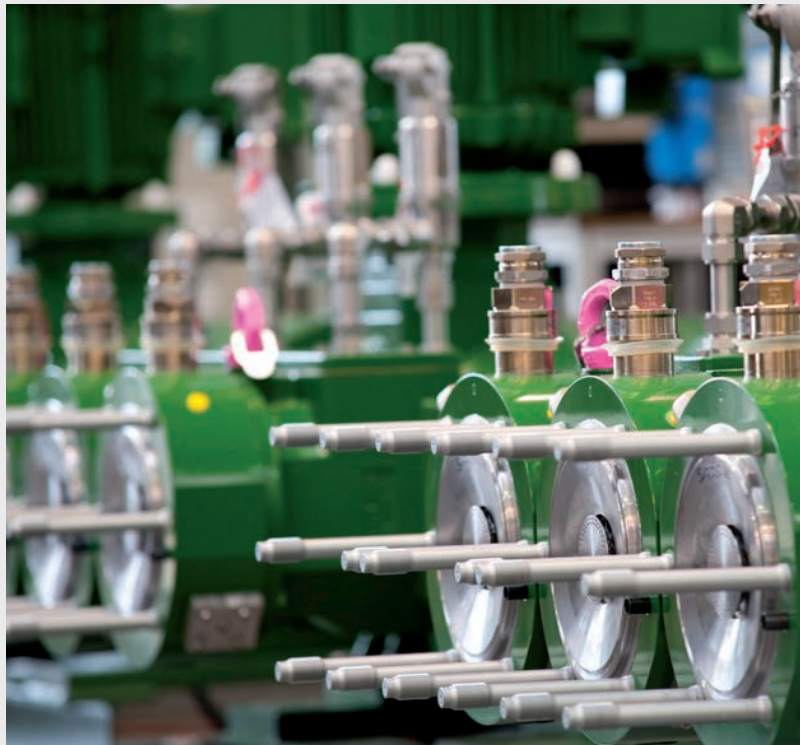
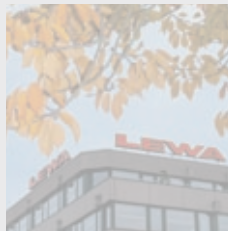


Equity, Time and Expertise

Lewa – the story of a successful
investment partnership

Financial investor
Management
Local partners
Staff
Market
Clients



DBAG

The financial investor's perspective

Lewa's strong management led the way: developing technologies, expanding the product portfolio and internationalising the sales network

6 July 2009:

Four years after our investment, we sold our stake in Lewa GmbH. Headquartered in Leonberg, Germany, Lewa has set technology standards for more than 50 years in metering and process diaphragm pumps and end-to-end pump systems as used in the process industry. Lewa's new owner is its preferred partner, and the new constellation will now allow the company to move forward and become a global leader in the manufacture of pumps. This exit concludes an investment process that perfectly illustrates the way Deutsche Beteiligungs AG works. It is a process through which, ideally, everyone wins: the company, its staff, its clients, its local partners, and the investors.

Such success stories require more than a mere investment of capital. We also back our companies over the investment period, contributing our extensive expertise and differentiated knowledge, working with them side-by-side whenever and wherever they need our support or advice.

For Deutsche Beteiligungs AG, entrepreneurial scope is the priority issue – the platform for its portfolio companies' **profitability** and **long-term viability**. Profitability is crucial, since it is the purpose and key driver of every successful enterprise. Long-term viability is equally important, since only a sustainable business model will ensure profitability over time. By focusing on these two goals, we automatically create the requisites for a profitable investment: aligning the interests of all the constituents involved.

