Translation – The German version of this speech is authoritative

Speech by
Torsten Grede, Spokesman of the Board of Management
of Deutsche Beteiligungs AG, Frankfurt am Main,
and **Susanne Zeidler**, Chief Financial Officer
of Deutsche Beteiligungs AG, Frankfurt am Main,
at the **Annual Meeting on 25 February 2016**

Address by Torsten Grede:

Shareholders and Shareholders' Representatives,
Ladies and Gentlemen,

Welcome to the Annual Meeting. We are delighted to have you here today and thank you for the interest which you express by your attendance at today's Meeting.

This gives us an opportunity to report to you personally on the very satisfactory progress your 50-year-old Company made in its anniversary year of 2015.

One year ago, I addressed three challenges we had identified for 2015:

1. Maintaining our good investment pace
2. Setting the strategic course early on for our new portfolio companies and integrating add-on acquisitions
3. Successfully implementing our "Operational Excellence" project to improve our business processes

Today, I can report that we mastered all of these challenges this past financial year.

First: We invested in seven attractive German "Mittelstand" companies. We thus initiated investment of more than 300 million euros and maintained our considerable investment pace.

Second: The positive development of the portfolio with its value growth of about one-third shows that we are also on the right track with our portfolio companies of recent vintages.

And third: With our "Operational Excellence" project we progressed particularly well in our investment business processes in 2015. This is of key significance in fortifying our competitiveness.

Of course, mastering these challenges serves the achievement of our business objectives. In 2015, we not only achieved them again, we exceeded them in a number of instances.

On behalf of my colleagues on the Board of Management, I would like to express my thanks to all the members of our staff for their outstanding service and commitment. Our performance this year would not have been possible without this great team.

Before coming to our detailed report, let me address the elections to the Supervisory Board that are on the Agenda today.

This Annual Meeting marks the end of the term of office of all the members of the Supervisory Board. Elections are held at regular intervals and that is why you are electing all six members of this body today.

One esteemed member will not be standing for re-election; a new name is on the list of nominations. All candidates will introduce themselves a little later.

I would like to express my gratitude – also on behalf of my colleagues on the Board of Management – to Roland Frobel, who will be leaving the Supervisory Board, for the very valuable and trusting working relationship we have had with him. During his five-year tenure, Roland Frobel served the Company with his broad knowledge and constructive counsel – also in his capacity as a member of the Audit Committee. We have every reason to thank him for his outstanding dedication in his service to the Company.

Ladies and gentlemen, I believe that I also speak on your behalf in wishing Roland Frobel all the best for the future.

As in former years, we would like to divide up our report between Susanne Zeidler and myself. After my presentation, Susanne Zeidler will report on how our successes this year are mirrored in the financial metrics. She will also detail the dividend recommendation.

I will report on DBAG's strategic development and the challenges that lie ahead. My presentation is outlined in four parts:

- First, I would like to expound on our most important asset: our people.
- After that, I will report on the progress we have made in our two lines of business: Fund Investment Services and Private Equity Investments.
- I will also comment on our market position and the competitive environment.
- Finally, I would like to address the topic of what we will be dealing with in the coming months.

My colleague Susanne Zeidler will then report on how DBAG’s strategy is mirrored in its key financial metrics, and she will also detail the dividend recommendation.

I now come to my first topic: Our outstanding team

This past financial year, our people again ensured DBAG’s performance with their engagement and commitment, often without hesitating to go the extra mile.

One issue is getting much attention in Germany this year: equal participation of women and men in leadership positions. The law requires us to set targets for the proportion of women at the first management level below the Board of Management.

At DBAG, we foster gender balance in leadership positions. However, in our opinion, the guiding principle when filling vacancies must always be the candidate’s qualification.

In the past three years we engaged more women than men, both for our investment team and for the other professional services in the Company – namely, because they were best suited for the relevant positions. The proportion of women, which has now reached 57 percent, is reflective of this.

Nonetheless, it takes a certain amount of time at our Company, too, to become qualified for a leadership position. But I am confident that we will have more women in decision-making positions at DBAG in the future. For three years now, Susanne Zeidler has after all been working very well with Rolf Scheffels and myself on the Board of Management.

