Deutsche Beteiligungs AG

Interim Report at 31 July 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 focus on growth-driven, profitable, internationally operating companies. Drawing from our long years of investing experience, we aim to achieve attractive returns through investments in buyouts and through expansion capital financings.

Financial highlights (IFRS)		First nine months 2009/2010	First nine months 2008/2009	3rd quarter 2009/2010	3rd quarter 2008/2009
Investment [1]	€mn	7.0	4.0	4.9	2.0
IFRS carrying amount of investments (31 July) [1]	€mn	114.5	124.3		
Number of investments (31 July)		18	21		
EBIT	€mn	24.9	0.3	4.3	13.7
Earnings before taxes (EBT)	€mn	25.2	2.1	4.5	13.9
Consolidated profit/(loss)	€mn	21.7	(0.3)	4.0	12.1
Consolidated retained profit	€mn	60.7	23.5		
Equity (31 July)	€mn	267.0	239.0		
Cash flows from operating activities	€mn	(3.6)	1.1	5.6	7.3
Cash flows from investing activities	€mn	(12.1)	6.4	(7.1)	(0.8)
Cash flows from financing activities	€mn	(13.7)	(5.5)	0.0	0.0
Change in cash funds	€mn	(29.3)	2.1	(1.5)	6.5
Earnings/(loss) per share [2]	€	1.59	(0.02)	0.30	0.89
Cash flow per share [2] [3]	€	(0.52)	(0.33)	(0.19)	(0.37)
Net asset value (equity) per share	€	19.53	17.48		
Change in net asset value per share [4]	%	8.9	(0.1)		
Employees (31 July)		48	46		

[1] Without shelf companies and group companies mainly attributable to third parties
[2] In relation to weighted number of shares outstanding
[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] Change in 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

Contents

Letter to Shareholders

Further NAV growth and confidence about future performance

Dear Shareholders,

Our business has continued to make good progress. That applies both to our portfolio companies' current trading and our investment activity. Three months ago, we reported to you on our new investment in the FDG group (France Distribution Gestion). This past quarter, we completed that management buyout, investing the sum of 4.9 million euro. The reports coming from most of our portfolio companies show that their expectations for the current year are being met and in many instances will exceed budgets. These developments are reflected in the valuations at 31 July 2010 and led to an overall valuation gain.

Thus, Deutsche Beteiligungs AG completed the third quarter of the current financial year posting a consolidated profit of 4.0 million euros. This primarily stems from the very satisfactory progress exhibited by our portfolio companies. The price movement of Homag shares, which considerably influenced the quarterly results over the first half of the financial year, also had a positive, although less strong, effect than in the prior periods and contributed 0.7 million euros to the valuation gain. The multiples derived from the quoted markets which we use in valuation fell slightly compared with the previous record date, causing this influential factor to weigh on the result.

For the nine months ended 31 July 2010, we achieved a consolidated profit of 21.7 million euros. Net asset value at 31 July 2010 was 19.53 euros. This equates to a gain of 1.59 euros compared with the net asset value 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) at the beginning of the financial year. With its third-quarter gain of 1.59 euros, net asset value per share exceeds the opening amount at the outset of the financial year by 8.9 percent. The equivalent period the previous year ended with a consolidated loss of -0.3 million euros, whereby the third quarter 2008/2009 recorded a consolidated profit of 12.1 million euros.

In mid-June, we completed the acquisition of the FDG Group. FDG is a provider and category manager of non-food product lines to supermarkets and drugstores. FDG controls the supply chain, packages the products and manages the logistics to the markets. Deutsche Beteiligungs AG invested 4.9 million euros and now owns a 15.5 percent interest in FDG; further shares are held by the DBAG Fund V co-investment fund and FDG's management.

In response to changed conditions in the private equity market, we extended our product range to again include expansion capital financings. We enlarged our investment team and have committed the sum of 100 million euros from DBAG's balance sheet for that purpose. A co-investing fund is targeted at generating commitments of another 100 million euros. The fund-raising for this fund is in progress, and we are confident about reaching that target, which will give us at least 200 million euros for expansion capital investments in established companies of Germany's "Mittelstand" in the years ahead.

