combined management report do not include the other information and, as a result, we do not provide a separate opinion or reach any other kind of audit conclusion in this regard.

As part of our audit, we are responsible for reading the other information and evaluating whether the other information

- includes material inconsistencies compared with the consolidated financial statements, the combined management report or the knowledge we obtained as part of our audit or
- appears to contain any other material misstatements.

Responsibilities of the statutory representatives and the supervisory body for the consolidated financial statements and the combined management report

The statutory representatives are responsible for the preparation of the consolidated financial statements which, in all material respects, comply with IFRS, as adopted by the EU, and the supplementary requirements of German commercial law pursuant to § 315e (1) HGB, and for ensuring that the consolidated financial statements give a true and fair view of the asset, financial and earnings position of the Group in accordance with these requirements. Furthermore, the statutory representatives are responsible for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the statutory representatives are responsible for assessing the Group's ability to continue as a going concern. Furthermore, they are responsible for disclosing, as applicable, matters related to the going concern. In addition, they are responsible for using the going concern basis of accounting unless the intention is to liquidate the Group or to cease operations, or there is no realistic alternative to doing so.

Moreover, the statutory representatives are responsible for preparing the combined management report, which as a whole provides a suitable view of the Group's position and, in all material respects, is consistent with the consolidated financial statements, complies with German statutory requirements and suitably presents the opportunities and risks of future development. Furthermore, the statutory representatives are responsible for such arrangements and measures (systems) as they determine are necessary to enable the preparation of a combined management report in compliance with the applicable requirements of German commercial law and for providing sufficient and appropriate evidence for the assertions in the combined management report.

The *Supervisory Board* is responsible for monitoring the Group's financial reporting process for preparing the consolidated financial statements and the combined management report.

Auditor's responsibilities for the audit of the consolidated financial statements and the combined management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the combined management report as a whole provides a suitable view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and our audit findings, complies with German statutory requirements, and suitably presents the opportunities and risks of future development, and to issue an auditor's report that includes our opinion on the consolidated financial statements and the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation, as well as in compliance with the German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW), will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

As part of our audit we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatements of the consolidated financial statements and the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements, and of the arrangements and measures relevant to the audit of the combined management report, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used, and the feasibility of accounting estimates and related disclosures made, by the statutory representatives.
- draw conclusions as to the appropriateness of use of the going concern basis of accounting by the statutory representatives and, based on the audit evidence obtained, whether there is any material uncertainty related to events

or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that such material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and combined management report or, if such disclosures are inadequate, to modify our particular opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair view of the assets, financial and earnings position of the Group in accordance with the IFRS, as adopted by the EU, and the supplementary requirements of German commercial law pursuant to § 315e (1) HGB.
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- evaluate the consistency of the combined management report with the consolidated financial statements, its legal compliance and presentation of the Group's position.
- perform audit procedures on the prospective information presented by the statutory representatives in the combined management report. Based on sufficient and appropriate audit evidence, we hereby understand the significant assumptions used by the statutory representatives to be a basis for the prospective information in particular and assess the appropriate derivation of the prospective information from these assumptions. We are not issuing a separate audit opinion on the prospective information or the underlying assumptions. There is a significant, unavoidable risk that future events will deviate significantly from the prospective information.

We communicate with the individuals responsible for monitoring, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the individuals responsible for monitoring with a statement that we have complied with relevant ethical requirements regarding impartiality, and discuss with them all relationships and other matters that may reasonably be thought to bear on our impartiality, and any safeguards implemented within this context.

From the matters communicated with the individuals responsible for governance, we determine those matters that were of most significance during the audit of the consolidated financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless laws or other legal provisions preclude public disclosures about the matter.

Other statutory and legal requirements

Other disclosures pursuant to Article 10 of the EU Audit Regulation

We were appointed as group auditors at the Annual Meeting held on 21 February 2018 and were then commissioned orally by the Supervisory Board. The audit assignment was documented in the letter dated 14 March 2018. We have been engaged as group auditors of Deutsche Beteiligungs AG, Frankfurt am Main, without interruption since the financial year 1984/1985.

We declare that the audit opinions in this auditor's report are consistent with the additional report to the Audit Committee referred to in Article 11 of the EU Audit Regulation (audit report).

Responsible statutory auditor

The auditor responsible for the audit is Lars Erik Bertram.

Frankfurt am Main, 21 November 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft

Bertram	Dr Faßhauer
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

STATEMENT OF RESPONSIBILITY

We confirm to the best of our knowledge and consistent with the applicable reporting principles for financial reporting that the consolidated financial statements give a true and fair view of the asset, financial and earnings position of the Group. We also confirm to the best of our knowledge that the combined management report presents a true and fair view of the business development and the position of the Group. This includes a discussion of the material risks and opportunities associated with the Group's expected development.

Frankfurt am Main, 20 November 2018

The Board of Management

Torsten Grede | Dr Rolf Scheffels | Susanne Zeidler

CORPORATE GOVERNANCE

REPORT OF THE SUPERVISORY BOARD

Deutsche Beteiligungs AG has been holding its own as an investor in a highly competitive market for many years now and enjoys a high level of trust from mid-sized companies. This is shown not least by the numerous transactions in the past financial year.

GERHARD ROGGEMANN
Chairman of the Supervisory Board

In the financial year 2017/2018 (1 October 2017 to 30 September 2018), we dealt with the position and development of the Company in depth. We consistently and conscientiously discharged the duty of overseeing the managerial activities of the Board of Management required of us by law, the Articles of Association and the rules of procedure. The Board of Management regularly provided the Supervisory Board with comprehensive and prompt information, both in writing and verbally, about the Company's course of business, its asset, financial and earnings position, the competitive environment and the prospects, as well as the risk management and compliance systems installed at DBAG. We discussed these issues in detail. Any divergences from the planned course of business were elucidated and substantiated by the Board of Management. The Board of Management also reported on strategic and major operational decisions as well as on the business policies it intends to pursue.

Supervisory Board meetings in the reporting year

In the financial year 2017/2018, the Supervisory Board held twelve meetings, six of which were telephone conferences. Among other things, the telephone conferences served informational purposes regarding imminent investment projects as well as allowing for the passing of resolutions on the amount of variable income components for the Board of Management. In several instances, the Supervisory Board met without the attendance of the Board of Management.

An integral part of the face-to-face meetings were detailed reports on current developments in individual portfolio companies. We received comprehensive quarterly reports in writing on those issues from the Board of Management. We were informed promptly and comprehensively about investments that were not performing as expected.

At the first regular meeting held on **15 NOVEMBER 2017**, we confirmed the dividend proposal put forward by the Board of Management that had previously been discussed in the Audit Committee and passed a unanimous resolution on the submission of this proposal to the 2018 Annual Meeting. At this meeting, the Board of Management also reported on the Company's investor relations activities and on the preparations for the changes to the Company's IR work expected to come as a result of MiFID II. We also looked at the Supervisory Board's report on its activities in the previous financial year.

After the auditors had previously reported on the results at 30 September 2017 of their audit of the separate financial statements and the consolidated financial statements at the meeting of the Audit Committee, which was also attended by members of the Supervisory Board who are not members of the Audit Committee as guests, we adopted the separate financial statements and approved the consolidated financial statements for the financial year 2016/2017 at the regular meeting held on **1 DECEMBER 2017**. We also approved the agenda for the 2018 Annual Meeting. We followed the Board of Management's proposal of subjecting the 2017/2018 half-yearly financial statements to a review by the auditors again. Detailed information was provided on the market and the competitive situation facing DBAG. The Board of Management reported on the successful conclusion of status proceedings before the District Court (*Landgericht*) of Frankfurt am Main. The court rejected the motion put forward in November 2017, which was intended to clarify whether the Supervisory Board of DBAG had been constituted in a lawful manner. We also authorised the Supervisory Board Chairman at the time to appoint a remuneration consultant to prepare an expert opinion on the appropriateness of remuneration paid to the Board of Management members and the carried interest agreements.

