Deutsche Beteiligungs AG

Financial Report >

2011/2012

		2011/2012	2010/2011
Investment	€mn	22	9
IFRS carrying amount of investments (31 Oct.) [1]	€mn	143	84
Investments (31 Oct.)	Number	16	16
EBIT	€mn	46.2	(23.0)
Earnings before taxes (EBT)	€mn	47.0	(19.9)
Consolidated net income for the year	€mn	44.5	(16.6)
Consolidated retained profit	€mn	70.8	37.3
Equity	€mn	266.2	238.9
Cash flows from operating activities	€mn	(9.7)	0.9
Cash flows from investing activities	€mn	(17.8)	34.1
Cash flows from financing activities	€mn	(10.9)	(19.1)
Change in cash funds [2]	€mn	(9.8)	8.8
Earnings per share	€	3.25	(1.22)
Net asset value per share	€	19.46	17.47
Return on net asset value per share [3]	%	16.7	(6.2)
Dividend per share (2011/2012: recommended)	€	0.40	0.40
Surplus dividend per share (2011/2012: recommended)	€	0.80	0.40
Employees	Number	54	53

[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 per share in relation to opening net asset value per share at beginning of reporting period, less dividends

Company	Revenue 2012 €mn	Number of staff	Sector
Broetje-Automation GmbH, Wiefelstede, Germany	83 (FY 11/12)	390	A developer and manufacturer of machines and complete lines for automated assembly of aircraft; Markets: worldwide
Clyde Bergemann Group, Wesel, Germany;Glasgow, UK; Delaware, USA	445 US-$mn (FY 11/12)	1,560	A developer and manufacturer of components for coal-fired power plants; Markets: worldwide
Coveright Surfaces Holding GmbH, Mülheim an der Ruhr, Germany	34*	94	A developer and manufacturer of impregnated films and foils; Markets: South America
FDG Group, Orly (France)	113*	760	A services provider to the retail trade; Markets: France and neighbouring countries
Grohmann GmbH, Prüm, Germany	107*	850	A developer and provider of plants for industrial automation; Markets: worldwide
Heytex Bramsche GmbH, Bramsche, Germany	80*	306	A manufacturer of textile print media for the advertising industry and of technical textiles for diverse industrial applications; Markets: worldwide
Homag Group AG, Schopfloch, Germany	>750*	5,085	A provider of woodworking machines and plants for the furniture and construction supplies industries and timber-frame home construction; Markets: worldwide
JCK Holding GmbH Textil KG, Quakenbrück, Germany	480*	990	A marketer of textiles; Markets: Germany
Plant Systems & Services PSS GmbH, Bochum, Germany	51*	287	A services provider for the energy and process industries; Markets: Germany, the Netherlands
Romaco Group, Karlsruhe, Germany	111 (FY 11/12)	450	A developer and manufacturer of machines and lines for packaging and processing; Markets: worldwide
Spheros GmbH, Gilching, Germany	166*	707	A developer and manufacturer of climate and heating systems, water pumps and roof hatches for buses; Markets: Europe, Latin America, Asia

* preliminary/forecast

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Letter from the Board of Management >

Wilken Freiherr von Hodenberg, Spokesman of the Board of Management
Torsten Grede, Member of the Board of Management
André Mangin, Member of the Board of Management
Dr Rolf Scheffels, Member of the Board of Management
Susanne Zeidler, Member of the Board of Management

DEAR SIR OR MADAM, DEAR SHAREHOLDERS,

In the past weeks we added two new companies to the portfolio, while other investment processes have progressed to an advanced stage. In December, we recorded the receipt of nearly 50 million euros on our bank accounts from two very profitable realisations – both portfolio companies had made such excellent progress that they whetted the appetite of strategic buyers.

Other metrics are also reflective of our success in the market. Consolidated net income of 44.5 million euros for the past financial year mirrors the value growth of our portfolio. That led to a return on net asset value of 16.7 percent. The price of DBAG shares responded by gaining more than 33 percent in 2011/2012, an increase superior to benchmark indices. And finally, the 700 million euros in investors' commitments with which we closed the DBAG Fund VI in summer 2012 put our new buyout fund at the top of all funds ever raised by German private equity companies.

The commitments to the new fund are an expression of the confidence that experienced institutional investors have in Deutsche Beteiligungs AG. Those investors rely on our ability to identify equally attractive investment opportunities and support good companies in becoming even better in the next five years, the time of the fund's investment period. Like the success we achieved with automotive supplier Preh, and with Coperion, a mechanical engineering firm. We released both companies from the portfolio in 2011/2012 with their revenues increased, earnings improved and competitive position stabilised, and with excellent prospects – excellent, because we proactively supported research and development, an optimisation of their business processes and the expansion of their sales organisations. In both cases each euro invested returned more than three. On the other hand, we divested our interest in ICTS Europe in 2012 without similar returns; the revenue and earnings expectations we had at the outset of the investment were disappointed. Certainly, the important thing is that the majority of investments in a portfolio are successful, and Deutsche Beteiligungs AG can lay claim to that.

You, our shareholders, stand to profit from that investment performance: in addition to an unchanged base dividend of 0.40 euros per share, the Supervisory Board and Board of Management recommend paying a surplus dividend of 0.80 euros per share. This total dividend of 1.20 euros per share, or over six percent of net asset value per share, equates to a dividend yield of 7.2 percent, based on net asset value per share at the beginning of this past financial year. With that, the Company is continuing

its shareholder-friendly dividend policy. Since our most recent capital increase in 2004, the average dividend yield has been 8.7 percent, relative to the opening net asset value per share at the beginning of each financial year. This is yet more proof of DBAG's sustained successful performance in past years.

In recent months, a generational change has begun to take place on our Board of Management. It has been planned with a long-term view, as is both common and important in the world of private equity in order to maintain the confidence of shareholders and investors: in the investment business a lot depends on the people who take investment decisions and support portfolio companies en route to exploiting their potential.

Deutsche Beteiligungs AG has changed over the past decade. It has become one of Germany's leading independent private equity firms. DBAG today has a broad international investor base willing to invest both in its shares and its funds. With its focused investment strategy, DBAG has become the partner of choice for Germany's "Mittelstand".

There are several reasons for that. One is the experience gained over nearly five decades of investment activity. We have insight into various business models and can talk knowledgably to owners, managers and investors about a company's potential for development. We provide equity solutions that match specific situations: together with our co-investment funds we make majority acquisitions of established companies and minority investments in enterprises experiencing robust growth. We have an excellent capital base at our disposal for this, namely 800 million euros, comprising our own financial resources and investors' commitments to DBAG funds. That financial strength gives us access to more investment opportunities than previously was the case. It is also what distinguishes us from many other competitors.

When the duties of the present Spokesman of the Board of Management are passed on to his successor following the upcoming Annual Meeting, and the three-member Board of Management adopts its new distribution of responsibilities, our business will continue to move forward successfully and sustainably on that solid basis.

This past financial year, the portfolio companies again worked to improve their corporate strategy, operating processes and competitive positions. That has increased their value, providing the grounds for this year's very satisfactory result. They also benefited from underlying conditions that were generally favourable.

Currently, however, we see a number of risks, such as the unresolved US budget issue. It may have serious implications for the global economy. Weak growth persists in Europe; it has now impacted certain portfolio companies. Even though there may be opportunities elsewhere inherent in this situation, it will initially weigh on the portfolio's value development. The extent of the impact is not foreseeable. The same applies to what the sentiment on the stock markets will be at the end of the current financial year, a factor that also determines the valuation of the portfolio.

At this point, we should again emphasise that one-year predictions do not do justice to our business model. We want to be measured instead by our ability to create value over the long-term average. In the past ten years we have raised net asset value per share by an annual average of nearly 14 percent. We did so with a balance sheet, some 45 percent of which consisted of low-interest bearing financial resources for the last seven years. Despite that dilution, we more than impressively reached our goal of earning the cost of equity.

The new financial year started with a brisk amount of investment activity and we are confident that we will agree further investments in the coming months. That, in turn, will lay the foundation for value appreciation in the coming years and create the prerequisites for DBAG shares to remain a good investment.

Frankfurt am Main, January 2013

The Board of Management

Wilken Frhr. von Hodenberg

Torsten Grede

André Mangin

Dr Rolf Scheffels

Susanne Zeidler

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. 17 years of experience in investment banking, three years of service as an executive for a retail chain. Appointed until March 2015; the appointment terminates by mutual agreement at the end of March 2013.

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 an apprenticeship in banking. 22 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, following an apprenticeship in banking. More than 20 years of experience in private equity, corporate finance and investment banking. Appointed until March 2016; the appointment terminates by mutual agreement at the end of March 2013.

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 an auditing firm. More than 20 years of experience in private equity and corporate finance, 16 of which at Deutsche Beteiligungs AG. Appointed until March 2016.

Susanne Zeidler
Bad Homburg v. d. Höhe
Born 1961, Member of the Board of Management since November 2012. Studied business administration at the University of Münster. 23 years of experience in auditing and corporate finance, two years as the director of an international non-profit organisation. Appointed until October 2015.

Supervisory Board

Andrew Richards
Bad Homburg 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
Director of Administration and Finances, Dirk Rossmann GmbH,
Burgwedel

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

Dr Hendrik Otto
Düsseldorf
Lawyer and partner at Mayer Brown LLP, Frankfurt am Main

Gerhard Roggemann
Hanover
Vice Chairman of Canaccord Genuity Hawkpoint Limited
(formerly Hawkpoint Partners Limited), London, Great Britain

Report of the Supervisory Board >

Andrew Richards,
Chairman

Deutsche Beteiligungs AG continued its path of progress. The Company ended the 2011/2012 financial year posting consolidated net income of 44.5 million euros and laid the foundation for future value growth by taking decisions on attractive acquisitions. We were very pleased to see the completion of the fundraising for a new buyout fund, which enlarges the capital base once more.

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 management and compliance systems 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 business policies that the Company intends to pursue.

In financial year 2011/2012, the Supervisory Board held seven meetings, three of which were telephone conferences. In several instances, the Supervisory Board met in the absence of the Board of Management.

An integral part of all our Board meetings were detailed reports on current developments in individual portfolio companies. We received comprehensive quarterly reports in writing on those issues from the Board of Management. We were informed promptly and in depth about companies that were not performing as expected. We were also informed about changes to the portfolio.

At our first regular meeting on 25 November 2011, we dealt with the strategic alignment of Deutsche Beteiligungs AG and the development of the Company's management structure. An initial appraisal was made about a generational change at Deutsche Beteiligungs AG. At our November meeting, we also discussed and adopted the issues that were to be put on the agenda for the 2012 Annual Meeting, were involved in and contributed to the Corporate Governance Statement (§289a of the German Commercial Code – HGB) and adopted the Declaration of Conformity as well as the joint report by the Board of Management and the Supervisory Board on the corporate governance practised at Deutsche Beteiligungs AG. The Board of Management informed us about the preliminary results for the preceding 2010/2011 financial year and a possible dividend payment. In the absence of the members of the Board of Management, we discussed

the efficacy of our work practices (clause 5.6 of the "German Corporate Governance Code"), and having assessed the efficacy as good, saw no necessity for improvement. Since the results of these efficacy reviews have repeatedly been positive, we voted not to conduct a review in financial year 2011/2012.

At our regular meeting on 23 January 2012, the auditors reported on the results of their audit of the separate financial statements and the consolidated financial statements at 31 October 2011. We adopted the separate financial statements of Deutsche Beteiligungs AG and approved the consolidated financial statements. We passed a joint dividend recommendation and the agenda for the 2012 Annual Meeting. We also discussed the legal structures of the co-investments funds of Deutsche Beteiligungs AG and possible changes to them. In our consultations, we considered both our own insight from meetings with fund investors as well as the results of comprehensive advice provided by a law office concerning these structures. We dealt, in particular, with the consequences that a detachment of Deutsche Beteiligungs AG from its co-investment funds would have. We also commissioned a law office on that issue and requested that the Board of Management reply to a questionnaire, which was discussed at a later meeting.

In a telephone conference on 12 March 2012, we again dealt with the proposed legal structure for DBAG Fund VI and the possible impact it may have on the business of Deutsche Beteiligungs AG. A primary issue was the possible consequences for Deutsche Beteiligungs AG if the Fund's management company were to cancel the agreement that regulates the advisory services which Deutsche Beteiligungs AG provides to the Fund and the fees payable for these services.

In another telephone conference on 26 March 2012, we dealt with issues concerning the Board of Management, in particular with Mr von Hodenberg's announced departure from the Board of Management at the end of March 2013. We voted to appoint Mr Grede as the Spokesman of the Board of Management, effective 1 April 2013.

At our meeting on 13 June 2012, we discussed the agreement that regulates the co-investment by Deutsche Beteiligungs AG alongside DBAG Fund VI. In that context, the financial planning for the coming years was presented and, based on the expected cash flows, the amount of the capital commitment on the part of Deutsche Beteiligungs AG to DBAG Fund VI was discussed. Finally, we adopted the agreement between Deutsche Beteiligungs AG and two co-investment funds as well as the arrangements governing co-investments by select members of the investment team in the portfolio companies of Deutsche Beteiligungs AG and the funds, including the agreements on the dissemination of a superior profit share. Additionally, we dealt with our own organisational matters at this meeting.

The only item on the agenda of our telephone conference on 13 August 2012 were issues concerning the Board of Management. We passed a resolution to appoint Ms Susanne Zeidler to the Board of Management and to conclude a service contract with her.

Current developments in select portfolio companies took up the greatest part of the last meeting in financial year 2011/2012 on 12 September 2012. The Board of Management also informed us about the expected results of the 2011/2012 financial year, the completion of the fundraising for DBAG Fund VI and the investment progress of DBAG Expansion Capital Fund.

Between meetings, the Board of Management's Spokesman promptly informed the Chairman of the Supervisory Board about significant business issues, after which the complete Supervisory Board was briefed accordingly (clause 5.2 of the Code). We were involved in all significant decision-taking processes. 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 this past financial year, except for Mr Frobel and Mr Möller, who were unable to attend one meeting each (12 September 2012 and 25 November 2011). All members of the Executive Committee attended all of its five meetings, and all members of the Audit Committee attended its four meetings, except for Mr Frobel who was absent on 12 September 2012.

Ongoing development of corporate governance practices

As reported above, we regularly assess the efficacy of our work on the Supervisory Board. We also continually follow the changes in corporate governance practices taking place in Germany. This past year, we further developed these practices at Deutsche Beteiligungs AG. Management's report on the Company's corporate governance is also presented on behalf of the Supervisory Board (clause 3.10 of the Code); we adhere to the practice of publishing this report in the Annual Report (pages 14 to 17), and it is also accessible at the Company's website together with the Corporate Governance Statement. The Board of Management and the Supervisory Board jointly submitted an updated Declaration of Conformity in November 2012 based on the Code as amended on 15 May 2012 (§ 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, in accordance with the recommendations of the Code. There were no notices of conflict-of-interest issues this past financial year.

To disseminate its responsibilities and increase efficiency, the Supervisory Board formed an Executive Committee, which also performs the functions of a Nominations Committee (clause 5.3.3 of the Code), as well as an Audit Committee.

Executive Committee (also acts as Nominations Committee)

The Executive Committee convened five times this past financial year and once at the beginning of the new financial year; in its capacity as a Nominations Committee (clause 5.3.3 of the Code), it met on 28 November 2012 and dealt with a motion by a shareowner to elect Mr von Hodenberg to the Supervisory Board.

At its meeting on 14 November 2011, the Executive Committee determined the short-term performance-related remuneration component for the members of the Board of Management for financial year 2010/2011; the performance-linked component for financial year 2011/2012 was discussed and adopted in a meeting at the beginning of the new financial year on 28 November 2012.

The issues tabled at its other meetings concerned the alterations to the Board of Management of Deutsche Beteiligungs AG associated with the generational change on the Board. Mr von Hodenberg, who joined the DBAG Board of Management in July 2000 as its spokesman, will step down from the Board of Management following the Annual Meeting on 26 March 2013, and Mr Mangin a few days later on 31 March 2013. We are very pleased that both gentlemen wish to remain committed to Deutsche Beteiligungs AG. Pursuant to a motion by shareowner Rossmann Beteiligungs AG, which the Supervisory Board endorses, Mr von Hodenberg will stand for election to the Supervisory Board at the 2013 Annual Meeting. He will succeed Professor Dr Langenbucher, who will retire from the Supervisory Board concurrently with the conclusion of the 2013 Annual Meeting, having reached the age limit for Supervisory Board members. Mr Mangin will remain committed to Deutsche Beteiligungs AG by serving in an advisory capacity.

Ms Susanne Zeidler was newly appointed to the Board of Management, effective 1 November 2012; her appointment initially extends over a period of three years, in conformity with the recommendations of the Code (clause 5.1.2 of the Code). Beginning in April 2013, the Board of Management will thus consist of three members. The changes to the Board of Management also entail an allocation of responsibilities that provides for two members who will focus on the investment business, and for a Chief Financial Officer. Ms Zeidler will take over the financial sector from Mr von Hodenberg and also assume responsibility for the staff functions of Legal, Personnel/Organisation/IT and Investor Relations.

Audit Committee

In four meetings held during the reporting year, the Committee addressed issues concerning the separate 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. Miscellaneous accounting issues were also discussed, and the Committee monitored the accounting process as well as the effectiveness of the internal control and auditing system. There were no grounds for objections to the Company's current practice. Also tabled at the meetings of the Audit Committee was the Company's practice in compliance issues.

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

The Supervisory Board complies in multiple ways with the requirements under §§ 100 (5), 107 (4) German Stock Corporation Act (AktG) which stipulate that at least one independent member of the Supervisory Board or Audit Committee must have expert knowledge in accounting or auditing. Professor Dr Langenbucher, in particular, has profound knowledge and experience in the application of accounting principles and internal control processes (clause 5.3.2 of the Code).

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

Financial statements endorsed

Shareholders at the 2012 Annual Meeting appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as auditors. In my capacity as the Chairman of the Supervisory Board, I thereafter commissioned KPMG with the audit. KPMG audited the separate financial statements of Deutsche Beteiligungs AG for financial year 2011/2012 and management's combined report, including the underlying accounting, and endorsed them with an unqualified certificate. The same applies to the consolidated financial statements and the combined management report for financial year 2011/2012. 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 were drawn up in conformity with the International Financial Reporting Standards (IFRS). The auditors confirmed that the consolidated financial statements comply with the IFRS, as adopted by the European Union, and the additional requirements of German commercial law pursuant to § 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB).

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 2012 and management's combined 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 as well as to the recommendation for the appropriation of profits.

At our meeting of 24 January 2013 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 contra-

dict 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 of all documents, the Supervisory Board found no grounds for objection. On 24 January 2013, 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 reverse other reserves in the amount of 2.7 million euros, to distribute the sum of 16.4 million euros to shareholders and carry forward the residual retained profit of 7.7 million euros to new account.

This past financial year, Deutsche Beteiligungs AG achieved a very gratifying consolidated net income and a superior return on net asset value. This is all the more remarkable in view of the Company's unusually high proportion of liquidity that merely bears low interest, following a series of profitable realisations and the investment restraint owed to current market conditions.

The accomplishments of this past financial year attest once more to the quality of the Company's investment decisions and the portfolio that is founded on them. The extremely swift completion of the fundraising for DBAG Fund VI is proof anew 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 performance this past financial year.

Frankfurt am Main, 24 January 2013

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) to conduct the Company in conformity with the principles of the social market economy and to ensure the Company's continued existence and sustainable creation of value. We have set out the Company's central values and guiding principles in an Integrity Code for Deutsche Beteiligungs AG. The Integrity Code is binding for all of our employees. Our intention is to give each and every member of our staff a set of fundamental rules and to communicate to our business partners and investors that our dealings are firmly rooted in ethical principles and that we will always interact fairly in good partnership.

The Integrity Code, Corporate Governance Statement and Corporate Governance Report are accessible at www.deutsche-beteiligung.de/corporate-governance.

We have always committed to the principles of good fiduciary corporate governance. We regularly review existing structures without there having to be legislative or other requirements to do so. Our "Corporate Governance Statement" informs about the basic principles behind the conduct of our business; it is published on the Internet and is accessible there together with this report.

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 8); that information is an integral part of our combined Corporate Governance Report. To avoid repetition, we 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. Since 2010, the Code recommends that the Supervisory Board specify concrete objectives regarding its composition and report on these and on their implementation.

As early as financial year 2009/2010, the Supervisory Board specified the following objectives regarding its composition and supplemented them in November 2012: the key objective is to ensure the Supervisory Board's efficacy and operability; this objective is best addressed when the majority of its members are independent and are not exposed to conflicts of interest, when its members 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 Boards, or to a controlling shareholder or a company with which that shareholder is affiliated, which could constitute a significant and not merely temporary conflict of interest. Should, contrary to expectations, conflicts of interests arise in individual instances, these are disclosed and dealt with appropriately by the Supervisory Board. The current members of the Supervisory Board 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.

Based on the amended Code, which became effective on 15 June 2012, the Supervisory Board is also encouraged to state the targeted number of independent Supervisory Board members (clause 5.4.2 of the Code). The Supervisory Board is of the opinion that the majority – or four – of its members should be independent, and the Chairman of the Supervisory Board should be one of them. In its current composition, the Supervisory Board meets these objectives.

Another objective the Supervisory Board will continue to set for itself is that of endorsing diversity and appropriately considering women for managerial and supervisory assignments. The Supervisory Board will pursue this objective with a view to its interaction with other goals, such as the qualification of individual members and continuity in working relationships.

Having modified the Supervisory Board's objectives as to its composition, Deutsche Beteiligungs AG follows all of the recommendations of the Code as amended, with one exception.

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. However, we intend to review whether to make use of the authorisation in our Articles of Association and provide for postal votes at the 2013 Annual Meeting for the first time. All documents and information on the Annual Meeting are accessible in German and in English at our website.

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. Shareholders at the 2013 Annual Meeting will be asked to decide on a change to the remuneration scheme for the Supervisory Board, which currently does not coincide in all parts with the recommendations of the amended Code. Additional details on the remuneration for the members of the Board of Management and the Supervisory Board are provided in Management's combined report on pages 73 to 78.

Strict rules on share ownership

Apart from the employee stock ownership plan (see page 45), 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 2012:

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
Wilken von Hodenberg	Board of Management	30,000
Torsten Grede	Board of Management	20,323
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.

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

The Board of Management and the Supervisory Board declare that, since the last Declaration of Conformity, Deutsche Beteiligungs AG has complied with the recommendations of the "German Corporate Governance Code" (hereafter: the Code) as amended on 26 May 2010 and as amended on 15 May 2012 from the time of their validity, with two exceptions:

- The performance-related remuneration payable to the Supervisory Board is based on the key performance indicator for shareholders – the movement in net asset value per share over a financial year. This remuneration model is therefore currently not consistent with a suggestion stated in the former version of the Code (clause 5.4.6), nor with a recommendation stated in the valid amended Code (clause 5.4.6), since the performance-related component is based on one financial year and does not contain long-term constituents. At the 2013 Annual Meeting, we will recommend introducing a new remuneration system for the Supervisory Board that takes the Code's recommendation in clause 5.4.6 into consideration.

- The Code as amended on 15 May 2012 introduced a recommendation in clause 5.4.1 to consider the number of independent members in its objectives concerning the composition of the Supervisory Board. In its meeting of 28 November 2012, the Supervisory Board agreed that the majority, or currently at least four, of its members should be independent. We will now also be following this new recommendation.

Subject to shareholders' approval of the change in the remuneration scheme for the Supervisory Board at the upcoming Annual Meeting, we will comply with all of the recommendations of the Code as amended on 15 May 2012. We followed the suggestions of the Code in the past with one exception and will follow them in the future to the full extent.

Frankfurt am Main, November 2012
The Board of Management and the Supervisory Board of Deutsche Beteiligungs AG

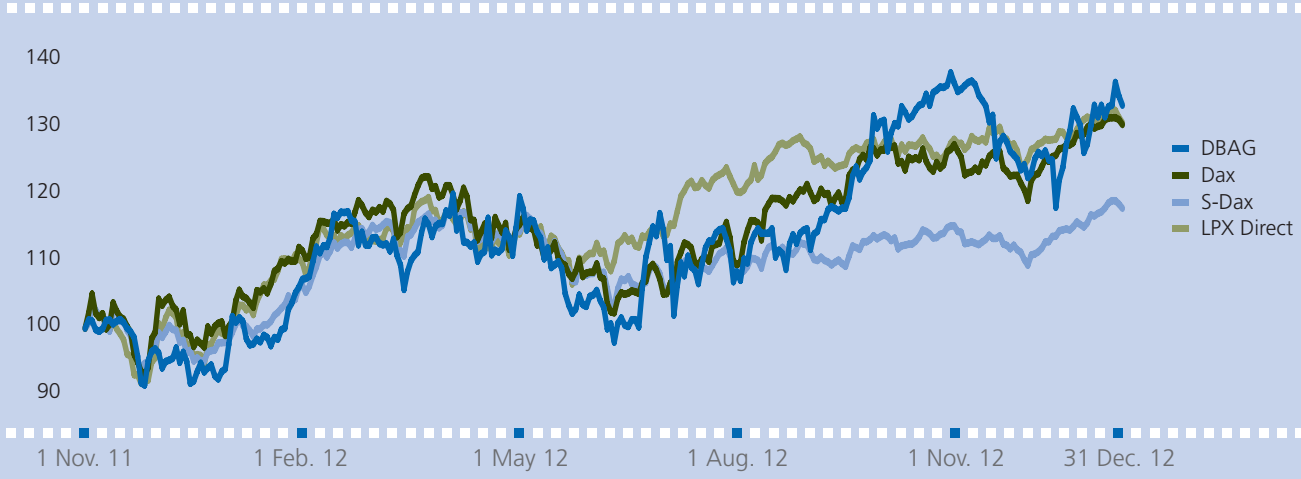
Compared with traditional equity investments, private equity constitutes a highly successful asset class. That is why private equity is an integral part of institutional investors' strategies. As a listed private equity company, Deutsche Beteiligungs AG provides an opportunity of capitalising on the factors that have made private equity successful and of participating in the value growth of a portfolio of strong mid-sized companies that are ordinarily not listed themselves by a marketable investment in DBAG shares. Shareholders of Deutsche Beteiligungs AG have profited from DBAG's investment performance over the past years – through an attractive dividend yield and good share price trend. Over a ten-year period, DBAG shares delivered an average annual performance of more than 15 percent.

PERFORMANCE AND DIVIDEND

Share price trend: Movement mainly in parallel to market

The price movement of DBAG shares was satisfactory in 2011/2012. Starting out at 15.50 euros, the share price rose to 19.49 euros at the end of the financial year. This equates to a gain of

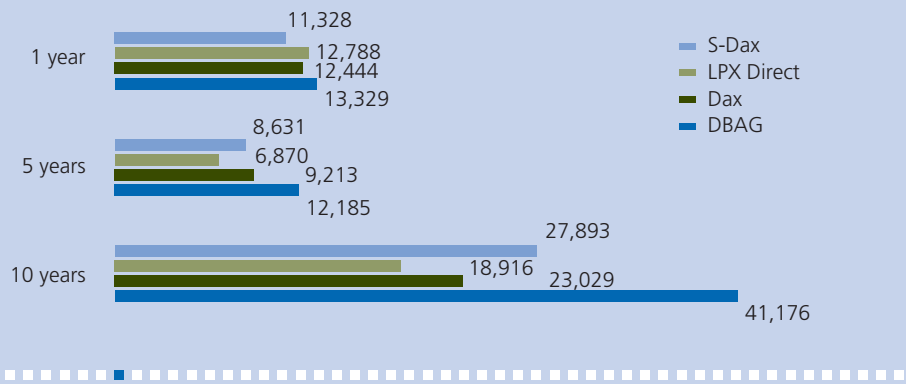
Share performance and benchmark indices
(1 Nov. 2011 to 31 December 2012, Index: 1 November 2011 = 100



25.7 percent. In the first three quarters, the price of DBAG shares ran in parallel with the market; DBAG shares, however, reacted temporarily to news from the Company, such as the announcement on the dividend amount. They reached their lowest price point of 14.01 euros shortly after the onset of the financial year on 24 November 2011. At the start of the fourth quarter, DBAG decoupled positively from the market trend and closed on 17 October 2012 at their annual high of 20.21 euros, driven by strong trading. Market capitalisation increased from 212.0 million euros to 266.6 million euros.

