Deutsche Beteiligungs AG

Annual Report 2010/2011

ON THE PULSE OF THE MARKET

Deutsche Beteiligungs AG is a leading German private equity company.

Investments

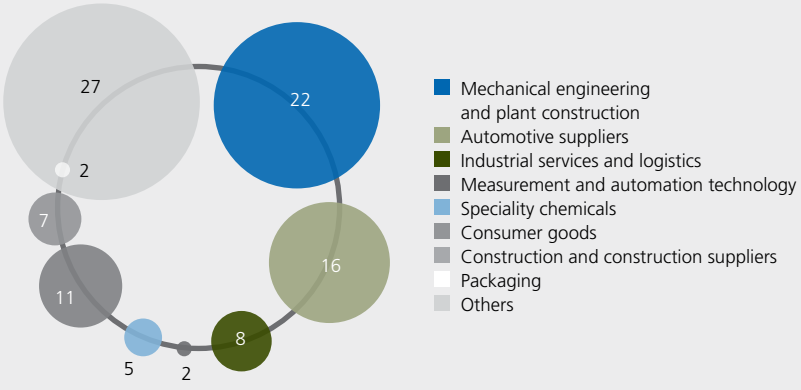
Company	2011 Revenue €mn	Number of staff	Sector
Clyde Bergemann Group, Wesel, Germany; Glasgow, UK; Delaware, USA	US$423 mn (FY10/11)	1,550	A developer and manufacturer of components for fossil-fuelled power plants; Markets: worldwide
Coperion GmbH, Stuttgart, Germany	438 *	1,880	A developer and manufacturer of compounding systems and bulk-materials handling equipment; Markets: worldwide
Coveright GmbH, Essen, Germany	154 *	375	A developer and manufacturer of impregnated films for the furniture and building industries; Markets: North and South America
FDG Group, Orly, France	110 *	750	A non-food category manager for supermarkets in select product lines; Markets: France and neighbouring countries
Grohmann GmbH, Prüm, Germany	87 *	654	A developer and provider of plants for industrial automation; Markets: worldwide
Homag Group AG, Schopfloch, Germany	~750 *	5,150	A provider of woodworking machines and plants for the furniture and construction supplies industries; Markets: worldwide
ICTS Europe Holdings B.V., Amsterdam, Netherlands	339 *	10,000	A provider of security services for aviation and other areas; Markets: Europe
JCK Holding GmbH Textil KG, Quakenbrück, Germany	584 *	782	A marketer of textiles; Markets: Germany
Preh GmbH Bad Neustadt an der Saale, Germany	408 *	2,700	A developer and manufacturer of sophisticated driver operating and control elements for cars; Markets: Europe, USA, Asia
Romaco Group, Karlsruhe, Germany	93 (FY 10/11)	408	A developer and manufacturer of packaging machines for the pharmaceutical industry and of machines and processing lines for the food, cosmetics and health-care sectors; Markets: worldwide

* tentative

Sectors in which we invest

We seek our investee businesses in sectors where German companies have traditionally been strong – and where they have an excellent reputation the world over. Year after year, we screen more than 200 transaction opportunities. Most of them are rooted in one of our five core sectors, although we also invest in other industries.

Transaction opportunities in 2010/2011 by sectors, as a percentage



Financial highlights

		2010/2011	2009/2010
New investment in the portfolio	€mn	9	8
IFRS carrying amount of investments (31 Oct. "portfolio value") [1]	€mn	84	118
Number of investments (31 Oct.)		16	17
EBIT	€mn	(23.0)	36.8
Earnings before taxes (EBT)	€mn	(19.9)	37.6
Net income for the year	€mn	(16.6)	34.1
Consolidated retained profit	€mn	37.3	73.1
Equity	€mn	238.9	273.9
Cash flows from operating activities	€mn	0.9	(12.8)
Cash flows from investing activities	€mn	34.1	36.3
Cash flows from financing activities	€mn	(19.1)	(13.7)
Change in cash funds [2]	€mn	8.8	(27.0)
Earnings per share	€	(1.22)	2.50
Net asset value per share	€	17.47	20.03
Return on net asset value per share [3]	%	(6.2)	12.7
Dividend (2010/2011: recommended)	€	0.40	0.40
Surplus dividend (2010/2011: recommended)	€	0.40	1.00
Number of employees (31 Oct.)		53	51

[1] Without shelf companies and companies that are mainly attributable to third parties
[2] In financial year 2010/2011 cash funds were regrouped to securities; in conformity with the IFRS this regrouping constitutes an investment and 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 dividend/surplus dividend per share

Contents

On the pulse of the market

Our shareholders participate in the growth of profitable "Mittelstand" companies:

These enterprises have stable business models, generally operate internationally and have strong positions and promising prospects in the markets they serve. In addition to the regular review of events of the past financial year, this Annual Report presents four of our portfolio companies in the environments in which they operate.

Letter from the Board of Management

André Mangin
Member of the Board of Management

Torsten Grede
Member of the Board of Management

Dr Rolf Scheffels
Member of the Board of Management

Wilken Freiherr von Hodenberg
Spokesman of the Board of Management

Dear Sir or Madam, dear Shareholders,

2010/2011 will be remembered as the "two-sided year". It started with news about growth rates not seen for almost two decades in Germany. Many were confident that the fiscal debt crisis could be managed, and prices on the stock exchanges climbed. Yet as summer came to an end, this scenario changed rapidly when the debt crisis became the predominant issue. The equity markets were the first to react, with sentiment changing from one day to the next. Concerns gradually arose about the business trend, as did fears that the global economy might be sliding into another recession – despite the ongoing good news from companies.

Those developments are also reflected in our 2010/2011 financial year: we achieved a profit of some 20 million euros in the first six months and ended the year with a loss of 16.6 million euros.

Nevertheless, we do not see 2010/2011 as a failure. Over the years, we have consistently adhered to our strategy and invested in line with our investment criteria. Most of our portfolio companies have made good progress, and we realised a part of the value growth through two profitable exits. You stand to profit from that through an attractive dividend this year. Finally, we held a closing for a new co-investment fund, which expands the financial base for new investments in German "Mittelstand" companies.

Yet despite these accomplishments, we only partially achieved our goals. Ideally, we would have liked to invest even more than we did, but private equity transactions cannot be planned on a fixed schedule. We want to invest your funds not in as many companies as possible, but in companies of the highest quality possible – companies that promise attractive returns. During the past financial year, there was an opportunity to do just that, and in the first two months of the new financial year, we were able to agree two new investments. We are also not satisfied with the price movement of DBAG shares. The shares' solid long-term performance affirms how well DBAG has fared as a private equity investor in comparison to the overall market. The performance of the past year, however, clearly did not meet our expectations. The shares' current quotation in no way reflects their intrinsic value. In sum, Deutsche Beteiligungs AG completed the past financial year, as mentioned, with a loss of 16.6 million euros.

How did this loss come about? First of all, it stems from valuation effects, not from realised losses. The negative valuation movements mirror the perplexity prevailing in the stock markets due to the debt crisis, which is still unresolved, and its unforeseeable consequences for the real economy. Such valuation swings in the stock markets directly impact our profit or loss.

Our investment in Homag Group AG is indicative of this: Homag shares traded for 15.48 euros at the start of the financial year, but dropped to 8.48 euros at the reporting date. Homag's business – its market position, revenues and earnings – did not fundamentally change over this period, but the 45-percent share price decline led to a valuation loss of 18.5 million euros. In the preceding financial year the movement was exactly the reverse, with Homag's share price climbing from 8.50 euros to 15.48 euros – resulting in a corresponding uplift in value.

As in the past, we would like you, the shareholders of Deutsche Beteiligungs AG, to benefit from the proceeds generated through this year's successful realisations. In spring 2011, we exited our investments in automotive supplier Preh and direct marketer Heim & Haus. Both companies made very good progress during the time of our investment by substantially increasing revenues, improving earnings margins and expanding their market positions. In short, both companies developed well and therefore became more valuable. This value growth was reflected in the strong realisation proceeds we achieved. We significantly exceeded the historical cost with both realisations and reached our return targets. We therefore recommend paying an unchanged base dividend of 0.40 euros per share, in addition to a surplus dividend of 0.40 euros per share, or a total dividend of 0.80 euros per share.

Relative to the net asset value (NAV) at the start of 2010/2011 (less dividends paid in March 2011), this equates to a dividend yield of 4.3 percent, and as much as 5.2 percent relative to the current share price.

This should underscore the attractiveness of our shares, which have recently underperformed in comparison to the market. However, over a period of five, ten or 15 years, DBAG shareholders have fared better than they would have by investing in the Dax or indices consisting of other private equity stocks. This is founded on the high long-term average return on NAV per share DBAG has delivered. In 2010/2011, NAV per share declined from 18.63 euros (after a dividend payment of 1.40 euros) to 17.47 euros, representing a value loss of 6.2 percent.

However, over the past ten financial years, we have achieved an average return on NAV of 11.2 percent. Over the last five years, it averaged 10.5 percent and over the last 15 years 15.4 percent. Not many equity investors can boast such after-tax returns over such long periods.

The basis for these accomplishments is our investment strategy, which will continue to guide our activities in the new financial year. With two new investments in recent weeks, the year was off to a good start, and our goal is to add further attractive investments in the coming months. We have the capital, thanks to our robust balance sheet and our two co-investment funds. After deducting our new investments and the recommended dividend, we have more than 350 million euros at our disposal for equity capital investments. That makes us a sought-after partner for transactions in Germany's "Mittelstand".

Overall, the DBAG portfolio is a solid one. We are well aware of the quality of the companies in which we have invested. We therefore expect value growth in the current financial year – given a stable economic environment – with positive contributions coming from the portfolio. Our investee companies, however, are not immune to cyclical influences. Yet those with strong market positions are better able to weather adverse conditions, and a stable financing structure helps considerably when revenues and earnings fall below expectations.

Whether and to what extent value growth will actually take place in the current financial year is uncertain, in view of the unstable economic environment. We are therefore not in a position to forecast results for the 2011/2012 financial year. You may, however, be certain that, together with our investment team, we will pro-actively support our portfolio companies and unerringly seek – and take advantage of – attractive new investment opportunities. This is how we intend to generate earnings for our shareholders and create the basis to increase net asset value per share and, consequently, the price of DBAG shares.

Frankfurt am Main, January 2012

The Board of Management

Wilken Frhr. von Hodenberg | Torsten Grede | André Mangin | Dr Rolf Scheffels

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. 21 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, following an apprenticeship as an industrial administrator. Began his career in auditing. More than 20 years of experience in private equity and corporate finance, 15 of which at Deutsche Beteiligungs AG. Appointed until March 2016.

Supervisory Board

Andrew Richards
Bad Hombung v.d.Höhe, Chairman
Executive Director of Pare-Unternehmensberatung GmbH, Bad Homburg v.d.Höhe

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

Roland Frobel
Isernhagen (since 23 March 2011)
Director of Administration and Finances of Dirk Rossmann GmbH, Burgwedel

Philipp Möller
Hamburg
Managing Partner of Möller & Förster GmbH & Co. KG, Hamburg

Dr Hendrik Otto
Berlin (since 23 March 2011)
Lawyer and partner at Mayer Brown LLP, Frankfurt am Main

Gerhard Roggemann
Hanover
Vice Chairman of Hawkpoint Partners Ltd., London, Great Britain

Investment team

The investment successes we achieve stem from the collaborative efforts of our highly qualified people, with their diversity of skills and knowledge. They work together to analyse potential portfolio companies in depth before taking an investment decision, and provide support over a period of several years before an investment is exited again. Our investment team is one of DBAG's major strengths. It consists of 16 investment managers, a research specialist and four Board of Management members – representing nearly 200 years of private equity experience.

Two-thirds of the team members have been with the Company for ten years or more. We well understand the opportunities and risks inherent in economic cycles. We also understand the business models in place, especially in our core sectors, and make our experience available to our portfolio companies as they move forward.


Tom Alzin


Jochen Baumann


Volker Bonsels


Frederic Dovi-Akué


Gustav Egger


Frizzy Gatzmann


Torsten Grede


Lucas Herbert


Wilken Frhr. von Hodenberg


Jens Hölscher


Zhengyu Hu


Jannik Hunecke


Daniel Kronberger


Gerard Lindgren


André Mangin


Dr Johanna May


Maria Miks


Bernd Neumann


Christian Pfirrmann


Dr Rolf Scheffels


Kai Wiesenbach

Report of the Supervisory Board

Deutsche Beteiligungs AG looks back on a very mixed financial year that ended with a consolidated loss of 16.6 million euros. At our Supervisory Board meetings and other consultations with the Board of Management, we also noted the accomplishments of the year – among them, the successful closing held for a new co-investment fund, profitable exits from the portfolio and other investment decisions.

We conscientiously performed the duty of monitoring managerial activities required of us by law, the Articles of Association and the rules of procedure. The Board of Management regularly provided the Supervisory Board with comprehensive and prompt information, both in writing and verbally, about the Company's course of business, its earnings and financial position, the competitive environment and the risk and compliance management system installed at Deutsche Beteiligungs AG. The Supervisory Board discussed these issues in depth. Divergences from the planned course of business were elucidated by the Board of Management. The Board of Management also reported on strategic and major operational decisions as well as on the Company's intended business policies.

Seven Supervisory Board meetings in the financial year

In financial year 2010/2011, the Supervisory Board held seven meetings, two of which were teleconferences. In some instances, the Supervisory Board met without the Board of Management attending. At our first regular meeting on 25 November 2010, we dealt with the Company's strategic alignment. We were also informed about the state of the fundraising for the new co-investment fund (DBAG Expansion Capital Fund). We dealt with the arrangements for the contractual relationship between DBAG and the new fund, as well as with safeguarding the interests of Deutsche Beteiligungs AG in that context. We took our guidance from the business opportunities involved: similar to past and present funds, the new fund, which will be co-investing alongside Deutsche Beteiligungs AG, will augment the capital base and generate additional management fee income. At our November meeting, we also adopted the issues that were to be put on the agenda for the 2011 Annual Meeting, and we were involved in and contributed to the Corporate Governance Statement (§ 289a of the German Commercial Code – HGB) as well as the Declaration of Conformity and the joint report by the Board of Management and the Supervisory Board on the corporate governance practised at Deutsche Beteiligungs AG. We discussed the objectives we set for ourselves on the composition of the Supervisory Board (clause 5.4.1 of the German Corporate Governance Code; hereafter: the Code). The Board of Management reported to us regarding the tentative result for the preceding 2009/2010 financial year and the possible payment of a dividend.

The issues tabled at our regular meeting on 24 January 2011 also focused on the legal structures of the co-investment funds of Deutsche Beteiligungs AG. In our consultations, we considered both our own insight from meetings with fund investors as well as the comprehensive expertise on the proposed structures provided by a law office. At that meeting, the auditors reported on the results of their audit of the annual financial statements and the consolidated financial statements at 31 October 2010. We adopted the financial statements of Deutsche Beteiligungs AG and approved the consolidated financial statements. We passed a joint dividend recommendation and approved the nominations prepared by the Nominations Committee to be submitted to shareholders at the Annual Meeting for election to the Supervisory Board.

Following the elections at the Annual Meeting on 23 March 2011, the Supervisory Board convened on the same day for its constitutive meeting, during which the members of the Executive Committee and the other Committees were elected.

To further implement the German Accounting Law Modernisation Act (BilMoG), the monitoring responsibilities of the Supervisory Board and, in particular, those of the Audit Committee were concretised. For that reason we again dealt extensively with the risk management system and the internal control system practised at Deutsche Beteiligungs AG at our meeting on 9 June 2011, subsequent to an initial discussion of the issue in January 2011. Both systems are interrelated. We did not find any deficiencies, nor was there urgent need for improvement. In overseeing the Company's risk management framework, we basically revert to reports by the Board of Management. We also regularly review the effectiveness of the risk management system and the internal control system by the results these activities deliver. These include quarterly reports with an account of the current risk profile and quarterly reports on the portfolio companies. Should unexpected and significant changes to the risk profile occur, we receive immediate notice from the Board of Management. This happened in the reporting year, for instance, when the nuclear reactor disaster in Japan took place: we were given a detailed account of the possible consequences the disaster may entail, such as procurement risks for some portfolio companies.

At our meeting on 12 September 2011, we agreed to evaluate the efficacy of our work practices. As at all prior meetings, we were informed in detail about current developments at the portfolio companies as well as about changes to the portfolio of Deutsche Beteiligungs AG. We received comprehensive quarterly reports in writing on those issues from the Board of Management. We were informed promptly and in depth about companies that were not performing as expected. We were also informed about portfolio changes, such as the acquisition of the Romaco Group, a mechanical engineering company that operates sites in Germany, Switzerland and Italy.

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 Code). We were involved in significant decision-taking processes. Insofar as resolutions were required between regular 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.

All members of the Supervisory Board attended all of the Board's meetings, except for Dr Kottmann, who was unable to attend three meetings, and Mr Frobel, who was absent at one meeting. All members of the Executive and Nominations Committee (one and two meetings, respectively) and the Audit Committee (four meetings) attended these Committees' meetings.

Ongoing development of corporate governance practices

We regularly assess the efficacy of our work on the Supervisory Board (clause 5.6 of the Code). Following a review in autumn 2009, we conducted another evaluation by way of a questionnaire at the end of financial year 2010/2011, the results of which we discussed at our meeting in November 2011.

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. Management's discussion of the Company's corporate governance on pages 11 to 13 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 2011 based on the Code as amended on 26 May 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 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.

Changes to the Supervisory Board

The term of office of all six members of the Supervisory Board ended concurrently with the conclusion of the Ordinary Annual Meeting on 23 March 2011; thus, all six members were required to be elected or re-elected at that Annual Meeting. Dr Kottmann and Dr Meyer announced that they would not be standing for re-election. We would like to thank both gentlemen for their distinguished service and dedication to Deutsche Beteiligungs AG; Dr Kottmann joined the Supervisory Board in March 2008 and Dr Meyer in March 2006.

To prepare for the elections, the Nominations Committee met twice and engaged a personnel consultant to support its nominations, with the specific aim of finding a suitable female candidate, who is available and fulfils the qualification profile for Deutsche Beteiligungs AG. Unfortunately, these efforts did not yield the intended result, nor was a suitable female candidate brought to our attention in other ways. The Nominations Committee was therefore unable to comply with the recommendation issued last year of adequately considering gender diversity by nominating at least one female candidate.

Two new Supervisory Board members

By a vote of more than 97 percent, shareholders at the Annual Meeting on 23 March 2011 re-elected Professor Günther Langenbucher, Philipp Möller, Andrew Richards and Gerhard Roggemann to the Supervisory Board. New on the Supervisory Board are Mr Roland Frobel and Dr Hendrik Otto. Mr Frobel (born 1953) is Head of Finance and Administration at Dirk Rossmann GmbH; Dr Otto (born 1975) is a lawyer at Mayer Brown LLP in Frankfurt am Main. In its constitutive meeting, the Supervisory Board re-elected Mr Richards as Chairman and Professor Langenbucher as Vice Chairman.

The change in the Supervisory Board also entailed a change in the composition of the Board's Committees. Besides Mr Richards as Chairman, Professor Langenbucher and Mr Möller were elected to the Executive and Nominations Committees. The Audit Committee consists of four members. Professor Langenbucher chairs this Committee. As an independent financial expert in terms of §§ 100 (5), 107 (4) of the German Stock Corporation Act (AktG), he possesses specific knowledge and experience in the application of accounting standards and internal control processes (clause 5.3.2 of the Code). In addition to the Chairman of the Supervisory Board, the other members of the Audit Committee are Mr Frobel and Mr Roggemann.

Executive Committee (also acts as Nominations Committee)

In the reporting year, the Executive Committee, which also performs the functions of a Nominations Committee (clause 5.3.3 of the Code), convened once in its capacity as an Executive Committee and twice in its capacity as a Nominations Committee.

At its meeting in the reporting year and its first meeting in financial year 2011/2012, the Executive Committee determined the short-term performance-related remuneration component for the members of the Board of Management for financial year 2009/2010 and for financial year 2010/2011.

As stated above, the Nominations Committee dealt with the preparations for the elections to the Supervisory Board at the 2011 Annual Meeting.

Audit Committee

In four meetings held during the reporting year, the Committee addressed 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. There were no grounds for objections to the Company's current practice.

We reviewed the required independence and objectivity of the Company's auditors and any additional services the auditors may provide. We also discussed the assignment of the audit to the auditors, the determination of the audit's focal points and audit fees.

In its new composition after the elections in March 2011, the Supervisory Board complies 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 their Committees.

Financial statements endorsed

Shareholders at the 2011 Annual Meeting appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as auditors. KPMG audited the financial statements of Deutsche Beteiligungs AG for financial year 2010/2011 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 2010/2011. 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 (1) 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 2011 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.

At our meeting of 23 January 2012 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 risk management systems. This is not the case. Neither were there grounds for other objections. During their audit, the auditors found nothing that would contradict the statements made in the Declaration of Conformity. 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 23 January 2012, 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 10.9 million euros and carry forward the residual retained profit of 13.9 million euros to new account.

Deutsche Beteiligungs AG recorded a consolidated loss in the reporting year. In our opinion, this is due to a large extent to the events in the capital markets; the impact that the price decline of Homag shares has on the net income of DBAG is indicative of this. The progress most of the portfolio companies have made despite these events, as well as the two profitable realisations document the quality of the Company's investment decisions. The successful closing held for the DBAG Expansion Capital Fund is proof once again of the good reputation Deutsche Beteiligungs AG enjoys among fund investors. 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, 23 January 2012

Andrew Richards
Chairman

Corporate governance

Corporate governance refers to the way a company is managed and controlled. The Supervisory Board and the Board of Management acknowledge and endorse the principles of corporate governance. They are vital for a company's sustainable performance, while also providing guidance. Our aim is to respect and protect the interests of all our stakeholders, foster open and reliable communication with our shareholders and the general public, and maintain a relationship of confidence with our investors and business partners.

We identify with the appeal contained in the "German Corporate Governance Code" (hereafter: the Code) of conducting the Company in conformity with the principles of the social market economy and of ensuring the Company's continued existence and sustainable creation of value.

We have always committed to the principles of good, fiduciary corporate governance. We regularly review existing structures without there having to be legislative requirements or other regulations to do so. We have issued a "Corporate Governance Statement" that defines the basic principles of the conduct of our business; it is published on the Internet and is accessible at http://www.deutsche-beteiligung.de/en/declaration.

Corporate Governance Statement accessible at DBAG website

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

Efficacy and operability are key objectives in composition of Supervisory Board

The "German Corporate Governance Code" has become a recognised standard in Germany. It constitutes the basis for the principles governing the conduct of our business. In its current amendment, which became valid on 2 July 2010, the Code requires that the Supervisory Board specify concrete objectives regarding its composition and report on these and on their implementation.

In the preceding financial year, the Supervisory Board specified the following objectives regarding its composition: the key objective is to ensure the Supervisory Board's efficacy and operability; this objective is best addressed when its members act independently and are not exposed to conflicts of interest, and when they are experienced in the multifaceted operations of DBAG and have an expert knowledge of applicable accounting principles. The candidates the Supervisory Board recommended for election to the Board at the 2011 Annual Meeting complied with these requirements. The six members who were nominated and elected 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 will continue to set for itself 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 has recommended that its Nominations Committee appropriately consider gender diversity in the future. Despite dedicated efforts, including the involvement of a personnel consultant, to find a female candidate, the Committee was not able to achieve that objective for the 2011 elections.

DBAG follows almost all of the Code's recommendations and suggestions

Deutsche Beteiligungs AG follows all of the Code's recommendations as amended with one exception. The joint Declaration by the Board of Management and the Supervisory Board issued in November 2011 also 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 on our website. 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. DBAG has not yet provided for a postal vote. We consider the different options in choosing proxies to be sufficient for shareholders to exercise their voting rights without having to personally attend the Annual Meeting. All documents and information on our Annual Meeting are accessible at our website in German and in English.

Conflicts of interest requiring immediate disclosure to the Supervisory Board on the part of members of the Board of Management and the Supervisory Board did not come to our attention.

Remuneration for Board of Management and Supervisory Board linked to corporate performance

The remuneration paid to the Board of Management is composed of fixed and performance-related components, most of which have a long-term incentive. We issue an individualised statement of emoluments paid to the members of the Board of Management. Shareholders at the 2011 Annual Meeting approved the remuneration scheme with a vote of approximately 92 percent. The remuneration paid to Supervisory Board members is composed of a fixed and a performance-linked component that is geared to the annual growth in net asset value per share. Additional details on the remuneration for the members of the Board of Management and the Supervisory Board are provided in Management's report on pages 85 to 89. That 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 65 and 132), 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. From earlier transactions, the members of the

Board of Management and the Supervisory Board held the following shares in Deutsche Beteiligungs AG at the end of the reporting period on 31 October 2011:

Share ownership by members of DBAG corporate bodies

	Corporate body	Number of DBAG shares
Roland Frobel	Supervisory Board	2,000
Philipp Möller	Supervisory Board	1,000
Torsten Grede	Board of Management	20,323
Wilken von Hodenberg	Board of Management	30,000
André Mangin	Board of Management	15,270
Dr Rolf Scheffels	Board of Management	10,290

Based on the nature of the business operations of Deutsche Beteiligungs AG, there are further rules that apply to trading in securities for DBAG staff. Irrespective of the trading restrictions for shares in Deutsche Beteiligungs AG, it is not permitted for members of the staff – or for members of the corporate bodies – to deal in shares of portfolio companies of Deutsche Beteiligungs AG, or of companies undergoing the due diligence process or whose portfolio contains companies in which Deutsche Beteiligungs AG is considering an investment. As an additional component of compliance this past year, all members of the staff were required to commit to these rules in writing.

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 2 July 2010 since the preceding Declaration of Conformity, with one exception:

- The Supervisory Board has specified the objective of appropriately considering women for management and supervisory assignments at DBAG. Although this objective will continue to be pursued, the Supervisory Board did not comply with clause 5.4.1 of the Code in its nominations for election to the Supervisory Board, which it submitted to shareholders at the 2011 Annual Meeting. Nevertheless, the Supervisory Board is of the opinion that the recommended composition of the Supervisory Board, which was confirmed at the 2011 Annual Meeting, is in conformity with the interests of the Company and its shareholders. In making their nominations, the members of the Supervisory Board were guided solely by the interests and requirements of Deutsche Beteiligungs AG and the candidates' personal qualifications.

We intend to follow all of the Code's recommendations as amended on 2 July 2010 in the future.

We complied in the past with the suggestions of the Code as amended in June 2010 with one exception, and intend to do so 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 in a financial year. This constitutes the key performance indicator for shareholders. The remuneration therefore does not yet 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 2011
The Board of Management and the
Supervisory Board of Deutsche Beteiligungs AG

Timeline 2010/2011

Awards, social and cultural engagement, changes to the corporate bodies – there were many notable events this past year apart from our regular business. They are all expressive of how we interact, how we understand our role as a company and how others see us.

November 2010:

DBAG establishes foundation

By inaugurating a charitable foundation, DBAG supports current and former employees of present and previous DBAG portfolio companies in emergency cases. The foundation was endowed with 100,000 euros and is to receive further funds successively.

February 2011:

Patronage for SCHIRN KUNSTHALLE

"Surreal Objects", an exhibition of three-dimensional works by artists ranging from Dali to Man Ray, opens at the Schirn Kunsthalle in Frankfurt. Deutsche Beteiligungs AG has been supporting this art institution since 2002 as a member of its patrons' association, FREUNDE DER SCHIRN KUNSTHALLE e.V. The patronage also benefits shareholders: they receive vouchers for tickets to the exhibition.

Romaco
EXCELLENCE THROUGH INNOVATION

March 2011:

DBAG acquires packaging specialist Romaco in an MBO

Alongside DBAG Fund V, DBAG acquires the Romaco Group headquartered in Karlsruhe. The purchase price for this manufacturer of packaging and food processing machines is 61 million euros, with DBAG investing 7.7 million euros from the balance sheet. Based on its cutting-edge technologies, the group intends to expand its internationalisation.

March 2011:

New Supervisory Board elected at Annual Meeting

More than 250 shareholders, representing 50.4 percent of the capital, attend the Annual Meeting held on 23 March 2011 in the Hermann Josef Abs Saal in Frankfurt. In an almost four-hour meeting, shareholders approve all items on the agenda by a broad majority and elect a new Supervisory Board.

April 2011:

Divestment of majority in Preh

After eight years of development DBAG sells three-quarters of its interests in automotive supplier Preh to Ningbo Joyson Investment Holding Co., Ltd., a private automotive supplier based in Ningbo, China. In this new constellation, Preh will now take the next step in its internationalisation.

May 2011:

Relocation to new offices

The DBAG staff moves to new rented premises in an office building located at Börsenstrasse 1 in Frankfurt's city centre, opposite the Frankfurt stock exchange.

May 2011:

Heim & Haus realised

Having successfully supported the company for five years, DBAG and its co-investment fund DBAG Fund IV divest their interests in Duisburg-based Heim & Haus Holding GmbH. This direct marketer of shading systems and building components for single-family and duplex homes is now back in family hands.

June 2011:

DBAG holds final closing for Expansion Capital Fund

DBAG now has 242 million euros available for expansion capital investments in Germany's "Mittelstand": 100 million euros from DBAG's balance sheet and 142 million euros from commitments to the new DBAG Expansion Capital co-investment fund.

August 2011:

Annual Report commended

In a competition for best annual report sponsored by German business publication *manager magazin*, DBAG's 2009/2010 Annual Report scores "good". Only three other S-Dax companies rank higher in terms of content. In the category for use of language DBAG was among the best.

September 2011:

DBAG wins award as "DACH House of the Year"

The private equity community acknowledges the accomplishments of Deutsche Beteiligungs AG: *unquote"*, the UK-based private equity news and research organisation, selects Deutsche Beteiligungs AG as the year's outstanding private equity firm in Germany, Austria and Switzerland.

coperion
confidence through partnership

Global leader in specialised machine construction

Coperion

Stuttgart, Germany

Toothbrushes, wall plugs, window profiles – the list of everyday products the base materials of which are processed on machines and plants made by Coperion is endless. This specialist for compounding systems* and bulk materials handling equipment is the technology and global market leader in its field. One particular strength: Coperion is close to its customers through a worldwide service network.

Compounding Machines *
Market size €500 million

Market share 25-30%

Materials Handling
Market size €850 million

Market share 30-35%

Service
Market size €700 million

Market share ~20%

A strong partner in the plastics industry

- **Flexible structures**
- **Balanced product segmentation**
- **High proportion of service**
- **Broad global positioning**

Installed compounding systems worldwide
> 10,000

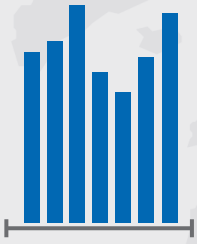
Installed bulk-materials systems worldwide
> 8,000

Sites worldwide
29

Global staff
1,880

* Compounding machines process polymers with the use of additives in several stages (e.g. feeding, melting, mixing, homogenising, degassing) to make base materials for the manufacture of plastic products.

Recovery following cyclical downturn



€558 million
expected revenue in 2012

Year	Revenue €mn	New orders €mn
2006	450	530
2007	480	609
2008	577	479
2009	398	277
2010	346	464
2011 [1]	438	562
2012 [2]	558	592

[1] Forecast [2] Budget

- New user industries accessed
- Global sales and service expanded
- Corporate legal structure streamlined
- Profitability re-established and expanded
- Production structures improved

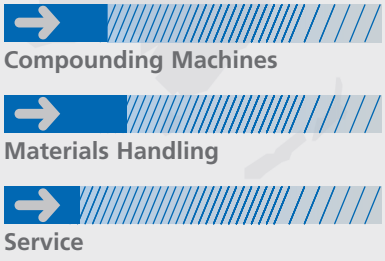
Strength: One-stop service for all customers worldwide

- Global network of 27 service centres
- More than 47,000 spare parts available on demand
- More than 250 service engineers and technicians on call globally

Focused on expansion

Growth markets targeted: Strategically important markets include Asia – especially China and India – and the Near and Middle East, along with the NAFTA countries. These markets harbour potential for sustainable growth.

Market share expansion



Shares

Despite tough challenges, private equity has maintained its attractiveness – as an asset class with a good long-term performance. Shares in Deutsche Beteiligungs AG provide access to this asset class, which is normally open only to institutional investors or large private asset managements. Being a shareholder in a listed private equity company has many advantages, among them: the investment is realisable at any time; our dividends have yielded a consistent flow of returns. Shareholders who have held DBAG shares over many years have scored well.

