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Scherzer&Co.

SCHERZER & CO. AG
SPECIALIST INVESTOR AT STEEP DISCOUNT TO NAV

_WE INITIATE COVERAGE OF SCHERZER & CO. AG (PZS GR) WITH A BUY RATING AND €1.50 PRICE TARGET.

_SCHERZER & CO. AS IT STANDS TODAY WAS RE-LAUNCHED AND RECAPITALIZED IN 2005 AS AN INVESTMENT HOLDING COMPANY WITH THE FOCUS ON EQUITY INVESTMENTS. SCHERZER & CO. USES ITS STRONG ROOTS IN THE GERMAN FINANCIAL INDUSTRY TO IDENTIFY ATTRACTIVE VALUE PLAYS WITH A SPECIFIC FOCUS ON SQUEEZE-OUT SITUATIONS. IN ADDITION, HIGHER-RISK INVESTMENTS IN THE GERMAN SMALL- AND MID-CAP-ARENA ARE ANALYSED THOROUGHLY TO ADD A DYNAMIC ELEMENT TO THE OVERALL PORTFOLIO.

_THROUGH ITS SPECIALIST APPROACH, SCHERZER & CO. MANAGED TO BUILD A PORTFOLIO OF ADDITIONAL SETTLEMENT CLAIMS FROM PREVIOUS MERGERS AND ACQUISITIONS OF €74.3M EQUIVALENT TO €2.73 PER SHARE. IN ADDITION, IT OWNS 25% OF RHEINER MANAGEMENT CURRENTLY POOLING €25M OF SETTLEMENT CLAIMS ON ITS BOOKS. ALBEIT WE DO NOT BELIEVE THAT ALL CLAIMS WILL BE SETTLED IN FAVOUR OF SCHERZER & CO., WE BELIEVE THIS SPECIALTY ADDS A VERY INTERESTING OPTIONALITY TO THE NET ASSET VALUE DEVELOPMENT OF SCHERZER & CO.

_BASED ON OUR ASSUMPTIONS, THE NET ASSET VALUE OF SCHERZER'S PORTFOLIO SHOULD ARRIVE AT €1.51 AS OF 2012E. CALCULATING A 20% SUCCESS RATE ON THE €74.3M CLAIMS PORTFOLIO TO BE ADDED TO THE GROUP NAV OVER THE NEXT 6 YEARS (2010-2015E CUMULATIVE) COULD BOOST THE NAV TO €1.79 PER SHARE BY 2012E. FINALLY, WE USE A 15% UNCERTAINTY DISCOUNT AND TAKE INTO ACCOUNT THE RELATIVE ILLIQUIDITY OF CERTAIN HOLDINGS, HENCE OUR PRICE TARGET ARRIVES AT €1.50, INDICATING C. 20% UPSIDE TO THE CURRENT SHARE PRICE.

Michael Rohr, Head of Financials
Elena Oblinger, Research Analyst
05 April 2011

Content

Executive Summary

Having restarted its business operations as an investment holding company with the focus on equity investments in 2005, Scherzer successfully performed several capital increases to build a basis for growth in the underlying asset portfolio. From 2006 onwards, Scherzer AG has been listed in the Entry Standard Segment of the Frankfurt Stock Exchange with a free float of 100% and its market capitalization of Scherzer AG meanwhile amounts to c. €34m.

Its specific investment approach offers an interesting opportunity to participate in profits adding to NAV potentially being reigned in from additional settlement claims. Scherzer holds a portfolio with a volume of €74.3m from earlier squeeze-out situations. As it will usually take 5-7 years for these claims to be settled, we would only expect a gradual addition to the portfolio NAV of Scherzer. However, this will come on top of the underlying portfolio development geared into the German small- and mid-cap equity markets. We outline the Top 10 holdings as of March 2011 below.

Top10 holdings of Scherzer AG (as of March 31st)

Company	*Price*	*Value (EUR)*	*Strategy*
BUCH.DE AG	7.20	11,976,238	VALUE
GENERALI DEUTSCHLAND	86.43	6,729,193	VALUE
BIOTEST AG	49.44	6,668,651	CHANCE
DR HOENLE AG	9.80	1,641,885	VALUE
ANZAG AG	28.65	1,608,421	VALUE
ENBW	41.55	1,609,689	VALUE
FREENET AG	8.11	1,114,988	CHANCE
RM RHEINER MGMT	25.50	1,402,500	CHANCE
STADA ARZNEIMITTEL	27.40	1,037,879	VALUE
PUMA AG	207.95	1,047,080	VALUE

Source: Company reports, Bloomberg, Silvia Quandt Research

As can be seen from the above table, the portfolio splits into two segments: (1) a safety or value-oriented strategy and (2) a chance-oriented dynamic strategy for the remainder of the portfolio. Currently, the latter makes up 43% of the total holding portfolio, indicating Scherzer's cautious behaviour when investing into opportunities in the German market outside its value-based strategy.

