

Company presentation

Scherzer & Co. Aktiengesellschaft

As of July 31, 2011

Scherzer & Co.

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## **1. Executive Summary**

2. Positioning

3. Strategy: Safety and opportunity

4. Significant individual positions

5. Financials

6. Summary

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# Executive Summary

- Scherzer & Co. AG is a Cologne, Germany-based investment holding company whose object is to pursue long-term capital appreciation for its shareholders through an investment strategy that is both safety-oriented and opportunistic.
- From safety-oriented aspects investments are undertaken in takeover bid/squeeze-out stocks and value stocks where the market price appears underpinned on the downside. Price-stabilising features may be a “natural floor” in the case of structural measures, either announced or in progress, or excellent balance sheet and earnings quality in the case of value stocks.
- It also invests in companies offering enhanced opportunity potential at predictable risk, focusing especially on select growth companies with a sustainable business model. However, the market is also analysed for special situations that can offer attractive risk-reward profiles for diverse reasons. In addition, the company gladly seizes upon opportunities to participate in promising capital measures or secondary placings.

# Mission Statement

- As mid-term target, to build an investment portfolio with equity financing of at least €100 million.
- To establish the company as one of the **top quoted investment holding companies** in the area of special situations and corporate actions.
- To position the company as a **relevant partner** for transactions in the area of special situations.
- To achieve **sustained capital appreciation**.

# Management and Supervisory Board

**Dr. Georg Issels**

Managing Director, Scherzer & Co. AG, since 2002

Managing Director, RM Rheiner Management, since 2008

**Dr. Hanno Marquardt**

Chairman

Lawyer

Partner in the law firm Schmitz Knoth Rechtsanwälte  
Bonn, Cologne, Berlin

**Rolf Hauschildt**

Deputy Chairman

Investor

Managing Director, VM Value Management GmbH  
Düsseldorf

**Dr. Dirk Rüttgers**

Asset Manager

Managing Director, Silvius Dornier Verwaltungsgesellschaft mbH  
Munich

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# Investment universe of Scherzer & Co. AG

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- We primarily analyze investments in regions under German jurisdiction. However, Scherzer & Co. AG basically invests opportunistic.
  - We believe that most market valuations are efficient. But due to human irrationality, valuations are occasionally incorrect, creating investment opportunities on the market.
  - We aim to use these opportunities on a focused portfolio.
  - A company's market capitalization or listing on an index are of rather minor importance. We also do not focus on any one sector. Any plausible and convincing business model is of potential interest of us.
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# Investment universe of Scherzer & Co. AG

Such investment opportunities usually occur in the following three categories, which is why Scherzer & Co. AG focuses on them:

## Unknown

- 500 – 1000 shares without coverage
- Microcaps
- No interest in investor relations
- Illiquid trade

## Unloved

- Business model is misconceived
- Unpopular sector
- Restructuring scenario
- Earnings power is misconceived

## Special situation

- Takeover situation
- Squeeze-out seems likely
- Affiliation agreement seems likely
- Capital measures
  
- Reorientation



# Positioning: Concentration on two strategies

**Risk-reduced capital appreciation** while at the same time  
seizing upon interesting **capital market opportunities**.

## Safety

through:

- investments with a „natural floor“
- special balance sheet and earnings quality
- value investments
- dividend stocks

## Network

## Opportunity

through:

- high-growth and sustainable business models
- special situations
- capital measures
- corporate realignments

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# Investment strategy

## Safety through

- investments in companies with a “**natural floor**” (cash offers or expected cash offers).
- **special balance sheet quality**: net cash position, little/no debt, share price (significantly) below book value.
- strong and/or strategic **principal shareholder**.
- **special earnings quality**: sustained, positive earnings, as far as possible non-cyclical business, dividend continuity, sustained free cash flows

## Selected individual positions

- **Andreae-Noris Zahn AG**

WKN 504 700

Sector: Commerce

**Takeover in process**

- **Kizoo AG**

WKN CMB T11

Sector: Investment company

**Cash value**

- **Generali Deutschland Holding AG**

WKN 840 002

Sector: Insurance

**Squeeze-out candidate**

# Investment strategy

## Opportunity through

- investments in **sustainable business models** with appropriate growth potential.
- **special situations.**
- seizing upon opportunity potential presented by capital measures (restructurings, recapitalisations, growth finance).
- participating in **corporate realignments.**

