

Company presentation

April 2018



Scherzer & Co.

Executive Summary

About 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 investments that are 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.

Scherzer 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, Scherzer gladly seizes upon opportunities to participate in promising capital measures or secondary placings.

Executive Summary

Mission Statement of Scherzer & Co. AG

The goal is

- to achieve sustained capital appreciation,
- 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,
- and to build an investment portfolio with equity financing of at least EUR 100 million.

Investments

Investment universe

We primarily analyse investment 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.

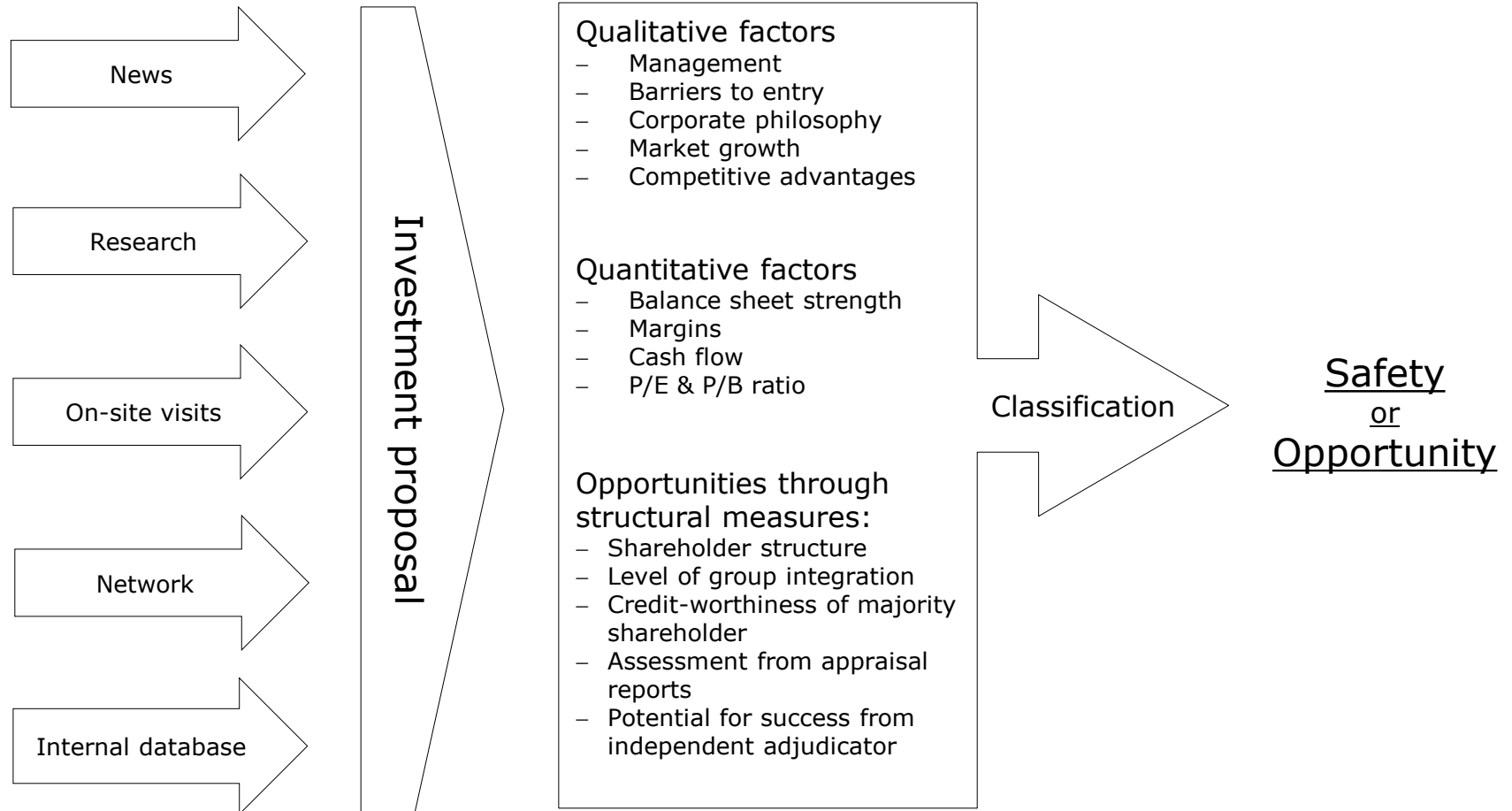
We aim to use these opportunities on a focused portfolio. A company's market capitalization or listing on an index are of rather minor importance. We also do not focus on any one sector. Any plausible and convincing business model is of potential interest for us.