We discussed the results of the expert opinion on the remuneration paid to the Board of Management members at our meeting held on **7 FEBRUARY 2018**. We acknowledged the fact that the status proceedings referred to above have now been concluded and the outcome is legally binding, meaning that the Supervisory Board of DBAG has been constituted in a lawful manner.

Our meeting following the Annual Meeting on **21 FEBRUARY 2018** focused on a presentation delivered by the Board of Management on portfolio development.

In our meeting on **7 MAY 2018**, the Board of Management provided us with information on its ideas for the strategic further development pursued by Deutsche Beteiligungs AG. We discussed various investment strategies within this context, alongside the associated opportunities and risks. We approved the Board of Management's proposal to extend the credit line, and addressed the extension of one Board of Management member's appointment and the details of his employment contract. The Board of Management informed us of proceedings initiated by the German Federal Financial Supervisory Authority (BaFin) in connection with adherence to disclosure and publication deadlines.

We passed a resolution on the renewed appointment of Mr Grede as member and Spokesman of the DBAG Board of Management until 31 December 2023 during a telephone conference held on **21 JUNE 2018**. We used the same meeting to discuss adjustments to the Board of Management remuneration paid to all three members of the DBAG Board of Management as well. We took an in-depth look at the question as to whether the long-term variable remuneration paid to the Board of Management members should be forward-looking, and opted to retain the criteria that have applied to date but to change the composition of the variable remuneration to attach more weight to the component based on corporate performance over a period of several years.

At the meeting held on **12 SEPTEMBER 2018**, we continued our discussion of the strategic further development of Deutsche Beteiligungs AG. We also dealt with the budget for the financial year 2018/2019. We were presented with the medium-term plan, which covers the financial year mentioned above and the next two financial years. The Board of Management provided us with information on the projected earnings for the financial year 2017/2018. We shared the Board of Management's view regarding the amount of the dividend proposal for the financial year 2017/2018, which is based on the dividend policy that has been in place for two years now. At this meeting – as in almost all of our meetings – we were once again informed of current investment projects and the development of individual portfolio companies. However, the focus in this meeting was on companies whose business has not developed as expected at the time the investment was made. We were also involved in the Management Declaration and submitted the Declaration of Conformity as well as the joint report by the Board of Management and the Supervisory Board on the corporate governance practised at DBAG. Finally, we dealt with internal topics concerning the Supervisory Board.

After the previous Chairman of the Supervisory Board, Andrew Richards, resigned for health-related reasons, a further meeting had to be held. On **26 SEPTEMBER 2018**, we elected a new

Chairperson and Vice Chairperson of the Supervisory Board, a new Chairman and Vice Chairperson of the Audit Committee, and a new member of the Audit Committee.

Between meetings, the Spokesman of the Board of Management promptly informed the Chairperson of the Supervisory Board about significant business issues; the complete Supervisory Board was briefed accordingly on each issue afterwards. We were involved in all material decisions.

In addition to the extension of the credit line mentioned above, there were no other transactions requiring our consent in the financial year 2017/2018.

This past financial year, the Supervisory Board met in the presence of all of its members seven times; Mr Möller missed two meetings, with Ms Edeler unable to attend one. All committee members attended all meetings of the Audit Committee and the Executive Committee during the reporting period.

Corporate Governance

We regularly evaluate the efficacy of our work on the Supervisory Board. We also observe the developments in corporate governance practices taking place in Germany on an ongoing basis and are seizing the opportunity to contribute to the formation of opinions among the institutions and organisations that deal with corporate governance issues. The Board of Management's report on the Company's corporate governance is also presented on behalf of the Supervisory Board; we publish that report in the Annual Report (see pages 194 to 197) and also make it accessible to the general public on the Company's website with the Management Declaration. The Board of Management and the Supervisory Board jointly submitted their yearly Declaration of Conformity in September 2018 based on the German Corporate Governance Code amended at 7 February 2017 (§ 161 German Stock Corporation Act – AktG), which is permanently accessible to any interested party on the Company's website.

In accordance with the recommendations of the Code, every Supervisory Board member is required to disclose to the Supervisory Board any conflict of interest that may possibly arise. There was no notice of a conflict-of-interest issue this past financial year.

To disseminate its responsibilities and increase efficiency, the Supervisory Board formed an Executive Committee, which also performs the functions of a Nominations Committee, as well as an Audit Committee. The committees' chairpersons regularly reported to the Supervisory Board in the past financial year on the work of their committees.

Work of the Executive Committee (also acts as Nominations Committee)

The Executive Committee convened four times this past financial year: on 15 October 2017, it used a telephone conference to set the short-term performance-related and the long-term component of the remuneration paid to Board of Management members for the financial year 2016/2017. The Supervisory Board approved the recommendation following an in-depth discussion during a telephone conference on 17 October 2017. At a face-to-face meeting held on 7 May 2018 and once again at a meeting held on 6 August 2018, the Executive Committee discussed further Board of Management matters in connection with the renewed appointment of Mr Grede and in connection with the adjustments to the Board of Management remuneration. On 24 September 2018, the Steering Committee met to advise on the consequences of the resignation of the previous Chairman of the Supervisory Board.

In the financial year 2017/2018, there were no meetings of the Executive Committee in its capacity as a Nominations Committee.

Work of the Audit Committee

The Audit Committee held a total of seven meetings this past financial year. It initially addressed issues concerning the separate and consolidated financial statements, the half-yearly financial report and the quarterly statements, all of which were discussed with the Board of Management prior to their publication. As in the previous year, the enforcement procedure at BaFin level was given particular attention during the meetings held in the financial year 2017/2018 following a spot check on the consolidated financial statements at 30 September 2015.

In the meeting held on **15 NOVEMBER 2017**, the provisional earnings for the financial year 2016/2017 were presented. We discussed the dividend proposal and recommended that the

Supervisory Board approve the proposal. The auditors reported on the status and initial results of the audit of the annual financial statements. The Board of Management used this and other meetings in the course of the financial year to report on the status of the enforcement procedure. At this meeting, we also discussed the draft consolidated and separate financial statements at 30 September 2017 and the audit reports on both annual financial statements, before recommending on **1 DECEMBER 2017** that the Supervisory Board adopt the separate financial statements and approve the consolidated financial statements.

On **7 FEBRUARY 2018**, we discussed the interim financial statements at 31 December 2017 and the quarterly statement.

On **7 MAY 2018**, the auditors reported on the outcome of the review of the interim financial statements at 31 March 2018, which we also discussed with the Board of Management at this meeting.

After being sent an announcement letter including a draft notice on the identification of an error by BaFin, we used a telephone conference with the Board of Management on **28 JUNE 2018** to discuss the next steps to be taken. We noted the decision made by the Board of Management not to provide any further facts on the accounting method we chose.

At the meeting held on **8 AUGUST 2018**, we acknowledged what was, by this point, the conclusion of the enforcement procedure and its consequences on our accounting. The amendments had already been taken into account in the interim financial statements at 30 June 2018 and in the quarterly statement at this reporting date; we discussed both documents in detail. We also acknowledged the Board of Management's risk report, and received and discussed the internal audit report of DBAG at this meeting. Among other issues, the 2018 report had dealt with the audit of DBAG's internal processes in connection with the recent moves to step up the money laundering legislation.

On **12 SEPTEMBER 2018**, the auditors explained their plans for the audit of the annual financial statements at 30 September 2018 and the focal points of their audit. We also reviewed the policy on non-audit services; since the policy was adopted on 1 December 2017, no amendments or supplements have had to be made.

During the course of the reporting year, we monitored the accounting process as well as the effectiveness of the internal control and auditing system and the risk management system. From our point of view, there were no grounds for objections to the Company's current practices. In the meeting, we reviewed the required independence and objectivity of the Company's auditors and the additional services the auditors provide (non-audit services). We also discussed the determination of the audit's focal points and audit fees.