Performance of DBAG portfolio over one, five and ten years

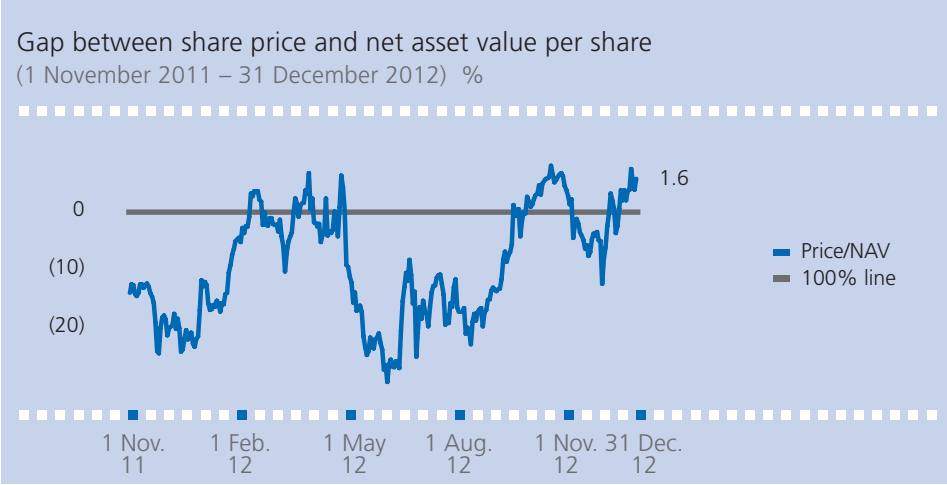
€



Initial investment of 10,000 euros on 1 November of the years 2011, 2007 and 2002

In March 2012, a dividend of 0.40 euros per share and a surplus dividend of 0.40 euros per share, or a total of 10.9 million euros, were paid for financial year 2010/2011. This corresponds to a dividend yield of 4.3 percent based on the opening net asset value per share at the outset of the financial year (less the dividend paid for the previous year), or 5.2 percent measured by the opening rate at the beginning of the year.

Share price movement and dividend payment result in a performance of 33.3 percent for DBAG shareholders this financial year. DBAG shares have thus outperformed major benchmark indices. Over longer periods of time, a private equity investment in the form of DBAG shares also outperformed investments in the index of other private equity stocks, the LPX Direct, the Dax or the S-Dax.



Assessment of DBAG shares: Discount to net asset value reduced

Our investor relations activities are primarily aimed at endorsing trading in DBAG shares and achieving a fair assessment of them in the equity market. During the financial year, DBAG shares largely traded at a discount to net asset value, which averaged 9.8 percent and at times reached 20 percent. Overall, however, the discount declined in the course of the financial year from more than 10 percent at the onset to less than one percent at the end of the period. DBAG continued to be valued more positively than comparable private equity companies: at year-end 2012, the average discount to net asset value for nine listed private equity firms in continental Europe, whose business models are similar to that of DBAG, was 18.5 percent.

Share liquidity: Lower trading volume on stock markets

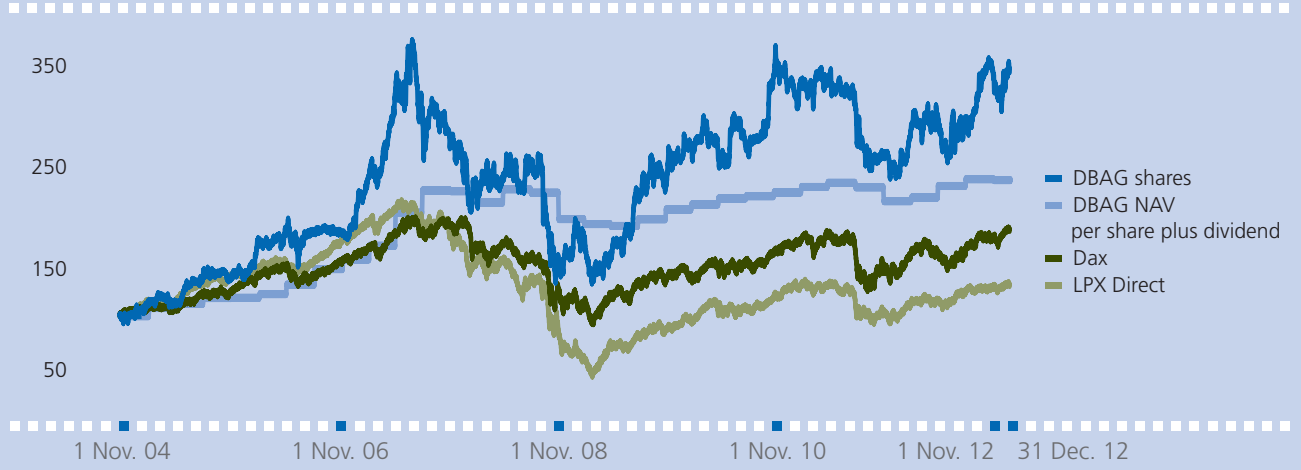
Trading in DBAG shares was volatile in 2011/2012. Market turnovers peaked in March/April at the time of the Annual Meeting and in October 2012, when turnovers exceeded the daily average of 242,000 euros (previous year: 450,000 euros) several-fold on some days. In total, less shares were traded at an overall lower value in 2011/2012 than in the previous financial year.

An average of 14,356 shares (previous year: 22,895) were traded daily. The German regional stock exchanges remain important for trading in DBAG shares. However, the Xetra trading platform continued to dominate: more than 80 percent of the turnover (previous year: 78 percent) was Xetra-traded. Relative to the free-float market capitalisation, shares in float ownership had a turnover rate of 0.40 (2010/2011: 0.55)[1]. Substantial volumes were also traded off-board. In addition to approximately 3.7 million shares traded on the exchanges, the Bloomberg Information System has identified another 1.2 million shares traded directly between buyers and sellers, which means that off-board transactions account for one fourth of the volume traded.

Net asset value per share: Increase of 16.7 percent in financial year

As a listed company, Deutsche Beteiligungs AG offers shareholders an opportunity to invest in a diversified portfolio of successful unquoted mid-sized companies, thereby creating access to an asset class that is usually only open to institutional investors capable of committing capital of several million euros to closed funds.

Share performance and net asset value per share
(1 November 2004 – 31 December 2012, Total Return, Index: 1 November 2004 =100)



In the past years, shareholders who have held DBAG shares have scored well. In financial year 2011/2012, net asset value per share climbed by 2.79 euros per share, up from 16.67 euros (following a dividend payment of 0.80 euros per share) to 19.46 euros. That equates to a gain of 16.7 percent. The trend is also noteworthy when considering longer periods of time. Net asset value per share had amounted to 12.54 euros on 1 November 2004, which marked the beginning of financial year 2004/2005 and the first year following the most recent capital increase. The dividends and surplus dividends that have been paid since then total 11.09 euros per share. Adding these dividend payments to the net asset value of 19.46 euros per share at the reporting date equates to value growth of 18.01 euros or 144 percent on the opening amount on 1 November 2004. This corresponds to an annual growth rate of 11.8 percent – which clearly outperforms other asset classes.

[1] Determined on the basis of a free-float proportion of 69.9 and 79.9 percent and the respective average annual share price.

RECOMMENDED APPROPRIATION OF PROFIT

Dividend of 1.20 euros per share

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

Our dividend policy calls for the payment of a combination of base dividend and – subject to particularly high realisation proceeds and sufficient liquidity – a surplus dividend. The base dividend is to remain unchanged at 0.40 euros per share. [2)] On top of that, we aim to have our shareholders participate in the Company's performance and, as agreed with the Supervisory Board, recommend paying a surplus dividend of 0.80 euros per share, bringing the total dividend payment to 1.20 euros per share. The total amount to be distributed is 16.4 million euros. The dividend yield relative to net asset value per share at the onset of the financial year (less dividend paid for the previous year) thus amounts to 7.2 percent. The average dividend yield for the past nine financial years – from when the present dividend policy was first framed – is 8.7 percent.

CAPITAL MARKET COMMUNICATION

Dialogue with shareholders: Greater transparency for our shares and greater awareness for asset class of listed private equity

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. For the first time in 2012, we provided access to our Annual Report by an app for use on table computers or smartphones.

At numerous events for institutional investors this past financial year we reported on current trading performance and also presented the Company at major international financial centres. We increased the number of road-show days (14, previous year: 12) and met with 50 institutional investors in eight cities. We maintain a regular comprehensive dialogue with major investors.

[2)] The base dividend is set out to bear interest near money market rates on the net asset value; despite current interest rate levels, the base dividend will be retained at the previous year's amount.

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 (rank 24*); Classic All Share; C-Dax; Prime All Share; Deutsche Börse sector indices: Sector (All) Financial Services, Subsector (All) Private Equity & Venture Capital, LPX 50; Stoxx Private Equity 20
Designated sponsors	Berenberg Bank, Close Brothers Seydler Bank AG
Share capital	48,533,334.20 euros
Number of shares issued	13,676,359
thereof outstanding	13,676,359
First traded	19 December 1985

* at 31 October 2012, measured by market capitalisation

Share data

		2011/2012	2010/2011	2009/2010
Closing rate [1]	€	19.49	15.50	20.79
Financial year high [1]	€	20.21	23.40	21.15
Financial year low [1]	€	14.01	14.52	14.90
Financial year average rate [1]	€	16.57	19.18	17.65
Annual performance [2]	%	33.3	(21.2)	43.5
Market capitalisation [1]	€mn	266.6	212.0	284.3
thereof, free float [3]	€mn	186.3	169.3	240.7
Average daily trading value [4]	€mn	0.242	0.450	0.380
Dividend per share [5]	€	0.40	0.40	0.40
Surplus dividend per share [5]	€	0.80	0.40	1.00
Distribution sum [5]	€mn	16.4	10.9	19.1
Dividend yield [6]	%	7.2	4.3	7.9
Earnings per share	€	3.25	(1.22)	2.50
NAV per share [7]	€	19.46	17.47	20.03
Price/NAV ratio per share [7]	€	1.00	0.89	1.04

[1] Xetra closing rate
[2] adjusted for dividends
[3] as defined by Deutsche Börse AG
[4] according to Deutsche Börse AG data
[5] 2011/2012 recommended
[6] relative to opening NAV per share at start of financial year (less dividend paid for previous year)
[7] at end of period

We lay great store by what our shareholders and potential investors think about our activities. In this Annual Report, we have therefore endeavoured to increase transparency about our portfolio companies. We take our guidance from our sector standards, such as the "Reporting Guidelines" issued by LPEQ (www.lpeq.com), a research and information initiative aimed at enhancing understanding of the asset class of listed private equity among analysts, investors and the financial community at large. LPEQ today has 20 members, who, together, have a market capitalisation of approximately 8.5 billion euros (31 October 2012); this represents nearly 14 percent of the market capitalisation of all listed private equity companies in Europe.

Maintaining close relations with our investors is a priority issue. For information on our current investor relations activities visit our website at www.deutsche-beteiligung.de/ir.

We have also expanded our website to include more information in greater detail. Information on changes to the Company's shareholder profile and current analysts' opinions on DBAG shares are also documented on our website.

Research: Analysts orientate recommendation around relative amount of discount to NAV

Recommendations by analysts monitoring our shares are influenced by various factors, including those that are beyond our control. Analysts frequently take account of the current discount to net asset value per share. In light of the very positive assessment of our shares on a sector comparison, analysts ascribe greater opportunities to the shares of other private equity companies and therefore temporarily underweight our shares, without associating this with a valuation of the business model or long-term prospects.

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

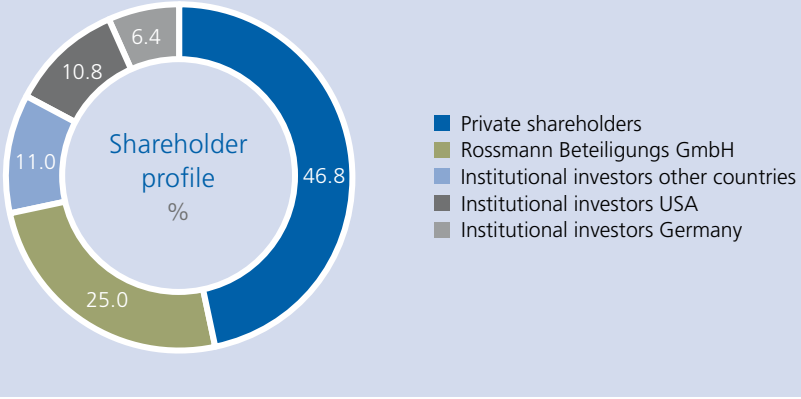
Analysts' recommendations are regularly documented on our website in the section Investor Relations/Research as soon as they come to our attention. The table below presents analysts' ratings at the beginning of financial year 2012/2013. DBAG shares are also tracked by other analysts who exclusively assess listed private equity and comparable companies.

Analysts' ratings for Deutsche Beteiligungs AG

Berenberg Bank	December 2012	"Hold"
Close Brothers Seydler Research	December 2012	"Hold"
Edison Investment Research	December 2012	–
HSBC Trinkaus	September 2012	"Neutral"
J.P. Morgan Cazenove	December 2012	"Underweight"
Landesbank Baden-Württemberg	December 2012	"Hold"
M.M. Warburg	January 2013	"Hold"

Shareholder profile: Free float at nearly 70 percent

In November 2012, we analysed the proportion of institutional investors in our shares as at 31 October 2012 by reviewing generally accessible sources and by meetings with present and potential investors. The proportion of private investors' holdings was extrapolated based on former research. Some 30 percent of the shares are not in free-float ownership as defined by Deutsche Börse; the free float thus amounts to 69.9 percent.



Combined management report

on Deutsche Beteiligungs AG and
the Deutsche Beteiligungs AG Group
for financial year 2011/2012

OVERVIEW

Deutsche Beteiligungs AG (DBAG) ended the 2011/2012 financial year posting net income of 44.5 million euros. Two profitable realisations and the largely good progress most portfolio companies made led to a very gratifying net result of valuation and disposal. The brighter sentiment on the stock market also culminated in an uplift in valuations and supported the positive effect from the portfolio's performance. Comprehensive income, which includes actuarial gains and losses on pension obligations, reached 38.3 million euros.

The acquisition of Broetje-Automation and Spheros added two attractive investments to the portfolio in the financial year; work on other transactions had progressed to the point where further management buyouts and expansion financings were agreed in the first weeks of the new financial year. The final close held for a new co-investment fund that will invest in buyouts alongside DBAG broadens the capital base once more for investments in Germany's "Mittelstand", while also generating higher fee income for DBAG from fund advisory services.

Very satisfactory realisation proceeds and write-ups on previously impaired investments led to a profit for the year of 7.5 million euros for the parent company of the Group. Adjusted for the profit carried forward from the previous year, the dividend payment in March 2012 and reversals of other retained earnings, the retained profit totals 24.1 million euros. From that amount, 1.20 euros per share have been recommended for distribution to shareowners, or a total of 16.4 million euros.

THE GROUP AND UNDERLYING CONDITIONS

Structure and business activity

Positioning: Listed private equity company

Portfolio overview, front cover; list of subsidiaries and associates page 144f.

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"). These portfolio companies are mainly headquartered in Germany.

DBAG has been listed on the Frankfurt stock exchange since 1985. DBAG shares are traded in the Prime Standard market segment and are, among other things, a constituent of the S-Dax (national) as well as LPX Direct and LPX Europe (international). A stock market listing provides unique features for a private equity company. It enables shareholders to indirectly invest in a portfolio of unquoted companies through the purchase of shares (which means the investment is easily traded and has low entry requirements).

See also share profile, page 18

All staff are employed by Deutsche Beteiligungs AG and 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.

Visit www.deutsche-beteiligung.de/corporate-governance

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 corporate structure and changes to it in the financial year are presented in the Notes to the financial statements on pages 112 and 113.

Business activity: Investment in industrial and services companies with potential for growth

Deutsche Beteiligungs AG seeks to invest in healthy companies with good prospects for development and backs them usually for a period of four to seven years as a financial investor in a focused-partnership role. It pursues the objective of appreciating the value of its portfolio companies. Subsequent to this holding period, the portfolio companies continue their development under a different constellation, for example, alongside a strategic industrial partner, a new financial investor or independently after an initial public offering. Upon a portfolio company's ultimate disinvestment, Deutsche Beteiligungs AG realises the value that was built during the time of its investment.

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,
- a disinvestment process that is well-timed and well-structured.

Investment criteria
pages 35–36

DBAG has been operating successfully in this line of business for nearly five decades. Since the founding of its predecessor firms in 1965, DBAG has invested in over 300 companies. 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: Equity investments alongside co-investment funds

Deutsche Beteiligungs AG invests in companies alongside **co-investment funds** 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 a fund will co-invest equity. DBAG and the co-investment funds also provide capital to finance growth. **Expansion financings** are made by way of a minority investment, for example, through a capital increase. In both instances, members of DBAG's investment team co-invest.

The funds that invest in parallel with DBAG bundle the resources of 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 and DBAG invest in parallel on the same terms in the same investee businesses and in the same instruments. To that end, Deutsche Beteiligungs AG has concluded co-investment agreements with the funds. The monitoring of investments and their disinvestment also take place in parallel. For DBAG Fund V, whose investment period began in mid-February 2007 and which will extend to mid-February 2013, the investment ratio is one (Deutsche Beteiligungs AG) to four (DBAG Fund V) and for DBAG Expansion Capital Fund one (Deutsche Beteiligungs AG) to 1.42. For DBAG Fund VI, whose investment period will follow that of DBAG Fund V, an investment ratio of one (DBAG) to 4.26 (Fund) has been agreed [1].

Co-investment funds investing alongside DBAG have independent decision-taking structures and operate on their own account. Depending on the fund, Deutsche Beteiligungs AG is involved in the process in different ways. The consolidated subsidiaries DBG Managing Partner GmbH & Co. KG (in short: DBG Managing Partner) and DBG New Fund Management GmbH & Co. KG (in short: DBG New Fund Management) play significant roles in this context. Both entities currently do not employ their own staff; their business is attended to by Deutsche Beteiligungs AG or its staff.

[1] Deutsche Beteiligungs AG committed capital of 133 million euros to DBAG Fund VI; this equates to 19 percent of the fund value of 700 million euros. External investors have committed 567 million euros (81 percent). This results in a ratio of 1:4.26

DBG New Fund Management manages DBAG Fund IV, whereas DBG Managing Partner manages DBAG Fund V and the DBAG Expansion Capital Fund. This means that they take decisions concerning the generation of investment opportunities (deal flow) as well as on the analyses (due diligence) and the negotiation of investments in and disinvestments of (exits) portfolio companies. The new buyout fund, DBAG Fund VI, has an own management company with its place of business in Guernsey, Channel Islands; it is advised by DBG Managing Partner.

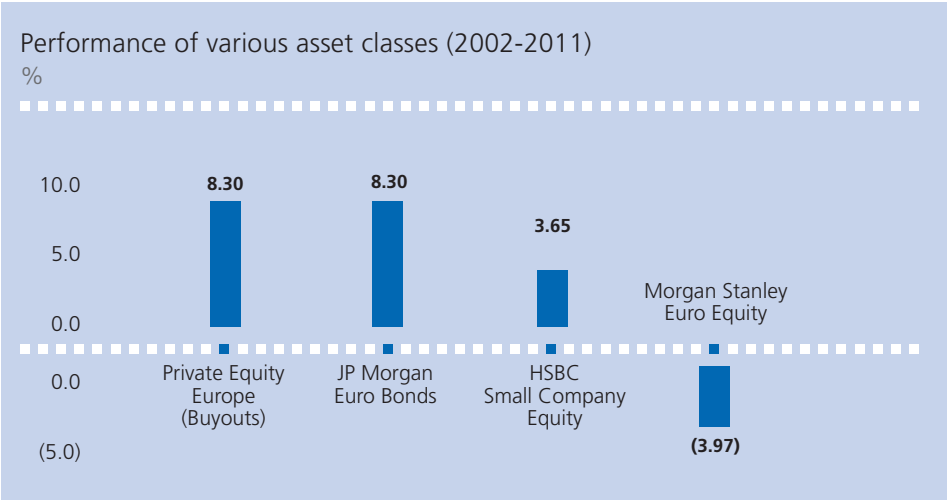
Deutsche Beteiligungs AG therefore provides management and/or advisory services to the co-investing funds concerning the origination of investment opportunities and the assessment, structuring, negotiation, monitoring and realisation of portfolios. In summary, this range of services is hereinafter referred to as "investments services to funds", or "investment services" for short.

DBAG is entitled to the profits earned by both of the subsidiaries named above, which serve to cover a large part of its operating costs. To cover finance requirements during the period, DBAG receives a profit priority share; the amount of this profit priority share is volume-related. During the investment phase, it is based on the capital committed by the fund investors. In the subsequent period, it is measured by the historical cost of the recoverable investments remaining in the fund's portfolio.

Currently, DBAG Fund V and the DBAG Expansion Capital Fund are investing alongside Deutsche Beteiligungs AG. Additionally, Deutsche Beteiligungs AG backs investments still held by DBAG Fund IV, DBG Fonds III and DBG Fonds I. With the start of the investment period of DBAG Fund VI in mid-February 2013, DBAG will also advise this fund.

Details on funds in Notes to the financial statements, page 136

Besides partially covering operating costs, the opportunity of 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 to invest in larger companies and diversify the portfolio more broadly.



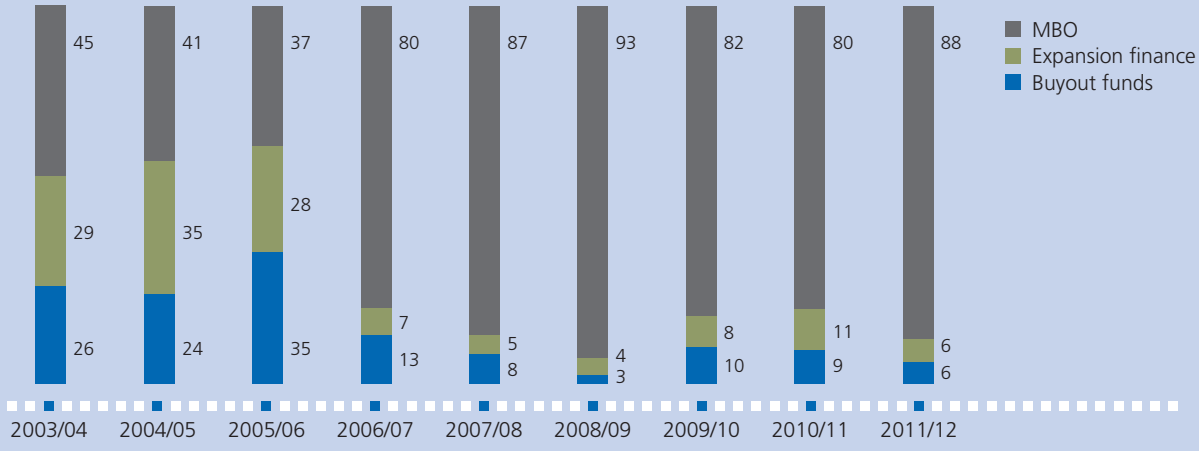
By way of the stock exchange, our business model gives shareholders access to the attractive asset class of private equity, which is usually not open to investors with smaller sums to invest and whose liquidity is considerably lower than that of stock investments, because it is normally organised in 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. [2)]

Portfolio profile: MBOs and expansion financings predominate

Since 2000, Deutsche Beteiligungs AG has 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. Today, the largest part of the portfolio [3)], or 87.5 percent, is attributable to a total of ten investments in management buyouts. There were three expansion capital investments remaining in the portfolio at the end of the reporting period. They accounted for 6.5 percent of the portfolio value. Another 6.0 percent fall to the three remaining investments in international buyout funds – older investments that are gradually liquidated through the sale of the underlying portfolio companies.

Details on the portfolio, pages 62/63

Portfolio profile
Value dissemination by investment type %



The expansion capital investments shown on the chart relate to older investments that were entered into before focusing on MBOs in 2001.The change in market conditions prompted us to expand our investment approach in financial year 2010/2011 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. A first investment after DBAG resumed expansion financings was made in November 2012, shortly after the start of the new financial year.

The **portfolio value** [4] (the total value of MBOs, expansion capital investments and international buyout funds) amounted to 143.3 million euros at the end of the reporting period (previous year: 87.5 million euros).

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 has sponsored 26 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 26 MBOs have generated a multiple of 2.2x the invested capital [5].

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

Organisational structure: Large investment team

Deutsche Beteiligungs AG is relatively small in size, and hierarchic structures are lean. The Board of Management consisted of four members at the end of the period, and the number of staff in the DBAG Group totalled 54. The largest entity is a team of 19 investment professionals. This team has a broad skill set combined with multifaceted experience in the investment business. Thus, we are well equipped to structure even complex transactions.

A project team of two to four individuals is generally responsible for each transaction and is always supported by a member of the Board of Management.

[2] "2011 Pan-European Private Equity Performance Benchmark Study", European Private Equity & Venture Capital Association (EVCA), Brussels, June 2012, page 21. The chart shows the performance of different asset classes over a ten-year period from 2002 to 2011, based on comparable cash 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.

[3] All disclosures in this combined management 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 143.3 million euros.

[4] See footnote 3

[5] Considers buyouts realised up to 31 October 2012

Objectives and strategy

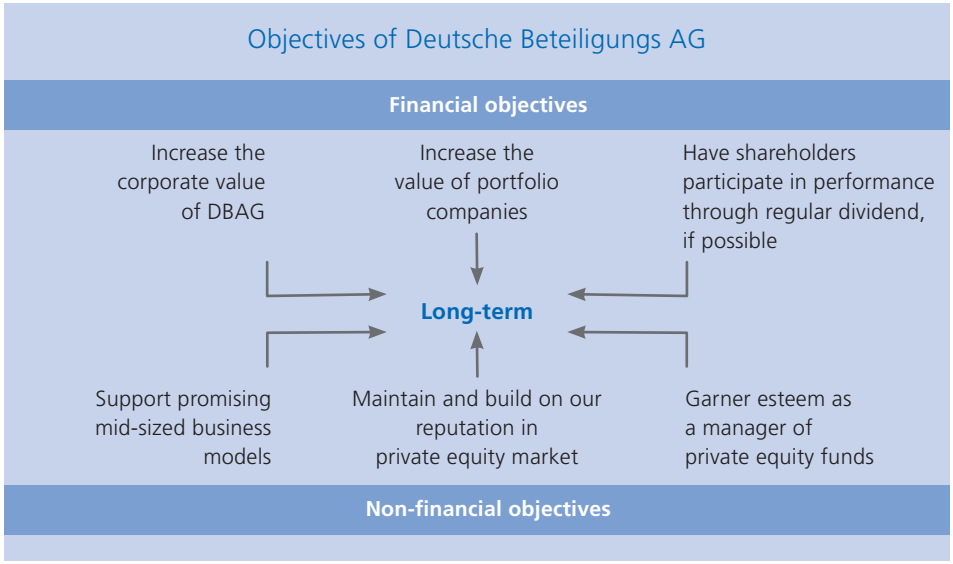
Objective: To sustainably augment the corporate value by value appreciation of portfolio companies

The core **business objective** of the activities of Deutsche Beteiligungs AG is to support portfolio companies during a phase of strategic development as a financial investor in a focused partnership. To that end, DBAG aims to contribute towards sustainably augmenting the value of these portfolio companies. DBAG holds an interest in its portfolio companies for a mid- to long-term period, largely meaning a term of four to seven years. Value is created over that period. It is realised when the investment is exited.

The value growth of the investment portfolio directly affects the corporate value of DBAG, hence, the target by which DBAG measures its performance: The corporate value of Deutsche Beteiligungs AG is to grow over the long-term. [6] As is common in the private equity sector, the measure for our long-term performance is a period of ten years. Because of the time involved in supporting portfolio companies, the performance in individual years may be subject to strong fluctuations. Only when viewed over a sufficiently long time span is it possible to assess whether we have reached the core financial objective of our business activities. We measure the performance contribution of an individual year by comparison to the median performance over a ten-year horizon. On the average of this ten-year period, we aim to increase the net asset value per share by an amount that exceeds the cost of equity.

Details on the return on net asset value per share, page 56

We intend to have our shareholders participate in the investment performance of Deutsche Beteiligungs AG by paying a regular dividend, if possible. Our distribution policy provides for a base dividend, which can be topped by a surplus dividend in years that record particularly high realisation proceeds (and, consequently, sizeable cash inflows).



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

Besides its financial targets, Deutsche Beteiligungs AG also pursues a set of **non-financial objectives**. We aim to support the development of our portfolio companies and give them the leeway they need to successfully pursue their strategic development – with our equity, but also with our experience, knowledge and networks. Our portfolio companies should remain well poised beyond DBAG's investment period. In our opinion, the value of our investments at the time of their disposal will be particularly high, if the prospects for their further progress after we exit them are good.

Non-financial performance indicators, page 37

We attach great importance to a good reputation. We want to substantiate the confidence we have gained in the market and among investors over nearly five decades by successfully supporting our portfolio companies. We therefore always aim to give appropriate consideration to the interests of all stakeholders involved in an investment.

The assets of our co-investment funds constitute a substantial part of our investment base. The funds are organised as closed funds; it is therefore necessary to regularly raise successor funds. These efforts will only succeed when investors in these funds achieve commensurate returns and when we are perceived to be sound and trustworthy. We therefore attach great importance to open, trustworthy interaction with the partners of these co-investment funds.

Strategy: Investments in market leaders in select 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 building suppliers. Apart from these, we may also identify investment opportunities in other industries that meet our investment criteria.

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 needs arising from 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 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 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. When we enter into such investments, we see to it that **finance structures** are resilient.

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 viable 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 nearly five decades

Non-financial performance indicators are crucial for the success of our activities – for our acceptance as a business partner in transactions, as an adviser to equity capital funds, and as a partner to our portfolio companies. Our long years of market presence also set us apart from many competitors: DBAG has been investing in private equity for nearly five 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 market conditions.

