Deutsche Beteiligungs AG

2009 2010

Annual Report

2009/2010 at a glance

NAV climbed to 20.03 euros

The companies in our portfolio made good progress in 2009/2010; their value rose by more than 50 percent and led to a net result of valuation and disposal of 46.5 million euros, laying the groundwork for our net income of 34.1 million euros for the year. The return on equity reached 12.7 percent.

Shareholders to profit through dividend of 1.40 euros per share

Similar to last year, this year's very satisfactory result gives us scope to pay a surplus dividend. The amount proposed is 1.00 euro per share. Added to that will be an unchanged base dividend of 0.40 euros – making a total dividend of 1.40 euros per share. This equates to a dividend yield relative to net asset value per share at the onset of the financial year of 7.5 percent.

New investment in FDG Group

We added a new management buyout to the portfolio. The FDG Group is a service provider to the retail trade in France. We acquired the company from the founding families and intend to back the next phase of its development. In 2009/2010, we invested a total of 8.2 million euros – besides FDG, in an existing portfolio company to expand its market presence.

Expansion capital extends our lines of business

We not only expect the market for management buyouts to revive noticeably. Equity, the way we provide it, will be in demand in the years ahead to finance companies' further growth. We aim to resolutely pursue our investment activity – by structuring management buyouts, and by providing expansion capital again.

Performance from 1 November 2009 to 31 December 2010

Financial highlights (IFRS)

T€

		2009/2010	2008/2009
New investment	€mn	8	4
IFRS carrying amount of investments (31 Oct., "portfolio value") [1]	€mn	118	123
Number of invetsments (31 Oct.)		17	19
EBIT	€mn	36.8	20.4
Earnings before taxes (EBT)	€mn	37.6	22.4
Net income for the year	€mn	34.1	19.6
Consolidated retained profit	€mn	73.1	52.6
Equity	€mn	273.9	256.8
Cash flows from operating activities	€mn	(12.8)	-3.5
Cash flows from investing activities	€mn	36.3	28.8
Cash flows from financing activities	€mn	(13.7)	-5.5
Change in cash funds [2]	€mn	(27.0)	14.7
Earnings per share	€	2.50	1.44
Cash flow per share	€	20.03	18.77
Return on net asset value per share [3]	%	12.7	7.3
Dividend (2009/2010: recommended)	€	0.40	0.40
Surplus dividend (2009/2010: recommended)	€	1.00	0.60
Number of employees (31 Oct.)		51	49

[1] Without shelf companies and companies that are mainly attributable to third parties
[2] In financial year 2009/2010 cash funds were regrouped to securities; in conformity with the IFRS this regrouping is required to be recognised as an investment, which therefore results in a reduction of liquid funds
[3] Change in net asset value (equity) per share in relation to opening net asset value (equity) per share at beginning of reporting period, less dividends

Our largest investments

	Equity share of DBAG %	Investent type	Industrial sector
Clyde Bergemann Group	17.8	MBO	Mechanical and industrial engineering
Coveright GmbH	16.8	MBO	Specialty chemicals
DBG Eastern Europe II	14.9	Buyout funds	Buyout funds
FDG S.A.	15.5	MBO	Industrial support services
Grohmann GmbH	25.1	Expansion financing	Mechanical and industrial engineering
Harvest Partners IV, L. P.	9.9	Buyout funds	Buyout funds
Heim & Haus GmbH	20.4	MBO	Consumer goods
Homag Group AG	16.8	MBO	Mechanical and industrial engineering
ICTS Europe Holdings B. V.	17.5	MBO	Industrial support services
JCK KG	3.6	Expansion financing	Consumer goods
Preh GmbH	17.0	MBO	Industrial support services

Alphabetically ordered; measured by IFRS value, these investments represent 90 percent of the portfolio value

Deutsche Beteiligungs AG <DBAG>

Deutsche Beteiligungs AG is one of Germany's leading private equity firms. For more than four decades, we have been investing in successful companies whose products and services have gained them outstanding positions in their markets. Additionally, our investment team manages the assets committed by investors to invest through our co-investment funds. Our accomplishments of recent years derive from our focus on profitable, growth-driven, internationally operating companies. Drawing on our long years of investment experience, we aim to achieve attractive returns on buyout and expansion capital investments.

Throughout this Report, readers will find explanations of key terms that are part of the everyday activities at Deutsche Beteiligung AG. Taken together, they provide insight into our equity story.

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Letter from the Board of Management

Wilken Freiherr von Hodenberg
Spokesman of the Board of Management

Torsten Grede
Member of the Board of Management

André Mangin
Member of the Board of Management

Dr Rolf Scheffels
Member of the Board of Management

Dear Sir or Madam, dear Shareholders,

2009/2010 was another year of success for Deutsche Beteiligungs AG: Net income rose to 34.1 million euros. The return on net asset value per share of 12.7 percent clearly exceeds the cost of equity. We complemented the portfolio by adding a new, promising investment. Moreover, we extended our business activities to include expansion capital investments and launched a new dedicated fund that will broaden the capital base for future investment. Finally, DBAG shares outperformed the market and the shares of other listed private equity companies.

This performance does not stem from the value growth of just one portfolio investment alone. Nearly all of the major investee businesses gained in value over the past twelve months. They increased revenues and earnings and improved capital structures. Or, as in the case of international buyout funds, their investments recorded good progress.

Certainly, one of the reasons for this performance is the rapid, robust recovery that has taken hold, particularly in the German economy. But it is also rooted in our highly selective approach to investment and the ongoing dedication and support of our investment team.

Deutsche Beteiligungs AG invests in companies with an excellent market position. The past year proved once again that such companies are not only better able to weather periods of crisis, but can also build on their strengths when the crisis abates – by gaining market share and supplanting weaker competitors.

A glance at the opening balance sheet with which we entered the 2009/2010 financial year shows the impressive progress our portfolio companies made. Of total financial assets valued at 137 million euros, some 48 million euros derived from our investment in MCE AG, which was divested for an agreed price at the beginning of the financial year. On the remaining 89 million euros, we achieved a net result of valuation and disposal of approximately 47 million euros – that represents value growth of more than 50 percent. Contained therein is an effect of almost 19 million euros from the rise in the price of the shares in Homag Group AG, one of our large investments.

Adjusted for the dividend payment in March 2010, this value growth boosted net asset value to 20.03 euros per share at the end of the reporting period, a gain of 2.26 euros on the prior financial year.

We aim to have you, our shareholders, participate in the Company's good performance this past financial year though a high dividend payment. In addition to the base dividend of 0.40 euros, the Supervisory Board and the Board of Management will therefore recommend the payment of a surplus dividend of 1.00 euro at the Annual Meeting in March 2011. This distribution to shareholders totalling 1.40 euros per share, or 7.0 percent of NAV per share, equates to a dividend yield of about 7.5 percent relative to the NAV per share at the onset of the reporting year.

Not all of the expectations we had at the beginning of the past financial year have come to pass. We assumed, for example, that our investment activity would gain speed at a faster pace. The buyout of France-based FDG Group added one company to the portfolio that has much development potential and attractive prospects for value growth.

"Our record of very good long-term value growth is rooted in our highly selective approach to investment."

Above all, however, opportunities in those sectors in which Deutsche Beteiligungs AG prefers to invest were initially few and far between. This was a consequence of the rapid economic recovery: when a company's current trading data changes dramatically at short intervals, buyers and sellers have difficulty coming together. In addition, we made no concessions when screening potential investments. As an equity investor, we bear risks that demand commensurate returns. By rigorously adhering to our standards, we have achieved an average return on equity of 12.2 percent over the past 10 years.

This is a notable accomplishment, considering that DBAG's sizeable liquidity in recent years, which at times amounted to 50 percent of equity, tends to dilute returns. Nevertheless, we do not feel our ready cash is a burden, since it gives us the scope to take advantage of the opportunities that are becoming increasingly available to equity investors in Germany.

We firmly believe that not only will the market for management buyouts revive noticeably, private equity will also be in demand in the coming years to finance growth among companies traditionally belonging to Germany's 'Mittelstand' – those companies that have been at the heart of our investment activities for more than four decades. We have therefore extended our lines of business: Deutsche Beteiligungs AG will once again be investing in attractive companies even when only a minority interest is available.

"We are convinced that Germany's 'Mittelstand' in particular will look to private equity as a source of finance."

This new line of business harkens back to the qualifications that founded the reputation and success of Deutsche Beteiligungs AG during the first decades after its inception. Now, once again, we see a growing demand for expansion financings and a suitably lucrative market with attractive reward/risk potential for equity capital investors. For example, a quarter of all companies emerged from the recent crisis with a diminished capital-to-assets ratio, and further demand will be triggered by mezzanine programmes extended from 2004 to 2008, which will soon fall due. This funding will gradually need to be refinanced – by private equity, for instance. These are only two of the potential situations we are targeting with our new fund. Deutsche Beteiligungs AG and the DBAG Expansion Capital Fund will also back companies in order to finance their expansion into new geographic markets or to settle ownership or succession issues.

Moreover, the DBAG Expansion Capital Fund creates the platform on which to build a portfolio of about ten individual investments with an average equity capital investment of 25 million euros each. Such a portfolio is necessary to diversify risk, and the fund generates the financial means to do exactly that.

With minority investments in growing businesses, in addition to backing management teams in takeovers of companies (MBOs), Deutsche Beteiligungs AG now provides equity capital to mid-sized companies for more financing situations than before. This puts our market presence on an even broader base – in a number of ways. We are now able to take advantage of a greater number of investment opportunities among mid-sized companies. In addition, the co-investment fund will attract new investors to Deutsche Beteiligungs AG. This, in turn, will augment the total capital we are able to invest, besides enabling us to enlarge our team and, through a greater number of transactions, deepen our experience as well as our sector knowledge and expand our network.

In sum, Deutsche Beteiligungs AG is powerfully placed to prevail in the private equity market and build on its outstanding track record. With a solid balance sheet and two co-investment funds, DBAG is one of the strongest German financial investors – with more than 400 million euros at our discretion for equity capital investments. The market offers an array of opportunities, and we intend to take advantage of them. Clearly, family entrepreneur Dirk Rossmann is also convinced of our excellent prospects: he increased his interest in DBAG in November 2010 to 20.1 percent and is invested as an anchor shareholder with a long-term horizon.

DBAG's fine reputation and long-standing experience give us a competitive edge, particularly in Germany's 'Mittelstand'. This past year we expanded our team of investment professionals once again, allowing us to screen a greater number of investment opportunities and to continue to closely monitor and support our existing portfolio, the value of which we aim to increase. After the extended market standstill, opportunities are now emerging that we intend to pursue. Given these favourable conditions, we are confident we will be successful in the new financial year and will, as in past years, achieve or exceed our return target.

Frankfurt am Main, January 2011

The Board of Management

Wilken Frhr. von Hodenberg

Torsten Grede

André Mangin

Dr Rolf Scheffels

Team

Success in the private equity industry comes from the interaction of individuals with a wide range of skills. After working together during an extensive screening process, they take investment decisions, and then proactively support the investee businesses throughout the investment's several-year holding period up to their ultimate realisation.

One of the strengths of Deutsche Beteiligungs AG is its investment team. It consists of four members of the Board of Management and 18 investment managers, and has a track record of almost 200 investments over the past 20 years. Two-thirds of its members have been serving on the team for more than 10 years. They understand business cycles and their impact and the factors that are crucial for value growth. Every team member brings unique skills and in-depth sector knowledge to the decision-making processes.

Report of the Supervisory Board

Deutsche Beteiligungs AG made very satisfactory progress in financial year 2009/2010. In our Supervisory Board meetings and other consultations with the Board of Management, we were pleased to note that the portfolio companies have mastered the recent economic crisis, enabling Deutsche Beteiligungs AG to post a strong result for the year.

We conscientiously performed the duty of monitoring managerial activities required of us by law and by the Company's Articles of Association. The Board of Management regularly provided the Supervisory Board with comprehensive and prompt information, both in writing and verbally, about the Company's course of business, its earnings and financial position as well as the risk management system, including the Company's compliance. The Supervisory Board discussed these issues in depth. Discrepancies from the planned course of business were elucidated by the Board of Management. The Board of Management also reported on the Company's intended business policies and its planned strategic direction. At meetings of the Supervisory Board, the Board of Management agreed issues with us regarding the strategic direction, such as extending the Company's business activities to include expansion capital investments. Between meetings, the Board of Management's Spokesman promptly informed the Chairman of the Supervisory Board about significant business issues, and the complete Supervisory Board was instructed accordingly (clause 5.2 of the German Corporate Governance Code, hereafter: the Code). We were involved in significant decision-taking processes. Insofar as resolutions were required between meetings, they were adopted by way of teleconferences. In individual instances, we solicited reports from the Board of Management pursuant to § 90 (3) of the German Stock Corporation Act (Aktiengesetz – AktG); there were no grounds for objection. The Supervisory Board convened six times this past financial year – in part, without the Board of Management attending. The Audit Committee held four meetings and the Executive Committee, responsible for personnel issues, met twice. No memberof the Supervisory Board or the Audit Committee took part in less than half the meetings. One member was absent at three meetings, and two members were not present at one meeting. All members of the Executive Committee attended this Committee's meetings.

Detailed reports on the extension of investment activities

A main focus of our regular consultations was the monitoring of existing investments; particularly at the beginning of the financial year, we dealt intensively with the consequences of the economic crisis for the portfolio companies and the action to be taken to maintain their value. We received comprehensive quarterly reports in writing from the Board of Management on the portfolio of Deutsche Beteiligungs AG. We were informed promptly and in detail about investments that were not performing as expected. We were also informed about changes to the portfolio, such as the acquisition of interests in the FDG Group, a service company to the retail trade in France.

The expansion of the investment activities of Deutsche Beteiligungs AG occupied a large part of our discussions. We were informed regularly about the fund-raising progress for the fund that will be co-investing alongside Deutsche Beteiligungs AG in expansion financings.

Other issues tabled at Supervisory Board meetings were the dividend policy, the rescission of a real estate purchase formerly intended as an office site, the budget for financial year 2009/2010, and the principles governing the valuation of portfolio companies of Deutsche Beteiligungs AG. We received additional information on the latter from the auditor.

Ongoing development of corporate governance practices

At our meeting in November 2009, we voted to evaluate the efficacy of our own performance (clause 5.6 of the Code). We discussed the insight gained from this evaluation at our meeting in January 2010. The evaluation disclosed that there was no need to improve the efficacy of our working practices. At our meeting of November 2010, in light of the results of the latest evaluation, we therefore agreed not to conduct additional performance evaluations in the current financial year, but to wait until the coming year to re-address the issue.

We continually follow the changes in corporate governance practices taking place in Germany. This past year again, we further developed these practices at Deutsche Beteiligungs AG. To the extent necessary, we adapted the Supervisory Board's rules of procedure in conformity with the amendments to the Code. In November 2010, we adopted the objectives concerning the composition of the Supervisory Board (clause 5.4.1 of the Code), which are a constituent of the Corporate Governance Report, and we were involved in the issuance of the Corporate Governance Statement (§289a of the German Commercial Code – HGB). Management's discussion of the Company's corporate governance on pages 11 and 12 of this Annual Report is also presented on behalf of the Supervisory Board (clause 3.10 of the Code). The Board of Management and the Supervisory Board jointly submitted an updated Declaration of Conformity in November 2010 (§ 161 German Stock Corporation Act – AktG), which is permanently accessible to any interested party at the Company's website.

Every Supervisory Board member is required to immediately disclose to the Supervisory Board any conflict of interest that may possibly arise. There were no notices of conflict-of-interest issues this past financial year.

The Supervisory Board also extensively dealt with the reach and efficacy of the Company's surveillance and risk management system.

Changes to the Supervisory Board

Concurrently with the conclusion of the 2010 Annual Meeting, Dr Binder and Professor Dr Leister stepped down from their offices, having reached the retirement age stipulated by the Company's Articles of Association. We wish to thank both gentlemen for their work on the Board over many years: Professor Leister became a member of the Supervisory Board in 1988, with Dr Binder joining in 1995. Both merit our esteem and gratitude for their commitment and expert counsel, having greatly assisted in establishing Deutsche Beteiligungs AG as a publicly listed company and supported it as it developed into a highly successful and acknowledged financial investor in Germany's mid-sized industry. They actively endorsed key strategic decisions, such as the raising of buyout funds. With a vote of more than 99 percent of the voting rights present, shareholders at the Annual Meeting on 24 March 2010 elected Philipp Möller and Gerhard Roggemann to the Supervisory Board. Mr Möller (born 1980) is a Managing Partner at Möller & Förster GmbH & Co. KG in Hamburg. Mr Roggemann (born 1948) is the Vice Chairman of the Supervisory Board of Deutsche Börse AG and Vice Chairman of UK-based corporate finance consultancy Hawkpoint Partners Ltd in London, in addition to his membership on five other supervisory bodies. He formerly served on the management boards of Nord/LB and West LB.

The changes in the Supervisory Board also entailed changes in the composition of the Board's Committees. In addition to the Chairman of the Supervisory Board, the Supervisory Board elected Professor Dr Langenbucher (Vice Chairman of the Supervisory Board) and Dr Meyer to the Executive Committee. Messrs Möller and Roggemann were elected to the Audit Committee.

Executive Committee

The Executive Committee, which also performs the functions of a Nomination Committee (clause 5.3.3 of the Code), convened twice in the reporting year.

In one of its meetings in the reporting year, the Executive Committee dealt with the renewal of the appointment contracts for

Mr Mangin and Dr Scheffels. The contracts and the appointments were discussed with the entire Supervisory Board; in their consultations, the members also considered the requirements under the German Act on the Appropriateness of Management Board Compensation (VorstAG). In the first quarter of the current financial year, the Supervisory Board thus extended the contracts and appointments to 31 March 2016. In its first meeting in financial year 2009/2010 on 2 December 2009, the Executive Committee dealt with the performance-related emoluments for the members of the Board of Management for the preceding financial year.

In one of its meetings, the Nominations Committee dealt with the preparations for the by-elections to the Supervisory Board at the 2010 Annual Meeting.

Audit Committee

The Audit Committee as defined in clause 5.3.2 of the Code consists of four Supervisory Board members. Professor Günther Langenbucher chairs this Committee; he has expert knowledge and experience in the application of accounting principles and internal control procedures (clause 5.3.2 of the Code). In addition to the Chairman of the Supervisory Board, the other members are Mr Möller and Mr Roggemann. In four meetings held during the reporting year, the Committee dealt with issues concerning the annual and consolidated financial statements, the half-yearly financial report and the quarterly financial reports, all of which were discussed with the Board of Management prior to their publication. Further issues discussed pertained to the accounting, including the monitoring of the accounting process, the efficacy of the risk management system, the internal control system and compliance. There were no grounds for objections to the Company's current practice.

Furthermore, we dealt with the required independence and objectivity of the Company's auditors and the additional services the auditors provide. The assignment of the audit to the auditors, the determination of the audit's focal points and audit fees were also discussed.

We comply in multiple ways with the requirements under the German Accounting Law Modernisation Act (BilMoG), which stipulates that at least one independent member of the Supervisory Board or Audit Committee must have expert knowledge in accounting or auditing.

The Chairmen of the Committees regularly reported to the Supervisory Board on the work of the Committees.

Financial statements endorsed

Shareholders at the 2010 Annual Meeting appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as auditors. KPMG audited the financial statements of Deutsche Beteiligungs AG for financial year 2008/2009 and management's report, including the accounting, and endorsed them with an unqualified certificate. The same applies to the consolidated financial statements and management's report on the Group for financial year 2009/2010. The auditors performed the audit in accordance with the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). The consolidated financial statements and the Group management report were drawn up in conformity with the International Financial Reporting Standards (IFRS). The auditors confirmed that the consolidated financial statements comply with the IFRS, as adopted by the European Union, and the additional requirements of German commercial law pursuant to § 315a of the German Commercial Code (HGB).

In their report, the auditors also expressed an opinion on the Board of Management's risk management and surveillance system in respect of going-concern risk. They found it suitable for early identification of developments that might endanger the continuity of the Company as a going concern. The Supervisory Board received the audited and certified financial statements for the year ended 31 October 2010 and management's report on the state of Deutsche Beteiligungs AG in due time, reviewed them in conjunction with the report of the Audit Committee Chairman and the auditors, and discussed these documents in detail with the Board of Management in the presence of the auditors. The same applies to the consolidated financial statements and management's report on the Group, as well as to the recommendation for the appropriation of profits.

In our meeting of 24 January 2011 as well as the meeting of the Audit Committee on the same day, the auditors reported on the results of their audit in general and on specific points of their audit, in particular the question of whether there are material weaknesses in the accounting-related internal control and internal risk management system. This is not the case. Neither were there grounds for other objections. The auditors stated that no circumstances exist that would endanger their impartiality. Furthermore, the auditors reported on the services they rendered in addition to performing the audit. The auditors provided detailed answers to our inquiries. After its own in-depth review, the Supervisory Board found no grounds for objection. On 24 January 2011, we followed the Audit Committee's recommendation and approved the consolidated financial statements and adopted the financial statements of Deutsche Beteiligungs AG.

The Supervisory Board reviewed the Board of Management's recommendation on the appropriation of the retained profits and took particular account of the Company's liquidity, financial budgets and investment plans. Provisioning for the Company and shareholders' interests constituted further criteria in that review. After its review, the Supervisory Board agreed to the recommendation by the Board of Management to distribute to shareholders the sum of 19.1 million euros and carry forward the residual retained profit of 21.0 million euros to new account.

In 2009/2010, Deutsche Beteiligungs AG continued its long-standing pattern of progress by posting a strong result. It documents that the portfolio companies adapted well to the challenges of the crisis and are now in a position to take advantage of the upswing in the economy. The way Deutsche Beteiligungs AG mastered these difficult years is certainly worthy of note. We value that performance highly and wish to express our appreciation to everyone concerned. Our thanks to the Board of Management and the staff of Deutsche Beteiligungs AG for their outstanding commitment this past financial year.

Frankfurt am Main, 24 January 2011

Andrew Richards
Chairman

Board of Management and Supervisory Board

Board of Management

Wilken Freiherr von Hodenberg,
Königstein/Taunus, Spokesman
Born 1954, Member of the Board of Management and its spokesman since July 2000. Studied law in Hamburg and Lausanne. 16 years of experience in investment banking, three years of service as an executive for a retail chain. Appointed until March 2015.

Torsten Grede,
Frankfurt am Main
Born 1964, Member of the Board of Management since January 2001. Studied business administration in Cologne and St. Gallen, following a bank apprenticeship. 20 years of experience in private equity at Deutsche Beteiligungs AG. Appointed until December 2013.

André Mangin,
Königstein/Taunus
Born 1954, Member of the Board of Management since January 2004. Studied law in Hamburg. More than 20 years of experience in private equity, corporate finance and investment banking. Appointed until March 2016.

Dr Rolf Scheffels,
Frankfurt am Main
Born 1966, Member of the Board of Management since January 2004. Studied business administration and economics in Frankfurt am Main. Began his career in auditing. More than 15 years of experience in private equity and corporate finance, 14 of which at Deutsche Beteiligungs AG. Appointed until March 2016.

Supervisory Board

Andrew Richards,
Glashütten/Taunus, Chairman
Executive Director of Pare-Unternehmensberatung GmbH, Glashütten/Taunus

Professor Dr Günther Langenbucher,
Stuttgart, Vice Chairman since 24 March 2010
Former Member of the Board of Management of Ernst & Young AG (today: Ernst & Young GmbH), Stuttgart

Dr Hariolf Kottmann,
Kilchberg/Switzerland
Chairman of the Board of Management of Clariant International AG, Muttenz, Switzerland

Dr Herbert Meyer,
Königstein/Taunus
President of Deutsche Prüfstelle für Rechnungslegung e. V. (DPR)/ Financial Reporting Enforcement Panel (FREP), Berlin

Philipp Möller,
Hamburg (since 24 March 2010)
Managing Partner of Möller & Förster GmbH & Co. KG

Gerhard Roggemann,
Hanover (since 24 March 2010)
Vice Chairman of Hawkpoint Partners Ltd., London

Corporate Governance

Corporate governance refers to the way a corporation is managed and controlled. Good fiduciary corporate governance is a vital principle for a company's sustained performance and – like transparency – a requisite in vindicating and fostering the confidence of our shareholders and business partners. We have committed to these principles. Our performance would not have been possible without the responsible conduct of our business. Therefore, as this past financial year, we regularly review existing structures, without there having to be legislative requirements or other regulations to do so. As in previous years, there was no cause for any fundamental change to our practices. We followed the recommendation to issue a Corporate Governance Statement; it is published on the Internet and is accessible at www.deutsche-beteiligung.de/corporate_governance.

Consistent with the recommendation of the "German Corporate Governance Code" (hereafter: the Code), the following is a combined report by the Supervisory Board and the Board of Management on the corporate governance practiced at Deutsche Beteiligungs AG. Further information can be found in the Corporate Governance Statement mentioned above (page 50) and the Report of the Supervisory Board (page 6ff.); that information is an integral part of our combined Corporate Governance Report. To avoid repetition and for a better overview, we will refer to other sections of this Annual Report on certain partial issues.

The composition of the Supervisory Board aims to ensure the quality of its performance

The conduct of our business is based on the 'German Corporate Governance Code', which has become a recognised standard in Germany. In its most recent amendment, which became valid on 2 July 2010, the Code, for the first time, recommended that the Supervisory Board specify concrete objectives regarding its composition and report on these and on their implementation. The Supervisory Board dealt with this recommendation and has specified the following objectives relating to the Board's future composition:

The key objective is to ensure the Supervisory Board's efficacy in its controlling and advisory capacity; prerequisites for this are that its members act independently and are not exposed to conflicts of interest, that they are experienced in the multifaceted operations of DBAG and have an expert knowledge of applicable accounting principles. The Supervisory Board's current composition meets these requirements. Its six members do not have business or personal relationships to the Company or its Board of Management that could constitute a conflict of interest. They bring with them a wide spectrum of professional and personal experience, including management responsibility abroad or in international companies in Germany. The age limit of 70 means that the Company can, on the one hand, benefit as much as possible from these skills; on the other hand, it is conducive to introducing changes in the Board's composition.

Another objective the Supervisory Board has set is that of endorsing gender diversity and appropriately considering women for management and supervisory assignments. The Supervisory Board will pursue this objective with a view to its interaction with other goals, such as continuity in working relationships. The Supervisory Board currently does not include female members. In preparing for the upcoming general election of all Supervisory Board members in 2011, its Chairman has been requested to have a female candidate stand for election, if possible. The Supervisory Board has recommended that its Nominations Committee appropriately consider gender diversity and nominate at least one female candidate.

Deutsche Beteiligungs AG follows all of the Code's recommendations as amended. The recommendations – including the new additions – are virtually congruent with our long-standing practice. Our joint Declaration issued in November 2010 states that only one of the Code's suggestions is not being followed.

The principle of simultaneously directing information to all interested parties ranks high in our communication policy. All major reports, announcements and presentations are accessible on the Internet synchronously with the respective event. We also present financial information and other information on the Deutsche Beteiligungs AG Group. Any interested individual can follow our Annual Meeting live on the Internet. Shareholders may elect to exercise their voting rights personally or through a proxy of their choice or through a proxy appointed by the Company who is bound by their directives. All documents and information on our Annual Meeting are accessible at our website.

There was no conflict of interest requiring immediate disclosure to the Supervisory Board on the part of members of the Board of Management and the Supervisory Board.

Performance-linked remuneration for Board of Management and Supervisory Board

The remuneration paid to the Board of Management is composed of fixed and performance-related components, most of which have a long-term incentive. We have been issuing an individualised statement of emoluments paid to the members of the Board of Management since financial year 2004/2005. The remuneration paid to Supervisory Board members is composed of a fixed and a performance-linked component that is geared to the annual development of net asset value per share. Additional information on the remuneration for the members of the Board of Management and the Supervisory Board is provided in Management's report on pages 67 to 70. This presentation is understood to be a remuneration report within the meaning of clause 4.2.5 of the Code.

Strict rules on share ownership

Apart from the employee stock ownership plan (see page 51), members of the staff and the corporate bodies may only purchase shares in Deutsche Beteiligungs AG within a limited frame. Shares may only be purchased and sold during specified periods of time. These periods are largely subsequent to the publication of the Annual Report, interim reports and the Annual Meeting. They are announced on the website of Deutsche Beteiligungs AG. The Company received no notices of reportable securities transactions by members of its corporate bodies in accordance with § 15a WpHG (German Securities Trading Act, Directors' Dealings) in the reporting year.

Irrespective of these trading restrictions for shares in Deutsche Beteiligungs AG, it is not permitted to deal in shares of portfolio companies of Deutsche Beteiligungs AG, nor of companies undergoing the due diligence process or whose portfolio contains companies in which Deutsche Beteiligungs AG is considering an investment. This comprehensive trading prohibition is designed to provide transparency and avoid misunderstandings.

Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Act ('AktG')

The Board of Management and the Supervisory Board declare that Deutsche Beteiligungs AG has complied with the recommendations of the "German Corporate Governance Code" (hereafter: the Code) as amended on 18 June 2009 without exception.

Since the preceding Declaration of Conformity of November 2009, Deutsche Beteiligungs AG has complied fully with the recommendations of the Code as amended on 2 July 2010 and it intends to follow them in the future.

We followed the suggestions of the Code as amended in June 2009 in the past with one exception, and intend to comply with the suggestions – as in the most recent amendment to the Code of June 2010 – in the future to the same extent:

- The performance-related remuneration payable to the Supervisory Board is based on the development of the net asset value per share, the key performance indicator for shareholders, in a financial year and therefore does not contain components related to the Company's long-term performance (clause 5.4.6 of the Code). To date, no model has yet been generally accepted in the capital market to implement this suggestion. We will therefore carefully monitor further developments and effectuate a change, if appropriate.

Frankfurt am Main, November 2010

The Board of Management and
the Supervisory Board of Deutsche Beteiligungs AG

Performance

Measure for assessing a capital investment; value growth of an investment or portfolio within a specified period of time in relation to a certain risk measure. In private equity, performance is generally understood as the development of an investment's value from the investors' point of view.

With an average return on equity of 12.2 percent over the past 10 years, Deutsche Beteiligungs AG has delivered superior value growth to its shareholders. In the past five years we have distributed dividends totalling 123.6 million euros and returned 87.7 million euros to shareholders through share repurchases – in sum, more than our equity at 31 October 2005. Nonetheless, our equity is now 11 percent higher than it was five years ago. Our co-investment funds have been similarly successful and – measured by their returns – rank among the best private equity funds in their segment. That performance has attracted a first-rate pool of international investors to our funds.

Shares

Value growth and dividends

- Good performance compared with market and sector
- Surplus dividend recommended
- Solid position in S-Dax

Share price up 34 percent in financial year

Trading for 15.55 euros at the onset of the financial year, DBAG shares continued their rebound, which had started in late summer 2008, through to mid-March 2010, thereby outpacing the market. On 16 March 2010, shortly before the Annual Meeting, they closed at 19.85 euro to record an intermediate high prior to plunging, contrary to the market trend, by nearly a quarter to 15.43 euros on 26 May 2010, marking the year's low. That quotation was only a little above the price of DBAG shares on the second day of trading in financial year 2009/2010, when they finished at 14.90 euros – their lowest quotation in the financial year. From that level, DBAG shares surged 35 percent, ending the financial year at 20.79 euros.

The year's high peaked on the second-last day of trading in the financial year, with DBAG shares closing at 21.15 euros. Over the twelve-months period, DBAG shares rose 33.7 percent. Following a dividend payment of 13.7 million euros, the market capitalisation of Deutsche Beteiligungs AG increased to 284.3 million euros in 2009/2010, up from 212.7 million euros the year before.

Adjusted for the dividend payment to shareholders, the share price of 20.79 euros on 31 October 2010 equates to a performance of 43.5 percent for DBAG shares versus the beginning of the financial year. Shares in our company outperformed all other benchmark indices in the financial year. Over the same period, the Dax (Performance Index) gained 21.6 percent and the S-Dax (Performance Index) 38.8 percent. On the back of the sector's recovery, the LPX 50, the benchmark for international private equity companies, performed along similar lines to DBAG shares and gained 40.3 percent. The upward price movement continued on into the beginning of the new financial year.

Performance from 1 November 2009 to 31 December 2010

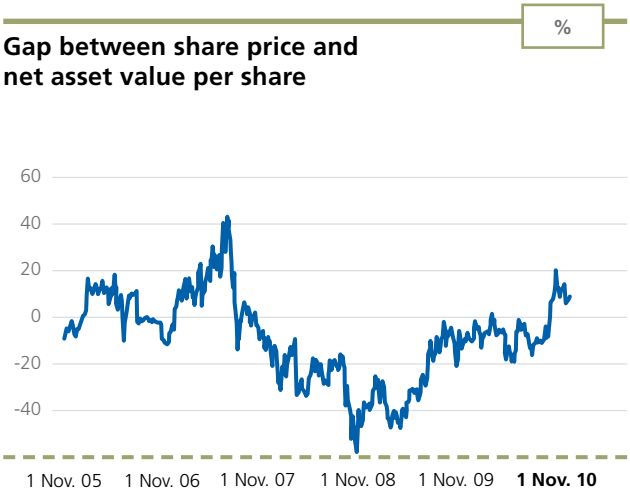
Performance from 1 November 2005 to 31 December 2010

Discount to net asset value per share lower

The price trend for our shares this past financial year clearly mirrors the sentiment among investors in respect of listed private equity companies. Beginning in autumn 2008, shares in these companies were quoted at – in part, historically – high discounts to net asset value per share. DBAG shares recovered a part of the associated dramatic drop in prices in financial year 2008/2009; the sector as a whole recovered somewhat later from the scepticism that private equity portfolios encountered at the outbreak of the financial and economic crisis. However, fears proved to be exaggerated. The number of total losses in private equity portfolios remained low, which weighed on the intrinsic value of private equity shares as well as that of unquoted funds to a lesser extent than expected. Realisations from the portfolios continued to take place; in light of general conditions in the economy, investment activity was low in 2009 and was still low in 2010.

At the onset of the reporting year, DBAG shares had traded at a discount to net asset value per share of 17 percent. By the end of the financial year, the discount diminished significantly.

Gap between share price and net asset value per share



Average trading volume lower

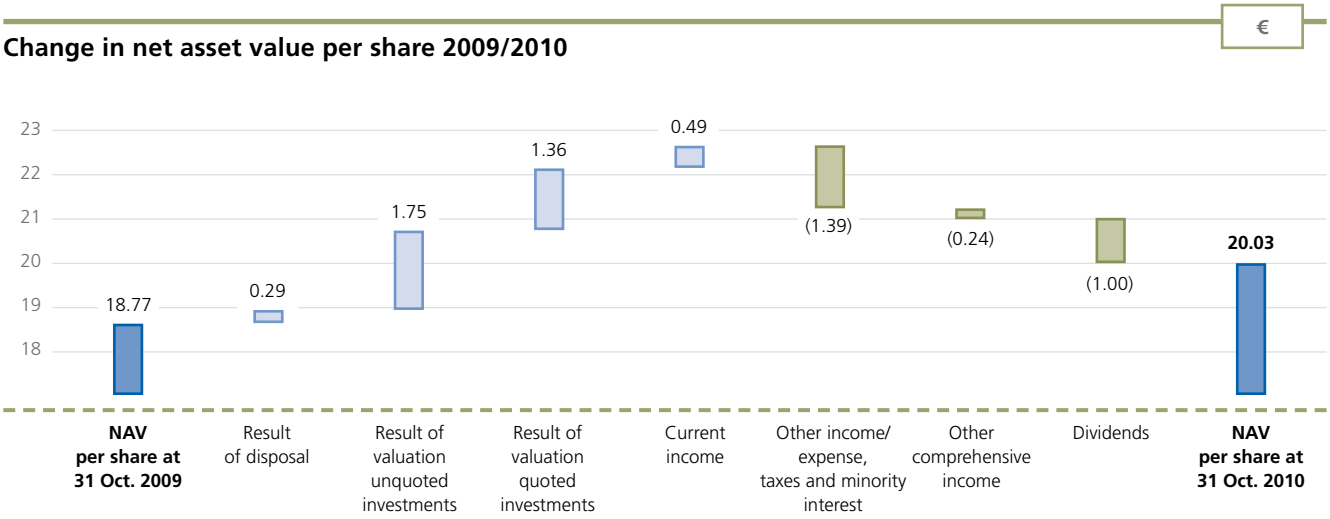
Trading in DBAG shares was very volatile this past financial year: Average daily turnover ranged from a maximum level of about 624,000 euros in October 2010 to a minimum of 174,000 euros in July 2010. Daily trading averaged 21,320 shares (previous year: 30,200 shares). We assume that substantial volumes were also traded off-board.

In view of the lower free float, fewer shares were traded both in absolute and relative terms than in the prior financial year. In the liquidity ranking of German shares, which is published on a monthly basis by the Deutsche Börse, our shares fell from an average of 75th place over financial year 2008/2009 to 80th place among the 100 M-Dax and S-Dax stocks at the end of 2009/2010.

In relation to the free-float market capitalisation, shares in float ownership had a turnover rate of 0.5 (2008/2009: 0.6). The German regional stock exchanges remain important for trading in DBAG shares, accounting for more than 15 percent of the turnover this past financial year. However, the Xetra trading platform continued to dominate. Over 84 percent of the turnover was Xetra-traded. This compares with 90 percent the preceding year.

At 31 October 2010, the number of issued shares was 13,676,359, unchanged compared with the previous year. The Company itself held no shares.

Change in net asset value per share 2009/2010



Net asset value per share gains 12.7 percent

For the year ended 31 October 2010, net asset value per share grew by 2.26 euros to 20.03 euros. Adjusted for the dividend, this equates to an improvement of 12.7 percent1 on the preceding financial year. The major part of the increase stems from the net result of valuation; valuation movements of unquoted portfolio companies account for 1.75 euros per share, and changes in the price of shares in listed Homag Group AG contributed 1.36 euros. A total of 0.29 euros per share comes from the net result of disposal. Current income from investments contributed 0.49 euros to the NAV per share. Other income/expense, the net amount of income and expense items including income taxes and minority interest, accounted for a loss of -1.39 euros on the NAV per share. Other comprehensive income, which, among other things, reflects the changes in pension obligations, burdened the NAV by -0.24 euros per share.

Recommended dividend 1.40 euros per share

Decisive for dividend distributions are not the IFRS-based consolidated financial statements, but the retained profit of Deutsche Beteiligungs AG drawn up in conformity with the German Commercial Code (HGB). The HGB-formatted annual profit is largely based on realised disposals. Apart from permanent value impairment, unrealised valuation movements are not considered in HGB accounting. Consequently, the annual profit according to HGB depends to a major degree on whether we were able to achieve significant realisation gains and whether we need to recognise notable impairment losses of a permanent nature.

