Deutsche Beteiligungs AG

Building on experience

Solutions for successful entrepreneurship

Exploring new paths

Company magazine
2019/2020

Developments
Success achieved in the financial year 2019/2020

Views
Talking to the Board of Management

Looking ahead
Additional equity for mid-sized companies

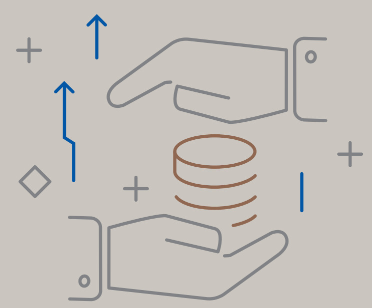
DBAG positioning strengthened further

Highlights of DBAG's financial year 2019/2020

1.1

BILLION EUROS

SUCCESSFUL COMPLETION OF THE PLACEMENT PROCESS FOR OUR NEW DBAG FUND VIII DURING THE PANDEMIC:
1.1 billion euros for investments in SME ("Mittelstand") companies – equity investments of up 220 million euros on the radar

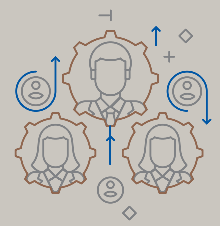


ENHANCING ITS MARKET PRESENCE
DBAG expanded its investment team to

27

MEMBERS

DBAG EXPANDED ITS FOOTPRINT INTO THE HIGHLY ATTRACTIVE NORTHERN ITALIAN MARKET, STRUCTURING ITS FIRST MBO IN THIS REGION



BUSY SUMMER FOR OUR INVESTMENT TEAM:
despite the restrictions we were facing, we concluded 7 transactions, 3 of which were for the new fund

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with DBAG providing support with its experience, expertise and additional equity

Editorial

Building on experience. Exploring new paths. Start something new. – This is what distinguishes the German Mittelstand: sustainability is getting more attention, and digitalisation is being implemented across the board. This also applies to the Mittelstand sector, where we are at home. Tradition and a willingness to embrace change go hand in hand here. For decades, we have been offering solutions for successful entrepreneurship – also, and especially, in times such as these. We have only recently expanded our offering. Take a peek at this magazine for information on some of the equity solutions.

Building on experience. Exploring new paths. Start something new. – That is what many of us had intended to do at the beginning of 2020. Not often do we see plans so comprehensively thrown overboard as during this year. The universal interruption has hit our Company, as well as some of our more than 30 medium-sized portfolio companies. We are pleased to say that we have been able to manage the situation satisfactorily.

Building on experience. Exploring new paths. Start something new. – That applies to our business as a whole, but also in detail: by publishing this company magazine at the same time as the financial report, we are breaking new ground in our communication with business partners, shareholders and investors – and with everyone interested in Deutsche Beteiligungs AG. Combined, these two publications replace the annual report which we have used until now to inform about us and our business.

The Board of Management
of Deutsche Beteiligungs AG

Torsten Grede Dr Rolf Scheffels Susanne Zeidler

Building on experience. Exploring new paths.

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DBAG in profile

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INVESTMENTS IN MID-SIZED COMPANIES SINCE 2000

A STRONG BRAND DBAG is the “partner of choice” for company founders, family entrepreneurs and management teams.

ACTIVE NETWORK Our investment team works closely with an Executive Circle of experienced industry experts. This network is supplemented by a large group of financial experts, consultants, lawyers and auditors.

1985
STOCK EXCHANGE LISTING

LISTING AS A SEAL OF QUALITY DBAG is listed in Deutsche Börse’s Prime Standard segment, and has thus committed itself to the highest transparency standards on the German capital markets.

1.1
BILLION EUROS AVAILABLE FOR EQUITY INVESTMENTS

HIGH VOLUME OF INVESTMENT COMMITMENTS DBAG invests in attractive mid-sized enterprises, alongside the funds it advises.

LONG-TERM INVESTMENTS We exclusively deploy our own financial resources to enter into Long-Term Investments, independently from our funds.

FOCUS ON EFFICIENCY Efficient decision-making and the ability to react quickly are the factors that set DBAG apart. Our robust processes ensure due diligence and thoroughness.

250+
YEARS OF COMBINED EXPERIENCE
>CO-INVESTMENTS EXCEEDING 20 MILLION EUROS

ALIGNED INTERESTS 27 members of the investment team command sound sector know-how. Our well-structured incentive scheme provides for high motivation, while the investment team’s own personal co-investments in the funds ensure this alignment of interests is maintained among fund investors and shareholders.

OUR PORTFOLIO OF 32 MID-SIZED COMPANIES

INVESTMENTS IN THE INDUSTRIAL SECTOR: 47% OF PORTFOLIO VALUE

3 mechanical and plant engineering businesses

9 industrial component providers

4 industrial services providers

3 automotive industry suppliers

NEW GROWTH SECTORS: 36% OF PORTFOLIO VALUE

6 companies in the broadband/telecommunications sector

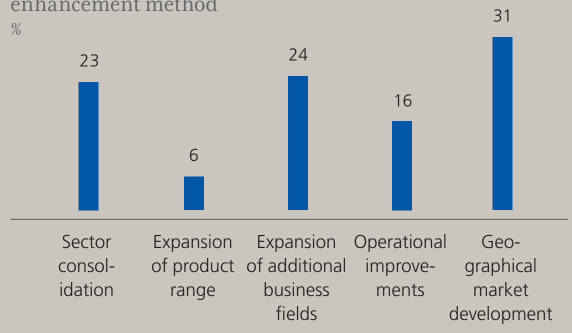
3 companies in the growth sectors of IT services/software and healthcare

OTHER SECTORS: 16% OF PORTFOLIO VALUE

4 companies

SUPPORT FOR A VARIETY OF DIFFERENT VALUE ENHANCEMENT STRATEGIES

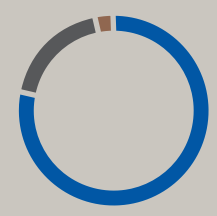
Portfolio value by value enhancement method
%



GROWTH FINANCING AND MANAGEMENT BUYOUTS

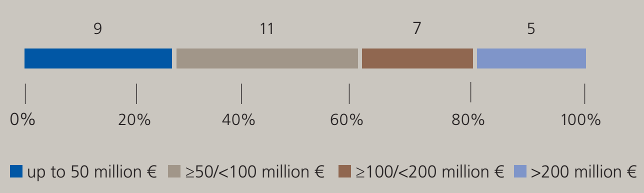
Portfolio value by investment type
%

Management buyout	80
Growth financing	18
Other	2



SUPPORT FOR ALL SIZES OF MITTELSTAND COMPANIES

Portfolio value by revenues generated in 2019
%



DR ROLF SCHEFFELS

Member of the Board of Management

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

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

SUSANNE ZEIDLER

Chief Financial Officer

Born in 1961. Member of the Board of Management since November 2012; appointed until October 2025.

Finance and Accounting, Investor Relations (capital markets), Legal (capital markets) and Tax, Portfolio Valuation, Risk Management and Internal Audit, Human Resources, Organisation and IT

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 and Investment Process, Investor Relations (funds), Investment Controlling, Corporate Communications, Compliance and ESG, M&A/Legal

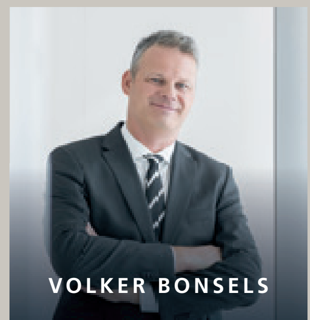
Board of Management

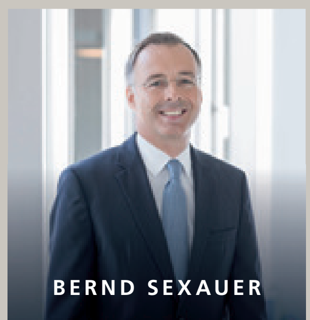
Continuity and experience are the differentiating factors of our management team

Continuity is very important to us: Collectively, the three members of the Board of Management have been serving DBAG for over 60 years through their different roles. They are also closely involved in the core processes of our business operations: investment, development and implementation. They are particularly involved in originating investment opportunities and in the due diligence process, as well as in the acquisition and sale of companies. They are also in constant communication with the members of the investment team. Just as importantly, skills and experience of staff within DBAG's Corporate Functions ensure the value-creating management of the investment portfolio whilst securing the efficient operation of business processes and safeguarding DBAG's top reputation on the capital markets.

Investment team

Our investment team comprising 25 employees plus two members of the Board of Management is the largest and most experienced within our market segment. Our employees have the chance to focus on different industries, where they hold particular expertise. Many of them have already experienced several economic cycles whilst working as members of our investment team. This means that we take a measured, level-headed approach – a quality that our portfolio companies appreciate. During 2019/2020 we strengthened our team with the addition of four new employees, enabling us to provide our portfolio companies with even better support in the future and help them navigate their way through the current upheavals.





The Managing Directors of DBAG

To retain employees with proven experience and motivation is a key non-financial objective.

Our investment activity requires strong commitment.

This frees up resources, which companies can use elsewhere to add value.

”Digitalisation creates new opportunities“

Prof. Dr Matthias Fifka (left) and Torsten Grede (right)

Stress test: positive

Germany's mid-sized 'Mittelstand' enterprises are, for the most part, well equipped to emerge strengthened from the coronavirus crisis. Innovative strength and a willingness to change create new perspectives – a fact that is also proven by science. We will discuss this in dialogue with Dr Matthias Fifka, Professor for Business Administration at the Friedrich-Alexander University Erlangen-Nuremberg and Torsten Grede, Spokesman of the Board of Management.

Mr Grede, Professor Fifka, looking back at the last 12 months, what are your thoughts today?

Grede: The first word that comes to mind is "roller coaster ride" and I am reminded once again of the magnitude of the term "risk". No one could have envisaged a pandemic last autumn. But even such highly unlikely risk events can occur – and then unleash a huge blow ...

Fifka: ... above all, they can quite obviously bring about changes and speed them up in such a manner previously thought to be impossible. And all of this has been on a global scale.

Mr Grede, what was your specific experience of the outbreak of the pandemic in your company and on your markets?

Grede: We were affected very closely at a very early stage. One of our employees had already tested positive at the end of February, which put us into quite a state of alert. But it then turned out that he had not infected anybody else. This in turn was so unlikely that the employee was tested

Talking to Torsten Grede

again. Lo and behold: the second test was negative. Our own COVID-19 story thus began with a false positive test result. While we were lucky, this episode was an important test for us as a company: We had to demonstrate that we could transfer our processes from the analogue to the digital world overnight. This was a great success – particularly thanks to a highly efficient IT environment.

But is your business not based upon trust and personal contact, especially at the point of initiating an investment?

Grede: Yes, definitely. There is no substitute for personal contact and we will continue to seek it – of course while complying with hygiene and social distancing measures. But when you look at our business processes, there is quite some scope for digitalisation.

That's an important keyword. What are your thoughts, Mr Fifka: how sustainable is the much-cited push towards digitalisation brought about by the coronavirus, particularly in German mid-sized enterprises?

Fifka: Very sustainable! Digitalising processes is one of the most apparent changes as a result of the pandemic. The now-visible cost benefits of, for example, video conferencing compared to holding real meetings around the world are so clear-cut that they can no longer be ignored. In particular, the pure necessity of having to move to the virtual world has diminished previous reservations towards digital solutions entirely.

Grede: That is our impression, too. And we can see that this development is leading to far-reaching transformation processes, through to adjustments to the business model. This will free up resources in the medium term, which can in turn be used elsewhere for value-enhancing purposes. We see ourselves as active supporters of such processes.

Fifka: And I can imagine that you will benefit from the great innovative capabilities of the German Mittelstand. Let us notforget that, despite all the scepticism that had previously surrounded digitalisation, mid-sized enterprises would not be the de facto backbone of the German economy without this innovative strength. Small and mid-sized enterprises are frequently quicker and more flexible in process innovation than large corporations.

Grede: The same can be said for mid-sized enterprises in Northern Italy, where we have been involved since last year. Innovation orientation is very high there too, and frequently combined with decades of tradition, a high level of specialisation, long-term orientation and personal commitment from the owners. This is why we envisage excellent growth opportunities there – despite the pandemic.

However, we first have to face up to the fact that the economy – and in particular the mid-sized enterprises in Italy and in Germany – has been hard hit by the pandemic.

Fifka: Yes, that is certainly true; it is no wonder why topics such as short-time work or safeguarding liquidity are at the fore-front of discussion in many companies. Following the dramatic and almost

universal interruption in spring, we have however been seeing a marked upward trend again since the summer.

Grede: I can confirm that. We registered a similar level of M&A activity at the end of June – in the market segment which we focus on – as we had in January. Following the massive decline in March, the net asset value of our private equity investments has increased again significantly in the six months up to the end of our financial year. This shows that our portfolio companies have been very consistent in their response to the crisis. We see significant potential in this respect.

And do you think the crisis will lead this potential to be exploited even more quickly than before? This is quite hard to imagine, given the numerous structural problems that were already in place. If a sick patient becomes even sicker, it doesn't make that patient more efficient.

Grede: I would draw the following comparison: if your doctor simply recommends that you to take the precautionary measure of losing weight and drinking less alcohol, you are generally less motivated to follow this recommendation. However, if you become seriously and acutely ill, you are much more likely to adapt your behaviour, permanently. With this in mind, the current crisis is beneficial in many cases.

But what about the other companies that are ailing in the longer term?

Fifka: What we are actually seeing here is that international investors too are looking for opportunities. They believe these are favourable buying opportunities – and these investors could potentially become a source of competition for local private equity companies.

Grede: I don't really think so. Other developments are currently more existential for mid-sized enterprises – such as the structural change in the automotive industry, which is so economically important for Germany, due to the emissions regulation necessitated by climate protection. This has far-reaching consequences that mid-sized enterprises need to address. The adjustment will be difficult in a few cases, but the small and mid-sized enterprises may be able to manage better than some of the larger corporations.

Does this also mean that after the current loss in value, you will now focus on increasing relative value and focus on extending your portfolio to include corresponding companies?

Grede: No, that is not our strategy at all. We are interested in companies that are either less impacted by the crisis, or which can adapt their business model in a comparatively flexible manner – and whose future development can therfore be forecast with more confidence.

Professor Fifka, what particular criteria would you define as being crucial to success?

Fifka: This is for certain the question as to how well or badly the companies in question manage the changes. The answer to this has a lot to do with strategy, but even more with strategy implementation. For example, redefining strategic targets within the course of an investment is relatively easy. What is more complex, however, is turning the strategic plan into consistent practice, and forming a corresponding corporate culture.

As an economist, do you have a formula for this?

Fifka: People often ask that. When I give lectures, members of the audience often approach me at the end, asking me to name a procedure they can follow so that change can lead to success. My reply is always the same: unfortunately not. If such procedures existed, everyone would apply them and they would all be successful. In any case, it is important to involve employees at an early stage and allow them to participate in the change process. The earlier this is done, the lower the resistance and scepticism you will meet.

Grede: I don't believe in a formula. However, there is one deciding factor that is not always emphasised enough: communication. As private equity partners, we find it extremely important to be transparent from the very start, both within the company and externally, as to what the plan will look like during our investment period. We must show wherein the improvements lie that we want to achieve together, who will benefit, and what price has to be paid for it. Once you come up with a compelling logic, you can ultimately convince even those who held doubts at the outset. This broadest possible support is essential for every successful change management.

Does time play a decisive role, too? It makes a difference whether I have a comparatively short deadline in which to achieve my objectives in the company, or if I can take a bit longer.

Grede: Quite right. Because of this, we have been taking a new, additional approach for some time now. We not only use resources from our funds, with whom we co-invest, but also enter into investments funded

“Stakeholder communications are a key success factor”

Managing change requires broad-based support.

exclusively from our own financial resources. In doing so, we concentrate on the one hand on promising investments in mid-sized enterprises where we know that the transformation – also with the involvement of the previous owners and the existing management team – will take some time, after which a sustainable value-enhancing concept will have been implemented. On the other hand, in our role as a minority shareholder, we support family-owned businesses whose growth prospects extend beyond a private equity fund's usual holding period. This investment allows us to make an attractive offer to such companies that want to grow in the long term or have to overcome challenging operational issues.

Fifka: At the same time, this is of course a remarkable commitment and demonstrates an appetite for risk, and in particular a high level of trust. It forms an excellent basis for future collaboration, especially from the perspective of value-oriented management. It is proven by all surveys: the more solid the basis of trust between employees and management, the more successful the change project.

All in all, are you relaxed about the future?

Fifka: I would rather say that I am curious. It is certainly too early to relax. However, I am very keen to make it clear that amid all the tragedy caused by this crisis, opportunities arise that companies can seize.

Grede: I see it that way, too. And I am sure that we will see a growing need for equity among many companies as a result of the crisis. This is because losses incurred during the crisis will have eroded equity on the one hand. On the other – and this brings to mind something we touched on at the start of this debate – companies will assess risk in a new and different way. Meanwhile, they want to better protect the selves against unforeseeable developments than was normal practice in the last ten years. We have the right products for them. We currently have more than one billion euros ready to invest over the next few years in mid-sized enterprises in Germany and neighbouring European countries, applying the necessary due care and diligence.

It is obvious that you both regard this current situation as a challenge, and that you would not want to work anywhere else than where you are right now. Nonetheless, we would like to ask one question by way of a small mental experiment: if you could change places with each other – what would fascinate you particularly about your counterpart's role?

Fifka: I would really like to experience the close-up practical knowledge, the authentic insights into companies and the many points of contact in strategic decision-making that then need to be proven.

Grede: I don't think the field of economics still harbours secrets, whose discovery I would love to collaborate on. In this respect, I would be the wrong choice for an academic chair. But there is something I envy Professor Fifka for: that is the regular contact to young people, which I would find very inspiring and gratifying. It must be very fulfilling to be challenged by new questions and projects on the one hand, and to be able to help with specific topics that define our thought processes and actions over many years on the other.

Mr Grede and Professor Fifka – many thanks for the discussion.