Through its stock market listing, Deutsche Beteiligungs AG has a special standing – both in the equity market and in the private equity environment. By way of the stock market, shareholders can participate in the investment 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.

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

We boast a highly qualified and experienced investment team whose members are well attuned to each other. More than one third of the members on our investment team has more than ten years of professional experience in the investment business – this is longer than the extent of one investment and economic cycle.

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 portfolio companies. Over the years, Deutsche Beteiligungs AG has built a widespread network of relationships, enabling us to follow the developments in our business environment. It consists of banks, consultants, lawyers and a circle of experienced industrial experts. Partners from former investment transactions are also a part of the network. Through a regular dialogue, we cultivate, update and successively expand this network.

This network of relationships also creates opportunities for us to directly access potential investments outside of auctions.

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 to our co-investment funds that we regularly receive are demonstrative of this – such as most recently to DBAG Fund VI which closed in August 2012 and through which we intend to finance buyouts.

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 also able to draw on a good 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 include key indicators geared to sustainability (Sustainable Development Key Performance Indicators, SD-KPI). 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. We attach importance to realising the value that was created within our portfolio companies 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.

In terms of sustainable business practices, DBAG 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 opportunity 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 net asset value

The business policy of Deutsche Beteiligungs is geared to augmenting the corporate value of DBAG over the long-term by successfully investing in portfolio companies. It follows from the nature of the business and the accounting that the corporate value may decrease in individual years. The corporate value is largely determined by the fair value of the investments at the end of the reporting period; that value is subject to influences beyond DBAG's control, such as those from the stock market. The corporate value is understood to have increased over the long term when, on an average of, for example, ten years, the returns on net asset value per share exceed the cost of equity. The key performance mark is the return on the net asset value.

We determine the return on net asset value by comparing the NAV per share at the close of the financial year with the opening NAV per share, less dividends, at the onset of the financial year. To that end, we employ the net asset value as stated in the consolidated financial statements, which are drawn up in conformity with the International Financial Reporting Standards (IFRS). The net asset value is determined by the fair value of the investment portfolio to an important degree.

In the separate financial statements of DBAG, which are drawn up in accordance with German commercial law, the investments are maximally carried at their historical cost. Consequently, the net asset value – or equity – of DBAG does not mirror the portfolio's current market value.

In financial year 2011/2012, the consolidated net asset value per share advanced by 1.99 euros to 19.46 euros per share, despite the payment of a dividend of 0.80 euros per share. Adjusted for the dividend distribution, this change represents an increase in the consolidated net asset value per share of 16.7 percent.

We derive the cost of equity, unchanged, from a risk-free base rate and a risk premium for the entrepreneurial risk. We employ the capital asset pricing model (CAPM) to derive the risk premium. This conforms to a recommendation by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW). 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 mean value of 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 2012, this value was 2.2 percent.

The market risk premium used was 7.0 percent (previous year: 5.5 percent), which is within the IDW-recommended spread of 5.5 to 7.0 percent (previous year: 4.5 to 5.5 percent) [7]. The IDW substantiated the increase in the market risk premium with the change in risk tolerance on the part of market participants in the wake of the financial crisis.

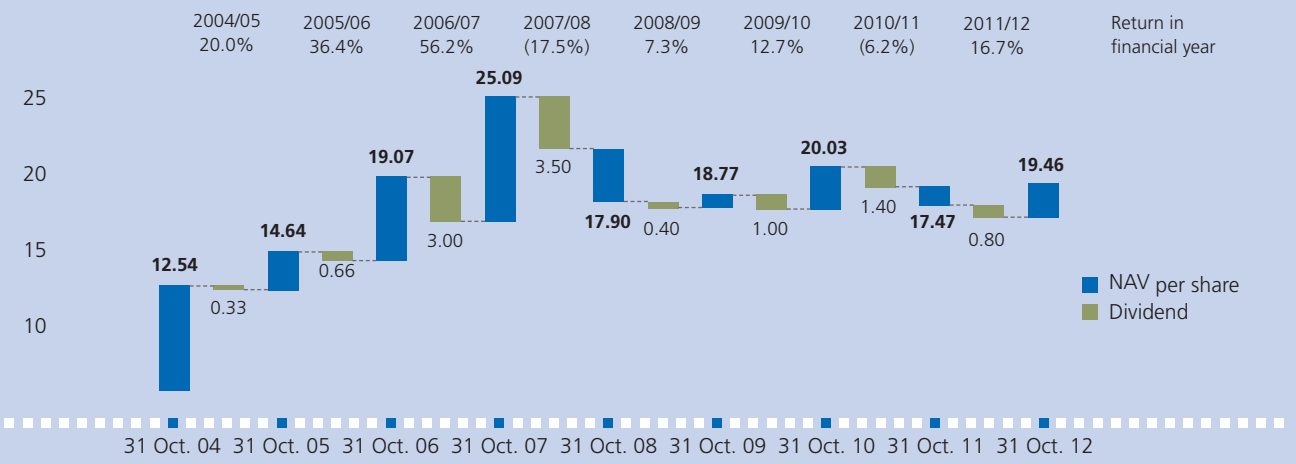
Beta (ß), the individual risk measure for Deutsche Beteiligungs AG, is determined using the regression method, which shows the relationship between the expected return of a market index and the expected return on DBAG shares. Different beta values result, depending on the choice of market index, the 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 because there are differences between the financing structure of Deutsche Beteiligungs AG and that of most other quoted companies: of two otherwise equal companies, the company with the higher level of debt also bears a higher risk. In view of our extremely sound financial situation compared with the overall market, the adjusted beta of the shares is 0.8.

Inserting the three values in the CAPM formula results in equity costs of 7.8 percent (previous year: 7.4 percent) for DBAG.

In the reporting year, the return on net asset value per share clearly exceeded the arithmetically computed cost of equity; the long-term average values were also surpassed. Over the past ten-year period (2002/2003 to 2011/2012) we have achieved an average return on net asset value per share after taxes of 13.8 percent. This is more than five percentage points in excess of the average cost of equity. The spread ranged from -17.5 percent to 56.2 percent. Over a 15-year period it averaged 15.1 percent, and over 20 years 15.7 percent.

[7] Expert committee Enterprise Valuation of the IDW on 19 September 2012

Movement in NAV per share
Positive/negative change as at end of financial year, €



Controlling: Development of portfolio companies regularly assessed

A key determinant for the intrinsic value of our shares is the performance of the portfolio.

Valuation principles, page 63

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 quoted markets. 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 realised them very profitably. 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, EBITA 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 professionals of Deutsche Beteiligungs AG regularly inform themselves, in recognition of the principles of good corporate governance, 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 (i.e. management and advisory services). In their investment services to the funds, they specifically take relevant decisions 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 at weekly meetings with the investment professionals involved in transactions or in supporting the portfolio companies.

Risk management, page 80

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; special reports are also 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 portfolio company and quarterly controlling reports on the companies 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 experienced staff ("leadership team") 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 in 2003, the leadership team committed for the first time to co-invest in the funds and in DBAG's portfolio companies at their own risk. The co-investment in existing funds by the leadership team amounts to one percent of the total equity investment for each transaction; the investments made jointly with DBAG Fund VI require the leadership team to personally co-invest 1.25 percent of the equity investment. This system serves to promote the staff's initiative and dedication to the portfolio companies as well as to retain high calibre personnel for the Company.

Refer to Notes to the financial statements, Information based on IAS 24, page 135

The leadership 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).

Superior profit shares are only paid after the capital invested by Deutsche Beteiligungs AG or the investors in the co-investment fund has been repaid and a minimum rate of return achieved. This return is not determined for an individual investment, but for all of a fund's investments. The minimum rate of 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. It is considered as a substitute for performance-related income components with a long-term incentive effect.

Corporate Governance: Compliance formalised more strongly

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 nearly all of the recommendations (with two exceptions) and all of the suggestions of the "German Corporate Governance Code" (the Code), DBAG has chosen to follow the rules of good fiduciary corporate governance and surveillance.

Further regulatory information and commentary, page 73; corporate governance report and declaration of conformity, page 14

We know that only by adhering to the highest standards of responsible and ethical conduct will we be able to safeguard the interests of the Company and of its stakeholders. We have therefore set out our core values and rules of conduct in an Integrity Code, which is binding for all DBAG staff. The Integrity Code aims to give our employees basic guidelines and to assure our business partners and investors that our dealings are always orientated around defined ethical principles and that our acts will always be on a fair partnership basis. Furthermore, this past financial year we issued compliance guidelines, which summarise and more strongly formalise the existing rules. The compliance manager reports directly to the Spokesman of the Board of Management.

The Integrity Code is accessible at www.deutsche-beteiligung.de/corporate-governance

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 attach great importance to 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 and involves managing heavy workloads. Assignments within our organisation call for a high level of **identification** with the role. We endorse this by fostering 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 importance to fostering a corporate culture in which **loyalty** to each other and to the Company can prosper. One 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 eight 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 businesses for an investment; they need to recognise the potential and motivate the managements of these businesses to tap that potential. Ultimately, they will need to steer the process of profitably realising 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.

We regularly strive to develop both the professional and personal competencies of our staff. This past year again, more than two thirds 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 2012, Deutsche Beteiligungs AG employed a staff of 25 female und 24 male employees (without the members of the Board of Management), or a total of 49, an increase of one individual compared with the previous year. 43 of our employees served full-time (20 females, 23 males) and six were engaged part-time. Five apprentices (four females, one male) are currently qualifying for their future professions; this equates to an apprenticeship quota of nine percent. The average age is 39.5 years (previous year: 41.5 years).

	2011/2012	2010/2011
Number of employees (without Board of Management)	**54**	**53**
thereof, full time	43	42
thereof, part time	6	5
thereof, apprentices	5	6
Personnel costs and social contributions €mn	**10.3**	**9.4**

It has already become something of a tradition for Deutsche Beteiligungs AG to sponsor young academics: during the reporting year, we offered 14 students (previous year: 20) 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. Through our consistent business model, a corporate culture of collaborative interaction and our attractive working conditions, we again succeeded in winning highly qualified employees. We expanded our investment team in 2011/2012 in response to our enlarged capital base.

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. The extent of this scheme 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 appreciation of individual portfolio companies, realisations from the portfolio or the number and quality of new investments. Profit sharing schemes that allow the team members to participate in the performance of DBAG's investments have a long-term incentive effect.

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, 57 percent of the staff took advantage of the offer (previous year: 64 percent).

Business review and portfolio

UNDERLYING CONDITIONS

Real economy: Industry profits from quality of its products

Growth in the German economy clearly slowed down in 2012 compared with the previous year. After recording a three percent gain in the gross domestic product in 2011, economic research institutes, the International Monetary Fund and the German government expect the German economy to grow by merely 0.7 to 0.9 percent in 2012. Growth in markets such as China, India or Brazil – key markets for German industry – has, in part, slackened; moreover, the economic consequences of the sovereign debt crisis impacted growth in a number of southern European countries.

German companies, however, continued to profit from the fact that their products are highly competitive and their industrial competence is in demand worldwide. This is evidenced by exports to countries that are not members of the European Union. Despite a partially weak environment, 2012 exports were significantly above those of the previous year.

Financial markets: Uncertainty continues to prevail

In 2012, the financial markets were in a brighter state than a year ago. The sharp drop in stock market prices in the second half of 2011 has largely recouped, evidently in anticipation of growth picking up again. Banks have remained under pressure. Writedowns on government bonds in the wake of the sovereign debt crisis and capital adequacy requirements have reduced their scope. The availability of bank loans has remained relatively low. That also applies to financing enquiries on the part of private equity companies to structure new MBOs.

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 capital financings.

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

Exchange rate swings affect our business both directly and indirectly: a part of the investments we entered into are denominated in US dollars (IFRS value at 31 October 2012: 22.3 million euros; previous year: 21.6 million euros), meaning that changes in exchange rates are directly reflected in the net result of valuation. The value of the euro against the US dollar declined over the financial year. At times, the loss in value compared with the outset of the financial year had amounted to 14 percent; in the end, between the two valuation and reporting dates, the euro lost 6.8 percent against the US dollar. The effect of currency rates on income was therefore stronger than in the previous year; however, totalling 1.5 million euros, the effect was relatively low.

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 advantage of our portfolio companies.

Private equity market in 2012: Good range of investment opportunities

Deutsche Beteiligungs AG pursues a highly focused investment strategy. That makes it difficult to relate general statements on the tone of Germany's private equity market to DBAG's concrete business opportunities. This also applies to statements voiced in the sector on the fundraising environment for private equity funds. We cannot subscribe to the more negative fundamental

sentiment that is frequently expressed in the regular publications issued by the sector associations. For example, we succeeded – evidently contrary to the market trend – in raising a new buyout fund within a span of only four months, much faster and with higher commitments than expected. Moreover, both the quantity and quality of the transaction opportunities we have screened do not indicate that market conditions have declined compared with the prior year.

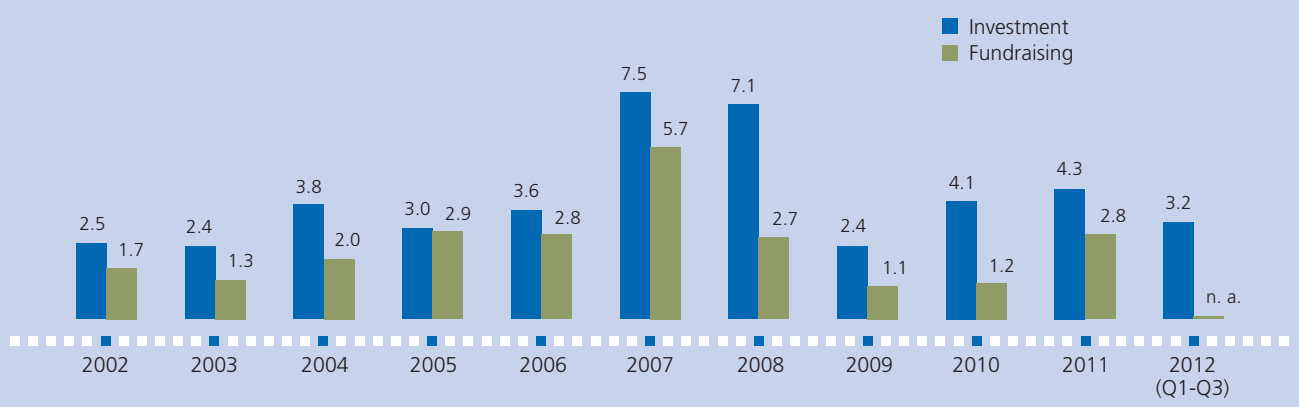
Germany's private equity market was stable during extended periods of the 2011/2012 financial year: the investment volume by German private equity companies rose on a quarterly basis over the course of the financial year from nearly 900 million euros in the fourth quarter of 2011 to almost 1.4 billion euros in the third quarter of 2012. If this positive trend persists, 2012 investments (3.2 billion euros after three quarters [8] should reach the 2011 level (4.3 billion euros) or slightly exceed it, yet still fall clearly below the levels achieved in 2007 and 2008. [9] However, fundraising conditions for private equity funds remained challenging.

Not only was there a good stream of investment opportunities, the demand for companies from the portfolios of financial investors was also brisk. Following strong economic growth, trade buyers had adequate funds to finance expansion plans by also making complementary acquisitions. Investors from Asia increasingly appeared 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, we registered comparatively high price levels.

[8] Source: BVK data – Der deutsche Beteiligungsmarkt im 3. Quartal 2012, Bundesverband deutscher Kapitalbeteiligungsgesellschaften/ German Private Equity and Venture Capital Association (BVK), Berlin 2012, page 10

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

Investment and fundraising by German private equity companies
€bn



As for our own business, we can affirm that the transaction opportunities we screened have again improved, both in quantity and quality. In financial year 2011/2012, we completed two acquisitions. Moreover, we submitted 34 bids in writing for investments (either for acquisitions of companies or for expansion financings). This is four more than the preceding financial year. At the end of the reporting period, seven projects were in an advanced stage, i.e. we had submitted bids. Two of these projects culminated in a purchase agreement for an investment in the first two months of the new financial year.

BUSINESS REVIEW

Consolidated net income: Profitable realisations and value gains for portfolio companies led to gratifying result

Deutsche Beteiligungs AG completed the 2011/2012 financial year posting consolidated net income of 44.5 million euros. The largely good performance which most of the portfolio companies delivered and two profitable realisations led to a sizeable net result of valuation and disposal. That positive effect arising from the investment portfolio's trading performance and the disposals was underpinned by the favourable stock market trend, which led to higher valuation ratios.

Operating performance of portfolio companies: Varied, but positive overall

The majority of our portfolio companies performed well in 2011/2012. They had budgeted revenues and earnings for 2012 exceeding those of the previous year. Most companies achieved their budgets, although the business trend weakened in the second half of the year. This was reflected at Homag Group AG and Spheros, for example, in significantly lower demand from southern European countries. Coveright suffered from weaker growth in Brazil. Most portfolio companies reduced their debt. Among these companies were FDG and Romaco. A number of other companies – such as Coperion and Preh – surpassed their budgets. Supportive momentum came from persistent efforts in industry to augment productivity and the strong internationalisation on the part of the portfolio companies, which profited from the robust growth in the emerging economies of Asia and South America.

Due to the size of the investment, the performance of Homag Group AG has an important impact on the Company's consolidated net income. The valuation of this investment is based on the price of Homag shares at the reporting date. Homag shares were highly volatile over the financial year: overall, however, the price of Homag shares rose from 8.48 euros to 9.95 euros per share. This led to a positive contribution to the net result of valuation and disposal of 3.9 million euros.

Changes to the portfolio: Investments exited and added value realised; new investments acquired

This past financial year, we exited two investments (Coperion, ICTS) and structured two new management buyouts (Broetje-Automation, Spheros). Beyond that, one portfolio company profitably disinvested parts of its business operations (Coveright). We exercised a sales option and thereby completed the final part of a realisation that we had agreed in May 2011, the larger part of which had been transacted in financial year 2010/2011 (Preh).

We initiated the realisation of the value appreciation that arose on the investment in Coperion Capital GmbH (Coperion) in October 2012; the new owner is US-based Hillenbrand, Inc., an industrial enterprise. We invested in Coperion in May 2007. Since then, Coperion expanded its services business by establishing further international sales and service sites. The company invested heavily in its Stuttgart site and improved production processes there. Another part of the excellent progress this company made derives from its ability to successfully transfer its huge know-how from traditional markets to other regions and applications. In January and April 2012, Coperion acquired two smaller companies that complement the product range. At the end of the reporting period, Coperion was valued on an imminent sale basis in the amount for which Hillenbrand acquired the interest in November 2012.

We released the investment in ICTS Europe Holdings B.V. (ICTS) from the portfolio in October 2012. We entered into the investment in ICTS in April 2008, immediately prior to the outbreak of the financial crisis. The company's core business – security services for airports and airlines – was severely hit in the wake of the crisis by a massive decline in air traffic. Moreover, particularly high-margin business fields did not develop as anticipated, and, with the entry of new competitors, core operations were subject to pricing pressure. Revenue and earnings therefore failed to meet expectations projected at the outset of the investment. The disposal had no effects on net income in the financial year – neither at DBAG level, nor for the Group.

We invested in Preh GmbH in 2003. In May 2011, we realised the value that was created during the time of our investment by profitably divesting three-fourths of our interest in this automotive supplier to Ningbo Joyson Investment Holding Co., Ltd., a private automotive supplier domiciled in Ningbo, China. The remaining interest held in Preh was transferred to the ownership of Ningbo Joyson in December 2012, thereby ending this investment.

New in the portfolio are our investments in Broetje-Automation GmbH (Broetje-Automation) and Spheros GmbH (Spheros). Spheros is the global market leader in the development and manufacture of air-conditioning systems for buses. Its product range also includes engine-independent heating systems, water pumps and roof hatches for buses. Spheros products are found in long-distance coaches, airport buses or the bus fleets of public transportation operators. Backed by DBAG, the company plans to drive its internationalisation. Broetje-Automation develops and pro-

duces machines and complete lines for automated production and assembly of aircraft. We view this as a growth market – for example, through market entries of new aircraft manufacturers in China and Russia – that creates outstanding opportunities for technology leaders in this field. The managements of both companies have each co-invested.

Fundraising: New co-investment fund exceeds targeted size

In August 2012, we held a final closing for a new co-investment fund. Alongside Deutsche Beteiligungs AG, DBAG Fund VI will finance mid-market management buyouts when the investment period of DBAG Fund V ends in February 2013. A total of 33 investors have committed 567 million euros to this fund; many subscription requests had to be limited or rejected. Added to this is a co-investment of 133 million euros by Deutsche Beteiligungs AG, bringing the size of the fund to 700 million euros, which is available for investment. That exceeds the target of 650 million euros we had set at the outset of the fundraising campaign in April 2012. The new fund increased the assets advised by DBAG to 1.3 billion euros.

Shares: Price movement in parallel to market

The price movement of DBAG shares was very satisfactory in 2011/2012. Starting out at 15.50 euros, the share price rose to 19.49 euros over the financial year. This equates to an increase of 25.7 percent. A dividend of 0.40 euros per share and a surplus dividend of another 0.40 euros per share were paid in March 2012 for financial year 2010/2011, or a total of 10.9 million euros. This corresponds to a dividend yield of 4.3 percent based on the opening net asset value per share at the beginning of financial year 2010/2011, or of 5.2 percent measured by the annual closing rate of that year. The share price movement and dividend payment add up to a total return for DBAG shareholders of 33.3 percent over the financial year. In comparison with benchmark indices, share performance is as follows:

Share performance
p. a., %

	DBAG shares	Dax	S-Dax	LPX Direct
over one year (financial year 2011/2012)	33.3	24.4	13.3	27.9
over three years (financial years 2009/2010 to 2011/2012)	12.8	10.2	14.0	16.1
over five years (financial years 2007/2008 to 2011/2012)	4.0	(1.6)	(2.9)	(7.2)
over ten years (financial years 2002/2003 to 2011/2012)	15.2	8.7	10.8	6.6
over 15 years (financial years 1997/1998 to 2011/2012)	10.1	4.5	n.a.	n.a.

Changes in the shareholder profile led to a lower free-float proportion. Entrepreneur Dirk Rossmann, founder and majority shareholder of drug-store chain Rossmann, announced in a voting rights notification that he had raised his equity stake in DBAG to over 25 percent in August 2012. Spanish entrepreneur Ricardo Portabella, majority shareowner of Ventos S.A. (Luxembourg), increased his directly and indirectly held interest in DBAG to over five percent in October 2012. Free-float ownership [10] thus amounted to 69.9 percent at the end of the financial year.

Foundation: Assistance for employees of portfolio companies

The "Gemeinnützige Stiftung der Deutschen Beteiligungs AG", a non-profit charitable foundation established in October 2010, awarded grants for the first time this past financial year and took decisions on further grants. Pursuant to its purpose, the foundation is, among other things, currently supporting a project that assists underprivileged young people in getting a good start to working life. The Foundation's focal point is to support active and former employees of current and former DBAG portfolio companies in emergency cases. We regard the Foundation as a contribution in recognition of our social responsibility. This past financial year, we allocated another 50,000 euros to the Foundation's endowment.

FINANCIAL REVIEW OF THE GROUP

Earnings position

Overall assessment: Net result of valuation and disposal clearly up on the prior year

The consolidated net income of 44.5 million euros in financial year 2011/2012, following negative net income of 16.6 million euros in the previous year, primarily results from a very gratifying net result of valuation and disposal and loans and receivables ("net result of valuation and disposal"), which reached 48.6 million euros, compared with the prior year's -14.0 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. Additionally, due to a one-off special tax effect, net operating expenses (Total other income/expenses) were clearly lower than in the previous year. Total other income/expenses amounted to -4.4 million euros in 2011/2012 (previous year: -15.4 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.

[10] as defined by Deutsche Börse

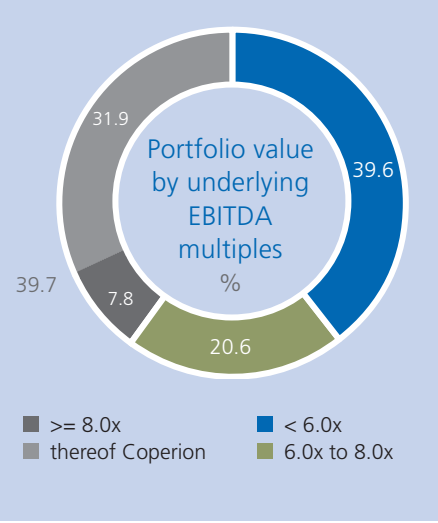
Net result of valuation and disposal: Coperion investment a pivotal factor

The net result of valuation and disposal consists of net valuation movements of 45.1 million euros (previous year: -20.7 million euros) and disposals of 3.5 million euros (previous year: 6.7 million euros).

With a contribution of 37.4 million euros, the investment in Coperion had the greatest effect on the valuation result. The uplift on this investment, which had been valued below its historical cost at the preceding reporting date, derives from the realisation of this investment, which was agreed in October 2012. The agreed amount equates to about four times the historical cost of 10.4 million euros.

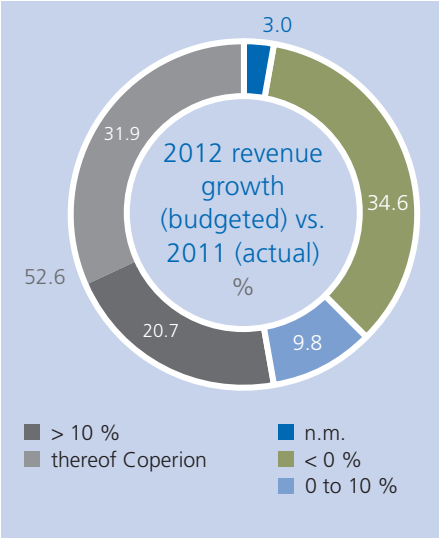
The investment in Homag Group AG also rendered a positive contribution towards the net result of valuation and disposal. The price of Homag shares, which determines the value of this investment, rose from 8.48 euros to 9.95 euros in 2011/2012; this led to a positive value contribution of 3.9 million euros. In the preceding year, it fell from 15.48 euros to 8.48 euros, which resulted in a negative value contribution of -18.5 million euros.

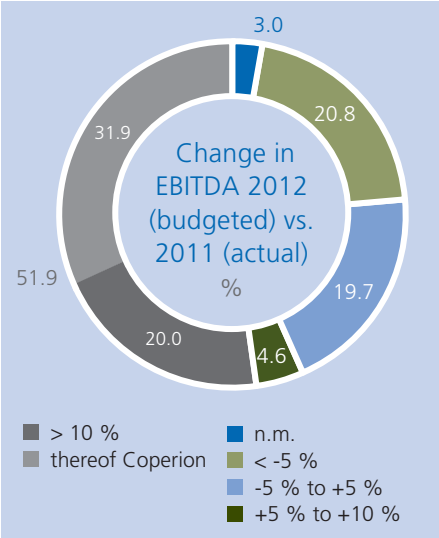
In net terms, the other investments in the portfolio made a positive contribution towards the valuation result – driven, on the one hand, by the portfolio companies' reduced debt and, on the other, by higher valuation ratios in the stock markets over the course of the financial year; that is, at the end of the current period, the earnings multiples we use to value an enterprise were higher than a year ago. For example, the EBITDA multiple for a peer group of mechanical engineering companies advanced from 6.3 in the previous year to 6.8; the realisation of Coperion delivered an EBITDA multiple of greater than 8. The chart shows the spread of the portfolio value [11], measured by the underlying EBITDA multiple at 31 October 2012:



The portfolio companies largely made good progress, as is evidenced by their revenues and earnings performance. Over two thirds of the portfolio value [12] is based on portfolio companies that had forecast revenues for 2012 in excess of those in 2011. However, revenues of mechanical engineering and plant construction companies in our portfolio are partially influenced by large-scale projects which are not booked on a regular basis; in light of that fact, year-over-year comparisons showing lower revenues are not necessarily an indication of underperformance. The same applies to earnings performance. It is also not uniform in the cyclical industries in which we prefer to invest.

[11] Explanatory note: The information on the composition of the portfolio is based on a portfolio value of 131.4 million euros. It relates to financial assets, less shelf companies and companies the value of which is mainly attributable to minority interest; moreover, the investments in MCE AG (reps and warranty retention) and in DBG Eastern Europe II are not included.





More than 56 percent of the portfolio value [13] at 31 October 2012 derives from companies whose budgeted 2012 EBITDA was five percent or more over their 2011 EBITDA. More than half of the value is based on portfolio companies that have forecast their 2012 EBITDA to exceed 2011 EBITDA by more than ten percent; these include the investment in Coperion.

The net result of disposal totalled 3.5 million euros, which represents the amount that the proceeds from the sale of the investment in Preh exceeded the opening value at the beginning of the financial year.

