

Interim Report
at April 30, 2001



Deutsche
Beteiligungs AG

Deutsche Beteiligungs AG ...

... invests in larger middle-market businesses which are well positioned in their marketplaces and exhibit strong growth and earnings potential.

Our investment focus is:

- Majority takeovers in management buyouts/ buy-ins – especially for reasons of succession issues in family-owned companies or spin-offs of non-core activities of large corporations. Our particular expertise and experience lie in complexly structured businesses.
- Growth financings for companies in the pre-IPO phase.

We work in partnership with the management to strategically develop the portfolio companies: we provide the platform to expand core fields of business and create internal growth; we support major investments and spin-offs of marginal activities. That gives companies an entirely different quality than they originally had, thereby enhancing their value. We realize that added value when we exit the investment. Envisioning the profit potential of Deutsche Beteiligungs AG is fueled by our dedication to identifying opportunities and working to successfully develop them. As a listed company, Deutsche Beteiligungs AG offers shareholders the opportunity to profit from that potential.

Key events to date in financial year 2000/2001 in brief:

- Market leadership expanded: IPO for Lignum Technologie AG
- Financing for further growth: Andritz AG placed capital increase
- Global leader in energy equipment created: AvK/SEG Holding GmbH & Co. KG sold
- Business opportunities exploited: Global Power Equipment Group achieves stock market listing
- Portfolio strategy on target: Rockinger group sold
- Strong media group: Metro Zeitschriften Verlag merged with ET Multimedia AG
- Competitive platform for buy and build strategies: Investments in priNexus and Logisco
- Performance falls short of expectations: Restructuring program for Libro group installed
- Brand focus successful: Hucke group achieves turnaround
- Strong growth continued: Edscha AG corrects sales forecast upward
- Sustained performance: Excellent first quarter 2001 for Funkwerk AG
- New record high: Rheinhold & Mahla AG raises profits
- Excellent start: schlott sebalduS AG optimistic following successful business year

Report on the first six months of the 2000/2001 financial year

Current expenses for portfolio management and, in particular, write-downs of € 9.0 million led to a negative pre-tax profit of € –1.7 million for the first six months of this financial year. The capital markets' current volatile development will decisively influence the pre-tax profit for the complete 2000/2001 financial year.

Portfolio development at April 30, 2001

	Total portfolio in millions of €	Number
November 1, 2000	324	50
Investments	18	4
Disposals/repayments	16	6
April 30, 2001	326	48

From November 1, 2000 to April 30, 2001, we invested a total of € 18 million. Over the same period, we recorded sales and repayments of investments at acquisition costs amounting to € 16 million. At April 30, 2001, the portfolio volume of Deutscheeteiligungs AG totaled € 326 million, invested in 48 businesses. Including co-investment funds, Deutsche Beteiligungs AG had € 500 million under management at April 30, 2001, invested in 59 portfolio companies.

Contrary to the market trend, the previous business year saw the price of our shares rise markedly by 56 percent. They continued their good performance into the early part of this year against the market's negative movement until March, when the pricing of Deutsche Beteiligungs AG stock fell. After reaching € 28.35 in early April – their lowest price point since January 2000 – our stock has

been following an uptrend and traded at € 35.60 on June 18. Overall, shares of Deutsche Beteiligungs AG have outperformed the relevant indices: since January 1, 2000 the value of Deutsche Beteiligungs AG stock has risen by nearly 28 percent (subscription rights and dividends not included), whereas, over the same period, the Deutsche Aktienindex (DAX) lost 13 percent in value (as per June 18, 2001) and the S-DAX gained only slightly more than three percent.

Outlook for financial year 2000/2001

The capital markets' current volatile development will decisively influence the pre-tax profit for the complete 2000/2001 financial year. We are currently preparing other profitable exits and exploring a number of attractive new investment opportunities and acquisitions.

The following is a report on major events in the first half of financial year 2000/2001 as well as those occurring up to the publication of this report at the end of June 2001.