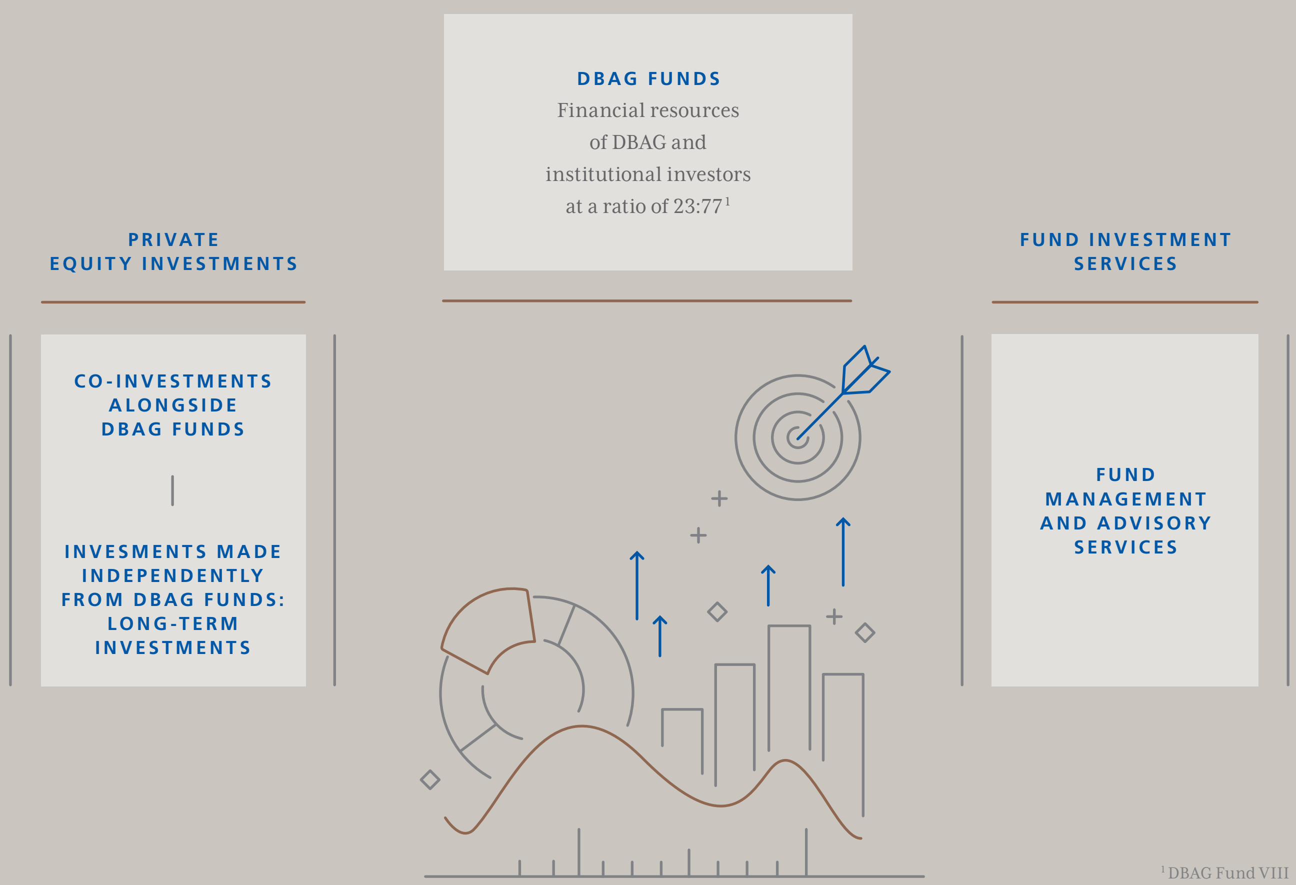
Over the coming years, DBAG will be well placed to provide more than one billion euros in equity capital to enable companies to seize opportunities and enhance their value.

"Growing equity requirements of mid-market companies"

A decade-long proven track record

Our business model rests on two pillars

We invest private equity capital in attractive mid-sized companies – capital entrusted to us by institutional investors via the DBAG funds, as well as our own financial resources which we co-invest alongside our funds, and which we deploy for Long-Term Investments. We support the companies in our investment portfolio in the implementation of value-enhancing strategies. In this way, we create value – for the companies, for our fund investors, and for our shareholders. Additional value for our shareholders is created through the fees we receive for providing advisory services to the DBAG funds.



[1] DBAG Fund VIII

Our portfolio of mid-sized companies with development potential forms the main pillar of our Private Equity Investments segment. We identify and assess investment opportunities for the DBAG funds, initiate change processes in the portfolio companies, support their implementation and strategically position funds for a well-timed profitable disinvestment from a given portfolio company. These services are integrated in the Fund Investment Services business segment.

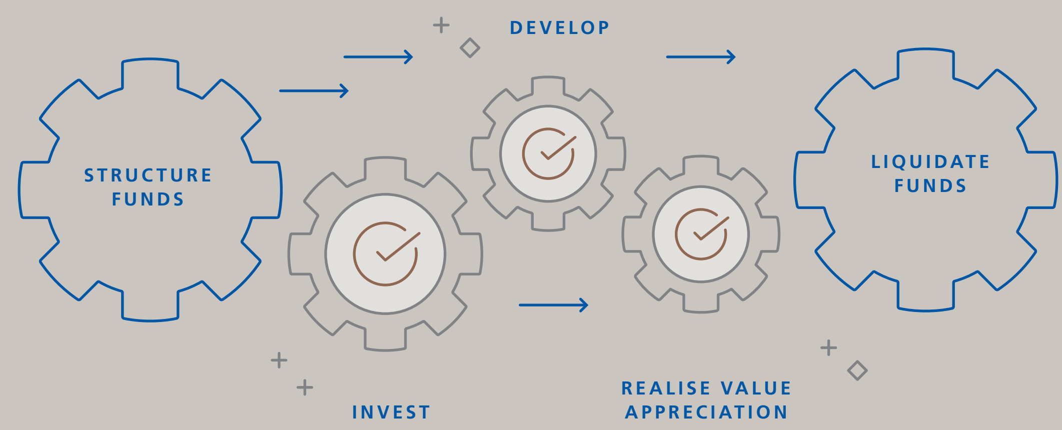
WE CONTINUE TO DEVELOP OUR TRIED-AND-TESTED BUSINESS MODEL

We have successfully used this business model to actively shape the market for decades. At the same time, we are continuing to expand our DBAG platform – staying very much in line with market demand. This way, we continue to develop DBAG and tap into organic growth potential. As a result, we are now making long-term equity investments exclusively from our own balance sheet. This allows us to support companies for a seven-year period and beyond. We can also provide investment services to companies that do not follow the investment strategies of existing funds.

Our reputation rests on three pillars: transparency, trust and success – for long-term success. This enables us to attract investors globally and from a wide range of industries. They entrust us with their assets, to realise value increases for them.

WE OPEN DOORS TO THE GERMAN MITTELSTAND

Germany is the largest economy in Europe, and the fourth-largest in the world: DBAG's private equity funds enable investors to benefit from the development of German mid-sized companies to which they have no other access. German private equity is a particularly attractive market. After all, no other business landscape is so strongly influenced by medium-sized companies as that of Germany. Around 9,000 of them – most of them family-owned or in the hands of their founders – can be found in our market segment. They are a catalyst for innovation and economic growth. Most of our portfolio companies are from Germany. We do, however, also have our sights set on the broader Germany-Austria-Switzerland region, as well as on Northern Italy, where we closed our first transaction during the financial year under review.



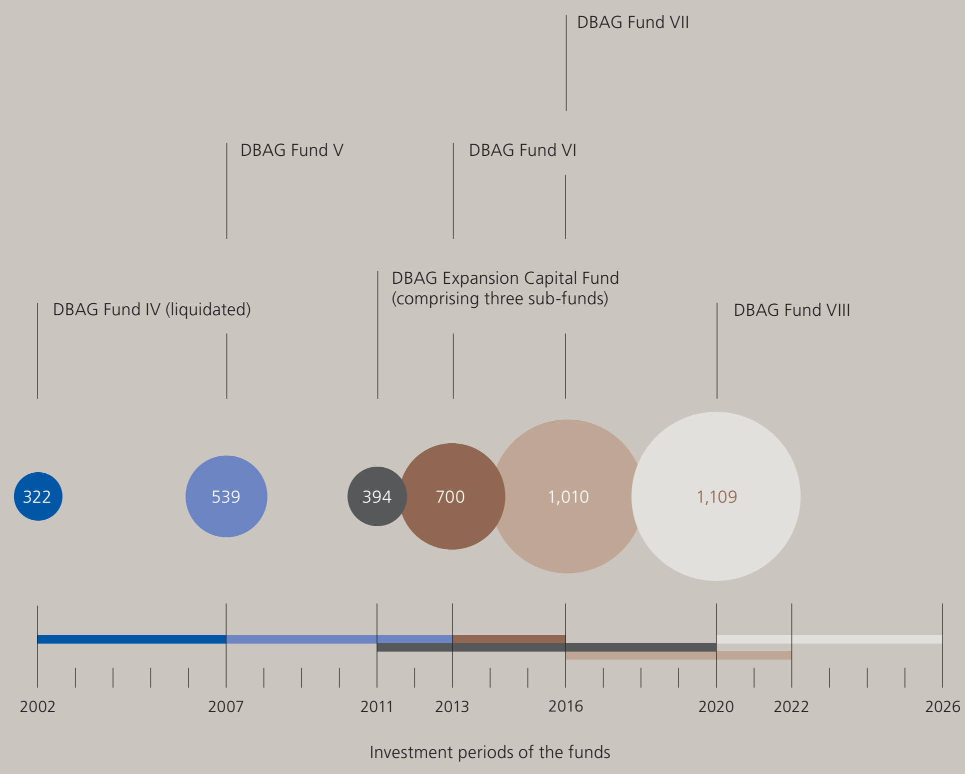
Perfect timing for the new DBAG fund

DBAG Fund VIII – new funds to meet growing equity requirements of SMEs

Over the past nearly twenty years, DBAG has launched private equity funds with a total volume of four billion euros. DBAG Fund VII has now invested over 75 per cent of its volume. Hence, the new DBAG Fund VIII was launched recently.

DBAG'S PRIVATE EQUITY FUNDS

volume in €mn



The pipeline remains well stocked. Within just a few months last year, we raised over one billion euros for the DBAG Fund VIII successor fund. Despite the outbreak of the pandemic, the fund managed to attract new investors. We completed the placement in May 2020 with a slightly higher volume than originally planned.

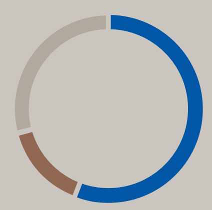
Very pleasing: around 86 per cent of total capital commitments came from investors who had invested in previous DBAG funds, reflecting the esteem in which DBAG is held with regard to its advisor role for private equity funds. We also succeeded in attracting new investors.

Like its predecessor, DBAG Fund VIII has a highly flexible structure with a principal fund and a top-up fund. This allows us to also consider larger companies while still maintaining a well-diversified investment portfolio. The main fund will predominantly focus on equity investments between 40 and 100 million euros. Including the top-up fund, up to around 220 million euros can be extended per transaction. As with its predecessor, some of DBAG Fund VIII may also be invested in neighbouring European countries, particularly in Austria and Switzerland.

Another key benefit for us: this fund also offers the same favourable conditions as its predecessors, and in some areas we have even been able to improve on them. For example, the investment period can extend up to six years – one year longer than is usual for this sector. Due to the highly predictable nature of remuneration for Fund Investment Services, we are also securing DBAG's development through to the middle of this decade.

DBAG'S HIGH LEVEL OF EXPERTISE IN SUCCESSION SOLUTIONS

MBOs of DBAG – 2010–2019 (shares *in %*)

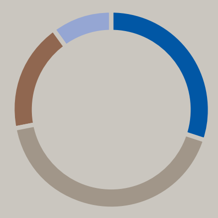


Families and company founders	56
Group spin-offs	15
Financial investors	29

More than half of DBAG's MBOs in the past ten years were succession solutions. This is more than twice as high as the market average (2010–2019: 26 per cent). Current market trends are in our favour: In 2019, 69 per cent of German Mittelstand transactions involved families and company founders. We want to take advantage of this.

INTERNATIONAL INVESTOR BASE OF DBAG FUND VIII

Share *(%)*

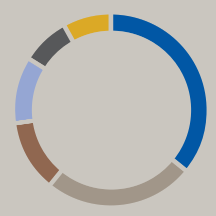


Germany	30
Rest of Europe	42
North America	18
Other countries	10

DBAG is renowned worldwide as one of the leading investors in German and European mid-sized companies. While 30 per cent of investor capital commitments come from Germany, the majority (70 per cent) is from Europe, the USA, Asia and other countries.

BROADLY-DIVERSIFIED BASE OF INSTITUTIONAL INVESTORS

Share *(%)*



Pension funds	36
Insurance companies	25
Family offices	12
Funds of funds	11
Banks	8
Charitable foundations	8

Investors with a variety of business models entrust DBAG with their assets. Our aim is to attract investors from across a wide range of industries. This will enable us to build a more stable investor base.

"Investors trust us to find and develop attractive mid-sized companies in Germany and selected neighbouring countries, despite these challenging times."

Torsten Grede, Spokesman of the Board of Management of DBAG

"Reusable packaging materials for the transportation of glass containers in the food and beverage industry are our scope of business, where we strive to become the global preferred supplier of logistics solutions."

Serkan Koray
CEO of Cartonplast

Case Study: Cartonplast

Global perspective

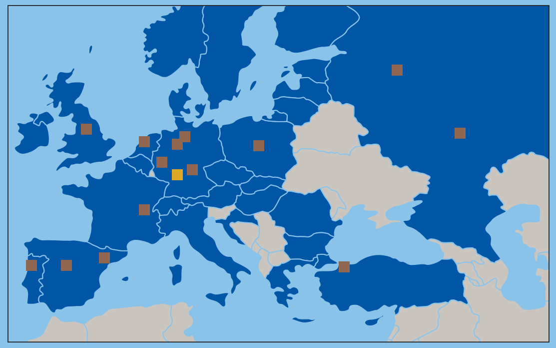
When arranging the Cartonplast investment, it turned out to be the largest single investment in DBAG's history. This investment would not have been possible without the DBAG Fund VII top-up fund. Over the course of its 30-year history, the company has established itself as Europe's leading player in its market. The management has drawn up a clear plan for the coming years: to sustain growth by expanding the existing business, broadening the product range and continuing to serve its global clientele.

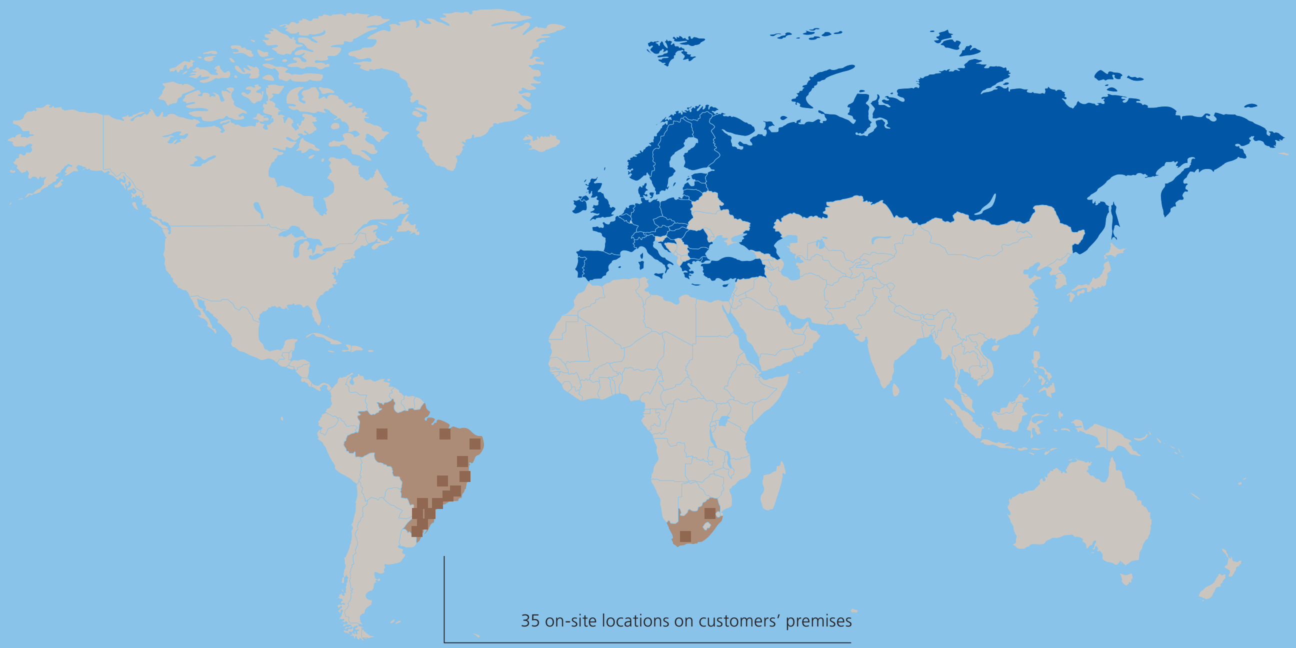
Serkan Koray (CEO) and Thomas Krausch (CFO) at a Cartonplast ware-house for plastic liners

GLOBAL PRESENCE

The only international provider of closed loop supply chains for the food and beverage industry

- Coverage for the PLP Loop (Plastic Layer Pads)
- Coverage for logistics solutions
- Headquarters
- Service locations

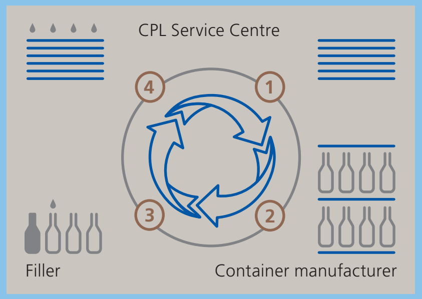




Cartonplast provides hygienically safe, efficient and cost-effective transport of glass containers by providing reusable plastic layer pads on a rental basis. The future is glass: plastic bottles are gradually being phased out for environmental reasons. Plastic layer pads are the best choice for the transportation of glass containers because they are more hygienic, safer to transport and, because they can be reused, they are also more cost-effective than cardboard layer pads.