Expansion capital investments will be made in the same type of companies we have 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 of 50 to 500 million euros. There will, however, be differences in shareholder relationships: We structure buyouts to give us and our co-investment fund (possibly together with other financial investors) the majority in the portfolio company. Expansion capital investments by DBAG and the new fund will be made in companies whose majority will remain in the hands of family owners. 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.

We are confident about the coming quarters and the time beyond. Our liquidity enables us to follow up on the numerous investment opportunities that have recently been arising and create the potential for the portfolio's future value growth. Over the long run, this should augment the intrinsic value and, correspondingly, the net asset value per share in Deutsche Beteiligungs AG. For the short term, however, the sizeable liquidity position we have will tend to dilute the potential for net asset value growth.

Our portfolio companies are well placed. They are profiting from the general economic recovery and working to further improve their competitive standing. These are excellent requisites for growth. Whether or not this will be mirrored in a rise in the net result of valuation depends to a great deal on future movements in the quoted markets and the valuation ratios derived from them. These events are not foreseeable and prevent us from making reliable performance forecasts over a period of several quarters. With a view to the current financial year, which ends in six weeks from now, we are confident that the return on equity will again exceed the cost of equity, if valuation ratios do not take a fundamentally negative turn by the end of the financial year compared with those at this quarter's reporting date. The consolidated retained profit of Deutsche Beteiligungs AG based on the rules of the German Commercial Code (HGB) and our considerable liquidity should put us in a position to recommend paying a dividend for the current year in line with our dividend policy.

The Board of Management of
Deutsche Beteiligungs AG

Quarterly financial report

Management's interim report on the first three quarters (1 November 2009 to 31 July 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. These include, for instance, 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 attractiveness of the asset class of private equity, whose returns in the past have been superior to those of other traditional asset classes.

M&A market reviving

The business climate in Germany's private equity market has experienced a considerable upturn. Current investment activity, which has accelerated compared with the crisis year of 2009, now mirrors the upbeat sentiment that has surfaced in the sector's surveys. In terms of value, private equity investments in Germany reached 2.24 billion euros in the first six months of this year, according to data issued by the

German Private Equity and Venture Capital Association/Bundesverband Deutscher Kapitalbeteiligungsgesellschaften (BVK). That is more than three times the 699 million euros recorded for the same period the previous year.

The data for the segments of the market in which Deutsche Beteiligungs AG chooses to operate also confirm that trend. Mid-market management buyouts in Germany are still far from reaching the levels achieved in 2006 and 2007, when 34 and 35 transactions were recorded in our segment of the market. However, as opposed to the four transactions with a total value of 300 million euros in the mid-market segment (transaction value from 50 to 250 million euros) for the first half of 2009, there were seven deals valued at nearly 900 million euros in the first six months of 2010. Stronger activity is also fuelling the expansion capital market. In the first half-year of 2010, expansion capital investments were almost three times above those in the period from January to June 2009 (380 million euros compared with 139 million euros in the first half of 2009), the BVK reports.

Despite these undoubtedly positive trends, it is still too early to talk of a return to normality. The number of completed transactions remains low, measured by the capital available for investment and the equity needs of many companies. That applies both to the buyout market and the market for expansion capital investments. Banks are again providing funding for corporate acquisitions – albeit at high-pitched terms and covenants. Following numerous mergers and the market consolidation in the banking sector, the number of finance providers is lower than prior to the crisis.

