



Speech by
Wilken von Hodenberg, Spokesman of the Board of Management
of Deutsche Beteiligungs AG,
Frankfurt am Main,
at the Annual Meeting
on 14 March 2008 in Frankfurt am Main

Translation: The German version of this speech is authoritative.

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 attachment with the Company.

The Chairman of the Supervisory Board, Mr Richards, has already indicated what the keynote of my report will be: I will talk about a year that we completed posting a record profit and an utterly unbelievable return. Financial year 2006/2007 merits a bold exclamation mark!

And I will also comment on the first-quarter result for the current financial year. We issued the report this morning – it is here for you to take with you. The first-quarter figures look different. But there is absolutely no cause for alarm. My remarks will dispel any possible worries you may have.

In my report, I will comment on the past financial year as well as the first quarter of the current financial year, and I will present an outlook.

Let me first address the key results and events of this past financial year.

- With the consolidated profit totalling 136.5 million euros, Deutsche Beteiligungs AG set an all-time high in the Company's history – for the third consecutive record year. It exceeds the previous year's result by more than two thirds. We can certainly be very pleased about that, and we can rightly be even a little proud.
- After all, ladies and gentlemen, this result equates to a total return on equity per share of 56.2 percent. You have to look hard – very hard – to find a company on the German quotations list generating a similar return. That also applies when looking beyond the span of one year. A longer-term view is much more appropriate for the nature of our business anyway: That view, too, brings an outstanding accomplishment to light: we earned an annual average return of 21.4 percent on equity per share over the past ten years, after taxes, of course.
- It would not be wise to rest on our laurels. Tomorrow's earnings come from today's investments: we invested the sum of 40.3 million euros this past year – for instance, in raising our stake in our long-standing portfolio company Homag and in management buyouts of MCE AG and the Coperion group.

Strictly speaking, that could actually be all there is to be said about the past financial year. Most of you are surely particularly keen to know what we plan to do and aim to achieve in the future.

Still, let me stay with the 2006/2007 financial year for a few more minutes. I would like to explain how these very good results came about. That allows us to draw important conclusions for the future.

“The success of our business is based on a careful selection of portfolio companies.” – That is the introductory sentence to the letter to shareholders in our latest Annual Report. Naturally, we profited this year, as we did the two preceding years, from the robust business environment with growing economies around the globe. And we also benefited from the upbeat sentiment on the stock markets – opening the way to an IPO for Homag Group AG this past year and Bauer AG the year before.

But we would not be successful, if our investment activity were solely dependent on economic growth and a bull market. The question is: What kind of companies do we seek?

Our investment decisions are rooted in over 40 years of experience in Germany's "Mittelstand". Invariably, we prefer to invest in those very competitive sectors of the German economy – in mechanical engineering, for instance, with its many globally positioned *hidden champions*, or in automotive suppliers, whose innovative products contribute to the reputation of cars *made in Germany*. These companies have excellent positions in their markets. Their products are in demand. Either because people simply want to have them, or because they are needed to enhance production process efficiency. The mechanical engineering companies in our portfolio benefit from that: They equip factories that are being erected – today and, in our estimation, in the next five, ten years and beyond. For instance, in China, in India, in Russia – just to mention the biggest customer countries. But there is also strong spending in the Gulf States, in Vietnam, Indonesia, Brazil. One aspect applies to the automotive suppliers in our portfolio – and those we would like to see in it: they provide products for cars whose sales are much less dependent on general consumer spending than common middle-class or small cars. In aspiring countries, a Mercedes, BMW or Audi is a must have – a product consumers will not tend to economise on, even in harder times.

Our portfolio companies are globally positioned. That makes them less susceptible to cyclical swings. Our goal is to make these companies even stronger in a joint effort with their managements. For example, by expanding the sales organisation. Or by broadening the product portfolio. All that adds value to a company. Moreover, the management boards and senior executives at the portfolio companies work to improve internal processes, and they optimise the capital employed. We enable the expansion, if appropriate and reasonable.

