Special Opportunities

Acquisitions in an insolvency scenario

INDO-GERMAN BUSINESS SUMMIT

Berlin, October 13, 2009

perspektiv GmbH:
Who we are!

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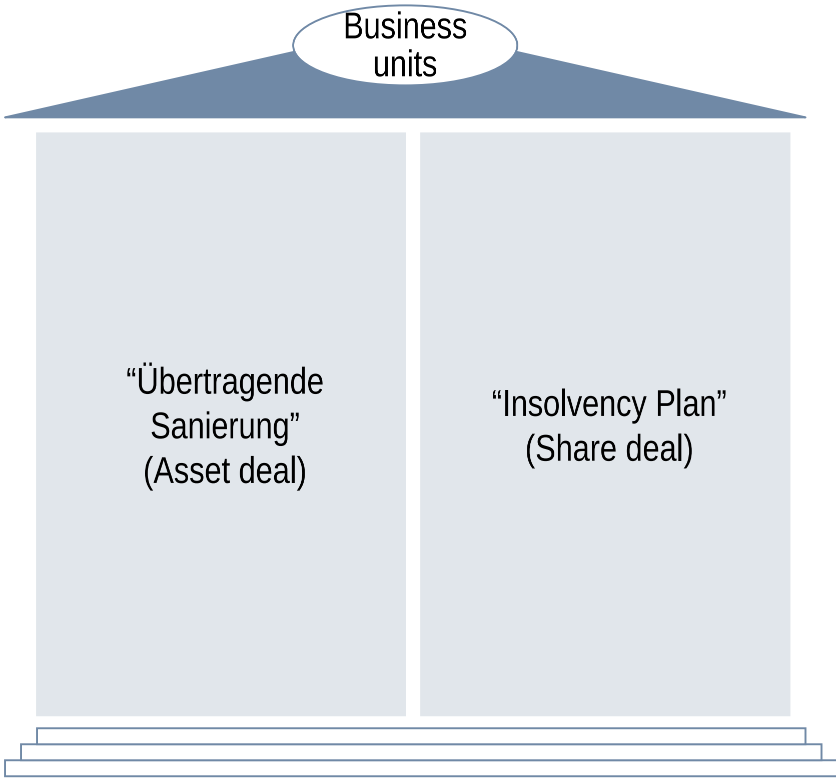
perspektiv: specialist for company transactions in the insolvency environment

Company overview



- Leading M&A advisor focused on transactions in insolvency situations
- Focus on medium sized companies with a turnover of 25 to 1.000mn Euros
- Successful completion of more than 75 asset deals and insolvency plans
- Familiarity with particular business and legal requirements in insolvency situations
- Development of specific know-how for successful transactions in insolvency situations

Leading mergers & acquisitions boutique for continuation solutions for insolvent companies

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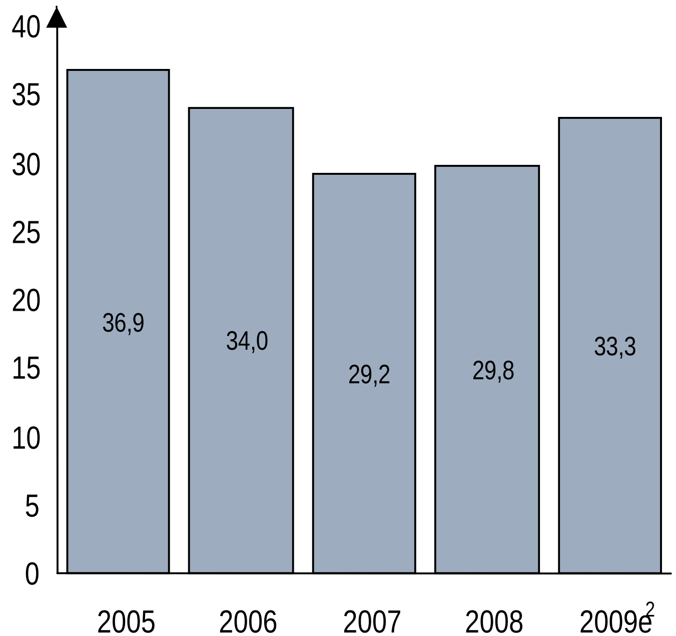
Insolvency environment:
Figures, transactions, opportunities