## Selected individual positions

- **Dr. Hönle AG**  
WKN 515 710  
Sector: Printing industry  
**High cash flow**
- **Biotest AG**  
WKN 522 720  
Sector: Biotechnology  
**Special situation/ development pipeline**
- **Stada Arzneimittel AG**  
WKN 725 180  
Sector: Pharma  
**Corporate Action**

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## The ten largest equity positions

in order of market capitalisation based on share prices as of 7/31/2011

WKN 522 720	Biotest AG	Opportunity
WKN 840 002	Generali Deutschland Holding AG	Safety
WKN A0Y F5P	Exceet Group S.E.	Opportunity
WKN 660 500	Medion AG	Safety
WKN 617 703	Repower Systems S.E.	Safety
WKN 585 969	InVision Software AG	Opportunity
WKN 805 100	W&W Wüstenrot & Württembergische AG	Safety
WKN 725 180	Stada Arzneimittel AG	Opportunity
WKN 920 299	Highlight Communications AG	Opportunity
WKN 504 700	ANZAG	Safety

These investments represent 50.6% of the total portfolio.



## Aktuelles

- The SPAC “Helikos” acquired Exceet Group S.E. in July 2011. The new company, named exceet Group S.E., is one of the leading suppliers of embedded electronics and security solutions. In this context Scherzer & Co. AG stepped up the investment in this company.

In addition the engagement in Repower Systems S.E. increased following the announcement of the squeeze out.

- However, the positive share price performance was used for profit taking at Microsoft Corp.
- Based on a share price level of €1.22, Scherzer & Co. AG is trading roughly 13% below the current market value of the portfolio positions as of July 31, 2011 net of the company’s liabilities (subsequent improvement rights are not included in the portfolio’s valuation).

## Subsequent Improvement Volume

- An interesting corollary of investments in takeover bid/squeeze-out stocks are the successive, significant volumes of subsequent improvement rights (additional settlement claims). They represent potential claims arising from court arbitration awards sought in the wake of structural measures at listed companies.
- The volume tendered as of July 31, 2011 is approximately **74.2 million EUR**.
- The subsequent improvement rights are not carried on the balance sheet.
- In October 2010, Scherzer & Co. AG was awarded a supplementary cash payment of approximately **EUR 137,000** in the appraisal rights proceedings following the merger of T-Online International AG into **Deutsche Telekom AG**.
- The entitlement to rectification of 100,000 T-Online shares was recognized at **EUR 0 in the balance sheet** so that the total rectification payment could be recorded as income.

## Selected project completions

- |  |   |
|--|---|
| ▪ Kässbohrer Geländefahrzeug AG              | Tendered under company agreement        |
| ▪ Kölnische Rückversicherungsgesellschaft AG | Squeeze-out completed in February 2009  |
| ▪ Ersol AG                                   | Squeeze-out completed in September 2009 |
| ▪ Altana AG                                  | Tendered under public tender offer      |
| ▪ D&S Europe AG                              | Squeeze-out completed in June 2010      |
| ▪ Ergo Versicherungsgruppe AG                | Squeeze-out completed in July 2010      |
| ▪ PC Ware AG                                 | Squeeze-out completed in January 2011   |
| ▪ SAF Simulation Analysis & Forecasting AG   | Blockdeal in March 2011                 |
| ▪ buch.de internetstores AG                  | Blockdeal in April 2011                 |

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## Development of capital

- 1880/ 1910      Founded in 1880, articles of incorporation adopted in 1910 as Porzellanfabrik Zeh, Scherzer & Co. AG
- August 2002      Capital converted to euro and no-par-value shares, subscribed capital (SC): € 883,750.00, divided into 883,750 shares
- June 2005      Capital increase 1 for 13 at 1,05 EUR      SC 12.372.500 EUR
- December 2005      Capital increase 10 for 1 at 1,18 EUR      SC 13.609.750 EUR
- April 2006      Capital increase 3 for 1 at 1,45 EUR      SC 18.146.333 EUR
- May 2007      Capital increase 2 for 1 at 1,60 EUR      SC 27.219.499 EUR