Current trading: No cause for overoptimism

The past months saw a rapid change in sentiment, particularly in Germany. Growth in the gross domestic product of 2.2 percent in the second quarter of 2010 compared with the previous three months, and of 4.1 percent compared with the same quarter the prior year shows that the economic crisis which emerged in the aftermath of the financial crisis is, in our opinion, coming to an end. Germany's mechanical engineering sector is reporting brisk order intake, and the automotive industry is experiencing delivery problems, due particularly to high demand from abroad. Other major industrial sectors are reporting good levels of trading as well. The growing economies of Asia are still the prime driver of the recovery, but pent-up demand from 2009, when capital goods manufacturers were suddenly hit by a spending freeze in many industries, is certainly also propelling demand. Developments among our portfolio companies mirror these trends. Nonetheless, the rapid recovery entails challenges: an expansion of current assets may weigh on the companies' balance sheets, and rapid growth requires having commensurate capacities available (staff, pre-products, raw materials).

Notwithstanding the upbeat sentiment, there is, in our opinion, no cause for overoptimism: economists are increasingly viewing trading conditions in the US sceptically, and some of the news from China seems to indicate that disruptive factors may impinge on the economy's dynamism there. This, in turn, could have an impact on those sectors of German industry that are currently prospering – and, consequently, on our portfolio.

Staff

At the quarterly reporting date, Deutsche Beteiligungs AG employed a staff of 45, plus three apprentices. One year ago, the staff numbered 42 and there were three apprentices.

Current trading and financial performance

Earnings position: Economic recovery bolsters valuation result

In the third quarter of the 2009/2010 financial year, Deutsche Beteiligungs AG achieved a consolidated profit of 4.0 million euros. For the full nine-month period to 31 July 2010, the consolidated profit totalled 21.7 million euros. Net asset value per share rose from 18.94 euros at 31 October 2009 to 19.53 euros at 31 July 2010. Again adjusted for the dividend payment of 1.00 euro per share, this equates to a return on equity of 8.9 percent. The comparative period in the previous year ended with a consolidated loss of 0.3 million euros (after a third-quarter consolidated profit of 12.1 million euros) and, correspondingly, a marginally negative change in net asset value of 0.1 percent.

A key determinant of the interim financial statements at 31 July 2010 is the net result of investment activity; it consists of the net result of valuation and disposal and current income from financial assets. Over the first three quarters of this year, the good performance of Homag shares had a strong influence on the net result of valuation and disposal (29.8 million euros, after 7.9 million euros in the same period the previous year). Since the beginning of the financial year, the rise in the price of Homag shares has contributed 13.8 million euros to the net result of valuation and disposal. The total value of the other, non-quoted companies in the portfolio also increased. Enhanced market multiples and the portfolio companies' improved earnings forecasts have had positive effects. In the previous year's period, the net result of valuation and disposal was characterised by two opposing effects: the economic plunge, which led to lower earnings and sub-par quoted market multiples, and the very profitable realisation of an investment from the portfolio, which achieved a selling price significantly in excess of its preceding valuation.

Contributing to the net result of valuation and disposal of 6.7 million euros in the third quarter of this financial year were valuation gains (netted) on the unquoted investments in the portfolio and the effect from the price increase for shares in Homag Group AG. Negatively influencing this item on the income statement was a one-off charge, which, in total, however, did not affect income: In the third quarter, Deutsche Beteiligungs AG received a profit share stemming from DBAG Fund IV. The value of the respective company was reduced by the amount of this distribution totalling 3.0 million euros and charged to the net result of valuation. Since this distribution was recorded as income from financial assets, this transaction had a neutral effect. In total, third-quarter current income from financial assets amounted to 3.8 million euros (same quarter the previous year: 1.9 million euros).

For the first nine months of 2009/2010, aggregate current income from financial assets totalling 6.5 million euros clearly exceeded the previous year's 1.9 million euros. However, the increase of 4.6 million euros is due to two one-off effects – the profit share received in the third quarter discussed above and a similar transaction at the beginning of the financial year: In the first quarter, current income from financial assets contained a distribution in the amount of 2.2 million euros from an investment whose operating business was sold and which is in liquidation. The value of this investment was therefore reduced. Without these one-off effects, there would have been a decline in current income. This is in line with the general trading trend in 2009 – for instance, Homag did not pay dividends for 2009 this year.

