

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 24 March 2010 in Frankfurt am Main

Shareholders and Shareholders' Representatives,
Ladies and Gentlemen,

The environment in which we are holding our meeting today is clearly different from the one we encountered last year. Thank goodness, you might say. A year ago, one could virtually sense the depression. Hardly anyone felt able to make a positive forecast. Uncertainty prevailed. That has changed in the past twelve months. However: although the recession may officially be considered over, the “crisis” has by no means been surmounted, and it would probably be grossly wrong to talk about an “upswing”. In 2008 and 2009, things centred on bailing out the banking system. Efforts this year, as we firmly believe, will be focused on stabilising Germany’s industrial base. I will come to that later and explain which role private equity companies such as Deutsche Beteiligungs AG can play in that scenario. Later on, I will also report to you on the business trend for the first quarter of this new financial year.

But first I would like to

- talk about the results of this past financial year,
- address the key components of the consolidated financial statements,
- report on major transactions and
- give you an overview of the portfolio.

I want to tie in with what the Chairman of the Supervisory Board, Mr Richards, said at the beginning of our meeting: Considering the circumstances, Deutsche Beteiligungs AG succeeded in holding its own, even if the consolidated profit of 19.6 million euros “only” resulted in a not even average return on equity, measured by our standards. At the start of the financial year, we were not able to even fathom a result such as this. We could not have expected to successfully navigate the portfolio companies through the crisis. And although we certainly would have wanted to recommend paying a surplus dividend for the year, we were by no means sure to be able to. We are all the more delighted to report that we have accomplished all of this.

Let me now address the key indicators.

- The consolidated profit of 19.6 million euros largely stems from realised sales proceeds; even that part of the profit attributable to positive valuation changes has meanwhile been realised by a sale, which was agreed this past financial year; for that reason the value gain on an imminent sale basis was contained the net result of valuation.
- The consolidated profit led to an increase in the equity of Deutsche Beteiligungs AG. Compared with the onset of the financial year, net asset value – or equity – per share rose by 8.2 percent. As you surely know, we determine the return on equity by deducting the amount proposed for the dividend payment from the equity at the start of the financial year; that value is then compared with the equity at the end of the financial year.
- The long-term return on equity per share over the past ten-year period now averages 14.0 percent – or 2.3 percentage points less than before, the reasons being that 1998/1999, a very good year, has dropped out of the ten-year survey and 2008/2009, a year of below average performance, is now a constituent. Nevertheless, we are talking about a ten-year period that witnessed two very serious recessions and which other equity capital investors consider a “lost decade”, as a glance at the trend the Dax took over this period shows. In light of this, a long-term average return of 14.0 percent is a considerable performance and does not need to shun comparison with other asset classes.
- We again took a cautious approach in our investment policy this past financial year. At our last Annual Meeting I reported that our investment

restraint in 2007/2008 derived from our assessment that purchase prices were inappropriately high. They would have created debt levels at the companies which would have led to instability in times of crisis – in a way that we were unfortunately able to observe in a number of prominent cases in recent months. However, in 2008/2009 we did not enter into any new investment either. Purchase price expectations were still too high, but most importantly: the business prospects of the very few, fundamentally attractive companies we analysed seemed too uncertain. As you have probably read in the media, the private equity business has, in total, contracted further, due to the adverse economic setting. We therefore limited our 2008/2009 investments of 4.3 million euros to smaller follow-on financings for existing portfolio companies. These portfolio companies have either used the funding for add-on acquisitions or, in two instances, to improve their balance sheet structures. We will come back to that later. Furthermore, we provided the capital for a final call by one of our international buyout funds.