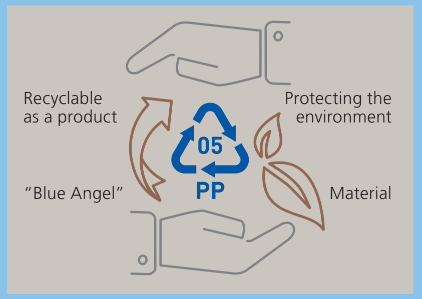
Over the next few years, Cartonplast intends to benefit in particular from its customers' capacity expansion and an increasing market share for plastic layer pads. Management also plans to leverage further potential by introducing additional complementary products such as plastic pallets. Cartonplast's rental business is also set to be introduced and expanded in Brazil and France.

CLOSED LOGISTIC CYCLE AT THE CUSTOMERS



An outsourced PLP (Plastic Layer Pads) pool has several advantages from the customer's perspective: New fillers can be more easily integrated into the existing network, making the operational process more efficient and reducing capital commitment.

AN ENVIRONMENTALLY FRIENDLY SUSTAINABLE BUSINESS MODEL



Cartonplast is very much committed to achieving sustainability and has already been awarded Blue Angel certification. PLPs are both reliable and extremely durable. They are fully recyclable. The recycling process involves minimum CO_2 emissions. The latest technology is used to clean the PLPs with minimal environmental impact.

CARTONPLAST HOLDING GMBH, DIETZENBACH, GERMANY

The company primarily rents out reusable and recyclable plastic liners, which are used in the transportation of glass bottles and containers for food and beverages. Within the value-added chain of its customers, the company operates a closed loop supply chain, which, in addition to rental, also includes the collection, sorting and cleaning of the intermediate layers.

REVENUES IN 2019:
83 million euros

NUMBER OF EMPLOYEES 2019:
812

REGIONAL FOCUS:
global

START OF INVESTMENT:
November 2019

Long-Term Investments

Growth financing for family-owned businesses

Private equity is typically a partnership with a fixed term. However, sometimes the term offered by private equity funds does not match a company's needs. Time and again, family owners are looking for a co-investor with a truly long-term perspective. And sometimes a family owner will consider the option of private equity financing only when the private equity firm can prove its long-term commitment and substantiate this with a suitable type of investment. This is true irrespective of the individual company's specific business model or growth perspectives. This is why we have now developed a tailored solution that covers a longer period of time. This move underlines our positioning as a provider of full-service equity capital solutions for mid-market companies.

We now also enter into investments which are exclusively funded from our own balance sheet, both in our core sectors and in our new growth sectors, and predominantly in family businesses with above-average growth prospects.

DBAG plays a key role, for example, in succession arrangements within the shareholder group or in improvements to the capital structure. Our main focus is on equity investments between 15 and 35 million euros per investment and typically involve minority shareholdings.
We are looking to enter into larger transactions in partnership with co-investors. This would involve companies with revenues between 50 and 500 million euros. What is always important to us in this context is to have an experienced management team in place, one which pursues a clear-cut plan for growth. The potential for reliable profit distributions is another factor that can underline the quality of a business model and its implementation.

Last year, DBAG completed its first transaction using its new financing offer, with Hausheld AG, a company operating in a market which is just emerging. As such, Hausheld represents the other end of our investment spectrum when compared with the larger companies. In this instance, it was the structural growth potential of the market itself that was the decisive factor in our investment decision.

The opportunity seldom arises to gain a foothold in an emerging market characterised by structural growth. Hausheld provides a key contribution to the transition of the German energy sector (the "Energiewende") within the area of electricity supply. The system is also transferable to other segments, including gas and water.

It is increasingly clear to all of us that we need to address the "Energiewende" – this means restructuring and realigning energy supplies in Germany, creating new markets with long-term growth potential. Our new portfolio company is the only provider to date that can offer its customers, for example municipal utilities, a full-service solution for setting up a smart metering infrastructure, and to provide the electricity metering services that go with it. Hausheld is active in one of the main sub-markets that will be used to measure the success of the energy turnaround – in the literal sense of the word.

> *"Our product allows us to support the growth of family-owned businesses over the long term."*

Bernd Sexauer, Managing Director at DBAG

Holding period of 7 years or more

Focus on family-owned businesses

Volumes of 15-35 million euros

Predominantly minority investments

Larger investments with co-investors

Long-Term Investments

Focus on companies in special situations

> *"We are now investing in companies that need a little more time to realise their full potential."*

Christoph Großekämper, Managing Director at DBAG

DBAG is the right partner for companies with strategic or operational needs. The pandemic is like a magnifying glass, making challenges more visible. Companies are questioning their regional presence, their product range and their business processes in order to position themselves competitively for the long term.

Our financing offer is aimed at companies that are facing exceptional circumstances, requiring additional capital. At the moment, such exceptional circumstances are most likely due to the pandemic.

We offer to support companies in successfully coping with their upcoming challenges. A company's strategic positioning is frequently questioned here: is the current product portfolio, the efficiency and quality of supply chains and perhaps even the existence of a very extensive regional presence still sustainable? This often leads to the need to identify the right leaders, who can successfully manage change. Most importantly, however: in the wake of the pandemic, such strategic and operational challenges are more pressing than ever. Our focus is mainly on those companies operating in a fundamentally healthy market, helping them to regain their long-term competitive edge. Companies frequently regard DBAG as a particularly valuable partner and a solutions provider: In addition to our financing offer, we can draw on decades of industry experience and know-how in successfully implementing change processes. We strongly believe that this offer is the right product for the current market phase. We are usually asked to provide additional equity for mid-sized companies or provide support where a group is planning to part company from another line of business. Our focus is to acquire majority shareholdings, and therefore we envisage equity investments of 15 to 35 million euros per transaction.

In this respect, we are concentrating on industrial Mittelstand companies in particular. Therefore, we are focusing on those sectors where we have a very good understanding of the sub-markets and diversity of the various business models, and where the prospects for success are particularly high.

Holding period of 7 years or more

SMEs and Group spin-offs

Predominantly majority investments

Volumes of 15-35 million euros

Well invested.

You can adopt a safe approach by focusing on mid-sized and well-managed enterprises – especially in this crisis. As we can see from a discussion between DBAG's Chief Financial Officer Susanne Zeidler, Dr Michael Lang, Head of Acquisition Finance at Helaba Landesbank Hessen-Thüringen, and Oliver Diehl, Head of Equity Capital Markets at investment bank Jefferies, banks and investors, as well as DBAG, share the same view.

Talking to Susanne Zeidler

From left to right: Dr Michael Lang, Oliver Diehl and Susanne Zeidler

Ms Zeidler, how has the coronavirus crisis impacted DBAG?

Zeidler: Well, first of all, we experienced a sharp downturn in the spring. Planned investment opportunities were pulled from the market and our business almost ground to a halt. However, this also afforded us the time to re-position our portfolio companies – an exercise we then focused upon, which proved to be successful. As things stand now, we can say that the risks in our portfolios are manageable.

And what about DBAG itself? Is your own financing not under pressure too?

Zeidler: Not at all. In fact, we even expanded our financing resources. We originated DGAB Fund VIII pretty much at the start of the pandemic – with commitments that slightly exceeded our target level. Given our business model, this means rising investment volume. To be precise, it represents an expansion to 360 million euros in the coming three years, for which we provide solid financing as always – through proceeds from the portfolio, but also through credit lines in the short term and exchange listings on a longer-term horizon.

Let's bring in Dr Michael Lang and Oliver Diehl at this point. Dr Lang, in light of this increasing investment volume, you have extended a new credit line of 40 million euros to DBAG. Do you not consider this a risky step in the current climate?

Lang: Actually, we do not see this as a risky step at all. We know that such a commitment will be used for the exclusive purpose of financing the future and growth. We also know that DBAG's experts are very good at assessing the opportunities and risks related to the businesses in which they invest. The company's investment and disposal track record confirms this. At Helaba, we pride ourselves on providing tailor-made acquisition financing, combined with a deep understanding of investment parameters in the private equity business. We were therefore in a position to make DBAG a convincing offer, even in the midst of a pandemic.

Yet history can only predict the future to a limited extent. Do you also believe that stability and security are structural advantages of a private equity company?

Lang: Yes indeed. Strategic buyers have stockpiled liquidity and secured cash flows during the pandemic. Private equity investors are exploiting current opportunities, acting selectively. They identify largely resilient companies, and of course a player such as DBAG also has the strength to be able to grasp investment opportunities at attractive multiples. It is also clear that the demand for equity among companies will rise as a result of the pandemic. Therefore to have a strong partner such as DBAG on board for this is a good idea. We see it as our role to support such strength.

You address the resilience of the portfolio companies. How exactly do you keep track of these as an external party?

Lang: We closely examine every one of DBAG's transactions. As a central institution of the savings banks, we can generally obtain a sound insight even if we don't have a business relationship with the company concerned. This is because we can rely on the expert knowledge of our colleagues in the respective regions.

Mr Diehl, from the perspective of the equity market, how do you assess the risk potential of the portfolio companies, and hence of DBAG?

Diehl: The DBAG share has recovered quite quickly from its low of around 24 euros. The company's market capitalisation is currently around 500 million euros. I believe this figure is a good reflection of the opportunities and risks. The share price recovery shows that only a small number

"What about DBAG's financing?"

Is there a risk that it will come under pressure in the current phase?

of the portfolio companies were negatively affected by the pandemic – and that DBAG managed the effects well.

What exactly does "well" mean in this context?

Diehl: Take for example the fact that DBAG reverted to growth and momentum at an early stage: five new investments were made shortly after lockdown ended. This is clear evidence of successful crisis management.

The crisis is by no means over. How do you both assess the future prospects for DBAG's business model?

Lang: DBAG has consistently pursued its diversification towards digitalisation and healthcare. This is a worthwhile move. At the same time, the company can build on a quality that has set it apart for many years, namely its wealth of expertise. We know that DBAG's employees are very well versed in their respective segments.

Zeidler: That is certainly true. Nevertheless, I want to state clearly here that we very much hope to see a sense of proportion being applied by politicians with regard to further measures aimed at containing the pandemic – not just because of the returns we want and have to achieve, but also because of the jobs that are at risk, and in light of the fact that our investor base also includes institutional investors such as pension funds that are required to achieve certain returns for their pension funds. At the same time, we hope that people consistently ad here to the protective measures, so that we can avoid even more drastic steps being taken.

Diehl: There are additional risks aside from the pandemic. While the changeover to the new US administration certainly comes first, Brexit continues to raise many questions.

In this context, how wise is it to invest in German Mittelstand enterprises, of all things?

Diehl: All in all, international investors view the situation in Germany as very positive. One of the reasons for this is the type and scope of government support that has strengthened companies overall. We have therefore seen only a few emergency capital increases compared to other countries. Germany is therefore very attractive for investors.

Zeidler: Investing in Mittelstand enterprises – also during the crisis, and especially so – is always worthwhile when it involves substantially sound companies. Moreover, it pays off if the companies go straight back to consistently implementing their strategic objectives following the accomplishment of acute crisis management – this is the case with our portfolio companies. They will be better positioned than before the crisis.

Talking about "strategic objectives": this increasingly includes the topic of sustainability, not just from the perspective of the companies themselves, but also for banks and investors. Is there any scope and time for 'green' and social topics right now?

Lang: At Helaba, we are 100 per cent committed to sustainability – even in the crisis. Sustainability is deeply rooted in Helaba's DNA, with its public-sector mission to foster the common good. We want to actively support our clients in their transformation process towards climate neutrality, by providing sustainable financial products; in this way, we want to be a reliable partner, especially during the crisis. It will become increasingly difficult for companies unless they can demonstrate appropriate performance in the classic areas of ESG – in other words, adhering to environmental, social and governance standards.

Diehl: Yes, and investors are exerting pressure here too. Some 35 per cent of total net inflows into global equity funds have been invested in ESG funds in the current year. Even economically sound companies are

We finance our business via portfolio proceeds, as well as via credit lines in the short term and via the stock exchange in the longer term.

"We have even been able to expand our opportunities."

sometimes ignored because they adversely affect a fund's ESG rating.

Zeidler: We can confirm this trend, and we are acting accordingly. Specifically, we have been incorporating ESG criteria into our processes for many years, taking them into account within the framework of every due diligence process ahead of new investments. We consistently resolve any issues that may still be pending in this respect.

Does it also play a role in this context that DBAG will not only co-invest alongside its funds in the future, but will also be making investments exclusively from its own balance sheet? And that this will happen particularly when it comes to longer-term investments, for which sustainability is particularly important?

Zeidler: For a start, sustainability is equally important to us – regardless of whether we co-invest alongside our fund investors or commit within the scope of a Long-Term Investment. We always target long-term and of course sustainable value enhancement through strategic development. This sometimes requires more tenacity than is standard in the classic timeframe of a private equity fund. We have extended our offering for these cases …

Diehl: …and therefore arrived at a really important point. This allows you to hold companies outside of fund cycles that demonstrate excellent performance; a highly interesting option for investors, too.

Lang: DBAG has significantly enhanced its flexibility, exploring additional investment opportunities outside traditional private equity business. With this new type of investment, the focus turns to, for example, long-term oriented infrastructure companies, where investors participate in the continuous cash flow over longer periods of time, and to a lesser extent in the exit proceeds. This combination, together with the advantages of a listed private equity company, is something that no competitor focusing on mid-sized companies in Germany, Austria or Switzerland can offer right now.

Finally, a small mental experiment: if you could change places with one of your discussion partners today, which one would be your most likely choice and what would fascinate you particularly about your partner's role?

Lang: I would be interested in Ms Zeidler's position. I would find the close proximity to corporate decision-making at portfolio companies, in specifically challenging situations, very exciting.

Diehl: I see it the same way. It must be satisfying to identify optimisation potential in companies – especially when this potential can be exploited fully in the end.

Zeidler: As DBAG's Chief Financial Officer, I find myself somewhat on the fence. My actions have to satisfy a lending bank on the one hand while making sense from an investor's perspective on the other. While this is not always an easy task, it really is very exciting. In this respect, I am quite happy in my position – especially because it means I can carry out both roles.

Many thanks to you all for the discussion!

The DBAG share

Access to a highly attractive asset class

Private equity allows investors to participate in the value creation of non-listed companies. Funds for this asset class are predominantly invested in closed-end funds, which are usually not directly accessible to private investors. Deutsche Beteiligungs AG offers access to this asset class at the price of one share – tradeable on a daily basis, with low transaction costs, high risk diversification and with the very highest transparency that only a company listed in the Prime Standard segment of Deutsche Börse can offer.

AN EXCEPTIONAL BUSINESS MODEL – AN EXCEPTIONAL SHARE

DBAG shares allow investors to participate in a unique integrated business model: they are given access to continuous 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 themselves listed. We therefore invest predominantly alongside the DBAG funds. We also exclusively deploy our own financial resources to invest in companies that do not fit the investment strategy of our funds.

The DBAG share combines the advantages of an investment in attractive mid-sized businesses with value levers that private equity investors can apply. With the expertise and know-how that we offer to our portfolio companies, they have the opportunity to implement their resources in a more targeted way – in order to make their corporate visions come true. And thanks to the capital we provide they can finance their activities. Not only do we strengthen our investments by doing this, we also create value for our own shareholders.

A WELL-MANAGED CRISIS

DBAG demonstrated its ability to continue carrying out its business operations successfully and without restrictions, even in extremely challenging times. We implemented what was an almost complete changeover to home working in record time in the previous financial year. In summer 2020, shortly after the first lockdown ended, we could already announce several new transactions – we also expanded our geographical reach towards Northern Italy.

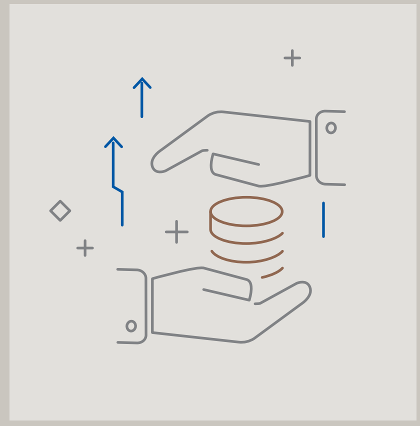
But above all, we also fulfilled our role as shareholder in the portfolio companies with great commitment, supporting them in avoiding the impact of the pandemic. A raft of portfolio companies arranged purchases to expand their market position. Providing close support to our portfolio companies will remain a top priority for us in the future too.

At the same time, we want to add additional attractive companies to our portfolio and the successful placement of the new DBAG Fund VIII will provide us with the necessary resources for this. We have also extended DBAG's financial scope by taking out another credit facility. Furthermore, the income earned from the advisory services provided to the funds has secured DBAG's further development in the years ahead. Not least, Long-term Investments are unlocking new potential for our shareholders.

TOTAL DISTRIBUTION

12.0

MILLION EUROS



NET RETAINED PROFIT

201.5

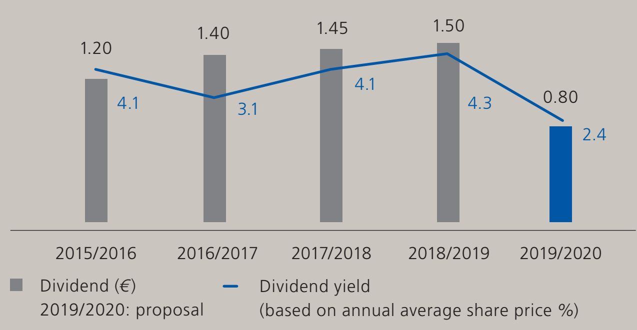
MILLION EUROS

UNCHANGED DIVIDEND POLICY SUSPENDED FOR THE REPORTING YEAR

Given the disruption of our business caused by the pandemic, we have suspended our dividend policy – which otherwise remains unchanged – for the year under review. DBAG's liquidity has been reduced as a result of investment opportunities taken in the 2019/2020 financial year. Uncertainty also remains as to the further course of the pandemic. All of this means that we cannot rule out slower investment progress and further delays in the disposal of mature portfolio companies.

The proposed dividend of 0.80 euros per share is at the upper end of market expectations and equates to a dividend yield of 2.4 percent based on the annual average share price. As a result, this proposal at least meets the criteria to deliver an attractive dividend yield. Essentially, notwithstanding the very volatile results compared to the previous year, we want to continue to pay a stable dividend that increases whenever possible. At the same time, we aim to provide our shareholders with an attractive dividend yield. When deciding on the dividend amount, cash inflows from our two business segments, future funding requirements for (co-)investments, and the ability to pay a sustainable dividend, also have to be considered. We expect that once the pandemic flattens out and the economic environment starts to return to normal in the financial year 2020/2021, we can return to levels of between 1.00 and 1.20 euros per share and to our policy of stable dividends – and even higher dividends where possible.

