Deutsche Beteiligungs AG

Interim Report at 30 April 2010

At a glance

Deutsche Beteiligungs AG is a leading German private equity company. We invest in successful companies whose products and services have gained them outstanding positions in their markets. Additionally, we manage assets entrusted to us by investors to invest through co-investment funds. Our accomplishments of recent years are rooted in our distinct investment focus on growth-driven, profitable, internationally operating companies. Drawing from our long years of investing experience, we aim to achieve attractive returns on buyout and expansion capital investments.

Financial highlights (IFRS)		1st half year 2009/2010	1st half year 2008/2009	2nd quarter 2009/2010	2nd quarter 2008/2009
Investment [1]	€mn	2.1	2	0	2
IFRS carrying amount of investments (30 April) [1]	€mn	102.0	108.4		
Number of investments (30 April)		18	21		
EBIT	€mn	20.6	(13.4)	8.9	(3.8)
Earnings before taxes (EBT)	€mn	20.7	(11.8)	9.0	(3.2)
Consolidated profit/loss	€mn	17.7	(12.4)	8.4	(3.4)
Consolidated retained profit	€mn	56.7	11.4		
Equity (30 April)	€mn	263.0	226.9		
Cash flows from operating activities	€mn	(9.2)	(6.2)	(7.8)	(4.7)
Cash flows from investing activities	€mn	(5.0)	7.2	(45.7)	0.5
Cash flows from financing activities	€mn	(13.7)	(5.5)	(13.7)	(5.5)
Change in cash funds	€mn	(27.8)	(4.4)	(67.2)	(9.6)
Earnings/loss per share [2]	€	1.29	(0.91)	0.62	(0.25)
Cash flow per share [2] [3]	€	(0.33)	0.04	(0.14)	(0.03)
Net asset value (equity) per share	€	19.23	16.59		
Change in net asset value per share [4]	%	7.2	(5.2)		
Employees (30 April)		48	48		

[1] Without shelf companies and group companies mainly attributable to third parties
[2] In relation to weighted number of shares outstanding in each period
[3] Consolidated profit/loss, less value changes to financial assets and loans and receivables, plus depreciation and amortisation on property, plant and equipment and intangible assets
[4] Net asset value per share at the closing date in relation to opening net asset value per share at beginning of period, less the sum proposed for dividend payment

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Letter to Shareholders

Positive profit trend and new management buyout

Dear Shareholders,

Deutsche Beteiligungs AG completed the second quarter of the current financial year posting another consolidated profit (IFRS). It totalled 8.4 million euros. A key contributor this time was again the price movement of Homag shares: their advance to 13.43 euros at the reporting date on 30 April alone led to a positive valuation effect of some six million euros. Valuations of the other companies in the portfolio mirror a modestly improved economic environment over the half-year. Thus, for the six months ended 30 April 2010, we achieved a consolidated profit of 17.7 million euros. Net asset value at 30 April 2010 was 19.23 euros, a gain of 0.29 euros compared with the beginning of the financial year. Adjusted for the distribution paid to shareholders in March 2010 for the past financial year of 1.00 euro per share (a dividend of 0.40 euros plus a surplus dividend of 0.60 euros), net asset value per share at the end of the second quarter exceeds the opening amount at the outset of the year by 7.2 percent.

After two quarters of negative results (-9.0 million euros and -3.4 million euros), the first six months of the previous 2008/2009 financial year had ended with a consolidated loss of 12.4 million euros.

Three months ago, in our report on the first quarter, we emphasised that, following numerous very profitable realisations in recent years, we now plan to focus more strongly on new investment. Investment is our business and by investing in promising companies we lay the foundations for tomorrow's value growth. This June, we entered into an agreement for an acquisition: the FDG group, a provider and category manager of non-food product lines to supermarkets and drugstores, is a leader in this segment of the market in France. FDG (France Distribution Gestion) controls the supply chain, packages the products and manages the logistics to the markets. Deutsche Beteiligungs AG, its DBAG Fund V co-investment fund and FDG's management are now the shareholders of the company. FDG meets our investment criteria well: this service company to mass retailers has an excellent market position, an entrepreneurially-driven management and a sound earnings base, which we plan to grow – among other things, by expanding the company's market presence into Germany and extending the business model to other distribution channels, such as drugstores. Our collaboration with Quartus Gestion, our long-standing partner in the French market and advisor on this investment, proved invaluable in this transaction. (For more information on FDG, please see section "Events after the balance sheet date" on page 12.)

We are also in the process of screening a number of very promising investment opportunities in Germany – for both management buyouts as well as expansion capital investments. In March, we announced that we plan to extend our product range to include expansion capital investments. To begin with, we have committed the sum of 100 million euros from DBAG's balance sheet for this purpose. Beyond that, discussions are underway with potential investors aimed at raising another 100 million euros through a co-investing fund. Thus, our target is a total of at least 200 million euros for expansion capital investments in established companies of Germany's "Mittelstand".

We see a considerable capital need among numerous German mid-sized companies. Many basically successful companies were hit so hard by the recent economic setback that they now lack the finance they need to grow as business gradually revives. The balance sheets of many companies are, in our estimation, not in a position to allow further borrowings: the profitability of many companies is still impaired, which momentarily hardly enables them to service additional debt. We want to talk to companies such as these about an equity investment.