Number of insolvencies fuelled by financial crisis

Absolute number of insolvencies 2005-09e

Number of insolvencies by year (2005-09e)[1]
Thousands



- Decline of number of insolvencies until 2007 due to positive economic climate
- Increase of number of insolvencies in 2008 and 2009 due to worldwide financial crisis
- Insolvencies among strategically & operationally healthy companies due to refinancing problems
- Significant rise of insolvency expected for 2010 ("lagging indicator")

Increase of insolvencies already in 2009 – further rise expected for 2010

1 Source: Creditreform
2 Annualised values based on first half 2009

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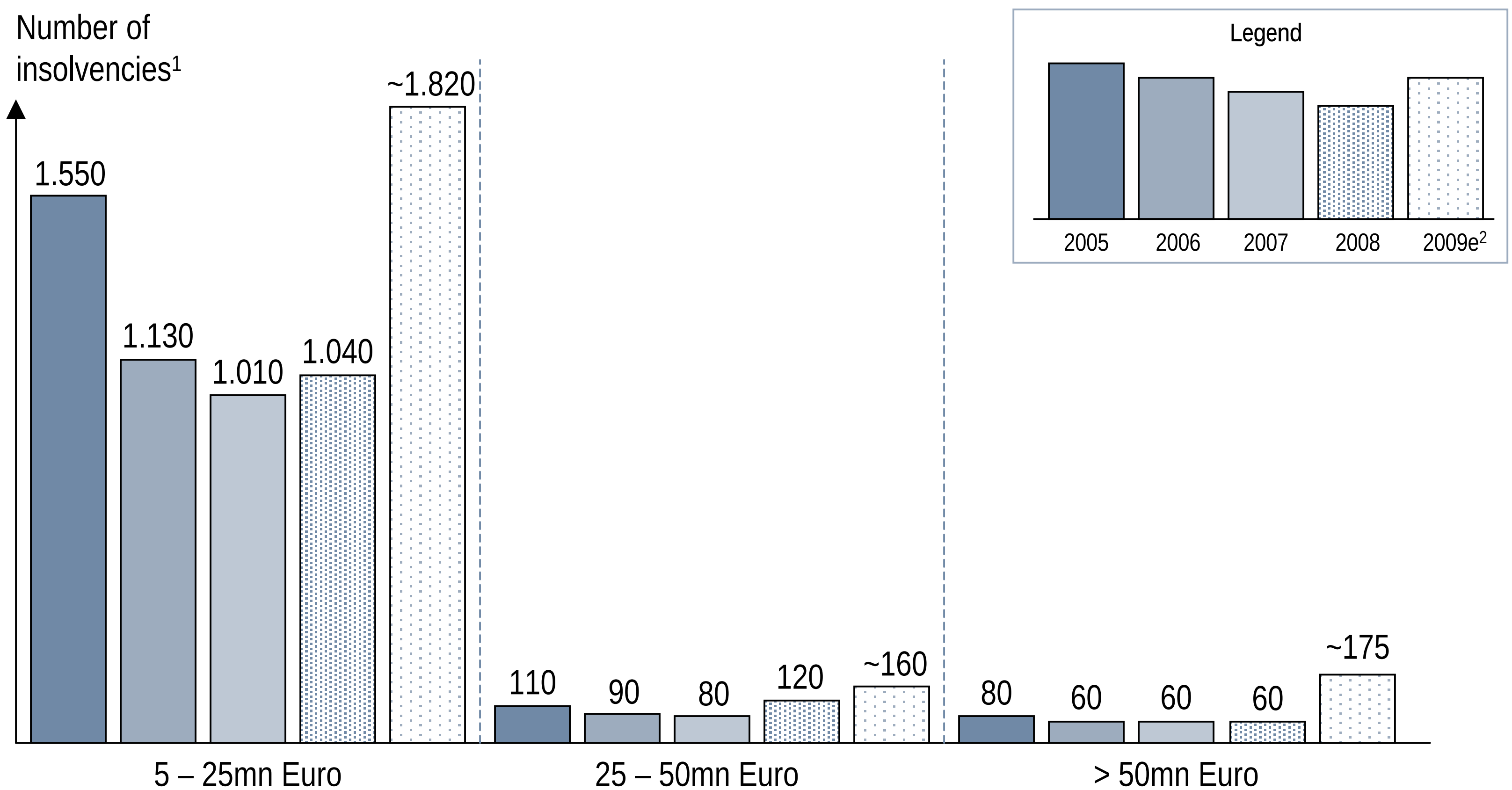
Rising number of potential targets…