Our people play a key role in DBAG’s performance. Long years of service to the Company prove that we are an attractive employer. However, we cannot, and do not want to, rest on our laurels. On the contrary: we intend to intensify our efforts in competing for talents. One element here is the revision of the remuneration scheme, in which particular attention was paid to the performance-related component.

Last year, we conducted an employee survey for a better understanding of what moves our people. We gained valuable insight into opportunities to improve further – such as on reconciling work and family life.

Some 86 percent of our staff participated in the survey. More than 90 percent are very satisfied or satisfied with their personal freedom of scope in their daily work; and over 90 percent are very satisfied or satisfied with the work climate within the Company.

Our team's commitment – and, consequently, DBAG's performance – is founded on these values.

I now come to my second topic: What progress have our two lines of business made?

First, our Fund Investment Services:

As most of you will surely know, we structure private equity funds and solicit capital commitments from German and international investors. After that, we advise these funds.

In other words: we seek, analyse and structure investment opportunities. We negotiate investment agreements and compile investment memoranda on which investment decisions are based. We support the portfolio companies during the holding period and ultimately also structure the exit.

We earn fees for all of these services.

Fund Investment Services have grown strongly in recent years. We have been managing our fund for growth financings, the DBAG Expansion Capital Fund, since 2011 and advising our buyout fund, the DBAG Fund VI, since 2013. Both funds registered very good investment progress and are now invested by more than half. In addition, we manage other funds whose investment period has expired.

Today, we have a much greater capital volume under management and advice. This is first and foremost due to our investment team's very broad experience. Our clients – the investors in the funds – are confident that we will also be able to transpose that knowledge into successful future transactions.

In 2015, we enhanced the attractiveness of our offering for family businesses.
It gives family-operated companies even better access to additional equity to realise their corporate plans. To that end, we have adapted the conditions of our fund for expansion capital investments. That now puts us in a position to offer equity interests for a term of up to ten years. This creates new market opportunities, for which we will initially also need to accept reductions in management fees.

As to our second line of business – that of Private Equity Investments:

On the basis of co-investment agreements, we invest the assets that you entrust to us at fixed terms in the same companies in which the funds invest. Since we met here in March 2015, four companies have been added to the portfolio – two buyouts and two growth financings.

You will find their business models detailed on our website or – at even greater length – on the portfolio companies' website.

A glance at the buyouts alongside DBAG Fund IV and DBAG Fund V shows: Both funds, which represent our investment activity from 2002 to 2012, comprise industrial companies and industrial services providers exclusively, with only one exception.

The composition of DBAG Fund VI, which has been investing since 2013, reveals a slightly different picture: three of the eight portfolio companies do not have an industrial background.

Let me be clear: This represents not a change in our investment focus, but a further development of our investment strategy. Industrial business models and the expansion of our network in these sectors remain our focus. Our long-standing investment experience allows us to judge the development potential of these companies particularly well. The realisation of that development potential determines the value appreciation – and, consequently, our performance.

Why did we further develop our investment strategy?

The investors in the funds expect us to invest their committed capital within a contractually specified period of time. And you, the shareholders in the Company, also expect us to invest your capital so that it earns attractive returns.

That is a key reason why we have opened up more strongly in recent years for investments in sectors other than industrial business models. This is an evolution, not a revolution. The common element here, too, is the companies' development potential, which is equally at the centre of our attention for investments outside of industrial business models.

Entering into a new investment is only a first, small step on the road to creating value. The holding period for our investments extends from four to seven years. During that time, we intensively support our portfolio companies in developing their businesses. Only their targeted development will make companies more valuable. It is therefore no coincidence that a focal point of our efforts to improve our business processes is on the process of supporting our portfolio companies.

Or, putting it in terms of our Annual Report's motto this year: By "Capitalising strengths" and "Creating Opportunities" for the portfolio companies, we set the stage to achieve our return targets for you, our shareholders, and for the investors in the DBAG funds.

Add-on acquisitions remain a key element of our value appreciation strategy. This past financial year, six portfolio companies strengthened their competitive positions through one or more complementary acquisitions. Overall, these acquisitions increased our portfolio companies' revenue by 150 million euros. In our role as a shareowner, we enabled a number of these acquisitions by providing additional equity.