Valuation discussion

Calculating the NAV and hence the price target for Scherzer & Co. we use detailed information on the portfolio provided by management on a frequent and on-demand basis. As of March 17th, the total market value of the portfolio stood at €51.7m, 65% of which invested in the Top10 holdings. According to our estimates, the portfolio includes c. €5m of corporate bonds held for both short-term liquidity issued as well as participating in interesting restructuring stories like Continental and Phoenix Pharma (ex Merckle holding) on the corporate bond side.

Our year-end 2012 estimate for total AuM stands at €52.6m. Deducting the estimated €11.3m of bank loans drawn 2012e sees us arriving at our 2012e NAV of €41.3m. Finally, and as mentioned earlier, we add c. €0.09 per share annually to our net asset value assumption to account for the anticipated income from additional settlement claims flowing through the P&L of Scherzer over the coming 6 years (2010-2015 cumulative). This sees our 2012e net asset value arriving at €1.79 on which we place a 15% discount for illiquidity and uncertainty on the additional claims settlement outcome. As a consequence, our price target stands at €1.50.

The summary of this exercise can be found below, showing c. 20% upside to the current share price of Scherzer & Co. AG, well supporting our Buy rating on the shares.

Valuation summary Scherzer & Co. AG

Valuation	*EURm*
Estimated market value year-end 2012e	52,596
Bank loans drawn	-11,281
NAV	41,315
Shares outstanding	27.22
NAV per share	**1.52**
Additional settlement claims value (cumulative since 2010)	**0.27**
Total NAV	**1.79**
Discount	15%
SQRe fair value	**1.52**
SQRe price target	**1.50**

Source: Silvia Quandt Research

History – Where do they come from?

Scherzer AG is a Germany-based investment company headquartered in Cologne. The company was founded in 1880 as „Zeh, Scherzer &Co." and operated originally as a producer of decorative porcelain for various household items. After the shut-down of the porcelain production in the early 1990s, Scherzer AG was sold to Allerthal Werke AG, a listed investment company focussing on investments in corporate "special situations" such as a realignment of operating activities or the reorganisation of shareholder structures. Current CEO Dr. Georg Issels joined as CEO of Allerthal Werke AG in 2001 after having spent more than 15 years in asset and wealth management mainly in the savings banks sector.

In 2005, Scherzer AG restarted its business operations as an investment holding company with the focus on equity investments. In the course of several capital increases the base capital was lifted from €0.884m in 2002 to €27.22m in 2010. From 2006 onwards, Scherzer AG has been listed in the Entry Standard Segment of the Frankfurt Stock Exchange with a free float of 100%. Major investors include the Silvius Dornier family office, FPS fund management and (indirectly) VM Vermoegens-Management in Duesseldorf. As these shareholdings have not been reported, they should all stand well below the Entry Standard ad-hoc publicity obligation of 25%. At the end of March 2011 the market capitalization of Scherzer AG amounted to some €34m.

Capital development

Below we quickly summarize the unusual history of Scherzer & Co. AG.

__1880/1910: Foundation and adoption of articles of incorporation as Porzellanfabrik Zeh, Scherzer&Co. AG

__August 2002: Capital conversion to Euro and 888,750 non-par-value shares; overall subscribed capital of €883,750

__June 2005: Capital increase 13-for-1 at the share price of €1.05; overall subscribed capital of €12,372,500

__December 2005: Capital increase 1-for-10 at the share price of €1.18; overall subscribed capital of €13,609,750

__April 2006: Capital increase 1-for-3 at the share price of €1.45; overall subscribed capital of €18,146,333

__May 2007: Capital increase 1-for-2 at the share price of €1.60; overall subscribed capital of €27,219,499

Business model – Providing safety and returns

The main objective of the investment strategy is the long-term appreciation of shareholders' capital and increase of the shareholder value. In the mid-term (3-5 years), Scherzer targets to reach a portfolio NAV of €100m (2010e: €49m). To achieve this aim, Scherzer defined two investment approaches as described below.

The "Safety-oriented" investment strategy focuses on the stocks which are expected to have limited downside potential. This category includes value stocks, as well as stocks with a so called "natural floor" on the stock price, usually driven by an event such as a take-over announcement.

The "natural floor" is created through the mandatory (or voluntary) cash offer to minority shareholders, which is made by the controlling shareholder in the event of affiliation agreement, merger or squeeze- out. After accepting the bid the minority shareholders have the opportunity to request the revision of the offered compensation by the corresponding state court ("Spruchstellenverfahren") and to claim an additional compensation ("Nachbesserung"). This measure guarantees the protection of minority shareholders' rights and strives to prevent the unfair treatment of the latter. In the course of the process the court examines the appraisal reports with estimations of minority stake's fair value, which are prepared by external auditors. If the paid compensation is considered to be inadequate (too low), the controlling shareholder has to pay the difference to the minority shareholder. However, such process can take up to five years before it is finalized and the claimed compensation is actually paid to shareholders.

