

Company presentation

October 2013



Scherzer & Co.

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2. Investment Strategy
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Executive Summary

Scherzer & Co. AG

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.



Scherzer & Co. AG

Mission Statement

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

The investment universe

We primarily analyse investment in regions under German jurisdiction.

We believe that most market valuations are different. 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 in any one sector. Any plausible and convincing business model is of potential interest for us.

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

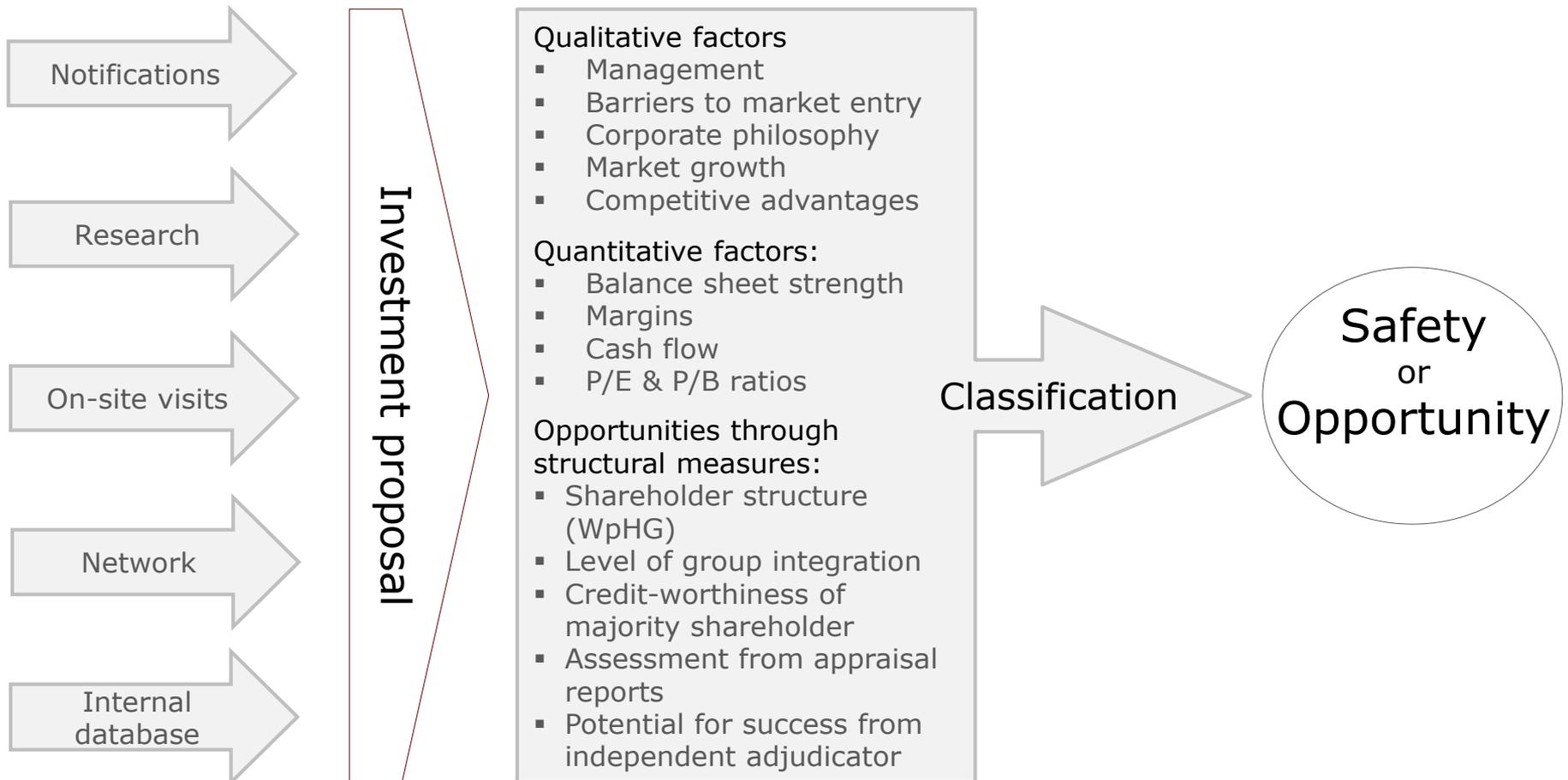
Special situation

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

The selection process





Investment Strategy

Safety and Opportunity

Risk-reduced capital appreciation while the same time seizing upon interesting capital market opportunities:

