



Deutsche
Beteiligungs AG

QUARTERLY REPORT
AT JULY 31, 2003





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Cover photo:

Rolls of stainless steel strip at ThyssenKrupp Nirosta in Krefeld, manufactured on facilities made by Andritz AG. When it comes to production lines for stainless steel strip, the Andritz group is the world's only one-stop provider for all three processes (rolling, annealing, refining). The third quarter saw a profitable realization of four fifths of our holding in this Austrian enterprise through a successful placement on the stock exchange. Photo: Christian Nielinger

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REPORT ON THE THIRD QUARTER OF THE 2002/2003 FINANCIAL YEAR

PROFITABLE REALIZATIONS AND ATTRACTIVE INVESTMENT IN THIRD QUARTER

In an economic environment that remains difficult, Deutsche Beteiligungs AG consistently pursued its strategy in the third quarter of the 2002/2003 financial year. The company sold a part of its holdings in Andritz AG and the Global Power Equipment Group Inc., thereby approximately doubling the invested capital. Additionally, a new investment in Casco Surfaces, a product division of Akzo Nobel N.V., has now enhanced the portfolio by a very promising enterprise. Subsequent to the close of this reporting period, an agreement was reached on the acquisition of Babcock Borsig Power Service GmbH (BBP Service), preparing the platform for a further attractive investment. Another successful event for Deutsche Beteiligungs AG was the second closing held on June 12 for its new co-investment fund DBAG Fund IV; investors have committed the sum of 180 million euros to date.

UNSATISFACTORY DEVELOPMENT OF US INVESTMENTS IMPACTS QUARTERLY RESULT

The proceeds from the profitable sales were, however, largely consumed by modifications to the valuation of investments in the amount of 13.3 million euros. Consequently, third-quarter consolidated net income merely totals 13,000 euros; for the first nine months of the current financial year, consolidated net income at July 31 amounts to 0.1 million euros. Valuation adjustments performed as per July 31, 2003

exclusively relate to investments in the United States. In the interim report at April 30, 2003, we had drawn attention to the unsatisfactory economic trend and the weakness of the US dollar, which particularly affects our investments in the United States. This development necessitated modifying the valuation of three direct investments and one fund investment downward. Our American private equity partner Harvest Partners has initiated activities targeted at achieving improvements in the business position and, in the midterm, realizing an appreciation in the value of the investments concerned.

Three investments, the valuation of which had been reduced in the past, have meanwhile exhibited good progress. Write-ups were performed on these investments. The appreciation, which totals 4.5 million euros, has been recognized in other operating income.

Other operating income for the current financial year is significantly above that of the first three quarters of the prior year. At July 31, 2002, other operating income had totaled 3.8 million euros, compared with 13 million euros at July 31, 2003 – of which 9 million euros were recorded in the third quarter of the current year. This item not only contains the valuation appreciation previously discussed; structuring fees earned by Deutsche Beteiligungs AG and fees for management services to co-investment funds are generally recognized under this item. The previous year's figure was, however, negatively distorted, due to the fact that a structuring fee involving a shareholder issue that was earned was recognized as income from investment. The current rise

mirrors fees for the management of the new co-investment fund DBAG Fund IV credited to income for the first time. The fund's second closing was held in the third quarter. The increase in the amount of committed capital has augmented the calculation base for the management fee.

Net interest improved further, due to the Group's reduced liabilities in comparison with the same period the previous year.

CHANGES TO THE PORTFOLIO: ANDRITZ AND GLOBAL POWER PARTIALLY SOLD

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The third quarter saw three significant changes to the portfolio of Deutscheeteiligungs AG: parts of the Company's holdings in Andritz and the Global Power Equipment Group were profitably sold and Casco Surfaces, a product division of Akzo Nobel N.V., was purchased in a management buyout. At July 31, 2003, there were 47 holdings in the portfolio of Deutscheeteiligungs AG; these investments were valued at acquisition costs of 311 million euros in the balance sheet at the end of the third quarter.

PORTFOLIO DEVELOPMENT UP TO JULY 31, 2003

	Total portfolio in millions of €	Number
November 1, 2002	313	49
Investments	6	0
Disposals/repayments	14	1
January 31, 2003	305	48
Investments	4	0
Disposals/repayments	8	2
April 30, 2003	301	46
Investments	19	1
Disposals/repayments	9	0*
July 31, 2003	311	47

* Since the holdings in Andritz AG and the Global Power Equipment Group Inc. were only partly sold, the number of investments remained unchanged.