Last year, I explained, based two examples, the role that add-on acquisitions play in our value appreciation strategy. Today, taking our portfolio company Spheros as an example, I would like to illustrate the manifold ways companies in our portfolio can change. An add-on acquisition played key part in Spheros' strategic development.

We invested in Spheros in December 2011. Even at that time, Spheros, the global market leader in air-conditioning and engine-independent heating systems for buses, was an attractive company.

Now, four years later, we will exit the investment, earning very good returns. With the divestment to a strategic investor, we will be realising the value growth that derives from the company's targeted development in the past years.

What approach did we pursue to create value?

1. Spheros broadened its product range by expanding its technological expertise.
2. Soon after our entry it became apparent that tapping the North American market constituted a major challenge for Spheros. That market access could only be tackled by making a complementary acquisition. The management team therefore began looking for appropriate target companies soon after our entry with our support. In early 2015, the acquisition of a smaller US-based competitor successfully ended the two-year search.
3. Spheros' high-margin service and spare-parts business was, and is, in the focus of the management team. New subsidiaries were founded for that purpose.

Spheros' development is reflected in its financial metrics. Revenue rose from 185 to roughly 245 million euros in 2015. The number of employees grew by 50 percent to more than 1,000.

Spheros is a good example of value creation within our portfolio companies.

Now, our market standing and the competitive environment, my third topic:

As you will know, we concentrate on the upper mid-market segment. Our transactions range between enterprise values of 75 to 250 million euros.

In 2015, we once again underscored our leading market position. Your DBAG was one of the most active investors in Germany's "Mittelstand". Not only in that year, but also over the past ten years.

A look at the market trend, however, shows the sky is not the limit for us either. Competition is intense, not only among financial investors.

We seek companies with potential for development and excellent market positions based, for instance, on unique technologies. Such companies are not only attractive for us alone, but for strategic buyers from the United States or China, too. In 2015, Chinese investors were more active in Germany than in any other country in the European Union. Strategic buyers have huge funding power at their disposal after a number of profitable years and easy access to capital. They are partially pursuing an aggressive acquisition approach. The many German "Mittelstand" businesses with global operations and much technological substance particularly attract strategic investors.

The competitive environment is hardly expected to change in our favour in the near future. The central banks with their low interest-rate policy have triggered an urgency to invest. Private equity has become more attractive as an asset class. Huge streams of funding are being channelled into this market, particularly in lucrative regions such as the German economic area.

The large supply of capital seeking investment stands in contrast to a limited supply of investment opportunities. That leads to higher asking prices. These are developments we cannot escape.

What challenges will we be encountering in the next months?

1. Compared to 2014 and 2015, our portfolio has become more mature. This means that we are also considering divestments for realisations of the value that has been created. It could very well be that further exits will be added to those of the first quarter in the course of the year.
2. The two funds that are currently investing are in the second half of their investment periods. In order to invest the committed capital in the specified period of time, we will need to maintain our good investment pace. In view of the competitive environment that I have just described, this will be challenging.

Moreover, these challenges must be mastered in a demanding macroeconomic environment.

Last year at this point, I said:

“We are somewhat concerned about the current underlying conditions, namely, the significant increase in volatility in the past twelve months.” That statement remains valid – except that our concern has even become a little greater.

None of the risks for the global economy that existed last year has diminished. On the contrary: geopolitical conflicts have escalated; volatility in the markets has become greater. Let me just call to mind the deterioration of the price of oil and other commodities. The share price gyrations in the stock markets have given rise to further uncertainty since the beginning of the year. The question mark behind China’s future development has gotten bigger.

Over the past ten years, Germany’s “Mittelstand” industry benefited from relatively favourable underlying conditions. The current developments should serve as a reminder to us that this cannot be guaranteed for the coming years.

A little earlier, I explained how we intend to respond to these developments:

- by moving our investment strategy forward, beyond industrial companies,
- by enhancing DBAG’s competitiveness through our “Operational Excellence” project and
- by manifold efforts to become an even more attractive employer.

All of this will enable us to complement our portfolio on an ongoing basis with promising companies and to develop them.

Looking forward, I am very confident that we will continue to be successful with our outstanding team. We need have no fear of the future!