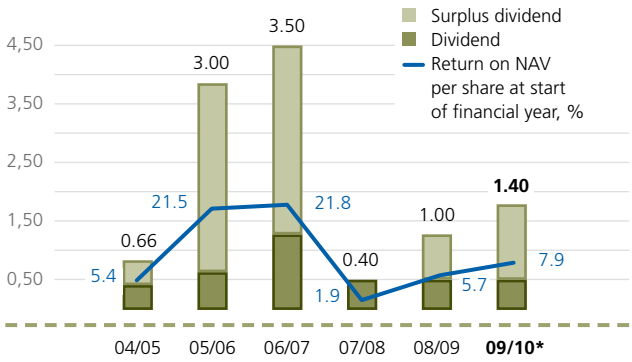
Irrespective of this, we emphasised our intention in recent years to pay a dividend on a continual basis, if at all possible. This base dividend should relate to the net asset value per share and current money market rates. Subject to sufficient liquidity, we also aim to have our shareholders participate in the Company's performance at

[1] Net asset value as at the end of financial year 2008/2009 has been restated at 18.77 euros. This is due to a new accounting treatment for pension obligations that has also been applied retrospectively to the 2008/2009 financial statements. The change in the accounting treatment is explained in Management's report on page 72.

Dividends and dividend yield

€

(relative to opening NAV per share at start of financial year)



* 2009/10 recommended

times when we record particularly high realisation proceeds by paying a surplus dividend. Since our most recent capital increase in March 2004, we have distributed the sum of 132.3 million euros this way; in relation to the current number of shares outstanding, that equates to 9.67 euros per share.

In financial year 2009/2010, we completed the realisation of MCE AG, which delivered a sizeable profit. The retained profit of Deutsche Beteiligungs AG at 31 October 2010, based on HGB, of 40.1 million euros creates scope to distribute a dividend in excess of the base dividend. The Board of Management and the Supervisory Board therefore recommend paying a dividend of 0.40 euros per share (previous year: 0.40 euros per share), and, on top of that, a surplus dividend of 1.00 euro per share. That adds up to a total dividend payment of 1.40 euros per share (previous year: 1.00 euro; thereof surplus dividend of 0.60 euros per share), or a total amount to be distributed of 19.1 million euros.

Firm ranking in the S-Dax

At the end of financial year 2009/2010, the free float portion of the shares in Deutsche Beteiligungs AG was approximately 85 percent (based on the definition of the Deutsche Börse AG). At the beginning of the new financial year, the free float fell to 79.9 percent, after Mr Dirk Rossmann, sole shareholder of Rossmann Beteiligungs GmbH, announced that he now holds 20.12 percent of the shares in Deutsche Beteiligungs AG.

On 31 October 2010, DBAG shares, measured by free-float market capitalisation, ranked 22nd (previous year: 14th) among the 50 S-Dax stocks.

Listed private equity

Publically listed companies that invest directly in private equity transactions or indirectly through funds in off-board capital investments.

DBAG is one of some 125 publically listed private equity companies worldwide. For the price of a share it offers shareholders access to investments that are usually restricted to institutional investors or large asset managements. Owning shares in a listed private equity company has many advantages: there is no lock-up period on the invested capital, meaning the investment is realisable at any time, and the minimum capital commitment required is not high. Listing requirements on the stock exchange, moreover, ensure transparency. Shareholders of DBAG invest in an existing portfolio that offers immediate diversification.

Share profile	
WKN/ISIN	550810/DE0005508105
Symbol	Reuters: DBAG.F / Bloomberg: DBA
Listings	Frankfurt (Xetra and trading floor), Berlin-Bremen, Düsseldorf, Hamburg, Hanover, Munich, Stuttgart
Market segment	Prime Standard
Index affiliation	S-Dax; Classic All Share; C-Dax; Prime All Share; Deutsche Börse sector indices: Supersector Finance, Insurance and Real Estate (FIRE), Sector Financial Services, Subsector Private Equity & Venture Capital, LPX 50; Stoxx Private Equity 20
Designated sponsors	Berenberg Bank, Close Brothers Seydler Bank AG
Share capital	48,533,334.20 euros
Number of shares issued	13,676,359
thereof outstanding	13,676,359
First traded	19 December 1985

Share data		2009/ 2010	2008/ 2009	2007/ 2008
Closing rate	€	20.79	15.55	10.45
Financial year high [1]	€	21.15	17.22	23.99
Financial year low [1]	€	14.90	9.00	9.06
Annual performance [2]	%	43.5	54.8	(46.8)
Market capitalisation [1]	€mn	284.3	212.7	142.9
thereof, free float		240.7	190.1	135.8
Average daily trading volume [3]	€mn	0.380	0.370	1.244
Dividend per share [4]	€	0.40	0.40	0.40
Surplus dividend per share [4]	€	1.00	0.60	-
Distribution amount [4]	€mn	19.1	13.7	5.5
Earnings per share [5]	€	2.50	1.44	(3.73)
NAV per share [6]	€	20.03	18.77	17.90
Price/NAV ratio per share [6]		1.04	0.83	0.58

[1] Xetra closing rate
[2] adjusted for dividends
[3] according to Deutsche Börse AG data
[4] 2009/2010 recommended
[5] weighted
[6] at 31 October 2010

Capital market communication

- Shareholder profile widely stable
- Experts assess DBAG shares positively
- Berenberg Bank mandated as corporate brokers

Intensive dialogue with shareholders

The dialogue with our shareholders ranks highly at Deutsche Beteiligungs AG. We aim to heighten awareness of Deutsche Beteiligungs AG in the quoted markets and have investors perceive DBAG shares as an attractive long-term investment. Our objective is to communicate the Company's development and our strategy on a continual, open and reliable basis to strengthen investors' confidence and achieve a fair assessment in the capital market.

At numerous events for institutional as well as for private investors this past financial year, we reported on the current trading trend and the attractiveness of our shares and presented the Company at major international financial centres. We kept the number of road shows at a stable high level this past financial year (14 road show days both in this and the preceding financial year) and met with 50 institutional investors in eight cities. We maintain a comprehensive, regular dialogue with major investors.

Maintaining close relations with our investors will continue to be a priority issue in 2011. For information on our current investor relations activities visit our website at www.deutsche-beteiligung.de/ir.

This past financial year external professionals again assessed our capital market communication positively. Our 2008/2009 Annual Report won a "Gold Award" in a competition sponsored by LACP, the League of American Communications Professionals LLC. The judges emphasised the Annual Report's financial information, message clarity and information accessibility.

We continued the practice begun in 2009 of offering shareholders and potential investors on-demand access to webcasts that highlight our business model and current trading.

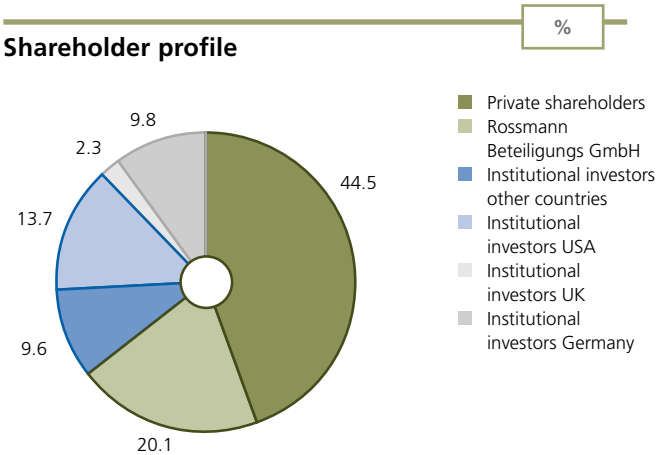
Information on the asset class of listed private equity

The stock exchange list in Germany contains the shares of only a few quoted private equity companies. Measured by market capitalisation, Deutsche Beteiligungs AG is the largest of these by far, and the only private equity company whose shares are a constituent of a selection index of Deutsche Börse AG. Consequently, there is relatively little general awareness for our asset class and our shares. In the past years, we greatly endeavoured to change that and have drawn attention not only to DBAG shares, but also to the entire asset class of listed private equity.

In June 2008, we therefore joined LPEQ (Listed Private Equity), a research and information initiative. LPEQ (www.lpeq.com) today has 19 members, who, together, have a market capitalisation of approximately 6.8 billion euros (31 October 2010); this represents nearly one-fifth of the market capitalisation of all listed private equity companies in Europe. LPEQ aims to enhance understanding of the asset class among all groups of investors. It assists analysts, banks and institutional investors in accessing information. Through joint presentations and events, LPEQ and its members want to address new investors at European financial centres.

To raise awareness of DBAG shares among institutional investors and further augment the dialogue with the capital market, we mandated a corporate broker in October 2010. Berenberg Bank, who has been monitoring our shares for years, will support our efforts – particularly outside Germany in countries such as Great Britain – to address those investors who are familiar with our business model.

Shareholder profile



Shareholder profile changed

As in preceding years, we conducted a shareholder survey in November 2010. It shows a change in two segments compared with the prior year: the interest held by Rossmann Beteiligungs AG, which is attributable to family entrepreneur Dirk Rossmann, is now 20.1 percent, following 10.6 percent the previous year; the share of institutional investors from Germany receded from 17.8 percent to 9.8 percent. Some 44.5 percent of the shares are in private ownership, thus nearly remaining constant (previous year: 43.6 percent). However, fewer shareholders hold an average of more shares: the holdings of private investors are spread over 9,000 portfolios (previous year: 10,400). International shareholders, most of whom are institutional investors, hold approximately 26 percent of the shares (previous year: 28 percent). In addition to the company owned by family entrepreneur Rossmann, four organisations, according to our knowledge, each held more than three percent of the shares. Members of the Board of Management of Deutsche Beteiligungs AG together held less than one percent of the issued shares at the end of financial year 2009/2010.

Analysts: Business model assessed positively

Throughout the reporting year, four analysts from German and British investment firms regularly monitored our shares. DBAG shares are also monitored by other analysts who exclusively assess listed private equity and comparable companies. With a view to the business model, the existing portfolio and the Company's positioning, the analysts' investment ratings were predominantly positive throughout the financial year. However, in light of the recent price movement, analysts estimate that DBAG shares will underperform. Analysts' recommendations are regularly documented on our website in the section Investor Relations/Research as soon as they come to our attention. The table below presents analysts' ratings at the beginning of financial year 2010/2011.

Analysts' ratings for Deutsche Beteiligungs AG	
Close Brother Seydler Research	"Hold"
HSBC Trinkaus	"Neutral"
J.P. Morgan Cazenove	"Underperform"
Landesbank Baden-Württemberg	"Hold"

Portfolio

All of the investments held by a private equity company. A portfolio is generally built according to set criteria, which determine its nature. The criteria can relate to the portfolio companies' investment phase, industry or geographical location, for instance.

The DBAG portfolio chiefly consists of established, internationally operating, mid-sized companies who are market leaders in their industry. We perform valuations of each of our investee businesses on a quarterly basis. The value of the portfolio is presented in DBAG's statement of financial position in item 'financial assets'. This past financial year the value of our portfolio rose by more than 50 percent on a comparable basis. We view this achievement as proof of the quality of our investee businesses and the viability of their business models.

Investments

The portfolio of Deutsche Beteiligungs AG mirrors our investment activity of recent years. Management buyouts (MBOs) comprise the largest share. This past financial year, however, we decided to extend our investment spectrum. In addition to MBOs, we will return to making expansion capital investments, as we did up to the late 1990s. This will not have a bearing on the nature of the portfolio. It will still primarily consist of investments in profitable German 'Mittelstand' companies operating in our preferred core sectors.

DBAG invests

in companies with excellent market positions and prospects for growth – because their products and services are needed, for instance, to master the challenges of the future, such as the quest for prosperity and mobility in the emerging economies of Asia.

The portfolio at a glance

- Turn of the tide in private equity market
- Future focus extended to expansion capital investments
- New management buyout in France
- Total assets under management lower after realisations

Private equity market not yet returned to normality

2010 was a mixed year for the private equity industry. On the one hand, there were positive developments: quarter by quarter, private equity surveys revealed growing optimism; the capital invested in Germany increased, and more transactions were recorded than in the year before. That also holds true for the segment of the market in which we choose to operate – investments in mid-sized companies. On the other hand, negative aspects remained. Despite the good news, it is still too early to talk of a return to normality. Measured by the capital available for investment and the equity needs of many companies, the number of transactions completed in Germany was low. As opposed to other European countries, we were far from reaching the levels recorded in 2005 to 2008. That applies both to the classical buyout market and to the market for expansion capital investments. Banks have returned to providing leveraged acquisition finance – although highly selectively and at rigid terms. Following numerous mergers and market consolidation in the banking sector, there are now significantly fewer providers than prior to the crisis.

For a detailed account and assessment of market events, please refer to Management's report, pages 52 to 55.

Portfolio/investment strategy: Investments in MBOs and expansion financings

Management buyouts (MBOs) will remain one of our two investment focuses. The acquisition of companies by financial investors with co-investments by their managements has an attractive reward-risk profile. Not least our investment performance attests to that. Deutsche Beteiligungs AG has financed 23 MBOs alongside its co-investment funds in Germany and Austria since 1997. Up to the end of the reporting year, 15 of these investments have been realised. We achieved an average multiple (before expenses) on these 15 investments of 2.9 times the original cost.

This past financial year, we extended our investment spectrum. Deutsche Beteiligungs AG has returned to providing **expansion funding**. The Company will again make investments in companies in which only a minority of the voting shares is available. This move is in response to the market. We see a considerable equity need among mid-sized companies, which is faced with only a limited supply.

Performance of MBOs and expansion investments since 1995

€mn	Number	Thereof, disposed	Gross returns	Money multiple
MBOs	23	15	> 20%	2.2x
Expansion financings	11	10	< 20%	2.5x

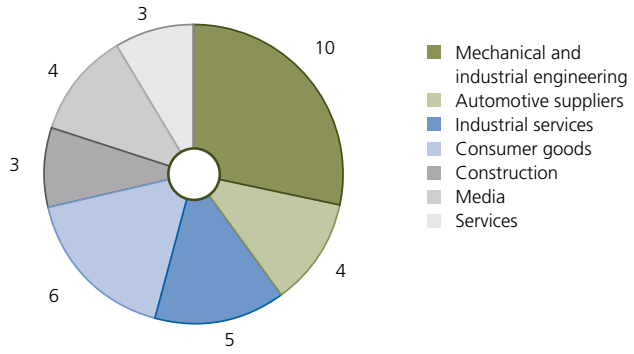
Our investment strategy is detailed in Management's report, pages 44 to 46.

Portfolio profile:
Reflective of core sectors of Germany economy

Our performance in past years has been spearheaded by rigid adherence to our investment strategy as well as our extensive investment experience: We acquire companies operating in industrial sectors with which we are familiar and which are particularly significant for the economies in Germany and its neighbouring countries. Nearly two-thirds of our more recent transactions were made in our core sectors of mechanical and industrial engineering, automotive suppliers and industrial services. Companies in which we invest have excellent positions in their – possibly small – (niche) markets. Most of them operate globally, meaning that they not only market their products worldwide, but to an increasing degree also run production sites on several continents. Furthermore, they are led by seasoned management teams.

DBAG investments by industry sectors over the last 15 years

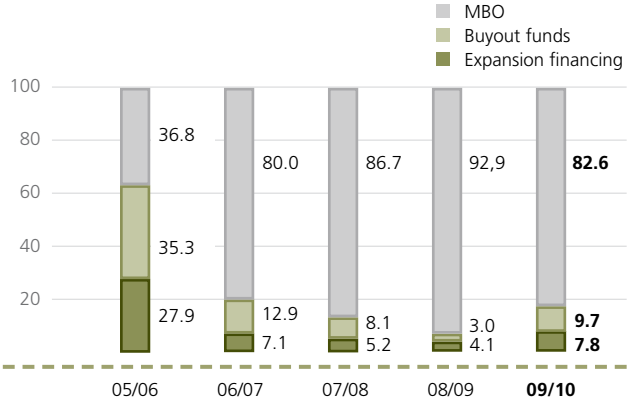
Number



In line with our investment strategy of recent years, the largest part of the portfolio is attributable to management buyouts. At the balance sheet date on 31 October 2010, expansion financing investments account for only a small part of the portfolio. Three investments constitute 7.8 percent of the portfolio value. Investments in international buyout funds amount to 9.7 percent.

Portfolio by business fields

%

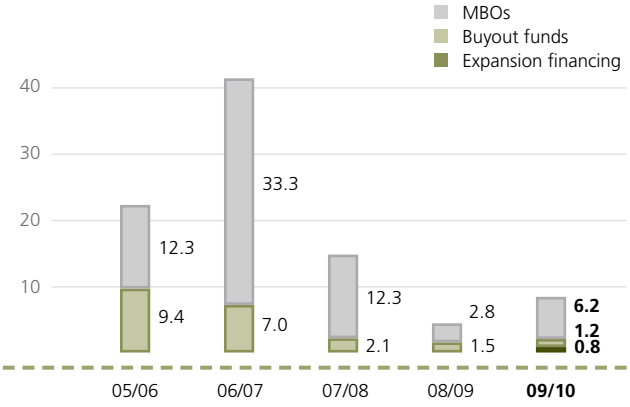


Portfolio development
One MBO and smaller follow-on financings

New investment in financial year 2009/2010 was concentrated on the acquisition of interests in the FDG Group and two smaller follow-on financings for existing investments; in one instance, the funding was used to finance an add-on acquisition. We also funded the capital calls of an international buyout fund. New investment for the year totalled 8.2 million euros.

Investment by business fields

€mn



Alongside the DBAG Fund V co-investment fund, we acquired the France-based FDG Group from the founding families in a management buyout this past financial year. We invested the sum of 4.9 million euros for DBAG's share (15.5 percent). The FDG Group is an industrial service provider. As a category manager, FDG (France Distribution Gestion) supplies hyper- and supermarkets with non-food product lines that are not a part of the core categories of these markets and require specialised knowledge to design. A key aspect of this transaction was to bundle the shares of several family owners, which was achieved through the acquisition by DBAG and its co-investment fund. The management team of managing partners who have built and shaped FDG over the past decades remain invested. Our wide-ranging experience in backing family-run businesses was a key aspect in this transaction. Another criterion in our favour was our roots in Germany, which provides a platform for FDG to enter this market.

Portfolio value (IFRS) and number of MBOs	€mn	Number
1 November 2009	**114**	**11**
Investments	6	1
Disposals/changes in value	(23)	2
31 October 2010	**97**	**10**

The FDG transaction was the result of a collaborative effort with Quartus, our long-standing partner in the French market and advisor on this investment. Over the past ten years, Quartus (www.quartus.fr) has structured successful buyouts of mid-sized companies in France and pursued a strategy similar to that of Deutsche Beteiligungs AG; DBAG was the largest investor in the fund that Quartus raised and invested. Quartus, our exclusive advisor in France, is now supporting us in identifying investment opportunities in the same kind of business models we focus on in German-speaking regions.

Read more about the FDG Group and its current trading trend on page 33.

Accounting for 9.7 percent of the portfolio, indirect MBOs – meaning investments in **international buyout funds** – are currently of subordinate importance for the portfolio value. The value of all fund investments totals 11.6 million euros. Their value grew this past financial year: US buyout fund Harvest Partners IV agreed the divestment of its remaining interests in Associated Materials, Inc., again boosting the fund's investment performance. Another fund, the MG Italy Fund, was finalised, reducing the number of buyout funds in the portfolio to four.

Portfolio value (IFRS) and number of other investments	€mn	Number
1 November 2009	**9**	**8**
Investments	2	-
Disposals/changes in value	10	1
31 October 2010	**21**	**7**

The DBG Eastern Europe II fund issued a capital call of 0.4 million euros this past financial year for the follow-on financing of an existing investment and to fund a smaller add-on acquisition for an existing portfolio company. Outstanding investment commitments to the remaining buyout funds decreased again this year and amounted to 3.8 million euros (previous year: 4.8 million euros) at the balance sheet date. Now that the funds' investment periods have all been completed, any further capital calls will merely relate to possible follow-on financings for existing investments or management expense.

For detailed information on the development of the portfolio, please see Management's report (pages 63ff.) and the Notes to the consolidated financial statements (pages 96f.).

Measured by the number of investments, the portfolio of Deutsche Beteiligungs AG has recently seen a contraction. This results from a series of profitable realisations in the period from 2006 to 2009 and our investment restraint prior to and during the financial crisis. Major divestments from the portfolio were not agreed in 2009/2010. However, we perpetuated or completed divestment processes, such as the realisation of MCE AG, which we agreed at the end of financial year 2008/2009; once regulatory approval was received, this transaction was completed in December 2009. Hochtemperatur Engineering GmbH disinvested its final business unit in January 2010, which concludes this investment, apart from residual receivables. Coveright GmbH also divested subsidiaries.

Total **portfolio value** (the sum of the portfolio value of MBOs, expansion financing investments and international buyout funds) amounted to 117.6 million euros at 31 October 2010, or less than the preceding year's 123.1 million euros, of which, however, 48.3 million euros were attributable to the immanent disposal of MCE AG agreed prior to that reporting date.

Portfolio value (IFRS) and number of investments *	€mn	Number
1 November 2009	**123**	**19**
Investments	8	1
Disposals	(55)	(3)
Changes in value	42	n. a.
31 October 2010	**118**	**17**

* Largely equivalent to the aggregate of line items "Financial assets" and "Loans and receivables", adjusted for interests in shelf companies and companies mainly attributable to third parties

Measured by their fair value, the eleven largest investments accounted for 90 percent of the portfolio (IFRS). These eleven investments consist of seven management buyouts, two expansion capital investments and two international buyout funds.

For more information on the composition and profile of the portfolio, please refer to Management's report (pages 63ff.).

Private equity market

The companies at large that could be taken into consideration for private equity investment. Types of investment include start-up financing, minority interests to finance growth, and majority acquisitions from family owners, financial investors or corporations.

Traditionally investing in Germany's 'Mittelstand', we focus on the mid-market segment, i.e. established companies that generate annual revenue of between 50 and 500 million euros. Germany alone is home to thousands of such firms, including numerous sound mid-sized companies whose capital needs match our investment strategy in terms of size and intended use. In the current setting, where companies require financial resources but banks are still coping with the consequences of the crisis, we can step in as equity providers. We finance growth, improve balance sheet structures or enable the funding of succession issues.

Investing alongside co-investment funds: Advantages for Deutsche Beteiligungs AG

Deutsche Beteiligungs AG not only invests its own capital, it also bundles the capital of other private equity investors in managed co-investment funds. These assets are invested in the same portfolio companies. During their investment periods, the co-investment funds acquire shares at a fixed ratio alongside Deutsche Beteiligungs AG and the investment team of DBAG, who also co-invest their own money in the companies Deutsche Beteiligungs AG acquires.

Co-investment funds have numerous advantages for DBAG:

- They enable the acquisition of larger companies and a broader diversification of the portfolio.
- Due to its status as a special investment company, Deutsche Beteiligungs AG is, by itself, unable to systematically acquire a majority in companies without jeopardising the tax privileges attached to that status.
- Fee income for management services to co-investment funds cover a large part of the operating costs of Deutsche Beteiligungs AG.
- By way of agreement on the investment ratio between DBAG and the co-investment fund, DBAG can align the amount it plans to invest to its available liquidity and expected cash inflows; this reduces the number of corporate actions.

Not least, co-investment funds indirectly help provide the capital backing that allows shareholders to participate in a business in an economically beneficial way, which would ordinarily not be accessible to them.

Fund management services are detailed in Management's report on pages 42f. and 46.

Investment decisions for the co-investment funds are prepared by the DBAG investment team. Similar to comparable listed private equity companies, this and the management of the portfolio are carried out through a management company. The management company for the currently investing buyout fund DBAG Fund V is DBG Managing Partner GmbH & Co. KG. This company was charged with the management responsibility by the investors to the fund and collects the management fees from the fund partnerships. The team from Deutsche Beteiligungs AG manages the fund, thereby entitling DBAG to the management fees from the management company and all profits falling to this company. This structure ensures that the investors' call for the team's formal independence of DBAG in its decision-making is met. During a fund's life, its investment strategy must be maintained and the investments continually monitored. If conditions so require, this structure is adapted to keep the model of Deutsche Beteiligungs AG competitive.

Assets under management: Total assets declined after MCE realisation

Based on a service contract, DBG Fonds I and III are managed directly by DBAG; the investments made by these funds have largely been realised. DBAG Fund IV, whose investment phase started in September 2002, ended its investment activity in February 2007. The fund still holds five investments. DBAG Fund V has invested in five companies since February 2007 and, at 31 October 2010, a total of 46 percent of the capital committed had been drawn down. Assets directly held by Deutsche Beteiligungs AG and managed for third parties totalled 767 million euros (previous year: 904 million euros) at the reporting date.

Assets under management* €mn	31 Oct. 2010	31 Oct. 2009
Deutsche Beteiligungs AG Group	274	259
DBG Fonds I and DBG Fonds III	23	27
DBAG Fund IV	154	116
DBAG Fund V	316	502
Total assets under management	**767**	**904**

* Value of equity plus additional commitments; the names of the funds do not coincide with the actual company names

Development of investments

- Portfolio companies exceed budgets
- Additional funding enables add-on acquisitions
- Good prospects for 2011

The year 2010 saw a turn of the tide. At the beginning of the year, German enterprise, hard hit by the serious economic crisis, was dominated by worries about the trading situation. Expectations for mechanical and industrial engineering were, at best, stagnation. The automotive industry feared a sales slump after the car scrappage scheme ended. Things turned out differently, however, than expected. This is reflected in the reports on our portfolio companies' development this past financial year. Those investee businesses in the portfolio that were not hit by the crisis continued their pattern of progress in 2010. Others emerged from the crisis last year and – in part, significantly – exceeded their budgets. Our portfolio companies are looking ahead with confidence to 2011.

Clyde Bergemann Group

Wesel, Germany; Glasgow, UK; Delaware, USA

A developer and manufacturer of components for fossil-fuelled power plants

Corporate data www.clydebergemann.de	
Revenue in 2009/2010	US$468.8 mn
Revenue in 2008/2009	US$493.0 mn
Revenue in 2007/2008	US$372.0 mn
Investment	€9.2 mn
Equity share Deutsche Beteiligungs AG	17.8 %
Equity share co-investment funds	45.1 %
First invested	May 2005

The companies of the Clyde Bergemann Group develop and manufacture components for coal-fired power plants worldwide. These products warrant efficient and safe operations and contribute

Mechanical and industrial engineering

This is Germany's growth and innovation driver: nearly one million people work in over 6000 mechanical and industrial engineering firms – more than in any other branch of industry. German manufacturers are the world market leaders in 18 out of 30 internationally comparable product groups.

towards clean, CO_2-reduced energy generation. Clyde Bergemann employs a staff of some 1,500; its international operations extend to 30 companies on five continents. The group has gained outstanding market positions through the cutting-edge technology built into its products. One of the company's major strengths is its global presence: Clyde Bergemann operates production sites in all major market regions and serves its clients through a worldwide service and sales network. Among the key products in its business field 'Boiler Efficiency' are so-called soot blowers; at the company's technology centre in Wesel, Germany, R&D efforts are consistently focused on further improving the efficacy of these key products. Clyde Bergemann soot blowers are used to clear utility boilers of fouling and slag while the plant is in operation. Its business field 'Materials Handling' primarily provides ash handling systems; they serve to transport and beneficiate ash in power plants. Its business field 'Air Pollution Control' manufactures waste-air cleaning systems that reduce pollution in power plants. Business field "Energy Recovery" provides heat exchanger systems for energy recovery and greater efficiency of power plants.

Clyde Bergemann continued its growth strategy in 2009: the group acquired two companies from the portfolio of Hochtemperatur Engineering GmbH that provide components for gas-fired power plants and denitrification units as well as industrial burners to further expand the company's product portfolio. Since we entered into this investment, Clyde Bergemann has acquired nine companies, each with its own products and services. This strategy creates opportunities in a number of ways: Clyde Bergemann is able to offer present customers an expanded product range, while also giving the company access to new regional markets through its acquisitions. Moreover, the acquired companies are able to take advantage of Clyde Bergemann's global sales and service network.

Clyde Bergemann exhibited stability during the crisis year of 2009 and completed the 2009/2010 financial year (1 March to 28 February) with earnings topping those of the previous year. As expected, revenues were lower; the preceding year saw the settlement of a major contract.

In 2010, restraint initially continued to prevail in markets relevant to Clyde Bergemann's business. In Europe, orders in the first half of the financial year were below budget. However, in the second part of the year, demand began to revive. Clyde Bergemann's excellent success in China and India remained unchanged. For financial year 2010/2011, the company's management expects stable earnings at the previous year's level.

Our confidence remains unchanged for the future of the Clyde Bergemann Group. Coal-fired power plants will continue to be a crucial component in power generation for a long time. In addition to capacity-expanding plant new-builds, many existing power plants have considerable revamping and upgrading needs. Clyde Bergemann has the products and technological solutions to fit these needs. Its offerings include systems that increase efficacy and also control air pollution, contributing towards a cleaner environment. Clyde Bergemann will stand to profit from these trends – by providing the requisite components for new power plants and by its spare parts and support services business for existing plants. In the second half of 2010, the company won a number of large contracts, and the project pipeline is well filled. Orders of more than US$70 million were received alone from South Africa for components for new-builds and the upgrading of existing plants through new systems. Clyde Bergemann therefore expects revenues and earnings to rise considerably in its upcoming 2011/2012 financial year.

Coperion GmbH

Stuttgart, Germany

A developer and manufacturer of compounding systems and bulk-materials handling equipment

Corporate data www.coperion.com	
Revenue in 2010 (preliminary)	€347.0 mn
Revenue in 2009	€396.4 mn
Revenue in 2008	€576.5 mn
Investment	€10.4 mn
Equity share Deutsche Beteiligungs AG	18.8 %
Equity share co-investment funds	78.0 %
First invested	July 2007

The companies of the Coperion Group develop, manufacture and market machines as well as bulk-materials conveyor systems and production plants for the plastics, chemical, food and aluminium industries. A range of support services relating to the modernisation and maintenance of machines and plants are an important part of the product portfolio for the group, the global leader in its line of business. Deutsche Beteiligungs AG and its co-investment fund acquired Coperion in July 2007; Coperion's management is also co-invested.

Machines and plants manufactured by Coperion are used – stated in simple terms – for the chemo-physical processing and conveying of various materials. Coperion's customers typically produce plastics, but also, to an increasing degree, aluminium, coatings, food and pharmaceuticals. Core competencies are 'Compounding' and 'Extrusion', or the mixing and shaping of various materials under changing pressures and temperatures, as well as technologies for conveying bulk materials in powder and granular form ('Materials

Specialty chemicals

They come in whenever cars need to become more lightweight and bank notes more tamper-proof: speciality chemicals deliver the basis for many product innovations. This is a major sector of German industry. Its strong position and potential for growth make it attractive for our business.

Handling'). Coperion has market shares of up to 50 percent. One market-leading example are large-scale compounding systems, which may reach order values of up to 50 million euros.

Coperion is a manufacturer of capital goods that involve comparatively long planning and throughput time. In this past year of general recovery, the company therefore still suffered from the consequences of the recent economic crisis. With order intake significantly lower in 2009, revenue and earnings declined. However, the losses were less than was to be expected, based on the new business trend. Coperion's highly successful support services business, the expansion of which was a strategic objective, had a stabilising effect during the crisis. The company also profited from its early response to changes in demand. Optimising workflows has paid off, as have efforts to more strongly modularise and standardise products. Despite the sharp crisis-related downturn in equipment spending, which led to a drop in output, Coperion was largely able to maintain its operating margin and generate positive operating results even during the crisis. This, in our opinion, is evidence of Coperion's successful alignment of its business model and its strengthened competitive standing.

Demand for Coperion's machines and plants clearly increased during 2010. Initially, orders almost exclusively came from Asia, followed later on by contracts from other economic regions. Coperion completed the year, recording orders considerably above budgeted levels. The company benefited from its extended product range by transferring its knowhow to other applications, such as for the food, pharmaceutical and chemical industries. Coperion succeeded in gaining a stronger foothold in these areas. This, too, is an important constituent of the value-building strategy for this investment.

Coperion employs a staff of almost 1,700, of whom some 1,150 are located at two larger (Stuttgart and Weingarten) and several smaller sites in Germany. Coperion is also well placed in the promising Asian market. The group also operates production and product development sites in Wytheville, USA; New Delhi, India; as well as Nanjing and Shanghai, China.

For 2011, Coperion expects the market to continue to recover and – in view of the recent trend in orders – revenue to be higher, with earnings that approach pre-crisis levels.

Coveright Surfaces Holding GmbH

Essen, Germany

A producer of surfacing materials

Corporate data www.coveright.com	
Revenue in 2010 (preliminary)	€209.5 mn
Revenue in 2009	€204.3 mn
Revenue in 2008	€247.2 mn
Investment	€6.8 mn
Equity share Deutsche Beteiligungs AG	16.8 %
Equity share co-investment funds	42.5 %
First invested	June 2003

Coveright Surfaces (Coveright) is a producer of impregnated decorative films and foils used in the manufacture of furniture and laminate floorings and in the woodworking industry. Coveright's geographical focus is on Europe, North and South America. The company operates production facilities in Germany, Brazil, Canada, Spain and the US. Coveright is one of the mature investments in the portfolio: Deutsche Beteiligungs AG and its co-investment funds acquired the company in 2003 alongside US-based financial investor Harvest Partners.

In 2010, Coveright exceeded its trading objectives. In North America and Europe, its largest markets, production volumes and revenues reached or slightly surpassed budgeted amounts. Coveright expanded in South America more strongly than expected. Earnings continued to improve and debt was further reduced.

Coveright is a provider to very different end markets: Large engineered wood manufacturers (chipboards, laminate flooring), who frequently run their own impregnating facilities as part of the value

chain, dominate in the company's European business. Market conditions for independent impregnators such as Coveright remain difficult in Europe, and Coveright has therefore increasingly focused on technical films and specialties. By contrast, Coveright is the undisputed market leader in North America, its key market, with prospects of further improving its position through targeted investments. In South America, Coveright is moving ahead in a dynamic, fast-growing market.

Having divested its Asian site in Malaysia in 2009 and its Russian joint venture this past year, Coveright is currently investigating strategic options for its remaining entities in North and South America and in Europe. These may also encompass disinvestments.

Industrial support services and logistics

More flexible, more cost-effective and, based on their high degree of specialisation, often qualitatively better: companies who provide services to industry and trade that are not a part of their customers' core competences fulfil an important function. They ensure smooth, efficient operations.

FDG Group (France Distribution Gestion)

Orly, France

A service provider to the retail trade

Corporate data www.fdg.fr	
Revenue in 2010 (preliminary)	€107.0 mn
Revenue in 2009	€107.0 mn
Revenue in 2008	€110.0 mn
Investment	€4.9 mn
Equity share Deutsche Beteiligungs AG	15.5 %
Equity share co-investment funds	64.1 %
First invested	June 2010

FDG Group operates in category management and provides a range of services to mass retailers. FDG (France Distribution Gestion) supplies non-food product categories to hypermarkets and supermarkets, primarily in France. These categories include notions (from sewing thread to shoe soles), kitchen utensils, hair-care items (barrettes and hairbrushes), DIY products (tools) as well as collectible sticker albums. FDG designs product lines, controls the supply chain, packages the products and manages the logistics to the markets. FDG provides customised merchandising services, individually managing the selected assortment on store shelves (full-service rack jobbing) for its product lines. The products are mostly marketed under FDG's own brands, but also partly consist of licensed products or proprietary supermarket brands ('private labels').

The company's core competence is logistics: More than 200 merchandisers call on up to 1,000 stores each day. FDG is present in 70 percent of all hyper- and supermarkets in France and serves some 8,000 points of sale. Its range comprises 12,000 different products, with some 75 million items sold annually. Measured by revenues, FDG is the No. 2 in the French market. Nearly five percent of revenues are generated in neighbouring countries, including Germany. The company employs a staff of 750 at 15 locations in France.

FDG has targeted growth for the coming years – both organically and through acquisitions, particularly in neighbouring countries such as Germany. The company's strong position in the French marketplace is a good basis for that. Extending the range to include additional product lines will be one of the growth drivers. DBAG intends to back FDG's management in implementing its growth strategy and heightening the group's efficiency. A stronger integration of the very decentralised group will contribute importantly towards that.

FDG made good progress in 2010 – both in current trading and in implementing major elements of the group's strategy. Revenue and earnings developed along expectations, and changes in the product mix led to a margin improvement. In 2010, FDG succeeded in winning Carrefour, the largest supermarket chain in France, as a new customer for its hair-care range.

FDG expects continued growth in 2011. The company intends to expand its product and brand portfolio, in addition to tapping new geographical markets.

Grohmann GmbH

Prüm, Germany

A developer and manufacturer of plants for industrial automation

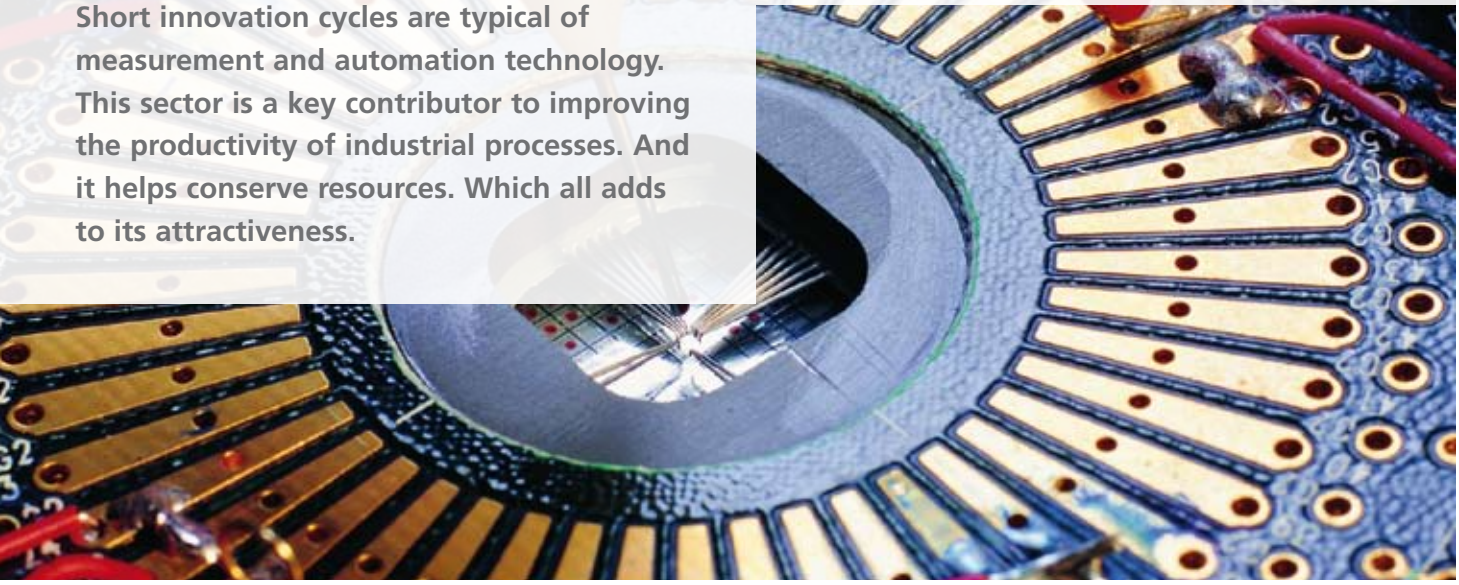
Corporate data www.grohmann.com	
Revenue in 2010 (preliminary)	€65.0 mn
Revenue in 2009	€58.8 mn
Revenue in 2008	€70.4 mn
Investment	€2.1 mn
Equity share Deutsche Beteiligungs AG	25.1 %
First invested	December 1996

'Manufacturing technologies for the future' is Grohmann's proposition to its customers. The company develops, produces and markets automated plants for the manufacture of sophisticated products, among others, for the semi-conductor, automotive and pharmaceutical industries worldwide. Grohmann is a technology leader in industrial automation. The company employs a staff of approximately 550.

