



Private Equity as a catalyst for structural change



In recent weeks, the transactions of the private equity industry have become of great interest to the German public. To make that discussion more

objective, the European Private Equity Association (EVCA) has commissioned a study to measure the effects of private-equity-led financings on employment, growth and industry structures.

We believe that the results of that study will significantly improve the public's perception of the private equity industry as a whole. The study will show that private equity as a whole has a positive effect on the preservation and creation of jobs. In addition, private equity also accelerates structural change and thus enhances the competitiveness of portfolio companies.

Not only large-cap, but also mid-market private equity firms, make a noticeable impact on employment and the competitive landscape of their portfolio companies. For example, capiton manages 26 investments, which have 30,000 employees and which generated revenues of a 5.9 billion in the year ending December 2004. For 2005 these companies are expected to have 35,000 employees and are forecasting revenues of a 7 billion.

capiton II Fund - Fully on Track

Two new investments in the first quarter of 2005.

With the addition of two new investments made in the first quarter of 2005, capiton's current fund - capiton II - consists of six investments. All six investments were made outside the standard auction process. Contacts to these portfolio companies were initiated through exclusive relationships of our network of partners, and the transactions were made possible because of capiton's extensive industry expertise. For example, in the Misslbeck transaction, capiton's prior knowledge of the sector from comparable transactions in the 1990s and in 2002 was helpful during the acquisition process.

All of the portfolio companies show the same characteristics: significant manage-

ment participation, full exit rights for capiton, and a value-added strategy that has been agreed prior to the transaction and that is implemented after the closing. These value-added strategies consist not only of industry standard financial-engineering but also of growth and Buy-and-Build strategies. The three portfolio companies of the current fund, acquired in 2003, have since then acquired an additional 13 companies as part of a focused buy-and-build approach.

Approximately 50% of capiton II is now invested. The quality and quantity of the current deal-flow pipeline allows us to be optimistic about closing additional investments in the second half of 2005.



Stefan Theis, Senior Partner

EHR Supplies High-Pressure Pipes for the World's Largest Nuclear Power Plant

capiton sees the first construction of a new nuclear power plant in Europe in 20 years as the first sign that the trend towards new power plants as predicted by the utility companies is taking off.

Currently, the nuclear power plant Olkiluoto 3 is being built in the west of Finland and is based on the European Pressurized Water Reactor Technology. The reactor will have a power generation capacity of 1600 Megawatts

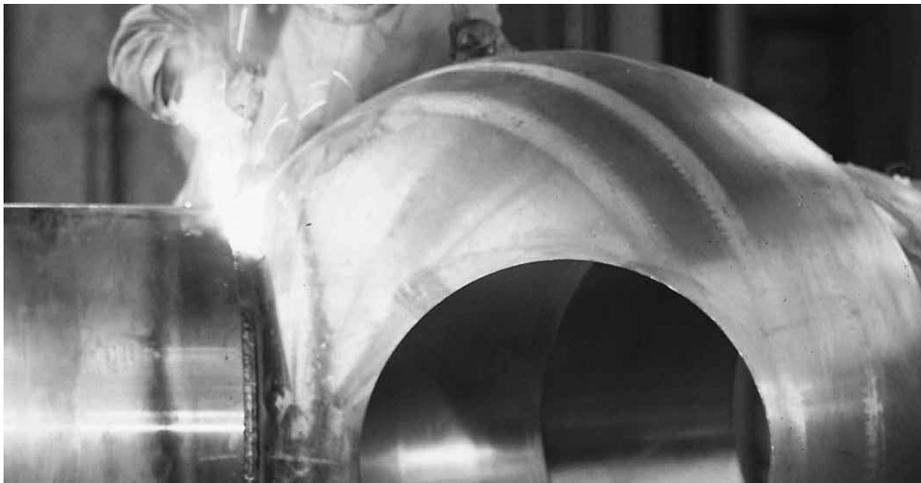
and will be the world's largest nuclear power plant. The start of commercial operations is currently projected for 2009. This project is a signal that the trend towards larger capital expenditures in the power plant industry

outside of Germany has begun. In 2006 it is expected that this trend will also influence capital expenditures in the German energy market.

In Finland, EHR is providing a comprehensive set of products and services consisting of engineering services, the supply of specialty materials, the pre-fabrication of pressure systems in Germany, and the assembly of these systems locally. The total value of the contract acquired by EHR is approximately a 21 million.

EHR is the market leader for high-pressure piping systems for power plants and other industrial applications and has more than 1,000 employees.

capiton acquired a majority shareholding in EHR, the former piping systems activities of Mannesmann, in an MBO in 2004.



Buy-and-Build at Borsig

100% acquisition of Zwickauer Maschinen- und Anlagenbau (ZM) - re-entry into the industrial piston compressor market.

For the last several decades, the Borsig name has always been linked to the legendary Borsig compressors. Before the compressor division was spun-off from Borsig in the 1980s, these compressors had an installed base of more than 11,000 units.

After Borsig was acquired by capiton in an MBO transaction in 2003, it implemented a buy-and-build strategy and in pursuit of that strategy acquired ZM. ZM will be part of the new Borsig ZM Compression GmbH. In the medium term, Borsig plans to generate revenues of a 30 million with its new compressor subsidiary.

The acquisition of ZM is part of Borsig's strategy to leverage its brand name and

reputation in the chemical and petrochemical industries. Borsig intends to re-enter markets in which Borsig traditionally had a strong market position and that it had to abandon after its alliance with Babcock. The re-entry into the compressor market is part of that strategy.