Dividend and dividend yield



Performance[1] over …
(p.a. in %)

		The DBAG share	Dax	S-Dax	LPX50[2]
1 year	Financial year 2019/2020	(0.9)	1.3	13.8	(10.2)
3 years	Financial years 2017/2018 to 2019/2020	(8.7)	(0.4)	1.4	3.2
5 years	Financial years 2015/2016 to 2019/2020	8.3	6.1	8.4	7.4
10 years	Financial years 2010/2011 to 2019/2020	10.5	7.5	11.1	11.3

[1] Allowing for the distribution of dividends
[2] Index of the 50 largest internationally listed private equity companies in terms of market capitalisation; the DBAG share is included in this index.

INVESTOR RELATIONS: WE FOCUS ON AN ACTIVE APPROACH

It was more important than ever in the previous financial year to maintain our typically intensive dialogue with investors and financial analysts. We communicated as much information as we could about the impact of the pandemic on our business operations and on our portfolio companies. With face-to-face meetings no longer possible, we adapted quickly to digital formats. This was also the case with our Capital Markets Day, which once again met with a positive response. We intend to maintain this high level of information flow from now on, providing comprehensive reporting and delivering information in a more engaging way. This is why we meanwhile offer a regular newsletter and publish our annual report as a financial report for the mandatory elements, which we supplement with this company magazine shown here.

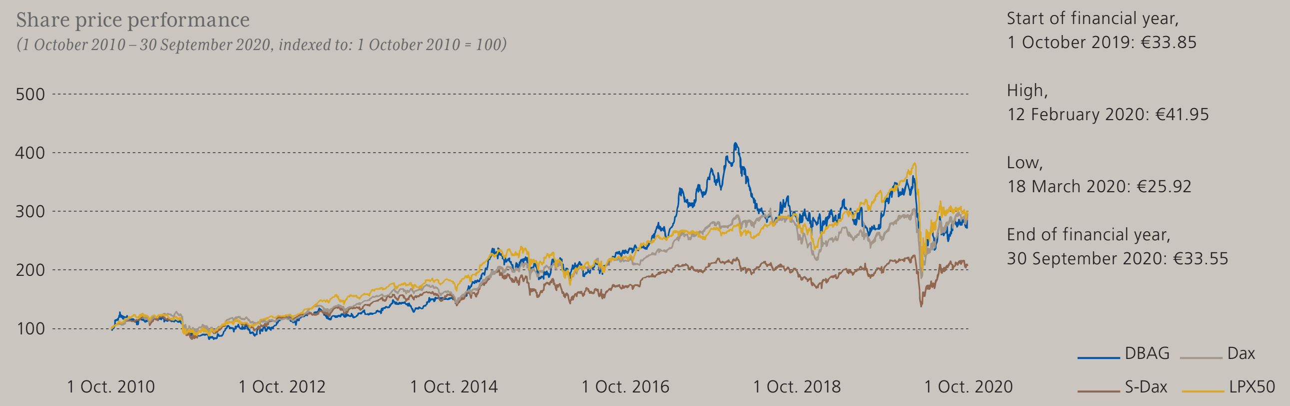
29 DAYS
OF (DIGITAL) ROADSHOWS

73
MEETINGS

“The intensive exchange of views and information with the capital markets was particularly important during the year under review.”

Susanne Zeidler
Chief Financial Officer

Share price performance
(1 October 2010 – 30 September 2020, indexed to: 1 October 2010 = 100)



THE PANDEMIC ACTS AS A GREAT LEVELLER IN THE CAPITAL MARKET

Our share made a good start initially to the 2019/2020 financial year and clearly outperformed its benchmark indices. The outbreak of the corona pandemic led to an unparalleled slump on the international stock exchanges in March 2020. In the remaining months of the financial year, the DBAG share price and the indices followed a very similar pattern. Independent development on the basis of fundamental data was observed only sporadically and for shorter periods of time.

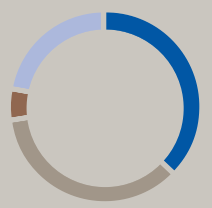
Overall, the stock exchange returned quite quickly to levels seen at the start of the year, driven not least by liquidity. The S-Dax in particular, which tracks the performance of the smaller stocks, performed well, while our share followed this trend at a lower level.

Our business model is decisive here, which is also shown by the similar – albeit even more pronounced – development of the index of the largest private equity companies, the LPX50. Capital market volatility has a two-fold effect on our share price. Firstly, movements in the market as a whole inevitably have an effect on individual securities, while secondly, changes in capital market multiples lead to valuation adjustments in our investment portfolio and have a direct impact on income. We therefore continue to stress that short-term considerations are only of limited value to DBAG, because the value enhancement strategies of our portfolio companies are designed for a horizon of several years.

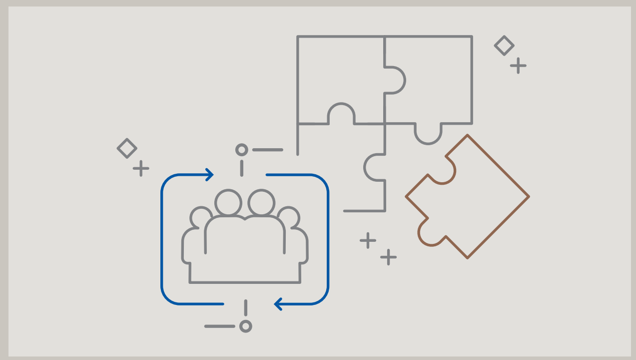
From our point of view, the longer-term development of our share is therefore of greater importance. It outperformed or at least matched its reference indices on a five- and ten-year comparison.

Key data and financial indicators for the DBAG share can be found on our website, under Investor Relations/Shares/Share data

SHAREHOLDER STRUCTURE (AS AT 30 SEPTEMBER 2020)
in %



Private shareholders	37.0
Family offices	35.5
Foundations	5.4
Other institutional investors	22.1



PROPORTION OF FAMILY OFFICES INCREASES

DBAG has always enjoyed a great deal of trust among private individual investors, family offices and foundations – investors from these three groups hold more than three quarters of DBAG's shares. This basic structure has remained the same over the past twelve months. In addition to German, European and American small-cap funds, among the institutional investors who hold our shares are those who focus on investments in listed private equity companies.

As at 30 September 2019, 37 per cent of our shares were held by almost 14,900 private individuals and joint shareholders. Thus, the proportion of this investor group is about three per cent lower than last year. The proportion attributable to family offices, on the other hand, has increased once again from 31 per cent to 36 per cent. This includes the two shareholders who hold more than five per cent of the shares: Rossmann Beteiligungs GmbH announced in November 2019 that it held a 25.01 percent investment in the Company. According to a notification dated December 2017, Mr Ricardo Portabella holds a stake of 6.65 per cent in DBAG via Taiko SA, an investment vehicle associated with him. These two positions reduce the proportion of shares in free float. According to the voting right notifications that are available to us, the free float was at 68.4 per cent on the reporting date, calculated in accordance with Deutsche Börse's definition.

Interview

"What does the DBAG listing mean for your portfolio companies?"

Chief Financial Officer Susanne Zeidler explains the importance for the company's business

Why do your portfolio companies benefit from Deutsche Beteiligungs AG's listing?

An exchange listing is rather unusual for a private equity firm. Moreover, we are listed in Deutsche Börse's Prime Standard, the segment that imposes the highest transparency requirements, which builds trust amongst our portfolio companies' stakeholders. On top of this, we are deeply familiar with the rules and procedures on the capital markets, and we know how to use the opportunities available – for example, when exiting an investment via the stock exchange. Looking ahead to the future, this might hold attractive prospects for our Long-Term Investments, especially where growth financing is concerned, but also for other companies in our portfolio.

Can you give us a specific example where DBAG has put this into practice?

Yes. We reorganised Pfaudler Group's structure during the financial year under review. First of all, the listed Indian subsidiary GMM Pfaudler Ltd. (GMM) and the second largest GMM shareholder, the Patel family, acquired 80 per cent of Pfaudler's European and American core business from DBAG Fund VI, DBAG and Pfaudler's management team. Around 16 per cent of GMM's shares were then placed from the DBAG Fund VI and DBAG holdings. The merger of Pfaudler and GMM Pfaudler created a fully-integrated provider of anti-corrosion technologies, systems, and services, under GMM's leadership. We therefore created the prerequisites for global market coverage to allow synergies to be exploited: for growth and to further improve profitability.

Do you have competitors that are also listed?

Private equity companies are often privately held. Nonetheless, these still include a number of listed companies. The largest of them – in terms of market capitalisation – are constituents of the LPX50. The LPX index family has established itself in the financial industry as the standard for alternative investment classes. It is important to note that our sector features very varied business models. DBAG relies on investing directly in our portfolio companies and at the same time advising its funds on how to invest their resources. Only nine of the 50 members of the LPX50 index feature this hybrid business model.

Which of these listed private equity companies can be best compared with Deutsche Beteiligungs AG?

The index has an international line-up. From our perspective, the UK 3i Group, Capman from Finland, Eurazeo from France and the Canadian Onex take a similar approach to DBAG in their business activities. They are all constituents of the LPX50 index, with the exception of Capman.

Case study: Broadband/telecommunications

Fast establishment of a relevant market presence

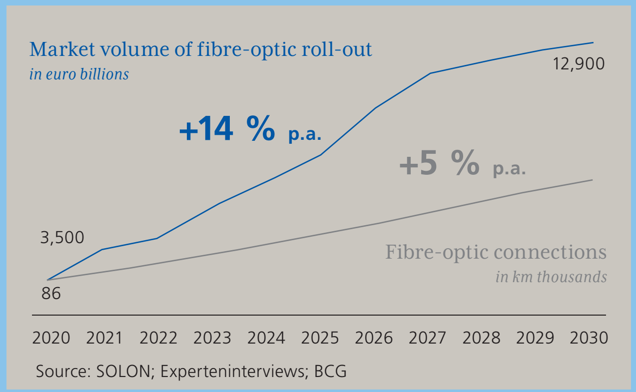
We are driven by our desire to give our portfolio companies impetus to change, support them on their journey, and unlock new potential. When it comes to the dynamic field of broadband/telecommunications, it is mostly all about moving into regional markets at a fast pace, which is why the financing power that our DBAG funds offer is also an argument that carries particular weight when we speak to founders and managers about DBAG potentially investing in their enterprises. We are in a position to provide our portfolio companies with enough capital at any time in order to enable them to finance acquisitions that they would not otherwise be able to sufficiently fund themselves. And most importantly, we ensure that our portfolio companies enjoy the capital resources necessary to enable them to access attractive debt financings.

“By investing in broadband/ telecommunications, we want to do our bit to help grow the fibre optic network in Germany.”

Ragnar Geerdts
Managing Director at DBAG

CONSISTENTLY HIGH GROWTH RATES TO BE EXPECTED

The market for fibre-optic connections is experiencing strong demand for higher bandwidth. There is currently not enough capacity for the necessary broadband expansion. The ever-increasing demand for higher transmission bandwidths is driven by uses like Cloud computing, VPN technology and Industry 4.0 / Internet of Things (IoT), smart TV and streaming and gaming offerings. This market momentum is in contrast to the limited offering for creating new networks, which means interesting market opportunities for our portfolio companies.



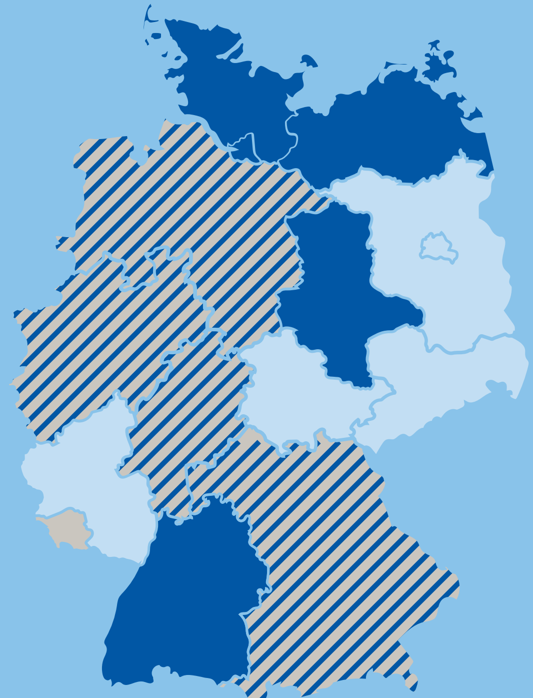
WIDELY VARYING BUSINESS MODELS IN BROADBAND/ TELECOMMUNICATIONS

DBAG has built up extensive expertise of the various business models in this industry over many years – a sound foundation to successfully support our portfolio companies as equals. Having examined a variety of investment opportunities and with a network of experts at our disposal, we currently have a good overview of the companies in the industry which enables us to bring the right players to the table.

vitronet and DING both operate in network installation and also have different strengths. vitronet is known to be an excellent service provider when it comes to advising and planning before erecting a fibre optic network, and is already experienced in implementing major expansion projects. DING, on the other hand, has concentrated more on regional projects.

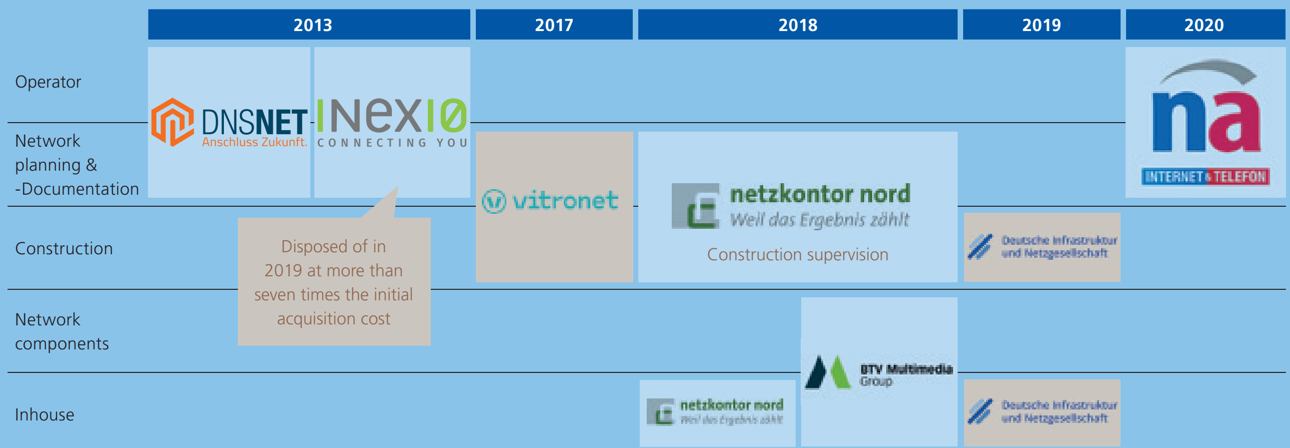
RAPID GROWTH SINCE DBAG'S INVESTMENT

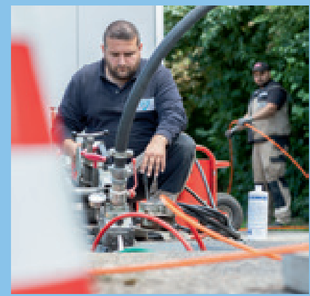
Both companies are growing very fast: vitronet and DING have each been able to multiply their revenue, from the low double-digit millions at the start of the investment to well over 100 million euros in the current calendar year. In parallel with regional expansion, vitronet has broadened its expertise even further and as a result has fanned out its client portfolio, too. The attractive range of services it now offers to trouble-shoot Deutsche Telekom AG's huge copper network is one such example. DING Group has predominantly grown along its value-added chain.



DING Group market presence in Germany

vitronet market presence in Germany





DEUTSCHE INFRASTRUKTUR UND NETZGESELLSCHAFT MBH (DING GROUP) BOCHUM, GERMANY

The DING Group, formerly known as the STG Group, was formed from a construction company founded more than 60 years ago. Today it focuses on the construction of fibre-optic networks and necessary services. In addition to fibre optic installation within buildings, DING's offering includes the operation, equipping and subsequent maintenance of networks.

REVENUES IN 2019:
18 million euros

REVENUES IN 2020E:
125 million euros

NUMBER OF EMPLOYEES IN 2019:
90

REGIONAL FOCUS:
Germany

GROWTH STRATEGY:
Buy-and-build concept

START OF INVESTMENT:
November 2019

VITRONET GMBH ESSEN, GERMANY

vitronet is a one-stop shop for all broadband network setup services, which include planning and documentation as well as the expansion, administration and maintenance of fibre optic networks. Following several acquisitions, its service portfolio also covers capacity for own work underground as well as leasing for copper cables.

REVENUES IN 2019:
97 million euros

REVENUES IN 2020E:
145 million euros

NUMBER OF EMPLOYEES IN 2019:
437

REGIONAL FOCUS:
Germany

GROWTH STRATEGY:
Buy-and-build concept

START OF INVESTMENT:
June 2017

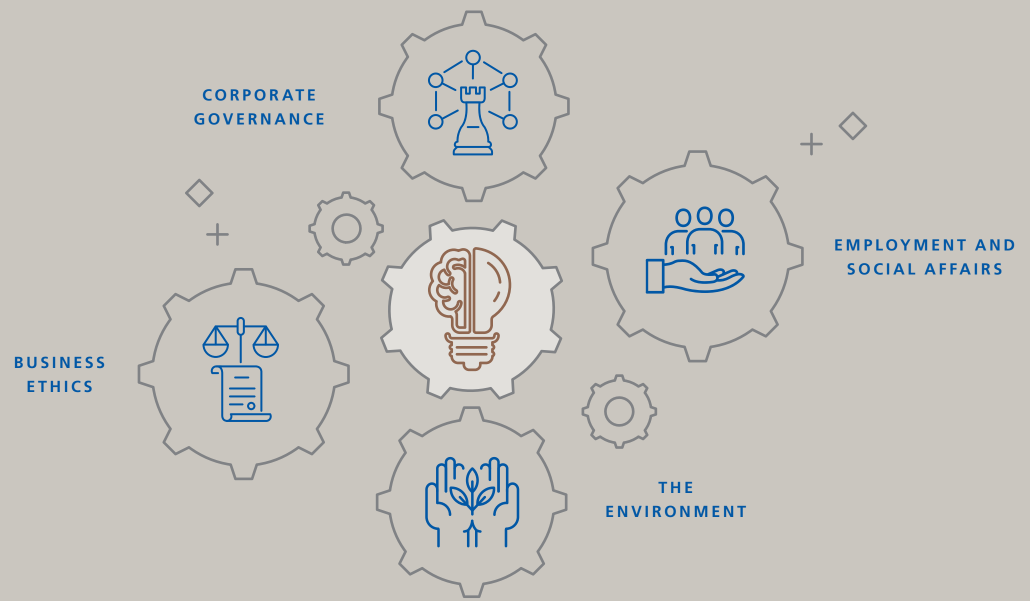
Sustainability

A holistic approach to responsibility includes investments

Deutsche Beteiligungs AG has always been committed to the principles of sustainable corporate conduct. Taking responsibility for the impact that our decisions have, both now and in the future, is consistent with the long-term nature of our business. This includes the decisions we make in the investment process, in the development and subsequent disposal of our portfolio companies, and in managing our company.