I would like to give you a more detailed account of how the consolidated profit was incurred. The key determinant on our income statement is the net result of investment activity, which breaks down into three components:

- First, current income from financial assets, such as dividends and other profit entitlements that we receive from our portfolio companies. They amounted to 1.9 million euros. You will notice a considerable difference compared with the prior year. The previous year's amount (7.6 million euros) contained a profit share from a co-investment fund, in other words, a one-off effect. However, the decline is also rooted in the crisis: The portfolio companies achieved lower earnings and, consequently, distributed less to their owners and shareholders.
- The second influential factor – and largest component this year – is the net result of disposal, or the difference between the actual proceeds from the sale of an investment and its valuation at the start of the financial year. The net result of disposal totalled 17.5 million euros this year.
- Third, the net result of valuation. The net result of valuation is the sum of all value movements on investments that were in the

portfolio at the end of the financial year. As you know, we determine the value of our investments by the portfolio companies' current performance, their current debt and the valuation of comparable companies in the quoted market.

Mr Richards, in his introductory remarks, has already underscored the two major events this past year: the sale of our investment in Lewa GmbH in July 2009 and the agreement signed on the sale of our investment in MCE AG in October 2009, shortly before the end of the financial year.

I would like to report on both transactions in greater detail. Both are excellent examples of the way we see our role as an investor and of the way Deutsche Beteiligungs AG creates value.

Let me begin with Lewa. We first invested in Lewa in September 2005. We – that is, Deutsche Beteiligungs AG and our co-investment fund – acquired the company from the founding family jointly with a further financial investor and Lewa's management. At the time, Lewa generated sales of some 95 million euros, achieved an EBITDA margin of about twelve percent and employed a staff of 590. Lewa's products – high-performance metering and diaphragm pumps used in the process industry – were predominantly sold in Germany and neighbouring countries in Europe, and largely to the chemical industry. Mr Stütz, whom we were able to engage as CEO shortly after entering into the investment, called Lewa a German "Mittelstand" company with typically "Swabian" virtues – down-to-earth prudence, sagacity, solid finances, which he truly meant as a commendation. But: Lewa was focused mainly on the development and quality of its products. There was much potential slumbering in the company, particularly in the internationalisation of its service and sales organisation as well as tapping new target industries.

Mr Stütz and his colleagues have exploited that potential over the past four years. We delivered a wealth of expertise and backed the company in its efforts. For instance, by DBAG and the co-investment fund waiving regular dividends and giving the company the scope it needed to continue investing heavily in research and development. Or by supporting it in internationalising its sales organisation – Lewa built its own sales units and also purchased additional companies in international markets. All that has paid off – first, for the company itself and the city of Leonberg, where Lewa is headquartered, thanks to increase earnings which are reflected in tax revenue for the city and –

very fortunately – thanks to a greater number of jobs. And it has paid off for us and, consequently, for you, the shareholders.

In the last complete financial year prior to the sale, Lewa generated sales of 145 million euros. That equates to sales growth of more than 15 percent annually. The margin improved significantly, EBITDA – or earnings before interest, taxes, depreciation and amortisation – climbed by more than 20 percent per year. Moreover, the number of staff rose as well.

I would like to refer you to our Annual Report for more information on this transaction. There the story is told about this successful partnership from different perspectives – from that of Lewa’s management, its works council and the mayor of the city of Leonberg, where Lewa is domiciled.

I now come to our second realisation, the sale of our investment in Austria-based MCE AG. DBAG and the co-investment fund signed an agreement on this sale in October 2009, but the deal was not completed before December 2009, or in other words, in the new financial year. That is why the economic benefit, namely the agreed sales price, was recognised in the net result of valuation for 2008/2009 (since we still held the investment in the portfolio at the financial year-end), and not in the net result of disposal.

MCE AG also augmented sales, namely by an annual rate of ten percent. More important for value creation, however, was that, with our support, the company successfully implemented its strategic development and nearly doubled its operating margin. Bilfinger Berger AG, who had previously acquired Rheinhold & Mahla and Babcock Borsig Service from our portfolio, bought MCE AG.

