Deutsche Beteiligungs AG

Building on experience

Solutions for successful entrepreneurship

Exploring new paths

GROUP FINANCIAL REPORT

2019/2020

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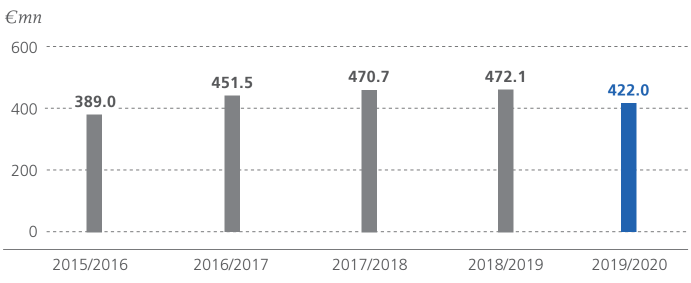
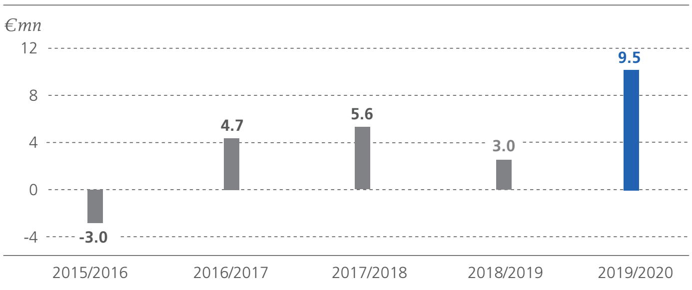
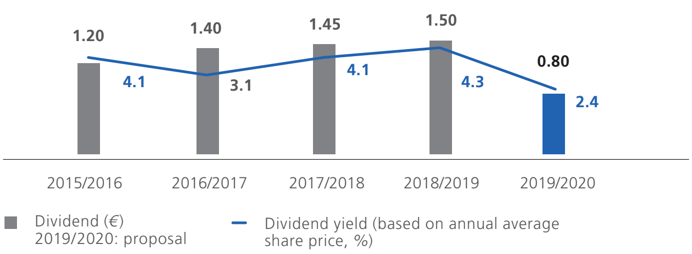
LONG TERM PERFORMANCE



NET ASSET VALUE The development of net asset value – down by 50.1 million euros – was impaired by the impact of the pandemic on the portfolio companies. Adjusting for the 22.6 million euro distribution to shareholders, net asset value was down by 5.8 per cent year-on-year.



NET INCOME FROM FUND INVESTMENT SERVICES The impact of the pandemic on net income from Fund Investment Services was only indirect: the investment period of DBAG Fund VIII commenced later than planned. Nonetheless, the figure of 9.5 million euros exceeded our expectations, meaning that this segment accounts for a markedly higher contribution to the Company's value than in the previous year.



DIVIDEND AND DIVIDEND YIELD The dividend policy was suspended on account of the pandemic and its unpredictable consequences for the 2019/2020 financial year, yet remains valid. The proposed dividend of 0.80 euros per share is at the upper end of market expectations and equates to a dividend yield of 2.4 per cent, based on the annual average share price.

FINANCIAL YEAR 2019/2020

NET ASSET VALUE

422.0

MILLION EUROS

NET INCOME FROM FUND INVESTMENT SERVICES

9.5

MILLION EUROS

DIVIDEND YIELD FOR SHAREHOLDERS

2.4

PER CENT

DR ROLF SCHEFFELS

Member of the Board of Management

Born in 1966. Member of the Board of Management since January 2004; appointed until February 2021.

Investment Business, Investment Team Development, Investor Relations (funds)

SUSANNE ZEIDLER

Chief Financial Officer

Born in 1961. Member of the Board of Management since November 2012; appointed until October 2025.

Finance and Accounting, Investor Relations (capital markets), Legal (capital markets) and Tax, Portfolio Valuation, Risk Management and Internal Audit, Human Resources, Organisation and IT

TORSTEN GREDE

Spokesman of the Board of Management

Born in 1964. Spokesman of the Board of Management since March 2013; member of the Board of Management since January 2001; appointed until December 2023.

Strategy and Business Development, Investment Business and Investment Process, Investor Relations (funds), Investment Controlling, Corporate Communications, Compliance and ESG, M&A/Legal

LETTER TO OUR SHAREHOLDERS

Frankfurt/Main, 30 November 2020

Dear Shareholders,

It is not easy to arrive at an appropriate assessment of the past financial year: as it draws to a close, our net asset value is lower than it was at the beginning of the year. We were forced to postpone planned disposals. Our dividend is a lot lower. None of this is good news, at least compared to what we would expect from a normal year. But 2020 has been anything but normal. “More than one million lives have been lost to COVID-19 since the start of the year and the toll continues to rise.” This is how the International Monetary Fund opened up its World Economic Outlook published in October. To draw historical comparisons, we have to trawl through history books dating back as much as one hundred years to find something comparable to the pandemic that has been sweeping the world since the beginning of the year.

The coronavirus crisis has forced us to scale back our original forecast to a large extent. The slump in economic activity left its mark on net asset value in the Private Equity Investments segment.

Besides consistently supporting our portfolio companies, helping them cope with the challenges presented by the pandemic and its impact throughout the financial year under review, we also further pursued DBAG’s development – expanding our investment team by almost a quarter, broadening our product range, making our market debut in Northern Italy, closing the fund-raising for DBAG Fund VIII, and of course through the changes in our portfolio. We will be reaping the rewards over the coming years. During the period marred by the restrictions, our investment team succeeded in preparing seven transactions in the spring that it went on to close during the summer months: four new management buyouts and the first Long-Term Investment are now part of our portfolio. One company was sold in full and we achieved the successful partial sale of another investment – no mean feat, given the economic environment.

We were able to do so because we had initiated the systematic digitalisation of our business processes in the years leading up to the pandemic – investing in our IT equipment, but also in the skills of our employees. We were thus able to move the entirety of our business operations online at the beginning of March, enabling us to maintain all functions uninterrupted.

We had already informed you about DBAG Fund VIII before the previous year-end. We were able to close this fund in May with what were, once again, higher investment commitments and improved terms for Fund Investment Services. DBAG is aiming to co-invest 255 million euros alongside this fund – a further increase in a quest to maintain our growth trajectory. A higher credit line gives us the flexibility to exploit attractive investment opportunities whenever they arise. The new fund has already had a positive impact on net income from the Fund Investment Services, where we achieved the targets for the financial year.

We have also further refined our product offering over the course of the last year. Management buyouts alongside the DBAG funds allow us to solve succession issues within mid-sized companies. On top of this, we are making equity capital available in the long term – at least for longer than the usual term of a private equity fund allows. We are financing these investments exclusively from our own balance sheet, not through funds, which provides us with great flexibility in terms of timing. This offer is also aimed at mid-market companies, recognising the fact that time and again, family owners are looking for a co-investor with a truly long-term perspective. Especially in the prevailing economic environment, we are seeing a large number of opportunities popping up to invest in companies facing exceptional situations, for example, peripheral businesses of large corporations with a good market position and a tried-and-tested business model, but which have been thrown off course by the consequences of the pandemic. Whilst government loans and short-term work provide relief for the present, equity capital provided for the long term and a sound capital base are prerequisites for a sustained successful development.

The portfolio is now more diverse than it was a few years ago. We are less reliant on cyclical sectors, a development that has been particularly evident during the pandemic. In addition to companies that have been hit by structural changes in their customer markets, our portfolio also includes companies whose business model has been given a boost in recent months. These include, for example, our investments in the broadband/telecommunications sector, or in software companies that are reaping the benefits from the increasing drive towards digitalisation in many areas of life and in many business models.

At the time of writing, a second lockdown has begun in Germany. Growth forecasts that are only a few weeks old are being corrected. Price fluctuations on the capital markets exhibit a high degree of nervousness. So what should you, as shareholders of Deutsche Beteiligungs AG, expect going forward?

Our forecast for 2020/2021 is a cautious one, in light of the fast-changing infection scenario and the serious economic fallout. In the Private Equity Investments segment, we expect to only see a slight increase in net asset value. This rests on the assumption that the conditions on the capital markets will remain stable. In the Fund Investment Services segment, the fee income earned for advising DBAG funds will be around one quarter higher than in the previous year because the new DBAG Fund VIII will be included for a full year. This stable income – which allows for reliable planning – contributes to financing our business operations, and helps to pay dividends. We expect to see a further improvement in net income from Fund Investment Services, which has already risen considerably. We know that the capital markets are keeping a close eye on this key performance indicator, and are increasingly using it as a basis for our share price valuation.

The stock market tends to evaluate the short-term outlook. As you are well aware, we do not make our business decisions with the next twelve months in mind. The measures outlined above, which we have implemented in spite of the pandemic, reflect our confidence that DBAG's long-term positive development will be maintained. We have a solid market position. We have access to around one billion euros in capital that is ready for new investments. Having agreed upon an additional credit line, we are looking into further financing options, for example on the equity side. And let's not forget: our portfolio contains a number of companies that we have been supporting over a longer period of time now; the processes of change that we initiated at the start of the investment are now at a very advanced stage. We are seeing interest in our investments from strategic investors.

All of these aspects give us reason to be confident as we look ahead. The past year has shown that our portfolio is crisis-proof and that we can rise to even unusual challenges. In view of the current economic situation, this is something we can rely on in the short term. "Building on experience. Exploring new paths." – this motto is the expression of our fundamental motivation.

In the new financial year, this will also mean working to make our actions even more consistent with sustainability principles than they have been in the past: Deutsche Beteiligungs AG has always been committed to the principles of sustainable corporate conduct. Taking responsibility for the impact of our decisions, both now and in the future, is consistent with the long-term nature of our business. This includes the decisions we make in the investment process, in the development and subsequent disposal of our portfolio companies, and in managing our Company. In the future, we will also be making this aspiration clear in our core corporate objective: "We aim to sustainably increase the value of Deutsche Beteiligungs AG". By this, we mean achieving a long-term increase in DBAG's value taking ecological, social and governance aspects into account. We are working on defining relevant information, capturing and compiling data in order to integrate this into our cooperate management. However, we will not be restricting ourselves to just Deutsche Beteiligungs AG's business processes. We will also be including our portfolio companies.

We are certain that in 2021, Deutsche Beteiligungs AG will continue to evolve, creating value not only in the long term, but also sustainably: value for our shareholders and our Company's other stakeholders.

The Board of Management

of Deutsche Beteiligungs AG

Torsten Grede | Dr Rolf Scheffels | Susanne Zeidler

COMBINDED MANAGEMENT REPORT

ON DEUTSCHE BETEILIGUNGS AG
AND THE DEUTSCHE BETEILIGUNGS AG GROUP
FOR FINANCIAL YEAR 2019/2020

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COMBINED MANAGEMENT REPORT

BUSINESS OVERVIEW

The past financial year is testimony to just how the business of even a successful private equity company with a track record spanning decades can be hit by external, unplanned influences: five months after the start of the financial year, a pandemic broke out, bringing economic activity to an abrupt halt across the globe and in some cases leaving it temporarily paralysed. As the pandemic initially triggered a slump on the capital markets, resulting in significantly lower valuation multiples and what was likely to be a negative multiple effect on net measurement gains and losses at the half-year mark, we retracted our original forecast for the reporting year on 20 March 2020. The impact on Fund Investment Services was indirect: the M&A market came to a temporary standstill, forcing us to postpone the start of the DBAG Fund VIII investment period. Thanks to the encouraging investment progress that followed, the investment period of the new fund started later than planned, but nevertheless during the financial year. As a result, net income from Fund Investment Services, which is more stable and easy to predict to begin with, was in line with our expectations.

The net asset value of the Group’s Private Equity Investments segment fell by 50.1 million euros; taking into account the dividends distributed (22.6 million euros), this represents a 5.8 per cent decline over the value for the previous year, largely due to the negative change in the value of the portfolio. Six new companies were added to the portfolio in the financial year 2019/2020, with (partial) disposals being agreed for two investments. The portfolio consists of 32 equity investments as at the reporting date, plus one investment in an international buyout fund managed by third parties.

Net income from Fund Investment Services totalled 9.5 million euros, compared to 3.0 million euros in the previous year. The marked increase is also due to the start of the investment period of the new DBAG Fund VIII two months before the end of the financial year.

Net income stood at -16.8 million euros and was mainly influenced by the Private Equity Investments segment. This segment closed the financial year 2019/2020 with (negative) earnings before taxes of -25.2 million euros, a negative swing of 67.3 million euros from the previous financial year.

At 45.9 million euros, the Group’s parent company posted much higher net income than in 2018/2019, although the basis for this had already been laid in the previous year with the agreement on a very successful disposal. This disposal was completed, with an impact on income, in the first quarter of the financial year 2019/2020. As a result, and following numerous profitable disposals in previous financial years, DBAG can report a further increase in its net retained profit to 201.5 million euros; 0.80 euros per share is to be distributed to shareholders, i.e. a total of 12.0 million euros.

FUNDAMENTAL INFORMATION ABOUT THE GROUP

Structure and business activity

Positioning: Listed private equity company

Deutsche Beteiligungs AG (hereinafter also referred to as "DBAG") is a publicly-listed private equity company. It initiates closed-end private equity funds ("DBAG funds") for investment in equity or equity-like instruments predominantly in unlisted companies, and provides advice regarding these funds. It enters into investments, also employing its own assets, predominantly as a co-investor alongside the DBAG funds, and also independently of these funds since 2019/2020. This new offering allows DBAG to enter into investments requiring an investment horizon that goes beyond a fund's standard term ("Long-Term Investments" that were introduced last year as "Principal Investments").

The Long-Term Investments replace DBAG ECF, which will not be continued once the current investment period has expired in December 2020. This fund was launched in 2011 with the aim of making growth capital available for minority interests in family-owned businesses. The fund was enhanced to include a 'vintage model' in 2017, the idea being to also facilitate investments with a longer holding period. Nevertheless, the structures of a private equity fund require a limited holding period. The new Long-Term Investments do not feature any such formal limits.

As an investor and fund advisor, Deutsche Beteiligungs AG's investment focus is on mid-market German companies. DBAG supports its portfolio companies in a phase of strategic development usually spanning several years as a financial investor in a focused-partnership role with the objective of appreciating their value. The companies subsequently continue their development under a different constellation, for example, alongside a strategic partner, with a new financial investor or as a listed company.

DBAG's shares have been listed on the Frankfurt Stock Exchange since 1985. They are traded in the market segment with the highest transparency requirements, the Prime Standard.

Deutsche Beteiligungs AG is recognised as a special investment company, as defined by German statutory legislation on special investment companies (*Gesetz über Unternehmensbeteiligungsgesellschaften* – UBGG), and is therefore exempt from municipal trade tax. A subsidiary, which is registered as a small capital management company (*Kapitalverwaltungsgesellschaft* – KVG) in accordance with the German Capital Investment Code (*Kapitalanlagegesetzbuch* – KAGB) is responsible for the management of the German funds. Another subsidiary is registered in Guernsey as a KVG, where it manages the funds based in Luxembourg and Guernsey.

Business model: Two business segments that are closely tied to DBAG funds

The roots of Deutsche Beteiligungs AG reach back to 1965. Since then, DBAG and its predecessor company have entered into equity investments in more than 300 companies – from the outset (also) through closed-end funds that invest on their own account. Today, DBAG funds bundle the assets of German and international investors.

DBAG advises these funds via Group companies and co-invests in the DBAG funds using funds from its own balance sheet. Raising capital for DBAG funds is advantageous for DBAG and its shareholders, as well as for the investors in the funds.

- Shareholders participate in the fee income earned for advising DBAG funds ("Fund Investment Services") and in the value appreciation from the co-investments ("Private Equity Investments").
- The funds' assets create a substantially larger capital base, which enables investing in larger companies without reducing the diversity of the portfolio.
- As a special investment company, DBAG is only permitted to take majority positions within strict limits; it can, however, structure management buyouts (MBOs) together with the DBAG funds.
- The fund investors can be assured that their advisor, in its role as a co-investor, pursues the same interests.

Currently, there is a total of six DBAG funds that are in different phases of their life cycles:

- DBAG Fund IV has sold all of its portfolio companies. It is in liquidation. The final distribution was paid out to investors as at 31 December 2019 and the entry in the commercial register will be deleted after the final tax notices are submitted.
- Its two follow-on funds are in the disinvestment phase. DBAG Fund V has sold ten of its eleven original portfolio companies. DBAG Fund VI still holds investments in seven out of a previous total of eleven MBOs, of which one is already partly sold.
- DBAG ECF ended its original investment period in May 2017. It made growth financing available to eight companies and entered into one MBO. Two of these investments have since been sold. June 2017 saw the start of the first, and July 2018 the start of the second new investment period (DBAG ECF I/DBAG ECF II), which will run until the end of 2020 at the latest. At the reporting date, DBAG ECF II was 72 per cent invested. There are no plans for another investment period (vintage). Long-term growth financing is now provided exclusively using DBAG's own financial resources.
- DBAG initiated the DBAG Fund VII in 2016. The fund's investment period started in December 2016; since then, the fund has structured nine MBOs. Around 77 per cent of the fund has been invested. The fund can make further investments and its investment period lasts at the most until July 2022.
- DBAG Fund VIII was initiated in 2019; its placement was concluded in May 2020. The fund's investment period started in August 2020. DBAG had structured three MBOs for the fund by the reporting date; the investments thereby agreed amount to just under 16 per cent of the capital commitments.

Fund		Target	Start of investment period	End of investment period	Size	Thereof DBAG	Share of DBAG's co-investment
DBAG Fund IV (in liquidation)	Managed by DBG New Fund Management	Buyouts	September 2002	February 2007	€322mn	€94mn	29%
DBAG Fund V	Managed by DBG Managing Partner	Buyouts	February 2007	February 2013	€539mn	€105mn	19%
DBAG Expansion Capital Fund (ECF)	Managed by DBG Managing Partner	Growth financing	May 2011	May 2017	€212mn	€100mn	47%
DBAG ECF first new investment period ("DBAG ECF I")	Managed by DBG Managing Partner	Growth financing and small buyouts	June 2017	June 2018	€85mn	€35mn	41%
DBAG ECF second new investment period ("DBAG ECF II")	Managed by DBG Managing Partner	Growth financing and small buyouts	June 2018	December 2020 (at the latest)	€96mn	€40mn	41%
DBAG Fund VI	Advised by DBG Advising	Buyouts	February 2013	December 2016	€700mn	€133mn	19%
DBAG Fund VII	Advised by DBG Advising	Buyouts	December 2016	July 2022	€1,010mn[2]	€200mn[3]	20%[4]
DBAG Fund VIII	Advised by DBG Advising	Buyouts	August 2020	December 2060 (at the latest)	€1,109mn[5]	€255mn[6]	23%[6]

1 DBAG Fund VI, DBAG Fund VII, DBAG Fund VIII: each excluding investment made by experienced members of the DBAG investment team
2 DBAG Fund VII consists of two sub-funds: a principal fund (808 million euros) and a top-up fund (202 million euros). The top-up fund invests exclusively in transactions involving an equity investment, whose total exceeds the concentration limit of the principal fund for a single investment.
3 DBAG has committed 183 million euros to the principal fund and 17 million euros to the top-up fund.
4 The proportion of co-investments amounts to 20 per cent for the principal fund and 8 per cent for the top-up fund.
5 DBAG Fund VIII consists of two sub-funds: a principal fund (910 million euros) and a top-up fund (199 million euros). The top-up fund invests exclusively in transactions involving an equity investment, whose total exceeds the concentration limit of the principal fund for a single investment.
6 DBAG has committed 210 million euros to the principal fund and 45 million euros to the top-up fund; the proportion of co-investments amounts to around 23 per cent in each case.

Fund Investment Services segment

Advisory services provided to DBAG funds are bundled in the Fund Investment Services business segment.

INVESTMENT SERVICES BUSINESS SEGMENT

Advisory services by the investment team

The advisory services provided to the funds and the investment entity subsidiaries can be split into three material processes: first, DBAG identifies and assesses transaction opportunities ("invest"); second, it supports the portfolio companies' development process ("develop"), before it, thirdly, realises the value appreciation ("realise") upon a portfolio company's well-timed and well-structured disinvestment.

These processes are managed with DBAG's own resources in tried-and-tested workflows; responsibility for this lies primarily with the investment team. It consists of 27 investment managers (previous year: 23), including two members of the Board of Management. The two Board of Management members lead the team. It has a broad skill set combined with multifaceted experience in the investment business. It is supplemented by three employees in Research and Business Development, one debt financing specialist and two lawyers specialising in M&A law to provide support with contractual negotiations and legal structuring. The auxiliary functions for the investment process and the administrative activities, which are collectively referred to as the "corporate functions", largely report to the Chief Financial Officer, whose responsibilities also include portfolio valuation and risk management.

A project team of two to four individuals is generally responsible for each transaction. One of the two members of the Board of Management who are part of the investment team is assigned to each project team. One member of the project team will typically take a seat on the respective portfolio company's advisory board or supervisory board in order to support their management.

Fees resulting from services for DBAG funds as a source of income

DBAG receives fees for its advisory services to the DBAG funds that are calculated predominantly based on the size of the funds it advises; they constitute a continual and readily forecastable source of income. For the buy-out funds (currently DBAG Fund VI, DBAG Fund

VII and DBAG Fund VIII – principal fund in each case), fees during the investment period are based on the committed capital. After that, they are measured by the invested capital. The fees for the services provided to the DBAG Fund VII and DBAG Fund VIII top-up funds are based on the capital invested or committed, whichever is lower, during the entire fund term. DBAG receives a fee based on the capital invested for DBAG ECF. The fact that the fees are based on the capital invested means that fee income falls every time an investment from a fund's portfolio is sold. In principle, considerable increases can only be achieved when a new fund is launched.

DBAG receives additional one-off fees based on individual transactions for two ECF vintages. This component of fee income is more difficult to plan; this also applies to the portion of fee income that is determined by the investment progress made by the two top-up funds.

Alignment of interest and incentives for the investment team

The members of the investment team with greater experience in investing, the two Board of Management members responsible for the investment team, and additional staff members (18 individuals in total) personally co-invest their own money alongside the DBAG funds, investing between around one and two per cent of the capital raised by the fund investors and DBAG, as is common practice in the industry. This meets the expectations of fund investors who, for reasons of identity of interest, expect such a private investment. This approach also benefits DBAG's shareholders. The total amount of these personal co-investments stood at 20.5 million euros as at 30 September 2020. The co-investing members of the investment team receive an incentive for generating the best possible financial performance for the funds. They receive a profit share on their personal co-investment that is proportionate to their capital commitment ("carried interest") after the fund investors and DBAG have realised their invested capital plus a preferred return. Members of the investment team participate in the success of long-term investments via a specific variable fee system for this investment strategy.

Investment team supported by strong network

The investment team can rely on a strong network, the nucleus of which is an "Executive Circle" consisting of 79 people. The members of the Executive Circle support the team in identifying and initiating investment opportunities, assist in assessing certain industries or back the team prior to making an investment in the particularly comprehensive target company due diligence process. The Executive Circle comprises experienced industrial experts, including partners of earlier investment transactions. The members have industry experience that is relevant to DBAG. The network is supplemented by a large group of financial experts, consultants, lawyers and auditors.

Private Equity Investments business segment

Value creation on investments as a source of income

The Private Equity Investments business segment largely comprises investments. Income is generated from the value appreciation achieved when investments are disposed of.

DBAG enters into co-investments alongside the DBAG funds based on co-investment agreements with the DBAG funds that provide for a fixed investment ratio for the lifetime of a fund. These agreed ratios also apply upon an investment's disposal. This means that DBAG co-invests in these companies on the same terms, in the same companies and in the same instruments as the funds.

In addition, DBAG uses investment opportunities that exceed the terms of standard private equity funds (Long-Term Investments). DBAG makes these investments from its own resources, i.e. not as a co-investor alongside one of the DBAG funds, which is its usual strategy. The approach also generally opens up the scope for other investment scenarios that are not consistent with the investment strategies pursued by the existing DBAG funds.

The modes and specific structuring of an investment are geared to the individual financing situation. Management buyouts, for example, can be used for succession arrangements or the reorganisation of the shareholder structure in a family-owned business, for split-offs of peripheral activities from large corporations, or for a sale from the portfolio of another financial investor. MBOs generally involve majority stakes. We structure Long-Term Investments as minority interests, for example if capital is required to fund a company's growth, or as majority interests if capital is required in connection with special situations, for example unsatisfactory company development.

Portfolio profile: Predominantly MBOs

DBAG's track record confirms the success of its investment activity: since 1997, a total of 58 MBOs have been financed together with DBAG Fund III, DBAG Fund IV, DBAG Fund V, DBAG Fund VI, DBAG Fund VII and DBAG Fund VIII, as well as with DBAG ECF since June 2017. In addition, 19 minority investments have been structured with the aim of driving corporate growth with DBAG Fund III and DBAG ECF ("growth financing"), and the first Long-Term Investment was made at the end of September 2020.

To date, the value of the invested equity has been increased to 1.8 times (MBOs) and 2.4 times (growth financing/Long-Term Investments) the original amount. 32 MBOs and 14 growth financing arrangements for these investments had been realised completely, or for the most part, by the end of the reporting period. Disposals generated multiples of 2.7 (MBOs) and 3.4 (growth financing) times the invested capital.

Long-term financing of equity investments via the stock market

DBAG finances its equity investments over the long term through the stock market. Long-term debt financing is only used to structure MBOs at the level of the portfolio companies. This allows us to prevent the accumulation of debt across the various levels of an investment hierarchy. We manage the amount of DBAG's equity capital via distributions, share repurchases (as in 2005, 2006 and 2007) and capital increases (as in 2004 and 2016).

The private equity business requires DBAG, as an investor, to always have sufficient financial resources available to allow it to exploit investment opportunities whenever they arise and to comply with its co-investment agreements. On the other hand, too high a level of financial resources dilutes the return. Considerable uncertainty regarding planning is the other side of the coin. Investments and realisations depend on market conditions and can only be planned to a certain extent; some years are dominated by investments and others by realisations. This results in considerable fluctuation in cash flow from investment activity. While regular income from Fund Investment Services cannot mitigate this effect, it makes a key financial contribution to financing ongoing business expenses and securing the dividend payment.

This is why DBAG has been using a revolving credit line of 50 million euros since 2015 to manage its financial resources in the short term and to provide the funds required to finance investments until it receives funds from realisations. Since then, DBAG's average annual investment programme has increased considerably with the launch of DBAG Fund VII in 2016 and DBAG Fund VIII in the financial year under review. As a result, we increased our financial scope by 40 million euros to a total of 90 million euros in the reporting year by agreeing a further revolving credit line to compensate for the fluctuations in cash flow from investment activity. Both credit lines will run until May 2023.

Strategy

Investments in German "Mittelstand" companies with potential for development

Clear investment criteria

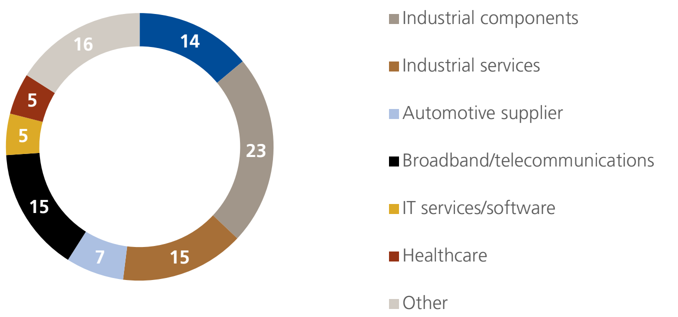
We invest in established companies with a proven business model. This approach excludes investments in early-stage companies. We seek out companies that offer development potential. Potential for value appreciation can be exploited by those, for example, by strengthening their strategic positioning – for example by introducing a wider range of products – or improving operating processes. Alternatively, we look for companies that have the potential to use acquisitions to drive the process of consolidation in their sector.

Moreover, we attach importance to entrepreneurially-driven management teams that are able to realise the agreed objectives. The companies that are a good fit for our investment universe are also characterised by leadership positions in their (possibly small) markets, strong innovative capacity and future-viable products. The business models of these companies are also aimed at reaping the benefits from the key structural trends in their respective sectors.

Germany is home to many such mid-market companies. Deutsche Beteiligungs AG has always had investments in the mechanical and plant engineering sector, in the automotive supply industry, in industrial service providers, as well as in industrial component manufacturers, a segment that has also included IndustryTech companies for some time now – i.e. companies whose products provide the basis for automation, robotics and digitalisation. For a few years now, companies with mature and attractive business models that match our investment criteria have also been found increasingly in new fast-growing sectors, such as broadband telecommunications, the software industry and the healthcare sector. The founders of these companies have also opened up more to financial investors over the last few years.

The new growth sectors are less exposed to cyclical influences than industrial business models. This explains why we have also been investing increasingly in companies from these sectors since 2013 in the interests of further diversifying the risk in our portfolio.

SECTOR BREAKDOWN OF THE PORTFOLIO
Costs of purchase (%)



Geographically, we concentrate on companies domiciled – or whose business is centred – in the German-speaking countries (Germany, Austria and Switzerland region). Any of our investments outside this region, for example in northern Italy, are exclusively in the sectors in which we have many years of investment experience.

Our funds provide for equity investments in a single MBO of between 40 and 100 million euros. When it comes to structuring larger transactions with equity investments of up to 220 million euros, we include the top-up fund of DBAG Fund VII, or of DBAG Fund VIII. For DBAG, this equates to equity investments of between 10 and 22 million euros, and for transactions involving the top-up fund, equity investments of up to 34 million euros in principle. Long-Term Investments are set to amount to between 15 and 35 million euros and therefore reach a comparable equity investment; we also enter into larger investments with co-investors.

Our focus is on investments in companies with an enterprise value of between 50 and 250 million, i.e. companies at the upper end of the mid-market segment. This segment comprises almost 9,000 companies in Germany alone. We structure investments with an enterprise value of up to 400 million euros using one of the two top-up funds.

We endeavour to achieve a diversified portfolio. For investments in several companies operating in the same industry, we ensure that they serve different niche markets, have different regional sales markets or operate in different geographical regions. Most of our portfolio companies operate internationally. This applies to the markets they serve, but also to their production sites in part.

Some of our portfolio companies produce capital goods or offer services for industrial companies. The demand for these goods and services is subject to stronger cyclical swings than the demand for consumer goods. This means that we pay particular attention to an appropriate financing structure for these companies. Investments in companies whose performance is more strongly linked to consumer demand mitigate the effects of business cycles on the value of the portfolio.

Investment performance is a prerequisite for growth in both business lines

In our Fund Investment Services segment, our aim is to achieve long-term growth in the volume of assets under management or advisory. This is achieved by ensuring that a successor fund exceeds the size of its predecessor, or by launching further DBAG funds with new investment strategies that we have not pursued to date. The distribution of a higher fund volume among DBAG and the other investors determines the change in the basis for the fee income from investment services to funds, but first and foremost, it determines the growth opportunities open to the business segment of Private Equity Investments.

Capital commitments to a (successor) fund are significantly influenced by the performance of a current fund. Thus, a prerequisite for increasing managed and advised assets is, among other things, an excellent track record. Investors also value the access to the mid-market segment, the stability of our investment team, and our roots in the German economy.

Objectives

Core objective: Long-term increase in the Company’s value

The core business objective of Deutsche Beteiligungs AG’s activity is to sustainably increase the Company’s value. This objective is to be achieved by increasing the value of the two business segments, Private Equity Investments and Fund Investment Services.

As is common in the private equity sector, a long period of time is required before DBAG can be judged on its success. The income from investment activity is influenced to a significant degree by the appreciation in value of our portfolio companies. Exploiting development potential requires patience; on average, DBAG supports the companies over a period of five (management buyouts) to at least seven (Long-Term Investments) years. Income from Fund Services is significantly influenced by the initiation of new funds, which occurs approximately every four to five years, while the usual lifetime of a fund is ten years.

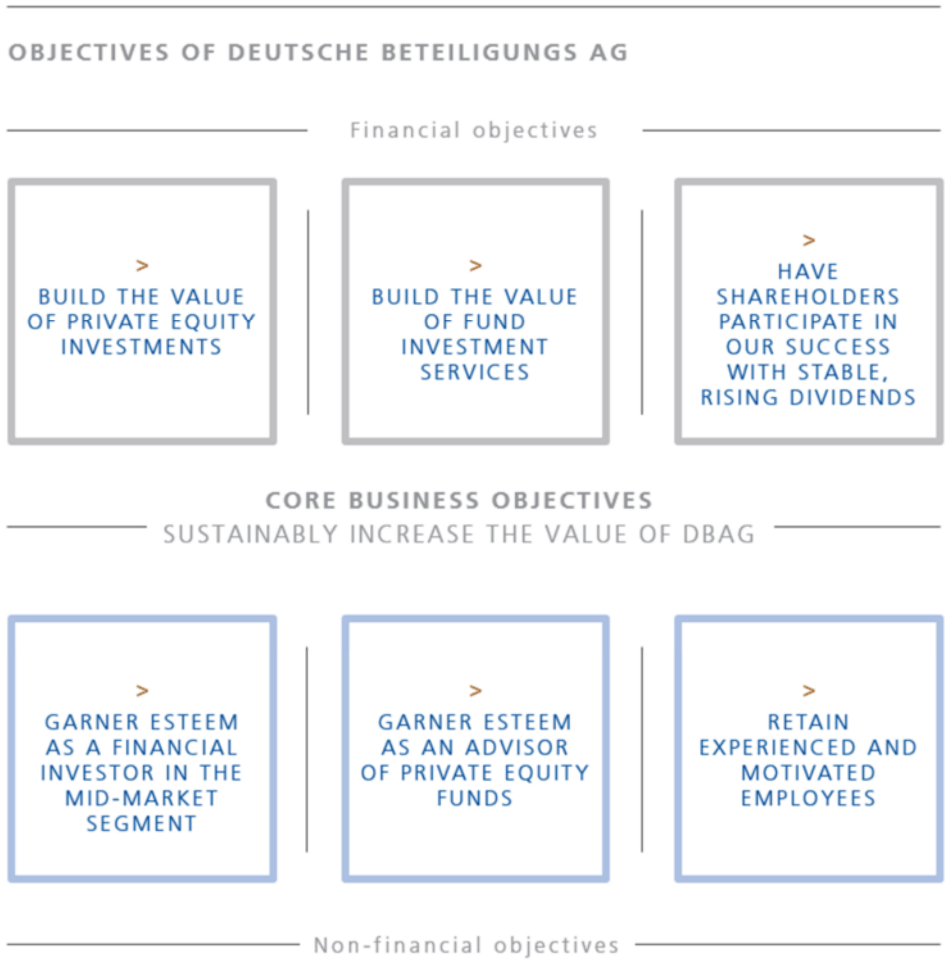
Key performance indicators can also be headed on a downward trajectory in the short term. This is partly a typical feature of the business because, for example, income from Fund Services falls after investments are disposed of. However, it can also be attributable to external factors that can change significantly at short notice. This is the case, for example, with the valuation levels of listed peer group companies when we measure the fair value of our equity investments on a quarterly basis. This means that a single quarter and even an entire financial year say very little about DBAG's success. It is only when viewed over a sufficiently long period of time that it is possible to assess whether the core objective of DBAG's business activity has been reached.

Further development of the target system effective as of the new financial year: Increasing the enterprise value giving special consideration to ecological, social and governance aspects

We have enhanced our target system again with effect from the start of the new financial year. Deutsche Beteiligungs AG has always been committed to the principles of sustainable corporate conduct. Taking responsibility for the impact that our decisions have, both now and in the future, is consistent with the long-term nature of our business. This includes the decisions we make in the investment process, in the development and subsequent disposal of our portfolio companies, and in managing our Company. In the future, we will also be making this aspiration clear in our core corporate objective: "We aim to *sustainably* increase the value of Deutsche Beteiligungs AG". By this, we mean achieving a long-term increase in DBAG's value taking economic, social and governance aspects into account.

Target system comprising financial and non-financial objectives

DBAG pursues three financial and three non-financial objectives which make indirect and direct contributions to achieving the core business objective.



Financial objective: Build the value of Private Equity Investments

Building the value of Private Equity Investments in the long run requires investments to be made in promising mid-market business models. To grow the value of the equity investments, DBAG supports the portfolio companies during a phase of strategic development spanning several years. The increase in value is realised by way of ongoing distributions, recapitalisation measures and the disposal of the investment. The higher the increases in value that can be realised with the investments made, and the higher the proportion of the returns from earlier investments that is reinvested in new investments, the greater the increase in the value of the business segment.

Financial objective: Build the value of Fund Investment Services

An increase in the value of the Fund Investment Services business segment requires substantial volume of assets under management or advisory that increase in the medium term. The value of the business segment is measured by the long-term growth in fee income from Fund Services, which tends to be volume based, and the extent to which it exceeds the corresponding expenses. The value of the Fund Services segment can be determined using the DCF method or by applying a multiple based on a peer group or market transactions. The value of the business segment increases if the excess of income over expenses increases.

Financial objective: Have shareholders participate in our success with stable, rising dividends

We intend to have our shareholders participate in financial gains by paying stable dividends that will thrive as much as possible. Three aspects play a key role when it comes to deciding on the amount of the distribution: the inflow of funds from the two business segments (income from Fund Services and net inflows after disposals), future liquidity requirements for (co-)investments and securing the dividend capacity in the long run. DBAG also views an attractive dividend yield – in relation to the capital markets environment – as a significant element of shareholders' participation in the Company's success.

Non-financial objective: Garner esteem as a financial investor in the mid-market segment

We want to invest the funds that shareholders and fund investors entrust to us. In order to achieve this, we not only need to identify and analyse investment opportunities in our target market. In a highly competitive environment, it is also about setting ourselves apart from our peers. Esteem and trust are key factors in the decision-making process, making them an important basis for our success.

Esteem and trust are nurtured by our market presence in the mid-market segment spanning many years, Our success is measured in terms of the value appreciation of our portfolio companies, i.e. the return that we generate on our invested capital. It is at least just as important, however, for our investments to continue to grow, expand their market position or boost their earnings power after they are sold.

Non-financial objective: Garner esteem as an advisor of private equity funds

The assets of the DBAG funds constitute a substantial part of our investment base. The funds are organised as closed-end funds; regularly raising successor funds is therefore a requirement.

This is why it is important for investors to value us as an advisor and ideally to invest on a recurring basis Furthermore, our funds should be sufficiently successful that we can maintain and expand our flexibility as regards fund volume and conditions. This will only succeed if investors in current funds achieve commensurate returns, and if we are perceived to be solid and trustworthy. We therefore attach great importance to open, responsible interaction with the fund investors.

Non-financial objective: Retain experienced and motivated employees

Our success thrives on the professional and personal skills of our people in all areas of the Company. At the same time, the investment activity requires tremendous commitment and a great amount of resilience from employees, which in turn calls for strong 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. Our compensation and incentive system is geared towards encouraging achievement and offering not only a motivating work environment, but also a financial incentive to retain our employees in the long run, driving our performance at the same time.

Steering and control

Key performance indicators

Key performance indicator for the core business objective of achieving a "long-term increase in DBAG's value"

The aim is to increase the value of DBAG in the long term: all financial and non-financial objectives are targeted towards achieving this. DBAG's company value is made up of the total value of the Private Equity Investments and Fund Investment Services business segments. Every valuation, however, is of a subjective nature. This is why we do not carry out our own valuation. By offering the greatest possible degree of transparency, we instead want to ensure that market participants can carry out their valuation on the most objective basis possible.

Key performance indicator for the financial objective "Build the value of Private Equity Investments"

The Private Equity Investments business segment is structured like a listed private equity portfolio managed by an external manager. Comparable business models are usually valued at net asset value.

The net asset value consists of the financial assets, the other financial instruments, the financial resources and, where appropriate, the credit lines as a deduction insofar as drawdowns have been made against them. Financial assets largely include the gross portfolio value, reduced by carried interest entitlements resulting from private investments made by members of the investment team in the DBAG funds. The gross portfolio value corresponds to the market value of the portfolio companies on the relevant reporting date, which is calculated using the recognised valuation methods that are applied as standard in the industry. It is entirely possible for the gross portfolio value to fall in some years because it is also subject to influences that DBAG cannot control, such as the economy or developments on the capital market. The other financial instruments include short-term loans to investment entity subsidiaries for the pre-financing of co-investments alongside the DBAG funds.

The net asset value does not change directly as a result of investments and disposals; these merely produce a shift between financial investments and financial resources. It changes primarily as a result of changes in the value of the portfolio. The higher the proportion of invested funds, the greater this change, in both positive and negative territory, and vice versa: the greater the share of the net asset value that is attributable to financial resources, the more stable the value is.

The net asset value is reduced by the costs associated with the stock exchange listing (including the fee for listing the shares on the Frankfurt Stock Exchange, expenses for investor relations, etc.) and the costs of portfolio management (real and synthetic fees paid to the Fund Investment Services segment).

While the dividend allows DBAG's shareholders to participate in DBAG's success, the distribution reduces the financial resources and, as a result, the net asset value. In order to make the increase in the net asset value visible in a given financial year, the opening balance of the net asset value is adjusted for the distribution made in that financial year.

Key performance indicators for the financial objective "Build the value of Fund Investment Services"

In order for the Fund Investment Services business segment to be successful, there have to be substantial volume of assets under management or advisory that increase in the medium term; the volume of these assets determines the income from Fund Services. In addition to this fee income, earnings before taxes generated by Fund Investment Services is significantly influenced by the cost of identifying investment opportunities, of supporting the portfolio companies, and of their ultimate disinvestment.

We measure whether we have achieved the financial objective “Build the value of Fund Investment Services” by looking at the long-term development of the earnings generated by Fund Investment Services.

The earnings generated by Fund Investment Services can fall in individual periods. This is due to the fact that the calculation basis for advisory fee income depends on the portfolio volume. Even if advisory fees remain constant for a longer period of time, as is generally the case during a fund’s investment phase, higher costs can send results on a downward trajectory. This explains why a longer observation period is important for this key performance indicator, too.

Key performance indicator for the financial objective “Have shareholders participate in the Company’s success through dividends that are stable and which rise whenever possible”

We measure and manage the participation of the shareholders in our performance using the dividend per share and the dividend yield. As already explained, we aim for a stable distribution per share in euros that ideally increases on an annual basis. Our shareholders should also expect to achieve an attractive dividend yield. This means that we also take the capital markets environment into consideration when determining the dividend proposal.

Key performance indicator for the non-financial objective “Garner esteem as a financial investor in the mid-market segment”

The proportion of MBOs that involve company founders or family shareholders on the seller side is higher at DBAG than the market average. We aim to continue to generate a large proportion of our transactions from this environment. This is based on a market presence that generates an attractive selection of potential investment opportunities. We measure the achievement of this objective in particular based on the number and quality of investment opportunities that we address each year.

Key performance indicator for the non-financial objective “Garner esteem as an advisor of private equity funds”

We measure and manage our reputation as an advisor of private equity funds based on the percentage of capital commitments made to a fund by investors in previous DBAG funds. A high level of esteem is generally reflected in the highest value possible. This figure is not, however, viewed in isolation from strategic considerations. It can make sense, for example, to tap into new investor groups and, as a result, make a conscious decision to accept lower values than those that could be generated from the demand of previous investors. We can only update this figure in a year in which a new DBAG fund has been launched.

Key performance indicator for the non-financial objective “Retain experienced and motivated employees”

We measure whether we have succeeded in retaining experienced employees on the basis of the average length of service. We conduct surveys on an ongoing basis to collect information on employee satisfaction. We also review the appropriateness of the remuneration paid compared with the market on a regular basis and offer the investment team the opportunity to participate in investment performance (carried interest for DBAG funds, variable remuneration for Long-Term Investments) as part of the sort of incentive systems that are customary in the industry, which we also review on a regular basis to check that they can be considered appropriate.

Regular assessment of equity investments

Because of the particularities of the private equity business, DBAG does not steer its business using traditional annual indicators such as operating margins or EBIT. Instead, the key performance indicators at Group level are – as described above – the parameters that DBAG can influence and that determine the value of the two business segments, Private Equity Investments and Fund Investment Services. These are the net asset value and the earnings generated by Fund Investment Services.

At the portfolio company level, traditional indicators, on the other hand, play a key role: when making the decision to invest, DBAG clearly defines performance targets based on the business plans developed by the portfolio companies' management teams – such as for revenues, profitability and debt. During the period of investment, the companies are valued at quarterly intervals based on their current financial metrics (profitability indicators such as EBITDA and net debt); this allows their progress to be followed in a year-over-year and current budget comparison. Other indicators, such as order intake and orders on hand, are also considered.

Ensuring performance: Board of Management members directly involved in relevant operating processes

As mentioned, members of the Board of Management are also involved in the core processes of DBAG's business (i.e. investment, development, realisation). They are particularly involved in generating investment opportunities (deal flow) as well as in due diligence and negotiating acquisitions and disinvestments. Additionally, they discuss new investment opportunities and key new developments within the portfolio companies at weekly meetings with those members of the investment team who are involved in transactions or in supporting the portfolio companies.

A key instrument in ensuring performance is the investment controlling system which, by way of example, identifies deviations from the originally agreed development steps or provides information that may be useful for managing an investment portfolio, e.g. pointing to the potential negative impact that economic developments could have on the portfolio companies.

BUSINESS REVIEW OF THE GROUP

Comparison between actual business developments and the forecast

		Reference point for the forecast	Expectations December 2019	New forecast July 2020	Actual 2019/2020 and 30.9.2020	Degree of fulfillment forecast December 2019	Degree of fulfillment forecast July 2020
Financial performance indicators							
Private Equity Investments							
Net asset value (reporting date)	€mn	472.1	Up to 10% lower	400 to 425	422.0	Expectation not met	Expectation met
Net income from investment activity	€mn	51.0	More than 40% lower		(16.9)	Expectation met	
Cash flow from investment activity	€mn	(15.5)	More than 20% lower		(33.5)	Expectation met	
Fund Investment Services							
Income from Fund Services	€mn	28.2	More than 20% higher		30.6	Expectation not met	
Earnings from Fund Investment Services[1]	€mn	3.0	More than 20% higher	8 to 9	9.5	Expectation met	Expectation exceeded
Volume of assets under management or advisory (reporting date)	€mn	1,704.4	More than 20% higher		2,582.6	Expectation met	
Shareholders							
Dividend per share	€	1.50	unchanged		0.80	Expectation not met	
Non-financial performance indicators							
Private Equity Investments							
Investment opportunities		258	unchanged		193	Expectation not met	
Fund Investment Services							
Share of capital commitments of returning investors	%	75	unchanged		86	Expectation exceeded	
Employees							
Average length of company service	Years	7.9	unchanged		7.9	Expectation met	
Other indicators							
Net income in accordance with IFRS[2]	€mn	46.8	20% to 40% lower	-25 to -5	(16.8)	Expectation not met	Expectation met
Net income in accordance with HGB	€mn	29.1	More than 10% higher		45.9	Expectation met	

1 Also used as a key performance indicator for the core business objective
2 The forecast was based on the average value of the previous five financial years

The coronavirus pandemic triggered a macroeconomic shock that is the first of its kind in modern economic history. This meant that all of the assumptions on which we had based our original forecast, released in December 2019, were obsolete: faced with the economic downturn, the portfolio companies reported poorer performance than planned, capital market multiples changed considerably in an environment of high volatility, and our new DBAG fund was unable to start its investment activity in the first half of the financial year as expected. As a result, key performance indicators fell short of the level that was originally expected. As the pandemic initially triggered a slump on the capital markets in March 2020, resulting in significantly lower valuation multiples and what was likely to be a negative multiple effect on net measurement gains and losses at the half-year mark (31 March), we retracted our original forecast for the reporting year on 20 March 2020. When we prepared our interim financial statements as at 30 June 2020 (third quarter), we published a new forecast for key financial performance indicators on 27 July 2020. This also involved a change in our forecasting method, which we have explained in the Report on expected developments (page 72). The new forecast was met.