Our Annual Report contains three reportages on such *hidden champions*. The companies described are demonstrative of our entire portfolio – and beyond, for the companies we aim to purchase in the future.

The success of our business this past financial year was founded on that investment strategy: our portfolio has grown considerably more valuable.

Based on the accounting in conformity with the International Financial Reporting Standards (IFRS), these value gains are mirrored in our income statement. That applies regardless of whether the value appreciation has been realised through the sale of an investment, as was the case for Homag and Dörries Scharmann this past summer, or is solely the result of a sound valuation procedure at a specific closing date.

I pointed out in a number of instances at past Annual Meetings that this accounting format is directly influenced from one quarter to the next by stock market trends.

In the IFRS format, our income statement does not, in first place, reflect realised income, but valuation changes. These do not necessarily have to do with the portfolio companies' development. They may be triggered by stock market conditions.

For example, the price drop of Homag shares in the first quarter produced a negative valuation effect of 23.6 million euros for our portfolio. The price trend in the second quarter – based on yesterday's quotation – would again have a positive valuation effect of about nine million euros.

So much on the valuation result, the most significant item on our income statement, which I would now like to briefly comment on. An in-depth account is contained in the latest Annual Report you received along with the invitation to this Annual Meeting.

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

- current income from investments, meaning profit disbursements from our portfolio companies and
- other operating income, which, in particular, includes fee income we receive from management services to our co-investment funds.

This past year, current income from financial assets and loans and receivables totalled 9.9 million euros. This falls short of the preceding year's amount by 10.6 million euros. Current income in that year contained a profit share attributable to the investment team, which, due to consolidation rules, was required to be disclosed in the income statement of

Deutsche Beteiligungs AG and offset through a counter-entry in item “minority interest”.

The second item, “other operating income”: Totalling 15.8 million euros, it was up moderately on the previous year, which saw income of 12.4 million euros. The major items contained in other operating income are fee income from our managed co-investment funds of 7.2 million euros and consultancy fees of 2.2 million euros. In the previous year, management fees had amounted to 5.6 million euros and consultancy fees to 0.5 million euros.

Fees for management services depend on the size of the co-investment funds we manage. Now that the DBAG Fund V has started its investment phase, we will be recording higher management fee income from this fund, due to its larger size.

Please let me briefly come to the expense items on the income statement. Other operating expense decreased against that of the previous year by 3.7 million euros to 11.8 million euros. This item largely relates to expenses from investment management activity, meaning the purchase, monitoring and disinvestment of portfolio companies or fund investments. These costs declined compared with 2005/2006.

Personnel costs were also down, from 22.0 million to 17.9 million euros. The decrease mirrors the remuneration model that applies for the Board of Management members and for members of the investment team. Our compensation is to a large extent performance-linked. Now you may ask: profits were clearly up – why was performance-linked income down? Well, we only reward performance, meaning the value growth of investments, when that value is actually realised at an investment’s ultimate sale. Since realised profits fell short of those posted the previous year, performance-related remuneration also declined.

Net interest totalled 5.9 million euros in 2006/2007, exceeding the previous year’s 3.6 million by 2.3 million euros. The rise is due to higher levels of cash funds on average over the year and higher interest rates.

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 – or equity – per share on the long-term average by a rate that exceeds the cost of equity.

We determine the return on equity per share as follows: We divide the net asset value per share at the end of a financial year by the opening net asset value per share at the beginning of the financial year. From that we deduct the sum recommended for the dividend payment.

This indicator tells you what the fair value of a share in Deutsche Beteiligungs AG is – this follows from the valuation methodology we are required to use. A rise in this indicator means the fair value has grown.

We started the past financial year with net asset value per share of 19.07 euros. From this, we deducted the dividends of 3.00 euros per share paid in March 2007. One year later, on 31 October 2007, net asset value per share was 25.09 euros. That equates to an increase of 9.02 euros per share – and a fantastic return on NAV per share of 56.2 percent.

