Business review of the Group

Macroeconomic and sector-related underlying conditions

Real economy: growth forecasts for 2017 and 2018 lifted, medium-term risks remain

The International Monetary Fund (IMF) has made upward revisions to its forecast for the development of the global economy in 2017 several times: given the positive developments on the financial markets and the emerging recovery in manufacturing and trade, particularly in highly developed economies, the IMF expects to see global growth of 3.6 percent in 2017 and 3.7 percent in 2018. According to the IMF's calculations, the global economy grew at a rate of 3.2 percent in 2016. In particular, the growth opportunities open to countries in the eurozone have improved in the course of 2017, according to the IMF. As a result, the outlook for the German economy is also much more positive than in October 2016, with the IMF predicting growth of 2.0 percent in 2017 and 1.8 percent in 2018. At best, however, this would signal only a marginal change in growth momentum as against 2016, when economic output (GDP) grew by 1.9 percent.[6]

6 *"World Economic Outlook", International Monetary Fund; Washington D.C. (USA), October 2017*

The IMF also expects the economic conditions to stabilise in China, Russia and Brazil. The growth forecasts for these countries were lifted several times in 2017. As far as other emerging markets (such as India or South Africa) are concerned, however, the IMF is now less confident than it was this time last year.

Despite an emerging recovery, the global economy is still exposed to considerable risks in the medium term, in particular. These are associated, among other things, with potential economic policy decisions in China and in the United States, which stem from protectionist trends, but also with non-economic developments such as ongoing geopolitical crises and domestic tension in individual countries.

Our portfolio consists of companies that are subject to different market or economic cycles; it contains companies that respond early on to the industries' changes in capital expenditure activity (such as iron foundries), and others that tend to notice changes in order intake or delivery call-offs at the end of a cycle (such as automotive suppliers). This means that changes in the overall conditions, which also include fluctuations in the prices of key commodities, vary in their impact on our portfolio and sometimes counteract each other. Consumer-oriented companies are benefiting from the strong domestic demand fuelled by rising incomes in Germany. Companies with more of an international focus were able to benefit from positive developments on key foreign markets in the current financial year. Overall, the underlying conditions for our portfolio companies this past financial year were good.

Financial markets: attractive financing conditions despite interest rate turnaround in the US

The global financial markets showed positive development in the financial year 2016/2017 on the whole. Promising macroeconomic data and improved consumer sentiment translated into more optimistic earnings expectations on the stock markets of the industrialised nations. This had a generally positive impact on the valuation of our portfolio companies.

The economic upswing in the United States also had an impact on the country's monetary policy. In March 2017, the US Federal Reserve first of all raised its key rate to the range between 0.75 and 1 percent, with the federal funds rate rising to between 1 and 1.25 percent in June 2017. By contrast, the European Central Bank is sticking to its low interest rate policy and has left its key rate at close to 0 percent for the time being.

Lending to the corporate sector has increased further in Germany in tandem with economic developments. In July 2017, the total volume of loans granted to companies was 4.1 percent higher than a year earlier.[7]

7 "Schlaglichter der Wirtschafts-politik Oktober 2017", Federal Ministry for Economic Affairs and Energy, Berlin, October 2017

This means that, compared with the previous financial year 2015/2016, the underlying conditions for the financing of our portfolio companies have improved further. Mid-sized companies are disproportionately reliant on loans because they only have a limited number of alternative refinancing options open to them, for example on the capital markets. This is why we take the likely funding needs into account in the structure of the statement of financial position when we acquire an investment. The supply of acquisition finance remained good in 2016/2017.

Currency rates: weak euro results in value losses

The direct impact that exchange rate fluctuations have on the value of our portfolio is small on the whole. Nevertheless, it increased in 2016/2017: two of our new investments were not entered into in euro terms. This means that the valuations of four investments in portfolio companies (duagon, mageba, More than Meals, Pfaudler) and in the Harvest Partners buyout fund, which is managed by a third party, are subject to currency risks.

Analysis of earnings sources page 89ff.

In 2016/2017, the US dollar, the Swiss franc and the British pound depreciated against the euro; at 30 September 2017, the exchange rates were slightly lower than they were at the prior-year reporting date/when the investment was entered into. This resulted in total value losses of 1.6 million euros. In the previous year, there were slight exchange rate gains of 0.1 million euros.

Beyond that, exchange rate fluctuations have a direct influence on the business activities of our portfolio companies in their respective international markets. This is partly compensated for by the fact that the companies have manufacturing operations in several currency areas.

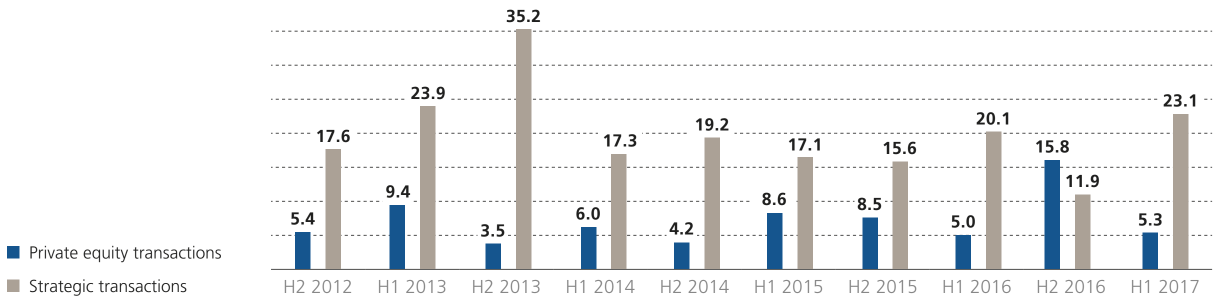
Private equity market: no fundamental change

In the second half of 2016, the total value of private equity transactions in Germany had more than trebled compared with first half of the year, reaching the highest value for a six-month period seen in five years. The number of transactions also increased considerably and came to 125 at the end of 2016 (first half of 2016: 65)[8]. A look at the data for the first half of 2017 and a comparison with the first six months of previous years, however, shows that there have been no fundamental changes to the German M&A market. Again and again, individual major transactions create distortions on a market that is characterised by a small number of transactions on the whole. The proportion of private equity transactions is also fluctuating within a narrow range – with the exception of the second half of 2016.

8 "Der Transaktionswert in Deutschland – 1. Halbjahr 2017", Ernst & Young, July 2017

M&A MARKET GERMANY – TRANSACTION VALUE

€bn



DBAG largely focuses on the mid-market segment in German-speaking regions in our business, that is, on transactions with an (enterprise) value of 50 to 250 million euros. Measured by the number of transactions and investment value, this encompasses a rather small section of the private equity market. The number and total value of transactions increased in this defined market segment in 2016 as well. All in all, financial investors had structured 34 buyouts in the German mid-market segment by the end of 2016 – a level last seen back in 2007. The total volume of the transactions came to around 3.6 billion euros, which is also the highest value seen since 2007.[9]

Despite the peak in numbers and total volume of private equity transactions in 2016, we do not believe at the moment that there has been any fundamental change in the key factors influencing our business. There is still a lot of competition for attractive investment opportunities. Strategic buyers are competing with financial investors. Both groups of buyers have sufficient liquidity. Furthermore, a substantial volume of acquisition finance is still available at attractive conditions. These huge, increasing assets seeking investment stand in contrast to a limited supply of investment opportunities. This trend has long been leading to higher valuations, meaning higher purchase prices.

Our market assessment has been confirmed by sector surveys: in a survey conducted at the end of 2016, 86 percent of the investment managers surveyed described the valuation level on the German private equity market as "expensive". The individuals surveyed felt that the biggest risk of a bubble forming was in the medical technology and technology sector. Wholesale and retail companies, automotive suppliers and mechanical and plant engineering companies were considered to be the least overvalued.[10] Other indicators are pointing towards relatively high entry prices; one market indicator is showing the worst value for buyouts in four years, which is when data collection for this indicator commenced.[11]

9 *The underlying survey conducted by the industry magazine FINANCE on behalf of DBAG includes majority takeovers in the form of MBOs, MBIs and secondary/tertiary buyouts involving a financial investor with a transaction volume of between 50 and 250 million euros.*

10 *"MidMarket Private Equity Monitor"; survey of investment managers working for more than 50 private equity companies conducted by the industry magazine FINANCE on behalf of DBAG*

11 *"German Private Equity Barometer, 2. Quartal 2015 und 2. Quartal 2017", KfW Research, KfW Bank; Frankfurt am Main, August 2015 and August 2017*

Business and portfolio review

Private Equity Investments: very successful divestments and intensive investment activity result in marked changes to the portfolio

Investment decisions worth 345 million euros initiated

The portfolio of Deutsche Beteiligungs AG changed significantly in 2016/2017. Six companies had been added to the portfolio by 30 September 2017, with the same number of companies being sold and removed from the portfolio over the same period.[12] Two of the six new companies – all management buyouts – had already been agreed in 2015/2016, but the transactions were not completed until the most recent financial year. Another MBO was agreed upon in 2016/2017, but is not yet part of the portfolio because not all of the legal requirements had been met at the reporting date to render the purchase agreement effective.

12 The investment in Broetje-Automation, the sale of which had already been agreed in 2015/2016, also left the portfolio in the 2016/2017 financial year following the execution of the sale agreement.

