

Quarterly Report

at July 31, 2000



Deutsche  
**Beteiligungs AG**



## **Key events in the first nine months of financial year 1999/2000 in brief:**

- GAH Anlagenbau AG sold to Aare-Tessin AG für Elektrizität at attractive capital gain – Public-to-private successfully completed
- Hübner/Medopharm group (Euvita GmbH & Co. KG) sold to Nordzucker AG – Transaction paves the way for group's future strategic development
- € 6.2 million invested in Global Energy Equipment Group, a fast-growing American company
- Commitment to Harvest Partners III raised by € 10.9 million – Buy and build deals on uptrend in the USA
- € 5.5 million invested in ad pepper media, a leading marketer of internet advertising
- Block of shares purchased in Rheinhold & Mahla AG, a quoted company
- Internet provider Czech On Line a.s. sold to Telekom Austria
- IPO candidate Andritz AG purchased in management buyout
- Media systems group Sebaldu sold to Schlott AG – Shareholding acquired in schlott sebaldu AG

- First French buyout fund totaling € 111 million closed – First investment completed
- IPO for Austrian media trade group and e-commerce provider Libro AG
- Homag AG merged with IMA group to form Lignum Technologie AG – World market leadership expanded
- Capital increase at Deutsche Beteiligungs AG successfully completed – Share price rose 48 percent
- BVK presents figures for first six months: Private equity market continues pattern of dynamic growth

## Report on the first nine months of the 1999/2000 financial year

### Sizeable capital gains realized

Similar to the first two quarters, Deutsche Beteiligungs AG again realized significant capital gains from the sale of investments in the third quarter. There was an allocation of part of the capital gains to provisions for risks involved in two of our investments. At the end of the third quarter of the 1999/2000 financial year, Deutsche Beteiligungs AG registered a pre-tax profit of € 40.3 million. That corresponds to 95 percent of last year's total record-high earnings, amounting to € 42.5 million.

#### Portfolio development at July 31, 2000

in millions of €	Total portfolio	thereof, Deutsche Beteiligungs AG
November 1, 1999	419	275
Investments	112	80
Disposals/repayments	60	40
July 31, 2000	471	315

We invested a total of € 112 million in the first three quarters of the current 1999/2000 financial year. Of this, € 80 million are attributable to the portfolio of Deutsche Beteiligungs AG. At July 31, 2000, the total portfolio comprised 64 businesses; 50 were in the portfolio of Deutsche Beteiligungs AG.

## **GAH Anlagenbau AG sold to Aare-Tessin AG für Elektrizität at attractive capital gain – Public-to-private successfully completed**

Retroactively as per January 1, 2000, we sold the GAH group, located in Heidelberg, to Aare-Tessin AG für Elektrizität (Atel) in Olten, Switzerland.

As one of Germany's large providers for technical systems and services for buildings and technical facility management as well as energy, industrial/plant and communications technology, the GAH group operates a complete network of subsidiaries and branch offices. Employing a staff of some 5,000, sales of the GAH group rose 9 percent to more than € 665 million in financial year 1999.

Atel, which generates sales of approximately € 1.2 billion, is an energy provider operating throughout Europe, particularly in Italy, Germany and Switzerland. In the past, Atel achieved revenues of about € 194 million. With the purchase of the GAH group Atel will now be turning the energy services segment into a second core activity.

In July 1998, we acquired jointly with the management a 97 percent interest in the GAH group, at that time a listed company. In line with the rules of classification established by German Stock Corporation Law, the remaining shareholders had the choice of accepting a cash offer or trading their shares for shares in the new company. The public-to-private transition took place in November 1998, when GAH was delisted.

GAH implemented a successful profit-center based restructuring program which led to a significant improvement in the company's profitability. Earnings from ordinary activities rose from € -10.6 million (1997) to € +17.8 million (1999). Strategically realigning its activities to meet market development, GAH expanded its communications services into a stand-alone business field, which is benefiting from the dynamic growth in mobile telephony and generating sales of about € 81.6 million (1999). The company also expanded its activities in technical systems and services for buildings and technical facility management as a „general technical contractor“.

Deutsche Beteiligungs AG, in partnership with the GAH Management, significantly enhanced the company's value and realized that value when the company was sold. It is the first successful public-to-private transaction completed in Germany by a financial investor.

**Hübner/Medopharm group (Euvita GmbH & Co. KG) sold to Nordzucker AG – Transaction paves the way for group's future strategic development**

Three years after our investment in conjunction with a management buy-in, we sold the Hübner/ Medopharm group, which we held via Euvita GmbH & Co. KG, to Nordzucker AG, effective August 1, 2000.