Key expense and income items were partly influenced by substantial special factors and therefore deviate notably from usual levels. Personnel costs for the nine months to 31 July 2010 amounted to 8.8 million euros (thereof third quarter: 2.7 million euros); the previous year's amount of 10.9 million euros (thereof third quarter: 5.3 million euros) was higher, since it contained performance-linked income components following the sale of an investment. The rise in other operating expense (14.0 million euros, thereof third quarter: 8.5 million euros) largely pertains to provisions for possible future tax risk, but also mirrors stronger transaction activity, which entails higher expenses for screening investment opportunities. This item also contains value adjustments on receivables from portfolio companies. In the previous year, other operating expense totalled 7.2 million euros (thereof third quarter: 3.0 million euros).

The rise in other operating expense caused by one-off factors was partially compensated by extraordinary other operating income. Other operating income, totalling 11.6 million euros (thereof third quarter: 5.0 million euros), clearly exceeded that of the previous year's comparable period (8.9 million euros; thereof third quarter: 2.8 million euros). A key constituent of other operating income is the fee income earned for management services to co-investment funds; this fee income is determined on the basis of the committed or invested volume of these funds. Operating income also consists of reimbursements we receive from co-investment funds for expenses incurred in conjunction with the investment activity. These reimbursements were considerably higher in the third quarter and partially explain the rise in other operating income; the other part of the rise stems, among other things, from the reversal of a larger provision due to lower exposure to a warranty risk arising on a disinvestment; further income ensued from another earlier sale following a price correction.

Net interest totalled 0.3 million euros for the first three quarters of 2009/2010; of that amount, 0.2 million euros are attributable to the third quarter. The previous year's nine-month period saw net interest of 1.8 million euros (thereof third quarter: 0.2 million euros). The major part of the Company's liquidity is held in low interest-bearing, top-rated government securities.

Other income/expense – the net sum of other income and expense items – was down on the preceding year, largely due to the special effects in other operating expense: net operating expense in the nine months to 31 July 2010 amounted to -11.1 million euros (thereof third quarter: -6.0 million euros). The net sum reported in the previous year was -7.7 million euros, with -5.3 million euros attributable to the third quarter.

Financial position: Liquid assets regrouped

The liquid asset position of Deutsche Beteiligungs AG consisted of three components at 31 July 2010: cash and cash equivalents totalling 21.4 million euros, short-term securities of 51.7 million euros and – after another regrouping in the third quarter – long-term securities now amounting to 78.0 million euros. In the second quarter, we began investing liquid funds in bonds at floating interest rates and maturities of between three and six years to improve interest income without changing the risk position. These bonds are government-guaranteed and provide low exposure to price risk, since they are tied to money market rates. The Company's liquidity position increased slightly in the third quarter; liquid funds (cash and cash equivalents as well as short- and long-term securities) totalling 151.1 million euros at the quarterly reporting date on 31 July 2010 exceeded the Company's liquidity position at the beginning of the financial year by 27.1 million euros (124.0 million euros; 31 July 2009: 107.3 million euros). There are no liabilities to banks.

Key cash flows came from the realisation of MCE AG, the rescission of a real-estate purchase, the expiry of representations and warranties, and returns from an international buyout fund. In addition to the dividend payment, cash outflows primarily relate to the investment in the FDG Group and three smaller follow-on financings (thereof two by international buyout funds).

Asset position and portfolio development

Subsequent to the investment in the FDG Group, the portfolio of Deutsche Beteiligungs AG still consisted of 18 investments at the quarterly reporting date; in the third quarter, an older international buyout fund with a minor positive earnings contribution was liquidated. New investment of 7.0 million euros in the first three quarters chiefly relates to the acquisition of the FDG Group (4.9 million euros); another 2.1 million euros were spent on 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

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
FDG S.A.	4.9	15.5	MBO	Industrial services
Grohmann GmbH	2.1	25.1	Expansion capital	Mechanical and industrial engineering
Heim & Haus GmbH	6.6	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
JCK KG	3.0	3.6	Expansion capital	Consumer goods
Preh GmbH	3.7	17.0	MBO	Automotive suppliers

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. Due to the valuation procedure we employ in accordance with an IFRS-based valuation guideline, the valuation of our investments may be subject to fluctuations. Consequently, even larger investments may temporarily lose in significance for the value of the portfolio. At 31 July 2010, the ten alphabetically ordered investments listed above 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 22 of this report.

