



Successful fundraising on our own

capiton AG approached investors outside of the Gothaer Group for the first time with the "capiton Zweite" investment program. A selected group of institutional investors and private asset managers was approached.

A conscious decision was made not to address a broad number of investors in order to make placement of the shares foreseen for outside investors possible without the use of placement agents. This commitment of around € 150 million demonstrates the trust of the investors in the capiton team – especially in view of the difficult market conditions.

Management invests over € 1 million

In addition to the investor pool (capiton Zweite Kapitalbeteiligungsgesellschaft mbH and capiton II GmbH & Co. Beteiligungsgesellschaft KG), Unisono KG will invest in parallel more

and more in the future. This vehicle contains the investments of the capiton team amounting to around € 1 million. Unisono KG will invest at the same conditions as the pool for capiton Zweite.

Accreditation from KfW

The accreditation of capiton Zweite by KfW as part of the private equity program allows capiton access to additional funding. capiton AG will check the extent to which this instrument can sensibly be integrated into a concrete investment model in each individual case.

The first capiton newsletter since the founding of capiton 3 years ago – why now?



Credibility and reliability are the most important values for our friends and business partners – trust can only grow from these. The

implementation of the ambitious vision approved in early 2000 has now largely been accomplished and can be demonstrated. The capiton team was able to start the first capiton investment program, also for external investors, on its own without the use of placement agents. This was only possible thanks to the high degree of professionalism which can be seen in the cooperation with the network partners and the track record for the investors. capiton AG has completed 32 transactions since its relaunch on 1.1.2000; 16 of these transactions were sales (IRR achieved: 27%). Three new investments were filtered out from over 200 investment options for the new investment pool. These companies document the investment strategy of capiton AG: investments in well-managed, established, and profitable mid-size German companies.

In the remaining months of the year, the 17 employees of the capiton team expect an additional increase in value in the existing investments and the start of two more promising new investments. The Berlin capiton team will be assisted greatly by the office in Stuttgart, which has been under the management of Frank Motte since the beginning of March 2003.

Stefan Theis, Board Member

Investment focus for the capiton II investment program

capiton AG has concentrated nearly exclusively on investments in larger medium-sized companies in Germany over the last ten years. capiton II will stick with this successful investment strategy.

The target companies for the investment program capiton Zweite are mostly companies in the midsize segment with a minimum turnover of € 50 million and a minimum cash flow of € 5 million.

Target focus midsize segment

capiton II will continue to be positioned solely in the midsize segment of the private equity market and does compete with the large Anglo-Saxon buy-out funds. In contrast to the market for large buy-outs, the midsize segment is much less competitive and the values of the companies are moderate. Because several Anglo-Saxon private equity companies and others associated with banks have left the market, there is no reason to expect that the intensity of competition in this segment will increase in the near future. Another reason for the attractiveness of the midsize segment is that the auction process common for major projects has not been successful.

Special features of transactions in the midsize segment

Companies in the midsize segment demand complete discretion from customers, employees, banks, and competitors.

Auction processes cannot supply this confidentiality so broad-based auctions are out of the question. Medium-sized companies also always have considerable interest in ensuring their continued existence and the further development of "their" company, even when it is sold, in addition to honoring the high value of the company. In addition to a fair valuation, medium-sized companies also great pay attention to the reputation of their financial partners and their past involvement in equity investment projects.

Capiton AG, whose roots reach back to 1984, can fulfill these expectations with its more than 100 transactions and the network of contacts with medium-sized companies it has built up over nearly 20 years.

Majority and minority stakes

In addition to the financing of buy-out projects, capiton II will continue to offer the financing of expansions and buy-and-build projects. Although majority stakes are preferred, minority shareholding is also used in capiton II in the case of common exit interests with the partner and when the drag

and-tag conditions, which are now common in Germany, have been agreed upon with the partner.

Country focus: Germany, Switzerland, Austria

In contrast to capiton I, capiton II will expand the regional search focus. Thanks to the first positive investment experiences outside of Germany, the field of search for investments has been expanded to include Switzerland and Austria.

