REPORT ON EXPECTED DEVELOPMENTS

Period covered by this report: Short-term predictions do not do justice to business model

Our business lends itself to a medium- to long-term assessment, planning and prognosis horizon. That applies both to co-investment activity and to fund management and advisory services.

Events or trends that were not predictable at the beginning of a financial year frequently have a significant impact on the consolidated results of a period. These include realisations that, at times, achieve prices clearly in excess of their most recent valuation, as well as unexpected developments in portfolio companies' consumer markets or in the stock market. This means that the results of a single financial year only conditionally reflect the long-term performance of our co-investments alongside the DBAG funds. This is also evidenced by the broad spread in which the return on net asset value fluctuated over the past ten years: that spread ranged from -17.5 percent to 56.2 percent, but averaged 15.3 percent; the two extreme values were incidentally recorded in two consecutive years.

The DBAG funds alongside which we co-invest have a term of ten years. The fees we receive for management or advisory services are methodically fixed over that term. That is why fee income is readily projectable over the short term, but at the same time it is also capped. An increase in fee income can only result after a follow-on fund has been closed. Its size and, consequently, potential fee income will be oriented around the investment performance of the original fund and will only be conclusively assessable at the end of that fund's term. This, too, is indicative of the long-term orientation of our business.

In view of the high volatility of key financial performance indicators and the difficulty in planning individual income-relevant transactions, it is not possible to make either an interval forecast, or a point forecast of these indicators. We have therefore limited ourselves to making a qualified comparative forecast [16] on the expected development of underlying conditions and of individual components of the consolidated statement of financial position and the consolidated statement of comprehensive income for the coming financial year.

For the inputs, we use the previous year's data based on the carried portfolio. Non-regularly recurrent components are adjusted. For instance, disposal results and performance-linked emoluments are not considered. In view of the high volatility inherent in our business, changes of up to ten percent are considered "slight", and changes of more than ten percent but less than 20 percent are termed "moderate". Changes of 20 percent and more are "significant".

16 German Accounting Standard No. 20 (GAS 20) provides for three types of forecasts: the disclosure of a numerical value ("point forecast"), a range between two numerical values ("interval forecast") and a change in relation to the actual value of the reporting period stating the direction and intensity of that change ("qualified comparative forecast").

EXPECTED DEVELOPMENT OF UNDERLYING CONDITIONS

Market: Supply of private equity capital growing more strongly than the deal flow

Based on the dynamism of the investment opportunities that have come to our knowledge over the past six months, we expect a constant demand in our market – both in number and value – for the current 2014/15 financial year.

Borrowings: Availability stable at high level

The debt market for acquisition finance has changed considerably in recent years. Following the banking and financial crisis in 2008, the availability of finance was significantly reduced. Since 2012 at the latest, the availability and terms of financing to structure MBOs have, however, again been sufficient. New lenders, such as debt funds, provide financings through unitranche or mezzanine[17] loans. Banks' business in acquisition finance for private equity transactions is attractive. We therefore expect that such financings will continue to be sufficiently available; for financial year 2014/15, we expect the supply to remain constant.

Asset class of private equity: Still of fundamental significance

Private equity is firmly rooted as an asset class worldwide. It constitutes an integral part of the investment strategy of many institutional investors. The proportion of private equity in asset dissemination is not constant and may even decrease. However, we do not expect commitments to private equity funds to decline fundamentally. We successfully raised DBAG funds most recently in 2011 and 2012. Since their investment periods will end in 2017 and 2018 at the earliest, the question of whether we would be able to solicit sufficient capital commitments to a fund is not significant for 2014/15.

Macroeconomic environment: Basically positive, if geopolitical conflicts do not escalate

In its most recent annual economic report[18], the German Council of Economic Experts expects that the gross domestic product in Germany will grow by 1.0 percent. The Council primarily expects positive momentum to come from domestic demand. This would be beneficial for those portfolio companies whose operations are restricted to the German market. As in 2014, investments in machinery and equipment and in construction are not expected to generate any appreciable contributions to growth, and the Council assesses that dynamism in the export business will be low.

