Translation (The German version of this speech is authoritative.)

Speech by
Wilken von Hodenberg, Spokesman of the Board of Management
of Deutsche Beteiligungs AG,
Frankfurt am Main,
at the Annual Meeting
on 26 March 2009 in Frankfurt am Main

Shareholders and shareholders' representatives,
ladies and gentlemen,

My three colleagues and I are very happy to welcome you to the Annual Meeting. Thank you for coming and, by that, showing your commitment to the Company.

We are meeting today in an entirely different environment than in 2008 and the other preceding years. Conditions have changed radically. Instead of an "upturn" or "growth", we are now talking about a "crisis" and "bail-outs". The stock markets do not have their sights set on "all-time highs", as they did in 2007. Our hopes today are that prices will not hit the rock-bottom levels of March 2003.

The Chairman of the Supervisory Board, Mr Richards, has already indicated that this sharp turn in events has left its mark on our accounts for the past financial year. Deutsche Beteiligungs AG posted a consolidated loss for 2007/2008. And yes, it is true: Just as the preceding year's exceptionally high profit and outstanding total return on equity set a record high, this past year's loss was also at a record level – if one would want to use a term with a normally positive connotation in connection with a loss. I would like to set out the economic developments that have led to these figures.

I will also comment on the first quarter of the current financial year, and I will attempt an answer to the question of where Deutsche Beteiligungs AG currently stands.

Let me first address the key financial results.

- The consolidated loss totals 51.1 million euros. It is predominantly due to valuation changes. A marginal negative net result of disposal totalling 2.2 million euros only contributed to a very minor extent. This differentiation is important.

- The consolidated loss reduced the equity of Deutsche Beteiligungs AG. Compared with the onset of the financial year, net asset value per share declined by 17.5 percent. This does not account for the high dividend and extraordinary surplus dividend that you received this past financial year, which, of course, bears on equity.

- Despite the weak performance in 2007/2008, the long-term return on NAV per share over the past ten-year period still averages 17.3 percent after taxes. That performance does not need to shun comparison with other asset classes.

- We took a restrained and prudent approach in our investment policy. Nevertheless, we invested 14.4 million euros in the portfolio. Alongside our DBAG Fund V co-investment fund, we acquired ICTS Europe Holdings in early 2008 – a company that provides security services for airlines and airports. I reported on this acquisition at our last Annual Meeting. We also increased our stake in MCE AG, a company with an outstanding performance record; in addition to its management, we and our fund are now the sole shareowners.

I would like to give you a detailed account of how the consolidated loss came about.

The key determinant on our income statement is the net result of investment activity, which breaks down into three components:

- First, current income of 7.6 million euros from financial assets, such as dividends and other profit entitlements that we receive from our portfolio companies.

- Second, the net result of disposal, meaning the difference between the actual proceeds from the sale of an investment and its valuation at the beginning of the financial year, amounting to -2.2 million euros.

- Third, the net result of valuation. The greatest part of the 2007/2008 loss stems from this influential factor.

What is at the bottom of the term "net result of valuation"? The net result of valuation is the sum of all value movements on investments that were in the portfolio throughout the financial year, or that were acquired in the financial year and were still in the portfolio at the end of the financial year.

We determine the value of our investments by the portfolio companies' current performance, their current debt and the valuation of comparable companies in the capital market.

The change in valuation ratios has had the strongest effect on the result this past financial year. To us, these valuation ratios – such as the price earnings ratio you will be familiar with – are a measure for the valuation of the portfolio. One of the first repercussions of the financial crisis was that sentiment on the capital markets deteriorated, as all of you witnessed in the steep slide in stock market prices. This was an early sign of a dramatic change in economic conditions. For quite some time, capital market players had anticipated a marked drop in corporate earnings for 2009. The low price levels in the stock markets mirror these pessimistic expectations.

Our investment in Homag Group AG shows how strong the impact of this valuation effect can be: Shares in this company, purchased in February 2007 for ten euros each, were traded at some 28 euros on 31 October 2007, the end of our 2006/2007 financial year. This rise in the share price led to a valuation gain of about 49 million euros on the residual shares not sold through the IPO in 2007. Over the 2007/2008 financial year, the price of Homag shares took a downward turn. At the balance sheet date, they traded at just over nine euros. That led to a valuation loss of approximately 47 million euros for the last period. This explains the greatest part of the consolidated loss.

