

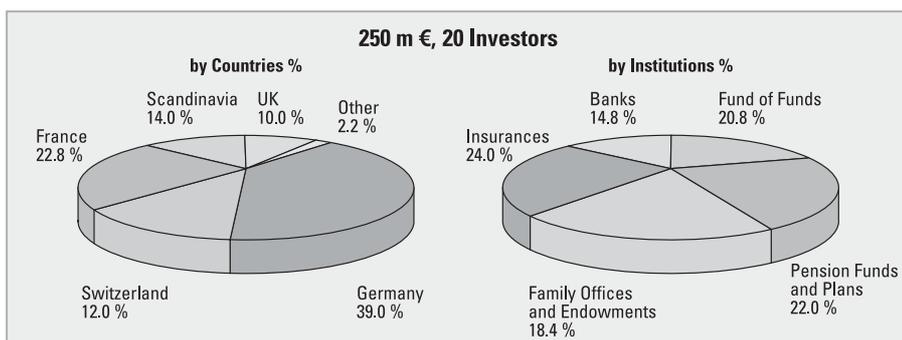


capiton III Fund

New capiton III fund: first and final closing.

Having raised capital commitments of € 250 million, capiton realized the upper ceiling of its target bandwidth at the end of August. The new fund, capiton III, will continue the successful investment strategy of the last 15 years. Compared to the previous fund, the level of capital has increased by approximately one-third. The number of investors has risen from 6 to 20, with the main individual investor providing 14 % of the fund capital. All new investors have come on board without the involvement of a placement agent, and 60 % of the fund's capital is provided by foreign investors. The largest investment group consists of fund of funds, which invested 20.8 % of the fund's volume, followed by pension funds and pension schemes for self-employed profes-

sionals (22.0 %), family offices/foundations (18.4 %), insurance companies (24.0 %) and banks (14.8 %). In line with its investment strategy, capiton will invest in medium-sized companies located predominantly in the German-speaking region that have an initial turnover ranging from € 50 million to € 500 million and which offer an opportunity for value enhancement. The new fund will invest in majority holdings, with deals originating for example as a result of succession issues or corporate spin-offs, but will also consider minority shareholdings to provide growth financing. For transaction volumes > € 100 million the fund will design co-investment concepts together with individual investors in capiton III.



Private Equity Act



The improvement of the legal framework pertaining to private equity (PE) should go further than a mere amendment of the UBGG

(German Associated Companies Act). Even outside the scope of the UBGG, active support of the portfolio companies by independent PE fund managers should be exempted from trade tax as a matter of principle. Discussions regarding the levying of trade tax at the PE fund level are bad for business in Germany. PE funds would operate entirely from abroad; in the German large cap segment, foreign funds already dominate the scene. capiton achieves the lasting increase in the value of their small/mid cap portfolio companies via active support provided locally by local professionals. The success of the companies currently supported by capiton leads to more employment and higher social security contributions. During the period of capiton's involvement until December 31, 2005 the number of employees increased by 103 % to more than 36.000 and social security contributions rose by 64 %. This development should be similar for German-based PE companies working with medium-sized companies. The legislator should keep this in mind in the revision of the legal framework.

Stefan Theis, Senior Partner

Borsig continues buy-and-build strategy – re-entry into power plant boiler construction segment

Since capiton's entry in 2003 Borsig more than doubled revenues from approximately € 50 million to over € 100 million.

Borsig is expanding its existing apparatus engineering, membrane technology and power plant service divisions. In addition Borsig is examining possibilities to re-enter business segments that were sold in the 1980s and 1990s by its then majority shareholder Babcock. Borsig has maintained excellent customer contacts and technical expertise in these market segments. The company has already re-entered the piston and turbo compressor field through the acquisition of ZM Zwickauer Maschinenfabrik. Revenues in this area quintupled within a period of 2 years.