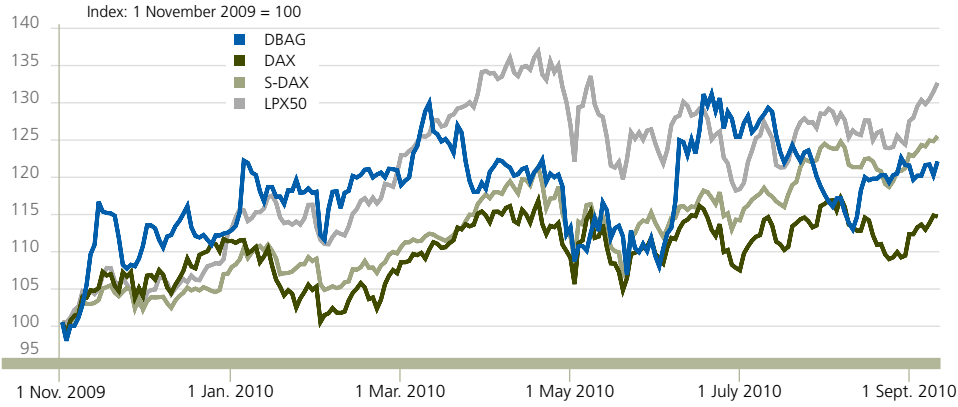
Management buyouts account for 87.8 percent of the total portfolio value of 114.5 million euros. Another 6.6 percent are attributable to expansion capital investments, and 5.6 percent fall to international buyout funds.

Shares

Share price on uptrend in financial year

Overall, the price trend of shares in Deutsche Beteiligungs AG in the third quarter was unsatisfactory: After moving along the same lines as the market in May and surging in June, by the end of the quarter DBAG shares had again lost nearly 15 percent on their annual high of 19.00 euros. Subsequent to the end of the quarter, DBAG shares recovered a part of the third-quarter loss. Compared with the onset of the financial year, the performance of DBAG shares is still up considerably. Taking the dividend of 1.00 euro per share paid on 25 March 2010 into account, DBAG shares advanced 19.9 percent in the nine-month period to 31 July 2010. That outperforms the Dax (13.2 percent), but is below that of the S-Dax (plus 22.1 percent) and the LPX50 (plus 26.5 percent), the benchmark for the performance of the 50 largest listed private equity companies worldwide.

Share performance from 1 November 2009 to 10 September 2010 %



The discount to net asset value at which our shares are being traded remains sizeable. At 31 July 2010, it was nearly ten percent; when this report was finalised (10 September 2010) the discount had still amounted to ten percent. Given that a high portion of net asset value per share 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 (namely about 11.80 euros per share, or 60 percent), DBAG shares are being traded at a notable discount to the portfolio.

Stock market turnover has been on the decline in recent months, even in the period which saw falling prices. According to the two banks serving as designated sponsors for DBAG shares, this is indicative of the fact that there is no particular selling pressure on our shares. Following the issuance of the third-quarter report, we plan to present DBAG shares at a number of investors' conferences in the coming weeks and look forward to fuelling interest in our stock. Averaging some 16,500 shares with a value of approximately 285,000 euros daily, liquidity was a third lower than in the preceding quarter and only half as high as the average turnover last financial year. With a market capitalisation of 237.7 million euros (31 July 2010, of which 212.5 million euros were in float ownership), DBAG shares ranked 16th among the 50 stocks indexed in the S-Dax.

