

Speech by
Wilken von Hodenberg, Spokesman of the Board of Management
of Deutsche Beteiligungs AG,
Frankfurt am Main,
at the Annual Meeting
on 29 March 2006 in Frankfurt am Main

Dear Shareholders and
Shareholders' Representatives,
Ladies and Gentlemen,

My four colleagues and I are very happy to welcome you to this year's Annual Meeting.

I would like to begin my report on the past 2004/2005 financial year with three short statements.

- This year's profit of 41.3 million euros represents a record high in the 40-year history of Deutsche Beteiligungs AG.
- The Company's financial position is sound and there is sufficient liquidity available – our funding capabilities for upcoming investments are strong.
- Our portfolio is making good progress.

This is the result of very successful investment activity in the past years and of a year of fruitful harvest. We sold seven investments from the portfolio, and, in part, achieved sizeable realisation profits. Not only compared with their original acquisition cost, but over and above their opening valuation at the beginning of the past financial year.

In addition to the consolidated profit for the year, other key indicators also showed significant gains:

- The return on equity before taxes reached more than 18 percent.

- The net asset value per share improved by 2.10 euros
- Our shares outpaced all relevant indices.

Let me begin my report on the past financial year with a few comments on selected items on the income statement. I will then come to the balance sheet, changes in the portfolio, the price movement of our shares and several items on the agenda.

In financial year 2004/2005, our accounting procedures were formatted for the first time in conformity with the International Financial Accounting Standards.

The application of these internationally accepted accounting standards is meanwhile stipulated for all quoted companies in the European Union. This directive is aimed at achieving better international comparability and greater transparency in financial reporting.

The new accounting methods have fundamentally changed the reporting of our financial results. Not only visually: Individual items on the income statement and balance sheet have different captions and the accounting is structured differently – as you will surely have noticed in reading the Annual Report. The new captions are, in part, indicative of new contents. The key difference in our financial statements for you as shareholders is the recognition of valuation changes.

In the past, our investments were recognised in the accounts at their historical acquisition cost. That value represented the ceiling for our value recognition.

The IFRS require the re-measurement of every investment at quarterly intervals; the current value of the portfolio is required to be determined on the basis of specified methods. Historical acquisition costs merely play a subordinate role. The change in value compared with the preceding measurement is reflected in the "Net result of valuation and disposal of financial assets and loans and receivables" – the new top caption of our income statement. This item now also discloses unrealised valuation changes. We used to call them "hidden reserves". In addition to that, there are other changes. The major changes are discussed in detail in the reconciliation information contained in the Annual Report, and I will therefore refrain from going into the technicalities at this point.

As I said, we completed the 2004/2005 financial year earning a consolidated profit of 41.3 million euros. This is more than quadruple the profit achieved the previous year, when we posted 10.0 million euros.

Earnings per share reached 2.27 euros this past financial year. In the preceding year, they had totalled 0.59 euros.

With a return on equity of more than 18 percent, 2004/2005 was certainly an exceptionally profitable year. This is evidenced once more in a comparison of the results for the past ten years.

Our success is not measurable by viewing individual annual closings or, least of all, quarterly figures. Success in private equity does not come about at short notice. The time-frames for transactions are only conditionally planable or foreseeable. I therefore want to emphasise again that it will not be possible to achieve annual repetitions of this year's return on equity, nor regular profit growth of this magnitude.

How did we achieve the excellent results we recorded for the 2004/2005 financial year?

Our three key sources of income are:

- The net result of valuation and disposal of financial assets, which mirrors the major part of our business operations.
- Current income from financial assets, primarily constituting profit disbursements from our investee businesses.
- "Other operating income", meaning, for example, fees we earn from the management our of co-investment funds – an item that is gaining in importance.

The net result of valuation and disposal contains the changes in valuation of financial assets, loans and receivables that have taken place in the course of the year, as well as the realised profits achieved from the disposal of these items. Whereas positive valuation modifications had offset negative valuation changes in the preceding year, 2004/2005 saw a distinct appreciation in the value of our investments. Key contributors towards this were the divestments of Babcock Borsig Service and schlott gruppe.

Of the investments remaining in the portfolio, the major portion of the net result of valuation and disposal is attributable to management buyouts.