Lewa and MCE are no isolated cases. On the contrary: We support our portfolio companies hands-on in their efforts to become better – more productive, more diversified and, consequently, more stable and more competitive.

Let me now comment on the development of the other companies in the portfolio. As you know, we do not publicly discuss in depth the development of individual companies, for good reason. I will therefore restrict my remarks at this point to two key statements.

The economic plunge posed tough challenges for everyone involved – the managements and staffs of our portfolio companies, and for us and our co-investment funds as shareholders.

To our credit, our portfolio companies responded quickly to the changed landscape. I already reported to you on this last year: In autumn 2008, the managements of the portfolio companies concerned began developing scenarios and plans of action immediately after the collapse of Lehman Brothers. Frequently, this entailed restructuring programmes. For the managements, that sometimes meant taking difficult decisions. You will not be surprised to hear that our portfolio companies, too, made extensive use of the instrument of short-time work – and that meant their employees forfeiting parts of their salaries. In some instances, jobs were lost altogether.

We are aware of the responsibility that DBAG and the co-investment fund carried as shareholders under these difficult circumstances. Where reasonable and necessary, Deutsche Beteiligungs AG backed companies by providing additional funds.

The follow-on financing need this past financial year was modest and amounted to 2.1 million euros on the part of DBAG. Should I say “only” 2.1 million euros? Certainly, here and there we were assisted by good fortune. But all in all, we believe that sum is indicative of the quality of our investment process and the way we support our portfolio companies. It surely helped that we attach particular importance to investing in sustainably well-positioned companies and equipping them with a robust capital structure. We want our investee business to have sufficient funds to meet their obligations, even if sales and earnings decline.

The second specific statement I would like to make relates to the portfolio’s level of debt. As investors in industries subject to cyclical swings, we make only moderate use of borrowings in our investee businesses. Let me illustrate that based on the IFRS value of our unquoted portfolio – that is, without Homag. Only four percent of the IFRS value of the unquoted portfolio is invested in businesses whose probable bank debt is more than triple their forecast EBITDA for this year. This proportion, in turn, is equal to less than one percent of net asset value per share. The largest part of the portfolio value is therefore attributable to investee businesses with no or only very moderate bank debt.

That concludes my remarks on the development of the portfolio this past financial year, and I would now like to address the key components in our income statement.

Other operating income, totalling 14.1 million euros, was considerably below that of the previous year, decreasing by 2.8 million euros. As last year, the major item contained in other operating income is management fee income from our co-investment funds, which was down on the previous year and totalled 11.1 million euros. The reason for this is that the fund volume on which the management fees are based was lower than a year ago, following the divestments of AKsys in October 2008 and Lewa in summer 2009. On page 52 of our Annual Report we provided further details concerning the measurement basis, which I therefore do not want to repeat here. I referred to this expected trend in my report at our last Annual Meeting.

Coming to the expense items on our income statement: Other operating expense decreased on the previous year by 0.7 million euros to 10.9 million euros. This item largely relates to expenses from investment management activity, meaning the purchase, monitoring and disinvestment of portfolio companies or fund investments, in addition to general consultancy costs, office rental and sales tax expense. Since we analysed considerably less investment opportunities due to the state of the market, the costs for investment management activity were markedly lower than a year ago.

Personnel costs increased, up from 12.0 million euros to 13.4 million euros. We rewarded our profitable realisations. At this point, let me briefly address the compensation system that we have installed at the Company for the members of the Board of Management, the investment team and a number of other staff. It largely 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; this component is restricted to members of the staff who are directly involved in the investment business.

In 2008/2009, Deutsche Beteiligungs AG exhibited better performance than the year before; additionally, we were able to successfully realise value that was built through the sales I mentioned. Both led to an increase in personnel costs. This chart illustrates how strongly this item in the income statement is linked to the investment performance.