We continue to comply in multiple ways with the requirements under §§ 100 (5), 107 (4) of the German Stock Corporation Act (Aktiengesetz – AktG), which stipulate that at least one independent member of the Supervisory Board or Audit Committee must have expert knowledge of accounting or auditing. Mr Roggemann, the Chairman of the Audit Committee until 13 October 2018, who is also Vice Chairman of the Supervisory Board and an independent member of the Supervisory Board in accordance with the German Corporate Governance Code, has profound knowledge of and experience in the application of accounting principles and internal control processes; the same applies to Dr Otto, who assumed the position of Chairman of the Audit Committee with effect from 14 October 2018.

Separate and consolidated financial statements endorsed

Prior to recommending KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG), Frankfurt am Main, for election as auditors for the financial year 2017/2018 to shareholders at the Annual Meeting, the Supervisory Board requested and received an independence statement from KPMG. Subsequent to the 2018 Annual Meeting, at which our recommendation was adopted, the Supervisory Board Chairman at the time commissioned KPMG to perform the audit. The auditors were required to immediately report all major findings and occurrences to us that might come to light during the audit. At a meeting of the Audit Committee on 12 September 2018, the auditors presented their audit plan.

KPMG audited the separate financial statements of Deutsche Beteiligungs AG for the financial year 2017/2018 and the combined management report on Deutsche Beteiligungs AG and the Group, including the underlying accounting, and endorsed them with an unqualified certificate. The same applies to the consolidated financial statements for the financial year 2017/2018. The consolidated financial statements were drawn up in conformity with the International Financial Reporting Standards (IFRS). The auditors confirmed that the consolidated financial statements comply with the IFRS, as adopted by the European Union, and the additional requirements of German commercial law pursuant to § 315a (1) of the German Commercial Code (*Handelsgesetzbuch* – HGB), and that the consolidated financial statements in their entirety present a true and fair view of the position of the Group as well as the opportunities and risks involved in its future development.

The Supervisory Board received the audited and certified financial statements of Deutsche Beteiligungs AG for the year ending 30 September 2018 and the combined management report on the state of Deutsche Beteiligungs AG and the Group in due time, reviewed them in conjunction with the report of the Chairman of the Audit Committee and the auditors, and discussed these documents in detail with the Board of Management in the presence of the auditors. The same applies to the consolidated financial statements as well as to the recommendation for the appropriation of profits.

The auditors explained the findings gathered within the scope of the pre-audit at our meeting on 14 November 2018. At our meeting on 29 November 2018 as well as the meeting of the Audit Committee on the same day, the auditors reported on the results of their audit. There were no grounds for objection. The auditors also reported on the services they had rendered in addition to performing the audit. The auditors provided detailed answers to our enquiries. After its own in-depth review of all documents, the Supervisory Board found no grounds for objection. We approved the results of the audit. On 29 November 2018, we followed the Audit Committee's recommendation and approved the consolidated financial statements and adopted the separate financial statements of Deutsche Beteiligungs AG. The financial statements are thereby adopted.

The Supervisory Board reviewed the Board of Management's recommendation on the appropriation of the retained profit. After its review, the Supervisory Board agreed to the Board of Management's recommendation to distribute the sum of 21.8 million euros to shareholders and carry forward the residual retained profit of 149.0 million euros to the new account.

In October 2018, Andrew Richards, who has been Chairman of the Supervisory Board for many years, resigned from the Supervisory Board due to health reasons. He has been a member of the Supervisory Board since March 2004 and its Chairman since March 2006. We thank Mr Richards for his high level of commitment to the role and for the important contributions he has made since he was first elected to the Supervisory Board. He served as an important advisor on the development of Deutsche Beteiligungs AG over the past 15 years.

Over the past financial year, DBAG has agreed seven new equity investments. This is once again a testament to the Company's good market position, as well as to its ability to identify and evaluate attractive investment opportunities in a demanding competitive environment and turn these opportunities into equity investments. The Supervisory Board wishes to express its greatest appreciation and special thanks to the Board of Management and all staff who contributed with maximum effort and commitment to the successful performance once again this year.

Frankfurt am Main, 29 November 2018

Gerhard Roggemann
Chairman of the Supervisory Board

CORPORATE GOVERNANCE REPORT

Corporate governance refers to the way a company is responsibly managed and overseen. The Supervisory Board and the Board of Management acknowledge and endorse these principles. We have therefore set out the central values and guiding principles of our Company in a Code of Conduct. Our intention is to give every member of our staff a set of guidelines and to communicate to our business partners and investors that our dealings are firmly rooted in ethical principles and that we will always interact fairly in good partnership. Our guiding principles also encompass the avoidance of conflicts of interest and acknowledgement of our social responsibility. We act politically neutral, but support social projects and commit to fair competition. We commit to sustainable corporate governance and meet high ESG standards.

Our Management Declaration sets out the basic principles behind the conduct of our business; it is published on our website www.dbag.com and is accessible there with this report. The subject of sustainability is discussed in the Annual Report; we are not required to issue a comprehensive sustainability report ("non-financial information") pursuant to § 289b HGB (German Commercial Code).

Consistent with the recommendation of the German Corporate Governance Code, the following is a combined report by the Supervisory Board and the Board of Management on the corporate governance practised at Deutsche Beteiligungs AG. Further information can be found in the Management Declaration and the Report of the Supervisory Board; the information contained therein is an integral part of our combined Corporate Governance Report. We will refer to other sections of this Annual Report on particular issues.

Compliance: employees, transaction process, portfolio companies

Compliance by the management and staff with all legal requirements applicable to Deutsche Beteiligungs AG and its subsidiaries and with all internal rules has long been a company objective and an integral part of our corporate culture. However, as a private equity firm, that objective extends not just to our own Company. DBAG also endorses the installation and ongoing development of compliance schemes at current and future portfolio companies. The compliance system of DBAG therefore consists of three components:

- compliance by DBAG staff,
- compliance in the transaction process and
- compliance at portfolio companies.

A compliance manager oversees adherence by **DBAG STAFF** to the Code of Conduct and the rules set out in the Compliance Guideline. He is independent in his role and reports directly to the Spokesman of the Board of Management; he reports to the complete Board of Management four times a year. The Compliance Guideline sets out the rules for receiving and giving gifts, for hospitality and invitations to events, for example.

In 2017, we appointed an ombudsman, as required by the German Corporate Governance Code. We have commissioned an external lawyer at a specialised law office to serve as the ombudsman. He is the contact for DBAG employees who may provide him with confidential information on actual or suspected unlawful activity particularly in respect of insider trading and money laundering legislation, or an offence or irregularities involving DBAG or compliance violations. No reports were made to the ombudsman in the past financial year.

DBAG acts as a responsible investor. Compliance aspects have therefore also been integrated into the **TRANSACTION PROCESS**, specifically in the due diligence process and in purchase agreements. An examination of compliance issues is an integral part of every due diligence process, which is typically carried out together with a team of specialised compliance lawyers. To minimise the liability risk for DBAG in connection with compliance violations, warranty clauses to that effect will be included in every purchase agreement for a portfolio company.

DBAG employees who hold offices on a supervisory board or an advisory council at a **PORTFOLIO COMPANY** or act on behalf of a shareowner of a portfolio company are required to firmly endorse the introduction or ongoing development of a compliance system within the portfolio company. The DBAG Compliance Standard for Portfolio Companies serves as guidance. All our portfolio companies have introduced a compliance system or are in the process of developing and launching such a system.

Composition of the Supervisory Board: operability is key objective

The German Corporate Governance Code recommends that the Supervisory Board specify concrete objectives regarding its composition, issue a competence profile for the complete body and report on their implementation.