Net result of valuation and disposal by sources
€mn

Valuation of unquoted investments	
Change in earnings	(1.9)
Change in multiples	1.9
Change in debt	(1.0)
Change in exchange rates	1.5
Positive value movement due to Homag share price	3.9
Purchase offer/realised	37.4
Net result of disposal	3.5
Others	3.3
	48.6

Net result of valuation and disposal by components
€mn

Positive value movements	
Purchase price Coperion	37.4
Share price movement Homag	3.9
Other positive value movements	6.7
Negative value movements	(3.7)
Positive net result of disposal	3.5
Negative net result of disposal	0.0
Others	0.8
	48.6

[12] See footnote 11, page 52
[13] See footnote 11, page 52

Current income from financial assets: Of subordinate importance for net income

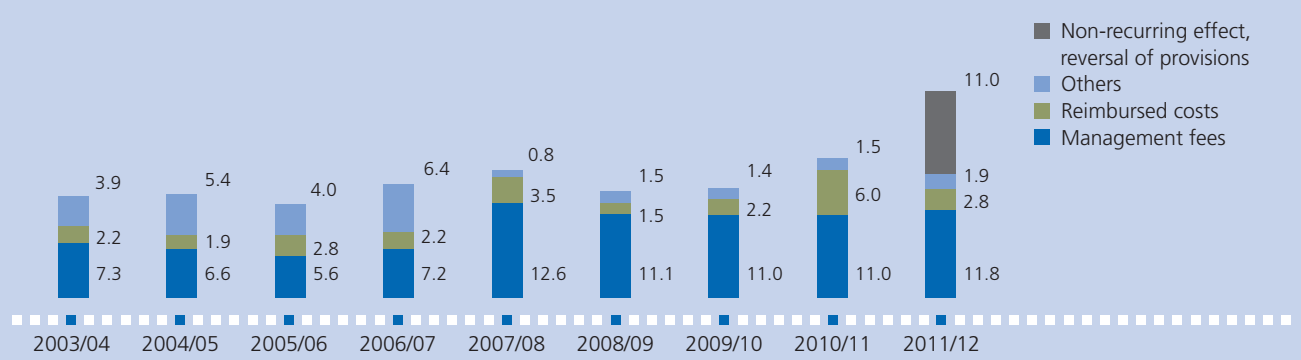
In 2011/2012, we achieved **current income from financial assets and loans and receivables** totalling 2.8 million euros, or 6.6 million euros less than the previous year's 9.4 million euros; in 2010/2011 this item was distorted by a special effect of 7.6 million euros. Due to the low share of expansion capital investments in the portfolio, current income from financial assets is momentarily of subordinate importance for net income.

Movement in total other income/expenses

Personnel expenses in 2011/2012 increased to 15.9 million euros, up 2.1 million euros on the previous year's 13.8 million euros. In view of the significantly improved result for the year, provisions for performance-related income components were increased and account for most of the rise. Performance-linked emoluments amounting to 2.3 million euros (previous year: 2.0 million euros) include the final realisation of the investment in Preh this financial year and inflows from the realisation of the remaining assets of a former investment (Hochtemperatur Engineering). Performance-linked income falls due upon realisation of the value appreciation and therefore contains performance-related components from value gains achieved in previous years. In 2011/2012, we successfully raised a new fund – this, as well as the Company's general performance are mirrored in an increase in variable income components (4.8 million euros, following 3.1 million euros). Current personnel expenses also rose slightly.

Other operating income, totalling 27.5 million euros, exceeded the previous year's 18.5 million euros. The largest item under this heading is fee income of 11.7 million euros from management and advisory services to co-investment funds. Management fees increased overall (previous year: 11.0 million euros), since fee income from the DBAG Expansion Capital Fund was generated for the first time for a full business year and performance-related income was received from an older

Other operating income
€mn



fund. This is set against a decline in fee income from DBAG Fund IV and DBAG Fund V. The basis on which fee income from DBAG Fund IV is determined is now lower, and investors in DBAG Fund V no longer remit the full fee in the fund's sixth year of its investment period.

The second-largest item in other operating income totalling 11.0 million euros derives from a special effect. The basis for this is a decision by the fiscal authority of the state of Hesse. During a tax audit at a management company of one of our co-investment funds, the revenue office had initially insisted that income from the management of that fund was subject to value-added tax. This was contrary to common practice over many years and, in our opinion, also to an enactment by the German Federal Ministry of Finance. Notwithstanding, we made provisions of more than ten million euros in several steps in both the 2009/2010 and 2010/2011 financial years (thereof, 4.4 million euros in 2010/2011) for exposure to the risk of possibly having to remit value-added tax after completion of the audit or recourse to legal action. The interim financial statements were also burdened by provisions for exposure to this risk – most recently at 31 January 2012 in the amount of 0.6 million euros. This issue was discussed in the 2010/2011 Annual Report (pages 98/99). In May 2012, the fiscal authority announced that it no longer holds that opinion. We therefore recognised a reversal of provisions totalling 11.0 million euros in the interim financial statements at 30 April 2012.

Other operating income also includes reimbursed costs for screening investment opportunities. These costs can be proportionally charged to co-investment funds or portfolio companies. Reimbursed costs amounted to 2.8 million euros in financial year 2011/2012, compared with 6.0 million euros a year ago. However, this lower income is also set against lower expenses.

The costs for screening investment opportunities are, in turn, the largest item in **other operating expenses** (16.4 million euros, following 22.8 million euros in the prior year). Transaction-related consultancy and screening costs were significantly lower in 2011/2012 (6.0 million euros, after 9.7 million euros the year before). Moreover, since provisions were no longer required to be made for exposure to value-added tax risk, other operating expenses were down by 6.4 million euros compared with the preceding year. Fundraising activity for the new buyout fund led to expenses of 2.2 million euros (previous year: 0.2 million euros); of that amount, 0.7 million euros has been charged to the fund and is contained in item other operating income. Other major items under this caption relate to non-deductible input tax (1.4 million euros; previous year including provisions mentioned above: 5.6 million euros), general consultancy costs (1.4 million euros; previous year: 1.4 million euros) and office rental costs of 1.0 million euros, which, compared to the previous year's 1.2 million euros, declined due to lower rental for the new office premises to which the Company relocated in 2011. Other operating expenses also include numerous smaller items pertaining to costs incurred in the ordinary course of business.

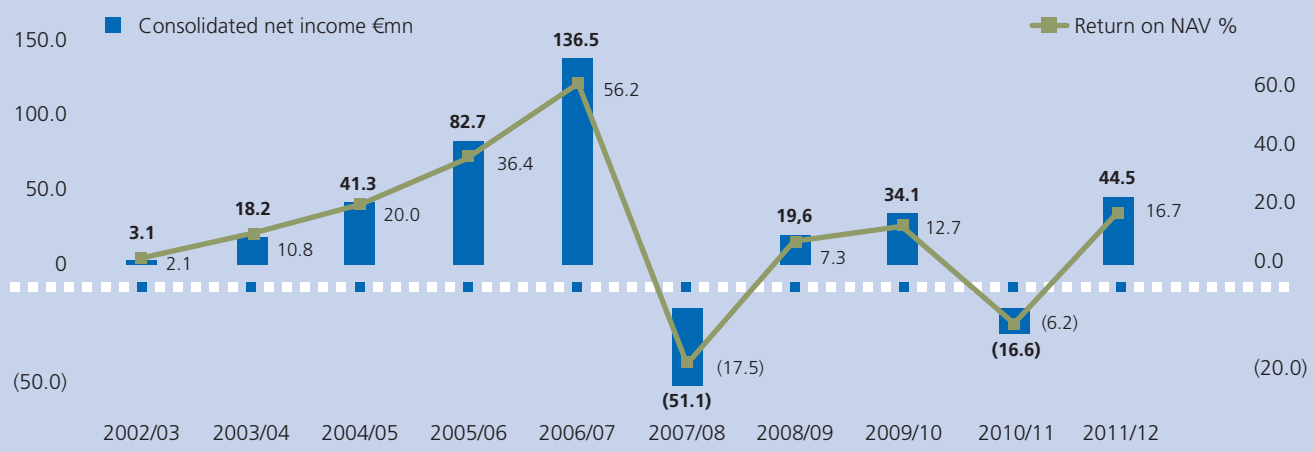
Net interest declined markedly to 0.8 million euros (previous year: 3.1 million euros). The prior year saw interest income of 1.6 million euros from a tax refund received following the completion of a tax audit. In total, **interest income** was 1.5 million euros (previous year: 3.5 million euros). Approximately 0.3 million euros comes from an entitlement to interest in conjunction with a purchase price deferral from a disposal transacted in financial year 2009/2010. **Interest expenses** in 2011/2012 amounted to 0.7 million euros (previous year: 0.5 million euros), which ensued from the difference between interest expenses for pension obligations and expected returns on plan assets (0.3 million euros) as well as interest on expected income tax claims (0.4 million euros).

The consolidated financial statements contain **tax expenses** of 0.9 million euros. After the completion of a tax audit, provisions of 1.0 million euros were made for expected additional income tax claims. In the previous year, a tax refund of 2.8 million euros led to tax income of 1.8 million euros.

Return on net asset value per share: Average of nearly 14 percent over past ten years

The DBAG Group posted net income of 44.5 million euros for the 2011/2012 financial year. The previous year ended with negative net income of 16.6 million euros. Total comprehensive income, which also includes gains and losses recognised directly in equity, reached 38.3 million euros, following -15.9 million euros the prior year.

Consolidated net income and return on NAV per share



The consolidated net income set out above is based on German accounting standards for the years from 2002/2003 and 2003/2004 and thereafter on the IFRS format

The return on net asset value per share was 16.7 percent, following -6.2 percent the preceding year; this figure not only mirrors consolidated net income, but also other comprehensive income, which amounted to -6.2 million euros in 2011/2012 (previous year: 0.7 million euros). The average return over the last five-year period is merely 2.6 percent; it thereby fell short of the cost of equity, but met the forecast made at the outset of this five-year period, namely, to post positive consolidate net income on average over financial years 2007/2008 to 2011/2012. The crises on the equity markets following the collapse of the Lehman Brothers Bank in 2008 and after the outbreak of the sovereign debt issue in 2011 were key factors for the negative consolidated net income posted in 2007/2008 and 2010/2011. They led to a drop in stock market prices and lower valuation multiples. The average return on net asset value per share over the last ten-year period, however, reached 13.8 percent (previous year: 11.2 percent) and thus clearly exceeds the cost of equity.

Nine-year summary of earnings

€mn	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	**2011/12**
Total net result of investment activity	15.4	51.8	114.4	165.0	(53.4)	31.8	53.2	(4.5)	51.3
Total other income/expenses [1]	(9.6)	(6.4)	(23.5)	(9.3)	(1.9)	(9.4)	(15.5)	(15.4)	(4.4)
EBIT	12.2	41.6	89.1	150.8	(60.5)	20.4	36.8	(23.0)	46.2
EBT	9.0	42.3	90.9	155.6	(55.3)	22.4	37.6	(19.9)	47.0
Consolidated net income	10.0	41.3	82.7	136.5	(51.1)	19.6	34.1	(16.6)	44.5
Other comprehensive income [2]						(2.3)	(3.3)	0.7	(6.2)
Total comprehensive income						17.3	30.8	(15.9)	38.3
Consolidated retained profit	7.6	35.5	57.2	118.2	29.2	52.6	73.1	37.3	70.8
Return on NAV per share %	5.7	20.0	36.4	56.2	(17.5)	7.3	12.7	(6.2)	16.7

[1] Net amount of other income and expense items, up to and including FY 2007/2008 "Other income/expenses"
[2] Since FY 2009/2010, actuarial gains/losses on pension obligations/plan assets are taken directly to equity through "Other comprehensive income"

Financial position

Overall assessment: Sound financial position enhances scope

In our assessment, the financial position of the Group is sound. Its financial resources (cash and interest-bearing securities) are sufficient to finance the investment projects planned for the coming years. 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.

Particularities in assessing financial position: Irregular payment 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 payment flows. We respond to these conditions through our finance management: for the short to mid-term, we draw on existing liquidity, as is currently the case. 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).

The financial resources reported at the end of the financial year totalling 105.8 million euros (thereof 83.0 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) are available for future investments. Within the next four to five years, we plan to invest some 200 million euros alongside the co-investment funds. That will create an annual average liquidity requirement of some 50 million euros, which we plan to cover from our available resources and inflows from realisations of our investments.

Cash flows: Net gain from investment activities

Investment and disinvestment activities in 2011/2012 led to cash outflows of 17.8 million euros (previous year: cash inflows of 34.1 million euros). These derive from payments for investments in the portfolio netted against proceeds from disposals of investments.

In financial year 2011/2012, proceeds from disposals of financial assets amounting to 3.8 million euros (previous year: 43.6 million euros) largely stemmed from inflows following the syndication of a part of the investment in Spheros: as in former instances, DBAG and the co-investment funds initially invested alone in the company, but subsequently passed on shares at cost to investors in the co-investment funds in order to adequately diversify the risk. We also posted payments from an investment in the DBG Eastern Europe II fund; the fund had received a distribution from an investment and passed it on to the investors.

Payments for acquisitions of financial assets climbed from 9.5 million euros the previous year to 21.6 million euros. These pertain to the acquisition of interests in Spheros and Broetje-Automation and follow-on investments in existing investee businesses. The decrease in the securities portfolio led to an inflow of 29.0 million euros (previous year: 6.1 million euros).

Total cash flows from investing activities this past financial year amounted to 10.8 million euros (previous year: 27.0 million euros). Last year, this item contained 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.

Expenditures on property, plant and equipment at DBAG totalled 0.5 million euros in financial year 2011/2012 (previous year: 1.2 million euros). In the previous year, this item contained expenditures relating to the Company's relocation to new premises in the city of Frankfurt, such as new office equipment. Overall, property, plant and equipment assets are insignificant and amounted to 1.5 million euros, which is equal to last year.

Cash flows from financing activities (dividend payments) amounted to 10.9 million euros (previous year: 19.1 million euros).

Cash flows from operating activities changed by 10.6 million euros to -9.7 million euros. This year's result is characterised by numerous individual effects and is not easily comparable with the previous year (0.9 million euros).

Nine-year summary of financial data

€mn	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	**2011/12**
Cash flows from operating activities	7.3	(35.6)	(4.1)	(2.6)	3.0	(3.5)	(12.8)	0.9	(9.7)
Cash flows from investing activities *	(13.2)	132.2	168.8	65.0	3.8	19.6	(44.4)	33.1	(18.2)
Cash flows from financing activities	2.1	(57.1)	(40.7)	(71.4)	(57.3)	(5.5)	(13.7)	(19.1)	(10.9)
Change in cash funds *	(3.8)	39.5	124.0	(9.0)	(50.5)	10.6	(70.9)	14.9	(38.8)

* adjusted for cash flows from additions to and disposals of securities

Asset position

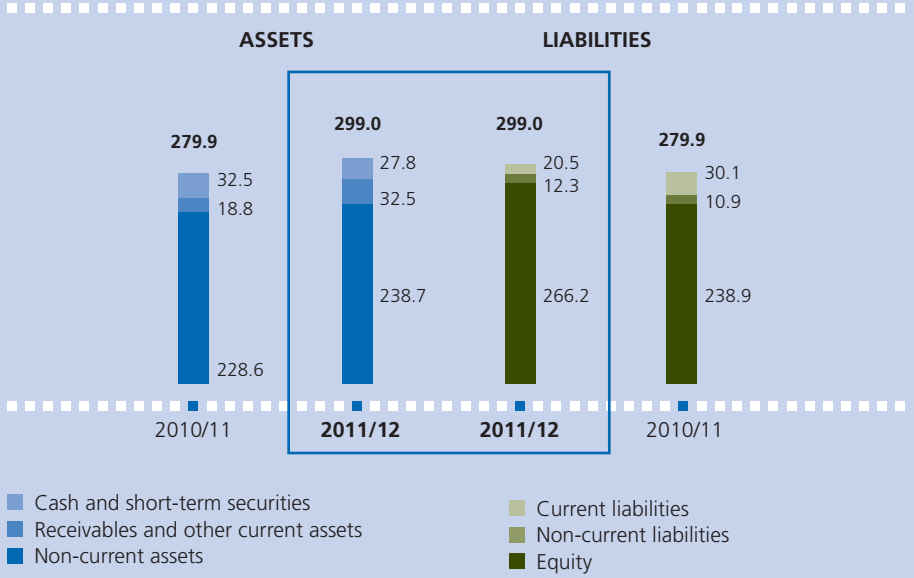
Overall assessment: Asset position allows for new investment projects

The assets of the Group largely consist of the investment portfolio as well as cash and securities. Assets increased this past financial year. The value appreciation of the investment portfolio led to a gain in assets that clearly exceeded the dividend distribution of 10.9 million euros. With liquid assets of 105.8 million euros, the Company has more than one third of its total assets available for future investment.

Asset structure: No fundamental change

Non-current assets – which predominantly consist of financial assets and long-term securities – totalled 238.7 million euros (previous year: 228.6 million euros) and comprised 80 percent of total assets (previous year: 82 percent). **Long-term securities**, which largely relate to securities of German sovereign issuers with a term of up to five years, decreased following disposals by 40.0 million euros to 83.0 million euros; the sales proceeds served to finance investments, the dividend payment and current operations. **Other non-current assets** declined from 6.9 million euros (31 October 2011) to 0.4 million euros at the end of the period, following the settlement of a receivable from a portfolio company this financial year. At the end of the period, other non-current assets exclusively contained the positive net difference between the fair value of plan assets and the present value of benefit entitlements.

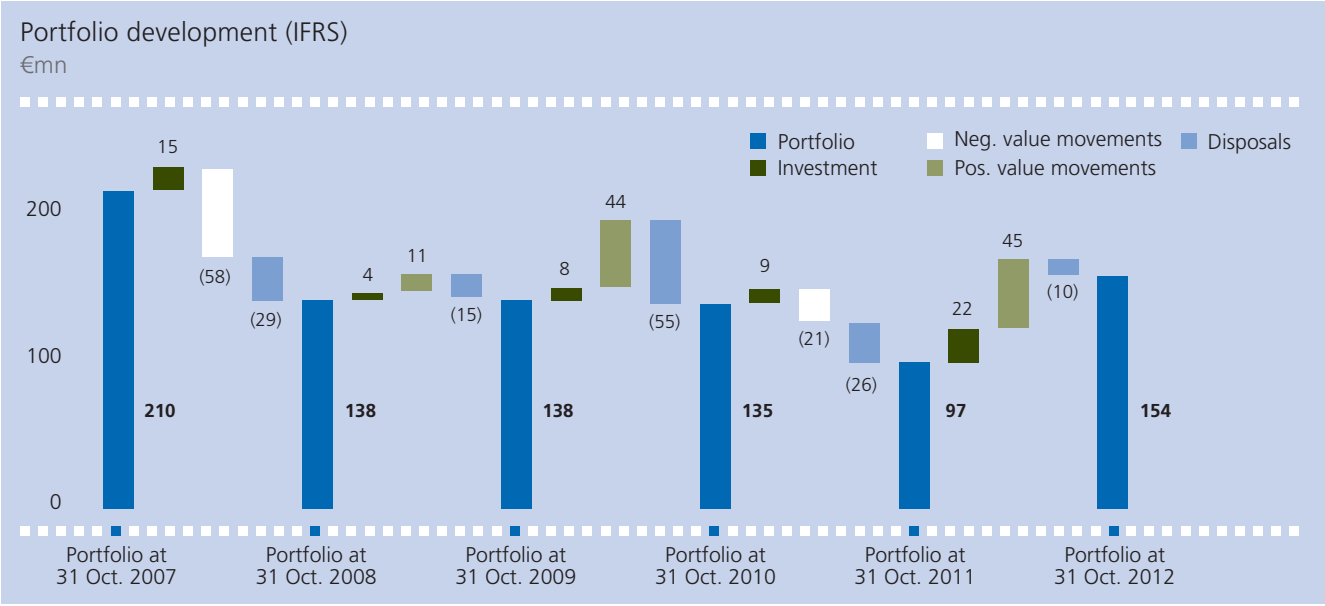
Structure of financial position
€mn



Current assets amounted to 60.3 million euros at 31 October 2012, which is higher than in the prior year (51.3 million euros). The increase is largely due to a higher **short-term securities** position (5.0 million euros, following 0.03 million euros the year before) as well as higher other current assets: these grew from 8.0 million euros to 20.7 million euros. This item contains the purchase price receivable from the divestment of the remaining 25-percent interest in Preh. **Liquid assets** receded by 9.8 million euros to 22.7 million euros over the financial year.

Portfolio value: Higher, following new investment and value gains

The value of the Group's investments is reflected in the statement of financial position in line items financial assets and loans and receivables. The sum of both of these items amounted to 153.6 million euros at 31 October 2012 (previous year: 97.1 million euros). It consisted of investments in 16 companies and international private equity funds valued at 143.3 million euros (previous year: 87.5 million euros) as well as shares in shelf companies and companies the value of which is mainly attributable to minority interest. The latter is contained in the balance sheet item in an amount of 10.3 million euros.



Measured against the opening value at the beginning of the financial year, the investment portfolio decreased by 10.2 million euros in 2011/2012 through disposals, partial disposals and repayments from fund investments. A major amount was attributable to the disposal of the investment in Preh.

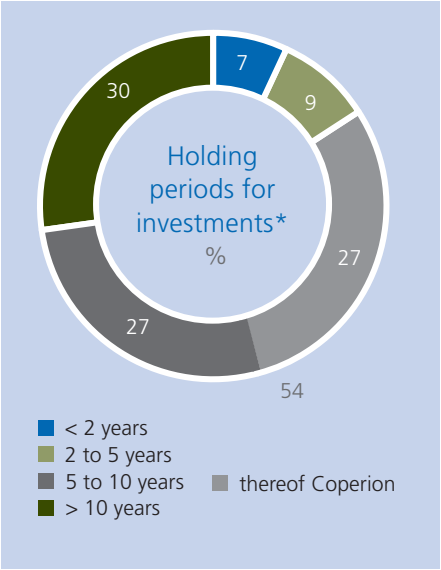
Investments of 21.6 million euros led to a rise in financial assets in 2011/2012. Of that amount, 5.7 million euros were spent on the Company's new investment in Broetje-Automation and 13.5. million euros (subsequent to syndication) on the investment in Spheros. The remaining funds went to one smaller follow-on investment.

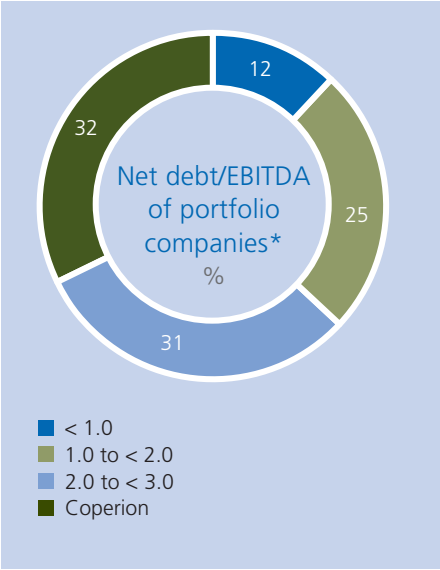
At the end of the financial year, the value of the investments, including loans and receivables, comprised in financial assets totalled 153.6 million euros (previous year: 97.1 million euros). This still includes the investment in Coperion totalling 41.7 million euros, since the transaction had not yet been completed at the reporting date, due, among other things, to outstanding anti-trust approval.

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

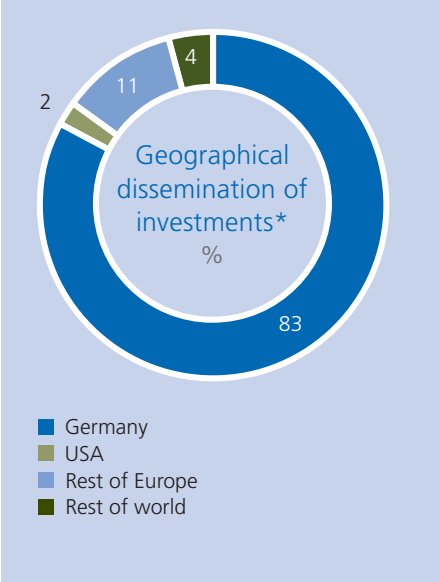
90 percent of the portfolio value (IFRS) [14] at 31 October 2012 is attributable to the following nine investments:

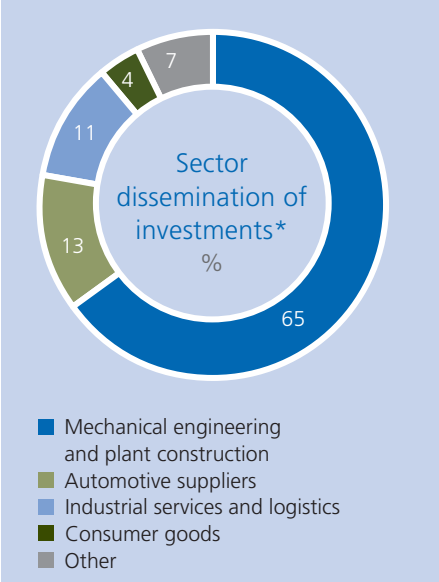
Company	Equity share DBAG %	Business field	Sector	Valuation method
Broetje-Automation GmbH	18.8	MBO	Mechanical engineering and plant construction	Acquisition cost
Clyde Bergemann Group	17.8	MBO	Mechanical engineering and plant construction	Multiples
Coperion GmbH	18.8	MBO	Mechanical engineering and plant construction	Purchase offer/realised
DBG Eastern Europe II	14.9	Buyout funds	Buyout funds	Discounted net present value
FDG S.a.r.l.	15.4	MBO	Industrial services	Multiples
Grohmann GmbH	24.0	Expansion capital	Mechanical engineering and plant construction	Multiples
Homag Group AG	20.1	MBO	Mechanical engineering and plant construction	Stock market price
Romaco GmbH	18.7	MBO	Mechanical engineering and plant construction	Multiples
Spheros GmbH	15.7	MBO	Automotive supplier	Multiples





[14] footnote 3, page 33





* measured by IFRS value

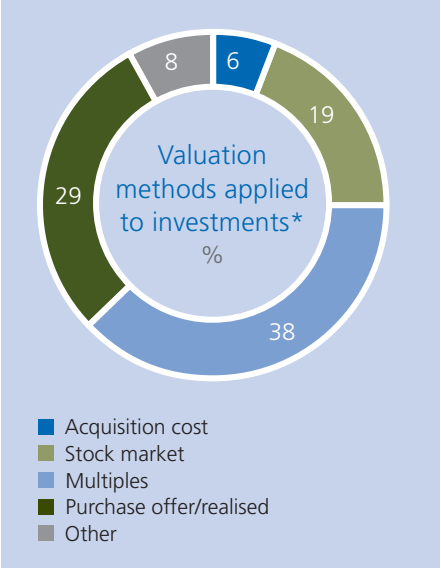
Explanatory remarks: The data on the composition of the "portfolio" (or: portfolio value) relates to financial assets less shelf companies and companies mainly attributable to third parties; the value of this portfolio amounted to 143.3 million euros. The breakdown of equity by net debt of the portfolio companies (chart bottom right) is based on the financial assets at 31 October 2012, less the investments in MCE AG (retention for representations and warranties) and DBG Eastern Europe II, as well as shelf companies and companies mainly attributable to third parties. 2012 net debt and 2012 EBITDA based on portfolio companies' forecasts or analysts' estimates (for Homag Group AG).

We measure the fair value of our investments at quarterly intervals. Valuation changes are recognised through profit or loss. The fair value of our financial assets is determined in conformity with the IFRS on the basis of 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



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 Deutsche Beteiligungs AG to its portfolio companies corresponds to their historical cost (or, if applicable, the lower market value). The same applies to the fair value of new investments in the first year after acquisition, insofar as there is no material impairment.

* measured by IFRS value, see footnote 3, page 33

Capital structure: No liabilities to banks

In financial year 2011/2012, the DBAG Group financed its activities from its liquid resources – cash and interest-bearing securities – backed by a very high capital-to-assets ratio. At 31 October 2012, the Group recorded equity capital of 266.2 million euros. Equity capital at 31 October 2011 had totalled 238.9 million euros; dividend payments to shareholders account for 10.9 million euros of that amount. The equity capital at 31 October 2012 was impacted by actuarial losses that arose on remeasurements of pension obligations in the amount of 6.3 million euros. These remeasurements allow for the fact that the discount rate had fallen from 4.60 percent the previous year to 2.91 percent at 31 October 2012. With a view to continuity in the application of valuation principles, we have fully accounted for the significant effects that arise from the lower discount rate. The **capital-to-assets ratio** of 89.0 percent (previous year: 85.4 percent) remained very high.

Non-current liabilities, totalling 12.3 million euros at 31 October 2012, exceeded the previous year's 10.9 million euros. This item primarily contains minority interest, which rose from 10.7 million euros to 12.1 million euros. The gain is largely due to profit distributions by 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 20.5 million euros at the reporting date (previous year: 30.1 million euros). The prime reason for the decrease was the reversal of other provisions for tax risk in the amount of 11.0 million euros. Provisions for performance-linked remuneration not yet paid totalled 11.1 million euros (previous year: 8.8 million euros). As in the past, the Group has no liabilities to banks.

Financial resources: Declined, following investments

The Group had financial resources of 105.8 million euros at 31 October 2012, consisting of two components: cash in the amount of 22.7 million euros and another 83.1 million euros posted under non-current assets in line item **long-term securities**. These relate to securities of German sovereign issuers. 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 low price risk, since they are linked to money market rates.