Insolvencies by company size 2005-09e [turnover in mn Euro]



“Too big to fail” disproved: Drastic increase of insolvencies in big companies in 2009

1 Source: Creditreform
2 Annualised values based on first half 2009

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... and huge variety of attractive targets

Selected insolvencies by sector and company size [turnover in mn Euro]

Automotive

- Wilhelm Karmann (1.491)
- Metal Technologies Kitzingen (134)
- Paulmann & Crone (40)

Engineering

- Assyst-Bullmer Spezialmaschinen (55)
- ALVO Metalltechnik (20)
- Lavatec Wäschereimaschinen (25)

Textile

- Andreas Kufferath Group (85)
- Palla Creativ Textildruck Gruppe (53)
- Vatter GmbH (45)

Retail

- Arcandor (19.911)
- Heil Automobil (100)
- Kortendieck Möbelhandelsgesellschaft (47)

Consumer

- Schiesser (175)
- Rosenthal (163)
- Fribad Cosmetics Gruppe (36)

Other

- Quimonda (1.790)
- ComBase (100)
- Molan (27)

Attractive and often “hidden” targets for international investors in all business sectors and with different sizes

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International investors successfully acquired insolvent German companies

Selection

Sep 2009 Printed circuit board Bluebay acquires ruwel out of insolvency	Aug 2009 Shipyards Russian investor acquires Wadan Yards out of insolvency	Jul 2009 Chinaware Sambonet acquires Rosenthal out of insolvency	Jul 2009 Automotive IAC Group acquires Stankiewicz out of insolvency
Apr 2009 Automotive Pamplona Capital Management acquires TMD Friction out of insolvency	Sep 2008 Injection molding Minda acquires Schenk plastic solutions out of insolvency	May 2008 Sanitary Strategic Taiwanese Investor acquires Roman Dietsche out of insolvency	Jun 2007 Automotive Punch International acquires BBS out of insolvency

Many historic examples for acquisitions of insolvent German companies by international strategic and financial investors

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Acquisition of insolvent companies with major advantages

Strategic aspects	Operational aspects
• Fast and easy access to German market • Complementation of product offering • Access to interesting know-how/ technologies • Realization of economies of scale • Increase of global market share	• Opportunity to adjust workforce • Opportunity to shut down non-profitable entities • Possible renegotiation of working and supplier contracts at better conditions

Financial aspects	Transaction process aspects
• Company to be acquired free of liabilities (especially within “asset deal”) • Cancellation of unfavourable contractual obligations • Purchasing assets below going concern value often possible • Very limited liability for bad debts (“share deal”)	• Usually relatively high success rate for execution of transaction • Short, efficient and straight forward process • Good position in negotiations for long term investors with solid capital backing

Major advantages provided by German insolvency law

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Insolvency proceedings:
Overview process, main transaction options

