

Quarterly Report

at July 31, 2001



Deutsche
Beteiligungs AG

Deutsche Beteiligungs AG ...

... invests in larger mid-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 achieve this by providing the platform to expand core fields of business and create internal growth, and by supporting 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 in the third quarter of financial year 2000/2001 in brief:

- Last year's profit level will not be achieved – Capital market weakness thwarts Lignum IPO
- Injection of capital for DS Technologie – Set for growth
- Lignum IPO postponed – Pattern of progress continues
- Successful IPO for Andritz AG – Strong gain in orders
- Bauer AG markedly increases performance – New corporate structure installed
- Zapf GmbH revises sales target – Sluggish business affects construction
- Share price trend disappointing – Investor relations activities intensified
- Portfolio exhibits good potential – Business slow-down opens acquisition opportunities

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

Last year's profit level will not be achieved – Capital market weakness thwarts Lignum IPO

Deutsche Beteiligungs AG is expected to achieve only slightly positive income this financial year. As announced in an ad-hoc release on July 3, 2001, this year's income will clearly fall short of that of the previous year. The key reason for the drop is the capital markets' extreme weakness: an IPO for Lignum Technologie AG scheduled for early July had to be postponed. Deutsche Beteiligungs AG planned to divest its shares in Lignum by way of the public offering, which would thereby have generated a significant contribution to income. Already impacted by a difficult market setting for private equity, this unsatisfactory income forecast has put pressure on the price of Deutsche Beteiligungs AG stock. Deutsche Beteiligungs AG closed the third quarter of this current financial year (July 31) with pre-tax earnings of 0.6 million euros.

Portfolio development at July 31, 2001

	Total portfolio in millions of €	Number
November 1, 2000	324	50
Investments	27	4
Disposals/repayments	26	7
July 31, 2001	325	47

In the first nine months of this financial year, Deutsche Beteiligungs AG invested 27 million euros. Of this, ten million euros are attributable to new investments. Including investments by parallel funds, the sum invested was 40 million euros.

Seven investments at acquisition costs of 26 million euros were sold. At July 31, 2001, the portfolio volume of Deutsche Beteiligungs AG totaled 325 million euros (487 million euros including co-investment funds), invested in 47 businesses (57 businesses including co-investment funds).

The following is a report on major events in the third quarter of financial year 2000/2001.

Injection of capital at DS Technologie – Set for growth

Deutsche Beteiligungs AG provided additional equity of 2.3 million euros to DS Technologie AG within the scope of a financing package. These additional resources will serve to finance the company's further growth. DS Technologie manufactures specialized machine tools and offers advanced products for expanding markets. This is evidenced by a marked increase in orders from the aviation industry. With the retirement of the chairman of the Board of Management and the addition of a new financial officer in May, the new management team aims to fully exploit the company's potential. In September at the EMO, the world's largest machine tool fair, DS Technologie presented attractive new products, impressively underlining its market leadership in individual segments of machine tool construction.

Following a capital increase of 1.3 million euros in late June, we now own a 17.1 percent interest in Computec Media AG. We as well as two other major shareholders have disposed of our shares

in the Austrian Libro group at a symbolic price, thus paving the way for the company's restructuring.

Lignum IPO postponed – Pattern of progress continues

In June and July of this year, the capital market climate for new issuances had deteriorated further, impacting the initial public offering of Lignum Technologie AG planned for July 4, 2001. The market deterioration during the book-building period had become so pronounced that the listing would only have been possible significantly below the company's fair value. It was therefore jointly decided with the family owners to postpone the public offering until further notice. The company's flotation, however, remains the strategic target of Lignum Technologie AG.

Lignum has succeeded in maintaining its good position despite a difficult market environment. Sales and profits for the first six months of 2001 rose against the same period the previous year. More than 70 percent of revenues are meanwhile generated internationally. Due to the current sluggish economy in its German and US markets, new orders and, consequently, orders on the book had not reached the previous year's level at mid-year 2001. Lignum's management anticipates a further economic slow-down in important markets for the second half of the year, which will constrain investments. For financial year 2001 in total, Lignum Technologie AG, however, expects revenues to exceed last year's level.

