

Speech by
Torsten Grede, Spokesman of the Board of Management
of Deutsche Beteiligungs AG, Frankfurt/Main,
and by **Susanne Zeidler**, Chief Financial Officer
of Deutsche Beteiligungs AG, Frankfurt/Main,
given at the Annual Meeting on 20 February 2020

Translation – The German version of this speech is authoritative.

Dear Shareholders,
Shareholders' Representatives,
Ladies and Gentlemen,

Welcome to our Annual Meeting!

I am delighted that you accepted the invitation to our Annual Meeting, giving us the opportunity to report to you personally on the progress made by the Company in the past year.

I would like to start by highlighting three aspects.

Firstly:

The implementation of our strategy is paying off. We have once again invested around 80 million euros from our own financial resources alone into new and existing investments – nearly double our ten-year average. DBAG's net asset value has increased by more than half since 2014, to around 470 million euros, despite total distributions to you, of 102 million euros. This translates into a value appreciation of close to 14 per cent per year.

Secondly:

Growth shall continue. To achieve this, we have further developed DBAG as an equity solution platform for the German mid-market sector. We offer long-term equity to family-owned businesses looking for long-term partners. The placement of the new DBAG Fund VIII allows us to invest larger sums in individual companies.

And thirdly:

Our key financial indicators have shown positive development, with net income surpassing the initial forecast for the financial year. We are once again proposing that the dividend be increased. Given the challenging environment, our outlook is cautious, albeit positive in the medium term.

As in previous years, the members of the Board of Management will jointly report to you:

Susanne Zeidler will comment on the past financial year with a focus on our financial targets, and present our new target and management system. Furthermore, she will explain how the new financial year has kicked off and elaborate on the forecast.

Subsequently, I will discuss the implementation of our corporate strategy in the past financial year and explain the development of DBAG as an equity solution platform for the German mid-market sector. To top off my commentary, I will also discuss the future.

Gerhard Roggemann has already pointed out that he himself and Wilken von Hodenberg will leave the Supervisory Board of DBAG at the end of today's Annual General Meeting.

On behalf of the Management Board and all DBAG employees, I would like to thank you both!

Now to our business, Susanne Zeidler has the figures.

Thank you, Torsten Grede.

Ladies and Gentlemen,

2019 was another successful year from many aspects.

I will report on how we – among other things, by further developing our investment strategy in a targeted manner – have mapped out what was evidently a right and sustainable course.

And I will explain how this foresight has also made a major contribution to the success of the past financial year.

I will discuss the following topics today:

1. the targets set at the beginning of the 2019 financial year and the results achieved,
2. the further development of our target and management system,
3. our financial expectations concerning the new financial year 2020, taking our first-quarter achievements into account.

With net income of 45.9 million euros, the value we achieved in 2019 fortunately outstripped our original expectations. In the 2018 Annual Report, we were still forecasting a figure that was 20 to 40 per cent below the reference point for the forecast, i.e., net income of up to 38 million euros. This good result of nearly 46 million euros is largely due to the positive impact of disposals, in particular the sale of inexo.

In 2019, we have once again also achieved our core business objective – a long-term increase in the Company's value: whilst DBAG's return on equity of 9.1 per cent was below the ten-year average of 11.5 per cent, it was still significantly higher than the cost of equity of 5.7 per cent.

Shares in Deutsche Beteiligungs AG performed slightly better than the Dax and significantly outperformed the S-Dax over the last financial year. In a three-, five- and ten-year comparison, they have actually outperformed these indices considerably in most cases. And since the beginning of the new financial year, our shares have also performed comparatively well.

Those among you who have known and accompanied us for some time now know why I talk about ten-year periods time and again: this is the long-term focus that we have in our line of business. Our closed-end private equity funds typically run for a period of ten years. They play a decisive role in determining the financial development of both of our business segments. It is only when our funds reach the end of their term that we can determine how successful they really were. So, measuring our success over a ten-year period is an approach that is based on our business model.

