



Scherzer & Co.

## Company presentation

# Scherzer & Co. Aktiengesellschaft

As of October 31, 2010



Scherzer & Co.

1. Executive Summary
2. Positioning
3. Strategy / Safety
4. Strategy / Opportunity
5. Significant Individual Positions
6. Financials
7. 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 AG, 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**

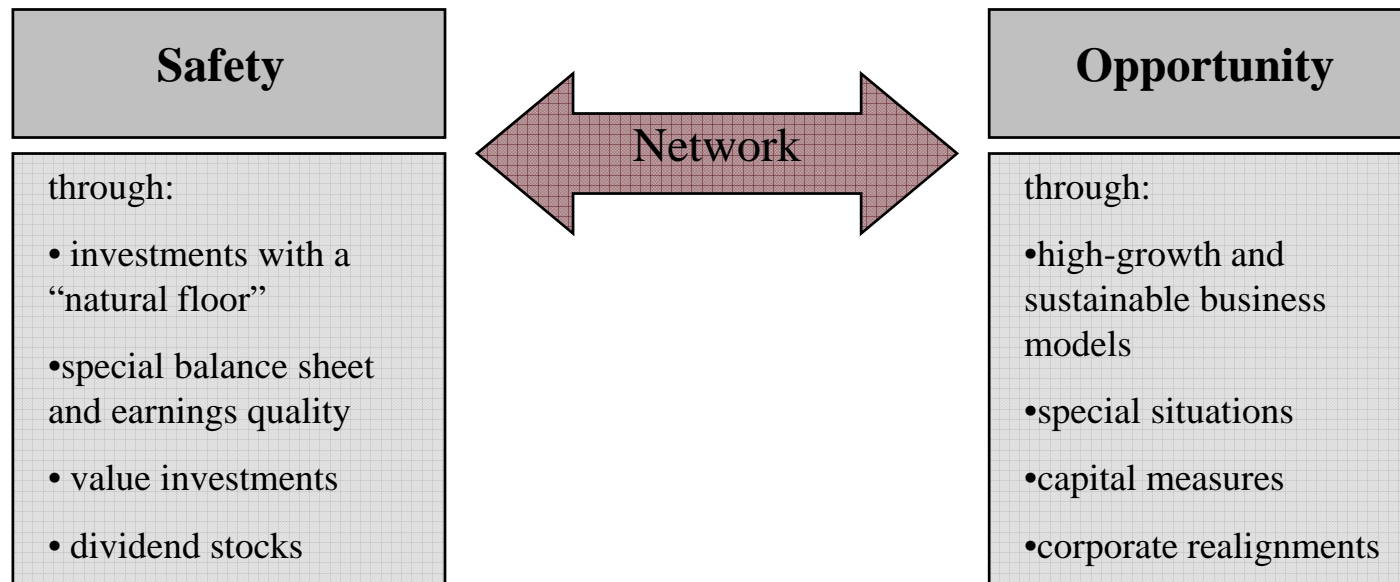
Asset Manager,  
Managing Director, Silvius Dornier Verwaltungsgesellschaft mbH, Munich



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## Positioning: Concentration on two strategies



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



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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 (Safety-Oriented)

- SAF Simulation,  
Analysis and Forecasting AG  
Sector: Software,  
Security code WKN AOJ D78,  
Cash value / takeover in process
- buch.de  
internetstores AG  
Sector: e-Commerce,  
Security code WKN 520 460,  
Cash value / takeover candidate
- Generali Deutschland  
Holding AG  
Sector: Insurance,  
Security code WKN 840 002,  
Squeeze-out candidate



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## Investment Strategy

Opportunities 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 (Opportunistic)

- freenet AG  
Sector: Telecommunications  
Security code WKN A0E AMM,  
Corporate action / high cash flow
- Biotest AG  
Sector: Biotechnology  
Security code WKN 522 720,  
Special situation / development pipeline
- Xing AG  
Sector: Internet  
Security code WKN XNG 888,  
Cash value / takeover candidate



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## The 10 Largest Equity Positions

