Statement from AURELIUS Equity Opportunities SE & Co. KGaA in response to Ontake's allegations

Grünwald, 3 February 2020

A. Preamble

This statement will demonstrate that the accusations made by Ontake Research (**"Ontake"**) in its report (**"Ontake Report"**) published on 30 January 2020 are substantially incorrect and are deliberately designed by Ontake to maliciously mislead its readers and investors accordingly. At the time of the Ontake Report's publication, Ontake held a short position in AURELIUS Equity Opportunities SE & Co. KGaA (**"AEO"**). It is therefore obvious that Ontake had a vested interest in damaging the reputation of AEO in order to depress its share price and make significant speculative gains to the detriment of all shareholders.

B. Executive Summary

The Ontake Report lists a number of accusations based on a collection of false, misleading and fabricated allegations designed to manipulate the AURELIUS share price. The report was published on a newly registered, anonymous homepage and shows no signs of origin nor of an author. The anonymous author(s) call themselves "Ontake", a pseudonym allowing them to issue highly manipulative statements without public accountability.

The author's intention is to construe a very different, negative and untrue reality of AURELIUS and thus to manipulate our share price. They do so by using misleading or outright false statements, comparing apples and oranges, and even counterfeiting AURELIUS charts to create a fake depiction of AURELIUS that could not be further from the truth.

We summarize our specific responses to Ontake's assertions as follows:

- The purchase prices published by AURELIUS are not overstated. With Secop, Ontake simply "forgot" to include the purchase price for the shareholder loans. With Getronics, Ontake tried to discredit the purchaser's ability to pay the purchase price by overlooking the fact that the purchaser was backed by three of the world's most financially strong and reputable financiers, White Oak Global Advisors, Permira PDM and H.I.G. WhiteHorse. For Solidus, Ontake pretended to derive the total purchase price from different cash streams but again did fail to show the full picture.

- AURELIUS' published portfolio NAV is correct and audited annually by KPMG.

- Also, AEO is not "burning" 36m EUR per year. In fact, the amount of annual holding cost not covered by portfolio company management fees amounts to less than 5m EUR per year.

- Finally, Ontake values AURELIUS at EUR 0,04 per share, a ridiculously little target price for a company that generated over 200m EUR in consolidated EBITDA last year, has returned more than EUR 489m in dividends to its shareholders over the last 5 years and holds more than EUR 400m in cash on its group balance sheet.

C. **Corrective Statement**

I. **Accusation 1: Purchase prices published by AURELIUS are overstated.**

The facts: Purchase prices are not overstated, you just have to look at the full picture.

a) **From Enterprise Value to Net Cash Proceeds: the PE Bridge**

In order to get the numbers right, it is useful to shed some light on the terms used in the private equity industry and by Ontake. It is important to understand their content. If you do, you will be able to falsify most of Ontake's allegations yourself. The "bridge" from Enterprise Value to Net Cash Proceeds is as follows:

(a)	**<u>Enterprise Value</u> ("purchase price")**	
(b)	**./. Net debt**	such as cash, bank debt, bonds, factoring and other asset backed financing
(c)	**./. Other deduction items**	such as working capital adjustments, unpaid taxes, pension obligations, capex shortfall and company management deal bonusses
(d)	**= <u>Equity Value</u>**	i.e. shares, shareholder loans, brands and other IP, other assets
(e)	**./. 3rd party deal cost**	such as advisor fees or bank break fees
(f)	**<u>Net Cash Proceeds</u>**	either paid at closing or later

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b) Secop: A Fabricated Allegation

Secop was sold for EUR 185m in Enterprise Value (a), while the Equity Value (d) was EUR 140m. Of the Equity Value, EUR 71m were allocated to shares, while another EUR 69m were allocated to historic shareholder loans which were bought from the previous shareholder, Danfoss, and sold on to Nidec. Ontake has only taken the EUR 71m allocated to the shares into account, and thus intentionally omitted a mention of the purchase price for the shareholder loans. Hence the false allegation that the "sales price" was EUR 71m. In their press releases on the closing of transaction on 1 August 2017, Nidec was unequivocal with regards to buying both shares and shareholder loans.