The skills profile summarises the competencies and requirements regarded as necessary by the Supervisory Board for the composition of the entire body. This includes the following fields of competence and expertise in particular: industry expertise, M&A processes, business strategy and planning, capital and financial markets, corporate governance, financial reporting and audits, (regulatory) law, compliance and risk management as well as IT and digitalisation. Additional personal details, such as independence, availability, age, length of job tenure and management experience are also taken into consideration. Members may have no conflict of interest issues and must be conversant in the corporate language, German, as well as English.

The Supervisory Board of DBAG consists of six members elected by shareholders at the Annual Meeting. The key objective in its composition and guiding principle for its competence profile is the Supervisory Board's operability; this objective is best addressed when the majority of its members are independent and not exposed to conflicts of interest, and when its members are broadly experienced in the multifaceted operations of DBAG and have expert knowledge of applicable accounting principles. The Supervisory Board is of the opinion that the majority – or at least four – of its members should be independent, and the Chairperson of the Supervisory Board should be one of them.

The current composition of the Supervisory Board reflects this objective. None of the members of the Supervisory Board have business or personal relationships to the Company or its Boards, or to a controlling shareholder or a company with which that shareholder is affiliated, which could constitute a significant and not merely temporary conflict of interest. In the opinion of the Supervisory Board, all current members are independent in terms of Clause 5.4.2 of the German Corporate Governance Code: Andrew Richards (Chairperson), Sonja Edeler, Wilken Freiherr von Hodenberg, Philipp Möller, Dr Hendrik Otto and Gerhard Roggemann. With Mr von Hodenberg, a former member of the Board of Management joined the Supervisory Board. Should, contrary to expectations, conflicts of interest arise in individual instances, these are disclosed and dealt with appropriately by the Supervisory Board. The members of the Supervisory Board bring with them a wide range of professional and personal experience, including management responsibility abroad or in international companies in Germany. The members of the Supervisory Board comply with the competence profile and in their entirety are very familiar with the sector in which DBAG operates.

The age limit of 72, moreover, means that the Company can benefit as much as possible from these skills on the one hand; on the other hand, an age limit is conducive to introducing changes in the Board's composition. Also promotive of that is the regular limitation of the term of office for Supervisory Board members for a maximum of three full terms, in addition to any partial term of office, insofar as that election to the Supervisory Board took place at a different time to the regularly recurring general elections. The specified target for the proportion of female members on the Supervisory Board ("at least one woman") on which we have reported in the Management Declaration has been reached. Within the context of preparing for the most recent regular election of all six members to the Supervisory Board at the Annual Meeting (February 2016), the Supervisory Board had satisfied itself that the candidates were in a position to devote the required amount of time to their prospective offices.

Independence of corporate bodies: no conflicts of interest

Conflicts of interest on the part of members of the Board of Management and the Supervisory Board requiring immediate disclosure to the Supervisory Board did not come to our attention in the reporting year.

Principle of equal treatment: timely information to all interested parties

The principle of directing information on an event promptly and simultaneously to all interested parties ranks high in our communication policy. All major reports, announcements and presentations are accessible on our website www.dbag.com synchronously with the respective event. The key presentations we prepare for meetings with investors can also be viewed on our website. Any interested individual can take note of the dates and locations of road shows and investors' conferences that we attend. We also issue recordings of our oral presentations during analysts' conference calls on our website.

Our Annual Meeting is webcast on the Internet. Shareholders may also elect to exercise their voting rights through a proxy of their choice or through a proxy appointed by the Company, who is bound by their directives. Postal voting is also possible. All documents and information on the Annual Meeting are accessible in German and in English on our websites

Remuneration: for the Board of Management, linked to corporate performance

The remuneration paid to the Board of Management is composed of fixed and performance-related components, most of which have a long-term incentive. We issue an individualised statement of emoluments paid to the members of the Board of Management. Shareholders at the 2011 Annual Meeting approved the remuneration scheme with a vote of approximately 92 percent.

The remuneration paid to Supervisory Board members is solely composed of a fixed fee.

Details on the remuneration for the members of the Board of Management and the Supervisory Board are presented in the remuneration report (see pages 198 to 202).

Strict rules on share ownership

Apart from participating in the annual employee stock ownership plan, members of staff and the corporate bodies may only purchase DBAG shares within a limited frame. Shares may only be purchased or sold during specified periods of time and exclusively after receiving approval for each transaction. Trading periods start on the day after publication of (when indicated, also preliminary) quarterly or annual financial reports and end at the following quarterly reporting date. In the event that these trading periods overlap with the statutory prohibition of trading for individuals in leadership positions ("directors' dealings"), the trading period for DBAG staff will also be curtailed correspondingly.

Based on the nature of our business operations, there are further rules that apply to trading in securities for DBAG staff. Irrespective of the trading restrictions for DBAG shares, it is not permitted for members of the staff to deal in shares of portfolio companies held by DBAG-advised funds, or of companies undergoing the due diligence process or whose portfolio contains companies in which an investment is being considered.

Reportable securities transactions ("directors' dealings")

The members of the Board of Management and the Supervisory Board of DBAG as well as related parties are required, in compliance with Art. 19 of the Market Abuse Regulation, to report transactions in DBAG shares or debt instruments or derivatives thereof or other financial instruments linked to them.

Individual subject to the reporting requirement	Body	Transaction date	Transaction	No. of shares	Share price (€)
Andrew Richards	Supervisory Board	8 May 2018	Purchase	3,000	36.77

At 30 September 2018, the members of the Board of Management held a total of 39,613 no-par value shares and members of the Supervisory Board a total of 5,000 no-par value shares, or less than one percent of the subscribed capital of Deutsche Beteiligungs AG.

Declaration of Conformity pursuant to § 161 Aktiengesetz (German Stock Corporation Act)

The Board of Management and the Supervisory Board declare that, since issuance of the last Declaration of Conformity, Deutsche Beteiligungs AG (hereinafter: DBAG) has complied with the recommendations, in their entirety, of the German Corporate Governance Code (hereinafter: the Code) as amended on 7 February 2017 with one exception: in the contracts with the Board of Management members, variable remuneration components with a multi-year assessment basis are not essentially forward-looking in their characteristics (Clause 4.2.3 of the Code).

The remuneration system meets the statutory criteria for participation in sustainable corporate success. The financial success of a single DBAG financial year depends to a large extent on a small number of transactions executed by DBAG funds. Within this context, it can sometimes be more advantageous if planned transactions are not agreed during the period intended, but rather are postponed in anticipation of better conditions in the future. If the Board of Management's variable remuneration were to be based on the planned measures, this could give its members an incentive to make decisions that would ultimately prove less than ideal. The Supervisory Board is convinced that the existing concept of variable remuneration is best suited to providing incentives for the long-term positive development of the Company. Apart from this exception, we will continue to comply with all of the recommendations.

We have, moreover, followed all of the suggestions in the Code since issuance of the last Declaration of Conformity and will continue to do so in the future.

Frankfurt am Main, September 2018

Deutsche Beteiligungs AG

The Board of Management The Supervisory Board

OTHER STATUTORY DISCLOSURES AND EXPLANATORY INFORMATION

Remuneration report

The remuneration report summarises the principles applied in fixing the remuneration for the members of the Board of Management and the Supervisory Board of Deutsche Beteiligungs AG. It presents the structure and amount of remuneration paid to the members of the Board of Management and the Supervisory Board. The remuneration report is an integral constituent of the combined management report.

Management remuneration: geared to assignment, personal and company performance

The remuneration framework for the members of the Board of Management depicted in the following was approved by shareholders at the 2011 Annual Meeting. The system has not changed materially since then; the Supervisory Board did, however, pass a resolution on adjustments in June 2018 that took effect at the start of the new 2018/2019 financial year. They relate to the amount of the fixed salary, the maximum amount of the variable remuneration and its distribution over the one-year and multi-year component.

Remuneration system that applied in financial year 2017/2018

Total remuneration for the members of the Board of Management consists of

- a fixed base salary,
- one-year variable remuneration,
- multi-year variable remuneration,
- fringe benefits, and
- where applicable, pension benefits.