Scherzer's strategy is the quantitative and qualitative expansion of the "natural floor" stock portfolio. The company entered the segment in 2007 and has been extending its special expertise through the active participation as the main claimant in a number of lawsuits. Furthermore, the existing know how is steadily enhanced through the close cooperation (via cooperation- and pool agreements) with RM Rheiner Management AG, a specialist for investments in enterprises in special situations. Scherzer also holds a 25%-stake in Rheiner Management AG. This is further strengthened by Allerthal Werke's 38% stake in Rheiner Management. There is no cross-holding between Allerthal and Scherzer AG, though.

The value stocks form the main share of the "safety-oriented" portfolio. Potential investments are analysed on the basis of their historical and expected operational performance, market environment, sustainability of business model and financial strength. Scherzer has defined a catalogue of criteria, which build a base for the positive investment decision. The selected criteria include:

__Strong balance sheet quality, underpinned by net cash position or minor/no debt

__Sustainable earnings quality based on the solid business model and/or core operations in low-/non- cyclical industries, sustainable free cash flows, high dividend yield

__Dividend continuity

__Strong strategic principal shareholder

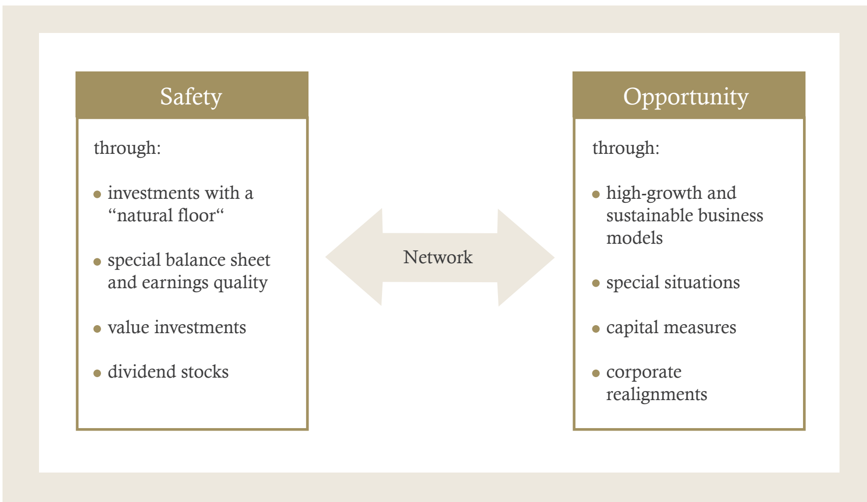
__Significantly undervalued share price, affirmed by low price-to-book/ price-to-earnings ratios

The key examples of the "safety-oriented" investments in Scherzer's portfolio are buch.de internetstores AG (takeover candidate), Generali Deutschland AG (squeeze-out candidate) and Dr. Hoenle AG.

The "Chance-oriented" investment strategy focuses on the stocks with high growth potential, as well as stocks, which are expected to undertake a "corporate action" in the near term, such as recapitalisation, restructuring, growth finance, and corporate realignment.

The high-growth investments are generally chosen on the basis of similar criteria as safety-oriented stocks, such as sustainable business model, solid balance sheet quality, however, these stocks operate in the more cyclical industries (e.g. technology, biotech), and thus, offer substantially higher risk-return potential. Furthermore, Scherzer systematically searches for corporates, which undergo special situations of restructuring or corporate realignment, or planning to undertake corporate actions, such as recapitalisation or growth financing. The core focus of these actions lies on the reorganization of company's legal, operational or financial structure, in order to reposition business activities (e.g. realignment of "shell corporations") or to finance the future growth; other possible reasons for such measurements are the events of bankruptcy or management buyout. Over the last five years of its operational activity Scherzer has built a comprehensive knowledge of this market segment; furthermore, the company cultivates a close relationship to the broad network of experienced investors, whose deep industry know how is used as a supportive basis for an investment selection process. Scherzer's largest positions in "chance-oriented" portfolio (per March 2011) are Biotest AG (special situation/development pipeline) and Dr. Hönle AG (strong operative development/high growth stock).

