Speech by
Torsten Grede, Spokesman of the Board of Management
of Deutsche Beteiligungs AG, Frankfurt/Main,
given at the Annual General Meeting on 25 February 2021

The German version of this speech is authoritative.

Dear Shareholders
Ladies and Gentlemen,

Welcome to our Annual General Meeting 2021!

I am sorry we can't meet in person this year.

Needless to say, we would much rather have welcomed you all back here at Palmengarten. Unfortunately, the Gesellschaftshaus is only serving as a backdrop for us today.

Thank you very much for your interest and your questions.
As always, we have given them a lot of thought and will answer them during the course of this meeting.

Ladies and gentlemen,

Let me start by highlighting three key messages of particular importance to my colleagues on the Board of Management, and to me personally.

Firstly: shortly after our Annual General Meeting last year, the COVID-19 pandemic induced a shock to the real economy, bringing economic activity to an abrupt halt around the world, even crippling it in some cases. And it is not over yet. However, we have weathered this crisis well. From where we stand today, the impact of the pandemic on DBAG is manageable.

Secondly: we have been significantly increasing investments in our portfolio during recent years. And the same applied to the year of the pandemic. This was based on interesting investment opportunities resulting from our good positioning in a market that remains attractive. We aim to make use of this situation in the years to come, and we will continue to follow our growth strategy.

And thirdly: despite the pandemic, we expanded our team in the past financial year. We have been growing for years, and are now reaping the fruit of our efforts, by appointing two long-standing members of the investment team to the Board of Management.

What am I going to be focusing on today?

Firstly, I would like to take a look at the last financial year – in particular, our proposed appropriation of profits.

Last November we announced changes to our Board of Management. That is my second focus.

Thirdly, I will outline the further development of our investment strategy, while at the same time taking a look to the future.

Now to the figures for the last financial year.

Remember that initially, capital markets reacted with shock to the pandemic outbreak. Share prices plummeted just before our half-year reporting mark, on 31 March 2020, dropping by almost 40 per cent in the space of four weeks.

We fully expected valuation multiples to have a negative impact on our quarterly results, and a significant one at that. It was not to be expected that earnings forecasts for the listed peer group companies would be adjusted as early as by the reporting date.

We therefore withdrew our forecast as early as in March. We did the same with our dividend guidance.

Indeed, we ended the second quarter with a loss of 93 million euros. This is the largest quarterly loss we have ever had to report in our almost forty-year history on the stock exchange.

What did that mean for the financial year as a whole?

Such was the uncertainty that we were not able to present a new forecast until May.

As you all know, the capital markets quickly rebounded. On 30 September, valuation multiples were considerably above the levels of 31 March once more, in some cases even significantly above the levels seen at the start of the financial year. However, considerably reduced earnings expectations also contributed to this.

Also, most of our portfolio companies were unable to escape the effects of the pandemic. This has had a negative impact on the development of the net asset value of our Private Equity Investments segment, which decreased by 50.1 million euros. Taking into account the dividend paid out, this represents a fall of 5.8 per cent year-on-year.

Fortunately, transaction business picked up again immediately after the end of the first lockdown. We were able to agree five new investments over the summer, and thus launched Fund VIII in the financial year under review. The notable increase in income from Fund Investment Services includes two months of advisory fees from this new fund.

Net asset value is made up of three components:

- financial assets,
- other financial instruments, and
- financial resources.

The main component of financial assets is the portfolio value: the sum of the gross fair values of all equity investments at the reporting date.

We invested almost 97 million euros in new equity investments during the last financial year. The portfolio has increased by a total of five management buyouts. We had already agreed one of them – Cartonplast – in the previous financial year; the transaction was subsequently closed in November 2019.

Disposals reduced the portfolio value by a total of 66 million euros. The disposal of inexio, which was agreed in September 2019, was completed in November 2019.