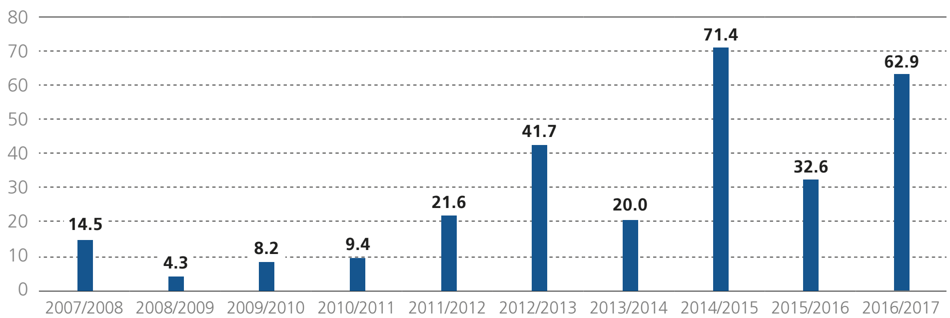
In 2016/2017, DBAG invested 62.9 million euros from its statement of financial position (previous year: 32.6 million euros); this amount includes not only the six new investments, but also increases in existing investments – for example, because these investments, in turn, acquired smaller companies.

In its role as a fund manager and advisor, DBAG initiated investment decisions on equity investments in the financial year 2016/2017 of around 345 million euros, considerably more than in the previous year (278 million euros). 73.0 million euros of this amount was attributable to DBAG's co-investments alongside DBAG Fund VI, DBAG Fund VII and DBAG ECF, namely for new investments (68.4 million euros) and to increase existing investments (4.6 million euros).

Detailed information on all portfolio companies pages 20 to 51 www.dbag.de/portfolio

INVESTMENT IN THE PORTFOLIO

€mn



The MBOs of the Frimo Group GmbH and Polytech Health & Aesthetics GmbH (Polytech) were agreed in August and September 2016 respectively but were not completed before the start of the financial year 2016/2017. The **FRIMO GROUP** develops and manufactures tools and facilities for the production of plastic components used in a variety of applications. Its clients largely comprise automotive suppliers but also include automobile manufacturers. **POLYTECH** is a leading player in Europe in the development and production of silicone implants. The sole German manufacturer of such products, Polytech specialises in breast implants used in reconstructive and aesthetic plastic surgery.

With the MBO of Dieter Braun GmbH, a company operating in the automotive supply industry, the establishment of the DBAG Fund VI portfolio was completed. The fund's investment period came to an end in December 2016; there are still sufficient funds available to support both the agreed growth strategies of the portfolio companies, also through company acquisitions. **DIETER BRAUN** is a specialist and solutions provider for cable systems and interior vehicle lighting in the automotive industry. The company is benefiting from the growing proportion of electrical and electronic components in vehicles and from the trend among original equipment manufacturers (OEMs) and suppliers towards outsourcing parts of their production. Investments in site expansion measures and further production facilities are designed to satisfy the rising demand and further strengthen the Company's position on a fragmented market.

The first investment made by DBAG Fund VII was agreed in March 2017, only two months or so after the start of its investment period. As part of an MBO, the fund will acquire the majority of the shares in the Radiology Group practices Radiologische Gemeinschaftspraxis Herne GbR and Ranova Überörtliche Gemeinschaftspraxis für Radiologie und Nuklearmedizin GbR. The two Radiology Group practices, present at 15 locations in neighbouring towns and cities in North Rhine-Westphalia, will be bundled to form one company, turning them into a leading regional provider of radiology examinations and treatment. The aim is to use the merger to further improve the range of services on offer. The idea is for the **RADIOLOGY GROUP** to continue to build upon economies of scope by achieving organic development, taking over more practices and embarking on additional cooperation projects with hospitals.

MORE THAN MEALS is celebrating the success of a strategic decision we had made in 2016: the special structure of DBAG Fund VII allowed the implementation of a concept for the establishment of a group of companies that requires more shareholders' equity than DBAG funds generally invest in a transaction. Two acquisitions agreed in parallel with each other will create a European market leader for chilled convenience products. In order to achieve this, DBAG Fund VII used the top-up fund to acquire the shares in Abbelen GmbH (Abbelen) and Oscar Mayer Limited (Oscar Mayer) via a management holding company. The top-up fund allows DBAG Fund VII to make equity investments in excess of 100 million euros. Abbelen is Germany's biggest manufacturer of chilled rissoles and ready-made hamburgers; the products are largely offered under supermarket chain brand names. Oscar Mayer is one of the UK's leading manufacturers of ready meals and snacks for major supermarket chains and discount stores. Both companies will continue to be managed independently, but now operate under the umbrella of the same management holding company. The aim is to expand the companies' product range and to further internationalise their sales activities. Other company acquisitions are to be used to contribute to this development. More than Meals has been in the portfolio since April 2017.

duagon AG develops network components for data communication in railway vehicles. This third investment made by DBAG Fund VII is the first MBO of a DBAG fund in Switzerland. **DUAGON** products allow individual railway vehicle systems, such as doors, brakes, air conditioning systems and the primary control computer, to communicate with each other. Almost all train manufacturers and system suppliers use the Company's products. Duagon (start of investment: July 2017) aims to establish itself as an all-round supplier of solutions for data communication in railway vehicles by offering a broader product portfolio and also via acquisitions in the extended competitive environment.

The investment in vitronet Projekte GmbH is also the result of a strategic decision: the **VITRONET** MBO marks the first time that DBAG ECF has entered into a majority investment. After the investment criteria were expanded in 2016, the fund also makes funds available for select MBOs that require less of an equity investment than those made by DBAG Fund VI or DBAG Fund VII. Previously, DBAG ECF had only made minority investments in family-run businesses in order to finance their growth. vitronet offers its customers all services associated with the construction of broadband networks. The company focuses on new fibre-optic networks and upgrading existing networks. Opportunities will arise from the considerable demand for fast, high-performance internet connections, which is still on the rise.

In 2016/2017, six companies strengthened their strategic position in the competitive landscape by making acquisitions. In one case, DBAG made further shareholders' equity available to finance the acquisition (0.6 million euros). The acquired companies account for combined revenues of around 60 million euros and employ 250 people.

Divestments based on above-average capital multipliers

The earnings for the financial year 2016/2017 are characterised, to a significant degree, by the success stories associated with the sale of five MBOs and an older growth financing investment. The investments in FDG, Formel D, ProXES and Romaco (DBAG Fund V), as well as in Schülerhilfe (DBAG Fund VI), were sold based on capital multipliers[13] of between 2.3 and 5.4. The average (unweighted) capital multiplier comes to 3.8 – considerably higher than the long-term average of the multiples achieved in the context of past divestments.

GROHMANN ENGINEERING was one of the most successful investments, and also the oldest investment, in the portfolio: a predecessor company to DBAG had invested in the company in 1987, and the investment was transferred to DBAG in 1997. DBAG had held a stake of 25.1 percent in the company. In January 2017, Grohmann Engineering, one of the pioneers in the field of engineering for electromobility, was sold to a strategic buyer. Despite the exceptionally long holding period, the investment generated an annual rate of return that surpasses our expectations of a growth financing investment.

The **FDG GROUP**, a French service company operating in the wholesale and retail trade, had been in the portfolio since June 2010. It was sold to a French financial investor in April 2017. DBAG and DBAG Fund V had purchased the group from its founding families. In the period that followed, the company achieved both organic growth and growth based on the acquisition of individual product lines, brands and distribution networks. DBAG and the fund had also acquired **FORMEL D** from the latter's founders back in May 2013. The service provider for automotive companies was sold to a financial investor after four years (in July 2017), with average annual revenue growth in excess of 20 percent. **PROXES** is a provider of machinery and processing lines for the food industry; the company was established in June 2013 from four smaller

13 *The capital multiple describes the ratio of total fund inflows from an investment (proceeds on disposal and, for example, profit distributions and interest income) to the original acquisition costs.*

mechanical engineering companies based on a buy-and-build concept and became the market leader for process technology in the food industry. ProXES was sold to a financial investor in July 2017. In June 2017, a strategic buyer acquired three-quarters of the shares in **ROMACO**; the remaining shares in the specialist supplier of processing and packaging technology for the pharmaceutical industry were to have been transferred to the same buyer by 2020. Since the start of the investment in April 2011, the company had transformed itself, also by acquiring other companies, into a "full liner" that is able to offer its customers system-based solutions.

SCHÜLERHILFE was the first MBO to be sold from the DBAG Fund VI portfolio in July 2017. Schülerhilfe was the first of a total of four companies in the fund portfolio that do not operate in one of DBAG's core sectors. This meant that the very successful completion of the exit for DBAG was also of strategic significance. The company, which joined the portfolio in October 2013, had expanded its market-leading position, reporting average annual revenue growth of just under 10 percent. This development was helped along by the addition of further learning offerings and a company acquisition.

DBAG's portfolio has become younger. At the reporting date (30 September 2017), it contained (not including the two international buyout funds) 22 active investments (previous year: 23). Nine out of 22 of the active investments are less than two years old. They account for around 47 percent of the cost for the investments but only 31 percent of the current value. The twelve portfolio companies that have been held for more than two and less than five years (one investment by DBAG Fund V, six investments by DBAG Fund VI and five by DBAG ECF) further account for just under 60 percent of the portfolio value. One year ago, around 20 percent the portfolio value was still attributable to investments that had been in the portfolio for more than five years.