On the other hand, we are listed in Deutsche Börse's Prime Standard, the segment that imposes the highest transparency requirements, which is why we provide you with quarterly reports on our current business situation. In the context of these reports, we have to accept that short-term developments on the capital markets can obscure the view of the long-term trend.

We are pursuing three financial targets as well as three non-financial objectives, all of which contribute to our core business objective: growing the value of your Company, DBAG, in the long term.

Let us turn to our first financial target: the value contribution made by Fund Investment Services was slightly lower than expected in the financial year under review. This was partly because the invested capital – which forms the basis for calculating our fees – fell in line with the successful disposals from the portfolio. Net income from Fund Services declined further than income, which was due in particular to higher variable remuneration following the successful disposals. As you can see, income from Fund Services fell by 1.5

million euros to 28.2 million euros, while earnings before taxes decreased by 2.6 million euros to 3.0 million euros.

Both here and, where applicable, also on the next few slides, I am referring to the previous year's figures that had to be adjusted in accordance with accounting standards. In particular, this related to the recognition of irrecoverable interest receivables and the amount of fee income from Fund Investment Services, due to a clarification of contractual provisions.

The development of our Private Equity Investments segment is the main driver behind the outperformance of our financial forecast for the 2019 financial year. We have clearly achieved our second financial target: to build the value of portfolio companies. The portfolio value has increased by 21 per cent, reaching a ten-year high at approximately 422 million euros.

I had already briefly mentioned the disposal of our minority investment in inexo, executed shortly before the reporting date. We accounted for this investment in our financial statements at the disposal price that was agreed upon, and which was significantly above the value at the previous reporting date. With 40 million euros, the inexo disposal accounts for the larger part of the change in value of 49.3 million euros. The swift investment progress also contributed to this portfolio value increase: we invested more than 78 million euros, of which more than 57 million euros were attributable to five new portfolio companies. Moreover, we supported acquisitions by portfolio companies, contributing funding of just under 21 million euros.

This was offset by a portfolio reduction after disposals, amounting to 54 million euros. We executed four disposals during the year under review: Cleanpart (already agreed upon in the preceding financial year), Novopress, Infiana, and PSS, hence leading to the 2019 financial year exceeding our expectations: The earnings contribution from these disposals amounted to more than 13 million euros in the year under review.

Combined with the appreciation of inexo's valuation by just under 40 million, disposals thus form the basis for classifying the financial year as successful, despite the rougher environment.

In addition, the contribution to earnings made by the operating performance of our ongoing portfolio was also very positive – despite the emerging recession tendencies in the German industry, this figure came to 33.8 million euros, more than twice as high as the value achieved a year earlier.

Ladies and Gentlemen,

We reported volatile quarterly results in the past financial year. This was mainly due to changes in valuations on the capital markets, but also to quarterly fluctuations in the results of our portfolio companies. Both factors are a defining part of our business. Developments on the capital markets are something that is beyond our control. At the same time, they can significantly impact our result, as they did in 2019, with a negative effect of 22.7 million euros.

The strategic initiatives that we launch and support at our portfolio companies do not, of course, lead to a linear development either. As mentioned, the increase in the value contribution made by operating performance of just under 34 million euros that I mentioned earlier was achieved for the year as a whole across our entire portfolio.

This slide shows key financial indicators for those companies in our core and focus sectors that were part of our portfolio throughout the 2019 financial year – 17 out of a total of 22 companies. Revenue growth comprises organic growth and growth driven by acquisitions; the double-digit growth rate registered for focus sector companies reflects the fact that some of them are growing fast thanks to acquisitions. The companies listed here made five acquisitions during the year under review alone. This shows in the bottom line.

Focus sector companies generally have a lower capital intensity and can thus shoulder higher net debt. As a result, the average leverage ratio of companies from our new focus sectors is higher than that of the portfolio companies from our usual core sectors.