We acquired Anton Hübner KG, a leading supplier of over-the-counter products sold in health food stores, in a management buy-in in June

1997. Following the purchase of Medopharm, Hübner entered the pharmacy market in 1998. The company streamlined the product range in pursuit of a strategic brand policy. The business combination with Nordzucker's health segment will put the Hübner/Medopharm group in a position to successfully continue its growth strategy.

**€ 6.2 million invested in Global Energy Equipment Group, a fast-growing American company**

Jointly with Harvest Partners, our private equity partner in the USA, we acquired an interest in the Global Energy Equipment Group (Global Energy), Tulsa, Oklahoma, in July of this year. Including our co-investment, we own a 9.34 percent share. We directly invested € 6.2 million (of which € 3.1 million is attributable to Deutsche Beteiligungs AG).

Global Energy, with projected sales of US \$ 390 million in financial year 2000, is the world's leading manufacturer of equipment for gas turbine-operated power plants. This strongly growing company is profiting from the fact that gas turbine technology has convincing advantages in the production of energy and is therefore benefiting from the present capacity expansion in power production to an above-average extent. Additionally, Global Energy has a proprietary process for waste heat recovery from gas turbine energy production.

Global Energy is planning two-digit annual growth in revenues for 2001 to 2005, which, in addition to high market demand, will also be generated by new product developments.

### **Commitment to Harvest Partners III raised by € 10.9 million – Buy and build deals on uptrend in the USA**

To continue our successful investment activity in the USA, we committed the sum of US \$ 50 million in October 1997 to the Harvest Partners III fund, New York. Deutsche Beteiligungs AG is the fund's largest investor. The committed amount is paid in successively as the investing activity progresses. In addition to our investment in the fund, we may also invest directly in the portfolio companies through a co-investment option. We exercised this co-investment right in the Global Energy project.

In addition to the Global Energy acquisition, Harvest Partners has also raised existing investments, particularly for buy and build strategies. Parallel to the Harvest Partners III fund's investing activity, we have paid in several tranches in the third quarter of this financial year and increased our investment to US \$ 35.5 million (of which US \$ 17.8 million are attributable to Deutsche Beteiligungs AG).

### **€ 5.5 million invested in ad pepper media, a leading marketer of internet advertising**

In May of this year, we invested € 5.5 million (thereof Deutsche Beteiligungs AG: € 2.8 million) in ad pepper media, one of Europe's leading marketers of internet advertising, e-sponsorships and e-commerce solutions. This commitment clearly enhances ad pepper media's financial scope for further growth, which the company will use to strategically drive its program of global expansion and its plans for an IPO. Since the company's founding in 1999, ad pepper media has grown

stronger and faster than the market and its competitors in Germany. With a range of nearly 500 million exclusive advertising impressions and 22 branch offices in 14 European countries and the USA, ad pepper media is a leading player in the online advertising business. The group is a one-stop shop for advertisers and web sites. ad pepper is helping to shape the future media and advertising landscape by spearheading new development projects. It employs a staff of 100 worldwide.

Our investment in this enterprise was driven by ad pepper media's dynamic growth, lean organizational and cost structure, broad-based clientele and global strategy. Another decisive factor was that ad pepper media is not a typical start-up business. Rather, it is already firmly established in its marketplace and has the potential of moving up to the international top-ranking group of online advertising marketers shortly.

### **Block of shares purchased in Rheinhold & Mahla AG, a quoted company**

In May of this year, we acquired an interest in Rheinhold & Mahla AG, a listed company. Rheinhold & Mahla belongs to that group of companies which is presently not in the general focus of investors' interest, but which has a key position in the marketplace, exhibits attractive earnings potential and is growing strongly. Generating sales of € 716 million, Rheinhold & Mahla is a European leader in industrial insulations.

The company's market position was markedly improved by the takeover of Willich GmbH & Co., Dortmund, (output approximately € 180 million) as well as further acquisitions.

From our point of view, the company is well poised in the marketplace, but the current price of its shares does not yet reflect this company's earnings and development potential. Our investment creates the platform for this listed company to continue its successful program of sustained strategic expansion even in a difficult stock market environment.

The company's progress in the first six months of the current fiscal year confirms the high expectations. Based on the semi-annual figures, Rheinhold & Mahla anticipates surpassing the record-high results achieved in 1999 this current financial year again.

### **Internet provider Czech On Line a.s. sold to Telekom Austria**

Less than two years after purchasing Czech On Line a.s. (COL), Prague, in a management buyout, we sold the company to Telekom Austria in April of this year. This transaction represents the largest internet deal and one of the most successful private equity investments to date in eastern Europe. As the management company, we profit from this sale by our variable management fee, which is linked to the capital gain.