VINTAGE PROFILE OF PORTFOLIO

	Number of investments	*Cost €mn*	*IFRS value €mn*	*IFRS value %*
< 2 years	9	85.8	77.9	31.0
2 – 5 years	12	81.3	146.6	58.3
> 5 years	3	9.6	18.5	7.3
Other[1]	–	5.0	8.7	3.5
	24	**181.6**	**251.7**	

1 Value of remaining parts of exited investments (retentions for representations and warranties, etc.)

Fund Investment Services: sufficient capital resources and additional capital commitments secure basis for further investment activity

In the financial year 2016/2017, DBAG invested alongside DBAG Fund VI, initiated in 2012, and DBAG ECF, which was launched in 2011. DBAG Fund VI ended its investment period in December 2016 with its eleventh MBO (Dieter Braun). DBAG Fund VII had reached an agreement on three investments by 30 September 2017. This means that, in less than one year following the start of the investment period, the fund has called more than 20 percent of the committed capital and is around 22 percent invested.

DBAG ECF has been in its first new investment period, which is set to run until the end of 2018, since June 2017 (DBAG ECF I). The idea is that, starting on 1 January 2019, a new investment period running for ten years in each case will be launched every two years. This structure allows DBAG to offer investments of a correspondingly long duration, which responds to the demand among family-run businesses for a long-term partnership. The fundraising activity for the first new investment period of DBAG ECF was completed in January 2017: investors committed total capital of 85 million euros, with 35 million euros attributable to co-investments made by DBAG and the investment team.[14]

14 Projected over a period of five years, the 85 million euros committed for a 19-month investment period correspond to a fund volume of around 270 million euros.

The investors in DBAG Fund VII pay an advisory fee rate for the principal fund (808 million euros, of which 183 million euros is from DBAG) of DBAG Fund VII to DBAG, the level of which is unchanged compared to previous buyout funds. No fees are charged on commitments to the top-up fund (202 million euros, of which 17 million euros are from DBAG); similar to the advisory fees for DBAG ECF, investors, in this case, pay fees based on the invested capital over the fund's complete term as well as – in the case of DBAG ECF – a one-off fee on new investments.

Assets under management or advice by DBAG totalled 1,806 million euros at the period end (previous year: 1,776 million euros). In addition to the invested assets from DBAG's statement of financial position and from the funds, this comprises the capital commitments that can be called from the fund investors and the financial resources of DBAG.

Development of managed and advised assets page 103

Comparability with the previous year

Comparability with the prior-year figures reported is limited due to the amendments to IFRS 10 "Consolidated Financial Statements". Due to the amendments which were to be applied for the first time in 2016/2017, a subsidiary (Deutsche Beteiligungsgesellschaft mbH) can no longer be consolidated. Financial assets increased by 7.9 million euros because the subsidiary is now included at its net asset value. Financial resources are 5.9 million euros lower; this liquidity now forms part of the net asset value. The information below relates to prior-year figures that were calculated in a comparable manner. The change in consolidation has no impact on total shareholders' equity.

Earnings position

Overall assessment: net income up by more than 80 percent on the previous year

Net income in 2016/2017 came to 90.4 million euros, up considerably on the amount of 49.5 million euros reported in the financial year 2015/2016 and marking the second-highest level seen since IFRS reporting was introduced at 31 October 2004. Earnings from investment activity is the main factor in this development: due, in particular, to several divestments that were very successful in a long-term comparison, it came to 94.3 million euros, more than 50 percent higher than in the previous year. As expected, fee income from fund management and advisory services reached a record high. (Negative) net expenses ("Other income/expenses" in the condensed consolidated statement of comprehensive income below) increased by 2.4 million euros to 30.9 million euros because higher provisions were set up for performance-related remuneration due to the successful business developments. Nevertheless, net expense fell considerably in a year-on-year comparison due to the higher fee income from fund management and advisory services.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€'000	**2016/2017**	2015/2016
		restated[1]
Net result of investment activity	94,272	59,429
Fee income from fund management and advisory services	27,047	18,341
Net result of fund services and investment activity	**121,319**	**77,769**
Personnel costs	(20,743)	(16,055)
Other operating income	4,605	6,672
Other operating expenses	(14,349)	(18,549)
Net interest	(402)	(516)
Other income/expenses	**(30,889)**	**(28,448)**
Net income before taxes	**90,430**	**49,321**
Income taxes	(1)	168
Net income after taxes	**90,430**	**49,489**
Minority interest	(37)	(33)
Net income	**90,392**	**49,455**
Other comprehensive income	2,925	(6,485)
Total comprehensive income	**93,318**	**42,971**

1 Restated after adjustment for amendments to IFRS 10 (see note 3 to the consolidated financial statements)

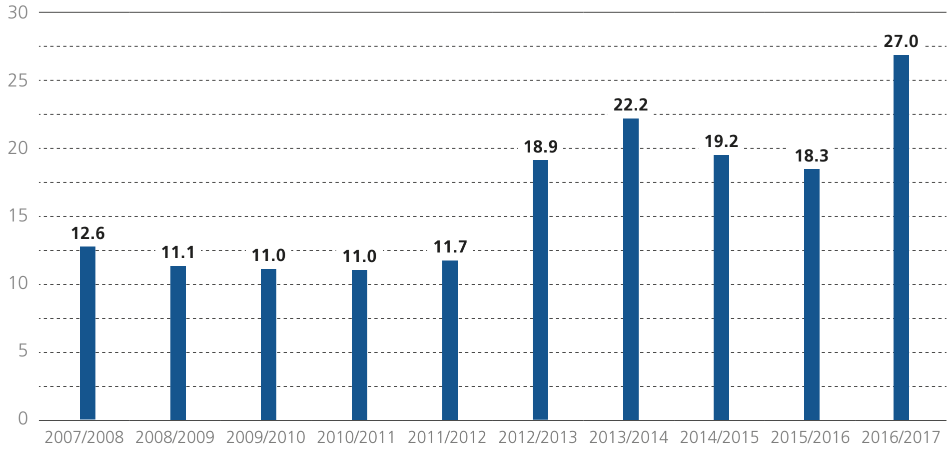
Overview: much higher income from investment activity and Fund Investment Services

The **NET RESULT OF FUND SERVICES AND INVESTMENT ACTIVITY** came to 121.3 million euros, considerably more than in the previous year (77.8 million euros). It is still determined to a considerable degree by the *net result of investment activity*, both in terms of its absolute amount and in terms of its volatility (for details, please refer to the information under "Net result of investment activity").

The *fee income from fund management and advisory services* was also more than 50 percent higher than in the previous year at 27.0 million euros (previous year: 18.3 million euros). The start of the investment period of DBAG Fund VII made the calculation base for fee income from Fund Investment Services much broader; the impact of the divestment of the DBAG Fund V investments was more than compensated for.

FEE INCOME FROM FUND MANAGEMENT AND ADVISORY SERVICES

€mn



Other income/expenses: drop in net cost ratio despite higher expense items

Net expenses within **TOTAL OTHER INCOME/EXPENSES**, i.e. the net amount of personnel costs, other operating income and expenses as well as net interest, increased by 2.4 million euros as against the prior-year value.

As far as *personnel costs* are concerned, there were two year-on-year changes that are worth mentioning: spending on wages and salaries increased, among other things, due to the higher number of employees; we expanded the investment team and strengthened the corporate functions within the Company due to mounting regulatory requirements. The additions to the provisions for performance-related variable remuneration for employees and the Board of Management mentioned above came to 9.9 million euros (previous year: 5.7 million euros). This amount comprises two larger elements: first, it includes 1.8 million euros relating to the remuneration from the successful disposal of the investment in Grohmann Engineering; in line with the remuneration system that was in place at the start of the investment, this remuneration takes into account the overall success of the investment over a period of almost 20 years. There was no remuneration to speak of based on this system in the previous year. 8.1 million euros (previous year: 6.7 million euros) relate to the provisions for variable remuneration for employees and the Board of Management. This remuneration is calculated, among other things, based on the number of new investments, the development of existing investments and the success of divestments, and is also determined to a considerable degree by net income and the associated return on equity.

Remuneration system pages 104 and 224ff.

The development in *other operating income* also put pressure on the net amount of total other income/expenses. This income was 2.1 million euros lower because we were able to pass on fewer costs from our investment activity to the DBAG funds. This is, however, offset by much lower expenses of 4.4 million euros (previous year: 7.4 million euros) for transaction-related advice. This also took pressure off *other operating expenses*, as did the fact that one-off expenses incurred in the previous year, in the amount of 1.9 million euros for fundraising (DBAG Fund VII) and 0.5 million euros for arranging the credit line, were not incurred in the year under review. The item includes costs of 0.4 million euros associated with the support provided in connection with the random sample examination conducted by the German Financial Reporting Enforcement Panel (FREP) and incurred in the further course of the enforcement procedure.

Pension obligations and plan assets: Notes to the consolidated financial statements, page 160f.

OTHER COMPREHENSIVE INCOME improved considerably, by 9.4 million euros, year-on-year. Whereas 6.6 million euros in actuarial losses from the remeasurement of pension obligations had to be taken into account in the previous year, the increase in the underlying actuarial rate from 0.80 percent (30 September 2016) to 1.55 percent (30 September 2017) resulted in a positive actuarial effect of 3.5 million euros in 2016/2017. The item also includes 0.6 million euros in realised losses from the disposal of securities and negative changes in the value of the securities portfolio, which can also be attributed to the recent increase in interest rates.