Market leadership expanded: IPO for Lignum Technologie AG

2000 was a very successful year for Lignum Technologie AG (Schopfloch). Once again, the company grew considerably faster than the market. Group sales rose more than one fifth to € 718 million; in comparison with the Lignum group's pro-forma figures, sales growth amounted to more than 15 percent. The pre-tax profit surged 77 percent to € 54.9 million. This performance mirrors the company's outstanding market position: with a 24 percent share of the market, the Lignum group has further expanded its world leadership in wood-working machinery and facilities.

The company's good progress continued into the first quarter of 2001. Lignum recorded a 15.9 percent rise in sales to € 179 million in the first three months (at March 31). The pre-tax profit climbed to € 11 million (previous year € 9 million). For financial year 2001 in total, Lignum's management anticipates that sales will again grow more strongly than the market and that earnings will post another gain.

Lignum is scheduled to be listed on the stock exchange on July 4, 2001. The public offering is targeted at financing the company's continued dynamic growth and further expanding its market share. Lignum's management is planning investments totaling some € 40 million.

Deutsche Beteiligungs AG holds a 20.68 percent interest in Lignum Technologie AG, which was formed by the merger of Homag AG and IMA Klessmann GmbH. We first invested in Homag AG in January 1997 and intend to realize our investment in conjunction with the IPO.

Financing for further growth: Andritz AG placed capital increase

Andritz AG (Graz, Austria) exhibited another year of excellent progress in financial year 2000. Sales of the Andritz group reached € 936.8 million, up 42.9 percent over the prior year. This significant improvement is principally due to the first-time consolidation of Andritz-Ahlstrom at July 1, 2000. Andritz acquired a 50 percent interest in this company in May 2000. Without the consolidation effects, group sales would have risen 7.4 percent. The operating income before goodwill amortization increased 94.3 percent against the previous year to € 44.3 million.

This positive trend continued into the first quarter of 2001 (March 31). Sales amounted to € 288.3 million, up 33.5 percent over the same period the previous year. The operating income before goodwill amortization was € 13.4 million, or more than double that of the comparable period last year (€ 5.7 million). Based on current order levels, management is looking forward to completing the current 2001 financial year with good sales and earnings performance.

Andritz manufactures machines and facilities for the paper, steel and feed industries. The company is a worldwide leader in the cellulose and paper segments. Following the acquisition of Universal Milling Technology in November 2000, Andritz has also gained global leadership in feed technology.

Andritz will be listed on the Vienna Stock Exchange on June 25, 2001. The proceeds from the capital increase will serve to purchase the remaining 50 percent interest in Andritz-Ahlstrom.

We were a partner in a consortium which acquired Andritz AG in a management buyout in December 1999. The consortium was led by our Austrian private equity partner Unternehmens Invest AG, whose largest shareholder is Deutsche Beteiligungs AG. Jointly with UIAG, we own 25.1 percent of Andritz' stock.

**Global leader in energy equipment created:
AvK/SEG Holding GmbH & Co. KG sold**

In May, following the close of the first half of the current financial year, we profitably sold our complete interests in AvK/SEG Holding GmbH & Co. KG (Kempen) to Newage International Ltd (Stamford, UK). The acquisition is subject to approval by the antitrust authority. The two groups of companies – Newage and AvK/SEG – will be brought together to form a strategic partnership. The combined companies will be an internationally leading supplier of products and services for electric power production. They will generate annual sales of

some € 350 million and employ a staff of about 2,700. Major manufacturing sites are located in the UK, Germany, the United States, China, India and Romania.

We invested in AvK/SEG in a capital increase, providing the resources for the company's expansion. Since then, revenues have climbed some 50 percent to approximately € 110 million. The number of employees has also increased significantly.

The company's concycle technology, chiefly applied in wind energy production, was still under development in 1996. This business field will achieve sales of about € 30 million this year and sustainably contribute to AvK/SEG's earnings. Generators equipped with "constant cycle" technology (concycle) maintain constant voltages and frequencies despite variable rotational speed. This technology significantly improves the efficiency of wind energy. Other milestones in the company's progress with Deutsche Beteiligungs AG were investments in a new generator production facility in Ingolstadt and the construction of a manufacturing plant in Romania.

