



**Detailed second statement by
AURELIUS Equity Opportunities SE & Co. KGaA
in response to Gotham's additional assertions**

Grünwald, 8 April 2017



A1. Preamble

Gotham's second report ("Gotham Report II") published by Gotham Research LLC ("Gotham") on 5 April 2017 in large measure repeats previous – and since debunked – assertions. For those, we mostly refer to our previous statement ("AURELIUS First Statement"). New assertions are as baseless as the old ones and are commented upon solely at the request of some of our reputable institutional investors. Needless to say that AURELIUS rejects all assertions – old and new.

Any research house with a serious interest in advancing the market debate around our company's valuation and the analysis of its fair value would have made contact with us prior to publishing a report, let alone two. We note that Gotham has never done so and we leave it to market participants to draw their own conclusions.

A2. Präambel

Gothams zweiter Bericht ("Gotham Report II), veröffentlicht durch Gotham Research LLC („Gotham“) am 5. April 2017, wiederholt größtenteils alte – und mittlerweile entlarvte – Behauptungen. Für diese verweisen wir auf unsere erste Erwiderung („AURELIUS First Statement“). Neue Behauptungen sind ebenso gegenstandslos wie die vorhergehenden. Wir kommentieren sie ausschließlich auf Wunsch einiger unserer Investoren. Wir weisen alle Behauptungen zurück – alte und neue.

Jedes Analysehaus mit einem ernsthaften Interesse daran, die Marktdebatte zu unserer Bewertung und der Analyse unseres fairen Unternehmenswerts voranzubringen, hätte uns vor Veröffentlichung eines Research Reports vorab dazu befragt. Wir stellen fest, dass Gotham dies vor keiner seiner Veröffentlichungen getan hat, und wir überlassen Marktteilnehmern die Beurteilung dieser Tatsache.

**Übersetzungen beider Erwiderungen ins Deutsche
werden ab kommender Woche auf
www.aureliusinvest.de zur Verfügung stehen.**



B. Corrective Statement

I. Gotham asks: “Do Aurelius’ Swedish subsidiaries exist?”¹

They do.

AUR Geissblatt Holding AB and AUR Geissblatt DS AB were incorporated in 2015 as shelf companies for possible future transactions. Both Geissblatt companies have a fully paid-in share capital of 50,000 SEK (approx. 5,000 EUR) each. Both Geissblatt companies can be found easily in the Swedish Commercial Register (*Bolagsverket*). Share certificates for these companies are attached as Appendix.

AURELIUS Nordics is the Nordic team of AURELIUS, not a legal entity. The same holds true for AURELIUS’ Iberian team in Spain and Portugal.

II. Gotham asks: Is Steffen Schiefer the CFO auf Aurelius?²

Yes, he is.

See AURELIUS’ First Statement, p. 6.

Steffen will attend the AURELIUS Capital Markets Day on 2 May 2017 in London and will be happy to answer questions.

III. Gotham asserts: “Unaudited NAV: Less disclosure after management sales”³

In fact, we provide more disclosure than required by law.

Publishing NAVs is not a requirement under IFRS or any other accounting standard. We do publish relevant information on NAVs on a voluntary basis since 2014 at the request of some of our investors. However, AURELIUS does not disclose individual purchase prices or NAVs for the simple reason that this could impair its negotiating position with respect to business partners and competitors.⁴

To respond specifically to Gotham regarding our “*IT Services and Systems*” position⁵: its NAV increased compared to Q3/2016 due to the successful integration of the cloud business of CMC (Colt Managed Cloud). CMC was acquired in the second quarter of 2016 and became part of “*IT Services and Systems*” at fair value for the first time.

¹ Gotham Report II, p. 1/4 et seq.

² Gotham Report II, p. 1/11 et seq.

³ Gotham Report II, p. 15/16.

⁴ AURELIUS First Statement, p. 6 sub IV.

⁵ Gotham Report II, p. 15.



IV. Gotham asks: Is “SECOP NAV worth zero?”⁶

No, it is not.

See AURELIUS First Statement, p.4

Picking out only one of many legal entities of SECOP is wrong. Gotham again compares apples with oranges. After the careful explanation in our first report, we can only assume that this a deliberate attempt to obfuscate and confuse.