In my remarks on the rise in net interest, I mentioned our sizeable cash position. At 155.8 million euros it remained high – despite dividend payments of 45.5 million euros and share buybacks of 25.9 million euros, or a total of 71.4 million euros.

We generated exceptionally high cash flows from our investing activities in the past three years: We took in from divestments 365 million euros more than we spent for new investments. If you approve our dividend recommendation, we will have returned after the dividend payment on Monday almost 200 million euros of that amount to you, the shareholders, in the last three years.

There is no need to worry about our financial scope: Even after the dividend payment, we will still have sufficient funds of almost 100 million euros available for investment.

In addition to our liquidity position, the basis for our dividend recommendation is the legally valid profit for the year posted by Deutsche Beteiligungs AG, calculated in conformity with the German Commercial

Code. That profit amounts to 62.0 million euros. The recommendation on today's Agenda consists of the payment of a regular dividend and, once again, an extraordinary surplus dividend.

The Board of Management and Supervisory Board recommend doubling the regular dividend paid the previous year of 50 eurocents to one euro. This amount is geared to the net asset value per share and current money market rates. We will endeavour to pay a dividend of this amount in the future too. At current price levels, this equates to a dividend yield of some 4.5 percent.

However, you should not expect us to pay an extraordinary surplus dividend in the future. My colleagues and I want to expressly underscore the extraordinary nature of this surplus dividend. We owe it to our exceptional performance this past financial year and our sizeable cash position. For this year, we recommend paying 2.50 euros per share.

A total of 47.9 million euros is therefore slated for dividend payments.

We bought back shares for the third time in 2007. At this Annual Meeting, we request your renewed authorisation to conduct another share buyback programme. We consider share buybacks a good vehicle by which to return capital the Company does not need for its operations to shareholders.

I would now like to report on the share repurchases conducted in 2007, as prescribed by law.

Shareholders at the 2007 Annual Meeting authorised us to acquire up to ten percent of the Company's then issued share capital via the stock exchange or by a tender offer to all shareholders or an invitation to submit such a tender.

In 2007, we made use of this authorisation in two steps: Initially, HDI Gerling-Lebensversicherung, one of the two remaining long-standing principal shareholders, offered to sell 750,000 shares for 24.38 euros per share. We accepted that offer and purchased those shares for a price considerably below share price quotations at that time. They were retired and cancelled on 30 July 2007 without reducing the share capital.

Additionally, we acquired shares through an on-market buyback programme. We commissioned a bank on 16 August 2007 as the independent dealer managers for the buyback programme; in that capacity, the bank decided independently and uninfluenced by us when the shares were to be purchased. The on-market buyback programme was completed on 14 December 2007. A total of 727,505 shares were repurchased and 17.0 million euros spent for the buyback. The shares repurchased through this buyback programme were also cancelled without reducing the share capital. The new number of issued shares is now 13,676,359.

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

It depicts the value growth of our shares since November 2006. And it also leads us into the current financial year.

Gaining 57.2 in value in the 2006/2007 financial year, DBAG shares recorded an outstanding performance and beat the relative indices. Of course, the below-average price performance, starting in autumn, does not escape one's notice.

Why these erratic swings?

Well, private equity shares are indicators of stock market sentiment. If the sentiment is upbeat, private equity shares are often traded at a premium on net asset value per share – as were our stock from early 2006 to mid-2007. If the sentiment is downbeat, the premium is quick to turn into a discount on the intrinsic value, since, due to lower stock market pricings, the current market value of the portfolios of private equity company is expected to drop as well.

The chart on the wall behind me illustrates that: Similar to our shares, other private equity stock also underperformed the market.

What does that mean for you, our shareholders?