Net result of investment activity: biggest contribution made by gains on disposal

Portfolio valuation procedure page 155ff.

The net result of investment usually largely mirrors the value growth of the interests in the portfolio companies, which are mostly held via intra-Group investment entities. This means that it depends not only on the expectations of the portfolio companies, but also – due to their valuation based on multipliers of listed reference companies (peer groups) – on developments on the capital markets. In this financial year, the net result of investment activity was shaped to a considerable degree by the changes in value in the financial year 2016/2017 that were actually realised through disposals. The net result also includes current income from the portfolio and the net amount of expenses and income of the intra-Group investment entities. It also includes the profit-sharing entitlements attributable to minority partners in intra-Group investment entities.

NET RESULT OF INVESTMENT ACTIVITY

€'000	2016/2017	2015/2016 restated[1]
Gross result of valuation and disposal portfolio	106,890	68,904
Minority interest in investment entity subsidiaries	(14,354)	(12,453)
Net result of valuation and disposal portfolio	**92,536**	**56,452**
Current income portfolio	8,813	6,506
Net result portfolio	**101,350**	**62,958**
Net result other assets and liabilities of investment entity subsidiaries	(6,685)	(4,002)
Net result other financial assets	(392)	473
Net result of investment activity	**94,272**	**59,429**

1 Restated after adjustment for amendments to IFRS 10 (see note 3 to the consolidated financial statements)

The **GROSS RESULT OF VALUATION AND DISPOSAL** of the portfolio exceeded that of the preceding year by 38.0 million euros, or by around 55 percent. We had made ongoing investments in the previous years, which meant that we were able to sell six portfolio companies – more than one-quarter of the portfolio at the start of the financial year – on a receptive market in 2016/2017. Particularly in the second half of the financial year, we realised valuations that were much higher than the fair values on the previous reporting date; findings derived from the sales processes had already resulted in significant increases in value on the reporting dates in the first half of the year. The sale prices particularly reflect the companies' good strategic further development in recent years. They also, however, reflect capital market sentiment that was positive on the whole, which also favoured the value of the other portfolio companies. By contrast, operational developments at the companies had less of an impact than in the previous year.

SOURCE ANALYSIS 1: At the period ending 30 September 2017, we calculated the fair value of 14 portfolio companies using the multiples method. We based this calculation (largely) on the expected result for 2017 and the company debt levels expected at the end of the year, as well as on capital market valuations and exchange rates at the reporting date. We applied uncertainty discounts to the expected results of some companies because the information provided by the portfolio companies largely related to the data at 30 June 2017. Six companies are included at the original transaction price (where appropriate, after adjustments to reflect changes in exchange rates). We valued two companies that showed particularly strong growth using the DCF procedure. Our valuations of the foreign buyout funds were based on the valuation of the fund managers.

RESULT OF VALUATION AND DISPOSAL PORTFOLIO BY SOURCES
SOURCE ANALYSIS 1

€'000	**2016/2017**	2015/2016
Fair value of unlisted investments		
Change in earnings	11,434	45,751
Change in debt	(3,847)	644
Change in multiples	18,540	17,909
Change in currency rates	(1,214)	159
Change in other	3,446	1,655
	28,359	66,118
Realised gains/(losses) on disposals	81,803	(4,318)
Acquisition cost	(362)	32
Other	(2,909)	7,072
	106,890	**68,904**

RESULT OF VALUATION AND DISPOSAL PORTFOLIO BY SOURCES
SOURCE ANALYSIS 2

€'000	**2016/2017**	2015/2016
Positive movements	128,025	95,367
Negative movements	(21,135)	(26,463)
	106,890	**68,904**

RESULT OF VALUATION AND DISPOSAL PORTFOLIO BY SOURCES
SOURCE ANALYSIS 3

€'000	**2016/2017**	2015/2016
Net valuation movements	25,087	60,374
Unrealised disposal gains on imminent sales basis	0	12,848
Realised gains/(losses) on disposals	81,803	(4,318)
	106,890	**68,904**

The contribution made by the change in the result and in debt can be used as an indicator of operational improvements at the portfolio companies or as an indicator of their strategic further development.

Let's start with the increase in value due to higher results: it was much lower than in the previous year. This is, first of all, due to the fact that more companies were valued using the multiples method in the previous year – 17 instead of 14. These included FDG, Formel D, Grohmann, ProXES, Romaco and Schülerhilfe, six companies at a very advanced development stage which have since been sold; in the financial year 2015/2016, these companies were responsible for 20.9 million euros, or almost half of the value contribution made by changes in results. Second, a current total of two out of the 17 companies valued using the multiples method are likely to report earnings for 2017 that are considerably lower than the prior-year value. In one case, this is due to unexpectedly weak order intake in the current financial year, while in the other, it is due to a lack of availability of suitable employees and higher expenses incurred as a result. This does not call our investment theory into question in either case; nevertheless, earnings contributions will be delayed as a result or will initially require further expenses. Due to their earnings development, these two companies alone have an impact of 13.2 million euros on the net result of valuation. Finally, and third, our portfolio is young overall. Nine companies have been added over the past two years. No fewer than seven of them are former family-run businesses in which we are supporting the company succession process. In such situations, it is often, for example, necessary to start by putting structures in place to exploit the development potential resulting from revenue growth and an increase in margins. Six of these companies have been in the portfolio for less than one year, meaning that they are carried at their transaction value.

We do not receive any ongoing distributions during the term of our investment as a general rule, at least not in cases involving an MBO. This allows the portfolio companies to use any surpluses to reduce their debt. This is particularly the case for companies that have been in the portfolio longer. Nevertheless, our portfolio companies sometimes finance their company acquisitions and usually finance the expenses required to initiate further development at the start of the investment, in particular, using their own results. This means that debt levels at individual companies can also increase. This explains why the value contribution from the development in debt levels at the portfolio companies was negative overall in 2016/2017.

The biggest contribution made to the net result of valuation of the carried portfolio can be attributed to the impact of higher valuation multiples. The valuations of listed peer group companies improved virtually across the board over the course of the year. This is why the valuation at the current reporting date is predominantly based on higher multiples than those used a year earlier. On average, our portfolio was valued for all investments at the reporting date at 7.5x the portfolio companies' expected EBITDA for 2017 (previous year: 7.7x – it is important to remember that the portfolios, as assessed on the two reporting dates, vary considerably following numerous disposals and new investments).

All in all, changes in exchange rates had a slightly negative impact on the valuation of two portfolio companies (mageba, Pfaudler). The sustained positive financial development of the portfolio companies valued using the DCF procedure resulted in higher budgets. The resulting higher valuations contributed 3.4 million euros to the "Other influences".

The net result of disposal also includes the success of the partial sale of the investment in Gienanth.

The negative effect resulting from the portfolio companies recognised at cost can be traced back to changes in exchange rates (duagon, More than Meals).

SOURCE ANALYSIS 2: The positive value changes are attributable – in addition to the divestments – to eleven active investments. As mentioned, six investments are recognised at their transaction price because they have been held for less than twelve months. Five equity investments and the two investments in international buyout funds managed by third parties made a negative contribution to the net result of valuation and disposal. Two companies, through which retentions for representations and warranties and assets remaining from previous investments were settled, were given a lower valuation than in the previous year.

SOURCE ANALYSIS 3: The disposal of the investments in FDG, Formel D, Grohmann Engineering, Romaco, ProXES and Schülerhilfe has been completed; the success of these disposals is the main determining factor in the net result of disposal. The success of the partial sale of the investment in Gienanth is also taken into account. In the previous year, one disposal (Broetje-Automation) had been agreed on the reporting date though the transaction had yet to be completed; as a result, the value contribution from the transaction had been reported as "unrealised disposal gains on imminent sales basis".

GAINS ATTRIBUTABLE TO MINORITY INTEREST OF THE INTRA-GROUP INVESTMENT ENTITIES reduced the result of investment activity by 14.4 million euros (previous year: 12.5 million euros). 0.6 million euros of this amount (previous year: 0.5 million euros) relates to the share of the investment managers in the current profits of the intra-Group investment entities, while 13.8 million euros (previous year: 12.0 million euros) is attributable to their carried interest from their private investments in the corresponding companies in DBAG Fund V and DBAG ECF. The arithmetical carried interest noted in the current financial statement mirrors the net value appreciation of the funds' investments in the financial year 2016/2017 as well as – in the case of DBAG Fund V – the realised gains on disposals (Broetje-Automation, FDG, Formel D, ProXES and Romaco). The arithmetical carried interest changes in line with the further development of the fund investments. Corresponding to the realisation of value gains on individual investments, carried interest payments will extend over a number of years.

The investment period of DBAG Fund VI ended in December 2016. Based on the capital that has flowed back to the investors to date, for example following the disposal of the investment in Schülerhilfe, we believe that the requirements for the recognition of carried interest have not yet been met.