We now also make this aspiration clear in our core corporate objective: "We aim to sustainably increase the value of Deutsche Beteiligungs AG". By this, we mean achieving a long-term increase in DBAG's value, taking economic, social and governance aspects into account.

Companies everywhere are being called upon to have their business performance measured by their extent to which they are in line with globally defined targets to protect the environment and human rights. That is why we have various stakeholder groups questioning us about the sustainability of our actions more and more. As a result, we have decided to define information related to this and then collect and compile the data in the coming year. However, we will not be restricting ourselves to just Deutsche Beteiligungs AG's business processes. We will also be including our portfolio companies.

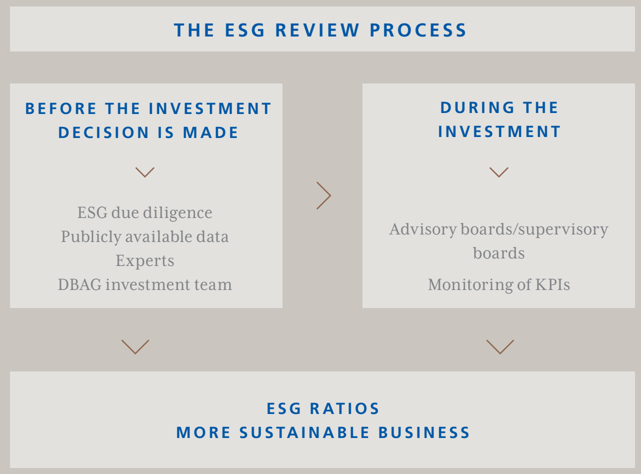


Corporate Governance

VOLUNTARY COMMITMENT: SUSTAINABILITY POLICY AND GERMAN CORPORATE GOVERNANCE CODE

Our sustainability principles are summarised in an ESG (Environment – Social – Governance) Policy. Our ESG Policy addresses both the integration of the Principles for Responsible Investment in our investment process as well as corporate governance issues. In line with it, we rule out investments in specific industries and companies for example – especially any producing arms – from the outset. We do not engage in hostile takeovers either.

In addition, we have consistently followed nearly all of the recommendations and suggestions of the German Corporate Governance Code since its introduction.



CONVICTION AND VALUES THAT GO BEYOND OUR COMPANY

It is very important to us that our portfolio companies also meet our high standards. To this end, we have defined a process that is part of our analysis before we make any decision to invest.

To form an almost complete picture, we observe as many ESG criteria as possible along the value chain focusing not only on risks, but especially on opportunities. An example for such an opportunity is the reduction of energy consumption in energy-intensive production; this will considerably increase a company's result and thus its value. The same applies if occupational safety can be increased or the loyalty of experienced employees strengthened. Companies pursuing a sustainable strategy are more appealing as an employer, win over more customers, and increase acceptance of their actions.

For the review process we not only use our expertise from our numerous investments in the mid-market segment but also rely on experienced and specialised consultants. While we hold an investment, we exert an influence through our active role on the advisory and supervisory boards of the portfolio companies as well as through direct interaction with the Management. Our portfolio companies should be in a position to define and report ESG indicators, and to use these indicators for specific measures that will make their business operations even more sustainable. Our portfolio companies report on their business performance on a quarterly basis and this includes improvements in ESG matters.

Investor requirements for their investments to be more sustainable are increasing: for this reason, funds managed or advised by DBAG have a contractual obligation to take ESG aspects into account in portfolio management and to report on this regularly.

SOUND FINANCING STRATEGY AS THE BASIS FOR SUSTAINABLE PERFORMANCE

Our business activities are geared towards the overarching objective of sustainably increasing DBAG's enterprise value. 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 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 capital markets, and reinvests funds resulting from the disposal of its investments. Other than two credit lines in place to temporarily offset irregular cash flows, the strategy does not involve taking any bank debt. This is reflected in our consolidated statement of financial position, with an equity ratio of around 90 per cent.

Business Ethics

EXTENSIVE COMPLIANCE SYSTEM: ZERO TOLERANCE FOR NON-COMPLIANCE

Ensuring that the relevant 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 portfolio companies, we have introduced a far-reaching compliance system that documents and regulates our obligations.

Our code of conduct sets out our central values and guiding principles. Our Compliance Guideline sets out detailed regulations and information on implementation with regard to business trips and hospitality or dealing with gifts and invitations. There are also precise requirements governing the organisation and monitoring of the compliance system – including its enhancement, and regular training sessions for all employees.

Our high standard for compliance is also taken into account in the due diligence process when evaluating new investments. We do everything in our power to check that the compliance systems in the companies meet our standards.

We also use our offices on advisory boards and supervisory boards to support our portfolio companies in promoting the establishment and enhancement of compliance systems within these companies.

Employment and social affairs

EMPLOYEES: THE BEST POSSIBLE WORKING ENVIRONMENT FOR ALL STAFF

Acknowledging that our employees are our most important resource, we want to offer all DBAG employees the best possible working environment. This includes health-promoting measures as well as appropriate equipment for our workplaces. Throughout the pandemic in 2020, our staff have been able to access the know-how and support of a company doctor as well as an occupational physician. We offer each employee the option of working from home and facilitate this by providing the requisite IT equipment. We promote a culture of respect, openness and flat hierarchies – just as we promote 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 five apprentices working for us in the previous financial year; this corresponds to around six per cent of our workforce.

DBAG 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. These are, for example, situations in which the standard social security systems cannot grant benefits. The DBAG foundation also promotes the arts and cultural projects in the greater Frankfurt area – most recently, a short film festival or the "Luminale", a festival of lighting culture.

Given the circumstances, we were unable to take part in this year's "Malteser Social Day" event. 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 supports this event.

Gemeinnützige Stiftung der Deutschen Beteiligungs AG

The Environment

CARBON DISCLOSURE : 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 – i.e. also for our Company's shareholders. The annual survey provides us with a good pool of data to facilitate continuous improvements in our level of carbon emissions. We will soon be able to include our portfolio companies in this data.

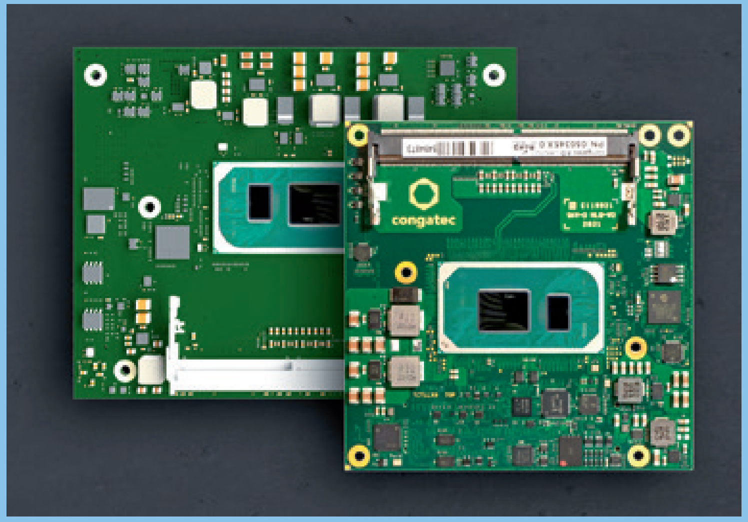
The DBAG Foundation actively supports cultural projects: the St Antonius Church in Frankfurt as host to Luminale, the biennial for light art and urban design.

Case study: Current investments in new businesses

Attractive business models enhance DBAG portfolio

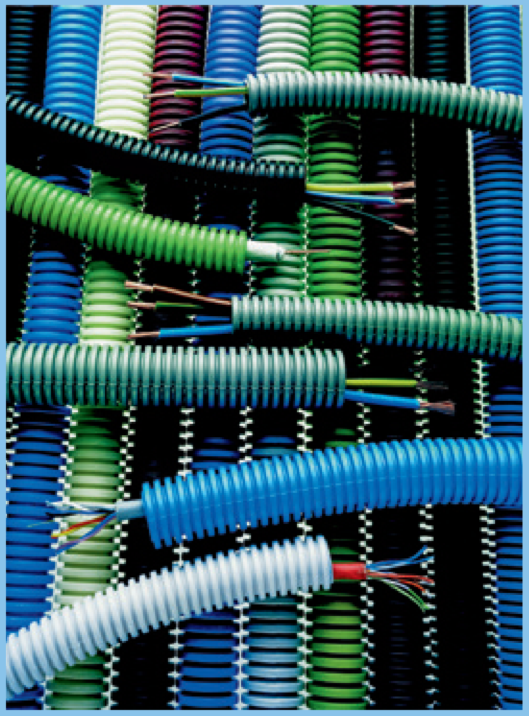
In this chapter we showcase several companies that have been added to our portfolio. Time and time again, we encounter entrepreneurial leaders both in traditional industries and in new growth sectors, who break new ground, defining very precisely how their business model can be successful in a given market, and then focusing on making it happen. These strategies might relate, for example, to a part of the value-added chain, a clearly defined group of clients or even the particular structure of a sales market. An openness to digitalisation, IT and software in addition to this allows business models that are particularly versatile in the long term and as a result also future-proof to develop in these otherwise traditional industries.

CONGATEC GMBH Global leader for powerful computer-on-modules.



MULTIMON AG Project planning for fire protection systems, primarily for high-rise buildings, shopping centres, warehouses, production facilities or listed buildings.

HAUSHELD AG Digitalisation of the German Energiewende (switching the entire country's energy supply to renewables) and secure IT solutions for smart cities: price-optimised full roll-out of smart meters for entire districts and cities with the highest data protection standards.



PM PLASTIC MATERIALS S.R.L. Europe's largest producer of pre-wired and empty plastic cable conduits, primarily for use in electrical installation.

REVENUES IN 2019
126 million euros

NUMBER OF EMPLOYEES IN 2019
270

REGIONAL FOCUS
Worldwide

GROWTH STRATEGY
Organic and inorganic growth to fan out the range of products

congatec supplies computer components required for the Internet of Things and Industry 4.0, making it a company with products that even make automation, robotics and digitalisation possible. Its branches in the UK, France and the Czech Republic as well as the USA, Taiwan, China, Japan and Australia serve a broad customer base ranging from start-ups to international blue chip companies. congatec focuses on outsourced production, meaning it is able to keep capital invested low, while maintaining a high degree of flexibility and scalability. By catching onto new trends early on, it actively shapes market development. Beyond the double-digit growth rates of the market, congatec seizes additional opportunities by acquiring complementary hardware know-how or software know-how.

REVENUES IN 2019
1 million euros

NUMBER OF EMPLOYEES IN 2019
30

REGIONAL FOCUS
Germany

GROWTH STRATEGY
Organic growth

In order for the German Energiewende (switching the entire country's energy supply to renewables) to succeed, the existing power grid has to be turned into an intelligent grid in which all the players on the power market can be linked to each other and controlled. For this to happen, around 50 billion electricity meters will have to be replaced throughout Germany over the next few years. Hausheld offers the municipal utility companies in particular a complete solution in order to switch out large volumes of electricity meters quickly and at a reasonable cost. At the heart of this offering is the company's long-term patented meter that is financed via a leasing model. Neither Hausheld nor the municipal utility companies have to pay out money for this investment. Hausheld will grow swiftly and sustainably as the installed base expands and even more through the regular measurement services that follow.

Jannick Hunecke
Managing Director at DBAG

"congatec will allow us to benefit from strong growth in digitalisation."

TOTAL REVENUES IN 2019
93 million euros

NUMBER OF EMPLOYEES IN 2019
520

REGIONAL FOCUS
Europe

GROWTH STRATEGY
Organic and inorganic growth to consolidate the market

Multimon has spent 35 years building itself a client base of more than 1,600 commercial customers, making it a leading provider on the market. The company offers efficient and regulation-compliant design, installation and maintenance of the complex fire protection systems commonly required for high-rise buildings, shopping centres, logistics centres or underground parking facilities. Multimon buys components available on the market and puts them together to develop a tailored solution for the respective building, which means that the company's future growth will not require a high level of capital investment. Since fire protection regulations are being tightened and any systems already installed have to be serviced regularly and maybe even retrofitted, the share of the appealing recurrent servicing business is growing at a disproportionately high rate.

About the person

Jannick Hunecke (born 1974) has been a member of the team at Deutsche Beteiligungs AG since 2001 and was appointed Managing Director in 2008. Has extensive experience in the industrial services, industrial components, and mechanical and plant engineering sectors. He is also involved with companies in the new growth sector of software/IT services and, in the future, will assume responsibility for companies in special situations.

CURRENT PORTFOLIO COMPANIES
Karl Eugen Fischer GmbH
Silbitz Group GmbH
Gienanth GmbH
Frimo Group GmbH

About the person

Tom Alzin (born 1980) has been working at DBAG since 2004. He was appointed Managing Director in 2011 and has since gained extensive knowledge, particularly in mechanical and plant engineering and service companies. He is also responsible for the Italian business and Long-Term Investments. His most successful transactions include the sale of Homag, Spheros and Schülerhilfe after strong positive performance.

CURRENT PORTFOLIO COMPANIES

congatec Holding AG
Kraft & Bauer Holding GmbH
duagon Holding AG
Telio Management GmbH
Polytech Health & Aesthetics GmbH
Pfaudler International S.à r.l.

REVENUES IN 2019
101 million euros

NUMBER OF EMPLOYEES IN 2019
120

REGIONAL FOCUS
Europe

GROWTH STRATEGY
Organic and inorganic growth in fragmented markets

Thanks to the use of pre-wired plastic cable conduits, large-scale construction projects are becoming more efficient. This is why around half of the revenues of PM Plastic Materials are attributed to these conduits. More than three-quarters of them are used in the professional field. They allow electricity and data to be distributed, for example, as well as television programmes to be broadcast and alarm and control signals to be disseminated in buildings. Due to the low level of fixed costs and capital intensity, the business model is also very resistant to economic fluctuations. With a clear focus on appealing markets, new products and partnerships with leading international distributors, the Management has succeeded in turning PM Plastic Materials into the European market leader for plastic cable conduits over the past few years. Organic and inorganic growth as well as further broadening of the product range will be the driving forces behind this success story continuing into the future.

“Our focus in Italy is on industrial business models.”

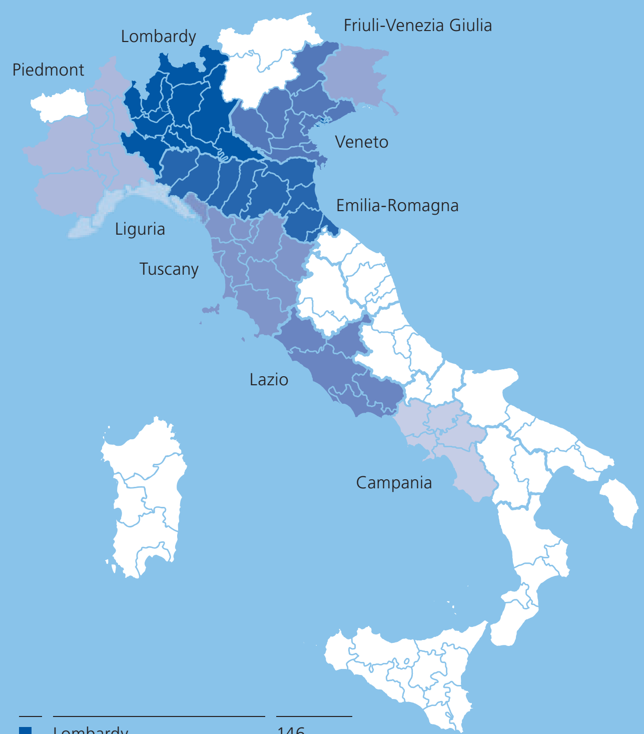
Tom Alzin
Managing Director at DBAG

A WIDER OPERATING RANGE: DBAG NOW ALSO OPERATING IN ITALY

After Germany, Italy is the second-largest industrialised nation in the European Union. Manufacturing is the backbone of the Italian economy. It is heavily dependent on exports and closely intertwined with its key sales market Germany. Italian industrial companies set the international benchmark in many high-end segments. Its industry’s principal activity is also the country’s most important export market: mechanical engineering.