Jointly with the managing family partners, Deutsche Beteiligungs AG has played a key role as a financial investor in expanding the company's market position and significantly enhancing the company's value. We profitably realized that value created these past years through the sale of our investment.

Business opportunities exploited: Global Power Equipment Group achieves stock market listing

May 18, 2001 was the first day of trading for the stock of Global Power Equipment Group (Tulsa, Oklahoma, USA) on the New York Stock Exchange. The issue price was US \$ 20. Exercising a green shoe option, we placed a small part of our block of shares and now hold an interest of over four percent in this worldwide leader in equipment for gas turbine-operated power plants.

Last year Global Power Equipment Group posted sales of US \$ 403 million and achieved EBITDA (earnings before interest, taxes, depreciation and amortization) of more than US \$ 46 million before one-time effects.

We acquired a stake in Global Power in August 2000 jointly with our American private equity partner, Harvest Partners. Our direct investment totaled € 3 million. Valued at the issue price of US \$ 20 for Global Power stock, the resulting interest owned by Deutsche Beteiligungs AG today equals some € 21 million. It was agreed to suspend these shares from trading for a waiting period of one year following the initial stock market listing. Since the first day of trading, the company's stock has exhibited positive performance.

Deutsche Beteiligungs AG not only profits from its direct investment in this newly listed company. We also hold a stake through funds managed by Harvest Partners.

Portfolio strategy on target: Rockinger group sold

Effective April 1, 2001, we sold the Rockinger group (Munich) to Jost Holding GmbH, the global leader in semi-trailer couplings and telescopic supportings. Our initial investment in Rockinger dates back to October 1992; we have held a majority interest since October 1998. Rockinger manufactures trailer and semi-trailer couplings as well as couplings for farming and forestry vehicles. The company is the world market leader in trailer couplings for commercial and industrial vehicles. In a cooperative effort with management, we have been instrumental in enhancing the company's value over the past years.

The Jost group is an industrial partner that will continue to strengthen Rockinger's strategic positioning and drive the company's future. The combined companies will generate sales of more than € 250 million, thereby expanding their leadership positions.

Measured at acquisition cost, Rockinger belongs to our ten smallest investments, representing a mere one percent of the portfolio. The sale of this group was not only economically profitable. It represents another step in our strategy of increasing the average value of individual investments. The same applies to realizations of our investments

in Eisenwerk Brühl GmbH, Vitas Inc, Jeschke GmbH and Frosch Touristik GmbH, which have also been ongoing since the beginning of the current financial year, as planned.

Strong media group: Metro Zeitschriften Verlag merged with ET Multimedia AG

In November 2000, we initially acquired a 49 percent stake in Metro Zeitschriften Verlags GmbH (Klosterneuburg, Austria). The remaining 51 percent of the shares are held by Sebaldu Druck und Verlag GmbH, a subsidiary of schlott sebaldu AG. Metro is a publisher of women's magazines ("Wienerin", "Young World") and cinema magazines ("Skip").

Metro Zeitschriften Verlags GmbH was merged with ET Multimedia AG. Boasting a market share of some 25 percent, ET Multimedia is the leading Austrian media group for periodicals targeted at decision-makers. The company also publishes various special interest magazines, as well as providing e-mail, on-line and e-commerce products and services with a clear focus on decision-makers.

Including partial operations of Metro Zeitschriften Verlags GmbH, ET Multimedia generated sales of approximately € 44.0 million and employed a staff of 430 in financial year 2000. The transaction has created Austria's second largest magazine publishing group with a leading position in women's, youth and business media. Deutsche Beteiligungs AG and its parallel fund hold 14 percent of the stock, another 14 percent is owned by the schlott

sebaldus group, and 12 percent by Unternehmens Invest AG. Our objective is to lead the company to a public offering on a European stock exchange within the next two years.

Competitive platform for buy and build strategies: Investments in priNexus and Logisco

In January 2001, we entered a cooperative project with Harvest Partners (New York), our private equity partner in the USA, and directly acquired a 5.3 percent interest jointly with our co-investment fund in priNexus, a buy and build project. priNexus was formed to build a leading provider of integrated solutions for the full spectrum of marketing communication products and services. priNexus plans to generate revenues in excess of US \$ 400 million within the next three years – in part through add-on acquisitions.