In the summer of 2006, Borsig re-entered the power plant boiler construction segment through the acquisition of DIM Kraftwerksengineering GmbH & Co KG, which will trade under the name of Borsig Boiler Systems GmbH and employ approximately 30 profes-

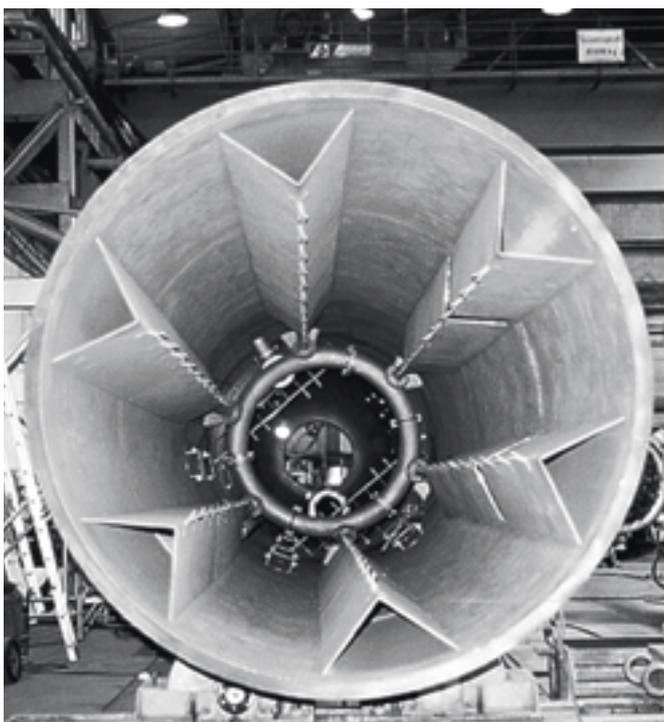
sionals. DIM Kraftwerksengineering GmbH & Co KG, Hamburg, was established in 1999 from the former power plant division of ThyssenKrupp, formerly Blohm + Voss AG. The company has a strong market position, in particular in the waste incineration plant segment.

Borsig also made a further investment in membrane technology through the acquisition of PolyAn GmbH in the second quarter of 2006. PolyAn GmbH is the global technology leader in the development and production of membranes used to separate liquids and gases in the petrochemical sector. Borsig has the required plant engineering expertise and access to customers worldwide. The company is already the global technology leader with respect to the emerging substitution of thermal separation procedures with modern, energy-saving mem-

brane solutions. In this context, Borsig is also developing a so-called ceramic membrane for highly efficient oxygen production.

A further key industry is the field of (coal) gasification. Global raw material shortages have led to a revival of hard coal, and the USA and China are embracing the gasification method, i.e. the fuelling of power plants with coal in gasified form. Within this process Borsig supplies both waste heat boilers and piston compressors required for the separation and subsequent sequestration of carbon dioxide in underground caverns.

Borsig's management is confident that the group, which currently employs 350 highly-qualified members of staff, will exceed € 200 million in revenues in the near future.



H. von Gimborn GmbH (Gimborn)

In June 2006, capiton acquired a majority holding in the H. von Gimborn Group through an MBO from Südchemie AG which is spinning of all non-core activities.



Gimborn was founded in 1855 as a pharmaceutical company; today, the company produces premium products for the pet supply market, focusing in particular on cats. In the Czech Republic, where Gimborn is the market leader, the company also operates retail centres for pet supply products.

The pet product market is not cyclical and shows a definite trend towards premium products. This is predominantly due to the humanisation of pets ("What is good for the owner is good for the animal"). Accordingly, the demand for special food products for



dogs and cats, which in the past were more commonly bought for humans in drug stores or delicatessen shops, such as lactose-free milk, is rising. Animal food is following the human trend towards functional food. Gimborn develops new products in conjunction with veterinary institutes at several universities.

In the next few years, the shareholders expect further significant growth in turnover based on new product launches and the use of new distribution channels both at home and abroad. In addition, the company is examining potential acquisitions in the pet supply segment.

In the last six months, growth in the Czech pet centres accelerated significantly beyond the planned rate. Although only 14 specialised shops were initially planned, 25 are likely to be in operation by the end of 2006, 8 of which will be acquired locally.

In Brief

Investment in Austrian logistics service provider

In the first quarter 2006 capiton invested in the Austrian logistics service provider Steco. As part of this investment capiton acquired the shares in Steco from the previous majority shareholder, GPH B.V., formerly ABN Amro Private Equity, and provided growth capital. Steco Group supplies reusable packaging to food retail chains and their associated fruit and vegetable producers all over Europe. In the last few years, Steco expanded not only in the German and Austrian market but also in Spain, Portugal and Italy. Steco is the market leader in Spain.



