



# IPO from a CEO's perspective

11th Sept. 2006



## The company at a glance

## Business segments of Schmack Biogas

Planning and construction		Service and operation		Own operations
<b>Agricultural clients</b>	<ul style="list-style-type: none"> <li>♦ Farmers and agricultural companies/ "energy farmers"</li> </ul>	<b>Microbiological services</b>	<b>Technical services</b>	<b>Operation of own plants</b>
<b>Professional energy producers</b>	<ul style="list-style-type: none"> <li>♦ Utility companies and private enterprises</li> </ul>	<p><b>" FIT FOR BIOGAS® "</b></p> <ul style="list-style-type: none"> <li>♦ Feedstock analysis</li> <li>♦ Process analysis</li> <li>♦ Analysis of fermentation residues</li> <li>♦ Documentation of results</li> <li>♦ Recurring reviews</li> </ul>		<ul style="list-style-type: none"> <li>♦ Schmack Biogas assumes the entire operation:               <ul style="list-style-type: none"> <li>♦ Purchase of raw materials</li> <li>♦ Logistics</li> <li>♦ Operation of the biogas plant for own account</li> </ul> </li> <li>♦ Marketing of generated energy               <ul style="list-style-type: none"> <li>♦ On the basis of legal framework (EEG etc.)</li> <li>♦ Bundling of decentralised plants to provide high MW capacity to market peak load electricity</li> <li>♦ Direct sale of (purified) biogas</li> </ul> </li> </ul>
<b>Investors</b>	<ul style="list-style-type: none"> <li>♦ Funds, institutional and retail investors</li> </ul>	<b>Partial and full operation of biogas plants</b>		
		<ul style="list-style-type: none"> <li>♦ Range of services similar to the business area "own operations"</li> </ul>		



## Key figures Schmack Biogas AG

	2004	2005
<b>Sales</b>	16,4	34,1
<b>Sales growth</b>	72 %	108 %
<b>EBIT</b>	-0,5	2,8
<b>Net income</b>	-0,9	2,5
<b>Employees</b>	64	102



Sales forecast  
2006:  
**EUR 80 million**

## Starting point and initial considerations



## Reasons for Schmack IPO

### Strategic Goals

Build-up of own  
plant operation

Acquisition of  
complementary  
technologies

Expansion of  
sales and service

Internationali-  
sation



Equity capital and external financing potential insufficient  
to attain goals



Capital increase by means of IPO the ideal financing  
measure

## Initial plausibility check

- ◆ Is the market in general receptive for IPOs? ✓
- ◆ Does Schmack operate in a sector attractive to the market? ✓
- ◆ Is its equity story a growth story? ✓
- ◆ Does planning result in a valuation attractive for existing shareholders? ✓
- ◆ Is the valuation attractive for banks as far as the placement volume is concerned? ✓
- ◆ Can existing shareholders sell part of their shares via secondary placement? ✓

## IPO



## The IPO of Schmack Biogas





## Factors crucial to success

### Timely build-up of internal resources

- ◆ Expansion of accounts and financial controlling departments
- ◆ Creation of Investor Relations department
- ◆ Build-up of a strong back-office

### Selection of bank consortium

- ◆ Placing strength on a national and international level
- ◆ Access to specific investor groups (retail, institutional investors)
- ◆ Sector know-how
- ◆ Research/ coverage reputation
- ◆ Transaction experience („track record“)
- ◆ Standing as designated sponsors
- ◆ Placement costs as well as ongoing costs

### Pricing

- ◆ Pricing in line with the current market conditions



## Factors crucial to success

### Experienced second-level management

- ◆ Management board resources almost completely consumed 2-3 months before IPO
- ◆ The majority of general operations must be co-ordinated by second-level management

### Professional capital market communication

- ◆ The right timing to publicise IPO
- ◆ Reduction of equity story to key core statements
- ◆ Compliance with communication regulations
- ◆ Compliance with legal regulations

### Selection of service providers

- ◆ Selection of IPO advisor (Blättchen und Partner, Munich)
- ◆ Selection of Investor Relations advisor (Haubrok AG, Düsseldorf)
- ◆ Selection of capital market law firm (Gleiss Lutz, Frankfurt)
- ◆ Selection of a suitable auditor (Rödl & Partner, Nuremberg)