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

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

NON-PERFORMANCE-LINKED REMUNERATION consists of a fixed base salary paid on a monthly basis and fringe benefits. Fringe benefits largely pertain to the amounts based on applicable tax rules for the use of a company car.

ONE-YEAR VARIABLE REMUNERATION is linked to the personal performance of the Board of Management members over the past financial year and, to date, can reach a maximum of half the fixed base salary. Personal performance is determined by the Supervisory Board at its equitable discretion.

MULTI-YEAR VARIABLE REMUNERATION is based on the Group's performance over the reference period. It comprises the reporting year and the two prior financial years. The Supervisory Board determines the Company's performance based on the return on equity. Eligibility for this component starts when the return reaches a minimum of the average cost of equity over a three-year period; the maximum amount of remuneration – which has corresponded to half of one fixed salary to date – is reached at a return on equity of 20 percent.

In its meeting on 17 October 2018, the Executive Committee of the Supervisory Board discussed the amount of both variable remuneration components for financial year 2017/2018 and recommended them to the Supervisory Board. The Supervisory Board approved the recommendation and fixed the variable remuneration for the Board of management at a total of 1,361 thousand euros. Of that amount, 785 thousand euros are attributable to one-year variable remuneration and this represents the maximum amount possible for each Board of Management member. The multi-year variable remuneration was fixed uniformly at approximately 73 percent of the maximum amount possible and totals 576 thousand euros.

Follow-on variable remuneration from old remuneration models

The two Board of Management members who are members of the investment team also received follow-on variable remuneration components from one of the two old remuneration models for members of the investment team in the financial year 2017/2018. Both models had one thing in common: the particularly long-term measurement of investment performance. They are now only relevant to a small number of investments in the portfolio that were entered into before 2007.

- The profit-sharing scheme for investments entered into up to 31 December 2000 is geared to the return on equity of DBAG. Profit-sharing awards are only granted if the return on equity for the reporting year exceeds the mark of 15 percent before taxes and bonuses. The computation base of equity relates exclusively to these investments. The remuneration for 2017/2018 is based on the profit distribution of the investment in JCK Holding.
- For investments made from 2001 to 2006, profit-sharing awards are granted beginning at a minimum return on the investments of eight percent annually after calculated costs of two percent. They are exclusively paid from realised profits. Two-thirds of these entitlements are paid after the close of the respective financial year. Entitlement to the remaining one-third is subject to a final review after the disinvestment phase of all investments involved has been completed, and is paid out in the amount of the remaining final entitlement.

In 2017/2018, remuneration was paid based on income from the two externally managed international buyout funds, DBG Eastern Europe and Harvest Partners IV.

Profit-sharing awards from personal co-investments in the DBAG funds

Since the start of the investment period of DBAG Fund V at the start of 2007, Board of Management members who are also members of the investment team have had to support DBAG's investments by acquiring a stake in the DBAG funds under company law using their own money. In order to promote initiative and commitment to the success of the investments made by the DBAG funds, they have to take a personal investment risk. If the funds are successful, these Board of Management members receive a profit share that is disproportionate to their capital commitment, subject to certain conditions ("carried interest"), as is common worldwide in the private equity sector. Investments and amounts paid in connection with these private investments in DBAG funds can be found in Note 39 to the consolidated financial statements "Information on related parties, carried interest investments by current and former key management staff".

Adjustments with effect from the start of the new financial year

Adjustments to the remuneration of all Board of Management members came into effect at the start of the financial year 2018/2019. The fixed base salary was adjusted as follows:

FIXED SALARY BOARD OF MANAGEMENT MEMBERS

p.a., €'000	Until 2018/2019	**Since 2018/2019**
Torsten Grede	560	640
Dr Rolf Scheffels	560	640
Susanne Zeidler	450	550
Total	**1,570**	**1,830**

In the future, the variable remuneration can correspond to 1.2 times the fixed base salary (previously: 1.0 times). The distribution has been changed in favour of multi-year remuneration;

in the future, this can correspond to 80 percent (previously: 50 percent) of the fixed base salary, whereas the one-year variable remuneration is limited to a maximum of 40 percent (previously: 50 percent) of the fixed base salary. The criteria for assessing the two remuneration components remain unchanged.

In the future, fringe benefits will be limited to 50 percent (previously: 100 percent) of the fixed base salary. The follow-on variable remuneration components from the two old remuneration models are now limited to 65 percent (previously: 150 percent) of one fixed base salary.

Pension commitments under two models

Pension commitments to members of the Board of Management are based on two models. Commitments to Board of Management members initially appointed to the Board up to 1 January 2001 for the first time provide for defined annual pension benefits. Members appointed later to the Board participate in a contribution plan. This plan is also applicable to other staff of Deutsche Beteiligungs AG; it has been closed to employees exempt from collective agreements and members of the corporate bodies since the beginning of the financial year 2004/2005.

Board of Management members appointed for the first time to the Board since then do not receive defined pension benefits; this is applicable for Susanne Zeidler. Pension arrangements for Torsten Grede provide for defined annual pension benefits; they amount to 87 thousand euros. At 30 September 2018, the present value of this pension obligation was 2,020 thousand euros (previous year: 1,922 thousand euros). Dr Rolf Scheffels participates in a contribution plan: for each year of service, a one-time pension contribution is paid that is measured by a percentage of the fixed salary for the year in question. The annual retirement benefit component amounts to 0.75 percent of these emoluments, and six percent of those parts of the emoluments exceeding the income threshold set by the state pension plan, each multiplied by an age factor that decreases with increasing age. The accrued pension capital for Dr Scheffels is capped at a contribution that corresponds to an annual pension entitlement of 87 thousand euros. At 30 September 2018, the cap did not have an effect. The present value of pension commitments to Dr Scheffels at 30 September 2018 amounted to 1,448 thousand euros (previous year: 1,361 thousand euros).

Perquisites granted

The remuneration granted to Board of Management members in the financial year 2017/2018 totalled 3,274 thousand euros (previous year: 3.987 thousand euros); of that amount, 118 thousand euros are attributable to pension expenses (previous year: 120 thousand euros).

Remuneration granted	Torsten Grede Spokesman of the Board of Management				Dr Rolf Scheffels Member of the Board of Management				Susanne Zeidler Chief Financial Officer			
€'000	2016/2017	2017/2018			2016/2017	2017/2018			2016/2017	2017/2018		
			min.	max.			min.	max.			min.	max.
Fixed salary (not linked to performance)	560	560	560	560	560	560	560	560	450	450	450	450
Fringe benefits	12	12	12	12	11	10	10	10	16	19	19	19
Total	**572**	**572**	**572**	**572**	**571**	**570**	**570**	**570**	**466**	**469**	**469**	**469**
Performance-linked component (one-year variable remuneration)	280	280	0	280	280	280	0	280	225	225	0	225
Component with long-term incentive effects (multi-year variable remuneration)												
Bonus for Company's long-term performance	243	205	0	280	243	205	0	280	195	165	0	225
Profit-sharing up to 2000	397	6	0	840	397	6	0	840	0	0	0	0
Profit-sharing 2001 to 2006	0	108	0	840	0	65	0	840	0	0	0	0
Total	**1,491**	**1,171**	**572**	**2,812**	**1,490**	**1,126**	**570**	**2,810**	**886**	**859**	**469**	**919**
Pension service costs	69	70	70	70	51	48	48	48	0	0	0	0
Total remuneration	**1,560**	**1,241**	**642**	**2,882**	**1,541**	**1,174**	**618**	**2,858**	**886**	**859**	**469**	**919**

Remuneration paid

The following disbursals were paid out to the members of the Board of Management:

Remuneration disbursed	Torsten Grede Spokesman of the Board of Management		Dr Rolf Scheffels Member of the Board of Management		Susanne Zeidler Chief Financial Officer	
€'000	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017
Fixed salary (not linked to performance)	560	560	560	560	450	450
Fringe benefits	12	12	10	11	19	16
Total	**572**	**572**	**570**	**571**	**469**	**466**
Performance-linked component (one-year variable remuneration)	280	280	280	280	225	225
Component with long-term incentive effects (multi-year variable remuneration)						
Bonus for Company's long-term performance	205	243	205	243	165	195
Profit-sharing up to 2000	397	6	397	6	0	0
Profit-sharing 2001 to 2006	51	543	31	327	0	0
Total	**1,505**	**1,644**	**1,483**	**1,426**	**859**	**886**
Pension service costs	70	69	48	51	0	0
Total remuneration	**1,575**	**1,713**	**1,531**	**1,477**	**859**	**886**

Total cash payments of 1,497 thousand euros were made to former Board of Management members and their surviving dependants over the last financial year (previous year: 1,808 thousand euros). These payments also include follow-on remuneration for former Board of Management members arising from older investments (investments agreed up to 31 December 2000 or entered into from 2001 to 2006). In the past financial year, these payments amounted to 558 thousand euros (previous year: 877 thousand euros). The present value of pension obligations to former Board of Management members or surviving dependants totalled 22,516 thousand euros at the end of the reporting period (previous year: 23,060 thousand euros). Amounts paid to former members of the Board of Management from private investments in DBAG funds can be found in Note 39 to the consolidated financial statements "Information on related parties, carried interest investments by current and former key management staff".

Supervisory Board compensation: two components

The remuneration for members of the Supervisory Board is geared to the resolution passed at the Annual Meeting on 26 March 2013. It consists of two components: an annual fixed fee of 50 thousand euros ("base remuneration") and bonuses for the Chair, Vice Chair and committee membership ("additional remuneration"). The Chairperson of the Supervisory Board receives a maximum of twice the base remuneration, irrespective of their membership on various committees. The Vice Chairperson of the Supervisory Board and the Chairperson of the Audit Committee receive a maximum of one and a half times the base remuneration. Membership on the Executive Committee is compensated by one-quarter of this amount.

Remuneration paid to members of the Supervisory Board totalled 388 thousand euros in financial year 2017/2018 (previous year: 388 thousand euros).

€'000	Fixed fee	Bonus	**Total**
Andrew Richards (Chairman)	50	50	100
Sonja Edeler	50	–	50
Wilken Freiherr von Hodenberg	50	–	50
Philipp Möller	50	13	63
Dr Hendrik Otto	50	–	50
Gerhard Roggemann (Vice Chairman)	50	25	75
Total	**300**	**88**	**388**

In the financial year 2017/2018, members of the Supervisory Board did not receive fees for consultancy services.

Takeover-related disclosures (§ 289a (1) and § 315a (1) HGB)

At 30 September 2018, the share capital of Deutsche Beteiligungs AG amounted to 53,386,664.43 euros. It is divided into 15,043,994 no-par value registered shares with an arithmetic nominal value of 3.55 euros (rounded). There is only one class of shares. All shares carry the same rights and obligations. In accordance with § 67 (2) German Stock Corporation Act (*Aktiengesetz* – AktG), only shareholders who are listed in the share register are considered shareholders of the Company. With the exception of any possible own shares over which the Company is not entitled to exercise rights, each no-par value share carries one vote. The voting right does not begin until the contribution has been made in full. Rights and obligations attached to the shares ensue from the statutory provisions, in particular §§ 12, 53a ff., 118ff., and 186 German Stock Corporation Act (AktG).

In June 2018, the Company was last notified in accordance with § 33 German Securities Trading Act (*Wertpapierhandelsgesetz* – WpHG) that 15.20 percent of the voting rights were held directly by Rossmann Beteiligungs GmbH, Burgwedel, Germany. An agreement for the relinquishing of control has existed between DBAG and this company since March 2013. The agreement initially had a term of five years until the end of the 2018 Annual Meeting; the agreement is extended automatically and can now be terminated annually with effect from the end of the next Annual Meeting. According to the agreement, Rossmann Beteiligungs GmbH undertakes to exercise, for resolutions concerning the election or dismissal of Supervisory Board members, the voting rights attached to shares in DBAG attributable to the Rossmann group as a whole, now and in the future, within a scope of no more than 45 percent of the voting capital present at an Annual Meeting. The Board of Management knows of no other restrictions relating to voting rights or the transfer of shares.

In accordance with the Articles of Association of DBAG, the Board of Management consists of at least two individuals. The appointment of these members to the Board of Management requires a simple majority of the votes cast by the Supervisory Board members. In the event of a tie, the Chairman has the casting vote (§ 11 (4) of the Articles of Association). The Supervisory Board may exempt all or individual members of the Board of Management, in general or in individual cases, from the restrictions in § 181 German Civil Code (*Bürgerliches*

Gesetzbuch – BGB). To date, no use has been made of these provisions.

Amendments to the Articles of Association may be adopted pursuant to the provisions of §§ 179, 133 of the German Stock Corporation Act (AktG) and pursuant to § 5 (3) and (4) and § 17 of the Articles of Association. The Supervisory Board may adopt amendments to the Articles of Association that relate merely to wording. The Articles of Association provide that resolutions at the Annual Meeting shall be generally adopted with a simple majority of the votes, or, insofar as a majority of the share capital is required, by a simple majority of the share capital, except where the law or the Articles of Association demand otherwise.

At the Annual Meeting on 21 February 2018, the Board of Management was authorised, in accordance with § 71 (1) no. 8 German Stock Corporation Act (AktG), to purchase own shares of up to ten percent of the share capital existing at the time of the Annual Meeting (53,386,664.43 euros) up to and including 20 February 2023. The Board of Management may choose to acquire shares via the stock exchange or via a public tender to all shareholders or an invitation to submit such a tender. The Board of Management is authorised, subject to the consent of the Supervisory Board, to resell its own shares, for example, as consideration in conjunction with corporate acquisitions or mergers or acquisitions of investments in enterprises under exclusion of shareholders' subscription rights in other ways than via the stock exchange or by public offer to all shareholders. In the past financial year, the Board of Management did not make use of these authorisations.

Shareholders at the Annual Meeting on 22 February 2017 authorised the Board of Management to raise the share capital of the Company, with the consent of the Supervisory Board, until 21 February 2022 by up to a total of 13,346,664.33 euros through one or more issues of new no-par registered shares in exchange for cash or non-cash contributions (Authorised Capital 2017). Shareholders are generally to be granted subscription rights in such cases. The Board of Management is, however, authorised to exclude shareholders' subscription rights in certain instances and within a certain capital range. In the past financial year, the Board of Management did not make use of this authorisation.

In conjunction with the authorisation adopted at the Annual Meeting on 22 February 2017 concerning the issuance of warrant-linked bonds and/or convertible bonds for a total of up to 140,000,000.00 euros until 21 February 2022, with the option of excluding shareholders' subscription rights in certain instances and within a certain capital range, the share capital of the Company will be conditionally raised by up to 13,346,664.33 euros through the issuance of 3,760,998 new no-par registered shares (Conditional Capital 2017/I). The conditional capital increase will only be executed insofar as holders or creditors of warrant-linked bonds and/or convertible bonds exercise their option or conversion rights or fulfil their option/conversion obligation, or to the extent that the Company or the Group company issuing the debt security exercises an option to service the entitlements by delivering shares in the Company instead of a cash settlement (in whole or in part), and insofar as, in each case, cash compensation is not granted and treasury shares or shares from authorised capital or shares of another listed company are not used for servicing. In the past financial year, the Board of Management did not make use of this authorisation.

The existing authorisations are detailed in the respective resolutions passed at the Annual Meetings mentioned above. Information on Authorised and Conditional Capital and on the repurchasing of own shares can also be found in the Notes to the consolidated financial statements in section "Notes to the consolidated statement of financial position".