But there is also a need for this new product for another reason: From 2004 to 2008, a number of banks offered mezzanine programmes that are now falling due for repayment. This will fuel the demand for equity. At the time, mid-sized companies were able to obtain mezzanine capital at very favourable terms. These programmes pushed classical expansion capital financings, which DBAG had also provided, onto the sidelines. We anticipate that approximately five billion euros from these programmes will be up for refinancing in the next four years.

Our new product offering is in response to current market conditions. Frequently, successful companies of Germany's "Mittelstand" are in family hands; these families will not want to cede control over their companies. Deutsche Beteiligungs AG has proved to be a constructive and reliable partner to family-run mid-sized companies in the past and has supported their development. Recent examples are our investments in Bauer AG and Homag Group AG, both of whose stock market listing was backed by DBAG. Others are our investments in Hawe KG and Hörmann KG which we entered into in 1997 and ended in 2002 and 2005, respectively.

We will, however, firmly adhere to our investment strategy: Expansion capital investments will be made in companies comparable to those we focused on for our buyout investments in past years – primarily manufacturing companies and industrial service providers with outstanding positions in their markets, that exhibit the potential for earnings growth and are led by an entrepreneurially-geared management team with ambitious business plans. The size of potential investee businesses will also remain unchanged – target companies should generate annual sales from 50 to 500 million euros. Equity capital investments for expansion financings by DBAG and the new fund will for the most part range between 10 and 30 million euros per investment.

Investments in attractive companies, either in the form of management buyouts or expansion capital financings, will be the focus of our activities this current financial year, and surely in the year after that as well. Our recent very profitable realisations, but also our investment restraint in times of an overheated M&A market, have caused the portfolio to contract, in terms both of number of investments and value. Our liquid resources, including short- and long-term securities, still amount to 149.9 million euros even after the dividend payment in March. That creates stability and gives us a great deal of scope to take advantage of investment opportunities as they arise. But as long as these funds are not bound in new investment, our sizeable liquidity position will tend to dilute the value and earnings growth potential of our portfolio in the quarters to come.

We are confident about the coming quarters and the time beyond. That applies not only to an improvement in investment activity, as discussed, but also to our portfolio companies' development. They responded unerringly to the challenges of the past 18 months and created the platform for further value growth by adapting capacities and cost patterns. Whether or not this will be reflected in the net result of valuation depends to a great extent on future movements in the quoted market, which we naturally are unable to foresee. The events in recent weeks with, in part, dramatic changes to valuation ratios in the quoted markets as well as to major currency parities again made it clear to us all that we are still operating in a fragile environment where it is only possible to make sound forecasts to a limited extent even for the short-term.

The Board of Management of
Deutsche Beteiligungs AG

Half-yearly financial report

Management's interim report on the first six months (1 November 2009 to 30 April 2010)

The Group and underlying conditions

Strategy: Investments in select core sectors, financing alongside co-investment funds

Deutsche Beteiligungs AG focuses the major part of its investments on companies whose business models are rooted in the outstanding engineering quality of their products and related services. Companies such as these are found in the mechanical and industrial engineering sectors and among the highly innovative companies of the automotive supplies industry, but also in specialty chemicals, measurement and automation technology and among specialised service providers for different industries.

Deutsche Beteiligungs AG invests in established companies with a proven business model. Key conditions for an investment are a target company's profitability prospects, strong market position and unique qualifications. This strategy excludes investments in early-stage and small companies.

The investment performance of Deutsche Beteiligungs AG is based, among other things, on the application of proven private equity work methods. For instance, these include an in-depth due-diligence process prior to making an investment, and supporting the portfolio companies' managements in implementing their corporate concepts during the holding period by taking offices on advisory councils and supervisory boards.

Besides investing the assets of Deutsche Beteiligungs AG, an integral part of the financing strategy is to additionally invest the capital of other German and international private equity investors. Deutsche Beteiligungs AG manages the capital committed by these investors through co-investment funds. These funds co-invest alongside Deutsche Beteiligungs AG at the same terms in the same investee businesses and in the same instruments. Co-investment funds pay management fees to Deutsche Beteiligungs AG for accessing investment opportunities and managing investments. This fee income serves to cover a part of the operating costs of Deutsche Beteiligungs AG.

Our investment activity is targeted at building the value of investments and realising that value after a period of four to seven years upon an investment's ultimate sale. In terms of performance indicators, this means augmenting the net asset value per share through the portfolio's value appreciation by an annual rate on the long-term average that exceeds the cost of equity of Deutsche Beteiligungs AG. We have reached this target over the past ten-year period (1999/2000 to 2008/2009). The average return on equity per share was 14.0 percent over that period. Shareholders of Deutsche Beteiligungs AG have profited from the high returns achieved by the asset class of private equity, which have in the past been superior to those of other traditional asset classes.

M&A market reviving modestly

In 2009, the financial and economic crisis left its mark on the private equity business: private equity investments in Germany in 2009 fell by nearly three fourths against the prior year to 2.4 billion euros. This general trend is also mirrored by the data for the segment of the market in which Deutsche Beteiligungs AG chooses to operate. Mid-market management buyouts in Germany recently receded back to levels recorded in 2001 and 2002. Compared with 2007, the year of the market's greatest activity, the market dropped by more than 50 percent. The mere 12 transactions registered in 2009 fall considerably short of the previous year's 26 buyouts. Total transaction value (sum paid for *debt-free* companies) fell once more from a previous 2.4 billion euros to 1.4 billion euros. The market for expansion capital investments also dropped by half in 2009 on the preceding year, according to the statistics issued by the German Private Equity and Venture Capital Association/Bundesverband Deutscher Kapitalbeteiligungsgesellschaften (BVK).

