



Deutsche  
**Beteiligungs AG**

QUARTERLY REPORT  
AT JANUARY 31, 2004





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Cover photo:

With an annual production capacity of 600 million square meters and sales of more than 260 million euros, Casco Surfaces is a worldwide leading provider of advanced surface materials for furniture and floorings. In the future, the company will be operating under the name of "Coveright Surfaces".

Photo: Stefan Döberl

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## I REPORT ON THE FIRST QUARTER OF THE 2003/2004 FINANCIAL YEAR

Dear Shareholders,

Deutsche Beteiligungs AG began the new financial year by posting positive first-quarter results: following a divestment and due to sequential earnings from profitable investment exits of past financial years, Deutsche Beteiligungs AG registered consolidated net income totaling 3.3 million euros at January 31, 2004.

All in all, Deutsche Beteiligungs AG was off to a good start into the new financial year. We divested our interests in Victorvox AG at a profit, compared with the most recent book value. The completion of the two management buyouts negotiated in the previous 2002/2003 financial year – Babcock Borsig Service GmbH and Preh GmbH – has strengthened the portfolio.

In the previous 2002/2003 financial year, first-quarter consolidated net income was 3.4 million euros. By the nature of our business, annual income is strongly linked to a few individual transactions, which are not spread regularly over the quarters of a financial year. Consequently, the informative value of earnings achieved in one quarter is just as nondescript as comparing the result of one quarter with that of the same period the previous year – it does not permit drawing conclusions on the prospective trend for the complete 2003/2004 financial year.

Our shares continued their positive price movement. Over the first quarter, the price of Deutsche Beteiligungs AG stock advanced from 12.97 euros (Xetra opening quotation on November 3, 2003) to 13.75 euros (Xetra closing quotation on January 31, 2004). Following the private placement of a block of shares formerly held by SchmidtBank, the free float of our stock has now grown to 49.9 percent. This will benefit the liquidity of our shares.

In January, there were changes to the Board of Management of Deutsche Beteiligungs AG: Mr. Helmut Irle left the Board on January 31, 2004. Effective January 1, 2004, the Supervisory Board appointed Senior Vice Presidents André Mangin and Dr. Rolf Scheffels as new members to the Board of Management.

In the second quarter of the financial year, on February 26, 2004, we announced a capital increase, which will shortly be completed. A syndicate led by Sal. Oppenheim jr. & Cie. KGaA and Cazenove AG underwrote the 4,666,667 new shares. A further underwriting bank is Landesbank Baden-Württemberg (LBBW). Shareholders were entitled to one new share for three shares of Deutsche Beteiligungs AG at a subscription price of 11.00 euros.

Pursuant to the registration of the capital increase on March 9, 2004, the subscribed capital of 36,400,000.00 euros rose by 12,133,334.20 euros to 48,533,334.20 euros. Based on the issue price, the proceeds will amount to approximately 49 million euros; the new capital will fortify the Company's equity base and thereby primarily serve to finance future acquisitions.

Additionally, the capital increase will improve the position of the Company's stock in the capital market: two of our three principal shareowners waived exercising their purchase rights. Thus, the free float profited from the new shares that would have been attributable to Vermögensverwaltung Wilhelm von Finck and Gerling Lebensversicherung; the free float portion of the Company's stock, as defined by the German Stock Exchange, will now amount to almost 59 percent. Six months ago, the free float totaled no more than 42.4 percent of the stock. This will anchor the position of our stock in the S-Dax and enhance their attractiveness for institutional investors.

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The successfully completed capital increase documents the confidence that both existing shareholders and new investors have placed in Deutsche Beteiligungs AG. We feel assured that Deutsche Beteiligungs AG will continue its positive pattern of progress in the further course of this financial year.

Yours sincerely,

Deutsche Beteiligungs AG  
The Board of Management

## CONSOLIDATED PROFIT AND LOSS ACCOUNT: HIGHER EARNINGS

In comparison with the previous year, the profit and loss account for the first quarter shows higher income from investments and from other operating income on the one side, and lower operating expenses on the other.

At 4.7 million euros, income from investments constitutes the largest income item. This item, however, primarily reflects a profit disbursement which stems from a divestment transacted in a past financial year and has now been finalized.