The net asset value and the net income from investment activity are determined largely by the performance of the portfolio companies. While both key performance indicators fell short of the original expectations, net income from investment activity reached the corresponding category nevertheless in formal terms ("more than 40 per cent lower"). Despite a temporarily trying situation on the M&A market, we were able to implement five new investment projects, four of which had been completed by the reporting date. Planned disposals, however, were delayed due to the pandemic, meaning that the cash flow from investment activity was worse than we had projected. As the investment period of DBAG Fund VIII began later than expected, income from Fund Services did not reach the projected level. Net income from Fund Investment Services, on the other hand, turned out to be better than initially expected: personnel expenses were lower due to the economic developments, compensating for the partial loss of income. At the time our forecast was released at the end of 2019, we were already able to assume that the fundraising for DBAG Fund VIII would be a success. The fund was closed in May 2020, meaning that the volume of assets under management or advisory changed in line with the forecast. The share of capital commitments of returning investors during the fundraising process outstripped our expectations by far at 86 per cent.

Given the unprecedented disruption of our business caused by the pandemic, we have suspended our unchanged dividend policy for the reporting year. This means that we were unable to meet expectations of a dividend proposal on a par with the previous year. The same applies to our expectations regarding the number of investment opportunities: in the spring of 2020, the M&A market came more or less to a standstill at times, with a knock-on effect on our deal flow. As expected, the average length of service of employees of Deutsche Beteiligungs AG did not change due to an increase in the workforce. DBAG's net income fell short of the forecast for the same reasons that apply to the net asset value and net income from investment activity. The net income in accordance with HGB is primarily influenced by the sale of the investment in inexio; this transaction had already been agreed when the forecast was issued, meaning that we were able to reliably plan its effect.

Macroeconomic and sector-specific environment

Real economy: Historic global economic slump triggered by the coronavirus pandemic in the spring – slight signs of recovery since then

At the beginning of the financial year 2019/2020, the international economy was already showing only weak momentum: in 2019, global economic growth came to 2.8 per cent, the lowest rate reported since the financial crisis of 2008/2009, and output in the German manufacturing industry actually declined overall in the 2019 calendar year. As a result of this industrial recession, the Federal Republic of Germany recorded the lowest growth rate of any industrialised nation – with the exception of Italy – with gross domestic product increasing by only 0.6 per cent. The outbreak of the coronavirus pandemic during the first calendar quarter of 2020 then shattered any expectations of a positive turn of events in the reporting year, both in Germany and across the globe. On the contrary: 2020 plunged the global economy into the deepest recession witnessed in the post-war era.

In Germany, the pandemic hit not only those sectors of the economy in which social contact plays a major role, but also the industrial sector, in particular vehicle manufacturing, with all its might. This industry had already suffered particularly badly in the run-up to 2020: German automotive production had been dealt a blow as long ago as in mid-2018, not least due to the significant technological change on the global automotive market.

Following the drastic slump in the course of the first four months of the calendar year, the German and global economies started to show signs of bouncing back in mid-2020. After an initial marked upswing in May and June in response to the end of the hard lockdown, however, the recovery process in Germany started to become more sluggish and lost momentum: in their joint diagnosis of October 2020[1], the economic research institutes pointed out that catch-up effects are coming to an end, and that global investment activity, a key aspect for the German economy, is likely to remain on the weak side for some time to come, also due to expectations of lower unit sales and a reduced equity base. The latter, according to the diagnosis, will result in lower growth in the capital stock, which will likely have to be written off in part in line with the expected marked increase in insolvencies.

In their joint diagnosis, the economic research institutes expect gross domestic product to contract by 5.4 per cent this year. In its interim projection from the beginning of September, the German government was still projecting a drop of 5.8 per cent.

It goes without saying that DBAG's portfolio companies have also been hit by the economic impact of the pandemic, particularly in the industrial sector. The portfolio also, however, includes a significant number of companies that are not being affected by the developments described above to anywhere near the same extent. In broadening our investment strategy in recent years, we have been able to reduce our portfolio's risk exposure to economic and structural changes overall. For example, our investments in the broadband telecommunications sector and the providers of software and IT services have actually been able to benefit from the digitalisation drive within society as a whole that has been triggered by the pandemic, over and above the government's current efforts to expand the country's digital infrastructure.

Financial markets: Financing conditions remain positive

As a continuation of the policy of easy money that they have been pursuing to date, central banks reacted to the economic crisis sparked by the pandemic by injecting more liquidity into the financial system. The US Federal Reserve, for example, has been supporting the money market with a number of programmes since March 2020 in quest to prevent liquidity bottlenecks. It has also launched further support programmes with a volume of up to 2.6 trillion US dollars under the CARES Act (Coronavirus Aid, Relief, and Economic Security Act) that has been passed by Congress.[2] It continued this policy into the third quarter of the 2020 calendar year and, in its September report, stressed that it remained ready to use the full range of instruments at its disposal to prop up the economy.[3] The fed funds rate is to remain within the target corridor of 0 to 0.25 per cent until further notice.

Similar programmes have also been launched by most other central banks. In addition to several measures to support the euro financial system, the ECB announced back in March that it would be expanding its asset purchase programme beyond the previous monthly pace of

[1] "*Erholung verliert an Fahrt – Wirtschaft und Politik weiter im Zeichen der Pandemie*" (Recovery losing momentum – economics and politics remain dominated by the pandemic), *Gemeinschaftsdiagnose* (joint diagnosis) 2/2020, October 2020
[2] Monetary Policy Report submitted to the Congress; https://www.federalreserve.gov/monetarypolicy/2020-06-mpr-part1.htm#xdevelopmentsrelatedtofinancialstabi-10731917
[3] FOMC statement; https://www.federalreserve.gov/newsevents/pressreleases/monetary20200916a.htm

20 billion euros by a further 120 billion euros in total up until the end of 2020, and topping it up on a huge scale to an initial volume of 750 billion euros as part of a new Pandemic Emergency Purchase Programme (PEPP).[4] The volume of the PEPP was increased to 1,350 billion euros as the year progressed. In September, the ECB confirmed that it would be continuing with the programme until June 2021, but in any case until the ECB's Governing Council judges that the coronavirus crisis phase is over.[5] The ECB left the key interest rate at an all-time low of zero per cent throughout the year.

The prospect of the financial markets being supported by these volumes gave the stock markets another boost after the marked slumps in the first calendar quarter, meaning that old highs came within striking distance again just one quarter later.

This means that, at first glance, the financing situation of companies in Germany remains extremely favourable. Given, however, that it is still impossible to rule out a wave of insolvencies in the course of the pandemic-induced recession, banks could tighten up their lending policies, making access to credit increasingly difficult, especially for smaller companies. Although this is being counteracted by the aid programmes initiated by the public sector, the disbursement of these funds to companies is repeatedly being delayed by the banking sector, as banks are obliged to carry out a proper credit check regardless of the state guarantees. Policymakers are currently responding to corresponding complaints raised by the business community by adjusting the programmes accordingly on a regular basis. Most of DBAG's portfolio companies have solid, or even very good, levels of financing. Nevertheless, we have supported adjustments in the financing structure of individual portfolio companies by making a total of 5.2 million euros in additional equity available across the portfolio; we have explained these measures in the section entitled "Review of key events and transactions, Private Equity Investments: Six new investments added to the portfolio" (page 29).

The supply of acquisition finance, which is key to our business, also remained strong over the past financial year. Private debt funds, which extended the banks' traditional offering and meanwhile command a market share of around 70 per cent, also contributed to this. However, the financing institutions still appear very reticent as regards lending to industrial enterprises.

Currencies: Impact on portfolio value lower than in the previous year

The direct impact of exchange rate fluctuations on the value of our portfolio continues to be negligible, as we only make investments in non-euro currencies in exceptional cases. At present, investments in four portfolio companies (duagon, mageba, Pfaudler and Sjølund) are exposed to currency risks. Unlike the US dollar and the British pound, the Swiss franc appreciated against the euro. The Danish krone is pegged to the euro, and its value remained fairly stable. The parities changed by between 1.0 and 7.0 per cent and therefore at a slightly higher rate than in the previous financial year. The effects, however, partly offset each other, meaning that compared to the reporting date of 30 September 2019, changes in exchange rates led to a gross decrease in value of -1.3 million euros. In the financial year 2018/2019, changes in exchange rates led to a gross value appreciation of 3.6 million euros.

Beyond that, exchange rate fluctuations also have a direct influence on the business activities of those portfolio companies with activities in international markets. This is partly compensated for by the fact that the companies have manufacturing operations in various currency areas. The effects across the portfolio, which is highly diversified in terms of industries and business models, can vary considerably; we assume that they partially offset each other. As we can neither plan nor influence them, they play a minor role in our investment decisions.

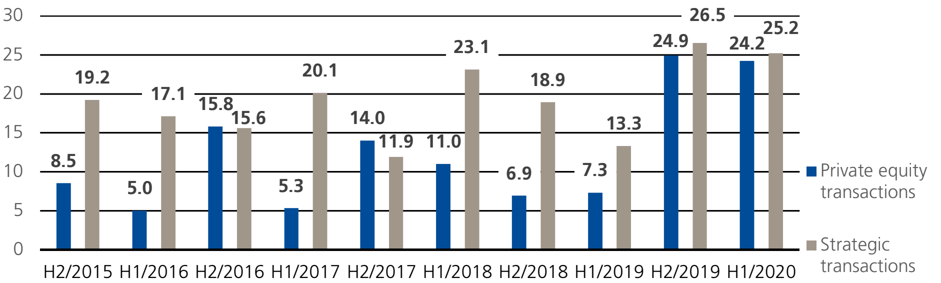
[4] https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200318_1~3949d6f266.en.html
[5] https://www.ecb.europa.eu/press/pressconf/2020/html/ecb.is200910~5c43e3a591.en.html

Private equity market: Recent increase in number and total volume of transactions, average company values virtually unchanged

Due to the limited size and varied structure of the private equity market, comparisons over short periods of time are only of low informational value. Transparency is also limited: for every transaction on which a value is published, there are several transactions on which no quantitative information is released. As a result, the statistical information available from various sources does not provide a true picture of market activity.

In addition, any trend forecasts made on the basis of the most recent transactions have limited informational value following the outbreak of the coronavirus pandemic. With the virus having brought the market more or less to a standstill in the spring of 2020, M&A activity has started to pick up again. It is impossible to predict though the extent of the recovery and whether all market segments will benefit equally. We do, however, expect that as the recovery progresses, the long-term market trends which shape our business will regain their previous significance; these are outlined below.

M&A-MARKET GERMANY - TRANSACTION VALUE
€bn



Overall, investment activity on the German private equity market hardly changed in 2019/2020. During the twelve-month period ending on 30 June 2020, 206 transactions involving financial investors were registered in Germany. Although 24 fewer than in the previous 12-month period, this is largely due to low transaction activity in the second half of the first six months of 2020 (April, May, June): before the pandemic (January, February, March 2020), private equity firms completed 56 transactions, and only 38 in the following three months. Although the value of private equity transactions has increased significantly, any comparison with previous years is greatly overshadowed by one single transaction worth 17.2 billion euros, by far the highest value to date for a buyout in Germany.[6]

Management buyouts continue to dominate the private equity business in Germany. In 2019, 10.6 billion euros or around 74 per cent of all funds invested in Germany were invested in this type of majority acquisition; practically nothing has changed in this respect over the past nine years. Growth financing accounts for a good 13 per cent of investments; this share has also remained constant over the years – albeit with fluctuations.[7]

The data on the market as a whole is often dominated by individual, particularly large-scale transactions. For our segment of the market, we have been collecting detailed data on transaction activity ourselves, with the support of a trade magazine, since 2004 based on unchanged criteria. There are so many transactions in this segment that the overall picture cannot be distorted by individual transactions. Based on this data, we can say that, throughout

[6] "Private Equity – The Transaction Market in Germany – H1 2020", EY 2020
[7] "German Equity Capital Market 2019", German Private Equity and Venture Capital Association, February 2020 ("Market statistics, investments according to financing purpose")

2019/2020, private equity continued to grow in popularity with Germany's mid-market companies – DBAG's main target group: well over half of all MBOs in the mid-market segment of the German buyout market in 2019 involved the sale of a mid-sized company by private (family) owners to a financial investor. Over the previous ten years, this share averaged only about one fifth. "Secondaries", i.e. transactions involving financial investors on both sides, have become less significant. Last year saw financial investors structure a total of 51 transactions in German medium-sized companies, which is four MBOs more than in 2018. It also marks a new record level for this market segment since DBAG started compiling data back in 2002.

The analysis only takes into account transactions in which financial investors acquired a majority stake in companies alongside the management team, and where the transaction value for the debt-free company was between 50 and 250 million euros. This information was compiled from publicly available sources, together with estimates and research by DBAG in cooperation with the German industry magazine FINANCE.[8] Private equity companies financed buyouts of German mid-market companies with an aggregate volume of around 5.4 billion euros in 2019, as against 4.8 billion euros a year earlier. At 106 million euros, the average company value was virtually unchanged from the previous year. Competition is generally becoming more intense. 35 private equity firms were involved in the 51 transactions observed last year. Around 60 per cent of the transactions (31 out of 51) were structured by multinational, pan-European private equity funds (previous year: 22 out of 47, just under 50 per cent).

Over the past ten years, DBAG has achieved the highest share in this fragmented market (23 out of 335 MBOs, equivalent to 7 per cent). Its next closest competitor has structured 17 transactions in the market segment analysed; all other market participants being significantly lower. DBAG's competitors in this market are predominantly unlisted financial investors with correspondingly large private equity funds. They can be broken down into investors that – like DBAG – concentrate primarily on investments in German-speaking countries, and those that pursue a pan-European investment approach. The funds can also be split into those that invest in our market on an ongoing basis and those that only make occasional investments. If we look at an appropriately long period of time – in line with our business model – Bregal, Capiton and Paragon rank among our main competitors, based on the number of completed MBOs, in the Germany, Austria and Switzerland region. The group of pan-European funds that invest in our market more than merely sporadically include Equistone, Triton and H.I.G. Capital.

DBAG accounted for one out of 51 MBOs in the buyout list for 2019 (previous year: three out of 47 MBOs). It also structured two additional MBOs: in one case, the transaction value exceeded 250 million euros, while another MBO involved an Austrian company.

The sector structure of the buyout market has changed dramatically over recent years: companies from the healthcare and IT services/software sectors accounted for around one-third (16 out of 51) transactions in 2019. Their average share for the last ten years was less than half this level. In contrast, pure industrial companies appear less frequently on the list of 2019 MBOs than in previous years, although they remain an important source for MBOs with a share of just under 25 per cent.

[8] This information is based on a survey conducted by the industry magazine FINANCE on behalf of DBAG. The figure includes majority takeovers in the form of MBOs, MBIs and secondary/tertiary buyouts of German companies involving a financial investor with a transaction volume of between 50 and 250 million euros.

Review of key events and transactions

Private Equity Investments: Six new investments added to the portfolio

Investment team implements investment decisions worth 314 million euros

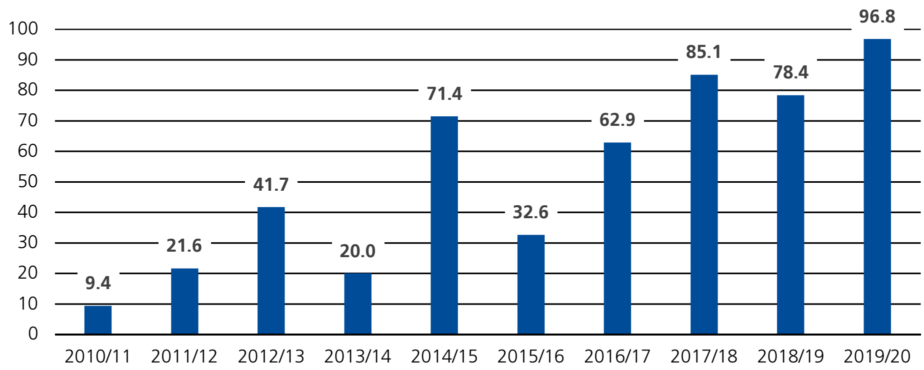
Six equity investments were added to DBAG’s portfolio in the financial year 2019/2020. Two of the new investments had already been agreed upon in the previous year, but were not completed until the year under review. In addition, one management buyout was structured in 2019/2020 and is scheduled for completion after the most recent reporting date. We also supported six portfolio companies in 14 company acquisitions; these serve to implement and accelerate the strategic development of our portfolio companies. In some cases, we have also provided additional funds alongside the DBAG funds. Where companies have been hit harder than others by coronavirus, we have provided additional equity to support debt financing solutions to improve the financial resources of those companies. However, this was only applied to seven investments, for which a total volume of 5.2 million euros was made available.

Among the new portfolio companies are Cartonplast and DING Group (formerly: STG Group) – both of these MBOs were already agreed in 2018/2019: Cartonplast is the largest single investment in DBAG’s history, made alongside one of its funds. We also made use of the DBAG Fund VII top-up fund for this large volume. DING Group was acquired by DBAG ECF the previous year when it was still operating as STG Group; this service provider in the telecommunications sector also specialises in the construction of fibre-optic networks. PM Plastic Materials is DBAG’s first MBO in Northern Italy. It is Europe’s largest producer of pre-wired and empty cable conduits, used primarily for electrical installations. This MBO was also structured using DBAG Fund VII, including the top-up fund. Multimon, a leading provider of fire alarm systems, and Deutsche Giga Access (formerly Northern Access), a regional provider of fast internet and telephony services, are the first two MBOs in DBAG Fund VIII. Investment commitments for this new fund were secured up until to May 2020. congatec produces computer components; this technology company’s MBO was agreed upon in August 2020, but was only completed after the reporting date.

Hausheld is the first company in the portfolio to be financed as a Long-Term Investment, independently of a DBAG fund.

The six additions to the portfolio are offset by one disposal: the investment in inexio, the sale of which had already been agreed in September 2019. The sale of the investment in the shipping and marine equipment supplier Rheinhold & Mahla, on the other hand, has not yet been included as a disposal – it was agreed in the reporting year but had not yet been completed by the reporting date. At the end of the financial year, DBAG’s investment portfolio therefore consisted of 32 companies; in addition, there is still an investment in an externally managed international buyout fund, which still holds a stake in one company, as well as companies used to settle representations and warranties on disposals. At the end of the previous year, the portfolio had comprised 27 investments.

INVESTMENT IN THE PORTFOLIO
€mn



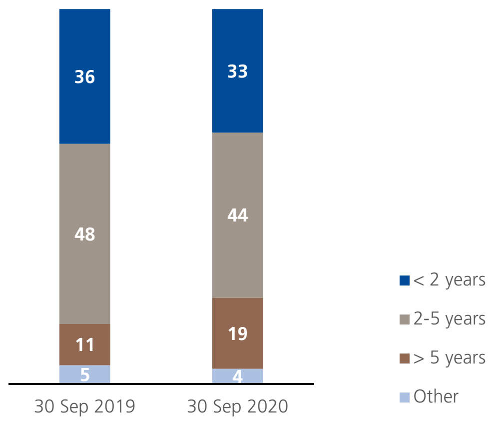
In 2019/2020, DBAG invested 96.8 million euros (previous year: 78.4 million euros) from its balance sheet; this sum includes both the new investments and the increase in existing investments.

In 2019/2020, DBAG made investment decisions on equity investments of around 314 million euros (previous year: 379 million euros). 77.5 million euros (previous year: 86.2 million euros) of the investment decisions were attributable to the co-investments made by DBAG (largely) alongside DBAG Fund VII and DBAG Fund VIII, with a further 8.5 million euros attributable to the first Long-Term Investment. The investment decisions made as advisors to/managers of DBAG funds not only related to the new MBOs. 43.1 million euros (thereof DBAG: 21.4 million euros) was also attributable to the financing of acquisitions by the portfolio companies and, to a lesser extent (29.6 million euros, thereof DBAG: 8.4 million euros), to capital invested in existing portfolio companies.

Portfolio companies held for a longer period

The share of investments in the portfolio for less than two years is 33 per cent on the basis of the acquisition costs (previous year: 36 per cent). Investments that we are already supporting for two to five years account for around 44 per cent (previous year: 48 per cent). This is typically the period in which the implementation of the agreed corporate strategy picks up the most speed; the pandemic and, prior to that, the negative economic trends in industry that have been felt for some time now could, however, hinder companies in their further development and result in a longer holding period. This is reflected in the significantly higher proportion of acquisition cost attributable to companies that have already been in the portfolio for more than five years: this proportion now stands at 19 per cent (previous year: eleven per cent).

STRUCTURE OF THE PORTFOLIO ON BASIS OF ACQUISITION COSTS
%



DBAG Fund VIII's investment period started in the year under review and has already agreed three transactions

Like its predecessor, DBAG Fund VII, the new DBAG Fund VIII consists of two sub-funds: a principal fund and a top-up fund. The principal fund will predominantly structure equity investments between 40 and 100 million euros. Including the top-up fund, up to around 220 million euros can be invested per transaction, putting larger companies on our radar as well. The pandemic has partially delayed due diligence processes; nevertheless, DBAG was able to agree on three transactions for the fund in the summer of 2020, two of which had already been completed by the reporting date. The fund's investment period had started on 1 August 2020. As with its predecessor fund, DBAG Fund VII, it can last for up to six years. For the first time, the investment periods of two DBAG funds with the same investment strategy can overlap; this allows DBAG Fund VII to achieve the highest level of investment possible.

The first company in DBAG Fund VIII is **MULTIMON AG**. An MBO allowed the fund to acquire the majority of the shares in August 2020. DBAG has invested around eight million euros alongside the fund, which means it holds approximately 23 per cent of the company's shares. Multimon is a leading provider of fire extinguishing systems and the second company (after the investment in Kraft & Bauer Holding GmbH) in DBAG's portfolio related to this business. While Kraft & Bauer supplies fire extinguishing systems for tooling machines, Multimon installs fire extinguishing systems predominantly in high-rise buildings, shopping centres, warehouses, production plants, logistics centres, underground car parks and listed buildings. The company's key know-how lies in the efficient conception, installation and maintenance of the systems, in line with existing regulations. Fire protection regulations are becoming tighter; installed systems must be maintained regularly and retrofitted if necessary. This recurring service business already accounts for a quarter of the company's total revenues, which totalled around 93 million euros in 2019.

DEUTSCHE GIGA ACCESS GMBH is a provider of fast internet and telephony; this addition sees DBAG expand its portfolio, alongside DBAG Fund VIII, to include another investment in the fast-growing broadband telecommunications sector. To date, the company's development area has been limited to the region north-east of Hanover, where it operates under the Northern Access brand. By 2021, the company aims to increase the number of accessible households by just under 40 per cent (from around 20,000 today), mainly by investing in the expansion of its own fibre-optic network. In its investment in Deutschen Giga Access GmbH, DBAG has initially invested around five million euros for a stake of almost 23 per cent in the company.

In August 2020, DBAG-advised DBAG Fund VIII also agreed to acquire the majority of the shares in **CONGATEC HOLDING AG** from the founding shareholders. DBAG itself will co-invest around 23 million euros alongside the fund, which means that it will now hold around 20 per cent of the company's shares. congatec's management team will also acquire a stake in the company. congatec Holding supplies the necessary computer components for the 'Internet of Things' and for 'Industry 4.0'. congatec is a rapidly growing technology company in the area of embedded computing, focused on computer-on-modules (CoMs) and industrial single-board computers (SBCs). Established in 2004, the company is the global market leader in the CoMs segment. Revenues of 126 million US dollars generated in 2019 are spread across a wide range of applications, enabling the company to balance out the fluctuations in individual sales markets. This MBO sees DBAG make another investment in an IndustryTech company. DBAG has dealt intensively in recent years with companies in the embedded electronics segment, having already invested in a comparable business model with its investment in duagon Holding AG in 2017.

DBAG Fund VII: Cartonplast MBO completed, first MBO in Italy, blikk uses acquisitions to strengthen its position, duagon expands in Spain

DBAG Fund VII has been investing in mid-sized companies since December 2016. The portfolio has meanwhile grown to include nine investments, including four for which the top-up fund has also been used. With the most recent transaction in the reporting year, more than 75 per cent of the fund will be invested; as described, further fund investments are planned. DBAG will also continue to make funds available to promote the further development of its portfolio companies. Two MBOs were completed in the reporting year. Two additional portfolio companies were able to expand their respective market positions through acquisitions.

The **CARTONPLAST HOLDING GMBH** MBO – agreed in the fourth quarter of the 2018/2019 financial year – was completed during the the first quarter of 2019/2020. This investment from the core industrial services sector was one of the largest single investments in our history: we invested 25.3 million euros alongside DBAG Fund VII using the top-up fund. Cartonplast rents plastic layer pads for the transport of glass containers for foodstuffs. Within its customer value chain, the company has established a closed logistics cycle for this purpose. It is reaping the benefits from the increasing trend towards outsourcing and from the mounting importance of sustainability efforts. Cartonplast is expected to grow by further internationalising its business and expanding its offering.

The MBO of **PM PLASTIC MATERIALS S.R.L.** is the first transaction DBAG has structured in northern Italy. It is Europe's largest producer of pre-wired and empty cable conduits, used primarily for electrical installations. DBAG Fund VII, which is advised by DBAG, has acquired the majority of the founding family's shares. DBAG has co-invested around 10.8 million euros alongside the fund, and now holds around 12.5 per cent of the company's shares. Sales for PM Plastic Materials have been rising since 2003 by twelve per cent per annum on average, reaching 101 million euros in 2019. PM Plastic Materials has so far managed to mitigate the impact of the pandemic, as the Swedish market in particular, one of the company's key markets, has not been affected by any interruption in construction activity and the company has been able to gain market share in new markets. There is, however, a risk of negative effects on the company's business resulting from a potential reluctance to invest in the construction industry over the next few years.

The **BLIKK RADIOLOGY GROUP** is expanding rapidly through company acquisitions. At the start of the reporting year, DBAG successfully completed the takeover of an additional dialysis practice and a highly specialised regional hospital (Klinik Helle Mitte) in Berlin. Since a major proportion of this hospital's revenue is generated from outpatient examinations or treatments focused on radiological services, it is an excellent strategic fit for blikk. The acquisition of the

Klinik Helle Mitte hospital will increase the number of the group's doctors by around one fifth. The hospital will act as the nucleus of blikk's further buy-and-build strategy. DBAG Fund VII and Deutsche Beteiligungs AG (14.0 million euros) made equity available for this transaction.

DUAGON AG completed another acquisition in February 2020. The acquisition was financed without duagon requiring any additional capital injection. The company, which is based in Switzerland, is a leading independent supplier of network components for data communication in rail vehicles. It has acquired MNI Technology on Rails S.L. (TechOnRails) in Madrid. TechOnRails offers development services for both hardware-based data communication, also for signalling systems, and for software-based solutions. It is set to become duagon Group's global competence centre for these two areas and will head up the Group's activities on the Iberian and South American markets. TechOnRails will add another 150 highly skilled specialists to duagon's workforce of 250 specialised developers. The company operates across the globe, having completed projects in 20 countries and on four continents.

DBAG Fund VI: Partial exit from Pfaudler

The DBAG Fund VI investment period ended in December 2016. Like DBAG Fund VII, it continues to support the development of its portfolio companies, and also provides additional equity as and when required.

In the year under review we sold part of our stake in the Pfaudler Group, an MBO from December 2014. To achieve this, DBAG first reorganised Pfaudler Group's structure, with the listed Indian subsidiary GMM Pfaudler Ltd. (GMM) and the second largest GMM shareholder, the Patel family, acquiring 80 per cent of Pfaudler's European and American core business. DBAG and DBAG Fund VI retained a 20 per cent stake in Pfaudler Group's core business and also held just over 50 per cent of GMM indirectly. Around 18 per cent of GMM's shares were then placed from these holdings. Following the placement, DBAG Fund VI and DBAG are now GMM's largest shareholders with a combined indirect holding of around 33 per cent; a stake of just over 6 per cent is attributable to DBAG on a look-through basis. DBAG and DBAG Fund VI continue to have a stake of 20 per cent in Pfaudler Group's core business.

Warranty retentions were paid out in the 2019/2020 financial year on two investments – **CLEANPART** and **INFIANA** – that had already been sold in previous financial years. Cash inflow from this amounted to 1.3 million euros.

DBAG ECF: The MBO of DING Group and four acquisitions completed, BTV Multimedia, netzkontor nord and vitronet continue to grow through acquisitions, Rheinhold & Mahla sold

The MBO of **DING GROUP** (formerly: STG Group) was already agreed in the 2018/2019 financial year alongside DBAG ECF. The transaction was completed in November 2019 and the Group subsequently renamed to Deutsche Infrastruktur- und Netzgesellschaft mbH. The Group focuses on the construction of fibre-optic networks and the provision of the necessary service. The idea is to use a buy-and-build approach to expand the Group's regional presence in particular, allowing it to offer and execute new construction and service projects on a nationwide scale. The aim is to create a larger, efficient unit with nationwide operations that can help to meet the high demand resulting from Germany's digitalisation efforts.

At the beginning of the 2019/2020 financial year, three company acquisitions were already made with the takeover of Leinberger-Bau GmbH and three other subsidiaries belonging to the Leinberger Group, the takeover of ISKA Schön GmbH and the takeover of IMD Group: Leinberger Bau (2019 revenues: approximately 22 million euros) is a full-service provider of supply and communication networks focusing on the German federal state of Hesse. ISKA Schön (2019 revenues: approximately 35 million euros) is a provider of specialist subterranean construction and maintenance services, especially in telecommunications and trenching, with a focus on Bavaria. IMD Group, which consists of three companies (2019 revenues: almost 25 million euros), will strengthen the presence of DING Group in north-western Germany and expand the customer portfolio of regional and municipal utilities companies.

A further acquisition was completed in the second half of the reporting year – the purchase of Reinhard Rohrbau GmbH (2019 revenues: approximately 17 million euros). RRB is a regional pipeline installation company focusing on the energy grid and the telecommunications network. It provides services spanning areas from project planning, installation and commissioning, to maintenance, repair and documentation. RRB also offers horizontal drilling services and has the heavy machinery required to do so. The company generates around one-third of its total revenues with the construction of fibre-optic networks, the segment that is growing at the fastest rate. RRB is headquartered in Meppen (Lower Saxony) and has an additional branch in Raunheim (Hesse). It employs a workforce of around 110 employees. Like IMD Group, RRB's regional focus is on north-western Germany, whereas Leinberger operates in the federal state of Hesse and in Southern Germany. ISKA's business is focused on Bavaria, primarily on the area surrounding Munich, whereas the nucleus of DING Group focuses mainly on North Rhine-Westphalia. As RRB will further enhance the Group's service portfolio, we expect this acquisition to also increase the value of DING Group. Following the completion of this latest transaction, DING is expected to report annual revenues of around 125 million euros in 2020.

DING Group financed all four acquisitions without the commitment of further equity by DBAG and DBAG ECF.

BTV MULTIMEDIA GMBH supplies equipment for cable networks and also ranks among the companies in the broadband/telecommunications sector. BTV Multimedia acquired Austria's Fionis GmbH during the financial year under review. Fionis, which has its headquarters near Graz, Austria, is a system integrator in the fibre optics sector that provides components, as well as planning and installation services, for the expansion of fibre-optic networks. Fionis operates primarily in Austria, but also in Italy, meaning that the acquisition will allow BTV Multimedia to expand its market coverage to include Austria and Italy, as well as to strengthen its expertise in the fibre-optic and installation business. Fionis reported revenues in excess of ten million euros in 2019. Revenues for the Group, which had already been boosted by the acquisition of three companies, are expected to grow to almost 100 million euros in 2020. BTV Multimedia financed the acquisition without any additional capital injection.

NETZKONTOR NORD GMBH is another portfolio company held by DBAG ECF alongside DBAG operating in the broadband communications segment that has successfully completed two acquisitions: Voss Telecom Services GmbH and SSF Telekommunikations Management GmbH, in the first few months of the last financial year. The acquisitions were made without any further capital being provided by DBAG and the fund.

Both Voss and netzkontor nord's business models complement each other extremely well. Each of them provide planning, consultancy and project management services for the expansion of fibre-optic networks. Voss also operates in North Rhine-Westphalia, Baden-Württemberg and Hesse and will provide the platform for future growth in the western part of Germany for netzkontor nord, whose regional focus has been on Northern Germany to date.

VITRONET GMBH is another portfolio company in the broadband communications sector held by DBAG alongside DBAG ECF. To bring it closer to its goal of creating a larger, efficient unit with operations that are as nationwide as possible, vitronet completed three company acquisitions in 2019/2020. Horstmann GmbH, Mülheim a. d. Ruhr, and Telewenz GmbH, Bochum, are located close to vitronet's headquarters in Essen, enhancing vitronet's presence in the Ruhr region. They also expand the company's expertise to include the attractive service of interference suppression for Deutsche Telekom AG's large copper network, helping to further diversify its customer portfolio. Horstmann GmbH complements vitronet's capacities in civil engineering for utilities companies. An additional company acquisition was also completed: Reuschenbach (Clemens Reuschenbach e.K.), Breitscheid, is a provider of horizontal drilling and pressing technology focusing on the construction of fibre-optic networks and sewer system renovation projects. As a result of the acquisitions, which were also financed without any additional capital injections, vitronet's revenues are tipped to rise to around 145 million euros in 2020.

FLS GMBH is a software provider that focuses on increasing efficiency through route optimisation. This investment is also intended to accelerate growth and market penetration through acquisitions. In September 2020, FLS agreed to acquire the Austrian impactIT GmbH based in Vienna; the company (2019 revenues: 4.2 million euros) sells software for external sales organisations under the brand name Portatour; sales representatives can use it to organise their appointments and itineraries individually via a web-based app. DBAG and DBAG ECF are supporting the acquisition with additional equity for FLS (11.7 million euros, thereof 4.9 million euros provided by DBAG); the transaction is expected to be completed in the first quarter of the new financial year. This transaction reinforces DBAG's commitment to the high-growth software sector.

We injected additional capital (14.7 million euros) alongside DBAG ECF to finance the growth of **DNS:NET GMBH** in the 2019/2020 financial year, in line with our investment approach for this fast-growing company.

RHEINHOLD & MAHLA GMBH, from the DBAG ECF portfolio, is being disposed of. As a leading industrial services provider for ship interior fittings, the company attracted the interest of a strategic buyer, a subsidiary of the world's largest shipbuilder, the China State Shipbuilding Corporation. The purchase agreement was concluded in the year under review. While Rheinhold & Mahla had shown strong development in recent years, both with regard to its revenues and in its efforts to tap into the Chinese market, it failed to fulfil its original earnings expectations. Only part of the original acquisition cost will be recouped in connection with the disposal; the transaction is expected to be completed in the course of the first half of the new financial year.

The investment period of DBAG ECF will end on 31 December 2020. 25.4 million euros are still available – including DBAG's co-investment commitment – either for a further investment or, after the end of the investment period, for acquisitions made by existing portfolio companies.

Long-Term Investments

DBAG has expanded its range of equity solutions for mid-sized companies to include Long-Term Investments, allowing it to also offer investment opportunities that exceed the terms of standard private equity funds. DBAG will be making these investments on its own steam in the future, i.e. not as a co-investor alongside one of the DBAG funds, which is its usual strategy. The approach also means that other investment scenarios that are not consistent with the investment strategies pursued by the existing DBAG funds enter the realms of possibility.

HAUSHELD AG is the first company that DBAG is going to support as part of this product offering. DBAG acquired a minority interest in this young company in September 2020. This company offers its customers – for example municipal utility companies – a full-service solution for developing a smart metering infrastructure, for which it then provides the corresponding metering services. The change in energy policy that is necessary for the European Union to be able to operate in a carbon-neutral manner in future requires increasingly decentralised power generation and intelligent measurement of production and consumption to resolve the resulting distribution tasks. Because the existing power grid has to be converted into an intelligent network, in which all of the electricity market's players can be networked and controlled through communication technology, large numbers of common electric meters must be replaced. Hausheld is the only provider to date to offer a viable solution for the state-supported establishment of a scalable, interconnected, intelligent communications network. It has thus started to launch its solution with the municipal utilities for electricity metering. The Hausheld full-service offer can be transferred to other areas such as gas and water, where it will look to operate the same function. The growth rate of this company is therefore expected to be particularly dynamic, in a market that offers long-term growth potential.

Fund Investment Services

In September 2019, we had launched a new private equity fund, DBAG Fund VIII, and as early as November 2019, we closed the first round of subscriptions with capital commitments totalling over one billion euros. Despite the coronavirus outbreak, we managed to attract additional investors in the course of the following months, enabling us to complete the fund's placement in May 2020, with a volume of 1.109 billion euros. Volume raised slightly exceeded the Company's original target. Accounting for 86 per cent of the fund volume, the vast majority of capital commitments came from investors who have previously invested their funds with us. The 're-up rate' has increased further compared to the previous fund: the figure for DBAG Fund VII was 80 per cent.

The outstanding capital commitments and, as a result, volume of assets under management or advisory, increased considerably to around 2.6 billion euros due to DBAG Fund VIII. The new launch will also have a positive impact on the income from Fund Services. We will not continue to operate DBAG ECF after the end of the current investment period. We plan to realise individual, smaller investment opportunities (predominantly management buyouts) with the new DBAG Fund VIII. In addition, we are also offering our new Long-Term Investment product in this market segment.

Financial performance

Overall assessment: Net income down significantly on the previous year

At -16.8 million euros, DBAG's net income for the financial year 2019/2020 is much lower than the prior-year figure. It is characterised by the impact of the coronavirus pandemic, which resulted in what were sometimes hefty revenue and income losses and in increased debt at many of our portfolio companies. As a result, and despite the positive impact of capital market development, net gains from investment activity came to -16.9 million euros, a level that was much lower than in the previous year and fell short of original expectations as a result. As the investment period of DBAG Fund VIII started later than planned, income from Fund Services did not increase to the extent we had predicted at the start of the financial year. Net (negative) expenses under other income/expense items ("Other income/expense items" in the condensed consolidated statement of comprehensive income) fell to 28.2 million euros, largely as a result of lower personnel expenses.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

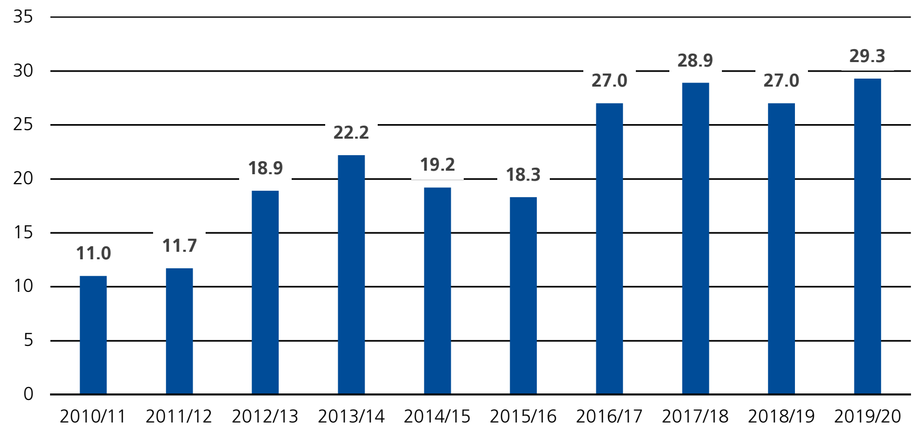
€'000	**2019/2020**	2018/2019
Net income from investment activity	(16,864)	49,629
Income from Fund Services	29,304	26,970
Income from Fund Services and investment activity	**12,440**	**76,599**
Personnel expenses	(18,397)	(21,042)
Other operating income	4,534	5,767
Other operating expenses	(13,911)	(16,413)
Net interest income	(448)	172
Other income/expenses	**(28,222)**	**(31,515)**
Earnings before taxes	**(15,782)**	**45,083**
Income taxes	(965)	659
Earnings after taxes	**(16,747)**	**45,742**
Net income attributable to other shareholders	(9)	114
Net income	**(16,757)**	**45,856**
Other comprehensive income	2,702	(7,690)
Total comprehensive income	**(14,055)**	**38,181**

Overview: Investment activity and Fund Investment Services dominated by the consequences of the pandemic

INCOME FROM FUND SERVICES AND INVESTMENT ACTIVITY amounted to only 12.4 million euros, down considerably on a year earlier (76.6 million euros). The drop is due exclusively to the performance of the net gains from investment activity that mainly determine this item, both in terms of amount and volatility (for details, please refer to the information further below under "Net gains and losses from investment activity").

At 29.3 million euros, income from Fund Services was slightly higher than in the previous year (27.0 million euros). This increase can be traced back almost exclusively to the first income collected from DBAG Fund VIII (3.0 million euros). Following further investments made using the DBAG Fund VII top-up fund, the fees from this fund rose slightly (16.6 million euros as against 16.5 million euros). Investments from the DBAG Fund VI portfolio were sold in 2019, thus reducing the basis for calculating the fee in the financial year 2019/2020 (7.9 million euros as against 8.6 million euros). As agreed, fees are no longer collected by DBAG Fund V more than two years after the end of the customary disinvestment phase. Income from DBAG ECF (1.7 million euros as against 1.6 million euros) rose slightly; last year, higher fees were collected from this fund based on the invested capital following a further investment.

INCOME FROM FUND INVESTMENT SERVICES
€mn



Other income/expenses: Lower net expenses

Net (negative) expenses under **OTHER INCOME/EXPENSE ITEMS** (the net amount of personnel expenses, other operating income and expenses, as well as net interest) fell slightly by 3.3 million euros year-on-year. The decline is due primarily to lower personnel expenses, but also, to a lesser extent, to the fact that other expenses were lower overall than they were in 2018/2019.

PERSONNEL EXPENSES (cf. also Note 11 of the notes to the consolidated financial statements) fell by 2.6 million euros to 18.4 million euros. With slightly higher social security contributions and expenses for pension plans, the decline can be explained exclusively by lower expenses for wages and salaries. Despite the salary adjustments at the beginning of the financial year and the recruitment of new staff, particularly for the investment team, fixed salaries remained virtually unchanged overall. The fact that fewer positions were temporarily filled twice, as they were in the previous year, had a positive impact. The lower expenses also reflect the fact that, unlike in the previous year, DBAG did not have to make any severance payments. The main reason behind the drop in personnel expenses, however, is the 2.3 million euro drop in variable remuneration. Of this decrease, 1.1 million euros is attributable to the members of the Board of Management alone. For more information, please refer to the remuneration report, which is an integral part of this management report. Where the variable remuneration paid to employees is linked to the commercial development of portfolio companies and to disposals or DBAG's net income, it also declined.

OTHER OPERATING INCOME (cf. Note 12 of the notes to the consolidated financial statements) fell considerably to 4.5 million euros, compared with 5.8 million euros in the previous year. This was offset by an even more pronounced drop in **OTHER OPERATING EXPENSES** (cf. Note 13 of the notes to the consolidated financial statements). Both changes can be traced back mainly to developments in consultancy expenses that can be passed through, which dropped by almost the same amount on both the income (3.2 million euros as against 4.9 million euros) and the expenditure side (4.4 million euros as against 6.1 million euros). This reflects the lower number of investment opportunities that the investment team was able to explore, primarily in the period from mid-March to mid-June 2020. One positive effect of the pandemic is the drop in travel and hospitality expenses by 0.4 million euros. Depreciation and amortisation increased by 0.8 million euros, due first and foremost to the first-time application of a new accounting standard concerning the capitalisation of right-of-use assets from leases (IFRS 16). In the previous year, other operating expenses had also been hit by a non-recurring effect, namely in the amount of 0.5 million euros due to a correction of transaction-based fees from DBAG ECF relating to financial year 2017/2018.

NET INTEREST INCOME (cf. Notes 14 and 15 of the notes to the consolidated financial statements) deteriorated, first of all because income from other financial instruments fell significantly as against the previous year (0.2 million euros compared with 0.5 million euros) due to lower holdings on average, and second because interest income from securities was lower due to the sale of securities in the course of the reporting year (0.1 million euros compared with 0.3 million euros).

Other comprehensive income: Positive after slight increase in the discount rate for pension provisions

OTHER COMPREHENSIVE INCOME (cf. Note 26 of the notes to the consolidated financial statements "Gains (+)/ losses (-) on remeasurement of the net defined benefit liability (asset)") was positive in the reporting year at 2.7 million euros, primarily due to a 0.12 percentage point increase in the discount rate for pension provisions to 0.59 per cent. In the previous year, the marked 1.07 percentage point drop in the discount rate to 0.47 per cent, in particular, had contributed to the high negative other comprehensive income of -7.7 million euros. The investment of plan assets resulted in a loss of 0.7 million euros in 2019/2020; in the previous year, a slight profit of 0.3 million euros had been reported. The plan assets are invested in a special fund, the aim being to achieve a return that is at least equal to the discount rate. Although this target was missed in the 2019/2020 investment year, which was marred by high levels of volatility, the fund manager at least managed to limit losses thanks to the conservative investment strategy pursued.

Net gains and losses from investment activity: Hit hard by the consequences of the pandemic

Net gains from investment activity primarily reflect the performance of investments in the portfolio companies, which are held – with one exception (JCK) – via investment entity subsidiaries. This means that the net gains depend not only on the earnings outlook of the portfolio companies, but also – due to their valuation based on multiples of listed reference companies (peer groups) – on developments on the capital markets. The net result also includes current income from the portfolio and the net amount of expenses and income of the investment entity subsidiaries. It also includes the profit-sharing entitlements attributable to minority partners in investment entity subsidiaries.

The change in **NET INCOME FROM INVESTMENT ACTIVITY** from 49.6 million euros in the previous year to -16.9 million euros in the 2019/2020 reporting year was due primarily to the performance of the investments in the portfolio companies, which is reflected in **GROSS GAINS AND LOSSES ON MEASUREMENT AND DERECOGNITION**. The marked drop in this figure was only partly offset by an improvement in net income attributable to other shareholders and in net gains and losses from other assets and liabilities of these investment entity subsidiaries.

NET INCOME FROM INVESTMENT ACTIVITY

€'000	2019/2020	2018/2019
Gross gains and losses on measurement and derecognition portfolio	(22,832)	62,653
Net income attributable to other shareholders of investment entity subsidiaries	4,663	(12,414)
Net gains and losses on measurement and derecognition portfolio	**(18,170)**	**50,238**
Current portfolio income	9,606	13,505
Net portfolio income	**(8,563)**	**63,743**
Net gains and losses from other assets and liabilities of investment entity subsidiaries	(8,641)	(14,114)
Income from other financial assets	341	0
Net income from investment activity	**(16,864)**	**49,629**

SOURCE ANALYSIS 1: As at the 30 September 2020 reporting date, we determined the fair value of 24 portfolio companies (previous year: 22) using the multiples method. We based this calculation (largely) on the expected result for 2020 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. In light of the coronavirus pandemic and its negative impact on some of our portfolio companies, we have either applied uncertainty haircuts to the earnings they expect to report for 2020 or have used the earnings that, from today's perspective, they are likely to generate in the long run for valuation purposes. Five companies were recognised at the original transaction price. We valued one company using the DCF method. Our valuation of the foreign buyout fund was based on the valuation of the fund manager. The investment in Rheinhold & Mahla has been recognised at the agreed disposal price, which had not yet been realised by the reporting date; we have applied a discount to this price in view of outstanding approvals. We have valued the investment in Pfaudler using the "sum-of-the-parts" method: the valuation of the European and US business, the majority of which was sold to the Indian company, is based on the disposal price agreed in August; the valuation of the shares in GMM Pfaudler Ltd., which is listed on the stock market in India, is based on the closing price of the shares on the reporting date, to which we have applied a discount. The sale of 80 per cent of Pfaudler's operating business, which was agreed in August 2020, had not yet been completed by the reporting date.

The contribution from the companies' *change in earnings* was well in the red at -58.3 million euros. 17 companies (previous year: ten) made a negative contribution – albeit to varying degrees – with six companies (previous year: 12) making a positive contribution.