DBG Osteuropa-Holding GmbH, a fund managed by Deutsche Beteiligungs AG, became COL's majority investor in August 1998, holding more than 87 % of the shares. The remaining stock was held by COL's management.

DBG Osteuropa-Holding GmbH is a private equity fund that invests in Poland, the Czech Republic, Slovakia and Hungary. Its regional offices are located in Budapest, Prague and Warsaw. The fund, launched in 1996, has assets of € 46 million and has so far invested in two businesses in Poland, one in the Czech Republic and one in Hungary. We anticipate that the fund's capital will be invested completely this current financial year and plan to raise a follow-up fund.

### **IPO candidate Andritz AG purchased in management buyout**

Deutsche Beteiligungs AG was a partner in a consortium that purchased Andritz AG, Graz, Austria, in a management buyout in December 1999. The consortium was led by our Austrian private equity partner Unternehmens Invest AG (UIAG), whose principal shareholder is Deutsche Beteiligungs AG. We jointly hold a 25 percent interest in Andritz. The company manufactures production facilities for the paper, steel and feed industries and achieved sales of € 716 million in 1999.

The consortium's investment is targeted to support Andritz's ongoing program of expansion and internationalization, thereby further spurring the outstanding progress this company has made over the last few years.

In May 2000, Andritz acquired a 50 percent interest in the Ahlstrom Machinery Group of Finland. The Ahlstrom Machinery Group, a leading manufacturer of facilities for the production of chemical cellulose, including lye recovery and chemical retrieval plants required for the process, will ideally supplement Andritz's product and service range in the cellulose segment. Through this acquisition, Andritz also significantly expanded its position in the Scandinavian countries.

The company aims to achieve a 50 percent rise in sales through this acquisition to € 1 billion, as well as a sustainable earnings improvement by exploiting synergy potential this current business year. Beyond that, the economic uptrend in a number of regions – particularly in China and other Asian countries as well as South America – is expected to favorably impact the company's results. A restructuring and efficiency program has been installed to reduce costs.

The acquisition of the Ahlstrom Machinery Group has brought Andritz a decisive step forward towards an IPO.

### **Media systems group Sebaldu sold to Schlott AG – Shareholding acquired in schlott sebaldu AG**

In November 1999, we sold our interest in the media systems group Sebaldu to Schlott AG, a listed company. This business combination has created Germany's largest independent media systems provider. For financial year 2000, the new schlott sebaldu AG has forecast consolidated sales of some € 600 million.

A part of the proceeds from the sale was remitted in the form of shares in the new schlott sebalduS AG. We currently hold nearly 25 percent of the stock jointly with our co-investment fund, making Deutsche Beteiligungs AG the largest shareholder in schlott sebalduS AG.

In conjunction with the transaction, SebalduS' publishing activities, comprised in Gong Verlag GmbH, were spun off. The co-investors in the SebalduS project now directly own a 75 percent interest in these publishing activities. Our share is 26.7 percent. schlott sebalduS has a 25 percent stake in this business through SebalduS Druck und Verlag GmbH.

In the first six months of 2000, schlott sebalduS AG generated sales of € 262 million. In view of the fast progress made in the integration process and the favorable economic environment, the board of management of schlott sebalduS AG is looking forward to complete the year on a positive trend.

### **First French buyout fund totaling € 111 million closed – First investment completed**

We sponsored the fund management company Quartus Gestion S.A., Paris, jointly with a team of experienced French fund managers in 1998. Reputed French, German, British and Swiss institutional investors committed a total of € 111 million to Quartus Capital Partners I, the first buyout fund raised by this management company, as per the closing date on December 31, 1999. We committed 31 percent of the capital, making us the largest single investor in the fund.

The Quartus Capital Partners I fund will be focusing its investing activity on majority acquisitions in conjunction with succession issues and spin-offs of non-core businesses of large corporations. The fund gives us the opportunity to invest directly in French companies by way of co-investments. This strategic partnership also puts us in an outstanding position to lead German-French cross-border deals.

The fund made its first portfolio investment in February 2000. A further acquisition is scheduled to be completed shortly. Until April 1, 2000, the management company had been operating under the name of Quadran Gestion S.A. and the fund under the name of Quadran Capital Partners I.