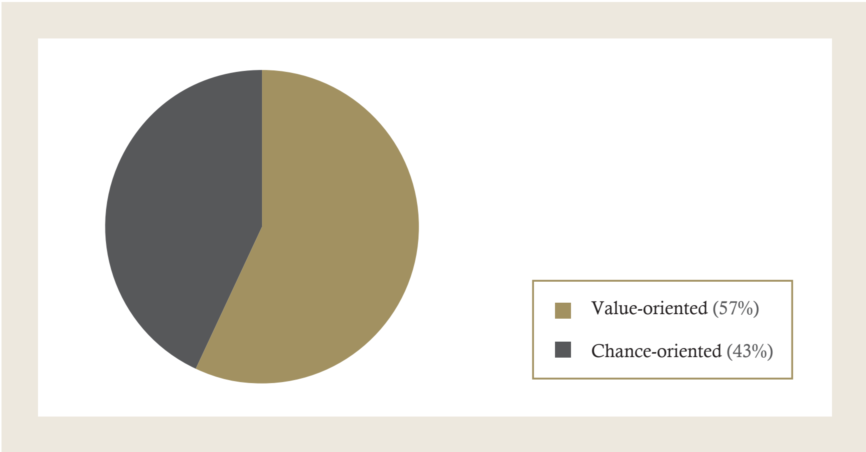
Scherzer's investment strategy



Source: Scherzer AG, Silvia Quandt Research

Through the simultaneous implementation of both investment strategies, Scherzer targets to achieve the benefits of diversification by limiting the losses in a down market and participating in gains during the up market stage. As of March 2011 the "value-oriented" investments slightly dominated the "chance-oriented" stocks, accounting for some 57% of the entire investment portfolio.

Composition of investment portfolio by strategy



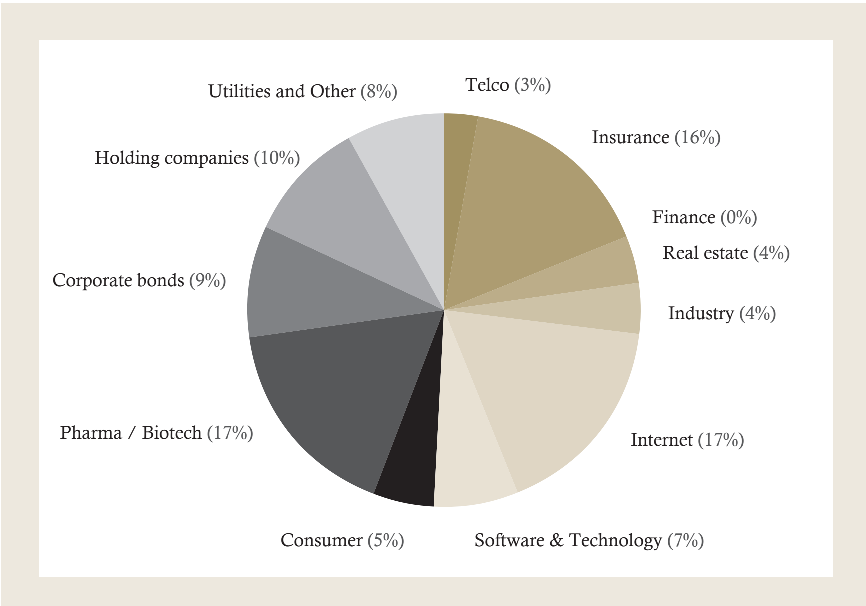
Source: Scherzer AG, Silvia Quandt Research

In addition to the described investment strategy, Scherzer seeks to exploit unique investment opportunities arising in certain market phases. Thus, during 2009 the company added a portfolio of global corporate bonds purchased at depressed prices and partially sold at substantial capital gains following the global bond market recovery. As with other investments, Scherzer performs a thorough and in-depth analysis of the corresponding market segment and individual investments before adding them to the portfolio.

The Portfolio – Diversification into specialist stories

Below we break down Scherzer's portfolio by sector as of end 2010. Due to the relatively high diversification of the book we will focus on some of the key Top10 holdings to provide an overview on what the typical Scherzer investments look like. The top ten largest equity positions include a diversified mix of both, safety-oriented and chance-oriented investments and account for estimated 65% of the total portfolio value (based on the market capitalisation).

Breakdown of Scherzer's investment portfolio by sector as of end 2010



Source: Scherzer AG, Silvia Quandt Research

In the following we give a short overview about the ten largest positions as of March 31st, 2011.

Buch.de internetstores AG (chance-oriented investment)

On April 1st, 2011 Scherzer AG announced that it sold its stake in Buch.de to majority shareholder Thalia. As this was clearly the largest investment of Scherzer, making up c. 22% of Scherzer's NAV as of end March, the company had to agree to a price slightly below the current market value. In our view, this transaction shows that Scherzer (who owned 16.59% of Buch.de) is in a very strong position to negotiate when betting on a full take-over by majority shareholders like Thalia.

Buch.de internetstores is one of the leading German internet retailers of books and multimedia (e.g. music, films, software, games, magazines, electronic products etc.) with 18 web shops located in Germany, Austria and the Switzerland. In addition, buch.de holds a cooperation agreement with Thalia Group, the largest German book distributor operating through its own retail chain and online bookstores. Post the transaction, Thalia holds a 76.8% stake in buch.de following the purchase of a 24.7% stake from Bertelsmann AG in 2009. Given the broad product portfolio of buch.de and its overall strong position as the online retailer, the company would perfectly suit the "multi-channel strategy" of Thalia, and was therefore considered to be a perfect takeover candidate.