The remaining stake in Romaco Group has also been sold. We had already made plans for this disposal in 2017. The recapitalisation of our portfolio company netzkontor is also included in this consideration.

The impact of the pandemic is reflected in the negative change in value of 24.4 million euros.

As you know, deviations in the earnings at our portfolio companies are part and parcel of our business. During the past financial year, however, such deviations reached levels never before experienced. Our investments in the growth sectors of IT services, software and broadband telecommunications were not affected. In contrast though, a substantial part of the rest of our portfolio suffered from sharp temporary declines in demand. At 58.3 million euros, lower earnings expectations contribute significantly to the negative change in the portfolio value.

The additional financing needs of individual portfolio companies in connection with the pandemic and the repayment of loans by other portfolio companies almost offset each other overall. Nevertheless, the debt element of the portfolio resulted in a negative value contribution of 32.5 million euros. By far the largest part of this – 31.5 million – resulted from twelve leveraged acquisitions made by our portfolio companies.

Earnings multiples of listed peer group companies had a positive effect of 66.8 million.

Our portfolio value is always expressed as a gross value, and also includes imputed non-controlling interests (carried interest entitlements for the most part). At the end of the period under review, they amounted to 31 million.

As you know, it is not unusual for investments to prevail in some financial years and disposals in others.

Over the last three financial years, we have invested 80 million more than we have earned through disposals.

This has reduced our cash and cash equivalents to 18.4 million as at the reporting date, which includes 13.1 million from drawn credit lines. The investment entity subsidiaries hold additional financial resources amounting to 4.2 million; in addition, we are able to draw upon at least 16 million from deferred advisory fees.

We continue to identify interesting investment opportunities and remain committed to investing actively in companies. In the case of some portfolio companies, however, we anticipate longer holding periods and thus later returns.

We have secured credit lines to offset the highly fluctuating cash flow from investment activity. We recently increased our credit lines from 50 to 90 million, in line with our growth strategy.

Dear shareholders,

You know our dividend policy: it is our aim to have you participate in the Company's success through dividends that are stable and that rise whenever it is possible. This, in fact, is also one of our financial objectives.

Since introducing this dividend policy five years ago, we have been able to increase the dividend every year, therefore offering you, our shareholders, a continuously attractive dividend yield.

Our investments peaked. And we have set our sights high, even higher than before. Furthermore, we have made cautious assumptions for returns from our portfolio.

We cannot predict the future course of the pandemic. The same is true concerning the impact of spiralling global government debt. In these times, we are being particularly careful about what we do with our financial resources.

After careful consideration, and in light of these unprecedented times, we have therefore decided to suspend our dividend policy and, as a one-off, propose to lower the dividend to 80 cents per share.

Based on the closing price at the end of the financial year, this still translates into a dividend yield of 2.4 per cent. In the current capital market environment, our proposal therefore meets the criteria for an attractive dividend yield, helping us to ensure we can continue to implement our growth strategy for the benefit of the Company and in line with our ambitious targets for increasing net asset value. Your money is well invested here.

Let me add: we plan to return to our existing dividend policy in the new financial year, with an annual distribution of between 1.00 and 1.20 euros per share.

So much for the past financial year, which we will certainly all remember as being extraordinary.

How is the new financial year coming along?

We got off to a good start. The net asset value of Private Equity Investments increased by 3.6 per cent in the first quarter.

We have generated earnings before tax of 4.8 million euros in our Fund Investment Services segment, significantly more than last year – and more than in any previous quarter. The marked growth in assets under management and advisory of DBAG Fund VIII had an impact here.

As you know, with our business model you cannot extrapolate results of individual quarters to project the results of a full financial year. The figures for the first quarter are fully within the corridor of our forecast for the full year, which I will discuss later.

Ladies and gentlemen,

That concludes my comments on the past financial year; I would now like to take a look towards the future with you.

Let us begin with the changes within the Board of Management:

[Videos presenting Messrs Hunecke and Alzin]

Ladies and gentlemen,

This Annual General Meeting marks a step in the process of generation change within the leadership of your Company.