Safety:

- Investments with a natural „Floor“
- 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

Opportunity:

- Investments in sustainable models with appropriate growth potential
- Special situations
- Seizing upon opportunity potential presented by capital measures (restructurings, recapitalizations, growth financials)
- Participating in corporate Realignments



Investment Strategy

Example: Opportunity

Business model:

- Tipp24 SE holds equity interests in a number of companies in the UK and Spain which enable participation in lottery-based games via the Internet.

Investment case:

- On 28 June 2013, the shareholders' meeting resolved to transfer the company's headquarters to the UK.
- The deadline for filing any possible challenges has since elapsed and the company can implement the structural measure as planned. In the medium term, this clears the way for the company to distribute a special dividend and to develop into an attractive dividend-bearing stock.
- As of 31 December 2012, the company had a cash position of approximately EUR 130 million, some EUR 15 per share.
- The company's own IT infrastructure and process expertise also represent considerable value, including for third parties; these can be licensed to third parties or monetised as part of a transaction.

Tipp 24 SE

WKN: 784 714

Sector: Internet lottery

Market capitalisation: EUR 402 million (10/31/2013)

Majority shareholder: 24.99% Oliver Jaster





Investment Strategy

Example: Safety

Business model:

WMF maintains state-of-the-art manufacturing sites for cutlery, cookware, tableware, knifeware and coffee machines. The company founded in 1853 is a supplier of branded products meeting the highest demands made on design, quality and utility – throughout the world.

Investment case:

- In August 2012, Finedining Capital GmbH, a KKR subsidiary, made an offer of EUR 47.00 for common shares and EUR 31.80 for preferred shares. The price offered for the common shares represents a premium of 24% relative to the closing price on 5 July 2012.
- However, the premium on preferred shares only amounts to 0.15%. This was only equal to the three-month average and therefore the statutory minimum price.
- From Scherzer & Co. AG's perspective, the price offered therefore opens up an attractive risk/reward profile for preferred shares.

WMF AG (preferred stocks)

WKN: 780 303

Sector: Tableware

Market capitalisation: EUR 215 million (10/31/2013)

Majority shareholder: Finedining Capital GmbH
71.56% common stocks, 6% preferred stocks





Investment Strategy

Example: Safety

Business model:

- IBS AG is a leading supplier of cross-company quality, production and compliance management solutions.

Investment case:

- On 7 February 2012, Siemens AG made IBS AG shareholders a voluntary public takeover offer of EUR 6.10 per share.
- A control agreement was concluded with Siemens AG on 11 October 2012.
- On 29 November 2012, the shareholders' meeting resolved a cash settlement of EUR 6.90 as well as compensation to the gross sum of EUR 0.26 (net: EUR 0.23).

IBS excell.collab.manufact. AG

WKN: 622 840

Sector: Software

Market capitalisation: EUR 82 million (10/31/2013)

Majority shareholder: 81% Siemens AG





Investment Strategy

Example: Opportunity

Business model:

- With over 11,000 customer solutions, EASY SOFTWARE AG is one of the leading developers and suppliers of multi-platform electronic archiving, document management and enterprise content management solutions.

Investment case:

- On July 03, 2012, Allgeier SE submitted a takeover bid worth EUR 4.00. Only 6.84% of shares had been offered upon expiry of the acceptance period. In other words, the major shareholders value the company a lot higher. A second takeover bid is possible at any time.
- The company had a significant level of net liquidity and appears to have been valued at a low price.
- The most recent shareholders' meeting severely restricted the influence of the majority shareholder.
- Manfred A. Wagner, the former chairman of the Supervisory Board and a major shareholder, stepped down from the Supervisory Board during the last shareholders' meeting. The special representative is currently examining claims for damages against the company's former board members.