Plants and systems made by Grohmann are used for the highly efficient mass production of technically sophisticated products or components. Examples of products manufactured with these machines are mobile telephones or analytical devices for biotech automation. Single machines can be combined to form complex production lines, for instance, for the production of electronic controls or tape wiring systems for power circuits in vehicles.

Measurement and automation technology

Short innovation cycles are typical of measurement and automation technology. This sector is a key contributor to improving the productivity of industrial processes. And it helps conserve resources. Which all adds to its attractiveness.



Grohmann's automation technologies improve the productivity of production processes through higher quality and safety, lower material consumption, enhanced product variability and reduced throughput times. These are reasons why Grohmann remained profitable while weathering the crisis.

In 2010, Grohmann recorded a good utilisation rate and very satisfactory order levels. Earnings also improved. Grohmann has forecast moderate growth for 2011.

Heim & Haus Holding GmbH

Duisburg, Germany

A direct marketer of awnings, shutters and building components for homes

Corporate data www.heimhaus.de	
Revenue in 2010 (preliminary)	€123.0 mn
Revenue in 2009	€114.6 mn
Revenue in 2008	€106.4 mn
Investment	€6.4 mn
Equity share Deutsche Beteiligungs AG	20.4 %
Equity share co-investment funds	47.8 %
First invested	October 2006

Heim & Haus ranks No. 1 in Germany in direct sales of building components used in the extension and renovation of one and two-family homes. The company covers the complete output chain – from product development, sales and production through to installation. This is what distinguishes Heim & Haus from its competitors. The company employs a staff of 500 working at three locations in Germany, in addition to 1,400 self-employed sales representatives and fitters who work exclusively for Heim & Haus. The company is headquartered in Duisburg, Germany; its two production sites are located in Auerbach (near Bayreuth in Bavaria) and Osterfeld (near Halle, Saxony-Anhalt).

Heim & Haus was founded in 1971 and initially distributed roller shutters regionally. Today, the company's reach extends to all of Germany, and it is present in a number of neighbouring European countries through distribution partnerships. The product range has expanded greatly since the company's foundation 40 years ago. It comprises awnings and other shade systems, roller shutters, garage doors, vinyl windows and doors, canopies and terrace roofing as well as customised roof windows for remodelling and roof extension purposes. Since late 2010, safety and security products, such as alarm systems and smoke detectors, complement the directly sold product range. The company's top sellers are awnings, roller shutters and windows, which account for more than two thirds of total revenues. Self-employed sales representatives solicit orders by directly contacting owners of one and two-family homes.

2010 was a very successful year for Heim & Haus. The company once again augmented all key indicators year-on-year. Heim & Haus profited from the favourable market environment as well as from its own efforts. New home construction stabilised in Germany after years of decline. Of greater significance for Heim & Haus, however, is the fact that the renovation market is growing. Consumers are still ready to invest in products that improve the energy efficiency of their homes. Heim & Haus completed the year recording revenues and earnings that exceeded the budget and the previous year's amounts, and was able to augment its financial strength. The company's entry into the market for security systems will add to the long-term value appreciation of this investment. By this move, Heim & Haus is supporting homeowners' efforts to achieve greater security, such as effective protection against breaking and entering – aspects, which have also been considered in the design of its other products, such as front doors and windows. Heim & Haus representatives will now be providing security products developed by the leading brand manufacturer in the security sector. In extending the product range, the company will keep to its policy of not only selling its products, but also installing them professionally by its team of fitters and delivering one-stop-shop service to its customers.

For the current 2011 business year, Heim & Haus has forecast growth in its core product lines. Productivity improvements will be implemented to counteract price hikes on the purchasing side. The new security products are expected to make a first appreciable contribution to revenues and earnings this year.

Homag Group AG

Schopfloch, Germany

A provider of woodworking machines and plants for the furniture and building supplies industries and timber-frame home construction

Corporate data www.homag-group.de	
Revenue in 2010 (company's forecast) [1]	€680.0 mn
Revenue in 2009	€524.1 mn
Revenue in 2008	€856.4 mn
Investment	€21.4 mn
Equity share Deutsche Beteiligungs AG	16.8 %
Equity share co-investment funds	16.3 %
First invested	Jan. 1997/Feb. 2007

Boasting a world market share of more than 25 percent, Homag is the leading global provider of woodworking machines used in the wood-based panel-processing furniture, building supplies and timber-frame home construction industries. Products manufactured on Homag machines are widespread: 'The world of furnishing starts with our machines', is the company's proposition on its website. Furniture, kitchens, timber-frame homes, windows, wooden flooring and staircases are manufactured on machines developed and produced by the companies of Homag Group AG. At its 16 production and assembly sites and its sale offices, Homag employs a staff of approximately 5,000, of whom more than 1,000 work outside Germany. The company was founded in 1960, and the majority was originally family-owned. In February 2007, we increased our existing investment, which we had held since 1997; our co-investment funds also acquired shares. Subsequent to Homag's flotation in July 2007, Deutsche Beteiligungs AG and its co-investment funds continued to jointly hold a 33.1 percent interest in the company at 31 October 2010.

Homag provides stand-alone machines for carpenter shops as well as highly complex industrial plants for the furniture industry. One of the factors that make Homag unique is its ability to equip a complete factory with its machines for the production of furniture or building elements. An extensive support and services business complements Homag's product range. Its key markets are Germany and the other EU countries (over 50 percent of revenues) and, increasingly, Asia. The focus of the product range is on machines and plants for efficient, versatile processing of panel-shaped workpieces made of wood-based materials. Research and development are a priority issue at Homag. The company averages four patent applications per month. Homag has helped its clients time and again to heighten productivity and achieve outstanding processing quality through its innovative products.

In 2010, Homag clearly recovered from the massive setback of the year 2009 and is now back on the road to success. Homag's management reported that orders climbed by 54 percent and revenues by 38 percent in the first three quarters of financial year 2010, compared with the equivalent period the previous year. As early as the second quarter, management reported that production at several subsidiaries was running close to capacity again. Earnings also improved considerably. In an intense competitive environment, Homag succeeded in implementing price increases. For the full year of 2010, Homag's management board forecasts a rise in revenues of up to 30 percent to more than 650 million euros and a slightly positive profit for the year. [2]

[1] Based on the company's forecast in November 2010

[2] Our report is based on publicly available data on the group at the copy deadline of this Annual Report

Strategically, Homag focused this past year on the market shift towards Asia and the appropriate action to take. With Germany ranking first, China is now the second most important market for Homag. The company not only sells simple machines in China, it also delivers highly automated plants. Orders from the Asian-Pacific region recorded the strongest growth in 2010, rising 141 percent (status at the end of the third quarter). Homag is responding to that growth by accelerating its internationalisation. Production in China is being expanded and an assembly facility set up in India.

In 2011, Homag's management board wants to further propel the company's internationalisation. Management is confident about the business trend: new products intended to support growth will be presented in spring 2011 at Ligna, a biannual trade fair. The company already expressed its satisfaction with the success of an in-house fair staged in autumn 2010. Homag's management plans to boost revenues in 2011 to over 700 million euros and improve earnings exponentially. [2)]

ICTS Europe Holdings B.V.

Amsterdam, Netherlands

A provider of security services for airports and airlines

Corporate data www.ictseurope.com	
Revenue in 2010 (preliminary)	€336.0 mn
Revenue in 2009	€325.4 mn
Revenue in 2008	€294.9 mn
Investment	€6.4 mn
Equity share Deutsche Beteiligungs AG	17.5 %
Equity share co-investment funds	72.6 %
First invested	April 2008

ICTS provides security services to the civil aviation sector (airports, airlines, air cargo) and develops software solutions for security-related applications for airports and airlines. General, maritime and transport security services round out the range of services and products. The company's core business is its services to airports and airlines. On behalf of airports and regulatory agencies, ICTS Europe security screens airport staff, passengers and baggage. For airlines, the company provides regulatory and enhanced security services. ICTS Europe comprises a workforce of some 10,000 (2,000 of which are located in Germany), but its resources in providing these services also include specially trained sniffer dogs and, increasingly, IT-based security products. The company succeeded in extending the experience and competence gained in its core business of aviation security to other operating segments and, through a subsidiary, provides maritime security services to ports, shipping companies or companies that install submarine cables and pipelines. Deutsche Beteiligungs AG and its co-investment fund structured the management buyout of ICTS Europe Holdings B.V. in April 2008.

Following the crisis year of 2009, the aviation sector found a still very challenging environment at the start of 2010. The first months of the year were marked by persistent low capacities; the volcanic eruption in Iceland that grounded air traffic in Europe for days weighed considerably on the income of airports and airlines. ICTS Europe also felt the decline in demand. In the second half of the year, air traffic grew more strongly than expected. Revenues in its core business ultimately reached budgeted levels and exceeded those of the prior year; however, in a competitive field of aggressive pricing, the earnings trend did not meet expectations.

Strategically, ICTS progressed well in 2010. In September, ICTS completed the acquisition of a security services provider in Canada. This company generates revenues of some eleven million euros; its experience and licences form an ideal platform on which to enter the attractive North American market. The shareholders provided additional funding for this acquisition.

Progress in maritime security services, a business that had reached a new order of magnitude and importance the prior year, was hampered by delays in a large-scale project.

ICTS Europe is one of the few market players that is recognised by the US civil aviation authority (TSA), giving the company an outstanding position as a security services provider to US airlines. ICTS Europe also develops and markets IT systems for aviation that allow airlines to effectively and efficiently meet immigration requirements on travel document verification for their passengers in certain countries – a sophisticated service, since these requirements are becoming ever more complex. This excellent market position will be the basis on which the company plans to expand its core business in 2011. Through its new acquisition in Canada, ICTS expects to take in first contracts from North America. The maritime security services segment will be developed into a more broadly diversified business.

Automotive suppliers

Germany's automotive industry is a leader in fuel efficiency, safety, quality, comfort and design. Suppliers contribute up to 70 percent of the value added and generate a major part of the industry's innovations.

Preh GmbH

Bad Neustadt an der Saale, Germany

A developer and manufacturer of sophisticated driver operating and control elements

Corporate data www.preh.de	
Revenue in 2010 (preliminary)	€345.0 mn
Revenue in 2009	€248.8 mn
Revenue in 2008	€304.7 mn
Investment	€3.7 mn
Equity share Deutsche Beteiligungs AG	17.0 %
Equity share co-investment funds	43.2 %
First invested	November 2003

Preh develops and produces operating and control elements for the automotive industry that uniquely combine two core competences: intelligent electronics and software, and unique surface technology. One example of this is driver control systems, such as climate control or infotainment units. These are distinguished by their ease of use and enhance passengers' travelling comfort in a car. Preh's expertise in control systems for climate and communications units propelled its successful market entry into safety-related control systems for various vehicle functions, such as for active steering or the electronic fuel pump. Preh recently won a groundbreaking contract that paves the way to the electromobility business. Intelligent sensor systems, such as defogging, fuel injection or brake wear sensors, add to a car's efficiency, safety and comfort. Preh employs a staff of 2,300 located at two German and four international sites and generates more than 98 percent of its sales in the automotive industry.

Through its subsidiary PrehKeyTec, the company is also a manufacturer of high-quality, very robust keyboards and keypads for use at the point of sale. At the year-end, the company agreed the sale of PrehKeyTec to management; this represents a final step in developing Preh into a purely automotive supplier.

2010 was a very successful year for Preh. The company profited from its recent focus on new markets and on setting up production facilities in Mexico and eastern Europe. Through intensive research and development, Preh rolled out additional product groups and attracted new clients. With revenues growing by 39 percent, Preh clearly outpaced other automotive suppliers in 2010. This is certainly a unique achievement in that Preh passed through the crisis comparatively unscathed, and, in 2009, recorded a reduction in revenue that was far less than the industry average.

With its automotive business growing by an annual rate of almost ten percent since Deutsche Beteiligungs AG and other financial investors acquired the company in 2003, Preh has clearly exceeded the industry trend by more than two-fold. Although the surge in demand this past year entailed greater effort in production as well as in the delivery of the products, the company's earnings margin improved.

Preh has forecast further progress for 2011 and plans to grow faster than the market. The order books are well filled. In response to the growth trend in key markets, Preh intends to nearly double the capacity at its North American site in Mexico, which was established in 2005. A joint venture in China agreed in 2010 with a Chinese automotive supplier will be established: in Ningbo, a leading technology centre for the Chinese automotive industry, Preh's joint venture company, which it holds together with Joyson Automotive Electronic, will soon be manufacturing and marketing Preh products.

Investment strategy

Medium- to long-term investment plan of action undertaken to achieve pre-defined return targets. The investment strategy provides guidance when selecting an investment and determining its form.

Deutsche Beteiligungs AG invests in sectors that it knows well, such as mechanical and industrial engineering, automotive suppliers and industrial services. We attach importance to choosing companies whose products and services are forward looking – geared, for example, toward future capital expenditure needs. When selecting candidates, we keep megatrends in mind – the robust growth in Asia and South America, rising demand for energy and the challenges of climate change. After all, companies serving these markets have good prospects for sustained growth.

Management's report

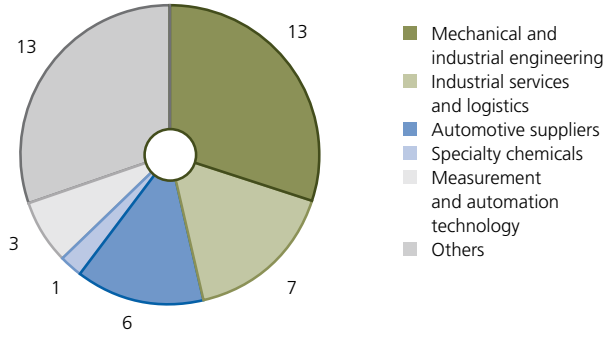
Overview

2009/2010 was another year of success for Deutsche Beteiligungs AG. With net asset value per share climbing to 20.03 euros, we reached our key target. The return on net asset value of 12.7 percent clearly exceeds the cost of equity. A new management buyout complements the portfolio and strengthens the platform for future value growth. Our new offering for expansion financings creates added investment opportunities and enlarges our market penetration.

Our portfolio companies benefited from their excellent market positions and their quick and determined response to the economic crisis. They exploited the opportunities brought on by the upturn, which we did not expect to be that strong only a few months before. This is mirrored in a net result of valuation and disposal of 46.5 million euros.

Number

Number of DBAG transactions by industry sectors
since 1 November 1995



The Group and underlying conditions

Positioning

- Management buyouts and expansion financing investments in select core sectors
- Financing alongside co-investment funds
- Access for shareholders to asset class of private equity

Business activity: Private equity investments in industrial and service companies

Deutsche Beteiligungs AG (DBAG) is a publicly quoted private equity firm domiciled in Frankfurt am Main. It provides equity or equity-like financial instruments to non-quoted companies ('private equity'). Its investments are focused on companies whose business models are rooted in the outstanding engineering quality of their products or in specialised services. The core sectors in which DBAG invests include mechanical and industrial engineering, automotive suppliers, specialty chemicals, measurement and automation technology and specialised service providers for different industries.

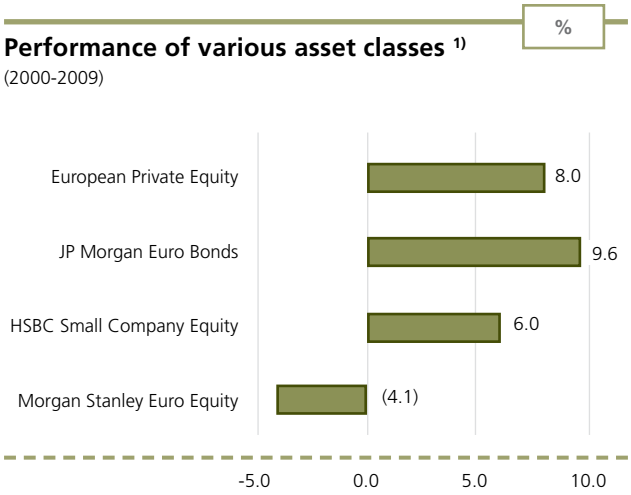
Deutsche Beteiligungs AG invests in established companies with a proven business model. The prime criteria for an investment are good levels of profitability, an excellent market position and unique propositions in their product and service offerings. This strategy excludes investments in early-stage and small companies.

The investment performance of Deutsche Beteiligungs AG is, first and foremost, based on tried and proven private equity work methods. These encompass an in-depth due-diligence process prior to making an investment and in supporting the portfolio companies' managements in implementing their corporate concepts during the holding period by taking offices on advisory councils and supervisory boards.

DBAG has pursued this business model for more than four decades. Since the founding of its predecessor firms, DBAG has invested in over 300 companies. The experience gained over this period of time constitutes the prime basis for developing and adapting the Company's business model.

DBAG not only invests its own capital, but that of other German and international organisations as well. These organisations – pension funds, insurance companies, funds of funds and foundations – generally do not make direct investments in our target market themselves. The Deutsche Beteiligungs AG Group manages the capital committed by these investors through co-investment funds. These are fund management companies that co-invest alongside DBAG at the same terms in the same investee businesses and in the same instruments.

Performance of various asset classes [1)]
(2000-2009)



Based on its business model, investors have access to the attractive asset class of private equity by investing in the stock of Deutsche Beteiligungs AG. This asset class is usually closed to investors with smaller sums to invest, and its liquidity is lower than that of stock investments, because it is normally organised in the form of investment trusts. Private equity investments have generated superior returns in the past compared with those of most other traditional asset classes. That holds particularly true for strategies that are targeted at investments in sound, mature businesses. [1)]

A four-member Board of Management manages the DBAG Group. All active staff of Group companies are employed by Deutsche Beteiligungs AG; they are located at the Company's headquarters in Frankfurt am Main. Deutsche Beteiligungs AG does not operate other sites. The Board of Management is responsible for the conduct of the Company's business, which is aimed at augmenting the value of the Company.

The Company's Supervisory Board consists of six members; they are exclusively shareholders' representatives. The Supervisory Board advises and monitors the Board of Management in its managerial activities and regularly discusses substantial issues with the Board of Management. In addition to current trading, corporate planning and strategy, these issues include risk exposure, risk management and the development of the business model. The Supervisory Board has installed an Executive, a Nominations and an Audit Committee.

Details on the working relationship practiced between the Board of Management and the Supervisory Board and on Corporate Governance are discussed in this Annual Report in the Report of the Supervisory Board and the Corporate Governance Report.

Deutsche Beteiligungs AG is recognised as a special investment company as defined by German statutory legislation on special investment companies (Gesetz über Unternehmensbeteiligungsgesellschaften – UBGG) and is therefore exempt from municipal trade tax.

The Group structure, and changes to it in the reporting year, are presented in the Notes to the consolidated financial statements on pages 96ff.

[1)] "2009 Pan-European Private Equity Performance Benchmark Study", European Private Equity & Venture Capital Association (EVCA), Brussels, June 2010, page 15. The chart shows the performance of different asset classes over a ten-year period from 2000 to 2009, based on comparable payment flows and the application of opening and closing amounts for the private equity funds included. The representation corresponds to the form common to the private equity industry.

Objectives and strategy

- Attractive returns on NAV and enhancement of the Company's value
- Regular dividends, to the extent possible, based on set principles
- Cost coverage through management of co-investment funds

Objectives: Value appreciation of portfolio companies is the basis for DBAG's value growth

The business activities of Deutsche Beteiligungs AG are targeted at building the value of its investments and realising that value growth after four to seven years upon an investment's ultimate disposal. That way, we aim to augment the value of Deutsche Beteiligungs AG on the long-term average by an amount that exceeds the cost of equity.

As is common to the private equity sector, the measure for our long-term performance is a period of ten years. As in former comparative periods, we exceeded that performance target on average over the last ten-year period (2000/2001 to 2009/2010): The average return on net asset value – or equity – per share over these ten years is 12.2 percent. Over the last 15 years it is 16.5 percent and over 20 years 13.9 percent. [2] This accomplishment derives from the broad experience of our investment team and the rigorous pursuit of our investment strategy.

Conditions permitting, our shareholders are to participate in the investment performance of Deutsche Beteiligungs AG by a consistent dividend policy: through a base dividend in addition to a surplus dividend for those years when gains from disposals generate high cash inflows. The base dividend is geared to current money market rates and the net asset value per share.

In addition to its financial targets, DBAG also pursues a set of non-financial performance indicators, such as the stability of its investment team, a good reputation and awareness of the Company among M&A consultants and banks who, for instance, are important for accessing potential investments ('deal flow'). These indicators are elucidated in another part of this Report (pages 50 and 77).

Strategy: Investments in companies with leadership positions in selected core sectors

We predominantly invest in sectors in which we are particularly experienced. These sectors include mechanical and industrial engineering, automotive suppliers and the industrial services and logistics industries.

We consider a number of criteria when taking our investment decisions. For instance, we examine whether the products and services of potential investee businesses address the future needs of changing economic and societal conditions: efficient generation and utilisation of energy, stewardship of natural resources, the challenges of climate change, growing mobility, increasing productivity of production plants and advancing industrialisation in emerging countries. For companies that address these markets, there are substantial opportunities for sustained growth. With a view to the long-term nature of our investments and in the interest of sustainable value creation, we consider the possible impact which the risks and rewards associated with these developments may have on the business models of target companies.

Our target companies should be leaders in their market segments and be run by seasoned managements. Moreover, they should exhibit potential for earnings growth.

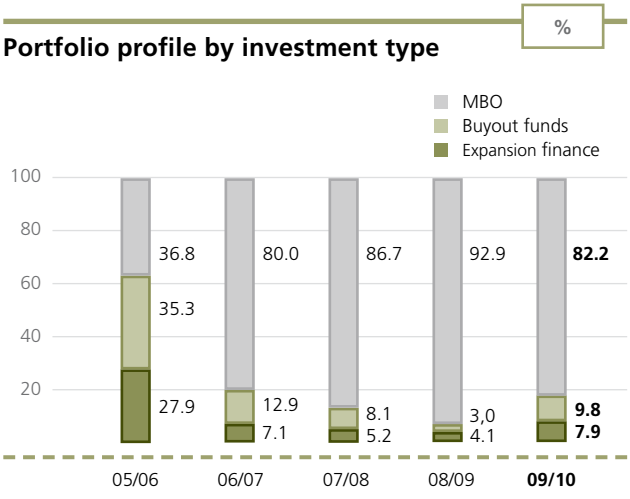
In addition to the industries mentioned, measurement and automation technology and specialty chemicals are also among the core sectors in which we prefer to invest. However, we occasionally identify investment opportunities in other industries that meet our investment criteria.

[2] For a definition of the return on equity per share, please refer to section "Steering and control", page 47.

Broad spectrum of transaction structures

Private equity investments based on the criteria mentioned above can be made in various forms. Until the late 1990s, the Company pursued a broader investment approach, which also encompassed expansion capital investments (minority interests in companies in the hands of families wanting to maintain control) and investments in international buyout funds. Since 2001, in response to market trends, we have concentrated our activity on management buyouts (MBOs) in German-speaking regions, meaning investments in which the target companies' managements co-invest. The portfolio profile today reflects this investment strategy. In the past years, MBOs were one of the most attractive forms of equity investments. They currently predominate in our portfolio, accounting for 82.2 percent of the portfolio value. [3)]

Portfolio profile by investment type



The recent economic and financial crisis has clearly changed the supply and demand in the market for corporate financings. We responded to these changed conditions and now intend to resume making investments in instances where a voting majority in a company is not obtainable. The off-board equity we provide can fill the gaps created by banks' limited abilities on the one hand and, on the other, the financing need that has surfaced in the wake of the strong growth brought on by the economic upswing and the expansion plans particularly of German mid-sized companies.

In our investment decision, we also consider the geographical and sector profile of the portfolio. Our portfolio companies generally operate internationally. That applies to the markets they supply and, increasingly, to their production sites. The internationality of our portfolio companies means that, in addition to Germany's domestic business trend, the development of the global economy and the factors influencing it are significant for the performance of Deutsche Beteiligungs AG.

Many of our portfolio companies manufacture capital goods. The demand for such products is generally subject to stronger cyclical swings than is the demand for consumer goods. When structuring the financing, we also consider the cyclicity of our portfolio companies' businesses. For instance, we allow for a commensurate equity-to-assets ratio when acquiring such companies.

We endeavour to spread exposure to risk by limiting the sum invested in one business and disseminating our investments over various industrial segments (for more information, please refer to pages 73ff. of the Risk management report).

Our own equity base and the capital we have available through co-investment funds enable us to make investments in companies whose value ranges from 50 million to 250 million euros.

[3)] All disclosures in this Management's report concerning breakdowns of the 'portfolio value' relate to the portfolio less shelf companies and companies the majority of which is attributable to minority interest; the portfolio value thus defined totals 117.6 million euros.

Experienced investment team and network support access to transaction opportunities

We boast an investment team of 22 investment managers. [4] This team has a broad skill set combined with multifaceted experience in the investment business. That makes us well equipped to structure even complex transactions.

In addition to the availability of equity and leverage, effectual access to transaction opportunities ('deal flow') is a vital mainstay in successfully pursuing the investment strategy described. We profit from our long market presence and our widespread network in Germany. These factors put us in a position to gain early knowledge of prospective transaction opportunities.

We have been investing in Germany's 'Mittelstand' over many decades. In our investment activity, we have always attached importance to not seeking a quick investment profit if this would mean long-lasting damage to our reputation. This has gained us a high degree of credibility among company owners and banks as well as other groups involved ('stakeholders'), such as the management, employees and unions, customers and suppliers; this is crucial to sustainably fortifying our market position. Our past record demonstrates our reliability as a partner in the M&A process and during the holding period, and that we give adequate consideration to the interests of all parties concerned. In 2009/2010, we established the "Gemeinnützige Stiftung der Deutsche Beteiligungs AG", a non-profit charitable foundation. Its foremost purpose is to support active and former employees (and their dependents) of current and former portfolio companies of DBAG in emergencies.

Joint investments by Deutsche Beteiligungs AG and co-investment funds based on fixed rules

Fund companies managed by Deutsche Beteiligungs AG (co-investment funds) invest alongside Deutsche Beteiligungs AG in the same portfolio companies. The capital committed to these co-investment funds comes from institutional investors, such as pension funds, funds of funds, banks, foundations, insurance companies or family asset administrations.

DBAG and its co-investment funds basically invest at a defined ratio during a fund's investment period. Disinvestments are basically transacted at the same ratio fixed at the time of the acquisition. For DBAG Fund V, whose investment period began in February 2007, the ratio is one (Deutsche Beteiligungs AG) to four (DBAG Fund V).

Co-investment funds have independent decision-taking structures and operate on their own account. Co-investment funds pay advance profits to Deutsche Beteiligungs AG for accessing investment opportunities and managing investments. These advance profits serve to cover a part of the operating costs of Deutsche Beteiligungs AG. The amount of advance profits paid by co-investment funds is value-related. During the investment phase, they are based on the capital committed by the fund's investors. In the subsequent period, they are measured by the historical cost of the investments remaining in the fund's portfolio. DBAG Fund V currently invests alongside Deutsche Beteiligungs AG. Additionally, Deutsche Beteiligungs AG still manages investments held by DBAG Fund IV, Fonds III and Fonds I.

[4] including Board of Management members who are significantly involved in every investment

Steering and control

- Corporate performance defined by value growth of investments
- Valuation measured by fixed set of procedures
- Remuneration scheme rewards long-term performance

Performance measure: Return on equity per share is key orientation mark

The key target and performance measure for DBAG is the return on net asset value (NAV) – or equity – per share. The benchmark for assessing the return trend is the cost of equity. The aim is to grow the net asset value per share over the long-term average at a rate that exceeds the cost of equity.

We determine the return on equity by comparing the net asset value per share at the close of the financial year with the opening NAV per share, less dividends, at the onset of the financial year.

We typically employ the capital asset pricing model (CAPM) to derive the cost of equity. This conforms to a recommendation by the Institut der Wirtschaftprüfer (IDW) on determining the cost of capital in conjunction with enterprise valuations. Based on the CAPM, to arrive at the cost of equity r_{EK} it is necessary to determine

- the risk-free base rate r_f
- the stock market risk premium r_M and
- the company-specific risk ß

The cost of equity is derived as follows: $r_{EK} = r_f + ß * r_M$

We derive the risk-free base rate from the interest structure curve for German Government bonds. The base rate used is the mean value derived from the rate for German Government bonds with a term of 15 years and the value at which the rate converges over a perpetual term. At 31 October 2010, this value was 3.1 percent. The market risk premium used was five and a half percent, which is within the IDW-recommended spread of four and a half to five and a half percent.

Beta (ß), the individual risk measure for Deutsche Beteiligungs AG, is determined using the regression method, which shows the relationship between the expected return of a market index and the expected return of DBAG shares. Different beta values result, depending on the choice of market index, the period of time and the length of return intervals. The beta values thus determined are unstable over time. In view of these methodical problems, we chose a pragmatic approach, using 1 as the beta of the shares. This value is adjusted based on the differences between the financing structure of Deutsche Beteiligungs AG and the average financing structure of securities quoted on the stock market. This procedure assumes that of two equal companies, which differ only in the companies' financing structure, the company with the higher level of debt also bears a higher risk. In view of the extremely sound financial situation compared with the total market – Deutsche Beteiligungs AG again had no bank debt and substantial cash funds at the close of financial year 2009/2010 – the adjusted beta of the shares is 0.8.

Inserting the three values in the CAPM formula results in equity costs of 7.5 percent for Deutsche Beteiligungs AG.

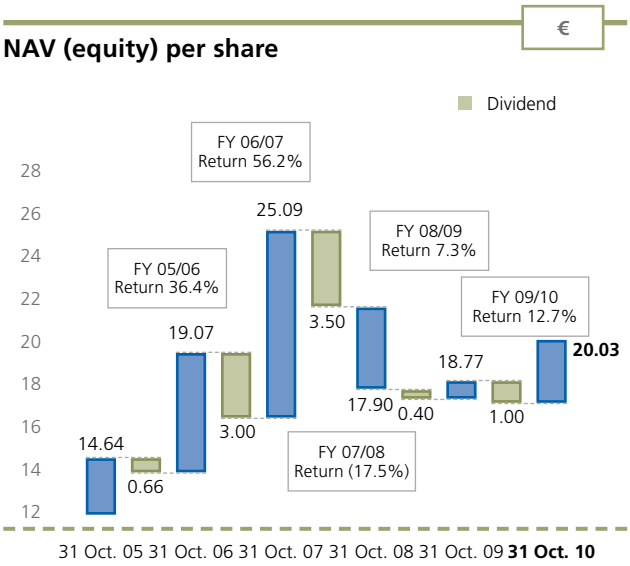
Although the return on equity per share exceeded the arithmetically computed cost of equity of Deutsche Beteiligungs AG in the preceding financial year, it fell clearly short of the long-term average. In financial year 2009/2010, net asset value per share rose by 1.26 [5] euros to 20.03 euros per share, despite a dividend payment of 1.00 euro. Adjusted for dividends, this equates to an increase in net asset value of 12.7 percent. Over the past ten-year period (2000/2001 to 2009/2010) we achieved an average total return on net asset value per share after taxes of 12.2 percent. The spread over this ten-year period ranged from -17.5 percent to 56.2 percent.

[5] Net asset value per share as at the end of financial year 2008/2009 is 18.77 euros. This results upon application of a new accounting treatment for pension obligations to the consolidated financial statements for the comparative financial year. The change in the accounting treatment is explained on page 72 as well as in the Notes to the consolidated financial statements on page 99.

Sustainable value growth of investments is key factor

A key determinant for the intrinsic value of our shares is the performance of the portfolio: Changes in the fair value – the current market value of an investment – are directly reflected in equity through profit or loss. The performance of our investments is the key constituent on our income statement.

NAV (equity) per share



The Valuation Committee of Deutsche Beteiligungs AG, which includes all members of the Board of Management, therefore monitors the valuation of each portfolio company on a quarterly basis. The measurement is geared to rules that correspond to the fair value approach of the International Financial Reporting Standards (IFRS); the principles of the valuation methodology are discussed in the Notes to the consolidated financial statements on pages 97ff.

Valuations may be subject to heavy fluctuations, since their measurement includes factors derived from industry-related cyclical trends and conditions in quoted markets. It should be kept in mind that short-term changes ordinarily do not convey a true picture of a portfolio company's development. We will frequently only know whether a private equity investment can actually be termed successful after a number of years, upon its ultimate disposal. We therefore measure the long-term performance, based on the long-term average return on equity per share, and not by the results of a single financial year.

Because of the particularities of our activity, we do not steer the business of DBAG by classical annual indicators such as EBIT or profitability. The key influential parameter is the mid-term development of the portfolio or of an individual investment (see above). We lay the foundation at the onset of our investment by clearly defining performance targets – for instance, profitability or cash flows – based on the business plans we develop together with the portfolio companies' managements. During the time of our investment, we valuate our portfolio companies (fair value) at quarterly intervals derived from their performance data. Based on monthly or quarterly reports, we closely monitor the trend in each investee business in a year-over-year and current budget (budget/actual) comparison.

The members of the Board of Management and investment managers of Deutsche Beteiligungs AG are regularly kept informed about operational, financial and strategic developments at our portfolio companies through their work on advisory councils and supervisory bodies. We use our regular meetings with the management teams of our investee companies to discuss strategic and operating challenges.

We attach great importance to the financial stability of our Company and require adequate liquidity to take advantage of investment opportunities. Following a number of profitable realisations, and due to the reduced stream of investment opportunities recently, the Company's current liquidity is very high.

Board of Management members directly involved in operating business

The four members of the Board of Management are personally involved in the core processes of business operations at Deutsche Beteiligungs AG. Due to the significance of individual transactions for the Group, they are involved in generating investment opportunities (deal flow), analysing (due diligence) and negotiating acquisitions and disinvestments (exits), as well as supporting the investee businesses. Additionally, key issues are discussed in weekly meetings attended by those members of the Board of Management present and the staff involved in investment transactions or the development of portfolio companies.

We have installed a risk management and surveillance system that addresses exposure both to operational risk and to risk inherent in the development of portfolio companies. The risks addressed by this system are discussed in the Risk management report (pages 73 to 83).

A risk management report is drawn up on a quarterly basis; additionally, special reports are prepared, if appropriate. The Board of Management is confident that it has a comprehensive view of the risk situation within the DBAG Group. Personal involvement in monitoring the investments and quarterly controlling reports on the investments contribute importantly towards this.

Incentivisation: Investment team members invest their own money in portfolio companies

In line with their significance for the performance of Deutsche Beteiligungs AG and with international standards in the private equity industry, the members of the Board of Management and select experienced staff share in the performance of investments in a specified investment period at their own risk. Each investment period basically corresponds to the period defined as the "investment period" by co-investment funds. With the launch of DBAG Fund IV and DBAG Fund V, the managerial team committed to co-invest in the funds at their own risk. Consequently, the management team shares in both the upside and downside of the portfolio investments of Deutsche Beteiligungs AG by their personal (co-)investment. This system serves to promote the staff's initiative and dedication to the portfolio companies as well as the long-term retention of high calibre personnel for the Company; this practice will also be pursued for future funds.

The investments by the management teams are made within the scope of a partnership participation in the respective fund by the individuals concerned. For those participating, this can result in a superior profit share from the fund's overall performance ('carried interest').

Carried interest

The share of the profit that accrues to an investment team from a fund or portfolio the team has managed. This is paid out only after investors have received a minimum return on their invested capital.

Since 2002, all members of the DBAG Board of Management and other senior members of the investment team are required to co-invest their private funds in each management buyout or expansion capital investment. Thus, the investment managers' own money is exposed to the same risk as that of the investors. In compensation, they can earn a superior profit share on the investments of a certain period, if the minimum return has been exceeded.

The profit share is only paid if Deutsche Beteiligungs AG or the investors in the co-investment fund concerned have realised a minimum return on their invested capital. For DBAG Fund IV and DBAG Fund V, this minimum return amounts to eight percent annually. The structure of the profit share, its implementation and conditions are in conformity with common practice in the private equity industry and constitute a prerequisite for the placement of private equity funds.

Corporate Governance Statement accessible on the Internet

The Supervisory Board and the Board of Management have committed themselves to responsible, transparent and sustainable value creation. Corporate principles and guidelines are as much a part of it as a responsible working relationship.

By acknowledging all of the recommendations and – with one exception – the suggestions [6] of the "German Corporate Governance Code" (the Code), DBAG has chosen to follow the rules of good fiduciary corporate governance and surveillance.

The Corporate Governance Statement in accordance with § 289a of the German Commercial Code (Handelsgesetzbuch – HGB), which comprises the complete wording of the Declaration of Conformity to the Code pursuant to § 161 of the German Stock Corporation Act (Aktiengesetz – AktG), relevant information on corporate governance practices and a description of the procedures of the Board of Management and Supervisory Board, is published on the Internet at:
www.deutsche-beteiligung.de/corporate-governance/statement

The Corporate governance report is contained in this Annual Report (pages 11 to 12).

People and compensation

- Members of investment team are experienced across different economic cycles
- Remuneration system delivers appropriate incentives

High degree of loyalty to Deutsche Beteiligungs AG

The business in which we operate thrives on the professional skill and discernment of its people. Personal and professional experience are key factors. Nearly half of the investment team members has more than ten years of professional experience in the investment business and, thereby, across several investment and economic cycles. The members of the Board of Management have been operating in private equity for between ten and 20 years.

One of the fundamentals of our business is that we will only be able to deliver outstanding value, if investment professionals identify the right investee businesses. They need to recognise existing potential and motivate the managements of these investee businesses in developing that potential. Ultimately, they will need to steer the process by which to profitably exit the investment. In addition to excellent management skills and sector knowledge, this calls for a high degree of leadership and motivation qualities, communication skill and social competency. In the past years, Deutsche Beteiligungs AG has successfully selected and developed its staff at all levels of the Company with a view to these demanding standards.

A motivating work environment characterised by lean reporting lines, teamwork-based project organisation and early delegation of responsibility and authority is important for our performance. Dedicated loyalty on the part of key staff is therefore one of the non-financial objectives we pursue: Investment managers and senior executives boast an average of more than seven years of service for the Company. Approximately half of our staff has a university degree. Four out of five employees participated in further education programmes this past year.

[6] The performance-linked compensation for the Supervisory Board does not contain a component geared to the Company's long-term performance; it is orientated around the development of net asset value per share, the Group's key performance measure.

The number of staff has slightly increased compared with the previous year's reporting date: we took advantage of the favourable situation on the labour market and, with a view to the expansion of our product programme, have enlarged the investment team.

	2009/2010	2008/2009
Employees (without Board of Management)	**51**	**49**
thereof, full-time	41	40
thereof, part-time	5	5
thereof, apprentices	5	4
Personnel costs and social contributions in €mn	**8.1**	**8.7**

At the end of financial year 2009/2010, Deutsche Beteiligungs AG employed a staff of 51, of whom 41 serve full-time and five are engaged part-time. Five apprentices are currently qualifying for their future professions; this equates to an apprenticeship quota of some ten percent. Furthermore, we offered ten students (previous year: 14) an internship for a period of several months, allowing them to gain insight into the responsibilities of investment managers prior to receiving their university degrees. This also creates an opportunity for Deutsche Beteiligungs AG to present itself as an attractive employer.

