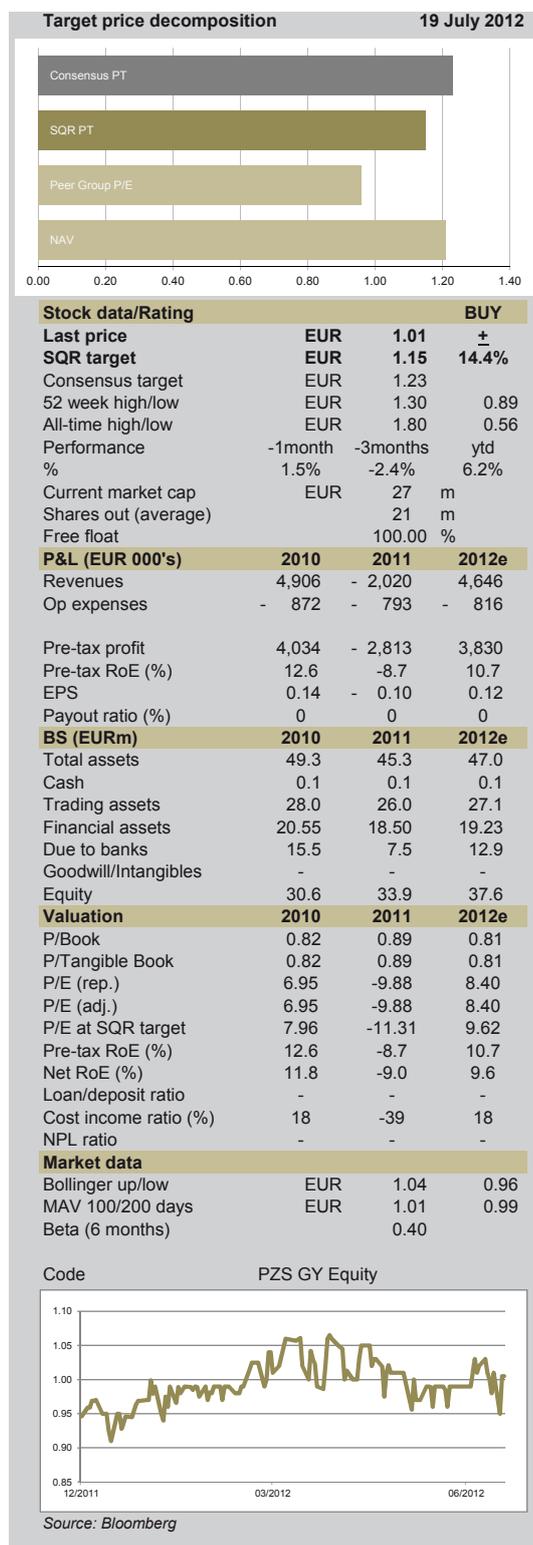




Scherzer & Co AG

Financials



BUY,

PT EUR1,15, upside 14%

Given a challenging stock market environment Scherzer reports acceptable half-year figures for FY2012 - still trades 21% below net-asset value, remains "Buy" as our assumptions are very conservative due to current market situation

Facts: Scherzer reported its half year results. Operating profit (EBIT) came in at EUR1.83m (2011: EUR1.98m) and nearly reached previous years level. Earnings before taxes were EUR1.92m (2010: EUR2.07m). EUR3.1m were generated in the equity business, while option writers revenues were EUR0.44m. Dividend income was EUR1.03m. The result was negatively affected by write-offs on the securities positions amounting to EUR2.55. At the end of June Scherzer had rights to additional payments ("Spruchstellenverfahren") valued EUR74.2m or a per-share equivalent of EUR2.73. These rights are traditionally not valued on the Scherzer balance sheet which is consistent to German GAAP (HGB). Based on an equity price of EUR1.01 the Scherzer share trades 21% below its net-asset-value. For the rest of FY2012 management expects a continuing volatile market environment until the end of the year.

Assessment: Considering a very challenging market development Scherzer's half-year figures are acceptable in our view. Regarding the cautious management outlook we have reduced our assumptions for the year end-value of Scherzer's equity positions by 10%.