Successful IPO for Andritz AG – Strong gain in orders

On June 25, 2001 two million new shares of Andritz AG were placed on the Vienna Stock Exchange priced at 21 euros per share. Exercising a so-called green shoe option, Deutsche Beteiligungs AG placed only 6,247 shares and, following the capital increase, now holds 3.4 percent of the 13 million outstanding shares.

Andritz AG used the proceeds from the public offering, as planned, to purchase the outstanding 50 percent stake in the Ahlstrom Machinery Group of Finland. The completion of this acquisition permits the full integration of this plant construction company into Andritz' cellulose and paper division, making Andritz the world market leader in this area as well.

In the first half of the 2001 financial year, Andritz AG continued its pattern of progress, despite first signs of the global economic slow-down. New orders in the first half of 2001 were up by more than 30 percent, compared with the same period the previous year. Order volume at June 30, 2001 totaled 1.0 billion euros, or nearly 25 percent over that of the year before. Group sales climbed 24.7 percent in the first six months of 2001 to 613.7 million euros. Earnings before interest, taxes, depreciation and amortization (EBITDA) improved to 41.1 million euros, a gain of 47 percent. The company anticipates this positive trend to continue.

Bauer AG markedly increases performance – New corporate structure installed

Bauer AG developed contrary to the trend in the construction industry last year. As the leading German provider of machinery and services for the special deep foundation industry, Bauer registered significant growth in both output and earnings. Following 515.5 million euros in 1999, output by the Bauer group reached 595.4 million euros in 2000, an increase of over 17 percent. Earnings were also clearly positive. The company is aiming to maintain revenues and earnings at this excellent level for the current 2001 financial year (Dec. 31). Bauer is considering a public offering in the upcoming future. The parent firm, Bauer Spezialtiefbau GmbH, was split into two separate legal entities this summer. This new legal structure will ensure a more focused development of each of Bauer's operating fields.

Zapf GmbH revises sales target – Sluggish business affects construction

Zapf GmbH, a systems provider in the construction industry, has revised its sales target downward by 15 million euros to 215 million euros for the current fiscal year (Dec. 31). This is in response to the persisting sluggishness in the construction industry. The number of building permits in Germany has been on the decline since 1997. Since 1999 the number of building permits for town houses – Zapf's core field of business – has also decreased. The company's management anticipates closing the current financial year with a deficit. Zapf responded to the development in sales by lowering capacities. After reducing the number of employees by 100 the previous year, another 100 jobs – or some 10 percent of staff – are currently being eliminated. An even more concentrated focus on products that promise adequate margins is expected to return operations to profitability.

**Share price trend disappointing –
Investor relations activities intensified**

Deteriorating investor sentiment on the capital market and, in particular, unsuccessful flotations by a number of public companies in June and July of this year have led to a fundamental revaluation of quoted private equity firms. The extremely weak condition of the capital markets is cited as an obstacle blocking private equity firms from exiting investments via flotations. This, in turn, is believed to lead to poor profit expectations for these companies. While Deutsche Beteiligungs AG does not consider the stock market as its most important exit vehicle – preferring divestments to strategic investors by trade sales – the price of our shares was also impacted by this generalized evaluation. We attribute the onset of the downward price trend in late June to this shift of opinion. The subsequent profit forecast issued on July 3, 2001 triggered a further decline to a price level of about 20 euros. We have intensified the dialogue with our shareholders and increased contacts to investors in Germany and other European countries as well as the United States. Deutsche Beteiligungs AG has, nonetheless, not been able to elude the general negative market environment.