The market has not yet recovered from this setback. The number of completed transactions is still low – both in the classical buyout market and the market for expansion capital investments. However, the stream of investment opportunities and – in the buyout sector – the availability of bank finance have improved in recent months. Of course, it remains to be seen what effects the currency turmoil concerning the euro will ultimately have on the stock markets and whether it will negatively impact the real economy. The market has by no means experienced a "return to normality". Uncertainty continues to hover over the mid-term economic trend; this impedes realistic enterprise valuations and pricings.

Business development: Portfolio companies profit from dynamism in Asia and stable domestic economy

Major economic regions have largely been recording a return to modest growth since the onset of the year, and the recession is considered to be over. India and China merely registered minor losses on their almost two-digit growth rates. The market's basic dynamism there does not seem impinged – which has consequential effects on demand, including for capital goods. Economists believe that Germany could benefit from that as well as from the development in the US: there are good chances this year for the economy making up for the plunge in 2009.

The companies in our portfolio that serve international markets and whose businesses depend on the demand for capital goods have recently reported improvements in the project pipeline and rises in orders. Most companies have budgeted higher sales and improved earnings. The same applies to companies that primarily market their products in Germany.

At the quarterly reporting date, Deutsche Beteiligungs AG employed a staff of 43, plus five apprentices. One year ago, the staff also numbered 43 and there were also five apprentices.

Business development and financial performance

Earnings position: Economic recovery bolsters valuation result

Deutsche Beteiligungs AG achieved a consolidated profit of 8.4 million euros in the second quarter of the 2009/2010 financial year. For the full six-month period to 30 April 2010, the Company recorded a consolidated profit of 17.7 million euros. Adjusted for the dividend and surplus dividend paid in March, net asset value per share rose from 18.94 euros as per 31 October 2009 to 19.23 euros at 30 April 2010. Again adjusted for the dividend distribution of 1.00 euro per share, this equates to a return on equity of 7.2 percent. For the first six months of the previous year, we recorded a consolidated loss of 12.4 million euros (thereof, 3.4 million euros in the second quarter) and, correspondingly, a negative change in net asset value of 5.2 percent.

A number of factors had a positive impact on the second-quarter results: another very satisfactory net result of valuation and disposal, considering the circumstances, higher current income and largely stable expense. By contrast, net interest was clearly lower than in the previous year's comparative period.

In the six months to 30 April 2010, the net result of valuation and disposal (23.1 million euros, following -9.4 million euros for the same period the previous year) was strongly influenced by the uptrend in the price of Homag shares, which, similar to other securities, benefited from the improved market sentiment. The rise in the share price contributed 13.1 million euros to the net result of valuation and disposal (thereof second quarter: 6.1 million euros). The total value of the other, non-quoted companies in the portfolio also recorded an increase. Enhanced market multiples, the favourable exchange rate movement of the US dollar and improved earnings expectations have had positive effects on the current year. In the previous year's period, the net result of valuation and disposal was marked by the economic plunge, which had led to lower earnings and falling quoted market multiples.

Key expense items were approximately level with those of the previous year: Personnel costs for the six months to 30 April 2010 amounted to 6.2 million euros (thereof second quarter: 3.0 million euros; previous year: 5.6 million euros and 2.6 million euros, respectively); this sum contains provisions for bonus payments based on the six-months results. Other operating expense (5.5 million euros, thereof second quarter: 2.6 million euros) was up on the previous year (4.3 million euros and 2.0 million euros, respectively), exclusively due to write-downs on receivables from portfolio companies contained in this item that were disclosed in current assets. Other operating income, totalling 6.6 million euros (thereof second quarter: 3.3 million euros), marginally exceeded the previous year's 6.0 million euros (thereof second quarter: 3.0 million euros). A key item in other operating income is fee income for management services to co-investment funds, which is based on the committed or invested volume of these funds. Due to a one-off effect of 0.6 million euros in the first quarter, the lower fund volume in comparison to the previous year did not result in a decline in other operating income.

Net interest totalled 0.2 million euros in the first half of 2009/2010; of that amount, 0.1 million euros were achieved in the second quarter. The previous year's six-month period saw net interest of 1.6 million euros (thereof recorded in the second quarter: 0.6 million euros), due to higher interest rates at the time. The major part of the Company's liquidity is held in low interest-bearing, top-rated government securities.

In view of the effects discussed above (write-downs, net interest), other income/expense – the net sum of other income and expense items – was down on the preceding year. Net operating expense for the half year totalled -5.1 million euros (thereof second quarter: -2.3 million euros). The net sum in the previous year had amounted to -2.4 million euros, with -1.0 million euros attributable to the second quarter.

Financial position: Liquid assets regrouped

The liquid asset position of Deutsche Beteiligungs AG consisted of three components at 30 April 2010: cash and cash equivalents totalling 23.0 million euros, short-term securities of 74.1 million euros and – after regrouping during the second quarter – long-term securities amounting to 52.9 million euros. To improve interest income without changing the risk position, liquid funds were invested in bonds at floating interest rates and at maturities of between three and four years. These top-rated government bonds generally provide a high degree of liquidity at a low price risk since they are linked to the money market rate. The Company's cash position decreased in the second quarter, due, among other things, to the payment of a dividend (0.40 euros per share) and surplus dividend (0.60 euros per share) totalling 13.7 million euros. Irrespective of this, the available financial resources (liquid funds and short- and long-term securities) amounting to 149.9 million euros at the quarterly reporting date on 30 April 2010 still exceeded the Company's liquid asset position at the beginning of the financial year by 25.9 million euros (124.0 million euros; 30 April 2009: 101.6 million euros). There are no liabilities to banks.