Net interest for 2008/2009 totalled 2.0 million euros – “only”, one might want to say. Namely, it dropped by 2.8 million euros on the previous year even though we had higher levels of liquid funds on average in 2008/2009 than in the prior year. The reason for this trend is self-evident: Interest rates have fallen sharply across the board.

As you know, it is not our intention to create value by cash deposits, but by investing in promising enterprises. But we are also prudent business people. That is why we deposited our cash funds safely; more than half of the liquidity which we momentarily do not require is invested in German government securities.

That brings us to the balance sheet.

We conduct the business of *your* company 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. As I mentioned before, we achieved that target again this past financial year. We started the past financial year with net asset value of 17.90 euros per share. From that, we need to deduct the dividend of 0.40 euros per share paid in March 2009, bringing the NAV to 17.50 euros per share.

One year later, on 31 October 2009, net asset value per share was 18.94 euros. This equates to an increase of 1.44 euros per share – or a positive change of 8.2 percent.

The structure of our balance sheet has not changed significantly: On the assets side, our liquid funds – totalling 124 million euros at 31 October 2009 – now exceed the value of our financial assets of some 107 million euros. This is the result of a series of very profitable sales, both in 2009 and in the preceding years. But it is also the result of the investment restraint we exercised in the boom years.

Dominating the liabilities side is our equity capital, which accounts for 89 percent. The other liabilities are spread over minority interest and provisions. There is no bank debt.

The financial base of *your* Company, ladies and gentlemen, is extremely sound. This is an invaluable asset under the current economic circumstances. I will enlarge upon that when we look at the prospects for your Company.

But first, the dividend that we recommend paying for the year.

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 our business’s strong volatility 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 surplus dividends. By this – dividends and surplus dividends – some 116 million euros have been returned to you in the past five years. Assuming you approve our dividend recommendation, almost another 14 million euros will be added to this.

To adapt the balance sheet to our investment requirements, we spent another 90 million euros for share repurchases in the past five years, thereby returning that capital to shareholders. By the way, for an average purchase price of 17.58 euros, or clearly less than the current net asset value per share.

A total of 217.6 million euros in dividends, surplus dividends and share buybacks since 2004 – that represents 93 percent of the equity Deutsche Beteiligungs AG posted at the start of financial year 2004/2005 after the most recent capital increase. Even though we paid out this enormous sum, our equity will be approximately ten percent higher tomorrow, after the dividend payment, than it was five years ago. This impressively illustrates once again how successful the investment team of Deutsche Beteiligungs AG has been.

Incidentally, we were able to bestow similar cash flows on the investors in our co-investment funds – one convincing reason for our good standing as fund managers.

When we – the Supervisory Board and the Board of Management – now request your approval on our recommendation of paying a dividend of 40 eurocents per share and, on top of that, a surplus dividend of 60 eurocents per share, which adds up to 1.00 euro per share or a total of 13.7 million euros, we are implementing exactly that dividend policy. As in the past, we take our bearings from current interest rates and the net asset value per share: 40 eurocents on 18.94 euros, that equates to more than two percent, or slightly more than the rate achievable in the money market this past year. The surplus dividend derives from last year's profitable realisations.

One euro per share – that corresponds to a dividend yield of more than eight percent based on the average share price over the 2008/2009 financial year, and of about five percent based on the current market price.

Let me conclude my report on financial year 2008/2009 with a glance at the performance chart of DBAG shares.

It comes easy to me this year, because DBAG shares outperformed in nearly all comparisons. Whether we look at the past financial year or a period of five or ten years, whether we match ourselves with other listed private equity firms or with the German market indices – the shares in your Company almost always rank at the top.

Some of you may recall last year's Annual Meeting: In March 2009, I said that DBAG shares were a good buy at their quotation of 10.20 euros at that time. I substantiated that, among other things, by the sizeable liquidity per share, which at that point equated to some 80 percent of the share price. I demonstrated that you could purchase the portfolio of Deutsche Beteiligungs AG at a big discount, and good prospects for value growth would accrue from it. Many investors were evidently of the same opinion. The stock market turnover of DBAG shares since March 2009 equals about half of our shares, and there will probably be many happy new investors among you today!