Our contribution: equity, time and expertise

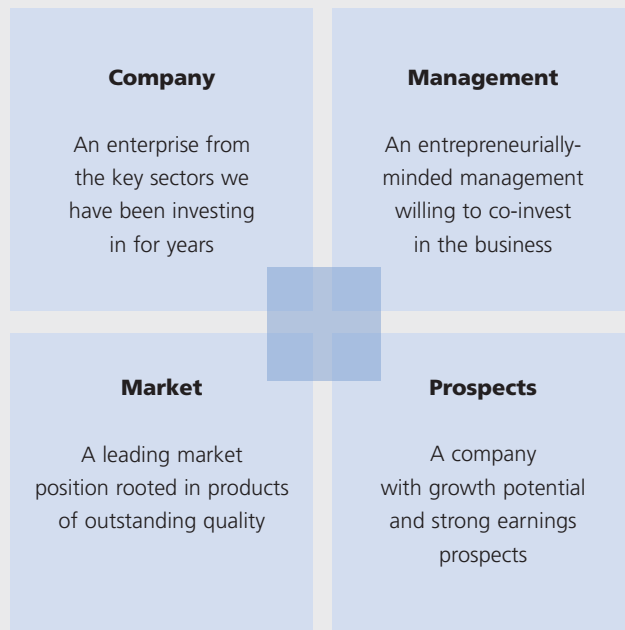
Deutsche Beteiligungs AG has more than 40 years of experience in private equity. In backing companies for a period of four to seven years, we bring a number of key strengths to our partnerships, in addition to financial resources. For instance, a finely tuned sense of timing as to when decisions must be taken, and a wealth of hands-on expertise deriving from over 300 transactions in Germany's 'Mittelstand'. The equity we provide, moreover, often comes at a critical time for many investee businesses. It creates new avenues for taking action, such as when family-run companies lack a successor, when borrowings require new sources or when growth plans need funding.

Equally important for the success of an investment, however, is that an investee company starts down the right route at the right time. The key momentum comes at the onset of our investment, when we work together with management to draw up a framework for the coming years. Timing plays a central role here, too – for example, when defining time lines for the agreed objectives. Our pro-active partnership extends over the entire holding period until we exit the investment – the day when we entrust the company to others who can do more at that point to move the company forward. For Lewa, we found a new partner who ideally meets these needs.

Our decisions are taken based on **experience** and **knowledge**. For four decades, we have been focusing on companies whose business models are rooted in the outstanding quality of their products and associated services. Such enterprises are frequently found in the mechanical and industrial engineering sectors, in the automotive supplies industry and other industrial fields – companies that will frequently have a global presence and that offer significant potential for future development. We are very familiar with how such companies operate and we maintain a tightly knit network of contacts. In working with Lewa, these assets proved very helpful in settling the succession issue for the company's top management position.



What we look for



The companies we focus on

As an equity investment firm, we concentrate on identifying and developing corporate potential. Such potential was clearly present at Lewa: The market for high performance pumps is inherently a growth market – and one in which Lewa has long been a technology leader. Lewa is one of those enterprises whose products make their client's business more profitable. Such enterprises can stay resilient across all business cycles, and opportunities will open up for them to grow – by adapting their technologies to other applications or entering new regional markets.

Lewa also met the criteria we consider vital: The company had a proven business model and it held an outstanding market position in one of our preferred industries. Ultimately, our role is not to reconstruct a company, but to clear the hurdles blocking the path to further development. As an investor in industries subject to cyclical trends, we are well aware that the path to progress may not always be smooth and straight.

We backed Lewa for a period of four years. During that time the company made such excellent progress that, in the end, its performance significantly outpaced forecasts. The favourable business environment was undoubtedly conducive to this. But the decisive driver was our ability to create a high-end strategy together with the company's forward-looking management and to have then set the stage to implement that strategy in a collaborative effort with all stakeholders.

In the following phase, we back management through active work in supervisory bodies – either by taking offices on the supervisory board or, as was the case for Lewa, on an advisory council.

Lewa made excellent progress in its pursuit of the agreed objectives. The company increased sales, streamlined its managerial and workflow organisation and became considerably more profitable.

A glance at the figures shows the degree to which Lewa developed. In the 20-year period before Deutsche Beteiligungs AG and its co-investment fund entered into the investment, sales increased by an annual average of 3.5 percent. During the time of our investment, sales growth averaged 15 percent annually. The trend in earnings, formerly reaching less than five percent, was even more impressive: it surged more than 20 percent.