The investment in Andritz AG was largely realized in June: we sold 82 percent of our holding through a secondary public offering in Austria. The selling price achieved corresponds to double the acquisition cost.

Deutsche Beteiligung had acquired Andritz AG (Graz, Austria) jointly with other financial investors in a management buyout led by its Austrian private equity partner Unternehmens Invest AG (UIAG). Deutsche Beteiligungs AG held 3.2 percent of the shares, and a co-investment fund under the Company's management owned a further 3.2 percent interest.

The secondary public offering of Andritz shares is one of the few successful transactions brought to the stock market this year. Following last year's profitable exits (Rheinhold & Mahla, Hawe, and Edscha), this transaction is further proof of Deutsche Beteiligung's ability to create value even in extremely adverse market conditions and, in particular, to realize that value.

We also sold the major part of the shares we held in the Global Power Equipment Group Inc., a US provider of equipment for gas-operated power plants. This disinvestment began in May 2001 with Global Power's initial public offering. After the lockup period prescribed by law had expired, we sold approximately 60 percent of our holding via the stock exchange, doubling the invested capital.

In the Interim Report at April 30, 2003, we reported on our intention to acquire Casco Surfaces, a product division of Netherlands-based Akzo Nobel N.V. The transaction has meanwhile been completed. On June 30, 2003, we acquired that group of companies under the management of Casco Surfaces Holding GmbH (Düsseldorf) jointly with our co-investment fund, our US private-equity partner Harvest Partners, and Casco senior management. The purchase price for the debt-free company was 112 million euros. Deutsche Beteiligungs AG now holds a 15 percent interest in Casco Surfaces; a further 30 percent are owned by our co-investment fund DBAG Fund IV. By disinvesting Casco Surfaces, Akzo Nobel has further pursued its focus on core business activities.

Casco Surfaces is the world market leader in surface material solutions used in the furniture industry, the manufacture of laminate floorings, and in the building supplies industry. Employing a staff of 900, Casco generated sales of 265 million euros in 2002. The company operates facilities in eight countries that supply clients in Europe and North America and, to an increasing extent, in China and South America. Casco intends to strongly expand activities, particularly in the latter two regions and eastern Europe. Sales and earnings are planned to outpace the market in the coming three years. Contributing toward this will be the development of new products, which is planned to be stepped up following the change in ownership. Opportunities for selected add-on acquisitions and investments will be examined. (More information on this new investment at www.cascosurf.com)

In August, subsequent to the close of this reporting period, we contracted the purchase of the power plant service division of Babcock Borsig AG i.l. ("in Insolvency"). Babcock Borsig Power Service GmbH (BBP Service) and its subsidiaries provide servicing and maintenance for power plants in Europe as well as the Near and Middle East. BBP Service employs a staff of 2 100 and generates annual revenues of some 400 million euros. The company has a leadership position in Germany and the Gulf region. Deutsche Beteiligungs AG will acquire this Service group jointly with its co-investment fund DBAG Fund IV at a ratio of one to two; the management team will also be involved in the transaction. The completion of this management buyout (MBO) is subject to approval by the anti-trust office.

The Service division belongs to the financially sound part of the former Babcock Borsig group. The group consists of service companies focused on fossil-fueled power plants (coal, oil). Babcock provides a broad range of services for these power plants, such as modernization, remodeling, efficiency up-grading or prolongation of these plants' life cycles. With Deutsche Beteiligungs AG as the owner, this company will be able to exploit its opportunities for growth: since new power plants are becoming ever more difficult to finance, up-grading and life-cycle enhancement projects will gain in importance. Additionally, as life cycles increase, servicing needs grow. More rigid environmental protection standards particularly in EU-acceding countries will also create new order potential. And not least, the more favorable political settings in eastern Europe and the Gulf region have given rise to anticipations that a new economic era is about to dawn. Based on its traditionally good market position in the Gulf region, the Service group expects its service business to profit from growing energy requirements.