From mid-March onwards, the coronavirus pandemic led to a serious disruption of macroeconomic processes, Since then, investments in the industrial sector, in particular, have been hit by an even more significant drop in demand, with a knock-on effect on their earnings and debt situation. The information available from the companies as at the reporting date confirms that the coronavirus pandemic has destroyed hopes of an economic recovery after the slowdown in 2019, and that the negative impact resulting from the structural changes in the automotive industry will last longer than we previously assumed. Incoming orders in German industry appear to have bottomed out, but the low point reached in the summer, which corresponds to around 75 per cent of the level witnessed over the last five years, shows just how drastic the setback was. The recovery will be slower than expected; initially, reluctance to invest will continue to put a damper on industrial demand in a large number of sectors. This is reflected in our valuations.

Companies offering consumer-related products and services have also been hit by the consequences of the pandemic: demand for these products and services has fallen. While we do not expect the impact on earnings at these companies to be a long-term development, we have to take it into account in our valuation nevertheless.

The impact on companies in the IT services, software and broadband telecommunications sectors is still comparatively minor, if the crisis has affected them at all. Five of our portfolio companies from these sectors, particularly those from the broadband telecommunications segment, were actually able to pursue their buy-and-build strategies further in the period leading up to the reporting date and agree promising company acquisitions. The acquisitions, which had already been completed prior to the reporting date, resulted in an improvement in earnings of 50.1 million euros; as the acquisitions were financed using debt financing, the improvement in earnings is offset by a negative value contribution of 26.0 million euros from higher company debt.

As a general rule, we do not receive any current distributions during the holding period of an investment. The portfolio companies can therefore use surpluses to reduce their *debt* . Whilst this usually first increases the value of our investments, in the reporting year, the external financing of acquisitions at six portfolio companies pushed the debt level up; these companies are responsible for a negative value contribution of -31.9 million euros from debt. As mentioned, this is offset by a positive contribution for the change in earnings. Despite making savings with regard to net working capital or investment expenditure, individual portfolio companies have additional financing requirements as a result of the coronavirus crisis. This results in a negative value contribution from debt totalling -1.7 million euros. The value contribution made by the other portfolio companies resulting from the change in debt was slightly positive. In the previous financial year, the portfolio value had been reduced by 12.7 million euros due to higher company debt levels.

The change in value from *multiples* includes two effects: on the one hand, we report the earnings contribution from changes to valuation multiples of listed peer group companies here, which we use for the valuation of portfolio companies. Furthermore, in this item we account for appreciation in value resulting from implied multiples which, in the case of disposals agreed upon, but not yet completed in full, we derive from agreed disposal prices. This led to a positive contribution of 9.4 million euros (cf. also Source analysis 3 "Unrealised result of disposal"). In the previous year, this effect – which resulted from the investment in inexio that had been agreed, but not yet completed by the reporting date – came to 39.7 million euros.

The valuation multiples (EBITDA and EBITA) of listed peer group companies showed varying development in the course of the financial year. Most of them, however, were higher than as at 30 September 2019, for example in the case of those investments in the mechanical and plant engineering and automotive supply sectors. Investments from the broadband telecommunications sector, on the other hand, were valued based on lower multiples. All in all, the change in the multiples results in a positive net effect on earnings of 57.4 million euros; in the previous year, an effect of -21.3 million euros had been reported following a contrary development.

NET GAINS AND LOSSES ON MEASUREMENT AND DERECOGNITION PORTFOLIO BY SOURCES: SOURCE ANALYSIS 1

€'000	**2019/2020**	2018/2019
Fair value of unlisted investments		
Change in earnings	(58,308)	46,493
Change in debt	(32,548)	(12,703)
Change in multiples	66,754	18,321
Change in exchange rates	(1,336)	3,640
Change – other	1,153	(4,463)
	(24,285)	51,288
Net gains and losses on derecognition	1,616	13,331
Other	(163)	(1,966)
	(22,832)	**62,653**

Changes in exchange rates impacted on the values of the investments in duagon and mageba (Swiss francs), More than Meals (British pound), Pfaudler (US dollar) and Sjølund (Danish krone). Unlike in the previous year, these currency fluctuations had a negative impact on net gains and losses on measurement and derecognition in 2019/2020 in the amount of 1.3 million euros.

We value one company using the DCF method; the resulting change in valuation is taken into account under *Change – other*.

Around half of the *net gains and losses on derecognition* of 1.6 million euros are attributable to the sale of the shares in Romaco Group that had initially remained with us and DBAG Fund V following the sale in May 2017. In addition to the reversal of a retention for representations and warranties relating to a previous disposal, a technical effect relating to the aforementioned agreed sale of inexio shortly before the end of the financial year 2018/2019 also made a positive contribution. In the previous year, net gains and losses on derecognition of 13.3 million euros mainly included value appreciation compared with the start of the financial year which had been realised with two disposals.

SOURCE ANALYSIS 2: In the financial year under review, positive changes in value were attributable to eleven active portfolio companies (previous year: 14 portfolio companies and one externally-managed foreign buyout fund), with four companies from the focus sector of broadband telecommunications and the two investments that were sold, either in full or in part. Five investments (Cartonplast, Deutsche Giga Access, Hausheld, Multimon and PM Plastic Materials; previous year: three investments) are recognised at their transaction price because they have been held for less than twelve months; they account for 13.5 per cent of the portfolio value (previous year: seven per cent). 16 (previous year: ten) equity investments and the remaining investment in an externally managed international buyout fund made a negative contribution to net gains and losses on measurement and derecognition in the financial year under review. At one company, the negative change in value was due exclusively to a lower multiple.

NET GAINS AND LOSSES ON MEASUREMENT AND DERECOGNITION PORTFOLIO BY SOURCES: SOURCE ANALYSIS 2

€'000	**2019/2020**	2018/2019
Positive movements	53.436	103.879
Negative movements	(76.269)	(41.226)
	(22.832)	**62.653**

SOURCE ANALYSIS 3: The net gains and losses on measurement and derecognition are characterised primarily by the impact that the coronavirus pandemic has had on the portfolio, first due to the companies' commercial development, but second also because fewer investments could be sold, which meant less potential for generating net gains and losses on derecognition. The unrealised net gains and losses on derecognition include the contributions made by the sale of the investment in Rheinhold & Mahla and the partial disposal of the stake in Pfaudler. Both transactions had not yet been completed by the reporting date. For information on the net gains and losses on derecognition, we refer to source analysis 1.

NET GAINS AND LOSSES ON MEASUREMENT AND DERECOGNITION PORTFOLIO BY SOURCES: SOURCE ANALYSIS 3

€'000	**2019/2020**	2018/2019
Net measurement gains and losses	(33.826)	9.662
Unrealised disposal gains on imminent sales basis	9.378	39.660
Net gains and losses on derecognition	1.616	13.331
	(22.832)	**62.653**

A drop in the value of the portfolio typically comes hand-in-hand with a drop in carried interest entitlements. As a result, **NET INCOME ATTRIBUTABLE TO OTHER SHAREHOLDERS OF INVESTMENT ENTITY SUBSIDIARIES** was in positive territory in 2019/2020 at 4.7 million euros (previous year: -12.4 million euros), meaning that it partly offset the drastic drop in gross gains and losses on measurement and derecognition. This item largely includes performance-related profit shares from personal investments in investment entity subsidiaries of the DBAG funds (carried interest), namely DBAG Fund V, DBAG ECF and DBAG Fund VI. These account for those active and former members of the DBAG investment team who co-invested alongside the funds.

The carried interest entitlements recognised in these financial statements primarily mirror the net performance of the investments of the DBAG funds. This means that the carried interest changes depending on the further performance of the investments of the funds and in the course of distributions following disposals from a fund's portfolio, provided that the contractual conditions are met. DBAG Fund VII has been investing since December 2016, while DBAG Fund VIII has only been investing since August 2020. No carried interest has had to be recognised for these funds to date.

CURRENT PORTFOLIO INCOME mainly relates to interest payments on shareholder loans and the profit distribution that we received from one portfolio company.

NET GAINS AND LOSSES FROM OTHER ASSETS AND LIABILITIES of investment entity subsidiaries amounted to -8.6 million euros (previous year: -14.1 million euros). The item mainly includes the remuneration for the manager of DBAG Fund VI, DBAG Fund VII and DBAG Fund VIII, based on the capital invested/committed by DBAG.

TEN-YEAR SUMMARY OF EARNINGS

€'000	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	**2019/2020**
					11 months					
Net income from investment activity[1]	(4.5)	51.3	41.0	50.7	29.2	59.4	85.8	31.1	49.6	(16.9)
Income from Fund Services				22.2	19.2	18.3	27.0	28.9	27.0	29.3
Other income/expense items[2]	(15.4)	(4.0)	(7.3)	(24.5)	(21.3)	(28.4)	(30.9)	(30.2)	(31.5)	(28.2)
EBT	(19.9)	47.0	33.8	48.4	27.1	49.3	82.0	29.7	45.1	(15.8)
Net income	(16.6)	44.5	32.3	48.0	27.0	49.5	82.0	29.7	45.9	(16.8)
Other comprehensive income[3]	0.7	(6.2)	(3.7)	(6.4)	0.4	(6.5)	2.9	(1.2)	(7.7)	2.7
Total comprehensive income	(15.9)	38.3	28.6	41.6	27.4	43.0	84.9	28.5	38.2	(14.1)
Return on equity per share *(%)*	(6.2)	16.7	11.5	15.9	9.6	14.9	24.1	6.9	9.1	(3.2)

1 Net gains and losses on measurement and derecognition as well as current income from financial assets
2 Net amount of other income and expense items; up to and including financial year 2012/2013, including income from Fund Investment Services
3 Actuarial gains/losses on plan assets are recognised directly in equity, through "Other comprehensive income".

Financial position – liquidity

Overall assessment: Credit line secures funding of investment projects for the financial year 2020/2021

As at 30 September 2020, DBAG's financial resources totalling 18.4 million euros exclusively comprise cash and cash equivalents. The units in fixed-income and money market funds in the amount of 25.5 million euros that we held on the previous year's reporting date were sold in the course of the financial year to finance investments. Cash and cash equivalents totalling 13.1 million euros relate to drawdowns of credit lines. The investment entity subsidiaries hold additional financial resources – exclusively cash and cash equivalents – amounting to 4.2 million euros. For information on the financing strategy and credit lines, cf. page 14 "Long-term financing of equity investments via the stock market".

The following statement of cash flows in accordance with IFRS shows the changes in cash and cash equivalents.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

INFLOWS (+)/OUTFLOWS (-)

€'000	**2019/2020**	2018/2019
Net income	(16,757)	45,856
Measurement gains (-)/losses (+) and gains (-)/losses (+)on disposal of financial assets and loans and receivables	19,440	(43,825)
Other non-cash changes	(9,379)	(14,330)
Cash flow from operating activities	**(6,696)**	**(12,298)**
Proceeds from disposals of financial assets and loans and receivables	68,462	62,183
Payments for investments in financial assets and loans and receivables	(92,965)	(93,412)
Proceeds from disposal of other financial instruments	17,069	53,544
Payments for investments in other financial instruments	(26,055)	(37,779)
Cash flow from investment activity	(33,490)	(15,465)
Proceeds from (+)/payments for (-) investments in securities	25,517	70,113
Other cash inflows and outflows	(412)	(173)
Cash flow from investing activities	**(8,385)**	**54,475**
Payments for lease liabilities	(1,020)	0
Proceeds from borrowings	13,100	0
Payments to shareholders (dividends)	(22,566)	(21,814)
Cash flow from financing activities	**(10,486)**	**(21,814)**
Net change in cash and cash equivalents	**(25,567)**	**20,363**
Cash and cash equivalents at beginning of period	43,934	23,571
Cash and cash equivalents at end of period	**18,367**	**43,934**

In 2019/2020, **FINANCIAL RESOURCES** in accordance with IFRS dropped by 25.5 million euros to 18.4 million euros (reporting date of 30 September 2019: 43.9 million euros).

In spite of the consolidated net loss, the negative balance of **CASH FLOW FROM OPERATING ACTIVITIES** is much lower than in the previous year at -6.7 million euros (-12.3 million euros). This is mainly due, first of all, to the fact that net income is based on impairments in connection with the valuation of the portfolio at fair value and not on realised losses; these fair values are influenced to a considerable degree by the impact that the coronavirus pandemic has had on the portfolio companies (cf. page 49 "Portfolio and portfolio value"). In addition, a fee was collected for the first time for advisory services to DBAG Fund VIII, whose investment period began in August. The fee totalling 8.9 million euros collected before the reporting date relates to the months from August to December 2020. This is counteracted by the fact that, since the fourth quarter of 2018/2019, DBAG has not been collecting any fees for advisory services to DBAG Fund VII; the accrued deferred fees from this fund amount to 16.4 million euros. These fees are to be collected when proceeds from a disposal are distributed to the fund investors.

CASH FLOW FROM INVESTING ACTIVITIES was negative at -8.4 million euros compared with 54.5 million euros in the previous year. It is characterised mainly by the cash flow from investment activity and is also influenced by the change in securities holdings, in which surplus funds were invested temporarily in the past until they were needed for investments. The units in fixed-income and money market funds were sold in full in the reporting year. This resulted in an inflow of 25.5 million euros, as against 70.1 million euros in the previous year.

Cash flow from investment activity amounted to -33.5 million euros in the reporting period as against -15.5 million euros in the same period of the previous year. The volatility of the cash flows relating to investment activities is due to reporting-date factors and also due to cash flows being concentrated on a few – yet sizeable – amounts in the transaction business, which is typical for Deutsche Beteiligungs AG's business model.

DBAG Fund VII and DBAG Fund VIII structure the financing of their investments in two stages: before the structure of the acquisition financing is finalised, the investments are initially pre-financed using loans over a period of up to nine months. This approach optimises the return on the capital employed for the funds. As a result, DBAG grants short-term loans to its investment entity subsidiaries ("Payments for investments in other financial instruments"), which are subsequently refinanced ("Payments for investments in financial assets and loans and receivables", "Proceeds from disposals of other financial instruments").

Proceeds from the disposal of financial assets and loans and receivables are mainly attributable to three transactions: following the sale of inexio realised by DBAG ECF after the end of the 2018/2019 financial year, the fund distributed the disposal proceeds in several tranches. In addition, the fund forwarded the proceeds from the recapitalisation of the investment in netzkontor nord. We also received a distribution from DBAG Fund V relating to the sale of the remaining stake in Romaco Group. The payments for investments in financial assets and loans and receivables resulted from capital calls made by investment entity subsidiaries for the new investments described in the chapter entitled "Business and portfolio review" and from follow-on investments made by DBAG Fund VII, DBAG Fund VI, DBAG ECF and DBAG Fund V. 5.2 million euros of this amount is attributable to improving portfolio companies' financial resources to mitigate the financial implications of the coronavirus pandemic.

The **CASH FLOW FROM FINANCING ACTIVITIES** was dominated by the distribution of the dividend to the Company's shareholders following the General Annual Meeting held on 20 February 2020 (22.6 million euros). It includes proceeds totalling 13.1 million euros following the drawdowns against the credit lines.

TEN-YEAR SUMMARY OF CASH POSITION

€'000	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	**2019/2020**
					11 months					
Cash flow from operating activiies	0.9	(9.6)	(12.0)	0.0	7.1	(0.6)	(0.5)	9.9	(12.3)	(6.7)
Cash flow from investing activities	33.1	(18.2)	18.7	67.9	20.1	1.9	95.1	(93.2)	54.5	(8.4)
Cash flow from financing activities	(19.1)	(10.9)	(16.4)	(16.4)	(27.4)	23.5	(18.1)	(21.1)	(21.8)	(10.5)
Net change in financial resources[1]	14.9	(38.8)	(9.8)	50.9	(0.1)	24.8	76.6	(104.4)	20.4	(25.6)

1 Financial resources: cash and cash equivalents and long-term securities, excluding financial resources of investment entity subsidiaries

Financial position – assets

Overall assessment: Financial position with regard to assets remains solid

DBAG's financial position is still dominated by financial assets that are fully equity-financed. Although the equity ratio is down in a year-on-year comparison, it still accounts for 89.2 per cent of total assets (previous year: 93.6 per cent). Equity still covers non-current assets in full, and also covers current assets at 34 per cent (previous year: 70 per cent).

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€'000	30.9.2020	30.9.2019
Financial assets including loans and receivables	390,741	385,693
Other non-current assets	6,250	883
Deferred tax assets	214	658
Non-current assets	**397,204**	**387,233**
Other financial instruments	25,988	17,002
Receivables and other assets	10,595	7,398
Short-term securities	0	25,498
Cash and cash equivalents	18,367	43,934
Other current assets	22,432	10,550
Current assets	**77,382**	**104,382**
Total assets	**474,587**	**491,615**
Equity	423,531	460,152
Non-current liabilities	21,305	19,677
Current liabilities	29,751	11,787
Total equity and liabilities	**474,587**	**491,615**

Asset and capital structure: Financial assets up again following investments, increase in liabilities following drawdowns against credit lines

Total assets at 30 September 2020 were 17.0 million euros lower than at the start of the financial year.

On the assets side, the main factor reducing total assets was the payment of the dividend (-22.6 million euros), which reduced cash and cash equivalents, and the net losses from investment activity (-16.9 million euros), which are largely due to the consequences of the coronavirus pandemic and reduced financial assets.. On the capital side, both effects reduced DBAG's equity.

Factors increasing total assets on the assets side included the drawdown against the credit lines (13.1 million euros), the collection of the fees for advisory services to DBAG Fund VIII for the months from October to December 2020 (5.3 million euros), which increased cash and cash equivalents, and the capitalisation of right-of-use assets from leases (5.4 million euros). On the capital side, these effects increased equity (receivable from Fund VII)/current liabilities (fee for Fund VIII).

In 2019/2020, investing in new investments once again clearly outweighed the proceeds from the sale of existing portfolio companies. As a result, the **ASSET STRUCTURE** shifted further towards current assets; 82.3 per cent now consists of financial assets (as against 78.5 per cent in the previous year), with financial resources making up around four per cent of the Group's assets.

The **CAPITAL STRUCTURE** shifted towards liabilities towards the end of the last financial year.

The equity ratio came to 89 per cent as against 94 per cent in the previous year. **EQUITY** fell by 36.6 million euros to 423.5 million euros due to the negative total comprehensive income and the distribution. Equity per share thus declined from 30.59 euros to 28.15 euros. Based on equity per share (reduced by the dividend payment) at the beginning of the financial year, this corresponds to a drop of 3.2 per cent; a return on equity of 9.1 per cent was achieved in the previous year.

NON-CURRENT LIABILITIES increased by 1.6 million euros, mainly due to the first-time recognition of lease obligations following the initial application of the new leasing standard, IFRS 16 (+ 4.0 million euros). The reduction in the excess of pension provisions over plan assets (by 3.1 million euros) due to a slight increase in the discount rate has the opposite effect.

13.1 million euros of the increase in **CURRENT LIABILITIES** is due to the drawdown against the credit lines, with 5.8 million euros attributable to the recognition of the fees collected for advisory services to DBAG Fund VIII for the months from October to December 2020. This item also includes 0.8 million euros that are attributable to the current part of the lease liabilities, which have been recognised for the first time. Other components of this item include personnel-related provisions, which were lower on the reporting date than they were a year earlier (6.4 million euros as against 9.2 million euros), primarily due to lower variable remuneration (cf. page 38 “Other income/expense items: Lower net expenses”).

Financial assets and loans and receivables: Portfolio value virtually unchanged

Financial assets, including loans and receivables, are largely determined by the **VALUE OF THE PORTFOLIO**. The additions to the portfolio are the main reason behind the slight increase in financial assets as at 30 September 2020: they exceeded the impairment losses relating to existing investments and the disposals following the sale of the investment in inexio, a transaction that was agreed in 2018/2019.

The **INTERESTS OF OTHER SHAREHOLDERS IN INVESTMENT ENTITY SUBSIDIARIES** fell by 7.0 million euros overall compared with the start of the reporting year. The change in value reflects the drop in performance-related profit shares from private equity investments made by members of the investment team. The profit shares have fallen overall because the increase in the value of the DBAG ECF portfolio was unable to compensate for the drop in the value of the DBAG Fund VI portfolio.

The other **ASSETS/LIABILITIES OF THE INVESTMENT ENTITY SUBSIDIARIES** include cash and cash equivalents of 4.2 million euros and receivables from investments in loans and interest in the amount of 16.2 million euros, offset by liabilities from other financial instruments and unpaid advisory fees of 25.4 million euros.

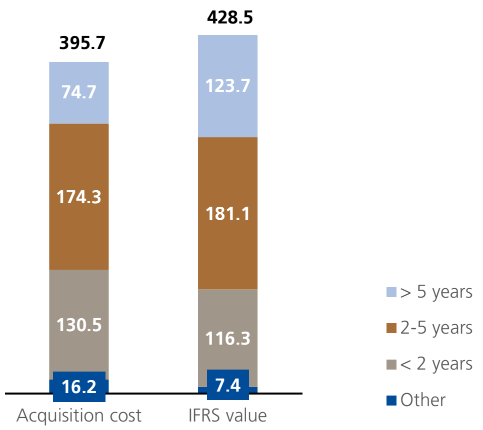
FINANCIAL ASSETS INCLUDING LOANS AND RECEIVABLES

€'000	**30.9.2020**	30.9.2019
Portfolio value (including loans and receivables)		
gross	428,475	422,109
Interests of other shareholders in investment entity subsidiaries	(32,871)	(39,850)
net	395,604	382,260
Other assets and liabilities of investment entity subsidiaries	(4,917)	3,359
Other financial assets	55	74
Financial assets including loans and receivables	**390,741**	**385,693**

Portfolio and portfolio value

DBAG's portfolio consisted of 32 equity investments on 30 September 2020. In addition, following the liquidation of the US buyout fund Harvest Partners IV in the third quarter of the current financial year, DBAG has one remaining investment in another externally managed international private equity fund (DBG Eastern Europe II). Both investments were/are of minor significance. DBAG's investments are held indirectly via investment entity subsidiaries, with one exception (JCK). The portfolio contains 26 management buyouts and six investments aimed at growth financing, including five investments made alongside DBAG ECF and one Long-Term Investment.

PORTFOLIO VALUE BY AGE STRUCTURE
€mn as at 30 September 2020



As at 30 September 2020, the value of the 32 investments, including the loans and receivables extended to the portfolio companies and excluding short-term interim financing, amounted to 421.0 million euros (30 September 2019: 409.0 million euros). In addition, there were entities with a value of 7.5 million euros through which representations and warranties on previous disposals are (largely) settled ("Other investments"), and which are no longer expected to deliver any appreciable value contributions (30 September 2019: 13.1 million euros). This brought the portfolio value to a total of 428.5 million euros (30 September 2019: 422.1 million euros), 1.08 times the original cost (previous year: 1.4 times the original cost).

The portfolio value barely changed in the course of the financial year: additions of 96.8 million euros are offset by disposals of 66.0 million euros and impairments of 24.4 million euros. The impairments reflect the unwelcome development in the value of the portfolio, a trend that can be traced back primarily to the implications of the pandemic.

The additions relate mainly to the six new investments (totalling 67.3 million euros), namely (listed in the order in which they were added to the portfolio) Cartonplast, DING-Gruppe, Multimon, Deutsche Giga Access, Hausheld and PM Plastic Materials. An amount of 14.7 million euros is attributable – in line with our investment approach for this fast-growing company – to the capital injection for DNS:Net, which was also associated with an increase in the equity interest. 5.2 million euros of the remaining 14.8 million euros can be attributed to the capital injected alongside the DBAG funds. Together with these funds, debt financing solutions are being provided at eight portfolio companies to improve the financial resources of these companies, which are under pressure due to the pandemic. The disposals relate first and foremost to the sale of the investment in inexio, the investment in Romaco Group that originally remained and the reduction in cost following the recapitalisation of the investment in netzkontor nord. What is more, adjustments to expectations regarding long-term earnings at portfolio companies to reflect the impact of the pandemic, in particular, resulted in negative changes in value totalling 24.4 million euros. The value of eleven investments showed a positive change, while the value of 16 investments changed for the worse. The negative change in value, in the amount of 52.7 million euros, related primarily to eight industrial portfolio companies, four of which have either direct or indirect links to the automotive industry. As at the reporting date, these eight companies are valued at 0.56 times the original cost.

These effects of the coronavirus pandemic play a key role in explaining why the portfolio companies in DBAG's core sectors, mechanical and plant engineering and automotive suppliers, which account for around 16 per cent of the value of the portfolio, are valued at only 1.06 times their original cost, despite the fact that some of them have been held in the portfolio for longer periods of time. Since the beginning of the last financial year, the proportion of the portfolio value attributable to portfolio companies with a leverage ratio (net debt/EBITDA) of more than 3.0 has also increased significantly. Whereas 39 per cent of the portfolio value was attributable to companies with a leverage ratio within this range at the start of the first quarter, this figure had risen to 72 per cent by the reporting date. The increase was also fuelled by the successful conclusion of acquisitions by four portfolio companies financed exclusively using debt financing; they account for 16 per cent of the portfolio value. It also, however, reflects the significant decline in expected results, especially for industrial companies or companies with links to the automotive industry, as well as drawdowns on credit lines or further borrowings by some companies. As a result, the leverage ratio has increased to a value of more than four at 14 companies.

The 15 largest investments accounted for around 76 per cent of the portfolio value at 30 September 2020 (30 September 2019: 79 per cent). These 15 investments are listed alphabetically in the table below.

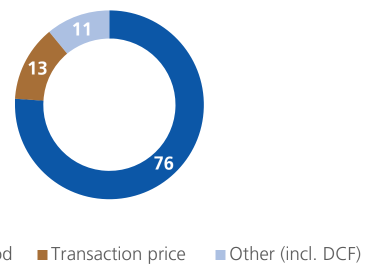
PORTFOLIO STRUCTURE (15 LARGEST INVESTMENTS)

Company	Cost *€mn*	Equity share DBAG *%*	Investment type	Sector
blikk Holding GmbH	19.0	11.0	MBO	Healthcare
BTV Multimedia GmbH	8.9	33.6	MBO	Broadband/telecommunications
Cartonplast Holding GmbH	25.3	16.5	MBO	Industrial services
Cloudflight GmbH	9.9	16.8	MBO	Software
DNS:Net GmbH	25.8	15.7	Growth financing	Broadband/telecommunications
duagon AG	23.8	21.4	MBO	Industrial components
CK KG	8.8	9.5	Growth financing	Consumer goods
netzkontor nord GmbH	5.0	35.9	MBO	Broadband/telecommunications
Oechsler AG	11.2	8.4	Growth financing	Automotive suppliers
Pfaudler Group	13.3	17.8	MBO	Mechanical and plant engineering
PM Plastic Materials s.r.l.	10.7	12.5	MBO	Industrial components
Polytech Health and Aesthetics GmbH	14.4	15.2	MBO	Industrial components
Telio GmbH	14.3	15.9	MBO	Other
vitronet GmbH	4.5	41.3	MBO	Broadband/telecommunications
von Poll Immobilien GmbH	11.7	30.1	MBO	Services

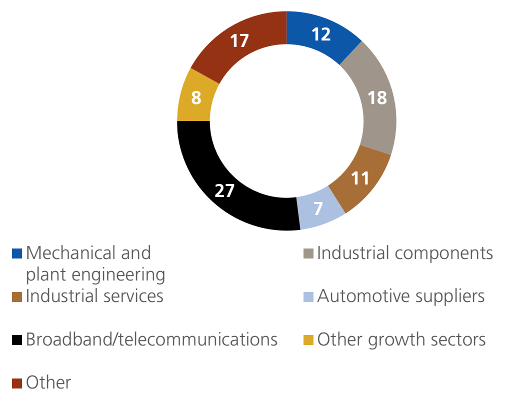
The information on the structure of the portfolio is based on the valuation and resulting portfolio value as at the reporting date. The investment in the remaining externally managed international buyout fund and in companies through which retentions for representations and warranties from exited investments are held are recognised under "Other". The information on debt (net debt, EBITDA) relates largely to the (updated) expectations of the portfolio companies for the 2020 financial year.

Portfolio structure

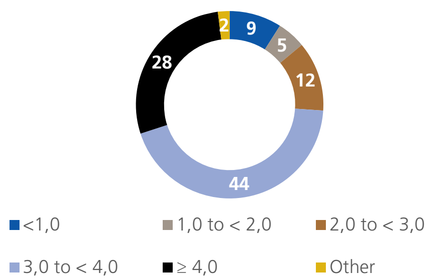
PORTFOLIO VALUE BY VALUATION METHOD
%



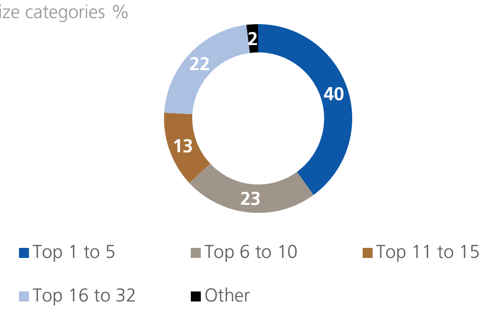
PORTFOLIO VALUE BY SECTORS
%



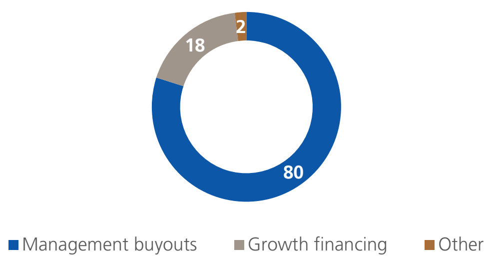
PORTFOLIO VALUE BY NET DEBT/EBITDA OF PORTFOLIO COMPANIES
%



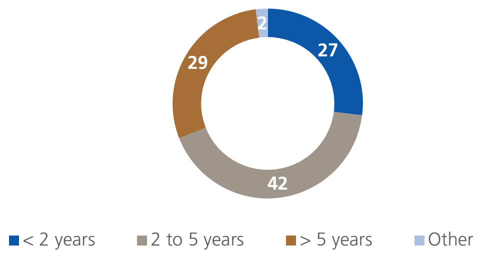
CONCENTRATION OF PORTFOLIO VALUE
Size categories %



PORTFOLIO VALUE BY TYPE OF INVESTMENT
%



PORTFOLIO VALUE BY AGE
Categories %



TEN-YEAR SUMMARY OF THE STATEMENT OF FINANCIAL POSITION

€'000	31.10.2011	31.10.2012	31.10.2013	31.10.2014	30.9.2015	30.9.2016	30.9.2017	30.9.2018	30.9.2019	**30.9.2020**
					11 months					
Financial assets including loans and receivables	93.5	150.7	166.8	163.4	247.7	316.3	254.2	318.9	385.7	390.7
Securities/cash and cash equivalents	155.6	105.8	98.3	140.7	58.3	72.6	161.6	119.0	69.4	18.4
Other assets	30.8	42.5	45.6	28.5	21.2	15.2	48.2	43.4	36.5	65.5
Equity	238.9	266.2	278.4	303.0	303.1	369.6	436.4	443.8	460.2	423.5
Liabilities	41.0	32.8	32.3	29.6	24.1	34.5	27.5	37.5	31.5	51.1
Total assets	279.9	299.0	310.7	332.6	327.2	404.2	464.0	481.3	491.6	474.6

Business performance by segment

Private Equity Investments segment

SEGMENT EARNINGS STATEMENT – PRIVATE EQUITY INVESTMENTS

€'000	**2019/2020**	2018/2019
Net income from investment activity	(16,864)	49,629
Other income/expense items	(8,378)	(7,578)
Earnings before taxes	**(25,241)**	**42,050**

EARNINGS BEFORE TAXES in the Private Equity Investments segment amounted to -25.2 million euros, 67.3 million euros less than in the previous year. This is due to significantly lower **NET INCOME FROM INVESTMENT ACTIVITY.** Please refer to the notes on this item in the section on "Financial performance". Net expenses under **OTHER INCOME/EXPENSE ITEMS** (the net amount of internal management fees, personnel expenses, other operating income and expenses, as well as net interest income) were slightly higher than in the previous year, because net interest income was down by 0.6 million euros year-on-year. In the previous year, higher interest income had been generated from securities and receivables. The figure includes internal management fees paid to the Fund Investment Services segment, which now only relate to DBAG ECF, in the amount of 1.3 million euros (previous year: 1.2 million euros).

NET ASSET VALUE AND AVAILABLE LIQUIDITY

€'000	**30.9.2020**	30.9.2019
Financial assets including loans and receivables	390,741	385,693
Other financial instruments	25,988	17,002
Financial resources	18,367	69,432
Credit liabilities	(13,100)	0
Net asset value	**421,997**	**472,126**
Financial resources	18,367	69,432
Credit lines	76,900	50,000
Available liquidity	**95,267**	**119,432**
Co-investment commitments alongside DBAG funds	**311,324**	**129,733**

The **NET ASSET VALUE** fell by 50.1 million euros during the reporting year to 422.0 million euros. Please refer to the "Financial position – assets" and "Financial position – liquidity" sections for information on the changes to financial assets and financial resources.

The outstanding **CO-INVESTMENT COMMITMENTS ALONGSIDE DBAG FUNDS** were up by 181.6 million euros year-on-year as at the current reporting date. The increase is attributable to the start of the investment period of DBAG Fund VIII, which closed in May 2020. DBAG has also reached an agreement with this fund to co-invest alongside it. The commitments amount to 255 million euros and will fall due in the course of the fund's investment period of up to six years.

As in the past, we expect to be able to finance a significant part of the commitments using returns from disposals. With a view to these commitments and the funds required for Long-Term Investments, we nevertheless expanded the range of debt financing options available to us during the financial year under review to compensate for the irregular cash flows that typically result from our business. We now have two credit lines worth a total of 90 million euros available to us, compared with 50 million euros previously. Three banks are making the facilities available based on conditions that we have secured up until May 2023. We are also still exploring options for debt and equity financing.

At 30 September 2020, 30.6 per cent of the co-investment commitments were covered by the available funds (30 September 2019: around 92 per cent). The surplus of co-investment commitments over available funds amounts to around 55 per cent of financial assets, compared with three per cent at 30 September 2019.

Fund Investment Services segment

SEGMENT EARNINGS STATEMENT – FUND INVESTMENT SERVICES

€'000	**2019/2020**	2018/2019
Income from Fund Services	30,589	28,181
Other income/expense items	(21,130)	(25,148)
Earnings before taxes	**9,459**	**3,033**

The Fund Investment Services segment closed the quarter with **EARNINGS BEFORE TAXES** of 9.5 million euros, up considerably on the 3.0 million euros reported for the financial year 2018/2019. In a comparison with the previous year, **INCOME FROM FUND SERVICES** benefited from the new DBAG Fund VIII. Income from DBAG Fund VII was up in a year-on-year comparison, as the two investments in blikk and Cartonplast mean that two further transactions were structured using the top-up fund. Income from DBAG ECF rose following the fund's investment in DING Group. The fees for DBAG Fund VI were lower, as was to be expected. Fees are no longer paid for DBAG Fund V as agreed. The segment information also takes into account internal income from the Private Equity Investments segment in the amount of 1.3 million euros (previous year: 1.2 million euros).

The negative balance of **OTHER INCOME/EXPENSE ITEMS** was down significantly year-on-year. This was due mainly to lower provisions for variable remuneration in this reporting period, and to expenses for severance pay in the previous year that were not repeated in the reporting period. What is more, we have since reduced temporarily duplicated functions in some positions.

VOLUME OF ASSETS UNDER MANAGEMENT OR ADVISORY

€'000	**30.9.2020**	30.9.2019
Funds invested in portfolio companies	1,403,316	1,088,298
Short-term bridge financing for new investments	135,856	94,492
Outstanding capital commitments of third-party investors	1,025,023	452,212
Financial resources (of DBAG)	18,367	69,432
Volume of assets under management or advisory	**2,582,562**	**1,704,434**

The **VOLUME OF ASSETS UNDER MANAGEMENT OR ADVISORY** increased considerably, namely by 878 million euros, as against the start of the financial year, reflecting that start of the investment period of DBAG Fund VIII. The 356 million euro increase in the total funds invested in (or called for) portfolio companies or bridge financing arrangements reflects the brisk investment activity over the last financial year. The outstanding capital commitments of fund investors are now up by 573 million euros year-on-year. DBAG's financial resources fell particularly in connection with the structuring of additional investments. In addition, the dividend was paid out to the Company's shareholders at the end of February 2020. Please refer to the "Financial position – liquidity" section for information on changes in DBAG's financial resources.

FINANCIAL REVIEW OF DEUTSCHE BETEILIGUNGS AG (COMMENTARY BASED ON THE GERMAN COMMERCIAL CODE – HGB)

The management report on Deutsche Beteiligungs AG and the Group management report for the 2019/2020 financial year are presented combined, in conformity with section 315 (5) in conjunction with section 298 (2) sentence 2 HGB. The presentation of the economic position of DBAG is based on a condensed statement of financial position and a condensed profit and loss account derived from the statement of financial position and profit and loss account as prescribed by HGB. The complete annual financial statements of DBAG based on HGB are published in the Federal Gazette, together with the consolidated financial statements.

Comparison between actual business developments and the forecast

		Actual 2018/2019	Reference point of the forecast	Expectations 2019/2020	**Actual 2019/2020**	
Net income	€mn	29.1	29.1	More than 10% higher	45.9	Expectation met
Dividend	€	1.50	1.50	Unchanged	0.80	Expectation not met

Financial performance

Overall assessment: Net gains for the year significantly higher than the previous year due to pleasing disposals results

At 45.9 million euros, net income for 2019/2020 significantly exceeded the previous year's net income, mainly due to the above-average success of the disposal of the investment in inexio. The sale of this investment had been agreed shortly before the beginning of the reporting year; the proceeds from the disposal were recognised in income when the transaction was closed in the first quarter of the reporting year. In addition, the sale of the 25 per cent stake in Romaco, which had initially remained with DBAG as part of the original transaction in 2017, also contributed to the encouraging net income. Fluctuations are typical for the private equity business. The balance of the other income/expense items improved because, inter alia, personnel expenses significantly undercut the previous year's figure.

Income from Fund Services and investment activity: Significantly above the previous year's level

Income from Fund Services and investment is generally determined by gains or losses from the disposal of investments and by the balance of write-downs or write-ups on investments.

The latter are carried out according to the lowest of cost or market principle and the applicable procedure for the reversal of impairment losses according to HGB.

The *current net gains and losses on measurement and derecognition* mainly include profit contributions from the disposal of the investments in inexio (DBAG ECF) and Romaco (DBAG Fund V). 43.3 million euros is attributable to these two transactions. Although companies were successfully disposed of last year, too, a write-down of 9.5 million euros on an associate, which had distributed 8.5 million euros to the parent company for liquidity management reasons, had had the opposite effect.

One significant component of *current income from investments* are the profit distributions (in particular from DBAG ECF) and interest from portfolio companies. In the previous year, the item also included the distribution made by the subsidiary Deutsche Beteiligungsgesellschaft mbH, as mentioned above.

CONDENSED PROFIT AND LOSS STATEMENT OF DEUTSCHE BETEILIGUNGS AG (BASED ON THE HGB)

€'000	**1.10.2019 to 30.9.2020**	1.10.2018 to 30.9.2019
Net gains and losses on measurement and derecognition[1]	44,442	25,487
Current income from investments	2,735	11,053
Income from Fund Services	26,988	24,628
Total income from Fund Services and investment activity	**74,165**	**61,168**
Personnel expenses	(16,741)	(21,713)
Other operating income (excluding write-ups)	1,250	1,174
Other operating expenses	(8,740)	(8,907)
Depreciation and amortisation on intangible fixed assets and property, plant and equipment	(411)	(582)
Income from other securities, or loans and advances held as financial assets	0	138
Other interest and similar income	260	541
Interest and similar expenses	(3,517)	(2,684)
Total other income/expenses items	**(27,899)**	**(32,032)**
Earnings before taxes	**46,267**	**29,135**
Income taxes	(324)	0
Other taxes	(6)	(8)
Net income for the year	**45,937**	**29,128**

1 Net gains and losses on measurement and derecognition comprise the income statement items "Income from derecognition of investments" of 45.1 million euros (previous year: 36.1 million euros), offset by the two items "Losses from derecognition of investments" and "Write-downs of financial assets" in the aggregate amount of 0.6 million euros (previous year: 10.6 million euros).

Income from Fund Services was up considerably year-on-year, mainly because income from DBAG Fund VIII was already collected for two months of the reporting year. While the gross income from Fund Investment Services is taken into account in the consolidated financial statements, this item includes net income less the expenses of the subsidiaries involved in management and fund advisory services.

Other income/expenses: Balance lower due to higher personnel expenses

The (negative) balance of other income/expenses improved by 4.1 million euros compared with the previous year. Personnel costs, other operating income excluding write-ups and other operating expenses were largely influenced by the same factors as in the Group. Personnel expenses were lower because lower provisions were set up for variable remuneration for employees and the Board of Management in light of business developments. There was virtually no change in other operating expenses. Overall consulting expenses in 2019/2020 were higher (1.4 million euros compared with 0.9 million euros in the previous year) due to a strategic project. Considerable relief also came from lower travel and hospitality expenses as meetings shifted online due to the pandemic (0.3 million euros as against 0.7 million euros).

The **FINANCIAL RESULT** deteriorated from -2.1 million euros to -3.3 million euros, mainly due to the change in the fair value of plan assets used to finance the pension obligations. Other interest income includes income from interim financing of capital calls for co-investments alongside the DBAG funds.

Net income for the year: 45.9 million euros

Deutsche Beteiligungs AG generated net income of 45.9 million euros for the 2019/2020 financial year (previous year: 29.1 million euros). Including the profit carried forward from the previous year and the dividend payment, the retained profit amounted to 201.5 million euros, of which 3.0 million euros are barred from distribution on account of statutory requirements.

Financial position – assets

DBAG's total assets largely consist of the investment portfolio held via investment entity subsidiaries, as well as short-term receivables. Assets increased by 35.7 million euros in 2019/2020 compared with the previous reporting date. The Company distributed 22.6 million euros to shareholders in February 2020.

CONDENSED STATEMENT OF FINANCIAL POSITION OF DEUTSCHE BETEILIGUNGS AG (BASED ON THE HGB)

€'000	**30.9.2020**	30.9.2019
Equity shares in associates	378,808	309,406
Investments	3,349	3,413
Other non-current assets	899	883
Non-current assets	**383,055**	**313,702**
Receivables and other assets	75,882	46,918
Securities held as current assets	0	25,335
Cash and cash equivalents	1,811	38,918
Current assets	**77,693**	**111,171**
Prepaid expenses	**357**	**492**
Total assets	**461,106**	**425,366**
Subscribed capital	53,387	53,387
Capital reserves	175,177	175,177
Revenue reserves	403	403
Retained profit	201,451	178,080
Equity	**430,417**	**407,046**
Provisions	**17,003**	**17,737**
Liabilities	**13,686**	**582**
Total equity and liabilities	**461,106**	**425,366**

Assets: Marked increase following brisk investment activity

EQUITY SHARES IN ASSOCIATES represent the largest item in DBAG's non-current assets. Associates are companies through which DBAG makes its investments. The co-investments in the investments made by the individual DBAG funds are bundled in these investment entity subsidiaries. DBAG also enters into Long-Term Investments via one investment entity subsidiary in each case. The increase in the item during the financial year 2019/2020 was mainly attributable to six new investments totalling 93.0 million euros. This was offset by disposals which led to returns from investment entity subsidiaries in the amount of 22.9 million.

The item "investments" relates to an older directly held investment.

Current assets: Marked change in structure

The structure of current assets has changed considerably. In the previous year, less than half of current assets were attributable to receivables and other assets, a category that now accounts for almost all of DBAG's current assets at 75.9 million euros as at the current reporting date. 29.0 million euros of the increase is due primarily to higher receivables from deferred fees for advising DBAG Fund VII (+ 13.1 million euros), with 9.0 million euros attributable to short-term loans to investment entity subsidiaries (DBAG Fund VII) to finance investments. Further components of current assets were receivables from a loan to DBAG Fund VII and DBAG Fund VIII companies for the interim financing of capital calls, through which the funds intend to ultimately finance their investments in Deutsche Giga Access, Multimon and PM Plastic Materials, as well as receivables from advisory and management companies for DBAG funds.

Higher provisions for pension liabilities

The slight drop in provisions compared with the last reporting date reflects two contrary developments. The provisions to cover pension obligations were higher again: compared with 7.2 million euros previously, they now amount to 7.6 million euros as at the reporting date; thus, the present value of the pension obligations exceeds the plan assets. The majority of the other provisions are associated with performance-related remuneration with regard to personnel. At 5.4 million euros, these were well below the figure at the start of the financial year (7.2 million euros).

Liabilities: First drawdown against the credit line as at the reporting date

The difference in the amount reported under liabilities is due exclusively to the drawdowns against the credit lines in the fourth quarter of the financial year. At the reporting date, 13.1 million euros had been drawn down against the lines.

Financial position – liquidity

Financial resources were always more than adequate and sufficiently high to fulfil co-investment agreements and to finance the Company's operations.

Particularities in assessing the liquidity position: Cash flows characterised by irregular outflows

At the end of the financial year, DBAG has financial resources of 1.8 million euros. It can collect the deferred fees for advising DBAG Fund VII at any time. The funds from the credit line drawdowns of 13.1 million euros are held by two subsidiaries.

Based on the investments planned for the new financial year and the two following years, DBAG will have an annual average liquidity requirement for investments of around 120 million euros; the actual requirement can deviate considerably from this amount.

We assume that we will be able to cover these requirements using the credit lines and returns from disposals.

Capital structure: Equity ratio remains high

DBAG funded its activities in the 2019/2020 financial year using existing financial resources or its own cash flow. In order to be able to take advantage of investment opportunities at any time, there are two credit lines in place with a combined amount of 90 million euros. They ensure DBAG's ability to co-invest alongside the DBAG funds and exploit opportunities for attractive Long-Term Investments at all times, in addition to its efficient balance sheet. 13.1 million euros had been drawn down against the credit lines as at the reporting date. The increase in equity to 430.4 million euros as at 30 September 2020 is attributable to the inflow of funds following disposals, which exceeded the dividend payout. As at 30 September 2019, equity amounted to 407.0 million euros, of which 22.6 million euros were distributed to shareholders as dividends in February 2020. At 93.3 per cent (previous year: 95.7 per cent), the **EQUITY RATIO** remained very high at the reporting date.

OPPORTUNITIES AND RISKS

Objective: Contribution to value creation by balancing opportunities and risks

Deutsche Beteiligungs AG is exposed to multiple risks through its Private Equity Investments and Fund Investment Services business segments. These are founded, among other things, on the expected returns that are customary in the private equity business, on our geographical focus, our sector focus and on the new investment volume targeted annually. In its more than 50-year history, DBAG has proven its ability to successfully balance the risks and rewards of its business. We want to exploit our opportunities and moderately take on the exposure to the risk involved. Risk that endangers the continuity of the Company must basically be avoided.

DBAG's risk profile is influenced by our risk propensity. We steer it using the risk management activities that are set out in this report; they are meant to contribute to value creation by specifically balancing opportunities and risks. As a private equity company, we consider risk management to be one of our core competencies. Our risk propensity derives from our to long of augmenting the value of DBAG. To that end, we pursue a conservative approach, which, among other things, is mirrored in DBAG's statement of financial position structure by its high equity ratio. DBAG's activities are financed in the long term via the stock market; bank liabilities are only entered into in the short term to bridge discrepancies between cash inflows and outflows (cf. page 14, "Long-term financing of equity investments via the stock market").

Risk management system

We consider risk management to be a proactive and preventative process for controlling risk. Risk, in our opinion, refers to potentially negative events that ensue from possible hazards. Hazards, in turn, are either non-predictable events or basically predictable, but nevertheless coincidental, events.