Goals 2003

Capiton II has already made three investments. In December 2002 capiton II invested in Trenkwalder AG, the leading personnel service agency in Austria, with its goal of market leadership in five Eastern European countries. Another lead investment was made in an automotive parts supplier in February 2003. In May 2003 capiton took over Borsig GmbH in cooperation with the management. capiton expects two additional new investments this year so that then around one third of the fund volume available will have been invested.

capiton AG buys shares in the no. 1 in the field of temporary service in Austria



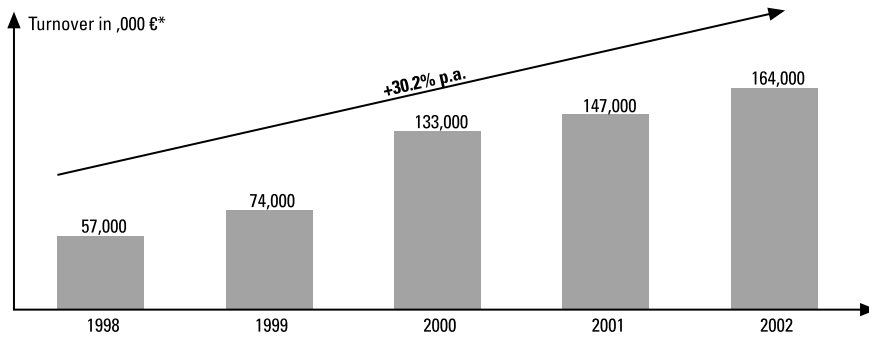
Richard Trenkwalder, founder of Trenkwalder AG

Trenkwalder (Vienna) was founded in 1988 by Richard Trenkwalder as an engineering services provider. The company successfully entered the temporary services market in 1993. Since 1993, turnover has grown organically from € 3 million to approximately € 170 million in 2002 and the number of employees has grown from about 100 to over 7,000. Trenkwalder is the market leader in Austria with a market share of 16%, which puts it well ahead of its competitors Adecco and Manpower.

The company has expanded beyond the borders of Austria into Southern Germany, Northern Italy, and Eastern Europe since the end of 1999. Countries like Hungary, the Czech Republic, Slovakia, Slovenia, and Croatia are

currently being opened up for the field of temporary services. Thanks to its early involvement, Trenkwalder has the opportunity to become the market leader in five Eastern European countries, in addition to Austria.

Development of turnover for Trenkwalder AG



Development of turnover of the Trenkwalder Group. In the past Trenkwalder AG grew an average of 30.2% p.a., largely organically.

*Source: Trenkwalder AG

Growth market in temporary services

The temporary services market in Europe is a growth market. The growth rates in this segment have consistently been in the double digit range except in Germany. The growth rates and the share of temporary services of total employment depend on the labor law conditions. Leaders in the field of temporary services are countries like the Netherlands and Great Britain; here the penetration rate, the share of temporary workers compared to the total number of workers, is 4.5% and 5.0%, respectively. In comparison, the penetration rate is 0.8% in Germany, 1.2% in Austria, and only 0.6% in Italy. In the Eastern European countries this figure cannot even be measured due to the fact that liberalization of the labor market has only just begun. The greatest growth potential today lies in the Eastern European countries which are pursuing liberalization very rapidly. As in Austria ten years ago, the market shares in these countries have not yet been distributed and offer enormous opportunities for medium-sized companies.

With only moderate growth in 2002, Germany has disassociated itself from the positive development of the European temporary worker market. The reasons for this lie in the faltering liberalization process and the inclusion of the temporary services field in the state-wide wage set-

tlements. In the medium term, however, Germany will have to deregulate the labor market further in order to lower the unemployment rate.

Trenkwalder AG – goals

The goals of Trenkwalder for the next few years are to continue to expand its market leadership position in Austria and to make use of the growth opportunities in the developing Eastern European countries. In Austria the already dense network of offices will be supplemented by regional and industry-specific new companies and acquisitions. A number of new companies will be founded in Eastern Europe in the next few months. Trenkwalder will use the opportunity the next few years present to build up a market position in the Eastern European countries similar to its position in its domestic market.