RBS includes DBAG shares in its sector analyses

Since mid-June, DBAG shares have been a constituent of the peer group used by the Royal Bank of Scotland (RBS) for its sector analyses of European listed private equity companies. RBS is one of the few institutes monitoring the shares of other than UK-based private equity firms at all. Our shares will now be regularly cited and compared with other key securities in the sector. We feel this will contribute to creating greater awareness for DBAG shares among investors who invest in other companies in the listed private equity sector and are therefore familiar with our business model. Analysts' current ratings are regularly documented on our website at www.deutsche-beteiligung.de/IR.

Events after the quarterly balance sheet date

There were no 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 risks

Exposure to risk influenced by global economic trend

Our portfolio consists of very different companies. Many of them operate globally and have outstanding positions in their niche markets. Their businesses should profit from a general growth trend – nonetheless, many of these companies will not be immune to cyclical swings. In that respect, the global economic trend has an influence on our portfolio companies and, consequently, on the value of our financial assets. News from the German economy remains positive, but experts have voiced opinions that the optimism that has spread in Germany is not transferable to all of the world's major economic regions and that business activity may possibly lose some of its dynamism in the coming months. Our portfolio companies are continuing their efforts to enhance the flexibility of their cost structures, thereby preparing for greater volatility in demand.

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 (114.5 million euros at 31 July 2010, compared with 124.3 million euros at 31 July 2009). Liquid funds (including short- and long-term securities) now equate to 1.32 times the portfolio value in comparison to 0.87 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 151.1 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: Return on equity will exceed return target in 2009/2010

The companies in the portfolio of Deutsche Beteiligungs AG are well positioned in the competitive field. In the past two years, we encouraged the managements of our portfolio companies and supported them in responding quickly and resolutely to the challenges presented by the crisis. These efforts are paying off to an increasing extent. Very satisfactory order levels, above budget sales and improved margins constitute a good platform for progress. Whether or not this will give rise to a positive valuation result and a consolidated profit, will – based on the valuation logic common to our sector – also considerably depend on future movements in the quoted markets and the valuation ratios derived from them. These events are not foreseeable and prevent us from making sound forecasts over a period of several quarters.

With a view to the current financial year, which will end in six weeks, we are, however, confident that the return on equity will again exceed the cost of equity this year, if valuation ratios do not fundamentally take a negative turn by the end of the financial year in comparison to this quarter's record date. The consolidated retained profit of Deutsche Beteiligungs AG based on the rules of the German Commercial Code (HGB) and our sizeable liquidity will presumably put us in a position to recommend paying a dividend for the current financial year in line with our dividend policy.

For the period beyond this current financial year, we believe that Deutsche Beteiligungs AG is well equipped to take advantage of new investment opportunities as they arise, thereby laying the foundation for future value growth and attractive returns on equity.

Consolidated interim financial statements

at 31 July 2010

Consolidated income statement

for the period from 1 November 2009 to 31 July 2010

T€	1 Nov. 2009 to 31 July 2010	1 Nov. 2008 to 31 July 2009
Net result of investment activity		
Net result of valuation and disposal of investments and loans and receivables	29,759	7,899
Current income from investments and loans and receivables	6,542	1,897
Total net result of investment activity	**36,301**	**9,796**
Other income/expense		
Personnel costs	8,846	10,884
Other operating income	11,618	8,858
Other operating expense	13,989	7,219
Depreciation and amortisation on property, plant and equipment and intangible assets	195	291
Interest income	612	2,143
Interest expense	278	337
Total other income/expense	**(11,078)**	**(7,730)**
Net income before taxes	**25,223**	**2,066**
Income taxes	(614)	435
Net income after taxes	**25,837**	**1,631**
Minority interest	(4,092)	(1,911)
Net income/(loss)	**21,745**	**(280)**
Earnings/(loss) per share in euros	1.59	(0.02)
Diluted earnings/(loss) per share in euros	1.59	(0.02)
Reconciliation of net income/(loss) to consolidated retained profit:		
Net income/(loss)	**21,745**	**(280)**
Profit carried forward from previous year	52,640	29,230
Dividend	(13,676)	(5,471)
Consolidated retained profit	**60,709**	**23,479**
Consolidated statement of comprehensive income		
Net income/(loss)	**21,745**	**(280)**
Value movements recognised in equity	0	0
Total comprehensive income	**21,745**	**(280)**