The financial data we recently issued on the first quarter indicates that we are still on the road to success. Let me now pass on to Susanne Zeidler, our Chief Financial Officer, for a review of the past and an outlook for the future, as expressed in the key financials.

Address by Susanne Zeidler:

Ladies and Gentlemen,

I would now like to present and discuss an overview of DBAG’s asset, financial and earnings position for 2015.

An important note to begin with: the financials we are talking about today are comparable with those of the previous year only to a limited extent. There are two reasons for that:

First, as you know, we changed our annual reporting date with your approval. We wanted to synchronise our reporting with the stock market standard. The past financial year therefore ended after a period of only eleven months.

Second, the first-time adoption of a new accounting standard had a significant impact. Our Annual Report contains comprehensive reconciliation statements and commentary on that issue.

As my colleague Torsten Grede has already mentioned, achieving our business objectives is an ongoing challenge for us. And in 2015, we were successful yet again. We achieved more in eleven months than we had planned for the full year. That holds true for all key indicators.

We had planned to invest some 50 million euros.

We actually invested about 71 million euros, reaching our highest level in the past ten years. Our financial resources have therefore declined considerably, as expected.

We started the year with a portfolio valued at a little over 150 million euros. A large part of our portfolio was of recent vintages. Exits were not planned for 2015, and we therefore projected only a slight rise in net income on a comparable basis. Our expectations were surpassed, not least because the existing portfolio made excellent progress.

The return on net asset value per share is our key performance measure. It should on average over a ten-year period exceed the cost of equity. We had forecast for 2015 that the return (after twelve months) would be in the order of the cost of equity. Recording a ten-percent rise in net asset value per share in eleven months, we exceeded that target. Over a period of ten years, we generated a return of 14.3 percent, thereby reaching the long-term target.

Three indicators summarise what we achieved:

As expected, net income of 27.0 million euros and a return on net asset value per share of 10.0 percent are rather substandard values, compared to the long-term average.

The value growth for you, the shareholders of DBAG, was far better than in the past ten years: you achieved a total return of 20.9 percent, comprising the dividend and the share price movement.

With the introduction of our segment reporting at the beginning of 2015, we succeeded in drawing the stock market's attention to the fact that our Company is more than a portfolio of attractive investments. Even analysts meanwhile assess our fund investment services separately and take its value into account in their upside targets.

Financial resources on the consolidated balance sheet have, as I mentioned, declined significantly.

As you know, we define financial resources – our liquidity position – as the sum of cash and cash equivalents as well as short- and long-term securities.

New investment and the corresponding outflows caused the greatest change in the financial resources.

Inflows came from the repayment of bridge-over loans as well as from the refinancing and recapitalisation of existing investments.

DBAG was very successful in the past ten-year period. The average return on net asset value of 14.3 percent attests to that. We reached that return with an asset position, or should I say, despite an asset position, at least one third of which consisted of liquid resources in all of the past ten years.

Liquid resources in the current low-interest rate phase are generally known not to yield any appreciable returns. We started the past financial year with financial resources accounting for 42 percent of total assets. The ratio of financial resources to portfolio value was almost 1:1. Owing to the high level of investment activity, this ratio has now clearly improved – to about 4:1.

With financial resources of more than 50 million euros and a portfolio value that is many times higher than it was, we have reached our targeted asset structure. The financial resources at the period end approximated to the average investment programme of a year.

The total value of the portfolio increased by 102.6 million euros. More than half of which, or 55.2 million euros, is attributable – in net terms – to investment activity.

The portfolio recorded a gross valuation gain of 47.4 million euros. 15 of the 24 portfolio companies contributed towards that; four underwent a reduction in value. The valuation gain largely derives from the portfolio companies' improved earnings. The increase in debt mirrors our portfolio companies' acquisition activity. In most cases, the portfolio companies finance their acquisitions themselves; only exceptionally do we provide additional equity – it totalled 2.3 million euros this past year.

There were tailwinds coming from the stock market in 2015, which led to a value contribution of 11.6 million euros, although the wind speed clearly slackened over the course of the year.

The portfolio's progress is the basis for our performance. As the data shows: our portfolio companies had a strong 2015. Revenue and earnings growth is far better than average. That applies even though a part of the growth was not organic and came from add-on acquisitions.