I will come back to the price performance of Homag shares later, when discussing the outlook, because their price dropped by another 30 percent in the current course of the second quarter.

In other words, the message is: The profit recorded in 2006/2007 due to the rise in the share price turned into a loss in 2007/2008. I do not want to repeat my criticism of the International Financial Reporting Standards, which I brought forward in a number of instances at previous Annual Meetings. I do, however, want to point out that performance in our line of business is not measurable by the results of a few short periods, as these may not hold up sustainably – in one direction or the other.

Our portfolio, however, consists of many other companies. How did they fare? What did they contribute towards the result?

Most of our portfolio companies still made good progress in 2008 – they increased their order intake, sales and earnings compared with the previous year, although, ultimately, not all targets were met. In the second half of 2008, some sectors had begun to register a slow-down in market dynamism or the onset of the crisis. In sum, signs of the recession at some portfolio companies and the negative influence of low valuation ratios in the capital market outweighed the positive effects from the good progress most investee businesses made – and this accounts for the remainder of the consolidated loss.

In addition to the net result of valuation and disposal from financial assets, other sources of income are

- current income from financial assets – the profit disbursements from our portfolio companies, which I mentioned before, and

- other operating income, which, in particular, includes fee income we receive for the management of our co-investment funds.

We generated 7.6 million euros in current income from financial assets and loans and receivables this past financial year, or 2.3 million euros less than the preceding year. The difference is chiefly due to lower interest from loans extended to portfolio companies.

Other operating income advanced again on the previous year, totalling 16.9 million euros, a gain of 1.1 million euros. As last year, the major item contained in other operating income is fee income from our managed co-investment funds of 12.6 million euros, which is considerably over that of the preceding year. The reason for this is that we received a full year's management fees from DBAG Fund V for the first time. We also recorded a performance-linked fee from an older fund – although this is not a one-time, it is nevertheless not a regular event.

Fee income for management services depends on the size of the co-investment fund that we manage. A new fund enlarges the calculatory base, sales and disposals from older funds reduce it. A glance at our most recent interim report at 31 January 2009 shows that fee income for the current year will not reach the previous year's level. The base for fee income has grown smaller.

Coming to the expense items on our income statement: Other operating expense decreased marginally against the previous year by 0.2 million euros to 11.6 million euros. This item largely relates to expenses from investment management activity, meaning the purchase, monitoring and disinvestment of portfolio companies or fund investments.

Personnel costs were also down considerably, from 17.9 million euros to 12.0 million euros, or nearly one-third.

Our compensation system basically consists of three parts:

- a basic salary,
- bonus payments that reflect both personal performance and the performance of the entire Company,
- performance-linked payments that derive solely from our investment performance – namely, exclusively from realised sales of investments.

In 2007/2008, Deutsche Beteiligungs AG did not earn its cost of equity. It goes without saying that bonus payments relating to the Company's performance were not paid.

Since there were only a few, smaller realisations this past financial year, payments for performance-linked profit-share schemes were clearly lower – falling from 6.8 million euros the prior year to 0.8 million euros in 2007/2008.

Net interest totalled 5.2 million euros for 2007/2008, or 0.4 million euros over that of the previous year. Significantly lower *interest expense* was the reason for this; in the prior year, there was an outflow of about one million euros to the Revenue Office. *Interest income* also declined in 2007/2008 compared with the previous year. Last year's high dividend payment reduced our cash position, and interest rates on deposits were lower than before.

That brings us to the balance sheet.

We conduct the business of *your* company, ladies and gentlemen, by a measure that derives from the balance sheet: We aim to increase the net asset value per share on the long-term average by a rate that exceeds the cost of equity. We did not achieve that target this past financial year – net asset value per share declined. We started the past financial year with net asset value of 25.09 euros per share. From that, we need to deduct the dividends of 3.50 euros per share paid in March 2008, bringing the NAV to 21.59 euros per share.

One year later, on 31 October 2008, net asset value per share was 17.90 euros. This equates to a reduction of 3.69 euros per share – or a negative change of 17.5 percent per share.

Let me make a comparison that will put this figure somewhat into perspective. If you take Deutsche Beteiligungs AG as a company that invests in firms similar to the ones found in the S-Dax, we can then draw a comparison of the development of our equity with that of the S-Dax. The S-Dax lost nearly 54 percent, whereas our equity declined by "only" 17.5 percent. Thus, we beat the index this time again, as we have done over extended periods.