Appointments

Mr. Manuel Wolfgang Hertweck (39) has joined capiton as Investment Director effective December 1, 2006. Before

joining capiton Mr. Hertweck worked for a US-listed merchant banking group, where he acquired and actively developed private equity investments in mid market cap companies for the bank's own account and its clients. In this role, Mr. Hertweck gained significant operating experience as managing director/CEO of medium-sized companies in various European markets. Prior to this position Mr. Hertweck spent several years in strategy consulting in London and Paris.

capiton Zweite Fonds sells EHR to the Bilfinger Berger Group

capiton has sold Essen-based EHR ("Essener Hochdruck-Rohrleitungsbau GmbH"), the main successor company to Mannesmann's plant engineering division, to Bilfinger Berger AG.



In 2004, capiton and EHR management acquired the company from French-based Technip Group in an MBO.

EHR is the European market leader in the field of engineering, manufacturing and assembly of high-pressure pipelines. These pipelines are predominantly used in conventional and nuclear power plants and, at 10% of a power plant's total investment, represent one of the main capital expenditure items. Since capiton's entry, EHR has achieved a significant increase in both order intake and turnover. The company's prospects are excellent, since a number of European power plant projects will be completed

between today and the year 2020, and the sector is already experiencing a shortage of experienced component suppliers, such as EHR.

In the second half of 2003, capiton had assessed the European power plant industry on the basis of publicly available and in-house research. The increase in demand forecast by capiton occurred even sooner than anticipated and this was recognized by the buyer.

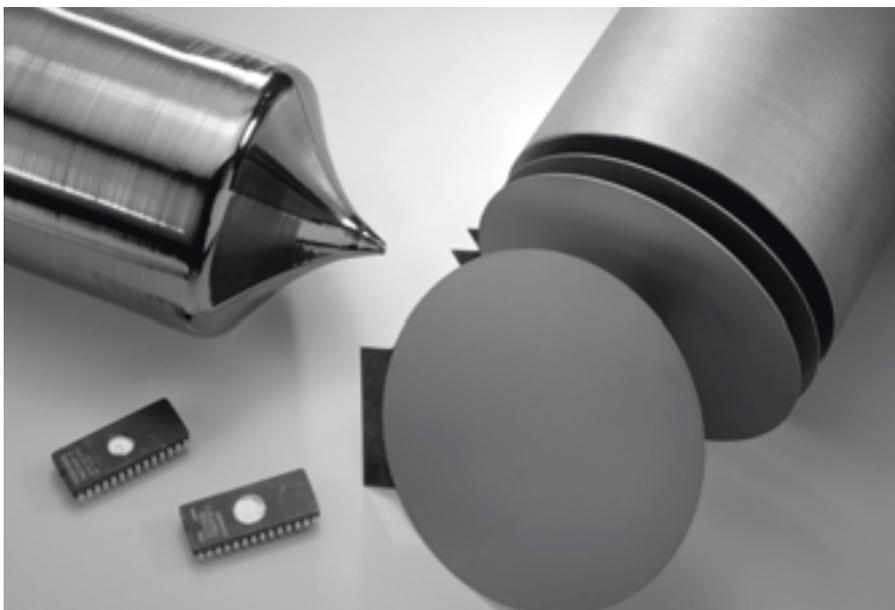
Meyer Burger Technology AG - IPO in Switzerland

Following its successful IPO on November 24, 2006, Meyer Burger Technology AG has been listed at the SWX Swiss stock exchange.

Since 1953, Meyer Burger, a mechanical engineering company, has specialised in the separation of hard and brittle materials and is now a leading supplier of saws used to separate silicon blocks. The machines are

predominantly used in the semiconductor and solar industry. In 1999, capiton acquired a majority share in Meyer Burger AG via the BB-K fund.

Meyer Burger AG raised a total of CHF 31.8 million from the flotation, and 1.170.000 shares were sold by shareholders after the exercise of the greenshoe option. Meyer Burger AG will use the net proceeds from the newly created shares to finance further growth and expand its leading market position. After the IPO and the exercise of the greenshoe option, BB-K holds approx. 20%. Zürcher Kantonalbank and LBBW acted as the joint lead managers and bookrunners for the IPO.



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