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

Unknown	Unloved	Special situations
<ul style="list-style-type: none">- 500-1000 shares without coverage- Microcaps- No Interest in investors relations- Illiquid trade	<ul style="list-style-type: none">- Business model is misconceived- Unpopular sector- Earnings power is misconceived- Restructuring scenario	<ul style="list-style-type: none">- Affiliation agreement seems likely- Takeover situation- Squeeze-out seems likely- Capital measures- Reorientation

Investments

Process of selection



Investments

Safety & Opportunity

Risk-reduced capital accumulation while at 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

Investments – Opportunity

GK Software SE

WKN: 757 142

Sector: Software

Market capitalization: ~205m EUR

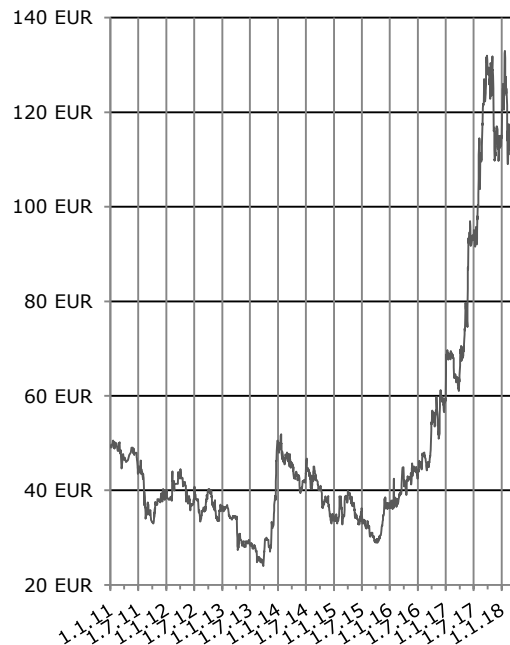
Largest shareholder:

53.83% Founder,

6.55% Wilhelm K.T. Zours,

6.33% Scherzer & Co. AG (only stocks),

5.29% SAP SE



GK Software SE is technologically a leading software partner to retail trade in Europe, North America and Asia with comprehensive solutions for branch stores and corporate headquarters. Well-known international leading Tier1 and Tier2 customers like EDEKA, LIDL, Galeria Kaufhof, Douglas, Netto Marken-Discount, Tchibo, Gerry Weber, Migros and Coop (Switzerland). Worldwide, in more than 50 countries in about 41,700 branch stores more than 248,000 installations of GK Software are in use. The Company employs circa 1,000 personnel.

News:

- Milestones: In February 2016 GK was able to win over ALDI Nord for its software solution. After swiss-based Migros AG, this was key major customer to be convinced, sending a clear signal to others.
- On October 19, 2017, GK Software was able to successfully place a convertible bond. The issuing volume was 15m EUR and the conversion price is 155 EUR. This placement, Scherzer & Co. taking part, was oversubscribed 3 times.
- According to provisional figures, GK Software increased its revenue by 17% to 90,45m EUR in 2017 (2016: 77,33m EUR). The EBIT reached 4,9m EUR, therefore improving by 23,6% (2016: 3,94m EUR). Sales from cloud solutions developed strongly. As the guidance 2018 was fulfilled by these results, Management will announce a new guidance 2020 when publishing the annual report End of April 2018.
- In Q1 2018 this positive trend continued with additional sales wins. The highlight is a new benchmark project in the USA with 6,000 new installations. Already in 2017, GK won several new customers together with SAP. This included the first major project in Asia. 4,300 branch stores in 5 countries will be furnished with OmniPOS.