With a ratio of net debt to EBITDA of 2.1, our portfolio's debt is moderate.

The average valuation of 8.0 times EBITDA at the reporting date rose substantially compared with the previous year's 7.3 times EBITDA. Mirrored in this is the generally bright climate in the stock markets with increasing corporate valuations that had prevailed throughout the past financial year. Based on our valuation methodology, this influences the value of our companies.

The net result of investment activity reached 29.2 million euros, which is about 20 million euros below that of the preceding year. Nevertheless, we are very satisfied with the gross value appreciation our portfolio delivered.

To begin with, 2015 was a shortened financial year of eleven months. In the previous year, more than half of the result was driven by one large realisation. This year, it is founded on several more pillars. I mentioned the portfolio's gross value gain of 47.4 million euros. In addition, there were gains on disposal of 2.5 million euros. Thus, the 2015 result of valuation and disposal totalled 49.9 million euros. Compared with the portfolio value at the start of the financial year, this represents a very gratifying gain of nearly one-third!

A part of the portfolio has exhibited even stronger growth: The seven investments alongside DBAG Fund V increased in value by 50 percent over the financial year. This triggered the investment team's entitlement to carried interest, which we recognise as minority interest in the co-investment vehicles. It is charged to the portfolio's gross value appreciation.

Why is this so? Every investment decision taken by Deutsche Beteiligungs AG requires a private co-investment by those involved in that decision.

This is commonplace in the private equity industry. It serves to align your interests as shareholders with those of the investment team. By investing their own money, members of the investment team share in the success (or failure) of the investments. If certain conditions are met, they are entitled to a disproportionate share of the sales proceeds.

We have repeatedly reported on this model. It has now taken effect for the first time at DBAG's level. Based on their strong value appreciation, DBAG's share of future sales proceeds from these investments has now been reduced by the carried interest to which the investment team members are entitled, namely by 23.5 million euros. The carry reflects the aggregate performance of DBAG Fund V since the start of its investment period in 2007 and includes the gains on the four investments sold to date. Its payment will extend over a number of years, correspondent with the realisation of the individual investments' value appreciation.

Torsten Grede already mentioned that we conduct our operations by way of two lines of business. We create value with both lines of business. The segment of Private Equity Investments delivers the largest contribution. The segment of Fund Investment Services shows that DBAG is more than "just" a portfolio of promising corporate investments.

The expertise of our investment team is reflected in the fees that investors in DBAG funds pay for our management and advisory services. Unlike the income from the direct investments, that fee income is readily predictable. It is stable, but does not develop continuously. The measurement basis for fees decreases along with exits from the portfolio; fees will only rise again when a new fund is raised. Segment net income from Fund Investment Services contains two expense items which unlisted private equity companies also incur: the expenses for the investment team and for the investment process.

Since the beginning of 2015, we have also been reporting financial data on both business lines. This has enabled the capital market to assess both areas of our operations separately.

A look at the price movement of our shares over the past 18 months shows that the added transparency pays off. DBAG shares traded significantly in excess of the equity value, which is approximately the same as net asset value. The market has evidently attributed an individual value to the second mainstay of our operations, our Fund Investment Services.

The analysts monitoring our shares see it that way too. They have included our Fund Investment Services in their analysis of the enterprise value. On that basis, they have derived higher upside potential than before. Through our new form of reporting, we are, if you will, “Capitalising strengths” and “Creating opportunities” for our shares.

Since DBAG has a high dividend yield, we not only consider the share price movement, but the total return our shares deliver. We compare the total return consisting of the share price movement plus dividends with the performance of the S-Dax and the LPX Direct. DBAG shares are included both in the German small-cap index and in the index of international private equity firms with a business model similar to that of DBAG.

Not only this year did our shares outperform both of these indices. We also created value for you, our shareholders, over a period of ten years.

A high dividend yield averaging more than nine percent in the past ten years adds to the attractiveness of DBAG shares.

This brings me to the last part of my report on the past financial year. The dividend. After seven years, we now recommend raising the base dividend by ten eurocents to 50 eurocents per share. The reason for the rise is the growth of our fund investment services business. Having shareholders participate in the Company’s performance through dividends has been one of our long-term business objectives. Our long-term performance is the source from which the second part of the dividend derives. Since there were no major disposals in 2015, the basis for a surplus dividend is therefore lacking.