The risk management system is an integral part of our business processes. It takes into account the statutory requirements set out by legislation and resulting from court decisions, the German Corporate Governance Code and international accounting standards.

The system is based on our values and our experience, and it serves the objective described of contributing to value creation by balancing rewards and risks. This will be achieved when our risk management ensures a comprehensive overview of the Group's risk profile. Particularly events involving material negative financial implications must be recognised promptly so that action can be taken to avoid, mitigate or control these risks.

Structures: Decentralised organisation of risk management

Risk management is the direct responsibility of the Board of Management. It is overseen by the Audit Committee of the Supervisory Board. Furthermore, the Internal Audit department, as an independent constituent, monitors the efficacy of the risk management system. DBAG has delegated the internal audit services to an auditing firm, switching to a new service provider in the financial year 2019/2020 after a period of five years.

The Risk Committee, which reflects the decentralised organisation of risk management within DBAG, plays a key role. It consists of the Board of Management and the Risk Manager, who reports directly to the Chief Financial Officer, and also comprises risk officers at the level below the Board of Management. The Managing Directors in charge of the individual corporate departments support the Risk Manager in identifying and assessing risk in their areas of responsibility.

The Risk Manager develops the risk management system on an ongoing and systematic basis. The manual was most recently checked to ensure that it was up to date in July 2018, and adjusted, for example, to include the changes to our organisational structure. The objective of our risk management system is to inform the Board of Management and the Supervisory Board about the risks involving high and very high expected values ("significant risks"; expected value is a combination of probability of occurrence and extent of impact). The risk assessment criteria are aligned with the Board of Management's risk strategy. Risks are recorded, monitored and managed on an ongoing basis. The aim is to avoid, mitigate or transfer the negative effects of risks.

Instruments: Risk register with 49 risk factors

The basis of the risk management system is a risk management manual and a risk register. The manual contains company-specific principles on the methodology of risk management and describes the risk management instruments and their mode of operation. The risk register presents and analyses all the risks that we consider significant. It is updated on a quarterly basis; at the period ending 30 September 2020, it contained 49 individual risks (previous year: 45). The significant risks, their causes and effects, as well as the specified actions required to control and monitor these risks, are also documented in a risk report addressed to the corporate bodies of DBAG.

Processes: Risk identification in individual corporate departments

Risk management is an ongoing process that is firmly integrated into our workflows. The risk management process has been devised to ensure that risks are identified early on and risk management instruments are used appropriately; it is structured according to the following procedure:

Risks are identified directly at a departmental level by the Managing Directors responsible for these units. Particular attention is paid to risks that may jeopardise the continuity of the Company as well as risks of major significance to the financial position and financial performance of DBAG. To that end, appropriate early warning indicators are employed – measures, in other words, that are either themselves indicators of changes in a risk or suitable as measurement tools to identify changes in risk-driving factors. Such indicators include, for instance, the number of transaction opportunities screened, the employee turnover rate or employee satisfaction.

During the risk analysis and assessment process, identified risks are classified by the responsible Risk Administrator in coordination with the Risk Manager on the basis of a matrix. First, they are categorised according to the probability of their occurrence on a four-point scale. The probability of occurrence is designated as "unlikely" (less than 20 per cent), "low" (20 to 50 per cent), "possible" (50 to 70 per cent) or "likely" (greater than 70 per cent). In addition, the impact is classified according to the severity of financial consequences, reputational consequences, regulatory consequences or management action required; the potential impact is assessed subsequent to the action taken to avoid or mitigate the risk.

EXPECTED VALUE (COMBINATION OF PROBABILITY AND IMPACT)

PROBABILITY							
> 70%	Likely	4	Moderate	High	Very high	Very high
50 to 70%	Possible	3	Very low	Moderate	High	Very high
20 to 50%	Seldom	2	Very low	Moderate	High	High
< 20%	Unlikely	1	Very low	Very low	Moderate	High

IMPACT	1 Low	2 Moderate	3 High	4 Very high
Financial consequences	< €10mn	€10–50mn	€50–100mn	> €100mn
Reputational consequences	Isolated negative media coverage	Broader negative media coverage	Extensive negative media coverage and temporary loss of confidence by investors	Extensive negative media coverage and long-term loss of confidence by investors
Regulatory consequences	Conditional caution	Reorganisation	Reorientation of business activity	Suspension of business activity
Management action required	Event covered by normal routine	Critical event addressed with existing resources	Critical event requiring more extensive management action	Disaster requiring significant management action

The Risk Manager subsequently examines the individual risks and the actions adopted to diversify the risks to ascertain their completeness and effectiveness. The implementation of this action as well as its management and monitoring is the responsibility of the Risk Administrators in the respective corporate units.

Risk control basically pursues the objective of keeping the overall risk at acceptable and manageable levels for DBAG. The objective of risk control is therefore not to completely preclude risk, but rather to ensure that a targeted risk level is not exceeded. Suitable action to control risk may avoid, reduce or transfer risks.

Risk avoidance means completely precluding risk. Since complete avoidance of risk generally also means precluding opportunities for reward, this form of risk intervention cannot be applied across the board, but only to risks for which security takes priority over other corporate objectives. Measures taken to reduce risk are meant to decrease the probability of the occurrence of the risk and/or limit the impact. The residual risk that remains after the action has been implemented is consciously accepted or transferred to third parties. Insurance contracts, a classical risk management instrument, serve to transfer risk. Special contractual arrangements and financial instruments are also examples of transferring risk to third parties.

Risks are reported to the complete Board of Management on a quarterly basis. In addition, the entire Board of Management is involved in risk management through the Risk Committee. Risks that are identified outside of these regular intervals are to be reported to the Risk Manager immediately. This ensures a comprehensive and current analysis of risk exposure at all times. Once every financial year, the Board of Management extensively informs the Audit Committee about DBAG’s risk exposure. In the event of an unexpected material change in the exposure to risk, the Board of Management informs the Audit Committee of the Supervisory Board immediately.

Explanation of individual risk factors

The table on page 68 describes all risks with a "high" expected value, based on our definition, which is determined by the probability of occurrence and extent of impact; the risks with a high expected value are the same as those reported at the reporting date for the financial year

2018/2019. As at 30 June 2020, we were still reporting three risks with a “very high” expected value. At the current reporting date and based on our our estimation and assessment, these risks have now been assigned (only) a “high” expected value again.

In addition to the risk factors described, there are further risks in our risk register with a low expected value that we regularly monitor and control. These risks have an influence on whether and to what extent we achieve our financial and non-financial objectives.

We allocate operational risks to the business segment that is most strongly affected by the risk. However, over the long term, the consequences of risks allocated to the Fund Investment Services segment would also affect the Private Equity Investments segment and vice versa.

Risks of the Fund Investment Services segment

Inability to cover the personnel requirement

Performance in private equity business is closely linked to the people acting in the field. Investors in funds also base their capital commitment decision on the stability and experience of the investment team. Dissatisfied employees or a high staff fluctuation rate can cause greater workloads for other employees; if DBAG were to earn a negative reputation as an employer, this would be detrimental to the Company’s personnel recruitment. We address the risk of possible staff turnover among other things using a competitive remuneration scheme that fits to standard practice in the industry and allowing members of the investment team to make private investments in the DBAG funds, enabling them to enjoy participation in fund performance that is disproportionate to the profit-sharing awards (carried interest). We regularly offer individualised training programmes; personality-based training activities are an integral constituent of career plans.

We conduct recurring employee surveys several times a year to check employee satisfaction levels. We hired six new employees in the reporting year. In view of the Company’s current position, we do not expect bottlenecks to occur over the short or medium term.

Inability to raise capital commitments from external investors to DBAG funds

We will be able to pursue our strategy in its present form in the long term only if we succeed in soliciting capital commitments to DBAG funds. This requires that the Company or its investment team establishes a proven track record of successful investment activity yielding attractive returns, which depends on the solid performance of the investments and on the investment progress of a fund. Further influencing factors are the macroeconomic environment, the sentiment in the stock markets and general readiness of private equity investors to make new capital commitments. Fundamental changes to tax legislation that would lead to taxes being imposed on foreign partners of German fund entities would have serious disadvantages for DBAG. Without further capital commitments, the stability of the management and staff that we need to support the portfolio would not be ensured.

We address this risk, among other things, by a regular dialogue with existing and potential investors in DBAG funds. In selecting investors, we place special emphasis on their ability to possibly also invest in follow-on funds. Additionally, we regularly review our investment strategy.

Extraordinary termination of investment period or extraordinary liquidation of one or several DBAG funds

The investment period of DBAG funds ends automatically when Fund Investment Services are no longer provided by certain key persons defined in the fund agreements (the leading members of the investment team) Moreover, the fund investors have the right (typically with a 75 per cent majority) to end the investment period of that respective fund. Various reasons could cause them to initiate such a resolution, including an unsatisfactory performance of the fund's investments, insufficient investment progress or a fundamental lack of confidence. In cases involving serious contractual breaches, investors have the right to replace the fund management company or liquidate the fund.

Ending the investment period of a fund would consequently lead to a considerable reduction in fee income for advisory services to that fund. Should fund investors revoke DBAG's advisory mandate for a DBAG fund, DBAG would forfeit the fee income from that fund. Should this happen with all funds, it would forfeit fee income from Fund Investment Services altogether. Furthermore, DBAG would no longer be able to exert any influence over the management of the investments entered into with the fund in question. Without the funds at its side, DBAG's opportunities to make its own investments would also be limited. Ongoing communication and early response to the concerns of fund investors serve to mitigate this risk. Above all, however, our investment performance counteracts this risk.

Risks of the Private Equity Investments segment

Investment strategy proves to be unattractive or its implementation is inadequate

A key prerequisite for our performance is an attractive investment strategy. Without successful investing activity, it would not be possible to realise the targeted value appreciation, investors would withdraw their committed capital and new commitments to funds could not be raised. In order to mitigate this risk, the Board of Management and the investment team examine on a regular basis the extent to which our sector focus, our geographical emphasis and the equity solutions we offer for the mid-market segment provide an adequate deal flow and a sufficient number of promising investment opportunities.

Moreover, we regularly review our investment strategy and monitor the market. The investment team discusses experience with consultants and service providers gleaned from due diligence processes on a regular basis in order to avoid incorrect due diligence results. The standardisation of internal processes and the accelerated transfer of knowledge within the investment team also help us to achieve this.

Limited access to new, attractive investment opportunities

Access to new investment opportunities is crucial for our operations. We need these opportunities to be able to achieve an increase in net asset value in the first place, at least in the long term. If we did not make new investments, the structure of our statement of financial position would also change. The portfolio value and, as a result, the net asset value would exhibit slower growth and the proportion of financial resources on the statement of financial position that hardly bear interest would increase – both would come at the expense of the return on equity. In the medium term, the performance of the Fund Investment Services segment would also be adversely affected: the investors in the funds expect investment progress that is commensurate with the committed fund size. If this progress was not achieved, our chances of raising a successor fund would be diminished, thus impacting the performance of Fund Investment Services in the medium term.

However, we have no influence on developments in the private equity market. With a view to the persistent low interest rate environment and the abundant stream of capital associated with it, we are competing not only with strategic investors and other private equity companies, but also with foundations and family offices seeking more profitable investment opportunities. By contrast, the maintenance of our network and our marketing efforts are aspects that we can influence ourselves.

Our ability to mitigate the risks arising from a decline in the number of potential transactions is very limited. If we invest less, the potential for value growth in the segment of Private Equity Investments will decline in the medium term. We address this risk, among other things, by originating investment opportunities that are not broadly available in the market. We have implemented an ongoing process to improve how we identify investment opportunities. This also includes the constant expansion of our network of M&A consultants, banks and industry experts.

During the year, this risk was considered to be higher as the M&A market came to a standstill at times as a result of the pandemic, meaning that we saw the risk as more likely to materialise. After the M&A market bounced back in June, however, we once again assigned lower scores to the probability of occurrence of this risk and, as a result, to its expected value.

Transaction opportunities are not transformed into investments

Even if there is a sufficient supply of attractive investment opportunities, there is a risk of these not culminating in concrete investments. One reason for this may be a lack of competitiveness – because we react too slowly due to insufficient processes or are unable to arrange the acquisition financing. To avoid the consequences arising from this risk – inadequate investment progress with a negative impact on fundraising for future DBAG funds – we continually strive to improve our internal knowledge transfer and to adapt the relevant processes to a changed competitive environment.

External risks

Negative impact of general economy and economic cycles in certain sectors on earnings, financial position and financial performance of portfolio companies

The development of our portfolio companies is influenced by market factors such as geographical and sector-related economic cycles, political and financial changes, commodity prices and exchange rate trends. These market factors, in turn, are subject to a variety of influences themselves. The past financial year has shown that an unexpected pandemic can also pose a considerable risk not only to short-term, but also, evidently, to long-term macroeconomic development. There is also the possibility that cyclical impacts in the wake of political instability or limited capability of the banking system could affect the portfolio companies' financial position and financial performance. Technological changes can also have a negative impact on individual companies or on the companies operating in a certain sector. These factors – either individually or as a whole – could extend the holding periods of investments, resulting in the gains on disposal being postponed or reduced. In extreme cases, it could lead to a total loss of capital for individual investments. In such an event, our reputation would be at stake.

Market factors, in particular, sometimes change at very short notice, and our ability to address them is limited. The past financial year provided a perfect example of this, which is why we assigned a higher rating to this risk, too, during the year due to the huge financial impact of the coronavirus crisis. As economic activity started to increase again in the third quarter of the year, the expected value for this risk had fallen back to the prior-year level by the reporting date.

In general, short-term results are not decisive for success in private equity business anyway. Our investment decisions are based on plans that target value development over a span of several years. The holding periods for investments generally extend beyond the duration of individual cyclical phases. If appropriate, we adapt our value development approach to an individual investment. This requires closely monitoring the portfolio companies' progress. The portfolio's diversification basically already counters the risk arising from cyclical trends in individual sectors.

Lower valuation ratio on the capital markets

Valuation ratios on the capital markets are reflected in the measurement of the fair value of our portfolio companies and, thereby, the portfolio value. A lower valuation level, expressed in lower valuation multipliers, generally results in a lower portfolio value. They can be a burden on the prices at which we are able to divest companies and thus impair our profitability.

We cannot avert the risk arising from the capital markets. We can, however, mitigate that risk by avoiding high entry prices. Achieving an improved strategic position of the portfolio companies would justify a higher multiple. Since sectors are rarely all equally affected by changes in the equity market, diversifying the portfolio also counters exposure to this risk.

Due to the high level of volatility and the massive slump in prices prompted by the start of the pandemic, we had assigned a higher probability of occurrence and, as a result, a higher expected value to this risk in the course of the financial year. In our view, the situation on the capital market had eased again by the reporting date as against the spring of 2020, which is why the expected value is lower again.

Access to stock and credit markets is not ensured

DBAG finances its activities in the long term by way of the stock market; over the short term, credit lines may be used to cover temporal discrepancies between expected cash inflows and outflows. The capital increase and agreement on a credit line in the financial year 2015/2016, as well as the addition of another credit line in the year under review, also have to be viewed within this context. Corporate action can only succeed if DBAG is considered an attractive investment opportunity. The capital market also has to be open to such action, however, and there has to be a sufficient supply of capital to meet issuer demand. When the coronavirus crisis was at its peak in the spring, this function was disrupted, meaning that we had to assign this risk a higher probability of occurrence than in the past. This led to a temporary increase in the expected value of this risk, although it has since, in our view, returned to the previous year's level.

Rising market prices for and sufficient liquidity in our shares – both requirements for the membership of DBAG shares in the S-Dax – facilitate future corporate actions. Additionally, without adequate access to the financial, credit and stock markets, DBAG’s autonomy would be jeopardised in the long run.

We therefore foster an intensive dialogue with current and potential investors. In addition to ongoing investor relations work – the dividend policy, for example, which has stable, rising dividends as its goal, preferably on an upward trajectory, also aims to make shares in DBAG more attractive.

Risk to DBAG’s independence

A subpar valuation of DBAG shares could enable the entry of a principal shareholder and result in them exerting control in the Company. But since the investors in DBAG funds expect the DBAG investment team to provide their advisory services free from the influence of third parties, this loss of independence would basically jeopardise DBAG’s business model: investors would neither commit to new DBAG funds – on the contrary, they could terminate existing advisory agreements –, nor would another capital increase be possible on attractive terms. As described above, investors could also end the funds’ investment period if (e.g. through the control of a principal investor) the key personnel defined in the fund agreements were no longer materially involved in investment services to the funds.

By fostering intensive contact with current and potential investors we also mitigate this risk. We have additionally set out a legal structure that shields the Fund Investment Services business from the influence of third parties. In the event that such control is exerted, the management authority of DBAG can be revoked for the Group company charged with providing advisory and management services to DBAG funds.

Operational risks

Insufficient protection of confidential data against unauthorised access

Our business not only requires suitable software and hardware, but also effective data security as well as data access by authorised persons at any time. Of key significance is secure protection against unauthorised access, for instance, to sensitive information about potential transactions, the portfolio companies or the economic data of DBAG. There is a risk of such unauthorised access through cyberattacks, weak spots in our network or, for example, through installation of undesirable software by DBAG staff. Our knowledge advantage would be lost, and we could be open to extortion. We would also risk losing our good reputation with our investors or investment partners if confidential information were to fall into the hands of unauthorised third parties.

DBAG has its own qualified IT specialists; they are supported by external consultants, if needed. DBAG responds to the continually growing IT risk by, among other things, conducting regular internal and external reviews. We have stepped up the efforts made to protect our systems and data considerably in recent years – with regard to both staff and technical resources. A security audit conducted in August 2020 reviewed DBAG's website, those DBAG systems that can be accessed from the internet and the configuration of our office communication software. The recommendations made by the consultants based on this review have either been implemented or are scheduled for implementation.

RISK FACTORS WITH A HIGH EXPECTED VALUE

	Risk exposure vs previous year	Probability of occurence	Extent of impact
Risks of the Fund Investment Services segment			
Inability to cover the personnel requirement	Unchanged	Low	High
Inability to raise capital commitments from external investors to buyout funds	Unchanged	Unlikely	Very high
Extraordinary termination of investment period or extraordinary liquidation of one or several DBAG funds	Unchanged	Unlikely	Very high
Risks of the Private Equity Investments Segment			
Investment strategy proves to be unattractive	Unchanged	Low	High
Insufficient access to new, attractive investment opportunities	Unchanged	Possible	High
Transaction opportunities not transformed into investments	Unchanged	Low	High
External risks			
Negative impact of general economy and economic cycles in certain sectors on earnings, financial and asset position of portfolio companies	Unchanged	Possible	High
Lower valuation level on the capital markets	Unchanged	Possible	High
Access to stock and credit markets is not ensured	Unchanged	Possible	High
Threat to DBAG's independence	Unchanged	Unlikely	Very high
Operational risks			
Insufficient protection of confidential data against unauthorised access	Unchanged	Low	High

Material changes compared with the preceding year

The pandemic triggered a dramatic economic slump, with the capital markets reacting in the form of plummeting prices and high levels of volatility. The M&A market, which is so important to our business, was hit by considerable turbulence at times. We adjusted our risk assessment during the year to reflect this. Both developments on the capital market and macroeconomic developments since the summer of 2020 have resulted in a lower probability of occurrence and a lower expected value again for risks previously classed as high. This means that the overall risk picture on the reporting date is comparable to that at the end of the previous financial year.

Description of opportunities

Opportunity management is an integral constituent of our operating business. Value creation largely occurs in our core activities of investing, developing and realising our investments. We therefore place special emphasis on continually improving our business processes. We do not actively pursue opportunity management outside of ordinary business operations, such as optimising investments of cash and cash equivalents.

Private Equity Investments: Strategic advancement with Long-Term Investments and expansion of geographical focus

In the year under review, we added long-term investments to the platform we use to offer equity solutions for the mid-market segment. These are investments that we finance exclusively from the DBAG balance sheet and not alongside any funds. As already explained, the plan is to make equity investments of between 15 and 35 million euros, either as minority investments (largely) in family-owned businesses to finance growth, or as majority investments (largely) in group subsidiaries that need capital to deal with exceptional situations. With this new proposition, DBAG has broadened its range of services and opened the door for new investment opportunities.

Also helped along by the decision to expand our geographical focus to include investments in northern Italy. The prospects for further MBOs in Northern Italy are favourable: there are only a few private equity companies active in Italy with as strong a focus on companies with industrial business models as DBAG.

Competition for attractive investment opportunities remains intense. A factor that is sometimes crucial in the competitive field is the ability to come to an agreement with the vendor within a tight time frame. Among other things, this means that due diligence has to be performed, acquisition financing structured and management participation programmes agreed in a short space of time. Thanks to the size of its investment team, which welcomed more new members in the last financial year, and its overall processes, opportunities can open up for DBAG because it is in a position to execute transactions, and sometimes several transactions at once, within a short period of time.

Fund Investment Services: higher fees thanks to investment progress made by top-up funds

Income from investment services to funds is readily forecastable, because fee agreements are largely fixed for a fund’s term. After the start of the investment period of DBAG Fund VIII in August 2020, fee income from buyout funds is therefore capped initially until the end of the investment period, which will last for six years at the most. Opportunities could arise from the use of the top-up fund, namely both the DBAG Fund VIII top-up-fund and the top-up-fund of its predecessor, DBAG Fund VII: the fee for these two sub-funds is based not on the amount of funds committed, but rather based on the lower amount of the funds committed and invested. If we are successful in structuring transactions using the top-up funds, DBAG generates correspondingly higher income from Fund Investment Services.

Opportunities are also created by the expansion of the platform to include long-term investments. For larger investments, co-investors are set to be included, who would then pay advisory or structuring fees.

If the recent changes in our investment strategy – the expansion of our regional focus to include northern Italy and the Long-Term Investments offered in exceptional situations – prove to be successful, we could launch dedicated funds for these investment strategies that would then generate further advisory fee income.

External changes: increase in value thanks to higher capital market multiples and economic improvements, positive effect from higher interest rates

The value of our portfolio companies at a specific reporting date is significantly influenced by stock market conditions. Higher valuation multiples would have a positive impact on our valuations. Multiples are subject to constant change. As at the most recent reporting date, most multiples are on the high side in a long-term comparison. Nevertheless, they could still increase further. Our planning generally does not take account of any changes in multiples.

The valuations of our industrial portfolio companies are relatively low as at the most recent reporting date, partly due to structural changes in these markets, with some companies valued at a level that is lower than their historical cost. The value of other portfolio companies has been hit by the impact of the pandemic. Economic improvements, for example higher demand for motor vehicles or industrial goods, would improve the results of the individual portfolio companies and, as a result, their valuations.

A higher interest rate level would allow us to reverse an additional part of our pension provisions in the consolidated financial statements; this would increase the equity per share by way of an increase in other comprehensive income.

General statement on opportunities and risks

In 2019/2020, a year marked by particular challenges, DBAG's business model, which is geared towards a long-term view, has proved its worth once again. There was no material change in the exposure to risks and opportunities compared with the preceding year. In our estimation, there are currently no recognisable individual or cumulative risks that would endanger the continuity of DBAG or the Group as a going concern. This estimation is based on an analysis and assessment of the material individual risks to which the Company is exposed, as well as on the risk management system in place. We do not currently perceive any extraordinary opportunities.

Key features of the accounting-related internal control and risk management system (sections 289 (4) and 315 (4) of the HGB)

The internal control system (ICS) is an integral constituent of the risk management system at Deutsche Beteiligungs AG. It is oriented around the internationally recognised framework document for internal control systems issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The extent and design of the internal control and risk management system are aligned with the special requirements of the Fund Investment Services and Private Equity Investment businesses. The duty of the internal audit – which has been delegated to an external service provider – is to monitor the functioning and effectiveness of the ICS independently of processes in a multi-year examination scheme within the Group and at Deutsche Beteiligungs AG, and to thereby promote ongoing improvements to business processes. The accounting-related part of the ICS is a component of the annual audit within the scope of a risk-oriented audit approach. Finally, the Supervisory Board's Audit Committee oversees the ICS, as required by section 107 (3) of the AktG.

DBAG prepares its separate and consolidated financial statements in conformity with the applicable accounting policies of the HGB and the International Financial Reporting Standards (IFRS). The internal accounting guidelines are set out in an accounting manual and in measurement/valuation guidelines; they consider the different principles of the IFRS and HGB.

New accounting rules are regularly reviewed to ascertain the implications for DBAG and its subsidiaries, and if necessary, the accounting guidelines are adapted.

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

Material accounting-related processes are regularly examined analytically in respect of the availability and operability of the installed internal controls. The completeness and validity of accounting data are regularly reviewed manually, based on random samples and plausibility checks. For processes that are particularly relevant in accounting, the principle of dual control is consistently employed.

The internal controls are designed to ensure that the external financial reporting by DBAG and the Group is reliable and in conformity with the valid accounting rules. The aim is to minimise the risk of possible misstatements on the actual financial position and financial performance. We also gain important insight into the quality and operability of accounting-related internal controls through the annual audit of the separate and consolidated financial statements, as well as a review of the half-yearly consolidated financial statements.

REPORT ON EXPECTED DEVELOPMENTS

Period covered by this report: short-term predictions do not do justice to business model

Our business lends itself to a medium- to long-term planning and forecast horizon. That applies both to the co-investment activity and to Fund Services.

Events or trends that were not predictable at the beginning of a financial year frequently have a significant impact on the earnings contribution of our investment activities. These include realisations that, at times, achieve prices clearly in excess of their most recent valuation, as well as unexpected developments in portfolio companies' consumer markets or in the stock market.

DBAG funds have a term of ten years. With the exception of the top-up funds and DBAG ECF, the fees we receive for fund management or advisory services are methodically fixed over that term. That is why fee income is readily projectable over the short term, but at the same time it is also capped. Increases can only result from a follow-on fund, as a matter of principle. Its size and, consequently, its income potential, is orientated around the former fund's investment performance, meaning that the income potential can only be judged conclusively at the end of the term. This, too, is indicative of the long-term orientation of our business.

As a result, we will be forecasting key figures not only for the current, new financial year 2020/2021. We will also take this forecast as a basis in order to set out our expectations regarding further development over the next two financial years.

The forecast is based on our medium-term planning for 2023, which consists of a projected profit and loss statement, a projected statement of financial position, and a projected statement of cash flows. For the Private Equity Investments segment, it is based on detailed assumptions on future co-investments alongside the DBAG funds and our Long-Term Investments, as well as on the holding period and the expected capital multiplier for each individual portfolio company. We use this information to predict the development of the cost and fair values of the portfolio and, based on these figures, net gains and losses on measurement and derecognition based on the IFRS, the net gains and losses from derecognition based on the German Commercial Code and – at the level of the individual DBAG fund via which the Company made investments in the companies – the development of carried interest. We do not assume a linear increase in the value of the individual portfolio companies over the holding period. Rather, we apply a standardised value appreciation trend that includes smaller increases in value at the start of the holding period and larger ones towards the end. As far as our Long-Term Investments are concerned, we expect to see regular profit distributions.

In the Fund Investment Services segment, we take into account the development in fee income from Fund Services and other income/expense items, i.e. mainly personnel expenses, variable remuneration and advisory expenses, as well as expenses for fundraising in individual years.

We prepare detailed plans for expenses in the first planning year; thereafter, the various expense items are projected based on aggregate assumptions.

All plan assumptions that have an impact on cash are included in the projection of cash and cash equivalents.

Type of forecast: interval forecast now possible due to increasing number of portfolio companies

The change in net asset value is determined to a considerable degree by the net gain or loss from investment activity, which can fluctuate considerably from year to year. Over the last five years, this has amounted to values of between -17.0 million euros and 85.8 million euros. We also expected net income to continue to show marked volatility over the current medium-term planning period, meaning that a point forecast of these indicators is still not feasible. The increasing number of portfolio companies means that an individual portfolio company has less and less of an impact on the success of a financial year. As a result, we can now be more precise in our forecasts than we were in the past. We will be releasing an interval forecast for the key performance indicators for the Private Equity Investments and Fund Investment Services segments in the future; in the past, our forecast was limited to a qualified comparative forecast on the expected developments of these key indicators.[9]

The interval ranges for the key performance indicators included in the forecast in each case are based on the varying degrees to which they can be planned: income from Fund Investment Services is largely pre-determined for the forecast period, making it easy to plan. As a result, we are forecasting this indicator using a narrower range than the development in the net asset value or other indicators for the Private Equity Investments segment.

Expected development of underlying conditions

The pandemic triggered by the coronavirus is showing extremely dynamic development. At the time this report was completed, governments in a whole number of key industrialised countries had once again taken drastic measures in an attempt to curb the spread of the virus. These measures are having a knock-on effect on economic activity. When it comes to assessing the development of underlying conditions, we have no other option than to base our assessment on the situation at a particular point in time, even if conditions are changing at an unusually fast rate at that point in time. This restricts the informational value of our forecast regarding the development of underlying conditions, but also regarding our financial and non-financial key performance indicators.

Market: no change following return to previous level

The M&A market was also hit hard by the pandemic in the spring of 2020, although the considerable damper on market activity only lasted for a quarter or so. We expect the market to return to its previous level of activity in most sectors and, based on the investment opportunities we have learned of during the past six months, we expect to see largely constant demand – in terms of number and volume – in our market, as far as the current financial year 2020/2021 and the next two financial years are concerned.

Borrowings: constant supply based on unchanged terms

The debt market for acquisition finance is diverse. Debt funds have increased the supply; they offer financing through unitranches or mezzanine. They increased their market share again in 2019/2020. The gap created by the withdrawal of some banks following the financial crisis

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[9] German Accounting Standard No. 20 (GAS 20) provides for three types of forecasts: the disclosure of a numerical value (“point forecast”), a range between two numerical values (“interval forecast”) and a change in relation to the actual value of the reporting period stating the direction and intensity of that change (“qualified comparative forecast”).

has now been closed. As a result, we expect to see a sufficient supply of this sort of financing during our forecast period. As far as the 2020/2021 financial year is concerned, we generally expect to see a constant supply at conditions that are largely unchanged. We cannot, however, rule out that bank willingness to finance transactions in certain industrial sectors, such as mechanical and plant engineering, will continue to be challenging, hampering transactions in these sectors.

Asset class of private equity: no major changes in the short term

Private equity is firmly rooted as an asset class worldwide. It is an integral part of the investment strategy of many institutional investors. The proportion of private equity in their assets is not constant and may even decrease. Recent investor surveys (from June 2020) show, however, that the Covid-19 pandemic has not had any impact on the demand for private equity: 90 per cent of investors in alternative asset classes do not expect their long-term investment strategy to change as a result of the pandemic. The proportion of investors that want to make more, or at least the same level of, commitments to private equity funds over the next twelve months is equally high.[10] With a view to the persistent low interest rate policy in the US and Europe, we still think it likely that shifts in investor asset allocation will not be to the detriment of private equity. This suggests at least a consistent offer of investment commitments for private equity funds.

Our experience shows that the attractiveness of DBAG funds is less dependent on investors' general view of the market, and more on their sentiment toward specific sub-markets (Europe, Germany, industrial, services, etc.) – and in particular on the investment performance DBAG funds have delivered so far. The successful fundraising for DBAG Fund VIII supports our view: given its investment history and at least under current market conditions, DBAG can assume that it will succeed in launching successor funds in due time before the end of the investment period, with sufficient capital commitments solicited.

Macroeconomic environment: "Industry in recession, growth drivers abating"

The macroeconomic environment has deteriorated for the second time running within a twelve-month period: the global growth rate has dropped again, meaning that, instead of growing in 2020, the global economy will contract by 4.4 per cent.[11] The drop is predicted to be even more drastic in Germany, where the economy is tipped to contract by 5.1 or[12] 5.4 per cent.[13] The extent to which the economy can bounce back next year depends on how the pandemic unfolds. Economists are predicting economic growth of between 3.7 and 4.7 per cent for Germany in 2021 – this would not be sufficient to signal a return to the pre-crisis activity level. Irrespective of the pandemic and its diverse implications, which are negative for the majority of companies, many economies in which our portfolio companies produce or market their products and services are also coming under pressure due to trade conflicts, Brexit and uncertainty surrounding foreign trade.

Our portfolio companies operate in numerous markets and geographical regions. This holds all the more true following expansion of our sector spectrum over recent years. This means that our investments are subject to very different cyclical influences in general. The pandemic has not hit all companies to the same degree, either, and there are also business models that are benefiting from the current situation. The influencing factors overlap and, in some cases, offset each other. This is why we look at the economic environment for the different business models individually, and take our assessment into account when evaluating the development

[10] Preqin Investor Update: Alternative Assets, H2 2020, pages 4 and 7
[11] "World Economic Outlook – A long and difficult Ascent", International Monetary Fund, October 2020
[12] "*Corona-Krise gemeinsam bewältigen, Resilienz und Wachstum stärken*" (Overcoming the coronavirus crisis together; strengthening resilience and growth) – German Council of Economic Experts on macroeconomic development, November 2020
[13] "*Erholung verliert an Fahrt – Wirtschaft und Politik weiter im Zeichen der Pandemie*" (Recovery losing momentum – economics and politics remain dominated by the pandemic), *Gemeinschaftsdiagnose* (joint diagnosis) 2/20, October 2020

opportunities open to the companies in 2021 that form the basis for our forecasts. We have not included the impact of changes in commodity prices or exchange rates in our forecast. Given the variety of business models in our portfolio, we expect these factors to offset each other, at least in part.

Compared with the end of the financial year 2018/2019, we are faced, as explained earlier, with a macro-economic environment characterised by significantly greater uncertainty. Aggregate economic output in Europe, the US and the major emerging markets slumped dramatically to begin with following the outbreak of the pandemic. Most economic activity had already resumed by the summer, and is likely to have made up for much of the slump. Nevertheless, the pandemic is far from over. At the time this report was published, infection rates were on the rise again in all of the world's key economic areas – with the exception of China. This means that far-reaching measures have been taken again in a whole number of countries to get the virus under control. We expect this to have a negative impact on economic activity, which is why we consider the recently voiced expectations regarding economic development to be on the optimistic side. This applies, for example, to the rate of growth in gross domestic product of 4.7 per cent for 2021, as set out in the joint diagnosis commissioned by the German government.

Expected business development

Our forecasts are based on the expectations regarding developments on the private equity market, the supply of debt financing and capital, and the economy as described above. A scenario in which the circumstances described in the risks mentioned would materialise to a greater degree is not reflected in our planning.

		Actual 2019/2020 and 30.9.2020	Expectations 2020/2021	Ambitions 2022/2023
Key performance indicators				
Private Equity Investments				
Net asset value[1] (reporting date)	€mn	422.0	415,0 to 460,0	590,0 to 660,0
Net income from investment activity	€mn	(16.9)	30,0 to 35,0	95,0 to 105,0
Cash flow from investment activity	€mn	(33.5)	(5,0) to 0,00	40,0 to 45,0
Fund Investment Services				
Income from Fund Services[1]	€mn	30.6	42,0 to 44,0	41,0 to 43,0
Earnings from Fund Investment Services	€mn	9.5	15,0 to 16,0	10,0 to 11,0
Volume of assets under management or advisory (reporting date)	€mn	2,582.6	2,320 to 2,440	2,010 to 2,115
Shareholders				
Dividend per share	€	0.80	1,00 to 1,20	1,00 to 1,20
Non-financial key performance indicators				
Private Equity Investments				
Investment opportunities		193	238 to 263	238 to 263
Fund Investment Services				
Share of capital commitments of returning investors	%	86	at least 75	at least 75
Employees				
Average length of company service	Years	7.9	unchanged	unchanged
Other indicators				
Net income in accordance with IFRS	€mn	(16.8)	40,0 to 45,0	95,0 to 110,0
Net income in accordance with HGB	€mn	45.9	70,0 to 80,0	70,0 to 80,0

1 Also used as a key performance indicator for the core business objective

In light of economic developments and having weighed up the opportunities and risks, we anticipate a below-average increase in the portfolio value in 2020/2021. Against this background, and taking into account the distribution in February 2021 – 12.0 million euros are proposed – the **NET ASSET VALUE** as at the reporting date of 30 September 2021 will be only up to nine per cent higher than recent levels. Due to the quality of the overall portfolio and planned investments, we then expect to see this value increase in the following two years, meaning that by the end of the financial year 2022/2023, i.e. by the end of our planning horizon, the net asset value will amount to between 590 and 660 million euros. This is based on the assumption that distributions will initially remain unchanged in line with our dividend policy. As a result, these projections point towards an average annual increase in the net asset value of between 14 and 19 per cent.

Net gain or loss from investment activity is the item that has the greatest impact on the Private Equity Investments segment. Net asset value – adjusted for the dividend distribution of any given year – can only increase if the net income exceeds the amount earmarked for distribution. At the same time, net gain or loss from investment activity is the item with the greatest budgetary and forecast uncertainty. It is determined to a considerable degree by net gains and losses on measurement and derecognition; current income from financial assets and loans and receivables, on the other hand, is less relevant.

Projections of the earnings contribution for the portfolio are based on current assumptions regarding the holding period and on a standardised annual increase in the value of the investments during this holding period. The assumptions on the holding period include our assessment of the impact that the current economic environment will have on the individual investments. We also take into account deviations from the initial premises on which our assessment on the absolute value contribution of the change measures initiated in the portfolio companies is based.

Net gains and losses on measurement represent the net amount of positive and negative value movements of the portfolio companies. These value movements derive from the change in the fair value of an investment in comparison to the preceding reporting date. In the past, there were instances when sizeable capital gains were realised on disposal of investments, for example because industrial buyers were willing to pay premiums on the estimated fair value for strategic reasons or because financial investors paid such premiums after intense competition among bidders. Such events are not predictable. This is why we have assumed that the sale price corresponds to the fair value calculated in each case. Current income from financial assets and loans and receivables is also not forecast individually. We assume that earnings generated from the portfolio companies are ploughed back in and therefore flow into the achievable market price to the same extent.

Based on our assumptions, we expect to see **NET INCOME FROM INVESTMENT ACTIVITY** ranging from 30 to 35 million euros in the current financial year. We predict much higher values in the two following years (2021/2022 and 2022/2023), with a figure of between 95 and 105 million euros expected for 2022/2023.

Based on the co-investment agreements with the DBAG funds and our recent strategic move to also include Long-Term Investments in our activities, we predict that investments in 2020/2021 will exceed the value seen in the previous financial year, namely in a range between 160 and 180 million euros. We expect the inflows from disposals, recapitalisations and dividend distributions from portfolio companies to exceed the investments. In this respect, we are not predicting any gains on disposals in general, but rather assume that investments will be sold at their fair value. This produces more or less neutral **CASH FLOW FROM INVESTMENT ACTIVITY** in 2020/2021. Looking ahead to the end of the financial year, we predict that financial resources will be lower than at the most recent reporting date.

INCOME FROM FUND SERVICES is substantially determined by the volume of funds. The terms and conditions that govern the compensation for our management and advisory services are usually fixed for a fund's entire term. This makes it easy for us to budget for this income. 2020/2021 will be the first year in which we generate income from DBAG Fund VIII for a full year. Consequently, we expect income from Fund Services to exceed the level achieved in the previous year, totalling between 42 and 44 million euros. The figure for the end of our planning period is at a comparable level: we expect disposals to be made primarily from DBAG ECF, whose contribution to fund income is low overall; on the other hand, we anticipate further income during the planning period as the top-up funds continue to progress with their investments.

In the **FUND INVESTMENT SERVICES** segment, we expect 2020/2021 to bring higher **NET INCOME** of between 15 and 16 million euros in light of these assumptions. In the years that follow, net income is expected to increase further to begin with before returning to a level that is roughly on a par with the level seen in the current, new financial year in the last year of the forecast period. The **VOLUME OF ASSETS UNDER MANAGEMENT OR ADVISORY** will fall in line with the planned disposals from the portfolio, namely to a level between 2,320 and 2,440 million euros as at 30 September 2021 and then further to between 2,010 and 2,115 million euros at the end of the planning period.

Our proposed **DIVIDEND** of 0.80 euros per share for the past financial year does not signal any change in our dividend policy; it does, however, take account of the aspects relevant to our decision, for example the expected inflows from both segments. We expect that, once the pandemic curve flattens next year and the economic environment starts to return to normal, we can return from a level of between 1.00 and 1.20 euros per share to our policy of stable dividends that increase whenever this is possible.

General forecast

Increase in net asset value exceeds distribution, higher net income from Fund Investment Services, higher dividend

The forecast for the new, current financial year is subject to significantly greater uncertainty than in previous years due to the overall environment. If it proves impossible to get the pandemic under control, bringing key sectors of the economy in major industrialised nations to a standstill for a prolonged period, for example, we will be unable to achieve our forecast. The same applies if trade disputes between major economies come to a head, or if valuations on the capital markets – which our projections assume will remain constant overall – drop considerably. This scenario could result not only in a lower net gain or loss from investment activity, but also in delays in investment progress and the disposal of mature portfolio companies.

Based on the above, we expect the change in net asset value to make a positive contribution to enterprise value. We forecast that net income from fund services, which determines the value of Fund Investment Services, will also be positive, coming in much higher than in the previous year. **NET INCOME FOR 2020/2021** is expected to amount to between 40 and 45 million euros. This means that the financial year 2020/2021 will be more of an average year, measured against a ten-year average. We then expect the next two years to bring values that are up considerably on the current financial year, with a figure in a range of between 95 and 110 million euros at the most predicted for 2022/2023.

Profit for 2020/2021 according to the German Commercial Code up year-on-year

Deutsche Beteiligungs AG is reporting a net retained profit in accordance with the German Commercial Code of 201.5 million euros at 30 September 2020. Based on the proposed dividend of 0.80 euros per share, 12.0 million euros of this amount is to be distributed in February 2021. We expect the **PROFIT** for the financial year 2020/2021 to be between 70 and 80 million euros, i.e. higher than the previous year's figure. This would make the financial year 2020/2021 an above-average year measured against a ten-year average. As a result, we also expect that our retained profit for the coming year and the next two years will allow us to make a distribution in the planned amount.

Frankfurt/Main, 20/29 November 2020

The Board of Management

CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 October 2019 to 30 September 2020

€'000	Notes	**1.10.2019 to 30.9.2020**	1.10.2018 to 30.9.2019
Net income from investment activity	9	(16,864)	49,629
Income from Fund Services	10	29,304	26,970
Income from Fund Services and investment activity		**12,440**	**76,599**
Personnel costs	11	(18,397)	(21,042)
Other operating income	12	4,534	5,767
Other operating expenses	13	(13,911)	(16,413)
Interest income	14	350	955
Interest expenses	15	(799)	(783)
Other income/expenses		**(28,222)**	**(31,515)**
Earnings before taxes		**(15,782)**	**45,083**
Income taxes	16	(965)	659
Earnings after taxes		**(16,747)**	**45,742**
net income attributable to other shareholders	25	(9)	114
Net income		**(16,757)**	**45,856**
a) Items that will not be reclassified subsequently to profit or loss			
Gains (+)/losses (-) on remeasurements of the net defined benefit liability (asset)	26	2,702	(7,690)
b) Items that will be reclassified subsequently to profit or loss			
Changes in the fair value of financial assets measured at fair value through other comprehensive income	20	0	15
Other comprehensive income		**2,702**	**(7,675)**
Consolidated comprehensive income		**(14,055)**	**38,181**
Earnings per share in € (diluted and basic)[1]	36	(1.11)	3.05

1 The earnings per share calculated in accordance with IAS 33 are based on net income divided by the average number of DBAG shares outstanding in the reporting period.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from 1 October 2019 to 30 September 2020

INFLOWS (+) / OUTFLOWS (-)

€'000	Notes	**1.10.2019 to 30.9.2020**	1.10.2018 to 30.9.2019
Net income		(16,757)	45,856
Valuation gains (-)/losses (+) on financial assets and loans and receivables, depreciation/amortisation/impairment of property, plant and equipment and intangible assets, gains (-)/losses (+) on long- and short-term securities	9, 17, 18, 20	20,702	(43,107)
Gains (-)/losses (+) from disposal of non-current assets	9, 17	(26)	(75)
increase (+)/decrease (-) in income tax assets	22	308	(5,487)
increase (+)/decrease (-) in other assets (net)	19, 20, 21, 22, 23	(15,406)	(4,272)
increase (+)/decrease (-) in pension provisions	26	(3,144)	7,384
Increase (+)/decrease (-) in income taxes payable	22	509	0
Increase (+)/decrease (-) in other provisions	27	(1,671)	1,328
Increase (+)/decrease (-) in other liabilities (net)	22, 25, 29	8,789	(13,924)
Cash flow from operating activities		**(6,696)**	**(12,298)**
Proceeds from disposals of financial assets and loans and receivables	9, 18	68,462	62,183
Payments for investments in financial assets and loans and receivables	9, 18	(92,965)	(93,412)
Proceeds from disposals of other financial instruments	21	17,069	53,544
Payments for investments in other financial instruments	21	(26,055)	(37,779)
Cash flow from investment activity	32	(33,490)	(15,465)
Proceeds from disposals of property, plant and equipment and intangible assets	17	69	79
Payments for investments in property, plant and equipment and intangible assets	17	(481)	(252)
Proceeds from disposals of securities	20, 32	35,503	70,328
Payments for investments in securities	20, 32	(9,986)	(215)
Cash flow from investing activities		**(8,385)**	**54,475**
Payments for lease liabilities	29	(1,020)	0
Proceeds from new borrowings	28	13,100	0
Payments to shareholders (dividends)	24	(22,566)	(21,814)
Cash flow from financing activities		**(10,486)**	**(21,814)**
Net change in cash and cash equivalents		(25,567)	20,363
Cash and cash equivalents at start of period	32	43,934	23,571
Cash and cash equivalents at end of period		**18,367**	**43,934**

1 This includes income taxes received and paid in the amount of 306,000 euros (previous year: -5,462,000 euros) as well as interest received and paid in the amount of -130,000 euros (previous year: 770,000 euros) and dividends in the amount of 761,000 euros (previous year: 9,267,000 euros).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2020

€'000		30.9.2020	30.9.2019
ASSETS			
Non-current assets			
Intangible assets	17	490	301
Property, plant and equipment	17	5,144	582
Financial assets	18	390,741	385,693
Other non-current assets	23	616	0
Deferred tax assets	22	214	658
Total non-current assets		**397,204**	**387,233**
Current assets			
Receivables	19	5,071	1,565
Short-term securities	20	0	25,498
Other financial instruments	21	25,988	17,002
Income tax assets	22	5,524	5,833
Cash and cash equivalents		18,367	43,934
Other current assets	23	22,432	10,550
Total current assets		**77,382**	**104,382**
Total assets		**474,587**	**491,615**
EQUITY AND LIABILITIES			
Equity	24		
Subscribed capital		53,387	53,387
Capital reserve		173,762	173,762
Retained earnings and other reserves		(11,326)	(14,028)
consolidated retained profit		207,708	247,031
Total equity		**423,531**	**460,152**
Liabilities			
Non-current liabilities			
liabilities under interests held by other shareholders	25	57	55
Provisions for pensions obligations	26	16,449	19,593
Other provisions	27	846	28
Other non-current liabilities	29	3,953	0
Total non-current liabilities		**21,305**	**19,677**
Current liabilities			
Loan liabilities	28	13,100	0
Other current liabilities	29	8,104	1,260
Income taxes payable	22	526	17
Other provisions	27	8,021	10,509
Total current liabilities		**29,751**	**11,787**
Total liabilities		**51,056**	**31,463**
Total equity and liabilities		**474,587**	**491,615**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 1 October 2019 to 30 September 2020

€'000	Note	**1.10.2019 to 30.9.2020**	1.10.2018 to 30.9.2019
Subscribed capital			
At start and end of reporting period	24	**53,387**	**53,387**
Capital reserve			
At start and end of reporting period	24	**173,762**	**173,762**
Retained earnings and other reserves			
Legal reserve			
At start and end of reporting period		403	403
First-time adoption of IFRS			
At start and end of reporting period		16,129	16,129
Reserve for changes in accounting methods			
At start of reporting period		(109)	0
Effects from reclassification in accordance with IFRS 9		0	(36)
Measurement effects in accordance with IFRS 9		0	(74)
At start (restated)[1] and end of reporting period		(109)	(109)
Reserve for gains/losses on remeasurement of the net defined benefit liability (asset)			
At start of reporting period	26	(30,450)	(22,760)
Change during the reporting period	26	2,702	(7,690)
At end of reporting period	26	(27,748)	(30,450)
Change in unrealised gains/losses on available-for-sale securities			
At start of reporting period		0	(102)
Effects from reclassification in accordance with IFRS 9		0	102
At start and end of reporting period		0	0
Reserves for financial assets measured at fair value through other comprehensive income			
At start of reporting period		0	0
Effects from reclassification in accordance with IFRS 9		0	(67)
Measurement effects in accordance with IFRS 9		0	52
At start of reporting period (restated)[1]		0	(15)
Change in reporting period through profit or loss		0	15
At end of reporting period		0	0
At end of reporting period		**(11,326)**	**(14,028)**
Consolidated retained profit			
At start of reporting period		247,031	222,973
Dividend	24	(22,566)	(21,814)
Net income		(16,757)	45,856
At end of reporting period		**207,708**	**247,031**
Total		**423,531**	**460,152**

1 Restated as part of the transition to IFRS 9 (see the 2018/2019 Annual Report, pages 127 to 130)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR FROM 1 OCTOBER 2019 TO 30 SEPTEMBER 2020

GENERAL INFORMATION

1. Principal activity of the Group

Deutsche Beteiligungs AG (DBAG) is a publicly-listed private equity company. It initiates closed-end private equity funds ("DBAG funds") for investment in equity or equity-like instruments predominantly in unlisted companies, and provides advice regarding these funds. Employing its own assets, it enters into investments, predominantly as a co-investor alongside the DBAG funds, and since 2020 also independently from the DBAG funds with its first long-term investment. Its investment focus, as an investor and fund advisor, is on mid-market German companies. It receives income as an investor through the increase in value of the company in which it has invested, and also as a fund advisor, performing services for the DBAG funds.