Generali Deutschland Holding AG (safety-oriented investment)

Generali Deutschland Holding AG is the strategic management holding for the German operations of Assicurazioni Generali S.p.A., a parent company active in the insurance and financial services sector with global operations in 66 countries. Generali Deutschland has numerous subsidiaries, including Aachen Muenchener Versicherung AG, Advocard Rechtschutzversicherung AG, Central Krankenversicherung AG, Deutsche Bausparkasse Badenia AG which, amongst others, all together cover the entire product offering in the area of financial services. In April 2006 the parent company made a voluntary cash offer to Generali Deutschland at the price of €98 per share, following the decision of the complete integration of the German subsidiary into the Generali Group. So far the Group succeeded in purchase of a 6.54% stake of Generali Deutschland from the former shareholder Sal. Oppenheim. Given the remaining free float of 6.98%, the event of a squeeze-out is considered to be highly likely in the near term.

Biotest (chance-oriented investment)

Biotest AG is a Germany-based biotechnological and pharmaceutical company with operating subsidiaries across Europe, Asia and United States. The company's core business is the development and production of pharmaceutical and bio-therapeutic drugs, reagents and systems for microbiological monitoring with a focus on immunology and haematology therapeutical indications. The overall business activities are divided into three segments: Plasma proteins, bio-therapeutic, and microbiological monitoring. In 2009, Biotest reported sales of €440m and had more than 1800 employees. The main drivers of the stock include:

__Strong operational performance: Biotest AG has been continuously reporting strong and sustainable operating results for more than five consecutive years, with the operating margin lying in the mid-teens (on average 12%-15%). In 2009 the EPS amounted €2.49. In addition, the company pays out the dividends (2009: dividend yield of 0.87%).

__Promising development pipeline in segment Biotherapeutic drugs (Phase II)

__M&A fantasy

The shareholder structure somewhat limits the free float and liquidity of the investment, making Scherzer one of the larger minority shareholders of Biotest. OGEL GmbH owns 50.03% followed by main lending partner Kreissparkasse Biberbach holding 24.36%. Finally, Massachusetts Mutual Fund Life Insurance owns 2.80% of all Biotest shares at the moment.

_Dr. Hoenle AG (chance-oriented investment)

Dr. Hoenle AG is a Germany-based developer, manufacturer and supplier of industrial UV-technology with various subsidiaries and distribution partners in Europe, North America and Asia. Two core operational segments are UV equipment and systems for curing and hardening, as well as adhesives. The company's broad product portfolio consists of a variety of products such as UV lamps, UV measurement, LED, Electronic Power supplies and UV adhesives which are applied in the photovoltaic and sun simulation systems, inkjets, web offsets, finishing and coating. Being one of the global leaders in the area of UV technology, Dr. Hoenle continuously strengthens its market position through geographical expansion as well as the widening of its product offering through the purchase of specialized companies. The company name stands for innovation; hence Dr. Hoenle has various cooperating partners in the R&D area from printing, telecommunications and chemical industries. The main drivers of the stock are strong and sustainable operational developments through the further enhancement of its global market position. Scherzer owns 3.5% of the company which holds an equity capital of €5.5m.

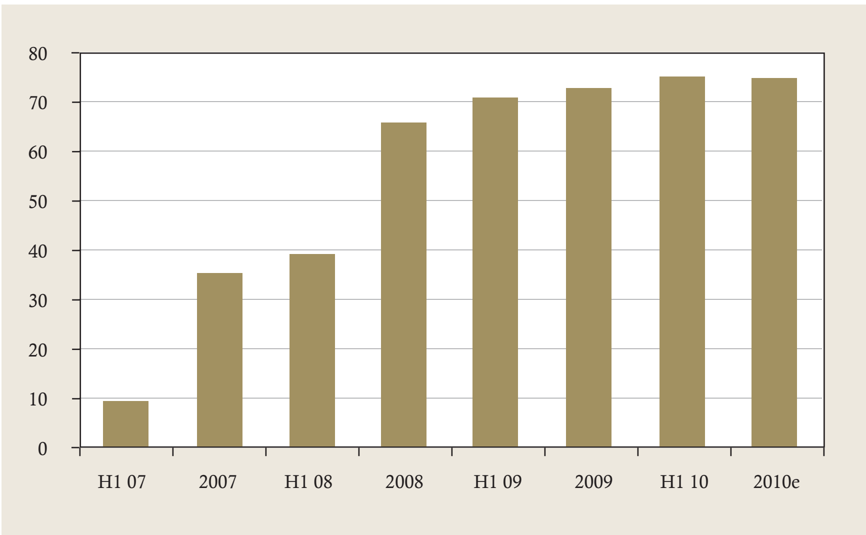
Additional settlement claims – Set to lift future NAV

The outstanding "remedy obligations" or "additional settlement claims" are the payments resulting from the approved additional compensation claims of the minority shareholders in the event of squeeze-out. As discussed, these additional payments compensate the difference between the judicially estimated fair value of the minority stake and the paid price at the squeeze-out. The amount of payments is settled by the corresponding state court while the compensation of each individual investor depends on the number of held rights (i.e. each share has one right). However, the held rights don't guarantee the future payment of the claimed compensation, but can be rather compared to a call option on the price paid at the takeover.