(in order of market capitalisation based on share prices as of October 31, 2010)

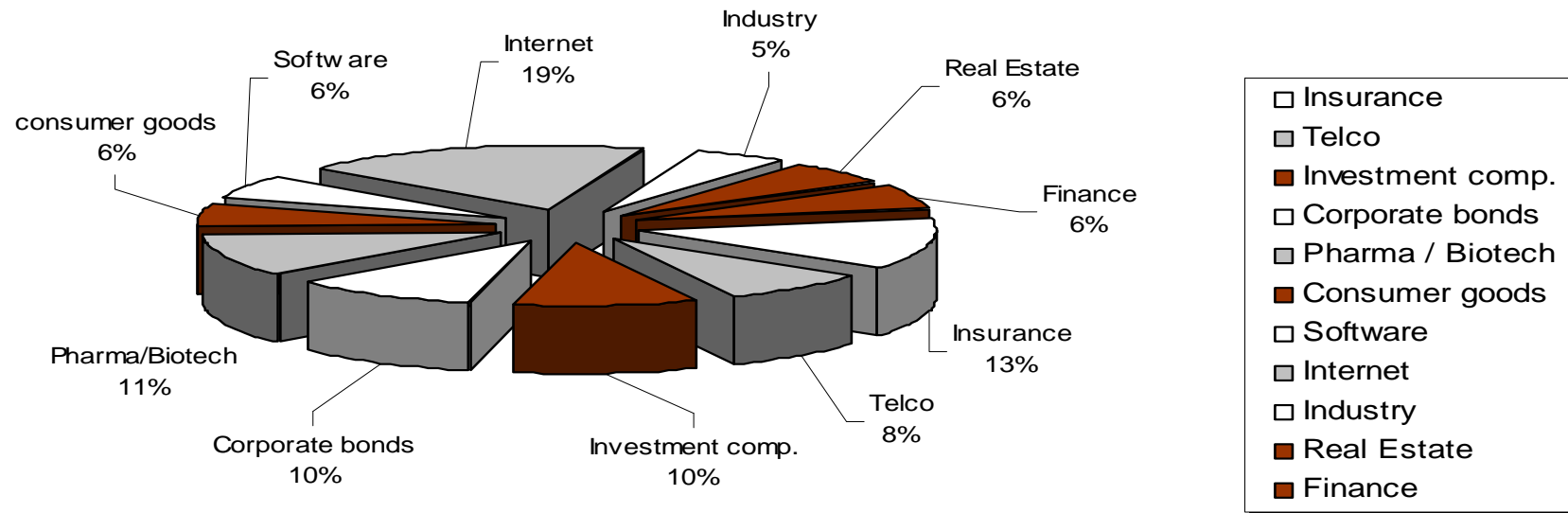
▪ WKN: 520 460	buch.de internetstores AG	<i>Safety</i>
▪ WKN: 840 002	Generali Deutschland Holding AG	<i>Safety</i>
▪ WKN: 522 720	Biotest AG, Ord.	<i>Opport.</i>
▪ WKN: A0EAMM	freenet AG	<i>Opport.</i>
▪ WKN: 800 100	Deutsche Postbank AG	<i>Safety</i>
▪ WKN: XNG 888	Xing AG	<i>Opport.</i>
▪ WKN: 515 710	Dr. Hönle AG	<i>Opport.</i>
▪ WKN: CLS 100	Celesio AG	<i>Opport.</i>
▪ WKN: AOJ D78	SAF Simulation, Analysis & Forecasting AG	<i>Safety</i>
▪ WKN: 701 870	RM Rheiner Management AG	<i>Safety</i>

These investments represent 63.2% of the total portfolio.



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## Investment by Sector as of 31.10.2010





## 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 October 31, 2010 is approximately **74.2 million euros**.
- The subsequent improvement rights are not carried on the balance sheet.

## Selected Project Completions

- Bank Austria AG: Squeeze-out completed in August 2008.
- Bayerische HypoVereinsbank AG: Squeeze-out completed in September 2008.
- Bayer Schering Pharma AG: Squeeze-out completed in September 2008.
- Kässbohrer Geländefahrzeug AG: Tendered under company agreement.
- Kölnische Rückversicherungs - Gesellschaft 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.