DBAG's registered office is at Börsenstrasse 1, 60313 Frankfurt/Main, Germany. The Company is registered in the Commercial Register at the Frankfurt/Main local court (Amtsgericht Frankfurt/Main) under HRB 52491.

2. Basis of the consolidated financial statements

The consolidated financial statements of DBAG as at 30 September 2020 are consistent with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the European Commission for use in the European Union. The mandatory interpretations of the IFRS Interpretations Committee (IFRIC) relevant for the consolidated financial statements are also applied. In addition, the applicable commercial law requirements as stipulated in section 315e (1) of the German Commercial Code (Handelsgesetzbuch – HGB) have been taken into account.

The consolidated financial statements consist of the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of financial position, the consolidated statement of changes in equity as well as these notes to the consolidated financial statements. They comprise the financial statements of DBAG and its fully-consolidated subsidiaries ("DBAG Group").

Apart from DBAG, six (previous year: six) of the companies included in the consolidated financial statements prepare their respective financial statements as at the reporting date

30 September. For the remaining four (previous year: three) consolidated companies, the financial year corresponds to the calendar year. These companies prepare interim financial statements as at DBAG's reporting date for consolidation purposes.

The accounting and consolidation policies as well as the notes and disclosures to the consolidated financial statements are applied consistently, except when IFRSs require changes to be made (see Note 3) or the changes result in more reliable and relevant information. As at the reporting date, we have for the first time reported the rental deposit and a portion of the receivables from employees under other non-current assets as well as jubilee payment obligations under other provisions as part of non-current liabilities.

The consolidated statement of comprehensive income is structured based on the nature of expense method. In the interests of presenting information that is relevant to the business of DBAG as a private equity firm, "Net income from investment activity" as well as "Income from Fund Services" are presented instead of revenues. The items of other comprehensive income are stated after taking into account all related tax effects as well as the respective reclassification adjustments. Reclassifications between other comprehensive income and profit or loss are disclosed in the notes.

In the consolidated statement of cash flows, cash flows are broken down into cash flows from operating activities, cash flows from investing activities and cash flows from financing activities (see Note 32). To improve transparency of cash flows from investing activities, the subtotal "Cash flow from investing activity" is reported.

The consolidated financial statements were prepared in euros. The amounts are rounded to thousands of euros, except when transparency reasons require amounts to be presented in euros. Rounding differences in the tables in this report may therefore occur.

On 20 November 2020, the Board of Management of DBAG authorised the consolidated financial statements and the combined management report for submission to the Supervisory Board. On 26 November 2020, the Supervisory Board resolved to approve the consolidated financial statements.

The necessity to correct technical errors in the combined management report which occurred in the transmission of information was discovered on 29 November 2020. The amendments relate to the table outlining "Risk factors with a high expected value" in the "Chances and opportunities" section, sub-section "Explanation of individual risk factors". In the newly-dated document, in Note "40. Events after the reporting date" within the amended notes to the consolidated financial statements, we report on the (now resolved) appointment of Messrs Tom Alzin and Jannick Hunnecke to the Board of Management, effective 1 March 2021, and on the fact that Dr Rolf Scheffels will step down from the Board of Management, at his own request, when his contract expires at the end of February 2021. On 29 November 2020, the Board of Management of DBAG authorised the amended consolidated financial statements and the amended combined management report for submission to the Supervisory Board. The Supervisory Board will resolve on the approval of the consolidated financial statements on 30 November 2020.

3. Changes in accounting methods due to amended rules

Standards and interpretations as well as amendments to standards and interpretations applicable for the first time that have an impact on the reporting period ending 30 September 2020

› IFRS 16 "Leases"

The new standard IFRS 16 "Leases" has to be applied for the first time in the financial year 2019/2020. The standard replaces the previous standard IAS 17 "Leases", as well as any related interpretations. The major changes refer to lessee accounting. The previous classification of leases into operating and finance leases by the lessee is abolished by IFRS 16. Instead, the new standard introduces a single accounting model pursuant to which lessees are generally obliged to recognise, for all leases, a right-of-use asset as well as a corresponding lease liability for the outstanding lease payments. At DBAG, it is mainly the rental agreement on the business premises at Börsenstrasse 1, Frankfurt/Main, the vehicles and the copiers of the Company, as well as the rental agreement on the business premises of DBG Management GP (Guernsey) Limited, that fall within the scope of IFRS 16. As a result of the effects on the consolidated financial statements, which overall are not material, DBAG decided to make use of the option provided by IFRS 16 not to adjust comparative information for previous periods.

The carrying amount of lease liabilities upon initial measurement corresponds to the present value of the lease payments required to be made. At DBAG, the present value is determined using the incremental borrowing rate that is applicable when the leased asset is made available for use. This corresponds to the interest rate which DBAG would have to pay for borrowings for the same term, with the same collateral and to an extent applicable to the acquisition of an asset of the same value as the right-of-use asset in the same economic environment. For subsequent measurement, the carrying amount of the lease liability is compounded using the same interest rate and reduced to reflect the lease payments made.

The cost of the right-of-use asset equals the present value of any lease payments to be made plus any lease payments made at or before the commencement of the lease term, any initial direct costs and any expected costs incurred in dismantling and removing the leased asset. Any lease incentives received are deducted. Upon subsequent measurement, the right-of-use asset is recognised at amortised cost.

DBAG reports the right-of-use assets under property, plant and equipment; scheduled depreciation is reported in other operating expenses. The lease liabilities are recognised in other non-current liabilities or other current liabilities, respectively; compounding of the lease liabilities is recorded as interest expense. Both the principal portion and the interest portion of a lease payment are presented within cash flow from financing activities.

DBAG generally makes use of the option to recognise right-of-use assets in the amount of the lease liabilities as at the transition date. Within the context of the transition, right-of-use assets are recognised in the amount of 1,774,000 euros and lease liabilities are recorded in the amount of 1,766,000 euros. The carrying amount of the right-of-use asset results from the carrying amount of the lease liability plus a lease instalment in the amount of 8,000 euros paid in advance.

Based on an undiscounted balance of financial obligations from permanent debt obligations as at 30 September 2019, the reconciliation to the opening balance of the lease liabilities as at 1 October 2019 is as follows:

RECONCILIATION OF LEASE LIABILITIES

€000	
Undiscounted balance of financial obligations from permanent debt obligations as at 30 September 2019	2,065
Permanent debt obligations outside the scope of IFRS 16 and other adjustments	(291)
Minimum lease payments from operating leases as at 30 September 2019	1,774
Discounting effect	-8
Lease liabilities as at 1 October 2019	**1,766**

The weighted average incremental borrowing rate for the lease agreements existing as at 1 October 2019 was 0.33 per cent.

- IFRIC 23 "Uncertainty over Income Tax Treatments"

IFRIC 23 clarifies the application of recognition and measurement rules included in IAS 12 in the case of an uncertainty over income tax treatments. Recognition and measurement require estimates and assumptions to be made, for example whether an estimate has to be made separately or together with other uncertainties, whether the most likely amount or the expected value has to be used for the uncertainty and whether changes compared to the previous period have occurred. The detection risk is insignificant for the accounting of uncertain tax positions. Accounting is based on the assumption that the tax authorities examine the relevant matter and have full knowledge of all relevant information. There was no material impact on the consolidated financial statements of DBAG.

Standards and interpretations as well as amendments to standards and interpretations applicable for the first time that have no impact on the reporting period ending 30 September 2020

In the consolidated financial statements as at 30 September 2020, the following new standards and interpretations or amendments to standards and interpretations are required to be applied for the first time:

- Amendments to IAS 19 "Employee Benefits",
- Amendments to IAS 28 "Investments in Associates and Joint Ventures",
- Amendments to IFRS 9 "Financial Instruments",
- Annual Improvements to IFRS Standards 2015–2017 Cycle
  - IAS 12 "Income Taxes",
  - IAS 23 "Borrowing Costs",
  - IFRS 3 "Business Combinations" and IFRS 11 "Joint Arrangements".

These standards do not have any consequences for DBAG's consolidated financial statements.

New standards and interpretations that have not yet been applied

a) Endorsed by the European Union

The following standards and interpretations were issued by the IASB and endorsed by the European Commission for application in the European Union. The effective date, indicating when the respective standard or interpretation is required to be applied, is given in parentheses. DBAG intends to initially apply the respective standard or interpretation for the financial year beginning after that date. No use will therefore be made of voluntary early application of these standards and interpretations.

- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (1 January 2020)
- Amendments to IFRS 3 "Business Combinations" (1 January 2020)

- Amendments to IFRS 9 "Financial instruments", (IAS) 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" (1 January 2020)
- Amendments to IFRS 16 "Leases" (1 June 2020)
- Amendments to References to the Conceptual Framework in IFRS Standards (1 January 2020)

These amendments are not relevant for DBAG.

b) Not endorsed by the European Union

The following standards and interpretations have already been issued by the IASB, but have not yet been endorsed by the European Commission for application in the European Union.

- Amendments to IAS 1 "Presentation of financial statements",
- Amendments to IAS 16 "Property, Plant and Equipment",
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets",
- Amendments to IFRS 3 "Business Combinations",
- Amendments to IFRS 4 "Insurance Contracts",
- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases" within the context of the "Interest Rate Benchmark Reform",
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures",
- IFRS 14 "Regulatory Deferral Accounts"
- Annual Improvements to IFRS Standards 2018–2020 Cycle
  - IAS 41 "Agriculture"
  - IFRS 1 "First-time Adoption of International Financial Reporting Standards"
  - IFRS 9 "Financial Instruments",
  - IFRS 16 "Leases"
- IFRS 17 "Insurance Contracts" and Amendments to IFRS 17 "Insurance Contracts".

The amendment to IAS 37 clarifies which costs have to be taken into account for the identification of onerous contracts.

The "Interest Rate Benchmark Reform" of the IASB deals with the effects of the IBOR reform[14] on financial reporting. The amendments to various standards are intended to facilitate an entity's transition to a new reference interest rate and, at the same time, to provide users of financial statements with decision-useful information.

[14] Reform to replace the previously established reference rate

We are currently analysing the effects of both amendments on DBAG's consolidated financial statements. A final assessment of the effects is not possible at the moment.

DBAG expects the remaining amendments to have no impact on its consolidated financial statements:

4. Disclosures on the group of consolidated companies and on interests in other entities

4.1. Status of DBAG as an investment entity as defined in IFRS 10

DBAG initiates closed-end private equity funds for investments in equity or equity-like instruments, predominantly in unlisted companies. It solicits capital commitments from institutional investors to DBAG funds and provides asset management services to them via fully consolidated subsidiaries. The management companies of the DBAG funds are under the obligation to their investors to invest the capital based on a contractually-agreed investment strategy that aims to realise increases in value through sales and to generate current income. DBAG measures and evaluates the performance of the investments made by the DBAG funds as well as of its long-term investments at quarterly intervals on a fair value basis. Thus, DBAG, as a parent company, meets the criteria of an investment entity as defined in IFRS 10.

DBAG is recognised as a special investment company, as defined by German statutory legislation on special investment companies (Gesetz über Unternehmensbeteiligungsgesellschaften – UBGG) and has made investments in more than 300 companies since its foundation. DBAG is a listed public limited company; its shareholder structure is composed of private individual investors, family offices and institutional investors. Employing its own assets, it enters into investments predominantly as a co-investor alongside the DBAG funds, but also independently from the DBAG funds outside of their investment strategies. Based on co-investment agreements with the DBAG funds, DBAG and the funds invest in the same companies and in the same instruments based on the same terms. Employees (related parties) and former employees of DBAG also co-invest in the co-investment vehicles and DBAG funds. Due to the low investment share of related parties, this has no effect on DBAG's status as an investment entity. The status of DBAG as an investment entity is also not affected by the investments that are entered into independently from the DBAG funds. All typical characteristics of an investment entity are therefore met.

4.2. Fully-consolidated subsidiaries

As an investment entity within the meaning of IFRS 10, DBAG only consolidates such subsidiaries that provide investment-related services to the investment entity. The following subsidiaries are included in the consolidated financial statements as at 30 September 2020:

Name	Registered office	Equity interest *in %*[1]	If different, voting interest *in %*[1]
AIFM-DBG Fund VII Management (Guernsey) LP	St. Peter Port, Guernsey	0.00	
DBG Advising GmbH & Co. KG	Frankfurt/Main, Germany	20.00	
DBG Fund VI GP (Guernsey) LP	St. Peter Port, Guernsey	0.00	
DBG Fund VII GP S.à r.l.	Luxembourg-Findel, Luxembourg	0.00	
DBG Fund VIII GP (Guernsey) L.P.	St. Peter Port, Guernsey	0.00	
DBG Management GmbH & Co. KG	Frankfurt/Main, Germany	100.00	
DBG Management GP (Guernsey) Ltd.	St. Peter Port, Guernsey	3.00	0.00
DBG Managing Partner GmbH & Co. KG	Frankfurt/Main, Germany	20.00	
DBG New Fund Management GmbH & Co. KG	Frankfurt/Main, Germany	100.00	
European PE Opportunity Manager LP	St. Peter Port, Guernsey	0.00	

1 Share in capital or voting rights, respectively, that is effectively attributable to DBAG.

These subsidiaries – including DBG Fund VIII GP (Guernsey) L.P. which is consolidated for the first time – provide the management and advisory services for the DBAG funds. The range of advisory services comprises the identification, analysis and structuring of investment opportunities, negotiation of the investment agreements, compilation of investment memorandums for the funds, support for the portfolio companies during the holding period, and realisation of the funds' portfolio companies. When managing DBAG funds, the range of services additionally includes taking investment decisions.

In the case of DBG Management GmbH & Co. KG and DBG New Fund Management GmbH & Co. KG, the parent-subsidiary relationship results from the fact that DBAG holds the majority of voting rights in these entities and obtains control over these entities.

DBAG does not hold the majority of the voting rights in the case of AIFM-DBG Fund VII Management (Guernsey) LP, DBG Advising GmbH & Co. KG, DBG Fund VI GP (Guernsey) LP, DBG Fund VIII GP (Guernsey) L.P., DBG Management GP (Guernsey) Ltd., DBG Managing Partner GmbH & Co. KG and European PE Opportunity Manager LP. However, in the entities mentioned, there are partners with voting rights who are parties related to DBAG and give DBAG a controlling position within the meaning of IFRS 10. DBAG therefore has control over the entity's relevant activities; it also receives the majority of the distributable amounts and can influence the amount of these variable returns.

DBAG obtains control over DBG Fund VII GP S.à r.l. via the fully-consolidated AIFM-DBG Fund VII Management (Guernsey) LP which holds all of the equity interests in the company.

4.3. Unconsolidated investment entity subsidiaries

The co-investments that DBAG makes using its own assets in order to align its interests with those of managed and/or advised DBAG funds within the scope of its business activity are made through its own companies (referred to as "co-investment vehicles"). These companies do not provide investment-related services but serve the sole purpose of bundling the co-investments of DBAG alongside a fund.

Long-term investments that DBAG has entered into since the financial year 2019/2020 independently from the DBAG funds using DBAG's own financial resources are also made via a separate company ("on-balance sheet investment vehicle"). Every on-balance sheet investment vehicle exclusively serves the purpose of entering into a long-term investment of DBAG and does not provide any investment-related services. In the reporting year, the first company – DBAG Bilanzinvest I (Smart Metering) GmbH & Co. KG – was established for this purpose.

Deutsche Beteiligungsgesellschaft mbH (DBG) meets the criteria for classification as an investment entity. Before the introduction of the co-investments alongside the DBAG funds, DBAG invested in individual portfolio companies and international funds via this company. Distributions from DBG are expected only after the disposal of a remaining investment. The company additionally provides investment-related services.

The co-investment vehicles, the on-balance sheet-investment vehicles and DBG – known collectively as investment entity subsidiaries – are not consolidated but rather recognised at fair value through profit or loss and presented under financial assets (see also the comments in Note 6 under the heading “Fair value measurement of financial assets through profit or loss”).

Name	Registered office	Equity/voting interest *in %*
DBAG Bilanzinvest I (Smart Metering) GmbH & Co. KG	Frankfurt/Main, Germany	100.00
DBAG Expansion Capital Fund Konzern GmbH & Co. KG[1]	Frankfurt/Main, Germany	99.00
DBAG Fund V Konzern GmbH & Co. KG	Frankfurt/Main, Germany	99.00
DBAG Fund VI Konzern (Guernsey) L.P.	St. Peter Port, Guernsey	99.99
DBAG Fund VII Konzern SCSp	Luxembourg-Findel, Luxembourg	99.99
DBAG Fund VII B Konzern SCSp	Luxembourg-Findel, Luxembourg	99.99
DBAG Fund VIII A Konzern (Guernsey) L.P.	St. Peter Port, Guernsey	99.99
DBAG Fund VIII B Konzern (Guernsey) L.P.	St. Peter Port, Guernsey	99.99
DBG Fourth Equity Team GmbH & Co. KGaA i. L.	Frankfurt/Main, Germany	100.00
Deutsche Beteiligungsgesellschaft mbH	Königstein/Taunus, Germany	100.00

1 DBAG Expansion Capital Fund Konzern GmbH & Co. KG comprises three consecutive investment periods of DBAG ECF (original investment period, first and second new investment periods) which are managed as separate accounting areas.

The investments made by DBAG using its own assets alongside the DBAG funds are based on co-investment agreements with the funds. This means that DBAG has a contractual obligation to provide financing for investments and costs at a fixed quota for each of the funds; it can, however, unilaterally waive that contractual obligation (right to opt out), but would then forgo the opportunity of investing alongside the respective fund for the remaining term of that DBAG fund. In order to invest its funds profitably and at the same time aligning its own interests with those of the fund investors, DBAG does not intend to exercise this right to opt out.

At the reporting date, DBAG has the following obligations under co-investment agreements (“callable capital commitments”):

€'000			
Name	Capital commitment	Accumulated capital calls as at 30 Sep 2020	Callable capital commitments as at 30 Sep 2020
DBAG ECF Konzern GmbH & Co. KG Original Investment Period (DBAG ECF)	103,950	103,805	1,181
DBAG ECF Konzern GmbH & Co. KG First New Investment Period (DBAG ECF I)	100,000	97,732	3,544
DBAG ECF Konzern GmbH & Co. KG Second New Investment Period (DBAG ECF II)	34,751	25,528	13,901
DBAG Fund V Konzern GmbH & Co. KG	39,715	28,414	11,300
DBAG Fund VI Konzern (Guernsey) L.P.	133,000	132,987	9,079
DBAG Fund VII Konzern SCSp	183,000	153,292	29,708
DBAG Fund VII B Konzern SCSp	17,000	13,611	3,389
DBAG Fund VIII A Konzern (Guernsey) L.P.	210,000	14,402	195,598
DBAG Fund VIII B Konzern (Guernsey) L.P.	45,000	1,376	43,624
	866,416	**571,146**	**311,324**

€'000			
Name	Capital commitment	Accumulated capital calls as at 30 Sep 2019	Callable capital commitments as at 30 Sep 2020
DBAG ECF Konzern GmbH & Co. KG Original Investment Period (DBAG ECF)	103,950	102,578	1,372
DBAG ECF Konzern GmbH & Co. KG First New Investment Period (DBAG ECF I)	100,000	78,044	22,208
DBAG ECF Konzern GmbH & Co. KG Second New Investment Period (DBAG ECF II)	34,751	25,525	9,314
DBAG Fund V Konzern GmbH & Co. KG	39,715	16,970	22,745
DBAG Fund VI Konzern (Guernsey) L.P.	133,000	134,885	1,743
DBAG Fund VII Konzern SCSp	183,000	122,147	60,853
DBAG Fund VII B Konzern SCSp	17,000	5,503	11,497
DBG Fourth Equity Team GmbH & Co. KGaA i. L.	93,737	91,108	0
	705,153	**576,760**	**129,733**

The callable capital commitments are determined in accordance with the Articles of Association of the fund. They comprise capital commitments that have not yet been called, as well as recallable distributions. The partnership agreements for the DBAG funds allow up to 20 per cent[15] of distributions to be recalled for follow-on investments in existing portfolio companies. This means that an individual fund can achieve accumulated capital calls of up to 120 per cent. As at the reporting date, the callable capital commitments at DBAG ECF's co-investment vehicles and DBAG Fund VI Konzern (Guernsey) L.P. included recallable distributions.

Based on its co-investing activity in the past financial year, DBAG received the following disbursements from, or made the following investments in, investment entity subsidiaries:

[15] In DBAG ECF, of the distributions made after 30 April 2020, up to 10 per cent of the relevant capital commitments are callable for follow-on investments.

€'000	2019/2020	
Name	Disbursements	Investments
DBAG ECF Konzern GmbH & Co. KG Original Investment Period (DBAG ECF)	51,691	19,120
DBAG ECF Konzern GmbH & Co. KG First New Investment Period (DBAG ECF I)	4,590	3
DBAG ECF Konzern GmbH & Co. KG Second New Investment Period (DBAG ECF II)	0	11,444
DBAG Fund V Konzern GmbH & Co. KG	6,395	189
DBAG Fund VI Konzern (Guernsey) L.P.	1,317	3,218
DBAG Fund VII Konzern SCSp	0	37,642
DBAG Fund VII B Konzern SCSp	0	8,200
DBAG Fund VIII A Konzern (Guernsey) L.P.	0	2,074
DBAG Fund VIII B Konzern (Guernsey) L.P.	0	322
DBG Fourth Equity Team GmbH & Co. KGaA i. L.	181	0
	64,173	**82,212**

€'000	2018/2019	
Name	Disbursements	Investments
DBAG ECF Konzern GmbH & Co. KG Original Investment Period (DBAG ECF)	19,355	8,349
DBAG ECF Konzern GmbH & Co. KG First New Investment Period (DBAG ECF I)	89	2,285
DBAG ECF Konzern GmbH & Co. KG Second New Investment Period (DBAG ECF II)	0	11,988
DBAG Fund V Konzern GmbH & Co. KG	0	0
DBAG Fund VI Konzern (Guernsey) L.P.	32,358	2,732
DBAG Fund VII Konzern SCSp	0	50,151
DBAG Fund VII B Konzern SCSp	0	3,153
DBG Fourth Equity Team GmbH & Co. KGaA i. L.	0	0
	51,802	**78,657**

The disbursements of DBAG ECF's co-investment vehicle in the amount of 51,691,000 euros are largely attributable to a distribution following disposal of a shareholding. Investments in the amount of 19,120,000 euros predominantly relate to follow-on investments in three portfolio companies to support acquisitions.

The disbursements of DBAG ECF I's co-investment vehicle in the amount of 4,590,000 euros are largely attributable to the repayment of a shareholder loan.

The co-investment vehicle of DBAG ECF II primarily invested in a new portfolio company and made a follow-on investment for an existing shareholding, also to support acquisitions, in an aggregate amount of 11,444,000 euros.

The disbursements of DBAG Fund V's co-investment vehicle in the amount of 6,395,000 euros are largely attributable to a distribution following disposal of a shareholding.

The disbursements of DBAG Fund VI's co-investment vehicle in the amount of 1,317,000 euros are largely attributable to a distribution following the disposal of two shareholdings. The co-investment vehicle of DBAG Fund VI made follow-on investments in five existing portfolio companies to enhance their financial strength as well as to support an additional bank financing for an aggregate amount of 3,218,000 euros.

DBAG Fund VII Konzern SCSp (main pool) primarily invested in two new portfolio companies and made follow-on investments for an existing shareholding, also to support acquisitions, in an aggregate amount of 37,642,000 euros. DBAG Fund VII B Konzern SCSp (top-up fund) acted as a co-investor in case of one of the new portfolio companies and the existing portfolio company.

The investments in DBAG Fund VIII's newly established co-investment vehicles largely refer to management fees and start-up costs.

The disbursement from DBG Fourth Equity Team GmbH & Co. KGaA i. L. results from the final unwinding of the company.

4.4. Interests in portfolio companies

DBAG holds direct interests in one portfolio company:

Name	Registered office	Equity interest *in %*	If different, Voting interest *in %*
JCK Holding GmbH Textil KG	Quakenbrück, Germany	3.60	0.00

DBAG does not have a significant influence on the portfolio company. Since the entity is allocated to the investment business, it is recognised at fair value through profit or loss and presented under financial assets (see also the comments in Note 6 under the heading "Fair value measurement of financial assets through profit or loss").

The international fund investment Harvest Partners IV GmbH & Co. KG, which had been reported in the previous year, was disposed of in the financial year 2019/2020 after a final distribution.

4.5. Unconsolidated subsidiaries

The following subsidiaries are not included in the consolidated financial statements:

Name	Registered office	Equity/voting interest *in %*
Bowa Geschäftsführungsgesellschaft mbH i. L.	Frankfurt/Main, Germany	100.00
DBAG Bilanzinvest I (Smart Metering) Verwaltungs GmbH	Frankfurt/Main, Germany	100.00
DBG Advising Verwaltungs GmbH	Frankfurt/Main, Germany	20.00
DBG Fund HoldCo GmbH & Co. KG	Frankfurt/Main, Germany	13.04
DBG Fund LP (Guernsey) Limited	St. Peter Port, Guernsey	13.04
DBG Fund VIII GP (Guernsey) Limited	St. Peter Port, Guernsey	13.04
DBG Managing Partner Verwaltungs GmbH	Frankfurt/Main, Germany	20.00
DBG Service Provider Verwaltungs GmbH	Frankfurt/Main, Germany	13.04
RQPO Beteiligungs GmbH	Frankfurt/Main, Germany	81.00
RQPO Beteiligungs GmbH & Co. Papier KG	Frankfurt/Main, Germany	90.00

These subsidiaries do not provide investment-related services and are therefore not consolidated but are instead accounted for at fair value through profit or loss.

In the reporting year, DBAG obtained control over four new companies. DBAG Bilanzinvest I (Smart Metering) Verwaltungs GmbH, which was acquired in the financial year 2019/2020, is the general partner of the new on-balance sheet investment vehicle. DBG Fund HoldCo

GmbH & Co. KG and its subsidiary, DBG Fund LP (Guernsey) Limited, have been in existence for a longer time. In the reporting year, DBAG joined DBG Fund HoldCo GmbH & Co. KG as another limited partner. Its controlling position is obtained via related parties as partners with voting rights. The interests in its general partner, DBG Service Provider Verwaltungs GmbH, are held by DBG Fund HoldCo GmbH & Co. KG itself. DBG Fund HoldCo GmbH & Co. KG assumes liability for the fully-consolidated companies AIFM-DBG Fund VII Management (Guernsey) LP, DBG Fund VI GP (Guernsey) LP, DBG Fund VIII GP (Guernsey) L.P. and European PE Opportunity Manager LP; DBG Fund LP (Guernsey) Limited is the founding limited partner of these companies.

For further details, please refer to Note 39 under the headings "Relationships to DBG Managing Partner GmbH & Co. KG and DBG Advising GmbH & Co. KG" and "Relationships to DBG Fund HoldCo GmbH & Co. KG and DBG Fund LP (Guernsey) Limited".

4.6. Unconsolidated structured companies

Within the scope of the business activity of DBAG and its subsidiaries as external capital management companies or investment service providers to private equity funds, contractual arrangements exist between DBAG and structured entities of managed or advised DBAG funds that DBAG initiated within the scope of its business activity. In particular, in the founding phase of a DBAG fund, the managed subsidiaries of DBAG prepay certain charges. These costs are reimbursed to the companies by the investors in the relevant funds upon the commencement of the respective investment period. In the financial year 2019/2020, costs in the amount of 2,713,000 euros (previous year: nil) were prepaid due to the establishment of DBAG Fund VIII.

The following companies that DBAG initiated within the scope of its business activity described above are the investment vehicles for the German and international investors in DBAG funds. In DBAG's perspective, these vehicles are so-called structured entities that were neither consolidated nor recognised at fair value through profit or loss as at 30 September 2020:

Name	Registered office	Equity/voting interest *in %*
DBAG Expansion Capital Fund GmbH & Co. KG	Frankfurt/Main, Germany	0.00
DBAG Expansion Capital Fund International GmbH & Co. KG	Frankfurt/Main, Germany	0.00
DBAG Fund IV International GmbH & Co. KG i.L.	Frankfurt/Main, Germany	0.00
DBAG Fund IV GmbH & Co. KG i.L.	Frankfurt/Main, Germany	0.00
DBAG Fund V GmbH & Co. KG	Frankfurt/Main, Germany	0.00
DBAG Fund V International GmbH & Co. KG	Frankfurt/Main, Germany	0.00
DBAG Fund V Co-Investor GmbH & Co. KG	Frankfurt/Main, Germany	0.00
DBAG Fund VI (Guernsey) L.P.	St. Peter Port, Guernsey	0.00
DBAG Fund VI Feeder GmbH & Co. KG	Frankfurt/Main, Germany	0.00
DBAG Fund VII SCSp	Luxembourg-Findel, Luxembourg	0.00
DBAG Fund VII B SCSp	Luxembourg-Findel, Luxembourg	0.00
DBAG Fund VII Feeder GmbH & Co. KG	Frankfurt/Main, Germany	0.00
DBAG Fund VII B Feeder GmbH & Co. KG	Frankfurt/Main, Germany	0.00
DBAG Fund VIII A (Guernsey) L.P.	St Peter Port, Guernsey	0.00
DBAG Fund VIII B (Guernsey) L.P.	St Peter Port, Guernsey	0.00
DBAG Fund VIII Feeder GmbH & Co. KG	Frankfurt/Main, Germany	0.00
European Private Equity Opportunities I LP	St Peter Port, Guernsey	0.00
European Private Equity Opportunities II LP	St Peter Port, Guernsey	0.00

The DBAG Group does not have contractual or economic commitments to these structured entities nor has it transferred funds or assets to these companies. Exposure to economic risk relates exclusively to the advisory or management activities conducted for the DBAG funds. Group companies receive fees based on contractual agreements for the services provided to the DBAG funds (see Note 4.2 and Note 39).

Exposure to losses from these structured entities result only from receivables in relation to the payment of the contractually agreed management fee. This fee is due within 30 days after payment is requested. An amount of 16,692,000 euros (previous year: 3,558,000 euros) of the receivables existing as at the reporting date in relation to the management fee for DBAG Fund VII since July 2019 had not been called. This management fee is intended to be called only upon the next disposal from the DBAG Fund VII portfolio.

€'000	30 Sep 2020	30 Sep 2019
Name	**Maximum loss exposure**	Maximum loss exposure
DBAG Expansion Capital Fund GmbH & Co. KG Original Investment Period (DBAG ECF)	0	295
DBAG Expansion Capital Fund GmbH & Co. KG First New Investment Period (DBAG ECF I)	35	124
DBAG Expansion Capital Fund International GmbH & Co. KG Original Investment Period (DBAG ECF)	0	182
DBAG Expansion Capital Fund International GmbH & Co. KG First New Investment Period (DBAG ECF I)	98	399
DBAG Expansion Capital Fund International GmbH & Co. KG Second New Investment Period (DBAG ECF II)	0	397
DBAG Fund VI (Guernsey) L.P.	1,633	1,690
DBAG Fund VII SCSp	14,692	3,415
DBAG Fund VII B SCSp	2,000	143
DBAG Fund VIII A (Guernsey) L.P.	68	0
DBAG Fund VIII B (Guernsey) L.P.	0	0
	18,525	**6,645**

All other unconsolidated structured entities in which DBAG acted as an initiator did not result in any contractual or economic commitments as at the reporting date (previous year: none) that could result in an inflow or outflow of funding, or involve an exposure to losses for the DBAG Group.

Disclosures on list of shareholdings pursuant to section 313 (2) HGB

The disclosures on the list of shareholdings pursuant to section 313 (2) of the German Commercial Code (Handelsgesetzbuch – HGB) can be found in Note 43 of these notes to the consolidated financial statements.

5. Consolidation methods

Capital consolidation is performed using the purchase method based on the date on which DBAG obtained a controlling influence over the relevant subsidiary (acquisition date). Acquisition costs are offset against the fair value of the acquired identifiable assets and assumed liabilities as well as contingent liabilities. The carrying amounts are reported at cost in subsequent periods. No goodwill required to be capitalised has arisen.

Intra-Group balances and transactions, as well as any unrealised income and expenses from intra-Group transactions, are eliminated in the preparation of the consolidated financial statements. Deferred income taxes are taken into account in the consolidation procedures.

6. Accounting policies

Recognition of assets and liabilities

Non-financial assets are recognised in the consolidated statement of financial position if it is probable that a future economic benefit will flow to DBAG and their cost can be reliably measured.

Non-financial liabilities are recognised in the consolidated statement of financial position if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the settlement can be reliably measured.

Regular-way purchases or sales of financial assets are recognised for all financial instruments as at the settlement date.

Financial assets

Financial instruments are classified according to two criteria – the business model criterion and the cash flow criterion – into three categories. Measurement follows from the classification.

The following three categories of financial assets are used:

- "measured at amortised cost",
- "measured at fair value through other comprehensive income",
- "measured at fair value through profit or loss".

Financial assets whose cash flows consist solely of payments of principal and interest satisfy the cash flow criterion; they are classified in line with DBAG's business model:

- If the business model provides for the asset to be held in order to collect contractual cash flows, the asset is measured at amortised cost.
- If the business model provides for both the holding and the sale of assets, to cover a certain liquidity requirement for instance, these assets are measured at fair value through other comprehensive income.

However, financial assets attributable to DBAG's investment business are always measured at fair value through profit or loss. The same applies to financial assets whose cash flows do not consist solely of payments of principal and interest.

Fair value measurement of financial assets through profit as of loss

Due to the operating activities of DBAG Group as a financial investor, the consolidated financial statements are largely characterised by the measurement of financial assets at fair value through profit or loss. Financial assets chiefly comprise:

- interests in investment entity subsidiaries (see Note 4.3); and
- interests in one portfolio company (see Note 4.4).

Regardless of whether they are held directly or via investment entity subsidiaries, all interests in portfolio companies are measured at fair value initially and at all subsequent quarterly and annual reporting dates by DBAG's internal Valuation Committee. The Valuation Committee includes the members of the Board of Management, two employees of the finance unit and two investment controllers.

DBAG has developed valuation guidelines for fair value measurement in accordance with IFRS 13. These guidelines are based on the recommendations set out in the International Private Equity and Venture Capital Valuation (IPEV) Guidelines as amended in December 2018, insofar as these are consistent with IFRS. DBAG's valuation guidelines specify the application of the IPEV Guidelines, insofar as the latter are vague or compliance with IFRS so requires, in order to allow them to be applied in intersubjectively clear terms to DBAG. The IPEV Guidelines do not have to be applied mandatorily; rather, they summarise standard valuation practices in the private equity industry.

Furthermore, the valuation as at 31 March 2020 takes into account the Special Valuation Guidance as regards the effects of the corona pandemic issued by the IPEV Board. The Special Valuation Guidance is no longer relevant for the valuation as at the current reporting date since the multiples and the valuation parameters of the portfolio companies are now comparable again.

General principles of fair value measurement

The fair values of the various classes of financial instruments are determined in accordance with consistent measurement methods and on the basis of uniform input factors. All assumptions and parameters which are relevant to valuation are taken into account in accordance with the IPEV Guidelines.

The valuation is performed at each quarterly and annual reporting dates (valuation date), taking all the information that has an impact on value into account, i.e. all of the events between the valuation date and the date on which the consolidated financial statements are prepared, insofar as these events provide information that is relevant for valuation purposes that market participants were already aware of, or ought to have been aware of, on the valuation date.

In determining the fair value, critical judgements on the part of the Valuation Committee will become necessary to a certain extent, i.e. assumptions and estimates must be made. These are constructively substantiated by the Valuation Committee and documented in the valuation records. The assumptions and estimates are based on current knowledge and developments and the experience of the Valuation Committee, and are consistently applied without arbitrariness.

Upon the disposal of a portfolio company, the Valuation Committee analyses whether and, if so, to what extent the realised value differs from the most recently calculated fair value (a process known as "backtesting"). Backtesting provides information on the causes of the changes in value in order to make ongoing improvements to the valuation process.

Fair value upon initial recognition

Upon initial recognition, the fair value corresponds to the acquisition price. Ancillary transaction costs are not capitalised, but are immediately expensed. Ancillary transaction costs include fees paid to intermediaries, advisers (such as legal advisers or consultants), brokers and dealers, charges levied by regulatory authorities and securities exchanges, as well as taxes and other charges incurred for the transaction.

Fair value hierarchy for subsequent measurement

On subsequent reporting dates, the fair value is measured on a going concern basis.

As far as possible, the fair value of a portfolio company as at the subsequent reporting dates is measured based on prices from transactions in the market that were observed on the valuation date or immediately prior to that date. This is normally possible for companies whose shares are quoted on the stock exchange. These portfolio companies are measured at the closing price on the valuation date, or the closing price on the last day of trading prior to this date. In determining prices, the principal market or the most advantageous market is used as the relevant stock exchange. The fair value thus determined is neither reduced by premiums attaching to the sale of larger blocks of shares nor by deductions for disposal costs.

For unlisted companies, a valuation methodology may be considered that is based on a signed purchase agreement or a binding purchase bid - if the completion of the purchase agreement is sufficiently assured or if the purchase bid seems realisable with reasonable assurance. If appropriate, valuations can be based on relevant comparative amounts of recent transactions in the capital of the portfolio company (financing rounds) or based on relevant comparative prices of recent transactions that have taken place in the market.

If the transaction price observable in the market as at the valuation date or the price of the most recent transaction made prior to the valuation date does not constitute a sufficiently reliable measurement – for example due to insufficient liquidity in the market or in the event of a forced transaction or distressed sale – valuation procedures are used that measure fair value on the basis of assumptions.

Fair value measurement methods on hierarchy level 3

The net asset value of unconsolidated subsidiaries – in particular, investment entity subsidiaries (co-investment vehicles, on-balance sheet-investment vehicles and DBG), is determined using the sum-of-the-parts procedure.

With this method, individual asset and liability items are measured separately at fair value and then aggregated to the net asset value of the unconsolidated subsidiaries.

Selected members of the investment team as well as selected members of senior management who are not members of the investment team have committed to take an interest in DBAG funds. Under certain conditions (see Note 39), this can result in a profit share for the members that is disproportionate to the capital invested ("carried interest"). For the purposes of fair value measurement, the total liquidation of a fund's portfolio as at the reporting date is assumed when assessing whether these conditions are met. If the total sales proceeds already realised as at a reporting date plus the fair values of the investments still held in the portfolio are equivalent to the full repayment of capital, then the co-investment vehicle's share in the net asset value is reduced by the computed carried interest.

Portfolio companies are measured either using the multiples or the DCF method. Whilst the multiples method is applied to established portfolio companies, one high-growth portfolio company and one indirectly held international fund investment are measured using the DCF method.

In case of the multiples method, the total enterprise value is determined by applying a multiple for one key financial indicator of the company to be valued. Valuations are generally performed on the basis of earnings before interest, tax, depreciation and amortisation (EBITDA) and earnings before interest, tax and amortisation (EBITA). The total enterprise value is generally measured as a mean on the basis of EBITDA and EBITA, in exceptional cases solely on the basis of EBITDA. Median EBITDA is defined as the leading multiple when deriving multiples from peer group companies.

The indicator derives from a portfolio company's current financial metrics. To obtain a sustainably achievable reference value, these metrics are adjusted for special effects such as non-recurring expenses or discounts for risk projects. In addition, discounts or premiums are made on the applied indicators if there is current information that is not yet reflected in these financial metrics.

The multiple is derived from comparable recent transactions if representative recent transactions for the portfolio company were observed on the market and relevant comparative amounts for these transactions are available in sufficiently reliable and detailed form.

Since there are generally no listed companies that are comparable with the portfolio company to be valued (especially in terms of size, growth rates and margins), the multiple is predominantly derived from the starting multiple. These starting multiples are extrapolated in line with the development of the reference multiple which is in turn determined using the median for a peer group of similar companies that are as comparable as possible (so-called calibration). This calibration is applied consistently.

As the consistent application of a valuation methodology has priority, an exception to the rule exists for companies that have been included in the portfolio for a longer time. In these cases, premiums or discounts are applied to the relevant multiplier of the peer group company in order to account for the differences between the portfolio companies and the peer group companies in terms of business model, geographical focus of business activity as well as size.

In the DCF method, the fair value is determined by discounting expected future cash flows. The portfolio company's mid-term planning is used as the basis for projecting future cash flows. This is adjusted, if appropriate, in order to better reflect the assessment of the future company development. The perpetual annuity is calculated on the basis of the earnings situation of the last planning year, which is adjusted by an appropriate growth rate to be determined by the Valuation Committee. We derive the discount rate using the WACC model (WACC = weighted average cost of capital) from the weighted cost of equity and debt. In discounting equity, we derive the rate from a risk-free base rate and a risk premium to capture the business risk involved. The discount rate for debt corresponds to the refinancing rate for the portfolio company to be valued. Fair values determined on the basis of the DCF method are reviewed as to their marketability every two years using a multiples valuation.

For the valuations of indirectly held international fund investments using the DCF method, the expected net proceeds from the sale of portfolio companies (after deduction of carried interest) are discounted to the valuation date by applying a discount rate.

Revenue recognition

Due to the particularities arising from the operating activities of the DBAG Group as a financial investor, "Net income from investment activity" as well as "Income from Fund Services", instead of revenues, are presented in the consolidated statement of comprehensive income. Net income from investment activity comprises the net gains and losses on measurement and derecognition as well as current income from financial assets net of carried interest.

The net measurement gains and losses comprise the changes in the fair values of financial assets that are determined as at each reporting date based on the principles set out above.

The net gains and losses on derecognition contain income realised upon the derecognition of financial assets. For regular-way sales, disposals are recognised at the settlement date. The income achieved on the sale are therefore recorded at that date as net gains and losses on derecognition. The settlement date is the day on which the contractually agreed obligations between the selling and purchasing parties are fulfilled. In the DBAG Group, this is usually the day on which the interests in the divested portfolio company are transferred in exchange for the receipt of cash and cash equivalents, a purchaser's loan or other financial assets. In the event of contractually-agreed purchase price retentions for representations and warranties or other risks, these are recognised only at the date at which claims to warranty obligations or other risks are no longer probable. This may also be done on a contractually-agreed pro rata basis in partial amounts per period.

Current income consists of distributions from the investment entity subsidiaries, dividends and interest payments from the directly held portfolio company and – for the last time in the financial year 2019/2020 – one distribution from the directly held international fund investment which was disposed in the reporting year:

- Distributions from co-investment vehicles primarily consist of proceeds from the disposal of portfolio companies (after deducting carried interest, if applicable), current distributions from portfolio companies, interest on shareholder loans and repayments of shareholder loans. The distributions are triggered by the manager of the relevant DBAG fund, based on contractual terms. They are recognised as incurred.

- Distributions from the on-balance sheet investment vehicle are recognised when payment is received, while distributions from DBG are recognised on the day the distribution is resolved.

- Ongoing distributions of the directly held portfolio company are recognised on the day the distribution is resolved, while interest is recognised pro rata temporis.

- The distribution from the directly held international fund investment was recognised as incurred.

Income from Fund Services is recognised when the service has been provided.

Loss allowance for financial assets not measured at fair value through profit or loss

A loss allowance is recorded for financial assets not measured at fair value through profit or loss upon its initial recognition and on every subsequent reporting date to reflect any potential future impairment. DBAG determines the loss allowance using an approach that is based on parameters. If there is insufficient parameter-based information, the loss allowance is determined individually based on cash flows. Due to the relatively minor significance of impairment in DBAG's current portfolio, simplified approaches are used where appropriate.

Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are exclusively acquired for a consideration. Property, plant and equipment comprise right-of-use assets from leases.

These items are measured at amortised cost. Intangible assets have a determinable useful life ranging from two to five years. Property, plant and equipment acquired have useful lives of between three and 13 years, while leases have a term of three to five years. Both intangible assets and property, plant and equipment are amortised or depreciated, respectively, on a straight-line basis over the useful life, or in the case of right-of-use assets, over the term of the lease agreement. Additions are amortised or depreciated pro rata temporis, starting in the month of acquisition.

In addition, intangible assets and property, plant and equipment are tested for impairment if certain events or changes in circumstances indicate that the carrying amount is no longer recoverable. An impairment loss is recorded in the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of fair value (less costs to sell) and its value in use.

Securities

The item "Securities" includes mutual funds. They are measured at fair value through profit or loss.

Changes in the fair value as well as gains and losses from derecognition are reported in the consolidated statement of comprehensive income in the line items "Interest income" or "Interest expense".

Other assets

Other assets comprise receivables from DBAG funds, other receivables and prepaid expenses. Where applicable, this item also contains the excess of plan assets over pension obligations. With the exception of prepaid expenses, value-added tax and the excess of plan assets over pension obligations, these relate to financial assets as defined in IAS 32.

The financial assets included in this line item are measured at amortised cost using the effective interest method and less a loss allowance for expected credit losses (see "Loss allowance for financial assets not measured at fair value through profit or loss"). The loss allowance is recognised in the item "Other operating expenses" in the consolidated statement of comprehensive income.

Receivables

The line item "Receivables" contains receivables from co-investment vehicles and on-balance sheet investment vehicles. They are measured at amortised cost. They are presented by analogy with other assets.

Other financial instruments

The item "Other financial instruments" includes short-term loans to our co-investment vehicles. They are measured at fair value through profit or loss as they are allocated to our investment business. Upon initial recognition, they are measured at fair value as at the transaction date, which corresponds to the cost of acquisition. Since their term is less than one year, their fair value corresponds to the acquisition cost as at the subsequent reporting dates. Interest is recognised in the item "Interest income" using the effective interest method.

Income tax assets

The item "Income tax assets" contains receivables from corporation and withholding tax. These relate to current taxes that are withheld upon distributions and interest payments and are recoverable for corporation tax purposes. Income tax assets are recognised in the relevant amount for tax purposes.