Performance and dividend

Share price trend: Decline after long period of sideways movement

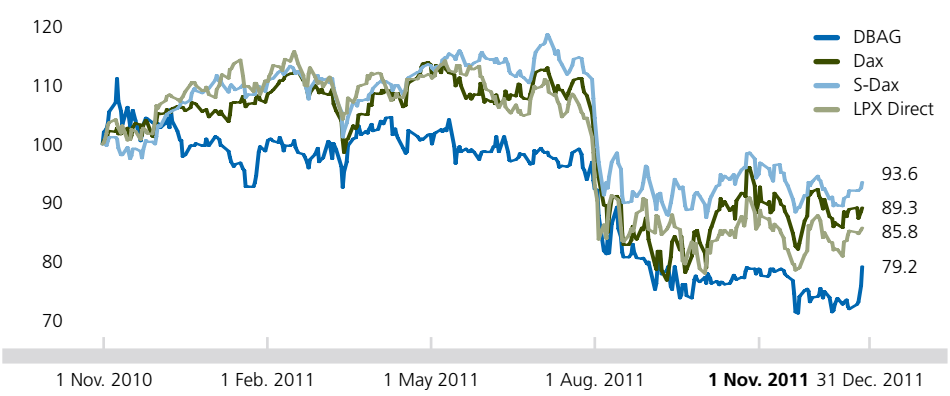
The price movement of DBAG shares was disappointing and unsatisfactory in 2010/2011. Starting out at 20.79 euros, the share price dropped to 15.50 euros. We attribute a part of the share price decline this past financial year to the payment of a dividend of 1.40 euros per share in March 2011. DBAG shares began the financial year at a premium to their intrinsic value and, therefore, at a comparatively high level. Closing at 23.40 euros, they reached their financial year high on 9 November 2010, only a few days of trading after the onset of the financial year, accompanied by very high volumes. From the beginning of 2011, the share price moved parallel to the market, meaning sideways initially, up to the end of July, after which prices eased across the board in August. Towards the end of the financial year, DBAG shares were not able to profit from the market recovery that followed the annual lows recorded in late September, and our shares completed the twelve-month period near their annual low of 14.52 euros recorded on 19 September. Market capitalisation decreased in 2010/2011 from 284.3 million euros to 212.0 million euros; part of the reduction is due to the dividend payment, which totalled 19.1 million euros.

A dividend of 0.40 euros per share plus a surplus dividend of 1.00 euro per share, or a total of 19.1 million euros, was paid for financial year 2009/2010. This corresponds to a dividend yield of 7.9 percent based on the opening net asset value per share at the outset of the financial year, or of 7.3 percent measured by the annual average rate.

Share performance unsatisfactory in 2010/2011

Share price movement and dividend payment result in a value movement for DBAG shareholders of -21.2 percent over the financial year. Viewed on a one-year basis, DBAG shares have therefore underperformed the benchmark indices. However, private equity shares as a whole have developed disproportionately in the current market environment, as the chart shows. From November 2010 to October

Share performance and benchmark indices
from 1 November 2010 to 31 December 2011 Index: 1 November 2010 = 100

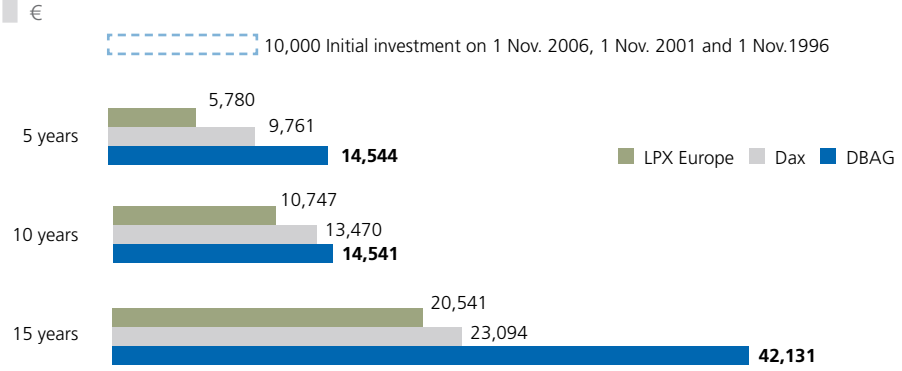


2011 (DBAG's 2010/2011 financial year), the Dax lost 7.0 percent and the S-Dax 2.4 percent, whereas the private equity stocks comprised in the LPX Direct fell by 7.7 percent, and the 20 securities in the Stoxx Private Equity 20 by 13.1 percent.

DBAG shares deliver superior performance over long-term

A five, ten or 15-year comparison, however, reveals the superior performance of a private equity investment in DBAG shares. In all three periods, an investment in DBAG shares outperformed the investments in the index of other private equity shares or the Dax.

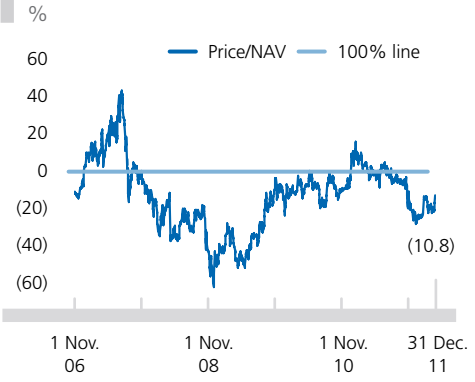
Performance of DBAG portfolio, 5, 10 and 15 years



Discount to net asset value: Downbeat expectations in stock markets

The change in sentiment in the equity markets weighed on our shares in two ways: first, given the lower valuations overall on the stock exchanges, it led to valuation losses and, consequently, to lower net asset value per share – a key orientation measure for the absolute assessment of our shares. In addition, it led to a marked modification in the relative assessment of our shares. Whereas DBAG shares were traded above or near their intrinsic value in the first three quarters up to the end of July 2011, their price fell much more strongly than the net asset value per share since the outbreak of the current market turmoil from 1 August 2011 to the year-end 2011. From the end of the 2nd quarter to the end of the financial year, net asset value per share declined by twelve percent, whereas the share price dropped by more than 20 percent.

Gap between share price and net asset value per share



At the start of the reporting year, DBAG shares had traded at a premium to net asset value per share of five percent; twelve months later, they traded at a discount of eleven percent. However, DBAG shares continue to be valued higher than other comparable listed private equity stocks. At year-end 2011, the average discount to the most recently reported intrinsic value of nine major listed continental European private equity companies, whose business model is similar to that of DBAG, was nearly 30 percent.

Share liquidity: Average trading volume lower

Trading in DBAG shares developed inversely to the general trend. Total market turnover had increased since autumn 2010, whereas trading activity in our shares decreased over 2011. All in all, trading was very volatile. Average daily turnover reached some 450,000 euros (previous year: 380,000 euros), but moved within a broad range: on some days in January 2011, turnovers exceeded the daily average several-fold, whereas in autumn 2011 trading in our shares was frequently far below the daily average of 450,000 euros. Yet more shares were traded at a higher trading value than in the previous year. Daily trading volumes averaged 22,895 shares (previous year: 21,320 shares). The German regional stock exchanges remain important for trading in DBAG shares. However, the Xetra trading platform continued to dominate: more than 78 percent of the turnover was Xetra-traded. This compares with 84 percent the preceding year. Relative to the free-float market capitalisation, shares in float ownership had a turnover rate of 0.54 (2009/2010: 0.50).

78 %
of turnover is Xetra-traded

Substantial volumes were also traded off-board: in addition to approximately 5.9 million shares traded on the exchanges, the Bloomberg Information System has identified another 980,000 shares traded directly between buyers and sellers.

During the 2010/2011 financial year, there was no change in the number of issued shares (13,676,359). The Company itself held no shares at the reporting date.

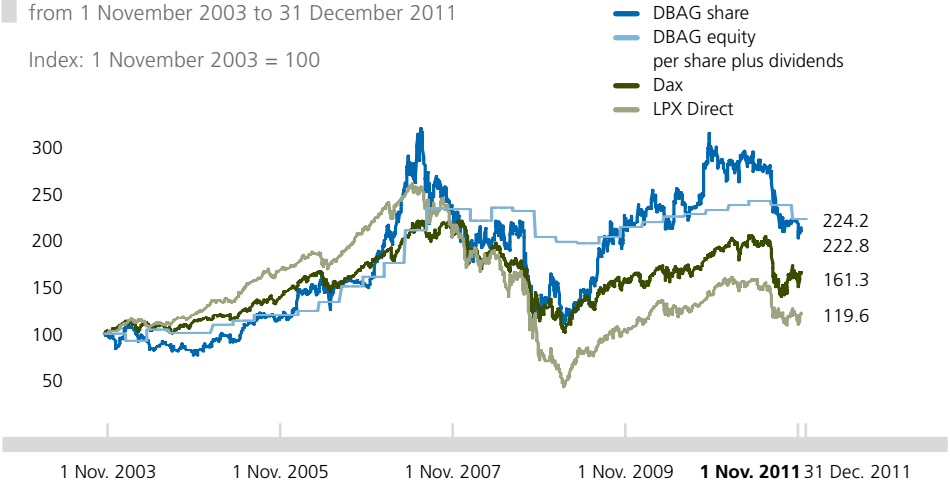
Net asset value per share: Decline of 6.2 percent

For the year ended 31 October 2011, net asset value per share decreased (subsequent to a dividend payment of 1.40 euros per share) by 1.16 euros from 18.63 euros to 17.47 euros per share, which represents a loss of 6.2 percent on the preceding financial year.

Changes in equity, page 61

The impression is different when considering longer periods of time. Net asset value per share had amounted to 12.46 euros on 1 November 2003, which marked the beginning of financial year 2003/2004 and the first year in which the financial statements were presented in the IFRS format. The dividends and surplus dividends that have been paid since then total 10.29 euros per share. Adding these dividend payments to the net asset value of 17.47 euros per share at the reporting date equates to value growth of 15.30 euros or 123 percent on the opening value on 1 November 2003. This corresponds to an annual growth rate of 10.4 percent – which clearly outperforms other asset classes.

Share performance and benchmark indices
from 1 November 2003 to 31 December 2011



Recommended dividend: 0.80 euros per share

In recent years, we emphasised our intention to pay a dividend on a continual basis, if at all possible – even for those financial years that may record a loss. This base dividend should bear interest near money market rates on the net asset value. Subject to sufficient liquidity, we also aim to have our shareholders participate in the Company's performance by paying a surplus dividend at times when we record particularly high realisation proceeds, as we did in 2008/2009 and 2009/2010. Since our most recent capital increase in March 2004, we have distributed the sum of 148.9 million euros this way.

The retained profit of Deutsche Beteiligungs AG at 31 October 2011, based on HGB [1], totalled 24.8 million euros and provides scope for distributing a dividend. The Board of Management and the Supervisory Board recommend paying a dividend of 0.40 euros per share (previous year: 0.40 euros per share) and, in view of the proceeds achieved from the successful realisations of Heim & Haus and Preh, a surplus dividend of 0.40 euros per share (previous year: 1.00 euro per share). The total amount to be distributed is 10.9 million euros (previous year: 19.1 million euros). The dividend yield relative to net asset value per share at the onset of the financial year therefore amounts to 4.3 percent.

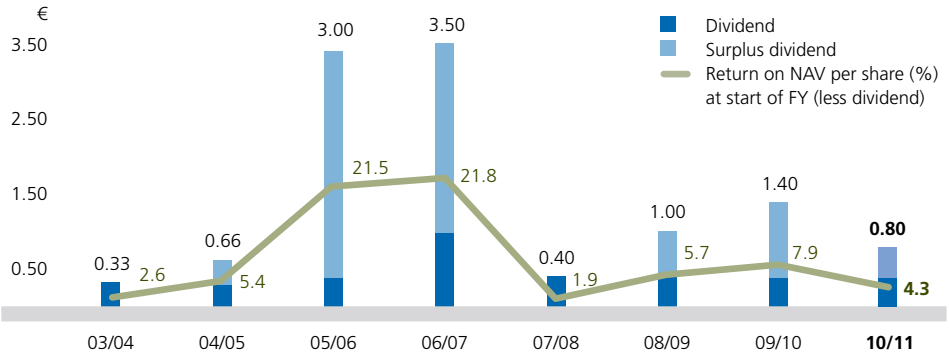
Index affiliation: Firm ranking in the S-Dax

The free float portion of DBAG shares receded during 2010/2011. Mr Dirk Rossmann, founder and majority shareholder of the Rossmann drug store chain, increased his interests in Deutsche Beteiligungs AG to approximately 20 percent in November 2010. The free float therefore declined to 79.9 percent. Mr Rossmann originally acquired a three-percent interest in DBAG in 2008. He holds his shares through Rossmann Beteiligungs GmbH. On 31 October 2011, DBAG shares, measured by free-float market capitalisation, ranked 27th (previous year: 22nd) among the 50 S-Dax stocks; measured by trading turnover, they ranked 38th in the past twelve months (previous year: 34th).

[1] Decisive for dividend distributions is not the IFRS-based net income, but the retained profit of Deutsche Beteiligungs AG drawn up in conformity with the German Commercial Code (HGB).

Dividends and dividend yield

relative to NAV per share at start of financial year



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 (selection)	S-Dax; Classic All Share; C-Dax; Prime All Share; Deutsche Börse sector indices: (All) Financial Services, Subsector (All) Private Equity & Venture Capital, LPX50; 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

		2010/2011	2009/2010	2008/2009
Closing rate	€	15.50	20.79	15.55
FY high [1]	€	23.40	21.15	17.22
FY low [1]	€	14.52	14.90	9.00
FY average rate [1]	€	19.18	17.65	12.31
Annual performance [2]	%	(21.2)	43.5	54.8
Market capitalisation [1]	€mn	212.0	284.3	212.7
thereof, free float		169.3	240.7	190.1
Average daily trading value [3]	€mn	0.450	0.380	0.370
Dividend per share [4]	€	0.40	0.40	0.40
Surplus dividend per share [4]	€	0.40	1.00	0.60
Distribution sum [4]	€mn	10.3	19.1	13.7
Dividend yield [5]	%	4.3	7.9	5.7
Earnings per share	€	(1.22)	2.50	1.44
NAV per share [6]	€	17.47	20.03	18.77
Price/NAV ratio per share [6]		0.89	1.04	0.83

[1] Xetra closing rate
[2] adjusted for dividends
[3] according to Deutsche Börse AG data
[4] 2010/2011 recommended
[5] relative to opening NAV per share at onset of financial year
[6] at 31 October 2011

Capital market communication

Dialogue with shareholders: Greater awareness for asset class

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

We seek a regular and open dialogue with different market participants. Our aim is to strengthen our investors' confidence. To enhance trading in our shares, we strive to win new investors. Our activities include both direct and indirect communication channels. We reach private shareholders through our newsletters, webcasts on demand at our website and our quarterly and annual reports. At numerous events for institutional investors this past financial year, we reported on current trading performance and presented the Company at major international financial centres. We kept the number of road-show days stable at a high level of 12 (previous year: 14 road-show days) and met with 50 institutional investors in eight cities. We maintain a regular comprehensive dialogue with major investors.

We lay great store by what external professionals think about our capital market communication. Our Annual Report again scored highly in a number of comparisons, relating to both the content and to the Report's structure and design.

LPEQ provides comprehensive information on its website (www.lpeq.com) about the asset class, including performance comparison charts and profiles of LPEQ members.

In 2010/2011, we continued our membership in LPEQ (Listed Private Equity, www.lpeq.com), a research and information initiative. LPEQ aims to enhance understanding of the asset class among analysts, investors and the financial community at large. Today, 21 companies are LPEQ members, who, together, have a market capitalisation of approximately 6.8 billion euros (31 October 2011); this represents nearly one-fifth of the market capitalisation of all listed private equity companies in Europe.

In October 2011, the association issued reporting guidelines for listed private equity investment companies, which can be accessed on LPEQ's website. These were developed by analysts and investors operating in the sector. Deutsche Beteiligungs AG applies these guidelines and has geared its reporting to these recommendations.

Annual Meeting: Authorisation for share buybacks and new Supervisory Board

A total of 50.4 percent of the voting capital was represented at the Annual Meeting on 23 March 2011. Shareholders agreed to the remuneration scheme for the Board of Management by a vote of 91.9 percent. By a vote of 99.6 percent of the represented capital, shareholders granted authorisation to repurchase up to ten percent of the Company's own shares. The authorisation is valid for a period of five years and ends in March 2016. It replaces the existing authorisation, which would have expired in September 2011.

The term of office of all members of the Supervisory Board ended concurrently with the conclusion of the Annual Meeting on 23 March 2011. Since two members announced that they would not be standing for re-election, the composition of the Supervisory Board has changed. The Supervisory Board of Deutsche Beteiligungs AG consists exclusively of shareholders' representatives.

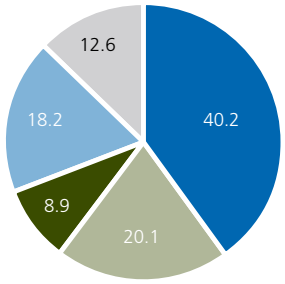
Composition of the Supervisory Board, page 3

Shareholder profile:
Little change

In November 2011, we analysed the shareholder profile as at 31 October 2011 by reviewing generally accessible sources, by meetings with present and potential investors and by an enquiry into shareholdings of private investors among banks and savings banks. We were able to identify 87 percent of the shares outstanding. We spread the unidentified shares uniformly over the categories of institutional investors. Based on the information thus derived and the voting rights notifications, there was no fundamental change in the shareholder profile this past year.

Shareholder profile

%



- Private shareholders
- Rossmann Beteiligungs GmbH
- Institutional investors other countries
- Institutional investors USA
- Institutional investors Germany

Research:
More analysts monitoring DBAG shares

Five analysts from German and British banks monitor our shares. DBAG shares are also tracked by other analysts who exclusively assess listed private equity and comparable companies. 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 2011/2012.

Analysts' ratings for Deutsche Beteiligungs AG

Berenberg Bank	January 2012	"Buy"
Close Brothers Seydler Research	October 2011	"Hold"
HSBC Trinkaus	September 2011	"Neutral"
J.P. Morgan Cazenove	January 2012	"Underweight"
Landesbank Baden-Württemberg	September 2011	"Hold"

For all enquiries about our business and about shares in Deutsche Beteiligungs AG, please contact
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Börsenstrasse 1
60313 Frankfurt am Main
Telephone: +49 69 95 787-307
IR@deutsche-beteiligung.de
www.deutsche-beteiligung.de

Leading the market through innovation and productivity

Homag

Schopfloch, Germany

At one end a pile of wood sheeting, at the other a finished piece of furniture, a door or even a complete timber-frame house. In between: machines made by Homag. With a global market share of 28 percent, Homag offers customers precisely coordinated solutions ranging from stand-alone machines to complete factories. The power of innovation and productivity is what has made Homag strong in its competitive field.

One-stop shopping

For all sizes:
From carpenters' shops to globally operating furniture manufacturers

On all continents:
in more than 100 countries

For all needs:
System and stand-alone solutions

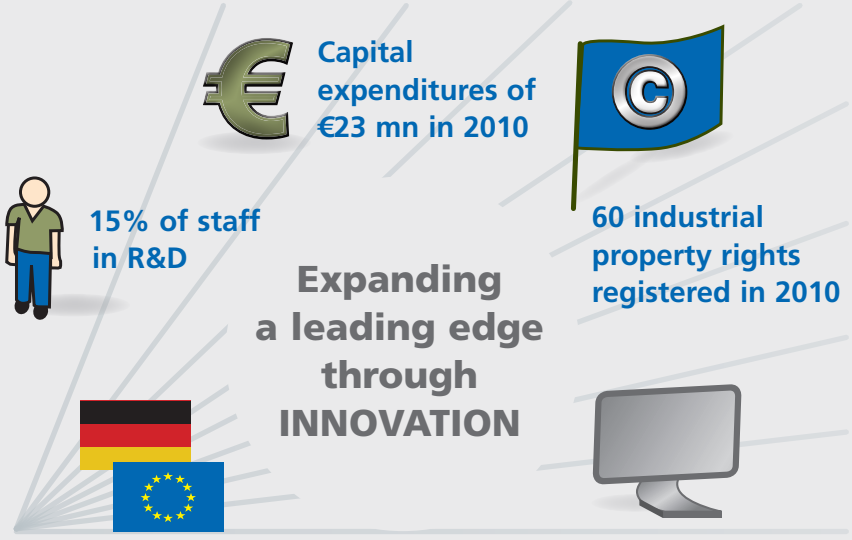
Performance = Quality + Productivity + Progress

ecoPlus technology
= low emissions & material-saving

Process standards
= synergy friendly & easy to control

LaserTec
= intelligent & fast

Platform strategies
= efficient & flexible



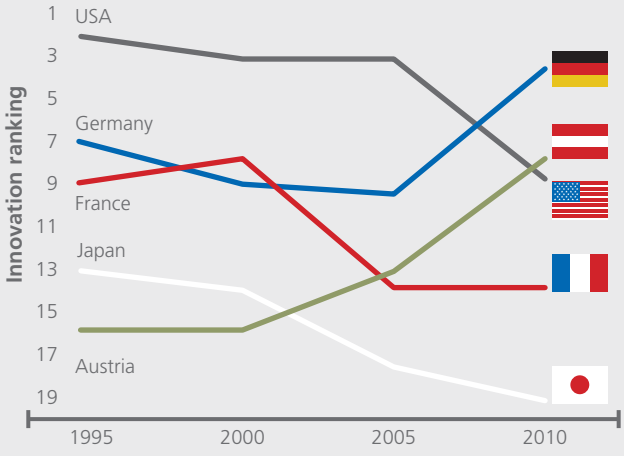
HOMAG GROUP Action programme:

- **Expansion:** Growth markets (BRICs) & acquisitions
- **Value added:** Expanded service, more consulting
- **Efficiency:** Process and cost optimisation
- **Capacity:** New production site in India

German engineering: Top in exports and innovation

Exports ranking	1 country	%	2 country	%	3 country	%
Power transmission engineering	DE	26.0	JP	11.8	CN	8.5
Machine tools	DE	23.1	JP	13.7	IT	11.2
Food processing and packaging machinery	DE	25.8	IT	22.0	US	7.6
Process engineering and equipment	DE	17.8	US	14.4	IT	8.4
Precision tools	DE	20.3	JP	12.3	CN	11.7
Plastics and rubber machinery	DE	24.6	IT	11.3	JP	10.8
Woodworking machinery	DE	24.8	CN	17.3	IT	14.1
Mechanical engineering, overall	**DE**	**19.1**	**US**	**12.2**	**JP**	**9.4**

Source: National statistical agencies, VDMA



Source: Innovationsindikator 2011, BDI Fraunhofer, ZEW et. al. 2011

Investments

Profitable businesses in Germany's "Mittelstand" constitute the core of the portfolio of Deutsche Beteiligungs AG. We invested in them alongside co-investment funds – predominantly in the form of management buyouts (MBOs), but also as expansion financings. This past financial year, the portfolio changed through the acquisition of the Romaco Group and two profitable realisations. Whereas Germany's Mittelstand fared unexpectedly well in 2010, the trend in 2011 was mixed for the portfolio companies.

Most of the companies made good progress and, in addition to reducing debt, achieved revenues and earnings that topped those of the year before. Despite the general turnaround in sentiment in the second half of 2011, several companies even surpassed their budgets and initiated capital expenditures for capacity expansions, innovation and internationalisation. Other indicators, such as order intake and orders on hand, initially developed positively; later in the year, news emerged in some instances about postponed projects, fiercer price competition and slackening demand.

The portfolio at a glance

Portfolio/investment strategy: Management buyouts and expansion financings

Deutsche Beteiligungs AG invests in two ways: it sponsors **management buyouts (MBOs)** and provides **expansion capital**.

MBOs, or the (majority) acquisition of companies by financial investors with co-investments by their managements, offer an attractive reward-risk profile. Our investment performance attests to that. Since 1997, DBAG has financed 24 MBOs in Germany and Austria alongside its co-investment funds DBG Fonds III, DBAG Fund IV and DBAG Fund V. Up to the end of the reporting year, 17 of these investments have been realised completely or for the most part. Based on the realisation proceeds and the current value of the present investments, we achieved an average multiple (before expenses) of 2.2 times the capital invested from DBAG's balance sheet in these 24 MBOs.

Generated:
2.2x
our invested equity

MBOs call for corporate concepts aimed at boosting the portfolio company's earnings power. The challenges involved include improving the company's strategic position, for instance, by intensifying research and development or internationalising the sales organisation. Management board members, CEOs and, in certain instances, other senior executives at our portfolio companies share in the opportunities and risks of our joint undertaking by personally co-investing. The members of DBAG's investment team usually take seats on advisory councils or supervisory boards.

The same applies to companies to whom we provide expansion funding. Contrary to an MBO, however, these are minority investments and are mostly financed through the provision of equity. This financing structure can permit returns in the form of profit distributions or dividend payments during the holding period, which therefore lowers the risk involved. Since the average holding periods will be longer, return targets are generally lower than those for MBOs.

Investment strategy, pages 56 to 58

Performance of MBOs and expansion investments since 1995

	Number	Thereof, disposed	Gross returns	Money multiple
MBOs	24	17	> 20 %	2.2x
Expansion financings	11	10	< 20 %	2.4x

Investment criterion

Strong market position

Portfolio profile: Reflective of key sectors of Germany economy

Our investment approach has been highly disciplined over the past years. We ascribe a large part of our performance to that. The experience gained from numerous transactions in Germany's "Mittelstand" has added considerably to our knowledge and skills. We acquire companies operating in sectors of which the investment team has an in-depth understanding of the diverse business models and that are particularly significant for the economies in Germany and its neighbouring countries. Nearly two-thirds of our transactions since 1995 were made in our core sectors of mechanical engineering and plant construction, automotive suppliers and industrial services. Companies in which we invest have excellent positions in their markets. Many of our portfolio companies operate globally, meaning that they not only market their products worldwide, but to an increasing degree also run production sites on several continents. This reduces their vulnerability to exchange rate fluctuations and market changes, besides creating access to growth regions. Our portfolio companies are led by highly qualified, entrepreneurially driven managements.

Details on portfolio structure, pages 54 and 80

In response to market conditions, Deutsche Beteiligungs AG invested exclusively in MBOs from 2001 to 2010. The largest part of the portfolio, or 80 percent, is attributable to ten investments in management buyouts. At the end of the reporting period, there were three expansion capital investments in the portfolio. They account for eleven percent of the portfolio value. Another nine percent fall to three remaining investments in **international buyout funds** – older investments that will gradually be liquidated following the final realisations from the funds' portfolios.

Portfolio development: Two realisations, one new management buyout, declining significance of international buyout funds

We invested 9.3 million euros in financial year 2010/2011. The largest part of that amount, or 7.7 million euros, was spent on the acquisition of the Romaco Group, a manufacturer of packaging machines. Further funds went into an existing investment; we also funded the capital calls of two international buyout funds. We achieved returns, among other things, from the realisations of Preh GmbH and Heim & Haus Holding GmbH.

Portfolio value (IFRS) and number of MBOs

	€mn	Number
1 November 2010	**97**	**10**
Investments	8	1
Disposals/changes in value	(35)	1
31 October 2011	**70**	**10**

All three transactions – the acquisition of the Romaco Group and the two realisations – document, each from a different perspective, the way Deutsche Beteiligungs AG operates in the private equity market. Romaco came to our attention during our in-depth investigation of the market for packaging machines. It is characterised by mid-sized corporate structures and, due to the diversity of applications, presents us with a broad spectrum of attractive companies that have excellent positions in their markets. We acquired Romaco outside the usual M&A auction process.

Romaco Group, page 46

In realising the major part of our investment in automotive supplier Preh GmbH in April 2011, we turned, for the first time, to a group of potential buyers who have only lately appeared on Germany's M&A market. We were one of the first German private equity companies to conclude a purchase agreement with an investor from China. Preh's new owner is Ningbo Joyson Investment Holding Co., Ltd., a family-owned automotive supplier headquartered in Ningbo, China, and a previous partner to Preh in a joint venture company. That partnership has now culminated in a technology company, which will head the global automotive electronics activities of Joyson and Preh from Preh's headquarters in Bad Neustadt. Their association is targeted at exploiting the market potential of both companies in Europe, North America and especially in Asia to an even greater extent. Jointly with DBAG Fund IV, Preh's management and other investors, DBAG remains invested in Preh with an interest of 25.1 percent until 2013.

Preh, page 44

In autumn 2006, we took a majority stake alongside our co-investment fund in Heim & Haus Holding GmbH, a family-owned business at the time, to back the company's growth and the development of new products. These objectives were reached over our five-year investment period. Since DBAG's entry, the company's revenues rose from 91 million euros (2005) to 123 million euros (2010), which represents annual growth of more than six percent. In response to the market trend, Heim & Haus added new products to its portfolio, including energy-saving windows and security products (alarm systems, smoke detectors). The number of employees also increased significantly over the five-year period. In May 2011, the company's founders and their families repurchased all of the shares, making the company a completely family-owned business again.

We also recorded returns from international buyout funds in 2010/2011. The Harvest Partners III fund, in which we invested from 1996 to 2002, was liquidated after the fund exited its final investment. Thus, there is now a total of three fund investments valued at 7.7 million euros remaining in the portfolio. Their value increased this year, which derives from overall improved financial metrics of the companies held by the funds. Measured by their value, DBG Eastern Europe II, which holds seven remaining investments, is the largest fund in DBAG's portfolio. Its investment period has ended. In 2010/2011, the fund issued a capital call for a follow-on financing for existing investments. The Harvest Partners IV fund also financed a capital increase at an existing investee business in 2010/2011. Any further capital calls can only relate to management fees or possible follow-on financings for existing investments. Outstanding investment commitments amounted to 2.5 million euros (previous year: 3.8 million euros) at the reporting date.

Portfolio value (IFRS) and number of other investments (expansion capital investments and international buyout funds)

	€mn	Number
1 November 2010	**21**	**7**
Investments	1	
Disposals/changes in value	(5)	1
31 October 2011	**17**	**6**

Total **portfolio value** (the sum of the portfolio value of MBOs, expansion financing investments and international buyout funds) amounted to 87.5 million euros at 31 October 2011, or less than the preceding year's 117.6 million euros. This was primarily due to the two realisations, as well as the steep drop in the price of Homag shares, which led to a loss on this investment of 18.5 million euros.

Portfolio value (IFRS) and number of investments

	€mn	Number
1 November 2010	**118**	**17**
Investments	9	1
Disposals/changes in value	(39)	2
31 October 2011	**88**	**16**

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.

Composition and profile of the portfolio, page 81

Measured by their fair value, the eight largest investments accounted for 90 percent of the portfolio, based on the IFRS. These investments consist of five management buyouts, two expansion capital investments and one international buyout fund.

Investing alongside co-investment funds

Fund management: Advantages for Deutsche Beteiligungs AG

Deutsche Beteiligungs AG not only invests funds from its own balance sheet. For more than 20 years, it has also bundled the capital of other private equity investors in managed co-investment funds, investing these assets 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.

Investing alongside co-investment funds has numerous advantages for DBAG and its shareholders:

- Co-investment funds enable the acquisition of larger companies and a broader diversification of the portfolio.
- 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. When committing to a new co-investment fund, investors expect DBAG to be able to meet its co-investment obligation over the entire investment phase.

Not least, co-investment funds indirectly help provide the capital backing that allows shareholders to participate in transactions which would not ordinarily be accessible to them.

Fund management services, pages 53, 102/103 and 145

The DBAG investment team prepares investment decisions for DBAG and the co-investment funds and manages the portfolio. These activities are conducted through a management company, practically all of whose profits are attributable to Deutsche Beteiligungs AG. However, not Deutsche Beteiligungs AG, but the members of the Board of Management have the voting rights majority in this company. It is charged by the fund investors with the management responsibility and collects service fees from the fund partnerships. The DBAG team provides the managerial services; for that reason, DBAG receives the fee income recorded by the management company and all of its profits.

This structure ensures that investors' call for independent investment decisions is met. During a fund's life, its investment strategy is to be followed through and the investments continually monitored. To maintain the competitiveness of DBAG's model, this structure is adapted, if conditions so require.

DBAG Expansion Capital Fund:

€ 142 mn

Assets under management: Increased after final close for DBAG Expansion Capital Fund

The capital base which Deutsche Beteiligungs AG and its investment team are able to work with increased this past financial year: investors have committed 142 million euros to the DBAG Expansion Capital Fund. The fund will invest alongside DBAG in mid-sized companies seeking a financial investor to finance their growth.

The investment period of DBAG Fund V is to end in February 2013; the fund has made investments in six companies since February 2007 and, at 31 October 2011, was 57 percent invested. After the two transactions agreed at the beginning of the new financial year have been completed, 75 percent will have been drawn down. DBG Fonds I and III as well as DBAG Fund IV have completed their investment periods. DBAG Fund IV divested its interests in Heim & Haus and the majority of its stake in Preh this past financial year and now holds four out of its original ten investments. Assets directly held by Deutsche Beteiligungs AG and managed for third parties totalled 800 million euros (previous year: 767 million euros) at the reporting date.

Assets under management *

€mn	**31 Oct. 2011**	31 Oct. 2010
Deutsche Beteiligungs AG Group	239	274
DBG Fonds I and DBG Fonds III	20	23
DBAG Fund IV	108	154
DBAG Fund V	291	316
DBAG Expansion Capital Fund	142	-
Total assets under management	**800**	**767**

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

Development of investments in 2010/2011

Our portfolio companies developed along different lines this past year. Like most companies in Germany, they started the year confidently and drew up budgets that – in part, significantly – topped those of the preceding year. The natural disaster in Japan in March 2011 put a first damper on expectations. During the course of the year, the fiscal deficit crisis in Europe evoked fears of a second banking crisis and of the global economy heading into another recession. Thus, not all 2011 budgets were achieved. Nevertheless, most portfolio companies had forecast that 2011 revenues and earnings would exceed those of the preceding year. Irrespective of the many negative headlines in the news, our portfolio companies are looking ahead to 2012 with cautious optimism: they based their plannings with a view to "slowdown of growth, yes – recession, no".