Employee compensation: Fixed and variable components create effectual incentives

The compensation system at Deutsche Beteiligungs AG creates the appropriate long-term incentives and permits select staff to share in the Company's performance. Compensation is composed of fixed and performance-related components as well as components with long-term incentive effects. It is structured and designed to follow the practice in comparable private equity companies with whom DBAG competes for competent people.

A constituent of the performance-linked compensation scheme is a bonus that rewards the performance of Deutsche Beteiligungs AG and personal performance. A number of factors are considered when measuring the Company's performance, for instance, the value growth of individual portfolio companies, realisations from the portfolio or the number and quality of new investments. Profit sharing schemes that allow the team members to participate in the performance of DBAG's investments have a long-term incentive effect.

The Company offers all employees an employee share purchase plan. In the reporting year, 60 percent of the staff made use of this offer (previous year: 55 percent).

Underlying conditions

- Growing need for equity creates investment opportunities
- Investment climate improved, downswing overcome
- Room for improvement in legal framework
- Economy recovering

Deutsche Beteiligungs AG acquires interests in companies alongside its co-investment funds – either in the form of majority investments (management buyouts) or, as formerly, minority investments (expansion capital). The Company supports the management teams in developing these companies to augment their enterprise value. After a holding period of typically four to seven years, the value that was created is realised. The following factors are crucial for the Company's performance:

- adequate levels of demand for off-board investment capital
- availability of leverage to partially finance acquisitions
- buyers' interest in purchasing investments from the portfolio
- a competitive taxation framework
- the macroeconomic environment which delivers the platform for our portfolio companies' operations

Private equity gains in importance in Germany's 'Mittelstand'

Private equity has many different forms in the market. "Private equity" as the generic term for investment capital for unquoted companies only became established in Germany less than three decades ago. The funding is provided by private and institutional investors and is largely invested in the form of venture capital (start-ups and early-stage businesses), growth capital (companies with ambitious expansion plans) or buyout financing (established companies about to take their next development step). Today, some 6,600 companies have been financed by different forms of private equity in Germany. These companies generate annual sales of almost 196 billion euros and employ some 1.2 million people (2009). [7)]

Private equity fulfils an important function in the economy. From the funding of start-ups, the provision of expansion capital to financing management buyouts, private equity in all of its forms supports change and, consequently, the renewal of the economy. Our industry thereby contributes to fostering growth and strengthening the competitiveness of companies in an economy.

We believe that this sector will continue to grow in the mid-term. Private equity can be an attractive option in instances where a family-run company seeks a new owner for succession reasons, and where flotation is not feasible, nor a strategic investor desirable. Financial investors also acquire non-core businesses of large corporations. Further transaction potential comes from the private equity industry itself, namely, when private equity firms sell portfolio companies to next-generation financial investors (secondary buyouts).

In our opinion, private off-board investment capital will be in demand especially in the coming years as a financing source for the growth plans of companies in Germany's traditional 'Mittelstand'. The recent economic crisis hit many fundamentally successful companies so hard that they now lack the funding to finance growth. One fourth of all companies came out of the crisis with a deteriorated capital-to-assets ratio. Also fuelling the demand for equity will be the mezzanine programmes provided from 2004 to 2008 that are now falling due for repayment. At the time, mid-sized companies were able to obtain mezzanine capital at very favourable terms. These programmes pushed classical expansion capital financings, which the private equity sector – including Deutsche Beteiligungs AG – had provided, onto the sidelines. Over ten percent of mezzanine-financed companies are considering repaying the mezzanine capital by taking on a minority investor.

[7)] Source: BVK data – The year 2009 in figures, Bundesverband deutscher Kapitalbeteiligungsgesellschaften/German Private Equity and Venture Capital Association (BVK), Berlin 2010, pages 6 and 9

As an active player, Deutsche Beteiligungs AG is well poised in this market. The Company has a record of more than 30 transactions – expansion capital investments and management buyouts – in the past 15 years. From 2001 to 2010 – or over the past ten years – we exclusively invested in MBOs and structured 15 such transactions. That makes us a leading investor in Germany's mid-market segment [8], which saw 95 MBOs in that ten-year period. [9] Some 30 financial investors were involved in these transactions. [10]

Despite considerably more intense competition, DBAG has maintained its stance as a leading financial investor in the German market with a track record of more than four decades and its special expertise in sectors of particular significance for Germany's economy.

In addition to these factors, DBAG also profits from its stock market listing. Compared with the majority of unquoted competitors, it creates higher awareness of its operations and confidence-building transparency.

Irrespective of the significance private equity has gained over the years, and irrespective of the long-term potential we believe is still inherent in the business, the financial and economic crisis was a serious blow to our market. The crisis made clear that, even in light of long-term growth trends, serious short-term setbacks cannot be ruled out. Following a steep drop in 2009, transaction activity in 2010 has not yet reached the levels achieved in pre-crisis years. That applies to all markets and all financing forms. However, we assume that the cycle has overcome its low point and expect the number of deals, as well as the investment value, to continue to rise in 2011.

Debt finance remained limited in financial year

From 1998 to 2007, the supply of leveraged finance for corporate acquisitions expanded steadily and notably. In 2008, however, it retreated to levels reached in 2004. Due to the serious situation in the banking sector, debt finance was virtually non-available in 2009. This past year, conditions improved; nonetheless, it is too early to speak of a return to normality. Banks are providing funding for acquisitions at, for the most part, less demanding margins and terms than a year ago; however, the credit volume in relation to the transaction size is still lower than on the long-term average. Also weighing on the situation is the fact that the number of providers is lower than prior to the financial crisis, following numerous mergers and due to the persistent problems of many banks.

Exit opportunities improving

Even during the financial and economic crisis, we succeeded in realising investments, in part very profitably, from the portfolio, and 2009/2010 was no exception. This proves once more that attractive companies meet with purchasing interest even in times of crisis and a limited supply of acquisition funding – in our case among trade buyers. In general, exit opportunities remained constricted in 2010, and flotations from private equity portfolios in Germany were the exception.

Legal framework: Taxation changes and AIFM directive

In addition to market conditions, the taxation framework, transparency rules and the multifaceted capital market regulations are other influential factors for our performance. We compete in the capital markets with listed private equity companies in other countries. We solicit capital commitments from international private equity investors who can choose to invest in a large selection of investment opportunities – including funds domiciled in less regulated locations. Lastly, we also compete with unquoted competitors for potential investments.

[8] Transaction value from 100 to 250 million euros
[9] Source: European Management Buy-out Review, Centre for Management Buy-out Research (CMBOR); Nottingham 2010, page 67 (for transactions with a value of 100 to 250 million euros)
[10] Own research by DBAG

The key aspect is the taxation framework. One issue in this context are so-called taxation-transparent structures. This means that investors are taxed only in their home countries based on their individual circumstances and no tax charge incurs at the private equity company level. Such structures have been in place in Germany through extensive tax-exemption on capital gains for shares in public corporations since 2001 and since 2003 through the regulations on the income tax treatment of private equity funds. Another issue of importance is the value-added tax treatment of management services for private equity funds. In other European countries, income from the management of private equity funds is exempt from value-added tax. In Germany, management fee income from private equity funds, whose partnership contracts were concluded after 1 January 2008, is subject to value-added tax. The management of older funds is exempt from value-added tax under certain conditions. In the implementation process of the AIFM Directive, we hope that Germany will adopt the taxation treatment for management fees which is common in Europe and exempt these from value-added tax.

In November 2010, the European Parliament adopted a Directive by the European Union on 'Alternative Investment Fund Managers' (AIFM). This Directive concerns the standardised EU-wide regulatory frame for all alternative investment fund managers who solicit the capital for their funds from institutional investors. By definition, most German private equity companies come under this Directive. It must be transposed into national law by spring 2013, whereby only little leeway exists compared with the Directive. Based on the current status, it is expected that a registration obligation and supervision by the regulatory authorities will be introduced, transparency for investors and the general public will be augmented, and more rigid demands made on capitalisation, risk management, the alignment between remuneration practices and risk management, valuation issues, organisation and compliance structures. The Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA), which was enacted in the United States in 2010, will have a similar effect.

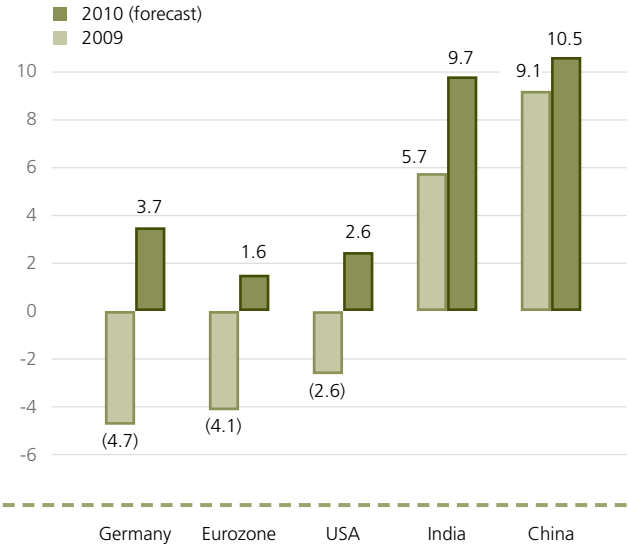
We pursue our interests, among other things, through active involvement in our industry association (Bundesverband Deutscher Kapitalbeteiligungsgesellschaften/German Private Equity and Venture Capital Association – BVK) and targeted public relations activity. For a further discussion of taxation issues, please see the Risk management report and the Report on expected developments (pages 80ff.).

Macroeconomic development: Germany on the right track

Germany's economy has largely made up for the consequences of the financial and economic crisis. For 2010, economists have forecast the highest growth rate for Germany among all industrialised countries. Other indicators, such as the unemployment rate or the fiscal deficit ratio, clearly signal economic recovery. The rebound is being propelled by sectors in which Deutsche Beteiligungs AG invests, such as mechanical and industrial engineering and the automotive industry with its suppliers. Despite impressive gains – for instance, the mechanical and industrial engineering sector expects a rise in output of six percent in 2010, and eight percent in 2011 – the level achieved in 2008 has not yet been reached.

Growth rates of select economic regions

GDP, real, %



The companies operating in the named sectors are benefiting from their good market position and high technological standard of their products, which continue to be in strong demand in the fast-growing countries of Asia. The dynamism in China and India is currently offsetting the weakness of the US economy.

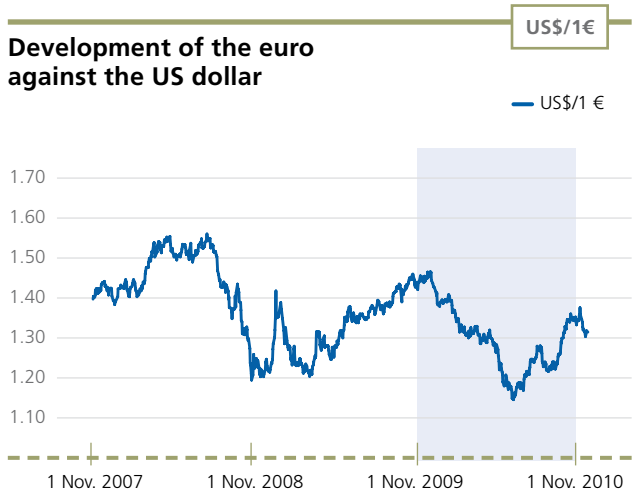
Our portfolio companies profited from the generally upbeat business trend, and that led to valuation uplifts. The Companies in the portfolio of Deutsche Beteiligungs AG Group have very different businesses profiles: They operate in different sectors of industry, and their products and services are marketed domestically as well as internationally. They are, nevertheless, benefiting from the improved economic environment across the board – some from the persistent strong international demand, others from the more robust domestic consumer trend.

Currency rates: Euro lost in value in 2010

In the reporting year, the euro lost against the US dollar, after having gained 14.1 percent on the US dollar in financial year 2008/2009. Its value versus the US dollar fell by 6.4 percent between the two balance sheet dates (31 October 2009 and 31 October 2010).

Exchange rate swings affect the business of Deutsche Beteiligungs AG directly and indirectly: A part of the investments we entered into are denominated in US dollars (IFRS value at 31 October 2010: 29.6 million euros; previous year: 19.0 million euros), meaning that changes to exchange rates are directly reflected in the net result of valuation. In the reporting year, the US dollar's appreciation against the euro had a positive effect on the result.

Development of the euro against the US dollar



Apart from this, exchange rates influence the business of most portfolio companies, for example through swings in commodity prices and sales outside the eurozone. Our investee businesses respond to the exposure to currency risk by, among other things, operating facilities in other currency zones. In our opinion, a weaker US dollar is not to the benefit of our portfolio companies (see Note 31 Financial risk disclosures, pages 113ff.).

Business performance and financial position

- Consolidated net income improved
- Portfolio companies benefiting from restructuring programmes and upswing
- Substantial liquidity provides financing scope for MBOs and expansion capital investments

Overall trading

2009/2010 a year of success with net income of 34.1 million euros

For financial year 2009/2010, the Company posted net income of 34.1 million euros. The previous year closed with net income of 19.6 million euros. Net asset value per share increased from 18.77 [11] euros in the preceding year to 20.03 euros. The increase is the net result from a gain of 2.50 euros in earnings per share, of -0.24 euros in other earnings per share and the dividends of 1.00 euro per share (including a surplus dividend of 0.60 euros) paid in March 2010. The total return on equity per share is 12.7 percent, following 7.3 percent in the prior year, and significantly exceeds the cost of equity.

The price of DBAG shares continued to move upward this past financial year. It rose from 15.55 euros at the beginning of the financial year to 20.79 euros at the reporting date. Adjusted for the dividend of 1.00 euro, the value of DBAG shares climbed by 43.5 percent this past financial year, outperforming the Dax, S-Dax and other sectoral benchmark indices.

Deutsche Beteiligungs AG again augmented the value of the portfolio in 2009/2010, achieving a positive net result of 53.2 million euros from investing activities. The rise in the price of shares in Homag Group AG during the reporting period contributed to the value growth. Based on IFRS rules, our valuation of the investment corresponds to the stock market quotation.

With a share of 34.8 percent at the reporting date, our investment in Homag Group AG accounts for the largest part of the portfolio value. [12]

The fair value of the other, non-quoted companies in the portfolio is measured by generally accepted valuation methodologies. [13] These consider, among other things, the development of the companies' earnings and balance sheets, as well as the valuation of comparable quoted companies in the capital market.

Despite – in part, very tough – challenges, our portfolio companies developed positively on the whole and better than we had expected at the beginning of the financial year. Portfolio companies that were hard hit by the economic crisis, such as those in mechanical and industrial engineering, were clearly more successful than before. Other investee businesses, including companies whose products are geared to private consumption, registered a stabile or improved earnings trend.

Valuation ratios in the quoted market this past financial year developed differently, depending on the sector: at the end of the financial year, some earnings multiples were above, others below those at the beginning of the reporting period.

Investment activity generates positive cash flow

This past financial year, the Company's sizeable cash position grew by another 16.7 million euros, up from 124.0 million euros in the previous year to 140.7 million euros at 31 October 2010. Of that amount, 23.7 million euros (previous year: 50.8 million euros) are shown as cash and cash equivalents in the balance sheet. Another 117.0 million euros (previous year: 73.2 million euros) are disclosed as long- and short-term securities; these relate exclusively to government securities.

The key cash flow from investing activities this past financial year came from the realisation of MCE AG, a disposal that had been agreed in 2008/2009. In total, we recorded proceeds of 44.5 million euros from disposals and returns. Outflows for investments relate to the acquisition of interests in FDG Group SAS and to

[11] Net asset value per share as at the end of financial year 2008/2009 is 18.77 euros. This results upon application of a new accounting treatment for pension obligations to the consolidated financial statements for the comparative financial year. The change in the accounting treatment is explained on page 72 as well as in the Notes to the consolidated financial statements on page 99.

[12] See footnote 3 page 45

[13] Valuation methodologies are detailed in section "Asset position and development of portfolio profile" on pages 63ff.

increases of existing investments. Taking the 43.8 million euro increase in long- and short-term securities into account, investing activities generated cash flows of -0.6 million euros. The dividend payment for financial year 2008/2009 reduced the liquid funds by 13.7 million euros; cash flows from operating activities amounted to -12.8 million euros. In net terms, cash funds decreased by 27.0 million euros in financial year 2009/2010.

Investment activity gained momentum after end of crisis

The standstill in investment activity caused by the economic and financial crisis has been surmounted. Alongside its DBAG Fund V co-investment fund, Deutsche Beteiligungs AG acquired FDG Group SAS, a leading logistics service provider to supermarkets in France, in June 2010.

The five-year investment period of DBAG Fund V has been ongoing since financial year 2006/2007. DBAG Fund V is focused on MBOs and has capital commitments of 434 million euros. Approximately 45.9 percent of the committed capital had been drawn down by the end of the financial year and was invested in five portfolio companies. The investment in Homag Group AG has been partially realised through the company's flotation in July 2007 and the realisation of MCE AG was completed at the start of the past financial year.

Deutsche Beteiligungs AG plans to return to making expansion capital investments. Up to 100 million euros from the Company's own resources have been committed for these investments. A new fund will co-invest at least another 100 million euros. The fundraising addressed to institutional investors is currently in progress for this DBAG Expansion Capital Fund.

Earnings position

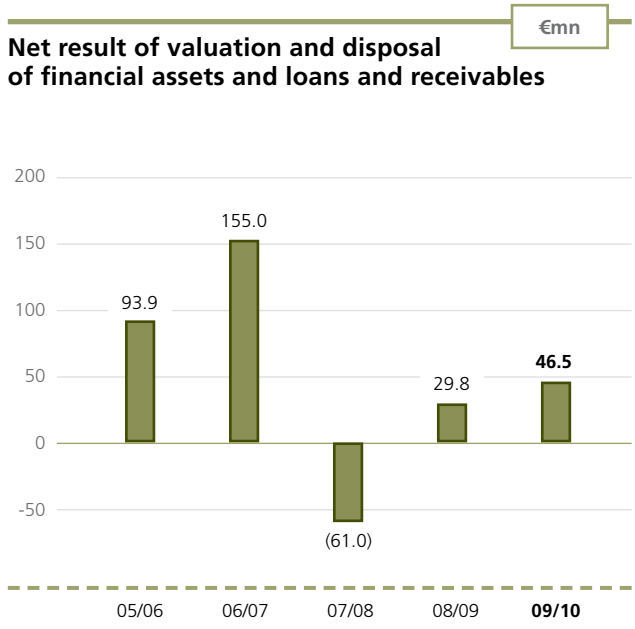
- Portfolio companies mostly making good progress
- Rise in price of Homag shares contributes substantially to result

Clearly positive result of investment activity

Due to a positive net result of valuation and disposal of financial assets and loans and receivables (net result of valuation and disposal) of 46.5 million euros in financial year 2009/2010 (29.8 million euros the previous year), we achieved net income of 34.1 million euros, exceeding that of the previous year by 14.5 million euros, or 73.7 percent.

The net result of valuation and disposal contains the value movements during the year on investments, loans and receivables, as well as the net result from disposals of financial assets. Of that amount, 1.1 million euros are attributable to the net result of disposal (previous year: 17.5 million euros). The share price increase for Homag shares of 8.46 euros to 15.48 euros this past financial year led to a positive valuation effect of 18.5 million euros, which corresponds to 39.9 percent of the net result of valuation and disposal.

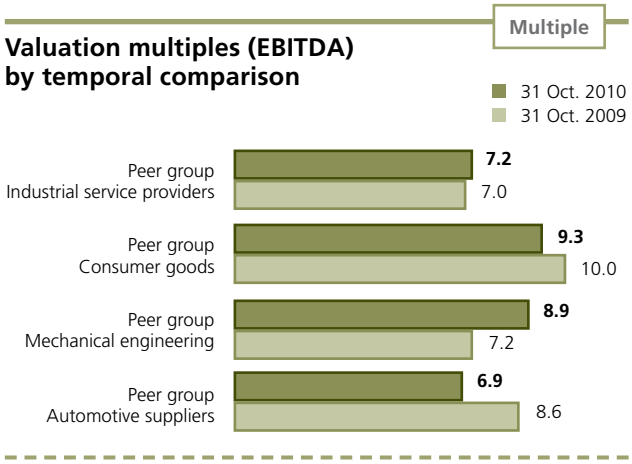
Net result of valuation and disposal of financial assets and loans and receivables



The other portfolio companies mostly recorded a positive earnings trend in 2009/20010. Especially those companies whose trading performance had been impinged by the economic crisis recorded higher order intake and revenues in the second half of 2010.

Valuation ratios in the quoted markets developed differently for individual sectors. Some peer groups recorded a rise, whereas earnings multiples in other groups fell.

Valuation multiples (EBITDA) by temporal comparison



Our fund investments Harvest Partners Intl. III and Harvest Partners Intl. IV also contributed positively to the valuation result: an investment held by both funds was realised for a price that significantly exceeded expectations.

Significant increase in current income from investments

In 2009/2010, we achieved **current income from financial assets and loans and receivables** totalling 6.6 million euros, or 4.7 million euros in excess of the previous year's 1.9 million euros. Current income contains a profit share entitlement for the investment team in the amount of 3.0 million euros from a co-investment fund, which is required to be recognised in the income statement of Deutsche Beteiligungs AG according to consolidation rules, and which is partially offset in item "Minority interest".

Multiple

Market-focused indicator used for determining the value of a company by looking at the value of comparable companies (peer group) relative to an earnings variable (e.g. EBITDA).

In determining the value of its portfolio companies, DBAG uses multiples based on EBITDA and EBITA. It derives the multiples from a group of listed companies that are comparable to the portfolio company in terms of business model and other factors. The selection criteria used for the composition of the peer group or changes to it are documented.

Net amount of other income/expense lower than the prior year

Personnel expenses in 2009/2010 fell to 12.0 million euros, down 1.4 million euros on the previous year's 13.4 million euros. Expenses for variable, performance-related profit-sharing arrangements (schemes for investments up to the year 2000 and for investments from 2001 to February 2007) amounted to 0.7 million euros (previous year: 2.6 million euros). Performance-linked income falls due upon realisation of the value growth and therefore contains performance-related components from value gains achieved in previous years.

Other operating income, totalling 14.6 million euros, exceeded the previous year's 14.1 million euros. The most significant items in other operating income is management fee income from funds managed by DBAG (11.1 million euros) and reimbursed costs (2.2 million euros). In the previous year, management income amounted to 11.1 million euros and reimbursed costs to 1.5 million euros.

Income for management services largely depends on the size of the managed co-investment funds. For funds that have completed their investment phase, fees are based on the historical cost of the residual investments in the portfolio.

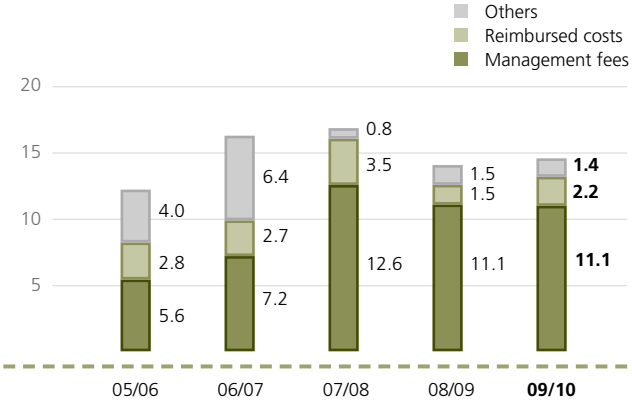
Other operating expense increased by 7.7 million euros to 18.6 million euros, up from 10.9 million euros the previous year. Key expense items relate to investment management activity. This encompasses the acquisition, monitoring and divestment of companies or fund investments, as well as general consultancy costs, office rental and sales tax expense. A total of 6.2 million euros of the increase in other operating expense is attributable to the allocation of provisions for exposure to possible tax risks that could relate to several preceding financial years. The costs for investment management activity also rose versus 2008/2009; this partly corresponds to the increase in reimbursed costs, a constituent of other operating income.

Other operating expense also includes numerous smaller items relating to costs incurred in the ordinary course of business.

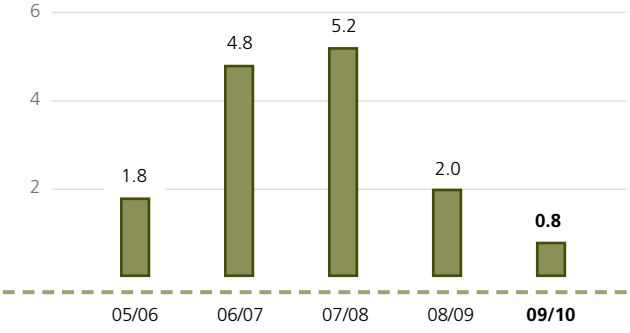
Net interest declined

As a result of another drop in average interest rates, **interest income** was 1.2 million euros in 2009/2010, or less than the previous year's 2.4 million euros. **Interest expense** this past financial year amounted to 0.4 million euros, which largely stems from the difference between interest expense for pension obligations and expected returns on plan assets. In the previous year, this item had also amounted to 0.4 million euros. In total, net interest declined to 0.8 million euros (previous year: 2.0 million euros).

Other operating income €mn



Net interest €mn



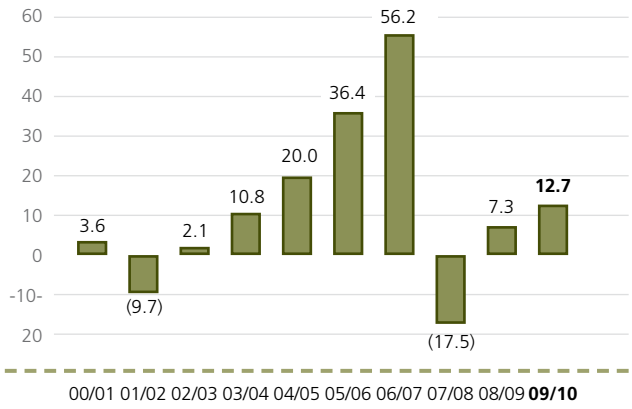
Net asset value per share up 12.7 percent

The DBAG Group posted net income for the 2008/2009 financial year of 34.1 million euros. The previous year saw net income of 19.6 million euros. The return on net asset value per share was 12.7 percent, following 7.3 percent the preceding year. The average return on net asset value per share over the last ten-year period is 12.2 percent (previous year: 13.9 percent).

Five-year summary of earnings

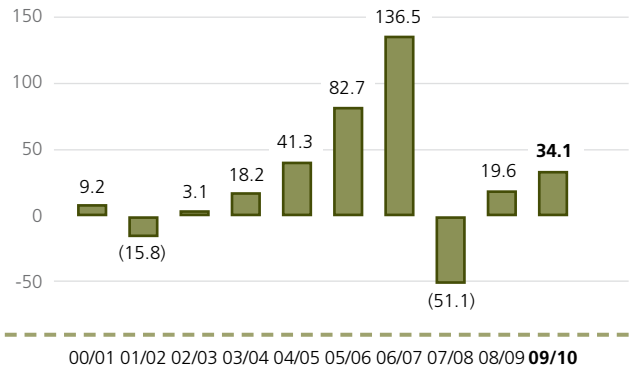
€mn	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010
EBIT	89.1	150.8	(60.5)	20.4	36.8
EBT	90.9	155.6	(55.3)	22.4	37.6
Net income/(loss)	82.7	136.5	(51.1)	19.6	34.1
Consolidated retained profit	57.2	118.2	29.2	52.6	73.1

Return on equity per share



The return on equity set out above is based on German accounting standards for the years from 1999/2000 to 2003/2004 and thereafter on the IFRS format.

Net income for the year



Net income set out above is based on German accounting standards for the years from 1999/2000 to 2003/2004 and thereafter on the IFRS format.

Financial position

- Cash inflows from disposals again exceed outflows for investment
- Company has sizeable liquidity
- Liquid funds largely invested in government securities

Irregular payment flows

Major payment flows in our operations stem from a limited number of annual corporate investments and disinvestments. The success of these transactions depends on numerous external factors that Deutsche Beteiligungs AG can only conditionally control. This gives rise to irregular and only roughly predictable payment flows. We respond to these conditions through our finance management: For the short to mid-term, we draw on existing liquidity – as is currently the case – or, alternatively, on borrowings. For longer planning horizons, we steer the amount of equity capital through distributions, share repurchases (as in 2005, 2006 and 2007) or, if appropriate, capital increases (2004).

The sizeable liquidity we have of 140.7 million euros (thereof 117.0 million euros in government securities and, to a small degree, time deposits in banks with a credit rating based on Standard & Poors of A or better) gives us scope to expand our investment activity. Within the next three to four years, we plan to invest up to 100 million euros alongside our new co-investment fund, the DBAG Expansion Capital Fund, which is focused on expansion investments. The Fund's targeted size is at least another 100 million euros. At 31 October 2010, 45.9 percent of the capital committed to our current co-investment fund DBAG Fund V, which is focused on management buyouts, had been drawn down; in addition to DBAG's cash resources, that leaves another 230 million euros for buyout investments.

No liabilities to banks

In financial year 2009/2010, Deutsche Beteiligungs AG financed its activities from equity. At 31 October 2010, the Group recorded equity capital of 273.9 million euros. Equity capital at 31 October 2009 had totalled 256.8 million euros; of that amount, 13.7 million euros comprised dividends paid to shareholders. The **capital-to-assets ratio** of 86.7 percent (previous year: 89.1 percent) remained very high.

Non-current liabilities, totalling 15.8 million euros at 31 October 2010, exceeded the previous year's 12.4 million euros. This item primarily contains minority interest, which increased from 12.3 million euros to 15.7 million euros. The rise is largely due to an increase in value of an investment fund that invests alongside DBAG Fund IV, in which members of the Board of Management and a select group of staff indirectly hold shares; these shares are recognised in "Minority interest". The higher value of this investment fund chiefly reflects the positive value development of the investments of DBAG Fund IV.

Current liabilities amounted to 26.4 million euros at the balance sheet date (previous year: 19.1 million euros). A prime reason for this was an increase in other provisions to provide for tax risk. Another reason for the rise in current liabilities stems from liabilities to a former portfolio company from whom DBAG had purchased receivables this past financial year.

Increase in liquidity position, following realisations

Liquid resources increased to 140.7 million euros, up by 16.7 million euros from 124.0 million the previous year. Of that amount, 23.7 million euros are disclosed under **cash and cash equivalents** in the statement of financial position. Another 117.0 million euros are reported in current and non-current assets under the item **securities**. These relate to sovereign issuers mostly based in Germany, such as state development banks and the Free State of Bavaria.

Positive cash flow from investment activities

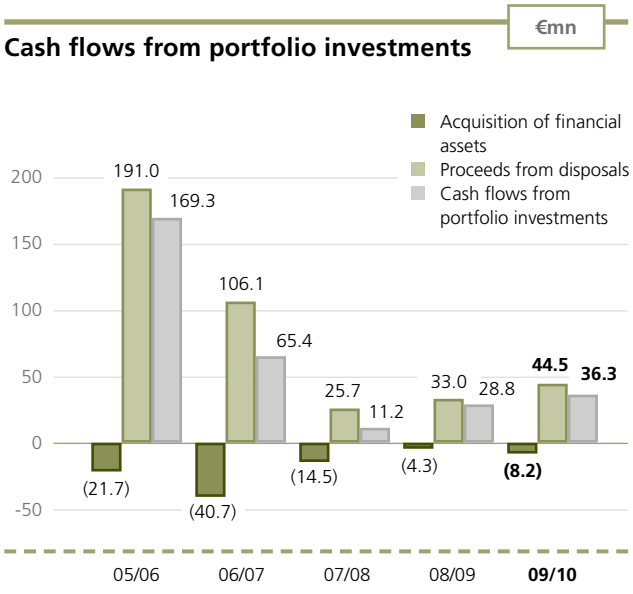
Investment and disinvestment activities in 2009/2010 resulted in cash inflows of 36.3 million euros (previous year: 28.8 million euros). They derive from payments for investments in the portfolio netted against proceeds from disposals of investments.

Proceeds from disposals of financial assets, including profits over valuation amounting to 44.5 million euros (previous year: 33.0 million euros), largely stem from the disinvestment of MCE AG, which was completed in the reporting year.

Payments for acquisitions of financial assets grew from 4.3 million euros the previous year to 8.2 million euros. These pertain to the acquisition of interests in France-based FDG Group SAS. and to follow-on investments in existing investee businesses. The increase in the securities portfolio led to an outflow of 43.8 million euros (previous year: 4.1 million euros).

Total cash flows from investing activities this past financial year amounted to -0.6 million euros (previous year: 23.7 million euros). Contained herein are payment transactions that are not directly associated with the investment business, such as investments of cash from portfolio company disposals in short- or long-term securities. Such regroupings are required to be disclosed as investments in accordance with the IFRS.

Cash flows from portfolio investments



Property, plant and equipment of subordinate importance

Expenditures for property, plant and equipment at Deutsche Beteiligungs AG totalled 0.4 million euros in financial year 2009/2010. Property, plant and equipment decreased from 8.0 million euros to 0.8 million euros after the purchase of a real estate property in Frankfurt am Main was rescinded. DBAG purchased the property in autumn 2008 with the aim of locating its offices there after remodelling. However, the planned building project was not realisable due to neighbour law issues. DBAG plans to continue to rent its office premises and profit from the sharp drop in rentals for office space.

Aggregate other non-current assets in excess of previous year

Other non-current assets rose from 0.1 million euros at the end of 2008/2009 to 5.9 million euros at 31 October 2010. The increase results from the acquisition of a purchase price receivable from a former portfolio company.

Five-year summary of cash flows

€mn	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010
Cash flows from operating activities	(4.1)	(2.6)	3.0	(3.5)	(12.8)
Cash flows from investing activities	168.8	65.0	(65.4)	23.7	(0.6)
Cash flows from financing activities	(40.7)	(71.4)	(57.3	(5.5)	(13.7)
Change in cash funds	124.0	(9.0)	(119.7)	14.7	(27.0)

Asset position and development of portfolio profile

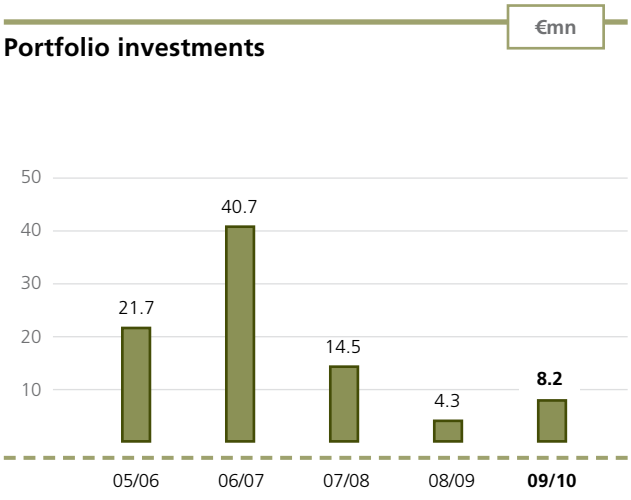
- Divestment of MCE completed
- Rise in value of companies remaining in portfolio
- Sizeable liquidity reserves

Following realisations, carrying amount of portfolio lower than a year ago

The value of the Group's investments is reflected in the statement of financial position under items financial assets as well as loans and receivables. The sum of both of these items, the investment portfolio, amounted to 134.6 million euros at 31 October 2010 and chiefly consists of investments in 17 companies and international private equity funds. At 31 October 2009, the carrying amount of the investment portfolio had totalled 138.5 million euros invested in 19 companies.

In financial year 2009/2010, we invested the sum of 8.2 million euros. Of that amount, 4.9 million euros were spent on the Company's new investment in FDG Group SAS. The remaining funds went to increase existing investments. Two international buyout funds drew down capital for follow-on financings of existing investments.

Portfolio investments



Measured against the opening value at the beginning of the financial year, the investment portfolio receded through disposals, partial disposals and returns from fund investments of 54.7 million euros in 2009/2010. Major amounts are attributable to the disposal of MCE AG and Hochtemperatur Engineering GmbH. The fund investment in MG Capital Italy ended after all portfolio investments had been exited.

Hochtemperatur Engineering GmbH, a holding company, consecutively sold all its operating units over the past years. In order to be able to distribute the funds not yet paid out from these disposals to shareholders and taking the outstanding receivables and warranties into account, we divested the company this past financial year. Receivables from the disposal are disclosed in other current assets. A further commentary on the transaction is contained in the Notes to the consolidated financial statements, Note 35.

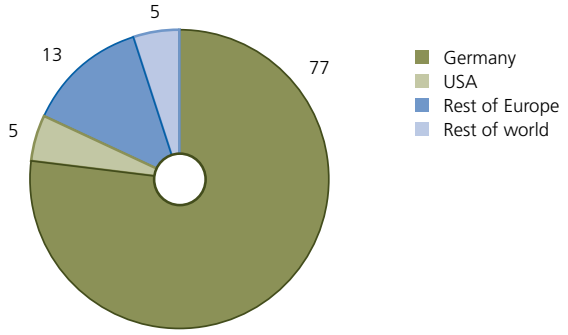
Portfolio profile

The following eleven investments account for 90 percent of the portfolio value (IFRS) [14] at 31 October 2010:

	Equity share DBAG %	Business field	Industrial sector	Valuation method
Clyde Bergemann Group	17.8	MBO	Mechanical and industrial engineering	Multiples
Coveright GmbH	16.0	MBO	Specialty chemicals	Multiples
DBG Eastern Europe II	14.9	Buyout funds	Buyout funds	Discounted net present value
FDG Group SAS	15.5	MBO	Industrial services	Acquisition cost
Grohmann GmbH	25.1	Expansion capital	Mechanical and industrial engineering	Multiples
Harvest Partners IV, L. P.	9.9	Buyout funds	Buyout funds	Discounted net present value
Heim & Haus GmbH	20.4	MBO	Consumer goods	Multiples
Homag Group AG	16.8	MBO	Mechanical and industrial engineering	Stock market price
ICTS Europe Holdings B. V.	17.5	MBO	Industrial services	Multiples
JCK KG	3.6	Expansion capital	Consumer goods	Multiples
Preh GmbH	17.0	MBO	Industrial services	Multiples

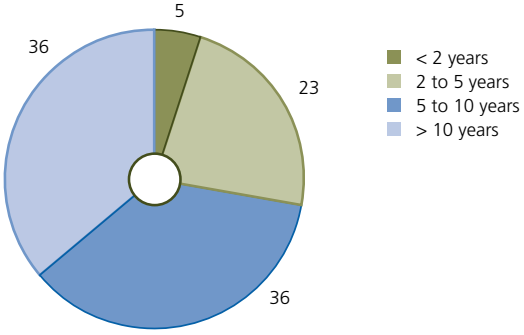
Geographical dissemination of investments measured by IFRS value [14]

%



Holding periods for investments measured by IFRS value [14]

%



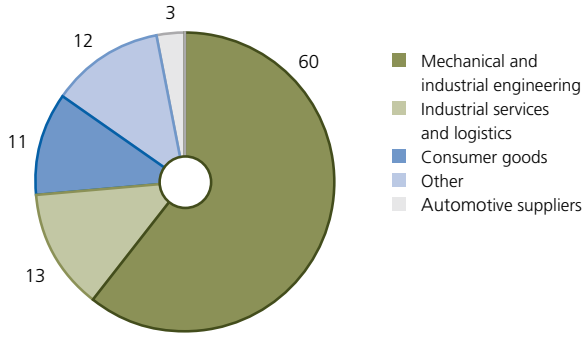
[14] See footnote 3 page 45

The value of the investments remaining in the portfolio totalled 134.6 million euros at the end of the financial year. In the previous year, the portfolio value amounted to 138.5 million euros; however, of that amount, 48.3 million euros were attributable to the investment in MCE AG, which was divested immediately after the beginning of the new financial year. Adjusted for this reporting date effect, the portfolio value grew this past financial year. A major influential factor was the rise in the price of shares in Homag Group AG. The valuation of the other investments in the portfolio also increased with only a few exceptions or at least remained stable.