Cash and cash equivalents

Cash and cash equivalents relate to cash in hand and bank balances. They are measured at amortised cost. They are presented by analogy with other assets.

Deferred taxes

Deferred taxes are determined on temporary differences arising between the tax base of assets and liabilities and their IFRS carrying amounts, as well as on tax loss carryforwards. They are calculated on the basis of a combined Group income tax rate of currently 31.925 per cent. The combined income tax rate comprises corporation tax, trade tax and solidarity surcharge. Deferred tax assets and liabilities are offset. Deferred tax liabilities are recognised in the statement of financial position if there is an overall tax charge. A tax benefit is recognised as deferred tax assets to the extent that sufficient taxable profit will be available.

Liabilities under interests held by other shareholders

The item “liabilities under interests held by other shareholders” comprises interests held by non-Group shareholders in the fully consolidated companies included in the consolidated financial statements. They are recognised under liabilities since they are interests held in partnerships or callable shares in corporations. They represent financial liabilities within the meaning of IAS 32 and are therefore recorded using the pro-rata share in the company’s share capital.

Pension obligations and plan assets

DBAG has pension obligations arising under various defined benefit plans. Application of the plans is subject to the date at which the respective employees joined the company. The amount of the pensions is measured on the basis of the underlying plan, the amount of the salary and the employees' length of service.

The pension obligations are offset by assets of a legally independent entity (“contractual trust agreement” in the form of a bilateral trust) that may only be used to cover the pension commitments granted and are not accessible to any creditors (qualified plan assets).

The pension obligations under the defined benefit obligations are measured using the actuarial projected unit credit method. This method involves measuring the future obligations based on the pro rata benefit entitlements acquired by the reporting date. They show the part of the benefit obligations that has been recognised in profit or loss by the reporting date. The measurement includes assumptions regarding the future development of certain actuarial parameters, such as the life expectancy of current and future pensioners, increases in salaries and pensions as well as the interest rate used to discount the obligations. The discount rate is calculated based on the returns that are applicable at the reporting date for long-term corporate bonds of issuers with highest credit ratings with a comparable maturity.

Plan assets are measured at fair value.

For presentation in the financial statements, the present value of pension obligations is netted against the fair value of the plan assets. Any net defined benefit assets or liabilities are neither aggregated nor offset. Should the fair value of any plan assets exceed the present value of the related pension obligations, such net defined benefit asset will be recognised in “Other non-current receivables”. Any net defined benefit liability is reported under “Provisions for pension obligations”.

Service cost is recognised in personnel expenses and net interest on the net defined benefit liability in interest expenses. Net interest comprises interest expenses on pension obligations and interest income on plan assets. It is calculated using the actuarial rate that applies to pension obligations.

Remeasurements of the net defined benefit liability are recognised in other comprehensive income They comprise actuarial gains and losses from changes in financial and demographic assumptions as well as from experience adjustments.

Other provisions

Other provisions are recognised as liabilities if there is a third-party obligation and it is probable that there will be an outflow of resources to settle the obligation. Non-current provisions are subject to discounting.

Loan liabilities

Loan liabilities refer to liabilities to banks. They are initially recognised at cost. They are subsequently measured at amortised cost, using the effective interest method.

Other liabilities

DBAG's other liabilities comprise lease liabilities, amongst other things. They are initially recognised at cost. They are subsequently measured at amortised cost, using the effective interest method.

Leasing

In the case of leases, an asset for the right-of-use as well as a corresponding lease liability for the outstanding lease payments is recognised. Please refer to Note 3 for information on initial and subsequent measurement of the right-of-use asset and the lease liability.

Other financial commitments, contingent liabilities and trusteeships

Other financial commitments are disclosed outside the statement of financial position: They arise to the extent that there is a legal or constructive third-party obligation for DBAG as at the reporting date.

Permanent debt obligations are disclosed in the notes to the consolidated financial statements at the sum total of future minimum payments. Contingent liabilities are disclosed at the settlement amount and trusteeships at their fair values in the notes to the consolidated financial statements.

Other comprehensive income

In addition to net income, other comprehensive income is the second component of total comprehensive income. Transactions that do not affect net income are recognised through other comprehensive income. Non-Group shareholders are not allocated a share in other comprehensive income.

Currency translation

Foreign currency receivables and liabilities are recognised through profit or loss at the closing exchange rate. Since the functional currency of the foreign subsidiaries is the euro, there is no currency translation within the context of consolidation.

7. Use of judgement in applying the accounting methods

Application of the accounting methods requires making judgements that can materially influence the reported amounts in the financial statements.

The judgement that has the largest effect on the amounts recognised in the financial statements is the assessment whether, as the parent company, DBAG is deemed to have the status of an investment entity pursuant to IFRS 10.

Please refer to Note 4 above. Due to the status of DBAG as an investment entity, the investment entity subsidiaries continue to be not included in the consolidated financial statements as fully consolidated companies, but are instead recognised at fair value.

The consolidation methods and accounting policies applied that were based on the other judgements are detailed in Notes 4 to 6.

8. Future-oriented assumptions and other major sources of estimation uncertainty

Preparation of the consolidated financial statements requires the use of future-oriented assumptions and estimations. These can have a material impact on the carrying amounts of consolidated statement of financial position items as well as the level of income and expenses.

What future-oriented assumptions and estimations have in common is the uncertainty about the outcomes. The Board of Management makes decisions on assumptions and estimations after careful consideration of the most recently available reliable information as well as from past experience. Assumptions and estimations also relate to issues over which the Board of Management has no influence, for instance, economic or financial market conditions. The actual outcomes can therefore differ from the assumptions and estimations underlying these consolidated financial statements. In the event that new information or changed empirical values become available, the assumptions and estimations are adjusted accordingly. The effect of a change in an assumption or estimation is recognised in the financial year in which the change takes place and, if appropriate, in later financial years in the carrying amount of that item in the consolidated statement of financial position as well as in the consolidated statement of comprehensive income.

Due to assumptions about the future and other sources of estimation uncertainty, there is a risk of having to make material adjustments to the carrying amounts of assets or liabilities as at the following reporting date. We judge the materiality, inter alia, by means of the effects on Group equity. We consider an adjustment to the carrying amount in the range of three per cent of Group equity as being material. Moreover, we consider the effects on the overall presentation of the financial position and performance as well as qualitative aspects.

The risk of a subsequent adjustment of carrying amounts exists particularly as far as financial assets are concerned, to the extent that their fair values were determined using inputs that were not mainly based on observable market data (fair value hierarchy level 3, see Note 6).

Fair values of level 3 are contained in the item "Financial assets" in the amount of 390,741,000 euros (previous year: 385,693,000 euros) (see Note 34.1). They largely concern those financial assets that are measured at fair value using the multiplies method. The extent of possible effects on these fair values in the event of an adjustment of assumptions and estimations cannot be quantified. However, should the underlying multiples change by +/-1, this would result ceteris paribus in an adjustment in the fair values by +/-18,871,000 euros (previous year: 24,976,000 euros). This equates to four per cent of Group equity (previous year: five per cent).

NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

9. Net income from investment activity

€000	**2019/2020**	2018/2019
Interests in investment entity subsidiaries	(16,829)	47,894
Interests in portfolio companies	(24)	1,632
International fund investments	(17)	104
Other financial assets	7	(1)
	(16,864)	**49,629**

The investment entity subsidiaries are subsidiaries of DBAG (see Note 4.3). These subsidiaries are recognised at fair value through profit or loss. The significant assets of these investment entity subsidiaries are interests in and receivables from portfolio companies, both from co-investments alongside the DBAG funds and Long-Term Investments that are made independently from DBAG funds directly from the statement of financial position of DBAG.

The net gain and loss from interests in investment entity subsidiaries includes the change in the fair values of the interests in portfolio companies held via these vehicles in the amount of -63,788,000 euros (gross; previous year: -202,000 euros). Due to the predominantly negative measurement results of the co-investment vehicles, imputed carried interest in the amount of 4,932,000 euros was reversed (previous year: increase of 12,289,000 euros); this reversal results in an increase (previous year: reduction) in net gain and loss from interests in investment entity subsidiaries. In addition, this item includes the net returns from the disposal or partial disposal and the recapitalisation of portfolio companies, as well as interest income and dividend income from investments in the amount of 46,959,000 euros (previous year: 48,096,000 euros).

Directly held interests in portfolio companies relate to one DBAG investment entered into prior to the launch of DBAG Fund V (see Note 4.4). The net gains are based on the net gains and losses on measurement and derecognition and the current income for distributions, as well as interest on loans and from variable capital accounts.

The international fund investment was derecognised in the financial year 2019/2020 after the disposal of the last portfolio company. The investment had been entered into in April 2001 to achieve a stronger geographical diversification of financial assets. The related fund was not managed by DBAG.

Other financial assets include unconsolidated subsidiaries that do not provide investment-related services (see Note 4.5).

For further information on net income from investment activity, we refer to the explanations included in the combined management report under the heading “Net income from investment activity”.

10. Income from Fund Services

€000	**2019/2020**	2018/2019
DBAG Fund V	0	189
DBAG ECF	1,726	1,640
DBAG Fund VI	7,891	8,556
DBAG Fund VII	16,576	16,535
DBAG Fund VIII	3,042	0
Other	69	51
	29,304	**26,970**

Income from Fund Services results from management and advisory services for the DBAG funds.

No fees have been earned from DBAG Fund V since the end of the fund term (15 February 2019).

Income from DBAG ECF includes transaction-related remuneration for investments carried out.

Income from DBAG Fund VI fell compared to the previous year, following divestments of portfolio companies.

Income from DBAG Fund VII was calculated in the financial year 2019/2020 up to and including July on the basis of the capital commitments. Upon the start of the investment phase of DBAG Fund VIII, the calculation base was changed and income has been determined on the basis of the invested capital.

Income from DBAG Fund VIII has been earned since 1 August 2020.

11. Personnel expenses

€'000	**2019/2020**	2018/2019
Wages and salaries		
Fixed salary and fringe benefits	11,706	12,262
Variable remuneration, performance-related	5,159	6,836
Variable remuneration, transaction-related	(256)	346
	16,609	19,444
Social contributions and expenses for pension plans	**1,788**	**1,598**
of which: for pensions	832	456
	18,397	**21,042**

The performance-related variable remuneration refers to members of the Board of Management and DBAG employees. For more information on the remuneration of the Board of Management, please refer to the remuneration report, which is an integral part of the combined management report.

Since the financial year 2014/2015, the performance-related variable remuneration scheme for managing members of the investment team has been based on new investments entered into, portfolio performance and the success of divestments. For the other members of the investment team and employees in corporate functions, the variable remuneration is based on company and personal performance. In the previous year, a bonus for the successful fundraising for DBAG Fund VIII was taken into account.

Transaction-related variable remuneration refers to current and former members of the Board of Management and members of the investment team based on older systems no longer in use. More information regarding these systems is also included in the remuneration report.

The number of employees (excluding members of the Board of Management) was as follows as at the reporting date:

	30 Sep 2020	30 Sep 2019
Employees (full-time)	64	57
Employees (part-time)	13	13
Trainees	4	5

As at the end of the financial year 2019/2020, the Board of Management consisted of three (previous year: three) members.

In the financial year 2019/2020, an average of 71 (previous year: 70) employees and five (previous year: five) trainees were employed at DBAG.

12. Other operating income

€000	**2019/2020**	2018/2019
Income from consultancy expenses that can be passed through	3,152	4,862
Income from the disposal of securities	289	272
Income from exchange rate differences	1	93
Income from positions held on supervisory boards and advisory councils	54	51
Income from the reversal of provisions	47	109
Other	990	381
	4,534	**5,767**

Consultancy expenses that can be passed through refer to advances on behalf of DBAG funds and/or portfolio companies. The decline of income from consultancy expenses that can be passed through corresponds to the decrease of the consultancy expenses that can be passed through (see Note 13).

Income from exchange rate differences declined as a result of a derecognition of a purchase price receivable existing in US dollars, which related to an investment that had been disposed of in the financial year 2015/2016.

Income from positions held on supervisory boards and advisory councils relates to income from activities of DBAG employees on the supervisory boards of DBAG portfolio companies or external companies. Remuneration for work on the boards of portfolio companies held via the DBAG funds are presented under income from Fund Services.

13. Other operating expenses

€000	**2019/2020**	2018/2019
Consultancy expenses that can be passed through	3,186	4,822
Other consultancy expenses	1,441	937
Consultancy expenses for deal sourcing	1,168	1,074
Audit and tax consultancy expenses	639	663
Total consultancy expenses	6,433	7,496
Value-added tax	622	923
Travel and hospitality expenses	454	1,035
Premises expenses	338	1,131
Maintenance and license costs for hardware and software	543	539
External employees and other personnel expenses	844	893
Corporate communications, investor relations, media relations	503	529
Depreciation and amortisation of property, plant and equipment and intangible assets	1,417	582
Annual report and general meeting	668	567
Supervisory Board remuneration	502	397
Other	1,586	2,321
	13,911	**16,413**

The decrease of the consultancy expenses that can be passed through corresponds to the decline in income from consultancy expenses that can be passed through (see Note 12).

The item "Value-added tax" refers to non-deductible input taxes as a result of revenues that are not taxable.

The reduction of the travel and hospitality expenses is a consequence of the changeover to a virtual meeting format and the lack of entertainment events due to the coronavirus pandemic.

The expenses for external employees and other personnel expenses mainly include expenses for recruiting and staff training.

The increase in depreciation and amortisation of property, plant and equipment and intangible assets is attributable to changes in connection with the introduction of IFRS 16 (see Note 3).

The item "Other" consists of miscellaneous operating expenses, mainly motor vehicles, insurance and office material.

14. Interest income

€000	**2019/2020**	2018/2019
Other financial instruments	233	535
Securities	90	319
Tax authorities	21	0
Other	6	101
	350	**955**

Interest income from other financial instruments relates to short-term bridge financings granted to co-investment vehicles (see Note 21).

Interest income from securities results from retail funds. All of the securities were sold during financial year 2020.

The item "Other" mainly comprises interest income from loans granted to employees.

15. Interest expense

€'000	2019/2020	2018/2019
Interest cost for pension obligation	202	541
Expected interest income from plan assets	(116)	(369)
Net interest on net defined benefit liability	86	172
Securities	253	122
Credit lines	441	406
Other	19	84
	799	**783**

The expected interest income from plan assets is calculated based on the same interest rate used for the determination of present value of the pension obligations. We refer to Note 26 for information on the parameters for the two components of the net interest on net defined benefit liability.

Interest expenses for the credit lines in the amount of 441,000 euros (previous year: 406,000 euros) relate to the annual commitment fee as well as interest for the drawdown of both credit lines (see Note 28).

The interest expenses from leases amounts to 11,000 euros and is reported under the item "Other". This item also comprises expenses from the interest cost on jubilee payment obligations.

16. Income taxes

€000	2019/2020	2018/2019
Current taxes	521	(1)
Deferred taxes	444	(658)
	965	**(659)**

Expenses from current taxes result from the increase of income taxes payable for the assessment period 2020. The tax expense consists of corporate income tax and solidarity surcharge in the amount of 341,000 euros (previous year: nil euros) at the level of DBAG as well as of trade taxes of 185,000 euros (previous year: nil euros) at the level of one subsidiary. In addition, the figure includes a further tax expense of 12,000 euros in relation to a foreign subsidiary as well as tax income of 17,000 euros from the derecognition of taxes payable referring to the assessment period 2018.

Deferred tax assets relate to a subsidiary. As at 30 September 2020, the subsidiary reports trade tax loss carryforwards (which can be utilised for an indefinite period of time) in the amount of 1,326,000 euros (previous year: 4,087,000 euros) that are expected to be utilised in the coming years due to increasing income from Fund Services. There are no taxable temporary differences for the subsidiary.

DBAG has corporation tax loss carryforwards in the amount of 95,477,000 euros (previous year: 99,711,000 euros; the loss carryforward of the previous year increased from

94,728,000 euros to 99,711,000 euros compared to the preliminary calculation set out in the 2018/2019 Annual Report within the context of preparing the tax returns for the 2019 assessment period). Since DBAG has been subject to accumulated losses during the observation period, which includes the past two years as well as the reporting year, no deferred tax assets have to be recognised. Deferred tax liabilities on temporary differences exist in a total amount of 1,324,000 euros (previous year: 749,000 euros). These result from right-of-use assets (725,000 euros), financial assets (466,000 euros), provisions for jubilee pay obligations (74,000 euros) and securities (57,000 euros), which are offset against deferred tax assets on temporary differences in the same amount. These deferred tax assets on temporary differences are primarily attributable to pension obligations (3,612,000 euros), lease liabilities (723,000 euros), provisions for partial retirement (2,000 euros), property, plant and equipment (199,000 euros) as well as one provision for expenses (36,000 euros).

In the year under review, there are no temporary differences in connection with interests in subsidiaries for which no deferred tax liabilities were recognised.

In the reporting year, none of the other fully-consolidated Group companies had temporary differences between IFRS measurement and the tax base. In the case of one of these subsidiaries, there is an excess of deferred tax assets which was caused by trade tax loss carryforwards (which can be utilised for an indefinite period of time) in the amount of 13,130,000 euros (previous year: 12,870,000 euros); the loss carryforward of the previous year decreased from 14,037,000 euros to 12,870,000 euros compared to the preliminary calculation set out in the 2018/2019 Annual Report within the context of preparing the tax returns for the 2019 assessment period). Based on the conducted business activities and the determination of taxable profit, it is not probable that, in future, there will be sufficient trade income to utilise the tax benefit. Therefore, we did not recognise deferred tax assets at this Group company.

As at 30 September 2020 – as in the previous year – there were neither deferred income tax assets nor deferred income tax liabilities that were directly offset against equity. In addition, no income taxes are allocated to components of other comprehensive income.

The reconciliation of a corporation’s tax income (previous year: tax expense) that can be expected in theoretical terms to the tax expense (previous year: tax income) actually recognised in DBAG’s consolidated financial statements is as follows:

€'000	**2019/2020**	2018/2019
Earnings before taxes	(15,782)	45,083
Applicable tax rate for corporations (%)	0	0
Theoretical tax income/expenses	**(5,038)**	**14,393**
Change in theoretical tax income/expenses:		
Tax-exempt net gain on measurement and derecognition	(1,389)	(4,714)
Tax-exempt net loss on measurement and derecognition	11,708	5,246
Current income from financial assets	(7,331)	(9,974)
Non-deductible operating expenses	52	33
Effect from trade tax exemption	3,358	(7,652)
Effect from the utilisation of loss carryforwards not recognised	0	0
Effect from unrecognised losses in the reporting year	(670)	860
Unrecognised deferred tax assets on temporary differences	668	935
Effect of tax rate differences	(67)	0
Other effects	(326)	214
Income taxes	**965**	**(659)**
Tax rate (%)	(6.1)	(1.5)

The expected tax rate of 31.925 per cent for corporations is composed of corporation tax and a solidarity surcharge (totalling 15.825 per cent) as well as municipal trade tax of the city of Frankfurt/Main (16.10 per cent) (also see explanations in Note 6 under the heading "Deferred taxes"). DBAG's actual tax rate remains unchanged at 15.825 per cent, consisting of corporation tax and solidarity surcharge. As a special investment company, DBAG is exempt from municipal trade tax. The effect from the exemption from trade tax amounted to 3,358,000 euros in the reporting year (previous year: -7,652,000 euros).

A main pillar of DBAG's business is the acquisition and disposal of investments which mainly are corporations. The tax effect in accordance with section 8b German Corporation Tax Act (Körperschaftsteuergesetz – KStG) amounts to 2,988,000 euros (previous year: -9,442,000 euros), comprising tax-exempt net gains and losses on measurement and derecognition as well as current income from financial assets.

The other effects amount to -326,000 euros in the reporting year (previous year: 214,000 euros) and include -17,000 euros from the derecognition of the tax liability for the 2018 assessment period. The effect from tax rate differences amounts to -67,000 euros in the 2019/2020 financial year (previous year: nil euros, as tax rate differences of 36,000 euros were included in the other effects).

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

17. Intangible assets/property, plant and equipment

€'000	Acquisition cost			
	1 Oct 2019	Additions	Disposals	**30 Sep 2020**
Intangible assets	1,794	373	0	2,167
Property, plant and equipment	4,397	4,091	253	8,236
of which right-of-use assets	1,774	3,983	36	5,722
	6,191	**4,464**	**253**	**10,403**

€'000	Depreciation, amortisation and impairment				Carrying amounts	
	1 Oct 2019	Additions	Disposals	**30 Sep 2020**	**30 Sep 2020**	30 Sep 2019
Intangible assets	1,494	184	0	1,677	490	301
Property, plant and equipment	2,041	1,234	183	3,092	5,144	582
of which right-of-use assets	0	1,007	20	987	4,735	0
	3,535	**1,417**	**183**	**4,769**	**5,634**	**883**

€'000	Acquisition cost			
	1 Oct 2018	Additions	Disposals	30 Sep 2019
Intangible assets	1,636	158	0	1,794
Property, plant and equipment	2,789	94	260	2,623
	4,425	**252**	**260**	**4,417**

€'000	Depreciation, amortisation and impairment				Carrying amounts	
	1 Oct 2018	Additions	Disposals	**30 Sep 2019**	**30 Sep 2019**	30 Sep 2018
Intangible assets	1,198	296	0	1,494	301	438
Property, plant and equipment	1,950	286	195	2,041	582	839
	3,148	**582**	**195**	**3,535**	**883**	**1,277**

As at 1 October 2019, right-of-use assets were capitalised for the first time in the amount of 1,774,000 euros (see Note 3). Additions during the reporting year in the amount of 3,802,000 euros are attributable to the renewal of the rental contract for the business premises in Frankfurt/Main.

Depreciation, amortisation and impairment for the financial year exclusively comprised scheduled depreciation/amortisation. Depreciation of right-of-use assets include an amount of 824,000 euros in relation to business premises.

18. Financial assets

€'000	**30 Sep 2020**	30 Sep 2019
Interests in investment entity subsidiaries	386,535	380,275
Interests in portfolio companies	4,152	4,937
International fund investments	0	406
Other financial assets	55	74
	390,741	**385,693**

Financial assets are measured at fair value through profit or loss.

This item exhibited the following movements in the reporting period:

€'000	1 Oct 2019	Additions	Disposals	Changes in value	**30 Sep 2020**
Interests in investment entity subsidiaries	380,275	92,938	22,873	(63,805)	386,535
Interests in portfolio companies	4,937	0	0	(786)	4,152
International fund investments	406	0	406	0	0
Other financial assets	74	27	42	(4)	55
	385,693	**92,965**	**23,321**	**(64,595)**	**390,741**

€'000	1 Oct 2018	Additions	Disposals	Changes in value	30 Sep 2019
Interests in investment entity subsidiaries	313,726	84,862	18,110	(202)	380,275
Interests in portfolio companies	4,828	0	272	382	4,937
International fund investments	303	0	0	104	406
Other financial assets	75	0	0	1	74
	318,931	**84,862**	**18,384**	**284**	**385,693**

Additions to interests in investment entity subsidiaries mainly refer to capital calls for investments in equity interests and in the financial year 2019/2020 also the cost of a first long-term investment.

Disposals of interests in investment entity subsidiaries result from distributions due to the divestment of portfolio companies as well as the repayment of shareholder loans or short-term bridge financings granted to portfolio companies.

The changes in fair value are recorded under the item “Net income from investment activity” in the consolidated statement of comprehensive income.

For further information on financial assets, we refer to the combined management report under the heading “Financial assets and loans and receivables”.

19. Receivables

€'000	30 Sep 2020	30 Sep 2019
Receivables from co-investment vehicles	5,071	1,565
	5,071	**1,565**

The receivables from co-investment vehicles are mainly due from DBAG Fund VII, for which the management fee has not yet been called from investors.

20. Securities

The securities were sold during the financial year 2020.

Classification of securities by type:

€'000	30 Sep 2020	30 Sep 2019
Money-market funds	0	13,947
Fixed-income funds	0	11,551
	0	**25,498**

The change in the fair value of the money-market and fixed-income funds until the derecognition of the securities in the amount of 162,000 euros (previous year: 197,000 euros) was recognised in the consolidated statement of comprehensive income in net interest income.

21. Other financial instruments

€'000	30 Sep 2020	30 Sep 2019
Loans to co-investment vehicles	25,988	17,002
	25,988	**17,002**

Loans granted to co-investment vehicles refer to short-term loans to Group companies of DBAG Fund VII in the amount of 12,843,000 euros (previous year: 17,002,000 euros) and to the group companies of DBAG VIII Fund in the amount of 13,146,000 euros. The loans are granted by DBAG for the pre-financing of investments in new portfolio companies with a term of up to 270 days.

22. Tax assets and income taxes payable

€'000	30 Sep 2020	30 Sep 2019
Tax assets		
Deferred tax assets	214	658
Income tax assets	5,524	5,833
Income taxes payable	526	17

Income tax assets contain applicable taxes for the financial year 2019/2020 and the previous year.

Income taxes payable for the financial year 2019/2020 refer to a preliminary calculation of corporation tax and solidarity surcharge of 341,000 euros as well as trade tax of a subsidiary in the amount of 185,000 euros.

Income taxes payable in the previous year referred to a preliminary determination of corporation tax and solidarity surcharge for the assessment period 2018. The payables were derecognised in the financial year 2019/2020 since no income taxes were determined for the assessment period 2018. Tax loss carryforwards were recognised in deferred taxes as follows:

€'000	**30 Sep 2020**	30 Sep 2019
Tax loss carryforwards for corporation tax	95,477	99,711
thereof usable	0	0
Tax loss carryforwards for trade tax	14,456	18,124
thereof usable	1,326	4,087

The corporation tax loss carryforwards preliminarily determined in the previous year in the amount of 94,728,000 euros increased to 99,711,000 euros due to the income tax returns prepared in the reporting year for the assessment period 2019.

The usable trade tax loss carryforwards relate to a subsidiary for which deferred tax assets of 214,000 euros exist as at the reporting date (previous year: 658,000 euros). No deferred taxes were recorded for the corporation tax loss carryforwards of DBAG and for the corporation tax loss carryforwards of a subsidiary. Deductible temporary differences exist at DBAG in the amount of 19,575,000 euros (previous year: 20,791,000 euros) which were not recognised in the financial statements as well.

23. Other assets

Other assets can be broken down as follows:

€'000	**30 Sep 2020**	30 Sep 2019
Receivables from Fund Services	18,205	6,368
Receivables from expenses that can be passed through	2,616	831
Receivables from DBAG funds	20,819	7,199
Purchase price receivable	0	1,666
Rental deposit	405	405
Value-added tax	1,132	1,161
Other receivables	691	119
	23,047	**10,550**

The receivables from Fund Services are mainly due from DBAG Fund VII, for which the management fee for the period from July 2019 has not yet been called from investors.

The receivables from expenses that can be passed through are mainly due from DBAG Fund VI, DBAG Fund VII and DBAG Fund VIII.

The purchase price receivable from the sale of the investment in Clyde Bergemann GmbH was received in the financial year 2019/2020.

Value-added tax pertains to outstanding refunds of input tax credits.

Other receivables mainly contain prepaid expenses.

The rental deposit and other receivables in the amount of 212,000 euros have a term of more than one year and have been reported under non-current assets since the reporting year.

24. Equity

Share capital/number of shares

€'000	**2019/2020**	2018/2019
At start of financial year	53,387	53,387
Additions	0	0
At end of financial year	**53,387**	**53,387**

All DBAG shares in the financial year 2019/2020 are no-par value registered shares. Each share is entitled to one vote.

The shares are admitted to trading on the Frankfurt Stock Exchange (Prime Standard) and the Dusseldorf Stock Exchange (Regulated Market). Shares in the Company are also traded on the over-the-counter markets of the stock exchanges in Berlin, Hamburg-Hanover, Munich and Stuttgart.

The subscribed capital (share capital) is divided into 15,043,994 no-par-value shares. The notional interest in the share capital amounts to approximately 3.55 euros per share.

Authorised capital

On 22 February 2017, the Annual General Meeting authorised the Board of Management to increase the share capital of the Company, with the consent of the Supervisory Board, until 21 February 2022 by up to a total of 13,346,664.33 euros through one or more issues of new no-par value registered shares in exchange for cash or non-cash contributions (Authorised Capital 2017). As a prerequisite, the number of shares has to increase by the same ratio as the share capital. In the financial year 2019/2020, the Board of Management did not make use of this authorisation.

Purchase of treasury shares

By way of a resolution passed by the Annual General Meeting held on 21 February 2018, the Board of Management is authorised up to 20 February 2023, subject to the consent of the Supervisory Board, to acquire treasury shares for purposes other than trading in treasury shares up to a maximum volume of ten per cent of the existing share capital in the amount of 53,386,664.43 euros at the time when the Annual General Meeting is held or – if this value is lower – of the share capital existing at the time of exercising this authorisation. In the financial year 2019/2020, the Board of Management did not make use of this authorisation.

Conditional capital

The Board of Management is authorised, subject to the consent of the Supervisory Board, to issue on one or more occasions in the period up to 21 February 2022 warrant-linked bonds and/or convertible bonds in bearer or registered form (together referred to as "bonds") with a limited or an unlimited term in a total nominal amount of up to

140,000,000.00 euros. It is also authorised to grant holders of warrant-linked bonds warrants, and the holders or creditors of convertible bonds conversion rights (or to impose conversion obligations, if applicable), to acquire registered shares in the Company with a proportionate interest in the share capital of up to 13,346,664.33 euros under the terms and conditions specified for the warrant-linked bonds or convertible bonds (jointly referred to as “bond conditions”).

As an alternative to the issuance in euro, the bonds may also be issued in any currency which is the legal tender of an OECD member state (limited, however, by the equivalent value in euro).

The bonds may also be issued by companies in which the Company directly or indirectly holds a majority stake. In such an event, the Board of Management shall be authorised, subject to the consent of the Supervisory Board, to assume the guarantee for the bonds on behalf of the Company and to grant the holders and/or creditors of such bonds option or conversion rights (or to impose conversion obligations) to acquire no-par value registered shares in the Company. In the financial year 2019/2020, the Board of Management did not make use of this authorisation.

Capital reserve

€’000	**2019/2020**	2018/2019
At start of financial year	173,762	173,762
Additions	0	0
At end of financial year	**173,762**	**173,762**

As before, the capital reserve comprises amounts received in the issuance of shares in excess of nominal value.

Retained earnings and other reserves

Retained earnings and other reserves comprise

- the legal reserve as stipulated by German stock corporation law,
- first-time adopter effects from the IFRS opening statement of financial position as at 1 November 2003,
- the reserve for actuarial gains/losses from different pension plans/plan assets (see Note 26) as well as
- effects from first-time application of IFRS 9 (see the 2018/2019 Annual Report, pages 127 to 130).

Consolidated retained profit

The Annual General Meeting on 20 February 2020 resolved to use the net retained profit (*Bilanzgewinn*) for the financial year 2018/2019 of 178,080,010.68 euros to pay a dividend of 1.50 euros per no-par value share on the 15,043,994 shares with dividend entitlement and to carry forward to new account the remaining amount of 155,514,019.68 euros (previous year: 148,952,344.02 euros).

	2019/2020	2018/2019
Total distribution	**22,565,991.00**	**21,813,791.30**

The net retained profit of DBAG as reported in the separate financial statements as at 30 September 2020 in accordance with HGB amounts to 201,450,935.47 euros (previous year: 178,080,010.68 euros).

At the Annual General Meeting, the Board of Management and the Supervisory Board will propose to pay a dividend of 0.80 euros per share (equivalent to a total of 12,035,195.20 euros) for the financial year 2019/2020. The remaining net retained profit of 189,415,740.27 euros will be carried forward to new account.

In Germany, dividends paid to shareholding corporations are subject to a corporation tax rate of five per cent plus a solidarity surcharge and, to the same extent, municipal trade tax, insofar as these shares are not part of the free float (i.e. interests of less than ten per cent for corporation tax purposes and 15 per cent for trade tax purposes, respectively). Dividends earned by natural persons are subject to a flat rate withholding tax (Abgeltungssteuer) of 25 per cent plus solidarity surcharge and, if applicable, church tax, which the dividend-paying company pays directly to the taxation authority.

25. Liabilities under interests held by other shareholders

€'000	**2019/2020**	2018/2019
At start of financial year	55	180
Additions	0	0
Derecognition	2	11
Share of earnings	4	(114)
At end of financial year	**57**	**55**

Liabilities under interests held by other shareholders include interests in capital and earnings attributable to non-Group shareholders. They relate to AIFM-DBG Fund VII Management (Guernsey) LP, DBG Advising GmbH & Co. KG, DBG Fund VI GP (Guernsey) LP, DBG Management GP (Guernsey) Ltd., DBG Managing Partner GmbH & Co. KG, European PE Opportunity Manager LP (Guernsey) L.P and DBG Fund VIII GP (Guernsey) L.P. (see Note 4.2).

26. Pension obligations and plan assets

The measurement in the statement of financial position has been derived as follows:

€'000	**30 Sep 2020**	30 Sep 2019
Present value of pension obligations	40,435	44,210
Fair value of plan assets	(23,986)	(24,617)
Provisions for pension obligations	**16,449**	**19,593**

The present value of the pension obligations changed as follows:

€'000	**2019/2020**	2018/2019
Present value of pension obligations at start of financial year	44,210	36,171
Interest expenses	202	541
Service cost	566	420
Benefits paid	(1,094)	(898)
Actuarial gains (-) / losses (+)	(3,448)	7,976
Present value of pension obligations at end of financial year	**40,435**	**44,210**

An amount of 718,000 euros (previous year: -6,508,000 euros) of the actuarial gain of 3,448,000 euros (previous year: loss of 7,976,000 euros) is attributable to the increased (previous year: decreased) discount rate. The discount rate amounted to 0.59 per cent as at the reporting date, compared to 0.47 per cent in the previous year. Further effects are the result of experience adjustments (2,730,000 euros; previous year: -1,126,000 euros); the previous year's figure was also influenced by changes in demographic assumptions (342,000 euros).

The present value of the pension obligations as at the reporting date is calculated based on an actuarial expert opinion. The expert opinion is based on the following actuarial assumptions:

€'000	**30 Sep 2020**	30 Sep 2019
Discount rate (%)	0.59	0.47
Salary trend (incl. career trend) (%)	2.50	2.50
Pension trend (%)	2.00	2.00
Life expectancy based on modified mortality tables by Prof. Dr Klaus Heubeck	2018G	2018G
Increase in income threshold for state pension plans (*in %*)	2.00	2.00

Company-specific employee turnover probabilities depending on age and gender are used to take into account employee turnover. The turnover is within a range of 0.1000 to 0.0050 for an age between 15 and 65 years.

The discount rate is calculated using the i-boxx corporate AA10+ interest rate index, which is calculated based on interest rates for long-term bonds of issuers with the highest credit ratings.

Since the financial year 2018/2019, DBAG has applied the new mortality tables issued by Prof Dr Heubeck (RT 2018G). The effect resulting from the application of the new mortality tables in the previous year amounted to 342,000 euros.

Since October 2013, DBAG has used modified mortality tables in order to account for the particularities of the beneficiaries of DBAG Group's defined benefit plans and individual commitments. A comparison with similar groups of individuals revealed an average longer life expectancy of three years for the DBAG scheme members and beneficiaries. This modification continued to be used upon the application of new mortality tables in the previous year.

As at 30 September 2020, the weighted average term of defined benefit obligations was 14.6 years (previous year: 15.6 years).

Plan assets developed as follows during the past financial year:

€'000	2019/2020	2018/2019
Fair value of plan assets at start of financial year	24,617	23,962
Expected interest income	116	369
Gains (+)/losses (-) from the difference between actual and expected return on plan assets	(747)	286
Fair value of plan assets at end of financial year	**23,986**	**24,617**

The loss of 747,000 euros in the financial year 2019/2020 (previous year: gain of 286,000 euros) results from the decrease in the fair value of plan assets as well as the application of the same interest rate that is also used to determine the present value of pension obligations.

The following amounts were recognised in net income:

€'000	2019/2020	2018/2019
Service cost	566	420
Interest cost	202	541
Expected interest income from plan assets	(116)	(369)
	652	**591**

The service cost is shown under personnel expenses.

The net amount from interest cost and expected interest income from plan assets is reported in the item "interest expense".

Gains (+)/losses (-) on remeasurements of the net defined benefit liability (asset) – reported in other comprehensive income – developed as follows in the financial year 2019/2020:

€'000	2019/2020	2018/2019
Actuarial gains (+)/losses (-) at start of financial year	(30,450)	(22,760)
Gains (+)/losses (-) from the difference between actual and expected return on plan assets	(747)	286
Actuarial gains (+)/losses (-) from changes in the present value of pension obligations	3,448	(7,976)
Gains (+)/losses (-) on remeasurements of the net defined benefit liability (asset)	2,702	(7,690)
Actuarial gains (+)/losses (-) at end of financial year	**(27,748)**	**(30,450)**

Amount, timing and uncertainty of future cash flows

DBAG is exposed to risks arising from pension obligations for defined benefit plans and individual commitments. These risks are mainly associated with changes in the present value of pension obligations as well as the development of the fair value of plan assets.

Changes in the present value of pension obligations result in particular from changes in actuarial assumptions. The discount rate and life expectancy have a significant influence on the present value. The discount rate is subject to interest rate risk. A change in average life expectancy impacts the length of pension payments and, consequently, the liquidity risk. Based on our estimates, possible changes in these two actuarial parameters would have the following impact on the present value of pension obligations:

€'000	**30 Sep 2020**	30 Sep 2019
Discount rate		
Increase by 50 bps	(2,786)	(3,250)
Decrease by 50 bps	3,133	3,682
Average life expectancy		
Increase by 1 year	(1,491)	(1,668)
Decrease by 1 year	1,531	1,714

The sensitivity analysis shown above is based on a change in one parameter, while the others remain constant.

Since February 2015, the plan assets have been invested in a special fund. This special fund has an unlimited term and is managed based on a capital investment strategy with a long-term horizon aiming at capital preservation. The objective of the investment strategy is to generate returns that at least correspond to the discount rate.

Depending on the asset class, the performance of the special fund is exposed to interest rate risk (interest-bearing securities) or market price risk (equities). If the interest rate for interest-bearing securities rises (falls), the return on plan assets will rise (fall). If the market price of equities rises (falls), the return on plan assets will rise (fall).

As is the case for interest-bearing securities, the present value of the pension obligations depends on the interest rate risk. If the market interest rate for interest-bearing securities rises (falls), the present value of pension obligations will fall (rise).

27. Other provisions

€'000	1 Oct 2019	Utilisation	Reversals	Additions	**30 Sep 2020**
Personnel-related obligations	9,230	8,023	401	6,468	7,274
Expert opinions and other advisory services	212	211	1	111	111
Auditing fees	175	155	20	261	261
Costs for annual report and general meeting	399	399	0	456	456
Tax advisory expenses	168	92	15	134	194
Other	354	311	9	536	571
	10,538	**9,191**	**445**	**7,965**	**8,867**

The provisions for personnel-related obligations mainly contain variable remuneration in the amount of 5,414,000 euros (previous year: 7,232,000 euros). Of that amount, 5,165,000 euros (previous year: 6,591,000 euros) are attributable to performance-related remuneration for the past financial year; an additional amount of 250,000 euros (previous year: 641,000 euros) refers to transaction-related remuneration (see Note 11). Corresponding provisions have been recognised for transaction-related remuneration since the financial year 2005/2006. In the reporting year, an amount of 135,000 euros (previous year: 618,000 euros) was paid out and an amount of 394,000 euros (previous year: nil euros) was reversed.

The provisions for expert opinions and other advisory services result from advisory expenses due to regulatory requirements.

The item "Other" mainly includes provisions for external staff, process optimisation, IT projects and events.

As at 30 September 2020, there were non-current provisions for personnel-related obligations in the amount of 846,000 euros (previous year: 694,000 euros). They consisted of a partial retirement agreement and jubilee payment obligations. In the previous year, the provision for jubilee payment obligations was reported as a current liability. The provision for the partial retirement agreement was discounted using a rate of 0.30 per cent (previous year: 0.14 per cent) and the provision for jubilee payment obligations was discounted using a rate of 0.59 per cent (previous year: 0.47 per cent).

The other provisions have a remaining term of up to one year.

28. Loan liabilities

In the financial year 2019/2020, loan liabilities in the amount of 13,100,000 euros (previous year: nil euros) were drawn under two credit facilities. One credit facility was set up in the amount of 50 million euros in December 2015 with a term of five years and was renewed in March 2018 until May 2023. A second credit facility with the same maturity was agreed in the amount of 40 million euros in the financial year 2019/2020. The utilised facilities have a term of up to one year.

29. Other liabilities

Other liabilities include lease liabilities resulting from the first-time application of IFRS 16 in the financial year 2019/2020 (see Note 3 and Note 30); these are broken down into current and non-current liabilities, based on their respective terms.

Other non-current liabilities of 3,953,000 euros (previous year: nil) exclusively consist of lease liabilities.

Other current liabilities can be broken down as follows:

€'000	**30 Sep 2020**	30 Sep 2019
Liabilities to co-investment vehicles	25	46
Advance management fees	5,838	0
Trade payables	423	358
Lease liabilities	769	0
Other liabilities	1,049	857
	8,104	**1,260**

The management fees received in advance exclusively relate to DBAG Fund VIII for the period from October to December 2020.

The other liabilities mainly refer to liabilities for Supervisory Board remuneration and liabilities for wage taxes.

30. Leases

As at 30 September 2020, property, plant and equipment includes right-of-use assets from leases in the amount of 4,735,000 euros (see Note 17) arising from the first-time application of IFRS 16.

The corresponding lease liabilities are included in other non-current liabilities (3,953,000 euros) and other current liabilities (769,000 euros) (see Note 29). The interest cost on lease liabilities is recorded as interest expenses (see Note 15).

31. Other financial commitments, contingent liabilities and trusteeships

Other financial commitments consist of call commitments and permanent debt obligations in the following nominal amounts:

€'000	**30 Sep 2020**	30 Sep 2019
Call commitments	4	965
Permanent debt obligations	534	2,065
	538	**3,030**

The potential call commitments mainly referred to an investment in an international fund managed by third parties, which was disposed of in the financial year 2019/2020.

The maturities of the permanent debt obligations as at 30 September 2020 are shown in the following table:

€'000	< 1 year	1-5 years	> 5 years	**Total**
Permanent debt obligations	435	98	0	**534**

There were no contingent liabilities as at 30 September 2020, in line with the previous year.

Trust assets amounted to 6,953,000 euros as at the reporting date (previous year: 4,916,000 euros). Of that amount, 6,949,000 euros (previous year: 4,912,000 euros) were attributable to balances held on trust accounts for purchase price settlements. Trust liabilities exist in the same amount. DBAG does not generate any income from trustee activities.

32. Notes to the consolidated statement of cash flows

In accordance with IAS 7, cash flows are recorded in the consolidated statement of cash flows in order to present information about the changes in the Group's cash funds. Cash flows are broken down into cash flows from operating activities, cash flows from investing activities and cash flows from financing activities. The indirect presentation method was applied for cash flows from operating activities.

Proceeds and payments relating to financial assets and to loans and receivables are recorded in cash flows from investing activities instead of in cash flows from operating activities, since this classification gives a more faithful representation of DBAG's business model.

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

The cash flow from financing activities includes payments for lease liabilities as well as proceeds from the drawdown of the credit lines.

€'000	**1 Oct 2019**	Cash flows	Changes	**30 Sep 2020**
Loan liabilities	0	13,100	0	13,100
Lease liabilities	1,766	(1,020)	3,977	4,722
	1,766	**12,080**	**3,977**	**17,822**

The other changes in lease liabilities are largely attributable to changes in the terms of existing lease agreements and the conclusion of new agreements. They also include income from exchange rate differences in the amount of 1,000 euros.

Cash and cash equivalents at the start and end of the period existed in the form of bank balances.

Since the financial year 2007/2008, a part of the financial resources not needed in the near term had been invested in securities (retail funds); these were disposed of in the financial year 2019/2020. The objective of these securities, like cash and cash equivalents, was to meet the Group's payment obligations. In accordance with IAS 7, these securities could not be allocated to cash and cash equivalents since the retail funds had an unlimited term. Pursuant to IAS 7, the purchase and the sale of these securities therefore had to be presented as cash flows from investing activities.

OTHER DISCLOSURES

33. Financial risks and risk management

DBAG is exposed to financial risks that arise from investments in equity or equity-like instruments, predominantly in unlisted companies. As a result of these financial risks, the value of assets may decline and/or profits may be reduced. These risks are not hedged by DBAG.

The following section describes the financial risks, as well as objectives and methods of DBAG's risk management.

33.1.Market risk

The fair value of financial instruments or future cash flows of financial instruments may fluctuate due to rising or falling market prices. Market risk can be further differentiated into currency risk, interest rate risk and other price risks. Exposure to market risks is regularly monitored as a whole.

33.1.1.Currency risk

The exposure to currency risk results from investments denominated in British pounds sterling, Danish krone, Swiss francs or US dollars, where future returns will be received in a foreign currency. The fact that future returns are impacted by currency risks may also lead to a change in fair values of these portfolio companies. Moreover, the changes in exchange rates have an influence on the operations and competitiveness of these portfolio companies. The extent of that impact depends in particular on individual portfolio companies' individual value-creation structure and degree of internationalisation.

Extent of currency risk and exchange rate sensitivity

Financial assets are exposed to an exchange rate risk against British pound sterling of 4,420,000 euros (previous year: 6,945,000 euros), to Danish krone exchange rate risk of 1,765,000 euros (previous year: 1,655,000 euros), to Swiss franc exchange rate risk of 29,956,000 euros (previous year: 33,633,000 euros), and to US dollar exchange rate risk of 40,550,000 euros (previous year: 21,850,000 euros). The effect on profit or loss resulting from taking into account changes in the fair value of financial assets amounts to -3,588,000 euros (previous year: 1,294,000 euros).

An increase or decrease of the exchange rates by ten per cent would result in a decrease or increase of net income and Group equity by 7,669,000 euros (previous year: 6,408,000 euros) exclusively due to currency translation.

Currency risk management

Individual transactions denominated in foreign currency are not hedged, since both the holding period of the investments and the amount of returns from them are uncertain. The currency risk is reduced as a result of returns from investments denominated in foreign currency.

33.1.2.Interest rate risk

Changes in the interest rate level primarily affect income generated from investing financial resources (sum total of cash and cash and cash equivalents and securities), the fair values of the investments measured using the DCF method as well as the interest expense in relation to drawdowns of credit lines. The changes in the interest rate level also influence the profitability of portfolio companies.

Extent of interest rate risk and interest rate sensitivity

Financial resources amount to 18,367,000 euros (previous year: 69,432,000 euros). There was no (previous year: no) interest income from investment. In the year under review, the credit lines were drawn upon in the amount of 13,100,000 euros (previous year: no drawdowns). An amount of 17,875,000 euros (previous year: 17,434,000 euros) of the financial assets was attributable to investments measured using the DCF method.

In relation to the investments measured using the DCF method, an increase or decrease of the reference interest rate by 100 basis points overall would result in a decrease or increase of net income and Group equity in the amount of 597,000 euros (previous year: 579,000 euros).

Interest rate risk management

Financial resources are generally invested with a short-term horizon. Interest rate derivatives to hedge a certain interest rate level are not used since the amount of the financial resources may be subject to strong fluctuations and cannot be reasonably forecast. The interest rates for the agreed credit lines correspond to the EURIBOR plus a margin. The EURIBOR level applied when the credit line is utilised is based on the selected interest period, which can be up to six months.

33.1.3. Other price risks

Exposure to other price risks are primarily related to the future fair value measurement of the interests in investment entity subsidiaries and portfolio companies. The measurement of portfolio companies is influenced by a number of factors that are related to financial markets, or to the markets the portfolio companies are active on. The influencing factors include, for example, valuation multiples, performance measures and the indebtedness of the portfolio companies.