## Balance Sheet Figures as of 31 December

		<b>FY 2010</b>	<b>FY 2009</b>
Securities classified as non-current assets	TEUR	20.530	20.546
Securities classified as current assets	TEUR	27.983	19.727
Total assets	TEUR	49.718	40.890
Shareholders' equity	TEUR	33.384	29.450
Subscribed capital	TEUR	27.219	27.219
Bank liabilities	TEUR	15.456	10.593
Equity ratio	%	67,15	72,02

## Key P&L Figures

		<b>FY 2010</b>	<b>FY 2009</b>
Profit/ loss on ordinary activities	TEUR	4.034	5.997
Net income/ loss for the year	TEUR	3.934	5.367
Earnings per share	EUR	0,14	0,20

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## Key P&L Figures

		<b>FY 2010</b>	<b>FY 2009</b>
Realized gains/ losses	TEUR	3.130	1.189
Other operating income	TEUR	2.872	6.448
Dividend income	TEUR	1.192	537
Other interest and similar income	TEUR	275	210



## Key P&L Figures

		<b>FY 2010</b>	<b>FY 2009</b>
Wages and salaries	TEUR	292	198
Write-downs	TEUR	5	5
Other operating expenses	TEUR	548	530
Write-downs to fair value at reporting date	TEUR	1.998	1.148
Interest and similar expenses	TEUR	565	488
Taxes on income	TEUR	./ 100	./ 630

## Earnings as of 30 June 2011

		1. HY 2011	1. HY 2010	1. HY 2009
Realized gains/ losses	Mio. EUR	3,50	0,65	./ 0,52
Dividend income	Mio. EUR	0,73	1,01	0,43
Other income and expenses	Mio. EUR	0,34	1,69	3,76
Therefrom write-ups (HGB)	Mio. EUR	0,01	1,33	3,51
Write-downs	Mio. EUR	1,95	2,09	1,45
Other expenses and income	Mio. EUR	0,51	0,43	0,33
<b>Earnings before interest and tax (EBIT)</b>	Mio. EUR	1,98	0,81	1,84
Interest balance	Mio. EUR	0,09	./ 0,21	./ 0,21
<b>Earnings before tax (EBT)</b>	Mio. EUR	2,07	0,60	1,63