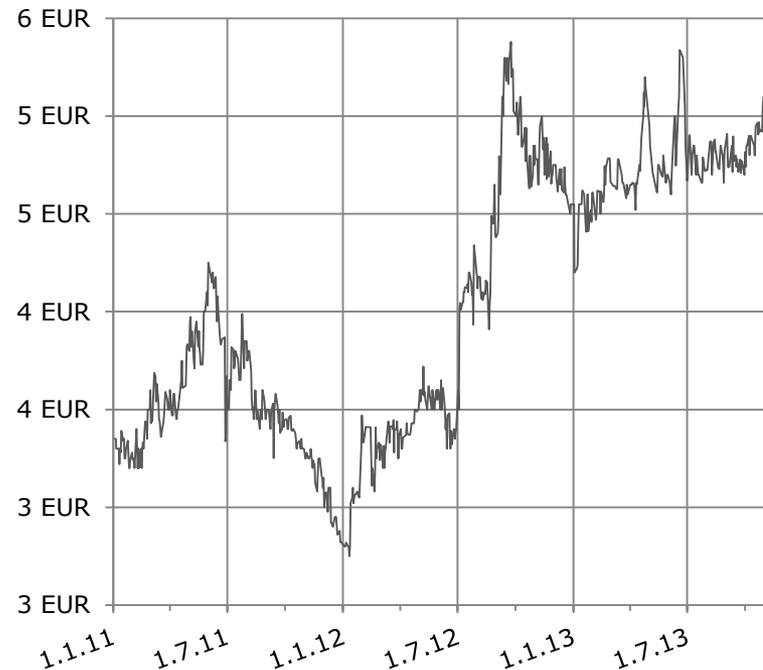
Easy Software AG

WKN: 563 400

Sector: Software

Market capitalisation: EUR 28 million (10/31/2013)

Majority shareholder: <30% Global Derivative Trading GmbH;
26.84% Manfred A. Wagner





Investment Strategy

Example: Safety

Business model:

- The MAN Group is one of Europe's leading commercial vehicle, engine and mechanical engineering companies, generating annual revenue of around EUR 15.8 billion and employing a workforce of approx. 54,300 worldwide. MAN is a supplier of trucks, buses, diesel engines, turbomachinery and turnkey power plants, with all corporate divisions holding leading market positions.

Investment case:

- More than 75% of VW Group's share capital is held by Truck & Bus GmbH.
- A profit and loss transfer agreement with Volkswagen AG was resolved at the shareholders' meeting held on 6 June 2013.
- Under this structural measure, the company will pay a cash settlement of EUR 80.89 per ordinary and preferred share as well as compensation to the net sum of EUR 3.07 per ordinary and preferred share.

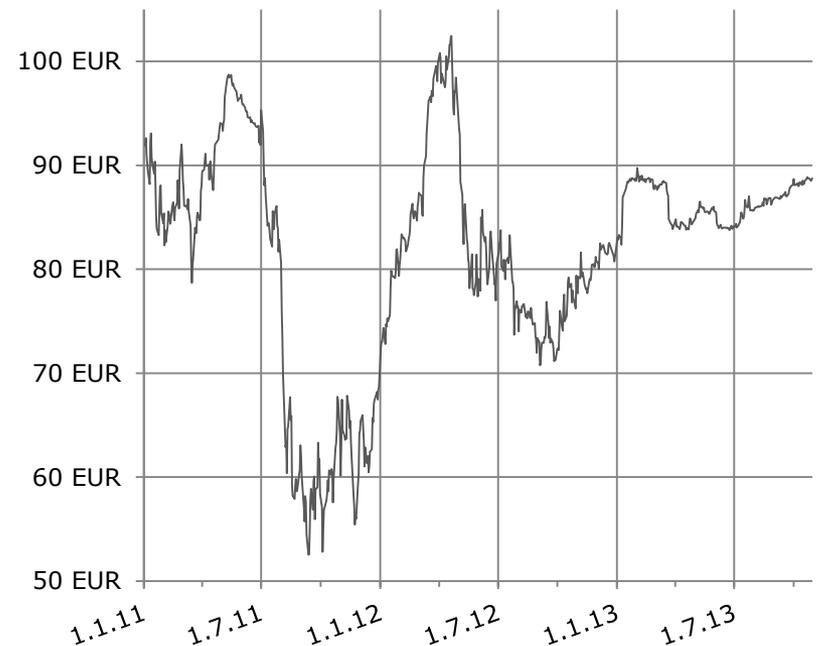
MAN SE

WKN: 593 700 (common stocks)