Extent of other price risks and sensitivity

Financial assets are measured at fair value through profit or loss. The net gain or loss on measurement amounts to -33,826,000 euros (previous year: 9,662,000 euros).

The sensitivity of measurement is largely determined by multiples used to determine the fair value of Level 3 financial instruments. In case of a change in the multiples by +/- 1, the fair value of the Level 3 financial instruments, ceteris paribus, would have to be adjusted by 18,871,000 euros (previous year: 24,976,000 euros) (also see Note 8).

Management of other price risks

The Board of Management constantly monitors the market risk inherent in the portfolio companies held directly or through investment entity subsidiaries. For this purpose, DBAG receives information about the portfolio companies’ business development on a timely basis. Board of Management members or other members of the investment team hold offices on supervisory or advisory boards of the portfolio companies. In addition, the responsible investment team members monitor the business development of the portfolio companies through formally implemented processes.

For information on risk management, we refer to the discussions in the combined management report in the “Opportunities and risks” section.

33.2.Liquidity risk

There is currently no liquidity risk identifiable for DBAG. Freely available cash and cash equivalents amount to 18,367,000 euros (previous year: 43,934,000 euros). Including the undrawn portion of the two existing credit lines in a total amount of 76,900,000 euros (previous year: one undrawn credit line in the amount of 50,000,000 euros), DBAG has financial resources of 95,267,000 euros (previous year: 119,432,000 euros). In the previous year, financial resources also comprised securities in the amount of 25,498,000 euros.

Other current liabilities (of which current lease liabilities in the amount of 769,000 euros) in the amount of 8,104,000 euros (previous year: 1,260,000 euros) are due within one year. The co-investment agreements alongside the DBAG funds amount to 311,324,000 euros (previous year: 129,733,000 euros).

DBAG expects that it will be able to cover the shortfall of 224,161,000 euros (previous year: 9,040,000 euros) by cash inflows from the disposal of portfolio companies.

33.3.Default risk

DBAG may also be exposed to risks when a contracting party fails to meet its obligations, causing financial losses to be incurred by DBAG.

Extent of default risk

The carrying amount represents the maximum exposure to default risk for the following items of the statement of financial position:

€'000	**30 Sep 2020**	30 Sep 2019
Receivables	5,071	1,565
Securities	0	25,498
Other financial instruments	25,988	17,002
Cash and cash equivalents	18,367	43,934
Other assets[1]	21,459	9,410
	70,885	**97,409**

1 Excluding deferred items, value-added tax and other items in the amount of 1,589,000 euros (previous year: 1,141,000 euros).

A default risk can no longer be identified in relation to the financial assets.

The loss allowance for financial assets measured at amortised cost amounted to 4,000 euros (previous year: 58,000 euros).

Management of default risk

Receivables: debtors are current or former portfolio companies; DBAG seeks to obtain regular and timely information about such companies' business development. If there are indications that debtors may fail to meet their obligations, the relevant debtor is requested to propose and implement measures on a timely basis that enable him to meet his obligations.

Securities: in the previous year, this item included shares in mutual funds (money market and fixed-income funds) with the highest credit ratings.

Cash and cash equivalents: cash and cash equivalents of DBAG are deposits held at German credit institutions and are part of the respective institutions' protection systems.

Other current assets: debtors mainly are the DBAG funds. Their payment obligations may be fulfilled by capital calls from their investors.

34. Financial instruments

The key items in the statement of financial position of DBAG containing financial assets (items "Financial assets" and "Other financial instruments") are carried completely at fair value. Financial assets carried at amortised cost (receivables, cash and cash equivalents and other assets) are largely recognised in current assets. They are of very good credit quality and are largely unsecured. For these instruments, we assume that the carrying amount reflects their fair value. Financial liabilities are measured at amortised cost. They mainly comprise loan liabilities and advance management fees. For these instruments, we also assume that the carrying amount reflects their fair value.

CARRYING AMOUNT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

€'000	Carrying amount 30 Sep 2020	Fair value 30 Sep 2020
Financial assets measured at fair value through profit or loss		
Financial assets	390,741	390,741
Other financial instruments	25,988	25,988
	416,730	**416,730**
Financial assets at amortised cost		
Receivables	5,071	5,071
Cash and cash equivalents	18,367	18,367
Other assets[1]	21,459	21,459
	44,897	**44,897**
Financial liabilities at amortised cost		
Liabilities under interests held by other shareholders	57	57
Loan liabilities	13,100	13,100
Other liabilities[2]	6,971	6,971
	20,128	**20,128**

1 Excluding deferred items, value-added tax and other items in the amount of 1,589,000 euros.
2 Excluding lease liabilities and tax liabilities in the amount of 4,723,000 euros.

CARRYING AMOUNT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

€'000	Carrying amount 30 Sep 2019	Fair value 30 Sep 2019
Financial assets measured at fair value through profit or loss		
Financial assets	385,693	385,693
Other financial instruments	17,002	17,002
Securities		
Money-market funds	13,947	13,947
Fixed-income funds	11,551	11,551
	428,192	**428,192**
Financial assets at amortised cost		
Receivables	1,565	1,565
Cash and cash equivalents	43,934	43,934
Other current assets[1]	9,410	9,410
	54,909	**54,909**
Financial liabilities at amortised cost		
Liabilities under interests held by other shareholders	55	55

1 Excluding deferred items, value-added tax and other items in the amount of 1,141,000 euros.

34.1.Disclosures on the hierarchy of financial instruments

Financial instruments measured at fair value are allocated to the following three levels in accordance with IFRS 13:

LEVEL 1: Use of prices in active markets for identical assets and liabilities.

LEVEL 2: Use of inputs that are observable on the market, either directly (as prices) or indirectly (derived from prices).

LEVEL 3: Use of inputs that are not materially based on observable market data (unobservable inputs). The materiality of these inputs is judged on the basis of their influence on fair value measurement.

The financial instruments measured at fair value on a recurring basis can be classified as follows:

MEASUREMENT HIERARCHY FOR FINANCIAL ASSETS MEASURED AT FAIR VALUE

€'000	Fair value 30 Sep 2020	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss				
Financial assets	390,741	0	0	390,741
Other financial instruments	25,988	0	0	25,988
	416,730	**0**	**0**	**416,730**

MEASUREMENT HIERARCHY FOR FINANCIAL ASSETS MEASURED AT FAIR VALUE

€'000	**Fair value 30 Sep 2019**	Level 1	Level 2	Level 3
Financial assets measured at fair value through profit or loss				
Financial assets	385,693	0	0	385,693
Other financial instruments	17,002	0	0	17,002
Securities				
Money-market funds	13,947	0	13,947	0
Fixed-income funds	11,551	0	11,551	0
	428,192	**0**	**25,498**	**402,694**

Level 2 securities relate to shares in money-market and fixed-income funds with the highest credit ratings (see Note 20).

There are no assets or liabilities that were not measured at fair value on a recurring basis.

The valuation categories in accordance with IFRS 9 have been defined as classes in accordance with IFRS 13 for Level 1 and 2 financial instruments. Level 3 financial instruments are allocated to the following classes:

CLASSIFICATION OF LEVEL 3 FINANCIAL INSTRUMENTS

€'000	**Interests in investment entity subsidiaries**	**Interests in portfolio companies**	**International fund investments**	**Others**	**Total**
30 Sep 2020					
Financial assets	386,535	4,152	0	55	390,741
Other financial instruments	25,988	0	0	0	25,988
	412,523	**4,152**	**0**	**55**	**416,730**
30 Sep 2019					
Financial assets	380,275	4,937	406	74	385,693
Other financial instruments	17,002	0	0	0	17,002
	397,276	**4,937**	**406**	**74**	**402,694**

The following tables show the changes in Level 3 financial instruments in the year under review and in the previous year, respectively:

CHANGES IN LEVEL 3 FINANCIAL INSTRUMENTS

€'000	1 Oct 2019	Additions	Disposals	Changes in value	**30 Sep 2020**
Financial assets					
Interests in investment entity subsidiaries	380,275	92,938	22,873	(63,805)	386,535
Interests in portfolio companies	4,937	0	0	(786)	4,152
International fund investments	406	0	406	0	0
Others	74	27	42	(4)	55
	385,693	**92,965**	**23,321**	**(64,595)**	**390,741**

CHANGES IN LEVEL 3 FINANCIAL INSTRUMENTS

€'000	1 Oct 2018	Additions	Disposals	Changes in value	30 Sep 2019
Financial assets					
Interests in investment entity subsidiaries	313,726	84,862	18,110	(202)	380,275
Interests in portfolio companies	4,828	0	272	382	4,937
International fund investments	303	0	0	104	406
Other	75	0	0	1	74
	318,931	**84,862**	**18,384**	**284**	**385,693**

The loss in the amount of 64,595,000 euros (previous year: gain in the amount of 284,000 euros) is recognised in the net gain or loss from investment activity.

In both the year under review and the previous year, there were no transfers between levels.

The possible ranges for unobservable inputs regarding Level 3 financial instruments are as follows:

RANGES FOR UNOBSERVABLE INPUTS

€'000	Fair value 30 Sep 2020	Valuation method	Unobservable input	Range
Financial assets				
Interests in investment entity subsidiaries	386,535	Net asset value[1]	Average EBITDA/EBITA margin	3 to 45%
			Net debt[2] to EBITDA	-3.9 to 20.5
			Multiples discount	0 - 20%
Interests in portfolio companies	4,152	Multiples method	Average EBITDA/EBITA margin	7%
			Net debt[2] to EBITDA	3.4
			Multiples discount	0%
Others	55	Net asset value	n/a	n/a
	390,741			

1 The net asset value is determined using the sum-of-the-parts method. If the multiples method is used for the investments included therein, the same unobservable inputs are used as those for calculating the fair value of interests in portfolio companies (see Note 6).
2 Net debt of portfolio company

RANGES FOR UNOBSERVABLE INPUTS

€'000	Fair value 30 Sep 2019	Valuation method	Unobservable input	Range
Financial assets				
Interests in investment entity subsidiaries	380,275	Net asset value[1]	Average EBITDA/EBITA margin	2 to 43%
			Net debt[2] to EBITDA	-1.3 to 6.6
			Multiples discount	0 - 20%
Interests in portfolio companies	4,937	Multiples method	Average EBITDA/EBITA margin	7%
			Net debt[2] to EBITDA	1.6
			Multiples discount	0%
International fund investments	406	DCF	n/a	n/a
Others	74	Net asset value	n/a	n/a
	385,693			

1 See footnote 1 in the preceding table
2 See footnote 2 in the preceding table

In our view, the change in unobservable inputs used for calculating the fair value of Level 3 financial instruments has the following effects on measurement amounts:

RANGES FOR UNOBSERVABLE INPUTS

€'000	Fair value 30 Sep 2020	Change in unobservable inputs		Change in fair value
Financial assets[1]				
Interests in investment entity subsidiaries	386,535	EBITDA and EBITA	+/- 10%	42,472
		Net debt	+/- 10%	18,685
		Multiples discount	+/- 5 percentage points	1,928
Interests in portfolio companies	4,152	EBITDA and EBITA	+/- 10%	1,978
		Net debt	+/- 10%	888
		Multiples discount	+/- 5 percentage points	0
Others	55		n/a	n/a
	390,741			

1 In the case of recent newly-acquired investments, a change in the unobservable inputs has no effect on the fair value.

RANGES FOR UNOBSERVABLE INPUTS

€'000	Fair value 30 Sep 2019	Change in unobservable inputs		Change in fair value
Financial assets[1]				
Interests in investment entity subsidiaries	380,275	EBITDA and EBITA	+/- 10%	32,742
		Net debt	+/- 10%	11,334
		Multiples discount	+/- 5 percentage points	3,175
Interests in portfolio companies	4,937	EBITDA and EBITA	+/- 10%	1,811
		Net debt	+/- 10%	482
		Multiples discount	+/- 5 percentage points	0
International fund investments	406		n/a	n/a
Others	74		n/a	n/a
	385,693			

1 See footnote 1 in the preceding table

The key factors influencing income have an effect on both unobservable inputs; consequently, there is a correlation between EBITDA and EBITA. For that reason, the change in fair value is shown together in the sensitivity analysis for the two unobservable inputs, with all other inputs remaining constant.

34.2.Net gain or loss on financial instruments measured at fair value

The net gain or loss on financial instruments measured at fair value comprise fair value changes recognised through profit or loss, realised gains or losses from the disposal of financial instruments, as well as exchange rate changes.

The following net gains and losses on financial assets recognised at fair value are included in the consolidated statement of comprehensive income:

NET GAIN OR LOSS ON FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

€'000	**2019/2020**	**Level 1**	**Level 2**	**Level 3**	**2018/2019**	**Level 1**	**Level 2**	**Level 3**
Net income from investment activity	(16,864)	0	0	(16,864)	49,629	0	0	49,629
Other operating income	289	0	289	0	319	0	0	319
Interest income	324	0	90	233	535	0	0	535
Interest expenses	(253)	0	(253)	0	0	0	0	0
	(16,503)	**0**	**127**	**(16,630)**	**50,482**	**0**	**0**	**50,482**

34.3.Net gain or loss on financial instruments measured at amortised cost

The net gain or loss on financial instruments measured at amortised cost largely comprises income from Fund Services, consultancy expenses and reimbursable costs as well as interest.

NET GAIN OR LOSS ON FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST

€'000	**2019/2020**	**Level 1**	**Level 2**	**Level 3**	**2018/2019**	**Level 1**	**Level 2**	**Level 3**
Income from Fund Services	29,304	0	0	29,304	26,970	0	0	26,970
Other operating income	3,152	0	0	3,152	4,862	0	0	4,862
Other operating expenses	(4,353)	0	0	(4,353)	(6,102)	0	0	(6,102)
Net interest income	2	0	0	2	552	0	0	552
Total other income/expense items	**(1,199)**	**0**	**0**	**(1,199)**	**(688)**	**0**	**0**	**(688)**

35. Capital management

The objective of DBAG's capital management is to ensure the availability of the Group's long-term capital requirements as well as to increase the enterprise value of DBAG over the long term.

The amount of equity is managed on a long-term basis by distributions and share repurchases and, if appropriate, by capital increases.

Overall, the capital of DBAG consists of the following components:

€'000	**30 Sep 2020**	30 Sep 2019
Liabilities		
Liabilities under interests held by other shareholders	57	55
Provisions	25,316	30,131
Loan liabilities	13,100	0
Lease liabilities	4,722	0
Other liabilities	7,861	1,277
	51,056	**31,463**
Equity		
Subscribed capital	53,387	53,387
Reserves	162,436	159,734
Consolidated retained profit	207,708	247,031
	423,531	**460,152**
Equity as a proportion of total capital (*in %*)	89.24	93.60

Above and beyond the capital requirements as stipulated in the German Stock Corporation Act, DBAG is subject to capital restrictions pursuant to the German statutory legislation on special investment companies (Gesetz über Unternehmensbeteiligungsgesellschaften – UBGG). In order to maintain the status of a special investment company, a capital contribution of 1,000,000 euros on its share capital must have been paid in. This amount was fully paid in, both in the reporting year and the previous year.

36. Earnings per share based on IAS 33

	2019/2020	2018/2019
Net income *(€'000)*	(16,757)	45,856
Number of shares at the reporting date 30 September	15,043,994	15,043,994
Number of shares outstanding at the reporting date 30 September	15,043,994	15,043,994
Average number of shares outstanding	15,043,994	15,043,994
Basic and diluted earnings per share *(in €)*	(1.11)	3.05

Basic earnings per share are computed by dividing the net income for the year attributable to DBAG by the weighted average number of shares outstanding during the financial year.

Earnings per share may be diluted due to so-called potential shares arising under stock option programmes. DBAG has not launched such a stock option programme for years. Accordingly, there are no stock options outstanding as at the reporting date. Therefore, diluted earnings per share correspond to basic earnings per share.

37. Disclosures on segment reporting

DBAG's business policy is geared towards augmenting the Company's value over the long term through successful investments in equity investments, in conjunction with sustainable income from Fund Services. The investments are mainly entered into as co-investor of DBAG funds, but also independently from the DBAG funds outside the scope of their investment strategies: either as majority investments by way of management buyouts (MBOs) or minority investments aimed at financing growth.

In order to be able to separately manage the two described business lines of DBAG, the internal reporting system calculates a separate operating result (segment result). For that reason, the business lines “Private Equity Investments” and “Fund Investment Services” are presented as reportable segments.

SEGMENT REPORTING FROM 1 OCTOBER 2019 TO 30 SEPTEMBER 2020

€'000	Private Equity Investments	Fund Investment Services	Group reconciliation[1]	Group 2019/2020
Net income from investment activity	(16,864)	0	0	(16,864)
Income from Fund Services	0	30,589	(1,285)	29,304
Income from Fund Services and investment activity	**(16,864)**	**30,589**	**(1,285)**	**12,440**
Other income/expense items	(8,378)	(21,130)	1,285	(28,222)
Earnings before taxes (segment result)	**(25,241)**	**9,459**	**0**	**(15,782)**
Income taxes				(965)
Earnings after taxes				**(16,747)**
Net gain or loss attributable to non-controlling interests				(9)
Net income				**(16,757)**
Financial assets and loans and receivables	390,741			
Other financial instruments	25,988			
Financial resources[2]	18,367			
Loan liabilities	(13,100)			
Net asset value	**421,997**			
Volume of assets under management or advisory[3]		**2,582,562**		

1 A synthetic internal administration fee is calculated for the Private Equity Investment segment and taken into account when determining segment result. The fee is based on DBAG's co-investment interest.
2 The financial resources are used by DBAG for investments in equity or equity-like instruments. They contain the line items "Cash and cash equivalents", "Long-term securities" and "Short-term securities".
3 Volume of assets under management or advisory comprise financial assets, loans and receivables, the financial resources of DBAG, as well as the investments and callable capital commitments to DBAG-managed or advised private equity funds. The investments and loans and receivables are recognised at cost.

SEGMENT REPORTING FROM 1 OCTOBER 2018 TO 30 SEPTEMBER 2019

€'000	Private Equity Investments	Fund Investment Services	Group reconciliation[1]	Group 2018/2019
Net income from investment activity	49,629	0	0	49,629
Income from Fund Services	0	28,181	(1,211)	26,970
Income from Fund Services and investment activity	**49,629**	**28,181**	**(1,211)**	**76,599**
Other income/expense items	(7,578)	(25,148)	1,211	(31,515)
Earnings before taxes (segment result)	**42,050**	**3,033**	**0**	**45,083**
Income taxes				659
Earnings after taxes				**45,742**
Net gain or loss attributable to non-controlling interests				114
Net income				**45,856**
Financial assets and loans and receivables	385,693			
Other financial instruments	17,002			
Financial resources[2]	69,432			
Net asset value	**472,126**			
Volume of assets under management or advisory[3]		**1,704,434**		

1 See footnote 1 in the preceding table
2 See footnote 2 in the preceding table
3 See footnote 3 in the preceding table

Products and services

DBAG invests in companies as a co-investor alongside DBAG funds by way of majority or minority investments. We basically structure majority investments as so-called management buyouts (MBO). Growth financing is made by way of a minority investment, for example via a capital increase. In addition, DBAG invests independently from the DBAG funds outside the scope of their investment strategies. Within the scope of its investment activity, DBAG achieved net gains and losses on measurement and derecognition as well as current income from financial assets and loans and receivables totalling -16,864,000 euros (previous year: 49,629,000 euros). Income from Fund Services amounted to 29,304,000 euros in the reporting year (previous year: 26,970,000 euros).

Geographical activities and sector focus

Geographically, DBAG concentrates its investments primarily on companies domiciled in German-speaking regions. Of the net income from investment activity, -18,681,000 euros (previous year: 53,293,000 euros) are attributable to companies domiciled in German-speaking countries, and 1,817,000 euros (previous year: -3,664,000 euros) to companies located in the rest of the world.

DBAG invests primarily in companies operating in the sectors of automotive suppliers, industrial services, industrial components as well as machine and plant engineering (DBAG's core sectors). Moreover, since 2012, DBAG has also invested increasingly in the sectors broadband telecommunications, IT services/software and healthcare (focus sectors; combined under "Other" in the 2018/2019 Annual Report) and in other sectors such as services and consumer goods. Further information on the key industries can be found in the combined management report under the heading "Investments in mid-market German companies with potential for development".

€'000	Automotive suppliers	Industrial services	Industrial components	Mechanical and plant engineering	Broadband telecommu-nications	IT services/ software	Healthcare	Others	**Total**
30 Sep 2020									
Interests in investment entity subsidiaries	(9,547)	1,974	(29,588)	4,729	11,753	2,539	(6,584)	7,896	(16,829)
Interests in portfolio companies	0	0	0	0	0	0	0	(24)	(24)
International fund investments	0	0	0	0	0	0	0	(17)	(17)
Others	0	0	0	0	0	0	0	7	7
	(9,547)	**1,974**	**(29,588)**	**4,729**	**11,753**	**2,539**	**(6,584)**	**7,861**	**(16,864)**
30 Sep 2019									
Interests in investment entity subsidiaries	111	(7,263)	(3,866)	(8,984)	47,148	0	1,910	18,838	47,894
Interests in portfolio companies	0	0	0	0	0	0	0	1,632	1,632
International fund investments	0	0	0	0	0	0	0	104	104
Others	0	0	0	0	0	0	0	(1)	(1)
	111	**(7,263)**	**(3,866)**	**(8,984)**	**47,148**	**0**	**1,910**	**20,573**	**49,629**

For more information on the composition of the portfolio and its development, we refer to the combined management report and the chapters "Review of significant events and transactions" and "Portfolio and portfolio value".

Clients

DBAG's customers are the investors in DBAG funds. They comprise German and international institutional investors, especially pension funds, funds of funds, banks, foundations, insurance companies or family offices.

DBAG generates its Fund Services income from investors, none of whom account for more than ten per cent of DBAG's total income.

38. Declaration of Compliance with the German Corporate Governance Code

A "Declaration of Compliance" pursuant to section 161 of the German Stock Corporation Act (Aktiengesetz – AktG) was submitted by the Board of Management and the Supervisory Board of Deutsche Beteiligungs AG and is permanently accessible to shareholders at DBAG's website[16].

39. Disclosures on related parties

Related companies within the meaning of IAS 24 are: investment entity subsidiaries (see Note 4.3) and the holding companies held indirectly through DBAG ECF, the other unconsolidated subsidiaries of DBAG (see Note 4.5) as well as unconsolidated structured entities of DBAG (see Note 4.6).

Related persons, within the meaning of IAS 24, are key management personnel. At DBAG, these include all Board of Management, senior executives and the members of DBAG's Supervisory Board.

Income and expenses, receivables and liabilities from Fund Services

[16] https://www.dbag.de/investor-relations/corporate-governance/entsprechenserklaerungen

DBAG provides asset management services to the DBAG funds and the co-investment vehicles via its fully-consolidated subsidiaries.

The following fully-consolidated companies are responsible for asset management: AIFM-DBG Fund VII (Guernsey) LP, DBG Fund VI GP (Guernsey) LP, DBG Fund VII GP S.à r.l., DBG Fund VIII GP (Guernsey) L.P., DBG Management GmbH & Co. KG, DBG Managing Partner GmbH & Co. KG and DBG New Fund Management GmbH & Co. KG. DBAG pays no fees for the management of the co-investment vehicles of DBAG ECF and DBAG Fund V. Since the launch of DBAG Fund VI, DBAG has paid a volume-based fee for the management of its co-investments to DBG Fund VI GP (Guernsey) LP, to DBG Fund VII GP S.à r.l., and to AIFM DBG Fund VII (Guernsey) L.P. as well as to DBG Fund VIII GP (Guernsey) L.P. Based on the same principles and terms and conditions as for the investors in DBAG funds, this fee is determined by reference to a fixed percentage of the committed capital (during a fund's investment period), or of the invested capital (during the disinvestment phase), respectively.

The management companies receive advisory services from DBG Advising GmbH & Co. KG, and pay an advisory fee for these services.

The fees from these activities – including amounts received from DBAG fund investors –are recognised in the item “Income from Fund Services” (see Note 10). In the year under review, income from Fund Services consisted of income from co-investment vehicles in the amount of 5,651,000 euros (previous year: 5,306,000 euros) and income from the DBAG funds in the amount of 23,458,000 euros (previous year: 21,434,000 euros). Fees paid by DBAG are also recognised in the "Net gain or loss from investment activity" item, reducing value (see Note 9).

As at the reporting date, receivables from management fees against DBAG funds amounted to 18,205,000 euros (previous year: 6,368,000 euros, see Note 23), while receivables from management fees against investment entity subsidiaries amounted to 5,071,000 euros (previous year: 1,565,000 euros, see Note 19).

Relationships to DBG Managing Partner GmbH & Co. KG and DBG Advising GmbH & Co. KG

DBAG itself holds a capital interest of 20 per cent in the fully-consolidated DBG Managing Partner GmbH & Co. KG. The remaining 80 per cent (previous year: 80 per cent) is held by the two Board of Management members who are part of the investment team, and by two senior executives of the investment team. Income from the interest on their capital accounts amounts to 236 euros per year. The interests in the general partner of DBG Managing Partner GmbH & Co. KG are held by DBG Managing Partner GmbH & Co. KG itself. The general partner receives an annual liability fee in the amount of 3,125 euros.

DBAG itself holds a capital interest of 20 per cent in the fully-consolidated DBG Advising GmbH & Co. KG. The remaining 80 per cent (previous year: 80 per cent) is held by the two Board of Management members who are part of the investment team, and by two senior executives of the investment team. Income from the interest on their capital accounts amounts to 113 euros (previous year: 113 euros). The interests in the general partner of DBG Advising GmbH & Co. KG are held by DBG Advising GmbH & Co. KG itself. The general partner receives an annual liability fee in the amount of 3,125 euros.

For more information on the interests held by the two members of the Board of Management and the two senior executives of the investment team, we refer to Note 25.

Relationships to DBG Fund HoldCo GmbH & Co. KG and DBG Fund LP (Guernsey) Limited

Since the financial year 2019/2020, DBAG has held 13.04 per cent of the shares in DBG Fund HoldCo GmbH & Co. KG (Fund HoldCo). Another 86.96 per cent (previous year:

100 per cent) of the shares in Fund HoldCo is held by the two Board of Management members who are part of the investment team, and by two senior executives of the investment team. Income from the interest on their capital accounts amounts to 464 euros (previous year: 463 euros). Fund HoldCo's general partner receives an annual liability fee in the amount of 1,250 euros. DBAG is entitled to the remaining net retained profit.

Fund HoldCo is the general partner of the fully-consolidated companies AIFM-DBG Fund VII (Guernsey) LP, DBG Fund VI GP (Guernsey) LP, DBG Fund VIII GP (Guernsey) L.P. and European Private Equity Opportunity Manager LP. In the year under review, net retained profit totalling 1,006,000 euros (previous year: 4,262,000 euros) was allocated to Fund HoldCo from these companies, and an amount of 1,029,000 euros (previous year: 6,149,000 euros) was paid out to Fund HoldCo.

Via the interest held by DBAG in Fund HoldCo, 13.04 per cent (previous year: nil per cent) of the shares in Fund HoldCo's subsidiary, DBG Fund LP (Guernsey) Limited, are indirectly held by DBAG. DBG Fund LP (Guernsey) is the founding limited partner of the fully-consolidated companies AIFM-DBG Fund VII (Guernsey) LP, DBG Fund VI GP (Guernsey) LP, DBG Fund VIII GP (Guernsey) L.P. and European PE Opportunity Manager LP. In the year under review, net retained profit totalling 1,006,000 euros (previous year: 4,262,000 euros) was allocated to DBG Fund LP (Guernsey) Limited from these companies, and an amount of 1,029,000 euros (previous year: 4,446,000 euros) was paid out to DBG Fund LP (Guernsey) Limited.

Via the interest held by DBAG in Fund HoldCo a further 11.05 per cent of the shares in DBG Management GP (Guernsey) Ltd. are indirectly held by DBAG. There was no distribution made in the financial year 2019/2020.

Relationships to co-investment vehicles

The co-investment vehicles of DBAG Fund VII and DBAG Fund VIII are granted short-term loans as pre-financing of investments in new portfolio companies. These are reported in the item "Other financial instruments" (see Note 21); any resulting interest income is recognised in net interest income (see Note 14). As at the reporting date, liabilities to the co-investment vehicles of DBAG Fund VI and DBAG Fund VIII amounted to 1,361,000 euros (previous year: nil euros). These primarily relate to advance management fees.

Private co-investments of team members and carried interest

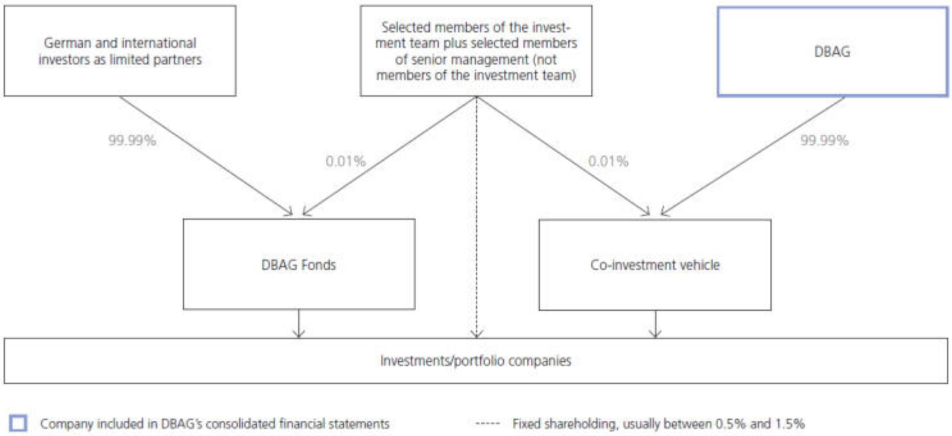
Selected members of the investment team as well as selected members of senior management who are not members of the investment team have committed to take an interest in DBAG funds. For those participating – in addition to the returns from the partnership – this can result in a profit share that is disproportionate to their capital commitment ("carried interest") after the fund has fulfilled certain conditions overall. This is the case if the DBAG Group or the investors in the respective DBAG fund have realised their invested capital, plus a preferred return of eight per cent per annum ("full repayment"). Carried interest of not more than 20 per cent[17] is paid out once proceeds on disposal are generated and full repayment has been achieved; the remaining 80 per cent[18] (net sales proceeds) is paid to the investors in the relevant DBAG fund and to DBAG. The structure of the carried interest schemes, their implementation and performance conditions, are in conformity with common practice in the private equity industry and constitute a prerequisite for the placement of DBAG funds. For the individuals participating, their partnership status constitutes a privately assumed investment risk which serves the purpose of aligning their interests with those of DBAG fund investors; the purpose of carried interest is to promote their initiative and their dedication to the success of the investment.

[17] The maximum disproportionate profit share for DBAG Fund VII B [Konzern] SCSp and DBAG Fund VIII B [Konzern] (Guernsey) L.P. amounts to 10 per cent.
[18] The maximum disproportionate profit share of the investors and DBAG for DBAG Fund VII B [Konzern] SCSp und den DBAG Fund VIII B [Konzern] (Guernsey) L.P. amounts to a total 90 per cent.

Since the launch of DBAG Fund VI, the investment structure of DBAG funds is as follows (significantly simplified):

OVERVIEW INVESTMENT STRUCTURE

The percentages relate to the equity interest.



The two Board of Management members who are part of the investment team as well as the senior executives entitled to carried interest made the following investments in the financial year 2019/2020 and received the following repayments from the DBAG funds and the co-investment vehicles:

	Investments during the financial year		Cumulative investments as at the reporting date[1]		Repayments during the financial year	
€'000	Key management personnel	of which: Board of Management	Key management personnel	of which: Board of Management	Key management personnel	of which: Board of Management
1 Oct 2019 – 30 Sep 2020						
DBAG Fund IV	0	0	880	420	0	0
DBAG Fund V	17	7	4,071	1,760	5,605	2,426
DBAG ECF	217	39	1,083	220	634	127
DBAG ECF I	30	13	621	414	98	68
DBAG ECF II	275	110	725	287	0	0
DBAG Fund VI	223	64	7,339	2,710	964	341
DBAG Fund VII	1,734	898	6,777	3,574	0	0
DBAG Fund VIII	588	322	588	322	0	0
Total 2019/2020	**3,085**	**1,453**	**22,083**	**9,705**	**7,302**	**2,963**

1 Cumulative investments relate to key management personnel during the reporting period. Changes compared to the previous year may be due – inter alia – to key management personnel joining or leaving the Company.

	Investments during the financial year		Cumulative investments as at the reporting date		Repayments during the financial year	
€'000	Key management personnel	of which: Board of Management	Key management personnel	of which: Board of Management	Key management personnel	of which: Board of Management
1 Oct 2018 - 30 Sep 2019						
DBAG Fund IV	0	0	1,032	420	899	423
DBAG Fund V	0	0	4,381	1,732	0	0
DBAG ECF	117	13	1,604	182	371	42
DBAG ECF I	95	51	674	400	0	0
DBAG ECF II	324	54	447	177	0	0
DBAG Fund VI	182	53	7,071	2,646	0	0
DBAG Fund VII	2,084	1,145	5,006	2,670	0	0
Total 2018/2019	**2,802**	**1,316**	**20,216**	**8,226**	**1,271**	**465**

The following table outlines carried interest claims from the co-investment vehicles and DBAG funds for the two Board of Management members and the members of senior management entitled to carried interest. For information on the portion of the co-investment vehicles, we refer to the management report under the heading "Business model: two business segments that are closely tied to DBAG funds".

€'000	1 Oct 2019[1]		Reduction due to disbursement		Addition (+) / reversal (-)		**30 Sep 2020**[1]	
	Key management personnel	of which: Board of Management	Key management personnel	of which: Board of Management	Key management personnel	of which: Board of Management	Key management personnel	of which: Board of Management
DBAG Fund V	11,747	5,080	(5,112)	(2,211)	(533)	(231)	6,101	2,638
DBAG ECF	22,495	4,419	0	0	2,474	494	24,969	4,913
DBAG ECF I	4,006	1,267	0	0	4,010	1,268	8,016	2,535
DBAG Fund VI	56,627	20,154	0	0	(45,758)	(16,425)	10,869	3,729
	94,875	**30,920**	**(5,112)**	**(2,211)**	**(39,807)**	**(14,893)**	**49,956**	**13,815**

1 Carried interest entitlements at the start and end of the financial year relate to key management personnel during the reporting period. Changes compared to the previous year may be due – inter alia – to key management personnel joining or leaving the Company.

€'000	1 Oct 2018		Reduction due to disbursement		Addition (+) / reversal (-)		**30 Sep 2019**	
	Key management personnel	of which: Board of Management	Key management personnel	of which: Board of Management	Key management personnel	of which: Board of Management	Key management personnel	of which: Board of Management
DBAG Fund V	12,571	4,880	0	0	515	200	13,086	5,080
DBAG ECF	22,485	2,546	0	0	16,546	1,873	39,032	4,419
DBAG ECF I	0	0	0	0	4,439	1,267	4,439	1,267
DBAG Fund VI	50,013	17,952	0	0	6,135	2,202	56,147	20,154
	85,069	**25,378**	**0**	**0**	**27,634**	**5,542**	**112,703**	**30,920**

In the consolidated financial statements, carried interest is taken into account in the fair value measurement of the shares of DBAG in the co-investment vehicles of a fund ("net asset value"). In this context, the total liquidation of the fund portfolio as at the reporting date is assumed (see Note 6, paragraph "Fair value measurement methods on hierarchy level 3"). In the year under review, the net asset values of the co-investment vehicles DBAG Fund V, DBAG ECF, DBAG ECF I and DBAG Fund VI are reduced by carried interest claims by a total amount of 31,000,000 euros (previous year: 37,540,000 euros), of which 18,461,000 euros (previous year: 31,845,000 euros) are attributable to key management personnel. The carried interest for DBAG Fund VII and DBAG Fund VIII remains unchanged at nil euros.

This carried interest, which is taken into account upon measurement, may increase or decrease in value in the future, and is not disbursed until the requirements under company law are met.

Remuneration based on employment or service contracts

Total remuneration for members of the Board of Management amount to 2,609,000 euros (previous year: 3,682,000 euros). This includes long-term benefits of 46,000 euros (previous year: 45,000 euros) and current service cost of 146,000 euros (previous year: 199,000 euros). An amount of 4,501,000 euros (previous year: 4,545,000 euros) of the provisions for pension obligations was attributable to Board of Management members. There are neither termination benefits nor share-based payments.

The total remuneration for senior executives amounts to 8,090,000 euros (previous year: 7,591,000 euros), including long-term benefits of 32,000 euros (previous year: 31,000 euros), current service cost of 206,000 euros (previous year: 300,000 euros) and termination benefits of nil euros (previous year: 620,000 euros). An amount of 4,647,000 euros (previous year: 8,578,000 euros) of the provisions for pension obligations was attributable to senior executives. There was no share-based payment.

The total remuneration for Supervisory Board members amounts to 523,000 euros (previous year: 398,000 euros). Of this amount, 495,000 euros (previous year: 370,000 euros) referred to Supervisory Board activities and 28,000 euros (previous year: 28,000 euros) to one long-term benefit for one member of the Supervisory Board. In addition to his remuneration for Supervisory Board membership, this Supervisory Board member also receives a pension payment from his previous membership in DBAG's Board of Management, in the amount of 191,000 euros (previous year: 186,000 euros). An amount of 6,205,000 euros (previous year: 6,417,000 euros) of the provisions for pension obligations was attributable to this Supervisory Board member.

For information on the basic principles of the remuneration system and the amount of total remuneration for members of the Board of Management and the Supervisory Board, we refer to the remuneration report. The remuneration report is an integral constituent of the combined management report. It also discloses individual information as required pursuant to section 314 (1) no. 6 HGB.

Other transactions with key management personnel

Senior executives acquired 940 (previous year: 1,260) shares of DBAG at preferential terms. The resulting pecuniary advantage amounted to 13,000 euros (previous year: 11,000 euros), and is recognised under personnel expenses.

DBAG granted loans to senior executives in the amount of 226,000 euros at standard market conditions (previous year: 95,000 euros). Interest income amounts to 4,000 euros (previous year: 2,000 euros).

There are no contingent liabilities for key management personnel.

40. Events after the reporting date

DBAG alongside DBAG Fund VIII agreed the investment in Congatec in the fourth quarter of the year under review. The transaction was completed at the start of the new financial year. DGAB Fund VIII acquired the majority of the company's shares as part of an MBO. DBAG invested 23,769,000 euros and holds around 23 per cent of the shares in Congatec.

At the end of November 2020, a partial disposal of our investment in the Pfaudler Group's core business was completed and returns from the disposal of the GMM shares were received; the transaction was agreed in August 2020. DBAG and DBAG Fund VI continue to have a stake of 20 per cent in the Pfaudler Group.

On 26 November 2020, the Supervisory Board of Deutsche Beteiligungs AG has appointed Messrs Tom Alzin and Jannick Hunecke to the Board of Management. They will take up their new roles on 1 March 2021. Dr Rolf Scheffels will step down from the Board of Management, at his own request, when his contract expires at the end of February 2021.

41. Fees for the auditor

Total fees paid to the auditor BDO are composed of as follows:

	2019/2020			2018/2019		
€'000	**Parent company**	**Subsidiaries**	**Total**	Parent company	Subsidiaries	Total
Audit of separate/consolidated financial statements	328	22	349	362	0	362
Other assurance services	5	0	5	0	0	0
	333	**22**	**354**	**362**	**0**	**362**

The services associated with auditing the separate and consolidated financial statements also include activities concerning the review of the half-yearly financial statements as at 31 March 2020, as well as audit activities relating to the audit of the financial statements as at 30 September 2020 that were conducted early.

42. Members of the Supervisory Board and the Board of Management

Supervisory Board*

Dr Hendrik Otto

Dusseldorf, Germany (Deputy Chairman until 20 February 2020, Chairman since 20 February 2020)

Member of the Board of Management of WEPA Industrieholding SE, Arnsberg, Germany

No statutory offices or comparable offices in Germany and abroad

Philipp Möller

Hamburg, Germany (Deputy Chairman since 20 February 2020)

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

Statutory offices

- GWF Messsysteme AG, Luzern, Switzerland (since 25 June 2020)

Gerhard Roggemann

Hanover, Germany (Chairman until his departure on 20 February 2020)

Consultant

Statutory offices

- Bremer AG, Paderborn, Germany (Vice-Chairman)
- Else Kröner Fresenius Stiftung, Bad Homburg vor der Höhe, Germany (since 1 January 2020)
- GP Günter Papenburg AG, Schwarmstedt, Germany (Chairman)
- WAVE Management AG, Hanover, Germany (Vice-Chairman)

Sonja Edeler

Hanover, Germany

Head of Finance and Accounting, Audit at Dirk Rossmann GmbH, Burgwedel, Germany

No statutory offices or comparable offices in Germany and abroad

Wilken Freiherr von Hodenberg

Hamburg, Germany (until 20 February 2020)

Lawyer

Statutory offices

- Schloss Vaux AG, Eltville, Germany
- SLOMAN NEPTUN Schiffahrts-AG, Bremen, Germany

- WEPA Instrustrieholding SE, Arnsberg, Germany

Comparable offices in Germany and abroad

- NB Private Equity Partners Ltd., St. Peter Port, Guernsey

Axel Holtrup

London, United Kingdom (since 20 February 2020)

Independent investor

No statutory offices or comparable offices in Germany and abroad

Dr Jörg Wulfken

Bad Homburg v. d. Höhe, Germany (since 20 February 2020)

Lawyer

Statutory offices

- Georgian Credit, Tbilisi, Georgia

Comparable offices in Germany and abroad

- Association of Loan Purchase and Servicing (Bundesvereinigung Kreditankauf und Servicing – "BKS")

Dr Maximilian Zimmerer

Munich, Germany

Supervisory Board

Statutory offices

- Investmentaktiengesellschaft für langfristige Investoren TGV, Bonn, Germany (Chairman)
- Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft, Munich, Germany

Comparable offices in Germany and abroad

- Möller & Förster GmbH & Co. KG, Hamburg, Germany (Chairman)

*Statutory office: offices held on other statutory supervisory boards; comparable offices in Germany and abroad: offices held on comparable domestic and international supervisory bodies of commercial enterprises, each as at 30 September 2020 or until the date of retirement from the Supervisory Board, respectively

Board of Management*

Torsten Grede

Frankfurt/Main, Germany (Spokesman)

Comparable offices in Germany and abroad

- Treuburg Beteiligungsgesellschaft mbH, Ingolstadt, Germany
- Treuburg GmbH & Co. Familien KG, Ingolstadt, Germany

Dr Rolf Scheffels

Frankfurt/Main, Germany

Comparable offices in Germany and abroad

- JCK Holding GmbH Textil KG, Quakenbrück, Germany

Susanne Zeidler

Frankfurt/Main, Germany

Comparable offices in Germany and abroad

- DWS Investment GmbH, Frankfurt/Main, Germany

*Statutory office: offices held on other statutory supervisory boards; comparable offices in Germany and abroad: offices held on comparable domestic and international supervisory bodies of commercial enterprises, each as at 30 September 2020

43. List of subsidiaries and associates pursuant to section 313 (2) HGB

Name	Registered office	Equity interest *in %*
Fully-consolidated and unconsolidated subsidiaries		
AIFM-DBG Fund VII Management (Guernsey) LP	St. Peter Port, Guernsey	0.00
Bowa Geschäftsführungsgesellschaft mbH i. L[1]	Frankfurt/Main, Germany	100.00
DBAG Bilanzinvest I (Smart Metering) Verwaltungs GmbH[1]	Frankfurt/Main, Germany	100.00
DBG Advising GmbH & Co. KG	Frankfurt/Main, Germany	20.00
DBG Advising Verwaltungs GmbH[1]	Frankfurt/Main, Germany	100.00
DBG Fund HoldCo GmbH & Co. KG[1]	Frankfurt/Main, Germany	13.04
DBG Fund LP GmbH & Co. KG[1]	Frankfurt/Main, Germany	0.00
DBG Fund VI GP (Guernsey) LP	St. Peter Port, Guernsey	0.00
DBG Fund VII GP S.à r.l.	Luxembourg-Findel, Luxembourg	100.00
DBG Fund VIII GP (Guernsey) L.P.	St. Peter Port, Guernsey	0.00
DBG Fund VIII GP (Guernsey) Limited[1]	St. Peter Port, Guernsey	0.00
DBG Management GmbH & Co. KG	Frankfurt/Main, Germany	100.00
DBG Management GP (Guernsey) Ltd.	St. Peter Port, Guernsey	15.00
DBG Managing Partner GmbH & Co. KG	Frankfurt/Main, Germany	20.00
DBG Managing Partner Verwaltungs GmbH[1]	Frankfurt/Main, Germany	100.00
DBG New Fund Management GmbH & Co. KG	Frankfurt/Main, Germany	100.00
DBG Service Provider Verwaltungs GmbH[1]	Frankfurt/Main, Germany	0.00
European PE Opportunity Manager LP	St. Peter Port, Guernsey	0.00
RQPO Beteiligungs GmbH[1]	Frankfurt/Main, Germany	49.00
RQPO Beteiligungs GmbH & Co. Papier KG[1]	Frankfurt/Main, Germany	90.00
Unconsolidated investment entity subsidiaries		
DBAG Bilanzinvest I (Smart Metering) GmbH & Co. KG	Frankfurt/Main, Germany	100.00
DBAG Expansion Capital Fund Konzern GmbH & Co. KG	Frankfurt/Main, Germany	99.00
DBAG Fund V Konzern GmbH & Co. KG	Frankfurt/Main, Germany	99.00
DBAG Fund VI Konzern (Guernsey) L.P.	St. Peter Port, Guernsey	99.99
DBAG Fund VII Konzern SCSp	Luxembourg-Findel, Luxembourg	99.99
DBAG Fund VII B Konzern SCSp	Luxembourg-Findel, Luxembourg	99.99
DBAG Fund VIII A Konzern (Guernsey) L.P.	St. Peter Port, Guernsey	99.99
DBAG Fund VIII B Konzern (Guernsey) L.P.	St. Peter Port, Guernsey	99.99
DBG Fourth Equity Team GmbH & Co. KGaA i. L.	Frankfurt/Main, Germany	100.00
Deutsche Beteiligungsgesellschaft mbH	Königstein/Taunus, Germany	100.00
DBG Advisors Kommanditaktionär GmbH & Co. KG	Frankfurt/Main, Germany	0.00
DBG Fifth Equity Team GmbH & Co. KGaA i. L.	Frankfurt/Main, Germany	0.00
DBG Alpha 5 GmbH	Frankfurt/Main, Germany	0.00
DBG Asset Management Limited	St. Helier, Jersey	0.00
DBG Epsilon GmbH	Frankfurt/Main, Germany	0.00
DBG Fourth Equity International GmbH	Frankfurt/Main, Germany	0.00
DBV Drehbogen GmbH	Frankfurt/Main, Germany	0.00

1 Unconsolidated subsidiaries – see Note 4.5

Frankfurt/Main, 20/29 November 2020
The Board of Management

Torsten Grede Dr Rolf Scheffels Susanne Zeidler

INDEPENDENT AUDITOR'S REPORT

Report on the audit of the consolidated financial statements and of the combined management report

Opinions

We have audited the consolidated financial statements of Deutsche Beteiligungs AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 30 September 2020, and comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 October 2019 to 30 September 2020, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In addition, we have audited the combined management report of Deutsche Beteiligungs AG for the financial year from 1 October 2019 to 30 September 2020.

In accordance with the German legal requirements, we have not audited the content of those parts of the combined management report listed in the chapter "other information".

In our opinion, on the basis of the knowledge obtained in the audit,

› the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 30 September 2020, and of its financial performance for the financial year from 1 October 2019 to 30 September 2020, and

› the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Our opinion on the combined management report does not cover the content of those parts of the combined management report listed in the chapter "other information".

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's

Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report.