Investments – Safety

Oldenburgische Landesbank AG

WKN: 808 600

Sectors: Banks

Market capitalization: ~600m EUR

Largest Shareholder:
95.34% Bremer Kreditbank AG

1.54% Scherzer & Co. AG



Oldenburgische Landesbank AG (OLB) as an independent, listed company is part of a group of banks consisting of Bremer Kreditbank AG (BKB), Bankhaus Neelmeyer AG and OLB. OLB is the biggest private regional bank in Germany in terms of total assets, number of employees and branch network. The business territory, with around 200 locations, stretches from the North Sea to the Teutoburger forest and from the Dutch border to the Weser.

News:

- In 2017, Allianz has sold its 90.2% stake for 14.30 EUR per share (EUR 300 million in total) to US investor Apollo (BKB). Through a voluntary takeover bid for 20.04 EUR per share, BKB acquired another 5% and thus holds 95.34% of OLB shares.
- The new group has total assets of EUR 18 billion and equity of more than EUR 1 billion. The plan is now to get approval for a squeeze-out at the annual general meeting on 11/05/2018. Furthermore, the newly elected supervisory board together with the management board will propose a dividend of 0.25 EUR at the AGM.
- On 26/03/2018, BKB specified this squeeze-out request and determined the cash compensation to be 24.86 EUR per share. The equity shown in the balance sheet per end of 2017 is 28.79 EUR per share.

Investments – Opportunity freenet AG

WKN: A0Z 2ZZ

Sector: Telecommunications

Market capitalization: ~3.1 billion EUR

Largest shareholder:

10.08% Flossbach v. Storch

0.25% Scherzer & Co. AG



The freenet Group is the largest network-independent telecommunications provider in Germany with circa 12 million customers respectively 12% market share. Its 9.6 million contract customers are addressed via the main brand mobilcom-debitel as well as the discount brands klarmobil.de, callmobil and debitel light (so-called no frills). In addition, due to the saturation of the German mobile market, freenet is establishing itself as a provider of solutions for the customer in the area of digital lifestyle and provider for smart home solutions (home automation, enter- and infotainment). Therefore, a couple of acquisition were executed in the past years: Media Broadcast (DVB-T2-HD, 100%), EXARING AG (waipu.tv, 50,01%), Sunrise Communications Group AG (24,95%).

News:

- freenet TV is the only commercial provider of the new DVB-T2 HD standard in Germany which started in March 2017. Per December 31, 2017, there were already 975K paying TV subscribers. This clearly exceeded expectations. The IPTV streaming product waipu.tv had 464K registered user at yearend.
- In 2017, Freenet Group increased its revenues to 3.507 billion EUR (2016: 3.362 billion EUR), EBITDA to 541.2m EUR (2016: 438.8m EUR) and Free Cashflow to 342.8m EUR (2016: 341.5m EUR). The profit of 275.6m EUR was 27,3% higher than 2016. The dividend payment is planned to increase to 1.65 EUR (2016: 1.60 EUR), also the guidance for 2018 was raised.
- The number of postpaid mobile services clients grow 3% to 6.7 million at the end of 2017. Postpaid ARPU (average monthly sales per contract user) remained stable with 21.4 EUR at previous year's level. Freenet's 100% subsidiary mobilcom debitel was able to renew its cooperation contract with Media-Saturn Germany for another 5 years.

Investments – Safety

Audi AG

WKN: 675 700

Sector: Automobiles

Market capitalization: ~33.2 billion EUR

Largest shareholder:
99.55% Volkswagen AG



Since April 1971, a control and profit transfer agreement (CPTA) between Audi AG and Volkswagen AG has been determining the compensation payments for the shareholders in the free float. According to the CPTA, they receive the equivalent of the dividend for one ordinary Volkswagen share (proposal for 2017: 3.90 EUR). 99.55% of Audi shares are held by Volkswagen, only 0.45% or 200,000 shares are in the free float.

