



ANDREW RICHARDS
Chairman of the Supervisory Board

Posting an excellent consolidated net income, Deutsche Beteiligungs AG recorded yet another year of success in its long history. In 2013/14, our working relationship with the Board of Management was again both effective and trustful.

REPORT OF THE SUPERVISORY BOARD

In the reporting year, we again consistently and conscientiously discharged the duty of overseeing the managerial activities of the Board of Management required of us by law, the Articles of Association and the rules of procedure. The Board of Management regularly provided the Supervisory Board with comprehensive and prompt information, both in writing and verbally, about the Company's course of business, its asset, financial and earnings position, the competitive environment and the prospects, as well as the risk management and compliance systems installed at Deutsche Beteiligungs AG. We discussed these issues in depth. Any divergences from the planned course of business were elucidated and substantiated by the Board of Management. The Board of Management also reported on strategic and major operational decisions as well as on the business policies it intends to pursue.

In financial year 2013/14, the Supervisory Board held eight meetings, three of which were telephone conferences. In several instances, the Supervisory Board met without the attendance of the Board of Management.

An integral part of all our Board meetings were detailed reports on current developments in individual portfolio companies. We received comprehensive quarterly reports in writing on those issues from the Board of Management. We were informed promptly and in depth about investments that were not performing as expected. We were also regularly informed about new investments in, and planned realisations from the portfolio.

At our first regular meeting on **28 NOVEMBER 2013**, we dealt with the investment progress of the DBAG Expansion Capital Fund. The Board of Management informed us about the preliminary results for the preceding 2012/13 financial year and the potential for a dividend payment. The 2013/14 budget was also presented, which was drawn up based on a new methodology. In the November meeting, we were involved in, and contributed to the Corporate Governance Statement (§289a of the German Commercial Code – HGB) and submitted the Declaration of Conformity as well as the joint report by the Board of Management and the Supervisory Board on the corporate governance practised at Deutsche Beteiligungs AG.

At our regular meeting on **24 JANUARY 2014**, the auditors reported on the results of their audit of the separate financial statements and the consolidated financial statements at 31 October 2013. We adopted the separate financial statements of Deutsche Beteiligungs AG and approved the consolidated financial statements. We passed a joint dividend recommendation and the agenda for the 2014 Annual Meeting. We also discussed issues concerning potential conflicts of interest of Supervisory Board members.

At our meeting following the Annual Meeting on **27 MARCH 2014**, the Board of Management reported in depth on the market and competitive situation of Deutsche Beteiligungs AG; both fund-raising issues and investment opportunities were comprehensively elucidated. We also dealt with the registration of DBAG as an AIF management company in accordance with the German Investment Code (Kapitalanlagegesetzbuch).

In addition to the reports on the portfolio companies and investment projects that are regularly dealt with at every meeting, the topics discussed at our meeting on **12 JUNE 2014** also pertained to the two disposals that were completed in the latter part of the financial year.

In the two telephone conferences on **30 JUNE 2014** and **9 JULY 2014**, we were informed in detail about the progress of the negotiations concerning the disinvestment of Homag Group AG, before granting our consent to the sale of this investment.

At our meeting on **11 SEPTEMBER 2014**, the Board of Management reported on the status of the compliance system at Deutsche Beteiligungs AG. According to that, there were no breaches in compliance. The Board of Management also reported on the status of the compliance systems at the portfolio companies of DBAG. At this meeting, the Board of Management's presentations on the Company's strategic development played a prominent role. We agreed that we again want to review the efficacy of our work practices in financial year 2014/15.

Between meetings, the Board of Management's spokesman promptly informed the Chairman of the Supervisory Board about significant business issues, after which the complete Supervisory Board was briefed accordingly. In view of its magnitude, the disinvestment of Homag Group AG required our approval. There were no other transactions requiring our consent in financial year 2013/14.

All members of the Supervisory Board attended all of the Board's meetings this past financial year, except when – as in one instance – there was a conflict of interest regarding an item dealt with on the agenda. The meeting of the Executive Committee was attended by all of its members. The Audit Committee also met in the presence of all members, with one exception.

CORPORATE GOVERNANCE

We regularly evaluate the efficacy of our work on the Supervisory Board; we did so most recently in October 2013. We also continually follow the changes in corporate governance practices taking place in Germany. Management's report on the Company's corporate governance is also presented on behalf of the Supervisory Board; we adhere to the practice of publishing this report in the Annual Report (pages 10 to 13), and it is also accessible at the Company's website together with the Corporate Governance Statement. The Board of Management and the Supervisory Board jointly submitted an updated Declaration of Conformity in November 2014 based on the German Corporate Governance Code as amended on 13 May 2013 (§ 161

German Stock Corporation Act – AktG), which is permanently accessible to any interested party at the Company's website.

To disseminate its responsibilities and increase efficiency, the Supervisory Board formed an Executive Committee, which also performs the functions of a Nominations Committee, as well as an Audit Committee.

In accordance with the recommendations of the Code, every Supervisory Board member is required to disclose to the Supervisory Board any conflict of interest that may possibly arise. There was one notice of a conflict-of-interest issue this past financial year.