There is, however, a retained profit of 67.1 million euros from realisations in former years. For DBAG’s double anniversary year of 2015, the Supervisory Board and the Board of Management therefore propose using the profits earned in the past for a distribution, which, in effect, would double the base dividend.

In total, a dividend of 1.00 euro per share is slated for distribution. The dividend recommendation corresponds to a dividend yield of nearly four percent, based on the current share price; measured by the equity at the outset of the 2015 financial year, it amounts to about five percent. This is more than is paid on the average of the S-Dax.

The beginning of the new financial year witnessed a number of very gratifying events. There were changes to the portfolio: a new management buyout and a new growth financing investment were added to it.

Furthermore, we announced two realisations. Both have contributed towards the high first-quarter net income which we were able to report two weeks ago. Totalling 30.8 million euros, the first quarter result exceeds the entire net income achieved this past financial year. It was driven by the portfolio companies’ excellent progress. The current adverse stock market sentiment already had a negative impact of some ten million euros.

Net asset value per share was 24.41 euros after three months, up 10.6 percent on the beginning of the financial year.

Contrary to what you might expect, financial resources rose slightly. The reason is that the new investments were agreed prior to the quarterly reporting date, but had not yet been completed. At 60 million euros, the financial resources have reached an appropriate level. They correspond approximately to the average investment programme of a year.

Our business is characterised by only a few transactions and cash flows that are naturally difficult to predict. We are unable to foresee the number of portfolio companies in which we will invest over the course of a year. And we do not know when exits will become possible and when we can actually record the proceeds. We have therefore secured a credit line.

We want to be able to take advantage of investment opportunities at all times without being under time pressure on the exit side. Our balance sheet efficiency, on the other hand, is intended to retain its current level. I would like to emphasise: The credit line does not entail a fundamental change in our financing strategy.

We reaffirm: no long-term debt is to exist at DBAG level; for the long term, DBAG will finance itself exclusively through the stock market. For the short term, it may become necessary to draw down on the credit facility in order to take advantage of attractive investment opportunities at any time. The ability to quickly make financing commitments may be crucial in certain instances – the credit line is to also insure this.

If you have been with us for some time, you will know that the results of individual quarters cannot be extrapolated to the entire year. And you will also know that our performance in the short term is significantly influenced by external factors on which we have no influence. One of the key factors is the valuation ratios in the capital markets.

That said, I can tell you: We want to significantly improve on nearly all indicators. In mid-December we issued our forecast for the current 2016 financial year. Based on this, we expect to achieve net income which, on a comparable basis, will significantly exceed that of the previous year. According to our definition, “significantly” means by more than 20 percent. This equates to net income of at least 30 million euros.

That forecast basically remains valid. Now, subsequent to the two realisations announced in the first quarter, we can concretise that forecast. The contribution to net income from the two realisations has now been ascertained. It amounts to ten million euros and can now be added to our forecast for net income.

My colleague Torsten Grede previously spoke about the exposure to risk arising from the economic environment. These risks could result in changes to valuation ratios in the stock markets as compared with the most recent reporting date. In view of the high degree of uncertainty about future trends, we cannot consider these in our forecast.

For the first time, we also presented an insight into our medium-term planning.

Deutsche Beteiligungs AG is set for further growth in the current year and the two financial years thereafter. After the next fund is raised, we expect a significant improvement in segment net income for the Fund Investment Services business line. The portfolio value, a key indicator for the Private Equity Investments segment, is targeted to grow by an average of more than ten percent annually in the medium term – through new investment and valuation gains. On that basis, for the medium-term we expect net income and net asset value per share to significantly exceed that of the past financial year.

We – my two colleagues Torsten Grede and Rolf Scheffels and I – are very confident about the future, for three reasons in particular:

First, our product is needed. Private equity plays a key role in the development of companies, in generational transitions, in realignments at large corporations and in financing growth. In that environment, DBAG is perceived as a preferred partner by Germany’s “Mittelstand”.

Second, we have demonstrated how strong our business model is and how much value it can create.

And third, we are confident we will be able to continue building value in the future and generate returns that exceed the cost of our equity.

Thank you for your attention!