### **IPO for Austrian media trade and e-commerce group Libro AG**

The IPO of Austria's largest media trade group in November 1999 was seven times oversubscribed and represents one of the most successful issues on the Vienna Stock Exchange. At € 29, the company's stock was placed at the upper end of the book-building range. Jointly with Unternehmens Invest AG, our participation in Libro AG amounts to more than 25 percent. We hold 14.7 percent of the shares, of which 12.3 percent are attributable to the portfolio of Deutsche Beteiligungs AG.

Telekom Austria, which acquired 25 percent of Libro's stock at year-end 1999, gives Libro a strategic partner with an outstanding infrastructure in mobile telephony and the internet. This partnership will accelerate growth in the booming e-commerce and internet business.

Overall for the 2000/2001 financial year, Libro expects two-digit growth in sales.

### **Homag AG merged with IMA group to form Lignum Technologie AG – World market leadership expanded**

In November 1999, the core businesses of Homag AG and IMA Klessmann AG merged to form Lignum Technologie AG. The merger was targeted at strengthening and expanding the company's position in wood-processing machinery in the international marketplace. Today, the company has a 20 percent market share and is present in 50 countries, making this global player the undisputed world market leader. The company's product range extends from engineering and consulting, manufacture of high-tech machinery and complex facilities to software and e-commerce.

Lignum Technologie AG generated consolidated sales of € 593 million in financial year 1999 (previous year: € 522 million). Thus, this leading global systems partner to the wood-processing industry raised sales by 13.5 percent in its merger year. schuler business solutions AG, a group enterprise, registered the strongest growth. Advancing 34.4 percent to € 19 million (previous year: € 14 million), this software and consulting company operating in e-commerce clearly exceeded its target. Flotation on the Neuer Markt could be an interesting option for this business entity.

Lignum continued its very satisfactory progress into the first quarter of 2000. The company has

again forecast a two-digit rise in sales to a total of more than € 605 million this current fiscal year. Exports will be driving the growth. The board of management anticipates that the synergism created will also yield an improvement in profits.

Deutsche Beteiligungs AG is the largest single investor in the new Lignum Technologie AG, owning a 20.8 percent share.

### **Capital increase at Deutsche Beteiligungs AG successfully completed – Share price up 48 percent**

In July of this year, the capital of Deutsche Beteiligungs AG was increased by € 5.2 million, from € 31.2 million to € 36.4 million, at a subscription ratio of 6:1, using capital authorized for issuance.

The 2,000,000 new shares will be entitled to the full dividend for the current 1999/2000 financial year. The new shares were offered to owners of old stock at a subscription price of € 29. The offer incited brisk demand. During the subscription period from July 13 to July 26, 2000, the share price rose from € 36.50 to € 40.00. The great majority of our shareholders exercised their subscription rights.

The proceeds from the issue total € 58 million and will serve to finance further growth and, in part, to repay loans.

The price of Deutsche Beteiligungs AG stock developed positively in the first nine months of

the current financial year. Our shares were traded at € 26.95 on November 1, 1999 on the Frankfurt Stock Exchange; on July 31, 2000 they closed at € 40.00. This represents a 48 percent rise in the share price.

**BVK presents figures for first six months:  
Private equity market continues pattern of  
dynamic growth**

The six-months statistics show that Germany's private equity market is continuing its dynamic development. In the first half of the year, the members of Bundesverband deutscher Kapitalbeteiligungsgesellschaften/German Venture Capital Association (BVK) invested € 1.6 billion, or 78 percent more than the comparative period the year before, which saw new investments of € 0.9 billion. From December 31, 1999 to June 30, 2000, the total portfolio of BVK members climbed from € 7.1 billion to € 8.2 billion, a rise of 16.6 percent. At the end of the first six months, the capital was invested in 4,894 companies.

Currently, the platform for the private equity business in Germany is excellent and the strong growth is expected to continue. Upcoming succession issues in mid-sized enterprises, the focus on core lines of business in many corporations leading to spin-offs of marginal activities and the search for financial partners in the pre-IPO stage will be driving the growth. The slated tax reform will further fuel the private equity business. The reform plans to exempt capital gains from the sale of investments from taxation starting in 2002.

**Excellent prospects for earnings in financial year  
1999/2000**

In view of the results at July 31, 2000 and current business opportunities, we expect that earnings for this financial year will be in line with the excellent results achieved the previous year.