Sector: Automotive industry

Market capitalisation: EUR 12.50 billion (10/31/2013)

Majority shareholder: 75.03% Volkswagen AG



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Portfolio

The 10 largest equity positions*

1.	Generali Deutschland Holding AG	WKN 840 002	**8,56 %	Safety
2.	MAN SE, Stämme	WKN 593 700	7,91 %	Safety
3.	IBS excell.collab.manufact. AG	WKN 622 840	5,59 %	Safety
4.	Allerthal-Werke AG ¹	WKN 503 420	5,23 %	Safety
5.	GK Software AG	WKN 757 142	4,69 %	Opportunity
6.	WMF AG, Vorzüge	WKN 780 303	4,60 %	Safety
7.	Tipp24 SE ¹	WKN 784 714	4,47 %	Safety/Opportunity
8.	Invision AG	WKN 585 969	3,85 %	Opportunity
9.	Biotest AG, Stämme	WKN 522 720	3,17 %	Opportunity
10.	Highlight Communications AG	WKN 920 299	3,09 %	Opportunity
		Total:	51,16 %	

¹ summed up current/ non-current assets

* In order to portfolio size based on share prices as of 31 October 2013

** percentage of the total portfolio



Portfolio News

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- On 18 October, Assicurazioni Generali S.p.A. announced that cash compensation in the amount of EUR 107.77 would be paid as part of the squeeze-out of Generali Deutschland Holding AG. The corresponding squeeze-out resolution shall be adopted at an extraordinary shareholders' on 4 December 2013. Scherzer & Co. AG then purchased more than 50,000 shares.
 - In the wake of the significant rise in the price of Lotto24 AG shares following the recent capital increase, the attractive share price level was used to partially realise profits. Inventories then fell by half.
 - Additional Tipp24 SE shares were acquired following their migration.
 - The company's shareholding Württembergische Lebensversicherung AG was increased to approximately 1% of share capital. In return, the company sold its shares in Wüstenrot & Württembergische AG.
 - The current value of Scherzer & Co. AG's portfolio currently amounts to EUR 1.63 per share. Based on a share price of EUR 1.39, Scherzer & Co. AG is quoted down approximately 15% on the asset value as of 31 October 2013, taking into account its liabilities. It should be noted that the calculated value is not derived from audited financial statements. The portfolio valuation does not take into account improvement rights and taxes.
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Portfolio

Susequent 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 31 October 2013 is approximately **EUR 88 million**.
 - The subsequent improvement rights are not carried on the balance sheet.
 - Scherzer & Co. AG's tendered volume amounts to in excess of **EUR 100 million** if the improvement rights of Allerthal-Werke AG and RM Rheiner Management AG – attributable to the company on account of its participation of some 25% in each – are taken into account.
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Portfolio

Selected project completions

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- Pironet NDH AG Disposed in September 2013
 - Generali Deutschland Holding AG Disposed in July 2013
 - hotel.de AG Disposed in December 2012
 - Andrae-Noris Zahn AG Blockdeal in June 2012
 - Pixelpark AG Disposed in March 2012
 - Repower Systems S.E. Squeeze-out completed in October 2011
 - buch.de internetstores AG Blockdeal in March 2011
 - SAF Simulation Analysis & Forecasting AG Blockdeal in March 2011
 - PC Ware AG Squeeze-out completed in January 2011
-