Fuelling this process was a fortified, pro-active management team who knew how to work the levers for creating value in an industrial enterprise, namely: internationalising the sales organisation and transferring proprietary technology to new fields of application.

In our experience, another major factor for success is management's co-investment in the company. A management buyout turns managers into co-owners – a status that underscores their credibility in the operating business and promotes a sound enterprising approach. At Lewa, the responsibility principle was reinforced vertically by introducing co-investment programmes at second and third management levels.

Profitable realisation

It is particularly rewarding when several suitable exit options exist concurrently. This was the case for Lewa: Based on its impressive development and position, the company was an attractive acquisition candidate for a number of strategic investors. After a round of negotiations, the decision was reached to sell the company to management's preferred partner, Japan-based Nikkiso Co., Ltd. The new ownership will create optimal access to the global market for Lewa and excellent opportunities for developing along the envisioned lines.

Lewa – a prime example

■ Core industrial sector	✓
■ Established structures/family ownership	✓
■ Strong market position	✓
■ Strong technology position	✓
■ Unique products	✓
■ Capital need	✓
■ Mid-sized company	✓
■ Profitability potential	✓

The path to value growth

The acquisition phase is key for us. This is when, together with management, we agree objectives and define the cornerstones of the strategy. Lewa was no exception: In our role as the lead investor, and working closely with the new management team, we developed an economically feasible forward-looking concept in 2005.

Our wide-ranging network of contacts in industry and our many years in the market ensure an ongoing stream of new investment opportunities. Our recently expanded research team plays a critical role in analysing their potential.

Management

Interview with Lewa CEO Bernd Stütz

Bernd Stütz joined the management team only a few months after Lewa changed hands in 2005. What he brought with him were international experience, new momentum and the courage to implement innovative ideas. The company's employees were quick to embrace the new corporate philosophy.



Lewa in 2005, Lewa at year-end 2009 – what are the greatest changes after four years of private equity involvement?

Stütz: Three things stand out. First, we started off as a pump manufacturer and became a solutions provider, which makes us a more valuable partner and means we are no longer that easy to substitute. Second, Lewa's performance has always been good, but we've improved it significantly – something that is important when weathering times of crisis like these. Finally, we now operate in additional business areas, which bring new opportunities for growth. We would not have achieved this progress without the momentum generated by the change in ownership in 2005 – at least not to this extent.

What exactly led to the financial investors' entry?

Stütz: Lewa was a healthy German mid-sized company. It was focused on developing its products, but beyond that was not very ambitious and left much of its potential unused. By inquiring about strategy and business plans, the new owners triggered a change in corporate culture ...

... which the management team then had to implement?

Stütz: Dr Höhler, my colleague on the team, and I needed no convincing. When I came to Lewa at the time the financial investors took over, we recognised that it would do Lewa good to not only have an eye on technology, but to develop a more market and client-centric approach.

How did you accomplish that?

Stütz: If you continue to do things as in the past, you will never achieve any new goals. In other words, we had to change processes. To achieve such a cultural shift, we had to make a few changes in management, which is probably easier to do in partnership with a financial investor than in a family-run business. The colleagues we hired consider Lewa 'their' company, which they want to see grow. We wanted to become more assertive and accomplish things that had not been done at Lewa before.

For instance?

Stütz: Our pumps are an ideal fit for the oil and gas industries. To succeed there, you have to be on-site with your sales and service organisation. We therefore expanded our presence in global markets and became more aggressive in pursuing projects. We realised that we needed to take our specialised expertise and make a profitable business out of it. We needed to offer our know-how in markets not served in the past and communicate our proposition to potential users in those markets.

How much time did that require?

Stütz: Naturally, it did not happen overnight. It was the result of a systematic strategic process we called 'Lewa FIT', whose individual components were spelled out in a 184-page document. I knew that with more than 100 engineers, Lewa had the highly skilled and qualified staff for implementing change. The company had a huge amount of unused potential. To tap it, we used numerous smaller projects to change the way we work together.

Which aspects were particularly important?