In financial year 2004/2005, we registered current income from financial assets and loans and receivables of 5.0 million euros. This was 10.4 million euros less than the previous year. Normally, current income largely contains dividends and interest. In the preceding year, this item had, however, also contained realised sales profits which we received as a disbursement from a fund investment.

Let me now come to other operating income. Totalling 13.9 million euros, this item was virtually level with the previous year. The most important individual item under this caption is fee income for fund management services and structuring fees awarded to Deutsche Beteiligungs AG for its investment activity.

In 2004/2005, we recorded fee income of 6.6 million euros for management services and 4.7 million euros for advisory services.

This income from fund management services renders a significant contribution towards covering the current costs of Deutsche Beteiligungs AG.

With the new DBAG Fund V – which I will come to a little later – we have considerably broadened the basis for this source of income. Fee income from investment management services will therefore tend to be upwards in the future.

Let me briefly address the expense items on our income statement. Other operating expense, amounting to 14.0 million euros in 2004/2005, is considerably over that of the year before. This item largely contains expenses incurred in conjunction with investment management activities. The increase of 6.6 million euros as compares with 2003/2004 primarily results from depreciation on current assets and provisions attributable to portfolio companies.

The increase in personnel costs reflects higher performance-related salary components, as is common in our personnel-linked business in very profitable years. Net interest was positive last year, after we had repaid debt in full.

I would now like to focus on the balance sheet.

The IFRS balance sheet contains an item that serves as a particularly important indicator for you, the shareholders of Deutsche Beteiligungs AG. It shows you the current value of your holding in Deutsche Beteiligungs AG.

Based on the valuation methodology I previously described, the equity disclosed on the balance sheet represents the current fair value of our company – the net asset value. The net asset value (NAV) per share and its movement are benchmark indicators for the value growth we attain.

We started the past financial year with an NAV per share of 12.54 euros. One year later, on 31 October 2005, the NAV had climbed to 14.64 euros per share – an increase of 16.7 percent. Including the dividend disbursed in March 2005, the value growth for you – the shareholders of Deutsche Beteiligungs AG – totalled 19.4 percent over a period of just one year.

This value appreciation is due to various influential factors:

- The upward price movement of quoted portfolio companies accounted for a gain of 0.34 euros per share. Since all quoted investments with the exception of one have meanwhile been realised, this factor will tend to play a lesser role in the future.

- Changes in the exchange rate of the US dollar against the euro had depressed the net asset value at the onset of the financial year – as we had reported. However, the dollar subsequently gained ground against the euro; thus, in net terms, exchange rate changes led to a rise in the NAV of 0.15 euros per share.
- The major part of the value growth in the portfolio came from valuation modifications and realisations, which account for a gain of 2.04 euros per share. Performance improvements on the part of our investee businesses, lower debt compared with the preceding year, or improved earnings multiples are reflected in this item. A sizeable portion of the value growth was already realised during the financial year through the sale of investments – I mentioned that when commenting on the results.
- Current income from investments contributed 0.27 euros towards the net asset value per share.
- "Other income/expense", the net amount of income and expenses items including income taxes, negatively impacted the net asset value by 0.58 euros per share.
- The share buyback programme had a positive effect on the NAV. I will come back to this later in my report. We repurchased some ten percent of our shares at a discount on the NAV per share valid at that time, resulting in an increase of 0.21 euros in the NAV per share on the shares outstanding after the buyback.

That concludes my comments on the development of the net asset value.

I reported that we disinvested seven companies from the portfolio in 2004/2005. Deutsche Beteiligungs AG realised proceeds of more than 150 million euros from these sales. This has made a fundamental change to our balance sheet.

- Bank debt has been redeemed in full.
- We have segregated pension provisions from the balance sheet and allocated these to plan assets. This modern instrument is meanwhile applied by nearly all Dax-listed companies.
- We have returned the sum of nearly 23 million euros to our shareholders through the share buyback programme I mentioned.
- We invested in two new businesses in Germany and fulfilled our investment commitments to international buyout funds.

Despite this, we began the new financial year with a liquidity position of 40.7 million euros. As you see, our balance sheet is strong enough to finance future investments.