Clyde Bergemann Group

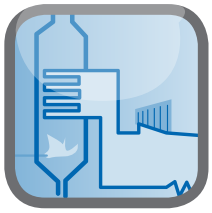
Wesel, Germany; Glasgow, UK; Delaware, USA

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

Corporate data

2010/2011 Revenue	US$422.6 mn
2009/2010 Revenue	US$468.8 mn
2008/2009 Revenue	US$493.0 mn
Investment	€9.2 mn
Equity share Deutsche Beteiligungs AG	17.8 %
Equity share co-investment funds	45.1 %
First invested	May 2005

www.clydebergemann.de



Serving cleaner, more efficient energy generation: The companies of the Clyde Bergemann Group develop and manufacture components largely for coal-fired power plants worldwide. These products warrant efficient and safe operations and contribute towards clean, emission-reduced energy generation. The group employs a staff of some 1,550; its international operations extend to 30 companies on five continents. Clyde Bergemann 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, sales and service sites in all major market regions.

Among the key products in its largest business line, "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. These soot blowers are used to clear utility boilers of fouling and slag while the plant is in operation. Its business line "Materials Handling", which accounts for approximately 30 percent of revenues, primarily provides ash handling systems; they serve to transport and beneficiate ash in power plants. Its business line "Air Pollution Control" manufactures waste-air cleaning systems that reduce pollution in power plants. The company's business line "Energy Recovery" provides heat exchanger systems for energy recovery and greater efficiency in power plants. Some ten percent of revenues are now generated by components used in gas power plants.

Since we entered into this investment, Clyde Bergemann has acquired nine companies, each with its own product and services portfolio. This strategy created opportunities in a number of ways: the company is able to offer customers an expanded product range, and several of the acquired companies also gave Clyde Bergemann access to new geographical markets. In turn, the acquired companies are able to take advantage of Clyde Bergemann's global sales and service network.

Globalisation of market presence

Clyde Bergemann exhibited stability in 2010 and completed the 2010/2011 financial year (1 March to 28 February) posting earnings that were moderately above those of the previous year, despite lower revenues. The company's debt also decreased, as scheduled. The decline in revenues was due to lower new business sales: in the US, power plant operators were still waiting for clear environmental legislation and meanwhile exhibited restraint in making capital expenditures. Earnings were maintained through growth in the high-margin replacement parts and service business. In Europe, projects were also postponed in 2010/2011 due to insufficient availability of funding. Clyde Bergemann took another step in globalising its market presence by setting up a new assembly plant in India and additional sales offices in Indonesia and Colombia.

Clyde Bergemann will complete the 2011/2012 financial year recording a rise in revenues. Order intake has developed very satisfactorily and will also exceed the 2010/2011 level, which thereby lays a solid foundation for both revenue and earnings growth in financial year 2012/2013.

Coperion GmbH

Stuttgart, Germany

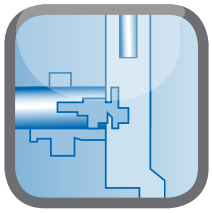
A developer and manufacturer of compounding systems and bulk-materials handling equipment

www.coperion.com

Corporate data

2011 Revenue (tentative)	€438.1 mn
2010 Revenue	€345.4mn
2009 Revenue	€396.4 mn
Investment	€10.4 mn
Equity share Deutsche Beteiligungs AG	18.8 %
Equity share co-investment funds	78.0 %
First invested	July 2007

Global market leader in specialised machine construction, page 16/17



Machines and plants for growth industries: The companies of the Coperion Group develop, manufacture and market machines as well as complete 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 Coperion's product portfolio, 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 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. Products that are processed mainly relate to plastics, but also include coatings, adhesives, chocolate, chewing gum and sealing compounds. Another core area are technologies for conveying bulk materials in powder and granular form ("Materials 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.

In 2011, Coperion continued the uptrend that began in 2010. Revenues exceeded those of the previous year. The same applies to earnings, even though many orders that were filled stemmed from the crisis years of 2009/2010 and tended to be low-margin. The company also reduced its debt. Coperion benefited once again from its excellent market position: thanks to its extensive installed base of machines and plants, Coperion's service business prospered. Coperion today employs a staff of more than 250 at 28 service centres worldwide. Its most recent service centre opened in Saudi Arabia in 2011 by way of a joint venture company. Coperion successfully launched a new product line in standard compounders that offers significantly higher output at lower operating costs. The company also profited from the ongoing market recovery. Demand in 2010 for Coperion's machines and plants primarily came from the plastic manufacturing industry in Asia and the Middle East, whereas many orders in 2011 were placed by the internationally operating plastics processing industry – a trend triggered by robust growth in a number of customer markets, such as the automotive industry or consumer goods manufacturers.

Coperion employs a staff of almost 1,880, of whom 1,100 work at two locations in Germany. Further production and product development sites are domiciled in China (two), the US and India.

For 2012, Coperion expects another year of revenue and earnings growth. The company plans to enhance its competitive standing by introducing new service products and expects to profit from a further improvement in its workflows. Coperion is currently investing strongly in modernising the production processes and plants at its Stuttgart site. These efforts temporarily led to higher costs, but will drive profitability in the future. The contracts won in 2011 feature improved margins versus those of the previous year.

Capital expenditures aimed at strengthening competitive position

Coveright Surfaces Holding GmbH

Essen, Germany

A producer of surfacing materials

www.coveright.com

Corporate data

2011 Revenue (tentative)	€154.1 mn
2010 Revenue	€204.2 mn
2009 Revenue	€204.3 mn
Investment	€6.8mn
Equity share Deutsche Beteiligungs AG	16.8 %
Equity share co-investment funds	42.5 %
First invested	June 2003

Coveright covers everything: Coveright Surfaces (Coveright) is a manufacturer of impregnated films and foils used to produce decorative surfaces, for instance, on furniture and laminate floorings. 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. Since 2009, a number of subsidiaries have been divested, including, in 2011, its European sites in Spain (Martorelles) and Germany (Schöppenstedt). The company's current geographical focus is on North and South America. Coveright is the undisputed market leader in North America. Its remaining production sites are located in Brazil, Canada and the US.

Coveright did not reach its trading objectives in 2011. Revenue and operating income were below the previous year's level, even when adjusted for the divestment of subsidiaries. The persistent weakness of the American construction sector, particularly in the second half of the year, had negative implications and led to lower demand. In addition to price hikes for materials, exchange rate effects also weighed on margins. In Brazil, Coveright's production continued to run to capacity in 2011. Debt was reduced, due partially to the divestment of entities.

Improved conditions for earnings

For 2012, Coveright expects more favourable underlying conditions in North America and, consequently, an improved earnings situation.

FDG Group

(France Distribution Gestion) Orly, France

A service provider to the retail trade

Corporate data

2011 Revenue (tentative)	€110.0 mn
2010 Revenue	€112.4 mn
2009 Revenue	€111.3 mn
Investment	€4.9 mn
Equity share Deutsche Beteiligungs AG	15.5 %
Equity share co-investment funds	64.1 %
First invested	June 2010

www.fdg.fr

Rack jobbing for successful mass retail chains: FDG Group, a service provider to retailers, operates in category management and supplies non-food product lines to hypermarkets and supermarkets, primarily in France. These categories are not a part of the core assortment of these markets and their design requires specialised knowledge. They include haberdashery (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 range 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 large supermarkets in France and serves some 8,000 points of sale. Its range comprises 12,000 different products, with about 75 million items sold annually. Measured by revenues, FDG is the No. 2 in the French market. Nearly ten percent of revenues are generated in neighbouring countries, including Germany. The company employs a staff of 750 at 15 locations in France.

2011 was a successful year for FDG. Revenues remained stable, despite a weak consumer climate in France with its impact on demand. Earnings registered a very satisfactory improvement – the greater integration of what originally was a very decentralised group has produced first results. FDG also reduced its debt.

FDG's business is susceptible only to a minor extent to cyclical swings. And: it continually generates a stable stream of positive cash flows. We consider FDG as a platform for growth – both organically and through acquisitions – particularly in neighbouring countries such as Germany. Its strong position in the French marketplace and long years of experience as a service provider to the retail trade create an excellent fundament for expansion. FDG also wants to grow by extending the range to include additional product lines. In 2011, FDG acquired a smaller stationery dealer in France whose products will now broaden the portfolio. Further acquisitions in France and neighbouring European countries are currently being arranged. FDG also succeeded in winning an important new client in France, thereby expanding the network of stores it serves.

Further acquisitions

FDG's management expects its business to make good progress and plans to complete further acquisitions in 2012.

Grohmann GmbH

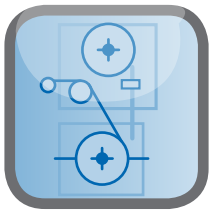
Prüm, Germany

A developer and manufacturer of plants for industrial automation

www.grohmann.com

Corporate data

2011 Revenue (tentative)	€87.0 mn
2010 Revenue	€72.3 mn
2009 Revenue	€58.8 mn
Investment	€2.1 mn
Equity share Deutsche Beteiligungs AG	25.1 %
First invested	December 1996



Manufacturing technologies for the future: Grohmann develops, produces and globally markets automated plants for the manufacture of sophisticated products, among others, for the semi-conductor, electronics and automotive industries as well as biological and medical technology. Grohmann is a technology leader in industrial automation. The company employs a staff of approximately 650.

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 batteries used in electromobility, circuit boards or analytical devices for laboratory robots. 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.

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.

Grohmann has grown significantly in recent years. 2011 revenues exceed those recorded in 2005 by some 40 million euros – equating to an annual increase of more than ten percent. The company completed 2011 with a record high in orders. Revenues and earnings were clearly ahead of last year's level and also topped budgetary estimates. Grohmann made sizeable capital expenditures to expand capacities this past year.

Grohmann has slated another year of growth for 2012. Its expectations are founded, among other things, on the trend towards electromobility; Grohmann provides plants that are needed to manufacture batteries and other components.

Growth driven by electromobility

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

2011 Revenue [1]	~ €750.0 mn
2010 Revenue	€717.7 mn
2009 Revenue	€524.1 mn
Investment	€21.4 mn
Equity share Deutsche Beteiligungs AG	16.8 %
Equity share co-investment funds	16.3 %
First invested	January 1997/ February 2007

[1] Based on the company's forecast in November 2011

www.homag-group.de

A one-stop shop: As the leading global producer of woodworking machines and plants, Homag provides stand-alone machines for carpenters' shops as well as highly complex industrial plants for the furniture industry. The company boasts a market share of more than 28 percent and is present in more than 100 countries worldwide. The customers for Homag's machines and complete lines come from the furniture, building supplies and timber-frame home construction industries. Homag has a staff of some 5,150 (30 September 2011) located at seven production and assembly sites and its sales offices, of which more than 1,150 work outside Germany. The company was founded in 1960, and the majority

Leading the market through innovation and productivity, page 26/27

was originally family-owned. In February 2007, we increased our existing investment, which we had held since 1997, and our co-investment funds also acquired interests. 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 2011.

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 that is becoming increasingly significant for revenue and earnings complements Homag's product range. Its key markets are Germany and the other EU countries (over 55 percent of revenues) and, to a growing extent, emerging markets. In 2010, Homag generated about one-fourth of its revenues in the BRIC countries, which compares with 13 percent in 2007. 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.

2011 was a year of change for Homag, both in the management team and in its structure. In April, a new CFO joined the company, and in July a new Chairman of the Board of Management. In autumn, the company decided to adapt changes to the group structure. Three smaller subsidiaries are to be closed down either completely or partially, or tied into a larger entity. These moves will improve earnings in the mid-term, i.e. beginning in 2013, but in 2011 they led to extraordinary charges of some 20 million euros for site relocations and job realignments. By concentrating production to only a few sites in Germany, Homag intends to improve efficiency and strengthen its earning power.

Homag had a promising start to 2011. In the first three quarters, revenues and order intake exceeded the previous year's level. Ligna, the key trade fair and global market sentiment indicator, was a successful event for Homag. Once again, Homag was the largest exhibitor at this fair and solicited more orders than in its record year of 2007. However, Homag's business is an early cyclical segment in mechanical engineering and, in the third quarter, it felt first signs of the global economy possibly cooling off. Third-quarter order intake in 2011 did not reach the level achieved in the same quarter the previous year. However, Homag's profitability improved after management had put a cost-cutting programme in place towards mid-year that quickly took effect. For the complete year of 2011, Homag's management expects revenues to rise at least in the mid single-digit percentage range compared with 2010; order intake is also forecast to grow moderately. According to management, the operating result (EBITDA) in 2011 will be level with the previous year. [2)]

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

For 2012, Homag has targeted stable revenues, stable incoming orders and an operating performance which – adjusted for a special effect from a large-scale project – is approximately in line with the prior year.

Previous year's level to be maintained

ICTS Europe Holdings B.V.

Amsterdam, Netherlands

A provider of security services for airports and airlines

Corporate data

2011 Revenue (tentative)	€339.0 mn
2010 Revenue	€335.7 mn
2009 Revenue	€325.4 mn
Investment	€8.0 mn
Equity share Deutsche Beteiligungs AG	17.5 %
Equity share co-investment funds	72.6 %
First invested	April 2008

www.ictseurope.com

It's not easy to get past ICTS: The company provides security services to the civil aviation sector (airports, airlines, air cargo) and develops software solutions for security-related applications for airports and airlines. Other 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 (1,500 of whom are located in Germany), but its resources in providing these services also include specially trained sniffer dogs and, increasingly, IT-based security products. Deutsche Beteiligungs AG and its co-investment fund structured the management buyout of ICTS Europe Holdings B.V. in April 2008.

In 2010, the aviation industry recorded significant growth, whereas the sector stagnated in 2011. Earnings margins were below long-term averages. During the year, expectations by airlines, airport operators and the aviation services sector increasingly diminished. Concurrently, price competition grew more intense. Performance in this sector tends to move parallel to general economic growth, and this has tempered prospects in several neighbouring European countries lately.

Given these underlying conditions, ICTS did not reach its 2011 budget. Earnings, in particular, were below expectations and also fell short of the previous year's mark. New business made slower progress than anticipated. To improve the company's structure, the maritime security services business, which entailed highly individualised and, in part, very complex projects, was ended in the third quarter of 2011.

ICTS Europe has gained a good market position as a high-quality 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. In an environment that continues to be challenging, ICTS plans to achieve revenues and earnings in 2012 that exceed those of the disappointing results of the previous year.

Preh GmbH

Bad Neustadt an der Saale, Germany

A developer and manufacturer of sophisticated driver operating and control elements

www.preh.de

Corporate data

2011 Revenue (tentative)	€408.0 mn
2010 Revenue	€350.9 mn
2009 Revenue	€248.8 mn
Investment	€0.6 mn
Equity share Deutsche Beteiligungs AG	4.3 %
Equity share co-investment funds	10.8 %
First invested	November 2003

Electronic innovations for the automotive industry, page 48/49

Two-step realisation: In 2010/2011, three-quarters of the original investment in Preh was divested to Ningbo Joyson Investment Holding Co., Ltd., a private automotive supplier headquartered in Ningbo, China. The Joyson group now holds 74.9 percent of the shares. However, Deutsche Beteiligungs AG, its co-investment funds and other investors as well as Preh's management remain invested with a 25.1 percent interest; a put option exists for these shares which is exercisable in January 2013.

Preh develops and produces operating and control elements for the automotive industry that cleverly 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 in cars. 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 active steering or the electronic fuel pump. In 2010, Preh won a contract for a battery control unit that paves the way to the electromobility business, opening up another growth category for Preh. 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 2,700 located at two German and five international sites.

2011 was another very successful year for Preh. Revenue and earnings exceeded the previous year's excellent results as well as its ambitious budget. The company profited from a strong market trend, driven by foreign demand for German cars. Preh has also grown internationally. Contributors towards that were the company's sites in Mexico and Romania, both of which were considerably expanded in 2011.

The change in ownership was the key event in 2011. It rounds out the internationalisation strategy Preh has pursued since Deutsche Beteiligungs AG and its co-investment fund entered into the investment in 2003: in 2005, a site set up in Mexico gained Preh access to the North American market; a factory in Romania followed in 2009, establishing an eastern European foothold; finally, in 2010, Preh co-founded a joint venture in China with Ningbo Joyson. This partnership has now culminated in a technology company that will conduct the global automotive electronics activities of Joyson and Preh from its original base in Bad Neustadt. Preh wants to exploit the market potential of both companies in Europe, North America and especially in Asia to an even greater extent.

In September 2011, Joyson and Preh commissioned a production site in Ningbo from where first orders are currently being filled for the Chinese market. Preh invested in a new training centre at the Bad Neustadt site, and the company is also reviewing other significant capital expenditures at its head office location.

During the time of our investment, Preh's revenues climbed from 225 million euros (2003) to 408 million euros (2011) – despite the 2009 crisis in the automotive industry and despite the disinvestment of peripheral businesses that had accounted for a quarter of total revenues in 2003. Over our past investment period, the staff grew by 47 percent. Preh has consistently extended its position as a development partner to carmakers. For instance, Preh has been providing the central driver control units, now in their third model generation, for major Audi and BMW models – these are components that distinguish carmakers, and therefore particular importance is attached to them.

Preh's 2012 budget is slated for continued sales growth in Asia as well as higher revenues in climate control and driver control units. Total revenues and earnings are forecast to rise substantially compared with the preceding year.

Substantial growth also forecast for 2012

Romaco Group

Karlsruhe, Germany

A developer and manufacturer of machines and complete lines for packaging and processing applications

www.romaco.com

Corporate data

2010/2011 Revenue	€93.4 mn
2009/2010 Revenue	€79.3 mn
2008/2009 Revenue	€83.0 mn
Investment	€7.7 mn
Equity share Deutsche Beteiligungs AG *	18.7 %
Equity share co-investment funds *	77.3 %
First invested	April 2011

* Management co-investment being implemented

Cutting-edge engineering, page 114/115

High-end pharmaceutical packaging machines: The Romaco Group develops and manufactures machines and complete lines for packaging and processing applications. The group's products can be categorised into two segments: the first is filling, dosing and packaging machines and lines for the pharmaceutical and cosmetic industries. Romaco focuses on technically sophisticated flexible machines for medium-batch production environments, which are currently benefiting from the strong global expansion of generic drug producers and contract packers (a company that packages drugs for other pharmaceutical producers). These include machines that blister-pack tablets and capsules, cartoning equipment that packs blisters and other products into cartons and cases, as well as machines for sterile filling solutions for solids and liquids. Romaco's process technology business (its second, smaller segment) provides machines and complete processing lines for the food and cosmetics industries and for the health-care sector. These encompass vacuum processing lines and mills used in the production of pasty edibles (mustard, mayonnaise) as well as ointments, eye drops, gels, suspensions and creams. The group employs a staff of 400 at three locations (its headquarters in Karlsruhe, Germany; in Rheinfelden, Switzerland; and in Bologna, Italy). Additionally, there are sales and service partners working for the group in more than 130 countries worldwide.

Packaging machines are one of the most attractive and strongly growing segments in Germany's mechanical engineering sector. Romaco is well poised in this segment. With its packaging machines, Romaco is benefiting from the growth drivers in the pharmaceutical market – for instance, an ageing population in industrialised nations and an increasing need for pharmaceuticals in emerging countries. The company is also profiting from the changes in the production of pharmaceuticals. As patents for many high-volume products ("blockbusters") expire, new, smaller production sites for these drugs will be set up at many locations the world over in the coming years. Romaco manufactures the machines that flexibly adapt to these production environments.

Parallel to increasing revenues, the company intends to improve profitability and contribute to its value growth, for instance, by investing in the expansion of its service business. The objective is to further boost the group's internationalisation, based on its benchmark technologies. The focus will be, among other things, on enhancing its application knowledge, enlarging the sales network and developing machines for the production of drugs in new dosage forms, for example, aseptic filling lines for liquids such as vaccines. Growth will be organic, but will also include complementary add-on acquisitions.

Internationalisation in growth markets

In financial year 2010/2011 (1 September to 31 August), Romaco achieved gains in revenues, earnings, margin, order intake and orders on hand. The development of the group's service business is particularly gratifying. It rests on an installed base of more than 24,000 Romaco machines in over 130 countries worldwide.

For the current 2011/2012 financial year, Romaco has targeted further revenue and earnings growth. The company also intends to expand its replacement parts and service business and invest in its sales network. Furthermore, acquisition opportunities to broaden the product range are currently being reviewed.

Electronic innovations for the automotive industry

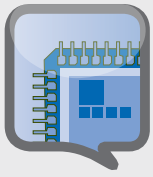
Preh

Bad Neustadt, Germany

When it comes to developing and producing intelligent electronics and software for cars, Preh is the specialist to turn to. With more than 90 years of experience, the globally operating group is an important innovation partner to its customers.

Growth record 2003-2010

Market entry in North America + Expansion into Eastern Europe and Asia + Focus on automotive business



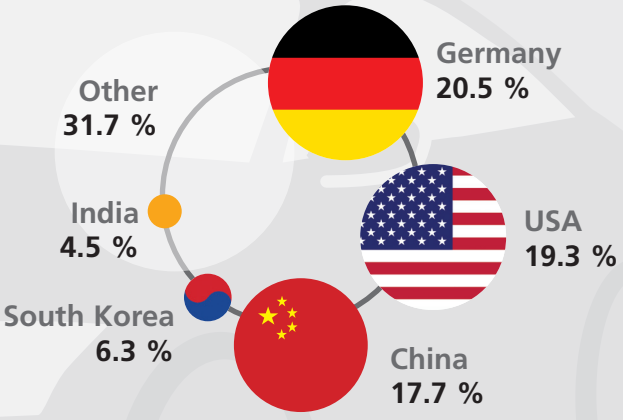
+ Capital expenditures in new technologies = **11.6 %** Annual revenue growth

Next growth phase

New alliance: Since Joyson Automotive acquired a majority interest, global automotive electronics activities are managed and developed from Preh's base in Bad Neustadt.

- **Access to Chinese market**
- **Further investments in worldwide growth**
- **Ideal interplay of expertise, capital and market access**
- **Expansion of German site through global growth**

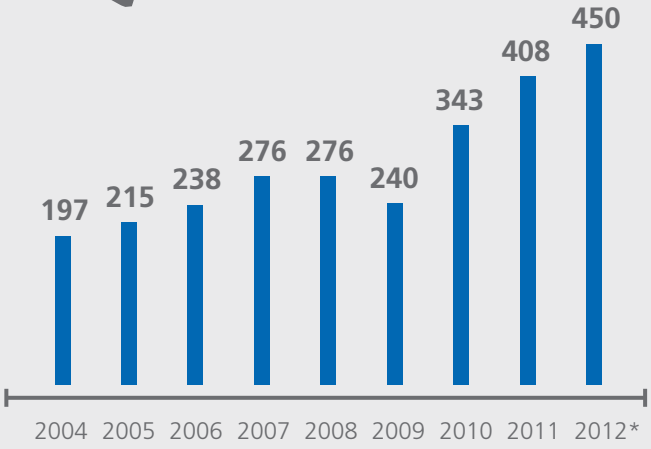
In value terms, Germany is the **world's export champion** in cars



Source: Federal Statistical Office, VDA

Above-average **growth**

Revenues in automotive segment
€mn



* Budget

Trends in the automotive industry

Growth at German premium carmakers

	New cars sold 2011	Change vs. prev. year %
Audi	1,303	19.2
BMW (BMW, Mini, Rolls-Royce)	1,670	14.2
Daimler (Mercedes-Benz, Smart)	1,363	7.7
Porsche	119	22.2

Management's report

Deutsche Beteiligungs AG (DBAG) ended the 2010/2011 financial year posting negative net income of 16.6 million euros. The good progress that most of the portfolio companies made and two profitable realisations were not mirrored in a similarly positive net result of valuation and disposal: the positive effect from the portfolio's performance and the two exits was more than offset by the downbeat sentiment in the stock markets – reflected in lower valuation ratios.

The acquisition of the Romaco Group added an attractive investment to the portfolio in the financial year; work on other transactions had progressed to the point where a further management buyout was agreed in the first weeks of the new financial year. The final close held for a new co-investment fund – focused on providing expansion financings alongside DBAG – broadens the capital base for investments in Germany's "Mittelstand", while also generating higher fee income from fund management services.

The Group and underlying conditions

Structure and business activity

Positioning: Listed private equity company

Deutsche Beteiligungs AG (DBAG) is a publicly listed private equity firm domiciled in Frankfurt am Main. It provides equity or equity-like financial instruments predominantly to non-quoted companies ("private equity"). Its portfolio companies are primarily headquartered in Germany.

Portfolio overview on front cover and list of subsidiaries and associates on page 154/155

DBAG has been listed on the Frankfurt Stock Exchange since 1985. It is traded in the Prime Standard market segment and is, among other things, a constituent of the S-Dax (national) as well as LPX Direct and LPX Europe (international). In addition to the main stock exchange in Frankfurt, DBAG shares are also traded on the other six German exchanges. A stock market listing provides unique features for a private equity company. It enables shareholders to invest (i.e. fungible and with a minimum capital requirement) indirectly in a portfolio of unquoted companies.

Share profile, page 23

A four-member Board of Management manages the DBAG Group. All staff are employed by Deutsche Beteiligungs AG; they are located at the Company's headquarters in Frankfurt am Main. The Board of Management is responsible for conducting the Company's business, which is aimed at augmenting the value of the Company.

The Company's Supervisory Board consists of six individuals; its members are exclusively shareholders' representatives. The Supervisory Board advises the Board of Management, oversees its managerial activities and regularly discusses substantial issues with the Board of Management. In addition to current trading performance, these issues include corporate planning, the strategy, opportunities, risk exposure and 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 between the Board of Management and the Supervisory Board and on the corporate governance practised at Deutsche Beteiligungs AG are discussed in this Annual Report in the Report of the Supervisory Board and in the Corporate Governance Report.

www.deutsche-beteiligung.de/en/cg

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 financial year are presented in the Notes to the consolidated financial statements on pages 122ff.

Business activity: Investment in industrial and services companies for a limited period of time

Investment criteria, pages 56 to 58

Deutsche Beteiligungs AG invests in healthy companies with good prospects for development for a limited period of time – usually between four and seven years. The value growth that was created during DBAG's holding period is realised at their ultimate disinvestment – to a strategic investor, a new financial investor or to family owners by way of repurchasing the interests. In appropriate cases, DBAG will lead a portfolio company to an initial public offering.

The investment performance of Deutsche Beteiligungs AG is, first and foremost, based on tried and tested private equity work methods. These include

- an in-depth due-diligence process prior to making an investment,
- supporting the portfolio companies' managements in implementing their corporate concepts by taking offices on advisory councils and supervisory boards, and
- a well-structured disinvestment process in respect of exit channels and timing.

DBAG has been operating successfully in this line of business for more than four decades. Since the founding of its predecessor firms, DBAG has invested in over 300 companies. The experience we gained over this period of time provides the foundation for the Company's stability on which it can build even in challenging years. DBAG is very familiar with key industrial sectors in Germany and neighbouring German-speaking countries. These sectors will retain their significance in the future.

Business model: Value enhancement of investments in companies

Deutsche Beteiligungs AG invests alongside its **co-investment funds** in companies by way of majority or minority investments. Majority investments are principally structured as **management buyouts** (MBOs): to acquire a majority interest in a target company, DBAG and the management team of that company will invest equity. Additionally, leverage will also be employed. In making **expansion financings** DBAG and a co-investment fund will primarily provide equity. This occurs by way of a minority investment, for example, through a capital increase. In both instances, the members of DBAG's investment team also co-invest.

The funds that co-invest alongside DBAG bundle the resources of other German and international organisations. These organisations – pension funds, funds of funds, banks, foundations, insurance companies or family offices – generally do not make direct investments in our target market themselves.

The funds invest alongside DBAG on the same terms in the same investee businesses and in the same instruments. Disinvestments are transacted at the ratio fixed at the time of the acquisition. For DBAG Fund V, whose investment period began in February 2007 and which is to extend to February 2013, the ratio is one (Deutsche Beteiligungs AG) to four (DBAG Fund V) and for DBAG Expansion Capital Fund one (Deutsche Beteiligungs AG) to 1.42.

Co-investment funds have independent decision-taking structures and operate on their own account. Co-investment funds pay profit priority shares to a subsidiary of Deutsche Beteiligungs AG for accessing investment opportunities and managing their investments. DBAG is entitled to nearly all of the subsidiary's profits, which serve to cover a large part of its operating costs. The amount of profit priority shares 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 non-impaired investments remaining in the fund's portfolio. Currently, DBAG Fund V and the new DBAG Expansion Capital Fund invest alongside Deutsche Beteiligungs AG. Additionally, Deutsche Beteiligungs AG still manages investments held by DBAG Fund IV, DBG Fonds III and DBG Fonds I.

Besides partially covering the operating costs, investing alongside co-investment funds has a number of other important advantages for the Company and, consequently, its shareholders. The assets of co-investment funds create a much larger capital base, which enables investing in larger companies and diversifying the portfolio more broadly.

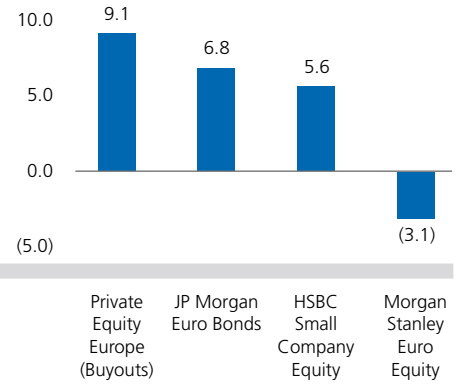
Details on funds, page 145

Our track record confirms that MBOs present an attractive reward-risk profile: jointly with its co-investment funds DBG Fonds III, DBAG Fund IV and DBAG Fund V, DBAG sponsored 24 MBOs in Germany and Austria since 1997. Of these investments, 17 have been realised completely or for the most part. Based on the realisations and the value of the current investments in the portfolio, these 24 MBOs have generated a multiple of 2.2x the invested capital.

Expansion capital investments also have an attractive reward-risk profile: these investments frequently generate returns during the holding period through profit distributions or interest payments and involve lower risk. Accordingly, return targets are generally lower than those for MBOs.

Our business model gives shareholders access through the stock exchange to the attractive asset class of private equity. This asset class is usually not open 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 closed-end funds. Private equity investments have generated superior returns in the past compared with those of most other traditional asset classes. This holds particularly true for strategies targeted at investments in sound, mature businesses. [1)]

Performance of various asset classes (2001-2010) %



[1)] 2010 Pan-European Private Equity Performance Benchmarks Study, European Private Equity & Venture Capital Association (EVCA), Brussels, June 2011, page 18. The chart shows the performance of different asset classes over a ten-year period from 2001 to 2010, 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.

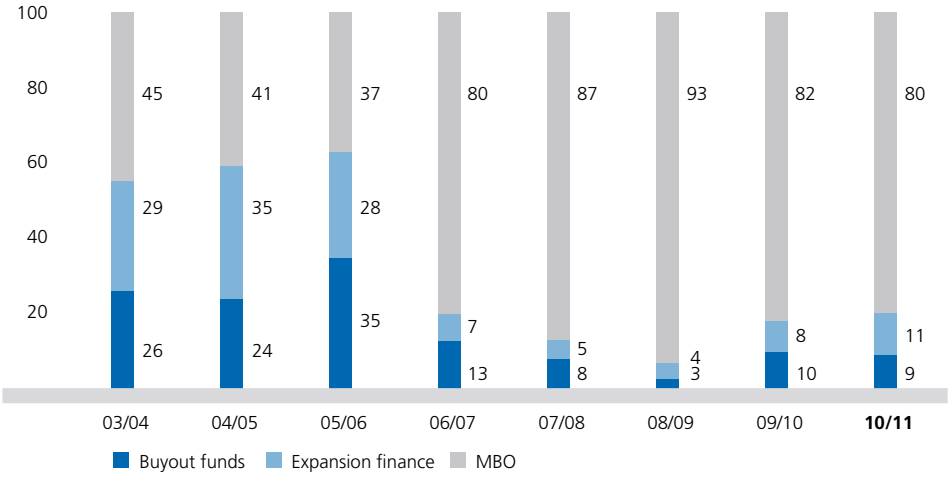
Details on the portfolio, pages 80/81

Portfolio profile: MBOs and expansion financings predominate

Over the past ten years, Deutsche Beteiligungs AG invested exclusively in MBOs. This evolved from a market environment in which expansion capital investments by private equity companies were no longer competitive compared with other sources. Thus, the largest part of the portfolio [2], or 80.5 percent, is attributable to a total of ten investments in management buyouts. There were only three expansion capital investments remaining in the portfolio at the end of the reporting period. They accounted for 10.8 percent of the portfolio value. Another 8.7 percent fall to the three remaining investments in international buyout funds – older investments that will gradually be liquidated following the final realisations from the portfolios of these funds.

Portfolio profile by investment type

%



The change in market conditions prompted us to expand our investment approach and – as we did until the late 1990s – again make minority investments by providing expansion finance. Among these are investments in family-run businesses wanting to retain control of their companies.

The expansion capital investments shown on the chart relate to older investments that were entered into before focusing on MBOs in 2001. Since DBAG resumed expansion financings in 2010/2011, no investments have yet been made.

[2] All disclosures in this Management's report concerning the composition of the "portfolio" (also referred to as "portfolio value") relate to financial assets less shelf companies and companies the majority of which is attributable to minority interest; the portfolio value thus defined totals 87.5 million euros.

The **portfolio value** (the total value of MBOs, expansion capital investments and international buyout funds) amounted to 87.5 million euros at the end of the reporting period (previous year: 117.6 million euros).