News:

- Between 1997 and 2017, Audi paid a total of 649.65 EUR to Volkswagen according to the CPTA, while Audi shareholders received only 39.60 EUR in compensation payments in the same period. This compares to a cumulative net profit (including minorities) of 971.42 EUR.
- Since 2004, Volkswagen made significant voluntary payments into Audi's capital reserve and hence strengthens the balance sheet – and thus also the earnings power – of its subsidiary, despite extensive investments in the ongoing business. Thus, for many years the equity ratio has been stable at 40% even though liabilities increased strongly in absolute numbers.
- In 2017, Audi's revenue has surpassed EUR 60 billion for the first time, constituting a doubling in revenues over the last eight years. The operating profit rose to EUR 4.7 billion (2016: EUR 3.1 billion) despite special items. For 2018, the car maker plans a record model initiative, introducing more than 20 models including the first fully electric production model.

Investments – Opportunity

K+S AG

WKN: KSA G88

Sector: Commodities, Mining

Market capitalization: ~4.47 billion EUR

Largest shareholders:

6.02% BlackRock Inc.,

3.05% Platinum Investment,

90.93% Free float



K+S is an international customer-focused, independent minerals company for the segments of Agriculture, Industry, Consumers, and Communities since more than 125 years. The company meets the growing demand for mineral products from production sites in Europe, North and South America as well as a worldwide sales network. Over 14,000 employees enable farmers to provide nutrition for the world, provide solutions that keep industries going, improve daily life for consumers and provide safety in the winter.

News:

- In autumn 2017 the new management board presented the new strategy „Shaping 2030“. 2030 K+S aims to earn an EBITDA of 3 billion EUR with a return on capital of 15%. Company is confident to reach bottom-up validation of synergies (more than 150m EUR) by 2020.
- Starting in May 2017, the new mine Bethune in Canada produced 500,000t MOP until yearend. K+S expects a positive EBITDA in 2018 and an EBIT break-even in 2019. The capacity of 2 million tons p.a. by the end of 2017 will be ramped up to 2.86 million tons p.a. by 2023.
- K+S improved all key indicators in 2017: sales rose to 3.6 billion EUR (2016: 3.5 billion EUR), operating earnings (EBIT I) increased to 271m EUR (2016: 229m EUR). Thus the EBIT-Margin climbed to 7.5% (2016: 6.6%). For 2018 K+S estimates that revenues will be tangibly higher and EBITDA significantly higher than last year. At the same time the debt level should decrease further. The cold winter at the beginning of 2018 in many parts of the world had positive effects for the salt business. K+S plans a positive free cash flow in 2019.

Investments – Opportunity

Mobotix AG

WKN: 521 830

Sector: Software, Visual technology

Market capitalization: ~130m EUR

Largest shareholder:
ca. 65% Konica Minolta

2.89% Scherzer & Co. AG



Mobotix AG is a software company with its own hardware development in the field of digital, high-resolution and network-based video security solutions. The focus is on the development of user-friendly complete system solutions. The company is not only an innovator for network camera technology, but its decentralized camera concept makes it possible to achieve high-resolution video systems in reality. Mobotix' video systems have been in use on all continents for years.

News:

- On March 29, 2016, Mobotix AG reported that the Japanese camera specialist Konica Minolta took over 65% of Mobotix shares. It is assumed that the purchase price is in a corridor between EUR 18 and 27 per share. The sellers were company founders Dr. Ralf Hinkel and Martin Putsch (Recaro seats). Due to the weakly regulated Entry Standard, no compensation offer is required to the free remaining shareholders.
- In 2017, Mobotix lowered the 2016/17 financial year guidance multiple times and announced a restructuring. In its preliminary results, Mobotix reported 2016/17 revenues of EUR 63.1 million and a net loss including restructuring costs of EUR 6.3 million. However, the restructuring program „Fit for the Future“ shows first positive effects that will help to reach profitability again in 2017/18 (revenue EUR 65 million, net profit EUR 0.3 million).
- In March 2018, Konica Minolta confirmed to buy EUR 3 million of Mobotix cameras in 2018/19 as part of the strategic partnership and to include these cameras in world-wide Konica Minolta projects. For this, the Japanese company has invested in a considerable number of sales people that are focused on the sale of Mobotix technologies. In addition, the two partners entered into an agreement on the further technological development of Mobotix products. Thereby, Konica Minolta invests an initial amount of EUR 1.5 million.