You have probably already read in the press and in the invitation to this Annual Meeting about the distribution we recommend for the year. We want to adhere to our dividend policy: our goal is to achieve more consistent dividend payments – a

calculable distribution policy should be conducive to warding off excessive downward share price movements, were we at some time to encounter difficult times again.

As for the preceding year, we recommend paying a dividend of 0.33 euros per share. In light of this year's outstanding results, we additionally recommend the payment of a bonus of 0.33 euros per share.

A total disbursement of 0.66 euros per share represents an excellent dividend yield. In relation to last year's average share price, it amounts to 5.6 per cent, and even in relation to the current quotation of 17.40 euros, you can look forward to a dividend yield of 3.8 percent when you receive your dividend payment in the next few days. This is clearly over and above the average of S-Dax-listed companies, and it also puts us ahead of the average of Dax-listed companies.

That concludes my report on the results of the past financial year. These figures reflect the success of our operations – the purchase, development and disinvestment of businesses. I would now like to report on the changes to the portfolio.

This past year, we again steered the portfolio in the direction of a "buyout" portfolio: The number of minority investments has further declined, as planned. Furthermore, the number of investments in international buyout funds is less than it was at the beginning of the financial year. We have exclusively invested in buyouts – namely, directly in the Clyde Bergemann Group and in Lewa GmbH; and, indirectly, we invested the sum of 12 million euros in the Harvest Partners IV buyout fund.

I have mentioned that buyouts delivered the largest profit contribution last year. Let me report on two realisations in greater detail.

Babcock Borsig Service GmbH is one of the eight investments we have so far financed alongside the DBAG Fund IV.

The success of this investment was not a matter of chance. We succeeded in giving this company, which we acquired out of insolvency proceedings, a solid financial base and in strategically realigning it. In addition to other measures, we supported the acquisition of a smaller South African enterprise to round out the company's regional market presence. On this new basis, management was in a position to substantially augment the company's profitability.

The placement of the shares we held in schlott gruppe AG with an institutional investor in early March 2005 marks the completion of one of the most successful transactions of Deutsche Beteiligungs AG. It all began in August 1997 with the

acquisition of Sebaldu Druck und Verlag GmbH in a management buyout. Schlott purchased this investment from us in late December 1999 and paid a part of the purchase price in shares of the newly formed company.

The other five sales completed last year relate to smaller investments. We released the Edgen Corp. from the portfolio, one of our older investments.

In spring 2005, we exited our investment in ad pepper media International N.V. and sold the remaining shares we held in Drillisch AG. We divested our interests in Austria-based ET Multimedia AG to a strategic investor, as we did our investment in Unternehmens Invest AG of Austria.

In the past years, I have repeatedly reported on how successful Deutsche Beteiligungs AG was, and still is, with its management buyouts. Moreover, you will surely remember that our investments in international funds frequently gave rise to bad news from the portfolio for a while. And you probably did not fail to notice that the holding periods of expansion financing investments are longer than the portfolio average.

We drew the necessary conclusions some time ago and have since been focussing our investment activity on management buyouts in Germany and neighbouring German-speaking countries.

This is a change of strategy: in the future, we will not be entering into expansion financing projects in the form of minority investments, nor will we make commitments to international buyout funds.

By concentrating on management buyouts, we are focussing on that part of our investment activity that delivered the best results in the past. The beginnings of the private equity business in Germany are rooted in growth capital investments. And the origins of Deutsche Beteiligungs AG also date back to this type of minority investments. However, the private equity business in Germany has undergone change: Private equity companies in Germany currently channel less than ten percent of total investments into growth financing. Correspondingly, such investments have lost in importance for our business.

The kernel of the private equity business in Germany is management buyouts. Some three quarters of all funds invested by financial investors are spent on transactions of this kind. There are logical reasons for this: Management buyouts have an attractive risk/reward profile. Since management – our investment partners in the investee businesses – personally hold a stake, the interests of management and ours – as equity investors and majority shareholders – are aligned to coincide: to exploit opportunities for increasing earnings, develop the company and build value.

In partnership with the managements of the two companies we acquired last year, we have targeted exactly that. I would like to present these two promising "hidden champions" to you in more depth.