Other operating income, which is significantly higher in comparison with the previous year, mirrors the expansion of the fund management business. This item contains fees for the management of DBAG Fund IV; in total, fees from fund management services have doubled against the prior year. Additionally, this item also includes a fee earned for the structuring of a transaction. Other operating expenses, which had been marked by fees paid for the placement of DBAG Fund IV in the first quarter of the previous financial year, have declined.

At 3.3 million euros, gains from investment disposals include capital gains from the divestment of Victorvox AG and were lower than those achieved in the same quarter the previous financial year, which saw the sale of the Company's investment in Edscha AG.

In conjunction with the realignment of a portfolio company's finance structure, we depreciated the valuation of this investment by 1.3 million euros.

Reflected in the rise in personnel costs are the changes to the Board of Management and performance-related income components. Net interest has virtually remained unchanged.

## CHANGES TO THE PORTFOLIO: STRONG RISE IN SHARE OF MANAGEMENT BUYOUTS

Three transactions, which had been negotiated towards the end of the previous financial year and reported in the 2002/2003 Annual Report, were completed in the first quarter of the new financial year: these pertain to the two new management buyouts – Babcock Borsig Service GmbH (Oberhausen) and Preh GmbH (Bad Neustadt an der Saale) – as well as the divestment of the Company's interests in Victorvox AG (Krefeld), an expansion financing investment entered in May 1999. The changes to the portfolio mirror the investment strategy of Deutsche Beteiligungs AG. Management buyouts now account for 42.8 percent of the portfolio at acquisition costs totaling 313 million euros; another 22.1 percent is invested indirectly in management buyouts through investments in the funds of our international private equity partners. The share of expansion financing investments fell to 34.5 percent of the portfolio.

Preh ([www.preh.de](http://www.preh.de)) is a leading provider of driver control and sensor systems used in vehicles. A development partner to reputed automobile manufacturers and system suppliers, Preh products – such as controls for climate units and navigation systems – are found in numerous European car models. Preh's key clients include BMW, DaimlerChrysler, GM/Opel, and the Volkswagen group. Preh also provides industrial operating elements and is a worldwide leading producer of

high-quality keyboards and keypads for data entry systems. Preh GmbH employs a staff of some 1,700 and has recently (2003) generated sales of more than 222 million euros.

Preh owes its unique market position in different business fields to an exceptional combination of skills: Preh is capable of manufacturing optically and haptically sophisticated operating elements made of advanced materials. Simultaneously, Preh possesses the technological expertise to develop electronic solutions for complex applications and innovative functionality. Thus, this enterprise is much in demand as a development and supply partner to the automotive industry and other clients.

We acquired Preh GmbH jointly with our co-investment fund DBAG Fund IV and the company's management. Deutsche Beteiligungs AG owns a 22.7 percent interest; the sum invested for this holding totaled 12.8 million euros. We intend to consistently develop this company's potential in partnership with management. Existing customer relations are planned to be expanded and new clients won through the company's further internationalization.

Babcock Borsig Service GmbH ([www.babcock-borsig-service.de](http://www.babcock-borsig-service.de)) and its subsidiaries were part of the sound core of the former Babcock Borsig group; nevertheless, parts of the service division were automatically drawn into the insolvency proceedings through the parent company's insolvency. During the insolvency plan proceedings, which had been ongoing since September 2002, the service group continued to operate profitably: customer relations were pro-actively maintained and projects completed on schedule.

Our long track record in the machine and plant construction industries as well as the industry-linked service business was a particular advantage in completing this transaction. Separating an internationally operating group of companies out of pending insolvency proceedings without damaging its business and arranging a new, sound finance base presented a special challenge.

Deutsche Beteiligungs AG invested the sum of 9.0 million euros for the purchase of Babcock Borsig Service GmbH and owns a 27.5 percent share. In addition to Deutsche Beteiligungs AG, further investors are our co-investment fund DBAG Fund IV and management.

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We invested in Victorvox AG, the fourth largest German mobile telephony service provider, jointly with the DBAG Fund III co-investment fund. Our bridge financing concept was targeted at supporting this company's strong growth up to an initial public offering for Victorvox that had been slated for year-end 2000 at the latest. Following a successful restructuring program, the sale to Drillisch AG last November marks the completion of this investment.