The business landscape in Italy is mainly dominated by the many small family-owned companies, that have often managed to establish themselves as niche players in international markets. In recent times, more and more companies have opened to also tap into new markets outside of Europe.#

BREAKDOWN OF PRIVATE EQUITY INVESTMENTS IN ITALY (2019) BY REGION
Number of transactions



Lombardy	146
Emilia-Romagna	42
Veneto	33
Lazio	27
Tuscany	23
Friuli-Venezia Giulia	18
Piedmont	15
Campania	13
Liguria	8
Other regions	27

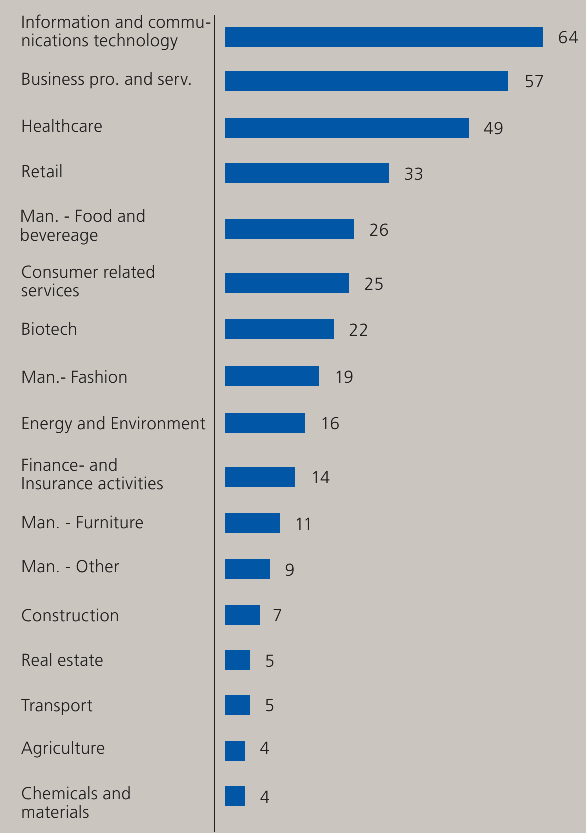
Source: Italian association for private equity, venture capital and private debt

The majority of Italy’s economic power is generated in the North. In line with this, this is also where most private equity transactions take place.

And it is precisely for this type of expansion that small companies need capital, which is why the Italian private equity market has grown well. In 2019, transactions with an enterprise value of well over seven billion euros were concluded, compared to slightly more than 14 billion euros in Germany. Management buyouts account for the largest share of transactions conducted by far in both countries.

This makes the Italian market highly appealing to Deutsche Beteiligungs AG: accompanying family-led companies on their international expansion journey is one of our strengths. As a company that calls Germany home, it is only natural that we partner strong export-driven Italian firms and open doors up for them here in the country. However, Italy’s SME business structure also offers attractive conditions for growth strategies within the country – for example for sector consolidation or for buy-and-build concepts that we have been implementing successfully for several years now.

BREAKDOWN OF PRIVATE EQUITY INVESTMENTS IN ITALY (2019) BY INDUSTRY
Number of transactions



We possess a wealth of experience in both our core and new growth sectors. Together, they cover the three sectors which hold the greatest importance for private equity investment in Italy. Particularly attractive: Italian companies often have a strong focus on technology, which is why the local private equity association has determined that the high-tech industry accounts for a good third of the investments in 2019. Particularly future-proof business models can often be found here.

DBAG's target system

Even greater focus on sustainability

Building the value of Private Equity Investments in the long run requires investments to be made in promising mid-market business models. To grow the value of the equity investments, DBAG supports the portfolio companies during a phase of strategic development spanning several years. The increase in value is realised by way of ongoing distributions, recapitalisation measures and the disposal of the investment.

BUILD THE VALUE OF PRIVATE EQUITY INVESTMENTS

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

BUILD THE VALUE OF FUND INVESTMENT SERVICES

We intend to have our shareholders participate in financial gains by paying stable dividends that will thrive as much as possible. Three aspects play a key role when it comes to deciding on the amount of the distribution: the inflow of funds from the two business segments, future liquidity requirements for (co-) investments and securing the dividend capacity in the long run.

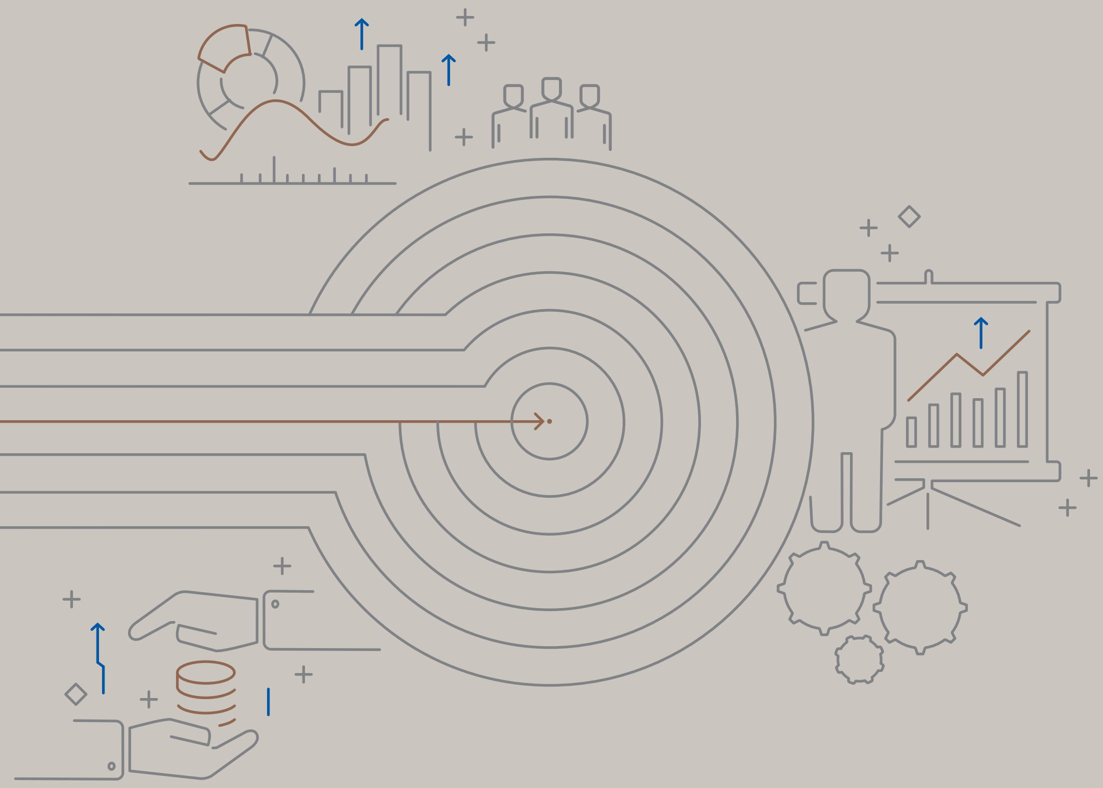
HAVE SHAREHOLDERS PARTICIPATE IN OUR SUCCESS WITH STABLE, RISING DIVIDENDS

Financial targets

- Dividend per share
- Income from Fund Services
- Net asset value

Non-financial targets

- Number and quality of investment opportunities per year
- Percentage share of fund capital commitments attributable to returning investors
- Average length of company service



GARNER ESTEEM AS A FINANCIAL INVESTOR IN THE MID-MARKET SEGMENT

We want to invest the funds that shareholders and fund investors entrust to us. In a highly competitive environment, this is all the more effective the more esteem and trust we have built up based on our market presence in the mid-market segment spanning many years. We have proven time and again that we are able to lead the life's work of founders or families into a successful future, or help peripheral businesses of large corporations that have slipped out of focus on the path to development as independent entities.

GARNER ESTEEM AS AN ADVISOR OF PRIVATE EQUITY FUNDS

The assets of the DBAG funds constitute a substantial part of our 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 to value us as an advisor and ideally to invest on a recurring basis This will only succeed if investors in current funds achieve commensurate returns, and if we are perceived to be solid and trustworthy.

RETAIN EXPERIENCED AND MOTIVATED EMPLOYEES

Our success thrives on the professional and personal skills of our people in all areas of the Company. At the same time, the investment activity requires tremendous commitment and a great amount of resilience, which in turn calls for strong identification with the role. We promote this sense of identification in various ways, including by delegating responsibility early on and offering an attractive compensation and incentive system.

To date, the core business objective of our activity has been to increase the Company's value in the long run. We have further refined this objective and now aim to achieve the long-term, sustainable increase in the Company's value. This objective has several layers of meaning.

In our business, it is impossible to achieve an increase in Company value each and every year. This reflects the fact that key influencing factors are beyond our control. However, by building a solid foundation, we want to achieve this increase over a longer observation period. Moreover, other sustainability factors are increasingly coming to the fore – factors which we want to consider on the grounds of our responsibility to society.

This is why DBAG is in the process of expanding its sustainability strategy in a number of ways, also developing corresponding key performance indicators. In the future, we will be collecting these key indicators both at Deutsche Beteiligungs AG itself and at the portfolio companies as part of a structured ESG process – to measure how we improve our sustainability performance, in terms of living up to our responsibility to the environment and society, as well as in terms of governance – and reporting on these efforts.

We want to achieve our core business objective by increasing the value of the two business segments, Private Equity Investments and Fund Investment Services. As is common in the private equity sector, our performance is measured over a long period of time. The change in net asset value of Private Equity Investments depends upon the appreciation in value of our portfolio companies to a significant degree. Exploiting this development potential requires patience over a period of several years. Income from Fund Services is generated in particular when new funds are launched, which occurs approximately every four to five years, while the usual lifetime of a fund is ten years.

The core business objective is not just to increase DBAG's Company value over the long term, but to do so in a sustainable manner.

Private Equity Investments segment

Pandemic with considerable impact on business

The Private Equity Investments business segment comprises the investments we make in mid-market companies, largely as co-investments alongside the DBAG funds. We have also added our first Long-Term Investment, made exclusively using our own balance sheet. The value of the Private Equity Investments segment – measured on the basis of its net asset value – is a key driver of DBAG's Company value. Net gain or loss from investment activity maps the change in the net asset value; it is determined by the development of the existing portfolio until disposal of investments.

PORTFOLIO VALUE

429

MILLION EUROS

LOWER VALUATION: POTENTIAL FOR VALUE APPRECIATION GOING FORWARD

We valued the portfolio at 429 million euros as at the reporting date. This equates to 1.1 times the original acquisition costs. In the previous year, the valuation corresponded to 1.4 times the original cost. In the past, we have generated average multiples in connection with disposals of 2.7 (gross proceeds of disposals from management buyouts in the period from 1997 to 2020) and 3.4 (gross proceeds of disposals from growth financing in the period from 1997 to 2020).

VALUATION AS AT 30 SEP 2020

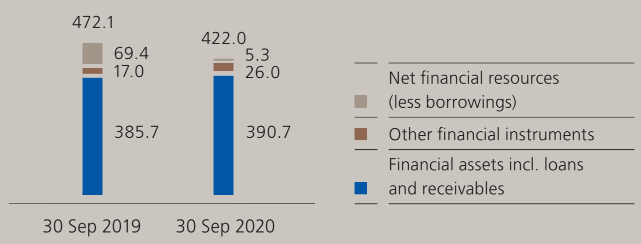
8.8

TIMES EBITDA

Our portfolio companies are valued at 8.8 times EBITDA on average. The companies from our core sectors have a far lower valuation (7.6 times EBITDA) than those from the new growth sectors (10.1 times EBITDA).

Net asset value

€mn



DEVELOPMENT IN 2019/2020

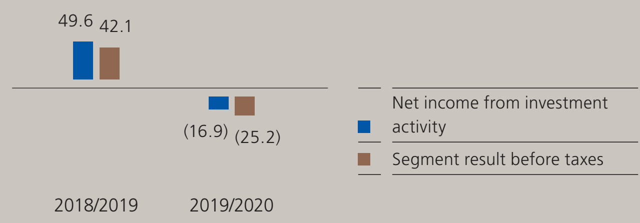
- Net asset value fell by 50.1 million euros; taking into account the dividends distributed (22.6 million euros), this represents a 5.8 per cent decline over the value for the previous year.
- Financial assets were up only slightly on the prior-year value as the additions to the portfolio were offset by the impairment losses relating to existing investments and the disposals following the sale of the investment in inexio, a transaction that was agreed in 2018/2019. The impairments reflect the unwelcome development in the value of the portfolio, a trend that can be traced back primarily to the implications of the pandemic.
- Net financial resources comprise financial resources of 18.4 million euros and a drawdown on credit lines in the amount of 13.1 million euros.

OUTLOOK

Giving due consideration to the opportunities and risks, we envisage a below-average increase in portfolio value in the financial year 2020/2021. Taking into account the distribution in February 2021 – 12.0 million euros are proposed – the net asset value as at the reporting date of 30 September 2021 will be only up to nine per cent higher than one year earlier. Given the overall quality of the portfolio and the planned investments, we expect this value to rise again in the two following years.

Net income and earnings before taxes from Private Equity Investments

€mn



DEVELOPMENT IN 2019/2020

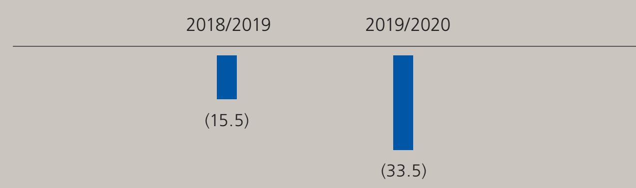
- Net income from investment activity and net income in the Private Equity Investments segment were hit hard by the impact of the pandemic in the financial year 2019/2020.
- The negative contribution from changes in earnings of portfolio companies, in the amount of -58.3 million euros, dealt a particularly hefty blow. 17 companies made a negative value contribution, whereas six made a positive contribution.
- Capital market multiples developed differently in the course of the financial year. They were, however, largely higher than in the previous year, producing a positive effect overall after a negative effect in the previous year.
- The improvement in net income attributable to other shareholders and in net gains and losses from other assets and liabilities of investment entity subsidiaries was only able to compensate for the negative factors referred to above in part.

OUTLOOK

As is typical for the business, net income from investment activity may fluctuate strongly from year to year. We expect net income to improve to between 30 and 35 million euros in the current financial year, with further increases to between 95 and 105 million euros until the financial year 2022/2023. Our planning is generally based on the assumption of stable capital market conditions.

Cash flow from investment activity

€mn



DEVELOPMENT IN 2019/2020

- In the financial year 2019/2020, we once again made substantial investments in our portfolio. As a result, our cash flow from investing activity was negative.
- Proceeds from the disposal of financial assets and loans and receivables are mainly attributable to (i) the sale of inexio realised at the end of the 2018/2019 financial year; (ii) proceeds from the recapitalisation of netzkontor nord; and (iii) the sale of the remaining stake in Romaco Group.
- Payments for investments in financial assets and loans and receivables resulted from capital calls made by investment entity subsidiaries for the new investments in the 2019/2020 financial year and from follow-on investments made by DBAG Fund VII, DBAG Fund VI, DBAG Fund ECF and DBAG Fund V.
- The volatility of the cash flows relating to investment activities is due to reporting-date factors and due to cash flows being concentrated on a few – yet sizeable – amounts in the transaction business, which is typical for our business model.

OUTLOOK

Based on the co-investment agreements with the DBAG funds and our recent strategic move to also include Long-Term Investments in our activities, we predict that investments in 2020/2021 will exceed the value seen in the previous financial year. We expect the inflows from disposals, recapitalisations and dividend distributions from portfolio companies to exceed the investments. This translates into a slightly negative to neutral cash flow from investment activity for 2020/2021, which is set to rise further until 2022/2023.

Portfolio and portfolio value

Portfolio value up only marginally, due to the coronavirus crisis

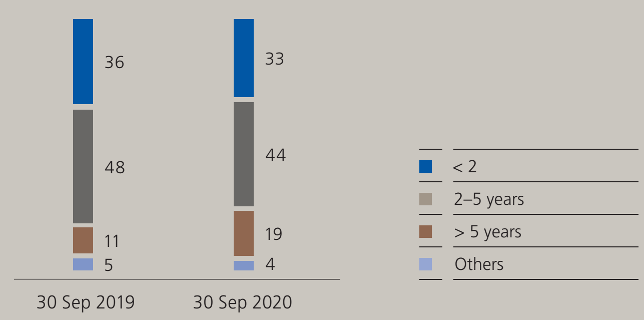
On the reporting date, our portfolio comprised 32 equity investments and one investment in an externally managed international buyout fund, albeit one that is of minor importance. The investments are held indirectly via investment entity subsidiaries, with only one exception. The portfolio contains 26 management buyouts and six investments aimed at growth financing.

The 15 most valuable investments as at the reporting date accounted for around 76 per cent of the portfolio value at 30 September 2020 (30 September 2019: 79 per cent). The table below shows these 15 companies sorted by their portfolio value. They are split into three groups of five companies each, and are listed alphabetically within these groups.

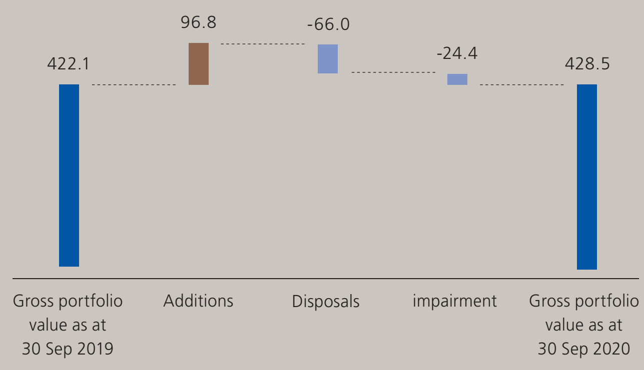
PORTFOLIO STRUCTURE (15 LARGEST INVESTMENTS IN TERMS OF PORTFOLIO VALUE ON 30 SEPTEMBER 2020)

Company	Cost	Equity share DBAG	Investment type	Sector
	€mn	*%*		
DNS:Net GmbH	25.8	15.7	Growth	Broadband/telecommunications
duagon AG	23.8	21.4	MBO	Industrial components
Pfaudler Group	13.3	17.8	MBO	Mechanical and plant engineering
Telio GmbH	14.3	15.9	MBO	Other
vitronet GmbH	4.5	41.3	MBO	Broadband/telecommunications
Cartonplast Holding GmbH	25.3	16.5	MBO	Industrial services
Cloudflight GmbH	9.9	16.8	MBO	Software
netzkontor nord GmbH	5.0	35.9	MBO	Broadband/telecommunications
Oechsler AG	11.2	8.4	Growth	Automotive suppliers
von Poll Immobilien GmbH	11.7	30.1	MBO	Services
BTV Multimedia GmbH	8.9	33.6	MBO	Broadband/telecommunications
blikk Holding GmbH	19.0	11.0	MBO	Healthcare
JCK KG	8.8	9.5	Growth	Consumer goods
Polytech Health and Aesthetics GmbH	14.4	15.2	MBO	Industrial components
PM Plastic Materials s.r.l.	10.7	12.5	MBO	Industrial components

Structure of the portfolio on the basis of acquisition costs
€mn



Portfolio value
€mn



PORTFOLIO COMPANIES HELD FOR A LONGER PERIOD

Due to the market distortions resulting from the pandemic, we only agreed one disposal and completed one partial disposal in the financial year 2019/2020. This resulted in a significant increase in the holding periods of our portfolio companies.