Currently, the Borsig Group has total revenues of some a 80 million and is the worldwide leader for the engineering and manufacturing of cooling systems and heat exchangers in the chemical and petrochemical industries. In addition, the Group also has divisions focusing on membrane technology and power station services.



New Investment Misslbeck: The One-Stop-Shop

Through a capital increase, capiton has acquired the majority of automotive specialist Misslbeck Technologies GmbH. The capital increase will be used to finance the growth strategy to increase the capacity of its low-volume parts production facility and to acquire additional engineering services companies.

In April 2005 capiton acquired the majority of engineering services company MT Misslbeck Technologies GmbH through a capital increase. Founded 135 years ago, Misslbeck implemented a One-Stop-Shop concept for the automotive industry at the beginning of the 1990s. Services such as product design, prototyping and model building have been complemented by tooling and low-volume manufacturing capabilities for high-end products. MT has close development co-operations with volume OEMs such as VW, Audi and DaimlerChrysler, as well as upmarket brands such as Maybach, Bentley and Rolls-Royce. In implementing this strategy, Misslbeck is benefiting from two major trends within the automotive industry: a continued drive by OEMs to increase outsourcing, and an increasing trend of more models to create more individualistic products.

Growth strategy: organic growth and acquisitions

The capital provided by capiton will be used to accelerate growth in two areas: the focused acquisition of small engineering service companies offering an attractive service, and the increase of the high-end manufacturing capacity. Today's order book already exceeds the existing production capacity and requires additional investment. Over the next two years, the company expects annual revenue growth in the range of 20%.

MBI manager as new addition to the management

capiton was able to win Josef Freistetter - the former Managing Director of IVM Automotive, a company comparable to Misslbeck - for the current management team of Sepp and Michael Misslbeck. Based on revenues of a 50 million in 2004, Misslbeck generated the highest profit in its corporate history.

This result - in conjunction with the already identified potential to increase value, and together with the cooperation of the new management board and the enlarged shareholder base - is a strong basis for the future development of Misslbeck.

Prior industrial know-how of the capiton team
capiton already has had prior exposure to the industry segment of low-volume production, prototyping and design. For example, in 1993 funds managed by capiton's predecessor acquired an interest in a prototyping company and were able to generate a favourable exit from the investment in 2000.



In Brief

News from Trenkwalder

In 2004 the market leader for temporary staffing in Austria, Hungary and Slovakia managed to increase revenues by 40%, exclusively through organic growth. After having surpassed the a 300 million revenue mark, Trenkwalder has set out to tackle the a 500 million revenue mark, which will in part be achieved through additional acquisitions in Eastern Europe. When capiton made its investment in Trenkwalder in 2002, the company had revenues of a 150 million.

Full exit of Studienkreis Group accomplished

The acquisition of all remaining shares in Studienkreis by German schoolbook publishing group Cornelsen in February of 2005 concludes capiton's exit from its investment in Studienkreis. The acquisition was originally made in 1997. During capiton's partnership with the founder, the Studienkreis Group was able to further strengthen its leading position in the German speaking market for private tutoring. Additionally the company's scope was broadened to include interactive learning. All parties involved have agreed to keep the details of the attractive exit for capiton confidential.

capiton's new website

From June 2005 the new capiton website will be online at www.capiton.com. Our motto is: Partners in Growth.

MBO at SHW CT

As part of an MBO capiton AG - in partnership with the longstanding managing director Ulrich Severing - acquired SHW Casting Technologies GmbH and SWH Inc. from SHW GmbH, a 50/50 joint venture between MAN AG and the State of Baden-Württemberg. The SHW CT Group is the market leader for calender rolls and large engine blocks for applications in ships, power stations and locomotives. More information about the transaction will be published in the next capiton newsletter.

New Investment Kochendörfer & Kiep Metallverarbeitung GmbH, Kriftel (KOKI)

As part of the Management Buy-Out (MBO) capiton has acquired an ownership interest in the KOKI Group. The medium-sized automotive supply company has an attractive position in the market for shifting systems and seat-adjustment mechanisms.

In an MBO, an investor group led by capiton AG and the co-investor L-EA Private Equity, together with the management, has acquired a majority stake in the KOKI Group. This is part of the company's succession plan. The former CEO and majority owner will remain a shareholder in the company; and in his position as Chairman of KOKI's Advisory Board he will remain closely affiliated with the company and will continue to develop its strategy.

The automotive component supplier, based in Kriftel near Frankfurt, has a high share in the European market for components used in manual and semi-automatic shifting systems and in seating mechanisms. In the fiscal year 2003/2004, the company generated revenues of a 95 million at its production sites in Kriftel, Konstanz, Niederwürschnitz and Barcelona that are staffed by more than 600 employees. KOKI's products can be found in numerous car models of the VW Group, of Opel as well as of DaimlerChrysler. In the market for shifting systems and seating mechanisms, KOKI has built up significant R&D resources, and today is working in



partnership with Tier 1 automotive component companies and directly with all major European OEMs. Due to its focus on high-volume components that results in a highly-automated manufacturing process, KOKI is a European cost leader in its market segment.

Based on its current contract portfolio, KOKI can generate double digit annual revenue growth. The management team is confident that R&D relationships with Tier 1 suppliers and OEMs will result in additional revenue growth. capiton and L-EA Private Equity, together with HSH Nordbank, have structured the financing to allow for capital expenditures of more than a 30 million in the coming years. The structure also further improves the company's strong balance sheet and will support the company's growth plans after the transaction.



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