Consolidated income statement

for the period from 1 May 2010 to 31 July 2010

T€	1 May 2010 to 31 July 2010	1 May 2009 to 31 July 2009
Net result of investment activity		
Net result of valuation and disposal of investments and loans and receivables	6,691	17,347
Current income from investments and loans and receivables	3,800	1,893
Total net result of investment activity	**10,491**	**19,240**
Other income/expense		
Personnel costs	2,666	5,321
Other operating income	5,001	2,813
Other operating expense	8,451	2,954
Depreciation and amortisation on property, plant and equipment and intangible assets	65	97
Interest income	294	337
Interest expense	118	112
Total other income/expense	**(6,005)**	**(5,334)**
Net income before taxes	**4,486**	**13,906**
Income taxes	(642)	19
Net income after taxes	**5,128**	**13,887**
Minority interest	(1,084)	(1,786)
Net income/(loss)	**4,044**	**12,101**

Consolidated statement of financial position

at 31 July 2010

Assets

T€	31 July 2010	31 October 2009
Non-current assets		
Intangible assets	25	25
Property, plant and equipment	895	8,019
Investments	125,787	137,242
Loans and receivables	4,742	1,306
Long-term securities	78,045	14,487
Other non-current assets	2,338	2,294
Total non-current assets	**211,832**	**163,373**
Current assets		
Receivables	2,786	3,486
Short-term securities	51,650	58,747
Other financial instruments	22	169
Income tax assets	7,506	8,780
Cash and cash equivalents	21,442	50,787
Other current assets	5,966	5,160
Total current assets	**89,372**	**127,129**
Total assets	**301.204**	**290.502**

Shareholders' equity and liabilities

T€	31 July 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	60,709	52,640
Total shareholders' equity	**267,035**	**258,966**
Liabilities		
Non-current liabilities		
Minority interest	15,005	12,288
Deferred tax liabilities	122	118
Total non-current liabilities	**15,127**	**12,406**
Current liabilities		
Other current liabilities	1,221	2,458
Tax provisions	2,685	3,533
Other provisions	15,136	13,139
Total current liabilities	**19,042**	**19,130**
Total liabilities	**34,169**	**31,536**
Total shareholders' equity and liabilities	**301,204**	**290,502**

Consolidated statement of cash flows

for the period from 1 November 2009 to 31 July 2010

T€ Inflows (+) / Outflows (-)	1 Nov. 2009 to 31 July 2010	1 Nov. 2008 to 31 July 2009
Consolidated profit/(loss)	21,745	(280)
Valuation gains (-) / losses (+) on financial assets and loans and receivables, depreciation and amortisation on property, plant and equipment and intangible assets	(28,792)	(4,184)
Gains (-) / losses (+) from disposals of non-current assets	(465)	(2,428)
Increase (+) / decrease (-) in non-current liabilities	2,721	1,765
Increase (-) / decrease (+) in income tax assets, increase (+) / decrease (-) in tax provisions	426	31
Increase (-) / decrease (+) in other assets (netted)	(3)	2,384
Increase (+) / decrease (-) in other liabilities (netted)	760	3,829
Cash flows from operating activities	**(3,608)**	**1,117**
Proceeds from disposals of property, plant and equipment and intangible assets	7,220	0
Purchase of property, plant and equipment and intangible assets	(292)	(600)
Proceeds from disposals of financial assets and loans and receivables	44,505	10,951
Acquisition of non-current financial assets and investments in loans and receivables	(7,033)	(3,889)
Increase (-) / decrease (+) in securities *	(56,461)	(32)
Cash flows from investing activities	**(12,061)**	**6,430**
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	(29,345)	2,076
Cash funds at start of period *	50,787	36,072
Cash funds at end of period *	21,442	38,148