The liquidity position declined over the financial year by 49.8 million euros. Major cash flows relate to new investment and the dividend payment.

Nine-year summary of financial position

€mn	31 Oct. 04	31 Oct. 05	31 Oct. 06	31 Oct. 07	31. Oct. 08	31 Oct. 09	31 Oct. 10	31. Oct. 11	**31 Oct. 12**
Financial assets	253.9	198.9	121.5	209.6	138.3	137.2	129.9	93.5	150.7
Securities/cash	1.3	40.7	164.7	155.8	105.2	124.0	140.7	155.6	105.8
Other assets	60.7	26.6	33.8	29.1	28.7	27.0	45.5	30.8	42.5
Equity	234.0	246.6	289.0	353.6	244.8	256.8	273.9	238.9	266.2
Liabilities/provisions	82.0	19.7	31.1	40.8	27.4	31.5	42.2	41.0	32.8
Total assets	315.9	266.3	320.1	394.4	272.3	288.3	316.1	279.9	299.0

Report on the economic position of the Group

In the opinion of the Board of Management, the Deutsche Beteiligungs AG Group is economically very sound.

Posting a consolidated net income of 44.5 million euros and a return on net asset value per share of 16.7 percent, the Group achieved an excellent result in financial year 2011/2012. It derives from the good progress the portfolio companies have made in their operating performance, as the very profitable divestment of Coperion this past financial year shows.

The Group remains well capitalised: it 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 current operating costs.

We adhered to our accounting policy. 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 in the Notes to the consolidated financial statements.

Significant events after the end of the reporting period

Subsequent to the end of the reporting period, there were changes to the Company's management: in August 2012, the Supervisory Board appointed Ms Susanne Zeidler to the Board of Management, effective 1 November 2012. Mr von Hodenberg and Mr Mangin will step down from the Board of Management at the end of March 2013; up to that time, the Board of Management of Deutsche Beteiligungs AG will consist of five members.

As for changes to the portfolio: at the beginning of the 2012/2013 financial year, DBAG entered into two new investments and one investment was increased. Two other investments were exited.

In November 2012, Heytex Bramsche GmbH ("Heytex") was acquired jointly with DBAG Fund V in an MBO. DBAG will invest up to 6.6 million euros from its balance sheet and then hold up to 19 percent in Heytex. The remaining shares will be acquired by co-investing DBAG Fund V and members of the Heytex management team. The vendor, private equity firm Nordholding, will reinvest in the company and retain a ten percent interest, in order to participate in Heytex' further development. Heytex is a leading manufacturer of textile print media and technical textiles.

DBAG co-invested alongside the DBAG Expansion Capital Fund in Plant Systems & Services PSS GmbH (PSS) to finance the company's growth in the coming years to become a large industrial services group capable of generating substantially more than 100 million euros in revenues. The transaction is the first investment made alongside the fund for expansion financings, which closed in 2011. In a first step, 5.6 million euros will be invested, of which 2.3 million euros will be provided by the Group. DBAG and the fund will hold a 49 percent interest in PSS. Significant follow-on funding is slated in the short- to mid-term, as the company grows. PSS is the nucleus for a group of specialised companies that provide services for the energy and process industries, such as for power plants and chemical companies. The group will initially be composed of three companies. ETABO GmbH, headquartered in Bochum, Germany, boasts more than 40 years of experience in construction and maintenance of pipework for power plants and industrial sites in Germany. The company expects revenues of some 32 million euros in 2012. With the capital

increase provided by DBAG, two smaller companies with combined revenues of approximately 20 million euros have been acquired. These companies specialise in installing piping in storage tanks and in providing maintenance for entire tank farms.

We completed an increase of our investment in Homag Group AG at the beginning of the new financial year. The increase was effected by acquiring some 500,000 shares, largely through the purchase of a block of shares from a family who had integrated their company into the Homag group in 1999 and have since been shareowners. The co-investment funds also increased their interest; they now hold 19.4 percent. DBAG has a 20.1 percent interest. By enlarging the stake held in Homag, we aim to support Homag's management in developing the company.

In November and December 2012 the realisation of the investments in Preh and Coperion were completed, which led to cash inflows of 49.1 million euros.

FINANCIAL REVIEW OF DEUTSCHE BETEILIGUNGS AG

(COMMENTARY BASED ON THE GERMAN COMMERCIAL CODE – HANDELSGESETZBUCH HGB)

Management's report on Deutsche Beteiligungs AG and the group management report for financial year 2011/2012 are presented combined in conformity with § 315 (3) HGB in connection with § 298 (3) HGB. The presentation of the economic position of Deutsche Beteiligungs AG is based on an abridged balance sheet and abridged profit and loss account derived from the balance sheet and profit and loss account as prescribed by HGB. The complete annual financial statements of Deutsche Beteiligungs AG based on HGB are published in the "Bundesanzeiger" (Federal Gazette), together with the consolidated financial statements.

The annual financial statements are accessible on the Internet at www.deutsche-beteiligung.de/Investor Relations; they are also available on request.

Earnings position

Overall assessment: Financial year ends with a profit

In financial year 2011/2012, Deutsche Beteiligungs AG achieved a profit for the year of 7.5 million euros, or 3.6 million euros over that of the preceding 2010/2011 financial year (3.9 million euros), for which a total dividend of 0.80 euros per share – consisting of a dividend of 0.40 euros per share and a surplus dividend of 0.40 euros per share – was paid in March 2012. Positive contributions towards the result came, in particular, from the disposal of one investment, reversals of write-downs on investments and a reversal of provisions for exposure to value-added tax risk.

Abridged profit and loss account of Deutsche Beteiligungs AG (based on HGB)

T€	2011/2012	2010/2011
Net result of valuation and disposal *	18,511	653
Current income from financial assets	1,445	15,380
Total net result of investment activity	**19,956**	**16,033**
Personnel expenses	(16,601)	(13,495)
Other operating income (without write-ups)	20,426	14,958
Other operating expenses	(15,846)	(18,884)
Depreciation and amortisation on property, plant and equipment and intangible assets	(390)	(351)
Interest income	1,333	3,807
Interest expenses	(1,228)	(1,046)
Total other income/expenses	**(12,306)**	**(15,011)**
Result of ordinary activity	7,650	1,023
Extraordinary income	0	109
Income taxes	(851)	1,694
Other taxes	695	1,036
Profit for the year	**7,494**	**3,862**

*The net result of valuation and disposal is composed of p/l items "Income from the disposal of investments" (€9.0mn) and write-ups in the financial year of €9.8mn that are disclosed in item "Other operating income". "Depreciation on financial assets" in the amount of €0.3mn was deducted.

Net result of valuation and disposal: Significant increase over previous year

The net result of valuation and disposal is determined by earnings or losses from the disposal of investments as well as write-downs netted against write-ups on investments contained in the portfolio at the reporting date. Write-downs and write-ups are performed at the lower of cost or market and the applicable procedure for reversals of impairment losses. The net result of valuation and disposal of 18.5 million euros (previous year: 0.7 million euros) reflects the completion of the profitable realisation of the investment in Preh GmbH that was initiated in 2010/2011 as well as reversals of write-downs chiefly on two investments, the value of which was impaired in past financial years. Since acquisition costs constitute the upper limit in value, the indirect investment in Coperion is only recognised with a write-up of 5.2 million euros in the result for financial year 2011/2012.

Current income from financial assets: Lower distributions by portfolio companies

In financial year 2011/2012, we recorded **current income from financial assets** in the amount of 1.4 million euros, which is 14.0 million euros below that of the prior year (15.4 million euros). Income from financial assets almost exclusively contains profit distributions and interest payments from portfolio companies. In the previous year, 1.7 million euros were posted from this source; in addition, there were distributions of 13.7 million euros from associated companies that had distributed retained profits from divestments dating from previous periods.

The **net result of investment activity** advanced by 4.0 million euros to 20.0 million euros in 2011/2012.

Total other income/expenses also improved, down from -15.0 million euros in 2010/2011 to -12.3 million in 2011/2012. Higher other operating income was a major contributor towards the improvement.

Other operating income: Higher, following reversal of provisions

Other operating income without write-ups improved from 15.0 million euros to 20.4 million euros. The rise is due to higher income from advisory services to co-investment funds (16.6 million euros; previous year: 8.4 million euros). Contained therein is a special effect from the reversal of provisions for exposure to value-added tax risk at management companies that were partially recorded by DBAG this past financial year.

Personnel expenses: Higher, due to increase in pension obligations and performance-related income

In financial year 2011/2012, **personnel expenses** rose by 3.1 million euros, up from 13.5 million euros to 16.6 million euros. In addition to general salary increases, other influential factors were the enlargement of the investment team, higher allocations to pension provisions and provisions for performance-linked income components. Following 5.1 million euros in 2010/2011, provisions of 6.6 million euros were made for performance-related income components in the reporting period; these include variable components based on personal performance and on the Company's general performance as well as provisions of 2.3 million euros for profit-sharing arrangements arising on investments (among other things, realisation of Preh); in the preceding year, provisions of 2.0 million euros were recognised for this.

Other operating expenses: Declined, due to lower costs for screening investment opportunities

Other operating expenses amounted to 15.8 million euros in the financial year, or 3.1 million euros below those of the prior year (18.9 million euros). These largely contain expenses for the management of investments, meaning the acquisition, monitoring and disinvestment of portfolio companies or fund investments. The largest item in other operating expenses are the external expenditures for screening investment opportunities (partly chargeable to co-investment funds); these costs decreased from 9.7 million euros (2010/2011) to 6.0 million euros (2011/2012). Another major item are the (one-off and partly reimbursed) costs amounting to 2.2 million euros involved in raising DBAG Fund VI. Other operating expenses also include numerous smaller items pertaining to costs incurred in the ordinary course of business.

Net interest: Declined, following interest income from tax refund

Net interest (0.1 million euros; previous year: 2.8 million euros) was considerably lower than in the preceding year; in 2010/2011, interest income of 1.6 million euros from a tax refund was recorded after the completion of a tax audit. Moreover, an entitlement to interest arising on a purchase price deferral from a disposal transacted in financial year 2009/2010 had fallen due.

Profit of 7.5 million euros for the year

Deutsche Beteiligungs AG posted an annual profit of 7.5 million euros for financial year 2011/2012. In the previous year, the Company generated a profit of 3.9 million euros. The Company's return on net asset value was 3.5 percent. In the prior year, it amounted to 1.8 percent.

Retained profit of 24.1 million euros

Including the profit carried forward from the previous year, the dividend payment and withdrawals from other retained earnings, the retained profit amounted to 24.1 million euros.

Asset position

Abridged balance sheet of Deutsche Beteiligungs AG based on HGB

T€	2011/2012	2010/2011
Equity shares in associated companies	79,605	53,883
Investments	43,247	40,265
Securities	59,134	99,224
Other non-current assets	1,592	2,294
Non-current assets	**183,578**	**195,666**
Receivables and other assets	32,021	25,750
Securities	5,026	31
Cash and cash equivalents	4,872	15,458
Current assets	**41,919**	**41,239**
Miscellaneous assets	**7,012**	**3,019**
Assets	**232,509**	**239,924**
Subscribed capital	48,533	48,533
Capital reserve	141,394	141,394
Retained earnings	403	3,072
Retained profit	24,052	24,830
Equity	**214,382**	**217,829**
Provisions	**17,045**	**15,243**
Liabilities	**244**	**5,805**
Deferred income	**838**	**1,047**
Liabilities	**232,509**	**239,924**

The major asset positions of Deutsche Beteiligungs AG are the **directly held investments** that are shown in item Investments, in addition to **equity shares in associated companies**, which, in turn, hold further portfolio companies, and **long-term securities**; these securities constitute significant parts of the financial resources of Deutsche Beteiligungs AG. Together with cash and cash equivalents, these funds are available for future investment.

In financial year 2011/2012, shares in associated companies rose by 25.7 million euros, up from 53.9 million euros to 79.6 million euros. The increase is due to new investments (Broetje-Automation, Spheros) and reversals of impairment losses (including Coperion).

Despite the disposal of the investment in Preh, the value of directly held investments – these are older investments entered into up to the end of 2006 – advanced from 40.3 million euros to 43.2 million euros. Write-ups were also performed on these investments.

Long-term securities decreased in net terms by 40.1 million euros to 59.1 million euros. Securities were sold to cover the Company's liquidity requirements (investments, dividend payments, current business operations).

Current assets: Practically no structural changes versus the prior year

Current assets hardly changed in the financial year. At 31 October 2012, they amounted to 41.9 million euros, up by 0.7 million euros over the previous year. In item receivables and other assets, the purchase price receivable arising on the divestment of Preh is the largest entry.

Provisions: Nearly unchanged

At the end of the period on 31 October 2012, provisions amounted to 17.0 million euros, or 1.8 million euros over the previous year's 15.2 million euros. They pertain to tax provisions to a minor degree (1.0 million euros) and were largely made to cover performance-related income components.

Financial position

Particularities in assessing financial position: Irregular cash flows

The strong **financial resources** reported at the end of the period of 64.0 million euros (long-term securities of 59.1 million euros and cash and cash equivalents of 4.9 million euros) are available for new investment. We intend to invest some 250 million euros (DBAG's portion) alongside the co-investment funds in the coming four to five years. That will create an average liquidity requirement for DBAG of some 50 million euros annually.

Capital structure: No liabilities to banks

In financial year 2011/2012, Deutsche Beteiligungs AG financed its activities from its liquid resources. At 31 October 2012, the Company reported equity of 214.4 million euros, which compares with 217.8 million euros at 31 October 2011; dividend payments to shareholders account for 10.9 million euros of that amount. The **capital-to-assets ratio** of 92.2 percent (previous year: 90.8 percent) remained very high.

Significant events after the end of the reporting period

As stated in the report for the Group, Deutsche Beteiligungs AG acquired a stake in two new portfolio companies and increased its interest in an existing portfolio company after the end of the reporting period.

Two other investments were exited: the effect on income arising from the realisation of the remaining interest in Preh is contained in the 2011/2012 financial statements in the form of a receivable; cash inflows of 9.6 million euros were received in December 2012.

The completion of the agreement on the realisation of the Coperion investment at the beginning of December 2012 will lead to a contribution to income of about 30 million euros and cash inflows of 39.4 million euros in the new financial year. The contribution to income from the realisation of Coperion has already been disclosed in the IFRS-formatted consolidated financial statements through fair value recognition. HGB standards only allow carrying an investment at acquisition cost up to its ultimate realisation. The difference between the agreed purchase price and the acquisition cost will take effect in the new financial year.

ADDITIONAL STATUTORY INFORMATION AND COMMENTARY

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. Shareholders at the Annual Meeting approved the system in 2011 with a vote of 92 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.

Insofar as the members of the Board of Management receive emoluments for offices held in other companies, these are paid over to Deutsche Beteiligungs AG. A severance pay cap is provided for in the service contracts of those Board of Management members whose contracts were concluded or prolonged after the effective date in August 2009 of the German Act on the Appropriateness of Management Board Compensation (VorstAG). The service contracts for the members of the Board of Management do not contain the right to early termination, nor do they 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. In financial year 2011/2012, 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.

The annual bonus represents the **performance-related remuneration component** for the members of the Board of Management. It is linked to the personal performance of the Board members over the past financial year and can generally reach half the amount of the fixed base salary. Personal performance is determined by the Supervisory Board at its equitable discretion.

As a **variable component with long-term incentive effects**, the members of the Board of Management are also awarded a bonus that is based on the Company's performance over the reference period. The Company's performance 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 as well as the returns delivered to shareholders, i.e. the sum of share price performance and dividends. The reference period is the reporting year and the two preceding financial years for members of the Board of Management whose service contracts were concluded or prolonged after the effective date of the German Act on the Appropriateness of Management Board Compensation (VorstAG), and other than that, the reporting year.

In its meeting on 28 November 2012, the Executive Committee of the Supervisory Board discussed the amount to be paid for the bonus and tentatively determined a total bonus payment of T€1,936 for financial year 2011/2012. This amount is based on a bonus of T€456 for the performance of Deutsche Beteiligungs AG in the reference period and of T€1,480 for individual performance by the Board of Management members. It contains a special bonus for Mr von Hodenberg in the amount of T€500, which the Supervisory Board awarded in recognition of his contribution to the success of the fundraising campaign for a new buyout fund this past financial year.

Remuneration for the Board of Management members, who are concurrently members of the investment team, consists of further variable components with long-term incentive effects and allows the Board members to share in the investment performance of DBAG.

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 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 orientated around the return on net asset value; profit-sharing awards are only granted if the return on net asset value for the reporting year exceeds the mark of 15 percent before taxes and bonuses. The computation base of net asset value relates exclusively to investments included in this variable component, which chiefly consists of the investments in Homag Group AG (that part invested prior to 2007), in Grohmann GmbH and the Vogler group. With the realisation of these older investments, this profit-sharing scheme will decline in importance. For financial year 2011/2012 as in the preceding year, there were no payments to Board of Management members under this scheme.

The scheme installed for investments made from 2001 to 2006 is common 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 1.212 million euros for financial year 2011/2012, following 1.102 million euros the previous year. Two thirds of these entitlements are paid after the close of a financial year. Entitlement to the remaining one third is subject to a final review after the disinvestment phase of all investments involved has been completed, and is paid in the amount of the remaining final entitlement.

Performance-related components of this kind are no longer awarded for investments entered into since 2007, i.e., the commencement of the investment period of DBAG Fund V, nor for those that will be made in the future. The members of the Board of Management, who are also members of the investment team, have since then been sharing 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, Carried interest investments by key management staff".

The remuneration for the Board of Management in financial year 2011/2012 totalled 5.2 million euros (previous year: 4.0 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€	**2011/12**	2010/11	**2011/12**	2010/11	**2011/12**	2010/11	**2011/12**	2010/11
Wilken von Hodenberg	513	513	750	250	466	344	1,729	1,107
Torsten Grede	510	510	250	250	578	344	1,338	1,104
André Mangin	497	463	240	240	312	207	1,049	910
Dr Rolf Scheffels	490	457	240	240	312	207	1,042	904
Total	**2,010**	**1,944**	**1,480**	**980**	**1,668**	**1,102**	**5,158**	**4,026**

Pension arrangements: Two models

Pension commitments to 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 annual contribution for Board of Management members is 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 2012, the cap did not have an effect. At 31 October 2012, 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: 1.3 million euros).

	Service cost		Present value of the defined benefit obligation	
T€	**2011/12**	2010/2011	**31 Oct. 2012**	31 Oct. 2011
Wilken von Hodenberg	205	212	3,560	2,442
Torsten Grede	26	28	938	559
André Mangin	34	64	619	519
Dr Rolf Scheffels	36	69	811	576
Total	**301**	**373**	**5,928**	**4,096**

The increase in the defined benefit obligation is primarily due to a change in the discount rate: we have discounted pensions obligations at a rate of 2.91 percent, instead of 4.60 percent formerly.

This past financial year, the sum of 0.8 million euros (previous year: 0.7 million euros) was paid to former Board of Management members or their surviving dependents. The present value of pension obligations to former Board of Management members or surviving dependents totalled 13.5 million euros (previous year: 11.4 million euros) at the end of the reporting period.

Supervisory Board compensation: Performance-related component for 2011/2012

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 as reported in the consolidated financial statements 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. Unlike the previous year, performance-related components fell due in financial year 2011/2012. Remuneration paid to members of the Supervisory Board totalled T€269 in 2011/2012 (previous year: T€233). It was distributed as follows:

T€	Fixed fee	Bonus	Performance-linked component	Total
Andrew Richards (Chairman)	30	30	6	66
Professor Dr Günther Langenbucher (Vice Chairman)	30	15	6	51
Roland Frobel	30		6	36
Philipp Möller	30	8	6	44
Dr Hendrik Otto	30		6	36
Gerhard Roggemann	30		6	36
Total	**180**	**53**	**36**	**269**

In financial year 2011/2012, members of the Supervisory Board did not receive fees for consultancy services.

Takeover-related disclosures (§ 289 (4) and § 315 (4) German Commercial Code – Handelsgesetzbuch "HGB")

The share capital of Deutsche Beteiligungs AG amounted to 48,533,334.20 euros at 31 October 2012. 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 August 2012, there was a notification of an interest totalling 25.04 percent of the voting shares 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 DBAG, 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 23 March 2011, 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 22 March 2016. 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 the authorisation.

The members of the Board of Management do not have the right to terminate their service contracts in the event of a change in control at Deutsche Beteiligungs AG. In this case, they are also not entitled to severance payments based on compensation agreements.

Corporate Governance Statement (§ 289a German Commercial Code – Handelsgesetzbuch "HGB")

The Corporate Governance Statement pursuant to § 289a HGB is permanently accessible at our website in section *Investor Relations* under *Corporate Governance* (www.deutsche-beteiligung.de/management-declaration). It contains the Declaration of Conformity to the German Corporate Governance Code in accordance with § 161 German Stock Corporation Act (Aktiengesetz – AktG), information on corporate governance practices and the responsibilities and processes of the Board of Management and the Supervisory Board. The Corporate Governance Statement and, in that context, the other statutory information on corporate governance are an integral part of the audited combined management report.

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 those of a capital investment company and do not involve the manufacture of goods.

OPPORTUNITIES 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 potential investments.

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 reward-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 rewards and risk, 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 so that we can define and take counteraction to avoid, mitigate or manage these risks.

Key risks and opportunities in our business relate to the three phases involved in our investment activities: the acquisition, holding and disposal of investments. The management of opportunities and risks therefore considers detailed information from the operating business of the investment team in the analysis. 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 our business model or – as currently – in underlying conditions.

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. 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 at the end of the investment phase. 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 some six percent of the total portfolio value, is currently low. At the end of the reporting period, they consisted of older investments that were made prior to the year 2000. The proportion of expansion financings will rise in the coming years through investments alongside the DBAG Expansion Capital Fund. 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 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 at achieving 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 with proven business models. Our investee businesses should have a leadership position in their – possibly very small – 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 portfolio company 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 portfolio company to total more than ten percent of DBAG's equity. At the end of the reporting period, this was only the case for the investments in Coperion and Homag Group AG.

Since the mid-90s, DBAG has focused on investments in larger companies, or companies that typically generate annual revenues of more than 50 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 realisation route. 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 accounted for the largest share, or 65 percent, of the total portfolio, at the reporting date. [15] 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 falls 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.

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 35 to 36.

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 or for reputational reasons. Against a 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.

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.

[15] footnote 3, page 33

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

The Board of Management is directly involved in an appropriate evaluation of risks and opportunities and how they are addressed. It regularly reviews whether assessments have changed and which action is to be taken in response. A member of the Board of Management, who concurrently is a member of the investment team, 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.

Description of risk factors

Corporate risks	Probability of occurrence	Possible financial effects	Risk exposure vs. previous year
External and sector risks			
Economic cycles	likely	significant	greater
Changes in legal and taxation framework	possible	moderate	unchanged
Strategic and operational risks			
Access to investment opportunities	possible	significant	unchanged
Performance of portfolio investments	possible	significant	greater
Fundraising and capital procurement	possible	significant	unchanged
Personnel risks	possible	significant	unchanged
Operational risks	unlikely	significant	unchanged
Financial risks			
Equity for the financing of investments (liquidity)	unlikely	significant	reduced
Availability of acquisition finance	possible	significant	unchanged
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. How these risks are addressed by the opportunity and risk management system is also described below.

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.

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 the length of individual cyclical phases. We held the investments (MBOs and expansion financings) which we realised over the past ten financial years for an average of nearly five years.

Information on the holding periods of current investments, page 62

We address the opportunities 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 commensurate with the risk involved.

The businesses of most of our 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 the portfolio companies and their valuation may be unavoidable. The European debt crisis persists, and concurrently business dynamism has slackened in a number of growth countries; this, in our opinion, increases the danger of a serious downward economic trend in the coming months.

Legal and taxation framework: Organisational changes

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

Currently, there are foreseeable regulatory changes that affect our organisation and tax risks that may impede our fund business.

In July 2011, the European Directive on Alternative Investment Fund Managers (AIFM-RL) became effective. The AIFM-RL was primarily introduced in response to the financial crisis. Private equity companies are basically considered Alternative Investment Fund Managers and could be subject to additional requirements. However, it is not yet clear whether DBAG, as a listed private equity company that operates on its own account, will fall under the new regulations at all.

In mid-December, the German government passed a draft bill for an AIFM implementation law, the core of which provides for a new Investment Act (Kapitalanlagegesetzbuch – KAGB). In addition to manager-related regulation as prescribed by the AIFM-RL, the draft provides for product-related regulation for German funds. The KAGB includes regulations on minimum capital and organisational requirements, depositary and valuation requirements, reporting and disclosure obligations, as well as capital protection rules upon the acquisition of control of portfolio companies. Among the requirements that must be met by the funds themselves are, in particular, the need to diversify risk. According to the draft, private equity investments are expressly permitted.

We will carefully review whether the new regulations are relevant to DBAG. We anticipate that there will be transitional and grandfathering provisions. If necessary, we will apply for accreditation as a capital management company ("Kapitalverwaltungsgesellschaft") and, if required, appoint an independent depositary ("Verwahrstelle"). Apart from this, DBAG already has organisational structures in place that may be used for these purposes.

In the United States, the financial market regulation has also been subject to significant change under the Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA); private equity managers are now considered "investment advisers". However, since DBAG neither manages US assets from a place of business in the United States, nor advises US-based funds in the United States, DBAG qualifies in its role as a so-called "private fund adviser" for exemption from DFA rules, which is linked to a significantly lower level of obligations. DBAG has recently registered as an "exempt reporting adviser" with the Securities and Exchange Commission (SEC) and will only need to additionally file certain parts of the reporting requirement with the SEC.

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"[16]). It may therefore become more difficult for insurance companies to invest in private equity funds under this regime. However, our recent fundraising success shows that it is still possible to win insurance companies as investors in private equity funds.

The taxation framework for advising private equity funds, meaning funds that invest in parallel with us, remains problematical in comparison to other European countries and measured by investors' expectations. This applies, for instance, to value-added tax on advisory and management fee income for managers in typical private equity structures. Now that the financial authority subscribed to our opinion in May 2012, we will be able to book fee income from advisory and management services to DBAG Fund IV and DBAG Fund V exempt from value added tax. Since DBAG Fund VI has its centre of management on Guernsey, that will also apply to this fund. Management fee income from the DBAG Expansion Capital Fund, however, is subject to value added tax.

A further aspect is the taxation of capital gains for shareholdings of less than ten percent. According to a decision by the European Court, it is anticipated that the taxation of capital gains from the sale of shares in, or dividends paid by, corporations will be amended for shareholdings of less than ten percent. This could affect investors in the funds and in some instances DBAG as well, since the Company does not necessarily hold an interest of more than ten percent in all of its investments. At present, it is neither foreseeable what the amendment will look like, nor is it certain whether it will have a nominal effect on DBAG or the co-investment funds at all.

Basically, 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.

16) The implementation of the directive has been delayed. It is now intended to postpone the deadline for the implementation of the Solvency II directive by the member countries of the European Union to 30 June 2013 and for its effective application date to 1 January 2014

STRATEGIC AND OPERATIONAL RISKS

Access to investment opportunities: Tapping deal sources

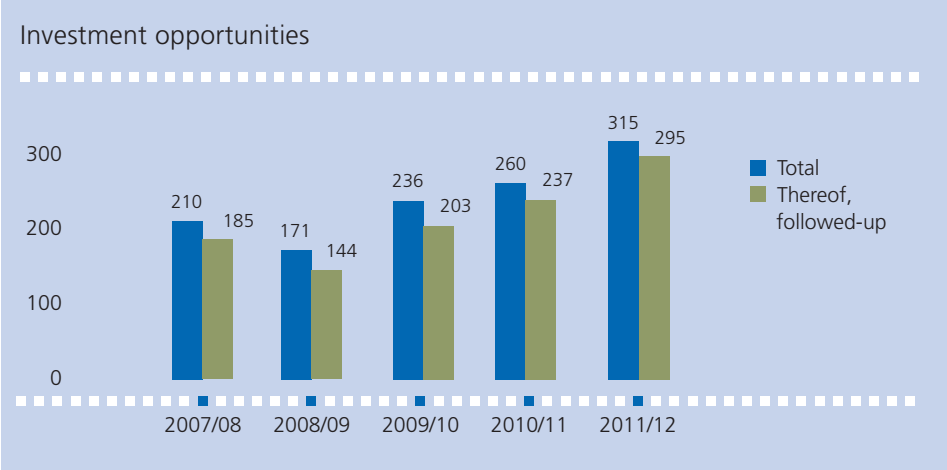
Access to new investment opportunities is of key significance for DBAG's operations. Without a sufficient number of attractive investment opportunities we would be unable to successfully pursue our business model. Investors in co-investment funds expect investment activity to progress in a way that is commensurate with the committed fund size. If a part of the committed assets were not drawn down within the fixed investment period, this would diminish chances for raising a successor fund. Fund investors would possibly also want to lower fees for the performance of investment services to the funds.

However, we have no influence on developments in 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 eight 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 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 23 members (including the 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. Moreover, a stock market listing, due to the transparency and regulation linked to it, has a confidence-building effect.



