

**REXNORD:
PRIVATE EQUITY BRINGS INNOVATION
TO A WELL-ESTABLISHED COMPANY**



For more than 100 years, Milwaukee-based Rexnord Industries and its predecessor companies have supplied mechanical power transmission, aerospace and specialty components to industries worldwide. Rexnord began its life in 1891 as the Chain Belt Company. Over the years, it grew organically and through a series of acquisitions into a major manufacturer that in 2006 reported revenue of more than \$1 billion.

Upgraded Management Talent and Resources Transform Company

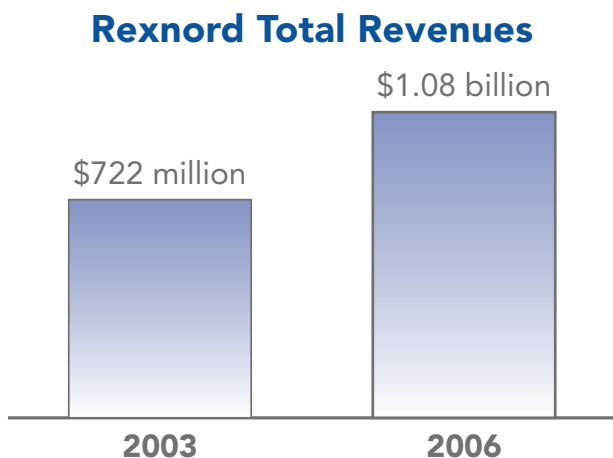
In 2002, Rexnord was a healthy business and a market leader in several industrial component sectors. However, the company was being neglected and milked for cash by its British owner, Invensys plc, a conglomerate specializing in automation and controls. The Carlyle Group recognized the company’s growth potential, and acquired Rexnord in November 2002.

Carlyle believed that the company could be significantly improved and worked quickly to achieve results. The private equity investment firm recruited George Sherman, former CEO of Danaher Corporation, to become Rexnord’s chairman and a major shareholder. Carlyle retained Rexnord’s senior management following the acquisition. Sherman and Carlyle worked closely with the team to identify areas within the company that could benefit from upgraded talent. During the three years following the acquisition, new hires resulted in a new mid-level management team with prior experience at such industrial companies as Danaher, Honeywell, Boeing, Whirlpool, Maytag, Timken and Newell Rubbermaid.

Together Carlyle, Sherman and Rexnord’s management developed a plan to allocate resources to those businesses with the strongest growth prospects and market positions, and to reduce the focus on less strategic business lines where the company was neither highly competitive nor successful. Once implemented, this strategy resulted in sharp revenue growth in strategically important business lines.

The New “Rexnord Business System” Improves Operations Company-Wide

Sherman, working with a group of former Danaher executives, assisted Rexnord management in developing and implementing the “Rexnord Business System,” a comprehensive set of “lean-enterprise strategies” to improve inventory management, customer delivery, procurement, product quality, and plant utilization. This system played a significant role in improving margins, on-time delivery, and other operating metrics under Carlyle’s ownership.





The Falk Corporation, a provider of gears and couplings, then owned by United Technologies, had been seen by the company as potentially the most valuable strategic acquisition in nearly 40 years. However, Rexnord had been unable to execute the Falk transaction. Carlyle, which had a long-standing relationship with United Technologies, was able to jump start the process, leading to Falk's acquisition by Rexnord in May 2005. This key acquisition brought cost efficiencies and enhanced product and distribution capabilities to Rexnord.

A China Strategy

Carlyle continued to assist Rexnord management as the team developed a strategic response to the challenge of China's growing industrial capabilities. Working with Sherman and Rexnord's revitalized management team, and drawing on its own experience and resources as an investor in China, Carlyle assisted Rexnord in identifying products where Rexnord's technology or value-added capabilities gave it an advantage over Chinese competition. Carlyle also helped management ensure that Rexnord's cost structure, manufacturing, distribution system, and new product-development activities were fine-tuned to sustain its competitive advantage. As part of the strategy, Rexnord contracted for Chinese production of lower-value components in areas of lower strategic importance. The company also made a small but strategically important acquisition in China to further enhance its product line and provide a conduit for sales of its U.S.-produced products.

Through this balanced strategy, Rexnord was able to maintain its competitiveness while preserving operations at U.S. facilities. Total revenues rose from \$722 million in 2003 to \$1.08 billion in 2006. The pace of inventory turnover quintupled, on-time delivery improved, and the enterprise's value doubled.

Outlook: Gearing for Tomorrow

With the help of Carlyle, Rexnord has positioned itself for continued growth. Rexnord's inventory turnover has quintupled, its enterprise value has doubled and its 2006 revenues topped \$1 billion. The company expanded its U.S. operations and significantly grew its market in China and other fast-growing markets.

In July 2006, after considering a possible IPO and other exit alternatives, Carlyle sold its ownership interest in Rexnord to Apollo Management, another leading private equity firm. Sherman and the Rexnord management team agreed to remain under the new ownership, and are working closely with Apollo on the next phase of growth for the rejuvenated company.