I already mentioned our sizeable cash funds – totalling some 105 million euros at 31 October 2008 – when discussing the net interest.

Apart from the dividend payment in March 2008, there was practically no drain on cash funds – as opposed to many other companies. And on the other side of the balance sheet, a very significant item remained unchanged: Deutsche Beteiligungs AG has no bank debt.

That distinguishes us from many other companies that are engaged in – often desperate – talks with their banks these days. What we are negotiating are not the prices and covenants of loans, but the interest rates for fixed-term deposits!

The financial base of the Company is extremely sound. That constitutes an invaluable asset in the current business environment. I will come to that in greater detail when we look at the prospects for the Company.

But first, the dividend that we recommend paying for this year. You may ask why and, above all, how a company that has posted a loss of more than 50 million euros is able to pay a dividend?

On a number of occasions in the past years, we emphasised that our dividend policy is in pursuit of two goals: We consider it appropriate for you – the owners of this Company – to share in the Company's performance. At the same time, we want to try to cushion the effects of the strong volatility of our business on the price of the Company's shares. To that end, we have not only paid dividends from the huge cash flows of past years, but have disbursed what has been expressly termed extraordinary surplus dividends, in addition to having performed share buybacks. By this – dividends, extraordinary surplus dividends and share buybacks – some 200 million euros have been returned to you, the shareholders, in the past four years. That represents nearly 90 percent of the equity that Deutsche Beteiligungs AG posted in October 2004. And these 200 million euros are about half the sales proceeds that DBAG recorded since 2005. The other half is either contained on the balance sheet in the form of cash funds or has been invested in new portfolio companies.

When we – the Supervisory Board and the Board of Management – now request your approval on our recommendation of paying 40 eurocents per share, or a total of 5.5 million euros, we are implementing exactly that dividend policy: Profitable realisations have bestowed a sizeable cash position on us, and we now want to draw on that to a small extent. As in the past, we take our bearings from current interest rates and the net asset value per share: 40 eurocents on 17.90 euros, that equates to more than two percent, or approximately the rate achievable in the money market this past year.

40 eurocents per share – that corresponds to a dividend yield of 2.3 percent based on the average share price over the 2007/2008 financial year, and of about four percent based on the current market price.

Let me conclude my report on financial year 2007/2008 with a glance at the performance chart of DBAG shares.

Needless to say we are dissatisfied with the performance of our shares – 23.99 euros on the first day, 10.45 euros on the last day of the financial year, that is certainly a trend that neither you, the shareholders, nor we, the Board of Management, are happy about. Even when considering the high dividends paid last March, the value of DBAG shares has been cut in half.

However, we need to consider the environment to arrive at a fair appraisal. And above all: we need to keep sight of the long-term trend. That is of little consolation for the most recent value loss, but it does help in realising that DBAG shares and, consequently, our shareholders, have fared comparatively well.

One influential factor for that could be our efforts to spread the equity story of Deutsche Beteiligungs AG to an even wider audience, particularly in these times. This past year, we again increased the number of meetings we had with investors. If you take the trading intensity in our shares as an indicator of the awareness for our shares, we also score fairly well: The schedule behind me shows the percentage of the shares outstanding that is traded daily. We rank 2nd among all listed private equity companies.

I will come to the prospects for DBAG shares in a few minutes.

But before that, I would like to talk about our investments.

This is the first Annual Meeting at which I am not able to present a new portfolio company to you. I reported on ICTS, a company we purchased in spring 2008, at last year's Meeting. I do not want to repeat myself at this point, but maybe just this remark: ICTS is making good progress, and so far has even exceeded our expectations.

Our business is to invest. The long-term return on equity per share of 17.3 percent on average over the past ten years shows how successful we have been in this line of business.

This performance not only comes from purchasing the right companies, but from purchasing them at the right time and for the right price.

A responsible-minded investor will therefore say no in instances when the offer is not right. And in financial year 2007/2008, we were frequently not convinced of the offer. Similar to the situation in 2007 and partly in 2006, high prices and the exceptionally high levels of debt involved scared us off. Some banks offered more debt financing for an acquisition than the company was worth, based on our calculation! Now, several quarters later, a number of companies that changed owners for an exaggerated price have run into financial distress – with all the attendant problems for everyone involved: banks, customers, suppliers and not least, of course, the staff.

During 2008, the availability of financing for corporate acquisitions then melted as quickly as snow in spring. Moreover, the forecasts on the development potential of the companies up for sale became increasingly hard for us to believe.