Organisational structure: Large investment team

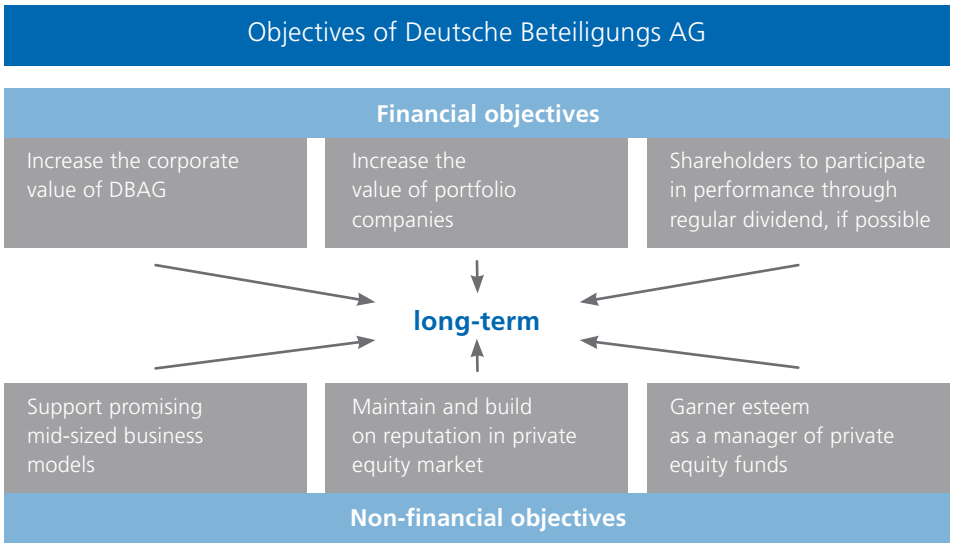
Due to the relatively small size of the Company – the number of staff in the DBAG Group totalled 53 at the reporting date – hierarchic structures are lean: in addition to the four-member Board of Management, a team of 16 investment managers works for the Group. This team has a broad skill set combined with multifaceted experience in the investment business. That makes us well equipped to structure even complex transactions.

A team of two to four individuals is generally responsible for completing a transaction, and, subsequently, for monitoring it. Each investment team is always supported by a member of the Board of Management.

Objectives and strategy

Objective: Augment the corporate value over the long-term by building the value of investments

The core **financial objective** of the activities of Deutsche Beteiligungs AG is to build the value of its investments in the mid- to long-term – meaning over a period of four to seven years – and to realise that value growth upon an investment's ultimate disposal.



Return on net asset value per share, pages 74/75

The value growth of the investment portfolio directly affects the corporate value of DBAG, hence, the target by which DBAG measures its performance: we aim to augment the value of Deutsche Beteiligungs AG on the long-term average by an amount that exceeds the cost of equity. [3)]

As is common in the private equity sector, the measure for our long-term performance is a period of ten years. Despite the loss in the reporting year, we exceeded that performance target on average over the last ten-year period (2001/2002 to 2010/2011) as we did in former comparative periods: the average return on net asset value – or equity – per share over these ten years is 11.2 percent. Over the last 15 years it is 15.4 percent and over 20 years 13.3 percent.

We intend to have our shareholders participate in the investment performance of Deutsche Beteiligungs AG by paying a regular dividend, if possible. Our dividend policy provides for a base dividend, which can be increased by a surplus dividend in years recording particularly high realisation proceeds (and, thus, sizeable cash inflows). The base dividend is geared to current money market rates and net asset value per share.

In addition to its earnings targets, DBAG also aims to ensure the stability of its portfolio companies. They should be positioned to maintain their stability beyond DBAG's investment period. In our opinion, the value of our investments at the time of their disposal will be particularly high, when prospects for their sustainable positive development are on a secure basis after we exit them.

Non-financial performance indicators, page 58

Besides its financial targets, Deutsche Beteiligungs AG also pursues a set of non-financial objectives. We attach great importance to a good reputation: we want to substantiate the confidence we have gained in the market and among investors over more than four decades by successfully supporting our portfolio companies. We therefore always aim to appropriately consider the interests of all stakeholders involved in an investment.

Strategy: Investments in market leaders in selected core sectors

Deutsche Beteiligungs AG primarily invests in **sectors**, in which we are particularly experienced. We call these industries our core sectors. They encompass mechanical engineering and plant construction, automotive suppliers, the industrial services and logistics sectors, as well as measurement and automation technology and specialty chemicals. Occasionally, however, we identify investment opportunities in other industries that meet our investment criteria.

[3)] Due to the nature of business activities, applying classical performance indicators such as EBIT or annual profitability is not very meaningful.

We consider a number of criteria when taking our investment decisions (see below). We principally examine whether the products and services of potential investee businesses address the future needs of changing economic and societal conditions. Our particular focus is on the following trends:

- efficient generation and utilisation of energy
- stewardship of natural resources
- the challenges of climate change
- growing mobility
- efforts to increase productivity and
- progressive industrialisation in emerging countries.

There are substantial opportunities for sustained growth for companies that address these issues or markets. We want to support the growth of our portfolio companies – with our assets, but also with our experience, our knowledge and our networks.

We centre on mid-sized companies. This means that our portfolio companies typically generate annual revenues of between 50 million euros and 500 million euros. Depending on the sector, size and earnings performance, the debt-free enterprise value of such companies will generally range from 50 million to 250 million euros. These ranges basically apply irrespective of the type of investment. Investments in smaller companies may also be feasible, if there is potential for significant growth. We also do not exclude larger transactions. If appropriate, we transact such investments together with other financial investors who pursue a similar investment strategy.

Geographically, we concentrate our investments largely on companies domiciled in German-speaking countries.

Portfolio composition: we endeavour to achieve a healthy diversification. That way, we avoid cluster risks and increase the probability of sharing in numerous growth opportunities. We may invest in companies operating in the same industry, but we take care that the companies serve different niche markets or operate in different geographical regions.

Many of our portfolio companies produce capital goods. The demand for these products is generally subject to stronger cyclical swings than the demand for consumer goods. We therefore consider the cyclicity of our portfolio companies' businesses when **structuring the financing** of our investments. For instance, we assure an appropriate equity-to-assets ratio when acquiring such investments.

Our strategy regarding **investment type** – MBO or expansion finance – is geared to prevailing market conditions. Having focused on MBOs over the past ten years, we have again been seeing more attractive opportunities for expansion capital investments since last year.

Investment criteria: Market leadership position and good prospects for growth and earnings

Deutsche Beteiligungs AG invests in established companies with a proven business model. This approach excludes investments in early-stage and small companies. The prime criteria for an investment are

- a prospective business model: the core business promises a high degree of stability.
- development potential: our portfolio companies should aim for growth – in revenues as well as earnings.
- a firm market position: our portfolio companies should be leaders in their competitive fields.
- a unique selling proposition: the product and service range, or key parts of it, should be difficult to substitute.

Moreover, our target companies should be run by seasoned managements, who are able to successfully implement the objectives that were mutually developed.

Most of our portfolio companies operate internationally. This applies both to the markets they supply and, increasingly, to their production sites.

Non-financial performance indicators

Track record: Market presence for more than four-and-a-half decades

Non-financial performance indicators are crucial for the success of our activities: for our acceptance as a partner in transactions, as a manager of equity capital funds, and as a partner to our investee companies. Our long years of market presence also set us apart from many competitors: DBAG has been investing in private equity for more than four decades – since 1965 in over 300 businesses. The experience gained over this long period has helped us time and again to successfully adapt our strategy to prevailing market conditions.

Through its stock market listing, Deutsche Beteiligungs AG possesses a special standing – both in the equity market and in the private equity environment. In the equity market, shareholders can participate in the investing activities of an experienced private equity company with a manageable capital commitment. And on the other hand, private equity investors benefit from the transparency which the stock market requires of us as a listed company.

Management team: Teamwork-based workflows and long years of service

We boast a highly qualified and experienced management team who are well attuned to each other. Nearly half of the members on our investment team has more than ten years of professional experience in the investment business – and therefore 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.

Network: Wide-ranging high-quality access to investment opportunities

A vital mainstay of the Company's sustained performance is the ability to identify and acquire new investee businesses. Over the years, Deutsche Beteiligungs AG has built a widespread network of relationships, enabling us to very precisely follow the developments in our business environment. It consists of banks, consultants, lawyers and a circle of experienced industrial experts. Partners from former transactions are also a part of the network. We cultivate this network through a regular dialogue, update and successively expand it.

In addition to participating in auctions, our premium network of relationships creates opportunities to directly access potential investments.

Access to capital: Established relationships to equity and debt providers

Our business model – equity investments from the Company's own sources and those of the co-investment funds – allows us to invest in companies on an attractive scale. Our record of success has earned us a high degree of confidence among equity and debt providers. The commitments we regularly receive to our co-investment funds are demonstrative of this – such as for the DBAG Expansion Capital Fund which we successfully raised this past summer.

We foster a regular dialogue with a number of reputed debt-financing banks. The constructive and close collaboration on many projects, even in difficult times, indicates that we are able to draw on a viable network on the lending side.

Sustainability indicators: Business models of portfolio companies to be geared to sustainable development

To us, non-financial performance indicators also extend to key indicators geared to sustainability (Sustainable Development Key Performance Indicators, SD-KPI) [4]. In selecting our investments, and as a part of the due diligence process, we review the degree to which candidates meet modern environmental, social and compliance standards. Our investment performance depends, not least, on whether our portfolio companies satisfy these standards: the investments we enter into need to be saleable in four to seven years at an attractive price. We have therefore chosen to exclusively invest in business models that, in our opinion, fulfil these criteria and exhibit sound long-term perspectives.

[4] Based on the MSCI/S&P Global Industry Classification Standard, Deutsche Beteiligungs AG was allocated to sector "7.2.3 Capital Markets".

In terms of sustainable business practices, Deutsche Beteiligungs AG also orientates its operating processes around the principles of sustainability. These are reflected in our extensive compliance with the requirements of good corporate governance, the efficacy of our opportunities and risk management, a stable personnel structure and long-term constructive interaction with the portfolio companies. These factors strengthen the confidence of market participants in our Company and thus underpin the success of our business.

Steering and control

Key performance mark: Return on invested capital

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 employ the capital asset pricing model (CAPM) to derive the cost of equity. This conforms to a recommendation by the Institut der Wirtschaftsprüfer (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 2011, this value was 2.97 percent. The market risk premium used was 5.5 percent, which is within the IDW-recommended spread of 4.5 to 5.5 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 methodological 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

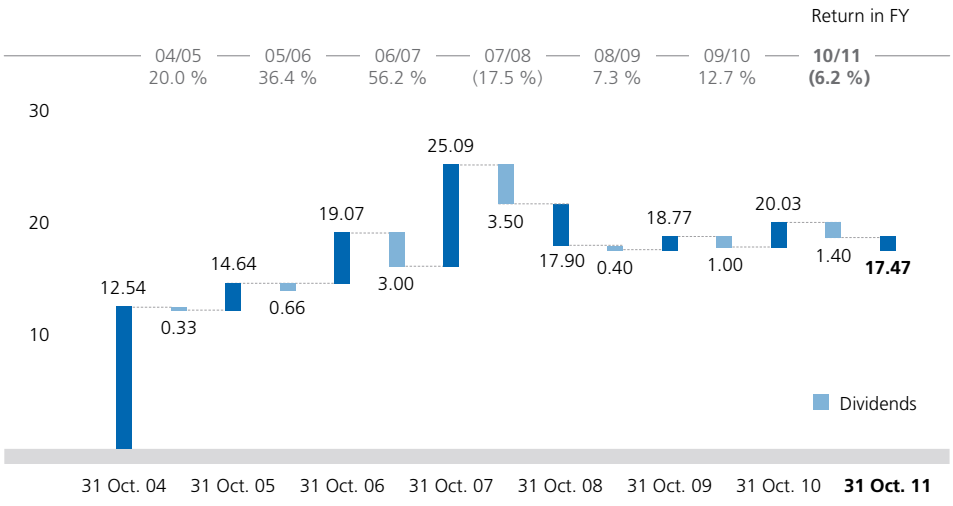
of the extremely sound financial situation compared with the total market – Deutsche Beteiligungs AG again had no bank debt and substantial cash funds at the close of financial year 2010/2011 – the adjusted beta of the shares is 0.8.

Inserting the three values in the CAPM formula results in equity costs of 7.4 percent for DBAG.

In the reporting year, the equity costs were not earned. Subsequent to a dividend payment of 1.40 euros per share in March 2011, net asset value fell from 18.63 euros to 17.47 euros per share. This equates to a decline of 6.2 percent. Over the past ten-year period (2001/2002 to 2010/2011) we have achieved an average return on net asset value per share after taxes of 11.2 percent; the spread ranged from -17.5 percent to 56.2 percent.

NAV (equity) per share

€



Controlling: Development of portfolio companies regularly assessed

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.

Valuation principles, page 82

Valuations may be subject to heavy fluctuations at short notice. The reasons are the portfolio companies' susceptibility to industry-related cycles and valuation ratios in the equity market. Short-term trends therefore ordinarily do not convey a true picture of the success of an investment. We will frequently only know whether a private equity investment can actually be termed successful after a number of years, upon its disposal. We have often valued companies below their historical cost

during a holding period, but ultimately sold them successfully with good returns. We therefore measure our performance by the average return on net asset value per share over longer periods of time, 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 at Group level is the medium-term performance of the portfolio or of an individual investment.

At the portfolio company level, classical indicators, however, play a direct role: when taking our decision to invest, we clearly define performance targets based on the business plans developed by the portfolio companies' managements – for instance, for revenues, profitability and debt. During the time of our investment, we valuate our portfolio companies at quarterly intervals based on their current financial metrics (e.g. EBITDA, EBIT and net debt). Based on monthly or quarterly reports, we closely follow the business trend in each portfolio company in a year-over-year and current budget comparison. We also consider other indicators, such as order intake and orders on hand.

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.

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

The members of the Board of Management are personally involved in the core processes of business operations at Deutsche Beteiligungs AG. They specifically take decisions that are relevant to the Group in conjunction with generating investment opportunities (deal flow) and with analysing (due diligence) or negotiating acquisitions and disinvestments (exits). Additionally, the Board members discuss key issues in weekly meetings with the investment managers involved in transactions or in supporting the portfolio companies.

Risk management, page 93

A key instrument in ensuring success is the risk management system. It addresses exposure to both operational risk and to risk inherent in the development of portfolio companies. The insight gained from the risk management system is discussed on a continual basis in the meetings on the state of the portfolio companies.

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: Own co-investment by members of investment team

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 at their own risk in the upside, and therefore possibly also in the downside, of the portfolio investments. With the launch of DBAG Fund IV, DBAG Fund V, and the DBAG Expansion Capital Fund, the managerial team committed to co-invest in the funds at their own risk. The co-investment by the managerial team amounts to one percent of the total equity investment for each transaction. 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.

The managerial team's investments are largely made through a partnership interest in the respective fund by the individuals concerned. This can result in a superior profit share arising from the funds' overall performance (carried interest).

Information based on IAS 24, page 143

Superior profit shares are only paid after the capital invested by Deutsche Beteiligungs AG or the investors in the co-investment fund have been repaid and a minimum return achieved. This minimum return is not determined for an individual investment, but for all investments within a specified investment period. Each investment period basically corresponds to the period defined as the "investment period" by the co-investment funds. The minimum return is 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: Board of Management committed to sustainable business policies

The corporate bodies of Deutsche Beteiligungs AG have committed themselves to responsible, transparent and sustainable value creation. Corporate principles and guidelines are as much a part of this as responsible working relationships.

By acknowledging most of the recommendations and the suggestions of the "German Corporate Governance Code" (the Code) (with one exception to each), 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/en/declaration. The Corporate Governance Statement and other statutory information on corporate governance are a part of the audited Group management report.

Corporate governance report and Declaration of Conformity, pages 11 to 13

People and compensation

Corporate culture: Identification and personal performance are characteristic attributes

Personal performance and a team-based work environment are key characteristics of our corporate culture. We set value on treating each other and our business partners with respect. In our daily work, we emphasise a high level of **professionalism** and productive processes. In doing so, we utilise our lean structures and short decision-taking routes.

The private equity business is an entrepreneurial workplace that requires a broad set of personal and professional skills as well as managing heavy workloads. Assignments within our organisation call for a high level of **identification** with the role. We endorse this through a culture of direct communication, lean reporting lines and team-based project organisation. We believe that early delegation of responsibility and authority is important for our performance.

At Deutsche Beteiligungs AG, we attach particular significance to fostering a corporate culture in which **loyalty** to each other and to the Company can prosper. A measure for this is the staff's years of service to the Company: investment managers and senior executives have been with DBAG for an average of more than ten years.

Enhancing skills: Regular targeted qualification programmes

Our performance thrives on the professional and personal skills of our people. The members on our investment teams need to identify the right investee businesses; they need to recognise the potential and motivate the managements of these investee businesses to tap that potential. Ultimately, they will need to steer the process of profitably exiting the investment. In addition to excellent management skills and sector knowledge, this calls for a good level of leadership and motivation qualities, communication skill and social competency.

80% of staff participate in training programmes

We regularly strive to develop both the professional and personal competencies of our staff. This past year again, 80 percent of the staff participated in further education and training programmes. In selecting the right programmes, we endeavour to match the training with personal development needs.

Staff profile: High degree of consistency through long years of service

At 31 October 2011, Deutsche Beteiligungs AG employed a staff of 53 (without the members of the Board of Management), an increase of two people compared with the previous year. 42 of our employees served full-time (23 women, 19 men) and five were engaged part-time. Six apprentices are currently qualifying for their future professions; this equates to an apprenticeship quota of eleven percent.

	2010/2011	2009/2010
Number of employees (without Board of Management)	**53**	**51**
thereof, full time	42	41
thereof, part time	5	5
thereof, apprentices	6	5
Personnel costs and social contributions in €mn	**9.4**	**8.1**

The average age is 41.5 years. More than half of the staff has a university degree, predominantly in the fields of law, economics and engineering science. Another 50 percent of the staff has completed apprenticeship programmes, mostly in the commercial and office administration areas.

It has already become something of a tradition for Deutsche Beteiligungs AG to sponsor young academics: during the reporting year, we offered 20 students (previous year: 10) an internship for a period of several months, allowing them to gain insight into the responsibilities of investment managers. We prefer to award the internship to students who are about to complete their studies. Deutsche Beteiligungs AG uses this instrument to present itself as an attractive employer.

Employee compensation: Incentivisation through variable components

The compensation system at Deutsche Beteiligungs AG is geared to endorsing performance and – in addition to a motivating work environment – offering a financial incentive to attract and retain key staff. The Company creates an opportunity for select staff to share in its annual performance. Its extent follows the practice in the private equity industry.

Compensation is composed of fixed and performance-related components, as well as components with long-term incentive effects. 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 investee businesses, 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.

Long-term incentives through profit-sharing schemes

As a listed company, DBAG makes use of the option of offering active and former employees an employee share purchase plan. In the reporting year, 64 percent of the staff took advantage of the offer (previous year: 60 percent).

Business review and portfolio

UNDERLYING CONDITIONS

Real economy: Industry largely remains optimistic, despite financial market uncertainty

The German economy presumably grew by 3.0 percent [5] in 2011. German companies profited from a number of factors: their industrial competence remains in demand in international markets; growth in markets such as China, India or Brazil – key markets for German industry – has not seriously diminished; and, additionally, domestic demand was strong.

Germany's real economy in 2011 therefore was initially able to decouple from the negative trend in the financial markets – at least until autumn. Then, however, the major trend indicators also began to fall (Ifo Business Climate Index, survey among European procurement managers, GfK Index of Consumer Sentiment).

Financial markets: Uncertainty continues to prevail

In 2011, the financial markets were in a clearly different state than the real economy. Beginning in early August 2011, stock market prices dropped worldwide. Banks again came under pressure: high writedowns on government bonds in the wake of the national debt crisis weighed on the equity of banks, which responded, among other things, by credit contraction. Since then, financings for new buyout transactions have become more difficult to substantiate.

The state of the financial markets has an influence both on the current development of the portfolio companies as well as on our investment activity and, consequently, on the mid- to long-term performance of DBAG. A restrictive lending policy impedes industry in making capital expenditures, and therefore impacts those portfolio companies that manufacture capital goods. Restrictive lending terms, on the other hand, enhance the attractiveness of our expansion financings.

Currency rates: US dollar at previous year's level after strong swings

Exchange rate swings also affect our business, both directly and indirectly: a – decreasing – part of the investments we entered into are denominated in US dollars (IFRS value at 31 October 2011: 21.6 million euros; previous year: 29.6 million euros), meaning that changes in exchange rates are directly reflected in the net result of valuation. Since the value of the euro against the US dollar barely changed between the two balance sheet dates (the euro gained one percent) despite strong fluctuations during the year, the effect on income was marginal.

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 this by, among other things, globalising their production base. In our estimation, a weaker US dollar is not to the benefit of our portfolio companies.

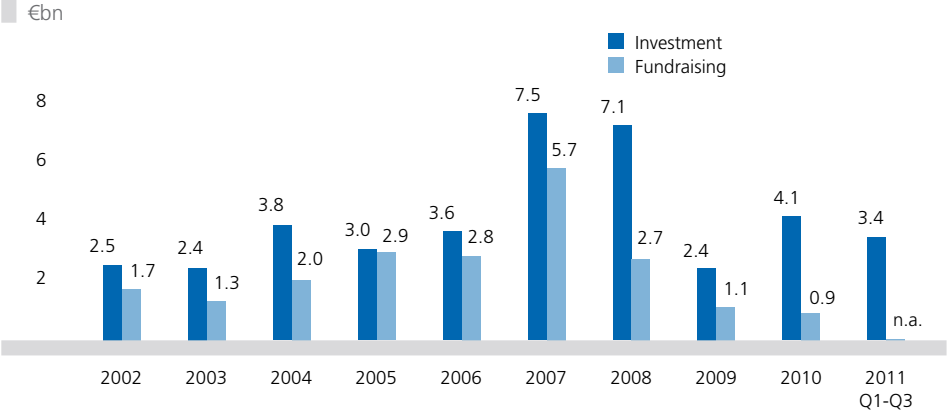
[5] German Council of Economic Experts: "Assume responsibility for Europe – Annual Report 2011/2012", November 2011, page 11

Private equity market in 2011: Good range of investment opportunities

Germany's private equity market was in good condition during extended periods of the 2010/2011 financial year: the transaction value rose and more deals were completed than in previous years. The strong growth in the economy led to a marked improvement in the financial metrics of companies up for sale or seeking expansion capital. This simplified negotiating private equity transactions. Investments in 2010, totalling 4.1 billion euros, were nearly 70 percent higher than those in 2009, yet still 45 percent below the 2007 level. [6] In 2011, some 3.4 billion euros had been invested in the nine months to 30 September. [7] However, private equity fundraising remained difficult. [8]

Investment in 2010: €4.1 bn

Investment and fundraising by German private equity companies



Not only was there a strong stream of investment opportunities, the demand for companies from the portfolios of financial investors was also brisk. With the economy growing strongly, trade buyers had adequate funds to finance expansion plans also by making complementary acquisitions. Investors from Asia are increasingly appearing as buyers on the European M&A stage. This contributed to intensifying competition, as did efforts by a number of financial investors to invest the capital committed to their funds before their investment periods expire. Overall, there were reports of comparatively high prices.

As for our business, we can affirm that the transaction opportunities we screened have again improved, both in quantity and quality. In financial year 2010/2011, we completed one transaction and submitted 17 bids in writing for investments (either for acquisitions of companies or for expansion financings). This is more than twice as many as in the preceding financial year. At the end of the reporting period, nine projects were in an advanced stage, i.e. we had submitted bids. One of these projects led to an agreement on the acquisition of a new portfolio investment in the first two months of the new financial year.

[6] Source: BVK data – The year 2010 in figures, Bundesverband deutscher Kapitalbeteiligungsgesellschaften/German Private Equity and Venture Capital Association (BVK), Berlin 2011, page 28

[7] Source: BVK data – Der deutsche Beteiligungsmarkt im 3. Quartal 2011, Bundesverband deutscher Kapitalbeteiligungsgesellschaften/German Private Equity and Venture Capital Association (BVK), Berlin 2011, page 10

[8] Source: BVK data – The year 2010 in figures, Bundesverband deutscher Kapitalbeteiligungsgesellschaften/German Private Equity and Venture Capital Association (BVK), Berlin 2011, page 26

Net income: Impacted by current conditions in equity markets

Deutsche Beteiligungs AG completed the 2010/2011 financial year posting negative net income of 16.6 million euros. The good performance which most of the portfolio companies delivered and the profitable realisations did not culminate in a positive net result of valuation and disposal: the positive effect that came from the investee businesses' trading performance was more than offset by the downbeat sentiment in the equity markets, which was reflected in lower valuation ratios.

Operating performance of portfolio companies: Varied, but positive overall

Investments, front cover and pages 34 to 47

Our portfolio companies generally performed well in 2010/2011. Most of them achieved revenues and earnings that exceeded those of the previous year and reduced debt. Among these companies was, for instance, FDG. A number of other companies – such as Grohmann and Preh – surpassed their budgets, despite the general turnaround in sentiment in the second half of 2011, and initiated capital expenditures to expand capacities. Supportive momentum came from the upbeat trend in Germany's automotive sector and persistent efforts in industry to augment productivity. JCK and Heim & Haus benefited from strong consumer demand in Germany.

Other indicators, such as order intake and orders on hand, also developed positively at first; later in the year, news emerged in some instances about postponed projects, fiercer price competition and slackening demand. ICTS had to cope with heavy competitive pressure among security providers, and Coveright felt the impact of weak construction activity in the US.

Due to the size of the investment, the performance of Homag Group AG has a particular influence on the Company's net income. The valuation of this investment is based on the price of Homag shares at the reporting date. Homag shares lost markedly over the financial year, falling by 45 percent to 8.48 euros per share. This alone accounted for a negative contribution to the net result of valuation and disposal of 18.5 million euros.

Changes to the portfolio: Profitable realisations and acquisitions

This past financial year, we profitably exited two investments and structured a new management buyout. Beyond that, portfolio companies disinvested individual business entities (Coveright) or expanded operations by add-on acquisitions (FDG).

In April 2011, we divested our interests in Heim & Haus Holding GmbH to the two managing co-shareowners, who had owned the company prior to our entry in 2006. The growth strategy we jointly agreed for Heim & Haus was successfully implemented, and we were able to commensurately realise the value growth that was created. The sales proceeds on this divestment were at an uplift to valuation at the preceding reporting date (31 October 2010) and therefore delivered a positive contribution to the net result of disposal.

That also applies to the other realisation this financial year. We invested in Preh GmbH in 2003. In May 2011, we divested three-fourths of our interests in this automotive supplier to Ningbo Joyson Investment Holding Co., Ltd., a private automotive supplier domiciled in Ningbo, China. The Joyson group now holds a 74.9 percent interest. Jointly with the other investors (co-investment funds and several investors in these funds) as well as Preh's management, we remain invested in Preh with an interest of 25.1 percent; a put option exists for these shares which is exercisable in January 2013.

New in the portfolio is our investment in the Romaco Group. Alongside our DBAG Fund V co-investment fund, we acquired the majority in the Romaco Group at the end of April 2011 from Robbins & Myers Inc., a listed US-based company. Romaco's management is now also co-invested in this mechanical engineering firm. By investing in Romaco, we invested in a very attractive and strongly growing segment in mechanical engineering: the company develops and manufactures machines and complete lines for packaging and processing applications.

Fundraising: New co-investment fund reached targeted size

In June 2011, we held a closing for a new co-investment fund. Alongside Deutsche Beteiligungs AG, the DBAG Expansion Capital Fund will make minority investments in mid-market companies seeking a financial investor to finance their growth. Investors have committed more than 142 million euros to this fund, reaching the size we had targeted at the start of the fundraising process in late summer 2010. In light of the environment, this can rightly be termed a success.

New capital commitments of €142 mn

The new fund enlarges DBAG's investor base. Almost 40 percent of the commitments to the DBAG Expansion Capital Fund stem from investors who have formerly not invested in one of DBAG's managed funds. The new fund will generate additional fee income for DBAG.

Shares: Disappointing price movement

The price movement of DBAG shares was unsatisfactory. Starting out at 20.79 euros, the share price dropped to 15.50 euros in the course of the financial year. This equates to a reduction of 25.4 percent. The price decline is relativised when adjusted for the distribution paid in March. A dividend of

0.40 euros per share and a surplus dividend of 1.00 euro per share were paid for financial year 2009/2010. The share price movement and dividend payment result in a value loss for DBAG shareholders of -21.2 percent over the financial year. In comparison with benchmark indices, share performance is as follows:

Share performance (p. a., %) over ...	DBAG shares	Dax	S-Dax	LPX50
one year (financial year 2010/2011)	(21.2)	(7.0)	(2.4)	(7.7)
three years (financial years 2008/2009 to 2010/2011)	19.9	6.9	18.9	5.5
five years (financial years 2006/2007 to 2010/2011)	7.8	(0.5)	(1.8)	(9.6)
ten years (financial years 2001/2002 to 2010/2011)	3.8	3.0	6.8	(0.5)
15 years (financial years 1996/1997 to 2010/2011)	10.2	5.7	n.a.	2.7

Shareholder profile, page 25

There was no substantial change in the shareholder profile over the course of the year, after entrepreneur Dirk Rossmann, founder and majority shareholder of drug-store chain Rossmann, announced in a voting rights notification that he had increased his equity stake in DBAG to over 20 percent in mid-November 2010.

Foundation: Assistance for employees of portfolio companies

At the end of the previous 2009/2010 financial year, we established a non-profit charitable foundation aimed at supporting active and former employees of current and former DBAG portfolio companies in emergency cases. The "Gemeinnützige Stiftung der Deutschen Beteiligungs AG", domiciled in Frankfurt am Main, has been initially endowed with assets of 100,000 euros. The foundation started its activity in 2010/2011 and will receive further funds in the coming years. We regard the Foundation as a contribution in recognition of our social responsibility.

Upon application and subject to acceptance by its trustees, the Foundation will provide emergency support to active and former employees of current and former DBAG portfolio companies and their dependents by granting non-cash benefits and financial assistance. The Foundation will also provide advice and practical support to the recipients and their dependents in accessing other means.

Financial review

Earnings position

Overall trading: Equity market trend led to negative net income

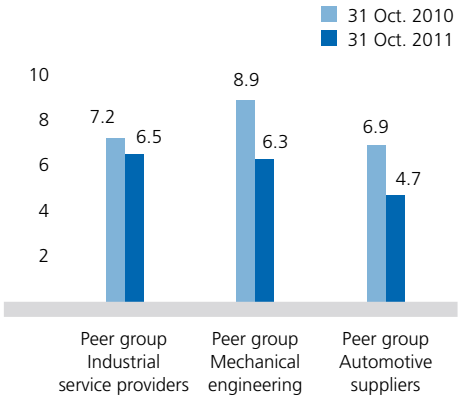
Following net income of 34.1 million euros in the preceding financial year, the negative net income of 16.6 million euros for financial year 2010/2011 results from a negative net result of valuation and disposal and loans and receivables ("net result of valuation and disposal") and negative other income/expenses. The net result of valuation and disposal was -14.0 million euros, compared with the previous year's 46.5 million euros (before minority interest). This item contains value movements that occur during the year on financial assets, loans and receivables, as well as the net result of disposals of financial assets. Total other income/expenses amounted to -15.4 million euros in 2010/2011 (previous year: -15.5 million euros). This item primarily comprises expenses for the management of the portfolio, fee income from management services to the co-investment funds and net interest.

Net result of valuation and disposal: Price trend for Homag shares a pivotal factor

With an unrealised loss on valuation of -18.5 million euros (previous year: valuation gain of 18.5 million euros), the investment in Homag Group AG had by far the greatest impact on the net result of valuation and disposal. The price of Homag shares, which determines the value of this investment, fell from 15.48 euros to 8.48 euros in the reporting year; the prior year, the share price had risen from 8.46 euros to 15.48 euros. In net terms, the other investments in the portfolio contributed positively towards the valuation result.

The fact that the portfolio companies' improved performance – measured by earnings and debt – is not reflected in higher valuations and positive contributions to the valuation result is due to stock markets levels: the earnings multiples we use to value portfolio companies fell.

Valuation multiples (EBITDA)
by temporal comparison



Net result of valuation and disposal by sources

€mn	
Valuation of unquoted investments	
Change in earnings	9.5
Change in multiples	(6.2)
Change in debt	0.1
Negative value movement due to Homag share price	(18.5)
Negative value movement due to distribution-related writedown	(7.6)
Net result of disposal	6.7
Others	2.0
	(14.0)

Net result of valuation and disposal by components

€mn	
Positive value movement	14.6
Negative value movement thereof, due to Homag share price (€18.5 mn) thereof, due to distribution-related writedown (€7.6 mn)	(35.2)
Positive net result of disposal	7.0
Negative net result of disposal	(0.3)
	(14.0)

Valuation result biased by special effect

The valuation result is negatively biased by a special effect in the amount of 7.6 million euros: a company through which the profit shares from investments of a fund management company of DBAG Fund IV are transacted again distributed a profit share in 2010/2011. This distribution led to current income (positive contribution) and, on the other side, a distribution-related writedown on this investment (negative contribution). Both effects offset each other.

We achieved a net result of disposal totalling 6.9 million euros on the disinvestment of Heim & Haus and partial disinvestment of Preh – this amount represents the uplift to opening value at the beginning of the financial year, which had already exceeded the historical cost.

Current income from financial assets: Higher distributions from portfolio companies

In 2010/2011, we achieved **current income from financial assets and loans and receivables** totalling 9.4 million euros, or 2.8 million euros in excess of the previous year's 6.6 million euros. This position is biased by the previously mentioned special effect of 7.6 million euros.