The IFRS-compliant consideration of carried interest in the measurement of the intra-Group investment entities and the related reporting in the notes to the consolidated financial statements are the subject of an enforcement procedure that the Federal Financial Supervisory Authority (BaFin) has been leading since January 2017. DBAG had previously objected to the outcome (identification of an error) of a random sample examination of the consolidated financial statements at 30 September 2015 conducted by the German Financial Reporting Enforcement Panel (FREP); this examination had commenced in January 2016. If BaFin concurs with the opinion that resulted in the identification of the error, then arithmetical carried interest of 8.4 million euros would have to be included for the first time, with a value-reducing effect, in the valuation of the intra-Group investment entity of DBAG Fund VI at 30 September 2017. If BaFin shares the view on which our current method for taking carried interest into consideration is based, then this amount would not have to be included in the consolidated financial statements at 30 September 2017 with a value-reducing effect. As we still consider our method to be appropriate, and given that the enforcement procedure is still ongoing, we have continued to apply our method to the consolidated financial statements at 30 September 2017. Regarding the inclusion of carried interest in the valuation of the intra-Group investment entities of DBAG Fund V, DBAG ECF and DBAG Fund VII, both methods produce the same result.

The **CURRENT INCOME FROM THE PORTFOLIO** relates mainly to interest from shareholder loans, and, to a lesser extent, to distributions made by portfolio companies.

TEN-YEAR SUMMARY OF EARNINGS

€mn	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017
								11 months	restated[1]	
Net result of investment activity[2]	(53.4)	31.8	53.2	(4.5)	51.3	41.0	50.7	29.2	59.4	94.3
Fee income from fund management and advisory services	–	–	–	–	–	–	22.2	19.2	18.3	27.0
Other income/expenses[3]	(1.9)	(9.4)	(15.5)	(15.4)	(4.0)	(7.3)	(24.5)	(21.3)	(28.4)	(30.9)
EBT	(55.3)	22.4	37.6	(19.9)	47.0	33.8	48.4	27.1	49.3	90.4
Net income	(51.1)	19.6	34.1	(16.6)	44.5	32.3	48.0	27.0	49.5	90.4
Other comprehensive income[4]	–	(2.3)	(3.3)	0.7	(6.2)	(3.7)	(6.4)	0.4	(6.5)	2.9
Consolidated comprehensive income	–	17.3	30.8	(15.9)	38.3	28.6	41.6	27.4	43.0	93.3
Return on equity per share %	(17.5)	7.3	12.7	(6.2)	16.7	11.5	15.9	9.6	14.9	26.5

1 Restated after adjustment for amendments to IFRS 10 (see note 3 to the consolidated financial statements)
2 Net result of valuation and disposal as well as current income from financial assets
3 Net amount of other income and expense items; up to and including FY 2007/2008 "Other comprehensive income", up to FY 2012/2013 incl. income from fund investment services
4 Since FY 2009/2010, actuarial gains/losses on plan assets are taken directly to equity through "Other comprehensive income".

Liquidity position

Overall assessment: sound liquidity position ensures financing of investment projects

The Group's financial resources consist of cash in the amount of 128.0 million euros and 33.7 million euros from interest-bearing securities of German issues with a rating based on Standard & Poor's of "A" or better. On the current reporting date, they exceeded the prior-year value considerably, namely by 89.0 million euros. The increase is due to an unusually large number of unusually successful divestments in a long-term comparison. In addition, the intra-Group investment entities have financial resources totalling 14.5 million euros. These funds are also available for investments. On the reporting date, they included securities worth 5.3 million euros and cash and cash equivalents of 9.2 million euros.

Our financing strategy aims to keep financial resources available, namely roughly in an amount corresponding to an average one-year investment programme. DBAG finances its activities in the long term by way of the stock market and not by bank debt. It aims to always be in a position to fulfil the requirements set out in the co-investment agreements with the DBAG funds. Outstanding co-investment commitments alongside DBAG Fund VII and the DBAG ECF amounted to approximately 250 million euros at 30 September 2017. Based on the investment progress planned for the new financial year and the two following years, DBAG will have an average liquidity requirement of around 70 million euros annually; the actual requirement may fluctuate strongly.

The following statement of cash flows based on the IFRS shows the changes in cash funds.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

€'000	2016/2017	2015/2016 restated[1]
Net income	90,392	49,455
Valuation (gains)/losses and (gains)/losses on disposals of financial assets and loans and receivables	(92,035)	(53,380)
Other non-cash-relevant changes	1,183	3,289
Cash flows from operating activities	**(460)**	**(635)**
Proceeds from disposals of financial assets and loans and receivables	199,286	44,711
Acquisition of investments in financial assets and loans and receivables	(54,697)	(50,662)
Acquisition of investments in other financial instruments	(35,649)	0
Proceeds from/(acquisition of) long and short-term securities	(13,384)	8,785
Other inflows and outflows	(430)	(963)
Cash flows from investing activities	**95,127**	**1,870**
Proceeds from capital increase	0	37,221
Payments to shareholders (dividends)	(18,053)	(13,676)
Cash flows from financing activities	**(18,053)**	**23,545**
Change in cash funds from cash-relevant transactions	76,614	24,780
Cash funds at start of period	51,361	26,582
Cash funds at end of period	**127,976**	**51,361**

1 Restated after adjustment for amendments to IFRS 10 (see note 3 to the consolidated financial statements)

In the financial year 2016/2017, **FINANCIAL RESOURCES** based on the statement of cash flows (only includes cash funds pursuant to the IFRS) increased by 76.6 million euros to 128.0 million euros (at the period ending 30 September 2016: 51.4 million euros).

CASH INFLOWS FROM INVESTING ACTIVITIES can be attributed mainly to distributions made by the intra-Group investment entity for DBAG Fund V. In 2016/2017, five investments were sold from the fund portfolio (Broetje-Automation, FDG, Formel D, ProXES and Romaco), generating inflows of 122.1 million euros. The intra-Group investment entity for DBAG Fund VI distributed 43.2 million euros following the disposal of the investment in Schülerhilfe, the partial disposal of the investment in Gienanth and the refinancing of Infiana. The disposal of DBAG's investment in Grohmann Engineering resulted in cash inflows of a further 29.1 million euros. **CASH OUTFLOWS FROM INVESTING ACTIVITIES** were attributable primarily to capital calls from the intra-Group investment entities for new investments made by DBAG Fund VI (26.0 million euros, mainly for Dieter Braun and Frimo), DBAG Fund VII (12.9 million euros, mainly duagon, More than Meals, Radiology Group) and DBAG ECF (15.5 million euros, mainly Rheinhold & Mahla, vitronet). We granted larger-scale short-term loans to an intra-Group investment entity in the last financial year as part of the structuring of an investment in new portfolio companies (More than Meals, duagon). Once the final capital structure has been set, the loans will be refinanced by way of acquisition financing and shareholders' equity. This approach will optimise the return on the capital invested for DBAG Fund VII. The resulting cash outflow of 35.6 million euros is also reflected in the statement of cash flows ("Payments for investments in other financial instruments").

All in all, investment activity generated cash inflows of 108.9 million euros in 2016/2017. In the previous financial year, the use of funds totalling 6.0 million euros was required. With regard to the valuation, it is important to bear in mind that both the cash inflows and the cash outflows in the financial year 2016/2017 are based, to a considerable degree, on investment decisions made in the previous year. This means that the high level of volatility is partly due to reporting-date factors and is also due to lower cash flows, albeit very considerable ones in terms of amount, in the transaction business, meaning that it is typical for our business model.

Securities transactions resulted in a payout balance of 13.4 million euros.

The payout of the dividend at the end of February 2017 (18.1 million euros) reduced the financial resources

TEN-YEAR SUMMARY OF CASH POSITION

€mn	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	**2016/2017**
								11 months	restated[1]	
Cash flows from operating activities	3.0	(3.5)	(12.8)	0.9	(9.6)	(12.0)	0.0	7.1	(0.6)	(0.5)
Cash flows from investing activities	3.8	19.6	(44.4)	33.1	(18.2)	18.7	67.9	20.1	1.9	95.1
Cash flows from financing activities	(57.3)	(5.5)	(13.7)	(19.1)	(10.9)	(16.4)	(16.4)	(27.4)	23.5	(18.1)
Change in financial resources[2]	(50.5)	10.6	(70.9)	14.9	(38.8)	(9.8)	50.9	(0.1)	24.8	76.6

1 Restated after adjustment for amendments to IFRS 10 (see note 3 to the consolidated financial statements)
2 Financial resources: cash and cash equivalents and long-term securities; without Financial resources in intra-Group investment entities

Asset position

Overall assessment: considerable gain in assets following several successful disposals

Total assets at 30 September 2017 are 68.2 million euros higher than at the start of the financial year, mainly due to the increase in cash funds and shareholders' equity. The increase can be traced back to the cash inflows following successful disposals; the cash funds correspond to more than one-quarter of the Group assets, which otherwise consist largely of the investment portfolio.

CONDENSED STATEMENT OF FINANCIAL POSITION

€'000	30 Sept. 2017	30 Sept. 2016 restated[1]
Financial assets incl. loans and receivables	262,605	316,341
Long-term securities	33,659	21,279
Other non-current assets	1,822	2,081
Non-current assets	**298,086**	**339,701**
Other financial instruments	35,649	0
Receivables and other assets	4,072	4,414
Cash and cash equivalents	127,976	51,361
Other current assets	6,624	8,682
Current assets	**174,320**	**64,457**
Total assets	**472,405**	**404,158**
Equity	444,884	369,619
Non-current liabilities	11,471	15,203
Current liabilities	16,050	19,335
Total shareholders' equity and liabilities	**472,405**	**404,158**

1 Restated after adjustment for amendments to IFRS 10 (see note 3 to the consolidated financial statements)

Asset and capital structure: significant changes in asset structure, capital structure largely unchanged

Seven sold companies that had accounted for around one-quarter of total assets on the previous reporting date left the portfolio in the financial year 2016/2017. The proceeds generated in connection with these disposals were once again significantly higher than the values stated for these companies at the start of the financial year. This resulted in the extension of the statement of financial position and a considerable change in the **ASSET STRUCTURE**. Financial assets dropped considerably, while financial resources increased considerably at the same time. At the period ending 30 September 2017, 56 percent (previous year: 78 percent) was invested in financial assets. 34 percent of total assets (previous year: 18 percent) related to financial resources and were available for investment. Short-term loans that DBAG had granted to an intra-Group investment entity as part of the restructuring of the investment in new portfolio companies (More than Meals, duagon) are recognised in current assets as other financial instruments with a value of 35.6 million euros at the reporting date.