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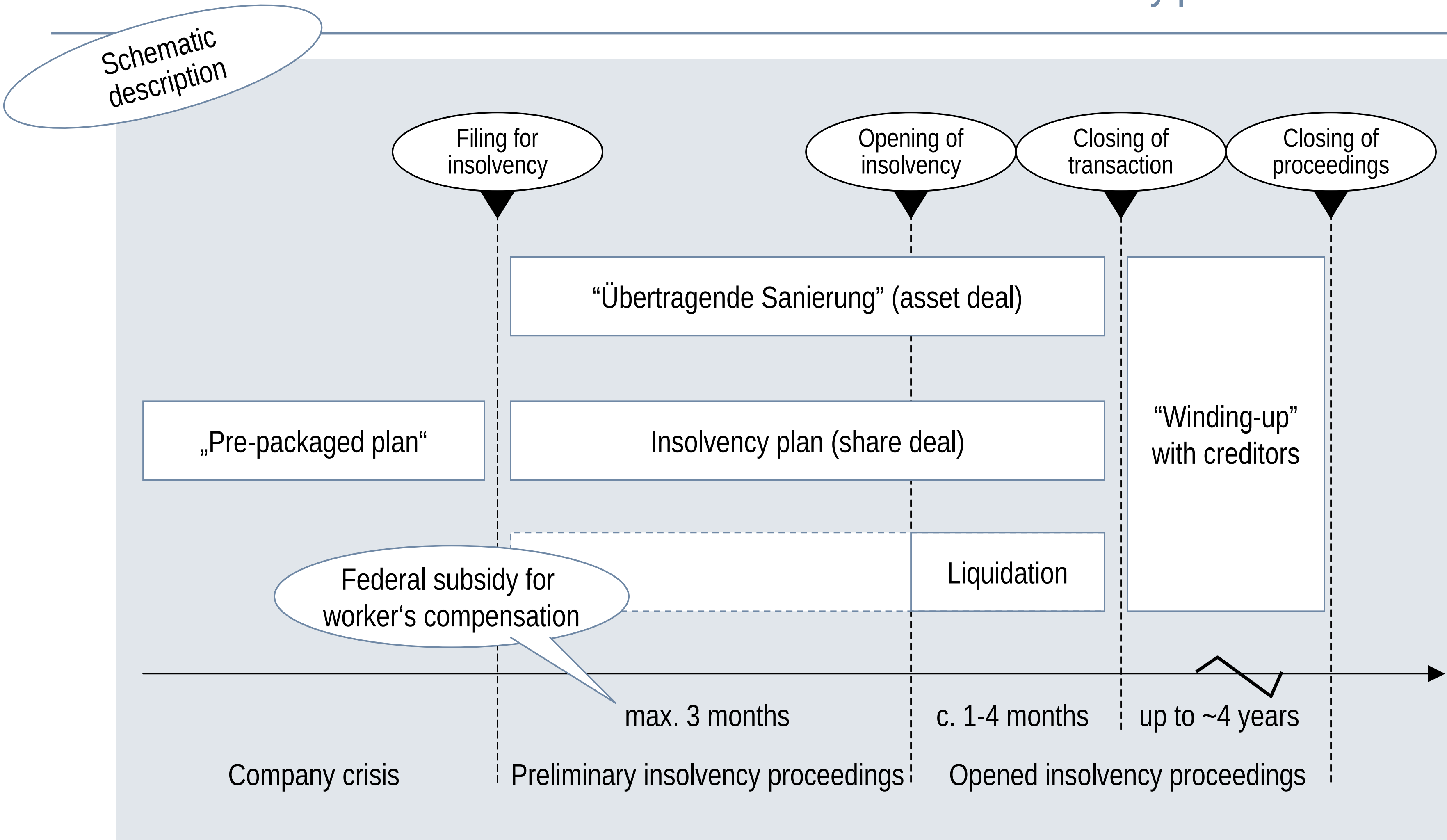
Overview: Main cornerstones and timeframe of insolvency process