17 Unitranche: a type of loan, bond or debenture that combines senior and subordinated debt into one debt instrument; mezzanine: hybrid capital between voting capital and senior debt
18 "More confidence in market processes – Annual Economic Report 2014/15", German Council of Economic Experts, Wiesbaden, November 2014

Information on cyclical risks page 112

For most of our portfolio companies and, consequently, our investment performance, the economic trend in Germany or the eurozone is not the only decisive factor. Many of our investee businesses not only market their products and services worldwide, but also partially maintain global production structures. Thus, the business trend in emerging economies has an – in some instances, considerable – impact on the demand for the capital goods our portfolio companies provide. For the eurozone and other European countries, the German Council of Economic Experts expects that growth will be nearly unchanged compared with 2014; growth in the United States and major emerging countries (Brazil, India) will be stronger in 2015 than last year. The Chinese economy is expected to continue to grow at a comparatively high rate.

Assuming, as the Council of Economic Experts does, that geopolitical conflicts do not escalate, the scenario described would represent favourable underlying conditions for our portfolio companies in the new 2014/15 financial year.

EXPECTED BUSINESS DEVELOPMENT

Development of market position: Basis for continued performance

Deutsche Beteiligungs AG has a long-standing market presence. The shareholders of DBAG and the investors in DBAG funds have achieved superior returns. Not least due to our extensive investment experience do we expect to continue conducting the Company's business successfully and maintain our strong position in our market segment despite more intense competition. We adhere to our objective of generating earnings in excess of the cost of equity on average in the long term. Large parts of our sizeable financial resources are invested in secure, but low-interest-bearing German government securities and Pfandbrief bonds. This makes it more difficult to reach our return target: over the long-term average, the return is to exceed the cost of equity. Nonetheless, we expect to generate a return in financial year 2014/15 within the range of the cost of equity.

We also adhere to our non-financial objectives. We want DBAG to remain a reputable investment partner for mid-market companies in German-speaking regions and a major player in the market for management buyouts and expansion financings. We want to remain a sought-after advisor to private equity funds as well as an esteemed employer in Germany's private equity sector.

Portfolio: Value growth as planned

Our co-investment decisions are founded on an in-depth analysis that includes business plans for multi-year periods. We intend to support our portfolio companies over a period of five to seven years, during which the companies' potential for development is to be turned into an appropriate value appreciation. Our assessment of the portfolio companies' development potential at the time of our entry has basically remained unchanged. In light of that and with a view to the economic forecast, we expect the portfolio companies to continue their pattern of progress as scheduled in the current 2014/15 financial year.

Net result of investment activity: Moderately in excess of previous year on comparable basis

The item with the greatest weight for the Company's performance – and with the greatest budgetary and forecast uncertainty – is the net result of valuation and disposal. It decisively determines the net result of investment activity, which includes current income from financial assets and loans and receivables.

The net result of valuation represents the net amount of positive and negative value movements of the portfolio companies. These value movements derive from the change in the fair value of an investment in comparison to the preceding valuation date.

Valuation methodology page 112

At each valuation date, we estimate the value for which an investment could be sold under current market conditions. We employ the same procedure for the period covered by this forecast. However, an investment may be sold in the course of that period. In the past, there were instances when sizeable capital gains were realised on disposals of investments because industrial buyers were willing to pay strategic premiums on the estimated fair value. Such events are not calculable. Our forecast assumption, therefore, is that disinvestments will be transacted at the investment's estimated fair value and no gain or loss on disposal will be realised. Current income from financial assets and loans and receivables is also not forecast individually; we assume that generated earnings are ploughed back and therefore flow into the achievable market price to the same extent. Our forecast therefore does not differentiate between the net result of valuation and disposal and current income; rather, we project the overall contribution to income from investment activity.

Determining the fair value of every individual investment involves making forward-looking assumptions. These assumptions are subject to considerable uncertainty. The uncertainty is even greater when valuations are projected to a future date, as is the case for forecasts. We take that greater uncertainty into account by estimating the contribution to income for the total portfolio, instead of deriving it by netting the value movements of the individual portfolio companies. Past experience has shown that unexpected positive and unexpected negative developments in individual portfolio companies partly even one another out.

Projections of the contribution to income for the portfolio are based on current assumptions regarding the holding period and the average annual value appreciation of the investments during that holding period – irrespective of the fact that value growth is not linear every year to the same assumed extent.

On a comparable basis, i.e. without considering gains on disposals, our forecast for the net result on investment activity is that it will be moderately in excess of that of the preceding year. In 2013/14, the net result of investment activity contained a net result of disposal of 28.9 million euros.