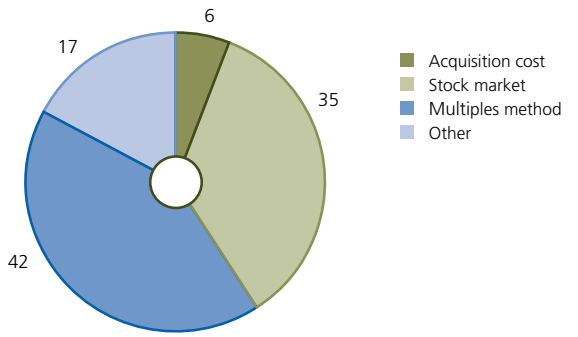
We measure the fair value of our investments at quarterly intervals. Valuation changes are recognised through profit or loss. The fair value of our financial assets is determined in conformity with the IFRS on the basis of our internal valuation guidelines. These assure consistency in performing valuations over time. To that end, we employ different methods:

- Stock market prices (at the valuation date) for quoted companies, in case of lock-up restrictions, with a discount applied
- Recent purchase offers

Sector dissemination of investments
measured by IFRS value [14)]



Valuation methods applied for investments measured by IFRS value [14)]



Fair value

The current amount for which an investment could be exchanged between knowledgeable, willing and independent parties. For publically traded financial instruments, fair value derives from the stock market quotations. The IFRS require recognising a major part of financial instruments by their fair value (and not their acquisition cost).

Since converting the accounting to the IFRS format in financial year 2004/2005, Deutsche Beteiligungs AG has been determining the fair value of its portfolio companies on a quarterly basis using a defined procedure. For each of its divestments from the portfolio, DBAG realised at least the fair value recognised for that investment at the preceding quarterly reporting date. In many instances, a substantial uplift over value has been achieved, since the valuations do not consider the premiums that some strategic investors were willing to pay for what they felt the company was worth to them.

Should neither of these procedures prove applicable, valuations are usually determined on the basis of comparable companies:

- Valuation based on recent M&A transactions of comparable companies
- Valuation based on peer-group comparisons of quoted companies

Additionally, other procedures may be applied, such as the discounted cash flow method, to determine the value of expected returns from fund investments. The fair value of silent participations and loans granted by Deutsche Beteiligungs AG to its portfolio companies corresponds to their historical cost (or, if applicable, the lower market value). The same applies to the fair value of new investments in the first year after acquisition, insofar as there is no material impairment.

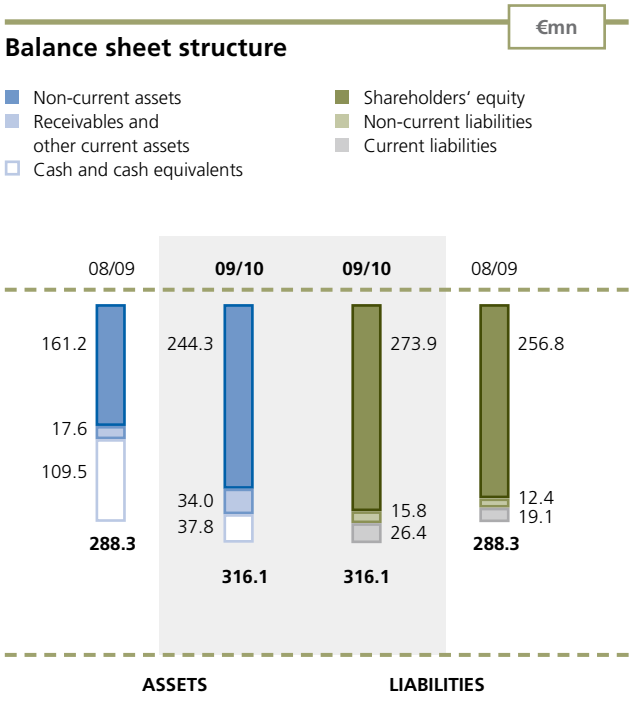
Current assets up

Current assets (without cash and cash equivalents and securities) were 34.0 million euros at 31 October 2010 (previous year: 17.6 million euros). The increase is largely due to the purchase price receivable from the disposal of the Company's shares in Hochtemperatur Engineering GmbH this past financial year, as well as higher income tax assets.

Five-year summary of financial position

€mn	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010
Non-current assets	124.6	211.3	147.2	161.2	244.3
Current assets	195.5	183.0	125.1	127.1	71.8
Equity	289.0	353.6	244.8	256.8	273.9
Liabilities/provisions	31.1	40.8	27.4	31.5	42.2
Total assets	320.1	394.4	272.3	288.3	316.1

Balance sheet structure



General financial position: Sizeable liquidity to decrease through new expansion capital business field

Deutsche Beteiligungs AG pursues its business with a long-term focus. Phases of high investment activity alternate with phases in which we concentrate on the development of the portfolio or on realisations. The favourable environment prior to the outbreak of the financial and economic crisis enabled us to build a sizeable liquidity position following profitable realisations. In 2009/2010, this liquidity position increased again through the cash flow from the profitable realisation of MCE AG, a comparatively large investment measured by the historical cost. This further strengthened our platform for future investments in management buyouts and enables us to additionally invest in expansion capital projects.

Report on the economic position of the Group

- Group is economically sound
- Portfolio companies are well positioned for the future

In the opinion of the Board of Management at the time this report was drawn up, the Deutsche Beteiligungs AG Group is economically sound.

The Company achieved a positive result in financial year 2009/2010. Deutsche Beteiligungs AG remains well capitalised: the Company has liquid resources of 140.7 million euros and no bank debt. Fee income from co-investment funds serves as a good basis on which to cover a major part of the costs for the management of the portfolio.

The economic position of portfolio companies that were more seriously hit by the crisis has improved significantly, due to the counteraction they took early on. The strong upturn supported these developments. The companies implemented comprehensive measures for greater flexibility of cost structures, thereby increasing their earnings potential as trading activity again began to rise. Most of the companies that were hardly affected by the crisis continued to develop their businesses. We believe that the portfolio consists of well positioned companies, which gives it the potential for value growth in a positive economic environment.

We adhered to our accounting policy even during the crisis. This past financial year, there was no fundamental change in the use of measurement options or grooming transactions compared with the previous years. Information on the use of measurement options and grooming transactions is presented on page 72 of this report as well as in the Notes to the consolidated financial statements.

Events after the balance sheet date

On 16 November 2010, family entrepreneur Dirk Rossmann notified us that he at that time held 20.12 percent of the voting rights in DBAG through Rossmann Beteiligungs GmbH, in which he holds the majority.

Additional information

Remuneration report

- Structure and rules reflect common sector practice
- Remuneration components commensurately balanced

Remuneration geared to assignment, personal and company performance

The Supervisory Board decides on the remuneration framework and all remuneration components for the members of the Board of Management. Total remuneration for the members of the Board of Management consists of the following components:

- a fixed annual salary
- a variable annual bonus
- profit share awards as components with a long-term incentive effect
- non-cash components
- pension benefits

Criteria for the appropriateness of remuneration levels are, in particular, the sphere of responsibilities of the respective Board of Management member, his personal performance, and the financial position, performance and prospects of Deutsche Beteiligungs AG. To that end, the structure and level of schemes common to the private equity industry, and which are required to attract and retain qualified key personnel, are also taken into consideration.

The members of the Board of Management receive no emoluments for offices held in subsidiaries. No change-of-control clauses have been laid down in the appointment contracts of the members of the Board of Management. A severance pay cap is provided for in the appointment contracts of those Board of Management members whose contracts were concluded or prolonged after the effective date of the German Act on the Appropriateness of Management Board Compensation (VorstAG). All members of the Board of Management have accepted a deductible for the D&O insurance, which the Company has taken out. No advances or loans have been granted to Board of Management members.

Components not linked to performance consist of the annual salary paid on a monthly basis and non-cash emoluments. Non-cash emoluments largely pertain to the tax basis applicable for the use of a company car. They amount to T€25 for Mr von Hodenberg, T€19 for Mr Grede, T€48 for Mr Mangin, and T€17 for Dr Scheffels.

Bonus as a performance-related component

An annual variable bonus rewards the current performance of Deutsche Beteiligungs AG and the personal performance of the respective Board of Management member. Personal performance is measured based on annual objectives and in consideration of market conditions. Corporate performance is derived from an overall consideration of the accomplishments. These include, for instance, the value growth of individual portfolio companies, realisations from the portfolio, the number and quality of new investments, as well as the performance of the shares in Deutsche Beteiligungs AG. The Supervisory Board no longer gears bonus payments based on contracts concluded or prolonged after the effective date of the German Act on the Appropriateness of Management Board Compensation to the Company's current performance, but to a measurement base of three years, in accordance with the provisions of the Act. This is in conformity with endeavours to reward the Company's sustainable development.

Bonus payments must basically not exceed fixed base salaries. In its meeting on 9 December 2010, the Supervisory Board fixed the amount of the bonus payment for financial year 2009/2010. The bonus will be paid following the adoption of the financial statements and approval of the consolidated financial statements of DBAG for financial year 2009/2010.

Components with **long-term incentive effects** comprise two performance sharing schemes offering Board of Management members an opportunity to share in the investment performance of Deutsche Beteiligungs AG.

Allowing the investment team to share in the long-term performance of investments is standard in the private equity industry. To that end, the focus is commonly not on the performance of a single investment. Rather, the profit effects of a pool of investments made over a specific investment period are considered. Thus, this procedure also reflects downside developments. Based on these principles, the members of the Board of Management participate in the annual performance of investments to which the Company had committed up to 31 December 2000, as well as the pool of investments entered into from 2001 to 2006. Both profit sharing schemes are exclusively geared to realised profits. An investment's ultimate profitability will only be determinable at its disposal, generally after a holding period of several years. Short-term profits that solely stem from fair value changes through the consolidated profit and loss account are not considered. Thus, there is no incentive to achieve short-term valuation gains that may not be realisable at a later disposal.

The profit-sharing scheme for investments up to the year 2000 is calculated based on the extent to which an annual return on equity of 15 percent is exceeded before taxes and bonuses. The computation base of the equity relates exclusively to investments included in the profit-sharing scheme, which chiefly consist of the investments in Homag Group AG (that part invested prior to 2007), Grohmann GmbH and the Vogler group. With the divestment of these older portfolio companies, this profit-sharing scheme will decline in importance. For financial year 2009/2010, there were payments of T€151 to Board of Management members under this scheme (previous year: no payments made).

The scheme installed for investments made from 2001 to 2006 is current practice in the private equity industry. Profit-sharing awards are granted beginning at a minimum return on the investments of eight percent annually after calculatory costs of two percent and are exclusively paid from realised profits. The sum attributable to members of the Board of Management under this profit sharing scheme totals T€239 for financial year 2009/2010, following T€1,416 in the previous year. Two thirds of these entitlements are paid after the close of a financial year. Entitlement to the remaining one third is subject to a final review after the disinvestment phase of all investments involved has been completed, and is paid in the amount of the remaining final entitlement.

Performance-related components of this kind are no longer awarded for investments entered into since 2007, i.e., the commencement of the investment period of DBAG Fund V, nor for those that will be made in the future. The members of the Board of Management share in the performance of these investments through a private co-investment. This co-investment is detailed in Note 35 to the consolidated financial statements 'Information based on IAS 24, Participation in carried interest schemes by key management staff'.

The remuneration for the Board of Management in financial year 2009/2010 totalled 3.6 million euros, which is disseminated over the individual components as follows:

	Components not linked to performance		Performance-related components		Components with long-term incentive effects		Total	
T€	2009/2010	2008/2009	2009/2010	2008/2009	2009/2010	2008/2009	2009/2010	2008/2009
Wilken von Hodenberg	525	525	365	305	131	442	1,022	1,272
Torsten Grede	519	519	365	305	122	442	1,006	1,266
André Mangin	448	424	292	244	45	266	785	933
Dr Rolf Scheffels	417	415	292	244	92	266	801	925
Total	**1,910**	**1,883**	**1,314**	**1,098**	**390**	**1,416**	**3,614**	**4,396**

Pension arrangements: Two models

Pension arrangements for members of the Board of Management are based on two models. Pension arrangements for Mr von Hodenberg and Mr Grede provide for defined annual pension benefits; they amount to T€180 for Mr von Hodenberg and T€87 for Mr Grede. Mr Mangin and Dr Scheffels participate in a contribution plan that is also applicable to other staff of Deutsche Beteiligungs AG; for each year of service, participants are entitled to a one-time pension contribution that is measured by a percentage of the total compensation paid for that year. The annual retirement benefit component amounts to 0.75 percent of the total compensation, and six percent on those parts of the emoluments exceeding the income threshold set by the state pension plan, each multiplied by an age factor that diminishes with increasing age. The inclusion of variable components is limited to 1.5 times the fixed salary.

In financial year 2009/2010, the service cost for pension commitments to members of the Board of Management amounted to T€288 (previous year: T€237). Of that amount, T€175 are attributable to Mr von Hodenberg (previous year: T€98), T€20 to Mr Grede (previous year: T€14), T€47 to Mr Mangin (previous year: T€68) and T€46 to Dr Scheffels (previous year: T€57). At 31 October 2010, the present value of defined benefit obligations to members of the Board of Management totalled 3.9 million euros (previous year: 2.9 million euros).

This past financial year, the sum of 0.8 million euros (previous year: 0.7 million euros) was paid to **former Board of Management** members or their surviving dependents.

The present value of pension obligations to former Board of Management members or surviving dependents totalled 12.0 million euros (previous year: 10.9 million euros) at the balance sheet date.

Supervisory Board compensation: No performance-related component for 2009/2010

The remuneration for members of the Supervisory Board is determined by shareholders at the Annual Meeting. It consists of three components: an annual fixed fee of 30,000 euros, bonuses for the Chairmanship, Vice Chairmanship and Committee membership and a performance-related component geared to the growth in net asset value per share within a specific financial year.

The Chairman of the Supervisory Board receives a maximum of twice the basic fixed fee, irrespective of his membership on various Committees. The Vice Chairman of the Supervisory Board and the Chairman of the Audit Committee receive a maximum of one and a half times the basic fixed fee. Membership on the Executive Committee is compensated by one quarter of the basic fixed fee.

The performance-related component basically becomes effective when the net asset value per share has increased by twelve percent on the preceding year. The performance-related component amounts to 1,500 euros for each full percentage point by which the increase exceeds twelve percent. The annual maximum for the performance-related component can amount up to 30,000 euros for each member of the Supervisory Board. Net asset value per share [16] grew by 12.7 percent in financial year 2009/2010 and thus surpassed the threshold, but not by a full percentage point; a performance-related component will therefore not be awarded to the Supervisory Board. Remuneration paid to members of the Supervisory Board totalled T€238 in 2009/2010 (previous year: T€248). It was distributed as follows:

T€	Fixed fee	Bonus	Total
Andrew Richards (Chairman)	30	30	60
Professor Dr h.c. Rolf-Dieter Leister (Vice Chairman until 4 March 2010)	12	6	18
Dr Hans-Peter Binder (until 24 March 2010)	12	3	15
Dr Hariolf Kottmann	30		30
Professor Dr Günther Langenbucher (Vice Chairman since 24 March 2010)	30	15	45
Dr Herbert Meyer	30	5	35
Philipp Möller (since 24 March 2010)	18		18
Gerhard Roggemann (since 24 March 2010)	18		18
Total	**180**	**58**	**238**

In 2009/2010, Professor Dr h.c. Rolf-Dieter Leister (a member of the Supervisory Board until 24 March 2010) received fees through his Infra Beratung GmbH of approximately T€ 58 (plus value-added tax; previous year: T€104) for consultancy services up to his retirement from the Supervisory Board.

[15] For a definition of the return on net asset value – or equity – per share, please refer to section "Steering and control", page 47

Disclosures and commentary consistent with § 315 (4) German Commercial Code ('HGB') (Takeover-related disclosures)

The share capital of Deutsche Beteiligungs AG amounted to 48,533,334.20 euros at 31 October 2010. It is denominated into 13,676,359 no-par value bearer shares. Arithmetically, the capital attributable to each share is approximately 3.55 euros. Various classes of shares do not exist. There are no shares carrying special rights.

The Board of Management knows of no restrictions relating to voting rights or the vesting of shares. There was one notification of an interest amounting to 20.12 percent of the voting shares that are directly or indirectly attributable to Mr Dirk Rossmann. Insofar as employee shares were issued, employees directly exercise their control rights.

In accordance with the Articles of Association of Deutsche Beteiligungs AG, the Board of Management consists of at least two individuals. Its actual number of members is determined by the Supervisory Board, who, pursuant to § 84 (1) German Stock Corporation Act (Aktiengesetz – AktG) appoints the members of the Board of Management for a maximum period of five years. In accordance with the Articles of Association, the Supervisory Board may exempt all or individual members of the Board of Management, in general or in individual cases, from the restrictions in § 181 German Civil Code (Bürgerliches Gesetzbuch – BGB). To date, no use has been made of these provisions. Based on § 84 (3) German Stock Corporation Act, the revocation of an appointment is only admissible for reasonable cause.

Pursuant to § 179 (2) sentence 2 of the German Stock Corporation Act, an amendment to the Articles of Association may be adopted by a simple majority of votes and a simple majority of the share capital represented at the time the resolution is made, insofar as the law does not compulsorily provide otherwise. The Supervisory Board may adopt amendments to the Articles of Association that relate merely to the wording.

At the Annual Meeting on 26 March 2009, the Board of Management was authorised, in accordance with § 71 (1) No. 8 German Stock Corporation Act, to purchase own shares of up to ten percent of the share capital up to and including 25 September 2010. In cancellation of this authorisation, the Board of Management was again authorised on 24 March 2010 to purchase own shares of up to ten percent of the then issued share capital for purposes other than trading in own shares up to an including 23 September 2011. Similar to the preceding authorisation, the Board of Management may choose to acquire shares via the stock exchange or via a tender offer to all shareholders or an invitation to submit such a tender.

The Board of Management is authorised, subject to consent by the Supervisory Board, to resell own shares or use them as consideration for third parties in conjunction with corporate acquisitions or mergers or acquisitions of investments in enterprises under suspension of shareholders' pre-emptive rights in other ways than via the stock exchange or by a public offer to all shareholders.

Furthermore, the Board of Management is authorised, subject to consent by the Supervisory Board, to retire and cancel own shares acquired, wholly or in part, without the cancellation or execution thereof requiring a further resolution by the Annual Meeting of Shareholders. The cancellation effects a reduction in the share capital, insofar as the Board of Management decides not to reduce the share capital, thereby raising the proportional amount of the share capital attributable to the remaining shares, in accordance with § 8 (3) German Stock Corporation Act. In this event, the Board of Management is authorised to adapt the reference to the number of shares in the Articles of Association.

In the reporting year, the Board of Management did not make use of either programme.

Use of measurement options and discretionary scope as well as grooming transactions

- Financial assets uniformly measured at fair value
- Pension commitments separated out to plan assets ('CTA')
- Accounting change: "Corridor method" not applicable in the future

The accounting and valuation methods employed for financial assets and pension commitments are detailed in the Notes to the financial statements (page 99). Based on that information, and for a better understanding of the Company's asset position, an additional commentary is presented in the following.

All financial assets are uniformly measured at fair value. That also applies to interests in associated companies, which have been allocated to the category of financial assets at fair value through profit or loss. Based on the allocation to this category, these are required to be carried at fair value instead of the usually applicable equity method.

The fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value therefore comes close to the enterprise values negotiated by Deutsche Beteiligungs AG when purchasing or selling investments. The fair value for all our investments is measured by our internal valuation guidelines. The fair value provides investors with qualified information with which to assess the Company's business position.

Compared with the equity method, fair value recognition may lead to greater fluctuations in valuations and in the net result of investment activity, since, in addition to the investee businesses' earnings development and other factors, valuation changes in the capital markets are also considered.

Since financial year 2004/2005, Deutsche Beteiligungs AG has funded pension obligations by contributions to plan assets through a bilateral contractual trust arrangement. Up to financial year 2008/2009, we accounted for pension obligations and plan assets in conformity with the "corridor method". Based on this, actuarial gains and losses were recognised without affecting income in item "Other non-current assets" or in "Provisions for pensions and similar obligations", insofar as these amounted to less than ten percent of the higher of the obligation or the fair value of plan assets. Actuarial gains and losses outside a range of ten percent were disseminated over the remaining service period and recognised in profit or loss.

Based on IAS 19 revised, the corridor method will no longer be applicable. We have therefore changed the accounting treatment: Actuarial gains and losses will be taken directly to equity through other comprehensive income. The change in the accounting method will only have a limited effect on profit or loss, to the extent that the amortisation of actuarial gains and losses through profit or loss may cease to apply. The accounting change has been performed retrospectively and the comparative period restated. Based on this accounting treatment, net asset value per share at the end of financial year 2008/2009 now amounts to 18.77 euros. This new accounting treatment is the one most frequently used by Dax-listed companies.

Reports not included

A **research and development report** (R&D) is not required in this Management's report, neither are **disclosures on environmental protection**, nor on **procurement**: The business operations of Deutsche Beteiligungs AG are that of a capital investment company and do not involve the manufacture of goods.

Rewards and risk

Risk management system

- Group's position remains stable
- Company attaches particular importance to risk surveillance
- Investment strategy has strong bearing on rewards/risk profile

Risk management and surveillance system addresses rewards and risk and contributes importantly to performance

Our rewards and risk management system is designed to best manage major risks inherent in the Group's business and to effectively take advantage of the opportunities that arise from these dealings.

Its purpose is to create a suitable set of instruments to identify, analyse, control and monitor risk exposure. That requires developing recommendations on the adaptation of risk management processes, on the control of risks as well as on an appropriate estimation of business-specific rewards and risks.

Our risk management and surveillance system has the objective of providing a comprehensive overview of the Group's exposure to risk. Events involving material negative financial effects for the Group must be recognised promptly in order to define and take counteraction to reduce or avoid risk exposure or to manage these risks.

Key risks and opportunities in the investment business relate to the purchase, holding and sale of investments. The management of opportunities and risk is closely linked to the day-to-day operating business of the investment team. Opportunities and risk should be balanced so that opportunities may be seized without endangering the continuity of the company as a going concern. This begins when screening potential investments and extends to the application of suitable instruments in managing and controlling the operating business.

The risk management and surveillance system is successively adapted and geared to address new conditions, which may result both from changes in underlying conditions and from changes to our business model.

This past financial year, we charged an auditing firm to examine the exposure of Deutsche Beteiligungs AG to fraudulent dealings. The investigation comprised the acquisition of investments, the monitoring of investments, the controlling of investments and the disposal of investments, and, among other things, the financial accounting as well as information technology. The criteria for the analyses were, i.a. possible wrongful acts such as corruption and bribery in business dealings, computer sabotage, insider dealings, disloyalty and disclosure of trade secrets. The result of the investigation was that none of the examined key risk-relevant areas or sub-areas of operation are exposed to a "high risk".

In our estimation, there are currently no risks that would endanger the continuation of the Group as a going concern.

Rewards/risk profile linked to investment strategy

Our investment strategy is decisive for the rewards/risk profile of the Group. It was developed on the basis of the long and wide-ranging experience Deutsche Beteiligungs AG has in the private equity business and is regularly reviewed and optimised.

This past financial year, we extended our line of business, which has focused on management buyouts since 2001: Deutsche Beteiligungs AG will now also provide expansion capital in response to the growing need anticipated in this segment. Expansion capital investments can generate a part of the earnings that are achievable by these investments in the form of dividends or interest during the holding period. By contrast, the main part of profit from management buyout investments is realised upon the investment's ultimate disposal. In our estimation, expansion capital investments on average have a lower risk profile than management buyouts. Correspondingly, these investments will average lower returns.

In total, we expect that our absolute earnings potential will increase through the expansion of the product programme and the associated rise in assets under management. Earnings volatility will tend to decrease by complementing the portfolio through expansion capital investments.

Target companies for expansion capital will be required to meet the same proven criteria we attach to potential management buyouts:

- We exclusively invest in established companies with leading market positions and proven business models.
- A (total) impairment loss on an individual investment must not endanger Deutsche Beteiligungs AG as a going concern.
- New investments should contribute to the portfolio's diversification. We consider the spread, both in relation to products and geographically, across end-user markets in which the portfolio companies operate.

We restrict our investments to mature companies. That avoids, among other things, exposure to the typical risks linked to companies with unproven business models.

The development of individual investee businesses directly affects the performance of the Company. Should an individual investment exhibit a negative business trend and its value be impaired, such developments must not lead to the Company itself being at risk as a going concern. To mitigate exposure to this risk, we basically limit the amount invested in any one investment. The acquisition cost should not exceed ten percent of the Company's equity at the time the investment is made.

Investing alongside co-investment funds enables us to acquire larger companies than we would be able to alone, while we also endeavour to achieve a certain degree of diversification in the portfolio. We consider this as an advantage: since the mid-90s, DBAG has focused on investments in larger companies, meaning companies that generate annual revenues of more than 50 million euros and have a commensurate enterprise value. Experience has shown that such companies tend to have a seasoned management team, a solid market position and are generally more stable, for instance because they are able to operate globally. Investing in larger companies can also create opportunities for flotation on the stock exchange, thereby constituting a further, frequently very attractive exit channel.

A diversified portfolio – both in terms of the number of investments and of various business models – creates opportunities. Deutsche Beteiligungs AG primarily invests in manufacturing companies and in industrial service providers. Correspondingly, companies operating in the mechanical and industrial engineering sector (60.1 percent) and in industrial services (13.3 percent) comprise the largest share of the portfolio. Irrespective of the focus on a few core sectors, we endeavour to achieve a balanced and differentiated structure in terms of the portfolio companies' specific business models, products and markets.

The recent recession necessitated follow-on financing for two portfolio companies. We cannot exclude this happening again in other instances in the future. In assessing additional funding needs, we apply the same criteria as we do for new investments. However, additional aspects may be relevant for the decision. For that reason, there may be a higher risk profile attached to follow-on funding.

Our investment strategy also involves further selection criteria that are suited to opening opportunities and limiting exposure to risk. This investment strategy is presented on pages 44 to 46.

Effective risk management through documentation and personal accountability

The basis of the risk management and surveillance system is a risk management manual, which, in our view, depicts and analyses all types of exposure to risk. In response, we have specified action to control and monitor these risks and have firmly embedded them in the Group's workflows. This is achieved through organisational directives and the definition of processes. Additionally, there are numerous instruments and measures that we employ to monitor and manage specific entrepreneurial opportunities and risks.

The monitoring, adaptation and optimisation of the risk management and surveillance system are the responsibility of a risk manager, who reports to the Board of Management. The results of ongoing risk surveillance are presented to the Board of Management in a quarterly risk management report. Risks that emerge unexpectedly – for instance, from certain individual investments – must be reported immediately.

The Board of Management is directly involved in an appropriate evaluation of risks and opportunities and how they are addressed. It regularly reviews whether assessments have changed and which action is to be taken in response. A member of the Board of Management is basically assigned to every investment. This ensures that the Board of Management gains direct knowledge of any new important information on opportunities and risk exposure.

The Board of Management comprehensively informs the Supervisory Board at least on a quarterly basis about the Company's risk exposure and that of its investee businesses. In the event of an unexpected and material change in the exposure to risk, the Supervisory Board is informed immediately.

Internal control system in respect of accounting process

One of the key features of the internal control and risk management system with regard to the accounting process is that material accounting-related processes are regularly subjected to analytical examination. Furthermore, Deutsche Beteiligungs AG possesses a clearly defined organisational, control and surveillance system. Explicit assignments within the accounting process are in place. The IT systems used in accounting are largely operated with standard software products; these are protected against unauthorised data access. All individuals involved in the accounting process are qualified for their assignments; the number of individuals working here is sufficiently apportioned to accomplish the workflow. The completeness and validity of accounting data are regularly reviewed through manual controls based on random samples and plausibility checks. The relevant risks are analysed and identified. The Board of Management and the Supervisory Board regularly review key accounting and risk management issues.

Individual risks

- Extensive due diligence a central element in mitigating risk exposure
- Network and market focus warrant access to attractive transaction opportunities
- Banks still restrained in accommodating loans

The principal rewards and risks inherent in the business of Deutsche Beteiligungs AG and how they are addressed by the opportunities and risk management system are described in the following.

Economic and industry-related cycles: Exploiting opportunities and avoiding risk exposure through a highly selective investment process

The performance of our investments is influenced by a variety of market factors. These include geographical and industry-related economic cycles, political and financial scenarios as well as commodity prices and currency rate trends. The performance of our portfolio companies – specifically, their earnings and financial position – determines the development of the investments' fair value which, in turn, has a direct impact on the Group's earnings and financial position. Additionally, conditions on capital and finance markets are mirrored in the measurement of the fair value of our portfolio companies.

These market factors sometimes change at very short notice, and the Company's ability to address them may, of course, be limited. Success in private equity, however, is not measurable by short-term results; it is the long-term performance that counts. The holding periods for investments generally extend beyond the time-spans of individual cyclical phases.

We aim to address the rewards and risks involved in economic cycles through a careful selection of portfolio companies. This selection is basically determined by our investment strategy. However, our investment decisions are also driven by other specific considerations – not least by the purchase price for new investments, which must hold out prospects of achieving returns on the investment that are commensurate with the risk involved. We chiefly invest in companies with excellent market positions, whose business models or product portfolios are not exclusively geared to cyclically-related growth. Experience shows that such companies are generally more resilient across economic cycles than less well-positioned competitors.

The businesses of most portfolio companies are internationally diversified and have different geographical focuses. Specific country-related economic trends should, as a rule, not materially impact the value development of the total portfolio. However, in times of massive global downturns, as we experienced in late 2008 and early 2009, negative impacts on individual portfolio companies and their valuation in the portfolio may be unavoidable.

Deal flow

The investment opportunities available to a private equity company which it is then able to screen.

Deutsche Beteiligungs AG remains actively committed to augmenting its deal flow, both quantitatively and qualitatively. Its efforts are well served by its track record: a private equity investor with a reputation of being a fast, reliable and strong partner in negotiating equity investments is usually the first, and often the only investor addressed for the transaction. A wide-spread network of industrial experts in core sectors is key in sourcing deals.

The private equity market and access to potential investments (deal flow): Market expertise and strong network generate opportunities

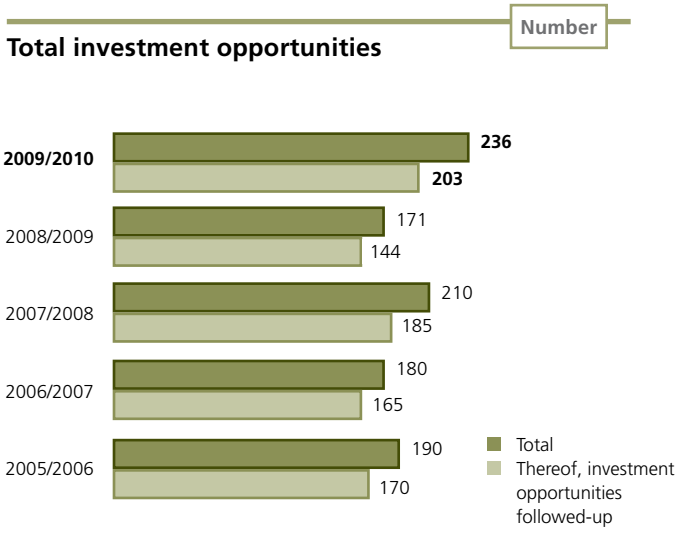
Deutsche Beteiligungs AG requires access to new investment opportunities for its performance. Only through a sufficient stream of attractive opportunities as well as profitable realisations are we able to ensure the successful continuity of the Group's business model. However, we have no influence on the development of the private equity market. Correspondingly, our ability to minimise exposure to risk from a decline in the number of potential transactions is limited.

Our strategic target is to gain early knowledge of potential transactions in German-speaking regions and to possess the resources and instruments to ensure a prospective high-quality deal flow. Moreover, our intention is to tap investment opportunities ourselves through suitable measures. In light of its importance, this issue is the direct responsibility of a member of the Board of Management.

In seeking informational leads, the Company utilises existing contacts that stem from its long-standing market presence. It attaches great importance to cultivating its network, which has been built up over many years. This network consists of former investment partners, representatives of banks, consultants, attorneys, auditors and a circle of experienced industrial experts, two of whom are exclusively working with us as industrial partners in identifying and assessing investment opportunities. Furthermore, we utilise the contacts generated by the Company's large investment team. Drawing from their own experience, the team members identify attractive investment opportunities in their respective industrial sectors. Through targeted public relations activity and the cultivation of our network, we aim to augment awareness of the Company and strengthen our market presence.

This past financial year, the number of investment enquiries we received rose to 236 (previous year: 171), thereby recovering from the decline in the wake of the crisis. In response to our extended line of business, 49 enquiries concerned expansion capital financings this past financial year. A total of 203 projects (previous year: 144) were initially followed up. In view of an improved economic environment and the availability – albeit limited – of debt finance, more investment projects reached advanced screening stages than in the previous financial year, which was strongly impacted by the economic and financial crisis.

Total investment opportunities



The improved business trend is mirrored in M&A market activity, which brightened in 2010 at the start of the financial year. That applies both to management buyouts and expansion capital investments. However, the number and size of completed transactions partially lagged considerably behind the levels reached in 2006 and 2007. Against this backdrop, we assume (provided that the positive economic trend persists and the financial markets stabilise) that the M&A market still has substantial potential for recovery.

Value appreciation of investments: Addressed through close monitoring

The strategy of Deutsche Beteiligungs AG is primarily focused on realising a value appreciation on its investments. Current income from these investments in the form of dividends, profit sharing and interest income is also an important source of earnings; its annual volume, however, is limited. Consequently, a key business-linked risk attaches to investee companies achieving their business objectives. Negative developments could lead to a total loss of the capital invested and possibly entail further adverse consequences, such as a loss of reputation.

We address these risks by a comprehensive set of risk monitoring instruments. These include working on projects in project teams consisting of a number of staff and in which a member of the Board of Management is always involved. We follow binding procedures during the acquisition, holding and realisation phases. These measures are aimed at ensuring professional, systematic processes. They are designed to set the platform for successful purchasing and selling decisions. Moreover, we want to respond quickly to developments that may endanger the targeted value appreciation, or that may create opportunities for additional value growth.

During the acquisition phase only such investment projects are pursued as meet our investment strategy and other selection criteria. An exacting due diligence investigation, which may include calling in external consultants, precedes every purchase decision. By this, we aim to identify the rewards and risks inherent in an investment decision. We endeavour to limit, redeploy or otherwise mitigate exposure to risk. This is achieved, for instance, through the appropriate formulation of contract terms, guarantee agreements or insurances.

Investments are usually financed through equity and bank loans. Beyond that, additional funding sources such as mezzanine capital and vendor loans may be used. The structuring of the financing is a key component in the acquisition phase, in which all findings gained in the due diligence process and in developing the corporate plan are considered.

In every transaction, Deutsche Beteiligungs AG attaches importance to a stable financing structure with practicable debt levels that leave scope for the company to develop as projected and to service its debt. The financing should contain sufficient reserves in the event of the company failing to meet its development objectives. To that end, we compile detailed model calculations that take these requirements into account as early as the acquisition phase.

Due diligence

An in-depth investigation, analysis and appraisal of a target company that forms the basis for an investment memorandum. Encompasses various aspects, such as analyses of the business model and finances and could also include an examination of legal, environmental or insurance issues.

Before committing the assets of shareholders in Deutsche Beteiligungs AG or of investors in its funds, the due diligence investigation is carried out at length. In terms of in-house resources alone, that can easily require the full capacity of one investment professional for six months or more. Added to that is the time and effort devoted by consultants to specialised issues.

During the development phase, meaning the holding period, the members of the investment team support the managements of our portfolio companies. The support is rendered by taking offices on supervisory boards or advisory councils as well as by regular communication with the responsible management teams. The data is processed through specified controlling procedures with the commensurate documentation. The investment controlling unit analyses the data independently. We review and discuss projects based on quarterly reports. We discuss events and developments of topical importance in meetings of the Board of Management and in the investment team's project meetings.

We want to lay the foundations for profitable exits as early as the investment phase. We will only enter into investments where sufficient buying interest on the part of trade buyers or financial investors can be expected, or prospective eligibility as a flotation candidate exists. In the quarterly reviews of the performance of portfolio companies, exit opportunities are regularly discussed.

The risk management instruments currently employed are, in our opinion, suited to ensure early identification of possible negative developments in portfolio companies, thus allowing for any necessary counteraction to be taken. Concurrently, these enable us to make use of opportunities that contribute towards optimising the performance of investments.

Fund-raising and capital procurement: Track record a requisite for future co-investment funds

For many years, members of the investment team have been managing third-party assets in the form of private equity funds that invest alongside Deutsche Beteiligungs AG (co-investment funds). This has a number of advantages for Deutsche Beteiligungs AG. Given that the available assets are to be spread over a certain (minimum) number of investments, this structure permits investing in larger companies than DBAG would be able to alone. This serves to mitigate risk. Moreover, current fee income from the management of funds serves to cover a significant part of the Company's administration costs.

We will only be able to pursue our strategy in its present form in the long-term, if we succeed in soliciting capital commitments to new co-investment funds. This requires the ability of the Company or its investment team to boast a positive track record – meaning a record of accomplishments in private equity investments that have generated attractive returns for investors on the invested capital. Other key aspects from the investors' point of view are the stability and experience of the investment team, staffed by members of the Management Board and select professionals, as well as pro-active relations with current and potential investors. Also of influence are the overall economic environment, sentiment in the quoted markets and readiness on the part of private equity investors to make new capital commitments. That readiness has gained momentum as the recovery in the real economy and financial markets sets in, but is still clearly below pre-crisis levels. We expect that investors will be able to negotiate lower fees for fund management services in the future.

Our current co-investing DBAG Fund V that invests in management buyouts has capital commitments of 434 million euros. The investment period (with a maximum term of five years) began in February 2007. Up to the time the economic crisis emerged in autumn 2008, four investments had been purchased. The investment in Homag Group AG was partially realised through the company's IPO in July 2007, and the investment in MCE AG was realised completely through a sale to a strategic investor in December 2009. Following two years of very slow investment activity, the private equity industry again started to invest in new transactions in 2010. By acquiring the FDG Group, DBAG also transacted a new investment in 2010.

Deutsche Beteiligungs AG currently has sufficient funds to finance the equity share of the investments it chooses to make in management buyouts and expansion capital financings. Thus, the only risk we can identify for the near term is sufficient availability of leveraged finance at acceptable terms for the funding of our MBO investment projects. We currently assess the prospects of soliciting capital commitments as being good for a follow-on fund to DBAG Fund V that is focused on management buyouts.