In addition to these three transactions, the first quarter also saw further changes to the portfolio. Following the closing of the new co-investment fund, a part of the shares held in Coveright Surfaces GmbH (formerly Casco Surfaces GmbH, Düsseldorf) and in Hochtemperatur Engineering GmbH at acquisition costs totaling 4.8 million euros were allocated, as planned, to Deutsche Beteiligungs AG and the co-investment fund. Deutsche Beteiligungs AG now holds a 14.0 percent interest in Coveright Surfaces GmbH and 27.6 percent of the shares of Hochtemperatur Engineering GmbH.

For a new investment entered by the US buyout fund Harvest Partners IV, 3.0 million euros were called for and paid in the first quarter. A further 3.7 million euros was spent for capital increases in other portfolio companies.

#### PORTFOLIO DEVELOPMENT UP TO JANUARY 31, 2004

	Total portfolio in millions of €	Number
November 1, 2003	300	43
Investments	29	3
Disposals/repayments	16	1
January 31, 2004	313	45

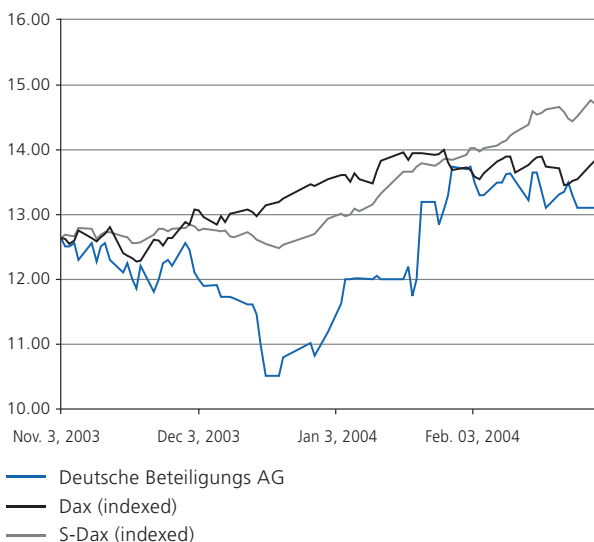
## SHARES: CHANGES IN SHAREHOLDER PROFILE

As of November 20, 2003, SchmidtBank, one of the founders of Deutsche Beteiligungs AG, is no longer one of the Company's shareholders. The bank held a 6.6 percent interest; it announced that it had sold its holding to a total of eight British and American institutional investors. By this transaction, the free float portion of our stock rose from 42.42 percent to 49.92 percent, or by more than one sixth. The market capitalization of the free float, which is significant for the S-Dax rankings determined by the German Stock Exchange, grew from 77.2 million euros at October 31, 2003 to 96.1 million euros at January 31, 2004. This development also mirrors the upward price movement of the Company's shares over that period. Consequently, our stock's ranking advanced among the 100 enterprises indexed in the M-Dax and S-Dax. The capital increase further augmented the market capitalization of the free float to more than 130 million euros. The larger free float portion enhances the attractiveness of our shares: many institutional investors are subject to investment standards that exclude investments in stocks of less than a certain magnitude. With the market capitalization of the free float further improving subsequent to the successful placement of the capital increase, the group of potential investors for our stock has grown larger again.

Concomitantly with the greater free float portion, our stock also registered greater liquidity. In the first three months of the new financial year, nearly 560,000 shares valued at 6.8 million euros changed hands on German stock exchanges; added to these are another 925,000 shares stemming from the private placement previously mentioned, which are valued at a further 10.3 million euros. During the same period the previous year, the turnover was less than 270,000 shares for 2.1 million euros. Trading also exhibited a significant rise

in comparison to the final quarter of the prior 2002/2003 financial year (520,000 shares for 5.3 million euros).

Share price in euros (from November 3, 2003 to March 2, 2004)



The performance of our shares continued its recent upward movement. In the first three months of the new financial year, the share price improved by six percent to 13,75 euros (Xetra closing quotation on January 31, 2004).

Cazenove, HSBC Trinkaus & Burkhardt, and Sal. Oppenheim have renewed and reaffirmed their positive ratings for the Company's stock following the presentation of the 2002/2003 financial statements on January 29, 2004. Beginning February 17, 2004, Landesbank Baden-Württemberg (LBBW) is now another bank monitoring and analyzing the stock of Deutsche Beteiligungs AG. This bank has issued a buy recommendation. Independent Research has also reaffirmed its current buy recommendation.