V. Gotham asks: “Do sick companies merit a healthy company’s cost of capital?”⁷

Companies which have been part of the AURELIUS group for more than two years are usually no longer ‘sick’. Most of them are solid, they trade successfully and in 2016 contributed to AURELIUS’ 114.0m EUR operating EBITDA, as presented in our press release dated 29 March 2017. These companies are also the main value driver for our total NAV. For obvious reasons, most of the newly acquired companies are not.

As we explained in our previous statement, WACCs (including their components) used by us are thoroughly scrutinized by our auditors during the process of first-time consolidation. Following first-time consolidation, our WACCs are updated on the basis of external factors such as interest rates, beta factors, market risk premiums etc.

For further details see AURELIUS First Statement, p. 13.

VI. Gotham asks: “Is working capital a sustainable source of cash flow?”⁸

It is true that we do try to optimize working capital as part of the restructuring process, just like any other company would. However, the change in trade payables highlighted by Gotham is nothing to do with this. Instead, there is a very simple explanation: number and size of acquisitions and exits vary from year to year, leading to significant changes in the consolidation group. This, in turn, has a direct impact on the Consolidated Cash Flow Statement.

Due to the particularities of accounting under IFRS concerning AURELIUS’ business model (such as IFRS 3 on first-time consolidation and IFRS 5 on “Discontinued Operations” and “Assets held for Sale”), it is not possible to attribute any great analytical meaning to cash flow changes in any given year.

⁶ Gotham Report II, p. 20/21.

⁷ Gotham Report II, p. 22/23.

⁸ Gotham Report II, p. 24.



VII. Gotham asks: “Do the consolidated & subsidiaries’ earnings reconcile?”⁹

See AURELIUS First Statement, p. 13.

In our previous statement, we explained in great detail why individual accounts under local GAAP are by their nature different from group accounts under IFRS. For details, please see section C.II of that report.

VIII. Gotham asserts: „Aurelius refuses to disclose the rate of insolvency of the subsidiaries AFTER they sold.”¹⁰

We do not.

This assertion goes back to Gotham’s first report.¹¹ Since 2011, AURELIUS divested 18 businesses (ie, groups of companies). Five of those subsequently underwent insolvency proceedings, either in part or as a whole. Of those five insolvency proceedings, three were restructuring proceedings (such as the UK “prepack” or the German “ESUG”) and only two were liquidation proceedings. The aforementioned restructuring proceedings were successful: today, all three businesses are operational. Thus only two of 18 businesses were liquidated in insolvency proceedings after we sold them, which amounts to 11%. We think that this is quite a remarkable quota given that AURELIUS’ acquisition strategy is to buy businesses in special situations. We also think this proves that our business model of healing sick businesses works.

⁹ Gotham Report II, p. 36 et seq.

¹⁰ Gotham Report II, p. 11.

¹¹ Gotham Report, p. 1/4/23-25.



Appendix

AKTIEBREV

Share certificate

Nr 1 - 500

utfärdat i
issued in

AUR Geissblatt Holding AB

559028-7909

Antal aktier: 500 Aktier
Number of shares

Ägare / Owner:

AURELIUS SE & Co. KGaA
HRB 221100

som härmed tillförsäkras motsvarande andel i bolaget med
rättigheter och skyldigheter enligt gällande lag och bolagsordning.
*that is hereby ensured the equivalent share in the Company with rights and duties
according to existing law and Articles of Association.*

Stockholm 2015-10-30

Bolagskategori
Company class

privat aktiebolag publikt aktiebolag

För dessa aktier gäller

For these shares the following applies

Förköpsförbehåll Samtyckesförbehåll Hembudsförbehåll Inlösenförbehåll Omvandlingsförbehåll

Aktieslag (i förekommande fall)
Class of shares (where appropriate)

A-aktier B-aktier Stamaktier Preferensaktier

AKTIEBREV

Share certificate

Nr 1 - 500

utfärdat i
issued in

AUR Geissblatt DS AB

559028-7891

Antal aktier: 500 Aktier
Number of shares

Ägare / Owner:
AUR Geissblatt Holding AB
559028-7909

som härmed tillförsäkras motsvarande andel i bolaget med
rättigheter och skyldigheter enligt gällande lag och bolagsordning.
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Stockholm 2015-10-30

Bolagskategori
Company class

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Aktieslag (i förekommande fall)
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A-aktier B-aktier Stamaktier Preferensaktier