In November 2000, jointly with our co-investment fund, we also directly purchased a 5.6 percent interest in Logisco – another buy and build project which is being formed by Harvest Partners. The objective is to build a leading logistics provider in this rapidly growing sector through the integration of warehouse-based logistics and transportation management services, as well as other services. Logisco plans to increase sales to US \$ 450 million through strategic acquisitions within the next three years.

Performance falls short of expectations: Restructuring program for Libro group installed

Performance of the Libro group (Guntramsdorf, Austria) for the past fiscal year (March 1 to February 28) fell below expectations. The principal reason for the deterioration and enormous deviation from forecasts is the failure of the company's expansion plans: both its business plans for the German market as well as for its on-line provider lion.cc and Amadeus book chain did not live up to expectations.

We invested in Libro AG in 1997. Prior to Libro's initial public offering, we began exiting the investment in autumn of 1999 and profitably sold approximately one third of our shares to Telekom Austria. The remaining block of shares will be taken over by a purchaser consortium subject to certain conditions which must be met by July 10, 2001. We performed a write-down in full of the book value of this block of shares in the second quarter.

Brand focus successful: Hucke group achieves turnaround

The brand business of the Hucke group (Lübbecke) continued to exhibit very satisfactory development. For the fifth successive year, Basler GmbH achieved significant rises in sales and earnings. The first sales season for licensed "Harry Potter" children's wear exceeded forecasts by far. Children's wear manufactured under a "Steiff" license also met with excellent market response. This summer, the company will be launching "West Sport" Casual

Men's Wear Collection (licensed by the Reemtsma group) as a lifestyle concept and entertainment brand. Initial response at trade level is very positive. The situation in the price-based mass market business remains difficult, which is mirrored in the Hucke group's lower sales.

The drop in sales from € 401 million to € 341 million is partly due to streamlining of group structures and the company's decision to turn down orders earning inadequate profit margins. The group ended the past 1999/2000 financial year with pre-tax profits of € 7 million, compared with a loss of € 12 million the year before. In addition to an improvement in the Hucke group's operating business and the outstanding contribution by Basler, the leap in earnings came from positive effects in conjunction with the sale of subsidiaries. For the current year, management expects earnings to improve once more.

Through Bowa Beteiligungsgesellschaft mbH & Co. KG, we have held a 38 percent interest jointly with two other financial investors in Hucke AG since 1995.

Strong growth continued: Edscha AG corrects sales forecast upward

Edscha AG (Remscheid), an internationally operating automobile supplier, continued its pattern of growth. Sales in the first nine months of the current 2000/2001 fiscal year (July 1, 2000 to March 31, 2001) climbed to € 582 million, an increase of 42 percent over the same period the previous

year. Without this year's first-time consolidation of Edscha Jackson Inc. and Etes nv, the rise in sales and, consequently, the company's self-generated growth reached 15 percent. Edscha achieved pre-tax profits of € 10.3 million, or some 70 percent above those of the comparable period last year. The company's success results from its leadership in technology, its product portfolio and broad international presence, which makes Edscha largely independent of cyclical business developments in individual markets. Edscha is the world's leading developer and manufacturer of hinge systems (for vehicle doors, hoods and lids as well as door stops). Seven out of every ten car doors in Europe and five out of ten in the United States use Edscha hinges. Edscha is also a market leader in convertible roof systems and sliding roofs for trucks, particularly in the European market.

For the current financial year, the company's management moved its sales forecast upward to € 780 million. In comparison: sales in 1999/2000 were € 593 million. Management also anticipates that earnings will improve significantly against the prior year.

Jointly with our co-investment fund, we took over the investment in this quoted company in September from a private equity fund presently in liquidation. The investment consists of a block of shares amounting approximately to a 15 percent interest (Deutsche Beteiligungs AG: 7.5 percent) and a shareholder loan. Approximately 71 percent of the shares are held jointly by a syndicate of financial investors and the chairman of the board of management; about 29 percent are on free float.