Role of capiton AG

In order to be able to achieve this growth potential, capiton AG has bought into Trenkwalder as part of an equity capital increase. The financing of additional working capital is thus ensured by the investment. In addition, Trenkwalder will meet the Basel II criteria which the banks will soon be demanding thanks to the increase in equity capital. capiton will actively support the growth process in the future from its position on the Supervisory Board.

In Brief

svt sells its fire renovation segment

capiton AG has been involved with the fire protection company svt (Seevetal) through the BB-K fund since the beginning of the 90's. Starting from a leading market position in the field of passive fire protection, svt will increasingly invest in the active fire protection segment in the next few years. The minor business segment of fire renovation was successfully sold to the Scandinavian Munters Group in order to improve the focus of the company.

Participation in an important automotive supplier

capiton AG has invested in 43% of an important medium-sized automotive parts company as part of an MBO via its capiton II investment pool. The founding family and the management own the rest of the shares. The entire process from the first contact to the closing was completed in a very short period of time with the aid of the external service providers hired by capiton. The current managing partner has repositioned the company consistently as a supplier for the automotive industry since the 80's. The company does project planning and produces high quality plastic / metal parts, especially for vehicles in the premium segment.

Exit at Breitfeld & Schliekert

An investment pool led by capiton AG has successfully sold its 49% share in Breitfeld & Schliekert GmbH (Karben), the European market leader for the supply of machines, tools, and spare parts to the optician retail trade, to a financial investor.

capiton acquires Borsig as part of an MBO

capiton has invested in Borsig GmbH, Berlin, via its investment program capiton II as part of a management buy-out (MBO). Borsig is a company rich in tradition that was founded in 1837 by August Borsig. Today the company is the world market leader for the development, planning, and production of complex equipment to cool gases with high temperatures and pressures for the chemical and petrochemical industries.



Borsig GmbH went into bankruptcy in 2002 through no fault of its own and in spite of its profits because of the cash pooling at its parent company, Babcock-Borsig, which was insolvent. The management took the initiative to found "new Borsig" with the support of the insolvency administrator and Roland Berger. Non-core activities were sold off or closed down and the depth of production was reduced significantly. Today Borsig is limited to product development and product conception, as well as assembly and high-performance welding.

Profitable growth

Because of the nearly seamless change-over from "old Borsig" to "new Borsig", the company did not lose any customers. The restructuring and the professionalization in sales even led to an increase in the number of orders on the books to historic levels. The achievement of the turnover goal of € 65 million for 2003 is already assured and high capacity utilization is

expected for 2004. Finally, a major order from the plant builders Stone & Webster for a chemical plant project in China was acquired at the end of May.

capiton as ideal partner

In spite of several strategic purchase requests, capiton was considered to be the ideal partner by the seller and the management. The involvement of a financial investor prevented the breakup of Borsig and enabled the management of Borsig to participate in ownership of the company. The goal for the future of capiton is to further develop Borsig GmbH through internal growth and targeted acquisitions in the technological field. Membrane technology, where Borsig is already successfully active and which promises future market growth, is a main focus here.

Frank Motte manages the Stuttgart office of capiton AG

Franks Motte has managed the Stuttgart office of capiton AG as a member of the Board of Management. Motte was born in the region and after his studies in Germany and Switzerland, worked for a major American bank in Frankfurt, Munich, and New York.



Afterwards he returned to the Swabian region, where Stuttgart is located, and worked as a consultant for medium-sized family and technology companies in the field of financing, most recently as a partner and board member of Blättchen & Partner AG. After a brief tenure as CFO of an investment in the capiton portfolio, Frank Motte founded his own corporate finance consulting service. In addition to his professional activities, he has published numerous books and articles (among others "Die Kleine AG" [The Small Corporation] and "Vademecum für Unternehmensgründer, Business Angels und Netzwerke" [Primer for Entrepreneurs, Business Angels, and Networks]) and supported young entrepreneurs as a business angel.

As a member of the Board of Supervisors of private and publicly listed companies, he was able to accompany and guide company developments.

Publisher:

capiton AG
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10787 Berlin
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Responsible:

Dr. Ralph Niederrenk

Design and implementation:

Die Zwei Agentur GmbH

Printing:

Zippel Netmarket GmbH

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