As you know, a company's market position is one of the key criteria we consider in selecting our investments. We look for companies that are leaders in their – possibly small – market niche. A leading market position is indicative of the fact that customers are not apt to readily turn to other suppliers, because that company's products and services will tend to be particularly good or technologically superior.

Clyde Bergemann and Lewa are exactly such companies: both have outstanding positions in their marketplaces.

- Clyde Bergemann is the Number One worldwide in components required for the efficient, safe and environmentally compatible operation of coal-fired power plants – a market that seems very attractive in light of rising energy demand.
- Lewa manufactures pumps used in a variety of applications that are robust and reliable enough to meet the rigid standards of the process industry. This is a major issue in the oil and gas industries, where environmental protection and safety are paramount.

We invested the sum of 7.7 million euros in the Clyde Bergemann Group last year and hold the majority in this Group alongside our co-investment fund DBAG Fund IV. Clyde Bergemann produces and distributes so-called soot blowers and ash-handling systems for coal-fired power plants.

Similar to many other companies in our portfolio, Clyde Bergemann is not only a successful exporter of German products to the world. Clyde Bergemann is a manufacturer with international facilities and is thus only conditionally dependent on local site conditions and changes in any one country. The Group has its roots in Wesel, Germany; this is where the technology centre and parts of the production are located. A part of the Group's management is also headquartered there. The Group operates further sites in its key markets. Clyde Bergemann has two production facilities in the growth market of China, where the Group generates more than one third of its sales. Europe and America account for another one third of sales each. Other production sites are located in Great Britain, Estonia, South Africa and the US.

Let me now come to our most recent investment: the Lewa Group. We led this acquisition alongside the management and a further financial investor, thereby arranging the succession in this formerly family-run business. Deutsche Beteiligungs AG invested the sum of 4.1 million euros.

Lewa is the technology leader in the development and production of process diaphragm pumps and pump systems. Lewa is typical of Germany's "Mittelstand" – strong in product development and, consequently, an attractive and leading provider worldwide.

How can a company that manufactures pumps and generates no more than 100 million euros have a leading position in the global market – when the size of the global market for pumps totals some 20 billion euros? Lewa develops, manufactures and distributes high-performance metering and process diaphragm pumps as well as complete pump systems. Lewa pumps are technologically sophisticated. Lewa pumps are used in particular in critical processes and safety-related applications. Or in other words: whenever less sophisticated technologies do not suffice – e.g. for reasons of very high pressures or in instances where a pump break-down would entail serious consequences, the costs of which would be in no proportion to the costs of a reliable Lewa pump. That gives Lewa an outstanding position in an attractive niche, and we intend to support Lewa in tapping additional sales potential – whether they be regional, or in new sectors of industry.

As shareholders of Deutsche Beteiligungs AG, the price movement of our shares will probably be a special area of interest to you. This past financial year and thereafter, our shares' performance should have been a source of great pleasure. A glance at the chart depicting our stock in comparison with the relevant indices tells it all. To me, another key aspect is that the liquidity and free float of our shares has markedly improved again. For many institutional investors, these are crucial factors in selecting securities in which to invest.

I mentioned last year's share buyback programme and would like to add a few details at this point. At the Annual Meeting 2005, the Board of Management was authorised to purchase own shares of up to ten percent of the capital stock, which amounted to 48,533,334.20 euros at that time, via the stock exchange or a tender offer to all shareholders or an invitation to submit such an offer.

In June 2005, we made use of this authorisation and extended a voluntary tender offer for the purchase of treasury shares. Two principal shareholders had agreed to sell 1.8 million shares for the price offered within the scope of such a tender offer.

We succeeded in repurchasing 1,829,338 shares for a purchase price of 12.50 euros, or a total of approximately 22.9 million euros. The purchase price was below the stock market quotation as well as the net asset value per share at that time. We – and that means you, the present shareholders – have thus invested in the portfolio of Deutsche Beteiligungs AG at a discount. You profited from this discount in the form of an increase of 0.21 euros on the NAV per share.

The shares we repurchased were retired. The new number of shares outstanding is 16,837,329.