Fee income from fund investment services: Slightly below that of the prior year

Fee income from fund management and advisory services page 57 and 77

Fee income from management and advisory services to funds is readily projectable, because it is largely based on the size of the fund. The conditions under which fees are paid for our management and advisory services are fixed for a fund's entire term.

Up to the time a new DBAG fund is raised, fee income will tend to decline with every realisation from the portfolio. Due to the exits achieved this past financial year, we anticipate that this item will be slightly below that of the preceding year.

Other income/expenses: Significant increase in net expense ratio after historical low

Total other income/expenses can be understood as net expenses for managing our portfolio and for managing and advising DBAG funds. To assess the expenses in a financial year, this item needs to be adjusted for special effects. Such special effects are, for instance, expenses for raising a DBAG fund (not recurrent every year) and performance-related remuneration components (2013/14: 4.2 million euros). Management expenses are set against fee income from management and advisory services to funds, which is recognised in the net result of fund services and investment activity.

We consider total other income/expenses and fee income from fund management and advisory services as "net expenses" and measure these in relation to the Company's average equity. In 2013/14, the net expense ratio was 0.7 percent – benefiting from a value-added tax refund that related to former years and a performance-linked profit share from an older DBAG fund. Based on our estimate of the development of key other income/expense items, we expect that the net expense ratio in 2014/15 will be significantly above that of the preceding financial year; however, the net expense ratio is not expected to exceed 2.0 percent.

Financial resources: Clearly lower by the end of the financial year

In line with our investment commitment to the funds, we aim to make an average of two to three new investments each financial year in both management buyouts and expansion financings. Based on an average sum of ten million euros for each investment, the liquidity requirement would amount up to 50 million euros annually. Acquisitions and realisations in the private equity business, however, take place at irregular intervals. For that reason, acquisitions (as in 2012/13) or realisations (as in 2013/14) may predominate in individual years.

The extent to which our operating business generates cash is largely determined by the cash flows from our investing activities. Should acquisitions predominate in a financial year, cash flows from investing activities may be negative in that period. In this event, the Group would be able to fall back on abundant liquidity reserves. If necessary, it could procure funding through borrowings or a capital increase. In line with the assumption that we intend to again focus on investments in 2014/15, we have budgeted an outflow of liquidity for 2014/15 and significantly lower **FINANCIAL RESOURCES** for the end of the financial year.

GENERAL FORECAST

2014/15: Consolidated net income slightly above prior year on a comparable basis

Deutsche Beteiligungs AG is well placed. With a history of five decades, the Company is an established and successful player in the German private equity market. It has a solid financial base and good prerequisites for future fundraising campaigns. DBAG's portfolio contains investments in attractive companies which have excellent potential for value growth. That growth may, however, not be linear from year to year. DBAG's staff is experienced and highly motivated. These underlying conditions are, in our opinion, an outstanding platform on which Deutsche Beteiligungs AG and the company value can develop positively this current 2014/15 financial year.

On a comparable basis – that is, without considering gains on disposals and transaction-related variable remuneration – we expect a slight increase in consolidated net income for 2014/15 compared with the previous year (comparative basis of the previous year: 47.8 million euros, less 24.7 million euros, or 23.1 million euros). We are confident that the return on net asset value per share will reach the cost of equity – our minimum target for the long-term average.

Under the same premises for Deutsche Beteiligungs AG (separate financial statements based on the German Commercial Code – HGB), we expect the annual profit on a comparable basis to be significantly lower than that of the reporting year (comparable basis of the previous year: 65.4 million euros, less 54.4 million euros, or 11.0 million euros). The past year was marked by a highly successful disinvestment of a particularly large investment; our forecast for the coming period does not consider any divestments and, consequently, any capital gains on disposal.

We intend to adhere to our dividend policy. It provides for the payment of a consistent dividend, if possible, even for financial years ending with negative net income or in which there were no particularly profitable disposals. We expect that the retained profit of DBAG (after the distribution for financial year 2013/14) will enable the payment of such a base dividend for the current and for subsequent financial years. As before, surplus dividends remain tied to particularly profitable realisations, which, however, cannot be planned.

Frankfurt/Main, 19 December 2014

The Board of Management