Stütz: Fundamentally changing inter-company communications – across all levels – was crucial, since it was the only way to access our staff's unused potential. We now talk to each other much more than before, and we do so across departmental lines. The works council now receives more information than it requests. I myself spend entire days with our trainees and get to talk directly with our employees at all levels.

“It's good that we talked” may be nice, but alone will not generate higher sales or increased earnings ...

Stütz: True, but it lays the foundation for that. In early 2006, we created “profit teams”. Two or three people on each team looked at certain types of costs within the company and asked how they could be sustainably reduced. This only works if you introduce brainstorming sessions and build a corporate culture of open communication that allows questions to be asked, without the answers always being predetermined. The profit teams still exist today. We gained a lot from them, in addition to cutting costs. They helped us transform our employees into active participants in our corporate processes – something that has raised motivation levels as a result.

We have also implemented these ideas in our production and assembly teams. Today, production employees are fully responsible for a given order – from assorting the parts and assembling the components to testing the finished product. That promotes a great sense of responsibility.

Professional qualification is another area we focus on. As part of Lewa FIT, we founded Lewa Academy – a simple, yet effective organisational superstructure for offering training courses and seminars. Although the costs are considerable, we believe it is a very profitable investment. Formerly, there were five courses offered in the company, today there are 50. Every Lewa employee has been given a “Passport to Quality”, which certifies every course he or she has taken. Employees then receive a bonus after they have earned a certain number of credentials.

How have the financial investors contributed to Lewa's success?

Stütz: By insisting on high levels of transparency and stringent corporate governance – both of which have helped us to develop further. Another important contribution stems from their business



model – acquiring companies using leveraged finance – since it means ensuring sufficient liquidity is on hand to meet financial obligations. That takes discipline and, in our case, caused us to change our focus and dramatically improve our working capital. This alone increases efficiency.

Is pressure from investors therefore the secret to success?

Stütz: No, not at all. Our investors supported us in implementing our strategy and did not insist on constant payouts. We always had the funds we needed – to internationalise our sales organisation, for example. We were also able to acquire a company in Norway and in North America and establish joint ventures, as we did in Asia. Moreover, we increased our R&D expenditures considerably and developed new products – not to mention the investments in staff I've already discussed. Beyond that, we added 40 new employees during that time. The investors supported us 100 percent, but did not intervene in the operating side of our business.

Every investment is preceded by an in-depth due diligence process that examines financial, commercial and strategic issues. The process also includes strategic discussions with management, whom we strive to advise and support in pursuit of our common goal: to lead the company to a profitable future.

You have worked for major corporations, family-run businesses and, now, financial investors. From your point of view, what are the main differences?

Stütz: In a large corporation, politics is often a consideration; you need to be aware of internal trends and make compromises – something that often requires taking the long way round. In family companies run by the owner, things are often not managed as optimally as they could be. In my experience, financial investors combine positive aspects of both worlds: a systematic focus on performance and an unwavering concern for the company itself. In other words, entrepreneurship, pure and simple.

How did co-investing in the company influence your own efforts?

Stütz: In virtually all cases – let’s say about 95 percent of the time – I would not have acted otherwise, had I not bought into the company. But it contributed enormously to my credibility vis-à-vis the staff, since they liked the fact that there was again someone at the top who was risking his own money when taking decisions and expecting things of others. As a buyout manager you are not only the CEO, but a managing partner – and that sends an important message.

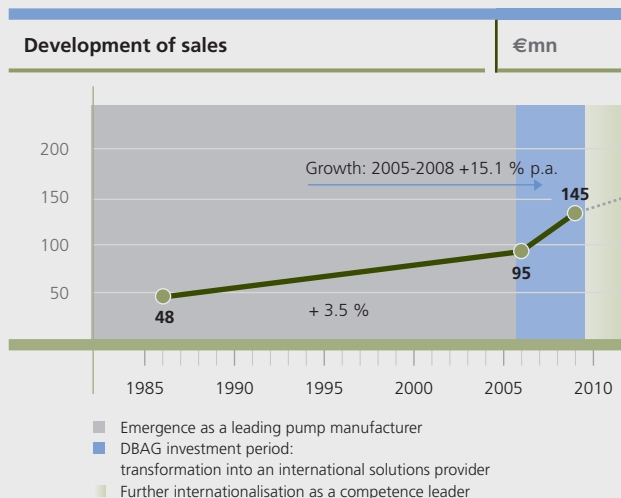
How do you see Lewa’s future now under Nikkiso’s ownership?