Our portfolio companies which are exposed to manufacturing industry are suffering as a result of the currently challenging market environment in this part of the economy, generating only a slight EBITDA increase in the past financial year, in contrast to our companies from the new focus sectors.

The portfolio value has reached a record level based on the last ten years. We have invested more than ever before in the past three years. We wish to continue this growth path and thus need the funds available at the reporting date as well as further returns from disposals. Our co-investment commitments for the currently investing funds were reduced within the course of our investment activities, yet they are still above available financial resources (by approximately 10 million), including the credit line.

We have incorporated average annual funding requirements for investments of around 90 million euros in our mid-term planning. We assume that we will continue to be able to cover these funding requirements with returns from

disposals. However, in light of the currently more challenging environment, at least for our industrial portfolio, we are considering longer holding periods in the medium term.

Dear shareholders,

It is our aim to have you participate in the Company's success through dividends that are stable and which rise whenever possible. That is our third financial target.

I am delighted to be able to propose the fourth consecutive dividend increase to you, a distribution of 1.50 euros per share. This means that we are once again sticking to our stated dividend policy in full. The essential aspects of this policy remain unchanged:

1. We do not want our dividend to depend on particular successes resulting from disposals, making it easier for us to deal with market abuse regulations, strengthening our position in sales processes, and facilitating the formation of expectations on the capital markets.
2. We want the pay-out ratio to reflect the growth in the Private Equity Investments segment,

and

3. Our aim is for a larger portfolio – from which we can expect more regular returns than in the past – to form the basis for an attractive dividend.

We promised to raise the dividend whenever possible. Our net income for the past financial year was up in a year-on-year comparison. In particular, however, it is the current net retained profit – the *Bilanzgewinn* under the German Commercial Code – of around 178 million that allows us to propose a dividend increase of five cents per share. This corresponds to a dividend yield of more than 4 per cent based on the share price at the end of the financial year. Compared to other S-Dax constituents and other listed private equity companies, this is an attractive sum.

The level of net retained profit under the German Commercial Code forms the basis to at least keep the dividend at a stable level. We have also incorporated this in our mid-term planning. Overall, our proposal is in line with our financial resources as at the reporting date, and with our financial planning.

Ladies and Gentlemen,

The next topic I would like to present is the development of our target and management system. Since the beginning of the new financial year, we are managing Deutsche Beteiligungs AG according to an evolved target system which forms the basis to achieve our forecasts and especially the core business objective: a long-term increase in DBAG's value.

Why did we refine our target system? We want to make it even easier for interested parties to identify the value of Deutsche Beteiligungs AG. The first step in this direction was the introduction of segment reporting five years ago – now we are taking the next step. The value of the Company is determined by the value of the two business segments, Private Equity Investments and Fund Investment Services.

We measure the performance of Private Equity Investments on the basis of the change in net asset value, whilst the performance of Fund Investment Services is derived from the long-term earnings development from this segment.

Net income remains an important indicator; after all, it is determined by changes in the contributions from both segments. However, what we would rather focus on are the long-term drivers of DBAG's value. Net income is much more volatile than the other two indicators, and its high level of volatility makes it difficult to assess our progress in achieving our long-term goal. With these changes, we are also getting closer to the reporting methods of other listed private equity companies.

In this context, we also revised the non-financial objectives, to forge closer links between them and the financial targets, and to strike an even better balance when considering all relevant stakeholders. As a result, the retention of experienced and motivated employees has been added as a non-financial objective. Our staff is key to the progress of our investment activities. It is therefore vital to DBAG's business success that we continually invest in the expertise, motivation and loyalty of our team, and monitor these activities closely.

I can only repeat: the core business objective of our activities is, and always has been, to increase the long-term value of DBAG. As our shareholders, you benefit twice – through attractive dividends and an appropriate market valuation of the DBAG share.