September 2000

The Board of Management

## Profit and Loss Account for the period from November 1, 1999 to July 31, 2000

	1999/2000 at July 31, 2000 T €	1998/1999 at July 31, 1999 T €
Income from investments	19,573	14,069
Gains from investment disposals	56,746	6,352
Losses from investment disposals	582	134
Write-offs on investments	16,087	281
Other operating income	5,625	7,584
Personnel costs	7,989	5,001
Depreciation on fixed assets	231	236
Other operating expenses	13,915	4,899
Net interest	-2,820	-1,933
<b>Result of ordinary activity</b>	<b>40,320</b>	<b>15,521</b>
Taxes	23,518	5,269
<b>Net income</b>	<b>16,802</b>	<b>10,252</b>
Profit carried forward	6,333	3,063
<b>Distributable profit</b>	<b>23,135</b>	<b>13,316</b>
<b>Income per share</b>	<b>€ 1.20*</b>	<b>€ 0.85</b>
	July 31, 2000	July 31, 1999
Number of shares	14 million	12 million
Employees	49	50
Thereof active	45	46

\* determined on the basis of the capital increase in July 2000 (€ 1.40 per share, based on original number of shares).

We received notable income from investments and from the sale of investments in the first nine months of the current financial year. By contrast, the major part of our earnings for the previous business year was not received before the fourth quarter. This shows that our income may be disseminated very irregularly over a year. Risk provisions were made for two investments.

The increase in personnel costs compared with the year before is attributable to the positive earnings development in the first nine months of the current year.

## Balance Sheet at July 31, 2000

### Assets

	July 31, 2000	Oct. 31, 1999
	T €	T €
Fixed assets	553	665
Investments	252,490	230,810
<b>Long-term assets</b>	<b>253,043</b>	<b>231,475</b>
Receivables	5,125	32,636
Other assets/securities/ prepayments	16,926	20,658
Cash and cash equivalents	94,002	124
<b>Current assets</b>	<b>116,053</b>	<b>53,418</b>
	<b>369,096</b>	<b>284,893</b>
<b>Trustee claims</b>	<b>0</b>	<b>22,956</b>

### Liabilities and shareholder's equity

	July 31, 2000	Oct. 31, 1999
	T €	T €
Subscribed capital	36,400	30,678
Capital reserve	102,136	49,858
Retained earnings	20,701	20,701
Distributable profit	23,135	27,807
<b>Total shareholder's equity</b>	<b>182,372</b>	<b>129,044</b>
<b>Provisions</b>	<b>42,707</b>	<b>32,386</b>
Liabilities to banks	106,548	113,903
Other liabilities/deferred income	37,469	9,560
<b>Liabilities</b>	<b>144,017</b>	<b>123,463</b>
	<b>369,096</b>	<b>284,893</b>
<b>Trustee liabilities</b>	<b>0</b>	<b>22,956</b>
<b>Guarantees</b>	<b>0</b>	<b>511</b>

## Cash Flow Statement

Increase (+)/decrease (-) in cash and cash equivalents	1999/2000 at July 31, 2000 T €	1998/1999 at July 31, 1999 T €
Net income	16,802	10,252
Write-offs on investments	16,087	281
Depreciation on fixed assets	231	236
Write-ups on investments	0	0
<b>Cash flows from income</b>	<b>33,120</b>	<b>10,769</b>
Increase (-)/decrease (+) in accounts receivables	27,511	7,421
Increase (-)/decrease (+) in other assets/securities/pre-paid expenses	3,732	-4,628
Increase (+)/decrease (-) in provisions	10,321	-7,490
Increase in non-bank liabilities/ deferred income	27,909	20,757
<b>Cash flows from operating activities</b>	<b>102,593</b>	<b>26,829</b>
Investments	-70,263	-34,681
Investment disposals	32,497	17,855
Capital expenditure on fixed assets/ intangible assets (net)	-120	-427
<b>Net investment</b>	<b>-37,886</b>	<b>-17,253</b>
Dividend paid for the year	-21,474	-15,339
Capital increase	58,000	0
<b>Cash surplus</b>	<b>101,233</b>	<b>-5,763</b>
Repayments to banks	7,355	0
Bank loans raised	0	5,763
Increase in cash on bank accounts	93,878	0

T € = thousands of €



Deutsche Beteiligungs AG  
Unternehmensbeteiligungsgesellschaft  
Emil-von-Behring-Strasse 2  
D-60439 Frankfurt am Main  
Telephone: +49 (69) 9 57 87-01  
Telefax: +49 (69) 9 57 87-1 99  
e-mail: [welcome@deutsche-beteiligung.de](mailto:welcome@deutsche-beteiligung.de)  
Internet: [www.deutsche-beteiligung.com](http://www.deutsche-beteiligung.com)  
WPK Number 550810  
ISIN DE 0005508105

Registered office:  
Königstein/Taunus

Incorporated in the Commercial Register  
at the District Court in Königstein/Taunus  
HRB No. 2527