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

Management declaration (§ 289f and § 315d HGB)

The Management Declaration pursuant to § 289f and § 315d HGB is permanently available in the Investor Relations section of our website under Corporate Governance (www.dbag.com/management-declaration). It includes the Declaration of Conformity in accordance with the German Corporate Governance Code, pursuant to § 161 of the German Stock Corporation Act (AktG), information on corporate governance practices and a description of how the Board of Management and the Supervisory Board work, as well as information on targets for the share of female members on the Supervisory Board, the Board of Management and the management level below the Board of Management.

GLOSSARY

B

Buyout fund A private equity fund focused on >MBOs.

C

Capital management company (Kapitalverwaltungsgesellschaft – KVG) Company with its registered office and headquarters in Germany whose business operations are aimed at managing domestic investment assets, EU investment assets or foreign alternative investment funds. Only one capital management company can be responsible for each investment fund category, which is also answerable for compliance with the rules of the German Capital Investment Code (KAGB). DBAG is a registered capital management company under the KAGB.

Carbon Disclosure Project (CDP) Nonprofit organisation whose objective is worldwide transparency regarding environmental data. Within the scope of the CDP, DBAG issues detailed annual reports on its greenhouse gas emissions.

Carried Interest: A share of the profits of a private equity fund that is paid to the investment managers regardless of the amount they originally contributed to the fund, provided that a pre-defined hurdle rate (>preferred return) has been cleared. It provides an incentive to investment managers and creates an alignment of interest between them and the fund investors.

Co-investment DBAG invests in portfolio companies alongside the DBAG funds. The ratio of DBAG's co-investment and the other investors in a fund is fixed for the fund's entire term; DBAG holds a minority interest in the respective investment.

Co-investment vehicle Companies via which DBAG has structured its co-investments alongside the DBAG funds.

Corporate functions The auxiliary functions for the investment process and administrative tasks. These responsibilities also include portfolio valuation and risk management.

Cost of equity Calculatory return on the equity employed. Similar to providers of borrowings, equity providers (shareholders) expect a return on their invested capital. This is usually achieved through share price increases and distributions. The cost of equity can be determined by various models and generally exceeds that for borrowings, since equity capital entails greater risk. DBAG uses the capital asset pricing model (CAPM) to determine the cost of equity. For this method, a company-specific risk premium calculated using a mathematical formula is added to a risk-free interest rate.

D

DBAG ECF Short for DBAG Expansion Capital Fund, which is managed by DBAG and alongside which DBAG co-invests in management buyouts and growth financing.

DBAG funds Funds that are managed and/or advised by Deutsche Beteiligungs AG, alongside which DBAG co-invests. The principle: investors commit a certain amount of capital that is drawn down stepwise as soon as suitable investment opportunities arise. Upon an investment's ultimate disposal, the proceeds are distributed to the investors.

Deal flow Investment opportunities available to an investment company such as DBAG.

Deal sourcing The process of seeking and selecting potential portfolio companies.

Discounted cash flow method (DCF) Procedure used to measure the value of an enterprise, determined by the sum of discounted cash flows expected in the future. Discounting is performed using an interest rate for a long-term risk-free investment plus a risk premium.

Due Diligence Systematic and detailed collection, investigation and analysis of data on a target company preceding a commitment to invest. The purpose is to determine the strengths and weaknesses of that company as well as the risks involved.

E

ESG Short for "Environmental, Social and Governance". DBAG regularly reports on these aspects.

F

Fair value The current amount for which an investment could be exchanged between knowledgeable, willing and independent parties. According to >IFRS accounting rules, financial assets such as corporate investments are to be valued based on this concept.

G

German Corporate Governance Code Lists key statutory rules and regulations on the management and oversight of German listed companies and contains internationally and nationally recognised standards of good responsible corporate governance by way of recommendations and suggestions.

German Capital Investment Code (Kapitalanlagegesetzbuch – KAGB) Legal frame-work for managers of open and closed-end funds.

German Special Investment Company Act (Gesetz über Unternehmensbeteiligungsgesellschaften – UBGG) In 1985, Deutsche Beteiligungs AG was the first firm to be recognised as a special investment company. This law, for example, exempts companies – subject to certain conditions – from municipal trade tax and is aimed at creating indirect access to the capital market for mid-sized companies.

Growth financing Minority stake in a company – the majority remains with the past owner. Both early-stage and established companies may seek expansion capital to finance their next phase of growth. More information: http://www.dbag.de/our-business/investment-philosophy.

I

IFRIC Abbreviation for "International Financial Reporting Interpretations Committee". Committee of the International Accounting Standards Committee Foundation (IASCF). It publishes guidance on IFRS and IAS accounting standards which have varying or incorrect interpretations, as well as on new scenarios that were not given sufficient consideration in the current standards.

IFRS Short for "International Financial Reporting Standards" (formerly IAS). Accounting rules that have been obligatory for the consolidated accounting of listed companies in the European Union since 2005.

Investment entity subsidiaries Umbrella term for the co-investment vehicles and DBG.

IRR Short for "Internal Rate of Return". Financial mathematic method of determining the return on an investment.

M

M&A Short for "mergers and acquisitions". General term for such transactions in the corporate sector.

Management buyout (MBO) The takeover of a company by its management with the support of one or more financial investors who largely finance the transaction and assume the majority of the voting rights or share capital.

Mezzanine Hybrid capital ranking between voting capital and first lien debt.

Mid-market segment The market for investment transactions is divided into three segments: transactions with a value of less than 50 million euros are considered "small"; the mid-market segment comprises transactions valued from 50 to 300 million euros; transactions with a value of more than 300 million euros form the upper market segment.

Multiples method Procedure used to value an enterprise. Expressed as the product of an indicator (e.g. earnings) and a multiple derived from current market prices. That multiple is based on the quotient of the market prices for a group of similar companies and their respective performance indicators.

N

Net asset value Sum of the portfolio's fair value at the valuation date, less minority interest in the investment entity subsidiaries (primarily carried interest), other assets/liabilities of these subsidiaries (such as capital drawn down, but not yet invested), other non-current assets and financial resources, less (any) bank liabilities.

P

Peer group A group of companies similar in terms of industry, structure, products and revenues, used for comparison purposes.

Portfolio All of the investments of DBAG.

Preferred return Ensures that fund investors receive base remuneration before the carried interest of the management company/its management team (in DBAG's case: the members of the investment team) takes effect; the base remuneration comprises the repayment of the paid-in capital, plus interest on this capital corresponding to eight percent per annum, with compound interest calculated annually.

Private Debt Funds Loans granted by funds as opposed to by conventional banks.

R

Rating Method of measuring the creditworthiness or credit quality of debt issuers or securities. Credit ratings are usually issued by credit rating agencies.

Recapitalisation Replaces part of the relatively expensive equity tied in a company by lower-cost debt. The aim is to optimise the capital structure. The free funds are then distributed to the shareowners.

Refinancing For transactions in the corporate sector, an existing loan is substituted for a new loan. For example, in an acquistion a shareholder loan can be replaced – or refinanced – by acquisition financing.

Return on equity per share Key target and performance indicator of DBAG. The closing return on equity per share at the end of the financial year is set against the opening equity per share at the beginning of the financial year, less the dividend paid in the course of that year.

S

Secondary / tertiary buyout An investment that is sold by a financial investor to another financial investor.

Short-term interim financing Occasionally, DBAG initially uses proprietary capital when making an acquisition to bridge the time until the acquisition financing can be secured. When this is arranged after completion of a transaction, it replaces part of the capital employed, which is then returned to the investors.

Structured entity Term used in the IFRS. An entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity.

T

Top-up fund Will invest together with the principal fund DBAG Fund VII in larger transactions (investment amounts that exceed 10 percent of the assets of DBAG Fund VII).

U

Unitranche A type of credit facility in which first-lien and second-lien components are combined in one tranche.