That brings me to the current financial year and the prospects beyond. We issued the report on the first quarter last week. We largely owe the consolidated first-quarter profit to a change in sentiment on the stock exchanges in the period from the end of October to the end of January. The price of Homag shares surged by 31 percent, thereby rendering a positive contribution to valuation of almost seven million euros. As we reported in the interim report,

we are currently observing an improvement in the project pipeline and in orders of most companies in the portfolio.

The consolidated first-quarter profit results in an increase in net asset value of 0.68 euros per share; this represents a rise of 3.8 percent after the first three months of the financial year.

What does that mean for the complete 2009/2010 financial year? The first quarter of the current financial year has again shown that short-term earnings forecasts fail to do justice to our business model. We are not in a position to foresee the price movement for Homag shares and, consequently, the value of this investment. The same applies in general to the valuation ratios in the quoted markets, which we use in determining the value of our investments. There are growing signs of economic recovery, albeit gradual. This is essentially conducive to value creation, also among our portfolio companies.

Nonetheless, you should, of course, not expect very outstanding results for this or probably for the coming year. The very high portion of liquid funds that we carry in the balance sheet following our successful realisations dilutes the return on equity for the time being.

Before us lies a time when we need to sow the seeds. We need to create the foundation for value growth and profitable realisations in the coming years through new investments. Our sizeable liquid funds, which are only generating very low returns, temporarily have a diluting effect on the return on equity. Our focus will now be directed to investing these funds in promising investee businesses.

My colleagues and I are convinced that the demand for what we are able to provide will continue to grow: 2010 and 2011 will be years of high equity needs. Prophetic powers are not required – a glance at the headlines in the news underscores this estimation.

Why this need, and where do we see opportunities for us – *your* Deutsche Beteiligungs AG?

The chief of BDI – the Federation of German Industry – voiced the opinion that many companies of Germany's "Mittelstand" have a considerable equity requirement. The crisis has strained the traditionally scant equity base of many

companies. When the economy rebounds, growth will have to be financed. Banks, according to numerous public lamentations and cries for help on the part of individual companies or whole industry associations, are currently tight-lipped. If borrowings are unavailable, equity could step into the breach.

Moreover, some five billion euros which banks provided in recent years to mid-sized companies as mezzanine capital – or equity substitute – will be up for refinancing in the next four years. Offers to extend or refinance these mezzanine loans are currently almost non-existent. This, too, will fuel the demand for equity and open up attractive transaction opportunities for us. We expect that many mid-sized companies will be prepared to accept private equity investors as new shareholders.

However, most of these negotiations will not end in classical buyouts: Minority investments of the kind we very successfully structured in the 1990s will return.

You may have read in the newspapers this morning that we have responded to the new market conditions by extending our finance product range: We will commit 100 million euros from our own balance sheet to these expansion capital investments. Moreover, we are in discussions with potential investors willing to commit at least another 100 million euros through a co-investment fund. In total, we will have a minimum of 200 million euros under management for expansion capital investment in established companies of Germany's "Mittelstand" in the coming years.

But we are also optimistic about a revival of the buyout market, which has recently been extremely weak. Why? In the boom years of 2006 and 2007, financial investors acquired companies with a completely inappropriate capital structure, meaning high levels of debt finance. Some of them will be up for sale again this year and next. However, for a lower – if you like, appropriate – price that leaves scope for these companies to develop and, consequently, for a commensurate value appreciation. And just as many mid-sized companies will seek to alleviate their shortage of equity by taking on new partners, larger corporations will want to part with units in order to generate liquidity and reduce debt.

In this scenario, private equity will be able to play out its important role for the economy. We financial investors are the capital market for companies unable to access the stock exchange.