First of all, you now have the opportunity of investing in a good portfolio at a sizeable discount on its intrinsic value. We published that intrinsic value

of 23.58 euros per share at 31 January 2008 this morning – our shares are currently being traded ten percent below that level.

And second, please remember that private equity investments are long-term by their nature. In the long run, the recent share price decline did nothing to change the rewards for those who invested in DBAG shares with a long-term view.

This past year, we had to put a substantial part of our work and energy to use for other purposes than developing our portfolio.

You will perhaps have noticed that our Annual Report has become much more voluminous. A part of that additional volume comes from a random check performed by the German Financial Reporting Enforcement Panel (FREP). This panel has been checking the financial reporting of quoted companies for three years now. Its objective is to perform checks at companies that are constituents of indices of the German Stock Exchange every four to five years; within the scope of such a random check, the FREP examined our first closing drawn up in the IFRS format – that of financial year 2004/2005.

We had long discussions with the FREP on issues concerning the group of consolidated companies of Deutsche Beteiligungs AG, and we also had differing views regarding required disclosures on related party transactions or the administrative fees from co-investment funds. Our view was and still is corroborated by our independent auditors as well as numerous other experts.

The FREP's criticism related to required disclosures. The correct recognition of shareholders' assets was beyond doubt. We have already accounted for the FREP's views in the past two years; that pertains to the consolidated financial statements for financial years 2005/2006 and 2006/2007. We complied with the FREP's requests and, for instance, have expanded the disclosures based on IAS 24; you will find them on pages 118 to 126 of our latest Annual Report. Irrespective of our opinion, but with a view to the costs incurred and to an efficient use of our resources in our small company, we chose to acknowledge the alleged misstatement ascertained by the FREP, instead of going through tedious and costly legal proceedings. I am sure we dealt with this in your interests.

I mentioned that I wanted to talk about what we plan to do and what we want to accomplish – meaning what you can expect of us.

Let me start with the first-quarter result: The consolidated loss did not come about because our portfolio companies have deteriorated over a period of three months. On the contrary: many of them completed 2007 recording a better performance than we had expected last November, the valuation date for our 2006/2007 annual closing. However, stock market pricings have seen a change: companies quoted there have lost in value. And since stock market price trends constitute a measure for our valuation procedures, that change is mirrored through the income statement in our balance sheet.

Notwithstanding, we expect to generate a positive result for the full financial year, despite the first-quarter loss.

That assessment is based on the current state of our portfolio companies and their 2008 budgets. The majority of these companies has forecast earnings growth, which – given the current stock market multiples – would lead to value uplifts on these investments. Of course, for this prediction we would have to imply that the economy will not plummet on a broad scale. Should that happen, our portfolio companies would be unable to avoid being affected.

A loss after three months, a gain after twelve months – and beyond?

Our business model has been very successful in the past – the returns are proof of that. We are convinced that we will be capable of achieving our return target in the future too. The basis for that are the companies in the portfolio. We described them in our Annual Report; there, you will also find an account of where we see the potential inherent in these companies.

More information on our investments can also be found on the websites of these companies. You can go there from links on our own Internet site, with which you are surely familiar. During the break after taking the votes at this Annual Meeting, you will also have an opportunity to see short films on two of these portfolio companies.

There is a new company that I would like to present to you in greater detail. Three weeks ago we announced our intention to acquire ICTS Europe Holdings alongside our co-investment fund and that company's management. As usual, the purchase contract is subject to approval by antitrust authorities, but is expected to be completed in the coming weeks.

What does ICTS Europe do?

ICTS Europe Holdings B.V. is one of the largest providers worldwide of aviation security services. You could say: ICTS Europe is a synonym for aviation security. The company screens airport staff, passengers and baggage on behalf of airports and regulatory agencies. For airlines, ICTS Europe provides legally required security services, for example, the security screens prescribed for flights to the United States. Moreover, ICTS Europe is a technology leader in the security industry: the company has succeeded in continually rolling out innovative products, such as new software solutions that help airlines and airports improve the efficiency of security procedures.