Consequently, the sum invested this past financial year merely totals 14.4 million euros. This includes the investment in ICTS Europe Holdings as well as the funds spent to raise our stake in MCE AG.

This industrial services provider is making excellent progress and, in our opinion, will show resilience in the economic crisis. We were therefore very happy for the offer, which reached us in autumn 2008, to acquire further shares in this quality company. The original owner had retained a quarter of the shares in spring 2007 – which we were now able to purchase.

We have taken a very cautious approach, and can therefore look ahead to the future with fewer worries than the sector as a whole.

That brings me to the current financial year and the prospects beyond.

We issued the report on the first quarter last week. In light of the economic developments, nobody can be surprised. The value of the portfolio receded. One reason is that sentiment on the stock markets has worsened. Additionally, the repercussions of the crisis are becoming increasingly visible in the business data of some of our portfolio companies. Let me repeat – of <u>some</u> of our portfolio companies! There are still companies that do not need to make downward revisions to their forecasts, that expect to achieve higher sales and earnings in 2009 than in 2008, and that have good levels of incoming orders. But there are fewer companies in that position than a year ago.

The consolidated first-quarter loss of 9.0 million euros results in a reduction in net asset value of 0.66 euros per share; this represents a decline of 3.8 percent.

What does that mean for the full 2008/2009 financial year? This past financial year again showed that individual quarterly results do not lend themselves to projections. You will remember: a first-quarter loss, a large profit in the second quarter, a marginal loss in the third quarter and so on. Nevertheless, the question is: What should you, the shareholders, be prepared for?

I am sure you will not be completely happy when I say: We do not know. We do not know what direction the conditions for our portfolio companies and on the stock markets will take. And that is why we – like many other companies – are not making a prediction in these times.

We do not gaze into a crystal ball, but focus on facts. At the moment, we are using the time to work with the portfolio companies on concepts that will help them to get through these times. We are supporting them in analysing ways to improve their market positions – for instance, by taking over wobbly competitors or companies that make a good fit for our investee businesses.

Looking ahead to the future, there are three aspects I would particularly like to point to:

Factor No. 1 is our strong balance sheet. Deutsche Beteiligungs AG has had no bank debt for four years now. Moreover, at the end of the quarter, we had cash funds of about 110 million euros. Added to this are uncalled capital commitments by fund investors in the amount of another 260 million euros. That gives us enough investment scope for the next three years – even without having to generate realisation proceeds in the near term.

Why is it so important to have strong investment potential in these times?

Every crisis creates opportunities – a phrase that may seem like a trivial word of comfort these days. But it is true: the best investments come about in times of crisis. The private equity business is not exempt from that. Funds launched in 1990/91 or 2002/03, during periods of slow growth, achieved considerably higher returns than those that invested in boom times.

We expect to be seeing many attractive investment opportunities as soon as the sky has cleared a bit. But before we invest, we must be better able to judge a company's potential for development than at the moment. It will certainly take several more months or maybe even longer, before the markets for corporate acquisitions restart working again.

We have the capital for new investments! That distinguishes us very clearly from many of our competitors. Those who have no money now will have a hard time raising it. Reflows from private equity portfolios are subdued, and investors' pocketbooks are not open for new funds.

The ability to invest for three years without having to depend on cash inflows and new capital commitments gives us a competitive edge.

What type of companies do we seek to acquire? The answer is simple: Our investment criteria remain unchanged. Our targets are companies operating in particularly attractive and competitive sectors, companies that have an excellent market position and, if possible, a global presence – not forgetting a strong management team. There is no reason to digress from these pretentious standards.

Naturally, companies operating in a number of the sectors in which we prefer to invest are particularly subject to business cycles. For instance, if demand in the construction industry drops, construction companies will not need to expand their capacities – and the less construction machinery will be ordered. A sales decrease of ten percent in the ultimate consumer market will quickly turn into a drop in orders of 30 percent for the mechanical engineering firm producing the machinery.

Currently, the changes are stronger and more pervasive than in former cycles. Some companies will now have to pay dearly for meagre levels of equity, when dramatically lower income will no longer suffice to carry the interest load or finance adaptation programmes – irrespective of whether these companies have a considerable market share, super products or an outstanding reputation.

A financial investor is able to recapitalise such companies and provide a proper equity structure. We expect that we will primarily be entering into our next investments through capital increases. That is why we, at the moment, are not so much dependent on the banking sector granting us acquisition financing again.