Concerning Scherzer's "squeeze-out portfolio", the success rate of the court approvals in such cases has been relatively high. This overlaps with our findings based on the analysis of similar law cases during the last two years (2010/2011): Out of the overall 40 examined cases, 70% of the finalized law suits ended up with the positive adjudication for the claimants, i.e. a settlement deal or approved additional compensation. However, the amount of additional compensation can differ substantially (in a range of 19-90% of the paid price), depending on the stock price in the time period around the cash offer and other factors, such as development of the company's operating activities etc.

Scherzer has been continuously expanding the portfolio of "squeeze-out investments" through the securing of stakes in corresponding companies. The last reported tender volume of €74.4m (as of March 2011) exceeded the originally reported volume of €8,83m in H1/2007 almost eightfold. Based on 27.22 million of outstanding Scherzer shares, the tendered volume per share averages c. €2.73.

Development of tendered volume (in EURm)



Source: Scherzer AG, Silvia Quandt Research

The current tendered volume relevant for additional claims settlements includes more than 10 projects. Below we add a list of the larger projects:

__Bank Austria AG: Squeeze out finalized in August 2008

__Bayerische HypoVereinsbank AG: Squeeze out finalized in September 2008

__Bayer Schering Pharma AG: Squeeze out finalized in September 2008

__Koelnische Rueckversicherungs AG: Squeeze out finalized in February 2009

__Ersol AG: Squeeze out finalized in September 2009

__D&S Europe AG: Squeeze out finalized in June 2010

__Ergo Versicherung AG: Squeeze out finalized in June 2010

In October 2010, Scherzer booked -for the first time- cash revenues from the approved additional compensation claims following the merger of T-Online International AG into Deutsche Telekom in 2006. The reported additional claim settled amounted to €137,000 corresponding to the tendered volume of €694,000 (100.000 T-Online shares), implying a 19.74% improvement versus the tendered volume. Assuming this rate for the current total tendered volume of €74.4m, the total compensation from the existing projects would amount to some €14.7m, or €0.54 per share. Given the average length of 6 years for the squeeze-out court processes in Germany (data from Federal Gazette), we would expect these cash flows to accrue annually in the following 6 years.

Due to the high uncertainty about the timing and amount of the future cash, the additional compensation rights are recognized with a zero value in the balance sheet and are therefore not included in the portfolio NAV. The accruing revenues from the approved remedy obligations are then recognized as net income (net of tax) at the time of the realization.

In our NAV estimates, we have decided to cumulatively add the potential settlement claims income to the portfolio NAV less drawn bank loans. As we cannot be certain about the timing of any such claim in future years and the final result as a percentage of the outstanding volume, we decided to (1) stick to the lower end of the range from earlier deals (19-90%) and (2) spread out the anticipated NAV addition of €0.54 per share over 6 years to account for the average claim settlement period. This sees our 2012e NAV including additional settlement claims arriving at €1.79 per share. We then apply to 15% discount to calculate our €1.50 price target.

Appendix – Key Financials

Scherzer & Co Key Financials and Valuation

Income Statement, EUR 000´s	*H1 2009*	*H2 2009*	*H1 2010*	*H2 2010*	*2009*	*2010*	*2011e*	*2012e*	*2013e*	*CAGR 10-13e*
Net interest expense	-240	-248	-210	-80	-488	-290	-253	-211	-170	-12.5%
Net interest and other income	230	-20	0	0	210	0	0	0	0	
Performance fees	0	0	0	0	0	0	0	0	0	
Results from trading operations (Realized gains)	-1,970	2,011	-1,440	2,570	41	1,130	1,243	1,367	1,231	2.2%
Investment gains / Dividends	430	107	1,010	180	537	1,190	1,736	1,806	1,915	12.6%
Other ordinary results / Write-backs	3,510	2,939	1,670	1,200	6,449	2,870	2,655	3,289	3,488	5.0%
Operating income	**1,960**	**4,788**	**1,030**	**3,870**	**6,748**	**4,900**	**5,635**	**6,462**	**6,633**	**7.9%**
Personnel expenses	-100	-117	-160	-160	-217	-320	-333	-346	-374	4.0%
General expenses	-230	-300	-270	-280	-530	-550	-561	-572	-584	1.5%
Depreciation	0	-5	0	0	-5	0	0	0	0	
Operating expenses	**-330**	**-422**	**-430**	**-440**	**-752**	**-870**	**-894**	**-918**	**-957**	**2.4%**
Income before tax	**1,630**	**4,367**	**600**	**3,430**	**5,997**	**4,030**	**4,741**	**5,544**	**5,676**	**8.9%**
Tax	-163	-467	-18	-82	-630	-100	-711	-832	-851	70.8%
Effective tax rate	10.0%	10.7%	3.0%	2.4%	10.5%	2.5%	15.0%	15.0%	15.0%	
Net Income	**1,467**	**3,900**	**582**	**3,348**	**5,367**	**3,930**	**4,030**	**4,712**	**4,824**	**5.3%**