Apart from this special effect, which existed to a lesser extent in the preceding year, DBAG achieved current income of 1.5 million euros, which is about 0.4 million euros more than in 2009/2010. This income mirrors the improved performance of those portfolio companies that pay dividends. Homag Group AG, for example, did not pay a dividend for their 2009 financial year, whereas a dividend for the following year was paid.

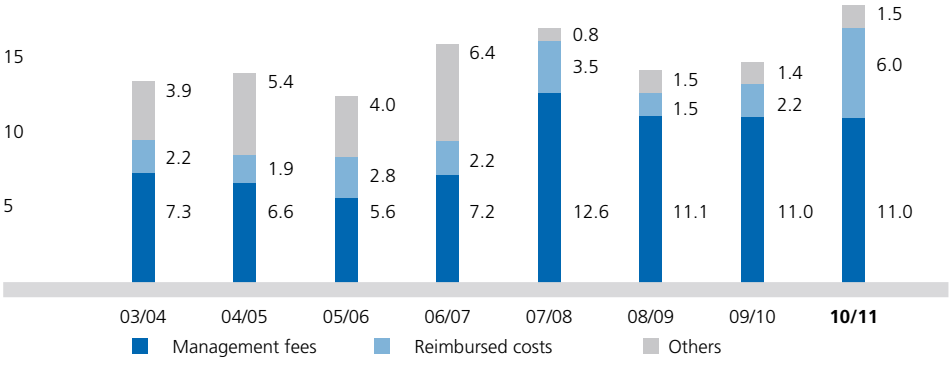
Movement in total other income/expenses

Personnel expenses in 2010/2011 increased to 13.8 million euros, up 1.7 million euros on the previous year's 12.0 million euros. The rise is partly due to the enlargement of the investment team in 2010, which took effect over a complete financial year for the first time. Expenses for variable components linked to the Company's general performance receded, whereas costs for profit-sharing arrangements arising on the investments of DBAG rose: following profitable realisations (Preh, Heim & Haus), these income components amounted to 2.0 million euros (previous year: 0.7 million euros). Performance-linked income falls due upon realisation of the value growth and therefore contains performance-related components arising on value gains achieved in previous years.

Other operating income, totalling 18.5 million euros, clearly exceeded the previous year's 14.6 million euros. The largest position in this item is management fee income from funds managed by DBAG, which amounted to 11.0 million euros. These decreased marginally against the previous year's 11.0 million euros. Following disposals from the portfolio of DBAG Fund IV, the basis on which fee income is determined has now been reduced; fee income from the new DBAG Expansion Capital Fund has only started to be earned since the beginning of the fourth quarter of 2010/2011. Moreover, the prior year saw income from preceding periods as a special effect.

Other operating income

€mn



This item also includes reimbursed costs for screening investment opportunities, which is charged proportionally to co-investment funds or portfolio companies. Reimbursed costs rose strongly in financial year 2010/2011, up from 2.2 million euros to 6.0 million euros. This, however, is set against higher expenses.

The expenses for screening investment opportunities is, in turn, the largest item in **other operating expenses**. Totalling 22.8 million euros, it was up on the previous year's 18.6 million euros. Transaction-related consultancy and screening costs have nearly tripled, increasing from 3.5 million euros to 9.7 million euros. Other major items under this caption relate to value-added tax expenses (5.6 million

Value-added tax expenses, page 98

euros; previous year: 7.4 million euros), general consultancy costs (1.4 million euros; previous year: 1.2 million euros) and office rental cost (1.3 million euros; previous year: 1.0 million euros). The increase in office rental cost is due to one-off expenses that relate to relocating to new office premises in May 2011.

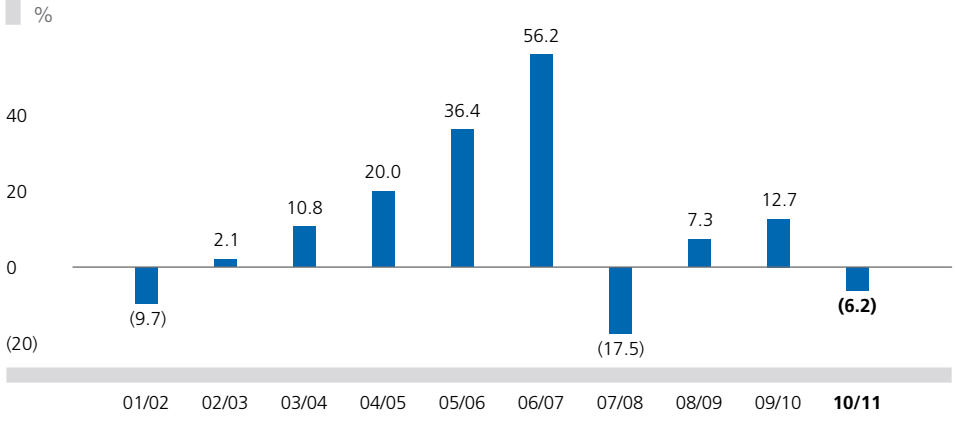
Other operating expenses also includes numerous smaller items pertaining to costs incurred in the ordinary course of business.

Net interest improved considerably and totalled 3.1 million euros (previous year: 0.8 million euros). The rise largely stems from interest income of 1.6 million euros from a tax refund recorded following the completion of a tax audit. Interest income of approximately 0.5 million euros comes from an entitlement to interest in conjunction with a purchase price deferral from a disposal transacted in financial year 2009/2010. In total, **interest income** was 3.5 million euros (previous year: 1.2 million euros). **Interest expenses** in 2010/2011 amounted to 0.5 million euros (previous year: 0.4 million euros), which largely ensued from the difference between interest expenses for pension obligations and expected returns on plan assets.

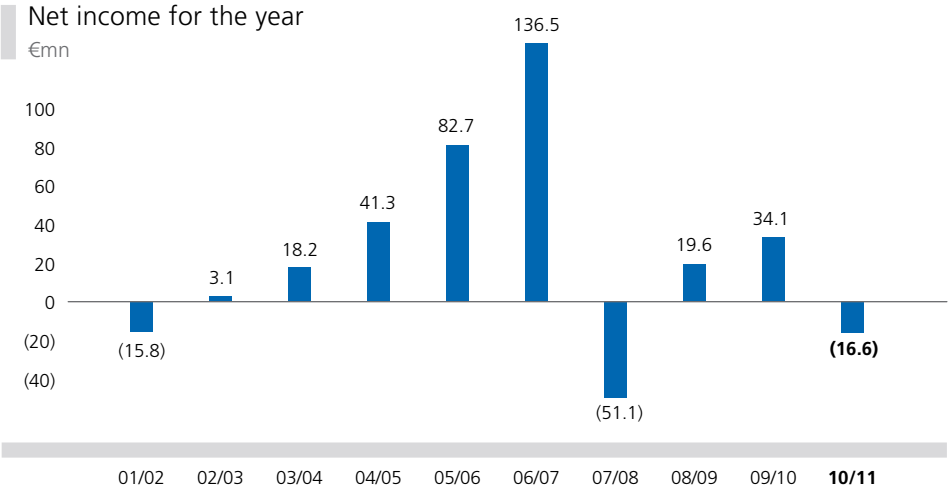
Return on net asset value per share: More than eleven percent on average over past ten years

The DBAG Group posted negative net income of 16.6 million euros for the 2010/2011 financial year. The previous year saw positive net income of 34.1 million euros. The return on net asset value per share was -6.2 percent, following 12.7 percent the preceding year. The average return on net asset value per share over the last ten-year period is 11.2 percent (previous year: 12.2 percent). The average return on net asset value per share over the last five-year period is 10.5 percent, exceeding the cost

Return on NAV per share



The return on NAV set out above is based on German accounting standards for the years from 2001/2002 to 2003/2004 and thereafter on the IFRS format.



Net income for the year set out above is based on German accounting standards for the years from 2001/2002 to 2003/2004 and thereafter on the IFRS format.

of equity as well as the forecast made at the outset of this five-year period, namely to post a positive net result of valuation and disposal on average over financial years 2006/2007 to 2010/2011 and to achieve returns in excess of the cost of equity.

Eight-year summary of earnings

€mn	2003/ 2004	2004/ 2005	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010	**2010/ 2011**
Total net result of investment activity	15.4	51.8	114.4	165.0	(53.4)	31.8	53.2	(4.5)
Total other income/expenses [1]	(9.6)	(6.4)	(23.5)	(9.3)	(1.9)	(9.4)	(15.5)	(15.4)
EBIT	12.2	41.6	89.1	150.8	(60.5)	20.4	36.8	(23.0)
EBT	9.0	42.3	90.9	155.6	(55.3)	22.4	37.6	(19.9)
Net income	10.0	41.3	82.7	136.5	(51.1)	19.6	34.1	(16.6)
Other comprehensive income [2]						(2.3)	(3.3)	0.7
Total comprehensive income						17.3	30.8	(15.9)
Return on NAV per share %	5.7	18.1	36.4	56.2	(17.5)	7.3	12.7	(6.2)

[1] Net amount of other income and expenses, up to and including FY 2007/2008 "Other income/expenses"
[2] Since FY 2009/2010, actuarial gains/losses on plan assets as well as the difference between the fair value and acquisition costs of available-for-sale securities are taken directly to equity through "Other comprehensive income".

Financial position

Overall assessment: Strong liquidity position

In the opinion of the Board of Management, the financial position of Deutsche Beteiligungs AG is sound. Its liquidity position (including securities) is sufficient to finance the investment projects planned for the coming years. Our very high equity-to-assets ratio gives us a great degree of independence. Liquid funds have been invested in safe vehicles that additionally allow accessing the funds at short notice, should they be needed to finance investment projects. In the current market environment, however, these generate low returns on our liquid funds.

Particularities in assessing financial position: Irregular cash flows

Major payment flows in our operations stem from a comparatively small number of investments and disinvestments. This gives rise to irregular and only roughly predictable cash 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. Alternatively, we can raise borrowings, if appropriate. 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).

Substantial liquidity of €155.6 mn

The strong liquidity reported at the end of the financial year totalling 155.6 million euros (thereof 123.1 million euros in German government securities and, to a small degree, time deposits in banks with a credit rating based on Standard & Poor's of A or better) is the basis for our investment activity. Within the next three to four years, we plan to invest some 100 million euros alongside our co-investment fund, the DBAG Expansion Capital Fund, which is focused on expansion investments. That will create an annual average liquidity requirement of 20 to 25 million euros. A similar amount will be required for investments we enter into jointly with our buyout funds.

Cash flows: Net gain from investment activities

Investment and disinvestment activities in 2010/2011 led to cash inflows of 34.1 million euros (previous year: 36.6 million euros). These derive from payments for investments in the portfolio netted against proceeds from disposals of investments.

In financial year 2010/2011, proceeds from disposals of financial assets amounting to 43.6 million euros (previous year: 44.5 million euros), largely stemmed from the disinvestments of Heim & Haus Holding GmbH and Preh GmbH. There were also inflows following the expiry of representations and warranties associated with the disinvestment of MCE AG in financial year 2009/2010.

Payments for acquisitions of **financial assets** grew from 8.2 million euros the previous year to 9.4 million euros. These pertain to the acquisition of interests in the Romaco Group and follow-on investments in or loans to existing investee businesses. The increase in the securities portfolio led to an outflow of 6.1 million euros (previous year: 43.8 million euros).

Total cash flows from investing activities this past financial year amounted to 27.0 million euros (previous year: -0.6 million euros). Contained herein are payment transactions that are not directly associated with the investment business, such as investments of cash from disposals of portfolio companies in short- or long-term securities. Such regroupings are required to be disclosed as investments in accordance with the IFRS.

Cash flows of €27 mn from investing activities

Expenditures on **property, plant and equipment** at DBAG totalled 1.2 million euros in financial year 2010/2011 (previous year: 0.4 million euros). The increase mainly stems from expenditures relating to the Company's relocation to new premises in the city of Frankfurt, such as new office equipment. Thus, property, plant and equipment assets rose from 0.8 million euros to 1.5 million euros.

Dividend payments increased from 13.7 million euros (2009/2010) to 19.1 million euros.

Cash flows from operating activities improved by 13.7 million euros to 0.9 million euros. This year's result is characterised by numerous individual effects and is not easily comparable with the previous year. Higher distributions from portfolio companies and an investment income tax refund contributed towards the increase.

Eight-year summary of financial data

€mn	2003/ 2004	2004/ 2005	2005/ 2006	2006/ 2007	2007/ 2008	2008/ 2009	2009/ 2010	**2010/ 2011**
Cash flows from operating activities	7.3	(35.6)	(4.1)	(2.6)	3.0	(3.5)	(12.8)	0.9
Cash flows from investing activities *	(13.2)	132.2	168.8	65.0	3.8	27.8	43.2	33.1
Cash flows from financing activities	2.1	(57.1)	(40.7)	(71.4)	(57.3)	(5.5)	(13.7)	(19.1)
Change in cash funds *	(3.8)	39.5	124.0	(9.0)	(50.5)	18.8	16.7	14.9

* Adjusted for cash flows from additions/disposals of securities

Asset position

Overall assessment: Asset position very stable

The assets of Deutsche Beteiligungs AG largely consist of the investment portfolio as well as cash and securities. Assets declined this past financial year. In addition to a dividend payment of 19.1 million euros to shareholders, valuation movements on financial assets in particular led to a decline in assets. As a result of valuation movements and investment restraint in past years, financial assets equated to less than 50 percent of the Company's non-current assets.

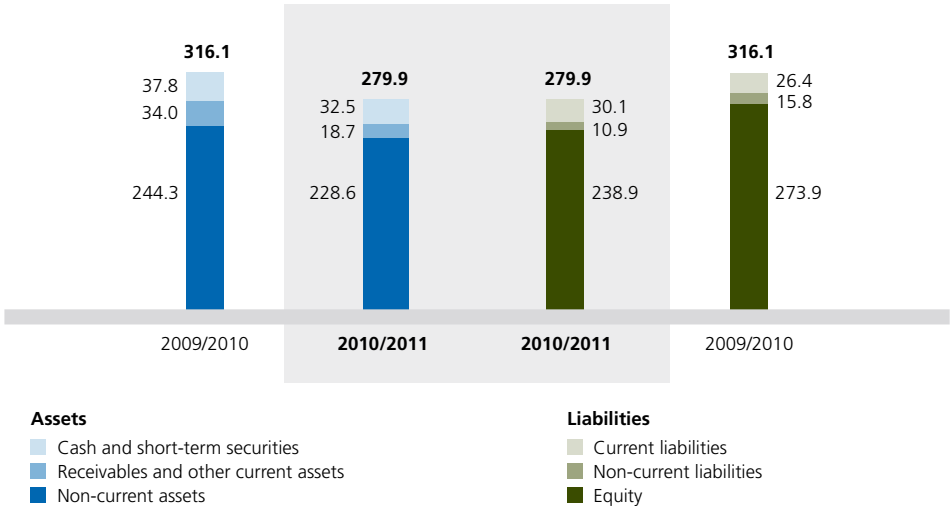
Asset structure: No fundamental change

Non-current assets – which predominantly consist of financial assets and long-term securities – totalled 228.6 million euros (previous year: 244.3 million euros) and comprised 82 percent of total assets (previous year: 77 percent). **Other non-current assets** rose to 6.9 million euros at 31 October 2011, up from 5.9 million euros the year before. The increase is due to two developments: the positive net difference between the fair value of plan assets and the present value of benefit obligations is greater than previously, and, on the other hand, interest entitlements have accrued.

Current assets amounted to 51.3 million euros at 31 October 2011, which is clearly lower compared with the prior year (71.8 million euros). The change in the short-term securities position had the greatest effect on the decline: short-term securities had matured in the financial year. Subsequent to

Structure of financial position

€mn



recording tax refunds, tax assets decreased from 12.7 million euros to 7.3 million euros. **Other current assets** were also clearly lower: they fell from 18.4 million euros to 8.0 million euros – primarily because outstanding purchase price receivables from a disinvestment were settled.

A part of the inflows were invested in floating-rate low-risk German government bonds with residual maturities not later than February 2016 (disclosed under long-term securities); another part contributed to the rise in cash and cash equivalents to 32.5 million euros (previous year: 23.7 million euros).

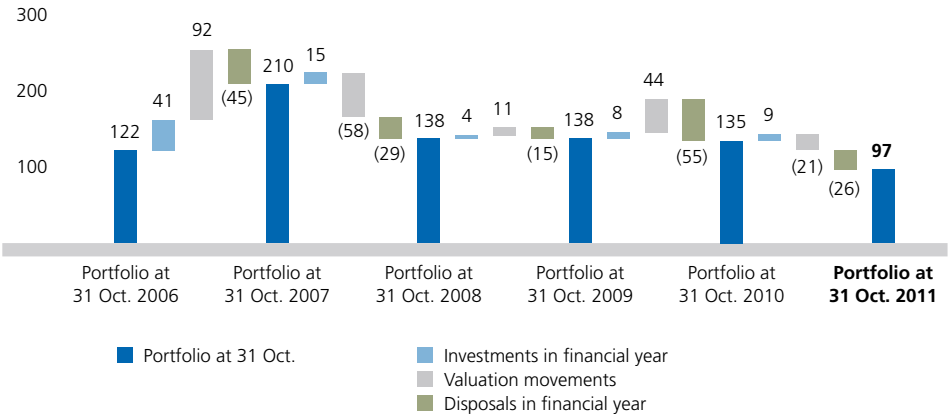
Portfolio value: Lower, following realisations and impairments

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 – they correspond to the investment portfolio – amounted to 97.1 million euros at 31 October 2011 and chiefly consisted of investments in 16 companies and international private equity funds. At the end of the previous reporting period (31 October 2010), the carrying amount of the investment portfolio had totalled 134.6 million euros invested in 17 companies.

Portfolio value: €97.1 mn

Measured against the opening value at the beginning of the financial year, the investment portfolio receded by 26.3 million euros in 2010/2011 through disposals, partial disposals and returns from fund investments. Major amounts are attributable to the disposals of Heim & Haus Holding GmbH and Preh GmbH. The fund investment in Harvest Partners III ended after all portfolio investments had been exited.

Portfolio development (IFRS)
€mn



Investments of 9.4 million euros increased the portfolio value in financial year 2010/2011. Of that amount, 7.7 million euros were spent on the Company's new investment in Romaco. The remaining funds went to two investment increases: two international buyout funds drew down capital for follow-on financings of existing investments.

At the end of the financial year, the value of the investments remaining in the portfolio totalled 97.1 million euros (previous year: 134.6 million euros).

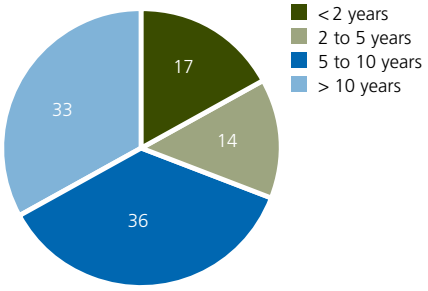
Portfolio profile: Eight investments account for 90 percent of portfolio value

90 percent of the portfolio value (IFRS) [9] at 31 October 2011 is attributable to the following eight investments:

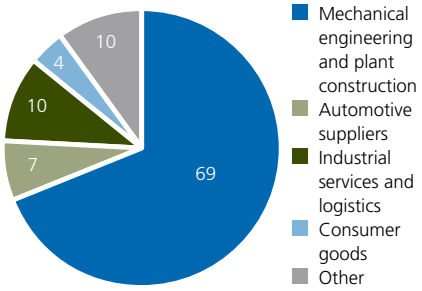
Company	Equity share DBAG %	Investment type	Sector	Valuation method
Clyde Bergemann Group	17.8	MBO	Mechanical engineering and plant construction	Multiples
Coperion GmbH	18.8	MBO	Mechanical engineering and plant construction	Multiples
DBG Eastern Europe II	14.9	Buyout funds	Buyout funds	Discounted net present value
FDG S.A.	15.5	MBO	Industrial services	Multiples
Grohmann GmbH	25.1	Expansion capital	Mechanical engineering and plant construction	Multiples
Homag Group AG	16.8	MBO	Mechanical engineering and plant construction	Stock market price
Preh GmbH	4.3	MBO	Automotive suppliers	Purchase offer/ realised
Romaco GmbH	18.7	MBO	Mechanical engineering and plant construction	Acquisition cost

[9] See footnote 2 page 54

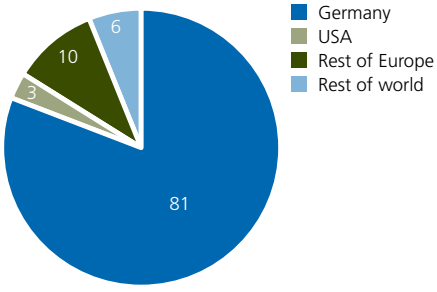
Holding periods for investments
measured by IFRS value %



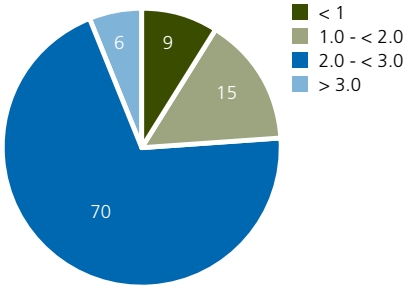
Sector dissemination of investments
measured by IFRS value %



Geographical dissemination of investments measured by IFRS value %



Net debt/EBITDA of portfolio companies
measured by IFRS value %



Explanatory remarks: The data on the composition of the "portfolio" (or: portfolio value) relates to financial assets less shelf companies and companies mainly attributable to third parties; the value of this portfolio amounts to 87.5 million euros. The breakdown of equity by net debt of the portfolio companies (chart bottom right) is based on financial assets at 31 October 2011, less the investments in MCE AG (retention for representations and warranties) and DBG Eastern Europe, as well as shelf companies and companies mainly attributable to third parties. 2011 net debt and 2011 EBITDA according to portfolio companies' forecasts or analysts' estimates (for Homag Group AG).

We measure the fair value of our investments at quarterly intervals. Valuation movements are recognised through profit or loss. The fair value of our financial assets is determined in conformity with the IFRS on the basis of internal valuation guidelines. These consider both the principles of the IFRS and the standards in the private equity industry. We employ the following methods to valuate our portfolio companies:

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

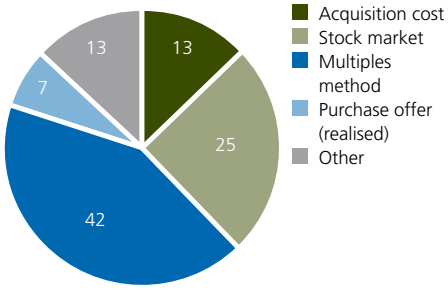
Should neither of these procedures prove applicable, valuations are usually determined on the basis of comparable companies:

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

Capital-to-assets-ratio: 85.6 percent

Additionally, other procedures may be applied, such as the discounted cash flow method in determining the value of expected returns from fund investments. The fair value of silent participations and loans granted by DBAG 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 – as in the case of the investment in Romaco at 31 October 2011.

Valuation methods applied for investments measured by IFRS value % [10)]



Capital structure:
No liabilities to banks

In financial year 2010/2011, Deutsche Beteiligungs AG financed its activities from its liquid resources, backed by a very high capital-to-assets ratio. At 31 October 2011, the Group recorded equity capital of 238.9 million euros. Equity capital at 31 October 2010 had totalled 273.9 million euros; dividend payments to shareholders account for 19.1 million euros of that amount. The **capital-to-assets ratio** of 85.6 percent (previous year: 86.7 percent) remained very high.

[10)] See footnote 2 page 54

Non-current liabilities, totalling 10.9 million euros at 31 October 2011, were below the previous year's 15.8 million euros. This item primarily contains minority interest, which decreased from 15.7 million euros to 10.7 million euros. The decline is largely due to profit distributions 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".

Current liabilities amounted to 30.1 million euros at the reporting date (previous year: 26.4 million euros). A prime reason for the rise was an increase in other provisions to provide for tax risk; the aggregate amount is meanwhile 10.7 million euros. Provisions for performance-linked remuneration not yet paid totalled 9.4 million euros (previous year: 8.2 million euros). Additionally, current liabilities rose due to higher expenses that has not yet been settled for screening investment opportunities particularly in the second part of the year. As in the past, Deutsche Beteiligungs AG has no liabilities to banks.

Liquidity position: Another rise, following realisations

Liquid resources increased to 155.6 million euros, up by 14.9 million euros from the previous year's 140.7 million euros. Of that amount, 32.5 million euros are disclosed under cash and cash equivalents in the statement of financial position (previous year: 23.8 million euros). Another 123.1 million euros are reported under the caption non-current assets in line item **securities**. These relate to securities of German sovereign issuers. Short-term securities held at the preceding reporting date (14.1 million euros) matured in the first quarter.

To improve interest income without changing the risk position, we have been investing liquid funds in floating-rate bonds with maturities of between three and four years since early 2010. These bonds typically provide a high degree of liquidity and are subject to low price risk, as they are linked to money market rates.

Eight-year summary of financial position

€mn	31 Oct. 2004	31 Oct. 2005	31 Oct. 2006	31 Oct. 2007	31 Oct. 2008	31 Oct. 2009	31 Oct. 2010	**31 Oct. 2011**
Financial assets	253.9	198.9	121.5	209.6	138.3	137.2	129.9	93.5
Securities/cash	1.3	40.7	164.7	155.8	105.2	124.0	140.7	155.6
Other assets	60.7	26.6	33.8	29.1	28.7	29.3	45.5	30.8
Equity	234.0	246.6	289.0	353.6	244.8	259.0	273.9	238.9
Liabilities/provisions	82.0	19.7	31.1	40.8	27.4	31.5	42.2	41.0
Total assets	315.9	266.3	320.1	394.4	272.3	290.5	316.1	279.9

Report on the economic position of the Group

In the opinion of the Board of Management at the time this report was drawn up, the Deutsche Beteiligungs AG Group is economically sound, despite the negative net income recorded in financial year 2010/2011.

The loss recorded in financial year 2010/2011 stems from unrealised negative valuation movements due to stock market conditions that had deteriorated compared with the preceding year and that are beyond our control. If, at the reporting date, we had applied the same market multiples we used one year ago to unquoted investments, the net result of valuation and disposal would have been about 12 million euros higher. This shows that most of the portfolio companies made good progress in their operating performance in 2010/2011. In our estimation, the overall portfolio consists of well-poised companies; it therefore has the potential to continue to gain in value in the future.

Deutsche Beteiligungs AG remains well capitalised: the Company has sizeable liquid resources 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.

Measurement options, pages 91 to 92

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 and grooming transactions compared with the previous years. Information on the use of measurement options and grooming transactions is presented on pages 91 to 92 of this Report as well as in the Notes to the consolidated financial statements.

Events after the end of the reporting period

In the first weeks of the new financial year, we increased our interests in an existing investment. In December, 2011 we signed agreements together with DBAG Fund V on investments in two new portfolio companies. Deutsche Beteiligungs AG will invest up to 15 million euros in Spheros Management Holding GmbH and hold an interest of up to 19 percent in the company; Spheros manufactures climate control components for buses. A second management buyout relates to Brötje-Automation GmbH. DBAG will invest some six million euros for a 17 percent interest. Brötje-Automation develops and produces machines and complete lines for the assembly of aircraft. The completion of both contracts was contingent upon approval by antitrust authorities at the time this Report was written.

Additional information

Remuneration report

Management 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. This past financial year, shareholders at the Annual Meeting approved the system with a vote of 91.9 percent of the represented capital. Total remuneration for the members of the Board of Management consists of the following components:

- a fixed annual salary,
- a variable annual bonus,
- variable remuneration components with a long-term incentive effect,
- non-cash components, and
- 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 taken into consideration.

The members of the Board of Management receive no emoluments for offices held in subsidiaries. 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). Additionally, the service contracts for the members of the Board of Management do not contain change-of-control clauses. 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 a fixed base 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€13 for Mr von Hodenberg, T€10 for Mr Grede, T€17 for Mr Mangin, and T€10 for Dr Scheffels.

Bonus: Linked to individual and corporate performance

The members of the Board of Management are also awarded a bonus; the maximum bonus is 100 percent of the fixed base salary. Half of the bonus is based on the Company's performance in the reference period, the other half on personal performance over the past financial year. The reference period for all Board of Management members whose appointment contracts were concluded or prolonged after the effective date of the German Act on the Appropriateness of Management Board Compensation is the period that ends at the end of the financial year for which the bonus is determined, and which began 36 months earlier. The Company's performance over the reference period is determined by the Supervisory Board at its equitable discretion. To that end, the Supervisory Board considers the development of the Company's net assets in the reference period as well as the value delivered to shareholders in the reference period, i.e. the sum of share price performance and dividends in the reference period. Personal performance is determined by the Supervisory Board at its equitable discretion.

In its meeting on 25 November 2011, the Supervisory Board discussed and tentatively determined a total bonus payment of T€980 for financial year 2010/2011. The bonus is based exclusively on the individual performance of the Board of Management members, and not on the corporate performance of Deutsche Beteiligungs AG in the reference period. A final decision on the amount of the bonus will be taken at the Supervisory Board meeting on 23 January 2012.

Components with **long-term incentive effects** comprise two variable 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. This procedure therefore 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. An investment's ultimate profitability will only be determinable at its disposal, generally after a holding period of several years. For that reason, both profit-sharing schemes are exclusively geared to realised profits. Short-term profits that stem solely from fair value changes through profit or 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 2010/2011, there were no payments to Board of Management members under this scheme (previous year: T€151).

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€1,102 for financial year 2010/2011, following T€239 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 out 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 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 2010/2011 totalled 4.0 million euros (previous year: 3.6 million euros) and is disseminated over the individual components as follows:

	Components not linked to performance		Performance-related components		Components with long-term incentive effects		Total	
T€	**2010/ 2011**	2009/ 2010	**2010/ 2011**	2009/ 2010	**2010/ 2011**	2009/ 2010	**2010/ 2011**	2009/ 2010
Wilken von Hodenberg	513	525	250	365	344	131	1,107	1,022
Torsten Grede	510	519	250	365	344	122	1,104	1,006
André Mangin	463	448	240	292	207	45	910	785
Dr Rolf Scheffels	457	417	240	292	207	92	904	801
Total	**1,944**	**1,910**	**980**	**1,314**	**1,102**	**390**	**4,026**	**3,614**

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 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 decreases with increasing age. The inclusion of variable components is limited to 1.5 times the fixed salary. Since 1 April 2011, derogating from the contributory scheme, the annual contribution has been based solely on the fixed salary. The accumulated pension capital for Dr Scheffels is capped at a contribution that corresponds to an annual pension entitlement of T€87. At 31 October 2011, the cap did not have an effect.

At 31 October 2011, the pension capital for Mr Mangin amounted to 0.7 million euros (previous year: 0.7 million euros); and for Dr Scheffels 1.3 million euros (previous year: 1.2 million euros).

	Service cost		Defined benefit obligation	
T€	**2010/2011**	2009/2010	**31 Oct. 2011**	31 Oct. 2010
Wilken von Hodenberg	212	175	2,442	2,297
Torsten Grede	28	20	559	573
André Mangin	64	47	519	478
Dr Rolf Scheffels	69	46	576	545
Total	**373**	**288**	**4,096**	**3,893**

This past financial year, the sum of 0.7 million euros (previous year: 0.8 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 11.4 million euros (previous year: 12.0 million euros) at the balance sheet date.

Supervisory Board compensation: No performance-related component for 2010/2011

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 after dividends 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. No performance-related components fell due in financial year 2010/2011 or the preceding year. Remuneration paid to members of the Supervisory Board totalled T€233 in 2010/2011 (previous year: T€238). It was distributed as follows:

T€	Fixed fee	Bonus	Total
Andrew Richards (Chairman)	30	30	60
Professor Dr Günther Langenbucher (Vice Chairman)	30	15	45
Roland Frobel (since 23 March 2011)	18		18
Dr Hariolf Kottmann (until 23 March 2011)	12		12
Dr Herbert Meyer (until 23 March 2011)	12	3	15
Philipp Möller	30	5	35
Dr Hendrik Otto (since 23 March 2011)	18		18
Gerhard Roggemann	30		30
Total	**180**	**53**	**233**

In financial year 2010/2011, members of the Supervisory Board did not receive fees for consultancy services.

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 2011. 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. In November 2010, there was one notification of an interest totalling 20.12 percent of the voting shares 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 24 March 2010, 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 23 September 2011. This authorisation was cancelled at the Annual Meeting on 23 March 2011 and the Board of Management was again authorised to purchase own shares of up to ten percent of the presently issued share capital for purposes other than trading in own shares; this authorisation is valid up to and including 22 March 2016. 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.

For details on the authorisation for the purchase of own shares, see the Agenda for the Annual Meeting on 23 March 2011, which is accessible at the website of Deutsche Beteiligungs AG.

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

Measurement options and discretionary scope

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

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

Accounting and valuation policies, pages 123ff.

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 DBAG when purchasing or selling investments. We measure the fair value for all our investments based on internal valuation guidelines at each quarterly reporting date. Movements in the fair value of each investment compared with the preceding reporting date in a given period are recognised as a valuation gain or loss in the net result of valuation and disposal.

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 equity markets are also considered and have a significant influence on the amount recognised.

This past financial year, there were no major adaptations made to the valuation guidelines, nor were there fundamental changes in the methodology used in deriving the parameters designated by the guidelines. Based on our business practice and the experience gained in the past, we further specified

the guidelines to be followed for individual valuation steps. For instance, when applying the multiples method to valuate investments in cyclical companies, we specified that, in addition to the earnings data for the current year, the earnings data for the subsequent year may also be considered, if this provides a more reliable base on which to derive the fair value. Another concretisation in the guidelines relates to the valuation of expansion financings (minority investments): the application of discounts is now defined more precisely.