The Board of Management is being expanded and enriched by my two colleagues who have just introduced themselves to you. Personally, I am delighted to see Jannick Hunecke and Tom Alzin here, crowning their successful progress since starting their careers at DBAG with their appointments to the Board of Management.

This is testament to our long-term human resources strategy – geared towards the advancement of employees – enabling us to ensure team and management continuity at DBAG.

Both Susanne Zeidler and I are very much looking forward to working with Tom and Jannick.

It is with a heavy heart that we bid farewell to Rolf Scheffels. He would like to say goodbye to you with a personal message:

[Video Dr Scheffels]

Ladies and gentlemen,

In 2020, we continued to forge ahead with the development of Deutsche Beteiligungs AG.

In doing so, we have *“built on experience”* and *“explored new paths”*, exactly as the title of our latest corporate publication says.

This brings me to the further development of our investment strategy.

Tom Alzin has already touched on it: we are expanding our regional focus to include investments in Italy. Tom Alzin is also going to get involved himself there.

PM Plastic Materials, a manufacturer of cable protection conduits for electrical cables, was our first investment in Northern Italy.

There are several reasons why this region is so exciting to us: the economic structure is very similar to our German domestic market. And there are a lot of family businesses in sectors we are very familiar with.

On top of that, the region is characterised by a focus on innovation, frequently combined with decades of tradition, a high level of specialisation, long-term orientation and personal commitment from the owners themselves.

We therefore see excellent growth opportunities and are looking for further investments, especially in the industrial sector.

Jannick Hunecke has pointed out that investments in industrial companies remain a pillar of our investment strategy.

The focus increasingly lies on companies that play an active role in the digital transformation of the industrial sector. Jannick Hunecke has already mentioned the term “IndustryTech” in this context.

This sharpening of our investment strategy is also reflected in the past financial year. The pandemic has provided another strong push for the “Internet of Things” and “Industry 4.0” concepts. Our new portfolio company congatec will also benefit from this development.

congatec is an internationally positioned technology company in *embedded computing*, focused on *computer-on-modules* (CoMs) and industrial *single-board computers* (SBCs).

In other words, computers that are *embedded* in a technical context. Embedded systems provide their services in a variety of very different application areas, such as ultrasound machines, airplanes or TVs. Often these systems are broadly invisible to the eyes of users. Computers perform monitoring, control or steering functions.

Founded only in 2004, congatec is the global market leader in the *computer-on-module* segment.

Through this MBO, DBAG is once again investing in IndustryTech – namely in a company whose products are making processes in other companies – as well as everyday applications – faster, simpler and thus more effective. You could even say that this is about products that make automation, robotics and digitalisation possible in the first place.

In recent years, we have been intensively involved with companies operating in the *embedded computing* segment. Thanks to our investment in duagon, we already have a comparable business model of tomorrow's industry in our portfolio.

But how do you invest in rather more traditional industrial business models in the context of a pandemic?

The answer to this question lies in our investment in Multimon – a provider of fire protection systems. We are focusing on companies with development potential and those for whom the pandemic's effects are predictable.

In light of a highly fragmented service provider structure, we see great development potential for Multimon, including corporate acquisitions, the first of which was carried out shortly before year-end.

A large proportion of Multimon's revenues is accounted for by services, which are often subject to statutory requirements, making them easier to plan for. In addition, the company's client base is broadly diversified across several industries. Last but not least, fire protection, along with occupational health and safety, are business areas that are growing in a sustainable manner overall.

The successful partial sale of our investment in Pfaudler highlights the appeal of more traditional industrial companies. DBAG Fund VI originally structured the Pfaudler buyout in December 2014. In the midst of the pandemic, we have now succeeded in realising around 130 per cent of our original investment through the placement of shares in its Indian subsidiary and the disposal of 80 per cent of Pfaudler Group's international business. We still hold 33 per cent of Pfaudler's shares, and 20 per cent in the international business.