The ratio of financial assets to financial resources changed considerably: it came to 1.6 to 1 at 30 September 2017 (30 September 2016: 4.4 to 1).

Shareholders' equity increased by 75.3 million euros as against the reporting date of the previous year to 444.9 million euros, thanks to the net income. Equity per share rose from 24.57 euros to 29.57 euros. In relation to the equity (including deductions for the amount earmarked for distribution) at the beginning of the financial year, this equates to an increase of 26.5 percent.

There were only slight changes in the capital structure. The equity ratio, which was very high to begin with, rose from 91.5 to 94.2 percent. Shareholders' equity covers the non-current assets – as at the previous reporting date – in full and covers current assets at a rate of 84 percent (previous year: 46 percent). Liquidity that was not required in the short term was partly invested in securities. These securities are to be reported under non-current assets in line with the IFRS.

A temporary drawdown of 10 million euros was made against the credit line of 50 million euros, which has been in place since the beginning of 2016, in the third quarter of the year because inflows from disposals were delayed and new investments had to be financed. The credit line had not been drawn as at the reporting date.

Financial assets and loans and receivables: portfolio value lower following disposals

Financial assets including loans and receivables are largely determined by the **PORTFOLIO VALUE**; despite the brisk investment activity, they fell mainly due to the disposal of six equity investments.

Change in portfolio value page 98

The **MINORITY INTEREST IN INTRA-GROUP INVESTMENT ENTITIES** fell by 15.9 million euros in total compared with the level at the start of the financial year. Following the conclusion of the disposal of the investments alongside DBAG Fund V, carried interest entitlements of 29.5 million euros were paid out; the payouts exceeded the increase in the value of the investments of DBAG ECF and the remaining investment of DBAG Fund V.

Possible carried interest from DBAG Fund VI page 92

The drop in the **OTHER ASSETS AND LIABILITIES OF THE INTRA-GROUP INVESTMENT ENTITIES** is due primarily to the drop in cash and cash equivalents, as the funds called in September 2016 were invested in Polytech at the beginning of October 2016.

FINANCIAL ASSETS INCL. LOANS AND RECEIVABLES

€'000	**30 Sept. 2017**	30 Sept. 2016
		restated[1]
Portfolio value (incl. loans and receivables)		
gross	251,722	302,597
Minority interest in investment entity subsidiaries	(12,904)	(28,847)
net	238,818	273,751
Other assets / liabilities of investment entity subsidiaries	22,373	40,132
Other non-current assets	1,415	2,458
Financial assets incl. loans and receivables	**262,605**	**316,341**

1 Restated after adjustment for amendments to IFRS 10 (see note 3 to the consolidated financial statements)

Portfolio and portfolio value: 22 active equity investments

At 30 September 2017, the DBAG **PORTFOLIO** consisted of 22 equity investments and two investments in international private equity funds managed by third parties that we entered into in 2000 and 2002 respectively with the aim of diversifying our portfolio. Following the sale of the directly held investment in Grohmann Engineering, the investments are now held indirectly via intra-Group investment entities with only one exception. They include 14 investments in management buyouts and eight investments aimed at growth financing. The international buyout funds are currently at the end of their disinvestment phase and only hold one and two remaining investments, respectively.

At 30 September 2017, the value of the 24 investments, including loans to and receivables from portfolio companies, amounted to 245.6 million euros (30 September 2016: 297.0 million euros); in addition, there were entities with a value of 6.1 million euros (30 September 2016: 5.6 million euros); through which representations and warranties dating from former divestments are (largely) settled ("Other investments") and which are no longer expected to deliver appreciable value contributions. This brought the portfolio value to a total of 251.7 million euros at the reporting date (30 September 2016: 302.6 million euros).

Since the beginning of the financial year, the **PORTFOLIO VALUE** has dropped by a gross value of 50.9 million euros. The additions (in chronological order, mainly Frimo, Polytech, Dieter Braun, More than Meals, vitronet, duagon) totalling 62.9 million euros and the changes in value of 25.1 million euros are offset by seven disposals (Broetje-Automation[15], FDG, Formel D, Grohmann Engineering, ProXES, Romaco and Schülerhilfe) worth 138.9 million euros in total.

15 The sale of the investment in Broetje-Automation had already been agreed in the financial year 2015/2016, but was not completed until after the reporting date at 30 September 2016. At this reporting date, the investment had already been valued at the sales price, meaning that the disposal of the investment no longer made a contribution to earnings.

Portfolio profile: 15 investments account for 81 percent of portfolio value

At 30 September 2017, the 15 biggest investments accounted for around 81 percent of the portfolio value.

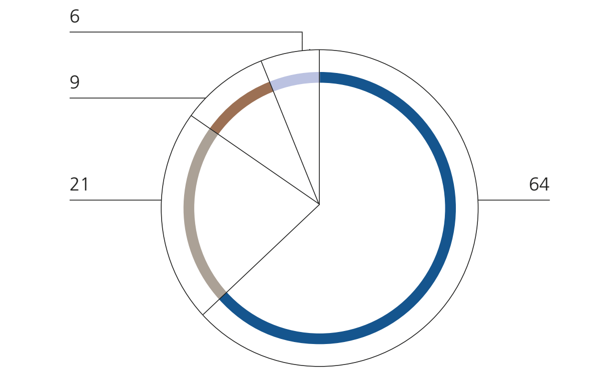
A full list of the portfolio companies can be found on the DBAG website and on page 23 of this report.

Company	Cost	Equity share DBAG	Investment type	Sector
	€mn	%		
Cleanpart Group GmbH	11.2	18.0	MBO	Industrial services
DNS:NET Internet Service GmbH	5.0	14.9	Expansion capital	Information technology, media and telecommunication
duagon Holding AG	11.5	22.0	MBO	Industrial components
Frimo Group GmbH	14.8	14.5	MBO	Mechanical and plant engineering
Gienanth GmbH	3.9	9.9	MBO	Industrial components
Heytex Bramsche GmbH	6.3	16.8	MBO	Industrial components
inexio Informationstechnologie und Telekommunikation KGaA	7.5	6.9	Expansion capital	Information technology, media and telecommunication
Infiana Group GmbH	4.1	17.4	MBO	Industrial components
JCK Holding GmbH Textil KG	8.8	9.5	Expansion capital	Consumer goods
Novopress KG	2.3	18.9	Expansion capital	Mechanical and plant engineering
Oechsler AG	11.2	8.4	Expansion capital	Automotive supplier
Pfaudler International S.à r.l.	12.2	18.2	MBO	Mechanical and plant engineering
Polytech Health & Aesthetics GmbH	12.1	18.5	MBO	Industrial components
Silbitz Group GmbH	5.2	16.5	MBO	Industrial components
Telio Management GmbH	12.9	15.1	MBO	Information technology, media and telecommunication

The following portfolio information is based, in general, on the valuations and resulting portfolio value at 30 September 2017. The category "Other" includes investments in companies through which retentions for representations and warranties from exited investments are held, as well as the investments in two international buyout funds. The net debt of the portfolio companies relates to the expected debt at the end of the financial year 2017 and the EBITDA of the portfolio companies that is expected for 2017, or for 2016/2017 if the reporting date falls during the year.

PORTFOLIO VALUE BY VALUATION METHOD

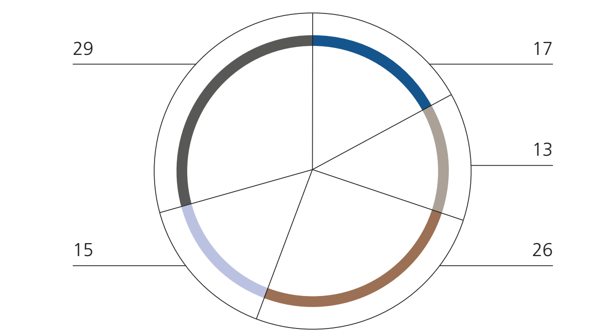
%



- Multiples method
- Transaction price
- DCF
- Other

PORTFOLIO VALUE BY SECTORS

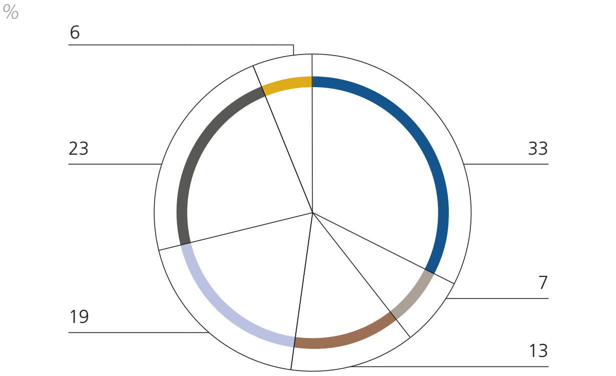
%



- Mechanical and plant engineering
- Automotive suppliers
- Industrial components
- Industrial services
- Other