We demonstrated last financial year that share repurchases can be a very advantageous instrument. I hope you will have taken from my account of the procedure that we employ this instrument in our shareholders' interest. As last year's example shows, share buyback programmes are a good way for stockholders to share in the fruits of profitable performance and at the same time enhance the balance sheet structure.

We hope to have the opportunity of using this very common instrument for quoted companies in the future as well. As a private equity company, our balance sheet is subject to strong change. It is in the nature of our line of business that investments and realisations are not concurrent.

At this Annual Meeting, we are asking you to renew the authorisation you gave us on the purchase of treasury shares.

Two other items on the Agenda relate to amendments to the Articles of Association. We are thus adapting them to new legislation resulting primarily from the German Law on Corporate Integrity and Modernisation of the Right of Avoidance ("UMAG" – Gesetz zur Unternehmensintegrität und Modernisierung des Anfechtungsrechts). To that end, our recommendation is orientated around resolutions adapted by other companies in the past months.

I want to begin my forecast for the current financial year by depicting a particularly important event for Deutsche Beteiligungs AG and its shareholders.

In late January, we held a final closing for the new buyout fund which we had launched three months earlier. Within a very short period of time, we succeeded in reaching or exceeding all objectives being pursued by our fund-raising activity:

- Investors committed 430 million euros to the fund – we had projected 375 million euros. In total, the commitments exceed those we received for DBAG Fund IV by 90 percent.
- All investors in the current DBAG Fund IV, apart from those prevented for plausible reasons, committed to the new fund – in part, significantly in excess of the capital committed previously.
- We gained ten new blue-chip investors, who constantly invest in private equity on an international basis.
- Our investor base is now balanced in all aspects – the investors come from nine countries; all relevant investor types are represented commensurately; and the amount committed is spread more evenly.

Why am I giving you such a detailed account of this? Well – investors who commit capital to the new co-investment fund are apt to have expert knowledge of the private equity market. They have been investing regularly over many years. They have reviewed and dealt with many private equity companies, thereby gaining a wealth of information and experience.

We can rest assured that they are capable of separating the wheat from the chaff – the good from the not so good investment teams.

We closed our fund-raising within a very short period of time. The demand was clearly in excess of our offer: We were unable to satisfy all investors wanting to entrust their capital to us. And those whose commitments were accepted had to be informed that we were unable to accept the full amount they wanted to invest. Nevertheless, the list of 26 investors reads like a Who's Who in this line of business. We gained investors, whose commitments serve as orientation and guidance for other private equity investors.

Apart from the rise in fee income for fund management services, these accomplishments should signal that you, too, confide in a investment team that has gained recognition in the private equity business.

We have achieved an average return on equity of 15.8 percent over the past ten years. That is quite respectable in comparison with other companies. Now that we want to concentrate on the type of transactions which were most profitable in the past, we are confident of achieving a commensurate return on equity over the long-year average in the future. But I again want to emphasise that the return on equity will be subject to fluctuations.

I am always therefore referring to the long-term average. Our business earns higher-than-average income – this, however, is invariably linked to high volatility. We had to experience that in the past five years.

Nevertheless, the current financial year is sailing on a good course for Deutsche Beteiligungs AG. The first quarter saw a very satisfactory profit of 8.2 million euros. The agreement on the divestment of Otto Sauer Achsenfabrik shows that there are attractive enterprises in the portfolio. Actually, we have been registering lots of good news from our investee businesses – such as the levels of order intake and backlog orders. My colleagues and I are therefore confident that Deutsche Beteiligungs AG will again complete the current 2005/2006 financial year posting positive results and an increase in the net asset value.

Ladies and gentlemen, please allow me to express my gratitude to both Mr. Buschmann and Dr. Lehnen, who will be leaving the Supervisory Board. Dr. Lehnen has had three years and Mr. Buschmann eight years of distinguished

service on the Board. Their broad knowledge and perceptive counsel were particularly valuable to us. The Board of Management, the Supervisory Board and shareholders of Deutsche Beteiligungs AG have every reason to thank both gentlemen for the outstanding commitment with which they conducted their offices on our Supervisory Board. I am certain that you will join me in wishing Mr. Buschmann and Dr. Lehnen all the best.

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