Key cash flows in the first half of the financial year were inflows following the realisation of MCE AG and inflows upon expiration of representations and warranties from former realisations, as well as returns from an international buyout fund. Cash outflows primarily relate to three smaller follow-on financings (thereof two by international buyout funds) and the dividend payment.

Asset position and portfolio development

Hochtemperatur Engineering GmbH divested its last remaining business unit in January 2010. The company still represents a considerable value and has a sizeable cash position stemming from the divestments in past years, which partly serves to cover representations and warranties in conjunction with the dispositions. Moreover, the company has claims arising from loans to Clyde Bergemann that were accommodated reciprocally for the sale of two business units to Clyde Bergemann. In the coming months, part of the discretionary liquid funds will be paid out to the shareholders of Hochtemperatur Engineering GmbH, including DBAG. There is no valuation change attached to the transaction.

In the second quarter, the purchase of a real-estate property was rescinded. Deutsche Beteiligungs AG acquired the property with the aim of locating its offices there after remodelling and moving out of its present rented site. However, the planned building project was not realisable due to neighbour law issues. Deutsche Beteiligungs AG plans to continue to rent its office premises and profit from the strong drop in rentals for office space. This rescissory transaction led to inflows of 7.1 million euros for DBAG in the second quarter.

The portfolio of Deutsche Beteiligungs AG consisted of 18 investments at the quarterly reporting date. All new investments, totalling 2.1 million euros, were made in the first quarter and relate to one smaller follow-on financing and two smaller capital calls from international buyout funds, among other things, for an add-on acquisition complementing a portfolio company of one of the funds. There are undrawn capital commitments to international buyout funds of 5.0 million euros currently remaining.

We measure the fair value of our investments on the basis of internal valuation guidelines at quarterly intervals. The principles and methods of valuation we employ are described in our Annual Report (page 58 of the 2008/2009 Annual Report). Among the 18 investments in the portfolio are a number of older commitments that are meanwhile of subordinate significance for the portfolio value – for instance, international buyout funds in the liquidation phase. Based on the valuation method we employ, our investments may be subject to value fluctuations. Consequently, even larger investments may temporarily lose in significance for the value of the portfolio. At 30 April 2010, the following seven alphabetically ordered investments were the largest in the portfolio, measured by their IFRS value. They account for 90 percent of the total portfolio value. An extended list of investments is presented on page 24 of this report.

Management buyouts account for 86.8 percent of the total portfolio value of 102.0 million euros. Another 7.3 percent are attributable to expansion capital investments, and 5.9 percent fall to international buyout funds.

Company	Historical cost	Share held by DBAG	Business segment	Industrial sector
	(€mn)	(%)		
Clyde Bergemann-Group	9.2	17.8	MBO	Mechanical and industrial engineering
DBG Eastern Europe II L.P.	5.8	14.9	Fund investment	Buyout fund
Grohmann GmbH	2.1	25.1	Expansion capital	Mechanical and industrial engineering
Heim & Haus GmbH	6.4	20.4	MBO	Consumer goods
Hochtemperatur Engineering GmbH	0.7	27.6	MBO	Mechanical and industrial engineering
Homag Group AG	21.4	16.8	MBO	Mechanical and industrial engineering
ICTS Europe Holdings B.V.	6.4	18.8	MBO	Industrial services

Shares

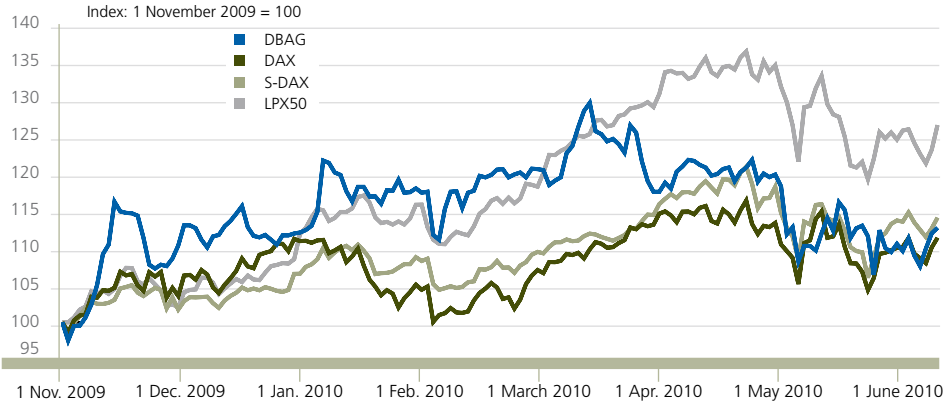
Greater discount to net asset value

During the second quarter – and beyond – the price trend of shares in Deutsche Beteiligungs AG was very volatile, mirroring, in essence, the general trend on most stock exchanges. A positive aspect is that our shares continued to perform along the same lines as the overall market. The price of DBAG shares is still up considerably compared with the beginning of the financial year. Taking the dividend of 1.00 euro per share paid on 25 March 2010 into account, DBAG shares gained 19.8 percent in the six-month period to 30 April 2010. That outperforms both the Dax and S-Dax (13.0 percent and 16.9 percent, respectively), but is below that of the LPX50, the benchmark for the performance of the 50 largest listed private equity companies worldwide. However, its gain (plus 34.1 percent) is partly attributable to exchange rate changes.