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SHARE PRICE CLEARLY RECOVERS IN THIRD QUARTER

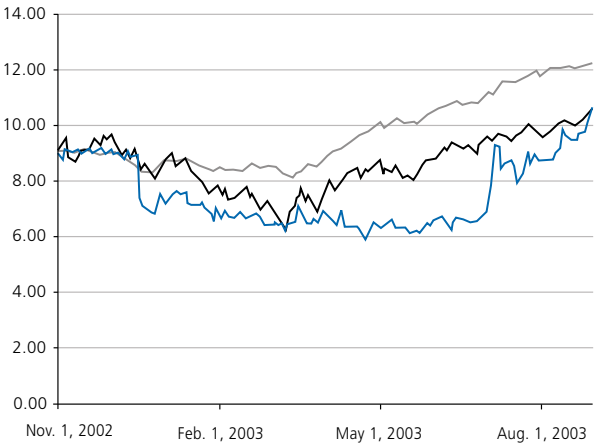
The price movement of the shares of Deutsche Beteiligungs AG clearly recovered during the third quarter, narrowing the gap in comparison to the trend exhibited by the S-Dax and Dax reference indices. The Company's stock gained 48.5 percent during the reporting period, and, closing at 9.10 euros on July 31, returned to price levels quoted at the beginning of the financial year. Market capitalization of the free float

(42.42 percent of all shares issued) again exceeded 100 million euros. The S-Dax, however, which includes the stock of Deutsche Beteiligungs AG, improved by nearly 30 percent since the beginning of our financial year; on July 31, the Dax index had gained 10.2 percent against the closing on November 1, 2002.

The strong rise in the share price was accompanied by substantially greater liquidity of Deutsche Beteiligung stock. In July alone, more than 430 000 shares changed hands, representing the highest volume since March 2001. The turnover in the third quarter of this financial year was greater than in the two previous quarters combined; the last time that more than 700 000 shares, or five percent of the subscribed capital, were traded in one quarter dates back more than two years. Monthly average stock market turnover (Frankfurt and Xetra) measured over a rolling 12-month period has continued to rise. In July, some 147 000 shares were traded, or nearly 50 percent more than at the beginning of this financial year.

Along with rising share prices, the greater liquidity of the stock reflects the growing interest and confidence in Deutsche Beteiligungs AG. We attribute this to three factors: in addition to the news on profitable exits from and attractive additions to the portfolio as well as the emerging optimism on capital markets, our investor relations activities have contributed significantly. During the third quarter, we presented the stock of Deutsche Beteiligung to investors, potential shareholders and analysts at five financial centers in Europe.

Share price in €



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- Deutsche Beteiligungs AG (adjusted)
- Dax (indexed)
- S-Dax (indexed)

OUTLOOK: BALANCED RESULT

In the first nine months of the current year, we succeeded in exiting one investment entirely and the larger part of two others. These realizations achieved attractive capital gains. We are working on other realizations, which, however, have not yet been completed. One influential factor is the subdued sentiment which still persists in the M&A market. Strategic investors continue to exercise restraint in making acquisitions. In 2003, not one flotation has been brought to market in Germany to date, and there is unanimity among market observers that no IPO will be launched this year.

Based on currently foreseeable transactions and risks, we anticipate closing this current financial year by achieving a balanced result. In comparison to the 2001/2002 financial year, which ended with a consolidated net loss of 15.8 million euros, and against the backdrop of the valuation adjustments which have been performed and discussed in this report, this would represent a significant improvement in an environment that remains marked by strong uncertainty, disappointed hopes for economic recovery and restraint on the part of many market players.

Our investment prospects remain favorable. Jointly with our co-investment fund, we have access to sufficient capital to enhance the portfolio of Deutsche Beteiligungs AG by new, well-positioned enterprises. Pursuant to the two attractive acquisitions made this year, negotiations on the purchase of further investments are making good progress.

I CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM NOVEMBER 1, 2002 TO JULY 31, 2003

	Nov. 1, 2002 to July 31, 2003 T €	Nov. 1, 2001 to July 31, 2002 T €
Income from investments	8,320	11,156
Gains from investment disposals	12,949	9,339
Losses from investment disposals	1,482	1,042
Write-downs on investments and on marketable securities	16,368	19,006
Other operating income	13,124	3,799
Personnel costs	5,643	5,138
Depreciation on fixed assets	164	118
Other operating expenses	7,771	8,629
Net interest	-2,510	-3,764
Result of ordinary activity	455	-13,403
Taxes	334	-614
Net income (previous year: net loss)	121	-12,789
Loss (prior year: profit) carried forward from previous year	-5,463	10,372
Consolidated loss	-5,342	-2,417
Earnings per share	€ 0.01	€ -0.91
	July 31, 2003	July 31, 2002
Number of shares	14 million	14 million
Employees (closing date)	51	52
Thereof active	48	48