However, we are not in a position today to reliably forecast what the external environment will be towards the end of the investment period of DBAG Fund V. We are currently observing more intense competition for commitments to funds. Investors are demanding protection of their rights, for example, with a view to the stability of the investment team.

We are currently in the fund-raising process for the DBAG Expansion Capital Fund, which will provide expansion capital alongside Deutsche Beteiligungs AG. Including a capital commitment by DBAG of up to 100 million euros, the Fund's size will be at least 200 million euros.

International investors require a reliable taxation framework. Fundamental changes to tax legislation that would lead to taxes being imposed on foreign partners of German fund companies would have serious disadvantages for DBAG. International investors could, for instance, make private equity investments in Germany via competitors of Deutsche Beteiligungs AG who invest in Germany through foreign fund structures. Adverse taxation conditions could compel us to make radical structural changes, including a relocation of the Company's domicile.

Irrespective of precedents to the contrary in other European jurisdictions, the German federal fiscal authority has decided to impose value-added tax on management services for private equity funds. Some local fiscal authorities even go farther and question the past practice accepted by fiscal authorities. This puts fund managers entirely domiciled in Germany, such as Deutsche Beteiligungs AG, at a considerable disadvantage.

Furthermore, experience has shown that negative changes to the taxation framework can take place at any time. Until now, these changes only concerned Deutsche Beteiligungs AG, and not the investors in the co-investment funds. After the European Directive on Alternative Investment Fund Managers (AIFM) was passed in November 2010, there is hope that when the Directive is transposed into national law a framework will be created for European-wide tax harmonisation of fund managers and management services. The German Special Investment Companies Act (Gesetz über Unternhmensbeteiligungsgesellschaften – UBGG) to which DBAG has been subject since 1987, shows that such a specific framework can have long-term validity as regards taxation aspects. We plan to closely follow the legislative procedure.

The AIFM Directive has primarily been introduced in response to the financial crisis. The Directive must be transposed into national law by the member countries within two years. Private equity firms are also affected by the additional requirements. The time and effort required for the management of co-investment funds will increase in the future due to regulatory provisions, without there being a detectable advantage. For instance, private equity companies will be required to apply for authorisation and are subject to extended requirements of their internal organisation as well as extended disclosure obligations in respect of managed funds and portfolio companies. An independent depositary will need to review whether the managed funds actually own the interests acquired. We do not consider it likely, but: The stricter regulation could cause private equity investors to turn to non-European regions to a greater degree. Moreover, a number of other corporate buyers, such as strategic investors or family offices, do not fall under this regime. To that extent, the AIFM Directive will lead to unequal treatment of the private equity industry compared to these investors.

The changes in financial market regulation in the United States also affect our business. The Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA) requires that managers of larger assets with US investors to register there, disclosed certain financial data to the supervisory authorities and adapt their compliance structures. A final assessment of the exact extent of the effects of the DFA on Deutsche Beteiligungs AG is not possible at the moment, since many provisions of the DFA will only become effective in the course of 2011, and all regulations for implementing the DFA have not yet been issued by the supervisory authorities.

Although the regulation will additionally burden operations, we basically consider the new Directive to be reconcilable with our business model. Moreover, due to our stock market listing and the rules associated with it, we assume that we will not have to adapt our internal organisation as much as many unquoted companies will.

Deutsche Beteiligungs AG manages co-investment funds and receives an advance profit share for these services. These management services may be revoked. Exposure to risk stemming from the revocation of contractual relations is currently deemed to be very low. Rules governing the revocation of management authority for DBAG Fund V are presented in the Notes to the consolidated financial statements in section "Related party transactions".

Sufficient equity for investment

The main treasury activities occur in conjunction with the acquisition and disposal of investments. In view of the many different influential factors, these transactions cannot be reliably foreseen. Despite the irregular payment flows which cannot be planned precisely, the aim of the Company's finance management is to have sufficient liquidity available at all times in order to effect its own finance share for investment transactions. This requires Deutsche Beteiligungs AG having access to financial, credit and capital markets.

The Company has successfully completed several capital increases in the past, most recently in 2004. Continually addressing existing and potential investors as a core activity of its investor relations creates the basis for DBAG to access the capital market to generate additional equity, if necessary.

In light of the sizeable liquidity reserves of 140.7 million euros at the balance sheet date, there are currently no recognisable material risks arising from the funding of the Group.

The Company chiefly holds its liquid reserves in the form of government securities as well as in time deposits with banks, whose credit standing we consider to be good based on their ratings. In view of its sizeable cash position, the Company currently does not require credit facilities.

Financing remains critical factor

We employ our own capital and the capital of our co-investment funds to finance investments. In conformity with the basic business model of a private equity investor, we also use bank loans to finance buyout transactions. To achieve commensurate returns on our investment projects, we require acquisition finance at acceptable terms. Borrowing requirements also include lines of credit for capital expenditures and for financing portfolio companies' business operations. Readiness on the part of banks to extend loan facilities depends on the economic environment and conditions in the credit markets; we have no direct influence on these.

We aim to have banks see us as professional, sound and dependable partners. We support the readiness of banks to extend facilities through risk-conscious procedures in selecting and structuring investment projects. Focusing the investment strategy on established companies, whose operations have a comparatively low risk profile, also serves that purpose.

After the outbreak of the financial and economic crisis, acquisition finance was practically non-available. With the tension in financial markets easing and the economy recovering, the situation has meanwhile improved. However, the number of banks that provide acquisition finance in the mid-market segment has decreased. Loans are accommodated highly selectively and – measured by the earnings generated by the company to be financed – at much lower volumes, higher costs and more rigid covenants than in the years prior to the crisis.

In view of the restrictive availability of debt finance, a higher proportion of own funds is required to finance acquisitions. This diminishes opportunities to achieve a return on the invested capital that is commensurate with the risk involved. Against this background, we must weigh very precisely whether the value growth potential of a target company justifies an investment.

Banks' restrictive policy in funding acquisitions can also hinder our activities in the event of a proposed disinvestment: potential buyers, particularly financial investors, are equally confronted with the restrictive funding policy of banks, thereby influencing their investment behaviour.

Current lending policies, which are still very much geared to risk aversion, may also tend to encumber the portfolio companies' operational and strategic development, since banks remain hesitant in funding strategic expenditures and expanding working capital facilities. This can indirectly affect the portfolio companies, for instance when clients cut down on capital expenditures or do not place orders due to lack of funding.

We expect that the supply of debt financing will gradually grow larger. However, persistent uncertainty in the financial markets in general and, specifically, in the banking sector could thwart this from happening. We are therefore unable to make reliable predictions on the future availability of borrowings.

Currency and interest rate risk

For a discussion of currency and interest rate risks, please refer to the commentary in the consolidated financial statements (Note 31 Financial risk disclosures, pages 113ff.).

Personnel: Attracting and retaining highly qualified staff through motivating work environment and monetary incentive systems

Performance in private equity is closely linked to the people acting on its behalf. This holds particularly true for the investment team – the staff directly involved in the acquisition, development and disposition of investments. Furthermore, other corporate sectors that support the investment business also require highly qualified and motivated staff. This ensues from the high degree of specialisation of our business and the small size of our organisation, to which every single individual makes an important contribution.

The Company boasts a very loyal staff. We currently see no risk of this changing. We ensure that it remains that way through systematic human resources development and other activities. At the end of financial year 2009/2010, the staff (without apprentices) had an average of eight years of service; the investment team members have been with the Company for an average of seven years.

Operational risk: Optimisation of organisational procedures

Due and proper processing of administrative transactions must be assured. Operational risk plays a subordinate role in view of the relatively low number of administrative transactions, the relatively small number of staff and the involvement of several employees in larger transactions. Exposure to operational risk is largely achieved through appropriate organisational procedures. For instance, our liquidity management requires larger drawdowns of liquid funds to be made jointly by two members of the Board of Management, up to a specified base liquidity limit.

Other operational risks relate to corporate sectors that are of a supportive nature for the private equity business. These include the organisational units of finance, human resources, legal, organisation/IT and public relations/investor relations. Deutsche Beteiligungs AG ensures proper organisational workflows in these corporate sectors through a sufficient number of qualified staff and the provision of suitable equipment and financial resources.

Our business not only requires suitable software and hardware. A special aspect is data security, the assurance that authorised persons can access data at any time, and protection against unauthorised data access. Deutsche Beteiligungs AG has qualified specialists in its IT unit who are supported by external consultants, if necessary. In addition to standard software for the organisation of our office communication, we employ further applications for special purposes in our workflows, such as accounting, investment controlling and customer relations management (CRM). If there is

no suitable software available in the market, Deutsche Beteiligungs AG uses software specially developed for its requirements. The software we use is continually updated and upgraded. Data is saved by daily back-ups and additionally by secured data archiving. Permanent access is warranted by redundant server architecture.

The infrastructure is protected against external unauthorised access. DBAG attempts to respond to the continually growing IT risk by, among other things, regular external reviews. At the beginning of the new financial year, a consulting company will additionally be charged with conducting an IT security audit. The investigation will cover the organisational IT security, the firewall, an IT weak-point analysis and social engineering techniques. The aim is to sustainably ensure best practices. Pursuant to this action, the Company believes that there are no risks in the IT area that would endanger operations.

Neither was there any recognisable exposure to operational risk in other corporate sectors in the past financial year. The Company does not expect this to change in the future.

General statement on risk exposure

Group currently not endangered as a going concern

In the estimation of the Board of Management of Deutsche Beteiligungs AG, individual or cumulative risks do not currently endanger the Group as a going concern. This estimation is based on the analysis and assessment of the material individual risks to which the Company is exposed, as well as the installed risk management system discussed above. On the whole, the Board of Management presently judges the risk management and surveillance situation as being good.

Report on expected developments

- Recovery of general economy and relevant industries expected to continue at moderate rate
- Business line extended by expansion capital investments
- Return target remains unchanged

Objectives unchanged: Value appreciation and realisation of value growth

We intend to further pursue and develop our proven business model. We plan to make new investments, and will focus on building value in existing investee businesses and realising that value growth upon an investment's ultimate disposal. To that end, we will draw on our experience and our proven approaches to developing portfolio companies. In our investment policy, we will continue to concentrate on German-speaking regions. However, we are also open to making investments in business models which we are familiar with and which are managed from domiciles outside German-speaking regions.

Exploiting market opportunities by expanding the product programme

In light of expected growing demand, we now also provide expansion capital funding in addition to management buyouts. For that purpose, we have enlarged our investment team and appropriated up to 100 million euros out of our own funds for investment. A co-investment fund, which we are currently raising, will provide at least a further 100 million euros. In selecting target companies, the same proven criteria will be applied that have contributed to our investment performance in management buyouts in recent years.

Performance based on long-term trend

The business operations of Deutsche Beteiligungs AG are of a long-term nature. The results of individual financial years only conditionally reflect the long-term performance of our investing activity. The consolidated result for a financial year is frequently influenced by events or trends that were not precisely predictable at the onset of

the year. These include events such as transaction opportunities in our sector of the market, or unforeseeable developments in specific markets or the capital market. The financial success of an investment can generally only be judged after four to seven years upon its ultimate disposal. This report on expected developments therefore covers a period of five years.

Development of underlying conditions

Market: Private equity business will continue to recover and competition for attractive investments will remain intense

The long-term growth trend in the private equity business experienced a serious setback through the financial and economic crisis. Deteriorated trading conditions for many companies and great uncertainty led to a massive decline in the number of transactions. The segment most strongly hit was the MBO market, which was additionally impacted by the fact that acquisition finance was virtually unavailable.

Along with the economic recovery, sentiment in the M&A market has noticeably improved. Since the fourth quarter of 2009, the value of private equity investments has been rising again. In absolute terms, however, it still lags considerably behind pre-crisis levels.

We believe that there is potential for a further increase in demand for private equity. Now that the crisis has been overcome, fundamental growth drivers can again take hold: Large corporations will want to optimise their direction and respond to changes in their strategic environment. Additionally, the crisis may have triggered additional adaptation needs. Corporations will want to part with non-core activities or may be compelled to for financial reasons. Family-run companies will continue to seek private equity in order to divest their companies for succession reasons.

We see additional potential in expansion capital investments in the coming years. The economic crisis weakened the equity base of many mid-sized companies. These companies will seek external funding to finance the upturn and further growth. Moreover, substantial amounts from mezzanine loans, which companies were able to obtain at very favourable terms from 2004 to 2008, will fall due for repayment in the coming years. Follow-on financing of this type is currently only available to a limited extent, which creates refinancing opportunities for private equity. As described, we have responded to this scenario by extending our product programme.

Capital commitments to private equity funds reached record highs until 2007. Parts of this funding have not yet been invested. Competition for attractive investment opportunities will therefore remain intense in the coming years. Deutsche Beteiligungs AG is well placed to succeed in that competitive field and share in the market's potential.

Debt finance terms for investments remain restrictive

With the economy recovering, the environment for leveraged acquisition finance has improved. However, in the wake of the crisis the number of banks that fund acquisitions has decreased. The remaining providers in the market are highly selective in respect of the transactions to be financed. As a rule, debt finance is extended at lower volumes, higher margins and stricter covenants. We cannot foresee what the policy of banks will be in the period covered by this report. However, we anticipate that terms will remain more rigid on average than they were before the outbreak of the crisis. This will increase credit costs, and the portion to be equity-financed will rise. Consequently, returns on private equity investments will tend to recede. Nevertheless, the returns inherent in the private equity business will, in our opinion, remain attractive – particularly for financial investors who, as we do, generate the returns on their investments not by comparatively high debt levels, but by the value growth of their portfolio companies. We plan to adhere to that strategy.

Asset class of private equity will prevail

We expect that the asset class of private equity will take further root globally. The crisis in the financial and capital markets also affected institutional investors who traditionally invest in private equity. A number of investor groups needed to reconsider their investment decisions, others intend to expand their investment commitments. We expect that we will be able to achieve our target of some 100 million euros in commitments from institutional investors to our new DBAG Expansion Capital Fund, which will specialise in expansion capital investments. In our estimation, a successor fund to DBAG Fund V, which focuses on management buyouts, will at least reach the same size as our current fund.

Recovery of general economy expected to continue at moderate rate; prediction subject to numerous uncertainty factors

In 2010, Germany's economy recovered faster and more strongly from the crisis than expected. Economic research institutes have forecast the recovery to continue in 2011, even though the dynamism may be somewhat slower. At the year-end, economic output is expected to again reach pre-crisis levels, due, above all, to the domestic economic trend and higher consumer spending.

Expectations are exposed to considerable risk. With a view to our portfolio companies, it should be noted how strong and influential the momentum coming from the emerging economies of Asia is on the current growth in Germany. Other risk factors are the weakness of the US economy, the budgetary crisis and loss of confidence in some eurozone states, volatile commodity and currency markets as well as geopolitical tension and protectionist tendencies.

We anticipate moderate economic growth in the period covered by this report. We are, however, conscious of the fact that there is a great deal of uncertainty in these expectations and that numerous risk factors could endanger economic growth.

Expected development of the Company

Confidence based on solid market position

Deutsche Beteiligungs AG has a long-standing market presence, an outstanding track record and extensive investment experience. We therefore expect to successfully conduct the Company's business in the future and maintain our strong position as one of the largest private equity companies in our segment of the market. We will continue to adhere to our objective of achieving earnings in excess of the cost of equity on the long-term average. Significant parts of our very high cash resources following profitable realisations from the portfolio are parked in secure, but low interest-bearing government securities, which makes it more difficult to reach our return target. However, we are confident that the number of attractive investment opportunities will grow in the coming years – propelled, moreover, by the expansion capital investments that now extend our product programme – and support the achievement of our return target.

Portfolio companies will continue recovering from the effects of the economic crisis

Our portfolio companies responded promptly to the economic crisis and took appropriate counteraction. These programmes were largely completed in 2010. The positive effects from these programmes and the rebounding economy have caused most companies to find themselves at least in a satisfactory state at the beginning of the period covered by this report.

Our experience is that companies with a leadership position in the market – like most of those in which we have invested – will tend to emerge stronger from a crisis. In the described scenario of a further moderate economic uptrend over the forecast period, most portfolio companies should be capable of achieving their pre-crisis earnings levels in the mid-term, if they have not already done so in 2010.

Basically positive value growth expected for portfolio companies

It is not possible to foresee exactly when and to what extent the valuation-related performance data – meaning earnings and debt – will improve further. However, given stable valuation ratios in the capital markets and the described scenario, we are confident that the value of the portfolio, including proceeds from realisations, will grow within the period of this report.

In total, positive result from investing activity expected over forecast period

The net result from investing activity is the item that has the greatest weight for the Company's results. Based on the estimation discussed above, we anticipate that Deutsche Beteiligungs AG will post a positive net result from investing activity on average over the next five financial years.

We are not in a position to quantify the result – for a number of reasons. Reliably predicting the general economic trend over the forecast period, and – by inference – the portfolio companies' development, requires a stable, market-verified data set. Such a data set is not available. Quantifying the result would also require predicting the capital market trend and future additions to and releases from the portfolio. It is not possible to reliably assess these influential factors.

The net result of investment activity is composed of the net result of valuation and disposal and current income from financial assets and loans and receivables. With the extension of the business line to include expansion capital investments, current income will grow. This form of income tends to develop more consistently than the volatile net result of valuation and disposal. Extending the portfolio by expansion capital investments should therefore tend to have a stabilising effect on the income trend in the forecast period.

Current personnel expenses will rise, given the moderate increase in the number of staff planned over the forecast period. Performance-related salary components that relate to investments in portfolio companies prior to 2007 will primarily depend on realisation gains. Their importance will decline, as the realisation of investments entered into before 2007 progresses.

Management fee income from co-investment funds are highly relevant to other operating income. Disposals of companies in the portfolio of co-investment funds whose investment period has been completed cause management fees to decline. By contrast, raising new co-investment funds – such as currently the DBAG Expansion Capital Fund which is focused on expansion capital investments – creates potential for an increase in fee income. The manner in which management fee income will develop on average over the forecast period therefore depends on the time spans involved in realising investments and in soliciting further commitments to funds. Developments relating to terms in the fund business may have a dampening effect.

Further items in other operating expense pertain to current operating costs. These expense items are expected to rise moderately, depending on the extent to which the Company's business activities expand.

Interest income netted against interest expense will decrease over the forecast period along with the reduction in the Company's sizeable liquidity reserves. Higher interest rates compared with their present low levels could, however, have the opposite effect.

In sum, the Company expects to achieve positive consolidated annual results on average over the coming five-year period.

Sufficient liquidity for new investment

From today's point of view, Deutsche Beteiligungs AG intends to basically maintain its investment strategy. However, this does not exclude adapting it to changed market conditions, as is currently the case in extending the product programme to include expansion capital investments. In the forecast period, we aim to make an average of two new investments in management buyouts and at least an equal number of expansion capital investments each financial year. Following the profitable realisations of past years and the investment restraint before and during the crisis, we initially expect an increase in the number of companies in the portfolio. Since the success of acquisitions and realisations of investments is greatly dependent on prevailing conditions, acquisitions or disposals may predominate at certain points within the forecast period.

Cash flows from investing activities, or payments for portfolio investments netted against proceeds from disposals of investments, are the key source for the generation of cash from the operating business. If acquisitions should predominate at a certain time during the term of this forecast, cash flows from investing activities may be negative in that period. In that event, the Company would be able to fall back on abundant liquidity reserves. If necessary, the Company could procure funding by raising loans or equity capital via the capital market. This, however, requires that suitable conditions prevail in the financial and capital markets.

Liquidity reserves will presumably decline

DBAG profitably realised investments in recent financial years, which has led to a high liquidity position of 140.7 million euros, including investments in securities. We intend to take advantage of attractive investment opportunities and are prepared to invest a large part of our liquidity. Consequently, we expect the liquidity position to decline over the term of this forecast.

General forecast

Good basis on which to achieve return target

Deutsche Beteiligungs AG is well equipped for the coming years: The Company is a firmly established, successful participant in the private equity market. That, in addition to its solid financial position, gives the Company an outstanding platform to exploit opportunities as they arise and adapt to changing conditions. Many factors indicate that there will be a growing need for private equity. The private equity market will thus continue to gain in importance. The attractive, high-quality portfolio of Deutsche Beteiligungs AG has the potential for further growth. Not least through its highly motivated staff Deutsche Beteiligungs AG is well equipped to continue its pattern of progress.

Our business model has been tried and proven across periods of crisis. In the future, achieving attractive returns will be linked more strongly to augmenting the profitability of portfolio companies. This is conducive to our investment approach, which is targeted at value growth.

Considering the developments that are foreseeable in the short-term and to be expected in the mid-term, the Board of Management anticipates that, in total, Deutsche Beteiligungs AG will generate a positive result over the current and the next four financial years and achieve an average return on equity at a rate that exceeds the cost of equity.

Frankfurt am Main, December 2010

The Board of Management

Private equity

General term for equity capital provided to unquoted companies or companies seeking a listing. Types of private equity investments include venture capital, expansion financing, management buyouts and buy-ins, and mezzanine loans.

As a publically traded company, Deutsche Beteiligungs AG offers shareholders the opportunity to participate in non-listed companies, thus creating access to an attractive asset class that would normally not be open to them. Listed private equity has in the past outperformed other traditional asset classes. At the same time, investors are able to utilise the advantages of stock exchanges, such as low entry barriers, high liquidity, low costs and high transparency.

Consolidated financial statements

Consolidated income statement

for the period from 1 November 2009 to 31 October 2010

T€	Notes	1 Nov. 2009 to 31 Oct. 2010	1 Nov. 2008 to 31 Oct. 2009
Net result of investment activity			
Net result of valuation and disposal of financial assets and loans and receivables	7	46,515	29,822
Current income from financial assets and loans and receivables	8	6,642	1,936
Total net result of investment activity		**53,157**	**31,758**
Other income/expense			
Personnel costs	9	12,037	13,425
Other operating income	10	14,600	14,136
Other operating expense	11	18,610	10,945
Depreciation and amortisation on property, plant and equipment and intangible assets	15	280	1,112
Interest income	12	1,168	2,376
Interest expense	13	362	410
Total other income/expense		**(15,521)**	**(9,380)**
Net income before taxes		**37,636**	**22,378**
Income taxes	14	(1,257)	(293)
Net income after taxes		**38,893**	**22,671**
Minority interest	25	(4,757)	(3,024)
Net income		**34,136**	**19,647**
Earnings per share in euros	32	2.50	1.44
Diluted earnings per share in euros	32	2.50	1.44
Statement of comprehensive income:			
Net income		**34,136**	**19,647**
Actuarial gains/(losses) on defined benefit plans		(3,065)	(2,328)
Unrealised gains/(losses) on available-for-sale securities		(242)	0
Other comprehensive income		(3,307)	(2,328)
Total comprehensive income		**30,829**	**17,319**
Reconciliation between net income and consolidated retained profit			
Net income		**34,136**	**19,647**
Profit carried forward from previous year		52,640	29,230
Dividends	24	(13,676)	(5,471)
Withdrawals from other revenue reserves	24	0	9,234
Consolidated retained profit		**73,100**	**52,640**

Consolidated cash flow statement

for the period from 1 November 2009 to 31 October 2010

Inflows (+)/(Outflows (-) T€	Notes	1 Nov. 2009 to 31 Oct. 2010	1 Nov. 2008 to 31 Oct. 2009
Net inome		34,136	19,647
Valuation gains (-)/losses (+) on financial assets and loans and receivables, depreciation and amortisation on property, plant and equipment and intangible assets	7, 15, 16, 17	(42,252)	(10,324)
Gains (-)/losses (+) from disposals of non-current assets	7	(1,131)	(17,509)
Increase (+)/decrease (-) in non-current liabilities	22, 25, 26, 27	3,393	2,113
Increase (-)/decrease (+) in income tax assets, increase (+)/decrease (-) in tax provisions	22	(4,762)	(2,806)
Increase (-)/decrease (+) in other assets (netted)	18, 19, 21, 22, 23	(6,983)	5,145
Increase (+)/decrease (-) in other liabilities (netted)	26, 28	4,819	213
Cash flows from operating activities		**(12,780)**	**(3,521)**
Proceeds from disposals of property, plant and equipment and intangible assets	15	7,286	0
Purchase of property, plant and equipment and intangible assets	15	(388)	(984)
Proceeds from disposals of financial assets and loans and receivables	7, 16, 17	44,505	33,048
Acquisition of non-current financial assets and investments in loans and receivables	7, 16, 17	(8,223)	(4,287)
Increase (-)/decrease (+) in long and short-term securities	20, 30	(43,762)	(4,070)
Cash flows from investing activities		**(582)**	**23,707**
Payments to shareholders (dividends)	24	(13,676)	(5,471)
Cash flows from financing activities		**(13,676)**	**(5,471)**
Change in cash funds from cash-relevant transactions		(27,038)	14,715
Cash funds at start of period	30	50,787	36,072
Cash funds at end of period	30	23,749	50,787

Consolidated statement of financial position

at 31 October 2010

Assets

T€	Notes	31 Oct. 2010	31 Oct. 2009
Non-current assets			
Intangible assets	15	25	25
Property, plant and equipment	15	841	8,019
Financial assets	16	129,853	137,242
Loans and receivables	17	4,742	1,306
Long-term securities	20	102,912	14,487
Other non-current assets	18, 27	5,897	90
Total non-current assets		**244,270**	**161,169**
Current assets			
Receivables	19	2,899	3,486
Short-term securities	20	14,084	58,747
Other financial instruments	21	22	169
Income tax assets	22	12,684	8,780
Cash and cash equivalents		23,749	50,787
Other current assets	23	18,404	5,160
Total current assets		**71,842**	**127,129**
Total assets		**316,112**	**288,298**

Shareholders' equity and liabilities

T€	Notes	31 Oct. 2010	31 Oct. 2009
Shareholders' equity	24		
Subscribed capital		48,533	48,533
Capital reserve		141,394	141,394
Retained earnings		10,888	14,195
Consolidated retained profit		73,100	52,640
Total shareholders' equity		**273,915**	**256,762**
Liabilities			
Non-current liabilities			
Minority interest	25	15,669	12,288
Deferred tax liabilities	22	130	118
Total non-current liabilities		**15,799**	**12,406**
Current liabilities			
Other current liabilities	28	6,894	2,458
Tax provisions	22	2,675	3,533
Other provisions	26	16,829	13,139
Total current liabilities		**26,398**	**19,130**
Total liabilities		**42,197**	**31,536**
Total shareholders' equity and liabilities		**316,112**	**288,298**

Consolidated statement of change in shareholders' equity

for the period from 1 November 2009 to 31 October 2010

T€	Notes	2009/2010	2008/2009
Subscribed capital			
At start and end of year		**48,533**	**48,533**
Capital reserve			
At start of year		141,394	141,426
Share-based payments	35	0	1
Share-based payments (stock options exercised)	35	0	(33)
At end of year		**141,394**	**141,394**
Retained earnings			
Legal reserve			
At start and end of year		403	403
First adoption IFRS			
At start and end of year		15,996	15,996
Other comprehensive income			
At start of year		(2,204)	124
Other comprehensive income for the year		(3,307)	(2,328)
At end of year		(5,511)	(2,204)
Other retained earnings			
At start of year		0	9,234
Withdrawals from other revenue reserves	24	0	-9,234
At end of year		0	0
Retained earnings at end of year		**10,888**	**14,195**
Consolidated retained profit			
At start of year		52,640	29,230
Dividends	24	(13,676)	(5,471)
Net income		34,136	19,647
Withdrawals from other revenue reserves	24	0	9,234
At end of year		**73,100**	**52,640**
Total equity		**273,915**	**256,762**

Notes to the consolidated financial statements

for financial year 2009/2010

General information

1. Principal activity

Deutsche Beteiligungs AG provides equity and financial instruments of a similar nature to established medium-sized companies. The Company essentially generates its income by appreciating the value of its investments. The subsidiaries of the Group pursue the same business activities or provide supporting services.

Deutsche Beteiligungs AG is domiciled at Kleine Wiesenau 1 in 60323 Frankfurt am Main, Federal Republic of Germany.

2. Basis of preparation

Deutsche Beteiligungs AG has prepared these consolidated financial statements at 31 October 2010 in conformity with the International Financial Reporting Standards (IFRS) as adopted by the European Union. Additionally, the commercial law requirements stipulated in § 315a (1) of the German Commercial Code (HGB) have also been taken into account.

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

On 22 December 2010, the Board of Management of Deutsche Beteiligungs AG authorised the consolidated financial statements for issue to the Supervisory Board, whose duty it is to review and declare whether it approves them.

The income statement was prepared based on the nature of expense method. These consolidated financial statements have been drawn up in euros. Except when stated otherwise, all amounts are presented in thousands of euros (T€).

3. Voluntary early application of IFRS rules

In the consolidated financial statements at 31 October 2010, no use was made of voluntary early application of the latest amendments to standards or interpretations.

The IASB and the IFRIC have adopted standards, interpretations and amendments to standards that were not compulsorily applicable this past financial year.

- Diverse – Improvements to IFRSs (April 2009)
- Revised IFRS 1 – First-time Adoption of IFRS
- Amendments to IFRS 1 – Additional Exemptions for First-time Adopters
- Amendments to IFRS 1 – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
- Amendments to IFRS 2 – Group Cash-settled Share-based Payment Transaction
- IFRS 3 – Business Combinations (revised 2008)
- IFRS 5 – Improvements to IFRSs (May 2008)
- IAS 24 – Related Party Disclosures
- IAS 27 – Consolidated and Separate Financial Statements
- Amendment to IAS 32 – Classification of Rights Issues
- Amendment to IAS 39 – Financial Instruments: Recognition and Measurement: Eligible Hedged Items
- Amendment to IAS 39 – Reclassification of Financial Assets: Effective Date and Transition
- IFRIC 12 – Service Concession Arrangements
- Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement
- IFRIC 15 – Agreements for the Construction of Real Estate
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 – Distributions of Non-cash Assets to Owners
- IFRIC 18 – Transfer of Assets from Customers
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

No use will basically be made of early application of these standards and interpretations. Deutsche Beteiligungs AG does not assume that their implementation would have had or will have a material effect on the assets, financial and earnings position.

4. Consolidated companies

In addition to Deutsche Beteiligungs AG, the consolidated financial statements include those Group companies in which Deutsche Beteiligungs AG is able to exert control within the meaning of IAS 27. Control as defined by IAS 27 is when the power exists to govern the financial and operating policies of an enterprise in order to obtain benefits from its activities.

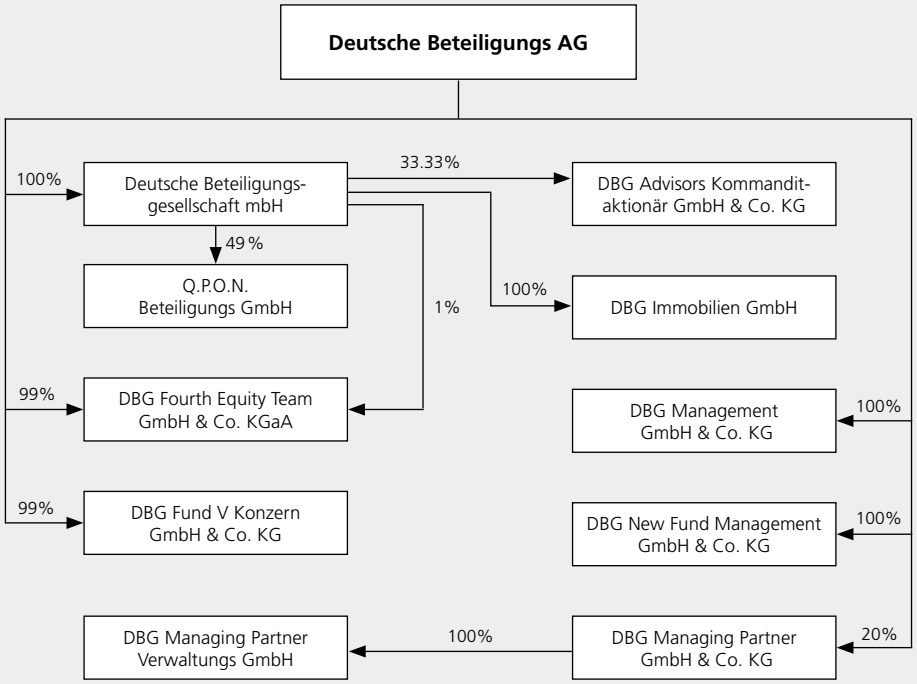
Joint ventures are recognised in the consolidated financial statements on a pro rata basis (proportionate consolidation).

Foreign-based companies are presently not included in the group of consolidated companies of Deutsche Beteiligungs AG.

The consolidated Group at 31 October 2010 is comprised of the following companies:

DBG Beteiligungsgesellschaft mbH, in which Deutsche Beteiligungs AG directly holds 100 percent of the voting shares, was not consolidated, since the commercial risk for its business activities – and, consequently, the business policy – lies with other non-group companies.

DBG Fifth Equity Team GmbH & Co. KGaA, in which a subsidiary of Deutsche Beteiligungs AG holds 100 percent of the limited partner's shares, was not consolidated in the accounts, since significant and long-lasting restrictions exist that impair rights in respect of this company's assets and management.



The percentages relate to the proportionate share of equity.

DBG Advisors Kommanditaktionär GmbH & Co. KG, in which a subsidiary of Deutsche Beteiligungs AG holds an equity share of 33.33 percent, was consolidated despite a minority interest, because DBAG has the power to appoint or remove the majority of the members of the executive body.

Managing Partner GmbH & Co. KG, in which Deutsche Beteiligungs AG holds an equity share of 20 percent, was consolidated, since Deutsche Beteiligungs AG obtains the majority of the benefits from the activities of this company. We refer to Note 35.

Q.P.O.N. Beteiligungs GmbH, a joint venture, was proportionately consolidated at a rate of 49 percent. Attributable to the 49-percent share are non-current assets and non-current debt of 0 euros, current assets of T€19, current debt of T€2, income of 0 euros and expenses of T€3.

5. Principles of consolidation

The financial statements of consolidated subsidiaries were drawn up based on common accounting and valuation policies.

In conformity with the rules of IFRS 3, capital consolidation has been performed using the purchase method.

Since the conversion of the accounting to the IFRS format, no goodwill from capital consolidation has been capitalised.

6. Accounting and valuation policies

The Company defines as classes of financial instruments the categories in conformity with IAS 39 as well as cash funds and minority interest.

Financial assets
Regular way purchase or sale of financial assets is recognised on the settlement date.

Financial assets have been designated as "financial assets at fair value through profit or loss", since, pursuant to our investment strategy, these assets are managed and their performance evaluated on a fair value basis.

Based on the Company's classification as a private equity firm within the meaning of IAS 28 and in conformity with the rules stipulated in IAS 39, financial assets are basically measured at their fair value. The net result of valuation (changes in fair value) is disclosed in the income statement in line item „Net result of valuation and disposal of financial assets and loans and receivables".

Valuation guidelines have been adopted for the application of fair value accounting. According to these guidelines, investments in quoted enterprises for which an active and liquid market exists are valued at their stock market price at the valuation date or at the stock market price on the last day of trading prior to this date. For all other investments in unquoted companies or quoted companies for which no active or liquid market exists, the fair value is measured using generally accepted methodologies. These include, in particular, the internationally accepted multiples method and the discounted cash-flow method.

In applying the multiples method, the enterprise value is determined by using multiples of a peer group of companies. In using the discounted cash-flow method, expected future cash flows for a detailed budgetary period are discounted at the valuation date; for the subsequent period, the present value of an expected government perpetual is determined.

The valuation parameters used for valuation procedures are consistently applied and are based on available corporate and market data. If the fair value for equity instruments cannot be reliably measured, that equity instrument will be valued at acquisition cost.

Loans and receivables
„Loans and receivables" comprise non-current loans, shareholder loans and receivables with a fixed term and without an embedded derivative.

Loans and receivables are recognised at amortised cost in conformity with the categorisation of IAS 39. Loans and receivables are subject to regular review as to whether objective evidence of impairment exists. If this is the case, the impairment loss is determined as in IAS 39. Significant financial difficulty of obligors as well as breaches of contract that have occurred are considered to be objective evidence of impairment. Also, significant and adverse changes in the business environment of borrowers are indicators that give cause to test for possible impairment.

A receivable is derecognised as soon as there is objective evidence of its uncollectability.

Intangible assets/property, plant and equipment
Intangible assets and property, plant and equipment are valued at purchase cost, less regular straight-line depreciation based on normal useful life. Useful life for intangible assets is determinable and extends from two to five years. For property plant and equipment, useful economic life is termed from three to forty years. Additions are depreciated pro rata temporis beginning in the month of acquisition. Depreciation is disclosed in the income statement under the caption „Depreciation and amortisation on property, plant and equipment and intangible assets".

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

Securities
Securities are designated either as "held-to-maturity investments" or "available-for-sale investments".

Securities designated as "held-to-maturity investments" are carried at amortised cost. These items are regularly reviewed as to whether objective evidence of an impairment exists. In that event, an impairment loss is determined in accordance with IAS 39.

Securities designated as "available-for-sale investments" are measured at fair value at the reporting date. Fair value changes are disclosed in other comprehensive income.

Securities with a residual term of more than one year at the balance sheet date are allocated to "Long-term securities", otherwise to "Short-term securities".

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

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

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

Provisions for pension obligations and similar obligations
Pension provisions are determined in the IFRS format based on the projected unit credit method. In addition to the present value of pension obligations at the balance sheet date, this method accounts for future salary and benefit increases by an assumed trend rate.

Current service cost is recognised as personnel costs, whereas the net interest portion of allocations to provisions is disclosed in interest expense.

Since financial year 2004/2005, pension obligations have been funded through a contractual trust arrangement by contributions to plan assets. Up to financial year 2008/2009, the Company recognised pension obligations and plan assets in accordance with the corridor method. Based on this, actuarial gains and losses were recognised without affecting income in item "Other non-current assets" or in "Provisions for pensions and similar obligations", insofar as these amounted to less than ten percent of the higher of the obligation or the fair value of plan assets. Actuarial gains and

losses falling outside a range of ten percent were disseminated over the average remaining service period and recognised in profit or loss. Based on IAS 19 revised, the corridor method will no longer be applicable. The Company has therefore decided to change the recognition method. Based on the new accounting treatment, actuarial gains and losses will be recognised directly in equity through other comprehensive income.

The accounting change was performed retrospectively for the comparative period of 2008/2009:

T€	Amount (declared)	Change in accounting treatment	Amount (adapted)
Other non-current assets	2,294	(2,204)	90
Retained earnings	16,399	2,204	14,195
Other comprehensive income/actuarial gains/ (losses) on defined benefit plans	0	(2,328)	(2,328)

Other provisions
Other provisions are carried in liabilities, if a third-party obligation and the probability of the availment of the obligation exist. Non-current provisions are discounted.

Liabilities
Liabilities of the Company are carried in other liabilities in conformity with IAS 39. They are initially recognised at fair value. Their subsequent valuation is at amortised cost. Interest on borrowing costs is directly expensed.

Recognition of revenues
Revenues from current services are recognised when the services are rendered. Services rendered over time are recorded in the proportion attributable to the period. Revenues from disposals of financial assets are recognised when claims from warranty commitments are no longer likely.

Net result of valuation and disposal of financial assets and loans and receivables
This item contains realised gains and losses from the disposal of financial assets and from changes in the fair value of financial assets. This caption also includes impairment losses to financial assets that are valued at acquisition cost, as well as loans and receivables carried at amortised cost.