* 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 May 2010 to 31 July 2010

T€ Inflows (+) / Outflows (-)	1 May 2010 to 31 July 2010	1 May 2009 to 31 July 2009
Consolidated profit/(loss)	4,044	12,101
Valuation gains (-) / losses (+) on financial assets and loans and receivables, depreciation and amortisation on property, plant and equipment and intangible assets	(6,593)	(17,045)
Gains (-) / losses (+) from disposals of non-current assets	(11)	(150)
Increase (+) / decrease (-) in non-current liabilities	522	1,775
Increase (-) / decrease (+) in income tax assets, increase (+) / decrease (-) in tax provisions	80	668
Increase (-) / decrease (+) in other assets (netted)	1,374	1,963
Increase (+) / decrease (-) in other liabilities (netted)	6,177	8,007
Cash flows from operating activities	**5,593**	**7,319**
Proceeds from disposals of property, plant and equipment and intangible assets	160	0
Purchase of property, plant and equipment and intangible assets	(49)	(294)
Proceeds from disposals of financial assets and loans and receivables	411	354
Acquisition of non-current financial assets and investments in loans and receivables	(4,920)	(1,646)
Increase (-) / decrease (+) in securities *	(2,704)	786
Cash flows from investing activities	**(7,102)**	**(800)**
Cash flows from financing activities	**0**	**0**
Change in cash funds from cash-relevant transactions	(1,509)	6,519
Cash funds at start of period *	22,951	31,629
Cash funds at end of period *	21,442	38,148

Consolidated statement of change in shareholders' equity

for the period from 1 November 2009 to 31 July 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)	21,745	(280)
At end of period	**60,709**	**23,479**
Total	**267,035**	**239,039**

Condensed notes to the interim financial statements

for the first three quarters of the 2009/2010 financial year

1. Basis of preparation

Deutsche Beteiligungs AG has prepared these consolidated interim financial statements at 31 July 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 31 July 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 which have not been discussed in the preceding section of this interim report.

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 three quarters of financial year 2009/2010.

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 financial year 2009/2010.

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. Of the members of the Supervisory Board, Mr Philipp Möller holds 1,000 shares in Deutsche Beteiligungs AG.

In the first three quarters 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 – 31 July 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 three quarters 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 three quarters 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 three quarters of financial year 2009/2010.

13. Material events subsequent to the end of the period

Please refer to the preceding section of this interim report.

Frankfurt am Main, 10 September 2010

The Board of Management

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 (2009)	Number of staff	Core business
	€mn		
Clyde Bergemann Group Wesel/Glasgow/Delaware www.clydebergemann.de	US$ 469mn	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 supermarkets 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 www.jck.de	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

Financial calendar

Financial calendar

Report on the 3rd quarter 2009/2010 Analysts' Conference Call	14 September 2010
Road show London	15 September 2010
Listed Private Equity Day Stockholm	5 October 2010
German Equity Forum, Frankfurt am Main	22 November 2010
Berenberg Bank European Conference, Bagshot/Surrey, UK	2 December 2010
Annual Press Conference (issuance of 2009/2010 Annual Financial Statements) and Analysts' Conference, Frankfurt am Main	28 January 2011
Road show New York/London/Edinburgh/Frankfurt	February 2011
Report on the 1st quarter 2010/2011 Analysts' Conference Call	17 March 2011
Annual Meeting 2011, Frankfurt am Main (Hermann-Josef Abs Room)	23 March 2011

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: 10 September 2010

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

Shareholder information

Deutsche Beteiligungs AG
Investor Relations and Public Relations
Thomas Franke
Kleine Wiesenau 1
60323 Frankfurt am Main, Germany
Telephone: +49 69 95787-361
Fax: +49 69 95787-391
E-Mail: IR@deutsche-beteiligung.de
Internet: www.deutsche-beteiligung.de

ISIN DE 0005508105
Symbol: DBAG.F (Reuters) – DBA (Bloomberg)

Publication date of the 2009/2010 Annual Report is on 28 January 2011.