INVESTMENT IN THE PORTFOLIO

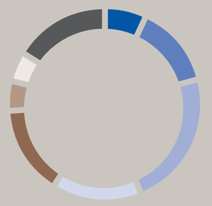
- The portfolio value stood at 428.5 million euros as at 30 September 2020.
- The portfolio value barely changed in the course of the last financial year, although there were six new investments and only one complete disposal. This reflects the unwelcome development in the value of the carried portfolio, a trend that can be traced back primarily to the impact of the pandemic. The additions mainly include the companies listed on page 63 and also Cartonplast. This investment had already been agreed in the financial year 2018/2019.

POSITIVE CHANGE IN VALUE
11
COMPANIES

NEGATIVE CHANGE IN VALUE
16
COMPANIES

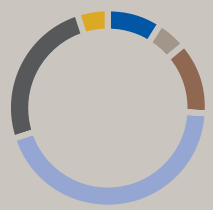
- 52.7 million euros related primarily to eight companies in the industrial sector
- Four of these companies had either direct or indirect links to the automotive industry

Sector breakdown of the portfolio
Costs of purchase, in %



■	Automotive supplier	7
■	Mechanical and plant engineering	14
■	Industrial components	23
■	Industrial services	15
■	Broadband/telecommunications	15
■	IT services/software	5
■	Healthcare	5
■	Other	16

Portfolio value by portfolio company based on net debt/EBITDA
in %



■	< 1.0	9
■	1.0 to < 2.0	5
■	2.0 to < 3.0	12
■	3.0 to < 4.0	44
■	≥ 4.0	28
■	Other	2

SECTOR DIVERSIFICATION CONTINUES

We invest in established companies with a proven business model and potential for development, for example companies with good value appreciation prospects if their strategic positioning is strengthened or their operating processes improved. Companies that fit the range of investments we cover also often have leadership positions in a (possibly small) market, entrepreneurially-driven management, strong innovative capacity and future-proof products.

Over the past few years, we have continually broadened the range of industries we invest in. As at the 31 October 2013 reporting date, for example, 93 per cent of the portfolio's acquisition costs were attributable to our four core sectors, with only two per cent attributable to companies in the broadband telecommunications sector, and five per cent to companies in other industries. Today the four core sectors account for 59 per cent of the portfolio's acquisition costs, with 25 per cent attributable to companies in three new growth sectors – broadband telecommunications, IT services/software and healthcare – and 16 per cent to companies from other industries.

MARKED INCREASE IN DEBT AT PORTFOLIO COMPANIES

Since the beginning of the financial year 2019/2020, the proportion of the portfolio value attributable to portfolio companies with a leverage ratio (net debt/EBITDA) of 3.0 and more has risen to 72 per cent as against 39 per cent in the previous year. The increase was also fuelled by the successful conclusion of acquisitions by four portfolio companies financed exclusively using debt. In particular, the higher debt levels at companies/the larger proportion of such companies in our portfolio reflects the marked drop in expected results, particularly for companies with links to manufacturing industry. Some companies have made drawdowns against credit facilities or taken out further debt. Overall, these factors have contributed to an increase in the leverage of 14 companies to above 4.0.

REVENUES
DOWN BY
3.5
PER CENT

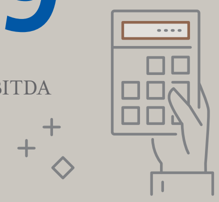
EARNINGS
DOWN BY
10.7
PER CENT

The revenues reported by the 25 companies that we held in our portfolio at the beginning of the financial year have fallen by 3.5 per cent in total. The drop in revenues would have been more pronounced had it not been for the acquisitions made by companies from the new growth sectors in particular. A drop in revenues of 13.9 per cent is attributable to the companies from our core sectors, whereas the revenues reported by companies from our new growth sectors increased by 33.7 per cent. Company acquisitions played an important role, with 27 percentage points of the additional revenues attributable to them. These rates of change were calculated by comparing the revenues that the companies expect to generate for 2020 (or for their financial years ending in 2020) against the value for the prior-year period. We have weighted the revenue growth based on the share of the portfolio value that is attributable to the company concerned.

A look at the development of the weighted average EBITDA of the 25 companies that we held in our portfolio at the beginning of the financial year paints a similar picture. We have based this key indicator, both here and below, (largely) on the expected earnings for 2020, which take the impact of the pandemic into account.

The average weighted EBITDA for the 25 companies was down by 10.7 per cent year-on-year overall. The drop would be more pronounced if acquisitions were left out of the equation. The companies in our core sectors contributed minus 32.0 per cent to the development of the weighted average. Companies from the new growth sectors increased their EBITDA by 18 per cent.

DEBT
3.9
TIMES EBITDA



VALUATION
8.8
TIMES EBITDA

At the end of September 2020, the debt levels of our portfolio companies averaged 3.9 times the expected EBITDA. We calculated this key figure based on the debt levels that the companies expect to have at the end of the year. Companies from the core sectors had debt corresponding to 3.6 times their EBITDA, compared with a multiple of 4.4 for companies from the new growth sectors. 28 companies were included in the calculation of this average figure, weighted based on their share of the portfolio value.

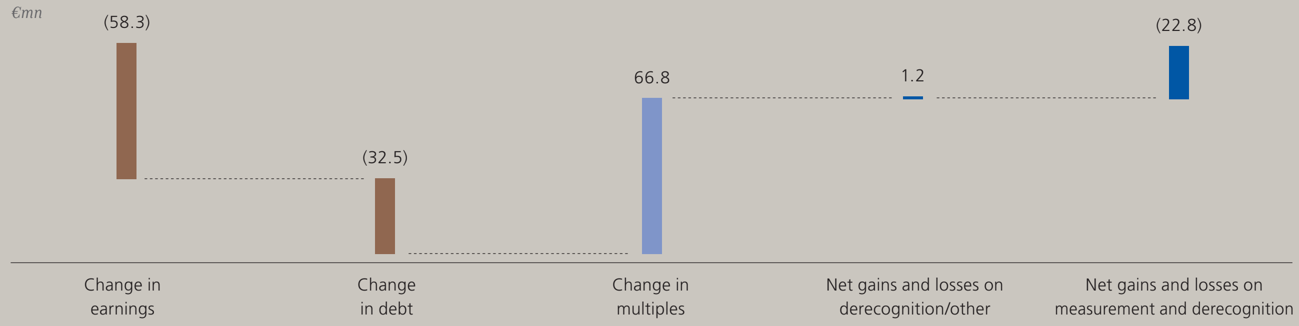
Our portfolio companies are valued at 8.8 times EBITDA on average. The multiple for companies from our core sectors came to 7.6, with a multiple of 10.1 for companies from the new growth sectors. Five companies were carried at the original transaction price. We value done company that is demonstrating particularly strong growth using the DCF method. The other 24 companies were included in the calculation of this average figure, weighted based on their share of the portfolio value.

Net income from investment activity

Business performance hit hard by the pandemic

The coronavirus pandemic led to a serious disruption of the overall economy, dashing hopes of an economic recovery. While it would appear that incoming orders of Germany's industrial sector have bottomed out after reaching a low point in the summer, the fact that they plummeted by around 75 per cent compared with the level witnessed over the last five years shows just how drastic the setback was. As a result, we do not expect a recovery to materialise in the near future. This outlook is reflected in our valuations as at the reporting date, and in our expectations over the holding period of investments going forward.

Net gains and losses on measurement and derecognition portfolio by sources
€mn



VALUE CONTRIBUTION FROM CHANGE IN EARNINGS

The negative contribution made by the change in earnings at our portfolio companies relates primarily to our industrial investments. We now expect the reluctance to invest in a large number of sectors to continue to put a damper on industrial demand. Demand has also waned among companies offering consumer-related products and services, although we do not expect these adverse effects on earnings to be sustainable. The impact on companies in the IT services, software and broadband telecommunications sectors is still comparatively minor, if the crisis has affected them at all.

24 COMPANIES
valued using the multiples method

17 COMPANIES
with a negative contribution from the change in earnings

6 COMPANIES
with a positive contribution from the change in earnings

VALUE CONTRIBUTION FROM CHANGE IN DEBT

- -31.9 million euros relating to the external financing of acquisitions at six companies
- -1.7 million euros resulting from additional credit facilities required by individual companies
- 1.1 million euros: the value contribution made by the other portfolio companies

VALUE CONTRIBUTION FROM CHANGE IN MULTIPLES

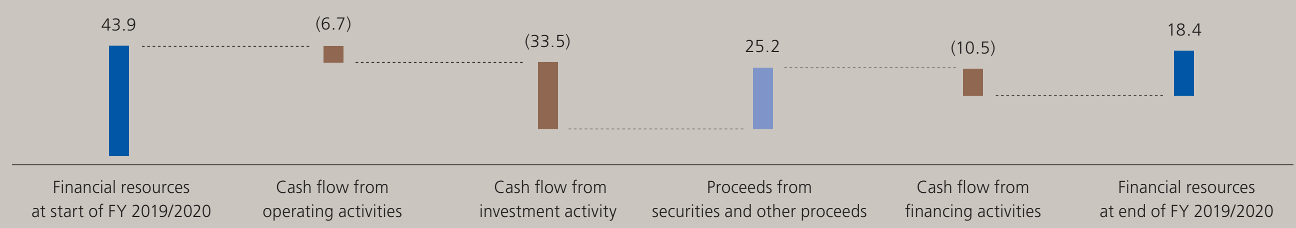
The valuation multiples of listed peer group companies showed varying development in the course of the financial year, although most of them were higher than as at 30 September 2019, for example in the case of those investments in the mechanical and plant engineering and automotive supply sectors. Investments from the broadband/telecommunications sector, on the other hand, were valued based on lower multiples. Furthermore, the financial year 2019/2020 also brought an appreciation in value resulting from implied multiples which, in the case of disposals agreed upon, but not yet completed in full, we derive from agreed disposal prices.

Liquidity position

Additional credit line agreed upon

We also reached an agreement with DBAG Fund VIII to co-invest alongside this fund. The commitments will fall due in the course of the fund's investment period of up to six years. As with the other DBAG funds, we expect to be able to finance a significant part of the commitments using returns from disposals. With a view to these commitments and the funds required for long-term investments, we nevertheless expanded the range of debt financing options available to us during the financial year under review to compensate for the irregular cash flows that typically result from our business.

Development of cash and cash equivalents in accordance with IFRS
€mn



AVAILABLE LIQUIDITY DECLINED

As at 30 September 2020, DBAG's financial resources totalling 18.4 million euros exclusively comprised cash and cash equivalents. The units in fixed-income and money market funds in the amount of 25.5 million euros that we held on the previous year's reporting date were sold in the course of the financial year to finance investments that have an impact on cash flow from investment activity.

Cash and cash equivalents totalling 13.1 million euros relate to drawdowns of credit lines. Together with the distribution made to the Company's shareholders following the Annual Meeting held on 20 February 2020 (22.6 million euros), this is the main factor influencing cash flow from financing activities.

The investment entity subsidiaries hold additional financial resources – exclusively cash and cash equivalents – amounting to 4.2 million euros.

€ mn	**30 Sep 2020**	**30 Sep 2019**
Financial resources	18.4	69.4
Credit lines	76.9	50.0
Available liquidity	95.3	119.4
Co-investment commitments alongside DBAG funds	311.3	129.7

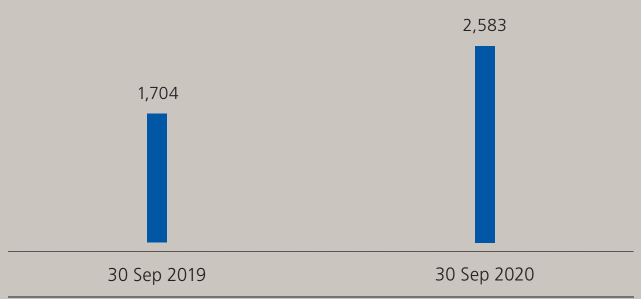
The outstanding co-investment commitments alongside DBAG funds were up by 181.6 million euros year-on-year as at the current reporting date. The increase is related to the start of the investment period of DBAG Fund VIII, which closed in May 2020, for which we have made commitments in the amount of 255 million euros. We reached an agreement on a second credit facility in the financial year 2019/2020, meaning that 90 million euros are now available in total. Three banks are making the facilities available based on conditions that we have secured up until May 2023. We are also still exploring options for debt and equity financing.

Fund Investment Services segment

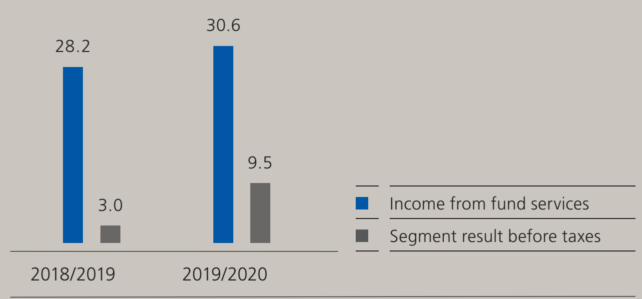
Marked increase in key performance indicators

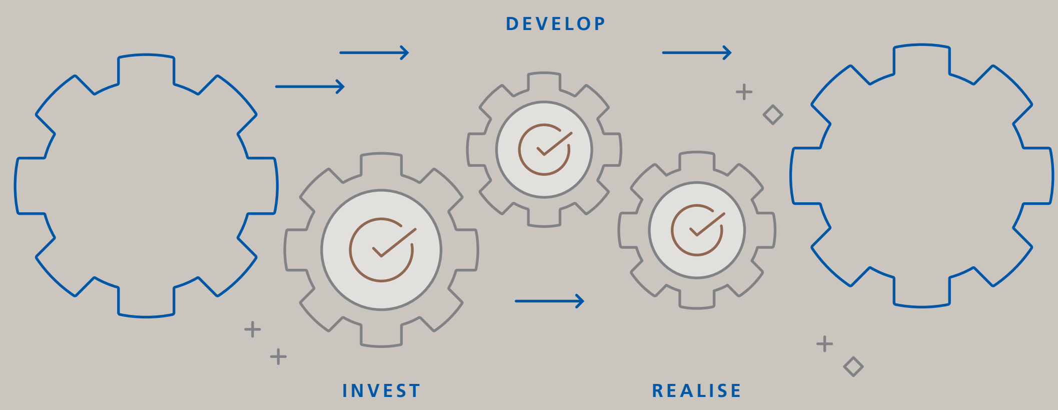
The advisory services provided to the DBAG funds by Deutsche Beteiligungs AG's investment team are bundled in the Fund Investment Services business segment.DBAG is paid a volume-based fee for these services, so that projections can be easily made. DBAG's earnings base increases after fundraising for a new fund has been completed successfully – as was the case with the current DBAG Fund VIII during the past financial year. It is reduced by disposals during a fund's disinvestment phase. DBAG receives additional one-off fees based on individual transactions for DBAG ECF.

Volume of assets under management or advisory
€mn



Income and earnings before taxes from fund investment services
€mn





DEVELOPMENT IN 2019/2020

- The volume of assets under management or advisory increased considerably in the course of the financial year as the investment period of DBAG Fund VIII began.
- As a result, the pending capital commitments by fund investors are now up considerably in a year-on-year comparison. The funds invested in (or called for) portfolio companies or bridge loans also increased due to the brisk investment activity over the last year.
- DBAG's financial resources, on the other hand, fell in particular due to the structuring of additional investments, and also due to the payment of the dividend to the shareholders.

OUTLOOK

- The very nature of the fund business means that the volume of assets under management or advisory increase in a year when a new fund is launched. They are then expected to fall in the years that follow, particularly due to disposals from DBAG ECF.
- This is the trend that we expect to see over the next few years, too. For the financial year ending on 30 September 2021, we expect the volume of assets under management or advisory to total somewhere in the region of between 2,320 and 2,440 million euros, with a level of between 2,010 and 2,115 million euros predicted at the end of the forecast period.

DEVELOPMENT IN 2019/2020

- Earnings before taxes in the Fund Investment Services segment have improved considerably. Income from Fund Services benefited from the new DBAG Fund VIII and, to a lesser degree, from higher income from DBAG Fund VII and DBAG ECF. Fees for DBAG Fund VI declined, as expected. Fees are no longer received for DBAG Fund V as agreed.
- The fact that the negative balance of other income/expense items was down considerably on the previous year also had a positive impact on earnings before taxes.

OUTLOOK

- In 2020/2021, income from Fund Services is expected to be higher than in the previous year as we will be generating income from DBAG Fund VIII for the first full year. Income from Fund Services is expected to remain at this level until the end of the forecast period; disposals from DBAG ECF – which makes a small contribution to fund income overall – are expected to be offset by further investment progress made by the top-up-funds.
- As a result, we expect 2020/2021 to bring higher net income in a range of between 42 and 44 million euros. In the period thereafter, net income is expected to increase further to begin with and be roughly on a par with the level seen in the financial year 2020/2021 in the last year of the forecast period.

5 NEW INVESTMENTS AGREED IN THE FINANCIAL YEAR 2019/2020

Deutsche Giga Access
Multimon
PM Plastic Materials
congatec (closed in October 2020, after the reporting date)
Hausheld

Despite the restrictions that we are all familiar with, DBAG was able to agree on five new investments in the summer of the financial year 2019/2020, shortly after the first lockdown. With exception of congatec, all of these transactions had been closed by the reporting date.

We structured four MBOs. Hausheld is our first Long-Term Investment.

19 COMPANIES ACHIEVED ORGANIC GROWTH IN LINE WITH THEIR LONG-TERM STRATEGIC PLANS

7 COMPANIES ALSO GREW THROUGH ACQUISITIONS

blikk
BTV Multimedia
FLS
DING
duagon
netzkontor nord
vitronet

Our portfolio companies in the broadband/telecommunications, healthcare and software sectors, in particular, are currently achieving inorganic growth. One company, duagon, also made a major acquisition to strengthen its position.

Most of the transactions had been completed by the reporting date.

ONE DISPOSAL AGREED AND ONE PARTIAL DISPOSAL COMPLETED

Rheinhold & Mahla
Pfaudler

Rheinhold & Mahla, a leading industrial services provider for ship interior fittings, sparked the interest of a strategic buyer.