Relevant timeframe for an acquirer: typically 2-4 months

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Backup: Key steps in insolvency processes

Simplified demonstration

Preparation of filing for insolvency

- Checking for insolvency reasons: over-indebtedness or (imminent) illiquidity
- Preparing insolvency form(s) for court

Filing for insolvency

- Debtor's or creditor's filing for insolvency at court
- In case the creditors filing: valid reasons necessary

Opening of preliminary proceedings

- Initial check of insolvency reasons and preparation of documents for opening of the proceedings
- Appointment of a "preliminary insolvency administrator"

Opening of proceedings

- Presentation of financial and legal situation and restructuring options
- Verification of insolvency reasons
- Appointment of insolvency administrator

Reporting- and creditors' meeting(s)

- Information of creditors and set-up of creditor's committee
- Assessment of filed liabilities
- Decision about restructuring form
- Approval of purchase agreement

Final creditor meeting and closing of proceedings

- Proposal of payout quote by insolvency administrator
- Court approval of quote
- Closing of proceedings with payout completion

Basic understanding of German insolvency processes necessary for successful investment

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German insolvency law basically with two different acquisition options

"Übertragende Sanierung" (asset deal)	Insolvency plan (share deal)
• Assets of insolvent company to be sold to the "NewCo" of acquirer	• Purchase of shares of insolvent company by investor
• Main advantage: No transfer of liabilities of former legal entity due to asset deal construct	• Inherited liabilities possible due to share deal construct
• "Liability side" of balance sheet to stay with insolvency administrator	• Shares being purchased from former shareholders or through recapitalisation
• Additional capital requirements due to financing of working capital necessary	• Financing of working capital usually maintained or only slightly reduced by banks
• Number of employees adjustable to a reasonable level	• Number of employees adjustable to a reasonable level
• Subsequent liquidation of former legal entity by insolvency administrator	• Easy transfer of rights and licences; Legal entity to be kept alive
Relatively fast and simple transaction with clear-cut restart of business	More complex and long-winded transaction well suited for financial restructurings

Especially for international investors asset deal usually preferable

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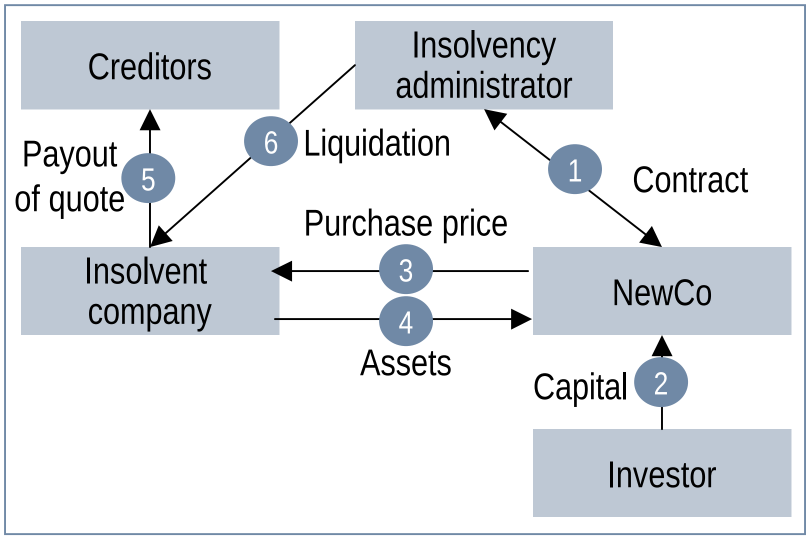
Backup: Transaction structure of “Übertragende Sanierung” and “Insolvency plan”