This past financial year, we screened 315 investment opportunities; 184 related to MBOs and 131 concerned expansion financings. This represents another improvement compared with the previous year's 260 opportunities. A total of 295 projects (previous year: 237) were initially followed up. The private equity market developed dynamically over large stretches of the financial year, which led to another rise in the number of deals and in transaction value.

Performance of investments: Addressed through close monitoring

Current income from the portfolio companies in the form of dividends, profit distributions and interest income is momentarily of subordinate importance for the performance of DBAG. This is rarely an issue 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. 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 or recommendation. This may include mandating external consultants. These procedures serve to identify the opportunities and risks inherent in an investment decision or recommendation. 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 robust 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, we render our support primarily by taking offices on supervisory boards or advisory councils. The portfolio companies' monthly financial metrics are processed in standardised 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 an investment's successful development as early as the acquisition phase. That includes considering who might be an interested party for the portfolio company that we supported during its development phase. We will only enter into investments in portfolio companies whose corporate development is assessed to be sustainably positive and where we can expect sufficient buying interest on the part of trade buyers or financial investors, or where prospective eligibility for flotation exists. Realisation 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.

Advantages of investing alongside co-investment funds, page 31

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

For many years, members of the investment team have been managing third-party assets in the form of private equity funds that invest alongside Deutsche Beteiligungs AG (co-investment funds). This has a number of advantages for 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 was generally weak this past financial year; the success of our fundraising campaign, however, has shown that Deutsche Beteiligungs AG is a sought-after partner even in times of intense competition for investors' funds. This is also underscored by that is the fact that we were able to keep key parameters used to determine the fees for advising the funds stable. However, we cannot rule out that investors to follow-on funds will want to negotiate lower fees in a number of years' time.

Our current DBAG Fund V, which invests in parallel in MBOs, has capital commitments of 434 million euros. The investment period began in February 2007 and will run until mid-February 2013. At the end of the reporting period, the fund had drawn down 66 percent of the committed capital and had invested in eight portfolio companies. On a sector comparison, investors consider the DBAG Fund V – like its predecessor DBAG Fund IV – a success.

In 2011 we successfully raised a fund that provides expansion financings (DBAG Expansion Capital Fund) and in 2012 the DBAG Fund VI that will invest in buyouts. DBAG thus has sufficient financial resources at its discretion for at least three years. Consequently, there are currently no identifiable risks for DBAG that arise from competing for new capital commitments.

DBAG is a co-investor in relation to the investment funds. Compared to DBAG, the funds provide the larger part of the capital. They have own structures that take decisions on acquisitions and disposals. DBAG has committed to always deal alongside the co-investment funds. This parallel investment activity can, however, 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 would not have an influence on the management of the vintage portfolio entered into jointly with the respective fund.

A subsidiary in which Deutsche Beteiligungs AG as a managing limited partner holds a 20 percent interest receives a profit priority share from the respective funds for investment services. Deutsche Beteiligungs AG is entitled to the full profit priority share 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 made by every single individual 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 2011/2012, the staff (without apprentices) had an average of eight years of service; the investment team members have also been with the Company for an average of eight 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 needs 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, we do not expect bottlenecks to occur over the short- or mid-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 that larger drawdowns of liquid funds 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, but also data security, data access by authorised persons 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 (CRM). 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 July 2012, consultants verified that, in their opinion, DBAG's network is sufficiently protected against cyber attack. 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: Sufficient financial resources

Cash outflows to finance investments in portfolio companies as well as cash inflows from the investments – in particular, sales proceeds – constitute the main treasury activities at DBAG. These transactions cause irregular payment flows that are not calculable: neither the timing, number or value of investments in portfolio companies are foreseeable, nor do we know in advance when an investment in a portfolio company will be exited. The Company aims to have sufficient financial resources available at all times in order to accommodate its portion of the finance for investment transactions. This requires Deutsche Beteiligungs AG having access to financial, credit and capital markets, if appropriate.

There is currently no recognisable risk arising from the funding of the Group: at the end of the reporting period, DBAG had financial resources (including securities) totalling 105.8 million euros. In the past, the Company successfully completed several capital increases, most recently in 2004. By continually addressing and maintaining contacts 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 in order to generate additional equity, if necessary.

The Company chiefly holds its liquid reserves in the form of government securities and – from case to case – 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 debt finance for acquisitions: Acquisition loans remain critical factor

We employ the capital of Deutsche Beteiligungs AG and the capital of co-investment funds to finance investments. In line with the business model of a private equity investor, bank loans are also used, particularly to finance buyout transactions. These ensure that the equity capital investments generate commensurate returns. Acquisition finance is therefore required in adequate amounts and at acceptable terms to finance investment projects. 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; DBAG has 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, in our opinion, have a comparatively low risk profile, also serves that purpose.

This past financial year, the availability of acquisition finance for MBOs continued to be limited, especially for large transactions. Total volumes receded, with the third quarter of 2012 recording the lowest volume since the fourth quarter of 2009. For our business – i.e. mid-market MBOs in select sectors and with moderate debt levels – financing was not a limiting factor.

Overall, the trend towards lending contraction persisted in 2011/2012. The remaining banks that provide acquisition finance following the financial and economic crisis in 2008/2009 have tightened their terms. Banks regularly require a higher equity portion than they did several years ago. We consider ourselves to be not as much affected by this new situation as other private equity companies and also identify opportunities in it. In our considerations, we attach less importance than is common in the sector to the financing structure generating value appreciation, since we frequently invest in cyclical industries and therefore provide for a higher proportion of equity anyway. Moreover, we stand to profit from our long market presence and good relationships with many banks, which should give us an important edge when competing for limited lending resources.

Banks' restrictive policy in funding acquisitions can also hamper 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. On the other hand, this also creates opportunities. Such situations can trigger demand for expansion funding, which we provide through the DBAG Expansion Capital Fund.

We expect that the supply of debt financing will remain constant for the time being and therefore at adequate levels for our requirements. However, this could rapidly change, for example, due to reasons of more rigid capital adequacy requirements of banks. We are therefore not in a position to make reliable predictions on the future availability of borrowings.

Currency and interest rate risks

For a discussion of the management, extent and sensitivity of currency and interest rate risks, please refer to the commentary in the Notes to the consolidated financial statements (Note 31, Financial risk disclosures, pages 128/129).

General statement on risk exposure

Continuity of Group not at risk

In our estimation, there are currently no recognisable individual or cumulative risks that would endanger the continuity of DBAG or the Group. This estimation is based on an analysis and assessment of the material individual risks to which the Company is exposed, as well as on the risk management system in place. An assessment of the exposure to risks is presented in the overview on page 83 of management's combined report.

There was no material change in the exposure to risk compared with the preceding year. Overall, we presently judge the exposure to risk as being normal.

Key features of the accounting-related internal control and risk management system

(§ 289 (2) No. 5 and § 315 (5) German Commercial Code – Handelsgesetzbuch "HGB")

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

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

Material accounting-related processes are regularly subjected to analytical examination in respect of the availability and operability of the installed internal controls. 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 internal controls are designed to warrant that the external financial reporting by DBAG and the Group is reliable and in conformity with the valid accounting rules. The aim is minimise the risk of possible misstatements on the asset, financial and earnings position. We also gain important insight into the quality and operability of accounting-related internal controls through the annual audit of the separate and consolidated financial statements.

REPORT ON EXPECTED DEVELOPMENTS

Start to new financial year

A new management buyout and an expansion capital investment agreed in November 2012 are indicative of a good start to the new financial year: Deutsche Beteiligungs AG and DBAG Fund V will acquire Heytex Bramsche GmbH together with its management, and jointly with the DBAG Expansion Capital Fund, the Company will back Plant Systems & Services PSS GmbH in building a group of industrial services companies for power plants and process industries. For the first time since 2000, DBAG will again be making an expansion capital investment. For both transactions, DBAG will initially invest the sum of nearly nine million euros.

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 mid-market management buyouts. We want to be a sought-after adviser to 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 investment activity. This is evidenced, for instance, by the broad spread in which the return on net asset value fluctuated over the past ten years: the spread ranged from -17.5 percent to 56.2 percent and averaged 13.9 percent over that period. 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. The financial success of an investment can generally only be judged after a period of four to seven years upon its ultimate disposal. We therefore basically gear our report on expected developments to a period of five years; however, we acknowledge that there is an interest in more short-term predictions and will therefore include an assessment of anticipated developments regarding certain reliably predictable components of the consolidated statement of financial position and the consolidated income statement.

Expected 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 illustrative 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. The threat of a cyclically-related slowdown in 2013 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. We therefore assume that there will be a sufficient number of investment opportunities in the period covered by this report. Major options derive from

- the equity need of mid-sized companies (as a 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 may occur

The debt market for acquisition finance has changed considerably in recent years. For the time being, we therefore take as given that there are fewer providers, higher equity requirements and higher costs. Our broad industrial experience has proven useful when it comes to arranging guarantee financings, without which transactions in certain sectors would not be possible. Furthermore, we were able to tie in new finance partners for buyout financings in past years. We cannot predict what banks' policy will be in the new financial year or beyond in the period covered by this report. Expected returns would still remain attractive, if the borrowings were to become more readily available again. That holds particularly true for financial investors who, as we do, generate the 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: Still of fundamental significance

Private equity is firmly rooted as an asset class worldwide. It constitutes an integral part of the investment strategy of many institutional investors. The proportion of private equity in asset dissemination is not constant and may even decrease. However, we do not expect commitments to private equity funds to diminish fundamentally. Private equity will retain its significance for investment strategies for the very reason that it stood the test during the recent financial and economic crisis and maintained its edge in generating returns versus other asset classes. Therefore, we are confident about raising adequate capital for co-investment funds in the period covered by this report. Having successfully raised the capital to co-investment funds in 2011 and 2012, this issue will only be of significance towards the end of the period covered by this report.

Macro-economic environment: Uncertainty currently prevailing

Forecasts on the economic trend for 2013 have become noticeably clouded in the past months. Most recently, Germany was predicted to achieve slow growth at best, comparable with that in 2012. Current indicators, such as new orders in industry or production output, confirm these expectations. In autumn 2012, automotive manufacturers cut back production, as did power companies. The prospect for major European neighbouring countries such as France, Italy and Spain is also viewed cautiously in light of the persistent sovereign debt crisis.

However, our portfolio companies and, consequently, our investment performance, are not just influenced by the economic trend in Germany or the eurozone. The business trend in the emerging economies with their strong patterns of growth has an – in some instances, considerable – impact on the demand for the capital goods our portfolio companies provide.

Irrespective of short-term risks, we anticipate overall 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 due to 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 we will continue to achieve our long-term return target.

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

In 2012, the earnings of most of our portfolio companies exceeded those of the prior year. They profited from an intact growth trend over long periods 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. In view of the macro-economic environment, we expect only minor impulses for our portfolio companies' value appreciation in the new financial year. 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 – and also with the greatest uncertainty regarding planning and prognosis – is the net result of investment 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 – especially not for the current financial year – 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. 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.

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.

Other income/expenses: Net expense ratio to decrease

Total other income/expenses can be understood as the net expenditure for managing our portfolio and for managing and advising co-investment funds, if adjustments for special effects are made. Such special effects were, for instance, the provisions made for exposure to value-added tax risk in financial years 2009/2010 and 2010/2011 and their reversal this past financial year. Also, performance-related income components are not attributed to net expenditure. Measured in relation to assets under management, this net expenditure was between 2.5 and 4.9 percent in the past five financial years, partly due to comparatively high costs for screening transaction opportunities that were not completed. Our aim is to reduce the proportion of this net expenditure to an average of less than three percent in the period covered by this report. We estimate that key other income/expenses items will develop as follows in financial year 2012/2013:

Current personnel expenses – not including performance-related remuneration – will rise moderately due to the general salary trend. The proposed personnel reduction on the Board of Management will have an opposite effect. The importance of performance-related income components will decline; they only relate to investments entered into before 2007.

Fee income from advising co-investment funds is the major item in 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 Fund VI which closed this past financial year – mostly lead to higher fee income. DBAG Fund VI will begin its investment phase in February 2013 and thereby generate an increase in fee income. Overall, the development of fee income for investment services depends importantly on the time spans involved in realising investments and whether the Company succeeds in raising future funds.

Further items in other operating expenses pertain to current operating costs. These expense items depend on current transaction activity and are not foreseeable over the period of a year. In the longer run, these expenses are expected to rise moderately, depending on the extent to which the Company's business activities expand.

Net interest arising from interest income and interest expense will be in line with that of the past financial year.

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 strategically adapting it to changed market conditions. In the forecast period, we aim to make an average of two to three new investments each financial year in both management buyouts and expansion capital investments. Based on an average sum of ten million euros for each investment, the liquidity requirement would amount up to 50 million euros annually, or up to 250 million euros in five years.

Following the investment restraint in past years, we expect the number of portfolio companies to increase in the periods ahead. Since acquisitions and realisations are frequently situation-based in the private equity business, acquisitions or 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 this event, the Group 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.

Financial resources: Expected to decrease

DBAG profitably realised a number of investments in recent financial years and, in view of market conditions, required less funds for new investment than planned. The Group's financial resources, totalling 105.8 million euros at the reporting date, are 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 our financial resources to clearly decrease over the term of this forecast.

General forecast

Return on NAV higher than cost of equity

Deutsche Beteiligungs AG is well placed for the coming years. With a history of nearly five decades, the Company is a firmly established and successful player in the private equity market. It has a solid financial base and good prerequisites 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 various economic cycles. Our investment approach, which is targeted 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.

Momentarily, economic growth is at higher risk than a year ago. We cannot exclude that weak growth, which has now also reached Germany, will impact the performance of our portfolio companies this current 2012/2013 financial year. Based on our portfolio companies' budgets for 2013 we assume that their earnings and debt levels will develop less positively than they did this past financial year. Whether there will be an overall positive contribution to the value of the portfolio this current financial year also depends on the valuation ratios in the equity market at the upcoming reporting date. We are unable to either foresee or influence these ratios, nor are we able to predict the price movement of shares in Homag Group AG, currently our largest investment.

Assuming that conditions in the equity markets remain unchanged, we expect that the consolidated net income for the 2012/2013 financial year will fall short of that posted for this past financial year. This takes into consideration that the result for financial year 2011/2012 was positively influenced by the reversal of provisions for exposure to value-added tax risk and that we were able to realise a high strategic premium on the divestment of a portfolio company to an industrial buyer. Under the same premises for Deutsche Beteiligungs AG (separate financial statements based on the German Commercial Code – HGB), we expect the annual profit to exceed that of the reporting year. The gain results from the fact that the proceeds achieved from the sale of Coperion are not recognisable under German GAAP until financial year 2012/2013.

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 measured – as for financial year 2011/2012 – by the opening net asset value per share at the onset of the financial year: in the past, we took our orientation mark from the money market rate. Although that rate has meanwhile clearly declined, we intend to retain the base dividend in the interest of dividend continuity. We expect that the annual profit of DBAG and existing retained earnings will enable the payment of such a base dividend in the five-year period of this forecast. 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.

We anticipate that the Deutsche Beteiligungs AG Group 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 2013

The Board of Management

Consolidated financial statements

Consolidated income statement and statement of comprehensive income

for the period from 1 November 2011 to 31 October 2012

T€	Notes	1 Nov. 2011 to 31 Oct. 2012	1 Nov. 2010 to 31 Oct. 2011
Consolidated income statement:			
Net result of investment activity			
Net result of valuation and disposal of financial assets and loans and receivables	7	48,558	(13,954)
Current income from financial assets and loans and receivables	8	2,784	9,439
Total net result of investment activity		**51,342**	**(4,515)**
Other income/expenses			
Personnel costs	9	(15,911)	(13,759)
Other operating income	10	27,512	18,495
Other operating expenses	11	(16,350)	(22,824)
Depreciation and amortisation on property, plant and equipment and intangible assets	15	(390)	(351)
Interest income	12	1,491	3,544
Interest expenses	13	(719)	(494)
Total other income/expenses		**(4,367)**	**(15,389)**
Net income before taxes		**46,975**	**(19,904)**
Income taxes	14	(863)	1,795
Net income after taxes		**46,112**	**(18,109)**
Minority interest	25	(1,662)	1,478
Net income		**44,450**	**(16,631)**
Earnings per share in euros	32	3.25	(1.22)
Diluted earnings per share in euros	32	3.25	(1.22)
Statement of comprehensive income:			
Net income		**44,450**	**(16,631)**
Actuarial gains/(losses) on defined benefit obligations/plan assets	27	(6,270)	549
Unrealised gains/(losses) on available-for-sale securities	20	87	193
Other comprehensive income		**(6,183)**	**742**
Total comprehensive income		**38,267**	**(15,889)**

Consolidated statement of cash flows

for the period from 1 November 2011 to 31 October 2012

T€	Notes	**1 Nov. 2011 to 31 Oct. 2012**	1 Nov. 2010 to 31 Oct. 2011
Consolidated net income		44,450	(16,631)
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	(44,693)	20,997
Gains (-)/losses (+) from disposals of non-current assets	7	(3,477)	(6,679)
Increase (+)/decrease (-) in non-current liabilities	22, 25, 26, 27	1,433	(4,898)
Increase (-)/decrease (+) in income tax assets	22	(222)	5,413
Increase (+)/decrease (-) in tax provisions	22	803	(1,038)
Increase (+)/decrease (-) in other provisions	26	(9,800)	8,203
Increase (-)/decrease (+) in other assets (netted)	18, 19, 21, 22, 23	8,718	(1,760)
Increase (+)/decrease (-) in other liabilities (netted)	26, 28	(6,857)	(2,696)
Cash flows from operating activities		**(9,645)**	**911**
Proceeds from disposals of property, plant and equipment and intangible assets	15	66	166
Purchase of property, plant and equipment and intangible assets	15	(500)	(1,196)
Proceeds from disposals of financial assets and loans and receivables	7, 16, 17	3,780	43,569
Acquisition of non-current financial assets and investments in loans and receivables	7, 16, 17	(21,563)	(9,453)
Increase (-)/decrease (+) in long and short-term securities	20, 30	29,023	(6,087)
Cash flows from investing activities		**10,806**	**26,999**
Payments to shareholders (dividends)	24	(10,941)	(19,147)
Cash flows from financing activities		**(10,941)**	**(19,147)**
Change in cash funds from cash-relevant transactions		(9,780)	8,763
Cash funds at start of period	30	32,512	23,749
Cash funds at end of period	30	**22,732**	**32,512**

Consolidated statement of financial position

at 31 October 2012

T€	Notes	31 Oct. 2012	31 Oct. 2011
Assets			
Non-current assets			
Intangible assets	15	45	30
Property, plant and equipment	15	1,546	1,514
Financial assets	16	150,699	93,464
Loans and receivables	17	2,925	3,676
Long-term securities	20	83,034	123,052
Other non-current assets	18, 27	425	6,878
Total non-current assets		**238,674**	**228,614**
Current assets			
Receivables	19	2,804	2,826
Short-term securities	20	5,026	31
Other financial instruments	21	1,553	623
Income tax assets	22	7,493	7,271
Cash and cash equivalents		22,732	32,512
Other current assets	23	20,711	8,028
Total current assets		**60,319**	**51,291**
Total assets		**298,993**	**279,905**

T€	Notes	31 Oct. 2012	31 Oct. 2011
Liabilities			
Equity	24		
Subscribed capital		48,533	48,533
Capital reserve		141,394	141,394
Retained earnings and other reserves		5,447	11,630
Consolidated retained profit		70,831	37,322
Total shareholders' equity		**266,205**	**238,879**
Liabilities			
Non-current liabilities			
Minority interest	25	12,086	10,712
Other provisions	26	169	117
Deferred tax liabilities	22	79	72
Total non-current liabilities		**12,334**	**10,901**
Current liabilities			
Other current liabilities	28	2,782	3,456
Tax provisions	22	2,440	1,637
Other provisions	26	15,232	25,032
Total current liabilities		**20,454**	**30,125**
Total liabilities		**32,788**	**41,026**
Total liabilities		**298,993**	**279,905**

Consolidated statement of changes in equity

for the period from 1 November 2011 to 31 October 2012

T€	Notes	1 Nov. 2011 to 31 Oct. 2012	1 Nov. 2010 to 31 Oct. 2011
Subscribed capital			
At start and end of reporting period		**48,533**	**48,533**
Capital reserve			
At start and end of reporting period		**141,394**	**141,394**
Retained earnings and other reserves			
Legal reserve			
At start and end of reporting period		403	403
First adoption IFRS			
At start and end of reporting period		15,996	15,996
Reserve for actuarial gains/losses on defined benefit obligations/plan assets			
At start of reporting period		(4,720)	(5,269)
Change in reporting period		(6,270)	549
At end of reporting period		(10,990)	(4,720)
Change in unrealised gains/losses on available-for-sale investments			
At start of reporting period		(49)	(242)
Change in reporting period through other comprehensive income	20	60	193
Change in reporting period through profit or loss	20	27	0
At end of reporting period		38	(49)
At end of reporting period		**5,447**	**11,630**
Consolidated retained profit			
At start of reporting period		37,322	73,100
Dividends	24	(10,941)	(19,147)
Consolidated net income		44,450	(16,631)
At end of reporting period		**70,831**	**37,322**
Total		**266,205**	**238,879**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for financial year 2011/2012

General information

1. Principal activity

Deutsche Beteiligungs AG (DBAG) 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 2012 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. 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 21 December 2012, the Board of Management of Deutsche Beteiligungs AG authorised the consolidated financial statements and the combined management report for issue to the Supervisory Board. In its meeting on 24 January 2013, the Supervisory Board will review and declare whether it approves them.

The consolidated statement of comprehensive income consists of the consolidated income statement and other comprehensive income. The consolidated income statement was prepared based on the nature of expense method. The 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 2012, no use was made of voluntary early application of the latest amendments to standards or interpretations.

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have adopted standards, interpretations and amendments to standards, the application of which was not yet obligatory this past financial year. The effective dates for annual periods beginning on or after these dates are stated in parenthesis next to the respective standard or interpretation.

- Annual Improvements to IFRS – Project Cycles 2009-2011 and 2008-2010 (1 January 2013)
- Amendments to IFRS 1 – First-time Adoption "Government Grants" (1 January 2013)
- Amendments to IFRS 1 – "Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters" (1 January 2013)
- Amendments to IFRS 7 – Disclosures "Offsetting Financial Assets and Financial Liabilities" (1 January 2013)
- IFRS 9 – Financial Instruments "Classification and Measurement" (1 January 2015)
- IFRS 10 – Consolidated Financial Statements (1 January 2014)
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities (1 January 2014)
- IFRS 11 – Joint Arrangements (1 January 2014)
- IFRS 12 – Disclosure of Interests in Other Entities (1 January 2014)
- IFRS 13 – Fair Value Measurement (1 January 2013)
- Amendments to IAS 1 – Presentation of Financial Statements "Presentation of Items of Other Comprehensive Income" (1 July 2012)
- Amendments to IAS 12 – Income Tax "Deferred Tax: Recovery of Underlying Assets" (1 January 2012)
- Amendments to IAS 19 – Employee Benefits (1 January 2013)
- IAS 27 – Separate Financial Statements (1 January 2014)
- IAS 28 – Investments in Associates and Joint Ventures (1 January 2014)
- IAS 32 – Financial Instruments "Offsetting Financial Assets and Financial Liabilities" (1 January 2014)
- Amendment to IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction "Prepayments of a Minimum Funding Requirement" (1 January 2013)
- IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine (1 January 2013)

No use will basically be made of early application of these standards and interpretations for annual periods beginning prior to these effective dates. Deutsche Beteiligungs AG does not assume that their implementation would have had or will have a material effect on the asset, 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.

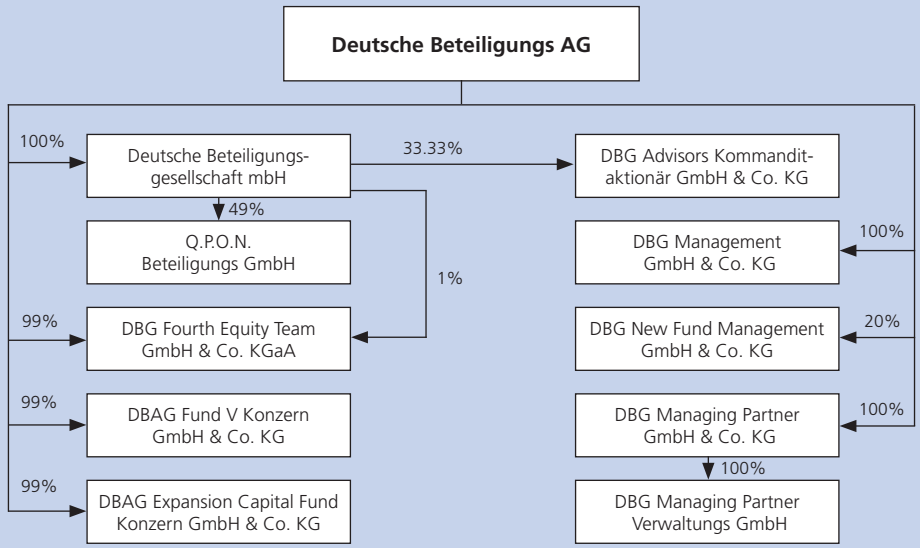
The consolidated Group at 31 October 2012 is comprised of the following companies:

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.

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.



The percentages relate to the proportionate share of equity.

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 (previous year: 0 euros), current assets of T€15 (previous year: T€17), current debt of T€2 (previous year: T€2), income of 0 euros (previous year: 0 euros) and expenses of T€2 (previous year: T€2).

DBAG Fund VI Konzern (Guernsey) L.P., in which Deutsche Beteiligungs AG will hold an equity share of 99.99 percent, was not consolidated at 31 October 2012, since DBAG neither held the majority of voting rights in this company, nor was the majority of opportunities and risks from the activities of this company attributable to DBAG at that date (see also Note 35).

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 so far incurred from capital consolidation that was required to be capitalised.

6. Accounting and valuation policies

The Company defines as classes of financial instruments the categories in conformity with IAS 39.

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

Financial assets

Financial assets have been designated within the scope of the fair value option 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 in terms 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; it corresponds to their acquisition cost at the time of their initial recognition. The net result of valuation (changes in fair value) is disclosed in the income statement in line item "Net result of valuation and disposal of financial assets and loans and receivables". Distributions and dividends are recognised in the income statement 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 for enterprise valuations 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 and observable corporate and market data.

Loans and receivables

Item "Loans and receivables" in the statement of financial position comprises 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, financial concessions granted to 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 intended to be held to maturity are designated as "available for sale".

Securities that are quoted in an active market, have fixed maturities and are intended or have the ability to be 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. An allowance account is basically used for impairments.

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 outside profit or loss 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".

Liquid funds

Item "Liquid funds" relates to cash in banks, time deposits and overnight money. These are allocated to the category of "Loans and receivables".

Deferred taxes

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

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

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

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 items "Reserves for actuarial gains/losses on defined benefit plans/plan assets".

Other provisions

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

Liabilities

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

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 arising from disposals of financial assets and from changes in the fair value of financial assets. This caption also includes impairment losses to financial assets 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

Receivables and liabilities stated in foreign currency are recognised in profit or loss in the IFRS format 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

In preparing the consolidated statement of financial position and the consolidated income statement, assets and liabilities as well as income and expenses are basically not offset, 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. Through other comprehensive income, transactions are recognised outside profit or loss.

Minority interest is not included in other comprehensive income of Deutsche Beteiligungs AG.

Notes to the consolidated income statement

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

T€	2011/2012	2010/2011
Changes in value	45,082	(20,646)
Realised income/expenses	3,477	6,679
Other	(1)	13
	48,558	**(13,954)**

8. Current income from financial assets and loans and receivables

T€	2011/2012	2010/2011
Profit entitlements	2,564	9,086
Interest	220	353
	2,784	**9,439**

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

9. Personnel costs

T€	2011/2012	2010/2011
Wages and salaries	14,704	12,388
thereof, variable income: performance-related	4,772	3,116
transaction-related	2,252	2,049
Social contributions and expenses for pension plans	1,207	1,371
thereof, service cost	533	647
thereof, for defined contribution plans (including employer's contributions to state pension plans)	389	385
	15,911	**13,759**

Of social contributions and expenses for pension plans, T€677 (previous year: T€829) 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. 2012	31 Oct. 2011
Employees (full-time)	43	42
Employees (part-time)	6	5
Apprentices	5	6

As in the preceding year, the Board of Management consisted of four members in 2011/2012.

In financial year 2011/2012, an average of 48 employees (previous year: 47) and 5 apprentices (previous year: 5) were employed at Deutsche Beteiligungs AG.

10. Other operating income

T€	2011/2012	2010/2011
Fee income	11,709	10,927
Reimbursed expenses	2,788	6,039
Other	13,015	1,529
	27,512	**18,495**

Fee income stems from management and advisory services to 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.

"Other" contains a non-recurrent effect from the reversal of provisions for possible exposure to value-added tax risk in the amount of T€10,996 (previous year: T€0); see Note 26.1.