This brings me to my third and last topic. Net asset value hardly changed in the first three months of the new financial year. At 465.1 million euros, it was down 1.5 per cent on 30 September 2019. We have continued to invest, laying the foundation for future growth. The portfolio valuation had a neutral impact on the net asset value. The earnings generated by Fund Investment Services

improved as expected, slightly increasing by 0.2 million euros to 1.7 million euros – mainly as a result of lower overall expenses.

We remain only cautiously optimistic for the entire 2020 financial year, since the economic environment is hard to gauge. We expect to see below-average value appreciation from the portfolio. After deductions to reflect the dividend we are proposing to you today, the net asset value at the end of the financial year will be slightly, i.e. up to 10 per cent, lower than that seen on the most recent reporting date.

The earnings generated by Fund Investment Services, on the other hand, are likely to benefit from the new DBAG Fund VIII in the current financial year, and to rise considerably. The extent of the increase will depend on when exactly the fund's investment period begins. Net income is expected to be moderately lower than the five-year average – that is, in a range between 28 and 37 million euros.

Ladies and Gentlemen,

This brings me to the end of my commentary. It was my pleasure to give you a detailed overview of DBAG's successful performance from my perspective as Chief Financial Officer. I would now like to pass the floor to Torsten Grede.

Everything else now by Torsten Grede.

Ladies and Gentlemen,

In the past years we regularly reported to you how we have extended our investment focus to companies outside our core sectors since 2013. Not least the rough waters, which large parts of the German industrial sector have been navigating at the latest since 2019, have confirmed our repositioning. Within the course of diversifying our portfolio, we have defined three new focus sectors:

- broadband/telecommunications,
- IT services/software
- healthcare.

Why did we choose such a focus? Isn't our sector basically capable of investing in all kinds of companies, irrespective of their sector affiliation?

As a rule, we attach great importance to our investment team knowing its way about the various different business models existing in the sectors we

concentrate on. That is imperative, since it helps us make better investment decisions and successfully support portfolio companies in their further development.

In our 2019 Annual Report we illustrated the impact of these changes on our business by providing examples of how two of our core sectors and two of our new focus sectors have developed. Let us take a look at the 15 years until 2018.

In the first five-year period from 2004 to 2008 – up until the financial crisis – there were a total of 41 transactions accounting for a volume of 4.9 billion euros involving automotive suppliers, as well as mechanical and plant engineering companies, in our market segment. In the five years that followed the financial crisis, the number and volume of these transactions were significantly lower. Despite a marked recovery in the meantime, transactions have not bounced back to their previous level. The figures for 2019, which are now available, confirm this trend.

Over the past two decades, we have witnessed how Germany evolved from the weak old man in Europe to a leading global exporter. The success was so great that it became the country's biggest threat. We only need to take a look at US trade politics. However, the structural changes in the automotive industry are also affecting Germany and especially small and mid-market industrial enterprises. This affects the framework conditions for new investments in parts of the industry.

It is good that we took up the challenge early on and invested in new industries and business models. We have expanded our investment focus beyond the four core sectors.

Unlike the market for our four core sectors, the market for MBOs in our new focus sectors was practically non-existent in the period between 2004 and 2008. There has, however, been a steady increase in both the number and the volume of transactions in these sectors ever since. In fact, they recently outstripped the values seen for our core sectors.

The companies concerned, many of which were still in their very early stages at the turn of the millennium, have now reached a size and maturity that makes them attractive to financial investors. The companies in these sectors, which are still in their infancy in relative terms, are facing similar challenges to those faced by manufacturing industry over the last few decades:

- how to establish structures to cope with growth
- how to expand the product range

- how to tap into different geographical markets.

These companies often have to occupy markets very quickly. Acquisitions can often be a good way of achieving this objective.

We can provide key support in these endeavours with our relevant experience in strategic corporate repositioning and the help we can offer in allowing companies to achieve growth through company acquisitions.