PORTFOLIO VALUE BY NET DEBT/EBITDA OF PORTFOLIO COMPANIES

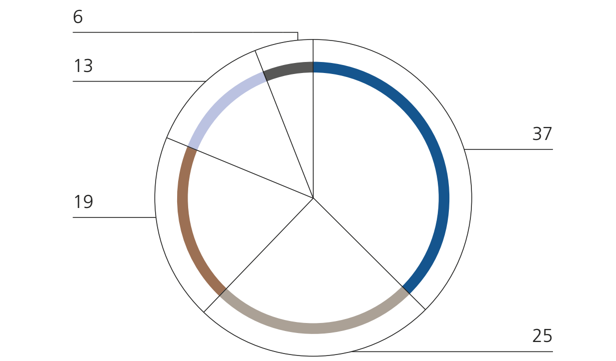
%



- < 1.0
- 1.0 to < 2.0
- 2.0 to < 3.0
- 3.0 to < 4.0
- > 4.0
- Other

CONCENTRATION OF PORTFOLIO VALUE

Size categories %



- Top 1 to 5
- Top 6 to 10
- Top 11 to 15
- Top 16 to 24
- Other (including externally managed international buyout funds)

TEN-YEAR SUMMARY OF FINANCIAL POSITION

€mn	31 Oct. 2008	31 Oct. 2009	31 Oct. 2010	31 Oct. 2011	31 Oct. 2012	31 Oct. 2013	31 Oct. 2014	30 Sept. 2015	30 Sept. 2016	**30 Sept. 2017**
									restated[1]	
Financial assets including loans and receivables	138.3	137.2	129.9	93.5	150.7	166.8	163.4	247.7	316.3	262.6
Securities/cash	105.2	124.0	140.7	155.6	105.8	98.3	140.7	58.3	72.6	161.6
Other assets	28.7	27.0	45.5	30.8	42.5	45.6	28.5	21.2	15.2	48.2
Equity	244.8	256.8	273.9	238.9	266.2	278.4	303.0	303.1	369.6	444.9
Liabilities	27.4	31.5	42.2	41.0	32.8	32.3	29.6	24.1	34.5	27.5
Total assets	272.3	288.3	316.1	279.9	299.0	310.7	332.6	327.2	404.2	472.4

1 Restated after adjustment for amendments to IFRS 10 (see note 3 to the consolidated financial statements)

Comparison of actual and projected business performance

SUMMARY OF ASSESSMENT BY BOARD OF MANAGEMENT ON THE BUSINESS TREND AND ACHIEVEMENT OF TARGETS (PROJECTED/ACTUAL COMPARISON)

	Actual 2015/2016[1]	**Projected 2016/2017**	**Actual 2016/2017**	
Net income	€50.2mn	On comparable basis (€37.8mn) moderately lower than prior year	€90.4mn	Valuation does not make sense due to an unusually high number of disposals that were made based on values that were much higher than planned in some cases
Return on Group equity per share	14.9%	Return on equity will significantly exceed cost of equity	26.5%	Valuation does not make sense for the reason referred to above
Net result of investment activity	€60.1mn	Significantly below prior year on a comparable basis (€54.4mn) and without taking strategic premiums into account	€94.3mn	Valuation does not make sense for the reason referred to above
Fee income from fund management and advisory services	€18.3mn	Significantly in excess of the prior year	€27.0mn	Target reached
Net expenses	€28.5mn	On a comparable basis (€27.9mn), slightly lower than in prior year	€30.9mn, thereof €2.1mn unplanned	Target reached
Financial resources	€78.6mn	Slightly higher	€161.6mn	Valuation does not make sense for the reason referred to above
FUND INVESTMENT SERVICES SEGMENT				
Income	€19.5mn	Much higher	€28.1mn	Target reached
Net expenses	€22.6mn	Slightly higher	€23.4mn	Target reached
Pre-tax net income	€(3.0)mn	Much higher	€4.7mn	Target reached
PRIVATE EQUITY INVESTMENTS SEGMENT				
Income	€60.1mn	Much lower	€94.3mn	Valuation does not make sense for the reason referred to above
Net expenses	€7.1mn	Slightly lower	€8.5mn, thereof €1.8mn unplanned	Target reached
Pre-tax net income	€53.1mn	Much lower	€85.7mn	Valuation does not make sense for the reason referred to above

1 Actual figures for 2015/2016 as reported as the basis for the projections for 2016/2017

The financial year 2016/2017 was characterised by an unusually large number of, and in some cases disproportionately successful, disposals; some of the gains on disposal that we realised considerably exceeded the figures that we had projected – be it as the net result of disposal or the net result of valuation. These marked deviations affect the net result of investment activity, net income and the Group's financial resources, as well as the income and pre-tax result of the Private Equity Investments segment. Given the impact in terms of amount, which once again highlights how difficult it is to project future successes in the private equity business, we do not believe that it makes sense to evaluate the target achievement level. With net income of 90.4 million euros and a return on equity per share of 26.5 percent, the financial year 2016/2017 was one of the most successful in the Company's history. The prior-year result was exceeded by 80 percent.

We met all of our targets with regard to those key financial indicators for which a projected/actual comparison makes sense. For the purposes of the comparison, we made adjustments to reflect expense items that we did not plan. These include the performance-based remuneration resulting from the sale of the investment in Grohmann Engineering (1.8 million euros) and the expenses associated with regulatory advice (0.3 million euros).

Business performance by segments

Private Equity Investments segment: result up considerably on the prior year

SEGMENT INCOME STATEMENT PRIVATE EQUITY INVESTMENTS

€'000	2016/2017	2015/2016
		restated[1]
Net result of investment activity	94,272	59,429
Other income/expenses	(8,547)	(7,089)
Net income before taxes	**85,726**	**52,340**

1 Restated after adjustment for amendments to IFRS 10 (see note 3 to the consolidated financial statements)

Pre-tax net income in the Private Equity Investments segment came to 85.7 million euros, 33.4 million euros more than a year earlier. The increase can be attributed to the result of investment activity; we refer to the information on this item provided in the section entitled "Earnings position". Net expenses under "Other income/expenses" (net amount of internal management fees, personnel costs, other operating income and expenses as well as net interest) increased by 1.4 million euros in a year-on-year comparison. This is due mainly to the performance-based remuneration resulting from the sale of the investment in Grohmann Engineering as mentioned above, which is included in the amount of 1.8 million euros. The fact that costs associated with the agreement on the credit line were no longer incurred had the opposite effect; these costs had impacted the prior-year result in the amount of 0.5 million euros. The figure includes internal management fees paid to the Fund Investment Services segment in the amount of 1.1 million euros (previous year: 1.2 million euros).

NET ASSET VALUE AND AVAILABLE LIQUIDITY

€'000	30 Sept. 2017	30 Sept. 2016 restated[1]
Financial assets incl. loans and receivables	262,605	316,341
Other financial instruments	35,649	0
Financial resources	161,634	72,640
Bank liabilities	0	0
Net asset value	**459,888**	**388,981**
Financial resources	161,634	72,640
Credit line	50,000	50,000
Available liquidity	**211,634**	**122,640**
Co-investment commitments alongside DBAG funds	**253,745**	**278,241**

1 Restated after adjustment for amendments to IFRS 10 (see note 3 to the consolidated financial statements)

At 30 September 2017, the other financial instruments in the amount of 35.6 million euros included larger-scale short-term loans that DBAG granted for the first time in 2016/2017 as part of the structuring of an investment in new portfolio companies (More than Meals, duagon). Following the conclusion of the acquisition financing and the repayment of the loans, this amount will become part of the net asset value.

At 30 September 2017, the co-investment commitments alongside the DBAG funds were only partially covered by the available financial resources (cash and long-term securities), though they were covered to a greater extent than in the year before; to balance the irregular cash flows attached to our business model, the Company has had a credit facility of 50 million euros since January 2016 at its disposal. It was provided by a consortium of two banks for a term of five years.

The surplus of co-investment commitments over the available funds only amounts to 14 percent of financial assets (previous year: 49 percent). We expect to be able to cover this surplus, which is the result of disposals, over the next few years.

Fund Investment Services segment: marked improvement in earnings

Information on income generated by the DBAG funds page 86f.

The Fund Investment Services segment closed the financial year 2016/2017 with a much better result than in the previous year. The improvement is due to the marked increase in fee income from fund management and advisory services following the start of the investment period of DBAG Fund VII on 22 December 2016. Since then, income has been generated from advisory services provided by DBAG Fund VII on the basis of capital commitments; the fee income from advisory services provided by DBAG Fund VI is now calculated based on the capital that is still invested and is therefore lower than in the previous year. The income from DBAG Fund V fell in a year-on-year comparison following disposals from this fund's portfolio. We refer to the information provided in the section entitled "Earnings position". This segment information also includes internal income from the Private Equity Investments segment in the amount of 1.1 million euros (previous year: 1.2 million euros).