Equity Capital, EUR 000´s	*H1 2009*	*H2 2009*	*H1 2010*	*H2 2010*	*2009*	*2010*	*2011e*	*2012e*	*2013e*	*CAGR 10-13e*
Equity (reported, EUR 000´s)					**29,450**	**33,380**	**37,410**	**42,122**	**46,946**	**8.9%**
o/w goodwill/intangibles					0.3	0.3	0.3	0.3	0.3	
Tangible equity					29,449	33,380	37,409	42,122	46,946	
Tangible equity/total assets					72.0%	67.7%	73.0%	79.3%	84.5%	

NAV data, EUR 000´s	*H1 2009*	*H2 2009*	*H1 2010*	*H2 2010*	*2009*	*2010*	*2011e*	*2012e*	*2013e*	*CAGR 10-13e*
Portfolio value					40,379	48,636	50,582	52,605	56,813	4.0%
Debt					10,593	15,470	13,470	11,281	9,053	-12.5%
NAV					**29,786**	**33,166**	**37,112**	**41,324**	**47,760**	**9.5%**
P/NAV					**0.90**	**0.99**	**0.92**	**0.83**	**0.72**	
P/NAV including claims value (cumulative)					**0.90**	**0.92**	**0.82**	**0.70**	**0.62**	
EPS (reported)					0.20	0.14	0.15	0.17	0.18	5.3%
P/E					**5.0**	**8.4**	**8.5**	**7.3**	**7.1**	

Risk notice, legal information

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Sole holder of the shares of Silvia Quandt Research GmbH is Silvia Quandt & Cie. AG, Grüneburgweg 18, 60322 Frankfurt / Main.

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Author of the present financial analysis: Michael Rohr, Head of Financials and Elena Oblinger, Research Analyst

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.

Silvia Quandt Research GmbH uses a 3-stage absolute share rating system. The respective recommendations /classifications /ratings refer to a time frame of at least 6 to a maximum of 18 months and are connected with the following expectations:

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 <= - 10%.

2.3. Update

A specific update of the present analysis at a firm time has currently not yet been determined. The analysis and the opinions and assessments contained therein merely reflect the perspective taken at the date stated on the first page of the analysis. Silvia Quandt Research GmbH reserves the right to make an update of the analysis or the opinions and assessments contained therein without prior notice. The decision whether and when an update is made lies solely in the discretion of Silvia Quandt Research GmbH.

2.4. Information about possible conflicts of interest

According to section 34b WpHG and according to the FinAnV, among other things, when preparing a financial analysis an obligation exists to point out possible conflicts of interest in relation to the analysed finance instrument or the issuer.

2.4.1. Conflict of interests of Silvia Quandt Research GmbH

Possible conflicts of interest may be in existence with the employees of Silvia Quandt Research GmbH who have prepared the analysis/ with Silvia Quandt Research GmbH as the company responsible for the preparation or with its affiliated enterprises/ with other persons or enterprises who act for Silvia Quandt Research GmbH or its affiliated enterprises and who assist in the preparation of the analysis, respectively in relation to the following financial instruments or issuers mentioned in this analysis.

1. There is an essential shareholding (= holding > 5% of the share capital) between the aforementioned persons and/or enterprises and the issuer who or his financial instruments are the subject of the financial analysis.

2. The remuneration of the aforementioned persons and/or enterprises is dependent on investment banking transactions of their own enterprise or of enterprises affiliated with them within the scope of the activity as an intermediary bound by contract with biw bank für Investments und Wertpapiere AG.

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, within the scope of an outsourcing arrangement with biw bank für Investments und Wertpapiere AG, 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 as an intermediary bound by contract with biw bank für Investments und Wertpapiere AG 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 intermediary bound by contract with biw bank für Investments und Wertpapiere AG within the scope of the listing on the stock exchange of the issuer, who or whose financial instruments are subjected to the financial analysis, as an issuing bank or a selling agent.

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 within the scope of a position as an intermediary bound by contract with biw bank für Investments und Wertpapiere AG or received in this period from such an agreement a benefit or a performance promise.