In the first quarter of the new financial year, the Board of Management and the Supervisory Board submitted a declaration of conformity with the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act. As in the past, deviations from the Code's recommendations and suggestions are limited to only a few points largely rooted in the specific nature of the private equity business.

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## FINANCIAL CALENDAR

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	Date
Report on 2nd Quarter/First Six Months	June 14, 2004
Analysts' Conference Call	June 14, 2004
Analysts' Conference (planned)	June 2004
Report on 3rd Quarter	September 14, 2004
Analysts' Conference Call	September 14, 2004
German Mid Cap Conference	December 2004
Annual Press Conference	January 2005
Annual Meeting 2005	March 17, 2005

## OUTLOOK

In the first quarter of the current financial year, we added two very promising investments to the portfolio. In February, we signed a contract for the acquisition of a majority interest in Otto Sauer Achsenfabrik Keilberg (SAF) – we expect to complete this transaction during the second quarter of this financial year. A capital increase has injected fresh capital into the Company, thereby strengthening our financial position and enabling us to make unrestricted use of attractive investment opportunities.

At this point, it is not possible to predict the earnings situation for the complete financial year. We anticipate that we will be able to realize one or two investments from both our German and international portfolios in the coming months; by the nature of our business, it is uncertain whether or not these transactions will be completed before the close of this financial year.

All in all, we are confident that Deutsche Beteiligungs AG will continue its positive pattern of progress.

# I CONSOLIDATED BALANCE SHEET AT JANUARY 31, 2004

## ASSETS

	Jan. 31, 2004 T €	Oct. 31, 2003 T €
Intangible assets/ Fixed assets	731	774
Investments	274,431	256,925
<b>Long-term assets</b>	<b>275,162</b>	<b>257,699</b>
Receivables	8,202	8,626
Other assets/ securities/prepayments	24,778	20,501
Cash and cash equivalents	6,710	5,122
<b>Current assets</b>	<b>39,690</b>	<b>34,249</b>
	<b>314,852</b>	<b>291,948</b>
Trustee claims	10,320	10,320

T € = thousands of €

## LIABILITIES AND SHAREHOLDERS' EQUITY

	Jan. 31, 2004 T €	Oct. 31, 2003 T €
Subscribed capital	36,400	36,400
Capital reserve	102,194	102,194
Retained earnings	22,190	22,190
Consolidated profit (previous year: Consolidated loss)	975	-2,374
Minority interests	1,136	327
<b>Total shareholders' equity</b>	<b>162,895</b>	<b>158,737</b>
<b>Provisions</b>	<b>19,508</b>	<b>18,639</b>
Liabilities to banks	94,575	75,813
Other liabilities/deferred income	37,874	38,759
<b>Liabilities</b>	<b>132,449</b>	<b>114,572</b>
	<b>314,852</b>	<b>291,948</b>
Trustee liabilities	10,320	10,320

T € = thousands of €

## I CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Nov. 1, 2003 to Jan. 31, 2004 T €	Nov. 1, 2002 to Jan. 31, 2003 T €
Income from investments	4,713	1,500
Gains from investment disposals	3,266	7,056
Losses from investment disposals	39	97
Write-downs on investments and on marketable securities	1,300	0
Other operating income	3,514	1,147
Personnel costs	3,429	1,850
Depreciation on fixed assets and other intangible assets	50	55
Other operating expenses	2,376	3,243
Net interest	-990	-1,033
<b>Result of ordinary activity</b>	<b>3,309</b>	<b>3,425</b>
Taxes	-40	-10
<b>Net income</b>	<b>3,349</b>	<b>3,435</b>
Loss carried forward	-2,374	-5,463
<b>Consolidated profit (previous year: consolidated loss)</b>	<b>975</b>	<b>-2,028</b>
Earnings per share	€ 0.24	€ 0.25
	Jan. 31, 2004	Jan. 31, 2003
Number of shares	14 million	14 million
Employees	51	52
thereof active	48	49