Information for shareholders

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Forward-looking statements

This report contains forward-looking statements related to the prospects and progress of Deutsche Beteiligungs AG. These statements reflect the current views of the management of Deutsche Beteiligungs AG and are based on projections, estimates and expectations. Our assumptions are subject to risks and uncertainties, and actual results may vary materially. Although we believe these forward-looking statements to be realistic, there can be no guarantee.

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Disclaimer

The amounts in this Annual Report are generally presented in thousands and millions of euros. Rounding differences can occur between the amounts presented and their exact value; these, of course, are not of a significant nature.

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TEN-YEAR SUMMARY

€mn	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	**2017/2018**
					adjusted[1]		11 months	adjusted[2]	adjusted[3]	
Development of portfolio and value										
New investment in the portfolio	4	8	9	22	42	20	71	33	63	85
Portfolio value[4] (at reporting date)	123	118	84	143	173	153	256	303	252	349
Number of investments (at reporting date)	19	17	16	18	20	19	24	25	24	29
Earnings position										
Segment net income of Private Equity Investments						40.4	24.9	52.3	77.3	27.6
Segment net income of Fund Investment Services						8.0	2.2	(3.0)	4.7	6.0
Net income	19.6	34.1	(16.6)	44.5	32.3	48.0	27.0	49.5	82.0	33.6
Retained profit	52.6	73.1	37.3	70.8	86.7	117.7	117.4	150.5	214.4	227.0
Liquidity position										
Cash flows from operating activities	(3.5)	(12.8)	0.9	(9.6)	(12.0)	0.0	7.2	(0.6)	(0.5)	9.9
Cash flows from investing activities	28.8	36.3	34.1	(17.8)	18.7	67.9	(61.6)	(6.0)	144.6	(33.5)
thereof proceeds from disposals of financial assets and loans and receivables	33.0	44.5	43.6	3.8	60.4	90.6	30.9	44.7	199.3	30.3
thereof purchase of financial assets and loans and receivables	(4.3)	(8.2)	(9.4)	(21.6)	(41.7)	(22.7)	(92.5)	(50.7)	(54.7)	(63.8)
Cash flows from financing activities	(5.5)	(13.7)	(19.1)	(10.9)	(16.4)	(16.4)	(27.4)	23.5	(18.1)	(21.1)
Change in cash funds[5]	10.6	(70.9)	14.9	(38.8)	(9.8)	50.8	(82.4)	37.8	63.2	(155.9)
Asset position										
Non-current assets	161.2	244.3	228.6	238.7	233.6	246.3	278.6	339.7	289.6	380.0
thereof long-term securities	14.5	102.9	123.1	83.0	50.5	81.0	26.4	21.3	33.7	55.5
Current assets	127.1	71.8	51.3	59.5	77.1	86.3	48.6	64.5	174.3	105.2
thereof cash and short-term securities	109.5	37.8	32.5	27.8	47.8	59.8	32.0	57.3	133.9	36.6
Equity	256.8	273.9	238.9	266.2	278.4	303.0	303.1	369.6	436.4	447.8
Liabilities	31.5	42.2	41.0	32.8	32.2	29.6	24.1	34.5	27.5	37.4
Total assets	288.3	316.1	279.9	299.0	310.7	332.6	327.2	404.2	464.0	485.2
Key indicators										
Return on equity per share after taxes[6] (%)	7.3	12.7	(6.2)	16.7	11.5	15.9	9.6	14.9	24.1	7.8
Equity as a percentage of total assets (%)	89.1	86.7	85.3	89.0	89.6	91.1	92.6	91.5	94.1	92.3
Information on shares										
Earnings per share[7] (€)	1.44	2.50	(1.22)	3.25	2.36	3.51	1.98	3.60	5.97	2.45
Equity per share (€)	18.77	20.03	17.47	19.46	20.36	22.16	22.16	24.57	29.01	29.76
Dividend per share (€; 2017/2018: recommended)	1.00	1.40	0.80	1.20	1.20	2.00	1.00	1.20	1.40	1.45
thereof surplus dividend/bonus per share (€)	0.60	1.00	0.40	0.80	0.80	0.80	0.50	–	–	–
Total amount distributed[8] (2017/2018: recommended)	13.7	19.1	10.9	16.4	16.4	27.4	13.7	18.1	21.1	21.8
Number of shares (end of FY)	13,676,359	13,676,359	13,676,359	13,676,359	13,676,359	13,676,359	13,676,359	15,043,994	15,043,994	15,043,994
Share price (€; end of FY)	15.55	20.79	15.50	19.49	19.36	21.83	24.90	29.57	45.51	35.15
Market capitalisation (end of FY)	212.7	284.3	212.0	266.6	264.8	298.6	340.5	444.9	684.7	528.8
Number of employees	49	51	53	54	55	56	62	63	67	71

The table contains data as originally reported in the respective annual consolidated financial statements.
1 Data adjusted to previous year's figure based on changes in accounting (IFRS 10)
2 Adjusted due to changes to IFRS 10
3 Adjusted in accordance with IAS 8 (carried interest of DBAG Fund VI Konzern (Guernsey) L.P.)
4 Without interests in shelf companies and companies that are mainly attributable to third parties
5 Cash as well as short- and long-term securities
6 Change in equity per share relative to equity per share at beginning of financial year, less dividends per share
7 Earnings per share relative to weighted average numbers of shares
8 Relates to respective financial year

TEN-YEAR SUMMARY

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Development of portfolio and value
New investment in the portfolio
Portfolio value[4] (at reporting date)
Number of investments (at reporting date)
Earnings position
Segment net income of Private Equity Investments
Segment net income of Fund Investment Services
Net income
Retained profit
Liquidity position
Cash flows from operating activities
Cash flows from investing activities
thereof proceeds from disposals of financial assets and loans and receivables
thereof purchase of financial assets and loans and receivables
Cash flows from financing activities
Change in cash funds[5]
Asset position
Non-current assets
thereof long-term securities
Current assets
thereof cash and short-term securities
Equity
Liabilities
Total assets
Key indicators
Return on equity per share after taxes[6] (%)
Equity as a percentage of total assets (%)
Information on shares
Earnings per share[7] (€)
Equity per share (€)
Dividend per share (€; 2017/2018: recommended)
thereof surplus dividend/bonus per share (€)
Total amount distributed[8] (2017/2018: recommended)
Number of shares (end of FY)
Share price (€; end of FY)
Market capitalisation (end of FY)
Number of employees

The table contains data as originally reported in the respective annual consolidated fina
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4 Without interests in shelf companies and companies that are mainly attributable to th
5 Cash as well as short- and long-term securities
6 Change in equity per share relative to equity per share at beginning of financial year,
7 Earnings per share relative to weighted average numbers of shares
8 Relates to respective financial year

FINANCIAL CALENDAR

30 NOVEMBER 2018
Publication of 2017/2018 consolidated financial statements, Analysts' conference, Frankfurt am Main, Germany

3 / 4 DECEMBER 2018
Road show Zurich (Switzerland)/Paris (France)

5 DECEMBER 2018
Dr Kalliwoda Capital Evening, Frankfurt am Main, Germany

10 / 11 DECEMBER 2018
Road show Dublin/London, United Kingdom

10 / 11 JANUARY 2019
Oddo BHF Forum, Lyon, France

23 JANUARY 2019
Kepler Cheuvreux German Corporate Conference, Frankfurt am Main, Germany

28 JANUAY 2019
Press conference, Frankfurt am Main, Germany

7 FEBRUARY 2019
Publication of the quarterly statement on the first quarter 2018/2019, Analysts' conference call

21 FEBRUARY 2019
Annual Meeting 2019, Frankfurt am Main, Germany

26 FEBRUARY 2019
Dividend payment 2019

4 APRIL 2019
Bankhaus Lampe Kapitalmarktkonferenz (Deutschlandkonferenz), Baden-Baden, Germany

14 MAY 2019
Publication of the half-yearly financial report 2018/2019, Analysts' conference call

8 AUGUST 2019
Publication of the quarterly statement on the third quarter 2018/2019, Analysts' conference call

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