

PRIVATE EQUITY INVESTMENTS



PRECISE INVESTMENT CRITERIA

SELECTED INDUSTRIAL SECTORS

Deutsche Beteiligungs AG has opted to focus on industry and industry-related services:

MECHANICAL
AND PLANT
ENGINEERING

AUTOMOTIVE
SUPPLY
INDUSTRY

INDUSTRIAL
SERVICES

INDUSTRIAL
COMPONENTS

We are particularly well-acquainted with business models in these four core sectors. Around 70 percent of our transactions are executed in these sectors.

And this is not without good reason – after all, the industrial sector is the backbone of the German economy. Its share of the total economic output – around 30 percent – is much higher in Germany than in neighbouring European countries or the US. Its mid-market structure also sets it apart from other countries. Family-run, focused on niche markets, innovative and with global operations – these characteristics make the German mid-market sector an attractive market for private equity.

In this environment, we look for companies that offer the potential for further development. We make our decisions based on clearly defined investment criteria.

**OUR
INVESTMENT
CRITERIA**

COMPANY

MID-SIZED COMPANY
WITH A STRONG MARKET
POSITION...



OUTLOOK

...AND DEVELOPMENT
POTENTIAL



SECTORS

FOCUS ON INDUSTRIAL
BUSINESS MODELS



MANAGEMENT

TRIED AND TESTED
MANAGEMENT WITH AN
ENTREPRENEURIAL APPROACH
THAT INVESTS IN ITSELF

In summary, there must
be great development potential

PRIVATE EQUITY INVESTMENTS

5

NEW PORTFOLIO COMPANIES
WITH CLEAR PROSPECTS –
THE BASIS FOR FURTHER VALUE INCREASES

IN BRIEF

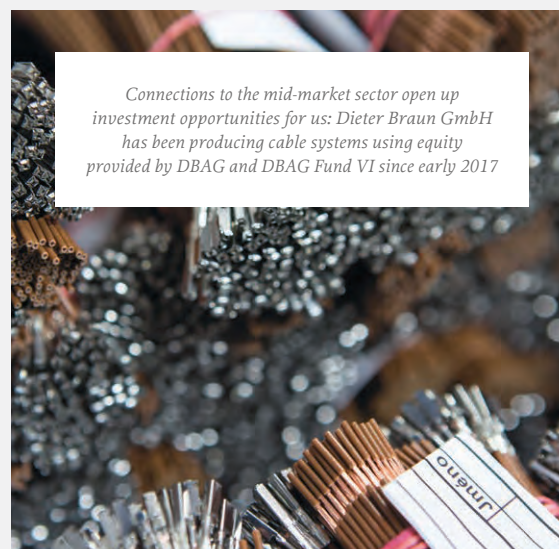
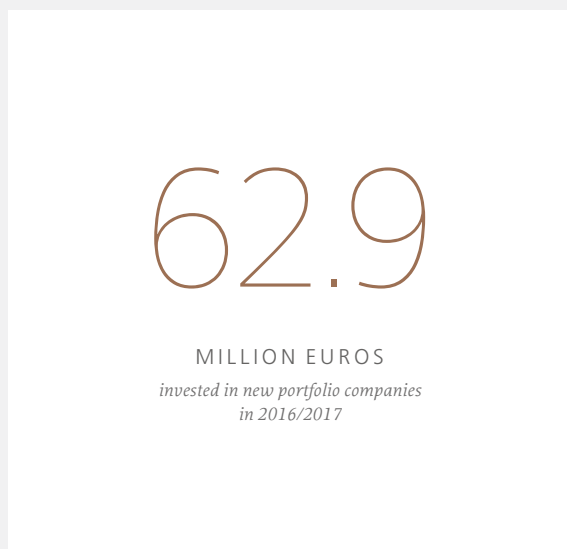
» DBAG offers equity solutions tailored to various financing situations, particularly for family-run businesses. «

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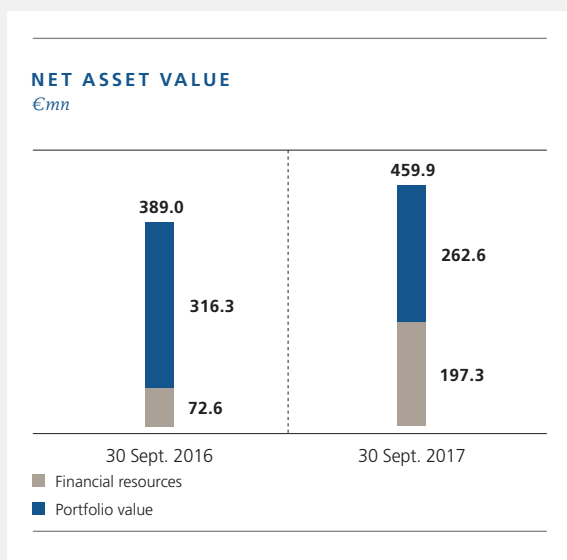
INVESTMENTS
*in our portfolio originate
from family ownership*

70.6

PERCENT
*of the portfolio value is attributable to
companies in our core sectors*



NET ASSET VALUE



RATIONALE

The net asset value is the sum of the portfolio's fair value at the valuation date, less minority interest in the intra-Group investment entities (primarily carried interest), other assets/liabilities of these entities (such as capital that has been drawn down but not yet invested), other non-current assets and financial resources and other financial instruments (loans to intra-Group investment entities), less (any) bank liabilities. DBAG had no bank liabilities – neither this year nor last year. Dividend payments to shareholders always reduce net asset value.