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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 13-for-1 at €1.05 - SC: €12,372,500
- December 2005      Capital increase 1-for-10 at € 1.18 - SC: € 13,609,750
- April 2006      Capital increase 1-for-3 at €1.45 - SC: €18,146,333
- May 2007      Capital increase 1-for-2 at € 1.60 - SC: € 27,219,499



## Balance Sheet Figures as of 31 December 2009

	<b>FY 2009</b>	<b>FY 2008</b>
Securities classified as non-current assets	<b>€20.55m</b>	<b>€23.25m</b>
Securities classified as current assets	<b>€19.73m</b>	<b>€11.84m</b>
<b>Total assets</b>	<b>€40.89m</b>	<b>€37.61m</b>
Shareholders' equity	<b>€29.45m</b>	<b>€24.08m</b>
Subscribed capital	<b>€ 27.22m</b>	<b>€ 27.22m</b>
Bank liabilities	<b>€10.59m</b>	<b>€13.27m</b>
<b>Equity ratio</b>	<b>72.02 %</b>	<b>64.04 %</b>



## Key P&L Figures as of December 31, 2009

	<b>FY 2009</b>	<b>FY 2008</b>
Profit/loss on ordinary activities	<b>€6.00m</b>	<b>€- 19.89m</b>
<b>Net income/loss for the year</b>	<b>€5.37m</b>	<b>€- 19.90m</b>



	<b>FY 2009</b>	<b>FY 2008</b>
Realised gains/losses	€ 1.19m	€ -3.07m
Dividend income	€0.54m	€2.00m
Other operating income	€6.45m	€1.49m
Write-downs to fair value at reporting date	€1.15m	€18.60m
Other operating expenses	€0.53m	€0.46m
<b>Earnings before interest and tax (EBIT)</b>	<b>€6.27m</b>	<b>€-18.83m</b>
Net interest income/expense	€0.28m	€-1.05m
Taxes on income	€0.63m	€-0.01m



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## Key P&L Figures as of June 30, 2010

	1H FY 2010	1H FY 2009	1H FY 2008
Realised gains/losses	€ 0.65m	€-0.52m	€3.03m
Dividend income	€ 1.01m	€0.43m	€1.80m
Other operating income,	€ 1.69m	€3.76m	€0.36m
thereof: Commercial accounting write-ups	€1.33m	€3.51m	€0.00m
Write-downs to fair value at reporting date	€2.09m	€1.45m	€4.88m
Other operating expenses	€0.43m	€ 0.33m	€0.37m
<b>Earnings before interest and tax (EBIT)</b>	<b>€0.81m</b>	<b>€1.84m</b>	<b>€-0.07m</b>
Net interest income/expense	€-0.21m	€-0.21m	€-0.62m
<b>Earnings before tax (EBT)</b>	<b>€0.60m</b>	<b>€1.63m</b>	<b>€-0.69m</b>



## Events after 1st Half of 2010

- Investment in Kizoo AG sold at a gain of € 0.42m, investment in Jungheinrich AG sold at a gain of €0.25m.
- Biotest position added to after profit warning on 14 July 2010.
- Corporate bonds in a total volume of €6m, including, among others, Conti-Gummi (8.5% /2015 and 7.5%/2017), Phoenix-Pharma (9.625% /2014), Dürr (7.25%/2015), and Hapag Lloyd (9%/2015), added to the portfolio.
- Based on a share price level of €1.14, Scherzer & Co. AG is trading roughly 14% below the current market value of the portfolio positions as of 31.10.2010 net of the company's liabilities (subsequent improvement rights are not included in the portfolio's valuation).