Stütz: I am very, very confident things will go well. The new ownership gives Lewa the opportunity to become the true market leader for high-end metering pump solutions.

That sounds very optimistic.

Stütz: Yes it does, and we have every reason to be optimistic. Lewa has undergone an extensive efficiency-enhancement process, which the financial investors initiated and promoted. We are in a much better position and can operate a lot more self-confidently. The experience that our employees gained during the process has made them and the company stronger, something that is clearly demonstrated by the recent sale. All prospective buyers who talked to us were not only impressed by the hard facts, such as our products and our market presence, but by the soft factors as well – our finely-tuned strategy, effective internal communications, highly qualified personnel and people-first corporate culture. The value of these assets was reflected in the price the new owners were willing to pay.

Lewa: Basic data	
Business activity	Development and production of high-performance metering and process diaphragm pumps
Head office	Leonberg, Germany
Founded	1952
Subsidiaries	more than 15 worldwide
Sales units	in 90 countries
Staff	700 worldwide, with 400 at the head office
Sales	2008: 145 million euros
Strategic focus	international growth



Lewa has developed considerably over the past four years – from a pump manufacturer to a solutions provider. Moreover, our plant construction activities give us a new strategic direction, and in Nikkiso we have found a partner who is very open to our ideas.

What does that mean on a practical level?

Stütz: For example, we are talking to Nikkiso about relocating a number of products and their production from Japan to Leonberg. We would then be the sole manufacturer of diaphragm pumps in the group. Through Nikkiso, our new owner, a number of gaps in our sales network will be closed. We will gain access to the markets in Japan and in neighbouring countries – an enormous potential. Finally, our extensive sales network will now be able to offer the complete Nikkiso product range – greatly enhancing the attractiveness of our offerings. It may sound trite, but I see a situation here where everyone wins.

On-Site in Leonberg

Lewa, a key player for the region's economy

The lyrics of the song that callers hear in the loop when they ring the mayor say it all: 'Leonberg is a great place to be ...' Leonberg is located on the outskirts of Stuttgart and is home to a population of 45,000. More people leave the town each day to go to work than come into the city to earn their living. Lewa is the second largest manufacturing company in Leonberg. Any responsible politician would therefore look twice when a company like that changes hands. After all, it directly affects jobs, apprenticeships for young people and, not least, tax revenue.

"At the time, I told the workforce that the sale to Deutsche Beteiligungs AG was a good solution for the company," says mayor Bernhard Schuler, who also candidly admits to his initial scepticism over the acquisition. And even though Lewa was the most successful enterprise to be established in Leonberg in the post-war era, he adds, the company's sale was expected, since there was no successor in the family to take over. Fortunately, Lewa's performance after the change of ownership quickly dispelled all doubt. "Naturally, in my role as mayor, I would prefer to deal with family owners, since they are generally more approachable – you can rely on what they say," he explains. "But that was also true of Mr Stütz. He was always as good as his word."



Mayor Bernhard Schuler is very pleased about Lewa's outstanding performance in a globally competitive field.

Staff

Participation and the courage to

W

ait and see what happens." That was the hesitant response of the two head members of the works council in summer 2005, after it was announced that two financial investors were to become the owners

of the company that employed them. Yes, there were concerns among the staff, says Bernhard Holland, chair of the council. Not to mention the usual fears that 'corporate raiders' were about to descend to 'strip' the company, adds vice chair Andrea Bräunig. "Deutsche Beteiligungs AG was an unknown quantity for us. We didn't know what to make of them."