Since financial year 2004/2005, Deutsche Beteiligungs AG has funded pension obligations by contributions to plan assets through a contractual trust arrangement. Up to financial year 2008/2009, we accounted for pension obligations and plan assets in conformity with the "corridor method". In financial year 2009/2010, we changed the accounting treatment in anticipation of IAS 19 revised. Actuarial gains and losses are taken directly to equity through other comprehensive income. The change in the accounting method only had 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 was also performed retrospectively for financial year 2008/2009. The financial metrics for prior financial years that are referred to in this Report were not restated.

In financial year 2010/2011, there was no change in our accounting principles, or in the use of measurement options or grooming transactions compared with the preceding years.

Reports not included

A **research and development report** (R&D) is not required in this Management's report, nor are **disclosures on environmental protection**, or 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 risks

Opportunity and risk management system

Opportunity and risk management: Continual entrepreneurial process

The business policy of Deutsche Beteiligungs AG is targeted at increasing the value of DBAG by making profitable investments in portfolio companies. In other words: we take advantage of opportunities to invest in promising companies. To exploit these opportunities, it is crucial to have an effective opportunity management system in place, for instance, through ongoing market observation and structured analysis of identified and feasible investment opportunties.

At Deutsche Beteiligungs AG, the management of opportunities and risks is daily routine and therefore an integrated, continual entrepreneurial process. Our risk policy is aimed at optimising the opportunity-risk profile. Risk that endangers the continuity of the company must be avoided. Risk management is the direct responsibility of the Board of Management.

The purpose of the risk management system is to identify, analyse, control and monitor risk exposure. In that context, the individuals responsible develop recommendations on the design of risk management processes, on an appropriate estimation of business-specific opportunities and risks, and on the control of risks.

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

Key risks and opportunities in our business relate to the acquisition, holding and disposal of investments. The management of opportunities and risks is therefore closely linked to the operating business of the investment team. Optimising the opportunity-risk profile begins when screening potential investments and extends to applying suitable instruments in monitoring and supporting our portfolio companies. These are key elements of our operational business.

The risk management system is successively adapted and geared to address any changes which may occur in underlying conditions or to our business model.

Opportunity-risk profile: Linked to investment decisions and secured by basic principles

Deutsche Beteiligungs AG operates in two investment fields: it acquires the majority in companies alongside co-investment funds and structures these acquisitions as management buyouts; and it makes minority investments together with a co-investment fund in companies that, for instance, seek capital to finance growth.

The two transaction types have different opportunity and risk profiles. Our investment strategy is decisive for the opportunity-risk profile of the Group. Expansion capital investments can generate a part of the earnings that are achievable from these investments as dividends or interest during the holding period. By contrast, the main part of the profit from management buyout investments is generally realised upon the investment's ultimate disposal. The majority shareowner in an MBO is able to exert greater control. Based on our estimation and experience, expansion capital investments tend to have a lower risk profile than MBOs, since these target companies generally have lower levels of debt. Correspondingly, we expect somewhat lower returns on these investments.

The proportion of expansion financings, amounting to a little less than eleven percent of the total portfolio value, is currently low. It momentarily consists of older investments that were made prior to the year 2000. With the onset of investment activity alongside the new DBAG Expansion Capital Fund, the proportion of expansion financings will rise in the coming years. We expect this to augment our earnings potential, since a higher investment quota would lead to lower (low-interest bearing) liquid funds.

The business of Deutsche Beteiligungs AG is characterised by only a low number of transactions; the significance attached to individual decisions is therefore all the greater. This particularly applies to new investment decisions. Our investment strategy is therefore targeted to achieve a balanced opportunity-risk profile for the Group. It is founded on the long and wide-ranging experience Deutsche Beteiligungs AG has in the private equity business and is regularly reviewed and optimised.

Deutsche Beteiligungs AG exclusively invests in established companies, i.e. companies with proven business models. Our investee businesses should have a leadership position in their market. That avoids exposure to the typical risks inherent in investments in companies with early-stage 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 put the Company itself at risk. We therefore principally 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. An asymmetrical development in the value of individual investments could, however, cause the value of an individual investment to amount to more than ten percent of DBAG's equity. This is not the case at the current reporting date.

Since the mid-90s, DBAG has focused on investments in larger companies, or companies that typically generate annual revenues of more than 100 million euros and have an enterprise value of more than 50 million euros. 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 operate globally. Investing in larger companies will therefore tend to mitigate risk. Larger companies can also create opportunities for flotation on the stock exchange (which is closed to smaller companies), thereby constituting a further, frequently very attractive exit channel. Acquiring larger companies, and at the same time diversifying the portfolio by sectors, customer markets and business models by investing in many such companies, requires a broad capital base. DBAG achieves this together with co-investment funds.

A diversified portfolio – both in terms of the number of investments and of various business models – not only mitigates risk, it also creates opportunities. DBAG primarily invests in manufacturing companies and in industrial service providers. Correspondingly, companies operating in the mechanical engineering and plant construction sector account for the largest share, or 68.9 percent, of the total portfolio. The portfolio companies, however, operate in very different niche markets and geographical regions within the mechanical engineering and plant construction sector. Currently, DBAG's portfolio is very concentrated: 75 percent of the portfolio value fall to only five investee businesses. However, in view of the high proportion of liquid funds at the reporting date in relation to equity and the smaller share of financial assets, we consider the risk arising from this concentration as being acceptable.

We generally enter into investments without there being an obligation to provide follow-on financing for portfolio companies in times of crisis. Nevertheless, this could become advisable in certain instances for a number of reasons, such as ensuring earnings opportunities as well as for reputational reasons. Against a recent background of slackening growth prospects, we cannot exclude that such follow-on financings may become necessary in the future. In assessing a portfolio company's additional funding needs, we apply the same criteria as we do for new investments. However, additional aspects may be relevant for the decision. In certain circumstances the risk profile for follow-on funding may be greater than for new investments.

Our investment strategy defines further selection criteria that are suited to taking advantage of opportunities and mitigating exposure to risk. This investment strategy is presented on pages 56 to 58.

Risk reporting and documentation: Regular analysis of opportunities and risks by the Board of Management

The basis of the risk management system is a risk management manual, which, in our view, depicts and analyses exposure to all major risks. We document the specified action to control and monitor these risks. This is firmly embedded in the Group's workflows and 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 framework 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 – are required to 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 and prompt knowledge of any new developments in respect of opportunities and risks.

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.

Group accounting: Internal control system delivers reliable data on asset, financial and earnings position

Pursuant to § 315 (2) No. 5 of the German Commercial Code (HGB), capital market-orientated companies are required to describe in management's report on the Group the principles governing the accounting-related internal control and risk management systems, including the accounting processes of consolidated entities.

The accounting-related internal control and risk management system is aimed at maintaining consistent accounting processes in line with

- legal requirements,
- the principles of proper accounting,
- the rules of the International Financial Reporting Standards (IFRS) and
- the internal guidelines of DBAG.

One of the key features of the internal control and risk management system is that material accounting-related processes are regularly subjected to analytical examination. Furthermore, Deutsche Beteiligungs AG possesses clearly defined organisational, control and surveillance structures. Explicit assignments within the accounting process are in place. The IT systems used in accounting are largely operated with standard software products; these are protected against unauthorised 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. For processes that are particularly relevant in accounting, the four-eyes principle is consistently employed.

The relevant risks are to be identified through regular analyses. In the opinion of the Board of Management, this system provides a sufficient amount of reliable data on the asset, financial, and earnings position of Deutsche Beteiligungs AG. The Board of Management and the Supervisory Board regularly review key accounting and risk management issues.

Description of risk factors

Corporate risks (as assessed by the Board of Management)	Probability of occurrence	Possible financial effects	Risk exposure vs. previous year
External and sector risks			
Economic cycles	likely	significant	greater
Changes in taxation and legal framework	possible	moderate	greater
Strategic and operational risks			
Access to investment opportunities	possible	significant	unchanged
Performance of portfolio companies	possible	significant	unchanged
Fundraising	possible	significant	unchanged
Personnel risk	possible	significant	unchanged
Operational risk	unlikely	significant	unchanged
Financial risks			
Equity for the financing of investments (liquidity)	possible	moderate	unchanged
Availability of acquisition finance	possible	significant	greater
Currency and interest rate risks	possible	moderate	unchanged

In the estimation of the Board of Management, the risk factors described in the following could have a significant negative impact on the asset, financial and earnings position of Deutsche Beteiligungs AG, the price of DBAG shares and the Company's reputation. Other risks that may be unknown or currently regarded as insignificant could also affect DBAG's performance. The following describes how these risks are addressed by the opportunity and risk management system.

EXTERNAL AND SECTOR RISKS

Economic cycles: Highly selective investment process to mitigate risks

The development of our portfolio companies is influenced by a variety of market factors. These include geographical and sector-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 equity and financial markets are mirrored in the measurement of the fair value of our portfolio companies.

Holding periods of current investments, page 81

These market factors sometimes change at very short notice, and our ability to address them may, of course, be limited. Short-term results, however, are not decisive for success in private equity. Our investment decisions are based on strategic plans that target value creation over a span of several years. The holding periods for investments generally extend beyond individual cyclical phases. We held the investments (MBOs and expansion financings) we exited over the past ten financial years for an average of more than four years.

We address the rewards and risks involved in economic cycles through a careful selection of portfolio companies. The basis for this is 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 strong market positions.

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 performance of the total portfolio. However, in times of massive global downturns, negative impacts on portfolio companies and their valuation in the portfolio may be unavoidable. The escalation of the European debt crisis since summer 2011 has, in our opinion, increased the danger of another serious downward economic trend.

Taxation and legal framework: Burdened by tax imposed on management services

Our business is subject to many different fiscal and regulatory influences. These have an effect on the direct investment business as well as on opportunities to raise capital for, and manage co-investment funds. This gives rise to risks. Occasionally, however, new regulations can create opportunities for the Company.

Currently, there are no identifiable effects arising from fiscal or regulatory changes on our direct investment business. There have, however, been adverse effects for the management of co-investment funds. For German private equity funds whose partnership contracts were concluded after 1 January 2008, fees for management services by the manager in typical private equity structures are subject to value-added tax, according to a memorandum issued by the German Federal Ministry of Finance. Some local revenue offices even go further and are questioning the protection of confidence for older funds, which the memorandum addresses, and the past practice accepted by fiscal authorities. Two subsidiaries of Deutsche Beteiligungs AG have made provisions totalling 10.7 million euros in the past two financial years for exposure to this risk. Based on the volume of the co-investment funds at the reporting date, further quarterly allocations of 0.6 million euros for value-added tax expenses will initially be required in the future, if underlying conditions remain unchanged; this amount will decrease as investments are released from the portfolio during the co-investment funds' disinvestment phase.

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 through competitors of Deutsche Beteiligungs AG who invest in Germany via foreign fund structures. This would impact the Company's ability to raise capital for co-investment funds. Adverse taxation conditions could therefore compel us to make radical structural changes. This may include relocating the Company's domicile.

In July 2011, the European Directive on Alternative Investment Fund Managers (AIFM) became effective; it is required to be transposed into German law by July 2013. The Directive was primarily introduced in response to the financial crisis. It will have a number of consequences for private equity firms as well. The regulatory provisions will increase the time and effort required to manage co-investment funds in the future. For instance, private equity companies will need to apply for governmental accreditation and their internal organisation will be subject to wider-ranging requirements; in addition, there are higher levels of disclosure to be met on managed funds and their portfolio companies. An independent depositary will review whether the managed funds actually own the acquired interests. A number of other players in the M&A market, such as strategic investors or family offices, do not fall under this regime. The AIFM Directive will therefore 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 managers of larger assets for US investors to register there and disclose certain information on its organisation to the supervisory authorities.

Although the regulation will additionally weigh on operations and, consequently, incur additional costs, 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 competitors will.

The European Commission has initiated a reform of insurance and reinsurance regulations in Europe; this primarily relates to the solvency requirements for the insurance industry ("Solvency II"). It may therefore become more difficult for insurance companies to invest in private equity funds under this regime.

STRATEGIC AND OPERATIONAL RISKS

Access to investment opportunities: Tapping proprietary deal sources

Access to new investment opportunities is of key significance for DBAG's operations. Without a sufficient number of attractive investment opportunities we would be unable to successfully pursue our business model. We have no influence on the development of the private equity market. This limits our ability to mitigate the risks arising from a decline in the number of potential transactions.

We address this risk by originating transaction opportunities through a proprietary deal flow. That gives us greater independence from general market trends and increases the probability of completing transactions. Four out of the six MBOs that we structured jointly with DBAG Fund V originated from such proprietary situations, in which we were able to negotiate investment opportunities outside very competitive auction processes.

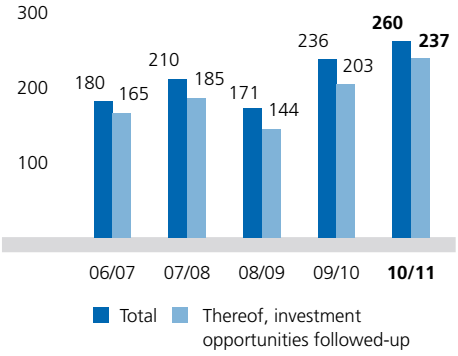
We also want to gain early knowledge of potential transactions in our market and have built the resources and instruments to ensure a prospective high-quality deal flow. In light of its importance, this issue is the direct responsibility of a member of the Board of Management.

In seeking informational leads, DBAG utilises existing contacts that stem from its long-standing market presence. The Company attaches great importance to cultivating its network, which consists of board members, senior executives and partners of former portfolio companies, representatives of banks, consultants, attorneys and auditors. The network also includes a circle of experienced industrial experts. In regular meetings with the members of our network, we discuss business opportunities in specific core sectors, such as in mechanical engineering or the automotive supplier industry. Of particular significance for accessing opportunities is our investment team; boasting 20 members (including the four Board of Management members), it is one of the largest operating in our segment of the market. Drawing from their broad sector knowledge, the team members identify attractive investment opportunities. Through targeted public relations activity and the cultivation of our network, we aim to augment awareness of the Company and strengthen our market presence. Compared with its mostly unquoted competitors, DBAG profits from its stock market listing. It creates higher awareness of DBAG's activities among the general public and allows potential investment partners to gain insight into the investor.

This past financial year, we screened 260 investment opportunities; 176 related to MBOs and 84 concerned expansion financings. This represents another improvement compared with the previous year's 236 opportunities. A total of 237 projects (previous year: 203) were initially followed up. The private equity market developed dynamically over large stretches of the financial year, which led to a rise in the number of deals and transaction value.

Total investment opportunities

Number



Performance of portfolio companies: Addressed through close monitoring

Current income from investments in the form of dividends, profit sharing and interest income is momentarily of subordinate importance for the performance of DBAG. This is rarely provided for in structuring MBOs; it can, however, play a greater role in expansion financings. DBAG's strategy is primarily focused on increasing the value of the portfolio companies it acquires; that value growth is mostly realised upon an investment's ultimate disposal. A key business-linked risk is therefore attached to the portfolio companies' performance. 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 this risk by a comprehensive set of risk monitoring instruments: we work on projects in project teams consisting of a number of staff and always involving a member of the Board of Management. 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 growth or possibly create opportunities for additional value appreciation.

During the acquisition phase only such investment projects are pursued as conform to our investment strategy. An exacting due diligence investigation precedes every investment decision. This may include mandating external consultants. These procedures serve 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, warranty agreements or insurances.

We ordinarily finance our investments through equity and – for buyouts – bank loans. Beyond that, additional funding sources may be used, such as mezzanine capital and vendor loans. Structuring the financing is a key component in the acquisition phase. This is where all findings gained in the due diligence process and in developing the corporate plan are considered.

We attach importance to a stable financing structure. Debt levels should 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's underperformance. We compile detailed model calculations that take these requirements into account prior to entering into an investment.

During the development phase, meaning the holding period, the members of the investment team support the managements of our portfolio companies. Our support is rendered primarily by taking offices on supervisory boards or advisory councils. The portfolio companies' monthly financial metrics are processed in specified controlling procedures and documented. 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 lay the foundation for profitable exits as early as the investment phase. That includes an answer to the question of who might be a potential buyer after our holding period for a company that we developed. We will only enter into investments where we expect sufficient buying interest on the part of trade buyers or financial investors, or where prospective eligibility for flotation exists. Exit opportunities are regularly discussed during the quarterly reviews of the portfolio companies' performance.

The risk management instruments currently employed are, in our opinion, suited to ensuring 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.

Fundraising: Track record a prerequisite for future co-investment funds

Advantages of investing alongside co-investment funds, page 53

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 the Company.

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 co-investment funds. This requires the ability of the Company or its investment team to boast a positive track record in making private equity investments that have generated attractive returns on the invested capital. Other key aspects from the investors' point of view are the stability and experience of the investment team, which is staffed by members of the Management Board and select professionals. Also of influence are the overall economic environment, sentiment in the equity markets and readiness on the part of private equity investors to make new

capital commitments. That readiness has gained momentum this past financial year. It cannot be excluded that investors will want to negotiate lower fees for fund management services in the future.

Our current DBAG Fund V that co-invests in MBOs has capital commitments of 434 million euros. The investment period began in February 2007 and is to run until February 2013. At the end of the reporting period, the fund had drawn down 58 percent of the committed capital and has invested in six portfolio companies. On a sector comparison, investors consider the DBAG Fund V – like its predecessor DBAG Fund IV – a success. We therefore believe that the prospects are good for raising an MBO-focused follow-on fund to DBAG Fund V.

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. Competition for commitments to funds is intense. Investors are demanding greater protection of their rights, for example, with a view to the stability of the investment team. At present, more than 1,000 private equity companies are competing for new capital commitments. It takes a high level of market appeal to even attract new investors' attention.

DBAG is a co-investor in relation to parallel investment funds. Compared to DBAG, parallel investment funds provide the larger part of the capital and have own decision-taking structures. DBAG has committed to deal alongside the parallel investment funds. This parallel investment activity can be terminated unilaterally by DBAG; in that scenario, however, DBAG would forfeit the opportunity of co-investing alongside the respective fund in the future and, beginning with DBAG Fund V, would not have an influence on the management of the vintage portfolio.

A subsidiary in which Deutsche Beteiligungs AG holds a 20 percent interest as a managing limited partner receives a profit priority share for the management of co-investment funds DBAG Fund V and DBAG Expansion Capital Fund. Deutsche Beteiligungs AG is entitled to all of the profits of this subsidiary. The management services of Deutsche Beteiligungs AG 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 and DBAG Expansion Capital Fund are presented in the Notes to the consolidated financial statements in section "Related party transactions".

Personnel risk: Retaining highly qualified staff through competitive incentive systems

Performance in private equity is closely linked to the people acting in the field. This holds particularly true for the investment team – the staff directly involved in the acquisition, development and disposition of investments. Our business is highly specialised, and in our lean organisation the contribution that every single individual makes is important. For that reason, other corporate services that support the investment business also require highly qualified and motivated staff.

The Company boasts a very loyal staff. At the end of financial year 2010/2011, 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 over seven years.

We address the risk of staff fluctuation by fostering a motivating corporate culture and systematically developing the skills and knowledge of our people. We regularly offer (individualised) training programmes and provide monetary incentives through, for instance, variable income components. The comparatively small number of staff allows us to align assignments and development potential to the requirements and capabilities of each of our people.

To be able to meet potential human resources needs, we regularly follow personnel movements in our sector. In view of the Company's current staffing, however, we do not expect bottlenecks to occur over the mid- or long-term.

Operational risk: Organisational procedures optimised

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 people in larger transactions. Exposure to operational risk is largely avoided 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 services that support the private equity business. These include the organisational units of finance, human resources, legal, organisation/IT and public relations/investor relations. We ensure proper organisational workflows in these corporate sectors through a sufficient number of qualified people and the provision of suitable equipment and financial resources.

Our business not only requires suitable software and hardware. Data security is a special aspect – the assurance that authorised persons can access data at any time and protection against unauthorised data access. DBAG has its own qualified IT specialists; they are supported by external consultants, if needed. In addition to standard software for our office communication, we use further applications for special purposes, such as accounting, investment controlling and customer relations management. If there is no suitable software available in the market, we use software that we specifically develop for these purposes. The software we use is continually updated and upgraded. Data is saved by daily back-ups and additionally by secured data archiving. Redundant server architecture warrants permanent access. Sensitive data is protected by a comprehensive access authorisation system.

DBAG attempts to respond to the continually growing IT risk by, among other things, regular external reviews. In an additional security audit in spring 2011, consultants verified that, in their opinion, DBAG's network is sufficiently protected against cyber attack. According to the audit, the network infrastructure and description of IT processes fully comply with the recommendations of the German Federal Office for Information Security. The audit will be repeated on an annual basis. In light of the audit findings, the Company believes that there are no risks that would endanger operations. On the other hand, cyber crimes are rising exponentially and it seems that no organisation today is entirely safe from hacker attacks.

There was no recognisable exposure to operational risk in other corporate sectors this past financial year. The Company does not expect the exposure to operational risk to change in the future.

FINANCIAL RISKS

Equity for the financing of investments (liquidity): Sufficient liquid resources

The acquisition and disposal of investments constitute the main treasury activities at DBAG. These transactions cause irregular payment flows that are not sufficiently calculable, since neither the number or extent, nor the value of our transactions are foreseeable. The Company aims to have sufficient liquidity available at all times in order to accommodate its finance share for investment transactions. This requires Deutsche Beteiligungs AG having access to financial, credit and capital markets.

There is currently no recognisable risk arising from the funding of the Group: at the end of the reporting period, DBAG had liquid resources (including securities) totalling 155.6 million euros. In the past, the Company successfully completed several capital increases, most recently in 2004. By continually addressing and keeping in contact with existing and potential investors as a core activity of investor relations, we aim to create the platform for DBAG to access the capital market to generate additional equity, if necessary.

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 and securities position, the Company currently does not require credit facilities.

Availability of acquisition finance: Acquisition loans remain critical factor

We employ our own capital and the capital of our co-investment funds to finance investments. In line with the business model of a private equity investor, we also use bank loans particularly to finance buyout transactions. These ensure that we achieve commensurate returns on our equity capital investments. We therefore require acquisition finance in adequate amounts and at acceptable terms. Apart from the financing structure of a transaction, lines of credit are also required 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. Our risk-conscious and analytical procedures in selecting and structuring investment projects support the readiness of banks to extend facilities. Focusing the investment strategy on established companies, whose operations have a comparatively low risk profile, also serves that purpose.

This past financial year, there was adequate availability of acquisition finance for our business in the mid-market segment. However, loans were accommodated very selectively. Overall, the availability of acquisition finance has grown more difficult in recent years. In the wake of the financial and economic crisis in 2008/2009, the number of banks that provide acquisition finance decreased. More providers departed from the market than have entered it. Those that remain have tightened their terms. Banks currently require a higher equity portion than they did several years ago.

The higher equity portion required to finance an investment reduces opportunities to achieve a return on the invested capital that is commensurate with the risk involved. We therefore need to 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. Financial investors are regularly among the potential buyers for our investments, who for their part also depend on a sufficient supply of acquisition finance. Low availability of finance influences their investment behaviour and, consequently, the sales proceeds we are able to achieve.

The banking sector's restrictive lending policy may also tend to encumber the portfolio companies' operational and strategic development. This applies in particular in instances when strategic expenditures cannot be financed or when limited working capital facilities impede growth. Portfolio companies can also be indirectly affected 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 remain constant for the time being and therefore at adequate levels for our requirements. At the end of financial year 2010/2011 in the wake of the European debt crisis there is, however, a new banking crisis. We cannot exclude that the availability of borrowings in the market segments in which we operate will again decrease as a result of considerable losses from write-downs on government bonds and higher standards in banks' capital adequacy requirements. We are therefore unable to make reliable predictions on the future availability of borrowings.

On the other hand, we also perceive opportunities that can arise from a possible shortage of acquisition finance. Our long market presence and good relationships to numerous banks over many years should give us an important edge in competing for limited credit resources.

Currency and interest rate risks

For a discussion of the management, extent and sensitivy of currency and interest rate risks, please refer to the commentary in the Notes to the consolidated financial statements (Note 31, Financial risk disclosures, page 137 f.).

General statement on risk exposure

Continuity of Group not at risk

In the estimation of the Board of Management of Deutsche Beteiligungs AG based on currently available data, there are no recognisable individual or cumulative risks that would endanger the continuity of the Group. This estimation is based on the analysis and assessment of the material individual risks to which the Company is exposed, as well as on the risk management system in place. This estimation is not compromised by the uncertain conditions prevailing in the financial markets. An assessment of the exposure to risks is presented in the overview on page 97 of Management's report.

There was no material change in the exposure to risk compared with the preceding year. Overall, the Board of Management currently judges the exposure to risk as being normal.

Report on expected developments

Start of new financial year and future trend

A new management buyout agreed in December 2011 is indicative of a good start to the new financial year: Deutsche Beteiligungs AG and its co-investing DBAG Fund V will acquire Spheros Management Holding GmbH ("Spheros") together with its management. With market shares of 35 percent, the company is a world market leader in the development and manufacture of climate systems and other components for air management in buses. Deutsche Beteiligungs AG will invest up to 15 million euros for an interest of up to 19 percent in this company.

Business model: Investments in mid-sized companies

Our objectives remain unchanged: we endeavour to achieve a return on net asset value per share over the long-term average that exceeds the cost of equity. We will also adhere to our non-financial objectives. Deutsche Beteiligungs AG intends to remain a recognised investment partner to mid-sized companies and a key player in the market for management buyouts. We want to be a sought-after manager of private equity funds and a highly estimated employer in the private equity industry.

Period covered by this report: Standard of measurement is development over five-year period

The business of Deutsche Beteiligungs AG lends itself to a medium- to long-term assessment, planning and prognosis horizon. In other words: the results of a single financial year only conditionally reflect the long-term performance of our investing activity. Events or trends that were not predictable at the beginning of a financial year frequently have a significant impact on the consolidated results of a period. These include realisations that, at times, achieve prices clearly in excess of their most recent valuation, as well as unexpected developments in portfolio companies' consumer markets or in the equity market, as was the case in 2010/2011. The financial success of an investment can generally only be judged after a period of 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: Temporary decline in private equity business possible; long-term growth trend intact

The trend in Germany's private equity business has been one of long-term growth. It is, however, subject to strong external effects which can interfere with that trend. Key market indicators such as the transaction value or the capital committed to private equity funds are indicative of this.

Although the market may temporarily exhibit a negative change, we see no reason to alter our assessment of a positive market environment for the five-year period covered by this report. We assume that the demand for private equity will rise. Fears of a cyclically-related slowdown in 2012 may cause uncertainty among potential vendors or make enterprise valuations difficult and possibly impede the investment business. The prime market drivers, however, are still in place and will create a sufficient number of investment opportunities for DBAG in the period covered by this report. Major options derive from

- the equity need of mid-sized companies (substitute for lower availability of debt and expiring mezzanine programmes, the need to finance growth due to globalisation),
- the financing of divestments for succession reasons (growing number of generation transitions),
- the optimisation of corporate portfolios,
- transactions between private equity investors (secondary buyouts).

Borrowings: Temporary contraction possible

The debt market for acquisition finance was differentiated in 2011. Whereas the availability of borrowings, measured by volume and terms, had improved in the early part of the year, the European debt crisis led to a rapid turnaround in providers' lending policy. Since summer 2011, greater lending restraint has once again been noticeable. We cannot predict what banks' policy will be over the period covered by this report. However, we expect that ongoing lending contraction is likely to persist. We may need to be prepared to finance buyouts with a higher equity portion. Expected returns in the buyout business would then tend to recede. Nevertheless, returns would, in our opinion, remain attractive – particularly for financial investors who, as we do, generate returns on their investments not by comparatively high levels of debt, but by their portfolio companies' earnings growth.

In light of the developments in the debt market, the environment should be favourable for our expansion capital offering: lower availability of debt will tend to increase demand for equity of the kind we provide in expansion financings.

Asset class of private equity: Fundamental significance remains unchanged

Private equity is firmly rooted as an asset class worldwide. It constitutes an integral part of the investment strategy of many institutional investors. The crisis years of 2008 and 2009 on the financial and capital markets showed that the share of private equity in asset dissemination is not constant and may even fall. However, we do not expect commitments to private equity funds to diminish fundamentally. For the very reason that private equity stood the test during the recent financial and economic crisis and maintained its edge in generating returns versus other asset classes, private equity will retain its significance for investment strategies. Therefore, we are confident about raising adequate capital for co-investment funds in the period covered by this report. In our current estimation, a successor fund to DBAG Fund V focused on management buyouts will at least reach the same size as our present fund.

Macroeconomic environment: Uncertainty currently prevailing

The course of the year 2011 showed how rapidly and radically growth expectations can change. At the outset of the year, there was almost boundless optimism in Germany about growth prospects for the year and beyond. This assessment changed in late summer. At the year-end, experts anticipate at least a slowdown in growth; others have, however, voiced warnings over a deeper economic crisis.

However, our portfolio companies and, consequently, our investment performance, are not just affected by the economic trend in Germany or the eurozone. The business trend in the emerging economies has an – in some instances, considerable – influence on the demand for the capital goods our portfolio companies provide.

Irrespective of short-term risks, we anticipate moderate economic growth in the five-year 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 business development

Development of the Company: Solid market position is foundation for continued performance

Deutsche Beteiligungs AG has a long-standing market presence and has achieved superior returns for its investors. Not least based on our extensive investment experience do we expect to continue conducting the Company's business successfully and maintain our strong position as one of the largest German private equity companies in our segment of the market. We will adhere to our objective of achieving earnings in excess of the cost of equity on the long-term average. Significant amounts of our very high cash resources following profitable realisations from the portfolio are invested in secure, but low interest-bearing German government securities. Temporarily, this 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 and that our long-term return target will continue to be achieved.

Portfolio: Higher level of earnings for portfolio companies in mid-term

In 2011, the earnings of most of our portfolio companies exceeded those of the prior year. They profited from an intact growth trend over long stretches of the year, from their fundamentally good market positions and from the partially extensive realignment programmes initiated during the preceding economic crisis.

Companies with a leadership position in the market – like most of those in which we have invested – are generally more resilient than weaker competitors and often emerge stronger from a crisis. In the described scenario of moderate economic development over the forecast period, at the beginning of which there will be a phase of weak growth, we believe that most of our portfolio companies will continue to improve their level of earnings in the mid-term and reduce debt.

When and to what extent the valuation-related performance data – meaning earnings and debt – will exhibit further improvement is not precisely foreseeable. However, given stable valuation ratios in the stock markets, we are confident that the value of the portfolio companies will grow in the period of this forecast.

Net result of investment activity: In total, positive over the forecast period

The item with the greatest weight for the Company's performance is the net result of investing activity. We anticipate that Deutsche Beteiligungs AG will post a positive net result of investing activity on average over the next five financial years.

We are not in a position to quantify the net result of valuation for a number of reasons. Reliably predicting the general economic trend over the forecast period, and – by inference – the portfolio companies' development, is not possible in view of cyclical imponderables and turmoil in the financial and currency markets. 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 what direction these influential factors will take. That also holds true for a much shorter period than for this forecast report.

The total 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. The decision taken in 2010 to expand our line of business to include expansion capital investments will tend to augment current income. This form of income is generally of a more consistent nature than the volatile net result of valuation and disposal. The addition of expansion capital investments to the portfolio should therefore have a stabilising effect on income in the forecast period.

Current personnel expenses will rise slightly, given a moderate increase in the number of staff planned over the forecast period. The importance of performance-related income components will decline; they only relate to investments entered into before 2007.

Fee income from management services to co-investment funds is particularly significant for other operating income. Disposals from the portfolios of co-investment funds whose investment period has been completed cause management fees to decline. By contrast, new co-investment funds – such as the DBAG Expansion Capital Fund which closed this past financial year – create potential to generate 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 raising commitments to further funds. We anticipate that assets under our management will rise over the forecast period and thereby broaden the base for generating management fee income. However, developments relating to terms for fund management services may have a dampening effect.

Further items in other operating expenses 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 expenses will decrease over the forecast period along with the reduction in the Company's sizeable liquidity reserves. Higher interest rates compared with their present very low levels could, however, have the opposite effect.

Liquidity: Sufficient for new investment

From today's point of view, Deutsche Beteiligungs AG intends to continue its investment strategy. But this does not exclude adapting it to changed market conditions. In the forecast period, we aim to make an average of two new investments each financial year in both management buyouts and expansion capital investments. Based on an average sum of 10 million euros for each investment, the liquidity requirement would amount up to 40 million euros annually.

Following the investment restraint in past years, 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 – as recently – realisations may predominate at certain points within the forecast period. Overall, we expect that there will be more additions to than exits from the portfolio.

Cash flows from investing activities – or payments for portfolio investments netted against proceeds from disposals of investments – are the key source of funds from our operating business. Should acquisitions predominate in a financial year, 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, it could procure funding through borrowings or a capital increase. This, however, requires that suitable conditions prevail in the financial and equity markets.

Liquid resources: Expected to decrease

DBAG profitably realised a number of investments in recent financial years and, at the same time, took a restrained approach to new investment in view of market conditions. The Company's liquidity position, totalling 155.6 million euros (including securities) at the reporting date, is therefore high. 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 clearly decrease over the term of this forecast.

General forecast

Good basis for achieving return target

Deutsche Beteiligungs AG is well placed for the coming years. With a 45-year old history, the Company is a firmly established and successful player in the private equity market. It has a solid financial base and good requisites for future fundraising campaigns. Many factors indicate that there will be a growing need for private equity. DBAG's portfolio contains investments in attractive companies which have the potential for value growth, even if this may be delayed by cyclical effects. DBAG's staff is experienced and highly motivated. These underlying conditions are, in our opinion, an outstanding platform on which Deutsche Beteiligungs AG and its enterprise value can develop positively.