SEGMENT INCOME STATEMENT FUND INVESTMENT SERVICES

€'000	2016/2017	2015/2016 restated[1]
Fee income from fund management and advisory services	28,111	19,536
Other income/expenses	(23,407)	(22,555)
Net income before taxes	**4,704**	**(3,019)**

1 Restated after adjustment for amendments to IFRS 10 (see note 3 to the consolidated financial statements)

There was virtually no change in the assets under management or advisement. The increase in the "Portfolio companies at cost" item reflects the net amount from disposals based on the seven disposals and additions completed in the financial year (mainly Frimo, Polytech, Dieter Braun in DBAG Fund VI, More than Meals and duagon in DBAG Fund VII, vitronet in DBAG ECF). The drop in outstanding capital commitments of third-party investors in the funds can be traced back to the capital calls to finance the investments made in the financial year. The conclusion of the fundraising process for the first new investment period of DBAG ECF (DBAG ECF I) had the opposite effect. We refer to the section entitled "Liquidity position" for information on the changes in the financial resources and other financial instruments belonging to DBAG.

ASSETS UNDER MANAGEMENT OR ADVISEMENT

€'000	30 Sept. 2017	30 Sept. 2016 restated[1]
Portfolio companies at cost	730,958	681,059
Outstanding capital commitments to funds	877,636	1,022,205
Financial resources and other financial instruments (of DBAG)	197,283	72,640
Assets under management or advisement	**1,805,877**	**1,775,904**

1 Restated after adjustment for amendments to IFRS 10 (see note 3 to the consolidated financial statements)

Financial and non-financial performance indicators

Return on Group equity per share: several times the cost of equity at 26.5 percent

Group equity grew by 5.00 euros per share in the financial year 2016/2017 to 29.57 euros per share. After adjusting for the dividend of 1.20 euros per share that was distributed, the return is calculated based on Group equity per share of 23.37 euros. This brings the return on Group equity to 26.5 percent. This is the third-highest value seen since the start of IFRS accounting at the end of the financial year 2003/2004. The return on equity exceeded the cost of equity of 5.6 percent considerably. In the financial year 2015/2016, the return had amounted to 14.9 percent with a cost of equity of 4.7 percent.

For information on the influential factors: Earnings position, page 85ff.

Over the past ten-year period (2007/2008 to 2016/2017), we achieved an average return on equity after taxes of 9.1 percent. This is almost 2.5 percentage points in excess of the average cost of Group equity, which, according to our computation, was approximately 6.6 percent.

Performance: aggregate total return of 120 percent since 31 October 2007

Adjusted for dividends, DBAG recorded an aggregate total return of 120 percent based on the Group equity per share over a period of nearly ten years from 31 October 2007 to 30 September 2017; this equates to an average annual total return of 8.3 percent over this ten-year period.[16]

16 *The calculation implies a reinvestment of dividends and surplus dividends in equity per share in each case at the end of the second quarter of a financial year (30 April or 31 March); until 2015, the dividend was paid at the end of March, since then at the end of February.*

People: high level of satisfaction, long length of service

Personal performance and a team-based work environment are key characteristics of our corporate culture. Our success is based on a culture of professionalism and mutual respect. As a result, we attach great importance to treating each other and our business partners with respect. In our daily work, we take care to ensure a high level of professionalism and stable processes. In doing so, we utilise our lean structures and short decision-making routes. In our most recent employee survey (September 2017), which achieved a relatively high participation rate of 80 percent, around 90 percent of the participants once again stated that they were very satisfied or satisfied with the latitude they are given to carry out their daily routine and with the work climate in the Company.

The private equity business requires a great amount of resilience from employees. Assignments within our organisation call for a high degree of identification with the role. We promote this sense of identification in various ways. We foster a culture of direct communication, team-based project organisation and delegating responsibility early on, in all areas of the Company. The aforementioned co-investments made by selected members of the investment team, using their own money, in the DBAG funds with a ten-year term also serve to strengthen the identification of employees with the business.

	Number of staff	Number of departures	Fluctuation rate %
Financial year 2016/2017	69	4	5.8
Average over financial years 2007/2008 to 2016/2017	57	2	3.5

We attach particular importance to nurturing a corporate culture in which loyalty to the Company can prosper. 96 percent of the participants in the employee survey said that they plan to stay with the Company for a longer period of time. One measure of loyalty is the employees' years of service to the Company: investment managers and senior executives have been with DBAG for an average of seven years (previous year: eight years). Staff turnover among employees of the corporate functions is low, too: it averaged less than 4 percent annually over the past ten years.[17]

17 *The representation does not include apprentices, employees with a fixed-term work contract and employees leaving the Company due to retirement.*

Our performance thrives on the professional and personal skills of our people at all levels and in all areas of the Company. In addition to excellent management skills and sector knowledge, the members of our investment team need keen leadership and motivation qualities, communication skill and social competency.

We regularly strive to develop these qualifications and competencies. This past year again, more than half of the staff participated in further education and training programmes. To that end, we endeavour to match the training with personal development needs.

Staff profile: higher apprenticeship quota

At 30 September 2017, Deutsche Beteiligungs AG employed 33 female and 28 male staff (without the members of the Board of Management or apprentices), making a total of 61 employees. Our personnel recruitment and development is aimed at fostering talent; it is oriented around their qualification, independent of an applicant or employee's gender. Over the past four financial years, two-thirds of the new employees hired were women; almost 40 percent of the new members of the investment team were women.

	30 Sept. 2017	30 Sept. 2016
Number of employees (without Board of Management)	67	63
thereof full time	54	50
thereof part time	7	6
thereof apprentices	6	7

At the end of financial year 2016/2017, six apprentices were qualifying for their future professions; this represents an apprenticeship quota of 10 percent. The average employee age has dropped slightly and now stands at 38 (previous year: 39 years). Not included in these figures are the two employees on parental leave at the reporting date.

During the past financial year, we offered nine students (previous year: 14) an internship for a period of several months, allowing them to gain an insight into the responsibilities of an investment manager. We prefer to award the internship to students who are about to complete their studies. We use this instrument to present DBAG as an interesting employer.

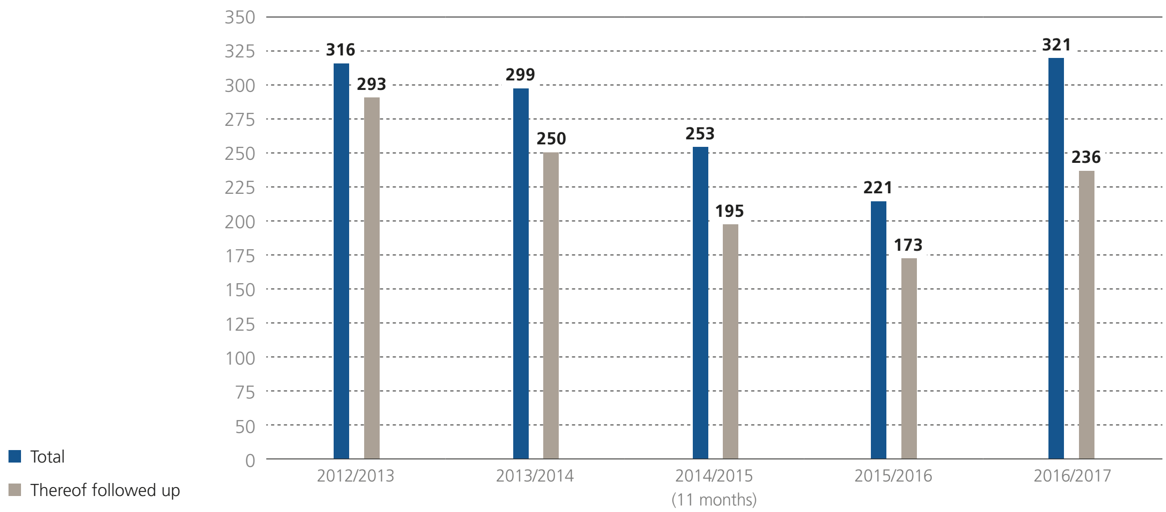
Employee compensation: participation in company success

The compensation system at Deutsche Beteiligungs AG is geared to endorsing performance and – in addition to a motivating work environment – offering a financial incentive to attract and retain key staff, while also driving DBAG's performance. We have developed this system further over the past few financial years: the variable income components for key members of the investment team are oriented around personal contributions to the long-term performance of DBAG. Our success is based on new investments entered into, good portfolio performance and profitable realisations – these are also the factors that influence the variable remuneration. The variable remuneration paid to the other members of the investment team and the employees based in Corporate Functions also rewards individual performance and, following the introduction of an earnings-related component in 2016/2017, also takes business developments into account.

Investment opportunities: considerable increase in deal flow

In addition to participating in auctions, our network assists us in originating transaction opportunities through a proprietary deal flow. In 2016/2017, this produced around 11 percent of the investment opportunities. In the previous financial year, this rate was higher at just under 15 percent, although the absolute number of these investment opportunities remained unchanged year-on-year. The proportion of successfully agreed investments, however, is much higher: three out of ten transactions over the last two financial years, or 30 percent, came from our network.

TRANSACTION OPPORTUNITIES



In 2016/2017, we screened 321 investment opportunities; 286 related to potential MBOs and 35 concerned growth financing. The proportion of transaction opportunities that we followed up was unchanged at around three-quarters. We believe that the increase is also due to the opening of DBAG ECF for management buyouts – our offering now allows us to cover a larger share of the buyout market.

In line with the prior year, approximately half of the investment opportunities came from our core sectors, that is, mechanical and plant engineering, automotive suppliers, industrial services and manufacturers of industrial components.