DEVELOPMENTS IN 2016/2017

- Net asset value rose by 18.2 percent in the financial year 2016/2017 to 459.9 million euros, despite a dividend payment of 18.1 million euros; after adjustments to reflect the distribution, the increase came to 22.9 percent.
- The increase is attributable to investments of 62.9 million euros and value growth of the carried portfolio amounting to 25.1 million euros.
- Disposals made the biggest contribution to the increase in net asset value. The net results of disposal – where appropriate after deductions of carried interest – exceeded the value of the sold investments at the start of the financial year by around 67 million euros.
- Since financial resources increased considerably due to the high cash inflows after disposals, the structure of the net asset value has changed.

OUTLOOK

Following the latest increase, we expect to see a further slight increase in net asset value in the new year and also in the following two financial years. We have taken our dividend policy and the associated fund outflows into account in this forecast. Net asset value could be negatively impacted by a drastic decline in inputs for the portfolio valuation, such as valuation ratios in the stock market.

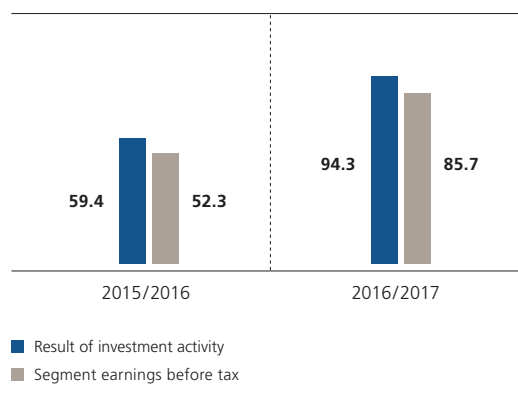
IN BRIEF

» Once again, we expect to achieve an above-average net result from investment activity in the new financial year. «

INVESTMENT ACTIVITY

EARNINGS AND RESULT OF PRIVATE EQUITY INVESTMENTS

€mn



RATIONALE

The result from investment activity mirrors the contribution to income from the portfolio; it is also the key influential factor for consolidated income and the basis for segment income of Private Equity Investments. Segment income takes into consideration the material and personnel costs of DBAG's stock market listing – comparable to an investment trust – and general administration expenses.

DEVELOPMENTS IN 2016/2017

- › The result of investment activity and segment income from Private Equity Investments were clearly up on the previous year.
- › The result of investment activity is shaped primarily by the changes in value in the financial year 2016/2017, which were also realised by disposals; the development in the value of the carried portfolio plays a minor role, however.
- › Carried interest entitlements of the investment team resulting from investments made by DBAG Fund V and DBAG ECF reduced the result of investment activity by 13.8 million euros.

OUTLOOK

The result of investment activity can fluctuate considerably from year to year, as is typical given the nature of the business. Over the past five years, it reached values of between 29.2 and 94.3 million euros, or an average of 46.7 million euros – less than half of the result achieved last year. In the current financial year, we expect to generate a result from investment activity that is much higher than this average value; earnings before tax are also expected to increase, not only in 2017/2018, but also over the ensuing two years. Our projections are based on stable capital market conditions in general.

199.3

MILLION EUROS
*in returns from the portfolio
 within one year*

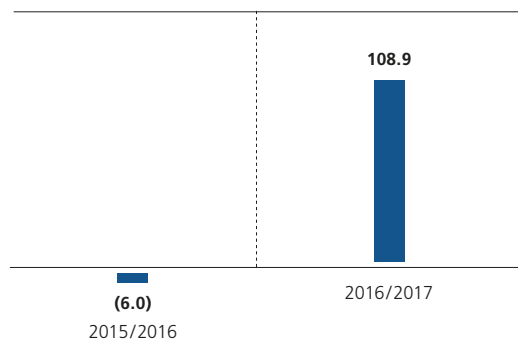
72

MILLION EUROS
*on average to be invested
 in the next three financial years*

CASH INFLOWS AND OUTFLOWS

CASHFLOW PORTFOLIO

€mn



RATIONALE

A characteristic of the private equity business is the small number of transactions involving significant amounts: we enter into an average of four to six investments annually, and we exit an equal number. These transactions occur irregularly; in some years, capital calls made by the intra-Group investment entities for investments may dominate, while in other years, distributions made by the companies after disinvestments are predominant. This gives rise to very irregular cash flows.

DEVELOPMENTS IN 2016/2017

- › In 2016/2017, the amount of returns was much higher than in the previous year, at 199.3 million euros in total.
- › The highly volatile nature of cash flow from the portfolio is partly due to factors pertaining to the reporting date: both the cash inflows and the cash outflows in the financial year 2016/2017 are also based on investment decisions made in the previous year.
- › Two out of five of the investments agreed in the financial year will be initially financed (in part) using short-term loans that we have granted to intra-Group investment entities.

OUTLOOK

We also expect to receive fund inflows from the disposal of investments and to pursue recapitalisation measures in 2017/2018. These will, however, be much lower than the unusually high level seen last year. The co-investment agreements with DBAG ECF and DBAG Fund VII produce an average annual investment amount of around 60 million euros; we project that the investment volume in 2017/2018 and in the following two years will be higher than this amount, at around 72 million euros. All in all, we expect to see negative cash flow from the portfolio.