## Share Performance in 2010

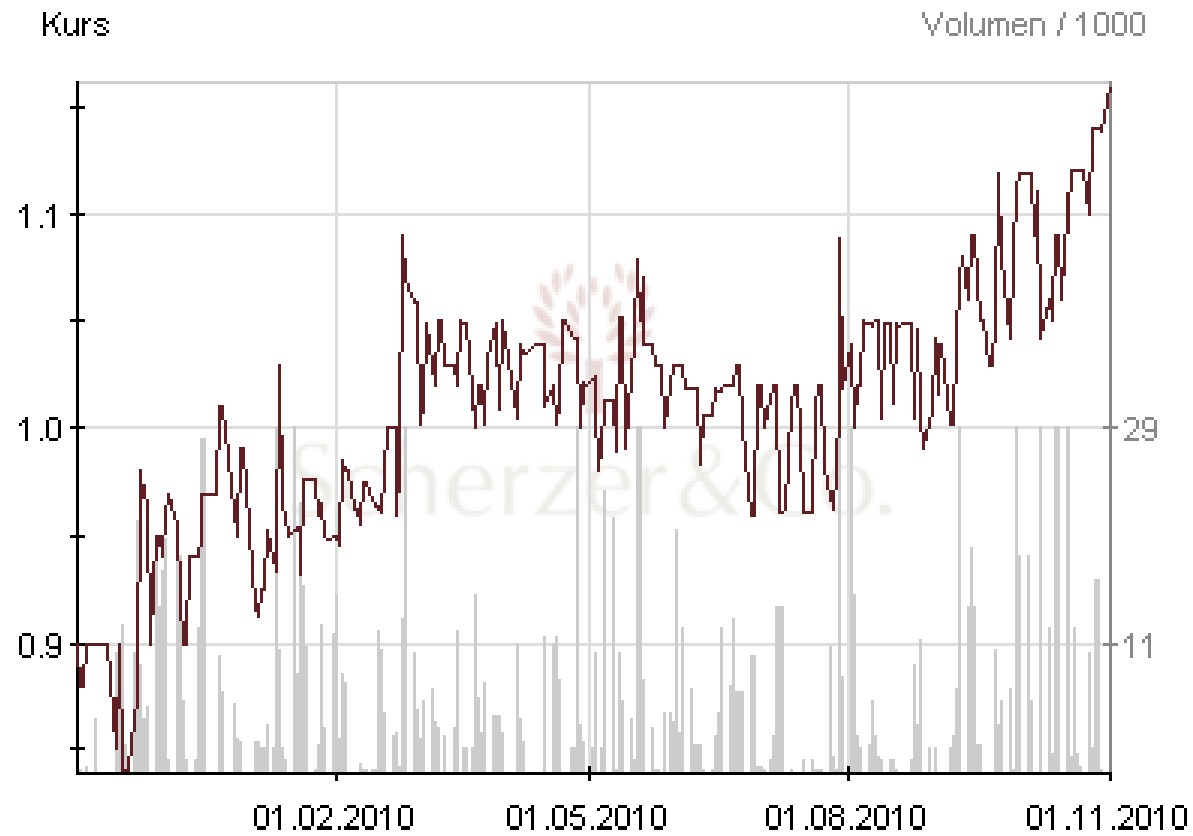
High / low in 2010 **€ 1.14 / € 0.92**

Market capitalisation on October 31, 2010 **€ 31.03m**

Share price on October 31, 2010 **€ 1.14**



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October 31, 2010,

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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), PSZG.F (Frankfurt), PZSG.D (Düsseldorf) PZSG.BE (Berlin), PZSG.SG (Stuttgart).
- Bloomberg: PZS
- Research: Solventis Wertpapierhandelsbank
- Designated Sponsor: Close Brothers Seydler Bank AG
- WKN/ ISIN: 694 280 / DE 000 694 280 8
- Shareholders: Majority held by institutional investors; > 200 private shareholders



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## Financial Calendar

February 4, 2010	Close Brothers Seydler Bank AG, Small & Mid Cap Conference 2010
March 8, 2010	Supervisory Board Meeting
May 17, 2010	Supervisory Board Meeting
May 17, 2010	Annual General Meeting
July 29, 2010	Interim Report as of 30.06.2010
September 24, 2010	Supervisory Board Meeting
December 6, 2010	Supervisory Board Meeting



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