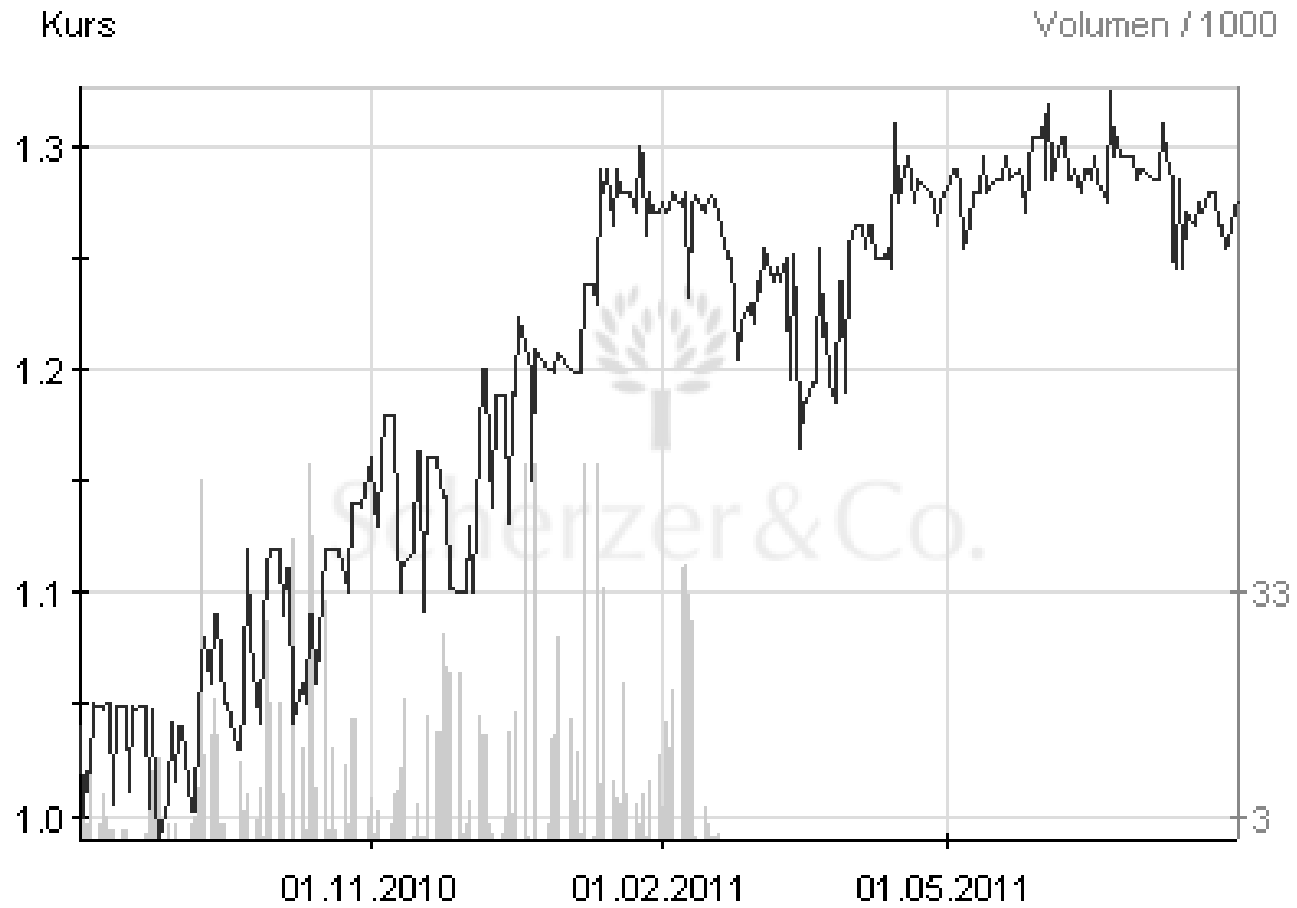
## Share performance

		2010	2009
Market capitalisation	TEUR	32.936	26.947
High/ Low	EUR	1,2390 / 0,8000	1,01 / 0,59
Closing price	EUR	1,2080	0,99

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7/31/2011	Share price:	1,26	EUR
	Market capitalisation:	34,30	Mio. EUR

# Share performance



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## Key Investment Highlights

- **Balanced risk mix** reduces the portfolio's volatility and lowers the correlation to the total market.
- **Opportunistic investment approach** allows interesting returns.
- Including **special situations** in the investment approach leads to higher income.
- Administrative costs minimised through an **intelligent compensation system**.
- **Active exercise of shareholder rights** optimises the return on the portfolio.

# Listing

- Stock exchange: Frankfurt Stock Exchange **Entry Standard**  
Over-the-Counter Market at the **Berlin, Düsseldorf** and **Stuttgart**  
Exchanges, **Xetra**
- Ticker symbol: PZS
- Reuters: PZSG.DE (Xetra), PZSG.F (Frankfurt), PZSG.D (Düsseldorf),  
PZSG.BE (Berlin), PZSG.SG (Stuttgart)
- Bloomberg: PZS
- Research: Solventis Wertpapierhandelsbank  
Close Brothers Seydler Bank AG  
Silvia Quandt Research GmbH
- Designated Sponsor: Close Brothers Seydler Bank AG  
Silvia Quandt & Cie. AG
- WKN/ ISIN: 694 280/ DE 000 694 280 8
- Shareholders: Majority held by institutional investors; > 200 private shareholders

## Financial calendar

24 March 2011

Supervisory Board Meeting

30 May 2011

Annual General Meeting

30 May 2011

Supervisory Board Meeting

3 August 2011

Half-year figures

30 September 2011

Supervisory Board Meeting

2 December 2011

Supervisory Board Meeting



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