Following the recent decline in the share price, the discount to net asset value at which our shares are being traded increased again. At 30 April 2010, the discount was seven percent; momentarily (10 June 2010) it amounts to 15 percent. Given that a high portion of net asset value per share – namely nearly 12 euros per share or about 60 percent – is covered either by cash and government-guaranteed securities or is considered to be near liquidity based on the advanced stage of the liquidation of Hochtemperatur Engineering GmbH (about 0.80 euros per share), DBAG shares are being traded at a notable discount on the portfolio.

There was no significant change in stock market turnover in recent months. Averaging some 22,500 shares with a value of approximately 410,000 euros daily, liquidity reached levels similar to those in the past four quarters. With a market capitalisation of 237.4 million euros (30 April 2010, of which 212.3 million euros were in float ownership), DBAG shares ranked 18th among the 50 stocks indexed in the S-Dax.

Share performance from 1 November 2009 to 10 June 2010 %



Shareholders at Annual Meeting renew authorisation for share buybacks and approve creation of Authorised Capital

A total of 33.5 percent of the voting capital was represented at the Annual Meeting on 24 March 2010. With a vote of 99.6 percent of the represented capital, shareholders granted the Board of Management new authorisation to repurchase up to ten percent of the Company's own shares. The new authorisation is valid for a period of 18 months and ends in September 2011. It replaces the existing authorisation, which would have expired in September 2010. Shareholders also approved (84.1 percent of the vote) the creation of Authorised Capital with the option of excluding subscription rights; similar to previous authorisations in this context, this new authorisation is valid for a period of five years.

Change in the composition of the Supervisory Board

Concurrently with the conclusion of the Annual Meeting, two long-serving members of the Supervisory Board, Dr Hans-Peter Binder and Professor Dr h.c. Rolf-Dieter Leister, retired from their offices. Shareholders at the Annual Meeting elected Mr Philipp Möller and Mr Gerhard Roggemann, both with a majority of over 99 percent of the represented voting capital, to succeed them.

The change in this six-member body also led to a change in the composition of the Supervisory Board's committees. Andrew Richards remains in his office as Chairman of the Supervisory Board. In addition to Mr Richards, the Executive Committee – which also serves as a Nominations Committee – consists of Professor Günther Langenbucher (Vice Chairman of the Supervisory Board) and Dr Herbert Meyer. Chairman of the Audit Committee (and "Financial Expert") is Professor Langenbucher; the other members of this Committee are Mr Möller, Mr Richards and Mr Roggemann. The Supervisory Board of Deutsche Beteiligungs AG consists exclusively of shareholders' representatives; in addition to the gentlemen named above, Dr Hariolf Kottmann is its sixth member.

Analysts account for share price movement

The analysts monitoring our shares basically confirmed their positive opinions on DBAG shares following the presentation of the first-quarter report for 2009/2010 in mid-March. Since DBAG shares were traded in March at levels of their intrinsic value (net asset value per share) or partially even above, they have corrected their buy recommendations, which almost all had previously issued. Analysts' current ratings are regularly documented on our website at www.deutsche-beteiligung.de/IR.

Events after the quarterly balance sheet date

An investment in the France-based FDG group was completed in early June. Deutsche Beteiligungs AG invested the sum of 4.9 million euros alongside its co-investment fund and FDG's management and now holds a 15.5 percent interest in the FDG group. FDG (www.fdg.fr) is a supplier of non-food items such as notions, kitchen utensils, hairbrushes, greeting cards and similar products to large supermarkets predominantly in France, but also in neighbouring countries. FDG controls the supply chain, packages the products individually and manages the logistics to the markets, ensuring the products' availability and optimal presentation on store shelves and displays. FDG generated sales of 111 million euros through this business last year.

There were no further events after the quarterly record date that would have had a material impact on the earnings, financial or assets position of the Company.

Potential, rewards and risk

Exposure to risk still strongly influenced by global economic trend

The world economy has by no means surmounted the recent crisis. Europe and the US have returned to growth. However, the growth is too low for these two major economic regions to serve as catalysts. That also applies to Russia, which had significantly propelled demand for capital goods in 2007 and 2008. By contrast, a very positive aspect is the rapid recovery in India and China.

The development of our portfolio companies and, consequently, the portfolio value, depends on whether the recent uptrend will persist and possibly even improve. It is also within the realm of possibility that the recent turbulences in the financial markets will fuel new uncertainty and dampen business activity.

Negative effects on the portfolio value may ensue not only directly from the portfolio companies' earnings and debt positions, but from changes in valuation ratios in the quoted markets as well. However, following a number of profitable realisations, the portfolio value is markedly lower than a year ago (102.0 million euros at 30 April 2010, compared with 108.4 million euros at 30 April 2009). Liquid funds (including short- and long-term securities) now equate to 1.47 times the portfolio value in comparison to 0.95 times a year ago. This reduces the exposure to risk arising from global economic developments on net asset value per share.

Deutsche Beteiligungs AG, with its strong liquidity position of nearly 150 million euros and substantial undrawn capital commitments to DBAG Fund V, is well placed to take advantage of investment opportunities in the coming years.

There are no risks perceivable that would endanger the Company as a going concern. The information contained in the risk management report of the Annual Report at 31 October 2009 therefore remains valid.