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

Foreign currency
Liabilities stated in foreign currency are recognised in income using the closing rate method.

Since the group of consolidated companies of Deutsche Beteiligungs AG does not include foreign-based companies, there are no effects from currency translations in this context.

Offsetting
Offsetting assets against liabilities and income against expense is basically prohibited, except if this is stipulated or expressly permitted by a requirement.

Other comprehensive income
In addition to net income, other comprehensive income is the second component of total comprehensive income. Transactions through other comprehensive income are recognised directly in equity, and not in profit or loss.

Other comprehensive income does not comprise minority interest at Deutsche Beteiligungs AG.

Notes to the income statement

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

T€	2009/2010	2008/2009
Changes in value	42,532	11,436
Realised income/expense	1,131	17,509
Other	2,852	877
	46,515	**29,822**

In financial year 2009/2010, "Other" mainly relates to the reversal of warranty provisions for former portfolio companies that are no longer carried in financial assets.

8. Current income from financial assets and loans and receivables

T€	2009/2010	2008/2009
Profit entitlements	6,359	1,859
Interest	283	77
	6,642	**1,936**

Profit entitlements contain dividends from corporations and profit shares from private partnerships as well as silent partnerships. Interest relates to loans granted to portfolio companies.

9. Personnel costs

T€	2009/2010	2008/2009
Wages and salaries	10,838	12,133
thereof, for stock options exercised	0	13
thereof, for stock options outstanding	0	1
Social contributions and expenses for pension plans	1,199	1,292
thereof, service cost	506	462
thereof, past service cost	0	122
thereof, for defined contribution plans (including employers' contributions to state pension plans)	371	376
	12,037	**13,425**

Of the social contributions and expenses for pension plans, T€687 (previous year: T€792) were attributable to pension benefits. The employer's contributions to state pension plans have been allocated to social contributions, not to expenses for pension plans.

Number of employees (without Board of Management members):

	31 Oct. 2010	31 Oct. 2009
Employees (full-time)	41	40
Employees (part-time)	5	5
Apprentices	5	4

Two employees (previous year: one) are on parental leave.

As in the preceding year, the Board of Management consisted of four members in 2009/2010.

In financial year 2009/2010, an average of 46 employees (previous year: 43) and 5 apprentices (previous year: 4) were employed at Deutsche Beteiligungs AG.

10. Other operating income

T€	2009/2010	2008/2009
Management fees	11,059	11,107
Reimbursed expenses	2,164	1,455
Other	1,377	1,574
	14,600	**14,136**

Management fees mainly relate to fee income for the management of third-party private equity funds that co-invest alongside Deutsche Beteiligungs AG. Please see Note 35.

Reimbursed expenses comprise advances on behalf of co-investment funds and portfolio companies.

11. Other operating expense

T€	2009/2010	2008/2009
Value-added tax	7,355	1,060
Consultancy	4,721	2,753
Impairment losses on current receivables	1,302	861
Office rental	1,006	2,122
Financial assets	272	679
Other	3,954	3,470
	18,610	**10,945**

Value-added tax reflects the fact that Deutsche Beteiligungs AG is only entitled to input tax deduction insofar as the Company generates taxable turnovers or turnovers that are entitled to input tax deduction based on legal provisions. For the reporting period, this item also contains provisions for exposure to VAT risk for financial year 2009/2010 and preceding years.

Consultancy expenses primarily relate to potential investment transactions, tax and legal counselling as well as EDP advisory services. Consultancy expenses are partially reimbursable by managed co-investment funds or portfolio companies.

Impairment losses on current receivables largely relate to a portfolio company.

Office rental contains rent for office premises in the amount of T€851 (previous year: T€852).

Expenses for financial assets arose in conjunction with the disposal of portfolio investments.

"Other" consists of miscellaneous operating expenses, in particular for public relations, the Annual Meeting, marketing, the Supervisory Board, motor vehicles, business travel, etc.

There were no lease expenses for cars in the reporting period (previous year: T€1).

12. Interest income

T€	2009/2010	2008/2009
Securities	646	1,737
Interest-bearing receivables in current assets	119	120
Fixed-term deposits/cash in banks	118	383
Revenue Office	255	62
Other	30	74
	1,168	**2,376**

Interest income is attributable to the following categories of financial instruments:

T€	2009/2010	2008/2009
Loans and receivables	403	519
Held-to-maturity investments	335	1,737
Available-for-sale investments	311	0
Financial assets at fair value through profit or loss	119	120
	1,168	**2,376**

13. Interest expense

T€	2009/2010	2008/2009
Interest expense for pension provisions	939	947
Expected returns on plan assets	(651)	(551)
	288	**396**
Revenue Office	34	0
Other	40	14
	362	**410**

For information on the accounting treatment of pension obligations, please see Note 27.

14. Income taxes

T€	2009/2010	2008/2009
Current taxes	(1,269)	(328)
Deferred taxes	12	35
	(1,257)	**(293)**

Current taxes in financial year 2009/2010 are composed of tax expense of T€10 for the reporting period of 2009/2010 and tax income of T€1,279 for preceding years.

Deferred taxes stem from the occurrence or reversal of temporary differences between the IFRS carrying amounts and the tax purpose-based carrying amounts of assets and debt. Temporary differences primarily exist for financial assets and pension provisions. The Group companies have for the most part recorded a surplus in deferred tax assets this financial year that originated from existing loss carryforwards. Based on the type of business activities and their applicable tax treatment, it is not probable that sufficient taxable profit will be available against which they can be utilised. These deferred tax assets were therefore not capitalised. Deferred tax expense in the reporting year totalling T€12 is exclusively attributable to DBG Advisors Kommanditaktionär GmbH & Co. KG.

Reconciliation between the theoretically expected tax charge for an incorporated company and the current amount recognised in the consolidated financial statements is as follows:

T€	2009/2010	2008/2009
Earnings before taxes	37,636	22,378
Applicable corporate tax rate	31.93%	31.93%
Theoretical tax income/expense	**12,017**	**7,145**
Change in theoretical tax income/expense:		
– Tax-exempt positive result of valuation and disposal	(15,104)	(13,963)
– Non-deductible negative result of valuation and disposal	1,473	5,194
– Tax-exempt current income	(1,903)	(446)
– Non-deductible expense	36	41
– Taxes from previous years	(1,279)	(504)
– Use of non-capitalised tax loss carryforwards	(296)	(348)
– Non-capitalised tax loss carryforwards for current year	1,497	2,323
– Non-capitalised losses for current year	1,303	0
– Tax rate differential	409	354
– Other effects	590	(89)
Income taxes	**(1,257)**	**(293)**
Taxation ratio	**(3.34%)**	**(1.31%)**

A total of T€296 is attributable to the reduction in current income tax expense from the utilisation of non-capitalised tax loss carryforwards in the Group. Additionally, there is a reciprocal effect of T€1,497 from non-capitalisation of deferred tax assets against tax loss carryforwards for the current financial year as well as on unused losses according to the IFRS in the amount of T€1,303 largely attributable to unrealised valuation results based on commercial law.

The expected tax rate for corporations is composed of corporation tax and a solidarity surcharge (15.83 percent) as well as municipal trade tax (16.10 percent). The tax rate for Deutsche Beteiligungs AG is 15.83 percent, since Deutsche Beteiligungs AG is recognised as an equity investment company and is exempt from municipal trade tax.

Notes to the statement of financial position

15. Intangible assets/property, plant and equipment

T€	Acquisition cost			
	1 Nov. 2009	Additions	Disposals	31 Oct. 2010
Intangible assets	387	8	0	395
Property, plant, equipment	10,478	380	8,454	2,404
	10,865	**388**	**8,454**	**2,799**

T€	Depreciation/amortisation				Carrying amount	
	1 Nov. 2009	Additions	Disposals	31 Oct. 2010	31 Oct. 2010	31 Oct. 2009
Intangible assets	362	8	0	370	25	25
Property, plant, equipment	2,459	272	1,168	1,563	841	8,019
	2,821	**280**	**1,168**	**1,933**	**866**	**8,044**

Additions to depreciation on property, plant and equipment relate to scheduled depreciation.

16. Financial assets

T€	2009/2010	2008/2009
At start of financial year	**137,242**	**138,333**
Additions	4,756	3,012
Disposals	54,677	15,539
Changes in value	42,532	11,436
At end of financial year	**129,853**	**137,242**

Financial assets are exclusively measured at fair value. Changes in value are recorded under the caption „Net result of valuation and disposal of financial assets and loans and receivables" on the income statement (see Note 7).

17. Loans and receivables

T€	2009/2010	2008/2009
At start of financial year	**1,306**	**31**
Additions	3,467	1,275
Disposals	31	0
At end of financial year	**4,742**	**1,306**

Loans and receivables relate to claims arising from loan agreements with portfolio companies.

18. Other non-current assets

T€	31 Oct. 2010	31 Oct. 2009
Receivables from portfolio companies	5,789	0
Pensions and similar obligations/plan assets	108	89
Other		1
	5,897	**90**

Receivables from portfolio companies relate to two long-term receivables from a portfolio company that fall due in 2014. Both receivables carry interest at market rates. We refer to our commentary in Note 35.

For additional information on item "Pensions and similar obligations, please see our commentary in Note 27.

19. Receivables

T€	31 Oct. 2010	31 Oct. 2009
Receivables from associated companies	96	13
Receivables from portfolio companies	2,803	3,473
	2,899	**3,486**

Receivables from associated companies pertain to non-consolidated subsidiaries of Deutsche Beteiligungs AG.

Receivables from portfolio companies largely relate to a clearing account with one portfolio company and interest receivable from portfolio companies.

Impairment losses developed as follows:

T€	2009/2010	2008/2009
At start of financial year	**861**	**0**
Additions	1,302	861
Reversals	1,870	0
At end of financial year	**293**	**861**

20. Securities

The securities were acquired as investments of cash resources not immediately required.

Classification of securities in the statement of financial position:

T€	31 Oct. 2010	31 Oct. 2009
Long-term securities	102,912	14,487
Short-term securities	14,084	58,747
	116,996	**73,234**

Classification of securities by types:

T€	31 Oct. 2010	31 Oct. 2009
Floating rate notes (3-month Euribor)	77,887	0
Floating-rate notes (6-month Euribor)	25,025	0
Other	14,084	73,234
	116,996	**73,234**

Classification of securities by maturity:

T€	31 Oct. 2010	31 Oct. 2009
Due within 1 year	14,084	58,747
Due between 1 and 2 years	0	14,487
Due between 2 and 3 years	25,037	0
Due between 3 and 4 years	50,025	0
Due between 4 and 5 years	2,825	0
Due greater than 5 years	25,025	0
	116,996	**73,234**

Classification of securities by IFRS valuation categories:

T€	31 Oct. 2010	31 Oct. 2009
Available-for-sale investments	102,912	0
Held-to-maturity investments	14,084	73,234
	116,996	**73,234**

Due to their short residual maturities, the securities were designated as held to maturity in the previous year. The securities purchased in financial year 2009/2010 have been designated as available for sale because of their longer residual maturities. The difference between the fair value and the acquisition cost of available-for-sale securities at 31 October 2010 in the amount of T€242 was recognised in other comprehensive income.

21. Other financial instruments

T€	31 Oct. 2010	31 Oct. 2009
Short-term equity shares	22	169
	22	**169**

Short-term equity shares relate to shares that are to be sold to the managements of portfolio companies within a year.

22. Tax assets, tax provisions and deferred taxes

T€	31 Oct. 2010	31 Oct. 2009
Income tax credits	12,684	8,780
Tax provisions	2,675	3,533
Deferred tax liabilities	130	118

Income tax credits contain imputable taxes, corporation tax capitalised by Deutsche Beteiligungs AG at net present value and refundable tax prepayments.

Tax provisions reflect expected tax expense, without accounting for imputable taxes and tax prepayments.

Deferred tax assets and liabilities are offset in conformity with IAS 12.74.

Tax loss carryforwards have been recognised in deferred taxes as follows:

T€	31 Oct. 2010	31 Oct. 2009
Tax loss carryforward, corporation tax	69,903	61,639
thereof, usable	0	0
Tax loss carryforward, trade tax	17,326	17,992
thereof, usable	0	0

The Group companies concerned do not expect to achieve positive future taxable income.

Deferred tax assets and (liabilities) are attributable to the following items:

T€	31 Oct. 2010	31 Oct. 2009
Financial assets	(130)	(118)
	(130)	**(118)**

23. Other current assets

T€	31 Oct. 2010	31 Oct. 2009
Purchase price receivable	11,334	0
Receivables from co-investment funds	5,166	2,147
Purchase price retention	705	705
Interest receivable on securities	550	843
Loans	286	742
Other	363	723
	18,404	**5,160**

The purchase price receivable arose in conjunction with the closure of business of a portfolio company (see Note 35).

Receivables from co-investment funds largely comprise advance profit entitlements and reimbursable expenses.

The purchase price retention covers possible warranty risks from the disposal of a portfolio company.

Interest receivable on securities relates to securities disclosed in the statement of financial position (see Note 20).

Loans were chiefly extended to managers of portfolio companies to finance the acquisition of interests.

24. Equity

Subscribed capital/number of shares outstanding
All shares in Deutsche Beteiligungs AG are no-par value bearer shares. Each share is entitled to one vote.

The shares are admitted for trading on the Frankfurt Stock Exchange (Prime Standard) and the Düsseldorf Stock Exchange. Shares in the Company are also traded on the Open Market of the Berlin-Bremen, Hamburg, Hanover, Munich and Stuttgart Stock Exchanges.

The number of shares outstanding was constantly 13,676,359 both in the reporting and the comparative period.

Arithmetically, the capital attributable to each share equals approximately 3.55 euros per share.

Sale of own shares to employees and retirees
The Board of Management offers employees and retirees of Deutsche Beteiligungs AG and of one subsidiary an employee share purchase plan at preferential terms which are orientated around tax legislation and limits. The following depicts the transactions involving own shares in financial year 2009/2010:

	Purchase/sales price per share	Number of shares	Share of subscribed capital	
	€		T€	‰
At 1 Nov. 2009		**0**	**0**	**0.0**
Date of purchase: 26 July 2010	17.84	3,600	13	0.3
Date of sale/transfer: 15 Aug. 2010	11.12	3,600	13	0.3
At 31 Oct. 2010		**0**	**0**	**0.0**

Authorised capital

The Board of Management is, with the consent of the Supervisory Board, authorised to raise the share capital of the Company until 23 March 2015 by up to a total of 24,266,665.33 euros through one or more issues of new no par bearer shares in exchange for cash or non-cash contributions (authorised capital). The number of shares in that context must be increased proportionately to the share capital.

Contingent capital

The Board of Management is authorised, with the consent of the Supervisory Board, to issue, by one or in several issues, bearer shares and/or registered warrant-linked bonds and/or convertible bonds (jointly referred to as "bonds") in the period until 23 March 2015 with or without a maturity cap for a total nominal amount of up to 160,000,000.00 euros and to grant holders of warrant-linked bonds warrants, and the holders or creditors of convertible bonds conversion rights, to bearer shares in the Company with a proportionate share in the share capital of up to 24,266,665.33 euros under the conditions specified for the warrant-linked bonds or convertible bonds (jointly referred to as "bond conditions").

In addition to euros, the bonds may also be denominated in an official currency of an OECD country, limited to the equivalent amount in euros.

The bonds may also be issued by affiliates in which the Company directly or indirectly holds a majority. In such an event, the Board of Management shall be authorised, with the consent of the Supervisory Board, to guarantee for the bonds and to grant the holders and/or creditors of such bonds option or conversion rights to bearer shares in the Company.

Capital reserve

The capital reserve comprises amounts achieved from the issuance of shares in excess of the par value. In preceding years, it also contained those tranches of the stock option programme required to be recognised in the accounts up to the time the final residual stock options were exercised in financial year 2008/2009.

T€	2009/2010	2008/2009
At start of financial year	**141,394**	**141,426**
Additions	0	1
Disposals	0	(33)
At end of financial year	**141,394**	**141,394**

Retained earnings

Retained earnings comprise:

- the legal reserve, as stipulated by German stock corporation law
- first-time adopter effects from the IFRS opening balance at 1 November 2003
- other comprehensive income based on the IFRS
- other retained earnings, which also contain reconciliation amounts from capital consolidation in conformity with the German Commercial Code (HGB)

Consolidated retained profit

At the Annual Meeting on 24 March 2010, shareholders voted to pay a dividend of 0.40 euros per share (5,470,543.60 euros) plus a surplus dividend of 0.60 euros per share (8,205,815.40 euros) for financial year 2008/2009.

in €	2009/2010	2008/2009
Dividends paid	5,470,543.60	5,470,543.60
Surplus dividends paid	8,205,815.40	0.00
Total distribution	**13,676,359.00**	**5,470,543.60**

In its separate accounts consistent with the German Commercial Code (HGB), the retained profit of Deutsche Beteiligungs AG amounts to 40,114,916.11 euros. The Board of Management and the Supervisory Board will decide on 24 January 2011 on the proposed appropriation (including the dividend) of the retained profit.

Since the introduction of the "half-income system" ('Halbeinkünfteverfahren'), 95 percent of dividends paid to shareholding corporations are practically exempt from corporation tax in Germany. If certain requirements are fulfilled, dividends are also exempt from municipal trade tax to the same extent. Dividends earned by natural persons are subject to a flat rate withholding tax ('Abgeltungssteuer') of 25 percent plus a solidarity surcharge and, if applicable, church tax, which the dividend-paying company pays directly to the taxation authority.

The retained profit contains imputable corporation tax credits that arose during the validity of the imputation system of taxation prior to the introduction of the "half-income system". These were previously only realisable through a reduction in corporation tax in conjunction with dividend distributions. Based on a revised directive, corporation tax credits are now reimbursed in ten equal annual amounts. Deutsche Beteiligungs AG has corporation tax credits of originally 1.7 million euros. The expected remaining discounted reimbursements totalled T€1,354 at 31 October 2010.

25. Minority interest

T€	2009/2010	2008/2009
At start of financial year	**12,288**	**9,297**
Additions	0	7
Disposals	(1,376)	(40)
Profit share	4,757	3,024
At end of financial year	**15,669**	**12,288**

Minority interest relates to DBG Advisors Kommanditaktionär GmbH & Co. KG, DBAG Fund V Konzern GmbH & Co. KG as well as DBG Managing Partner GmbH & Co. KG. For a commentary on minority interest, please refer to the information on co-investment funds in Note 35.

Minority interest attributable to DBG Advisors Kommanditaktionär GmbH & Co. KG (co-investment fund DBAG Fund IV) developed as follows:

T€	2009/2010	2008/2009
At start of financial year	**11,719**	**8,806**
Additions	0	0
Disposals	(550)	(40)
Profit share	2,999	2,953
At end of financial year	**14,168**	**11,719**

Minority interest attributable to DBAG Fund V Konzern GmbH & Co. KG (co-investment fund DBAG Fund V) developed as follows:

T€	2009/2010	2008/2009
At start of financial year	**546**	**471**
Additions	0	5
Disposals	(826)	0
Profit share	1,758	70
At end of financial year	**1,478**	**546**

Minority interest attributable to DBG Managing Partner GmbH & Co. KG (DBAG Fund V co-investment fund) developed as follows:

T€	2009/2010	2008/2009
At start of financial year	**23**	**20**
Additions	0	2
Disposals	0	0
Profit share	0	1
At end of financial year	**23**	**23**

26. Current other provisions

T€	1 Nov. 2009	Availment	Write-backs	Additions	31 Oct. 2010
Personnel-related commitments	8,408	4,822	15	4,605	8,176
Financial assets	2,419	122	2,082	998	1,213
Other	2,312	2,026	51	7,205	7,440
	13,139	**6,970**	**2,148**	**12,808**	**16,829**

Other provisions were made for contingent obligations, the occurrence of which is considered probable. The probability of an obligation occurring is estimated to be greater than the probability of its non-occurrence.

Provisions for personnel-related commitments chiefly consist of performance-linked emoluments. Performance-linked emoluments pertain to members of the Board of Management and staff of Deutsche Beteiligungs AG. The performance-linked compensation systems for staff largely correspond to those in which the members of the Board of Management participate. Please refer to the remuneration report in Management's report for information on the design of these compensation systems. Provisions for financial assets are allocable to the investment business (e.g. warranty commitments).

Current other provisions fall due within a year.

27. Provisions for pensions and similar obligations and plan assets

The disclosure in the statement of financial position has been determined as follows:

T€	31 Oct. 2010	31 Oct. 2009
Present value of benefit entitlements	21,563	18,508
Fair value of plan assets	(21,671)	(18,597)
Other non-current assets	**(108)**	**(89)**

The present value of benefit entitlements amounted to 15.0 million euros at 31 October 2008, 17.0 million euros at 31 October 2007 and 18.6 million euros at 31 October 2006. The fair value of plan assets totalled 15.8 million euros at 31 October 2008, 16.7 million euros at 31 October 2007 and 16.6 million euros at 31 October 2006.

In the past financial year, the present value of benefit entitlements developed as follows:

T€	2009/2010	2008/2009
Present value of benefit entitlements at start of financial year	**18,508**	**15,015**
Interest expense	939	948
Service cost	506	462
Past service cost	0	122
Benefits paid	(878)	(766)
Actuarial (gains)/losses	2,488	2,727
Present value of benefit entitlements at end of financial year	**21,563**	**18,508**

The present value of benefit entitlements was determined on the following premise:

		31 Oct. 2010	31 Oct. 2009
Discount rate	%	4.20	5.20
Salary trend rate (incl. career trend)	%	2.50	2.50
Benefit trend rate	%	2.00	2.00
Year of 'actuarial charts' by Dr Klaus Heubeck		2005 G	2005 G
Increase in income threshold for state pension plan	%	2.00	2.00

The present value of benefit entitlements results from various defined benefit plans as well as from individual defined benefit commitments. Application of the plans depends on the date an employee joins the Company. Retirement benefits are based on employees' salaries and years of service. Additionally, individual arrangements also exist.

Plan assets have been funded through a bilateral contractual trust arrangement. The plan assets consist of unit holdings and are managed by a bank. The fair value of plan assets was netted against the present value of benefit entitlements. Expected returns on plan assets amount to 3.5 percent for financial year 2009/2010, which is equal to the previous year. The return rate on plan assets is orientated around the general interest rate level. The effective interest return on plan assets was 0.4 percent in financial year 2009/2010 (previous year: 1.3 percent).

Plan assets developed as follows this past financial year:

T€	2009/2010	2008/2009
Fair value of plan assets at start of financial year	**18,597**	**15,755**
Expected returns	651	551
Allocations to plan assets	3,000	2,632
Benefits paid	0	(740)
Actuarial gains/(losses)	(577)	399
Fair value of plan assets at end of financial year	**21,671**	**18,597**

The following amounts were recognised in profit or loss:

T€	2009/2010	2008/2009
Service cost	506	462
Past service cost	0	122
Interest expense	939	947
Expected returns on plan assets	(651)	(551)
	794	**980**

The net sum of interest expense and expected returns on plan assets is recognised in item "Interest expense".

Actuarial gains and losses developed as follows:

T€	2009/2010	2008/2009	2007/2008	2006/2007	2005/2006
Actuarial gains/(losses) on benefit entitlements	(2,488)	(2,727)	2,615	1,987	647
Actuarial gains/(losses) on plan assets	(577)	399	(1,598)	(997)	(45)
	(3,065)	**(2,328)**	**1,017**	**990**	**602**

Since financial year 2009/2010, actuarial gains and losses are recognised directly in equity through other comprehensive income. The comparative period has been restated retrospectively. At 31 October 2010, aggregate actuarial losses recognised in other comprehensive income amounted to T€5,269.

28. Other current liabilities

Other current liabilities relate to liabilities to associated companies, liabilities to portfolio companies, trade accounts payable, prepaid income and other liabilities.

All liabilities fall due within one year.

29. Other financial commitments, contingent liabilities and trusteeships

Other financial commitments are detailed as follows:

T€	31 Oct. 2010	31 Oct. 2009
Call commitments	3,763	4,803
Permanent debt obligations	7,867	1,739
	11,630	**5,705**

Possible call commitments relate to payments which may be drawn down by buyout funds, depending on the progress of investing activity.

The following provides an overview of the due dates of permanent debt obligations at 31 October 2010:

T€	< 1 year	1-5 years	> 5 years	Total
Permanent debt obligations	1,011	3,566	3,290	7,867
thereof, rental contracts	934	3,462	3,290	7,686

Permanent debt obligations pertain, in particular, to office rental. The non-terminable office rental contract for the new offices of Deutsche Beteiligungs AG begins on 1 August 2011 and runs until 31 July 2021. Deutsche Beteiligungs AG is entitled to renew the rental contract twice for a period of five years each.

As in the previous year, contingent liabilities amounted to T€9,408 at 31 October 2010. Contingent liabilities almost exclusively relate to exposure to warranty risks in conjunction with former portfolio companies. Discounting was not performed due to the uncertainty and the indefinite settlement date of future payments.

Trust assets totalled T€8,144 at 31 October 2010 (previous year: T€9,122). They primarily concern two portfolio companies in the amount of T€5,489 (previous year: T€6,355) held for a managed fund. Trust liabilities exist in an equivalent amount.

30. Notes to the cash flow statement

The objective of cash flow statements based on IAS 7 is to report on and create transparency in a company's relevant flows of cash. Cash flows are differentiated according to operating activities as well as investing and financing activities. The indirect presentation method was applied for cash flows from operating activities.

Proceeds and payments relating to financial assets and to loans and receivables have been presented in cash flows from investing activities instead of in cash flows from operating activities, since this classification gives a truer representation, from our point of view.

There were no cash flows to be reported based on changes in the group of consolidated companies.

Cash funds at the beginning and end of the period existed in the form of cash deposits in banks. Cash funds of the proportionately consolidated Q.P.O.N. Beteiligungs GmbH amount to T€19 (previous year: T€21).

Since financial year 2007/2008, a part of the cash resources not needed in the short-term has been invested in securities. The securities serve, as do the cash deposits in banks, to meet the Group's payment obligations. According to IAS 7, these securities do not constitute cash or cash equivalents, since their maturity has so far always been longer than three months from the date of acquisition. IAS 7.16 requires the purchase of these securities to be disclosed as cash flows from investing activities.

Additional notes

31. Financial risk disclosures

The DBAG Group is exposed to financial risks that arise from its investment activities in portfolio companies and from other financial instruments. The risk exposure attached to these financial instruments may lead to a reduction in asset value or to a reduction in profits. There are no hedging relationships between financial instruments. Consequently, a basis for the application of hedge accounting does not exist.

The following describes the financial risks arising from the financial instruments to which the DBAG Group is exposed in conformity with IFRS 7. The objectives and the methods used to manage these risks are also discussed. There has been no change compared with the previous year.

31.1 Market risk

The fair value of financial instruments or future cash flows of financial instruments may fluctuate due to changes in market prices. Based on IFRS 7, market risk comprises the components of currency risk, interest risk and other price risk. The Board of Management basically assesses these risks before taking investment decisions or before accessing other financial instruments. Exposure to market risk is regularly monitored in its entirety.

31.1.1 Currency risk

The DBAG Group's exposure to currency risk relates to investments that are denominated in US dollars and in which future returns will be made in US dollars. Currency risk exposure arising from these investments concerns future proceeds from these portfolio companies and, consequently, also their fair value.

Currency risk management
Individual transactions denominated in foreign currency are not hedged, since both the holding periods of and the proceeds from these investments are uncertain. The portfolio denominated in US dollars will decline with the receipt of returns from the remaining fund investments in this currency.

Extent of currency risk
Line item "Financial assets" contains financial instruments amounting to T€29,603 (previous year: T€18,989) that are exposed to US-dollar currency risk. The effects on income arising from exchange rate-related changes in the fair value of financial assets amounted to T€1,724 (previous year: T€-3,102).

Exchange rate sensitivity
An increase/decrease in the euro/US dollar exchange rate by ten percent would result in a decrease/increase in net income for the year and the equity of the DBAG Group of T€2,960 (previous year: T€1,899).

31.1.2 Interest rate risk

Changes in market interest rates directly affect income from investments of cash resources and the valuations of our portfolio companies measured by the discounted cash-flow method. Apart from this, there are no further material effects directly arising from changes in market interest rates.

Interest rate risk management
In principle, liquid resources are invested with a short-term horizon. Interest derivatives to hedge a certain interest rate level are not used, since cash balances are subject to strong fluctuations and not readily predictable.

Extent of interest rate risk
The sum of cash funds and securities is T€140,745 (previous year: T€124,021). Interest income from this position was T€764 (previous year: T€2,120).

Interest rate sensitivity
An increase/decrease of 100 basis points in the reference interest rate would result in a decrease/increase in net income for the year and the equity of the DBAG Group of T€110 (previous year: T€20) for portfolio companies valuated by the discounted cash-flow method. For variable-interest securities totalling T€102,912 at 31 October 2010, a change in the reference interest rate of 100 basis points would have an effect of T€1,029.

31.1.3 Other price risk

Exposure to other price risk primarily exists in future valuations of the DBAG Group's portfolio companies. The portfolio companies are measured at fair value. Valuation changes are recognised through profit or loss. For details on the risk management system, we refer to the commentary in Management's report in section "Rewards and risk".

Other price risk management
The Board of Management constantly monitors the market risk inherent in the portfolio investments. Towards that end, the DBAG Group receives reports on the portfolio companies' course of business on a timely basis. Board of Management members or other members of the investment team hold offices on supervisory/advisory boards of portfolio companies and deal with the portfolio companies' strategies and performance in that capacity. Additionally, the responsible investment team members monitor the progress of portfolio companies through formally implemented processes.

Extent of other price risk
The financial asset position that comprises the portfolio companies amounts to T€129,853 (previous year: T€137,242).

Other price risk sensitivity
The valuation of portfolio companies is influenced by a number of factors that relate to the financial markets on the one hand, and to the markets in which the portfolio companies operate on the other. Due to the many influential factors prevailing, we do not believe that a sensitivity analysis is very meaningful. These influential factors include valuation multiples, earnings and debt of the portfolio companies.

31.2 Liquidity risk

There is currently no recognisable exposure to liquidity risk for the DBAG Group. Free cash funds amount to T€23,749 (previous year: T€50,787). Together with government securities totalling T€116,996 (previous year: T€73,234), the DBAG Group has T€140,745 (previous year: T€124,021) at its disposal to meet its payment obligations. This amount clearly exceeds total debt of T€42,197 (previous year: T€31,536). It is assumed that the securities are saleable at short notice, if necessary, and without any appreciable price loss, due to the issuers' very good ratings and the securities' short duration. Further information on the due dates of liabilities is provided in Note 28.

31.3 Credit/default risk

Extent of credit/default risk

The following balance sheet items are basically exposed to a one-hundred percent credit risk or default risk:

T€	31 Oct. 2010	31 Oct. 2009
Financial assets	129,853	137,242
thereof, hybrid instruments	81	81
thereof, investments	129,772	137,161
Loans and receivables	4,742	1,306
Receivables	2,899	3,486
Securities	116,996	73,234
Cash	23,749	50,787
Other current assets, if financial instrument	18,404	5,160
Total	**296,643**	**271,215**

Credit/default risk management

Financial assets: Deutsche Beteiligungs AG addresses the risk of default through a comprehensive risk monitoring system, which is discussed in a review of individual risks in Management's report.

Loans and receivables: Debtors are either current portfolio companies or parts of former portfolio companies. Deutsche Beteiligungs AG is informed regularly and promptly about the course of business of debtor companies. If there is evidence that debtors may fail to meet obligations, measures are worked out collaboratively aimed at putting debtors in a position to meet their obligations.

Receivables: Debtors are either current portfolio companies or parts of former portfolio companies. Deutsche Beteiligungs AG is informed regularly and promptly about the course of business of debtor companies. If there is evidence that debtors may fail to meet obligations, measures are worked out collaboratively aimed at putting debtors in a position to meet their obligations.

Securities: Debtors are sovereign issuers. Based on their credit rating, we assume that the credit risk to which these securities are exposed is small.

Cash: Cash funds of Deutsche Beteiligungs AG are held in deposits with German banking institutions. To spread the risk, cash funds are generally disseminated over a number of banks. The deposits are integrated in the respective bank's protection systems.

Other current assets: Debtors are chiefly co-investment funds of Deutsche Beteiligungs AG and managers of portfolio companies. Payment obligations by these co-investments funds can be met by capital calls directed to their investors.

31.4 Categories of financial instruments

Financial instruments have been designated to the following categories (T€):

Items in statement of financial position	Valuation category*	Carrying amount 31 Oct. 2010	Market value 31 Oct. 2010
Financial assets			
thereof, hybrid instruments	FAaFV	81	81
thereof, equity investments	FAaFV	129,772	129,772
Loans and receivables	LaR	4,742	4,742
Long-term securities	AfS	102,912	102,912
Other non-current assets, if financial instrument	LaR	5,789	5,789
Receivables	LaR	2,899	2,899
Short-term securities	HtM	14,084	14,084
Cash	LaR	23,749	23,749
Other current assets, if financial instrument	LaR	18,125	18,125
Other current liabilities	LaR	6,894	6,894

* Financial assets at fair value through P/L: FAaFV, Loans and receivables: LaR, Available-for-sale investments: AfS, Held-to-maturity investments: HtM

The following impairments to financial instruments designated as loans and receivables and held-to-maturity investments have been recognised:

T€	31 Oct. 2010	31 Oct. 2009
Loans and receivables	0	0
Receivables	1,302	861
Securities	0	0
Cash	0	0
Other current assets, if financial instrument	0	0
Total	**1,302**	**861**

Financial instruments designated as loans and receivables, receivables and other current assets chiefly relate to portfolio companies and co-investment funds. Due to close relationships to creditors, due dates are negotiated in individual instances and mutually agreed. Quantitative data on past due financial instruments is therefore not disclosed. These financial instruments are mostly not hedged.

Impairments are recognised when it appears likely that the obligor will not be able to meet his payment obligations in the future. An assessment of obligors' credit quality is derived from a regular exchange of information between obligors and Deutsche Beteiligungs AG.

31.5 Disclosures on fair value hierarchy

Fair value measurements are classified according to the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Hierarchy of financial instruments measured at fair value (T€):

Item in statement of financial position T€	Level 1	Level 3	Total
Financial assets	40,883	88,970	129,853
Long-term securities	0	102,912	102,912

Reconciliation for financial instruments to Level 3 in financial year 2009/2010:

T€	Financial assets	Long-term securities
At start of financial year	**114,899**	**0**
Additions	4,756	103,154
Disposals	54,677	0
Gains/losses in profit or loss	23,992	0
Gains/losses recognised in equity	0	(242)
At end of financial year	**88,970**	**102,912**

31.6 Net results of financial instruments

Net gains and net losses are influenced by fair value movements through profit or loss, write-downs, write-backs through profit or loss, currency rate changes and write-offs.

The following total net gains and losses on financial assets and liabilities are contained in the income statement, which are substantially disclosed in the net result of valuation and disposal as well as current income from financial assets, and loans and receivables:

T€	2009/2010	2008/2009
Net result of financial assets at fair value through profit or loss	51,023	30,956
thereof, financial assets classified as at fair value through profit or loss upon initial recognition	51,023	30,956
thereof, financial assets classified as held for trading	0	0
Net result of loans and receivables	(1.302)	(861)
Net result of financial instruments held to maturity	0	0
Net result of financial liabilities valued at amortised cost	0	0

31.7 Capital management

The objective of DBAG Group's capital management is to ensure the Group's long-term capital requirement and augment net asset value per share by a rate that at least exceeds the cost of equity on the long-term average.

The amount of equity is managed by dividend distributions and share repurchases and, if appropriate, capital increases.

Overall, the capital of DBAG is composed of the following:

T€	2009/2010	2008/2009
Liabilities		
Minority interest	15,669	12,288
Provisions	19,504	16,672
Other liabilities	7,024	2,576
	42,197	**31,536**
Equity		
Subscribed capital	48,533	48,533
Reserves	152,282	155,589
Consolidated retained profit	73,100	52,640
	273,915	**256,762**
Equity as a % of total capital	**86.65**	**89.06**

In addition to the capital requirement as stipulated in the German Stock Corporation Act, Deutsche Beteiligungs AG is subject to capital restrictions under the German Special Investment Company Act (Gesetz über Unternehmensbeteiligungsgesellschaften – UBGG). To maintain the status of a special investment company, Deutsche Beteiligungs AG must have a paid-in capital contribution of T€1,000 to its capital stock. This amount was fully paid in, both in the reporting year and the preceding year.

32. Earnings per share based on IAS 33

	2009/2010	2008/2009
Net income for the year (T€)	34,136	19,647
Shares issued at balance sheet date	13,676,359	13,676,359
Shares outstanding at balance sheet date	13,676,359	13,676,359
Weighted average number of shares	13,676,359	13,676,359
Basic earnings per share (€)	2.50	1.44
Diluted earnings per share (€)	2.50	1.44

Basic earnings per share are computed by dividing the net income for the year attributable to Deutsche Beteiligungs AG by the weighted average number of shares outstanding during the reporting year.

So-called potential shares can dilute earnings per share. For Deutsche Beteiligungs AG, potential shares could have occurred through the stock option programme. There were no stock options outstanding at the balance sheet date. Diluted earnings were therefore equivalent to basic earnings.

33. Segment reporting

The private equity operations of Deutsche Beteiligungs AG are conducted on a global basis, i.e. without differentiating between segments, such as geographical regions or industrial sectors. Thus, there is only one segment to the Company's business.

Through the management of co-investment funds in which third parties invest, Deutsche Beteiligungs AG gains access to transactions requiring a greater equity investment and generates current fee income from fund management services, which serves to cover costs. This, however, does not give rise to a segment of its own.

Segment information is therefore not reportable.

34. Declaration of Conformity pursuant to § 161 German Stock Corporation Act (AktG)

A 'Declaration of Conformity' pursuant to § 161 of the German Stock Corporation Act (Aktiengesetz – AktG) was submitted by the Board of Management and the Supervisory Board of Deutsche Beteiligungs AG and is permanently accessible to shareholders at the Company's Internet site.

35. Information based on IAS 24

Remuneration based on employment or service contracts for key management staff

Key management personnel in terms of IAS 24 are the members of the Board of Management and senior executives of Deutsche Beteiligungs AG. The basic principles of the remuneration system and the total remuneration paid to the members of the Board of Management, former Board of Management members and the members of the Supervisory Board are presented in the remuneration report. The remuneration report is an integral part of Management's report. Personalised information in conformity with § 314 (1) No. 6 of the German Commercial Code (Handelsgesetzbuch – HGB) is also disclosed there.

Total payments to key management personnel consist of cash and non-cash remuneration. Total cash payments amounted to T€7,208 in the reporting year (previous year: T€9,521). Non-cash remuneration primarily consists of the amounts recognised in accordance with the tax basis for the use of company cars.

In the reporting year, a total of T€700 was allocated to pension provisions (previous year: T€602) as defined by the IFRS for key management staff (service cost and interest cost); thereof, service cost: T€456 (previous year: T€413). Defined benefit obligations for key management staff amounted to T€6,130 (previous year: T€4,691) at the reporting date.

No loans or advances were granted to members of the Board of Management or the Supervisory Board. The DBAG Group has not entered into any guarantees for members of the Board of Management or the Supervisory Board.