We reorganised Pfaudler Group's structure as a first step and went on to sell part of our investment.

Comparison between actual business developments and the forecast

Forecasts adjusted during the year

The coronavirus pandemic triggered a macroeconomic shock that is the first of its kind in modern economic history. This meant that all of the assumptions on which we had based our original forecast, released in December 2019, were obsolete, and that key performance indicators fell short of the level that was expected. After retracting our original forecast for the reporting year in March 2020, we published a new forecast sor key financial performance indicators in July 2020. This new forecast was met.

Income from Fund Services and investment activity
€mn

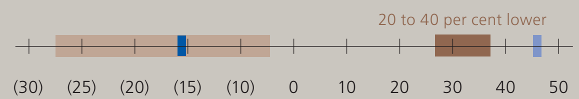
Net expenses under other income/expense items
€mn

NET INCOME 2019/2020 DOWN YEAR-ON-YEAR

At -16.8 million euros, net income for the financial year 2019/2020 was much lower than the prior-year figure of 45.9 million euros. It was shaped by the impact of the pandemic, which resulted in what were sometimes hefty revenue and income losses and in increased debt for many of our portfolio companies. As a result, and despite the positive impact of capital market development, net income from investment activity came to -16.9 million euros, a level that was much lower than in the previous year and fell short of original expectations. As the investment period of DBAG Fund VIII started later than planned, income from Fund Services did not increase to the extent we had predicted at the start of the financial year. Net (negative) expenses under other income/expense items – i.e. the net amount of personnel expenses, other operating income and expenses, as well as net interest – dropped back to 28.2 million euros, largely due to lower personnel expenses.

NET INCOME[1]

(16.8)
MILLION EUROS



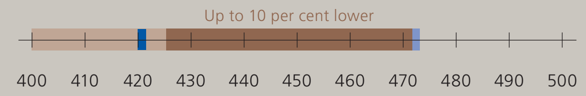
- Basis for the forecast
- Expectations in December 2019
- New forecast in July 2020
- Actual figure for 2019/2020 / as at 30 Sep 2020

[1] Also used as a key performance indicator for the core business objective

Private Equity Investments

NET ASSET VALUE[2]
(reporting date)

422.0
MILLION EUROS



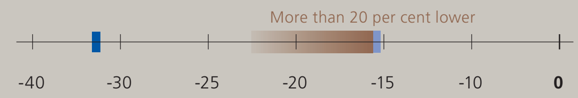
NET INCOME FROM INVESTMENT ACTIVITY[2]

(16.9)
MILLION EUROS

The net asset value and the net income from investment activity are determined largely by the performance of the portfolio companies. While both key performance indicators fell short of the original expectations, net income from investment activity reached the corresponding category nevertheless in formal terms ("more than 40 per cent lower").

CASH FLOW FROM INVESTMENT ACTIVITY

(33.5)
MILLION EUROS

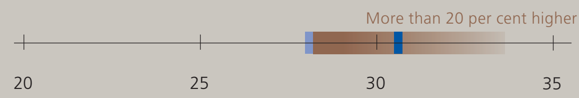


Despite what was, at times, a trying situation on the M&A market, we were able to implement five new investment projects, four of which had been completed by the reporting date. Planned disposals, however, were delayed due to the pandemic, meaning that the cash flow from investment activity was weaker than we had projected.

Fund Investment Services

INCOME FROM FUND SERVICES

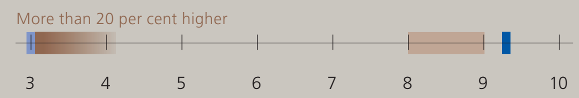
30.6
MILLION EUROS



As the investment period of DBAG Fund VIII began later than expected, income from Fund Services did not reach the projected level.

NET INCOME FROM FUND INVESTMENT SERVICES[1]

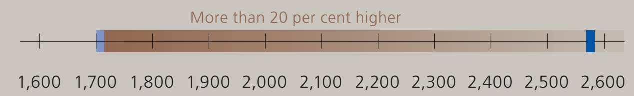
9.5
MILLION EUROS



Net income from Fund Investment Services turned out to be better than initially expected: personnel expenses fell due to the economic developments, compensating for the partial loss of income.

VOLUME OF ASSETS UNDER MANAGEMENT OR ADVISORY (reporting date)

2,582.6
MILLION EUROS



Since we had already assumed, at the time our forecast was prepared at the end of 2019, that the fundraising for DBAG Fund VIII would be a success, the volume of assets under management or advisory changed in line with the forecast.

[2] The forecast was based on the average value of the previous five financial years.

DBAG's stakeholders

Expectations met in part

We are absolutely committed to meeting our stakeholders' expectations. Meeting these expectations will help us to achieve a sustainable increase in DBAG's value. Our most important stakeholders are our shareholders, the entrepreneurs who often place their life's work in our hands, the fund investors who entrust us with their investment capital, and our employees.

SHAREHOLDERS

We aim for a stable distribution per share in euros that would ideally increase on an annual basis. Our shareholders should also expect to achieve an attractive dividend yield which means that when we propose a dividend, we are also taking the capital market environment into account.

DIVIDEND PROPOSAL

0.80 EURO

PER SHARE

PREVIOUS YEAR: 1.50 EURO PER SHARE

Given the disruption of our business caused by the pandemic, we have suspended our unchanged dividend policy for the reporting year. This means that we were unable to meet expectations of an unchanged dividend.

ENTREPRENEURS

We are aiming to execute a large proportion of our transactions with company founders or family shareholders in the future, too. We measure the achievement of this objective in particular based on the number and quality of investment opportunities that we address each year.

NUMBER OF INVESTMENT OPPORTUNITIES

193

PREVIOUS YEAR: 258

In the spring of 2020, the M&A market came more or less to a standstill at times, which led to a corresponding knock-on effect on our deal flow. As a result, and as was to be expected, we were unable to explore an unchanged number of investment opportunities.

STAFF

We measure whether we have succeeded in retaining experienced employees on the basis of the average length of service. We conduct surveys on an ongoing basis to collect information on employee satisfaction. We also conduct regular checks to make sure that the compensation we offer is appropriate based on current market standards.

AVERAGE LENGTH OF COMPANY SERVICE

7.9 YEARS

PREVIOUS YEAR: 7.9 YEARS

The average length of service of employees of Deutsche Beteiligungs AG did not change due to an increase in the workforce. This means that our expectations have been fulfilled.

FUND INVESTORS

The percentage share of capital commitments made for a fund from investors in earlier DBAG funds shows how they value our performance to date. We can only update this figure in a year in which a new DBAG fund has been launched.

SHARE OF FUND CAPITAL COMMITMENTS ATTRIBUTABLE TO RETURNING INVESTORS

86 PER CENT

PREDECESSOR FUND: 75 PER CENT

We were able to outstrip our expectation of achieving an unchanged large proportion of returning investors in connection with the placement of DBAG Fund VIII.

Business review of Deutsche Beteiligungs AG

Sound financing

We had anticipated that the net income of Deutsche Beteiligungs AG in the financial year 2019/2020 would be more than ten per cent higher than in the prior-year.

This expectation was met, thanks first and fore most to the above-average success of the disposal of the investment in inexio. The inexio sale had been agreed shortly before the beginning of the reporting year; the gain from the disposal was recognised in income when the transaction was closed in the first quarter of the reporting year.

The sale of the 25 per cent stake in Romaco, which had initially remained with DBAG as part of the original transaction in 2017, also contributed to the encouraging net income. The balance of the other income/expense items improved because, inter alia, personnel expenses significantly undercut the previous year's figure.

NET INCOME IN ACCORDANCE WITH THE HGB

45.9

MILLION EUROS

PREVIOUS YEAR: 29.1 MILLION EUROS

Condensed statement of financial position of Deutsche Beteiligungs AG
(Based on the financial statements in accordance with the HGB)

(000's) €	**30 Sep 2020**	30 Sep 2019
Non-current assets	383,055	313,702
Current assets	77,693	111,171
Prepaid expenses	357	492
Total assets	461,106	425,366
Equity	430,417	407,046
Provisions	17,003	17,737
Liabilities	13,686	582
Total equity and liabilities	461,106	425,366

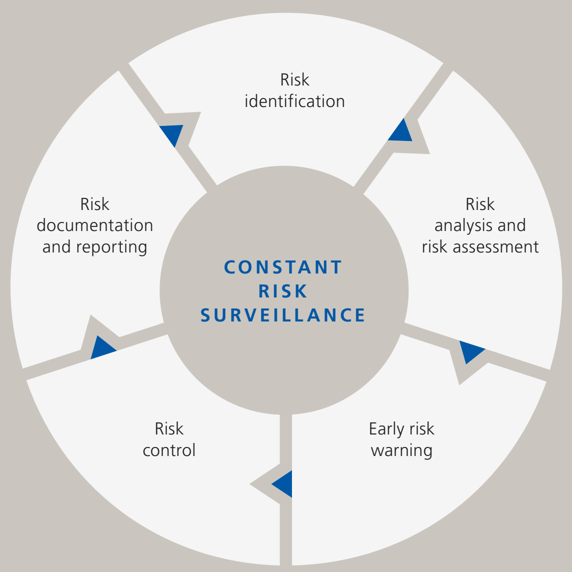
EQUITY RATIO REMAINS HIGH

- Deutsche Beteiligungs AG still has a very solid balance sheet. At 93.3 per cent (previous year 95.7 per cent), the equity ratio remained high. The distributable net retained profit came to 202 million euros, exceeding the prior-year value of 178 million euros.
- In the 2019/2020 financial year, DBAG financed its activities using existing financial resources or its own cash flow. In order to be able to take advantage of investment opportunities at any time, there are two credit lines in place with a combined amount of 90 million euros. They ensure DBAG's ability to co-invest alongside the DBAG funds and exploit opportunities for attractive Long-Term Investments at all times, in addition to its efficient balance sheet. 13.1 million euros had been drawn down against the credit lines as at the reporting date.
- The structure of current assets has changed considerably. In the previous year, less than half of current assets were attributable to receivables and other assets, a category that accounted for almost all of DBAG's current assets at 77 million euros as at the current reporting date. The increase by more than 30 million euros is due primarily to higher receivables from deferred fees for advising DBAG Fund VII. DBAG can request that these deferred fees be paid at any time.

Opportunities and risks

Contribution to value creation by consciously balancing opportunities and risks

In 2019/2020, a year marked by particular challenges, 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. We do not currently perceive any extraordinary opportunities.



Managing risks is a key element of our business processes. Our risk propensity derives from our objective of sustainably augmenting the value of DBAG. In our more than 50-year history, we have proven our ability to successfully balance the risks and rewards of our business. We intend to contribute to value creation by balancing rewards and risks in a targeted manner in the future, too. To this end, we monitor the risks associated with our business activities on a permanent and structured basis. Our risk register currently comprises 49 individual risks, whose probability of occurrence and the extent of impact we analyse and evaluate on a regular basis. The combination of the two values produces the expected value for the risk concerned.

RISK FACTORS WITH A HIGH EXPECTED VALUE

As at the reporting date of 30 September 2020, the risks that we have assigned a high expected value are the same as in the previous year. In our estimation and assessment, there were no risks with a "very high" expected value as at this reporting date. During the course of the pandemic, we were still reporting three risks with a "very high" intra-year expected value. At the current reporting date and based on our estimation and assessment, these risks have now been assigned (only) a "high" expected value again.

	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	Possible	High
Transaction opportunities are not transformed into investments	Unchanged	Low	High
External risks			
Negative impact of general economy and economic cycles in certain sectors on earnings, financial position and financial performance of portfolio companies	Unchanged	Possible	High
Lower valuation level on the capital markets	Unchanged	Possible	High
Access to stock and credit markets is not ensured	Unchanged	Possible	High
Threat to DBAG's independence	Unchanged	Unlikely	Very high
Operational risks			
Insufficient protection of confidential data against unauthorised access	Unchanged	Low	High

OPPORTUNITIES FOR FUTURE BUSINESS DEVELOPMENT

In the Private Equity Investments segment, we expect to see additional opportunities arise from Long-Term Investments – i.e. invest-ments that we make exclusively using funds from DBAG's own balance sheet and not alongside the DBAG funds – which now expand our platform to include equity solutions for the mid-market segment. This will allow us to tap into new investment opportunities. Contributing to this will be an expansion of our geographical focus to include investments in northern Italy. The prospects for further MBOs in Northern Italy are favourable: there are only a few private equity companies active in Italy with as strong a focus on companies with industrial business models as DBAG.

In addition, DBAG's investment team, the size of which was increased again last year, and its structural organisation, which is geared towards efficiency, are expected to open up opportunities in an environment characterised by fierce competition for attractive investment opportunities. We are in a position to execute transactions, and sometimes several transactions at once, within a short period of time.

In the Fund Investment Services business segment, opportunities could well arise from the possible use of the top-up funds of DBAG Fund VIII and its predecessor DBAG Fund VII, as the fee for these two sub-funds is based on the lower amount of commitments and funds invested. We can also generate additional advisory or structuring fees when we structure larger Long-Term Investments involving co-investors. If the recent changes in our investment strategy – the expansion of our regional focus to include northern Italy and the Long-Term Investments offered in exceptional situations – prove to be successful, we could launch dedicated funds for these invesment strategies that would then generate further advisory fee income.

Over and above these internal factors, opportunities can arise from external factors, in particular from value appreciation thanks to higher capital market multiples and economic improvements. Higher interest rates would also allow us to reverse a further share of our pension provisions, which would indirectly lead to higher equity per share.

Expected business development

Caution prevails for 2020/2021 – positive expectations for the next two years

Private Equity Investments

EXPECTATIONS FOR 2020/2021

NET ASSET VALUE[1] (REPORTING DATE)
415 TO 460 MILLION EUROS

AMBITIONS FOR 2022/2023

NET ASSET VALUE[1] (REPORTING DATE)
590 TO 660 MILLION EUROS

In light of economic developments, we anticipate a below-average increase in the portfolio value in 2020/2021, especially regarding portfolio companies linked to manufacturing industry. Given the overall quality of the portfolio and the planned investments, we then expect this value to rise in the two following years. As a result, these projections point towards an average annual increase in the net asset value of between 14 and 18 per cent in the period leading up to 2022/23.

NET INCOME FROM INVESTMENT ACTIVITY (2020/2021)
30 TO 35 MILLION EUROS

NET INCOME FROM INVESTMENT ACTIVITY (2022/2023)
95 TO 105 MILLION EUROS

Our projections for net income from investment activity are based on current assumptions regarding the holding period and on a standardised annual increase in the value of the investments during this holding period. We take into account the impact of the current economic environment on the individual investments and deviations from our original assumptions regarding the absolute value contribution made by the change measures initiated at the portfolio companies.

CASH FLOW FROM INVESTMENT ACTIVITY (2020/2021)
-5 TO 0 MILLION EUROS

CASH FLOW FROM INVESTMENT ACTIVITY (2022/2023)
40 TO 45 MILLION EUROS

On the basis of the co-investment agreements with DBAG funds and our latest strategic expansion to include Long-Term Investments, we are planning investments for 2020/2021 to be higher than in the financial year under review. We expect the inflows from disposals, recapitalisations and dividend distributions from portfolio companies to exceed the investments.

The forecast for the financial year 2020/2021 is once again subject to significantly greater uncertainty than in all previous years, due to the overall environment. We expect the consequences of the pandemic in particular, but also trade conflicts or Brexit, to continue to put pressure on a large number of economies. This will also impact our portfolio as a whole, even though our portfolio companies operate in a large number of different markets and regions, with influencing factors that overlap and, in some cases, offset each other. This means that the financial year 2020/2021 is likely to be more of an average year, measured against a ten-year average. For the two years that follow, we then expect to see values that are significantly higher than those for the current financial year.

Fund Investment Services

EXPECTATIONS FOR 2020/2021

INCOME FROM FUND SERVICES
42 TO 44 MILLION EUROS

AMBITIONS FOR 2022/2023

INCOME FROM FUND SERVICES
41 TO 43 MILLION EUROS

2020/2021 will be the first year in which we generate income from DBAG Fund VIII for a full year. Consequently, we expect income from Fund Services to exceed the level achieved in the previous year. By the end of our planning horizon, they will then have fallen back to a comparable level: we expect disposals to be made primarily from DBAG ECF, whose contribution to fund income is low overall; on the other hand, we anticipate further income as the top-up funds continue to progress with their investments.

NET INCOME FROM FUND INVESTMENT SERVICES[1] (2020/2021)
15 TO 16 MILLION EUROS

NET INCOME FROM FUND INVESTMENT SERVICES[1] (2022/2023)
10 TO 11 MILLION EUROS

In the Fund Investment Services segment, we expect 2020/2021 to bring higher net income in light of these assumptions. In the years that follow, net income is expected to increase further to begin with before returning to a level that is roughly on a par with the level seen in the current, new financial year in the last year of the forecast period.

VOLUME OF ASSETS UNDER MANAGEMENT OR ADVISORY (REPORTING DATE) (2020/2021)
2,320 TO 2,440 MILLION EUROS

VOLUME OF ASSETS UNDER MANAGEMENT OR ADVISORY (REPORTING DATE) (2022/2023)
2,010 TO 2,115 MILLION EUROS

The volume of assets under management or advisory will fall in line with the planned disposals from the portfolio. The way in which our business works means that they can only be expected to increase again when a new fund is launched and starts investing.

Group

NET INCOME (IFRS) (2020/2021)
40 TO 45 MILLION EUROS

NET INCOME (IFRS) (2022/2023)
95 TO 110 MILLION EUROS

Net income from investment activity is the key factor influencing our net income on a consolidated basis. The development of consolidated net income thus mainly follows the net income development; it is also similarly characterised by business-specific individual larger transactions during a financial year.

Deutsche Beteiligungs AG is reporting a net retained profit in accordance with the German Commercial Code of 202 million euros at 30 September 2020. Based on the proposed dividend of 0.80 euros per share, 12 million euros of this amount is to be distributed in February 2021. We predict that our annual income for the financial year 2020/2021 will be within a range of 70 to 80 million euros and expect the net retained profit in both the coming year and the two years that follow to allow us to make a distribution in the amount planned (between 1.00 and 1.20 euros per share).

[1] Also used as a key performance indicator for the core business objective

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Use the comprehensive range of information available on our website.

Go directly to Deutsche Beteiligungs AG's 2019/2020 Financial Report, which includes the complete financial statements.