That has changed. "In retrospect, I'd say it was a good deal," Bernhard Holland concedes four years later. His assessment is undoubtedly well-founded, since he looks back on more than two decades of service to the company, giving him a solid vantage point for judging the impact the change of ownership had and, linked to that, the changes in the way the company was managed. "First we were provided with all manner of facts and figures," he says. "After that a completely new style of communication was introduced within the company. Since then we know where we stand."

The new momentum proved to be contagious. Suddenly, training courses and professional qualification gained a new importance, says Andrea Bräunig, who also organises workshops as part of the



As investors, we endeavour to consider the interests of all stakeholders in our portfolio companies. Our capital provides the scope for the management and staff at our enterprises to bring their concepts to bear. Through their dedicated efforts, they create a company that is able to successfully market its products and services – which, in turn, secures jobs.

change



Bernhard Holland and Andrea Bräunig, members of the works council at Lewa

Building trust and motivating employees – through transparency, teamwork and shared rewards

Lewa-FIT project, in addition to her duties on the works council. With more than 20 years of service, she has spent most of her professional life at Lewa. The company's employee suggestion scheme, she adds, was basically in hibernation for years. Under the new aegis, however, ideas submitted by the staff were systemati-

cally integrated into development, production and marketing activities. "That's a big plus for the company," she says.

"Our people can now contribute to improving processes," Holland emphasises. And Lewa of course benefits when its employees acquire a feeling for the big picture and get to know each other across departmental lines – at one of the company's many workshops, for example.

Yet when he talks about the "detailed and ambitious annual targets" that were set in 2006 for the first time, a bit of the uneasiness surfaces that he felt back then. For long-standing employees, the shift from a family business to a portfolio company held by financial investors required a new mindset. The initial uneasiness, however, was followed by changes – positive ones. Today, Holland sees the annual targets as 'incentives'. Contributing towards that were bonuses that everybody received after targets were reached in the boom years of 2007 and 2008. Those years not only saw excellent performance, they also fostered the company's sustainable development.

'Corporate raider' is not a concept that Bernhard Holland and Andrea Bräunig would associate with their employer. "We never encountered that type of mentality here," they report.

1952

How it began: Engineers Herbert Ott and Rudolf Schestag founded "Ingenieurbüro LEWA" LEonberger WAsseraufbereitung (Leonberger Water Treatment). Their unique selling proposition was soon "customised metering pumps".

1962

More than 100 employees: Lewa markets its product range in major parts of Europe and overseas, in countries such as the US.

1972

Completing a successful decade: By developing sophisticated diaphragm pumps, Lewa tripled revenues within a period of 10 years.

1950

1655

1960

1965

1970

1975

Markets

Setting standards

There are many ways to position a company in the marketplace. Lewa decided on the upmarket option: Driven by technology, it searched for the best individual solutions for its clients – and thereby set the pace within the industry. The many Lewa patents that became prototypical in metering pump technology attest to that.

After 57 years of successful business operations, Lewa's process diaphragm pumps and metering systems are found in all relevant markets around the world. The company currently serves a remarkably broad customer base – and there is no end in sight for its ongoing development.

Its formula for success is simple: Lewa views its markets as a permanent challenge to improve. The market – meaning the customer – defines the job to be done, and Lewa creates a customised solution. Flexible 'building block' components provide an initial, serially-produced template – and help reduce costs. After customised detailing, each solution then reflects the specific needs present at each production site. Frequently, the solutions take the form of "all inclusive" packages that include services such as maintenance and repair.



Oil, gas and chemicals are the markets from which Lewa originally grew. At gas and oil production sites around the globe, for example, systems designed by Lewa pump fluids up to 10,000 metres into the ground. In addition to ensuring that the drilling operations go smoothly, they protect the pipes against rust.

New markets – such as the pharmaceutical, plastics and cleaning agent industries – have since been added to its traditional portfolio. The food and beverage industry has also come to appreciate Lewa products, since food colouring, aromas and other additives must be safely transported, before being mixed into the final product in exact amounts. Reliability is a critical factor in applications such as these: System downtimes are costly and need to be avoided wherever possible.