Report on expected developments: Development of Company's NAV not predictable for the short term, therefore no performance forecast

The first two quarters of the current financial year have again shown that short-term earnings predictions fail to do justice to our business model. The uptrend in the market price of Homag shares contributed significantly to the results of both quarters. At present, Homag shares are being traded for prices clearly lower than those at 30 April – this would entail a negative contribution to valuation. A change in the price of Homag shares of one euro would impact DBAG's net asset value per share by nearly 20 eurocents. We are not in a position to foresee the price movement for Homag shares and, consequently, the value of this investment. The same applies in general to the valuation ratios in the quoted markets, which we use in determining the value of our investments.

Our portfolio companies have so far navigated the crisis well. We trust that we will also be capable of successfully supporting our portfolio companies in steering through any further turbulence. Many of our investee businesses are globally positioned to profit from the opportunities that are currently emerging in China, India and other fast-growing economies.

We believe that Deutsche Beteiligungs AG is well equipped to take advantage of new investment opportunities as they arise and thereby lay the foundation for future value growth and attractive returns on equity.

Consolidated interim financial statements

at 30 April 2010

Consolidated income statement

for the period from 1 November 2009 to 30 April 2010

T€	1 Nov. 2009 to 30 Apr. 2010	1 Nov. 2008 to 30 Apr. 2009
Net result of investment activity		
Net result of valuation and disposal of investments and loans and receivables	23,068	(9,448)
Current income from investments and loans and receivables	2,742	4
Total net result of investment activity	**25,810**	**(9,444)**
Other income/expense		
Personnel costs	6,180	5,563
Other operating income	6,617	6,045
Other operating expense	5,538	4,265
Depreciation and amortisation on property, plant and equipment and intangible assets	130	194
Interest income	318	1,806
Interest expense	160	225
Total other income/expense	**(5,073)**	**(2,396)**
Net income before taxes	**20,737**	**(11,840)**
Income taxes	28	416
Net income after taxes	**20,709**	**(12,256)**
Minority interest	(3,008)	(125)
Net income/(loss)	**17,701**	**(12,381)**
Earnings/(loss) per share in euros	1.29	(0.91)
Diluted earnings/(loss) per share in euros	1.29	(0.91)
Reconciliation of net income/(loss) to consolidated retained profit:		
Net income/(loss)	**17,701**	**(12,381)**
Profit carried forward from previous year	52,640	29,230
Dividend	(13,676)	(5,471)
Consolidated retained profit	**56,665**	**11,378**
Consolidated statement of comprehensive income		
Net income/(loss)	**17,701**	**(12,381)**
Value movements recognised in equity	0	0
Total comprehensive income	**17,701**	**(12,381)**

Consolidated income statement

for the period from 1 February 2010 to 30 April 2010

T€	1 Feb. 2010 to 30 Apr. 2010	1 Feb. 2009 to 30 Apr. 2009
Net result of investment activity		
Net result of valuation and disposal of investments and loans and receivables	10,889	(2,203)
Current income from investments and loans and receivables	368	1
Total net result of investment activity	**11,257**	**(2,202)**
Other income/expense		
Personnel costs	3,013	2,568
Other operating income	3,281	3,045
Other operating expense	2,576	1,973
Depreciation and amortisation on property, plant and equipment and intangible assets	65	97
Interest income	152	723
Interest expense	83	152
Total other income/expense	**(2,304)**	**(1,022)**
Net income before taxes	**8,953**	**(3,224)**
Income taxes	18	215
Net income after taxes	**8,935**	**(3,439)**
Minority interest	(520)	56
Net income/(loss)	**8,415**	**(3,383)**

Consolidated statement of financial position

at 30 April 2010

Assets

T€	30 April 2010	31 October 2009
Non-current assets		
Intangible assets	25	25
Property, plant and equipment	1,072	8,019
Investments	117,294	137,242
Loans and receivables	2,056	1,306
Long-term securities	52,917	14,487
Other non-current assets	2,323	2,294
Total non-current assets	**175,687**	**163,373**
Current assets		
Receivables	2,701	3,486
Short-term securities	74,074	58,747
Other financial instruments	22	169
Income tax assets	8,420	8,780
Cash and cash equivalents	22,951	50,787
Other current assets	7,440	5,160
Total current assets	**115,608**	**127,129**
Total assets	**291,295**	**290,502**

Shareholders' equity and liabilities

T€	30 April 2010	31 October 2009
Shareholders' equity		
Subscribed capital	48,533	48,533
Capital reserve	141,394	141,394
Retained earnings	16,399	16,399
Consolidated retained profit	56,665	52,640
Total shareholders' equity	**262,991**	**258,966**
Liabilities		
Non-current liabilities		
Minority interest	14,471	12,288
Deferred tax liabilities	134	118
Total non-current liabilities	**14,605**	**12,406**
Current liabilities		
Other current liabilities	925	2,458
Tax provisions	3,519	3,533
Other provisions	9,255	13,139
Total current liabilities	**13,699**	**19,130**
Total liabilities	**28,304**	**31,536**
Total shareholders' equity and liabilities	**291,295**	**290,502**