However, this success did not appear overnight. The change process needed to realise the development potential at Pfaudler was profound.

Particular challenges included Pfaudler Group's strategic repositioning through an expansion of its product range, as well as the reduction of an investment backlog and the modernisation of the company as a whole.

Several production sites in Europe and China were restructured and modernised. Pfaudler gave up its more than 100-year-old inner-city production site in Schwetzingen and moved to a modern production facility a few kilometres away. In addition, four company acquisitions have contributed to a broader technological base.

All of this tells you that we intend to continue investing in traditional industrial companies.

Another pillar of our investment strategy lies in our focus on the growth sectors of broadband telecommunications, software, IT services and healthcare.

A good example of this is our investment in Deutsche Giga Access.

Deutsche Giga Access is a high-speed regional internet and telephony service provider. It represents a further addition to our portfolio in the fast-growing broadband telecommunications sector, and marks the seventh investment in this dynamic sector.

Regional markets have to be explored and penetrated at top speed. Our strategy is based on a self-sufficient as well as a subsidised network expansion, and on the acquisition of existing networks. The aim here is to turn a small nucleus of a company into a provider with the broadest possible regional reach and a wide range of products and services.

Acquisitions play an essential part in accelerating the development of portfolio companies, especially in the growth sectors.

For that reason, we also make sure that our portfolio companies are sufficiently capitalised for them to be able to access attractive debt financing: in the past financial year, five of our broadband investments agreed and completed eleven company acquisitions. Thanks to their strong capitalisation, the portfolio companies were able to secure the financing of these acquisitions largely without any additional equity. We supported these eleven acquisitions, but provided only 4.4 million in additional equity.

Ladies and gentlemen,

Last year I reported on our new offering to Germany's mid-market sector: Long-Term Investments, where the expected investment period pushes the boundaries of traditional private equity funds.

We are happy that last summer we were able to invest in Hausheld AG, a provider of *smart metering* solutions, marking our first Long-Term Investment.

The company was looking for a long-term investor who would take a minority stake in its business. As we finance such investments exclusively from DBAG's balance sheet, we have greater flexibility with regard to the term of the investment.

We combine the predictability, experience and professionalism of an established private equity house that has well-established, transparent processes with the patience and investment time horizon usually associated with family shareholders.

Long-Term Investments complement our range of financing solutions for owner-managed mid-market companies.

Ladies and gentlemen,

Competition for attractive investment opportunities is intense. The low interest-rate environment is resulting in an ever-increasing supply of capital seeking investment.

We are confident that we will continue to perform well in this competitive environment. Our view is based on the strength of our team – the key to our Company's success. DBAG's team has ranked among the largest and the most experienced in our market for some time now.

In the past year, we expanded this team further: with five new colleagues, our investment team has increased considerably to currently 27 investment managers.

We have also hired a debt finance specialist to support our investment team and increased staff numbers in the fund accounting and *investor relations* departments.

Overall, the number of employees has increased by six to 81. Thus equipped, we feel well prepared for the future.

Ladies and gentlemen,

I have talked a lot about how important further development is for our continued success.

This applies to every aspect of our business.

In the last financial year, we launched a project to respond to changes in society, and meet the demands of our investors. The aim is to integrate environmental, social and governance criteria even more into our business.

We will not have to reinvent ourselves here. Much of what is now being advocated under the heading ESG – ESG standing for *Environment, Social and Governance* – corresponds to the ethical standards that have always been part of our corporate culture.

Take our compliance system, for example. We have been adhering to very strict rules for a long time now, and have applied them rigorously. And we have also been analysing potential ESG risks within the scope of our due diligence for some years now.

So, what are we now tackling anew in this area?

Progress should be measurable, and we want it to be reportable.