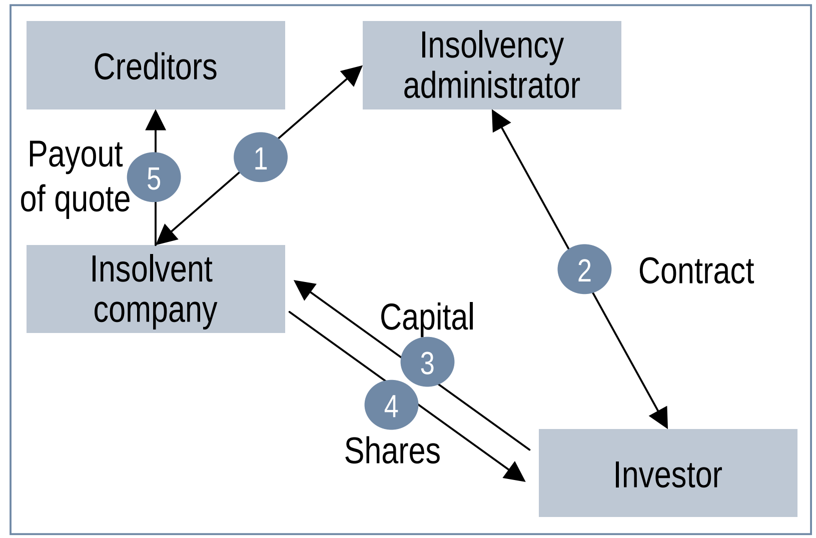
Simplified

“Übertragende Sanierung” (asset deal)



1. Negotiated contract to be approved by creditors
2. New company (“NewCo”) furnished with cash
3. Cash of new entity used to pay purchase price
4. Assets and business relationships transferred
5. Purchase price used to pay out creditors
6. Debtor liquidated after payout of quote

Insolvency plan (share deal)



1. Debtor and/or insolvency administrator prepare insolvency plan – approval of creditors necessary
2. New investor typically taken in in exchange for shares
3. Investor adds capital to debtor company
4. Investor receives shares in exchange for capital paid
5. Creditors receive quote and waive their claims

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Transaction:
Process, requirements