We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 October 2019 to 30 September 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

We identified the following matters as key audit matters:

Valuation of financial assets

The financial statement position "Financial assets" amounts to 390.4 million euro and mainly consists of DBAG's share in investment entity subsidiaries that are not consolidated in the Company's consolidated financial statement according to IFRS 10.31 sentence 1. Per IFRS 10.31 sentence 2 in connection with IFRS 9, investments are valued at their fair value through profit and loss. The fair value is determined according to IFRS 13 considering the International Private Equity and Venture Capital Valuation Guidelines (IPEVG) effective 2018 and the Corona Pandemic Supplements from March 2020.

The fair value of the investment entity subsidiaries corresponds to the Company's share of the sum of the fair values of each portfolio company (sum-of-the-parts-methodology). The valuation at the fair value assumes the sale of all shares of portfolio Company's at the balance sheet date. Individual contractual agreements are included in the valuation, in particular agreements with members of the investment team regarding their profit participation of DBAG Funds, so-called Carried Interest.

The Company has implemented a process to determine the fair values of the portfolio companies that considers the fact that market prices cannot be observed. The Company primarily uses the multiples method to determine the fair values of the portfolio companies based on financial results (market approach). In some cases, an income approach is applied. The main non-observable assumptions used in the valuation are the sustainable earnings derived from the projections of each portfolio Company and the expected cashflows, respectively, as well as the net debt. Regardless of the valuation approach, the fair values determined are considered level 3 according to the fair value hierarchy due to unobservable input factors used in the calculation.

The necessary valuation assumptions are discretionary, as they cannot be observed on the market. In addition, there are complex contractual provisions in place regarding the calculation of carried interest for the investment entity subsidiaries. These need to be given appropriate consideration when measuring the fair values of the interest in the investment entity subsidiaries.

With respect to the consolidated financial statements, there is a risk that the fair values of the portfolio companies used in the valuation of financial assets do not meet the requirements of

IFRS 13, resulting in an inappropriate valuation. There is an additional risk attached to the consideration of contractual agreements of carried interest. Finally, there is a risk that the disclosures in the notes to the consolidated financial statements according to IFRS 7 and IFRS 13 in particular are not appropriate.

We refer to the notes to the consolidated financial statements regarding the Company's accounting and valuation methods (note 6). We refer to future-oriented assumptions and other significant sources of estimation uncertainties (note 8), disclosures on the financial assets (note 18), on the net result of investment activity (note 9), notes on financial instruments (note 34), disclosures regarding related party transactions (note 39), as well as to the statements in the combined management report regarding the Company's operations.

Our audit approach

First, we obtained an understanding of the Company's process to determine the fair values as part of the valuation of the shares in investment entity subsidiaries and assessed whether the valuation guidelines implemented by the Company are deemed appropriate to meet the requirements of IFRS 13. In order to gain an understanding of the organizational structure of the valuation process, we inquired with responsible employees, and obtained process descriptions, status reports, valuation documentation as well as minutes of board meetings. Based on the evidence obtained, we assessed the appropriateness of the controls implemented, particularly regarding the valuation proposals made by the Valuation Committee.

Our substantive audit procedures included reviewing the documentation of the calculations of the fair values of the portfolio companies and the assessment whether these calculations were consistent with the valuation process implemented and whether the valuation methodologies applied were deemed appropriate. In case of two Companies that were valued using the multiples approach for the first time, we assessed the appropriateness of with the valuation approach used considering observable input factors. We further assessed the calculation of the fair values and the observable inputs. For all portfolio companies, we reassessed the calculations of the fair values and the observable inputs. We audited unobservable assumptions based on a sample selected using a risk-oriented approach.

For selected estimates of sustainable earnings and the net debt of portfolio companies, we reassessed the deviation from the budgets prepared by their management, and we obtained the approval of the respective supervisory board. For adjustments of assumptions made by the valuation committee of the Deutsche Beteiligungs AG, we discussed the respective documentation with members of the valuation committee, to conclude on the reasonableness of such adjustments. We further assessed the appropriateness of selected assumptions used in the portfolio managements' projections (EBITDA margins in particular) through comparison with ranges derived from external market data for the respective performance indicators.

Regarding the earnings multiples used in the multiple's method, we involved our valuation specialists to assess the proper deviation of peer group companies and the resulting multiples based on the companies and capital market data. With respect to the income-based approach, we involved our valuation experts to evaluate the appropriateness of the capitalization interest rate used, by comparing the underlying assumptions (the risk-free rate and the market risk premium in particular) to publicly available data.

We also performed substantive audit procedures regarding the consideration of carried interest in the calculation of the fair value of the shares attributable to DBAG. We evaluated the identification of carried interest entitlement and the respective valuation Finally, we assessed whether the disclosures on the valuation of financial assets according to IFRS 7 and IFRS 13, in particular, were appropriate.

Other information

The executive directors are responsible for the other information. The other information comprises:

- the statement on corporate governance included in section "Declaration on Corporate Governance" of the combined management report and

- the remaining parts of the annual financial report, with the exception of the audited consolidated financial statements and combined management report and our auditor's report.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the supervisory board for the consolidated financial statements and the combined management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal controls as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the combined management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

› Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

› Obtain an understanding of internal controls relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

› Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

› Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to article 10 of the EU audit regulation

We were elected as group auditor by the annual general meeting on February 20, 2020. We were engaged by the audit committee on February 20, 2020.

We have been the group auditor of the Deutsche Beteiligungs AG since the financial year 2018/2019.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Note on the supplementary audit

We have issued this auditor's report on the amended consolidated financial statements and the amended combined management report, having duly examined them by way of our audit completed on 23 November 2020, as well as our supplementary audit completed on 30 November 2020, which related to amendments to the table outlining "Risk factors with a high expected value" in the "Chances and opportunities" section, sub-section "Explanation of individual risk factors", and on details supplemented in the "Other disclosures" section, Note "40. Events after the reporting date" within the amended notes to the consolidated financial statements. We refer to the presentation of these amendments by the Company's legal representatives in the amended notes to the consolidated financial statements, section "General information", sub-section "Basis of the consolidated financial statements".

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Dr Jens Freiberg.

Frankfurt/Main, 23 November 2020 / 30 November 2020 (the latter date limited to the amendments set out in the note on the supplementary audit)

BDO AG
Wirtschaftsprüfungsgesellschaft

Dr Freiberg	Gebhardt
German Public Auditor	German Public Auditor

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge, and in accordance with the applicable accounting principles, that the consolidated financial statements give a true and fair view of the asset, financial and earnings position of the Group, and that the condensed management report presents a true and fair view of the business development (including business results) and the position of the Group, together with a description of the material risks and opportunities associated with the expected development of the Group.

Frankfurt/Main, 20/29 November 2020

The Board of Management

Torsten Grede | Dr Rolf Scheffels | Susanne Zeidler

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REPORT OF THE SUPERVISORY BOARD

The financial year under review saw the net asset value of Deutsche Beteiligungs AG hit by the repercussions of the ongoing pandemic, which also impacted its enterprise value as a result. However, even amidst this situation, DBAG benefited from much confidence in 2019/2020 – from entrepreneurs and family shareholders who sold their enterprises to DBAG or the DBAG funds, as well as from investors who committed assets to DBAG Fund VIII. This is confirmation yet again of DBAG's sound market position.

In the 2019/2020 financial year (1 October 2019 to 30 September 2020), we carefully considered the state of the Company and its performance. We consistently and conscientiously performed the supervisory and advisory duties incumbent upon us by law, the Articles of Association and internal regulations. The Supervisory Board was updated regularly, in detail and without delay by the Board of Management about business development, the financial position, financial performance, the outlook, risk management and compliance at DBAG, both in writing and orally. The Board of Management also informed us all about all strategic and major operational decisions, and its future business policy; given the special circumstances in the financial year under review, these also included reports outside of meetings, such as the measures taken by the Board of Management at the start of the coronavirus-induced pandemic to protect the company's employees and the effects of the pandemic on the portfolio companies' liquidity situation. We approved the expansion of the investment strategy to include Long-Term Investments in companies in exceptional situations. We devoted special attention to the impact of the coronavirus crisis on the activities of Deutsche Beteiligungs AG. We deliberated on the issues mentioned extensively. The Board of Management commented on and explained any deviations from planned business development, in particular those owing to the pandemic and its repercussions.

Supervisory Board meetings during the year under review

Ten Supervisory Board meetings were held during the financial year 2019/2020. Of these, six were held as conference calls or video conferences, not least due to the pandemic. The sole subject of one conference call was the resolution regarding the amount of variable remuneration for the Board of Management and the follow-on remuneration for its former members for the financial year 2018/2019, while another was to formally adjust remuneration agreements with members of the Board of Management. The Supervisory Board also met on a regular basis without the Board of Management at times, to discuss items on the agenda relating to the Board of Management itself or internal Supervisory Board affairs.

In-depth reports on the situation in individual portfolio companies constituted an integral part of the meetings and in the second quarter they were also extended to include the effects of the pandemic. We received detailed written reports for this purpose from the Board of Management quarterly. The Board of Management informed us comprehensively and without delay of investments that were not performing according to plan.

At our first scheduled meeting on **19 NOVEMBER 2019**, we examined the preliminary results of DBAG and the DBAG Group for the 2018/2019 financial year as well as the further development of the investment process and the progress of fundraising for DBAG Fund VIII. We approved the expansion of the investment strategy to include Long-Term Investments (which we had introduced as "Principal Investments" in the previous financial year) in companies in exceptional situations — in other words, those requiring operational support. We discussed the proposed resolutions of the Nomination Committee to elect two successors to the Supervisory Board and followed its recommendations. We also attended to the new remuneration system for the Supervisory Board and decided to put this forward to the 2020 Annual General Meeting for resolution. In addition, we examined the Supervisory Board's report on the previous financial year's activities.

After the external auditors first reported on the outcome of the audit of the annual financial statements and the consolidated financial statements for the year ending 30 September 2019 at the meeting of the Audit Committee – at which members of the Supervisory Board who were not members of the committee attended as guests, as is usual – we confirmed the annual financial statements and approved the consolidated financial statements for the 2018/2019 financial year at the meeting on **9 DECEMBER 2019**. We also approved the agenda for the 2020 Annual General Meeting. The Board of Management provided us with detailed information about the market and the competitive environment. We also addressed the effectiveness of the actions of the Supervisory Board and its committees to fulfil their duties.

The Annual General Meeting on **20 FEBRUARY 2020** elected two members to the Supervisory Board, which is why one of the main tasks at our first meeting following the Annual General Meeting was to elect a new Supervisory Board member and a deputy. The new Chairman of the Supervisory Board since then has been Dr Hendrik Otto and his deputy is Philipp Möller, who was already a member of the Supervisory Board's Executive Committee prior to this. We also appointed members to the Supervisory Board committees. The Audit Committee has been made up of Dr Jörg Wulfken (Chairman), Sonja Edeler (Deputy Chairwoman) and Dr Otto since then. Dr Otto, Phillipp Möller and Dr Wulfken have been members of the Executive and Nomination Committee since then. We were also briefed on the performance of the portfolio.

In the extraordinary conference call on **26 MARCH 2020**, we were informed extensively about the repercussions of the coronavirus shock on the portfolio known at the time.

Our meeting on **12 MAY 2020**, which was held via video conference, focused on the detailed information and discussion surrounding the measures taken to handle the coronavirus crisis and its impact on the portfolio companies. The Board of Management provided information on the measures that it had resolved to keep the risk of infection amongst employees as low as possible whilst enabling the ordinary course of business to run as smoothly as possible. It also informed us extensively on the market situation and the impact of the pandemic on portfolio performance, the investment strategy and transaction activity.

At the meeting on **11 SEPTEMBER 2020**, the Board of Management informed us about the earnings forecast for the 2019/2020 financial year. In this meeting, as in nearly all meetings, we also were informed of current investment plans and the performance of individual portfolio companies. In addition, we reviewed the planning for financial years 2020/2021 to 2022/2023. In light of the co-investment commitments for DBAG Fund VIII and the need for financial resources for Long-Term Investments, we were also informed about options for debt and equity financing which the Board of Management had already addressed at the time. We worked on the Corporate Governance Statement and issued the Declaration of Compliance. We were also presented with concrete proposals for external training and continuous professional developmental measures in our duties as Supervisory Board members. Against the backdrop of the German Act Implementing the Second Shareholder Rights Directive and the revision of the German Corporate Governance Code, as amended on 16 December 2019 (the 2020 German Corporate Governance Code – GCGC 2020), we discussed the proposed resolutions of the Executive Committee concerning establishment of a remuneration system for the Board of Management in depth. Following thorough and extensive consultation, we adopted the new remuneration system, which we shall put forward to the 2021 Annual General Meeting for approval.

The Spokesman of the Board of Management informed the Chairman of the Supervisory Board immediately about important business transactions; the information was then shared with the entire Supervisory Board thereafter. We were involved in all major decisions.

Corporate Governance

We continuously monitor the development of Corporate Governance practices in Germany. In 2019/2020, we focused in particular on the principles, recommendations and suggestions of the GCGC 2020. The Board of Management reports on this in the company's Corporate Governance Statement together with the Supervisory Board; the Corporate Governance Statement is made available on the company's website. The Board of Management and the Supervisory Board issued their annual Declaration of Compliance in September 2020 on the basis of the German Corporate Governance Code as amended on 16 December 2019 (section 161 of the German Stock Corporation Act (Aktiengesetz – "AktG")) and made this Declaration permanently available to the public on the Company's website.

The Supervisory Board members make use of training and continuous professional development measures offered at their own account with the support of the Company.

Every member of the Supervisory Board discloses any potential conflicts of interest that may arise to the Chairman of the Supervisory Board as recommended in the Code. The Annual General Meeting on 20 February 2020 elected Dr Jörg Wulfken to the Supervisory Board. Until 30 June 2020, he was a partner at PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft ("PwC"). DBAG and its subsidiaries regularly use PwC's consulting services in connection with potential acquisitions and sales. Before 30 June 2020, two different DBAG subsidiaries each concluded a service agreement of this kind with PwC. The contracts with PwC underlying these agreements did not involve Dr Wulfken's consultancy services at PwC in any way. Furthermore, the percentage of revenue theoretically attributable to the remuneration of the PwC partners on the basis of the contracts and as a result to the remuneration of Dr Wulfken was so marginal that it would be impossible to calculate. In the Supervisory Board's opinion, there was no conflict of interest and there was no question of Dr Wulfken's independence. The Supervisory Board approved conclusion of the contracts in accordance with section 114 of the AktG with Dr Wulfken abstaining from voting as a highly precautionary measure. There was no evidence of conflicts of interest otherwise in the financial year under review.

Supervisory Board Committees

To be able to carry out its work more efficiently, the Supervisory Board has followed the recommendations of the 2020 German Corporate Governance Code and established an Executive Committee, which also performs the functions of a Nomination Committee, and an Audit Committee.

Work of the Executive Committee (also Nomination Committee)

The Executive Committee met twice in its named capacity during the financial year under review: in a conference call on 25 October 2019, it determined the short-term and long-term components of the remuneration of the members of the Board of Management for the 2018/2019 financial year. The Supervisory Board approved the recommendation in a conference call on 28 October 2019, after careful deliberation. The Executive Committee addressed the establishment of a remuneration system for the Board of Management at length in its meeting on 5 August 2020, in particular taking into account the criteria of the AktG and the GCGC 2020. Based on this deliberation, the remuneration system for the Board of Management was recommended to the Supervisory Board. In a further conference call on 29 November 2019, the Executive Committee – in its capacity as the Nomination Committee

– discussed various proposals for the by-election to the Supervisory Board by the 2020 Annual General Meeting. This by-election was necessary because two Supervisory Board members ended their offices at the close of the 2020 Annual General Meeting: Gerhard Roggemann because he had reached the maximum age limit and Wilken von Hodenberg because he resigned his post at the end of the 2020 Annual General Meeting. We nominated Dr Jörg Wulfken and Axel Holtrup. Both were elected by the Annual General Meeting on 20 February 2020.

Work of the Audit Committee

The Audit Committee convened six times during the financial year under review. The focus was nearly entirely on the annual financial statements and consolidated financial statements, the half-yearly financial report and the quarterly reports, which we discussed with the Board of Management prior to each publication.

In the meeting on **19 NOVEMBER 2019**, we were presented with the preliminary results of the 2018/2019 financial year. The external auditors reported on the status and initial results of the audit of the financial statements. In this meeting, we also discussed drafts of the annual financial statements and the consolidated financial statements for the year ending 30 September 2019 and the audit reports for both before we recommended that the Supervisory Board sign off on the annual financial statements and confirm the consolidated financial statements on **9 DECEMBER 2019**. The Audit Committee proposed to the Supervisory Board that the Frankfurt/Main office of Hamburg-based BDO AG Wirtschaftsprüfungsgesellschaft's (BDO) be elected as the auditors for financial year 2019/2020 and to review the condensed financial statements and interim management report as of 31 March 2020, which are part of the half-yearly financial report according to section 115 of the German Securities Trading Act ("Wertpapierhandelsgesetz – "WpHG") at the 2020 Annual General Meeting. The Annual General Meeting approved the proposal.

On **6 FEBRUARY 2020**, we considered the interim financial statements dated 31 December 2019 and discussed the Quarterly Statement.

On **12 MAY 2020**, BDO, the external auditors elected by the General Annual Meeting on 20 February 2020, reported the results of the audit review of the interim financial statements dated 31 March 2020, which we also discussed with the Board of Management during the same meeting. In its report on the previous six months, the Board of Management provided an in-depth explanation of its portfolio valuation method as of the reporting date taking into account the impact of the pandemic.

The interim financial statements dated 30 June 2020 were the focus of the meeting on **5 AUGUST 2020**. We discussed the Board of Management's report and reviewed the quarterly report for that reporting date. We also took note of the Board of Management's risk report. In this meeting, we also reviewed and discussed the report provided by DBAG's Internal Audit function. KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG) was commissioned with it for the first time.

On **11 SEPTEMBER 2020**, the BDO auditors explained their planning for the audit as of 30 September 2020 and the focus of their audit.

Over the course of the year under review, we monitored the accounting process and the effectiveness of the internal control and auditing system, as well as the risk management system. We had no objections relating to the Company's practices. We looked into the necessary independence of the external auditors and the additional (non-audit) services performed by the external auditors. We also advised on the auditors' fees as well as setting the focal points of the audit.

We continue to meet the requirements of sections 100 (5) and 107 (4) of the AktG, pursuant to which at least one member of the Supervisory Board and the Executive Committee must have sufficient expertise in the area of accounting or auditing, in multiple respects: Dr Otto, who was the Chairman of the Audit Committee and the deputy Chairman of the Supervisory Board until 20 February 2020, is an independent Supervisory Board member pursuant to the GCGC 2020 and also a financial expert; the same applies to Dr Wulfken, who assumed the Chair of the Audit Committee with effect from 20 February 2020.

All committee members attended the majority of the meetings of the Audit Committee, the Executive Committee and the Nomination Committee during the period under review. Gerhard Roggemann was absent from one Supervisory Board meeting and one Executive Committee meeting each, and Wilken von Hodenberg did not attend one Supervisory Board meeting.

Annual financial statements and consolidated financial statements without objections

Before the Supervisory Board put forward BDO AG Wirtschaftsprüfungsgesellschaft (BDO), Hamburg, to be the external auditors for the 2019/2020 financial year at the General Annual Meeting, it received a Statement of Independence from BDO. Following the 2020 Annual General Meeting, where our proposal was accepted, the Chairman of the Supervisory Board instructed BDO to carry out the audit. The instructions included that we be informed immediately of any major findings and issues arising in the course of the audit that related to our work. The external auditors laid out their audit plans in the meeting of the Audit Committee on 11 September 2020. BDO acted as auditors for DBAG for the first time for financial year 2018/2019 with Dr Freiberg as lead auditor.

BDO audited the annual financial statements of Deutsche Beteiligungs AG for the 2019/2020 financial year and the combined management report of Deutsche Beteiligungs AG and the Group, including the underlying accounts and returned an unqualified auditor's opinion. The same applies for the 2019/2020 consolidated financial statements. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The auditors confirmed that the consolidated financial statements complied with IFRSs, as applicable in the European Union, and the applicable supplementary regulations pursuant to section 315a (1) of the German Commercial Code (Handelsgesetzbuch – "HGB") that the consolidated financial statements as a whole accurately presented the position of the Group, as well as the opportunities and risks associated with its future performance.

The Supervisory Board received the audited and verified annual financial statements of Deutsche Beteiligungs AG for the financial year ending 30 September 2020 and the combined management report of Deutsche Beteiligungs AG and of the Group in good time, taking into account the report of the Chairman of the Audit Committee and the external auditors, examined them itself and discussed the documents individually with the Board of Management in the presence of the auditors. This also applies to the consolidated financial statements and the profit appropriation proposal.

In the Audit Committee meeting on 11 November 2020, the auditors explained the preliminary audit findings. At our meeting on 26 November 2020, and at the Audit Committee meeting held on the same day, they presented the results of their audit. There were no objections. They also reported on the services they performed in addition to the audit services. The auditors provided detailed answers to our questions. There were also no objections raised after the Supervisory Board conducted its own detailed examination of the annual and consolidated financial statements and the combined management report of Deutsche Beteiligungs AG and of the Group as of 30 September 2020, BDO's report on the outcome of the audit and the report of the Board of Management for financial year 2019/2020. We concurred with the results of the audit put forward by the external auditors. On 26 November

2020, we confirmed the consolidated financial statements and annual financial statements of Deutsche Beteiligungs AG as recommended by the Audit Committee. Following conclusion of a supplementary audit, the results of which we also approved, we confirmed the amended consolidated financial statements and the amended annual financial statements of Deutsche Beteiligungs AG on 30 November 2020. The annual financial statements are thus confirmed.

The dividend proposal was addressed for the first time in the Audit Committee meeting on 11 November 2020. In its meeting on 26 November 2020, the Board of Management fully explained its proposal, particularly in light of the pandemic. The Supervisory Board examined the Board of Management's proposal for the appropriation of net retained profit (Bilanzgewinn) and discussed it at length. Following this examination, the Supervisory Board approved the proposal of the Board of Management to distribute 12.0 million euros, and to carry forward the remaining net retained profit of 189,415.740.27 euros.

Even DBAG faced exceptional challenges in the financial year under review. It succeeded in continuing its business operations at the peak of the pandemic without restriction; summer saw the investment team structure five new equity investments within just a few weeks.

This shows how well DBAG’s business processes function and how strong its position on the market is. The Supervisory Board wishes to recognise and extend special thanks to the Board of Management and the employees who have contributed to the Company’s further development during an exceptionally difficult time.

Frankfurt/Main, 26/30 November 2020

Dr Hendrik Otto

Chairman of the Supervisory Board

OTHER STATUTORY DISCLOSURES AND EXPLANATORY INFORMATION

Remuneration report

The remuneration report summarises the principles applied in fixing the remuneration for the members of the Board of Management and the Supervisory Board of Deutsche Beteiligungs AG. It presents the structure and amount of remuneration paid to the members of the Board of Management and the Supervisory Board. The remuneration report is an integral constituent of the combined management report.

Management remuneration: Geared to assignment, personal and company performance

The remuneration system for the members of the Board of Management depicted in the following was approved by shareholders at the 2011 Annual General Meeting. Since then it has fundamentally remained the same. Adjustments that have taken effect in previous financial years relate, among other things, to the amount of fixed remuneration, the maximum amount of variable remuneration and its distribution between the one-year and multi-year components. Most recently – with effect from the start of the financial year 2019/2020 – the system was adapted to include regulations governing a special bonus based on the performance of long-term investments.

At its meeting held on 11 September 2020, the Supervisory Board adopted a new remuneration system that takes account of the changes in the statutory requirements that apply to Board of Management remuneration under the German Act Implementing the Second Shareholder Rights Directive (“ARUG II”) The remuneration system is to be presented to the next Ordinary Annual General Meeting for approval in accordance with section 120a (1) of the German Stock Corporation Act (Aktiengesetz – “AktG”).

Remuneration system for financial year 2019/2020

Total remuneration for the members of the Board of Management consists of

- a fixed base salary,
- one-year variable remuneration,
- multi-year variable remuneration,
- fringe benefits, and
- where applicable, pension benefits.

Board of Management members who are members of the investment team also receive payments under other remuneration components, namely

- a multi-year (bonus) for long-term investments and
- follow-on remuneration from completed remuneration models.

Criteria for the appropriateness of remuneration levels are, in particular, the responsibilities of the respective Board of Management member, their personal performance, and the economic position, performance and prospects of DBAG. To that end, the structure and level of remuneration schemes common to the private equity industry, which are required to attract and retain qualified key personnel, are considered.

Insofar as the members of the Board of Management receive remuneration for offices held in other portfolio companies, this is transferred to DBAG. Remuneration for executive functions in other companies or institutions subject to approval by the Supervisory Board remains with the respective member of the Board of Management. A severance pay cap is provided for in the service contracts of all Board of Management members. The D&O (directors' and officers') liability insurance that the Company has taken out contains a deductible for the Board of Management members. No advances or loans have been granted to them.

NON-PERFORMANCE-LINKED REMUNERATION consists of a fixed monthly salary and fringe benefits. **FRINGE BENEFITS** mainly consist of the taxable amounts for the use of a company car; these are limited to 50 per cent of the fixed salary.

THE ONE-YEAR VARIABLE REMUNERATION depends on individual performance during the past financial year and may be as high as 40 per cent of the fixed salary. Personal performance is determined by the Supervisory Board at its equitable discretion.

MULTI-YEAR VARIABLE REMUNERATION is based on the Group's performance over the reference period. It comprises the reporting year and the two prior financial years. The Supervisory Board determines the Company's performance based on the return on equity. The remuneration is granted if the return on equity is at least equal to the three-year average cost of equity; the maximum amount of remuneration – 80 per cent of the fixed salary – is achieved with a return on equity of 20 per cent. The new remuneration system that is to be presented to the Annual General Meeting in the coming year also involves an adjustment to reflect the target system that was adapted in 2018/2019, with different key financial indicators as a result.

The amount of the two variable remuneration components for the 2019/2020 financial year was discussed by the Executive Committee of the Supervisory Board on 26 October 2020 and proposed to the Supervisory Board. The Supervisory Board approved the proposal on 27 October 2020 and set the variable remuneration for the Board of Management at a total of 549,000 euros, fully attributable to one-year variable remuneration; this represents 75 per cent of the maximum amount possible for each member of the Board of Management. No multi-year variable remuneration was paid for 2019/2020, given that the return on equity did not reach the three-year average cost of equity. Variable remuneration for the Board of Management thus stood at 35 per cent of the previous year's level.

With effect from the start of the 2019/2020 financial year, a new element was added to the remuneration of Torsten Grede and Dr Rolf Scheffels (the two members of the Board of Management who belong to the investment team): As part of their performance-related remuneration, they are entitled to receive a **BONUS** for the performance **OF LONG-TERM INVESTMENTS**, i.e. DBAG's investments entered into exclusively using the Company's own funds and independently of the DBAG funds (introduced as the "Principal Investments bonus" in the 2018/2019 Remuneration Report). This bonus takes into account the performance of the long-term investments from two successive financial years ("investment period"). The entitlement to the bonus arises only if DBAG has realised its invested capital plus a minimum return of eight per cent per annum ("internal rate of return"). If this requirement is met, 15 per cent of the total performance achieved in the investment period concerned is paid out to members of the investment team. The eligible members of the Board of Management each receive a certain share of this amount. Payments are only made once DBAG has received the returns from the investment concerned.

The remuneration paid from the Principal Investments bonus is capped at 65 per cent of the annual fixed salary of the Board of Management member. If this threshold is exceeded, the excess amount is not paid out until the next financial year. This "carry-over" arrangement can only be applied once for each entitlement. Payments made from the Principal Investments bonus can also be paid after the Board of Management member's employment contract has been terminated, although they remain subject to the cap limiting them to 65 per cent of the member's (last) fixed salary. The first long-term investment was agreed at the end of September 2020, meaning that there are no payments to be made under this remuneration component for the time being.

Follow-up variable remuneration from old remuneration models

In the financial year 2019/2020, the two Board of Management members who are members of the investment team also received follow-up variable remuneration components from old remuneration models for members of the investment team. Both models had a particularly long-term measurement of investment success in common; the models are now only relevant for the few investments in the portfolio that were entered into prior to 2007.

- The profit-sharing scheme for investments entered into up to 31 December 2000 is geared to the return on equity of DBAG. Profit-sharing awards are only granted if the return on equity for the reporting year exceeds the mark of 15 per cent before taxes and bonuses. The computation base of equity relates exclusively to these investments. The remuneration for 2019/2020 is based on the profit distribution of the investment in JCK Holding.

- For investments that were made between 2001 and 2006, profit-sharing starts from a minimum return on investment of eight per cent per year after imputed costs of two per cent These profit shares are exclusively paid from realised profits. Two-thirds of these entitlements are paid after the close of the respective financial year. Entitlement to the remaining one-third is subject to a final review after the disinvestment phase of all investments involved has been completed, and is paid out in the amount of the remaining final entitlement. Remuneration was incurred due to two transactions in 2019/2020: first based on the income from the investment in the externally-managed foreign buyout fund Harvest Partners IV, whose last investment has been sold and which has since been liquidated, and second following the payment of the last purchase price instalment from the sale of a DBAG Fund IV investment.

The subsequent variable remuneration components from the two old remuneration models are each limited to 65 per cent of the fixed salary per year.

Profit-sharing awards from personal co-investments in the DBAG funds

Since the start of the investment period of DBAG Fund V at the start of 2007, Board of Management members who are also members of the investment team have had to support DBAG's investments by acquiring a stake in the DBAG funds under company law using their own money. The purpose of taking a personal investment risk is to promote the initiative and commitment of the members of the Board of Management within the investment team vis-à-vis the success of DBAG funds' investments. If the funds are successful, these Board of Management members receive a profit share that is disproportionate to their capital commitment, subject to certain conditions (carried interest), as is common worldwide in the private equity sector. Investments and amounts received by members of the Board of Management from such private investments in DBAG funds are included in the disclosures in Note 39 of the Notes to the Consolidated Financial Statements ("Related party disclosures, carried-interest participations of key management personnel and former key management personnel").

Pension commitments under two models

Pension commitments to Board of Management members are based on two models. Members of the Board of Management appointed for the first time up to 1 January 2001 received a pension commitment; members appointed after this date participate in what is known as the contribution plan. This plan is also extended to other staff of Deutsche Beteiligungs AG; however, it has been closed to those employees and board members not covered by collective agreements since the beginning of the financial year 2004/2005. Members of the Board of Management appointed for the first time since then do not receive defined pension benefits; this applies to Susanne Zeidler.

Pension arrangements for Torsten Grede provide for defined annual pension benefits; they amount to 87,000 euros. The present value of this pension obligation was 1,811,000 euros as at 30 September 2020 (previous year: 1,561,000 euros). Dr Rolf Scheffels participates in the contribution plan: for each year of service, a one-time pension contribution is paid that is measured by a percentage of the fixed salary for the year in question. The annual retirement benefit component amounts to 0.75 per cent of this remuneration, and six per cent of those parts of the remuneration exceeding the income threshold set by the state pension plan, each multiplied by an age factor that decreases with increasing age. The accrued pension capital for Dr Scheffels is capped at a contribution that corresponds to an annual pension entitlement of 87,000 euros. At 30 September 2020, the cap did not have an effect. The present value of the retirement benefit commitment to Dr Scheffels was 1,470,000 euros as at 30 September 2020 (previous year: 1,427,000 euros).

Benefits granted

Total benefits granted to members of the Board of Management for the 2019/2020 financial year amounted to 2,609,000 euros (previous year: 3,682,000 euros), including 146,000 euros for the occupational pension plan (previous year: 199,000 euros).

Remuneration disbursed	Torsten Grede Spokesman of the Board of Management				Dr Rolf Scheffels Member of the Board of Management				Susanne Zeidler Chief Financial Officer			
€'000	2018/ 2019	2019/2020			2018/ 2019	2019/2020			2018/ 2019	2019/2020		
			min.	max.			min.	max.			min.	max.
Fixed salary (not linked to performance)	640	640	640	640	640	640	640	640	550	550	550	550
Fringe benefits	12	14	14	14	10	12	12	12	18	13	13	13
Total	**652**	**654**	**654**	**654**	**650**	**652**	**652**	**652**	**568**	**563**	**563**	**563**
Performance-linked component (one-year variable remuneration)	256	192	0	256	256	192	0	256	220	165	0	220
Component with long-term incentive effects (multi-year variable remuneration)	0	0	0	0	0	0	0	0	0	0	0	0
Bonus for Company's long-term performance	293	0	0	512	293	0	0	512	251	0	0	440
Profit-sharing up to 2000	6	6	0	416	6	6	0	416	0	0	0	0
Profit-sharing 2001 to 2006	20	21	0	416	12	13	0	416	0	0	0	0
Total	**1,227**	**873**	**654**	**2,254**	**1,217**	**862**	**652**	**2,252**	**1,039**	**728**	**563**	**1,223**
Pension service costs	94	91	91	91	105	55	55	55	0	0	0	0
Total remuneration	**1,321**	**964**	**745**	**2,345**	**1,322**	**917**	**706**	**2,306**	**1,039**	**728**	**563**	**1,223**

Remuneration paid

The information for the previous year included in the following table also takes into account the repayment of part of the performance-related remuneration for the financial years 2016/2017 and 2017/2018. In 2019/2020, the members of the Board of Management received inflows:

Remuneration disbursed	Torsten Grede Spokesman of the Board of Management		Dr Rolf Scheffels Member of the Board of Management		Susanne Zeidler Chief Financial Officer	
€'000	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019
Fixed salary (not linked to performance)	640	640	640	640	550	550
Fringe benefits	14	12	12	10	13	18
Total	**654**	**652**	**652**	**650**	**563**	**568**
Performance-linked component (one-year variable remuneration)	192	256	192	256	165	220
Component with long-term incentive effects (multi-year variable remuneration)	0	0	0	0	0	0
Bonus for Company's long-term performance	0	293	0	293	0	251
Profit-sharing up to 2000	6	6	6	6	0	0
Profit-sharing 2001 to 2006	20	108	12	65	0	0
Other	0	-37	0	-37	0	-30
Total	**872**	**1,277**	**862**	**1,233**	**728**	**1,009**
Pension service costs	91	94	55	105	0	0
Total remuneration	**963**	**1,371**	**917**	**1,338**	**728**	**1,009**

Former Board of Management members or their surviving dependants received total payments of 1,132,000 euros (previous year: 1,074,000 euros) in the financial year under review. This also includes 28,000 euros (previous year: 115,000 euros) in follow-on payments to former members of the Board of Management from old investments (investments committed up to 31 December 2000 or entered into between 2001 and 2006). The present value of pension obligations for former Board of Management members and their surviving dependants amounted to 18,824,000 euros at the reporting date (previous year: 19,117,000 euros). Amounts received by former Board of Management members from private equity investments in DBAG funds are included in the disclosures in Note 39 to the consolidated financial statements ("Information on related parties, carried interest investments by current and former key management staff").

Supervisory Board remuneration

The remuneration provisions for Deutsche Beteiligungs AG's Supervisory Board were adjusted by way of a resolution passed by the Annual General Meeting held on 20 February 2020, with effect from the 2019/2020 financial year. The remuneration still consists of two components: an annual fixed fee that now totals 60,000 euros (base remuneration, previously 50,000 euros) and bonuses for the Chair, Vice Chair and committee membership (additional remuneration). The Chairman of the Supervisory Board receives a maximum of twice the base remuneration, irrespective of their membership on various committees. The Vice Chairman of the Supervisory Board and the Chairman of the Audit Committee receive a maximum of one and a half times the base remuneration. Membership of the Executive Committee and the Audit Committee carries remuneration corresponding to one-quarter of this amount, with the Chair of the Audit Committee receiving half the base remuneration.

Remuneration of the members of the Supervisory Board amounted to 495,000 euros for the 2019/2020 financial year (previous year: 370,000 euros).

€'000	Fixed fee	Bonus	**Total**
Dr Hendrik Otto Deputy Chairman until 20 February 2020, Chairman since 20 February 2020	60	48	108
Philipp Möller	60	24	84
Gerhard Roggemann Chairman until 20 February 2020	23	23	47
Sonja Edeler	60	15	75
Wilken Freiherr von Hodenberg until 20 February 2020	23	6	29
Axel Holtrup since 20 February 2020	37	0	37
Dr Jörg Wulfken since 20 February 2020	37	18	55
Dr Maximilian Zimmerer	60	0	60
Total	**360**	**135**	**495**

In the financial year 2019/2020, members of the Supervisory Board did not receive any fees for consultancy services.

TAKEOVER-RELATED DISCLOSURES (SECTIONS 289A (1) AND 315A (1) HGB)

At 30 September 2020, the share capital of Deutsche Beteiligungs AG amounted to 53,386,664.43 euros. It is divided into 15,043,994 no-par value registered shares with an imputed nominal value of 3.55 euros (rounded). There is only one class of shares. All shares carry the same rights and obligations. In accordance with section 67 (2) of the German Stock Corporation Act (Aktiengesetz – AktG), only shareholders who are listed in the share register are considered shareholders of the Company. With the exception of any treasury shares over which the Company is not entitled to exercise rights, each no-par value share carries one vote. The voting right does not begin until the contribution has been made in full. Rights and obligations attached to the shares ensue from the statutory provisions, in particular sections 12, 53a et seqq., 118 et seqq., and 186 of the AktG.

In November 2019, the Company was last notified in accordance with section 33 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) that 25.01 per cent of the voting rights were held directly by Rossmann Beteiligungs GmbH, Burgwedel, Germany. An agreement for the relinquishing of control has existed between DBAG and this company since March 2013. The agreement initially had a term of five years or until the end of the 2018 Annual General Meeting; the agreement is extended automatically and can now be terminated annually with effect from the end of the subsequent Annual General Meeting. According to the agreement, Rossmann Beteiligungs GmbH undertakes to exercise, for resolutions concerning the election or dismissal of Supervisory Board members, the voting rights attached to shares in DBAG attributable to the Rossmann Group as a whole, now and in the future, within a scope of no more than 45 per cent of the voting capital present at an Annual General Meeting. The Board of Management is not aware of any other restrictions relating to voting rights or the transfer of shares.

In accordance with the Articles of Association of DBAG, the Board of Management consists of at least two individuals. The appointment of these members to the Board of Management requires a simple majority of the votes cast by the Supervisory Board members. In the event of a tie, the Chairman has the casting vote (Article 11 (4) of the Articles of Association). The Supervisory Board may exempt all or individual members of the Board of Management, in general or in individual cases, from the restrictions in section 181 of the German Civil Code (Bürgerliches Gesetzbuch– BGB). So far it has not made use of this option.

Amendments to the Articles of Association may be adopted pursuant to the provisions of sections 179, 133 of the AktG and pursuant to Article 5 (3) and (4) and Article 17 of the Articles of Association. The Supervisory Board may adopt amendments to the Articles of Association that relate merely to wording. The Articles of Association provide that resolutions at the Annual General Meeting shall be generally adopted with a simple majority of the votes, or, insofar as a majority of the share capital is required, by a simple majority of the share capital, except where the law or the Articles of Association demand otherwise.

At the Annual General Meeting on 21 February 2018, the Board of Management was authorised, in accordance with section 71 (1) no. 8 of the AktG, to purchase own shares of up to ten per cent of the share capital existing at the time of the Annual General Meeting (53,386,664.43 euros) up to and including 20 February 2023. The Board of Management may choose to acquire shares via the stock exchange or via a public tender to all shareholders or an invitation to submit such a tender. The Board of Management is authorised, subject to the consent of the Supervisory Board, to resell its own shares, for example, as consideration in conjunction with corporate acquisitions or mergers or acquisitions of investments in enterprises under exclusion of shareholders' subscription rights in other ways than via the stock exchange or by public offer to all shareholders. In the past financial year, the Board of Management did not make use of these authorisations.

On 22 February 2017, the Annual General Meeting passed a resolution authorising the Board of Management to increase the share capital, with the consent of the Supervisory Board, until 21 February 2022 by up to a total of 13,346,664.33 euros through one or more issues of new no-par value registered shares in exchange for cash or non-cash contributions (Authorised Capital 2017). Shareholders are generally to be granted subscription rights in such cases. The Board of Management is, however, authorised to exclude shareholders' subscription rights in certain instances and within a certain capital range. In the past financial year, the Board of Management did not make use of this authorisation.

In conjunction with the authorisation adopted at the Annual General Meeting on 22 February 2017 concerning the issuance of warrant-linked bonds and/or convertible bonds for a total of up to 140,000,000.00 euros until 21 February 2022, with the option of excluding shareholders' subscription rights in certain instances and within a certain capital range, the share capital of the Company will be conditionally raised by up to 13,346,664.33 euros through the issuance of 3,760,998 new no-par registered shares (Conditional Capital 2017/I). The conditional capital increase will only be executed insofar as holders or creditors of warrant-linked bonds and/or convertible bonds exercise their option or conversion rights or fulfil their option/conversion obligation, or to the extent that the Company or the Group company issuing the debt security exercises an option to service the entitlements by delivering shares in the Company instead of a cash settlement (in whole or in part), and insofar as, in each case, cash compensation is not granted and treasury shares or shares from authorised capital or shares of another listed company are not used for servicing. In the past financial year, the Board of Management did not make use of this authorisation.

The existing authorisations are detailed in the respective resolutions passed at the Annual General Meetings mentioned above. Details on Authorised and Conditional Capital, and on the acquisition of treasury shares, are also provided in the Notes to the consolidated financial statements (under "Notes to the consolidated statement of financial position"), and in the consolidated financial statements. The members of the Board of Management do not have a special right to terminate their service contracts in the event of a change of control at Deutsche Beteiligungs AG. In this event, they are also not entitled to severance payments based on compensation agreements.

CORPORATE GOVERNANCE STATEMENT (SECTIONS 289F AND 315D OF THE GERMAN COMMERCIAL CODE (HGB))

The Corporate Governance Statement pursuant to sections 289f and 315d of the HGB is permanently available in the Investor Relations section of our website under Corporate Governance (www.dbag.com/investor-relations/corporate-governance/management-declaration). It includes the Declaration of Compliance with the German Corporate Governance Code, pursuant to section 161 of the AktG, information on corporate governance practices and a description of how the Board of Management and the Supervisory Board work, as well as information on targets for the share of female members on the Supervisory Board, the Board of Management and the management level below the Board of Management.

INFORMATION FOR SHAREHOLDERS

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FORWARD-LOOKING STATEMENTS

This Report contains forward-looking statements related to the prospects and progress of Deutsche Beteiligungs AG. These statements reflect the current views of the management of Deutsche Beteiligungs AG and are based on projections, estimates and expectations. Our assumptions are subject to risks and uncertainties, and actual results may vary materially. Although we believe these forward-looking statements to be realistic, there can be no guarantee.

IMPRINT

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DISCLAIMER

The amounts in this Report are generally presented in thousands and millions of euros. Rounding differences can occur between the amounts presented and their exact value; these, of course, are not of a significant nature.

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

€mn	2019/2020	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015	2013/2014	2012/2013	2011/2012	2010/2011
						11 months				
Core business objective: increase the Company's value										
Net asset value (reporting date)	422.0	472.1	470.7	451.5	389.0	313.0	304.2			
Net income from Fund Investment Services	9.5	3.0	5.6	4.7	(3.0)	2.2	8.0			
Financial objective: increase the value of Private Equity Investments										
Net income from investment activity	(16.9)	49.6	31.1	85.8	59.4	29.2	50.7			
Earnings before taxes	(25.2)	42.1	24.2	77.3	52.3	24.9	40.4			
Cash flow from investing activities	(33.5)	(15.5)	(30.6)	108.9	(6.0)	(72.7)	37.5			
Net asset value (reporting date)	422.0	472.1	470.7	451.5	389.0	313.0	304.2			
Financial assets	390.7	385.7	318.9	254.2	316.3	256.3	163.4			
Other financial instruments	26.0	17.0	32.8	35.6	–	–	–			
Financial resources[1]	18.4	69.4	119.0	161.6	72.6	56.7	140.7			
Ratio of invested to non-invested funds	22.69 times	5.80 times	2.95 times	1.79 timese	4.35 times	4.52 times	1.16 times			
Available liquidity	95.3	119.4	169.0	211.6	122.6	56.7	140.7			
Financial resources[1]	18.4	69.4	119.0	161.6	72.6	56.7	140.7			
Credit line	90.0	50.0	50.0	50.0	50.0	–	–			
Co-investment commitments alongside DBAG funds	311.3	129.7	198.5	253.7	278.2	110.7	–			
Surplus of co-investment commitments over available liquidity	216.1	10.3	29.4	42.1	155.6	54.0	(140.7)			
Financial objective: increase the value of Fund Investment Services										
Income from fund services	30.6	28.2	29.7	28.1	19.5	20.5	24.5			
Earnings before taxes	9.5	3.0	5.6	4.7	(3.0)	2.2	8.0			
Volume of assets under management or advisory (reporting date)	2,582.6	1,704.4	1,831.4	1,805.9	1,775.9	1,073.7	–			
Financial objective: ensure that shareholders participate in performance										
Dividend per share (2019/2020 proposal; €)	0.80	1.50	1.45	1.40	1.20	1.00	2.00	1.20	1.20	0.80
Dividend yield[2] (%)	2.4	4.4	3.5	3.9	4.4	3.6	9.5	6.2	7.2	4.2
Dividend yield[3] (2019/2020: proposal)	12.0	22.6	21.8	21.1	18.1	13.7	27.4	16.4	16.4	10.9
Non-financial objective: garner esteem as a financial investor in mid-sized companies										
Number of investment opportunities	193	258	261	321	221	253	299	316	284	260
Number of portfolio investments	33	29	29	24	25	24	19	20	18	16
Non-financial objective: garner esteem as a fund advisor										
Number of capital commitments of returning investors (most recent DBAG fund, %)	> 86	> 75	> 75	> 75	> 75	> 50	> 50			
Non-financial objective: retain experienced and motivated employees										
Number of employees	81	75	71	67	63	62	56	55	54	53
Average length of company service (*years*)	7.9	7.6	7.7	7.5	8.0	7.3	6.8	7.0	7.4	7.8
Other indicators										
Net income (IFRS)	(16.8)	45.9	29.7	82.0	49.5	27.0	48.0	32.3	44.5	(16.6)
Net income (HGB)	45.9	29.1	9.9	144.3	2.2	2.3	65.4			
Information on DBAG shares										
Number of shares at the beginning of the financial year	15,043,994	15,043,994	15,043,994	15,043,994	15,043,994	13,676,359	13,676,359	13,676,359	13,676,359	13,676,359
Share price at the end of the financial year (€)	31.00	34.70	35.40	45.51	29.57	24.90	21.83	19.36	19.49	15.50
Market capitalisation at the end of the financial year	466.4	522.0	528.8	684.7	444.9	340.5	298.6	264.8	266.6	212.0

The table contains data as originally reported in the respective consolidated financial statements.
1 Cash and cash equivalents plus short-term and long-term securities
2 Based on the average Xetra closing price during the financial year
3 Relates to the respective financial year

FINANCIAL CALENDAR

30 NOVEMBER 2020
Publication of 2019/2020 consolidated financial statements, Analysts' conference (online)

2 – 4 DECEMBER 2020
Investor meetings (online)

11 – 13 JANUARY 2021
Oddo BHF Forum (online)

10 FEBRUARY 2021
Publication of the quarterly statement on the first quarter 2020/2021, Analysts' conference call

25 FEBRUARY 2021
Annual General Meeting 2021 (online)

12 MAY 2021
Publication of the half-yearly financial report 2020/2021, Analysts' conference call

9 AUGUST 2021
Publication of the quarterly statement on the third quarter 2020/2021, Analysts' conference call

8 SEPTEMBER 2021
SRC Forum, Frankfurt/Main, Germany

20 – 24 SEPTEMBER 2021
Baader Investment Conference, Munich, Germany

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