T € = thousands of €

## I CONSOLIDATED CASH FLOW STATEMENT

Increase (+) / decrease (-)	Nov. 1, 2003 to Jan. 31, 2004 T €	Nov. 1, 2002 to Jan. 31, 2003 T €
Result for period	3,349	3,435
Write-downs / write-ups on long-term assets	1,350	55
Increase (+) / decrease (-) in accruals	869	126
Profit (-) / loss (+) from disposals of long-term assets	-3,227	-6,959
Increase (-) / decrease (+) in other assets (netted)	-3,853	6,998
Increase (+) / decrease (-) in other liabilities (netted)	-76	3,500
<b>Cash flows from operating activities</b>	<b>-1,588</b>	<b>-7,155</b>
Purchase of property, plant and equipment and intangible assets	-7	-10
Proceeds from disposals of long-term financial assets	13,478	24,619
Acquisitions of long-term financial assets	-29,057	-10,018
<b>Cash flows from investing activities</b>	<b>-15,586</b>	<b>14,591</b>
Proceeds from short or long-term borrowings	18,762	0
Cash repayments of short or long-term borrowings	0	-14,031
<b>Cash flows from financing activities</b>	<b>18,762</b>	<b>-14,031</b>
Change in cash funds from cash-relevant transactions	1,588	7,715
Cash funds at beginning of period	5,122	303
<b>Cash funds at the end of period</b>	<b>6,710</b>	<b>8,018</b>

T € = thousands of €

## I CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Subscribed capital	Capital reserve
	T €	T €
<b>Nov. 1, 2002</b>	<b>36,400</b>	<b>102,194</b>
Consolidated net income		
<b>Jan. 31, 2003</b>	<b>36,400</b>	<b>102,194</b>
Consolidated net income		
<b>Nov. 1, 2003</b>	<b>36,400</b>	<b>102,194</b>
Consolidated net income		
Other changes		
<b>Jan. 31, 2004</b>	<b>36,400</b>	<b>102,194</b>

T € = thousands of €

Retained earnings	Consolidated balance sheet profit/loss	Minority interests	Total
T €	T €	T €	T €
21,961	-5,463	331	155,423
3,435		3,435	
21,961	-2,028	331	158,858
22,190	-2,374	327	158,737
	3,349		3,349
		809	809
22,190	975	1,136	162,895

## ANNEX

There have been changes to the Board of Management of Deutsche Beteiligungs AG in the reporting period: Helmut Irle left the Board of Management of Deutsche Beteiligungs AG at the end of January 2004. Effective January 1, 2004, the Supervisory Board appointed the former Senior Vice Presidents André Mangin and Dr. Rolf Scheffels to the Board of Management. The Board of Management of Deutsche Beteiligungs AG thus consists of Wilken Freiherr von Hodenberg (Spokesman), Torsten Grede, Reinhard Löffler, André Mangin, and Dr. Rolf Scheffels.

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Members of the Supervisory Board hold no shares of Deutsche Beteiligungs AG. The members of the Board of Management own the following numbers of the Company's shares:

Torsten Grede	242
André Mangin	202
Dr. Rolf Scheffels	218

Stock options on the shares of Deutsche Beteiligungs AG under the stock option program were granted to members of the Board of Management in office at the respective share option award date. So far, the following options have been granted:

Date of grant	Number of stock options granted	Reference price in €	Value of reference index S-Dax
April 11, 2001	70,000	€ 31.39	2,926.74
April 16, 2002	70,000	€ 20.27	2,456.50
April 11, 2003	70,000	€ 6.72	1,742.84
Total at January 31, 2004	210,000		

Stock options have also been granted to a selected group of employees under comparable terms; 70,000 options have been granted annually since 2001.

One stock option represents an entitlement for the purchase of one share of Deutsche Beteiligungs AG. The options are exercisable not earlier than three years after the date of grant and expire after a maximum of five years.

An appreciation is only achieved, if the performance of the shares of Deutsche Beteiligungs AG (including dividend payments) exceeds that of the S-Dax up to the time the option is exercised. Currently (March 2, 2004), this is only the case for the third tranche.

Based on the rules of the German Commercial Code (HGB), this quarterly report was drawn up according to the same accounting and evaluation methods as applied for the 2002/2003 financial statements and the quarterly report for the same period the previous year. This quarterly report was prepared in conformity with the German Accounting Standards (Deutsche Rechnungslegungsstandard DRS 6).

The private equity operations of Deutsche Beteiligungs AG are conducted on a global basis, i.e. without differentiating between segments, such as geographical or industrial segments. Segment information is therefore not reportable.

No dividends were disbursed during the reporting period.

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