Sustained performance: Excellent first quarter 2001 for Funkwerk AG

Funkwerk AG is an innovative and strongly growing telecommunications provider for traffic systems. Similar to its performance in fiscal year 2000, the company exceeded first-quarter forecasts in 2001. Sales grew by nearly 50 percent against the same period last year to € 15 million. The result of ordinary activity more than doubled, advancing from € 0.8 million to € 2.3 million. Pursuant to the very satisfactory progress in the first three months of the year, the company's management has corrected the forecast for the 2001 business year upward. Funkwerke AG anticipates sales of € 53.2 million.

Funkwerk AG has been listed on the Neuer Markt segment of the Frankfurt Stock Exchange since November 2000. Its current market capitalization amounts to some € 215 million. We hold an indirect interest in Funkwerk AG through Hörmann GmbH & Co. Beteiligungs KG (Kirchseeon), from which Funkwerk AG emerged. The 28 percent interest we currently hold in Hörmann GmbH & Co. Beteiligungs KG was acquired in 1997 through a capital increase. The majority interest was retained by the company's founder. Subsequent to the public offering, Hörmann still owns some 63 percent of the stock of Funkwerk AG.

New record high: Rheinhold & Mahla AG raises profits

Rheinhold & Mahla AG (Munich), a quoted company, also ended the 2000 fiscal year very successfully. Rheinhold & Mahla operates both in industry (insulation systems, ship insulations, industrial services) and in construction (insulation solutions, facade technology, refrigerated storage construction). Following the takeover of Willich, a former competitor, in 1999, Rheinhold & Mahla today is the European leader in industrial insulations.

In financial year 2000, the group's total output rose by 7.3 percent to € 726 million. The result of ordinary activity was € 18 million, exceeding that of the previous year by 9.4 percent.

For the current 2001 business year, the management of Rheinhold & Mahla anticipates stable output and earnings to increase by about ten percent.

In October 2000, jointly with our co-investment fund, we raised our interest in Rheinhold & Mahla to 27.0 percent, after having acquired an initial tranche in May 2000 via a capital increase. The capital increase served to finance the acquisition of Willich.

Excellent start: schlott sebaldu AG optimistic following successful business year

Following a very successful business year 2000, the schlott sebaldu group (Freudenstadt/Nuremberg) also achieved a good start in 2001. The result of ordinary activity rose to € 1.2 million in the first quarter, which is traditionally weak in earnings. The prior year's result was € 0.5 million. First-quarter sales declined to € 116.9 million, down from € 130.1 million the year before. This drop is not, however, related to capacities and earnings, but is due to costs incurred by a fire in a printing shop and a change in a client's ordering pattern.

An important event was a contract concluded in February, 2001 with the state of Bavaria and the city of Nuremberg for a new production site in Nuremberg's harbor area. The company expects to put the first rotogravure printing press into operation as early as autumn of this year, creating one of the most modern printing houses in Europe.

For 2001, management anticipates moderate sales growth and a significant rise in the result of ordinary activity of 15 percent to € 25.6 million. A major contributor to improved earnings will be synergies from the merger of Schlott and the Sebaldus group, which will take full effect for the first time this year. Together with our co-investment fund, we hold approximately 25 percent of the shares, making Deutsche Beteiligungs AG the largest shareholder of schlott sebaldus AG.

Annual Meeting of Deutsche Beteiligungs AG passes important resolutions

More than 56 percent of the capital was represented at the Annual Meeting of Deutsche Beteiligungs AG on March 27, 2001 in Frankfurt am Main.

The company's proposed profit distribution, including an increase in the distribution to shareholders from € 1.79 to € 1.80 per share, was adopted by a large majority of the vote. The same applies to management's other recommendations.

The shareholders at the Annual Meeting passed a vote of formal approval for the Board of Management and the Supervisory Board and appointed KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as the auditor for financial year 2000/2001. The reelections on the agenda saw the endorsement of the members of the Supervisory Board in their offices.

The Annual Meeting of Shareholders also authorized the Board of Management, until September 26, 2002, to purchase the company's own shares in the amount of up to ten percent of the current subscribed capital. The Board of Management will also be authorized to issue warrants and/or convertible bonds. In this context, authorized, but unissued capital of € 7,800,000, corresponding to 3,000,000 new shares, was created.