Despite the strategy adaptation, there is one thing we will definitely adhere to: our tried-and-true investment criteria. I have addressed these many times at our Annual Meetings. Let me just briefly enumerate them: We like companies who

- operate in select industries, our “core sectors”,
- have an excellent market position,
- are globally present and – needless to say –
- have a strong, entrepreneurially driven management team.

We expect to be seeing much more attractive investment opportunities than in these last two years. We are ready and able to take advantage of them:

- with our experience across multiple investment cycles,
- a dedicated and successful investment team and
- a strong balance sheet with sufficient funds for investment.

Thus, we are very confident that your Company will progress on its chosen path and request that you continue to put your trust in us.

Let me now make a few brief remarks on the agenda, which has turned out to be particularly long this year. One reason is that there are two elections to Supervisory Board and, moreover, we need to renew the authorisations to create new authorised capital and for the issuance of warrant-linked bonds and/or convertible bonds, both of which were valid for five years. These are items 8 and 9 on the agenda. Those of you who were shareholders five years ago will have noticed that we limited the option of excluding shareholders’ subscription rights in conjunction with a capital increase to 20 percent of the share capital. This is in compliance with the request of many shareholders. However, some international investors’ representatives call for not excluding shareholders’ subscription rights at all. To concede to such stipulations would, in our opinion, not be in the interest of the Company and its shareholders. For example, a capital increase through contributions in kind would be impossible if subscription right were not excluded.

Likewise, we will also comply with an issue recently raised on your – the shareholders’ – behalf. We will join the so-called Carbon Disclosure Project. The large investment fund companies want stock corporations to document

their carbon footprint. Irrespective of the scientific controversy about everything involving the subject of “climate change”, and above all, irrespective of the fact that our emissions are certainly modest, we decided to collect and report the data. By this, we hope that all investors will in future be able to ratify our actions unconditionally and without reservation.

Back to the Agenda: Under Item 7, 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 10 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, which we already dealt with at last year’s Annual Meeting. The “ARUG” – the Act Implementing the Shareholders’ Rights Directive – largely enacts statutory EU requirements into German law. The amendments to the Articles of Association account for, and put into practice, the stipulations of this Act.

In light of the long and itemised substantiations contained in the Agenda, I will waive going into further detail.

Instead, I would like to take this opportunity to express our gratitude to the two Supervisory Board members who will be stepping down from their offices. Both of you, Dr Binder and Professor Leister, have served the Company with your broad knowledge and wise counsel for many years. Dr Binder joined the Supervisory Board in 1995, Professor Leister as early as 1988. You are now leaving your offices not because you have grown tired of Deutsche Beteiligungs AG, but as a consequence of the ever stronger formalisation of corporate governance. The German Corporate Governance Code, to which we subject ourselves in the interests of the shareholders and investor relations, requires setting an age limit for Supervisory Board members. We all very much

regret that you will now be retiring from our Board, but we know that our ways will cross again in the future.

The Board of Management, the Supervisory Board and the shareholders have every reason to thank both of you for your outstanding commitment and service to the Company in your offices on the Board. Ladies and gentlemen, I believe that I also speak on your behalf in wishing Dr Binder and Professor Leister all the best for the future.

To conclude my report: In 2008 for the first time, we sent you a voucher, along with the invitation to the Annual Meeting, for a visit to an exhibition at the Schirn Kunsthalle in Frankfurt. We have maintained our commitment as “Friends and Sponsors of the Schirn” and you have received vouchers this year again. There are two reasons for doing so: We want to call attention among all those who are not from Frankfurt or vicinity to the Schirn Kunsthalle and the formidable exhibitions that are always staged there. As a company domiciled in Frankfurt, we feel committed to sponsoring one of the city’s major cultural institutions. My colleagues and I hope you will make use of our invitation and wish you an inspiring visit to the paintings of the Impressionist artist Georges Seurat.

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