The business model of Deutsche Beteiligungs AG has been tried and tested across different economic cycles. Our investment approach, which is eted at increasing the portfolio companies' earnings power, while at the same time attaching importance to a sound financing base for our investee businesses, lays the foundation for attractive returns.

Based on the budgets our portfolio companies presented for 2012 and the targeted development in earnings and debt, we expect overall positive contributions to the value of the portfolio this current financial year. Whether, and to which extent this will be reflected in a positive valuation movement, depends on valuation ratios in the equity market at the upcoming reporting date. We are unable to either foresee or influence these ratios; this also applies to the price of shares in Homag Group AG, currently our largest investment. We are therefore not in a position to give an earnings prediction for the time span of a year.

We intend to adhere to our dividend policy. It provides for the payment of a consistent dividend, if possible – even for financial years ending with negative net income or in which there were no disposals. Such a base dividend will be determined – as for financial year 2010/2011 – based on the opening net asset value per share at the onset of the financial year: that amount should bear interest near money market rates. We intend to have our shareholders participate in particularly profitable realisations through the payment of a surplus dividend. Such disposals, however, cannot be precisely planned.

Considering the portfolio companies' foreseeable short-range development and expected mid-term performance of our investment activity, the Board of Management anticipates that Deutsche Beteiligungs AG will, on average over the current and upcoming four financial years, achieve a return on equity at a rate that exceeds the cost of equity.

Frankfurt am Main, January 2012

The Board of Management

Romaco
EXCELLENCE THROUGH INNOVATION

Cutting-edge engineering

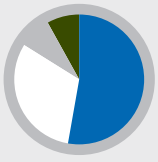
Romaco group

Karlsruhe, Germany

Romaco manufactures flexible machines for the pharmaceutical and food industries. In addition, the company is close to its customers through a worldwide service network in more than 130 markets around the globe. A particular focus: the pharmaceutical and cosmetics sectors.

2010/2011 Revenue: €93 million

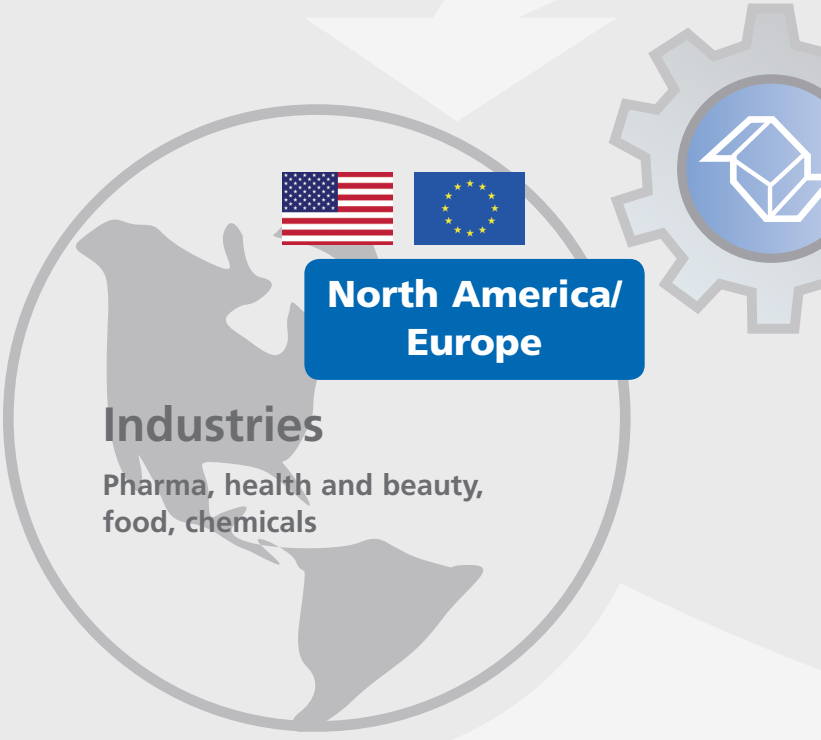
By segment
- 65% machines and plants
- 35% spare parts



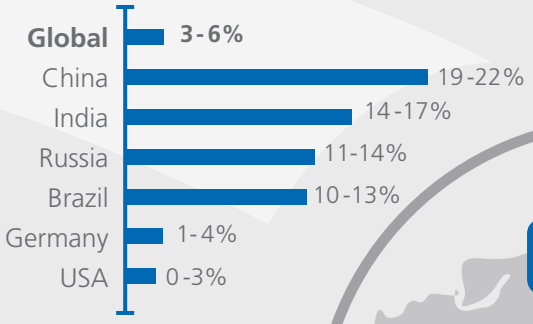
By region
- 53% Europe
- 31% Asia
- 8% South America
- 8% North America

Growing global population and rising prosperity

- **New markets**
- **Rising demand for generics**
- **Rising standards in Asia**



Pharma markets: Emerging countries gain in importance (annual growth rates 2011-2015; %)



Trends

Outsourcing
Flexibility of production

Romaco

Packaging, processing, service

- **Market presence: installed base of 24,000 machines**
- **Power of innovation: intelligent adaptation**
- **Service benefit: global presence**

Objective: Growth through cutting-edge packaging technology

- Expansion of international sales organisation
- New areas of application and expansion of service business
- Acquisition of complementary businesses

Consolidated income statement

for the period from 1 November 2010 to 31 October 2011

T€	Notes	1 Nov. 2010 to 31 Oct. 2011	1 Nov. 2009 to 31 Oct. 2010
Net result of investment activity			
Net result of valuation and disposal of financial assets and loans and receivables	7	(13,954)	46,515
Current income from financial assets and loans and receivables	8	9,439	6,642
Total net result of investment activity		**(4,515)**	**53,157**
Other income/expenses			
Personnel costs	9	(13,759)	(12,037)
Other operating income	10	18,495	14,600
Other operating expenses	11	(22,824)	(18,610)
Depreciation and amortisation on property, plant and equipment and intangible assets	15	(351)	(280)
Interest income	12	3,544	1,168
Interest expenses	13	(494)	(362)
Total other income/expenses		**(15,389)**	**(15,521)**
Net income before taxes		**(19,904)**	**37,636**
Income taxes	14	1,795	1,257
Net income after taxes		**(18,109)**	**38,893**
Minority interest	25	1,478	(4,757)
Net income		**(16,631)**	**34,136**
Earnings per share in euros	32	(1.22)	2.50
Diluted earnings per share in euros	32	(1.22)	2.50
Statement of comprehensive income:			
Net income		**(16,631)**	**34,136**
Actuarial gains/(losses) on defined benefit obligations/plan assets	27	549	(3,065)
Unrealised gains/(losses) on available-for-sale securities	20	193	(242)
Other comprehensive income		**742**	**(3,307)**
Total comprehensive income		**(15,889)**	**30,829**
Reconciliation between net income and consolidated retained profit:			
Net income		**(16,631)**	**34,136**
Profit carried forward from previous year		73,100	52,640
Dividends	24	(19,147)	(13,676)
Consolidated retained profit		**37,322**	**73,100**

Consolidated statement of cash flows

for the period from 1 November 2010 to 31 October 2011

Inflows (+) / Outflows (-) T€	Notes	**1 Nov. 2010 to 31 Oct. 2011**	1 Nov. 2009 to 31 Oct. 2010
Net income		(16,631)	34,136
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	20,997	(42,252)
Gains (-)/losses (+) from disposals of non-current assets	7	(6,679)	(1,131)
Increase (+)/decrease (-) in non-current liabilities	22, 25, 26, 27	(4,898)	3,393
Increase (-)/decrease (+) in income tax assets	22	5,413	(3,904)
Increase (+)/decrease (-) in tax provisions	22	(1,038)	(858)
Increase (-)/decrease (+) in other assets (netted)	18, 19, 21, 22, 23	(1,760)	(6,983)
Increase (+)/decrease (-) in other liabilities (netted)	26, 28	5,507	4,819
Cash flows from operating activities		**911**	**(12,780)**
Proceeds from disposals of property, plant and equipment and intangible assets	15	166	7,286
Purchase of property, plant and equipment and intangible assets	15	(1,196)	(388)
Proceeds from disposals of financial assets and loans and receivables	7, 16, 17	43,569	44,505
Acquisition of non-current financial assets and investments in loans and receivables	7, 16, 17	(9,453)	(8,223)
Increase (-)/decrease (+) in long and short-term securities	20, 30	(6,087)	(43,762)
Cash flows from investing activities		**26,999**	**(582)**
Payments to shareholders (dividends)	24	(19,147)	(13,676)
Cash flows from financing activities		**(19,147)**	**(13,676)**
Change in cash funds from cash-relevant transactions		8,763	(27,038)
Cash funds at start of period	30	23,749	50,787
Cash funds at end of period	30	**32,512**	**23,749**

Consolidated statement of financial position

at 31 October 2011

Assets

T€	Notes	31 Oct. 2011	31 Oct. 2010
Non-current assets			
Intangible assets	15	30	25
Property, plant and equipment	15	1,514	841
Financial assets	16	93,464	129,853
Loans and receivables	17	3,676	4,742
Long-term securities	20	123,052	102,912
Other non-current assets	18, 27	6,878	5,897
Total non-current assets		**228,614**	**244,270**
Current assets			
Receivables	19	2,826	2,899
Short-term securities	20	31	14,084
Other financial instruments	21	623	22
Income tax assets	22	7,271	12,684
Cash and cash equivalents		32,512	23,749
Other current assets	23	8,028	18,404
Total current assets		**51,291**	**71,842**
Total assets		**279,905**	**316,112**

Shareholders' equity and liabilities

T€	Notes	31 Oct. 2011	31 Oct. 2010
Shareholders' equity	24		
Subscribed capital		48,533	48,533
Capital reserve		141,394	141,394
Retained earnings and other reserves		11,630	10,888
Consolidated retained profit		37,322	73,100
Total shareholders' equity		**238,879**	**273,915**
Liabilities			
Non-current liabilities			
Minority interest	25	10,712	15,669
Other provisions	26	117	0
Deferred tax liabilities	22	72	130
Total non-current liabilities		**10,901**	**15,799**
Current liabilities			
Other current liabilities	28	3,456	6,894
Tax provisions	22	1,637	2,675
Other provisions	26	25,032	16,829
Total current liabilities		**30,125**	**26,398**
Total liabilities		**41,026**	**42,197**
Total shareholders' equity and liabilities		**279,905**	**316,112**

Consolidated statement of changes in equity

for the period from 1 November 2010 to 31 October 2011

T€	2010/2011	2009/2010
Subscribed capital		
At start and end of year	**48,533**	**48,533**
Capital reserve		
At start and end of year	**141,394**	**141,394**
Retained earnings and other reserves		
Legal reserve		
At start and end of year	403	403
First adoption IFRS		
At start and end of year	15,996	15,996
Reserve for actuarial gains/losses on defined benefit obligations/plan assets		
At start of year	(5,269)	(2,204)
Change in reporting period	549	(3,065)
At end of year	(4,720)	(5,269)
Revaluation surplus for unrealised gains/losses on available-for-sale investments		
At start of year	(242)	0
Change in reporting period	193	(242)
At end of year	(49)	(242)
Retained earnings and other reserves at end of year	**11,630**	**10,888**
Consolidated retained profit		
At start of year	73,100	52,640
Dividends	(19,147)	(13,676)
Net income	(16,631)	34,136
At end of year	**37,322**	**73,100**
Total equity	**238,879**	**273,915**

Notes to the consolidated financial statements

for financial year 2010/2011

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 Börsenstraße 1 in 60313 Frankfurt am Main, Federal Republic of Germany.

2. Basis of preparation

Deutsche Beteiligungs AG has prepared these consolidated financial statements at 31 October 2011 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 10 January 2012, 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€). Commercial rounding has been used (round half up). Rounding differences may occur.

3. Voluntary early application of IFRS rules

In the consolidated financial statements at 31 October 2011, 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 (January 2011)
- Amendments to IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendments to IFRS 7 Disclosures – Transfer of Financial Assets
- IFRS 9 – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income
- Amendments to IAS 12 – Deferred Tax: Recovery of Underlying Assets
- Amendments to IAS 19 – Employee Benefits
- IAS 24 – Related Party Disclosures
- IAS 27 – Separate Financial Statements
- IAS 28 – Investments in Associates and Joint Ventures
- Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement
- IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

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).

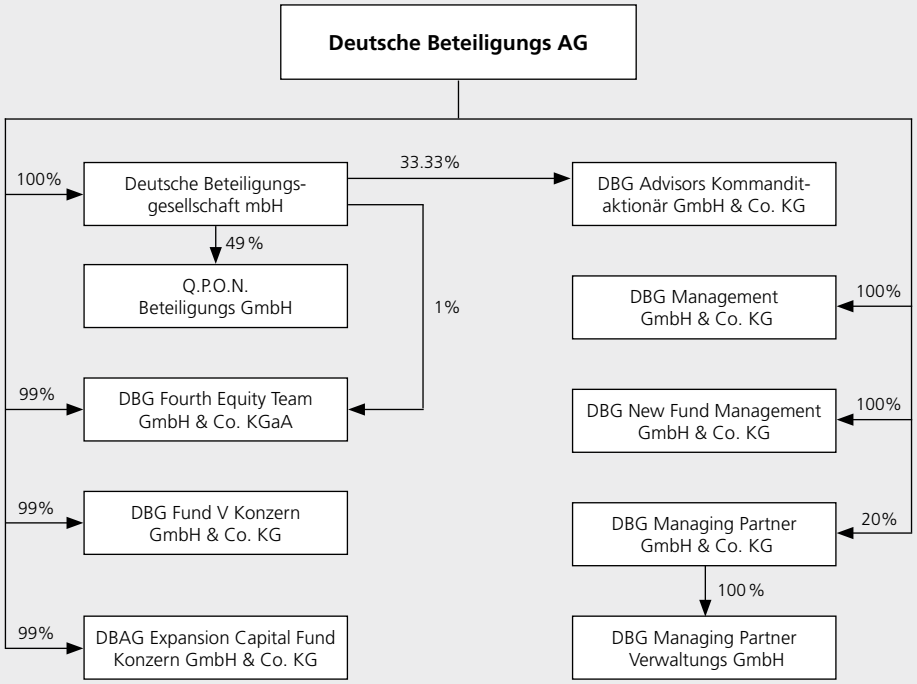
Foreign-based companies are presently not included in the group of consolidated companies of Deutsche Beteiligungs AG.

The consolidated Group at 31 October 2011 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.

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.



The percentages relate to the proportionate share of equity.

DBG 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€17, current debt of T€2, income of 0 euros and expenses of T€2.

DBAG Expansion Capital Fund Konzern GmbH & Co. KG, in which Deutsche Beteiligungs AG holds an equity share of 99 percent, was initially consolidated in the reporting year. DBAG Expansion Capital Fund Konzern GmbH & Co. KG recorded a loss of T€13 in the period from the date of initial consolidation to 31 October 2011.

DBG Immobilien GmbH was merged into Deutsche Beteiligungsgesellschaft mbH in the reporting year and is therefore no longer consolidated in the Deutsche Beteiligungs AG Group. The deconsolidation of this company had no effects on the asset, financial and earnings position of the DBAG Group.

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.

No goodwill has incurred from capital consolidation that was 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 initial recognition of financial assets is also performed on a fair-value basis, which corresponds to their acquisition cost at the time of their initial recognition. The net result of valuation (movements 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". Distributions and dividends are shown in item "Current income from 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 applied consistently 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 thirteen 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", "financial assets at fair value through profit or loss", or "available-for-sale investments". Securities are classified to a category on initial recognition. Securities that are not held for the purpose of selling them in the near term or that are not held to maturity are designated as "available for sale".

Securities that are quoted in an active market, have fixed maturities and are held to maturity are allocated to the category of "held-to-maturity investments" and carried at amortised cost. These items are regularly reviewed as to whether objective evidence of impairment exists. In that event, an impairment loss is determined in accordance with IAS 39.

Securities held for the purpose of selling them in the near term are designated as "financial assets at fair value through profit or loss" and measured at fair value at the reporting date. Changes in fair value are taken to income in item "Net result of valuation and disposal of financial assets and loans and receivables".

Securities designated as "available-for-sale investments" are measured at fair value at the reporting date. Fair value changes are disclosed in retained earnings and other reserves as a revaluation surplus for unrealised gains/losses on available-for-sale investments.

Securities with a residual term of more than one year at the reporting 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 reporting 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 expenses.

Pension obligations are funded through a contractual trust arrangement by contributions to plan assets. Actuarial gains and losses are recognised directly in equity under the caption of retained earnings and other reserves in item "Reserve for actuarial gains/losses on defined benefit obligations/plan assets".

Other provisions

Other provisions are carried in liabilities, if a third-party obligation and the probability of the availment of the obligation exist. Noncurrent 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. Subsequent measurement 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 in the amount of representation and warranty risks arising on disposals of financial assets are recognised when claims from these obligations 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 disposals 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 expenses 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 through 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€	2010/2011	2009/2010
Changes in value	(20,646)	42,532
Realised income/expenses	6,679	1,131
Other	13	2,852
	(13,954)	**46,515**

In the comparative financial year, "Other" mainly related to a 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€	2010/2011	2009/2010
Profit entitlements	9,086	6,359
Interest	353	283
	9,439	**6,642**

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€	2010/2011	2009/2010
Wages and salaries	12,388	10,838
Social contributions and expenses for pension plans	1,371	1,199
thereof, service cost	647	506
thereof, for defined contribution plans (including employers' contributions to state pension plans)	385	371
	13,759	**12,037**

Of social contributions and expenses for pension plans, T€829 (previous year: T€687) 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. 2011	31 Oct. 2010
Employees (full-time)	42	41
Employees (part-time)	5	5
Apprentices	6	5

One employee (previous year: two employees) was on parental leave.

As in the preceding year, the Board of Management consisted of four members in 2010/2011.

In financial year 2010/2011, an average of 47 employees (previous year: 46) and 5 apprentices (previous year: 5) were employed at Deutsche Beteiligungs AG.

10. Other operating income

T€	2010/2011	2009/2010
Management fees	10,968	11,059
Reimbursed expenses	6,039	2,164
Other	1,488	1,377
	18,495	**14,600**

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

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

11. Other operating expenses

T€	**2010/2011**	2009/2010
Consultancy	11,110	4,721
Value-added tax	5,622	7,355
Office rental	1,249	1,006
Impairment losses on current receivables	192	1,302
Financial assets	71	272
Other	4,580	3,954
	22,824	**18,610**

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.

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 risks.

Office rental contains rent for office premises in the amount of T€924 (previous year: T€851) as well as relocation costs to the Company's new premises at Börsenstraße 1 in Frankfurt am Main in the amount of T€134.

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

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.

12. Interest income

T€	**2010/2011**	2009/2010
Revenue Office	1,555	255
Securities	1,423	646
Fixed-term deposits/cash in banks	104	118
Interest-bearing receivables in current assets	7	119
Other	455	30
	3,544	**1,168**

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

T€	**2010/2011**	2009/2010
Loans and Receivables	2,114	403
Available-for-Sale Investments	1,396	311
Held-to-Maturity Investments	27	335
Financial Assets at Fair Value through Profit or Loss	7	119
	3,544	**1,168**

13. Interest expenses

T€	**2010/2011**	2009/2010
Interest expenses for pension provisions	886	939
Expected returns on plan assets	(650)	(651)
	236	**288**
Revenue Office	191	34
Other	67	40
	494	**362**

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

14. Income taxes

T€	2010/2011	2009/2010
Current taxes	(1,738)	(1,269)
Deferred taxes	(57)	12
	(1,795)	**(1,257)**

In addition to tax expenses of T€31 for the 2010/2011 reporting period, current taxes also contain taxes for preceding years. Taxes for preceding years consist of tax income of T€1,961 and tax expenses of T€192 arising from the adjustment of a corporation tax credit based on a completed tax audit for the period from 2000 to 2003.

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 income totalling T€57 in the reporting year is exclusively attributable to DBG Advisors Kommanditaktionär GmbH & Co. KG. At 31 October 2011, there were neither deferred income tax assets, nor deferred income tax liabilities taken directly to equity.

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

T€		2010/2011	2009/2010
Earnings before taxes		(19,904)	37,636
Applicable corporate tax rate	%	31.93	31.93
Theoretical tax income/expenses		**(6,355)**	**12,017**
Change in theoretical tax income/expenses:			
- Tax-exempt positive result of valuation and disposal		(6,340)	(15,104)
- Non-deductible negative result of valuation and disposal		11,290	1,473
- Tax-exempt current income		(2,624)	(1,903)
- Non-deductible expenses		76	36
- Taxes from previous years		(1,961)	(1,279)
- Adjustment of corporation tax credit based on tax audit 2000 to 2003		192	0
- Use of non-capitalised tax loss carryforwards		(21)	(296)
- Non-capitalised tax loss carryforwards for current year		359	1,497
- Non-capitalised losses for current year		3,463	1,303
- Tax rate differential		105	409
- Other effects		21	590
Income taxes		(1,795)	(1,257)
Taxation ratio	%	**9.02**	**(3.34)**

A total of T€21 is attributable to the reduction in current income tax expenses from the utilisation of non-capitalised tax loss carryforwards in the Group. Additionally, there is a reciprocal effect of T€359 from non-capitalisation of deferred tax assets against tax loss carryforwards for the current financial year as well as on unused losses of T€3,463 under the IFRS, which largely fall to unrealised valuation movements under 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

	Acquisition cost			
T€	1 Nov. 2010	Additions	Disposals	**31 Oct. 2011**
Intangible assets	395	19	128	286
Property, plant, equipment	2,404	1,176	1,268	2,312
	2,799	**1,195**	**1,396**	**2,598**

	Depreciation/amortisation				Carrying amount	
T€	1 Nov. 2010	Additions	Disposals	**31 Oct. 2011**	**31 Oct. 2011**	31 Oct. 2010
Intangible assets	370	13	127	256	30	25
Property, plant, equipment	1,563	338	1,103	798	1,514	841
	1,933	**351**	**1,230**	**1,054**	**1,544**	**866**

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

16. Financial assets

T€	**2010/2011**	2009/2010
At start of financial year	**129,853**	**137,242**
Additions	9,214	4,756
Disposals	24,957	54,677
Changes in value	(20,646)	42,532
At end of financial year	**93,464**	**129,853**

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€	2010/2011	2009/2010
At start of financial year	**4,742**	**1,306**
Additions	239	3,467
Disposals	1,305	31
At end of financial year	**3,676**	**4,742**

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

18. Other non-current assets

T€	31 Oct. 2011	31 Oct. 2010
Receivables from portfolio companies	6,235	5,789
Pensions and similar obligations/plan assets	643	108
	6,878	**5,897**

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. 2011	31 Oct. 2010
Receivables from associated companies	32	96
Receivables from portfolio companies	2,794	2,803
	2,826	**2,899**

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€	2010/2011	2009/2010
At start of financial year	**293**	**861**
Additions	192	1,302
Disposals	0	1,870
At end of financial year	**485**	**293**

20. Securities

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

Classification of securities in the statement of financial position:

T€	31 Oct. 2011	31 Oct. 2010
Long-term securities	123,052	102,912
Short-term securities	31	14,084
	123,083	**116,996**

Classification of securities by types:

T€	31 Oct. 2011	31 Oct. 2010
Floating-rate notes (3-month Euribor)	97,965	77,887
Floating-rate notes (6-month Euribor)	25,087	25,025
Other	31	14,084
	123,083	**116,996**

Classification of securities by maturity:

T€	**31 Oct. 2011**	31 Oct. 2010
Due within 1 year	31	14,084
Due between 1 and 2 years	25,025	0
Due between 2 and 3 years	50,085	25,037
Due between 3 and 4 years	22,855	50,025
Due between 4 and 5 years	25,087	2,825
Due greater than 5 years	0	25,025
	123,083	**116,996**

Classification of securities by IFRS valuation categories:

T€	**31 Oct. 2011**	31 Oct. 2010
Available-for-sale investments	123,052	102,912
Financial assets at fair value through p/l	31	0
Held-to-maturity investments	0	14,084
	123,083	**116,996**

As in the previous year, the securities have been designated as available for sale because of their longer residual maturities. Securities that were classified as "held-to-maturity investments" in the prior year matured in January 2011. The change in the difference between the fair value and the acquisition cost of available-for-sale securities at 31 October 2011 in the amount of T€193 was recognised in other comprehensive income.

21. Other financial instruments

T€	**31 Oct. 2011**	31 Oct. 2010
Short-term equity shares	623	22
	623	**22**

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. 2011**	31 Oct. 2010
Income tax credits	7,271	12,684
Tax provisions	1,637	2,675
Deferred tax liabilities	72	130

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 expenses, 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. 2011**	31 Oct. 2010
Tax loss carryforward, corporation tax	74,948	69,903
thereof, usable	0	0
Tax loss carryforward, trade tax	17,784	17,326
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. 2011**	31 Oct. 2010
Financial assets	(72)	(130)
	(72)	**(130)**

23. Other current assets

T€	31 Oct. 2011	31 Oct. 2010
Receivables from co-investment funds	5,095	5,166
Purchase price receivable	707	11,334
Purchase price retention	449	705
Lease security deposit	405	0
Loans	277	286
Interest receivable on securities	233	550
Value-added tax	288	2
Other	574	361
	8,028	**18,404**

Receivables from co-investment funds largely comprise profit priority shares and reimbursable expenses.

The purchase price receivable in the comparative year arose in conjunction with the dissolution of a portfolio company.

The purchase price retention covers possible representation and warranty risks from the divestment of a portfolio company.

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

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

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 Dusseldorf Stock Exchange. Shares in the Company are also traded on the Open Market of the Berlin, 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 a 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 2010/2011:

	Purchase/sales price per share	Number of shares	Share of subscribed capital	
	€		T€	‰
At 1 Nov. 2010		**0**	**0**	**0.0**
Date of purchase: 8 Aug. 2011	17.91	3,348	12	0.2
Date of sale/Transfer: 15 Aug. 2011	13.40	3,348	12	0.2
At 31 Oct. 2011		**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.

Purchase of own shares

The Board of Management is, with the consent of the Supervisory Board, authorised until 22 March 2016 to purchase own shares by up to ten percent of the current share capital – or, in the event that this value is lower – of the share capital at the time the authorisation is exercised, for purposes other than trading in own shares.

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. It is also authorised 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 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, which was unchanged at T€141,394, comprises amounts achieved from the issuance of shares in excess of the par value.

Retained earnings and other reserves

Retained earnings and other reserves comprise:

- the legal reserve, as stipulated by German stock corporation law,
- first-time adopter effects from the IFRS opening balance at 1 November 2003,
- reserve for actuarial gains/losses arising on defined benefit obligations/plan assets,
- revaluation surplus for unrealised gains/losses on available-for-sale investments.

Consolidated retained profit

At the Annual Meeting on 23 March 2011, shareholders voted to pay a dividend of 0.40 euros per share (5,470,543.60 euros) plus a surplus dividend of 1.00 euro per share (13,676,359.00 euros) for financial year 2009/2010.

in €	2010/2011	2009/2010
Dividends paid	5,470,543.60	5,470.543.60
Surplus dividends paid	13,676,359.00	8,205,815.40
Total distribution	**19,146,902.60**	**13,676,359.00**

In its separate accounts consistent with the German Commercial Code (HGB), the retained profit of Deutsche Beteiligungs AG amounts to 24,829,624.98 euros. The Board of Management and the Supervisory Board will decide on 23 January 2012 on the proposed appropriation (including the dividend) of the retained profit.

Since the introduction of the "half-income system" ('Halbeinkünfteverfahren'), dividends in Germany paid to shareholding corporations are subject to a corporation tax rate of five percent and, if certain requirements are fulfilled, to municipal trade tax to the same extent. If statutory provisions are not met, a higher municipal trade tax may be imposed. 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 corporation tax reductions 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€1,123 at 31 October 2011.

25. Minority interest

T€	2010/2011	2009/2010
At start of financial year	**15,669**	**12,288**
Additions	0	0
Disposals	(3,479)	(1,376)
Profit share	(1,478)	4,757
At end of financial year	**10,712**	**15,669**

Minority interest relates to DBG Advisors Kommanditaktionär GmbH & Co. KG, DBAG Fund V Konzern GmbH & Co. KG, DBG Managing Partner GmbH & Co. KG and DBAG Expansion Capital Fund Konzern 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 (DBAG Fund IV co-investment fund) developed as follows:

T€	2010/2011	2009/2010
At start of financial year	**14,168**	**11,719**
Additions	0	0
Disposals	(3,413)	(550)
Profit share	(249)	2,999
At end of financial year	**10,506**	**14,168**

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

T€	2010/2011	2009/2010
At start of financial year	**1,478**	**546**
Additions	0	0
Disposals	(66)	(826)
Profit share	(1,230)	1,758
At end of financial year	**182**	**1,478**

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

T€	2010/2011	2009/2010
At start of financial year	**23**	**23**
Additions	0	0
Disposals	0	0
Profit share	1	0
At end of financial year	**24**	**23**

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

T€	2010/2011	2009/2010
At start of financial year	**0**	**0**
Additions	0	0
Disposals	0	0
Profit share	0	0
At end of financial year	**0**	**0**

26. Current other provisions

T€	1 Nov. 2010	Availment	Write-backs	Additions	31 Oct. 2011
Personnel-related commitments	8,176	3,923	274	5,456	9,435
Financial assets	1,213	981	17	3,503	3,718
Other	7,440	886	110	5,435	11,879
	16,829	**5,790**	**401**	**14,394**	**25,032**

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. representation and warranty commitments).

"Other" particularly comprises provisions of T€10,676 (previous year: T€6,432) for value-added tax risks associated with income from management services to co-investment funds.

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. 2011**	31 Oct. 2010	31 Oct. 2009	31 Oct. 2008	31 Oct. 2007
Present value of benefit obligations	21,246	21,563	18,508	15,014	17,006
Fair value of plan assets	(21,889)	(21,671)	(18,597)	(15,755)	(16,727)
Other non-current assets **Provisions for pension obligations**	**(643)**	**(108)**	**(89)**	**(741)**	**279**

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

T€	**2010/2011**	2009/2010
Present value of benefit obligations at start of financial year	21,563	18,508
Interest expenses	886	939
Service cost	647	506
Past service cost	(869)	(878)
Actuarial (gains)/losses	(981)	2,488
Present value of benefit obligations at end of financial year	**21,246**	**21,563**

The present value of benefit obligations was determined on the following premises:

%	**31 Oct. 2011**	31 Oct. 2010
Discount rate	4.60	4.20
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 obligations 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 obligations. Expected returns on plan assets amount to 3.0 percent for financial year 2010/2011 (previous year: 3.5 percent). The return rate on plan assets is orientated around the general interest rate level. The effective interest return on plan assets was 1.0 percent in financial year 2010/2011 (previous year: 0.4 percent).

Plan assets developed as follows:

T€	2010/2011	2009/2010
Fair value of plan assets at start of financial year	**21,671**	**18,597**
Expected returns	650	651
Allocations to plan assets	0	3,000
Actuarial gains/(losses)	(432)	(577)
Fair value of plan assets at end of financial year	**21,889**	**21,671**

The following amounts were recognised in profit or loss:

T€	2010/2011	2009/2010
Service cost	647	506
Interest expenses	886	939
Expected returns on plan assets	(650)	(651)
	883	**794**

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

Actuarial gains and losses in financial years 2006/2007 to 20110/2011 developed as follows:

T€	2010/2011	2009/2010	2008/2009	2007/2008	2006/2007
Actuarial gains/(losses) on benefit commitments	981	(2,488)	(2,727)	2,615	1,987
Actuarial gains/(losses) on plan assets	(432)	(577)	399	(1,598)	(997)
	549	**(3,065)**	**(2,328)**	**1,017**	**990**

Since financial year 2009/2010, actuarial gains and losses are recognised directly in equity through retained earnings and other reserves. At 31 October 2011, the cumulative actuarial losses since 2003/2004 amounted to T€4,720.

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. 2011	31 Oct. 2010
Call commitments	2,463	3,763
Permanent debt obligations	6,931	7,867
	9,394	**11,630**

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 2011:

T€	< 1 year	1-5 years	> 5 years	**Total**
Permanent debt obligations	778	3,556	2,597	6,931
thereof, rental contracts	693	3,462	2,597	6,752

Permanent debt obligations pertain, in particular, to office rental. The non-terminable office rental contract for the new offices of Deutsche Beteiligungs AG began 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 2011. 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€6,298 at 31 October 2011 (previous year: T€8,144). They primarily concern two portfolio companies in the amount of T€5,381 (previous year: T€5,489) held by Group company Deutsche Beteiligungsgesellschaft mbH 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€17 (previous year: T€19).

Since financial year 2007/2008, a part of the cash resources not needed in the near 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 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. Moreover, changes in exchange rates have an influence on the operations of our portfolio companies in respect of their procurement and customer markets.

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€21,645 (previous year: T€29,603) 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€-104 (previous year: T€1,724).

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€2,165 (previous year: T€2,960).

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. Changes in market interest rates also have an influence on the profitability of the portfolio companies.

Interest rate risk management

Liquid resources are principally 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€155,564 (previous year: T€140,745). Interest income from this position was T€1,527 (previous year: T€764).

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€175 (previous year: T€110) for portfolio companies valuated by the discounted cash-flow method. For variable-interest securities totalling T€123,052 at 31 October 2011, a change in the reference interest rate of 100 basis points would have an effect of T€1,231.