Investments – Opportunity

Lotto24 AG

WKN: LTT 024

Sector: Lottery brokerage

Market capitalization: ~270m EUR

Largest shareholders:

32.22% Günther-Gruppe,

15.09% Working Capital-Gruppe

1.16% Scherzer & Co. AG



Lotto24 is the leading German broker of state licensed lotteries on the internet. To do this, the company signs gaming contracts on behalf of its customers for lottery products such as Lotto 6aus49, Spiel 77, Super 6, EuroJackpot, Glücksspirale, lotto clubs, Keno and the Deutsche Fernsehlotterie with each particular lottery organizer. In 2017, Lotto24 further expanded its market leadership in the growing online lottery market with a market share of 32%.

News:

- Lotto24 reached the full-year targets for 2017 despite a weak jackpot development and high competition. By 31/12/2017, the number of registered customers reached 1.573 million (2016: 1.282 million). The CPL (cost per lead, the cost of acquiring a new customer) was flat at EUR 27.32, EBIT came in at EUR 1.0 million (2016: EUR -3.9 million) and net profit at EUR 2.5 million (2016: EUR -2.3 million).
- In 2017, Lotto24 included the „Deutsche Weihnachtslotterie“ in its product offering for the first time.
- For 2018, Lotto24 plans to increase marketing investments in order to expand transaction volume by 15-20%. Furthermore, gross margin shall come in above the previous year's level. Thanks to first, bigger jackpots, the beginning of 2018 was better than expected.

Investments – Opportunity

MAX Automation SE

WKN: A2DA58

Sector: Mechanical Engineering

Market capitalization: ~230m EUR

Largest shareholder:

34.9% Günther-Group, 5.5% W. O. Weber, 5.1% Axxion S.A., 4.99% BaWü Versorgungsanstalt

0.85% Scherzer & Co. AG



MAX Automation SE is an international high-tech machine tool manufacturer and leading complete supplier of integrated and complex system and component solutions in the segments of industrial automation (2/3 of sales) and environmental engineering (1/3 of sales). The company, founded in 1991, employs 2,000 employees.

News:

- In November 2015, the Günther Group published a mandatory offer due to gain of control to the shareholders of MAX at EUR 5.30. After completion of the offer in December, the main shareholder held 31.4% of the company's shares. Since the Günther Group became the leading shareholder, there has been a rigorous transformation from a holding company to a decentralized mechanical engineering group. MAX plans to increase revenues by at least 5% per year and to achieve an EBIT margin of at least 8% (Strategy 2021).
- In January 2017, MAX announced a strategic stake in ESSERT GmbH, a specialist for Augmented Reality applications in the growing Industry 4.0 market. On 02/08/2017, MAX announced the acquisition of Chinese tool manufacturer Shanghai Cisens Automation Co., Ltd.
- On 18/08/2017 MAX successfully carried out a 10% cash capital increase at a price of 7 EUR. As a result, the company received a gross EUR 18.7 million in cash, which shall support the organic growth as well as acquisitions. The Günther Group acquired 70% of the new shares.
- For the 2017 financial year, MAX reported an order backlog of EUR 198.6 million (2016: 193.8 million) and a revenue increase of 11.6% to EUR 376.2 million. EBIT pre-PPA depreciation rose to EUR 22.2 million (2016: EUR 17.4 million) with the EBIT margin improving to 6.0% from 5.1%. For 2018, the company expects a revenue of at least EUR 400 million and an EBIT of EUR 26 million.