11. Other operating expenses

T€	2011/2012	2010/2011
Consultancy	7,415	11,110
thereof, transaction-related consultancy expenses	4,232	7,911
thereof, general expenses for new contacts	1,799	1,751
Value-added tax	1,414	5,622
Office rental	1,008	1,249
Impairment losses on current receivables	169	192
Financial assets	169	71
Other	6,175	4,580
	16,350	**22,824**

Consultancy expenses primarily relate to potential investment transactions, tax and legal counselling as well as IT advisory services. Consultancy expenses are partially reimbursable by 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. The difference of T€4,208 for 2011/2012 on the preceding year largely results from the elimination of a value-added tax risk, following a decision by the fiscal authority of the state of Hesse to reverse its former opinion. In the prior year, the revenue office had maintained during a tax audit at the management company of one of our co-investment funds that income from the management of that fund was subject to value-added tax.

Office rental contains rent for office premises in the amount of T€763 (previous year: T€924).

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

Expenses for financial assets arose mainly in conjunction with write-offs on short-term securities and with the disposal of portfolio investments.

"Other" consists of miscellaneous operating expenses, in particular for the placement of funds, public relations, the Annual Meeting, marketing, the Supervisory Board, motor vehicles, business travel, etc. The change in the net amount of this item compared with the previous year is primarily due to expenses of T€2,198 for the placement of DBAG Fund VI.

12. Interest income

T€	2011/2012	2010/2011
Revenue office	19	1,555
Securities	1,057	1,423
Fixed-term deposits/cash in banks	65	104
Interest-bearing receivables in current assets	18	7
Other	332	455
	1,491	**3,544**

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

T€	2011/2012	2010/2011
Loans and receivables	416	2,114
Available-for-sale investments	1,057	1,396
Held-to-maturity investments	0	27
Financial assets at fair value through profit or loss	18	7
	1,491	**3,544**

13. Interest expenses

T€	2011/2012	2010/2011
Interest expenses for pension provisions	956	886
Expected returns on plan assets	(657)	(650)
	299	**236**
Revenue office	369	191
Other	51	67
	719	**494**

For information on the accounting treatment of pension obligations, please see Note 6.

14. Income taxes

T€	2011/2012	2010/2011
Current taxes	856	(1,738)
Deferred taxes	7	(57)
	863	**(1,795)**

In addition to tax expenses of T€5 for the 2011/2012 reporting period, current taxes also contain taxes for preceding years. Taxes for preceding years consist of tax income of T€184 (previous year: T€1,961) from the reversal of tax provisions based on a completed tax audit for the period from 2000 to 2003 and tax expenses of T€1,035 (previous year: T€192) attributable to the following years starting in 2004.

Deferred taxes are based on 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. This financial year, the Group companies have for the most part recorded a surplus in deferred tax assets that largely originated from existing loss carryforwards. Based on the type of business activities and their applicable tax treatment, it is not probable that sufficient taxable profit will be available against which they can be utilised. These deferred tax assets were therefore not capitalised. Deferred tax expenses totalling T€7 in the reporting year (previous year: deferred tax income of T€57) are exclusively attributable to DBG Advisors Kommanditaktionär GmbH & Co. KG.

At 31 October 2012, 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€		2011/2012	2010/2011
Earnings before taxes		46,975	(19,904)
Applicable corporate tax rate	%	31.93	31.93
Theoretical tax income/expenses		**14,997**	**(6,355)**
Change in theoretical tax income/expenses:			
- Tax-exempt positive result of valuation and disposal		(13,281)	(6,340)
- Non-deductible negative result of valuation and disposal		1,182	11,290
- Tax-exempt current income		(409)	(2,624)
- Non-deductible expenses		88	76
- Taxes from previous years		816	(1,961)
- Adjustment of corporation tax credit based on tax audit 2000–2003		35	192
- Use of non-capitalised tax loss carryforwards		0	(21)
- Non-capitalised tax loss carryforwards for current year		1,461	359
- Other untaxed gains (previous year: non-capitalised losses)		(3,865)	3,463
- Tax rate differential		(377)	105
- Other effects		216	21
- Income taxes		863	(1,795)
Taxation ratio	%	**1.84**	**9.02**

Due to tax purpose-based negative income contributions by Group companies that largely exist, deferred taxes arising from temporary differences between the IFRS and tax-purpose based carrying amounts were not recognised at Group level due to lack of recoverability. The tax-based reconciliation effect of T€-3,865 therefore reflects the carryforward of other temporary differences arising from differences between the IFRS and tax purpose-based accounting.

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 consolidated statement of financial position

15. Intangible assets/property, plant and equipment

	Acquisition cost			
T€	1 Nov. 2011	Additions	Disposals	**31 Oct. 2012**
Intangible assets	286	36	0	322
Property, plant, equipment	2,312	464	133	2,643
	2,598	**500**	**133**	**2,965**

	Depreciation/amortisation				Carrying amount	
T€	1 Nov. 2011	Additions	Disposals	**31 Oct. 2012**	**31 Oct. 2012**	31 Oct. 2011
Intangible assets	256	21	0	277	45	30
Property, plant, equipment	798	369	70	1,097	1,546	1,514
	1,054	**390**	**70**	**1,374**	**1,591**	**1,544**

Depreciation and amortisation on property, plant and equipment and intangible assets for the financial year relate to scheduled depreciation.

16. Financial assets

T€	**2011/2012**	2010/2011
At start of financial year	**93,464**	**129,853**
Additions	21,562	9,214
Disposals	9,409	24,957
Changes in value	45,082	(20,646)
At end of financial year	**150,699**	**93,464**

Financial assets are 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€	2011/2012	2010/2011
At start of financial year	**3,676**	**4,742**
Additions	0	239
Disposals	751	1,305
At end of financial year	**2,925**	**3,676**

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

18. Other non-current assets

T€	31 Oct. 2012	31 Oct. 2011
Receivables from portfolio companies	0	6,235
Pensions and similar obligations/plan assets	425	643
	425	**6,878**

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

19. Receivables

T€	31 Oct. 2012	31 Oct. 2011
Receivables from associated companies	89	32
Receivables from portfolio companies	2,715	2,794
	2,804	**2,826**

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€	2011/2012	2010/2011
At start of financial year	**485**	**293**
Additions	169	192
At end of financial year	**654**	**485**

Additions in the amount of T€169 (previous year: T€192) relate to individual impairment provisions.

20. Securities

The securities were mainly acquired as investments of cash resources not immediately required; additionally, this item contains securities acquired in conjunction with an increase in an existing investment.

Classification of securities in the statement of financial position:

T€	31 Oct. 2012	31 Oct. 2011
Long-term securities	83,034	123,052
Short-term securities	5,026	31
	88,060	**123,083**

Classification of securities by types:

T€	31 Oct. 2012	31 Oct. 2011
Floating rate notes (3-month Euribor)	58,009	97,965
Floating-rate notes (6-month Euribor)	25,025	25,087
Other	5,026	31
	88,060	**123,083**

Classification of securities by maturity:

T€	31 Oct. 2012	31 Oct. 2011
Due within 1 year	0	31
Due between 1 and 2 years	35,105	25,025
Due between 2 and 3 years	22,904	50,085
Due between 3 and 4 years	25,025	22,855
Due between 4 and 5 years	0	25,087
Without maturity date	5,026	0
	88,060	**123,083**

Classification of securities by IFRS valuation categories:

T€	31 Oct. 2012	31 Oct. 2011
Available-for-sale investments	83,034	123,052
Financial assets at fair value through p/l	5,026	31
	88,060	**123,083**

As in the previous year, the securities have largely been designated as available for sale. The change in the difference between the fair value and the acquisition cost of available-for-sale securities at 31 October 2012 in the amount of T€87 (previous year: T€193) is recognised in other comprehensive income. Of that amount, T€27 (previous year: T€0) stem from a loss that was carried as unrealised at the beginning of the financial year. In the reporting period, this loss was recognised in other operating expenses following disposals of available-for-sale securities.

Due to a non-cash transaction in 2011/2012 in conjunction with a transfer of long-term securities to plan assets in the amount of T€6,000, the change in long-term securities on the previous year deviates by this amount compared with item increase (-)/decrease (+) in long and short-term securities in the consolidated statement of cash flows (see Note 30).

21. Other financial instruments

T€	31 Oct. 2012	31 Oct. 2011
Short-term equity shares	**1,553**	**623**

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. 2012	31 Oct. 2011
Income tax credits	7,493	7,271
Tax provisions	2,440	1,637
Deferred tax liabilities	79	72

Income tax credits contain imputable taxes and corporation tax capitalised by Deutsche Beteiligungs AG and Deutsche Beteiligungsgesellschaft mbH at net present value. The major portion of income tax credits results from imputable investment income tax of T€2,759 arising on a distribution by DBG Fourth Equity Team GmbH & Co. KGaA in the prior year, and of T€1,319 on a distribution by Deutsche Beteiligungsgesellschaft mbH in the prior year.

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. 2012	31 Oct. 2011
Tax loss carryforward, corporation tax	86,701	74,948
thereof, usable	0	0
Tax loss carryforward, trade tax	18,890	17,784
thereof, usable	0	0

Based on the type of business activities and their tax treatment, it is unlikely that the Group companies concerned will achieve sufficient future taxable profits against which the loss carryforwards can be used.

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

T€	31 Oct. 2012	31 Oct. 2011
Financial assets	**(79)**	**(72)**

23. Other current assets

T€	31 Oct. 2012	31 Oct. 2011
Receivables from co-investment funds	6,522	5,095
Purchase price receivable	10,564	707
Purchase price retention	449	449
Lease security deposit	405	405
Loans	533	277
Interest receivable on securities	48	233
Value-added tax	1,514	288
Other	676	574
	20,711	**8,028**

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

The purchase price receivable arose in conjunction with a divestment.

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 Company 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 2011/2012:

	Purchase/ sales price per share €	Number of shares	Share of subscribed capital T€	‰
At 1 Nov. 2011		0	0	0
Date of purchase: 30 July 2012	16.31	3,510	13	0.3
Date of sale/transfer: 15 Aug. 2012	10.01	3,510	13	0.3
At 31 Oct. 2012		**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 (previous year: 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,
- provisions for actuarial gains/losses arising from defined benefit pension obligations/plan assets (see Note 27), and
- unrealised gains/losses on available-for-sale investments (see Note 20).

Consolidated retained profit

At the Annual Meeting on 29 March 2012, shareholders voted to pay a dividend of 0.40 euros per share (5,470,543.60 euros) plus a surplus dividend of 0.40 euros per share (5,470,543.60 euros) for financial year 2010/2011.

€	2011/2012	2010/2011
Dividends paid	5,470,543.60	5,470,543.60
Surplus dividends paid	5,470,543.60	13,676,359.00
Total distribution	**10,941,087.20**	**19,146,902.60**

In its separate accounts consistent with the German Commercial Code (HGB), the retained profit of Deutsche Beteiligungs AG amounts to 24,051,686.98 euros (previous year: 24,829,624.98 euros). At the 2013 Annual Meeting, the Board of Management and the Supervisory Board will recommend paying a total dividend of 1.20 euros per share for financial year 2011/2012, consisting of a base dividend of 0.40 euros per share and a surplus dividend of 0.80 euros per share.

In Germany, dividends paid to shareholding corporations are subject to a corporation tax rate of five percent plus a solidarity surcharge and, insofar as these do not relate to free-float dividends (i.e. interest of <15 percent), to municipal trade tax to the same extent. Dividends earned by natural persons are subject to a flat rate withholding tax ('Abgeltungssteuer') of 25 percent plus a solidarity surcharge and, if applicable, church tax, which the dividend-paying company pays directly to the taxation authority.

The retained profit contains imputable corporation tax credits that arose during the validity of the imputation system of taxation. These corporation tax credits, which were ultimately determined as at 31 December 2006, will basically be reimbursed in ten equal annual amounts up to the year 2017. Deutsche Beteiligungs AG currently has corporation tax credits of T€1,050 (previous year: T€1,123), which reflects the expected remaining discounted reimbursements as at 31 October 2012.

25. Minority interest

T€	2011/2012	2010/2011
At start of financial year	**10,712**	**15,669**
Additions	0	0
Disposals	(288)	(3,479)
Profit share	1,662	(1,478)
At end of financial year	**12,086**	**10,712**

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€	2011/2012	2010/2011
At start of financial year	**10,506**	**14,168**
Additions	0	0
Disposals	(264)	(3,413)
Profit share	1,360	(249)
At end of financial year	**11,602**	**10,506**

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

T€	2011/2012	2010/2011
At start of financial year	**182**	**1,478**
Additions	0	0
Disposals	(24)	(66)
Profit share	302	(1,230)
At end of financial year	**460**	**182**

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

T€	2011/2012	2010/2011
At start of financial year	**24**	**23**
Additions	0	0
Disposals	0	0
Profit share	0	1
At end of financial year	**24**	**24**

Minority interest attributable to DBAG Expansion Capital Fund Konzern GmbH & Co. KG (co-investment fund DBAG Expansion Capital Fund) is not presented, since all amounts are less than 500 euros.

26. Other provisions

26.1 Current other provisions

T€	1 Nov. 2011	Utilised	Write-backs	Additions	31 Oct. 2012
Personnel-related commitments	9,435	4,929	409	7,861	11,958
Financial assets	3,718	1,308	2,194	1,465	1,681
Other	11,879	852	10,950	1,516	1,593
	25,032	**7,089**	**13,553**	**10,842**	**15,232**

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 of the members of the Board of Management. 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. These include representation and warranty commitments.

"Other" contains a non-recurrent effect arising from the reversal of provisions in the amount of T€10,676 for value-added tax risk. The basis for this is a decision by the fiscal authority of the state of Hesse. During a tax audit at the management company of one of our co-investment funds, the revenue office had initially argued that fee income for the management of this fund was subject to value-added tax. This was contrary to common practice over many years and, in our opinion, also to an enactment by the German Federal Ministry of Finance. Notwithstanding, we made provisions of more than ten million euros in several steps in both the 2009/2010 and 2010/2011 financial years for exposure to the risk of possibly having to remit value-added tax after completion of the audit or recourse to legal action. In the reporting period, provisions of T€656 (previous year: T€397) for tax consultancy and other external professional advisory services constitute the major component in item "Other".

Current other provisions fall due within a year.

26.2 Non-current other provisions

T€	1 Nov. 2011	Utilised	Write-backs	Additions	31 Oct. 2012
Personnel-related commitments	**117**	**0**	**0**	**52**	**169**

Non-current personnel-related other provisions contain obligations arising from early retirement agreements.

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. 2012	31 Oct. 2011	31 Oct. 2010	31 Oct. 2009	31 Oct. 2008
Present value of benefit obligations	27,574	21,246	21,563	18,508	15,014
Fair value of plan assets	(27,999)	(21,889)	(21,671)	(18,597)	(15,755)
(Other non-current assets)/ Provisions for pension obligations	**(425)**	**(643)**	**(108)**	**(89)**	**(741)**

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

T€	2011/2012	2010/2011
Present value of benefit obligations at start of financial year	21,246	21,563
Interest expenses	956	886
Service cost	533	647
Past service cost	(884)	(869)
Actuarial (gains)/losses	5,723	(981)
Present value of benefit obligations at end of financial year	**27,574**	**21,246**

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

		31 Oct. 2012	31 Oct. 2011
Discount rate	%	2.91	4.60
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 2011/2012 (previous year: 3.0 percent). The return rate on plan assets is orientated around the general interest rate level. The effective interest on plan assets was 0.5 percent in financial year 2011/2012 (previous year: 1.0 percent).

Plan assets developed as follows:

T€	2011/2012	2010/2011
Fair value of plan assets at start of financial year	**21,889**	**21,671**
Expected returns	657	650
Allocations to plan assets	6,000	0
Actuarial gains/(losses)	(547)	(432)
Fair value of plan assets at end of financial year	**27,999**	**21,889**

The following amounts were recognised in profit or loss:

T€	2011/2012	2010/2011
Service cost	533	647
Interest expenses	956	886
Expected returns on plan assets	(657)	(650)
	832	**883**

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

Actuarial gains and losses developed as follows in financial years 2007/2008 to 2011/2012:

T€	2011/ 2012	2010/ 2011	2009/ 2010	2008/ 2009	2007/ 2008
Actuarial gains/(losses) on benefit commitments	(5,723)	981	(2,488)	(2,727)	2,615
Actuarial gains/(losses) on plan assets	(547)	(432)	(577)	399	(1,598)
	(6,270)	**549**	**(3,065)**	**(2,328)**	**1,017**

Since financial year 2009/2010, actuarial gains and losses have been recognised in item "Retained earnings and other reserves" within other comprehensive income. At 31 October 2012, the cumulative actuarial losses since 2003/2004 amounted to T€10,990.

For the 2012/2013 financial year, current budgetary planning does not provide for allocations to plan assets.

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 by call commitments and permanent debt obligations in the following nominal amounts:

T€	31 Oct. 2012	31 Oct. 2011
Call commitments	2,257	2,463
Permanent debt obligations	6,246	6,931
	8,503	**9,394**

Possible call commitments relate to additional payments which may be drawn down by buyout funds for investments and costs.

The following provides an overview of the due dates of permanent debt obligations at 31 October 2012:

T€	< 1 year	1-5 years	> 5 years	Total
Permanent debt obligations	802	2,840	2,604	6,246
thereof, rental contracts	694	2,778	2,604	6,076

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

Contingent liabilities were T€0 at 31 October 2012 (previous year: T€9,408). The change in contingent liabilities relates to representations and warranties risks in conjunction with former portfolio companies that have extinguished following a ruling by the Supreme Court this current financial year.

Trust assets totalled T€7,178 at 31 October 2012 (previous year: T€6,298). Of that amount, T€6,250 (previous year: T€5,381) are attributable to shares in two portfolio companies held by Deutsche Beteiligungsgesellschaft mbH, a Group company, for a managed fund. Trust liabilities exist in an equivalent amount.

30. Notes to the consolidated statement of cash flows

The objective of consolidated statements of cash flows based on IAS 7 is to report on and create transparency in a 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.

Proceeds and payments arising on interest are presented in cash flows from operating activities.

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

Cash funds at the beginning and end of the period existed in the form of cash deposits in banks. Cash funds of the proportionately consolidated Q.P.O.N. Beteiligungs GmbH amounted to T€15 (previous year: T€17).

In financial year 2011/2012, securities allocated to plan assets increased by T€6,000 through a transfer from long-term securities in the same amount. Since this relates to a non-cash transaction, the two items in the consolidated statement of cash flows, Increase (-)/decrease (+) in other assets (netted) and Increase (-)/decrease (+) in long and short-term securities, were reduced by the amount of this non-cash transaction.

Since financial year 2007/2008, a part of the financial resources not needed in the near term has been invested in securities. The securities serve, as do the liquid funds, 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 and sale of these securities to be recognised 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 reduce the value of assets and/or 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. Changes in exchange rates also have an influence on the operations and competitiveness of our portfolio companies in respect of their procurement and customer markets.

A further currency risk could evolve in the event that the currency union in Europe were to break apart. This would have an impact on the competitiveness of the portfolio companies and, consequently, the performance of the investments. The extent of that impact would depend, among other things, on the portfolio companies' individual degree of internationalisation.

Currency risk management
Individual transactions denominated in foreign currency are not hedged, since both the holding periods of and the proceeds from these investments are uncertain. The portfolio 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€22,292 (previous year: T€21,645) that are exposed to US dollar currency risk. The effects on income arising from exchange rate-related changes in the fair value of financial assets amounted to T€1,599 (previous year: T€-104).

Exchange rate sensitivity
An increase/decrease in the euro/US dollar exchange rate by ten percent would result in a decrease/increase in consolidated net income for the year and the equity of the DBAG Group of T€2,229 (previous year: T€2,165).

31.1.2 Interest rate risk

Changes in market interest rates directly affect income from investments of financial resources and the valuations of our portfolio companies measured by the discounted cash-flow method. 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 portfolio companies.

Interest rate risk management
Financial resources are principally invested with a short-term horizon. Interest derivatives to hedge a certain interest rate level are not used, since the amount of financial resources is subject to strong fluctuations and not readily predictable.

Extent of interest rate risk
Financial resources (the sum of cash funds and interest-bearing securities) totalled T€105,766 (previous year: T€155,564). Interest income from the investment of these resources was T€1,122 (previous year: T€1,527).

Based on the capital structure of DBAG, no debt instruments (securities) exist that could constitute exposure to interest rate risk (see also Note 31.7 Capital management).

Interest rate sensitivity
In relation to the portfolio companies valued by the discounted cash-flow method, an increase/decrease of 100 basis points in the reference interest rate would result in a decrease/increase in consolidated net income for the year and the equity of the DBAG Group of T€231 (previous year: T€175). For variable-interest securities totalling T€83,034 at 31 October 2012, a change in the reference interest rate of 100 basis points would have an effect of T€830.

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 the combined management report in section "Opportunities 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 2011/2012, the net result of valuation was T€45,082 (previous year: T€-20,646).

Other price risk sensitivity

The valuation of portfolio companies is influenced by a number of factors that relate to the financial markets on the one hand, and to the markets in which the portfolio companies operate on the other. These influential factors include valuation multiples, earnings and debt of the portfolio companies. The sensitivity to valuation is largely determined by the multiples used to measure the fair value of financial instruments categorised in Level 3. A change in the multiples of +/- 0.1 would have an effect of T€1,031 on the fair value of Level 3 financial instruments (see Note 31.5).

31.2 Liquidity risk

There is currently no recognisable exposure to liquidity risk for the DBAG Group. Free cash funds amounted to T€22,732 (previous year: T€32,512). Together with general government securities totalling T€83,034 (previous year: T€123,052), the DBAG Group has T€105,766 (previous year: T€155,564) at its disposal to meet its payment obligations. This amount clearly exceeds total debt of T€32,788 (previous year: T€41,026). 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/default risk:

T€	31 Oct. 2012	31 Oct. 2011
Financial assets	150,699	93,464
thereof, hybrid instruments	0	0
thereof, investments	150,699	93,464
Loans and receivables	2,925	3,676
Receivables	2,804	2,826
Securities	88,060	123,083
Cash	22,732	32,512
Other financial instruments	1,553	623
Other current assets, if financial instruments	18,614	8,028
Other non-current assets, if financial instruments	0	6,878
Total	**287,387**	**271,090**

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 the combined management 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: This item contains German public sector bonds with a rating based on Moody's or Standard & Poor's of at least AA, as well as securities acquired in conjunction with an increase in a standing investment. Based on the issuers' 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 banks' protection systems.

Other financial instruments: Other financial instruments of Deutsche Beteiligungs AG relate to shares that are to be sold to the managements of portfolio companies within one year.

Other current assets: Debtors are regularly co-investment funds of Deutsche Beteiligungs AG and managers of portfolio companies. Payment obligations by co-investments funds can be met by capital calls directed to their investors.

31.4 Categories of financial instruments

Financial instruments have been designated to the following categories:

Items in statement of financial position T€	Valuation category [1]	**Carrying amount 31 Oct. 2012**	**Fair value 31 Oct. 2012**	Carrying amount 31 Oct. 2011	Fair value 31 Oct. 2011
Financial assets	FAaFV [2]	150,699	150,699	93,464	93,464
thereof, hybrid instruments	FAaFV [2]	0	0	0	0
thereof, investments	FAaFV [2]	150,699	150,699	93,464	93,464
Loans and receivables	LaR	2,925	2,925	3,676	3,676
Long-term securities	AfS	83,034	83,034	123,052	123,052
Other non-current assets, if financial instruments [3]	LaR	0	0	6,878	6,878
Receivables	LaR	2,804	2,804	2,826	2,826
Short-term securities	FAaFV [2]	5,026	5,026	31	31
Cash	LaR	22,732	22,732	32,512	32,512
Other current assets, if financial instruments [4]	LaR	18,614	18,614	8,028	8,028
Minority interest	OFL	12,086	12,086	10,712	10,712
Other current liabilities [5]	OFL	1,734	1,734	1,951	1,951

[1] Financial assets at fair value through P/L: FAaFV; Loans and receivables: LaR; Available-for-sale investments: AfS; Held-to-maturity investments: HtM; Other financial liabilities: OFL
[2] Designated as at fair value (fair value option)
[3] "Other non-current assets" does not include the surplus of T€425 arising from the net amount of plan assets and pension obligations.
[4] "Other current assets" does not include prepaid expenses, value-added tax and others totalling T€2,097.
[5] "Other current liabilities" does not include prepaid income of T€1,048 (previous year: T€1,505).

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

T€	31 Oct. 2012	31 Oct. 2011
Loans and receivables	0	0
Receivables	(169)	(192)
Securities	0	0
Cash	0	0
Other current assets, if financial instruments	0	0
Total	**(169)**	**(192)**

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 debtors, 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: use of prices 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 materially based on observable market data (unobservable inputs). The materiality of these inputs is judged on the basis of their influence on fair value measurement.

Hierarchy of financial instruments measured at fair value:

Items in statement of financial position T€	31 Oct. 2012	31 Oct. 2011
Level 1		
Financial assets	67,986	22,396
Long-term securities	0	0
Short-term securities	5,026	31
Level 2		
Financial assets	0	0
Long-term securities	83,034	123,052
Short-term securities	0	0
Level 3		
Financial assets	82,713	71,068
Long-term securities	0	0
Short-term securities	0	0
Level 1-3		
Financial assets	150,699	93,464
Long-term securities	83,034	123,052
Short-term securities	5,026	31

Reconciliation of financial instruments Level 3 in financial year 2011/2012:

T€	Financial assets
At start of financial year	**71,068**
Additions	21,562
Disposals	9,409
Transfers	(4,306)
Gains/losses through profit or loss	3,798
Gains/losses recognised in equity	0
At end of financial year	**82,713**

There were no transfers between Level 1 and Level 2, nor between Level 2 and Level 3 in the reporting period.

Transfers in the amount of T€4,306 from Level 3 to Level 1 resulted from a change in the fair value measurement methodology for a portfolio company. The fair value of that portfolio company (Coperion) was determined by the multiples method at the beginning of the financial year, and at the end by a purchase contract.

Gains of T€3,798 are recognised in the consolidated income statement in item "Net result of valuation and disposal of financial assets".

The multiples method is chiefly used for the fair value measurement of financial instruments categorised within Level 3. A change in the underlying multiples of +/- 0.1 would have an effect of T€1,031 on the fair value of financial instruments categorised within Level 3.

31.6 Net gains/losses on financial instruments

Net gains and 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.

Contained in the income statement are the following net gains and losses on financial assets and liabilities, which are largely recognised within the net result of valuation and disposal as well as current income from financial assets and loans and receivables:

T€	**2011/2012**	2010/2011
Net gains/(losses) on financial assets at fair value through profit or loss	51,139	(4,860)
thereof, financial assets classified as at fair value through profit or loss upon initial recognition	51,139	(4,860)
thereof, financial assets classified as held for trading	0	0
Net gains/(losses) on disposals of available-for-sale investments	25	0
thereof, transfers from other comprehensive income to profit or loss	(81)	0
Net gains/(losses) on loans and receivables	(169)	(192)
Net gains/(losses) on financial instruments held to maturity	0	0
Net gains/(losses) on financial liabilities valued at amortised cost	0	0

31.7 Capital management

The objective of DBAG'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 a 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. 2012	31 Oct. 2011
Liabilities			
Minority interest		12,086	10,712
Provisions		17,841	26,786
Other liabilities		2,861	3,528
		32,788	**41,026**
Equity			
Subscribed capital		48,533	48,533
Reserves		146,841	153,024
Consolidated retained profit		70,831	37,322
		266,205	**238,879**
Equity of total capital	%	**89.03**	**85.34**

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

		2011/2012	2010/2011
Consolidated net income for the year	T€	44,450	(16,631)
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 shares	Number	13,676,359	13,676,359
Basic earnings per share	€	3.25	(1.22)
Diluted earnings per share	€	3.25	(1.22)

Basic earnings per share are computed by dividing the consolidated 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 within the scope of stock option programmes. Deutsche Beteiligungs AG does not have a stock option programme. There were no stock options outstanding at the reporting date. Diluted earnings were therefore equal to basic earnings.

33. Segment reporting

The business policy of Deutsche Beteiligungs AG is geared to augmenting the corporate value of DBAG over the long term by successfully investing in portfolio companies. The investments are entered into alongside co-investment funds, either as majority investments by way of management buyouts (MBOs) or minority investments aimed at financing growth.

The Company's value is largely determined by the market value of its investments, as reflected in the IFRS-based consolidated equity. The key performance measure by which the Company is governed and controlled is the return on net asset value.

The complete Board of Management (as the "chief operating decision maker" based on the IFRS) keeps itself regularly informed at an overall portfolio level about the portfolio's performance and the performance contributions of individual portfolio companies. The Board of Management takes decisions on the allocation of resources based on the overall portfolio or makes performance assessments on that basis.

Consequently, accounting-related information is only presented for the Company as a whole. There are, in particular, no allocations of expenditures to specific parts of business operations, neither to types of investments (MBO or minority investments), nor if resources are invested from the Company's own balance sheet or if co-investment funds are managed or advised.

The Deutsche Beteiligungs AG Group is therefore a one-segment company. For an assessment of the financial effects of the business operations performed in this segment, we refer to the consolidated financial statements as a whole. Additional details on the economic environment in which Deutsche Beteiligungs AG and/or the Group operates are contained in the combined management report.

Information on different operating segments is therefore not reportable.