Nidec Completes Acquisition of Secop Group (Secop Holding GmbH and Other 3 Entities), a German Compressor Manufacturer

Nidec Corporation (TSE: 6594) (OTC US: NJDCY) (the "Company" or "Nidec") announced today that the Company completed the acquisition of 100% equity shares of Secop Holding GmbH, Secop s.r.o., Secop Compressors (Tianjin) Co., Ltd. and Secop Inc. (collectively "Secop"), and shareholder loans from Secop Beteillingungs GmbH, a portfolio management company owned by AURELIUS Equity Opportunities SE & Co KGaA ("Aurelius") (the "Transaction") on July 31, 2017.

As a result of the Transaction, Secop and their subsidiaries became Nidec's subsidiaries. The details of the main acquired companies are as follows:

Source: https://www.nidec.com/-/media/www-nidec-com/corporate/news/2017/0801-01/170801-01e.pdf

Below is the section from the SPA regarding the shareholder loans; if you add up the amounts, you will find that an amount of EUR 69m was paid for them.

Section 3
Compensation for the Shareholder Loans

3.1 The compensation for the transfer of the Shareholder Loans upon Closing, which shall not deviate from the amount of the Shareholder Loans as described in Section 1.6 and as reduced pursuant to the Intercompany Liabilities Settlement, shall be the sum of:

(i) an amount of EUR 3,616,496.43 for Shareholder Loan 1 ("**Shareholder Loan 1 Compensation**"), and

(ii) an amount of EUR 6,156,652.89 for Shareholder Loan 2 ("**Shareholder Loan 2 Compensation**"), and

(iii) an amount of EUR 54,711,749.15 for Shareholder Loan 3 ("**Shareholder Loan 3 Compensation**"), and

(iv) an amount of EUR 4,154,150.22 for Shareholder Loan 4 ("**Shareholder Loan 4 Compensation**"), and

(v) an amount in EUR corresponding to the aggregate amount of the Shareholder Loan 5, if any ("**Shareholder Loan 5 Compensation**", jointly with the Shareholder Loan 1 Compensation, the Shareholder Loan 2 Compensation, the Shareholder Loan 3 Compensation and the Shareholder Loan 4 Compensation, the "**Shareholder Loans Compensation**").

Source: Share Purchase Agreement AURELIUS – Nidec signed April 24, 2017, page 16

c) Getronics Exit: False Claims about the Acquirer's Financing

Regarding the sale of Getronics, Ontake alleges that Getronics' buyer, Bottega, did not have the means to pay some EUR 220m for Getronics.[1] This overlooks the fact that three global financial institutions, White Oak Global Advisors, Permira PDM and H.I.G. WhiteHorse, provided financing to Bottega. They are, by any standard, three of the most reputable and robust financiers in the market.

We have been very transparent about this: In our press release announcing the deal, we highlighted the involvement of all respective parties:

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- Sales price EUR 220 million
- Successful repositioning as a respected ICT partner to medium-sized and large enterprises
- Substantial growth under the roof of AURELIUS through organic growth and strategic add-on acquisitions
- Buyer Bottega InvestCo has extensive experience with ICT services

Munich, 6 July 2017 – AURELIUS Equity Opportunities SE & Co. KGaA (ISIN DE000A0JK2A8) is selling its subsidiary Getronics to strategic investor Bottega InvestCo S.à r.l. Bottega is backed by its majority shareholder, US/Brazilian entrepreneur Nana Baffour, who operates in the IT services market through Grupo Cimcorp in Brazil as well as prestigious financing partners White Oak Global Advisors, Permira PDM and H.I.G. WhiteHorse. The sales price is EUR 220 million (enterprise value). The transaction shall be completed within in the next few days.

Source: AURELIUS press release on https://aureliusinvest.com/en/equity-opportunities/press/press-releases/aurelius-verkauf-der-getronics-gruppe-vollzogen-groesster-exit-der-aurelius-unternehmensgeschichte/

[1] Ontake Report, p. 2 sub b.

With large financiers such as Permira PDM, with a committed capital of EUR 7.9bn[2], or H.I.G. WhiteHorse, with EUR 31bn of equity capital under management,[3] deciding to participate in this transaction after performing a comprehensive due diligence, we do not see why such a transaction could be held against us. It should not be a surprise that we received every single cent of the purchase price.

d) Solidus: EUR 221m Received

Solidus was sold at an Enterprise Value (a) of EUR 330m, yielding Net Cash Proceeds (f) to AURELIUS of EUR 221m. The figure of 185m presented by Ontake is flawed as a consequence of comparing the incomparable:

- Firstly, it only looks at the cash streamed up to AEO from our selling vehicle AURELIUS ALPHA B.V. until September 2019 when the bond memorandum was written (amounting to EUR 185m). Further cash was upstreamed in October 2019 and a last tranche will be upstreamed in the next couple of weeks once the last deal cost invoices will have been paid.