Portfolio

Top 10 largest equity investments*

	Titel	WKN	%**	
1.	GK Software SE ¹ ²	757 142	13.94	Opportunity
2.	Oldenburgische Landesbank AG	808 600	8.07	Safety
3.	freenet AG ¹	A0Z 2ZZ	7.15	Opportunity
4.	Allerthal-Werke AG ¹	503 420	5.17	Safety
5.	Horus AG	520 412	3.87	Opportunity
6.	Audi AG	675 700	3.84	Opportunity
7.	K+S AG ¹	KSA G88	3.78	Opportunity
8.	Mobotix AG ¹	521 830	3.41	Opportunity
9.	Innogy SE	A2A ADD	2.96	Safety
10.	Lotto24 AG ¹	LTT 024	2.78	Opportunity
		Summe:	54.97	

* In order of portfolio size based on share prices as of 31 March 2018

** percentage of total portfolio

¹ summed up current/non-current assets

² summed up shares and convertible bond

Portfolio

Current News

- E.ON SE and RWE AG agreed on reorganizing their business activities. Therefore, E.ON SE will offer a tender offer of EUR 40 in total per share of RWE's innogy SE, aiming to take full control. Scherzer & Co. AG increased its investment in innogy SE.
- End of March, Bremer Kreditbank AG announced the conditions for their Squeeze-out-Request in Oldenburgische Landesbank Ag (OLB) and proposed a cash offer of EUR 24.86 per share. We hold 1.5% of the OLB-stock.
- The Swiss company ORIOR AG bought 65% of Thurella AG, in which Scherzer & Co. AG is a long term investor.
- We sold our investment in the Sunrise Communications AG with a significant profit.

Net Asset Value as of March 31, 2018

- The current value of Scherzer & Co. AG's portfolio amounts to EUR 2.80 per share. At a share price of EUR 2.78, Scherzer & Co. AG is trading at a discount to net asset value of 0.71% as of 31 March 2018 (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 subsequent improvement rights and taxes.

Portfolio

Subsequent improvement rights volume

- An interesting corollary of investments in takeover bid/squeeze-out stocks are the 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 March 2018 is approximately **EUR 93.2 million**.
- The subsequent improvement rights are not carried on the balance sheet.

Portfolio

Selected project completions

Deutsche Postbank AG	Data Modul AG	Sky Deutschland AG	Colonia Real Estate AG
WMF AG	Fidor Bank AG	Pironet NDH AG	Generali Deutschland Holding AG
hotel.de AG	IBS AG	SAF AG	Repower Systems SE
buch.de AG	Miba AG	Schering AG	AXA Konzern AG

Financials

Balance sheet figures

		31/12/2017	31/12/2016
Securities classified as non-current assets	EUR'000	33,776	42,419
Securities classified as current assets	EUR'000	47,365	30,119
Total assets	EUR'000	89,735	75,857
Shareholders` equity	EUR'000	60,597	54,193
Subscribed equity	EUR'000	29,940	29,940
Net bank liabilities	EUR'000	24,041	18,571
Equity ratio	%	67.5	71.4

Financials

Income statement

		01/01-31/12/2017	01/01-31/12/2016
Profit after tax	EUR'000	7,911	4,465
Net profit	EUR'000	7,901	4,465
EPS (DVFA/SG)	EUR	0.26	0.15

Financials

Income statement

		01/01-31/12/2017	01/01-31/12/2016
Realized gains	EUR'000	17,819	6,718
Realized losses	EUR'000	4,937	730
Other operating gains	EUR'000	943	910
Dividend income	EUR'000	1,801	1,664
Other interest and similar income	EUR'000	80	144

Financials

Income statement

		01/01-31/12/2017	01/01-31/12/2016
Wages and salaries	EUR`000	2,639	1,241
Write-downs	EUR`000	11	7
Other operating expenses	EUR`000	976	581
Write-downs to fair value at reporting date	EUR`000	3,796	1,809
Interest and similar expenses	EUR`000	297	287
Taxes on income	EUR`000	33	276