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Financials

Capital development

- **Public limited company founded in 1910:**
Articles of association created as Porzellanfabrik Zeh, Scherzer und Co. AG.
 - **Capital increases between 2005 and 2007:**
Increase in share capital through four separate capital increases from EUR 883,750.00 to EUR 27,219,499.00, in other words from 883,750 bearer shares to 27,219,499.
 - **Capital increase in 2012:**
Increase in share capital from EUR 27,219,499.00 to EUR 29,940,000.00, in other words from 27,219,499 bearer shares to 29,940,000 at an issue price of EUR 1.15 per share. The 2,720,501 new shares are entitled to dividends from 1 January 2012 and were subscribed to by institutional investors. The capital increase was entered into the commercial register of Cologne in November 2012.
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Financials

Balance sheet figures

		06/30/13	12/31/12
Securities classified as non-current assets	EUR '000	16,731	15,876
Securities classified as current assets	EUR '000	39,346	30,770
Total assets	EUR '000	57,155	49,985
Shareholders' equity	EUR '000	38,376	37,652
Subscribed equity	EUR '000	29,940	29,940
Bank liabilities	EUR '000	18,205	10,672
Equity ratio	%	67,14	75,33



Financials

Income statement

		06/30/13	12/31/12
Profit/ loss on ordinary activities	EUR '000	881	4,185
Net income/ loss for the year	EUR '000	724	3,908
Earnings per share	EUR	-	0,13



Financials

Income statement

		06/30/13	12/31/12
Realized gains/ losses	EUR '000	1,715	3,995
Other operating gains	EUR '000	1,424	2,297
Dividend income	EUR '000	785	1,056
Other interest and similar income	EUR '000	173	425



Financials

Income statement

		06/30/13	12/31/12
Wages and salaries	EUR '000	205	313
Write-downs	EUR '000	0	6
Other operating expenses	EUR '000	216	590
Write-downs to fair value at reporting date	EUR '000	2,502	2,181
Interest and similar expenses	EUR '000	281	477
Taxes on income	EUR '000	157	277