Consolidated statement of cash flows

for the period from 1 November 2009 to 30 April 2010

T€ Inflows (+) / Outflows (-)	1 Nov. 2009 to 30 Apr. 2010	1 Nov.2008 to 30 Apr. 2009
Consolidated profit/(loss)	17,701	(12,381)
Valuation gains (-) / losses (+) on financial assets and loans and receivables, depreciation and amortisation on property, plant and equipment and intangible assets	(22,199)	12,861
Gains (-) / losses (+) from disposals of non-current assets	(454)	(2,278)
Increase (+) / decrease (-) in non-current liabilities	2,199	(10)
Increase (-) / decrease (+) in income tax assets, increase (+) / decrease (-) in tax provisions	346	(637)
Increase (-) / decrease (+) in other assets (netted)	(1,377)	421
Increase (+) / decrease (-) in other liabilities (netted)	(5,417)	(4,178)
Cash flows from operating activities	**(9,201)**	**(6,202)**
Proceeds from disposals of property, plant and equipment and intangible assets	7,060	0
Purchase of property, plant and equipment and intangible assets	(243)	(306)
Proceeds from disposals of financial assets and loans and receivables	44,094	10,597
Acquisition of non-current financial assets and investments in loans and receivables	(2,113)	(2,243)
Increase (-) / decrease (+) in securities *	(53,757)	(818)
Cash flows from investing activities	**(4,959)**	**7,230**
Payments to shareholders (dividends)	(13,676)	(5,471)
Cash flows from financing activities	**(13,676)**	**(5,471)**
Change in cash funds from cash-relevant transactions	(27,836)	(4,443)
Cash funds at start of period *	50,787	36,072
Cash funds at end of period *	22,951	31,629

* Cash funds almost exclusively consist of cash deposits in banks. A part of the liquid funds not needed in the near term has been invested in short- and long-term securities. According to IAS 7, securities do not constitute cash funds, since their maturity is longer than three months from the date of acquisition.

Consolidated statement of cash flows

for the period from 1 February 2010 to 30 April 2010

T€ Inflows (+) / Outflows (-)	1 Feb. 2010 to 30 Apr. 2010	1 Feb. 2009 to 30 Apr. 2009
Consolidated profit/(loss)	8,415	(3,383)
Valuation gains (-) / losses (+) on financial assets and loans and receivables, depreciation and amortisation on property, plant and equipment and intangible assets	(10,352)	2,873
Gains (-) / losses (+) from disposals of non-current assets	(187)	86
Increase (+) / decrease (-) in non-current liabilities	1,523	(47)
Increase (-) / decrease (+) in income tax assets, increase (+) / decrease (-) in tax provisions	(143)	319
Increase (-) / decrease (+) in other assets (netted)	(2,780)	(1,168)
Increase (+) / decrease (-) in other liabilities (netted)	(4,322)	(3,377)
Cash flows from operating activities	**(7,846)**	**(4,697)**
Proceeds from disposals of property, plant and equipment and intangible assets	7,060	0
Purchase of property, plant and equipment and intangible assets	(152)	(213)
Proceeds from disposals of financial assets and loans and receivables	229	3,636
Acquisition of non-current financial assets and investments in loans and receivables	(4)	(1,960)
Increase (-) / decrease (+) in securities *	(52,838)	(928)
Cash flows from investing activities	**(45,705)**	**535**
Payments to shareholders (dividends)	(13,676)	(5,471)
Cash flows from financing activities	**(13,676)**	**(5,471)**
Change in cash funds from cash-relevant transactions	(67,227)	(9,633)
Cash funds at start of period *	90,178	41,262
Cash funds at end of period *	22,951	31,629

Consolidated statement of change in shareholders' equity

for the period from 1 November 2009 to 30 April 2010

T€	2009/2010	2008/2009
Subscribed capital		
At start and end of period	**48,533**	**48,533**
Capital reserve		
At start of period	141,394	141,426
Share-based payments	0	1
Share-based payments (stock options exercised)	0	(33)
At end of period	**141,394**	**141,394**
Retained earnings		
Legal reserve		
At start and end of period	403	403
First adoption IFRS		
At start and end of period	15,996	15,996
Other retained earnings		
At start and end of period	0	9,234
Retained earnings at end of period	**16,399**	**25,633**
Consolidated retained profit		
At start of period	52,640	29,230
Dividend	(13,676)	(5,471)
Consolidated profit/(loss)	17,701	(12,381)
At end of period	**56,665**	**11,378**
Total	**262,991**	**226,938**

Condensed notes to the interim financial statements

for the first six months of the 2009/2010 financial year

1. Basis of preparation

Deutsche Beteiligungs AG has prepared these consolidated interim financial statements at 30 April 2010 in conformity with the standards and interpretations of the International Accounting Standards Board (IASB), London, Great Britain, adopted by the European Union.

Furthermore, these consolidated interim financial statements at 30 April 2010 were drawn up in conformity with the rules of IAS 34 (Interim financial reporting).

2. Accounting and valuation policies

For these interim financial statements, the same accounting policies and methods of valuation and computation have been applied as for the most recent consolidated financial report for the year ended 31 October 2009 (see pages 83 ff. of the Annual Report).

3. Seasonal and cyclical effects

Seasonal and cyclical effects are mirrored in the valuation of financial assets at fair value. Please see the discussion in the preceding section of this interim report for further information.

4. Unusual items

No unusual items have been recorded affecting assets, liabilities, equity, net income for the period, or cash flows, and which are unusual for the business operations of Deutsche Beteiligungs AG because of their nature, size, or incidence. Please see the preceding section of this interim report for information on the business development.

5. Changes in estimates of prior periods

There are no changes in estimates compared with the prior period.

6. Issuances, repurchases, and repayments of equity instruments and debt instruments

Equity or debt instruments were neither issued, repurchased nor repaid in the first quarter of the financial year.