The Board of Management was also authorized to issue purchase warrants for the company's stock to members of the management team. To this end, the subscribed capital may be raised conditionally by up to € 1,820,000. The stock purchase warrants may only be issued if the price of Deutsche Beteiligungs AG stock outperforms the relevant market index. The standard for the stock purchase warrants issued this spring is the S-DAX.

The Annual Meeting of Shareholders also resolved to delete the word "Unternehmensbeteiligungsgesellschaft" from the company's name. The company's firm will now be Deutsche Beteiligungs AG. Additionally, the statutory corporate seat will be moved from Königstein to Frankfurt am Main.

In conformity with a decision by the Annual Meeting, shareholders' claims to certificates evidencing ownership will be excluded in the future.

Profit and Loss Account for the period from November 1, 2000 to April 30, 2001

	2000/2001 at April 30, 2001 T €	1999/2000 at April 30, 2000 T €
Income from investments	8,214	15,244
Gains from investment disposals	5,145	21,908
Losses from investment disposals	3	470
Write-offs on investments	9,038	0
Other operating income	2,856	3,702
Personnel costs	3,753	4,951
Depreciation on fixed assets	110	147
Other operating expenses	3,711	3,997
Net interest	-1,260	-1,779
Result of ordinary activity	-1,660	29,510
Taxes	157	-12,845
Net income	-1,503	16,665
Profit carried forward	8,141	6,333
Distributable profit	6,638	22,998
Earnings per share	€ -0.11	€ 1.39
	April 30, 2001	April 30, 2000
Number of shares	14 million	12 million
Employees	50	50
Thereof active	46	46

Contrary to the first half of the previous year, there were no notable gains from divestments in the first six months of the current 2000/2001 financial year. The high level of income from investments the previous year also stems from earnings in conjunction with divestments.

One investment necessitated a write-down. The income statement therefore exhibits a deficit of € 1.5 million for the first half of the 2000/2001 financial year.

T € = thousands of €

Balance Sheet at April 30, 2001

Assets

	April 30, 2001 T €	Oct. 31, 2000 T €
Fixed assets	415	476
Investments	253,481	252,187
Long-term assets	253,896	252,663
Receivables	9,579	10,350
Other assets/securities/prepayments	23,420	29,398
Cash and cash equivalents	4,918	13
Current assets	37,917	39,761
	291,813	292,424
Trustee claims	0	2,045

Liabilities and shareholders' equity

	April 30, 2001 T €	Oct. 31, 2000 T €
Subscribed capital	36,400	36,400
Capital reserve	102,194	102,194
Retained earnings	25,772	25,772
Distributable profit	6,638	33,341
Total shareholders' equity	171,004	197,707
Provisions	18,686	23,817
Liabilities to banks	79,621	45,094
Other liabilities/deferred income	22,502	25,806
Liabilities	102,123	70,900
	291,813	292,424
Trustee liabilities	0	2,045

T € = thousands of €

Cash Flow Statement

Increase (+)/decrease (-) in cash and cash equivalents	2000/2001 at April 30, 2001 T €	1999/2000 at April 30, 2000 T €
Net income	-1,503	16,665
Write-offs on investments	9,038	0
Depreciation on fixed assets	110	147
Reversals	0	0
Cash flows from income	7,645	16,812
Increase (-)/decrease (+) in accounts receivable	771	29,836
Increase (-)/decrease (+) in other assets/securities/pre-paid expenses	5,978	-4,065
Increase (-)/decrease (+) in provisions	-5,131	-6,811
Increase in non-bank liabilities/ deferred income	-3,304	24,536
Cash flows from operating activities	5,959	60,308
Investments	-24,601	-50,612
Investment disposals	14,269	20,365
Capital expenditure on fixed assets/ intangible assets (net)	-49	-35
Net investment	-10,381	-30,282
Dividend paid for the year	-25,200	-21,474
Net increase/decrease in cash and cash equivalents	-29,622	8,552
Repayments to banks	-34,527	8,506
Increase in bank balance	4,905	46

T € = thousands of €

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