Financials

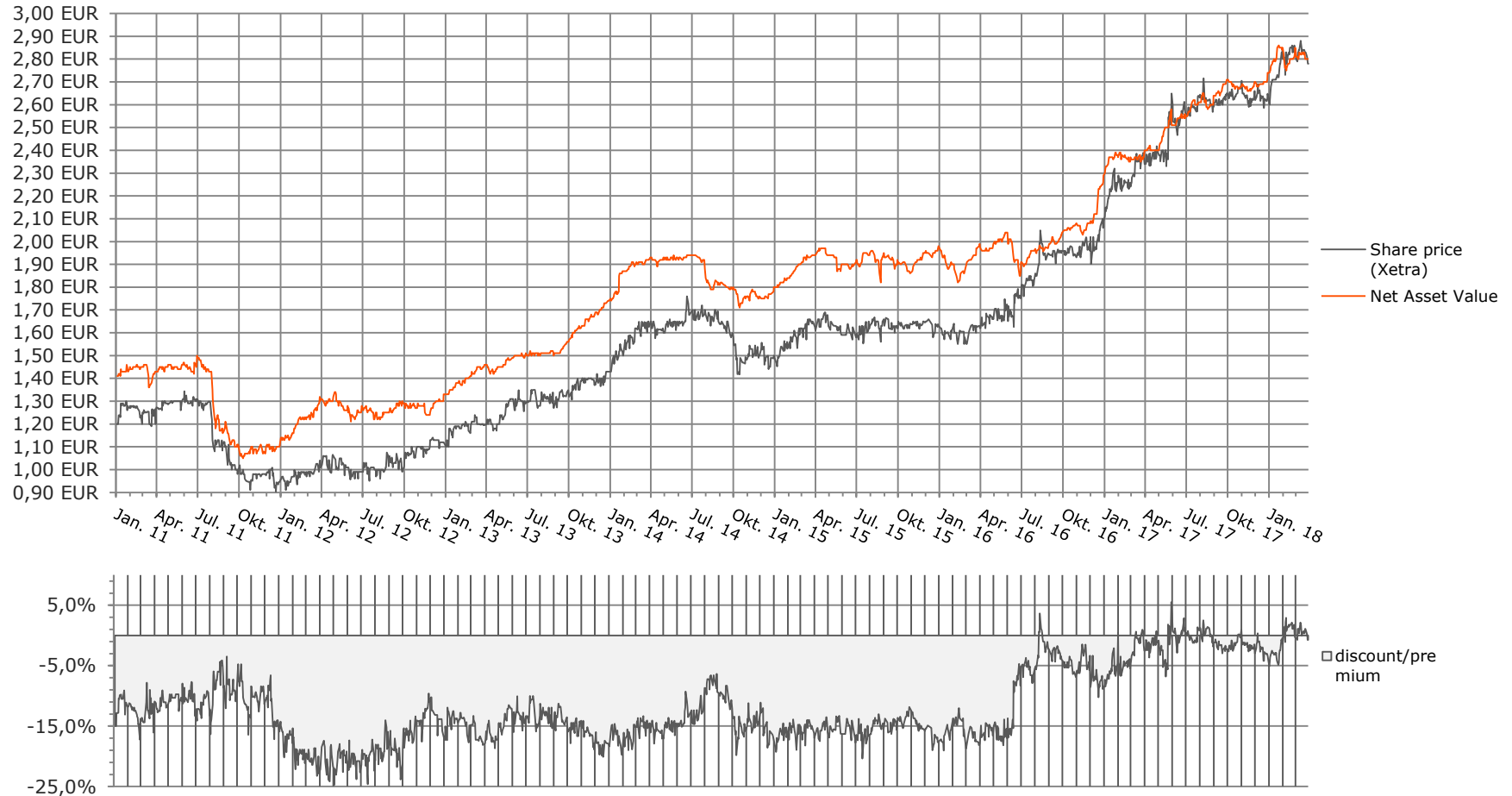
Share price and NAV

		2018	2017	2016	2015	2014	2013
Market capitalization	EUR'000	83,233	79,281	62,575	48,802	44,910	42,784
High/Low	EUR	3.00/2.58	2.80/2.11	2.10/1.50	1.69/1.45	1.82/1.40	1.49/1.10
Closing price	EUR	2.78	2.648	2.09	1.63	1.50	1.43
Share price performance		+4.98%	+26.70%	+28.22%	+8.67%	+4.97%	+27.59%
NAV	EUR	2.80	2.74	2.29	1.98	1.80	1.74
NAV development		+2.19%	+21.83%*	+18.18%*	+12.78%*	+3.45%	+30.83%

* The dividend payment of 0.05 EUR has been included in the calculation of NAV development

Financials

Share price and NAV



* 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)

Scherzer & Co. AG Listing



Share capital	EUR 29,940,000.00, divided in 29,940,000 bearer shares
Exchange	Segment SCALE Frankfurt Stock Exchange; OTC Markets Berlin, Düsseldorf and Stuttgart Exchanges; XETRA and Tradegate
Ticker symbol	PZS
Reuters	PZSG.DE (Xetra), PZSG.F (Frankfurt), PZSG.TG (Tradegate) PZSG.BE (Berlin), PZSG.D (Düsseldorf), PZSG.SG (Stuttgart)
Bloomberg	PZS
Research	Solventis Beteiligungen GmbH Oddo BHF AG GSC Research GmbH Edison Investment Research Limited
Designated Sponsor	Oddo Seydler Bank AG
WKN / ISIN	694 280 / DE 000 694 280 8
Shareholders	Majority held by institutional investors, >600 private shareholders

Scherzer & Co. AG

Organizational bodies

Board of 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

Supervisory Board

Dr. Stephan Göckeler
Chairman

Lawyer
Partner, Flick Gocke Schaumburg,
Bonn, Frankfurt, Berlin and Munich

Dr. Dirk Rüttgers
Deputy chairman

Asset Manager
Managing Director, Do Investment AG,
Munich

Rolf Hauschildt

Investor
Managing Director, VM Value Management GmbH,
Düsseldorf

Scherzer & Co. AG

Contact & Financial Calendar

Contact

Scherzer & Co. Aktiengesellschaft
Friesenstraße 50