Financials

Share price/ NAV development

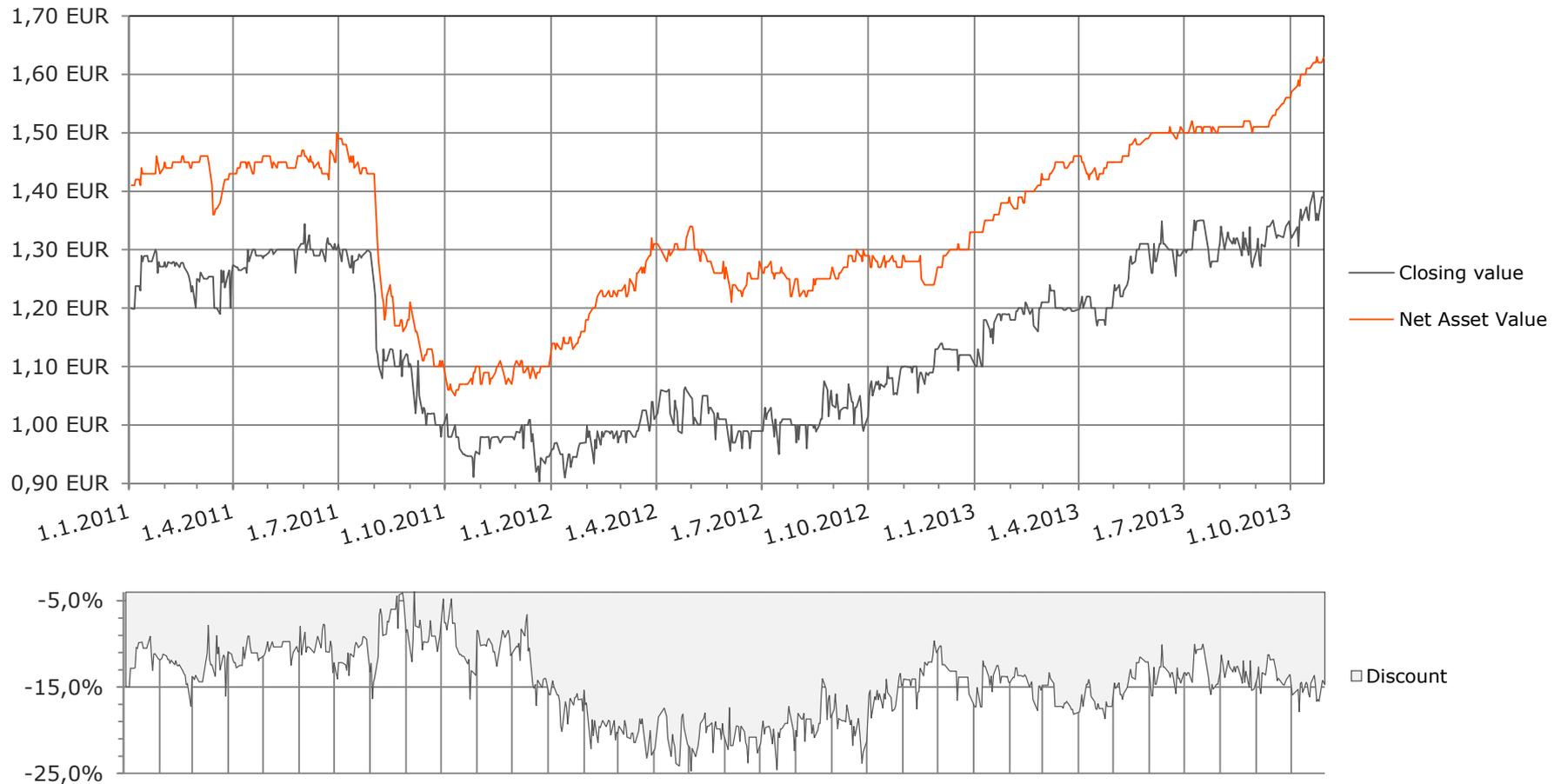
		2013	2012	2011
Market capitalisation	EUR '000	40,389	33,533	25,750
Peak/ low	EUR	1.399/ 1.10	1.15/ 0.89	1.34/ 0.90
Closing value	EUR	1.39	1.1200	0.9460

Net Asset Value 2012: The present value of portfolio positions after considering company liabilities (subsequent improvement rights and any tax incurred are not included in the portfolio valuation) increased by **14,65 %** in FY **2012**, and by **22,56 %** in FY **2013** (10/31/13).



Financials

Share price/ NAV development



Net Asset Value: The present value of portfolio positions after considering company liabilities (subsequent improvement rights and any tax incurred are not included in the portfolio valuation)

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Summary Listing

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- Exchange: Frankfurt Stock Exchange Entry Standard
OTC 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 GmbH
Close Brothers Seydler Research AG
 - Designated Sponsor: Close Brothers Seydler Research AG
 - WKN/ ISIN: 694 280/ DE 000 694 280 8
 - Shareholders: Majority held by institutional investors,
>200 private shareholders
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Summary

Management/ Supervisory Board

Management

Dr. Georg Issels	Managing Director Scherzer & Co. AG since 2002 Managing Director RM Rheiner Management AG since 2008
Hans Peter Neuroth	Managing Director Scherzer & Co. AG since 2013 Managing Director RM Rheiner Management AG since 2010

Supervisor

Dr. Stephan Göckeler Chairman	Lawyer Partner Flick Gocke Schaumburg Bonn, Frankfurt, Berlin und München
Rolf Hauschildt Deputy Chairman	Investor Managing Director VM Value Management GmbH Düsseldorf
Dr. Dirk Rüttgers	Asset Manager Managing Director Silvius Dornier Holding GmbH & Co. KG München



Summary

Contact/ Financial Calendar

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|--|---|
| ✓ 18 March 2013: Supervisory Board Meeting | ✓ 30 August 2013: Publication half-year figures |
| ✓ 03 June 2013: Annual General Meeting | ✓ 27 September 2013: Supervisory Board Meeting |
| ✓ 03 June 2013: Supervisory Board Meeting | 06 December 2013: Supervisory Board Meeting |
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Summary Disclaimer

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