1982

Reengineering process successfully completed: In the 1970s, Lewa continually works to improve its technologies and, in the early 1980s, replaces one technology with a fundamentally new model range.

1992

A broad platform: Process diaphragm pumps, systems technology and service now drive the company's development. In addition to its own product range, Lewa also begins distributing the products of other manufacturers.

2002

Half a century: Through its extensive network of sales offices and sales representatives, Lewa is present in more than 60 countries worldwide. Lewa focuses on a new corporate objective: 'The Technology Advantage'.

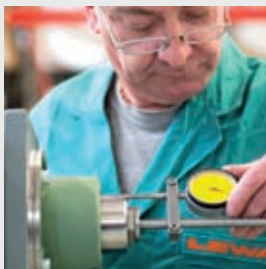
1980

1985

1990

1995

2000



Lewa products are also key in the pharmaceutical industry: No insulin is produced today without Lewa technology being part of the process. The company's specialised diaphragm metering pumps ensure that the process used to produce this life-supporting substance remains free of impurities.

The Leonberg-based company has also long been a player in next-generation energy and environmental markets. Its products are used to produce biofuels, as well as to compress and transport CO₂ to underground storage facilities. The pumps and systems used in such operations need to handle pressures of up to 1200 bar and temperatures of up to 150° C.

'Creating Fluid Solutions' is the slogan that will be guiding Lewa's future. After the acquisition by Nikkiso, it is a future that, more than ever before, will be taking place on global markets.

A **"fantastic time"** and **"a great experience before retiring"** – **Dr Reinhard Dechow's** words sound enthusiastic when he describes Lewa's change of ownership in 2005. The former owners – the wife of the late founder, Herbert Ott, and their two daughters – had been looking for a new owner who would warrant the company's ability to operate independently. Having led the family-owned business in the past, Dr Dechow was instrumental in finding new partners, people who, as he puts it, would **"understand a mechanical engineering firm, have the courage to initiate change and help drive the company's development"**. Having spent another two years on the management team and then on the advisory council, he had a crucial part in Lewa's strategic development.

'German Engineering' – the term refers to business models in mechanical engineering, industrial automation and automotive supplies that are rooted in outstanding engineering performance. It is a field where Deutsche Beteiligungs AG has many years of experience in calculating business risks and assessing development potential.

September 2005
Change of ownership: In a management buyout, a group of investors led by DBAG acquires the family-owned business from the wife of the late owner, Herbert Ott, and their daughters.

2005

Clients

Service is also a crucial component

When it comes to change, external challenges are even more critical than the internal ones. After Lewa's ownership changed hands in 2005, clients were adamant that Lewa continue delivering the quality they were accustomed to. Meeting or beating past standards thus became the objective.



A refinery cannot function without pumps. And many of the substances that flow through the pipes must not escape these closed-circuit systems, because of the potential hazards to humans and the environment. Stephan Almasy, Senior Expert for Rotating Equipment at Austria-based OMV AG, has been familiar with Lewa products for years. The first ones he encountered were installed shortly after the engineer joined OMV, a leading European oil and gas provider. That was 35 years ago. Although some of the original pumps have now been replaced, Almasy still relies on the technology and quality delivered by Lewa for mission-critical tasks.

He kept a watchful eye on things when DBAG invested in the company. "Service competence is a key issue for us," he says. "Quality sometimes deteriorates when a new owner comes in." Yet the ownership change in 2005 was, he adds, a "smooth transition", without any "negative implications for us". He looks to the future confidently and expects the new owner to take clients and their needs just as seriously. Even more importantly, the company will be offering an expanded product range. "Lewa's broader market presence suits us just fine," he openly admits.

2007

New milestone in performance:

With a staff of 600 in 16 subsidiaries worldwide, Lewa increases sales by 25% within a period of one year. This motivates the company to reach for new horizons, and to continue its international expansion.

September 2009

Takeover by Nikkiso Co., Ltd.:

After four years of impressive growth, Lewa becomes an attractive property, ready to take on the next phase of its development under the ownership of a strategic investor.

2010