Comprehensive compliance and sustainability standards are also playing an increasingly important role in corporate governance. Not only the general public, but also specifically customers and employees expect to have access to in-depth, indicator-based reporting on these issues. This area is slowly but surely becoming an essential factor in determining a company's competitive standing. We were very early movers in encouraging our portfolio companies to introduce corresponding standards.

The owners of the companies in our focus sectors are often their founders. We have noticed that they tend to be more open to private equity than traditional German mid-market companies are. This is reflected in the recent marked increase in the proportion of family succession transactions in our market. All in all, this makes for an attractive investment environment.

This explains why almost every second MBO that we have structured over the past three years has come from our new focus sectors. Overall, the sector structure of our investment portfolio has thus changed quite considerably since 2013. Whereas back in 2013, 94 per cent of our portfolio value was still attributable to the core sectors, this figure was more than sliced in half by the balance sheet date 2018/2019 – to 44 per cent, to be precise. The drop in the proportion attributable to the mechanical and plant engineering sector has been particularly pronounced, dropping from 69 per cent in 2013 to just ten per cent in 2019.

Within our new focus sectors, particular attention is currently focused on companies in the broadband/telecommunications sector, which accounted for just shy of one third of the portfolio value on the reporting date of 30 September 2019. This figure, however, still includes our portfolio company inxio, the sale of which had not yet been completed by the reporting date, but is already reflected in the valuation as at the reporting date.

The acquisitions of the industrial services provider Cartonplast and the STG Group – another investment in broadband/telecommunications sector – were also not completed until the first quarter. On 31 December 2019 – following

the closing of these two transactions – the companies belonging to this new focus sector accounted for 22 per cent of DBAG's portfolio value.

Ladies and Gentlemen,

DBAG has been active in the German mid-market sector for 55 years. We have built a strong brand over the years, cultivating a positive image as an entrepreneurial partner that is on hand to provide companies with support. We aim to do more to exploit this excellent market position by enhancing our product range. This broader range will make us more interesting for the mid-market sector, in turn strengthening our position on the market. This has already translated into significant growth over the last few years.

When it comes to expanding DBAG further as a platform for equity solutions for the German mid-market sector, we achieved two milestones last year:

1. We laid the foundation for making long-term equity capital available, especially to family businesses, from our balance sheet in the future, without the involvement of a private equity fund.
2. The new DBAG Fund VIII once again features a top-up fund allowing larger amounts to be invested in individual companies. We used the top-up fund in three transactions for DBAG Fund VII.

Let's start by talking about long-term equity capital: in the future, we will be providing long-term equity capital from our own balance sheet, especially for family businesses. This will allow us to make investments without being restricted by the terms that typically apply to structures involving funds.

We expect to hold these long-term investments for a period of seven years or more. These transactions will often involve minority shareholdings. DBAG has decades of experience with customised solutions like these.

We offer the predictability, experience and professionalism of an established private equity company with well-coordinated and transparent processes. We combine this with the patience and investment time horizon normally seen with family shareholders.

Minority stakes in family businesses can also be very attractive in financial terms, as is shown by the successful sales of Novopress and inexo last year. This is particularly evident in the case of inexo.

In 2013, we acquired a minority stake in the family business and provided additional profit-participation capital. Six years, various capital increases and

further acquisitions later, we were able to sell on our stake in what is now one of the leading independent and fast-growing providers of fibre-optic connections in Germany – with a capital multiple of 7.5x. This makes the transaction one of the most successful in our corporate history.

Providing long-term equity capital from our own balance sheet marks a further step in DBAG's further development as a platform offering equity solutions for the German mid-market sector. We will be working at full tilt over the next few months to successfully launch this new product on the market. At the same time, we will also be exploring further options for expanding our platform.