Share price movement



- DBAG in €, adjusted by dividends and capital increase
- Dax, nominated and indexed vs. adjusted DBAG share price on Sept. 15, 1999
- SDax, nominated and indexed vs. adjusted DBAG share price on Sept. 15, 1999

**Portfolio exhibits good potential –
Business slow-down opens acquisition
opportunities**

Based on the current portfolio and the potential particularly inherent in Andritz AG and Global Power Equipment Group Inc., which were listed this summer, the Board of Management feels confident that the company will continue the excellent profit performance exhibited in the past this coming financial year. The portfolio of Deutsche Beteiligungs AG consists of well-positioned, strongly growing German, European and American mid-market companies. It can, however, be expected that the beginning economic slow-down will inevitably impact the one or the other portfolio company. Deutsche Beteiligungs AG intends to utilize the slower economy for attractive acquisition opportunities, thereby creating the basis for the company's continued good development in the future.

Profit and Loss Account for the period from November 1, 2000 to July 31, 2001

	2000/2001 at July 31, 2001 T €	1999/2000 at July 31 2000 T €
Income from investments	13,459	19,573
Gains from investment disposals	5,167	56,746
Losses from investment disposals	9,041	582
Write-offs on investments	0	16,087
Other operating income	4,722	5,625
Personnel costs	5,555	7,989
Depreciation on fixed assets	300	231
Other operating expenses	5,501	13,915
Net interest	-2,280	-2,820
Result of ordinary activity	671	40,320
Taxes	-60	-23,518
Net income	611	16,802
Profit carried forward	8,141	6,333
Withdrawal from reserves for own shares	71	0
Distributable profit	8,823	23,135
Earnings per share	0,04 €	1,20 €*
	July 31, 2001	July 31, 2000
Number of shares	14 million	14 million
Employees	48	50
Thereof active	45	46

Contrary to the first three quarters of the previous year, there were no notable gains from divestments in the first nine 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 was sold without a gain. The income statement therefore exhibits net income of EUR 0.6 million for the first nine months of the 2000/2001 financial year.

T € = thousands of €

Balance Sheet at July 31, 2001

Assets

	July 31, 2001 T €	Oct. 31, 2000 T €
Fixed assets	827	476
Investments	257,063	252,187
Long-term assets	257,890	252,663
Receivables	6,753	10,350
Other assets/securities/prepayments	26,122	29,398
Cash and cash equivalents	3,243	13
Current assets	36,118	39,761
	294,008	292,424
Trustee claims	0	2,045

Liabilities and shareholders' equity

	July 31, 2001 T €	Oct. 31, 2000 T €
Subscribed capital	36,400	36,400
Capital reserve	102,194	102,194
Retained earnings	25,701	25,772
Distributable profit	8,823	33,341
Total shareholders' equity	173,118	197,707
Provisions	18,861	23,817
Liabilities to banks	79,524	45,094
Other liabilities/deferred income	22,505	25,806
Liabilities	102,029	70,900
	294,008	292,424
Trustee liabilities	0	2,045

T € = thousands of €

Cash Flow Statement

Increase (+)/decrease (-) in cash and cash equivalents	Nov. 1, 2000 to July 31, 2001 T €	Nov. 1, 1999 to July 31, 2000 T €
Net income	611	16,802
Write-offs on investments	0	16,087
Depreciation on fixed assets	300	231
Reversals	0	0
Cash flows from income	911	33,120
Increase (-)/decrease (+) in accounts receivable	3,597	27,511
Increase (-)/decrease (+) in other assets/securities/pre-paid expenses	3,276	3,732
Increase (+)/decrease (-) in provisions	-4,956	10,321
Decrease in non-bank liabilities/ deferred income	-3,301	27,909
Cash flows from operating activities	-473	102,593
Investments	-28,183	-70,263
Investment disposals	23,307	32,497
Capital expenditure on fixed assets/ intangible assets (net)	-651	-120
Net investment	-5,527	-37,886
Dividend paid for the year	-25,200	-21,474
Capital increase	0	58,000
Net increase/decrease in cash and cash equivalents	-31,200	101,233
Loans raised (-)/repaid (+)	-34,430	7,355
Increase in bank balance	3,230	93,878

T € = thousands of €

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