Conclusion: Although we have reduced our model assumptions our assumptions are still very cautious. With respect to our lower market assumption we lower a price target for the Scherzer share to EUR1.15 still standing for a price potential of 15%. According to company data Scherzer is currently trading 21% below its net-asset value. In contrast to the company we account the value of the additional rights in our model but adjust our valuation with a 15% holding discount.

Action: As we feel very comfortable with our reduced estimates we reiterate our "Buy" - recommendation with a new price target of EUR1.15. At the moment we believe that this is a pragmatic valuation approach considering the volatile market environment as well as the price potential of Scherzer's selective investment policy.

1. General risk notice

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Author of the present financial analysis: Klaus Kränzle, Senior Analyst Small & Midcaps / Consumer & Retail

2.2. Sources of information and summary of the basis of valuation and the valuation methods applied during the preparation

2.2.1. Sources of information:

Essential sources of information for the preparation of this document are publications in interior and foreign media like information services (e.g., Reuters, VWD, Bloomberg, dpa-AFX, among others), business press (e.g., "Börsenzeitung" (financial paper), "Handelsblatt", "Frankfurter Allgemeine Zeitung", Financial Times, among others), specialized press, published statistics, rating agencies as well as publications of the analysed issuers.

All information refers to the date of the publication: [Date, time, refer to the date at the end of the disclaimer]

2.2.2. Summary of the basis of valuation and the valuation methods used during the preparation:

Within the scope of the evaluation of enterprises the following valuation methods are applied: multiplier models (stock exchange value / profit, stock exchange value / cash flow, stock exchange value / book value, Enterprise Value (EV) / turnover, EV / EBIT, EV / EBITA, EV / EBITDA), Peer Group comparisons, historic valuation methods, discounting models (DCF, DDM, EVA, RIM), Break-up-Value- and Sum-of-the-Parts-approaches, substance-valuation methods or a combination of different methods. The valuation models are dependent on economic parameters like interest rates, currencies, resources and on economic assumptions. Moreover, market moods influence the valuations of enterprises. Also, the approaches are based on expectations that may change rapidly and without advance warning according to developments specific for the respective branch. Therefore, the valuation results and fair values derived from the models may also change accordingly. The results of the evaluation basically refer to a period of 12 months. Nevertheless, they are also subjected to market conditions and constitute merely a snapshot. They may be reached faster or slower or may be scaled up or down.

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BUY: The expected yield, based on the determined target price, incl. dividend payment within the respective suitable time frame amounts to $> + 10\%$.

NEUTRAL: The expected yield, based on the determined target price, incl. dividend payment within the suitable time frame amounts to between -10% and $<+10\%$.

AVOID: The expected yield, based on the determined target price, incl. dividend payment within the suitable time frame amounts to $\leq - 10\%$.

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3. In their trading portfolio the aforementioned Persons and/or enterprises regularly hold financial instruments which or the issuer of which are subjected to the financial analysis.
4. The aforementioned persons and/or enterprises hold in respect of the financial instruments, which or the issuer of which are subjected to the financial analysis, a net short (short position) of at least 1 percent of the share capital of the issuer.
5. The aforementioned persons and/or enterprises supervise financial instruments, which or the issuer of which are subjected to the financial analysis, in a market by placing purchase or selling orders (Market Making/ Designated Sponsoring).
6. The aforementioned persons and/or enterprises were involved within the preceding twelve months in lead managing a consortium for in the public offering of financial instruments, which or the issuer of which are subjected to the financial analysis.
7. The aforementioned persons and/or enterprises acted as an issuing bank or a selling agent within the scope of the listing on the stock exchange of the issuer, who or whose financial instruments are subjected to the financial analysis.
8. The aforementioned persons and/or enterprises, within the preceding twelve months and towards the issuer, who or whose financial instruments are subjected to the financial analysis, were bound by an agreement about services in connection with investment banking transactions or received

in this period from such an agreement a benefit or a performance promise.

9. The aforementioned persons and/or enterprises expect from the issuer, who or whose financial instruments are subjected to the financial analysis, during the next three months remunerations for services in connection with investment banking transactions or seek at such remunerations.

10. The aforementioned persons and/or enterprises have concluded an agreement for the preparation of a financial analysis with the issuer, who or whose financial instruments are subjected to the financial analysis.

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2.5. Quarterly overview according to section 5 subsection 4 No. 3 FinAnV

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