D-50670 Köln

Telefon +49 221 - 8 20 32 0
Telefax +49 221 - 8 20 32 30

info@scherzer-ag.de
www.scherzer-ag.de

Commercial register: Amtsgericht
Köln, Reg.-No. HRB 56235

Financial Calendar 2018

- 16/03/2018: Supervisory Board Meeting
- 04/06/2018: Annual General Meeting
- 04/06/2018: Supervisory Board Meeting
- 05/10/2018: Supervisory Board Meeting
- 29/11/2018: Supervisory Board Meeting

Scherzer & Co. AG

Disclaimer

This presentation contains statements about future developments as well as information derived from sources considered to be reliable by Scherzer & Co. AG. All statements in this presentation (including opinions, estimates, and assumptions) which are not historical facts, such as the future financial situation, the business strategy, plans and targets of the management of Scherzer & Co. AG are forward-looking statements. Such statements embody known and unknown risks, uncertainties, and other important factors which may cause the actual results to differ from the expected or assumed results. These statements take account of insights up to and including the time of preparation of the presentation and are based on numerous assumptions that may turn out to be correct or incorrect. While Scherzer AG endeavours to ensure that the information and facts supplied are exact, and that the opinions and expectations are fair and reasonable, no liability or guarantee is assumed for the completeness, correctness, reasonableness, or accuracy of any of the information and opinions contained herein. Scherzer AG reserves the right to make changes or additions to the information provided here without prior notice. Furthermore, attention is drawn to the fact that possibly the presentation may not contain all the information of Scherzer & Co. AG, or it may be reproduced incompletely or in summarised form.