7. Dividends paid

A dividend of 0.40 euros per no-par value share plus a surplus dividend of 0.60 euros per no-par value share (total of 13,676,359 euros) were paid in the second quarter of the 2009/2010 financial year.

8. Segment information

Segment information is not reportable, since only one segment exists (see description in the Annual Report 2008/2009, page 103).

9. Related party transactions

The members of the Board of Management held the following numbers of shares in the Company at the reporting date: Mr von Hodenberg 30,000; Mr Grede 20,323; Mr Mangin 15,270; and Dr Scheffels 10,290. Among the members of the Supervisory Board Mr Philip Möller holds 1,000 shares of Deutsche Beteiligungs AG.

In the first six months of the 2009/2010 financial year, key management personnel received the following repayments from related parties to DBAG Fund V:

T€	Investments		Cumulated investments		Repayments	
Period from 1 Nov. 2009 – 30 April 2010	**Management Board**	**Senior executives**	**Management Board**	**Senior executives**	**Management Board**	**Senior executives**
DBG Advisors V GmbH & Co. KG	0	0	1,191	915	1,134	871

Moreover, part of the profit share attributable to minority interest in the amount of T€413 arising on the MCE transaction was paid to DBG Advisors V GmbH & Co. KG.

Apart from this, there were no other related party transactions in the first half of the 2009/2010 financial year materially affecting the assets, financial or earnings position of the Group in this period.

10. Changes in the composition of the Group

There were no changes in the composition of the Group compared with the status at 31 October 2009 (see pages 82 f. of the 2008/2009 Annual Report).

11. Changes in contingent liabilities and contingent assets

In the first six months of financial year 2009/2010, there were no material changes in contingent liabilities and contingent assets.

12. Other information

Concurrently with the conclusion of the Annual Meeting on 24 March 2010, two members of the Supervisory Board, Dr Hans-Peter Binder and Professor Dr h.c. Rolf-Dieter Möller retired from their offices. Shareholders at the Annual Meeting elected Mr Philipp Möller and Mr Gerhard Roggemann to the Supervisory Board to succeed them.

There were no changes in the composition of the Board of Management in the first half of financial year 2009/2010.

Interest income stated for the comparative period contains an amount of 0.1 million euros that actually would have had to be allocated to successive periods.

13. Material events subsequent to the end of the period

Please refer to the preceding section of this interim report.

14. Audit/review

The condensed half-yearly financial statements and management's condensed report at 30 April 2010 were neither audited in conformity with § 317 HGB (German Commercial Code), nor reviewed by an independent auditor in accordance with § 37w WpHG (German Securities Trading Act).

Statement of responsibility

We confirm to the best of our knowledge and consistent with the applicable reporting principles for interim financial reporting that the consolidated interim financial statements give a true and fair view of the assets, financial and earnings position of the Group and that management's report presents a true and fair view of the business development and the position of the Group, including a discussion of the material risks and rewards associated with the Group's expected development.

Frankfurt am Main, 11 June 2010

The Board of Management

Wilken Freiherr von Hodenberg

Torsten Grede

André Mangin

Dr Rolf Scheffels

Portfolio companies

We invest in

- future-geared companies in select sectors, predominantly operating in capital goods industries and industrial services
- established companies with profitable business models and
- companies with excellent prospects for development

Company	Sales *	Number of staff	Core business
	€mn		
Clyde Bergemann Group Wesel/Glasgow/Delaware www.clydebergemann.de	US$469 mn	1,400	A developer and manufacturer of components for coal-fired power plants; Markets: worldwide
Coperion GmbH, Stuttgart www.coperion.com	396	1,800	A developer and manufacturer of compounding systems and bulk-materials handling equipment; Markets: worldwide
Coveright GmbH, Düsseldorf www.coveright.com	204	673	A developer and manufacturer of impregnated films for the furniture and building industries; Markets: worldwide
FDG Group, Orly, France www.fdg.fr	111	760	Non-food category management for super-markets in select product lines; Markets: France and neighbouring countries
Grohmann GmbH, Prüm www.grohmann.com	59	480	A developer and provider of plants for industrial automation; Markets: Europe
Heim & Haus Holding GmbH, Düsseldorf www.heimhaus.de	115	500	A direct marketer of awnings, shutters and building components for private homes; Markets: Germany, Austria
Homag Group AG, Schopfloch www.homag-gruppe.de	524	4,950	A provider of woodworking machines and plants for the furniture and construction supplies industries; Markets: worldwide
ICTS Europe Holdings B.V., Amsterdam, NL www.ictseurope.com	325	11,000	A provider of security services for aviation and other areas; Markets: worldwide
JCK Holding GmbH Textil KG, Quakenbrück	415	715	A marketer of textiles; Markets: Germany
Preh GmbH, Bad Neustadt an der Saale www.preh.de	249	2,000	A developer and manufacturer of sophisticated driver operating and control elements for cars; Markets: Europe, USA

* partly preliminary

Financial calendar

Financial calendar

Road show London/Frankfurt	June 2010
Report on the 3rd quarter 2009/2010 Analysts' Conference Call	14 September 2010
Road show	September 2010
German Equity Forum, Frankfurt am Main	November 2010

Note

This Interim Report is published in German and in English. The German version of this report is authoritative.

Forward-looking statements

This report contains forward-looking statements related to the prospects and progress of Deutsche Beteiligungs AG. These statements reflect 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.

Status: 11 June 2010

Registered office: Frankfurt am Main
Incorporated in the Commercial Register
at the District Court in Frankfurt am Main
Handelsregister B 52 491

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