We are very confident that we will have good years ahead of us to sow the seeds. The not insignificant sums my colleagues and I have invested in DBAG shares this past financial year show how firmly we believe in that. Furthermore, Deutsche Beteiligungs AG has expanded its staff in recent weeks. We are not cutting down, we are shaping excellent talent for DBAG's future.

That brings me to the second factor that should give you cause for optimism – the investment team. With a staff of 20, it is one of the largest and most experienced teams in the German buyout market.

My colleagues on the Board of Management and I, as well as the eight senior executives on the investment team, boast an average of twelve years of service at Deutsche Beteiligungs AG. We have gone through and mastered not only one, but numerous investment cycles. You will hardly find a team in the German market that has jointly invested as long and as successfully as we have. Our performance – I mentioned the long-term returns earlier – proves that we did a lot of things right. You can place your confidence in this experience!

Now, what opportunities are in it for you, the shareholders?

That is factor No. 3 – the current low price of our shares.

We reported that net asset value per share was 17.24 euros at 31 January 2009. That asset value consists of three major components:

- Liquid funds of 110.3 million euros equate to about eight euros in cash per share.

- At 31 January 2009, the investment in Homag Group AG was carried in the books at 23.8 million euros – which corresponds to 1.74 euros per share. Although the price of Homag shares has dropped again since then, the investment in Homag still covers some 1.20 euros of our NAV per share.
- The remaining portfolio of non-listed investments accounts for the other seven euros per share.

For all that, the stock market paid 10.20 euros this morning. If you trust us to prudently manage our cash funds, and accept that the market has currently determined a fair price for Homag shares, this would mean that:

The stock market valuates the portfolio of non-listed companies (i.e. without Homag), which we value at about seven euros per share, at no more than 0.89 euros per share. This corresponds to a discount of 88 percent. In other words: If you are of the opinion that even just one of the remaining portfolio companies is worth those 0.89 euros per share, our stock is currently a good buy. You would then get everything else we have in the portfolio for free. And you would have the prospect of us investing the available funds in high-potential companies and generating as profitable returns as in the past.

All six analysts monitoring our shares see it that way, too: We have six buy recommendations or outperform ratings.

The analysts and the more than 30 institutional investors we talked to on our road shows in the past eight weeks were eminently impressed by two figures with a view to the non-listed part of the portfolio: Only about three percent of the IFRS value of this non-listed portfolio is invested in businesses whose probable bank debt will be more than triple their expected EBITDA for this challenging year. Nearly the entire value falls to portfolio companies with no, or only moderate debt.

We do not purport to say that the value of the portfolio will not drop further. But we are convinced that there is an extremely low risk of the companies contained in this portfolio becoming valueless or, let alone, ending up in a total loss.

- Sufficient capital for investment.

- An experienced, successful team.

- And a discount on the share price that overweights risks and underweights opportunities.

These are the assets we can deliver in place of making a concrete forecast, and they circumscribe the opportunities for you and Deutsche Beteiligungs AG for the current financial year and beyond.

Let me now make a few brief remarks on two agenda items.

In Item 6 on the Agenda, we are again requesting your authorisation to enable us to purchase own shares and use them for certain purposes. The authorisation is orientated around those of previous years.

We request your authorisation, in spite of the fact that we have not yet drawn on the existing authorisation, which is still valid, and a share buyback is currently not on the agenda. It is, so to speak, a contingent authorisation – an instrument to have on hand; we need to keep our toolbox fully equipped to be able to act at any time. The past years have shown how conscientiously we have made use of these authorisations.

Item 7 on the Agenda calls for a number of separate votes on amendments to the Articles of Association. We want to adapt our Articles of Association to a new Act, labelled “Gesetz zur Umsetzung der Aktionärsrechterichtlinie” – ARUG, for short  (Act on the Implementation of the Directive on the

Exercise of Certain Rights of Shareholders). The legislator is thereby enacting statutory EU requirements into German law. The amendments to the Articles of Association account for, and put into practice, the expected stipulations of this Act, which will come into force in the course of this year.

Now, to conclude my report: Last year for the first time, we sent you a voucher, along with our invitation to the Annual Meeting, for a visit to an exhibition at the Schirn Kunsthalle in Frankfurt.

We have maintained our involvement as “Friends and Sponsors of the Schirn”, and you received vouchers again this year.

Thank you very much for your attention. My colleagues and I will be glad to answer your questions.