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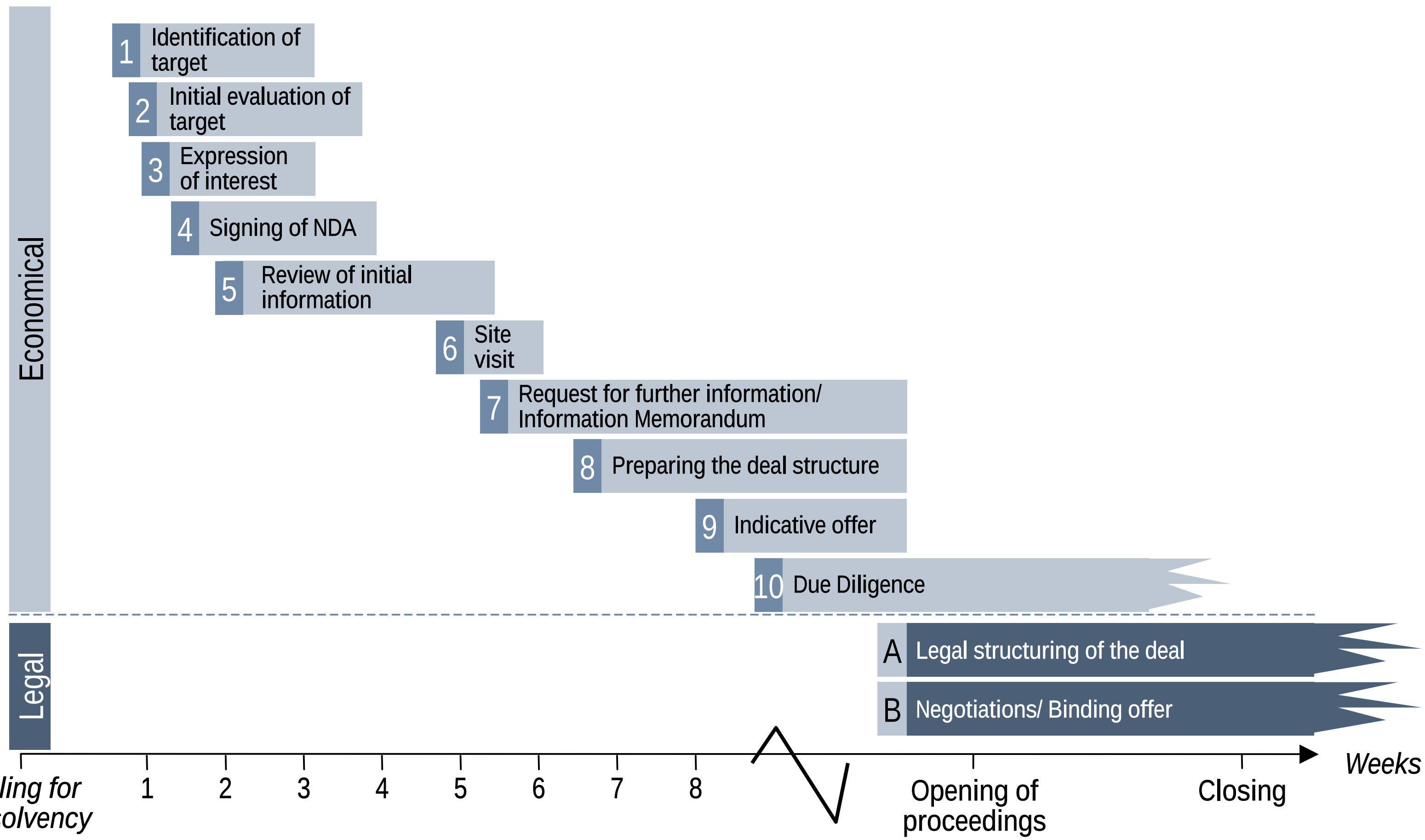
Relatively short time-frame for execution of transaction

Typical steps for a potential acquirer of an insolvent company



Timeframe of 8 to 16 weeks to complete transaction

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Success factors from an insolvency administrator's point of view

Solid acquirer	• Good reputation and reliable negotiation partner • Strong financial background • Long-term investor with positive track record
Sustainable take-over concept	• Sustainable restructuring concept • Significant amount of jobs saved and a reasonable purchase price • No excessive cherry picking of assets
Fast transaction	• Fast and pragmatic negotiation partner • Ability to pay in cash immediately, no complex payment schemes • Closing of transaction soon after opening of insolvency proceedings

Solid and reliable buyer with reasonable takeover concept preferred

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Success factors from an investor's point of view

Identification of targets	• Fast and comprehensive identification of attractive targets • International partners to get notified on interesting transactions • Rapid response time
Pragmatic approach	• Quick and unhesitant approach to catch insolvency opportunity • Pragmatic due diligence execution • Concentration on key assets and topics
Financing	• Care for financing of deal early in process • Financing confirmation given to insolvency administrator • No complex and/ or long-term payment scheme

Utilization of insolvency proceedings to execute rigorous turnaround measures

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Buy side support from perspektiv

Offered services	Value add
Comprehensive identification of potential targets	
Due diligence support	
Coordination of all stakeholders (lawyers, auditors)	
Search for financing partners	
Support in negotiations	
Restructuring projects ("100-day-programmes")	

Offered services

- Comprehensive identification of potential targets
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- Restructuring projects ("100-day-programmes")

Value add

- Proven insolvency Know-how and transaction track record
- Excellent contact to and reputation among insolvency administrators
- Contact to financing as well as federal development banks for subsidies
- If necessary, contract to possible co-investors (e.g. financial investors)
- Long-term restructuring and recovery expertise in all major business sectors

perspektiv highly experienced M&A advisor for insolvency situations

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