Let me now turn to the new fund: we started preparing for the new DBAG Fund VIII in as early as autumn 2018. The decision to place the new fund less than four years after the launch of its predecessor was motivated by our rapid investment progress. In November, we were able to generate capital commitments of a good one billion euros. This will increase the volume of assets under management and advisory from around 1.7 billion to approximately 2.5 billion euros and marks a further milestone in DBAG's development. The investment commitments made by Deutsche Beteiligungs AG for DBAG Fund VIII have increased by around 25 per cent to 255 million euros. Like its predecessors, the fund 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. In total, we expect this fund to make between 12 and 14 new company investments. With the top-up fund we can invest up to 220 million euros per transaction. The concept of a top-up fund has already proven effective with three investments under the DBAG Fund VII umbrella. Without a top-up fund, these transactions could only have been executed with the help of co-investors.

Ladies and Gentlemen,

Companies' strategies often fail not because the strategies themselves were wrong, but because the implementation phase was the problem. And the latter is something that has a lot – or even everything – to do with the human factor. The successful implementation of our strategy relies on our team and the best possible business processes. Our investment team represents a combined total of more than 250 years of private equity experience. Many of our colleagues have been with us for many years now and have also encountered challenging market phases during their time with us. This puts us in a position to support companies not only in growth phases, but also when potentially complex transformation processes need to be mastered.

In recent years, we have safeguarded DBAG's growth and the expansion of our investment strategy by expanding our support functions. Particularly in research, business development, human resources and legal, we now have a stronger in-house position than we did a few years back.

One critical factor for us is our further HR development as we compete with other companies for talent. Today, new employees for the investment team are selected on a broader basis than in the past. We have strengthened our presence at European universities and digitalised the recruitment process. For the current financial year, we are planning to visibly expand our investment team.

All of these endeavours are reflected in our new non-financial objective of "retaining experienced and motivated employees". This objective forms part of the target system that we use to achieve a long-term increase in DBAG's value. We invest a lot in our employees, focusing on ensuring a good working atmosphere and on allowing our staff members to strike a balance between work and family commitments.

Since the implementation of a project to optimise our business processes five years back, we have been working on achieving continuous improvements in our processes. This applies first and foremost to being there for our portfolio companies and is something we want to do even more systematically in the future. This explains why we assigned responsibility for this area to a specific employee last year.

Ladies and Gentlemen,

what are we preparing for in the current fiscal year?

The overall environment looks set to remain challenging. Parts of the German industry are faced with a recession. The automotive industry, one of Germany's key sectors, is in the midst of a process of major structural change. This is something we had already addressed last year. I have explained how we had reacted to this by tweaking the composition of our portfolio in recent years. These are efforts that we intend to keep up.

The overall conditions for private equity remain favourable. The low interest rate policy pursued by the central banks is ensuring a continuous inflow of further capital in our industry. As a result, we expect to see solid and ongoing investment activity, currently primarily for non-cyclical companies. There is still an extensive range of debt financing available in this area. Debt funds are playing an increasingly important role alongside banks. In a similar situation

to that witnessed in our industry, they are reaping the benefits of a strong inflow of funds from asset investors on the hunt for returns.

All of these factors mean that prices remain high. We will rise to this challenge by focusing on the systematic development of our team and ongoing improvements in our business processes.

So, what does this mean for DBAG? In the medium term, however, i.e. in the coming year and the year after next, we expect to see a significant increase in net asset value in line with DBAG's further development as a platform for equity solutions for the German mid-market sector. The new DBAG Fund VIII will contribute to this trend thanks to the larger co-investments and long-term equity capital made available exclusively using DBAG's balance sheet.

The title of our annual report summarises our speech:

“Identifying opportunities”

We have exploited the opportunities created by broadening of our sector focus.

“Driving developments”

We will continue to forge ahead with DBAG's further development as a platform for equity solutions for the German mid-market sector.

“Creating value through diligence and foresight.”

We will continue with our systematic efforts to improve our performance – particularly with regard to investment progress, portfolio development and our team. This will allow us to increase the value of our Company and, in doing so, create value for you, our shareholders.

Ladies and Gentlemen,

That rounds off my comments on the last financial year and our ambitions for the future.

My colleagues and I will now be more than happy to answer your questions.