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 risks".

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

Based on the measurement of financial assets at fair value, valuation movements are directly recognised through profit or loss. In financial year 2010/2011, the net result of valuation was T€-20,646 (previous year: T€42,532).

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€32,512 (previous year: T€23,749). Together with government securities totalling T€123,052 (previous year: T€116,996), the DBAG Group has T€155,564 (previous year: T€140,745) at its disposal to meet its payment obligations. This amount clearly exceeds total debt of T€41,026 (previous year: T€42,197). 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. 2011**	31 Oct. 2010
Financial assets	93,464	129,853
thereof, hybrid instruments	0	81
thereof, investments	93,464	129,772
Loans and receivables	3,676	4,742
Receivables	2,826	2,899
Securities	123,083	116,996
Cash	32,512	23,749
Other financial instruments	623	22
Other current assets, if financial instrument	8,028	18,404
Other non-current assets if financial instruments	6,878	5,897
Total	**271,090**	**302,562**

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 kept informed regularly and promptly about the course of business of debtor companies. If there is evidence that debtors may fail to meet obligations, debtors are asked to promptly propose and implement measures that will put them in a position to meet their obligations.

Receivables: Debtors are either current portfolio companies or parts of former portfolio companies. Deutsche Beteiligungs AG is kept informed regularly and promptly about the course of business of debtor companies. If there is evidence that debtors may fail to meet obligations, debtors are asked to promptly propose and implement measures that will put them in a position to meet their obligations.

Securities: Debtors are domestic sovereign issuers with a rating based on Moody's or Standard and Poor's of at least AA. 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 fund 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 [1]	**Carrying amount 31 Oct. 2011**	**Market value 31 Oct. 2011**	Carrying amount 31 Oct. 2010	Market value 31 Oct. 2010
Financial assets	FAaFV	93,464	93,464	129,853	129,853
thereof, hybrid instruments	(FAaFV)	0	0	81	81
thereof, equity investments	(FAaFV)	93,464	93,464	129,772	129,772
Loans and receivables	LaR	3,676	3,676	4,742	4,742
Long-term securities	AfS	123,052	123,052	102,912	102,912
Other non-current assets, if financial instruments	LaR	6,878	6,878	5,789	5,789
Receivables	LaR	2,826	2,826	2,899	2,899
Short-term securities	FAaFV	31	31	14,084	14,084
Cash	LaR	32,512	32,512	23,749	23,749
Other current assets, if financial instruments	LaR	8,028	8,028	18,125	18,125
Other current liabilities [2]	LaR	1,951	1,951	6,747	6,747

[1] Financial assets at fair value through P/L: FAaFV, Loans and receivables: LaR, Available-for-sale investments: AfS
[2] Other current liabilities do not include prepaid income of T€1,505 (previous year: T€147).

The following impairments to financial instruments designated as loans and receivables and held-to-maturity investments have been recognised:

T€	31 Oct. 2011	31 Oct. 2010
Loans and receivables	0	0
Receivables	(192)	(1,302)
Securities	0	0
Cash	0	0
Other current assets, if financial instrument	0	0
Total	**(192)**	**(1,302)**

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	31 Oct. 2011	31 Oct. 2010
Level 1		
Financial assets	22,396	40,883
Long-term securities	0	0
Short-term securities	31	0
Level 2		
Financial assets	0	0
Long-term securities	123,052	102,912
Short-term securities	0	0
Level 3		
Financial assets	71,068	88,970
Long-term securities	0	0
Short-term securities	0	0
Level 1-3		
Financial assets	93,464	129,853
Long-term securities	123,052	102,912
Short-term securities	31	0

Reconciliation for financial instruments to Level 3 in financial year 2010/2011:

T€	Financial assets
At start of financial year	**88,970**
Additions	9,214
Disposals	24,958
Gains/losses through profit or loss	(2,158)
Gains/losses recognised in equity	0
At end of financial year	**71,068**

Losses of T€-2,158 are disclosed in the income statement in item "net result of valuation and disposal of financial assets".

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€	2010/2011	2009/2010
Net result of financial assets at fair value through profit or loss	(4,860)	51,023
thereof, financial assets classified as at fair value through profit or loss upon initial recognition	(4,860)	51,023
thereof, financial assets classified as held for trading	0	0
Net result of loans and receivables	(192)	(1,302)
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 the DBAG Group's capital management is to ensure the Group's long-term capital requirement and augment the 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€	31 Oct. 2011	31 Oct. 2010
Liabilities		
Minority interest	10,712	15,669
Provisions	26,786	19,504
Other liabilities	3,528	7,024
	41,026	**42,197**
Equity		
Subscribed capital	48,533	48,533
Reserves	153,024	152,282
Consolidated retained profit	37,322	73,100
	238,879	**273,915**
Equity as a % of total capital	**85.34**	**86.65**

In addition to the capital requirement as stipulated by 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

		2010/2011	2009/2010
Net income for the year	T€	(16,631)	34,136
Shares issued at reporting date	number	13,676,359	13,676,359
Shares outstanding at reporting date	number	13,676,359	13,676,359
Weighted average number of shares	number	13,676,359	13,676,359
Basic earnings per share	€	(1.22)	2.50
Diluted earnings per share	€	(1.22)	2.50

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 reporting 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€8,549 in the reporting year (previous year: T€7,208). 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€851 was allocated to pension provisions (previous year: T€700) as defined by the IFRS for key management staff (service cost and interest cost); thereof, service cost: T€594 (previous year: T€456). Defined benefit obligations for key management staff amounted to T€6,228 (previous year: T€6,130) 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 2010/2011, the members of the Supervisory Board received fixed fees totalling T€233 (previous year: T€238) consisting of a fixed amount and special bonuses. Variable compensation was not paid.

Regarding transactions and balances of key management personnel in their capacity as minority partners in consolidated companies, please refer to Note 25.

Carried interest investments by key management personnel

Key management personnel have committed to invest in the DBAG Fund IV, DBAG Fund V and DBAG Expansion Capital Fund 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 8.0 percent annually for the DBAG Fund IV, DBAG Fund V and DBAG Expansion Capital Fund co-investment funds. 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:

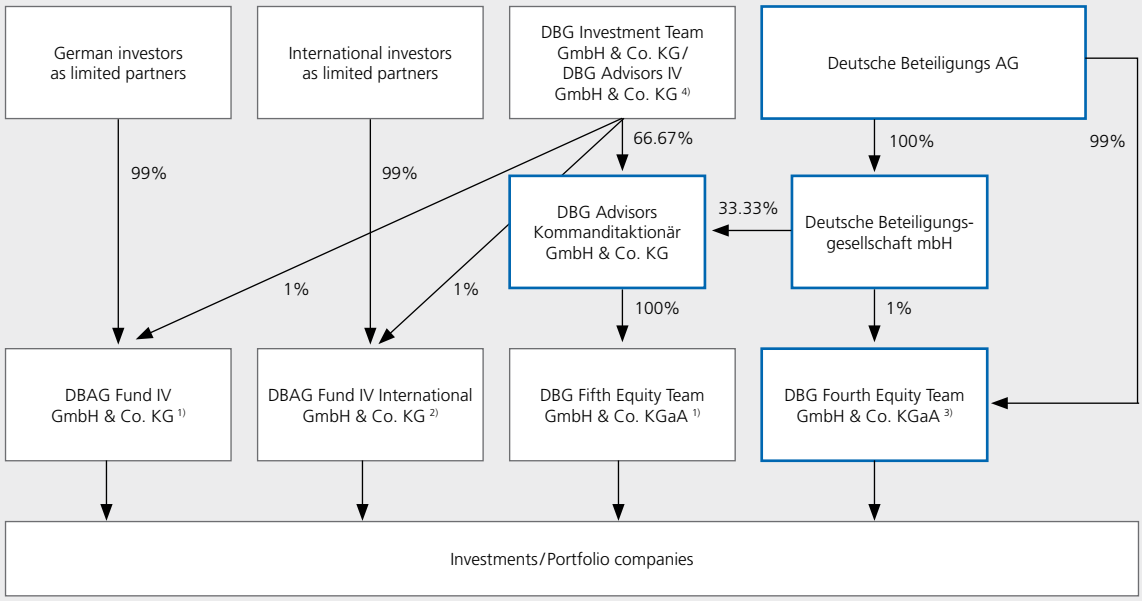
Fund company	Qualification	Investment share held by investment team	Max. profit share
DBAG Fund IV GmbH & Co. KG	Related party	1 %	20.8 %
DBAG Fund IV International GmbH & Co. KG	Related party	1 %	20.8 %
DBG Fifth Equity Team GmbH & Co. KGaA	Related party	0.67 %	approx. 30 %
DBG Fourth Equity Team GmbH & 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 investments 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.

consolidated company

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 and the former key management personnel 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. 2009 to 31 Oct. 2010						
DBG Advisors IV GmbH & Co. KG	0	0	424	0	708	0
DBG Advisors Kommanditaktionär 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**
Period from 1 Nov. 2010 to 31 Oct. 2011						
DBG Advisors IV GmbH & Co. KG	0	0	424	0	1,966	0
DBG Advisors Kommanditaktionär GmbH & Co. KG	0	0	84	0	0	0
DBG Investment Team GmbH & Co. KG	0	0	320	730	1,283	2,749
Total 2010/2011	**0**	**0**	**828**	**730**	**3,249**	**2,749**

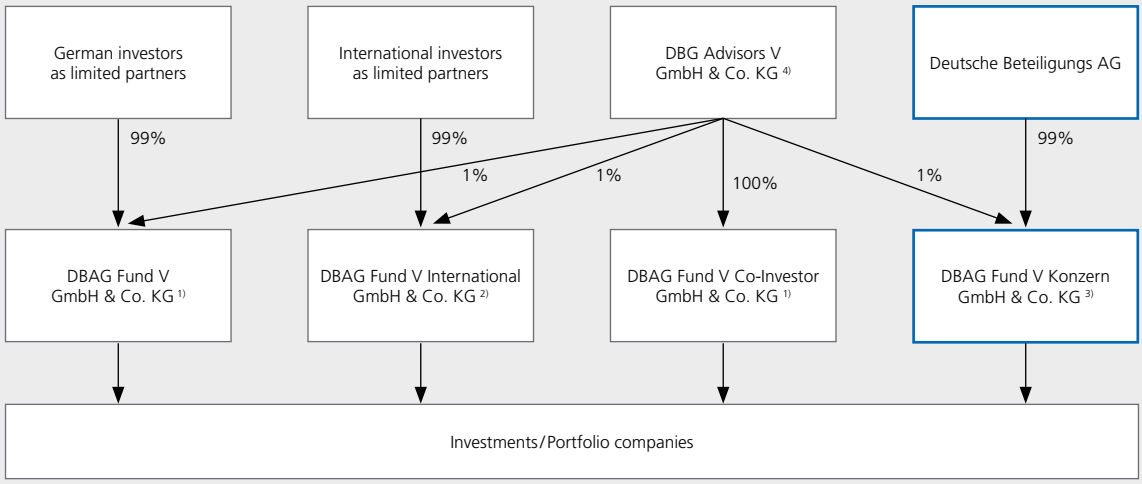
DBAG Fund V

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.

consolidated company

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 and former key management personnel have made the following investments or have the following repayments from investment activity attributable to them:

T€	Investments in the period		Investment at the reporting date		Repayments from investment activity	
	Management board	Senior executives	Management board	Senior executives	Management board	Senior executives
Period from 1 Nov. 2009 – 31 Oct. 2010						
DBG Advisors V GmbH & Co. KG	0	0	1,191	915	1,134	871
Period from 1 Nov. 2010 – 31 Oct. 2011						
DBG Advisors V GmbH & Co. KG	221	140	1,411	1,055	966	623

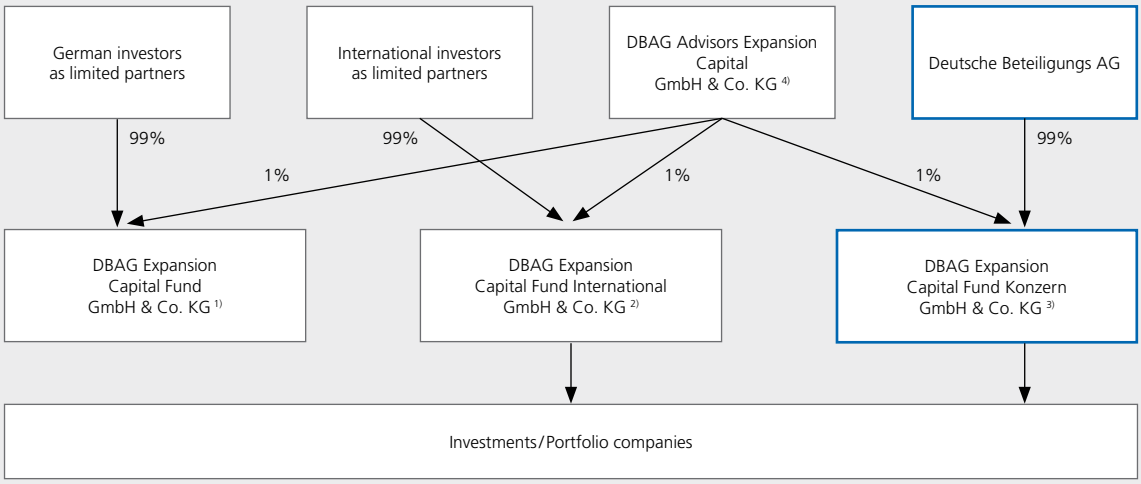
DBAG Expansion Capital Fund

DBAG Expansion Capital Fund 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 Expansion Capital Fund GmbH & Co. KG	Related party	1 %	20.8 %
DBAG Expansion Capital Fund International GmbH & Co. KG	Related party	1 %	20.8 %
DBAG Expansion Capital Fund Konzern GmbH & Co. KG	DBAG Group company	1 %	20.8 %

For the DBAG Expansion Capital Fund, 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 three fund companies listed above. The interests in DBAG Expansion Capital Fund GmbH & Co. KG and DBAG Expansion Capital Fund International GmbH & Co. KG are transacted through the investing limited partner of these fund companies, DBG Advisors Expansion Capital GmbH & Co. KG, which is a related party to DBAG. DBG Advisors Expansion Capital GmbH & Co. KG is the sole general partner of DBAG Expansion Capital Fund Konzern GmbH & Co. KG. Its share in DBAG Expansion Capital Fund Konzern GmbH & Co. KG is recognised in minority interest, since this company is a DBAG Group company.

Overview investment structure of DBAG Expansion Capital Fund



The percentages relate to the equity share.

consolidated company

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

In the reporting year, the key management personnel involved did not make investments, nor did they receive repayments.

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 Expansion Capital Fund	Beginning of investment period on 27 Jan. 2011

DBAG has earned the following material fee income for management services to the co-investment funds, which is recognised in other operating income:

T€	2010/2011	2009/2010
DBG Fonds I	711	794
DBG Fonds III	165	24
DBAG Fund IV	1,151	1,226
DBAG Fund V	8,384	8,984
DBAG Expansion Capital Fund	516	0
	10,927	**11,028**

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.

The fund companies DBAG Fund V GmbH & Co. KG and DBAG Fund V International GmbH & Co. KG (DBAG Fund V) are managed by the managing general partner DBG Managing Partner GmbH & Co. KG, a DBAG Group company. DBAG Fund V Co-Investor GmbH & Co. KG is managed through Group subsidiary DBG Management GmbH & Co. KG.

At 31 October 2011, the fund companies DBAG Expansion Capital Fund GmbH & Co. KG and DBAG Expansion Capital Fund International GmbH & Co. KG (DBAG Expansion Capital Fund) were also managed by the managing general partner DBG Managing Partner GmbH & Co. KG, a DBAG Group company.

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 expenses 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, Deutsche Beteiligungs AG would also be entitled to the total residual profits, after deducting the general partner's liability charges, expenses for interest paid on balances in shareholders' accounts and, if appropriate, costs for setting up own operations for the management of co-investment funds. 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. For the management services described above for several of the DBAG Fund V and DBAG Expansion Capital Fund companies, Deutsche Beteiligungs AG is entitled to annual income. Pursuant to the partnership agreement, it amounts up to 2.0 percent of the capital commitments of 419 million euros to these fund companies, or 2.0 percent of the historical cost of the fund companies' investments after the investment period has been completed (DBAG Fund V), and 1.75 percent of the capital commitments of 142 million euros to these fund companies, or 1.75 percent of the historical cost of the fund companies' investments after the investment period has been completed (DBAG Expansion Capital Fund). The management fees paid by DBAG Fund V companies which accrued to Deutsche Beteiligungs AG through DBG Managing Partner GmbH & Co. KG in financial years 2009/2010 and 2010/2011 were clearly less than 2.0 percent due to provisions for value-added tax risks.

A prerequisite 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, DBAG Fund V and DBAG Expansion Capital Fund co-investment funds. For the period from 1 November 2010 to 31 October 2011, they are entitled to compensation totalling T€211 (previous year: T€233) 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 for administration services.

In October 2010, Deutsche Beteiligungs AG established an incorporated foundation under civil law named "Gemeinnützige Stiftung der Deutschen Beteiligungs AG". It was initially 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.

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 2010/2011.

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€381 (DBAG parent company: T€323; subsidiaries: T€58), for tax consultancy services T€333 (DBAG parent: T€184; subsidiaries: T€150) and for other consultancy services T€87 (DBAG parent: T€83; subsidiaries: T€4).

40. Members of the Supervisory Board and Board of Management

Supervisory Board *

Andrew Richards, Bad Homburg v.d.Höhe (Chairman)
Private Equity Consultant
Executive Director of PARE-Unternehmensberatung GmbH,
Bad Homburg v. d. Höhe
Comparable offices in Germany and internationally
- PINOVA Capital GmbH, Munich (Chairman)

Professor Dr Günther Langenbucher, Stuttgart
(Vice Chairman)
Former Board Member of Ernst & Young AG
(today: Ernst & Young GmbH), Stuttgart
Comparable offices in Germany and internationally
- Ernst & Young GmbH, Stuttgart
- Papierwerke Klingele GmbH & Co. KG, Remshalden

Roland Frobel, Isernhagen (since 23 March 2011)
Director of Administration and Finances,
Dirk Rossmann GmbH, Burgwedel
Statutory offices
- SIMONA AG, Kirn

Dr Hariolf Kottmann, Kilchberg, Switzerland
(until 23 March 2011)
Chairman of the Management Board of Clariant International
Limited, Muttenz, Switzerland
Statutory offices
- Clariant International AG, Muttenz, Switzerland

Comparable offices in Germany and internationally
- Plansee AG, Reutte, Austria

Dr Herbert Meyer, Königstein/Taunus (until 23 March 2011)
President Deutsche Prüfstelle für Rechnungslegung e. V. (DPR)/Financial Reporting Enforcement Panel (FREP), Berlin (until 30 June 2011)
Statutory offices
- Demag Cranes AG, Dusseldorf
- Sektkellerei Schloss Wachenheim AG, Wachenheim (until 2 December 2010)
- Webasto AG, Stockdorf

Comparable offices in Germany and internationally
- Verlag Europa Lehrmittel GmbH, Haan

Philipp Möller, Hamburg
Managing Partner of Möller & Förster GmbH & Co. KG, Hamburg
Statutory offices
- Fibula Finanz AG, Hamburg (since 17 June 2011)

Dr Hendrik Otto, Berlin (since 23 March 2011)
Lawyer and partner at Mayer Brown LLP, Frankfurt am Main
No statutory offices or comparable offices in Germany and internationally

Gerhard Roggemann, Hanover
Vice Chairman of Hawkpoint Partners Limited, London, Great Britain
Statutory offices
- Deutsche Börse AG, Frankfurt am Main (Vice Chairman)
- Fresenius SE & Co. KGaA, Bad Homburg v. d. Höhe (since 28 January 2011)
- GP Günter Papenburg AG, Schwarmstedt (Chairman)

Comparable offices in Germany and internationally
- F&C Asset Management Plc, Edinburgh, Great Britain (until 3 May 2011)
- Friends Life Group Plc (name changed 1 July 2011, formerly Friends Provident Holdings (UK) Plc, London, Great Britain
- Resolution Limited, Guernsey, Channel Islands

Board of Management *

Wilken Freiherr von Hodenberg, Königstein/Taunus (Spokesman)
Comparable offices in Germany and internationally
- DBG Osteuropa-Holding GmbH i. L., Frankfurt am Main (Chairman)

Torsten Grede, Frankfurt am Main
Statutory offices
- Homag Group AG, Schopfloch (Chairman)

Comparable offices in Germany and internationally
- Clyde Bergemann Power Group, Inc., Delaware, DE, USA

André Mangin, Königstein/Taunus
Comparable offices in Germany and internationally
- Coveright Surfaces Beteiligungs GmbH, Dusseldorf (Chairman)
- Dr Vogler GmbH & Co. KG, Bad Homburg (Vice Chairman, since 13 December 2010)
- Heim & Haus International GmbH (Chairman, until 30 May 2011)
- ICTS Europe Holdings B.V., Amsterdam, Netherlands (Vice Chairman, until 5 July 2011)

Dr Rolf Scheffels, Frankfurt am Main
Statutory offices
- Coperion Group GmbH, Stuttgart (Vice Chairman)
- Preh GmbH, Bad Neustadt a. d. Saale (Chairman)

Comparable offices in Germany and internationally
- FDG Group S.A.S., Orly, France
- Financière FDG S.A., Paris, France
- JCK Holding GmbH Textil KG, Quakenbrück
- Romaco Pharmatechnik GmbH, Karlsruhe (since 12 September 2011)
- DBG Fourth Equity Team GmbH & Co. KGaA, Frankfurt am Main
- DBG Fifth Equity Team GmbH & Co. KGaA, Frankfurt am Main

Frankfurt am Main, 10 January 2012
The Board of Management

* 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 2011, respectively.

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, 10 January 2012

Board of Management

Wilken Frhr. von Hodenberg

Torsten Grede

André Mangin

Dr. Rolf Scheffels

Auditor's 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 1st, 2010 to October 31st, 2011. 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 [Handelsgesetzbuch „German Commercial Code"] 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 [Institute of Public Auditors in Germany] (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, 10 January 2012

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr Lemnitzer	Horn
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

List of subsidiaries and associates

at 31 October 2011

	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	4,757	2,821
2	DBG Fourth Equity Team GmbH & Co. KGaA	Frankfurt am Main, Germany	100.00	84	34
3	DBG Management GmbH & Co. KG	Frankfurt am Main, Germany	100.00	1	255
4	DBG New Fund Management GmbH & Co. KG	Frankfurt am Main, Germany	100.00	3	(1,632)
5	Deutsche Beteiligungsgesellschaft mbH	Frankfurt am Main, Germany	100.00	32,913	3,509
6	DBAG Fund V Konzern GmbH & Co. KG	Frankfurt am Main, Germany	99.00	26,165	(1,751)
7	DBG Managing Partner GmbH & Co. KG	Frankfurt am Main, Germany	20.00	2,748	4,390
8	DBG Managing Partner Verwaltungs GmbH	Frankfurt am Main, Germany	100.00	21	0
9	DBAG Expansion Capital Fund Konzern GmbH & Co. KG	Frankfurt am Main, Germany	99.00	21	(3)
1.2	**Non-consolidated companies**				
10	Bowa Beteiligungsgesellschaft mbH & Co. KG	Frankfurt am Main, Germany	100.00	0	(7)
11	Bowa Geschäftsführungs GmbH	Frankfurt am Main, Germany	100.00	54	2
12	DBG Beteiligungsgesellschaft mbH	Frankfurt am Main, Germany	100.00	73	3
13	DBG Epsilon GmbH	Frankfurt am Main, Germany	100.00	27	(1)
14	DBG Fifth Equity Team GmbH & Co. KGaA	Frankfurt am Main, Germany	100.00	11,123	3,477
15	DBG Fourth Equity International GmbH	Frankfurt am Main, Germany	100.00	31	2
16	DBG Lambda GmbH	Frankfurt am Main, Germany	100.00	22	0
17	DBG My GmbH	Frankfurt am Main, Germany	100.00	(75)	(206)
18	DBG UK Management Ltd.	London, Great Britain [2)]	100.00	-	-
19	DBV Drehbogen GmbH	Frankfurt am Main, Germany	100.00	38	(2)
20	LOI Beteiligungs GmbH	Frankfurt am Main, Germany	100.00	23	0
21	Gizeh Verpackungen Beteiligungs-GmbH	Bergneustadt, Germany	99.67	81	1
22	DBG Alpha 5 GmbH	Frankfurt am Main, Germany	100.00	25	(1)
23	DBG Alpha 6 GmbH	Frankfurt am Main, Germany	100.00	25	(1
24	DBG Alpha 7 GmbH	Frankfurt am Main, Germany	100.00	25	0
25	DBG Alpha 8 GmbH	Frankfurt am Main, Germany	100.00	24	0
26	DBG Alpha 11 GmbH	Frankfurt am Main, Germany	100.00	24	0

	Name	Domicile	Equity share %	Equity capital T€	Operating result of past financial year T€
2	**Joint ventures**				
27	Q.P.O.N. Beteiligungs GmbH	Frankfurt am Main, Germany [1]	49.00	32	(4)
3	**Associates**				
28	DBG Asset Management, Ltd.	Jersey, Channel Islands	50.00	572	(20)
29	DS Technologie Holding GmbH	Mönchengladbach, Germany	40.74	2,481	(37)
30	Grohmann Engineering GmbH	Prüm, Germany	24.01	18,134	1,409
31	RQPO Beteiligungs GmbH	Frankfurt am Main, Germany	49.00	32	1
32	RQPO Beteiligungs GmbH & Co. Papier KG	Frankfurt am Main, Germany	44.10	184	(506)

[1] proportionately consolidated
[2] (consolidated) financial statements not issued

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.

Cash flow
An indicator used to assess an enterprise's financial position as well as its earnings position: the net amount of cash inflows and cash outflows.

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.

Corporate governance
Standards for the management and supervision of companies defining the rights and duties of shareholders, supervisory bodies, management boards and other stakeholders.

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 expenses/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.

EBT
Abbreviation for earnings before taxes.

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. Principally, 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.

Fundraising
The soliciting of equity commitments to a private equity fund.

IFRS

International Financial Reporting Standards; accounting standards that are obligatory for quoted companies in the European Union. 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. DBAG first presented its financial statements in the IFRS format for the period ended 31 October 2004.

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

An index family; the individual indices are composed of the stocks of listed private equity companies. DBAG shares are constituents of the LPX 50, the LPX Direct and LPX Europe. The LPX 50 consists of the 50 largest quoted private equity companies worldwide, measured by their market capitalisation; the LPX Direct is focused exclusively on firms that directly invest in companies (thus excluding investments in funds); the LPX Europe is composed solely of European private equity firms.

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, determined 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.

Net asset value (NAV)

Market value of all tangible and intangible assets of a company less its liabilities (equal to equity). The net asset value per share (or equity per share) is a key indicator used in assessing the value of a quoted private equity company.

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 net asset value (equity) per share

Key target and performance indicator of Deutsche Beteiligungs AG (is equal to return on equity 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.

Road show
Presentation of the company to institutional investors.

S-Dax
Selection index of the German Stock Exchange for smaller companies from classical sectors of the economy. This index ranks directly below the M-Dax and is composed of 50 stocks admitted to the Prime Standard of the Official Market or Regulated Market. The performance-based index is generally used, which contains reinvested dividends and subscription rights.

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.

STOXX Private Equity 20 Index
European private equity index. Tracks the performance of the 20 largest listed private equity firms in western Europe; DBAG shares are a constituent of the index.

Track record
A record of the performance and experience of a private equity firm, a company or an investment manager. Often serves as a reference.

Trade sale
The sale of an investment to a company that wants to complement its product portfolio, expand its market presence or achieve other strategic goals.

UBGG
German Special Investment Company Act (Gesetz über Unternehm ensbeteiligungsgesellschaften – UBGG); in 1986, Deutsche Beteiligungs AG was the first firm to be recognised as a special investment company. Among other things, this law exempts companies – subject to certain conditions – from municipal trade tax.

Venture capital
Risk capital; mostly private capital provided to start-ups or emerging businesses.

Shareholders information

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Forward-looking statements

This report contains forward-looking statements related to the prospects and progress of Deutsche Beteiligungs AG. These statements reflect the current views of the management of Deutsche Beteiligungs AG and are based on projections, estimates and expectations. Our assumptions are subject to risks and uncertainties, and actual results may vary materially. Although we believe these forward-looking statements to be realistic, there can be no guarantee. The Annual Report is published in German and in English. The German version of this report is authoritative.

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Financial calendar

Annual Press Conference 2010/2011, Frankfurt am Main	26 January 2012
Analysts' Conference, Frankfurt am Main	26 January 2012
Close Brothers Seydler Bank Small & Mid Cap Conference, Frankfurt am Main	1 February 2012
Roadshow, London	2 February 2012
Roadshow, Paris	3 February 2012
LPE Day, Zurich	13 March 2012
Report on the First Quarter/ Analysts' Conference Call	13 March 2012
Annual Meeting 2012, Frankfurt am Main	29 March 2012
Dividend payment 2012	30 March 2012
LPE Day, Frankfurt am Main/Munich	9/10 May 2012
Report on the Second Quarter/ Analysts' Conference Call	14 June 2012
Report on the Third Quarter/ Analysts' Conference Call	14 September 2012
German Equity Forum 2012, Frankfurt am Main	November 2012
Annual Press Conference 2011/2012, Frankfurt am Main	January 2013

Eight-year financial summary

€mn	2010/2011	2009/2010	2008/2009	2007/2008	2006/2007	2005/2006	2004/2005	2003/2004
Development of portfolio and value								
New investment	9	8	4	14	40	22	24	61
"Portfolio value" (31 Oct.) [1]	84	118	123	127	189	121	197	253
Number of investments (31 Oct.)	16	17	19	21	30	32	35	40
Earnings position								
EBIT	(23.0)	36.8	20.4	(60.5)	150.8	89.1	41.6	12.2
Earnings before taxes (EBT)	(19.9)	37.6	22.4	(55.3)	155.6	90.9	42.3	9.0
Net income/(loss) for the year	(16.6)	34.1	19.6	(51.1)	136.5	82.7	41.3	10.0
Consolidated retained profit	37.3	73.1	52.6	29.2	118.2	57.2	35.5	7.6
Financial position								
Cash flows from operating activities	0.9	(12.8)	(3.5)	3.0	(2.6)	(4.1)	(35.6)	7.3
Cash flows from investing activities	34.1	36.3	28.8	11.2	65.4	169.3	132.2	(13.3)
thereof, proceeds from disposals of financial assets	43.6	44.5	33.0	25.7	106.1	191.0	156.5	48.0
thereof, purchase of financial assets	(9.4)	(8.2)	(4.3)	(14.5)	(40.7)	(21.7)	(24.1)	(61.3)
Cash flows from financing activities	(19.1)	(13.7)	(5.5)	(57.3)	(71.4)	(40.7)	(57.1)	2.1
Change in cash funds [2]	8.8	(27.0)	14.7	(119.7)	(9.0)	124.0	39.5	(4.0)
Asset position								
Non-current assets	228.6	244.3	161.2	147.2	211.3	124.6	201.1	258.0
thereof, long-term securities	123.1	102.9	14.5	0	0	0	0	0
Current assets	51.3	71.8	127.1	125.1	183.0	195.5	65.2	58.0
thereof, cash and short-term securities	32.5	37.8	109.5	105.2	155.8	164.7	40.7	1.2
Equity	238.9	273.9	256.8	244.8	353.6	289.0	246.6	234.0
Liabilities/provisions	41.0	42.2	31.5	27.4	40.8	31.1	19.7	82.0
Total assets	279.9	316.1	288.3	272.3	394.4	320.1	266.3	315.9
Key indicators								
Return on NAV/equity per share after taxes [3] (%)	(6.2)	12.7	7.3	(17.5)	56.2	36.4	18.1	5.7
Equity as a percentage of total assets	85.3	86.7	89.1	89.9	89.7	90.3	92.6	74.1
Long-term asset coverage (%)	109.3	118.6	167.0	173.3	175.4	234.7	122.8	96.1
Information on shares [4]								
Earnings per share (€)	(1.22)	2.50	1.44	(3.73)	9.20	5.02	1.79	0.63
NAV/equity per share (€)	17.47	20.03	18.77	17.90	25.09	19.07	14.64	12.54
Dividend per share (€; 2010/2011: recommended)	0.40	0.40	0.40	0.40	1.00	0.50	0.33	0.33
Surplus dividend/bonus per share (€; 2010/2011: recommended)	0.40	1.00	0.60	-	2.50	2.50	0.33	-
Total amount distributed [5] (2010/2011: recommended)	10.9	19.1	13.7	5.5	47.9	45.5	11.1	6.2
Number of shares at end of FY	13,676,359	13,676,359	13,676,359	13,676,359	14,403,864	15,153,864	16,837,329	18,666,667
thereof, held by the Company					313,367			
Share price at end of FY (€)	15.50	20.79	15.55	10.45	24.10	17.35	13.25	9.88
Market capitalisation at end of FY	212.0	284.3	212.7	142.9	347.1	262.9	223.1	184.4
Number of employees	53	51	49	48	47	44	50	50

The table above contains data as originally reported in the respective annual consolidated financial statements. Financial year 2003/2004 was the first to be presented in the IFRS format.

1) Without interests in shelf companies and companies that are mainly attributable to third parties
2) In financial years 2007/2008, 2009/2010 and 2010/2011 cash funds were shifted to 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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