WORK OF THE EXECUTIVE COMMITTEE (ALSO ACTS AS NOMINATIONS COMMITTEE)

The Executive Committee convened once this past financial year: at its meeting on 21 November 2013, it determined the short-term performance-related and the long-term remuneration component for the members of the Board of Management for financial year 2012/13. The Supervisory Board approved the recommendation following an in-depth discussion in a telephone conference on 25 November 2013. Since Mr von Hodenberg, in his capacity as a former member of the Board of Management and thereby as a recipient of that performance-linked component, had a personal interest in this decision, he declared that he had a conflict of interest on his own behalf and also pointed to a possible conflict of interest over a decision on the performance-linked component for the other members of Board of Management at that time. He therefore took part neither in the discussion, nor in the vote concerning the performance-linked component for the members of the Board of Management for financial year 2012/13.

The bonus payments for 2013/14 were discussed in a telephone conference at the beginning of the new financial year on 14 November 2014 and recommended to the Supervisory Board. The Supervisory Board approved the recommendation following an in-depth discussion in a telephone conference on 18 November 2014. A further meeting in the new financial year (13 January 2015) dealt with Ms Zeidler's reappointment and her service contract.

WORK OF THE AUDIT COMMITTEE

In six meetings held during the reporting year, the Audit Committee addressed issues concerning the separate and consolidated financial statements, the half-yearly financial report and the quarterly financial reports, all of which were discussed with the Board of Management prior to their publication. Additionally, the Committee discussed miscellaneous accounting issues, such as the effects of the new accounting standard IFRS 10 on the group of consolidated companies and

on the asset, financial and earnings position of the DBAG Group. We monitored the accounting process as well as the effectiveness of the internal control system. From our point of view, there were no grounds for objections to the Company's current practice.

We reviewed the required independence and objectivity of the Company's auditors and the additional services the auditors provide. We also discussed the assignment of the audit to the auditors, the determination of the audit's focal points and audit fees.

We continue to comply in multiple ways with the requirements under §§ 100 (5), 107 (4) German Stock Corporation Act (AktG), which stipulate that at least one independent member of the Supervisory Board or Audit Committee must have expert knowledge of accounting or auditing. In particular the Chairman of the Audit Committee has profound knowledge of, and experience in the application of accounting principles and internal control processes.

The Chairmen regularly reported to the Supervisory Board on the work of their committees.

SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS ENDORSED

Prior to recommending KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG), Frankfurt/Main, for election as auditors to shareholders at the Annual Meeting, the Supervisory Board requested and received an independency statement from KPMG. Subsequent to the 2014 Annual Meeting, at which our recommendation was adopted, and in my capacity as the Chairman of the Supervisory Board, I commissioned KPMG with the audit. The auditors were required to immediately report all major findings and occurrences to us that may come to light during the audit.

KPMG audited the separate financial statements of Deutsche Beteiligungs AG for financial year 2013/14 and management's combined report on Deutsche Beteiligungs AG and the Group, including the underlying accounting, and endorsed them with an unqualified certificate. The same applies to the consolidated financial statements for financial year 2013/14. The consolidated financial statements were drawn up in conformity with the International Financial Reporting Standards (IFRS). The auditors confirmed that the consolidated financial statements comply with the IFRS, as adopted by the European Union, and the additional requirements of German commercial law pursuant to § 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB) and that the consolidated financial statements in their entirety present a true and fair view of the position of the Group as well as the opportunities and risks involved in its future development.

The Supervisory Board received the audited and certified financial statements of Deutsche Beteiligungs AG for the year ended 31 October 2014 and the combined management report on the state of Deutsche Beteiligungs AG and the Group in due time, reviewed them in conjunction with the report of the Audit Committee Chairman and the auditors, and discussed these documents in detail with the Board of Management in the presence of the auditors. The same applies to the consolidated financial statements as well as to the recommendation for the appropriation of profits.

The auditors explained the findings gathered within the scope of the pre-audit at our meeting on 27 November 2014. At our meeting of 20 January 2015 as well as the meeting of the Audit Committee on the same day, the auditors reported on the results of their audit. There were no grounds for objections. The auditors also reported on the services they rendered in addition to performing the audit. The auditors provided detailed answers to our inquiries. After its own in-depth review of all documents, the Supervisory Board found no grounds for objection. We approved the results of the audit. On 20 January 2015, we followed the Audit Committee's recommendation and approved the consolidated financial statements and adopted the separate financial statements of Deutsche Beteiligungs AG.

The Supervisory Board reviewed the Board of Management's recommendation on the appropriation of the retained profit. After its review, the Supervisory Board agreed to the Board of Management's recommendation to distribute the sum of 27.4 million euros to shareholders and carry forward the residual retained profit of 64.9 million euros to new account.

Posting an excellent result this past financial year again, Deutsche Beteiligungs AG completed another chapter in its long story of success. We wish to express our greatest appreciation to everyone concerned. Our thanks to the Board of Management and the staff of Deutsche Beteiligungs AG for their outstanding performance and commitment this past financial year.

Frankfurt/Main, 20 January 2015



Andrew Richards
Chairman of the Supervisory Board