9. The aforementioned persons and/or enterprises, within the scope of the position as an intermediary bound by contract with biw bank für Investments und Wertpapiere AG, 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 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.

11. This financial analysis had been made accessible for the issuer, who or whose financial instruments are subjected to the financial analysis, before publication and was modified subsequently.

12. The aforementioned persons and/or members of the management board of the aforementioned enterprises hold seats on the board of directors or seats on the supervisory board with issuers, who or whose financial instruments are subjected to the financial analysis.

13. The aforementioned persons and/or enterprises have other important financial interests relating to the issuer, who or whose financial instruments are subjected to the financial analysis.

Silvia Quandt Research GmbH has adopted measures of precaution to prevent and avoid possible conflicts of interest in preparing and transmitting financial analyses as far as possible or to deal with such conflicts adequately. In particular, a Watch- and a Restricted list are maintained, and in-house information barriers (Chinese Walls) have been installed to block the access of employees who prepare financial analyses to any information which could give rise to conflicts of interest in relation to the issuers concerned. As far as a conflict of interests exists, it will be disclosed.

2.4.2. Conflicts of interest biw bank für Investments und Wertpapiere AG when transmitting the financial analysis

Possible conflicts of interests may be in existence with biw bank für Investments und Wertpapiere AG during the transmission of this financial analysis and with natural persons who act for biw bank für Investments und Wertpapiere AG and its affiliated enterprises, respectively in relation to the following financial instruments or issuers mentioned in this analysis.

1. There is an essential shareholding (= holding > 5% of the share capital) between the aforementioned persons and/or enterprises and the issuer who or his financial instruments are the subject of the financial analysis.

2. The remuneration of the aforementioned persons and/or enterprises is dependent on investment banking transactions of their own enterprise or of affiliated enterprises.
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.

11. This financial analysis had been made accessible for the issuer, who or whose financial instruments are subjected to the financial analysis, before publication and was modified subsequently.

12. The aforementioned persons and/or members of the management board of the aforementioned enterprises hold seats on the board of directors or seats on the supervisory board with issuers, who or whose financial instruments are subjected to the financial analysis.

13. The aforementioned persons and/or enterprises have other important financial interests relating to the issuer, who or whose financial instruments are subjected to the financial analysis.

biw Bank für Investments und Wertpapiere AG has adopted measures of precaution to prevent and avoid possible conflicts of interest during the preparation and transmission of financial analyses as far as possible or to deal with such conflicts adequately. In particular a Watch- and a Restricted list are maintained, and in-house information barriers (Chinese Walls) have been installed to block the access of employees who transmit financial analyses to any information which could give rise to conflicts of interest in relation to the issuers concerned. As far as a conflict of interests exists, it will be disclosed.

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

Silvia Quandt Research GmbH evaluates the circulation of its recommendations once in the quarter. The quarterly overview is visible on the internet under www.silviaquandt.de.

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3.1. Issuer and notice according to section 4 subsection 4 No. 4 FinAnV about preceding publications during the last twelve months about the security or the issuer
Issuer of the analyzed finance instrument is Scherzer & Co. AG.
During the past 12 months financial analyses were neither published about the issuer nor about the present category of securities.

3.2. Date of the first publication and date and time of the price of financial instruments
None

3.3. Overview of our financial analyses of securities or issuers during the last twelve months
None

3.4. Information about possible conflicts of interest
3.4.1. Conflict of interests of Silvia Quandt Research GmbH

2.4.1.1. Bet: >5%	2.4.1.2. Comp.	2.4.1.3. Trade	2.4.1.4. Short >1%	2.4.1.5. DS	2.4.1.6. ECM act.	2.4.1.7. IPO	2.4.1.8. Comp. Res.	2.4.1.9. Comp. ECM	2.4.1.10. Contract	2.4.1.11. Inform.	2.4.1.12. Mandate	2.4.1.13. Holding
									X			

3.4.2. Conflicts of interest biw bank für Investments und Wertpapiere AG when transmitting the financial analysis

2.4.1.1. Bet: >5%	2.4.1.2. Comp.	2.4.1.3. Trade	2.4.1.4. Short >1%	2.4.1.5. DS	2.4.1.6. ECM act.	2.4.1.7. IPO	2.4.1.8. Comp. Res.	2.4.1.9. Comp. ECM	2.4.1.10. Contract	2.4.1.11. Inform.	2.4.1.12. Mandate	2.4.1.13. Holding
		X		X					X			

3.5. Publication according to article 5 (4) no. 3 of the German Regulation concerning the analysis of financial instruments (Finanzanalyseverordnung):

Number of recommendations from Silvia Quandt Research GmbH in 2011		Thereof recommendations for issuers to which investment banking services were provided during the preceding twelve months
Buy	94	30
Neutral	37	2
Avoid	4	0

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Frankfurt am Main, 05 April 2011

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