T € = thousands of €

I CONSOLIDATED PROFIT AND LOSS ACCOUNT
 FOR THE THIRD QUARTER OF FINANCIAL YEAR 2002/2003
 (MAY 1 – JULY 31, 2003)

	3 rd Quarter 2002/2003 T €	3 rd Quarter 2001/2002 T €
Income from investments	4,411	4,912
Gains from investment disposals	5,896	9,279
Losses from investment disposals	531	728
Write-downs on investments and on marketable securities	13,319	18,878
Other operating income	9,140	1,159
Personnel costs	1,998	1,803
Depreciation on fixed assets	55	40
Other operating expenses	2,641	4,199
Net interest	-695	-1,351
Result of ordinary activity	208	-11,649
Taxes	195	-677
Quarterly result	13	-10,972
Earnings per share	€ 0.00	€ -0.78

T € = thousands of €

I CONSOLIDATED BALANCE SHEET AT JULY 31, 2003

ASSETS

	July 31, 2003 T €	Oct. 31, 2002 T €
Intangible assets/ Fixed assets	782	810
Investments	258,466	269,707
Long-term assets	259,248	270,517
Receivables	15,599	8,835
Other assets/ securities/prepayments	25,381	27,115
Cash and cash equivalents	2,528	303
Current assets	43,508	36,253
	302,756	306,770
Trustee claims	12,090	12,090

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LIABILITIES AND SHAREHOLDERS' EQUITY

	July 31, 2003 T €	Oct. 31, 2002 T €
Subscribed capital	36,400	36,400
Capital reserve	102,194	102,194
Retained earnings	21,961	21,961
Consolidated loss	-5,342	-5,463
Minority interests	331	331
Total shareholders' equity	155,544	155,423
Provisions	17,075	16,832
Liabilities to banks	89,077	97,490
Other liabilities/deferred income	41,060	37,025
Liabilities	130,137	134,515
	302,756	306,770
Trustee liabilities	12,090	12,090

T € = thousands of €

I CONSOLIDATED CASH FLOW STATEMENT

Increase (+) / decrease (-)	Nov. 1, 2002 to July 31, 2003 T €	Nov. 1, 2001 to July 31, 2002 T €
Net income/loss	121	-12,789
Write-downs on investments	16,368	19,006
Depreciation on fixed assets	164	118
Reversals	-4,746	0
Cash flows from income	11,907	6,335
Increase (-) / decrease (+) in accounts receivable	-6,764	-581
Increase (-) / decrease (+) in other assets/securities/ prepayments	1,734	1,420
Increase (+) / decrease (-) in provisions	243	-7,640
Increase (+) / decrease (-) in non-bank liabilities/deferred income	4,035	-7,553
Cash flows from operating activities	11,155	-8,019
Investments	-29,608	-27,122
Investment disposals	29,227	11,820
Capital expenditure on fixed assets/ intangible assets (net)	-136	-165
Net investment (-) / Net disinvestment (+)	-517	-15,467
Dividends paid for prior year	0	-7,000
Net increase (+) / decrease (-) in cash and cash equivalents	10,638	-30,486
Increase (-) / decrease (+) in borrowings	8,413	-24,296
Increase (+) / decrease (-) cash in banks	2,225	-6,190

T € = thousands of €

ANNEX

Members of the Supervisory Board hold no shares of Deutsche Beteiligungs AG. Torsten Grede and Helmut Irle, members of the Board of Management, each hold 242 of the Company's shares.

Stock options on the shares of Deutsche Beteiligungs AG under the stock option program were granted to members of the Board of Management. 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	€ 6.70	1,750.17
Total at July 31, 2003	210,000		


Stock options have also been granted to a selected group of employees under the same 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.

The options only prove advantageous to the holder, if the shares of Deutsche Beteiligungs AG (including dividend payments) have performed better than the S-Dax index up to the time the option is exercised. This is currently (September 10, 2003) not the case for any of the three tranches.

The accounting method has remained the same as for the 2001/2002 financial statements.

No dividends were disbursed during the reporting period.



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Publication date of the Financial Statements for the
year ending October 31, 2003: January 29, 2004