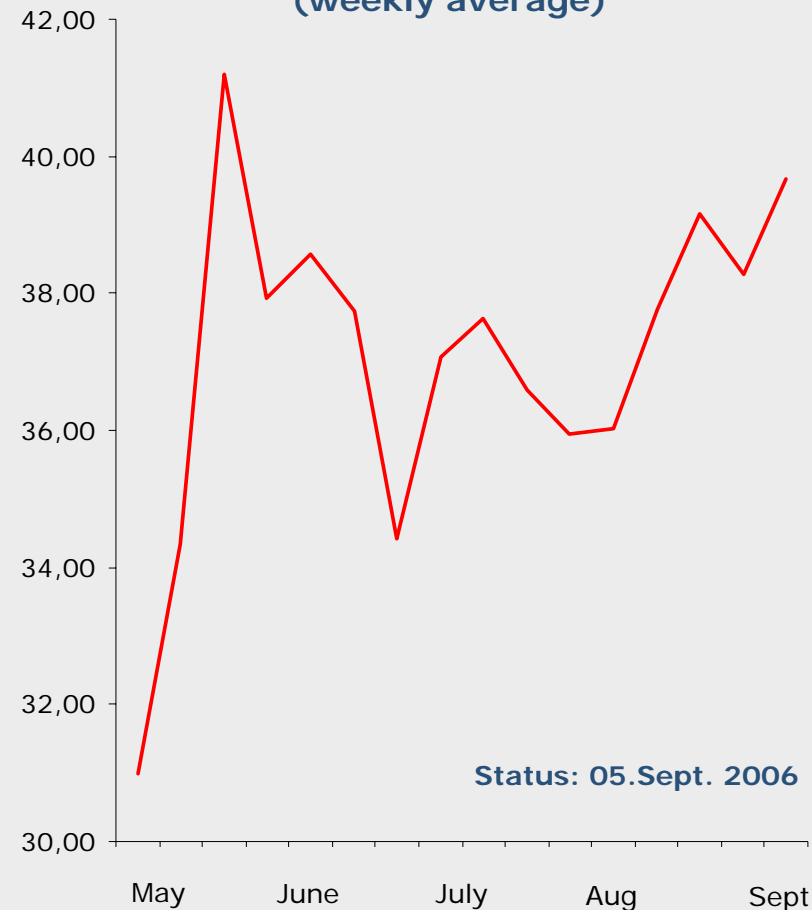


**Outcome**

## Development during 1st half-year

- ◆ IPO of Schmack Biogas AG on May 24 at an issuing price of Euro 31.00, with an issue volume of Euro 71.3 million and a capital increase of Euro 37.2 million
- ◆ Sales growth from Euro 6.9 million (AG) to Euro 28.3 million (Group) in the 1st half and from Euro 4.6 million to Euro 21.7 million in the 2nd quarter
- ◆ Marked improvement in operating earnings (EBIT) to Euro -1.3 million in 1st half (PY: Euro -1.5 million) and to Euro +0.1 million in 2nd quarter (PY: Euro -0.6 million)
- ◆ Cumulative increase in incoming orders from Euro 32.1 million to Euro 70.8 million and from Euro 18.3 million to Euro 37.1 million in 2nd quarter
- ◆ Acquisition of well-known reference projects: Stadtwerke Aachen, Stadtwerke Schwerin, cooperation with E.ON Bayern
- ◆ Acquired shareholdings in Bio-Energy LLC, USA and Stelzenberger Metallbau GmbH

**Share price Schmack Biogas AG**  
(weekly average)





## Evaluation of IPO success

### Operational advantages resulting from IPO

- ◆ Strong equity capital position
- ◆ Enhanced corporate image from a customer point of view
- ◆ Increased buying power
- ◆ Greater political lobbying power
- ◆ Easier access to loan capital
- ◆ Share as acquisition instrument
- ◆ Attractive employer

### Strategic Goals

Build-up of own  
plant operation

Acquisition of  
complementary  
technologies

Expansion of  
sales and service

Internationalisation



**Schmack**  
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