Nature of investment activity
DBAG invests alongside co-investment funds in companies by way of majority takeovers or of minority investments. We basically structure majority takeovers as so-called management buyouts (MBOs). Expansion capital financings are made by way of a minority investment, e.g. through a capital increase.

Geographical activities and sector focus
Geographically, we concentrate our investments primarily on companies domiciled in German-speaking regions.

DBAG prefers to invest in companies operating in the following sectors: mechanical engineering and plant construction, automotive suppliers, industrial services and logistics, as well as measurement and automation technology and building suppliers.

Significant customers
As an investment company, Deutsche Beteiligungs AG does not have external customers in the usual sense of the term. We consider our shareholders and the investors in co-investment funds as our customers. DBAG's funds bundle the assets committed by German and international organisations, especially by pension funds, funds-of-funds, banks, foundations, insurance companies or family offices.

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 website.

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 the combined management report. Personalised information in conformity with § 314 (1) No. 6 of the German Commercial Code (Handelsgesetzbuch – HGB) is also disclosed there.

Total payments to key management personnel consist of cash and non-cash remuneration. Total cash payments amounted to T€11,598 in the reporting year (previous year: T€8,549). 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€747 was allocated to pension provisions (previous year: T€851) as defined by the IFRS for key management staff (service cost and interest cost); thereof, service cost: T€461 (previous year: T€594). Defined benefit obligations for key management staff amounted to T€8,943 (previous year: T€6,228) 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 2011/2012, the members of the Supervisory Board received fixed fees totalling T€233 (previous year: T€233) consisting of a fixed amount and special bonuses. Variable compensation paid amounted to T€36 (previous year: T€0).

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

Participation in carried interest schemes by key management staff

Key management personnel have committed to invest in the DBAG Fund IV, DBAG Fund V, DBAG Fund VI 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 their invested capital plus a minimum return. 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:

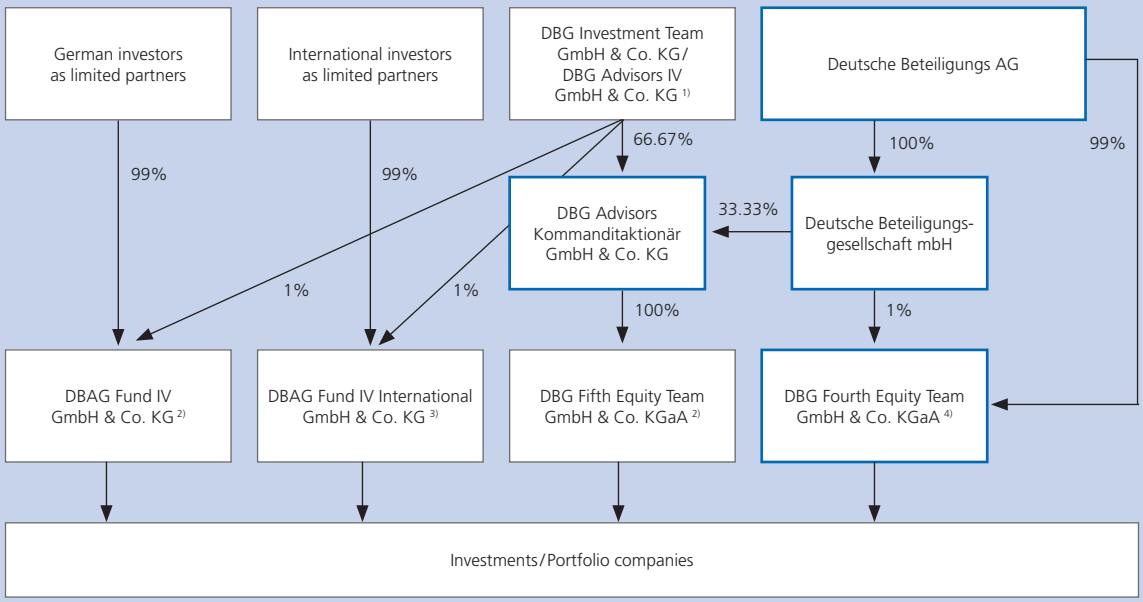
Fund company	Qualification	Investment share held by investment team	Max. profit share of investment team
DBAG Fund IV GmbH & Co. KG	Related party	1.0%	20.8%
DBAG Fund IV International GmbH & Co. KG	Related party	1.0%	20.8%
DBG Fifth Equity Team GmbH & Co. KGaA	Related party	0.67%	approx. 30%
DBG Fourth 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 consolidated despite a minority interest, because DBAG indirectly has the power to appoint or remove the majority of the members of the executive body. Key management personnel have not yet provided capital contributions amounting to T€69 (previous year: 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 Board of Management and senior executives
2) Investment vehicle for German investors
3) Investment vehicle for international investors
4) Investment vehicle for Deutsche Beteiligungs AG

The key management personnel involved as well as former key management personnel have made the following investments or have the following repayments from investment activity attributable to them:

	Investments		Investment at the reporting date		Repayments	
T€	Management board	Senior executives	Management board	Senior executives	Management board	Senior executives
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**
Period from 1 Nov. 2011 to 31 Oct. 2012						
DBG Advisors IV GmbH & Co. KG	0	0	424	0	2,152	0
DBG Advisors Kommanditaktionär GmbH & Co. KG	0	0	84	0	0	0
DBG Investment Team GmbH & Co. KG	0	0	320	730	1,414	3,016
Total 2011/2012	**0**	**0**	**828**	**730**	**3,566**	**3,016**

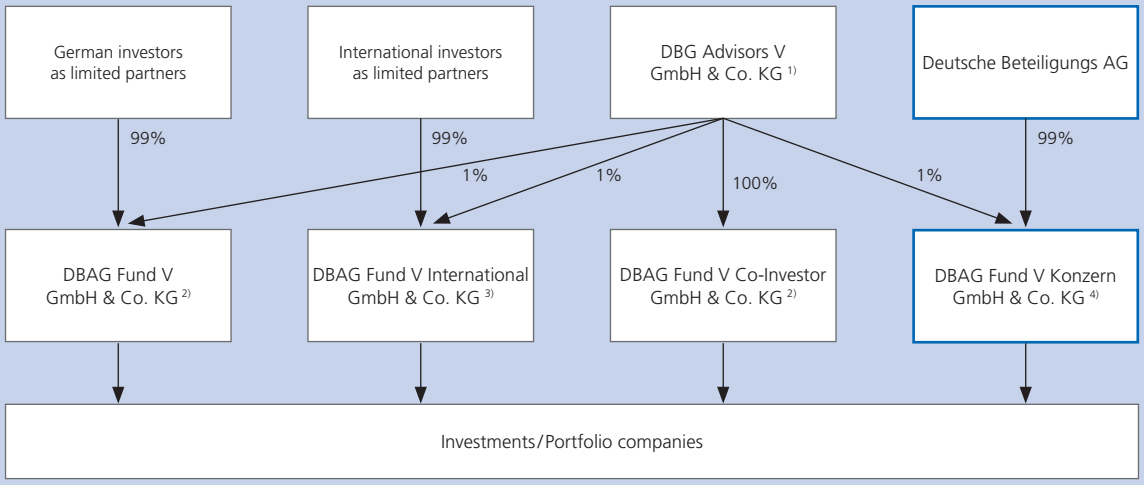
DBAG Fund V

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 of investment team
DBAG Fund V GmbH & Co. KG	Related party	1.0%	20.8%
DBAG Fund V International GmbH & Co. KG	Related party	1.0%	20.8%
DBAG Fund V Co-Investor GmbH & Co. KG	Related party	1.0%	approx. 45%
DBAG Fund V Konzern GmbH & Co. KG	DBAG Group company	1.0%	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 general partner of these fund companies, DBG Advisors V GmbH & Co. KG, which is a related party to DBAG. DBG Advisors V GmbH & Co. KG acts as the sole limited partner of DBAG Fund V Co-Investor GmbH & Co. KG. DBG Advisors V GmbH & Co. KG is the sole general partner of DBAG Fund V Konzern GmbH & Co. KG. 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 Board of Management and senior executives
2) Investment vehicle for German investors
3) Investment vehicle for international investors
4) Investment vehicle for Deutsche Beteiligungs AG

The key management personnel involved as well as former key management personnel have made the following investments or have the following repayments from investment activity 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. 2010 to 31 Oct. 2011						
DBG Advisors V GmbH & Co. KG	475	389	1,665	1,304	966	623
Period from 1 Nov. 2011 to 31 Oct. 2012						
DBG Advisors V GmbH & Co. KG	**693**	**490**	**2,358**	**1,794**	**67**	**47**

The investment activity by key management personnel set out above for the period of 1 November 2011 to 31 October 2012 contains non-cash investments charged to the partners' accounts of T€68 (previous year: T€254) for Board of Management members, and of T€50 (previous year: T€249) for senior executives.

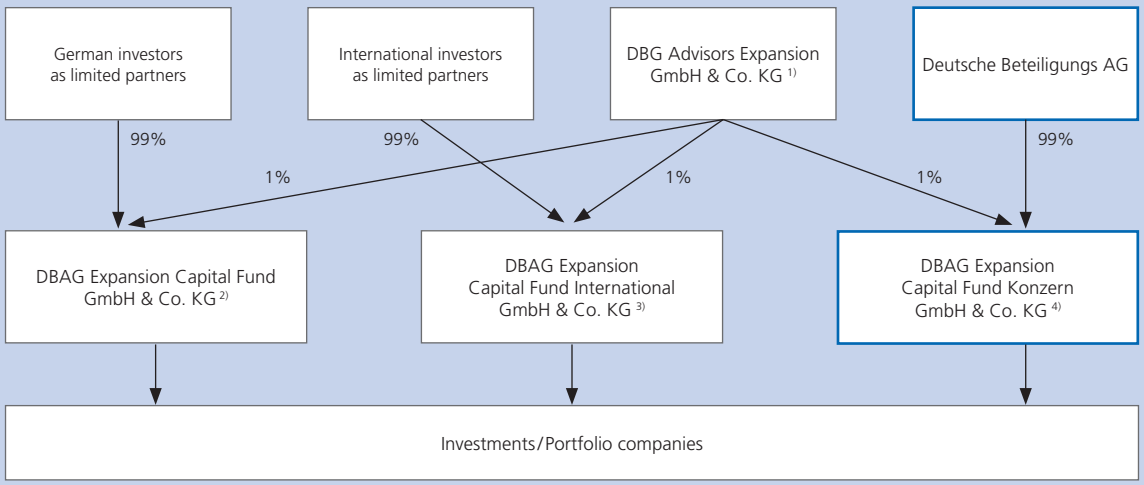
DBAG Expansion Capital Fund

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 of investment team
DBAG Expansion Capital Fund GmbH & Co. KG	Related party	1.0%	20.8%
DBAG Expansion Capital Fund International GmbH & Co. KG	Related party	1.0%	20.8%
DBAG Expansion Capital Fund Konzern GmbH & Co. KG	DBAG Group company	1.0%	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 general partner of these fund companies, DBG Advisors Expansion GmbH & Co. KG, which is a related party to DBAG. DBG Advisors Expansion 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 Board of Management and senior executives
2) Investment vehicle for German investors
3) Investment vehicle for international investors
4) Investment vehicle for Deutsche Beteiligungs AG

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

DBAG Fund VI

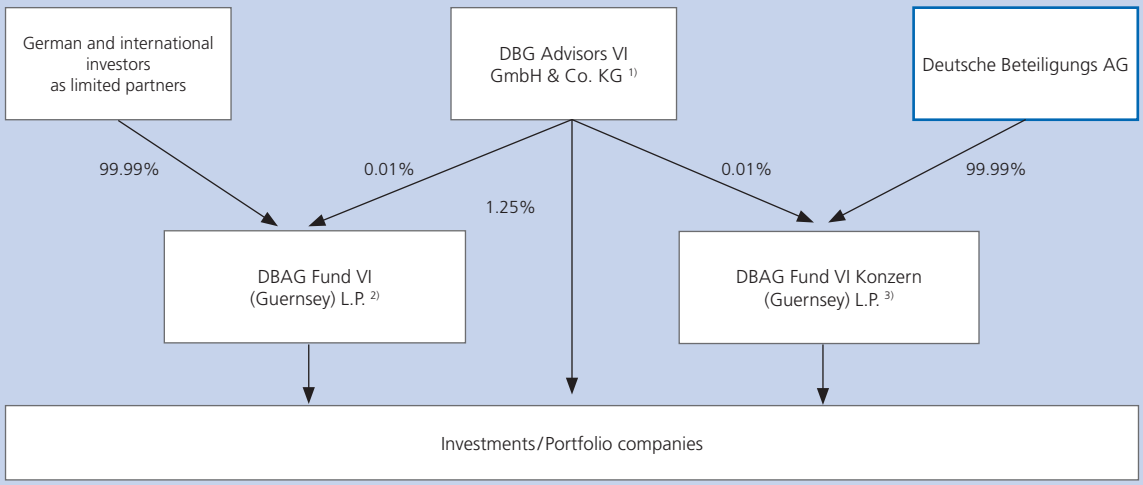
DBAG Fund VI consists of the following fund companies that make co-investments at a fixed ratio:

Fund company	Qualification	Investment share held by investment team	Max. profit share of investment team
DBAG Fund VI (Guernsey) L.P.	Related party	0.01%	20.0%
DBAG Fund VI Konzern (Guernsey) L.P.	Related party	0.01%	20.0%

For DBAG Fund VI (consisting of DBAG Fund VI (Guernsey) L.P. and DBAG Fund VI Konzern (Guernsey) L.P.) through DBG Advisors VI GmbH & Co. KG, a group of key management personnel and other members of the investment team are entitled to 20 percent of the profits of DBAG Fund VI, payable upon achieving a full repayment to German and international investors (limited partners). The full repayment is considered achieved, when the limited partners of DBAG Fund VI receive cash or non-cash distributions in the amount of their paid-in capital in addition to a preferred return.

DBG Advisors VI GmbH & Co. KG is a related party to DBAG and serves the investment team as an investment vehicle. Supplemental to the 20 percent share of profits (after full repayment) of DBAG Fund VI, DBG Advisors VI GmbH & Co. KG makes a proportional direct investment in the investees of 1.25 percent. DBAG Fund VI Konzern (Guernsey) L.P. was not consolidated at the reporting date. After the investment structure has been finalised, DBAG Fund VI Konzern (Guernsey) L.P. will be consolidated in the DBAG Group, since the majority of opportunities and risks arising from this company are attributable to DBAG even though it does not hold the majority of voting rights.

Overview investment structure of DBAG Fund VI



The percentages relate to the equity share.

consolidated company

1) Investment vehicle for Board of Management and senior executives
2) Investment vehicle for investors
3) Investment vehicle for Deutsche Beteiligungs AG

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	Start of investment period on 15 Feb. 2007
DBAG Expansion Capital Fund	Start of investment period on 27 Jan. 2011
DBAG Fund VI	Start of investment period on 15 Feb. 2013

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

T€	2011/2012	2010/2011
DBG Fonds I	1,899	711
DBG Fonds III	20	165
DBAG Fund IV	820	1,151
DBAG Fund V	6,899	8,384
DBAG Expansion Capital Fund	2,071	516
DBAG Fund VI	0	0
	11,709	**10,927**

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.

The fund companies DBAG Expansion Capital Fund GmbH & Co. KG and DBAG Expansion Capital Fund International GmbH & Co. KG (DBAG Expansion Capital Fund) are also managed by the managing general partner, DBG Managing Partner GmbH & Co. KG.

At 31 October 2012, the fund company DBAG Fund VI (Guernsey) L.P. was managed by the managing partner DBG Fund VI GP (Guernsey) L.P.

Deutsche Beteiligungs AG is the managing limited partner of DBG Managing Partner GmbH & Co. KG. Deutsche Beteiligungs AG itself 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 of DBG Managing Partner GmbH & Co. KG, 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. For DBAG Fund V, this income, pursuant to the partnership agreement, amounts up to 1.5 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. For the DBAG Expansion Capital Fund, this income amounts to 1.75 percent of the capital commitments of 142 million euros, or 1.75 percent of the historical cost of the fund companies' investments after the investment period has been completed.

A requirement 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 of co-investment funds DBG Fonds I, DBG Fonds III, DBAG Fund IV, DBAG Fund V and DBAG Expansion Capital Fund. For the period from 1 November 2011 to 31 October 2012, they were entitled to compensation totalling T€230 (previous year: T€211) 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€7 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. In financial year 2011/2012, another T€50 were allocated to the Foundation's endowment to pur-

sue its tax-privileged objectives. The purpose of the Foundation is to support charitable causes. If the Foundation's funds permit, another aim is to promote the arts and culture. The Foundation is considered a related party in terms 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 and short-term securities) 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 their fair value.

37. Risk management

For information on risk management objectives and methods, please refer to Note 31 and the discussion in the combined management report.

38. Audit fees and audit-related services

The fees for the annual audit amounted to T€325 (DBAG parent company: T€275; subsidiaries: T€50), for miscellaneous certification services to T€41 (DBAG parent company: T€41; subsidiaries: T€0), for tax consultancy services to T€207 (DBAG parent: T€180; subsidiaries: T€27) and for other consultancy services to T€363. Of the costs for other consultancy services, T€128 (DBAG parent: T€70; subsidiaries: T€58) were not charged to co-investment funds or to portfolio companies.

39. 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
Director of Administration and Finances, Dirk Rossmann GmbH, Burgwedel
Statutory offices
- SIMONA AG, Kirn (Vice Chairman, since 22 June 2012)

Comparable offices in Germany and internationally
- Saxonia Holding GmbH, Wolfsburg (Chairman, since 11 November 2011)

Philipp Möller, Hamburg
Managing Partner of Möller & Förster GmbH & Co. KG, Hamburg
Statutory offices
- Fibula Finanz AG, Hamburg (until 5 September 2012)

Dr Hendrik Otto, Düsseldorf
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 Canaccord Genuity Hawkpoint Limited, London (formerly 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
- GP Günter Papenburg AG, Schwarmstedt (Chairman)

Comparable offices in Germany and internationally
- Friends Life Group plc, London, Great Britain
- Resolution Limited, Guernsey, Channel Islands

* Statutory offices: offices held on other statutory supervisory boards; Comparable offices in Germany and internationally: offices held on comparable domestic and international supervisory bodies of commercial enterprises, at 31 October 2012, respectively

Board of Management*

Wilken Freiherr von Hodenberg, Königstein/Taunus (Spokesman)
Comparable offices in Germany and internationally
- DBG Osteuropa-Holding GmbH, Frankfurt am Main (Chairman, company liquidated 28 June 2012)
- Dirk Rossmann GmbH, Burgwedel (since 14 June 2012)

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, Düsseldorf (Member of advisory council since 2 March 2012, previously Chairman)
- Dr. Vogler GmbH & Co. KG, Bad Homburg v. d. Höhe (Vice Chairman)

Dr Rolf Scheffels, Frankfurt am Main
Statutory offices
- Coperion Group GmbH, Stuttgart (Vice Chairman)
- Preh GmbH, Bad Neustadt a. d. Saale (Vice Chairman since 27 April 2012, previously 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
- DBG Fourth Equity Team GmbH & Co. KGaA, Frankfurt am Main
- DBG Fifth Equity Team GmbH & Co. KGaA, Frankfurt am Main

Susanne Zeidler, Bad Homburg v. d. Höhe (since 1 November 2012)
No statutory offices or comparable offices in Germany and internationally

* Statutory offices: offices held on other statutory supervisory boards; Comparable offices in Germany and internationally: offices held on comparable domestic and international supervisory bodies of commercial enterprises, at 31 October 2012, respectively

40. List of subsidiaries and associates at 31 October 2012

40.1 Subsidiaries

40.1.1 Consolidated companies

Name	Domicile	Equity share %	Equity capital T€	Operating result of past financial year T€
DBG Advisors Kommanditaktionär GmbH & Co. KG	Frankfurt am Main, Germany	33.33	6,675	7,276
DBG Fourth Equity Team GmbH & Co. KGaA	Frankfurt am Main, Germany	100.00	99	15
DBG Management GmbH & Co. KG	Frankfurt am Main, Germany	100.00	18	217
DBG New Fund Management GmbH & Co. KG	Frankfurt am Main, Germany	100.00	3	(961)
Deutsche Beteiligungsgesellschaft mbH	Königstein/Taunus, Germany	100.00	33,591	678
DBAG Fund V Konzern GmbH & Co. KG	Frankfurt am Main, Germany	99.00	40,794	(1,268)
DBG Managing Partner GmbH & Co. KG	Frankfurt am Main, Germany	20.00	1,604	6,541
DBG Managing Partner Verwaltungs GmbH	Frankfurt am Main, Germany	100.00	20	(1)
DBAG Expansion Capital Fund Konzern GmbH & Co. KG	Frankfurt am Main, Germany	99.00	11	(10)

Name	Domicile	Equity share %	Equity capital T€	Operating result of past financial year T€
40.1.2 Non-consolidated companies				
Bowa Beteiligungsgesellschaft mbH & Co. KG	Frankfurt am Main, Germany	100.00	0	(7)
Bowa Geschäftsführungs GmbH	Frankfurt am Main, Germany	100.00	56	3
DBG Beteiligungsgesellschaft mbH	Frankfurt am Main, Germany	100.00	98	25
DBG Epsilon GmbH	Frankfurt am Main, Germany	100.00	26	(1)
DBG Fifth Equity Team GmbH & Co. KGaA	Frankfurt am Main, Germany	100.00	5,943	2,380
DBG Fourth Equity International GmbH	Frankfurt am Main, Germany	100.00	33	2
DBG Lambda GmbH	Frankfurt am Main, Germany	100.00	21	(2)
DBG My GmbH	Frankfurt am Main, Germany	100.00	151	126
DBG UK Management Ltd.	London, Great Britain [1]	100.00	-	-
DBV Drehbogen GmbH	Frankfurt am Main, Germany	100.00	36	(2)
LOI Beteiligungs GmbH	Frankfurt am Main, Germany	100.00	31,536	(2)
Gizeh Verpackungen Beteiligungs-GmbH	Bergneustadt, Germany	99.67	79	(2)
DBG Alpha 5 GmbH	Frankfurt am Main, Germany	100.00	27	(1)
40.2 Joint ventures				
Q.P.O.N. Beteiligungs GmbH	Frankfurt am Main, Germany [2]	49.00	28	(4)
40.3 Associates				
DBG Asset Management, Ltd.	Jersey, Channel Islands	50.00	548	(24)
DS Technologie Holding GmbH	Mönchengladbach, Germany	40.74	2,462	(19)
Grohmann Engineering GmbH	Prüm, Germany	24.01	18,134	1,409
Homag Group AG	Schopfloch, Germany	20.05	72,581	426
RQPO Beteiligungs GmbH	Frankfurt am Main, Germany	49.00	33	1
RQPO Beteiligungs GmbH & Co. Papier KG	Frankfurt am Main, Germany	44.10	184	(506)

40.4 Other companies

DBAG holds interest in excess of five percent of the voting rights in the following large corporations:

Broetje-Automation GmbH	Wiefelstede, Germany
Clyde Bergemann Group	Delaware, USA
Coperion GmbH	Stuttgart, Germany
Coveright Surfaces Beteiligungs GmbH	Frankfurt am Main, Germany
FDG S.à.r.l.	Luxembourg
Romaco GmbH	Karlsruhe, Germany
Spheros GmbH	Gilching, Germany

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

Frankfurt am Main, 11 January 2013
The Board of Management

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

Statement of responsibility

We confirm to the best of our knowledge and consistent with the applicable reporting principles for financial reporting that the consolidated financial statements give a true and fair view of the asset, financial and earnings position of the Group 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 opportunities associated with the Group's expected development.

Frankfurt am Main, 11 January 2013

The Board of Management

Wilken Frhr. von Hodenberg

Torsten Grede

André Mangin

Dr Rolf Scheffels

Susanne Zeidler

Auditors' report

We have audited the consolidated financial statements prepared by the Deutsche Beteiligungs AG, Frankfurt am Main, comprising the consolidated statement of financial position, consolidated income statement and statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements, together with its report on the position of the Company and the Group (hereinafter "combined management report") for the business year from November 1st, 2011 to October 31st, 2012. The preparation of the consolidated financial statements and the combined 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 combined 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 combined 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 combined 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 the combined 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 combined 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, 11 January 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft

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

Contact and financial calendar >

Information for shareholders

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Forward-looking statements

This report contains forward-looking statements related to the prospects and progress of Deutsche Beteiligungs AG. These statements reflect the current views of the management of Deutsche Beteiligungs AG and are based on projections, estimates and expectations. Our assumptions are subject to risks and uncertainties, and actual results may vary materially. Although we believe these forward-looking statements to be realistic, there can be no guarantee. 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 2011/2012, Frankfurt am Main	29 January 2013
Analysts' Conference, Frankfurt am Main	29 January 2013
Close Brothers Seydler Bank Small & Mid Cap Conference, Frankfurt am Main	5 February 2013
Report on the First Quarter 2012/2013 Analysts' Conference Call	18 March 2013
Annual Meeting 2013, Frankfurt am Main	26 March 2013
Dividend payment 2013	27 March 2013
Report on the Second Quarter 2012/2013 Analysts' Conference Call	14 June 2013
Report on the Third Quarter 2012/2013 Analysts' Conference Call	16 September 2013
German Equity Forum 2013, Frankfurt am Main	11 to 13 November 2013

Eight-year financial summary

€mn	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	**2011/12**
Development of portfolio and value								
New investment	24	22	40	14	4	8	9	22
"Portfolio value" (31 Oct.) [1]	197	121	189	127	123	118	84	143
Number of investments (31 Oct.)	35	32	30	21	19	17	16	16
Earnings position								
EBIT	41.6	89.1	150.8	(60.5)	20.4	36.8	(23.0)	46.2
EBT	42.3	90.9	155.6	(55.3)	22.4	37.6	(19.9)	47.0
Net income/(loss) for the year	41.3	82.7	136.5	(51.1)	19.6	34.1	(16.6)	44.5
Consolidated retained profit	35.5	57.2	118.2	29.2	52.6	73.1	37.3	70.8
Financial position								
Cash flows from operating activities	(35.6)	(4.1)	(2.6)	3.0	(3.5)	(12.8)	0.9	(9.6)
Cash flows from investing activities	132.2	169.3	65.4	11.2	28.8	36.3	34.1	(17.8)
thereof, proceeds from disposals of financial assets	156.5	191.0	106.1	25.7	33.0	44.5	43.6	3.8
thereof, purchase of financial assets	(24.1)	(21.7)	(40.7)	(14.5)	(4.3)	(8.2)	(9.4)	(21.6)
Cash flows from financing activities	(57.1	(40.7	(71.4)	(57.3)	(5.5	(13.7)	(19.1)	(10.9)
Change in cash funds [2]	39.5	124.0	(9.0	(119.7)	14.7	(27.0)	8.8	(9.8
Asset position								
Non-current assets	201.1	124.6	211.3	147.2	161.2	244.3	228.6	238.7
thereof, long-term securities	0	0	0	0	14.5	102.9	123.1	83.0
Current assets	65.2	195.5	183.0	125.1	127.1	71.8	51.3	60.3
thereof, cash and short-term securities	40.7	164.7	155.8	105.2	109.5	37.8	32.5	27.8
Equity	246.6	289.0	353.6	244.8	256.8	273.9	238.9	266.2
Liabilities/provisions	19.7	31.1	40.8	27.4	31.5	42.2	41.0	32.8
Total assets	266.3	320.1	394.4	272.3	288.3	316.1	279.9	299.0
Key indicators								
Return on NAV per share after taxes [3] (%)	20.0	36.4	56.2	(17.5)	7.3	12.7	(6.2)	16.7
Equity as a percentage of total assets	92.6	90.3	89.7	89.9	89.1	86.7	85.3	89.0
Long-term asset coverage (%)	122.8	234.7	175.4	173.3	167.0	118.6	109.3	116.7
Information on shares [4]								
Earnings per share (€)	1.79	5.02	9.20	(3.73)	1.44	2.50	(1.22)	3.25
NAV per share (€)	14.64	19.07	25.09	17.90	18.77	20.03	17.47	19.46
Dividend per share (€; 2011/2012: recommended)	0.33	0.50	1.00	0.40	0.40	0.40	0.40	0.40
Surplus dividend/bonus per share (€; 2011/2012: recommended)	0.33	2.50	2.50	-	0.60	1.00	0.40	0.80
Total amount distributed [5] (2011/2012: recommended)	11.1	45.5	47.9	5.5	13.7	19.1	10.9	16.4
Number of shares at end of FY	16,837,329	15,153,864	14,403,864	13,676,359	13,676,359	13,676,359	13,676,359	13,676,359
thereof, held by the Company			313,367					
Share price at end of FY (€)	13.25	17.35	24.10	10.45	15.55	20.79	15.50	19.49
Market capitalisation at end of FY	223.1	262.9	347.1	142.9	212.7	284.3	212.0	266.6
Number of employees	50	44	47	48	49	51	53	54

The table above contains data as originally reported in the respective annual consolidated financial statements.

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 per share in relation to opening net asset value per share at beginning of reporting period, less dividends per share

4) Partly adjusted; earnings and cash flow per share in relation to weighted average number of shares outstanding

5) Relates to respective financial year