No member of the Supervisory Board or the Board of Management holds shares, share options or other derivatives representing one percent or more of the subscribed capital.

For financial year 2009/2010, the members of the Supervisory Board received fixed fees totalling T€238 (previous year: T€248) consisting of a fixed amount and special bonuses. Variable compensation was not paid.

For consultancy services in 2009/2010, Professor Dr h.c. Rolf-Dieter Leister/Infra Beratung GmbH received net fees totalling T€58 (previous year: T€104).

Regarding transactions and balances of key management personnel in their capacity as minority partners in consolidated companies, please refer to Note 25.

Participation in carried interest schemes by key management staff

Key management personnel have committed to invest in the DBAG Fund IV and DBAG Fund V co-investment funds. For those participating, this can result in a superior profit share, if superior results are realised from the investments in a specified investment period. The profit shares are only paid if the Deutsche Beteiligungs AG Group and the investors in the respective co-investment funds have realised a minimum return on their invested capital. This minimum return amounts to eight percent annually. The structure of the profit share, its implementation and performance conditions are in conformity with common practice in the private equity industry and constitute a prerequisite for the placement of private equity funds. For the individuals participating, their partnership status constitutes a privately carried investment risk and is aimed at promoting the staff's initiative and dedication to the portfolio companies.

DBAG Fund IV

DBAG Fund IV consists of the following fund companies that make co-investments at a fixed ratio:

Fund company	Qualification	Investment share held by investment team	Max. profit share
DBAG Fund IV GmbH & Co. KG	Related party	1%	20.8%
DBAG Fund IV International GmbH & Co. KG	Related party	1%	20.8%
DBG Fifth Equity Team GmbH & Co. KGaA	Related party	0.67%	approx. 30%
DBG Fourth Equity Team GmbH & Co. KGaA	DBAG Group company	0%	0%

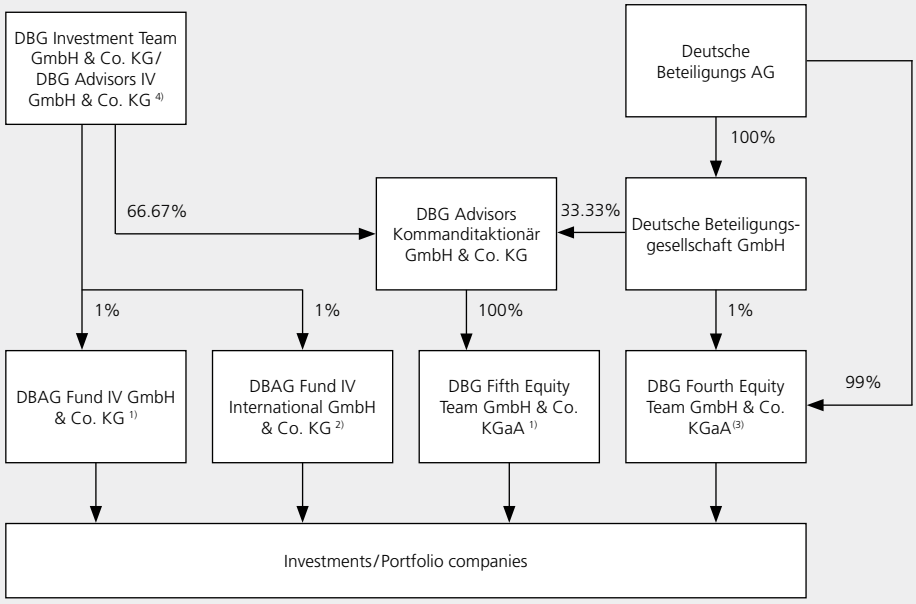
For DBAG Fund IV, a group of key management personnel and former key management personnel have invested their own money at a fixed ratio in the companies listed above. DBG Advisors IV GmbH & Co. KG, which is a related party and not included in the consolidated accounts of DBAG, acts as an intermediary for invest-

ments in the first two fund companies named above. Key management personnel are invested directly in DBG Advisors IV GmbH & Co. KG, or indirectly through DBG Investment Team GmbH & Co. KG.

Interests in DBG Fifth Equity Team GmbH & Co. KGaA are held indirectly through DBG Advisors Kommanditaktionär GmbH & Co. KG. Interests in DBG Advisors Kommanditaktionär GmbH & Co. KG are recognised in minority interest, since DBG Advisors Kommanditaktionär GmbH & Co. KG is a Group company. Key management personnel have not yet provided capital contributions amounting to T€69 in DBG Advisors Kommanditaktionär GmbH & Co. KG.

Apart from that, no outstanding balances exist between DBG Advisors Kommanditaktionär GmbH & Co. KG and related parties.

Overview investment structure of DBAG Fund IV



The percentages relate to the equity share.

1) Investment vehicle for German investors
2) Investment vehicle for international investors
3) Investment vehicle for Deutsche Beteiligungs AG
4) Investment vehicle for Board of Management and senior executives

The key management personnel involved have made the following investments or have the following repayments from investment activity attributable to them:

T€	Investments		Cumulated investments		Repayments	
	Management board	Senior executives	Management board	Senior executives	Management board	Senior executives
Period from 1 Nov. 2008 – 31 Oct. 2009						
DBG Advisors IV GmbH & Co. KG	15	0	424	0	369	0
DBG Advisors Kommandit-aktionär GmbH & Co. KG	0	0	84	0	0	0
DBG Investment Team GmbH & Co. KG	11	23	320	730	240	521
Total 2008/2009	**26**	**23**	**828**	**730**	**609**	**521**
Period from 1 Nov. 2009 – 31 Oct. 2010						
DBG Advisors IV GmbH & Co. KG	0	0	424	0	708	0
DBG Advisors Kommandit-aktionär GmbH & Co. KG	0	0	84	0	0	0
DBG Investment Team GmbH & Co. KG	0	0	320	730	460	998
Total 2009/2010	**0**	**0**	**828**	**730**	**1,168**	**998**

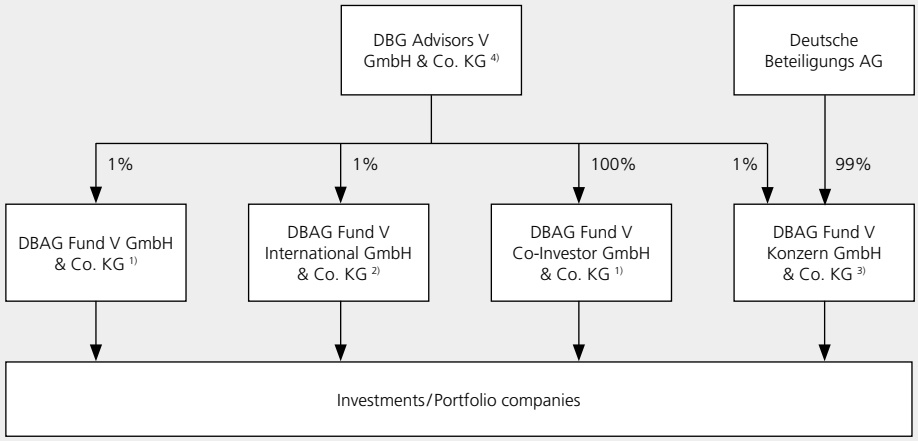
DBAG Fund V

DBAG Fund V consists of the following fund companies that make co-investments at a fixed ratio:

Fund company	Qualification	Investment share held by investment team	Max. profit share
DBAG Fund V GmbH & Co. KG	Related party	1%	20.8%
DBAG Fund V International GmbH & Co. KG	Related party	1%	20.8%
DBAG Fund V Co-Investor GmbH & Co. KG	Related party	1%	approx. 45%
DBAG Fund V Konzern GmbH & Co. KG	DBAG Group company	1%	20.8%

For DBAG Fund V, a group of key management personnel and other members of the investment team have invested their own money at a fixed ratio in all of the four fund companies listed above. The interests in DBAG Fund V GmbH & Co. KG and DBAG Fund V International GmbH & Co. KG are transacted through the investing limited partner of these fund companies, DBG Advisors V GmbH & Co. KG, which is a related party to DBAG. DBG Advisors V GmbH & Co. KG acts as the sole limited partner of DBAG Fund V Co-Investor GmbH & Co. KG. DBG Advisors V GmbH & Co. KG is the sole general partner of DBAG Fund V Konzern GmbH & Co. KG. Its share in DBAG Fund V Konzern GmbH & Co. KG is recognised in minority interest, since this company is a DBAG Group company.

Overview investment structure of DBAG Fund V



The percentages relate to the equity share.

1) Investment vehicle for German investors
2) Investment vehicle for international investors
3) Investment vehicle for Deutsche Beteiligungs AG
4) Investment vehicle for Board of Management and senior executives

The key management personnel involved have made the following investments or have the following repayments from investment activity attributable to them:

T€	Investments in the period		Investments at the closing date		Repayments from investment activity	
	Management board	Senior executives	Management board	Senior executives	Management board	Senior executives
Period from 1 Nov. 2008 – 31 Oct. 2009						
DBG Advisors V GmbH & Co. KG	66	51	1,191	915	0	0
Period from 1 Nov. 2009 – 31 Oct. 2010						
DBG Advisors V GmbH & Co. KG	0	0	1,191	915	1,134	871

Other related parties

DBAG manages the following co-investment funds that invest alongside DBAG:

Funds	Status
DBG Fonds I	End of investment period on 31 Dec. 1997
DBG Fonds III	End of investment period on 31 Oct. 2001
DBAG Fund IV	End of investment period on 15 Feb. 2007
DBAG Fund V	Beginning of investment period on 15 Feb. 2007

DBAG has earned the following material fee income for management services to the co-investment funds which is recognised in other operating income:

T€	2009/2010	2008/2009
DBG Fonds I	794	1,059
DBG Fonds III	24	85
DBAG Fund IV	1,226	1,535
DBAG Fund V	8,984	8,383
	11,028	**11,062**

DBG Fonds I consists of the fund management company Deutsche Beteiligungsgesellschaft mbH & Co. Fonds I KG. DBG Fonds III comprises the fund management company Deutsche Beteiligungsgesellschaft Fonds III GmbH. DBAG Fund IV and DBAG Fund V consist of several entities that were previously named in the overview of fund structures.

DBG Fonds I, DBG Fonds III and DBAG Fund IV are directly managed by DBAG Group companies.

For DBAG Fund V, the fund companies DBAG Fund V GmbH & Co. KG and DBAG Fund V International GmbH & Co. KG are managed by the managing general partner DBG Managing Partner GmbH & Co. KG, a DBAG Group company. DBAG Fund V Co-Investor GmbH & Co. KG is managed through Group subsidiary DBG Management GmbH & Co. KG.

Deutsche Beteiligungs AG is the managing limited partner of DBG Managing Partner GmbH & Co. KG. Deutsche Beteiligungs AG and Messrs Grede, von Hodenberg, Mangin and Dr Scheffels each hold a 20 percent interest in this company. Deutsche Beteiligungs AG receives 80 percent of this company's profits for the management of the company. After deducting the liability charges of the general partner and expense for interest paid on balances in shareholders' accounts, Deutsche Beteiligungs AG is also entitled to the

company's residual profits. The general partner of DBG Managing Partner GmbH & Co. KG can terminate the management agreement with DBAG at three months' notice to the end of a quarter. In this case, too, Deutsche Beteiligungs AG would be entitled to the total residual profits, after deducting the general partner's liability charges, expense for interest paid on balances in shareholders' accounts and, if appropriate, costs for setting up own operations for the management of DBAG Fund V. Costs for setting up own business operations would incur if management services were no longer rendered by Deutsche Beteiligungs AG and were performed by DBG Managing Partner GmbH & Co. KG itself.

The interests in the general partner of DBG Managing Partner GmbH & Co. KG are held by DBG Managing Partner GmbH & Co. KG itself; the chief executives of the general partner of DBG Managing Partner GmbH & Co. KG are Messrs Grede, von Hodenberg, Mangin and Dr Scheffels. Through the management services described above for several of the DBAG Fund V companies, Deutsche Beteiligungs AG has sourced annual income amounting to two percent of the capital commitments of 419 million euros to these fund companies, and two percent of the historical cost for the investments of the fund companies after the investment period has been completed. A requisite for raising the fund commitments was that Messrs Grede, von Hodenberg, Mangin and Dr Scheffels would be available for the management of the fund companies over the long term, irrespective of whether they remain appointed as members of the Board of Management of Deutsche Beteiligungs AG. For that reason, the four individuals named have dormant employment contracts with DBG Managing Partner GmbH & Co. KG.

Key management personnel of Deutsche Beteiligungs AG partly serve on supervisory bodies of companies in the portfolio of Deutsche Beteiligungs AG as well as the DBG Fonds I, DBG Fonds III, DBAG Fund IV and DBAG Fund V co-investment funds. For the period from 1 November 2009 to 31 October 2010, they are entitled to compensation totalling T€233 (previous year: T€174) for these services, which has been transferred to Deutsche Beteiligungs AG and recognised in "Other operating income".

Treuinvest Service GmbH and Deutsche Treuinvest Stiftung are related parties that act as trustees within the scope of a bilateral contractual trust arrangement for pension-related plan assets. Both companies together receive an annual net fee of T€6 euros for administration services.

On 4 October 2010, Deutsche Beteiligungs AG established an incorporated non-profit foundation under civil law named "Gemeinnützige Stiftung der Deutschen Beteiligungs AG". The Foundation was officially recognised on 21 October 2010. It will initially be endowed with assets of T€100 in cash. Further endowments will be made to the Foundation at a later date to pursue its tax-privileged objectives. The purpose of the Foundation is to support charitable causes. If the Foundation's funds permit, another aim is the promotion of arts and culture. The Foundation is considered a related party within the meaning of the IFRS.

On 29 October 2010, the "Gemeinnützige Stiftung der Deutschen Beteiligungs AG" acquired 100 percent of the shares in Duodecima Beteiligungs GmbH for the price of one euro. The seller of 49 percent of the shares in Duodecima Beteiligungs GmbH was Deutsche Beteiligungsgesellschaft mbH, a Group company. The carrying amount of the shares in Duodecima Beteiligungs GmbH at Deutsche Beteiligungsgesellschaft mbH was approx. T€13. At the time the shares were sold, the equity of Duodecima Beteiligungs GmbH totalled approx. T€25.

In conjunction with the closure of portfolio company Hochtemperatur Engineering, all shares in Hochtemperatur Engineering GmbH were sold to Duodecima GmbH on 4 October 2010. DBG Fourth Equity Team GmbH & Co. KGaA, a Group company, owned a minority share in Hochtemperatur Engineering GmbH. The sales price for the shares held by DBG Fourth Equity Team GmbH & Co. KGaA in Hochtemperatur Engineering GmbH amounted to T€11,334 and was capitalised as a receivable in item "Other current assets" at 31 October 2010. The carrying amount for the shares in Hochtemperatur Engineering GmbH amounted to T€10,655 at the last reporting date. The purchase price may still change through an adaptation mechanism. This adaptation mechanism represents an embedded derivative and is valued at zero as at 31 October 2010.

On 4 October 2010 in conjunction with the closure procedure, Hochtemperatur Engineering GmbH sold receivables from subsidiaries of portfolio company Clyde Bergemann to its major shareholders pro rata for the carrying amount. The share attributable to DBG Fourth Equity Team GmbH & Co. KGaA amounted to T€5,789 and is recognised as a receivable in item "Other non-current assets" at 31 October 2010. The purchase price obligation was recognised in an equal amount in item "Other current liabilities".

36. Fair value of financial instruments

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

37. Risk management

For information on risk management objectives and methods, please refer to Note 31 and the discussion in Management's report.

38. Interests in large corporations

The complete list of subsidiaries and investments constitutes an attachment to the consolidated financial statements for financial year 2009/2010.The Group holds interests in excess of five percent of the voting shares in the following large corporations:

Name of company	Domicile
Grohmann Engineering GmbH	Prüm, Germany
Homag Group AG	Schopfloch, Germany

39. Audit fees and audit-related services

The fees for the annual audit amounted to T€293 (DBAG parent company: T€252; subsidiaries: T€41), for tax consultancy services T€316 (DBAG parent: T€252; subsidiaries: T€64) and for other consultancy services T€188 (DBAG parent: T€188; subsidiaries: 0 euro).

40. Members of the Supervisory Board and Board of Management

Supervisory Board*

Andrew Richards, Glashütten/Taunus (Chairman)
Private Equity Consultant
Executive Director of PARE-Unternehmensberatung GmbH, Glashütten/Taunus
Comparable offices in Germany and internationally
- PINOVA Capital GmbH, Munich (Chairman)
- Deutsche Beteiligungsgesellschaft Fonds III GmbH, Frankfurt am Main (Chairman, until 24 March 2010)

Prof. Dr h.c. Rolf-Dieter Leister, Lucerne, Switzerland
(Vice Chairman, until 24 March 2010)
Economic Advisor
Comparable offices in Germany and internationally
- Deutsche Beteiligungsgesellschaft Fonds III GmbH, Frankfurt am Main (Vice Chairman, until 24 March 2010)

Dr Hans-Peter Binder, Berg (until 24 March 2010)
Former Director of Deutsche Bank AG
Statutory offices
- BAUER COMP Holding AG, Munich (Vice Chairman, until 17 June 2010)
- Dierig Holding AG, Augsburg (Chairman)
- Faber-Castell AG, Stein/Nuremberg (Vice Chairman)
- Knorr-Bremse AG, Munich
- Knorr-Bremse Systeme für Nutzfahrzeuge GmbH, Munich
- Saint-Gobain Oberland AG, Bad Wurzach

Comparable offices in Germany and internationally
- A.W. Faber-Castell Unternehmensverwaltung GmbH & Co., Stein/Nuremberg
- Deutsche Beteiligungsgesellschaft Fonds III GmbH, Frankfurt am Main (until 24 March 2010)

Dr Hariolf Kottmann, Kilchberg, Switzerland
Chairman of the Management Board of Clariant International AG, Muttenz, Switzerland
Statutory offices
- Clariant International AG, Muttenz, Switzerland

Comparable offices in Germany and internationally
- Plansee AG, Reutte, Austria
- Deutsche Beteiligungsgesellschaft Fonds III GmbH, Frankfurt am Main (until 24 March 2010)

Prof. Dr Günther Langenbucher, Stuttgart
(Vice Chairman since 24 March 2010)
Former Board Member of Ernst & Young AG (today: Ernst & Young GmbH), Stuttgart
Statutory offices
- BÖWE SYSTEC AG, Augsburg (Vice Chairman, until 1 August 2010)
- DEKRA AG, Stuttgart

Comparable offices in Germany and internationally
- Ernst & Young GmbH, Stuttgart
- Papierwerke Klingele GmbH & Co. KG, Remshalden
- Deutsche Beteiligungsgesellschaft Fonds III GmbH, Frankfurt am Main (until 24 March 2010)

Dr Herbert Meyer, Königstein/Taunus
President Deutsche Prüfstelle für Rechnungslegung e.V. (DPR)/ Financial Reporting Enforcement Panel (FREP), Berlin
Statutory offices
- Demag Cranes AG, Düsseldorf
- Sektkellerei Schloss Wachenheim AG, Wachenheim
- Webasto AG, Stockdorf

Comparable offices in Germany and internationally
- Verlag Europa Lehrmittel GmbH, Haan
- Deutsche Beteiligungsgesellschaft Fonds III GmbH, Frankfurt am Main (until 24 March 2010)

Philipp Möller, Hamburg (since 24 March 2010)
Managing Partner of Möller & Förster GmbH & Co. KG, Hamburg
No statutory offices or comparable offices in Germany and internationally

* Statutory offices: offices held on other statutory supervisory boards; Comparable offices in Germany and internationally: offices held in comparable domestic and international supervisory bodies of commercial enterprises, at 31 October 2010, respectively.

Gerhard Roggemann, Hanover (since 24 March 2010
Vice Chairman of Hawkpoint Partners Limited, London, Great Britain
Statutory offices
- Deutsche Börse AG, Frankfurt am Main (Vice Chairman)
- GP Günter Papenburg AG, Schwarmstedt (Chairman)

Comparable offices in Germany and internationally
- F&C Asset Management Plc, Edinburgh, Great Britain
- Friends Provident Holdings (UK) Plc, London, Great Britain
- Resolution Limited, Guernsey, Channel Islands, Great Britain

Board of Management*

Wilken Freiherr von Hodenberg,
Königstein/Taunus (Spokesman)
Comparable offices in Germany and internationally
- DBG Osteuropa-Holding GmbH, Frankfurt am Main (Chairman)

Torsten Grede, Frankfurt am Main
Statutory offices
- Homag Group AG, Schopfloch (Chairman)
- Homag Holzbearbeitungssysteme GmbH (changed from AG to GmbH on 6 October 2010), Schopfloch (Chairman, until 29 October 2010)
- MCE AG, Linz, Austria (until 26 January 2010)

Comparable offices in Germany and internationally
- Clyde Bergemann Power Group, Inc., Delaware, DE, USA
- Grohmann Engineering GmbH, Prüm (until 1 January 2010)

André Mangin, Königstein/Taunus
Comparable offices in Germany and internationally
- Coveright Surfaces Beteiligungs GmbH, Düsseldorf (Chairman)
- Heim & Haus International GmbH (Chairman, since 26 February 2010)
- ICTS Europe Holdings B.V., Amsterdam, Netherlands (Vice Chairman)

Dr Rolf Scheffels, Frankfurt am Main
Statutory offices
- Preh GmbH, Bad Neustadt a.d. Saale (Chairman)
- Coperion Group GmbH, Stuttgart (Vice Chairman)

Comparable offices in Germany and internationally
- FDG Group S.A.S., Orly, France (since 10 June 2010)
- Financière FDG S.A., Paris, France (since 10 June 2010)
- JCK Holding GmbH Textil KG, Quakenbrück
- DBG Second Equity Team GmbH & Co. KGaA i.L., Frankfurt am Main
- DBG Third Equity Team GmbH & Co. KGaA i.L., Frankfurt am Main
- DBG Fourth Equity Team GmbH & Co. KGaA, Frankfurt am Main
- DBG Fifth Equity Team GmbH & Co. KGaA, Frankfurt am Main

Frankfurt am Main, 22 December 2010

The Board of Management

Statement of responsibility

We confirm to the best of our knowledge and consistent with the applicable reporting principles for financial reporting that the consolidated financial statements give a true and fair view of the assets, financial and earnings position of the Group and that management's report presents a true and fair view of the business development and the position of the Group, including a discussion of the material risks and rewards associated with the Group's expected development.

Frankfurt am Main, 22 December 2010

Board of Management

Wilken Frhr. von Hodenberg

Torsten Grede

André Mangin

Dr Rolf Scheffels

Auditors' report

We have audited the consolidated financial statements prepared by the Deutsche Beteiligungs AG, Frankfurt am Main, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from November 1, 2009 to October 31, 2010. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB [Handelsgesetzbuch "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, December 22, 2010

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr Lemnitzer
Wirtschaftsprüfer
(German Public Auditor)

Horn
Wirtschaftsprüfer
(German Public Auditor)

List of subsidiaries and associates

at 31 October 2010

	Name	Domicile	Equity share %	Equity capital T€	Operating result of past financial year T€
1	**Subsidiaries**				
1.1	**Consolidated companies**				
1	DBG Advisors Kommanditaktionär GmbH & Co. KG	Frankfurt am Main, Germany	33.33	2,909	37
2	DBG Fourth Equity Team GmbH & Co. KGaA	Frankfurt am Main, Germany	100.00	17,599	3,306
3	DBG Management GmbH & Co. KG	Frankfurt am Main, Germany	100.00	633	841
4	DBG New Fund Management GmbH & Co. KG	Frankfurt am Main, Germany	100.00	3	1,083
5	Deutsche Beteiligungsgesellschaft mbH	Königstein/Taunus, Germany	100.00	34,124	(84)
6	DBAG Fund V Konzern GmbH & Co. KG	Frankfurt am Main, Germany	100.00	62,166	35,679
7	DBG Managing Partner GmbH & Co. KG	Frankfurt am Main, Germany	20.00	1,712	8,381
8	DBG Managing Partner Verwaltungs GmbH	Frankfurt am Main, Germany	100.00	21	(4)
9	DBG Immobilien GmbH	Frankfurt am Main, Germany	100.00	7,175	94
1.2	**Non-consolidated companies**				
10	Bowa Beteiligungsgesellschaft mbH & Co. KG	Bielefeld, Germany	100.00	0	(6)
11	Bowa Geschäftsführungs GmbH	Bielefeld, Germany	100.00	52	2
12	DBG Beteiligungsgesellschaft mbH	Frankfurt am Main, Germany	100.00	70	1
13	DBG Development Capital Eastern Europe Ltd.	St. Helier, Jersey, Channel Islands	100.00	31	(7)
14	DBG Epsilon GmbH	Frankfurt am Main, Germany	100.00	28	1
15	DBG Fifth Equity Team GmbH & Co. KGaA	Frankfurt am Main, Germany	100.00	10,661	3,432
16	DBG Fourth Equity International GmbH	Frankfurt am Main, Germany	100.00	29	2
17	DBG Lambda GmbH	Frankfurt am Main, Germany	100.00	22	0
18	DBG My GmbH	Frankfurt am Main, Germany	100.00	132	(109)
19	DBG Second Equity Team GmbH & Co. KGaA i.L.	Frankfurt am Main, Germany	100.00	42	0
20	DBG Third Equity Team GmbH & Co. KGaA i.L.	Frankfurt am Main, Germany	100.00	42	0
21	DBG UK Management Ltd.	London, Great Britain [1)]	100.00	-	-
22	DBV Drehbogen GmbH	Frankfurt am Main, Germany	100.00	40	1
23	LOI Beteiligungs GmbH	Frankfurt am Main, Germany	100.00	24	0
24	Gizeh Verpackungen Beteiligungs-GmbH	Bergneustadt, Germany	99.67	80	(1)

	Name	Domicile	Equity share %	Equity capital T€	Operating result of past financial year T€
25	DBG Alpha 5 GmbH	Frankfurt am Main, Germany	100.00	26	0
26	DBG Alpha 6 GmbH	Frankfurt am Main, Germany	100.00	26	0
27	DBG Alpha 7 GmbH	Frankfurt am Main, Germany	100.00	24	0
28	DBG Alpha 8 GmbH	Frankfurt am Main, Germany	100.00	24	0
29	DBG Alpha 9 GmbH	Frankfurt am Main, Germany	100.00	24	0
30	DBG Alpha 10 GmbH	Frankfurt am Main, Germany	100.00	24	0
31	DBG Alpha 11 GmbH	Frankfurt am Main, Germany	100.00	24	0
32	DBAG Aktienholding GmbH & Co. KG	Frankfurt am Main, Germany	99.00	24	(2)

	Name	Domicile	Voting interest %	Equity capital T€	Operating result of past financial year T€
2	**Joint Ventures**				
33	Q.P.O.N. Beteiligungs GmbH	Frankfurt am Main, Germany [2]	49.00	36	(5)
3	**Associates**				
34	DBG Asset Management, Ltd.	Jersey, Channel Islands	50.00	581	(21)
35	DS Technologie Holding GmbH	Mönchengladbach, Germany	40.74	13,042	2,876
36	Grohmann Engineering GmbH	Prüm, Germany	24.01	18,134	1,409
37	Heim & Haus Holding International GmbH	Frankfurt am Main, Germany	21.40	31,538	(17)
38	RQPO Beteiligungs GmbH	Frankfurt am Main, Germany	49.00	31	1
39	RQPO Beteiligungs GmbH & Co. Papier KG	Frankfurt am Main, Germany	44.10	704	(31)

[1] (consolidated) financial statements not issued
[2] proportionately consolidated

Glossary

Beta factor (ß)

Measure of the systemic risk of a security in comparison with the market as a whole. A beta of less than one means that the security is exposed to less risk than the total market. The opposite is the case for a beta of greater than one.

Carried interest

Profit-share entitlement for a fund management company or its managers linked to the performance of a managed private equity fund. After fund investors have received a minimum return on their invested capital, fund managers can achieve a superior profit share.

Corporate broker

A concept, initially unique to Great Britain but increasingly also found in Germany, aimed at supporting a company in the capital market through a bank. A corporate broker assists in managing relationships to current and potential shareholders. He advises companies on identifying potential new institutional investors and provides feedback from investors to the company.

Co-investment fund

A third-party fund managed by Deutsche Beteiligungs AG that co-invests alongside Deutsche Beteiligungs AG or, if appropriate, other financial investors. Investors commit a certain amount of capital which is successively drawn down as soon as fitting investment opportunities arise. Following the sale of the fund's investments, the proceeds are paid to the investors. A co-investment fund in Germany is generally organised as a limited partnership („Kommanditgesellschaft").

Corporate Governance
Standards for the management and supervision of companies defining the rights and duties of shareholders, supervisory boards, management boards and other stakeholders.

CTA
Abbreviation for 'contractual trust arrangement'; a model for the funding of a company's pension obligations, by which certain assets (plan assets) are transferred to a trustee (trust). In the IFRS-based financial statements, this results in a balance sheet contraction, in that plan assets are offset against pension provisions. This enhances international comparability of financial statements.

Deal flow
Sum of investment opportunities available to an investment company. Deutsche Beteiligungs AG endeavours to have early knowledge of investment opportunities; it uses its closely-knit network to that end.

Deferred taxes
Asset or liability items used to offset temporary differences against the taxable profit (tax loss). Deferred tax expense/income represents a corrective factor in relation to the tax base for the period. The primary objective is to present income tax expenses in appropriate proportion to the posted earnings before taxes. A major aspect for DBAG is the discrepancy between the time the value growth occurs and the realisation of that gain upon an investment's disposal.

Designated sponsor
Consultant to a securities issuer. Designated sponsors ensure a minimum amount of liquidity for a certain security traded on the stock exchange by inputting immediately marketable buy or sell offers with a low spread into the trading system for that security, consecutively or upon request.

Discounted cash-flow method
Procedure used to measure the enterprise value, determined by the sum of discounted cash flows expected in the future. Discounting is performed using an interest rate for a long-term risk-free investment plus a risk premium.

D&O insurance
Directors and Officers Liability Insurance; an insurance that companies take out for members of their corporate bodies and other executives for coverage of financial liability claims.

Due diligence
Diligent, systematic and detailed collection, investigation and analysis of data preceding a commitment to invest. The purpose is to determine the strengths and weaknesses of a target company as well as the risks involved. It goes far beyond the examination of financial statements, and regularly comprises e.g. legal aspects, tax issues, market positioning, and management quality. Depending on the situation, environmental and patent issues may also be addressed.

EBIT
Abbreviation for earnings before interest and taxes. An absolute indicator, determined on the basis of net income before taxes, net interest and extraordinary earnings. This indicator reveals a company's operating profitability, independently of its individual equity structure.

EBITDA
Abbreviation for earnings before interest, taxes, depreciation and amortisation. An indicator of a company's operating profitability, independently of its equity structure and capital expenditures.

Equity Story
A compendium on a public company in respect of its future rewards and risk profile, highlighting its strategy, profitability, corporate philosophy and culture. This information helps potential investors to assess the company on their own.

Exit
The sale of an investment from a financial investor's portfolio. In principle, there are three exit routes: trade sale (sale to another company), initial public offering (stock market listing) or secondary buyout (sale to another financial investor). Deutsche Beteiligungs AG considers all three variants in realising its investments.

Expansion financing

Investment in a company in which only a minority of the voting rights are obtainable; both early-stage and established companies may seek expansion capital to finance their next phase of growth. Expansion capital is frequently also sought to improve a company's capital structure. Expansion capital investments are mostly terminated by a repurchase of interests or a later IPO.

Fair value

The current amount for which an investment could be exchanged between knowledgeable, willing and independent parties.

Family office

Organisation that provides investment management services for large private assets; these include the spread over different asset classes and the selection of suitable investments. Forms of family offices may be family-owned entities in which the family's (or several families') assets are bundled as well as firms or departments of banks that provide financial services for this group of clients.

Fund-raising

The soliciting of equity commitments to a private equity fund.

IFRS

International Financial Reporting Standards (formerly IAS); accounting standards that have been obligatory for quoted companies in the European Union since 2005. Their purpose is to create transparent and comparable financial reporting standards for companies and organisations worldwide. A major difference for DBAG compared with the German accounting standards (HGB) is the valuation of financial assets by their fair value at the reporting date. This value may exceed their historical acquisition cost.

Institutional investors

Organisations such as investment companies, investment funds, insurance companies, pension funds, investment banks and foundations. They mostly have comprehensive knowledge of investment vehicles and risk exposure and are in a position to invest substantial assets or make investment commitments with a long-term horizon.

LPX 50

Global private equity performance index. Part of an index family; the LPX 50 consists of the 50 largest quoted private equity companies worldwide, measured by their market capitalisation. The shares of Deutsche Beteiligungs AG are one of two German stocks in the LPX 50 and have a weighting of 0.68 percent.

M&A market

Mergers & Acquisitions; market for negotiating businesses or shares in businesses to buyers and sellers.

Market capitalisation

Total market value of all of a company's outstanding shares, calculated by multiplying the number of issued shares by their current market price.

MBO

Management buyout; the takeover of a company by its management with the support of one or more financial investors who finance the transaction.

Mid-market segment

The market for investment transactions is divided into three segments: transactions with a value of less than 50 million euros are considered „small"; next comes the mid-market segment with transactions valued from 50 to 300 million euros; transactions with a value of more than 300 million euros form the upper market segment.

Peer group
A group of companies similar in terms of industry, structure, products and revenues, used for comparison purposes.

Prime Standard
Segment on the German Stock Exchange with high standards of transparency. Admission to the Prime Standard is a prerequisite for inclusion in one of the stock indices, such as the S-Dax.

Private equity
Private capital; capital provided to non-quoted companies for the mid to long-term.

Return on equity (NAV) per share
Key target and performance indicator of Deutsche Beteiligungs AG (is equal to return on NAV per share). The closing NAV per share at the end of the financial year is set against the opening NAV per share at the beginning of the financial year, less dividends (including any surplus dividends) paid in the course of that year.

Secondary buyout
A kind of second management buyout: the financial investor and MBO managers sell to the next generation of managers and to a new financial investor.

SME (in Germany: 'Mittelstand')
Small and Midsize Enterprises. There is no generally valid definition of what is considered an SME. Possible distinguishing factors could be, for example, a company's annual revenues, the number of employees or the ownership structure. Deutsche Beteiligungs AG defines Germany's 'Mittelstand' as companies generating annual revenues of between 50 and 500 million euros, regardless of their ownership structure or the number of employees. There are more than 5,000 such companies in Germany.

Spin-off
The splitting off of a division or subsidiary from a company/large corporation and the creation of an independent company.

Stock options
Rights granted for the purchase of a company's stock at a fixed price (or a price determined on the basis of a certain scheme). Deutsche Beteiligungs AG had installed a stock option programme in 2001; the final stock options were exercised in financial year 2008/2009.

Contact and financial calendar

Shareholders information

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Financial calendar

Annual Press Conference 2009/2010, Frankfurt am Main	28 January 2011
Analysts' Conference, Frankfurt am Main	28 January 2011
Road Show Zurich/Geneva	31 January 2011
Road Show Paris	1 February 2011
Road Show London/Edinburgh	2–4 February 2011
Road Show New York	7/8 February 2011
Report on the First Quarter/ Analysts' Conference Call	17 March 2011
Annual Meeting 2011, Frankfurt am Main	23 March 2011
Dividend payment 2011	24 March 2011
Report on the Second Quarter/ Analysts' Conference Call	14 June 2011
Report on the Third Quarter/ Analysts' Conference Call	14 September 2011
German Equity Forum 2011	November 2011
Annual Press Conference 2010/2011, Frankfurt am Main	January 2012

Forward-looking statements

This report contains forward-looking statements related to the prospects and progress of Deutsche Beteiligungs AG. These statements reflect the current views of the management of Deutsche Beteiligungs AG and are based on projections, estimates and expectations. Our assumptions are subject to risks and uncertainties, and actual results may vary materially. Although we believe these forward-looking statements to be realistic, there can be no guarantee.

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Five-year financial summary

		2009/2010	2008/2009	2007/2008	2006/2007	2005/2006
Development of portfolio and value						
New investment	€mn	8	4	14	40	22
"Portfolio value" (31 Oct.) [1]	€mn	118	123	127	189	121
Number of investments (31 Oct.)		17	19	21	30	32
Earnings position						
EBIT	€mn	36.8	20.4	(60.5)	150.8	89.1
Earnings before taxes (EBT)	€mn	37.6	22.4	(55.3)	155.6	90.9
Net income/(loss) for the year	€mn	34.1	19.6	(51.1)	136.5	82.7
Consolidated retained profit	€mn	73.1	52.6	29.2	118.2	57.2
Financial position						
Cash flows from operating activities	€mn	(12.8)	(3.5)	3.0	(2.6)	(4.1)
Cash flows from investing activities	€mn	47.6	28.8	11.2	65.4	169.3
thereof, proceeds from disposals of financial assets	€mn	55.8	33.0	25.7	106.1	191.0
thereof, purchase of financial assets	€mn	(8.2)	(4.3)	(14.5)	(40.7)	(21.7)
Cash flows from financing activities	€mn	(13.7)	(5.5)	(57.3)	(71.4)	(40.7)
Change in cash funds [2]	€mn	(27.0)	14.7	(119.7)	(9.0)	124.0
Asset position						
Non-current assets	€mn	244.3	161.2	147.2	211.3	124.6
Current assets	€mn	71.8	127.1	125.1	183.0	195.5
thereof, cash and short-term securities	€mn	37.8	109.5	105.2	155.8	164.7
Equity	€mn	273.9	256.8	244.8	353.6	289.0
Liabilities/provisions	€mn	42.2	31.5	27.4	40.8	31.1
Total assets	€mn	316.1	288.3	272.3	394.4	320.1
Key indicators						
Return on NAV/equity per share after taxes [3]	%	12.7	7.3	(17.5)	56.2	36.4
Equity as a percentage of total assets	%	86.7	89.1	89.9	89.7	90.3
Long-term asset coverage	%	118.6	167.0	173.3	175.4	234.7
Information on shares [4]						
Earnings per share	€	2.50	1.44	(3.73)	9.20	5.02
NAV/equity per share	€	20.03	18.77	17.90	25.09	19.07
Dividend per share (2009/2010: recommended)	€	0.40	0.40	0.40	1.00	0.50
Surplus dividend/bonus per share (2009/2010: recommended)	€	1.00	0.60	-	2.50	2.50
Total amount distributed [5]	€mn	19.1	13.7	5.5	47.9	45.5
Number of shares at end of FY		13,676,359	13,676,359	13,676,359	14,403,864	15,153,864
thereof, held by the company					313,367	
Share price at end of FY	€	20.79	15.55	10.45	24.10	17.35
Market capitalisation at end of FY	€mn	284.3	212.7	142.9	347.1	262.9
Number of employees		51	49	48	47	44

1) Without interests in shelf companies and companies that are mainly attributable to third parties
2) In financial year 2007/2008 and 2009/2010 cash funds were shifted to short-dated government-guaranteed bonds; in conformity with the IFRS this regrouping is subject to disclosure as an investment, therefore resulting in a "change in cash funds"
3) Change in net asset value (equity) per share in relation to opening net asset value (equity) per share at beginning of reporting period, less dividends
4) Partly adjusted; earnings and cash flow per share in relation to weighted average number of shares outstanding
5) Relates to respective financial year

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