We have therefore devised a set of indicators that allow us to measure our progress in environmental protection, social aspects and corporate governance and, where appropriate, to use these indicators for corporate management purposes. The indicators apply to DBAG and our portfolio companies alike. Additional indicators take the specifics of each business model into account.

Currently, quite a few related projects are ongoing at many of our portfolio companies. This data will form the basis for our sustainability reporting, which our stakeholders increasingly expect from us.

Ladies and gentlemen,

Let me now turn to our expectations for the current financial year.

The disruption to the M&A market seen last year has now passed. This also applies to the segment we work in, *buyouts* in the mid-market.

This market segment has become increasingly more attractive in recent years. Over the last five years, we have seen a structural change that works in our favour: more and more, company founders and family entrepreneurs are embracing private equity. In 2020, there was also a high proportion of succession arrangements in our market. This is an area where we are particularly competitive.

Here, we can look at a number of interesting investment opportunities. This applies to *management buyouts* as well as to Long-Term Investments and gives me confidence in our ability to make solid investment progress in 2021. We will benefit from our excellent market position.

Our portfolio is broadly diversified, with a high proportion of investments in growth sectors. Our portfolio includes attractive companies for strategic buyers and financial investors alike. We have been supporting some of the companies over a longer period of time; in some cases, change processes at these companies are now at a very advanced stage, which is why we are continuing to work on disposals this year.

So, what does this mean for DBAG?

All of these factors give me confidence as far as development and upcoming disposals are concerned.

However, despite this optimism, there is one aspect that cannot be denied: the overall environment looks set to remain challenging. We are still not in a position to assess the global consequences of the pandemic. At the same time, we are navigating rough geopolitical waters. Capital markets sometimes seem to be out of touch with economic reality. Take the low interest rates and the associated huge supply of capital available, for example: as a result, the market has become highly competitive, and attractive companies have become significantly more expensive.

Our confidence is also reflected in our forecast for medium-term development.

Despite the encouraging start provided by the first quarter, the current financial year is likely to be a rather average year.

After all, not all of our portfolio companies will return to their former strength in 2021. What’s more, some change processes that form the basis of a corresponding increase in value have been slowed down by the pandemic. There is some catching up to do in a few areas of the portfolio.

And so the **net asset value** forecast as at 30 September 2021 only indicates an increase of just under seven per cent, if you take the middle of the range and include the proposed dividend.

Income from Fund Investment Services soared in the financial year under review, reaching a record high since we introduced segment reporting seven years ago. It is expected to increase strongly once again, reaching double-digit millions of euros in the coming year.

We have incorporated a dividend of between 1.00 and 1.20 euros per share in our planning for 2021.

We are confident of more in the medium term. Towards the end of our forecast horizon, the net asset value of Private Equity Investments is set to amount to between 590 and 660 million. The dividends which we aim to distribute to you by then are included in these numbers.

This represents an increase in net asset value of between 14 and 19 per cent annually, depending on where we land within the range.

Such increase in value will not just come from the existing portfolio. New investments will also contribute towards it.

Our growth strategy already provides for co-investments amounting to 232 million euros alongside DBAG Fund VIII, and 135 million euros alongside Long-Term Investments in the next three years – this equates to a total of 367 million euros for promising medium-sized business models with potential for value appreciation.

Our financing strategy is sound. We want to finance our equity investments from our own resources: using returns from our portfolio and funds that we raise on the capital market.

I already mentioned that we expect returns from disposals to come in later than originally planned. In light of this, we are exploring further debt and equity financing options in order to be able to realise our growth plans.

We want to bring change processes already initiated to successful conclusions and to seize the opportunities that arise, for example, from the numerous corporate acquisitions of our portfolio companies.

Dear shareholders,

Rest assured: we will continue to work on improving our performance in the new Board of Management structure – particularly with regard to investment progress, portfolio development and teamwork.

I look forward to meeting you all again *in person* next year – here at Gesellschaftshaus Palmengarten.

Until then, I wish you *health* and happiness and hope that we can soon get back to some kind of normality!