At the beginning of my report, I spoke about our investment strategy: we seek companies in particularly interesting and competitive industrial sectors, companies that are well poised in their markets and have a global presence. ICTS Europe is a perfect fit for these – and the many other – investment criteria:

- Industrial services are one of our five core sectors. Security services for airports and airlines are services for a growing industry, and that in two respects: air travel is growing, and security standards are too, although as a passenger you may find them a nuisance.
- As one of the leading providers, ICTS Europe has an outstanding position in the market. The fact that ICTS Europe is the only independent company capable of providing the complex screens for US airlines throughout Europe is indicative of that.
- Although the company's name is ICTS Europe, its operations already extend far beyond. With a customer base of more than 200 airlines, airports, transportation companies and regulatory agencies, the company's reach also includes a number of non-European regions.

ICTS Europe is present at 81 locations in 24 countries with a staff of 10,100.

ICTS Europe has grown strongly in the past years, most recently achieving annual growth rates of ten percent and generating sales of 320 million euros. We expect this dynamic progress to continue. Not only because of the growth in this market, but because of the particular quality of this company. It has developed products and services that meet growing security needs. That makes ICTS Europe an attractive partner for airports and airlines that do not yet belong to the company's customer base. With our support, its business is slated for expansion – in eastern Europe, for instance, in the US and in Asia.

In past months, you have certainly been reading a lot about the credit crisis, which has preoccupied all of us since summer 2007. Occasionally, market observers took the view that the credit crunch would make business for private equity companies more difficult, if not impossible.

We cannot confirm that. No doubt, credit terms have changed. In an environment, where only a year ago generosity and, at times, even laxity prevailed, sobriety has again taken hold. But there can be no talk of a standstill, at least not in our segment of the market. Proof of that is the number of deals transacted in the past months. And last but not least, proof of that comes from our own investment activity.

My colleagues and I are therefore confident that attractive investment opportunities will not be thwarted for reasons of not being able to finance them.

I have already talked about our expectations for the current financial year. Looking ahead farther, we are confident about the future.

There are three reasons for that:

First, our portfolio. Over the past years, we have grown into a genuine buyout house. Today, more than three-quarters of the portfolio value are attributable to management buyouts of healthy, well-positioned mid-sized companies that are strong in earnings and growth and, consequently, offer good potential for value appreciation.

Second, our market. It keeps growing and growing – not as constantly as VW’s famous engine that keeps running and running and running, but nevertheless exhibiting a solid upward trend. There is no reason why private equity in Germany should be less significant than in other comparable economies – against which we still have a lot of catching up to do.

Third, our investment team. We are experienced and acknowledged investors. Our share of the German market is proof of that, and the long-term return I referred to before, which the team generated for you, is also proof of that!

Coming to the close of my report, I would like to tell you about our sponsorship of the Schirn Kunsthalle Frankfurt. Our domicile is located in Germany’s finance centre, the city of Frankfurt – a good place to work and live. One reason for that is the many-faceted cultural scene in this city. Our company therefore stands to profit if we do our part to ensure that Frankfurt is, and continues to be, an attractive metropolis.

We have been doing that for a number of years through our sponsorship as “Friends of the Schirn”. We invite you to make use of the voucher attached to the invitation to this Annual Meeting that all shareholders received – maybe even right after the Annual Meeting. From my own impression, I can warmly recommend the exhibition “Women Impressionists” at the Schirn Kunsthalle. It runs until 1 June 2008.

Before the discussion begins, I would like to take this opportunity to express our gratitude to Mr Schmidt, who will be leaving the Supervisory Board. Over the past five years, Mr Schmidt served the Company well with his expertise and constructive counsel. The Board of Management, the Supervisory Board and the Shareholders have every reason to thank him for his years of dedicated service on the Supervisory Board. I am sure you will join me in wishing him all the best for the future.

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