- Secondly, Ontake only recognizes the part of the Equity Value (d) allocated on the shares and ignores the part allocated on the brand.

[2] https://www.permiradebtmanagers.com/about/pdm-today/.
[3] https://higeurope.com/whitehorse/files/HIGwhitehorsecapital.pdf.

e) AURELIUS' Carry Scheme[4]

AURELIUS is now in the middle of its second decade of building a successful track record and reputation in the market. It competes with other private equity firms for the best talent. This not only rings true with regards to our employees, but also with regards to our board of directors. In order to succeed in this environment, it is critical for AURELIUS to adhere to industry standards regarding compensation. Under these standards, management obtains a participation in the profits made from an investment. This share is usually referred to as "carried interest". It is obvious that AURELIUS would not be in a position to secure the services of current management and acquire new talent without offering such a compensation scheme.

Ontake's calculation of management's compensation is utterly wrong. AURELIUS' executive board members do not receive a carried interest of 34% of the "Exit Proceeds." The 34% mentioned by Ontake is a fictitious number, generated by dividing the management compensation as reported in the annual report by "Exit Proceeds." These "Exit Proceeds" are fundamentally different from what we refer to as Net Cash Proceeds (f). The term Net Cash Proceeds as used in this paper not only covers dividends received by AEO (as does the term "Exit Proceeds") but cash received by all AURELIUS group companies. Thus, Net Cash Proceeds and therefore the equation denominator is significantly higher than Ontake's "Exit Proceeds".

f) The Role of Dirk Markus at Arques

Dr. Markus held the role of COO, not CFO, at Arques. His contract expired in December 2004, and he decided not to renew it, but instead to leave the company. He was not involved in the preparation of the annual report for 2004, which took place in early 2005. The acquisition of Actebis took place in October 2007, i.e. almost three years after he had left the company. All of this is public information which Ontake could have taken into account had it wanted to do so.

[4] Ontake Report, p. 2 sub d.

II. Accusation 2: AURELIUS' current portfolio is worth EUR 257m.

The facts: AURELIUS portfolio is worth a multiple of that. Ontake repeatedly uses five manipulative methods to mislead investors on this point.

a) Incorrectly Comparing IFRS to Local GAAP Figures

Ontake repeatedly compares figures from AEO consolidated group accounts prepared under IFRS with figures from the annual accounts of subsidiaries prepared under local GAAP. Unsurprisingly, these figures do not match. This is a result of different accounting standards and does not constitute a manipulation of annual accounts.

A striking example of why this is wrong is CalaChem. CalaChem is the northern plant of what Ontake refers to as UK Chemicals. In 2018, CalaChem made two significant changes to its employees' pensions arrangements (revaluation of plan assets) which led to an exceptional non-cash expense of approximately minus GBP 8.3m in its UK GAAP governed annual accounts. In AEO consolidated group accounts governed by IFRS, however, this did not affect the net income due to IAS 19.

b) Wrongfully Comparing Reported EBITDA and Operating EBITDA

Ontake compares the reported EBITDA with the EBITDA shown in the bond presentation, which is explicitly termed "operating" EBITDA.[5] This is nonsensical, and it is not surprising that these figures do not match as the EBITDA shown in the bond presentation is an EBITDA adjusted by, most importantly, restructuring expenses and non-recurring expenses. This is particularly true for companies that are still undergoing an improvement process.

c) Working with "alternative time horizons"

The financial results of a company acquired by AURELIUS during a fiscal year only become part of AEO consolidated group results after the relevant closing date. If a business is acquired in September of a given year, AEO consolidated group accounts will only show the results from September until December, while the local accounts will show the results for the entire calendar year.

Two striking examples for Ontake's malicious technique are VAG and nds: In the top of the page table of p.18, the values for VAG and nds contain figures only covering the period since AURELIUS acquired them in late November and early December of 2018, respectively. Unsurprisingly, these numbers are substantially different than the numbers filed by those companies for their annual accounts which cover their entire fiscal year.

[5] Ontake Report, p. 18.

d) Failing to Look at the Full Picture

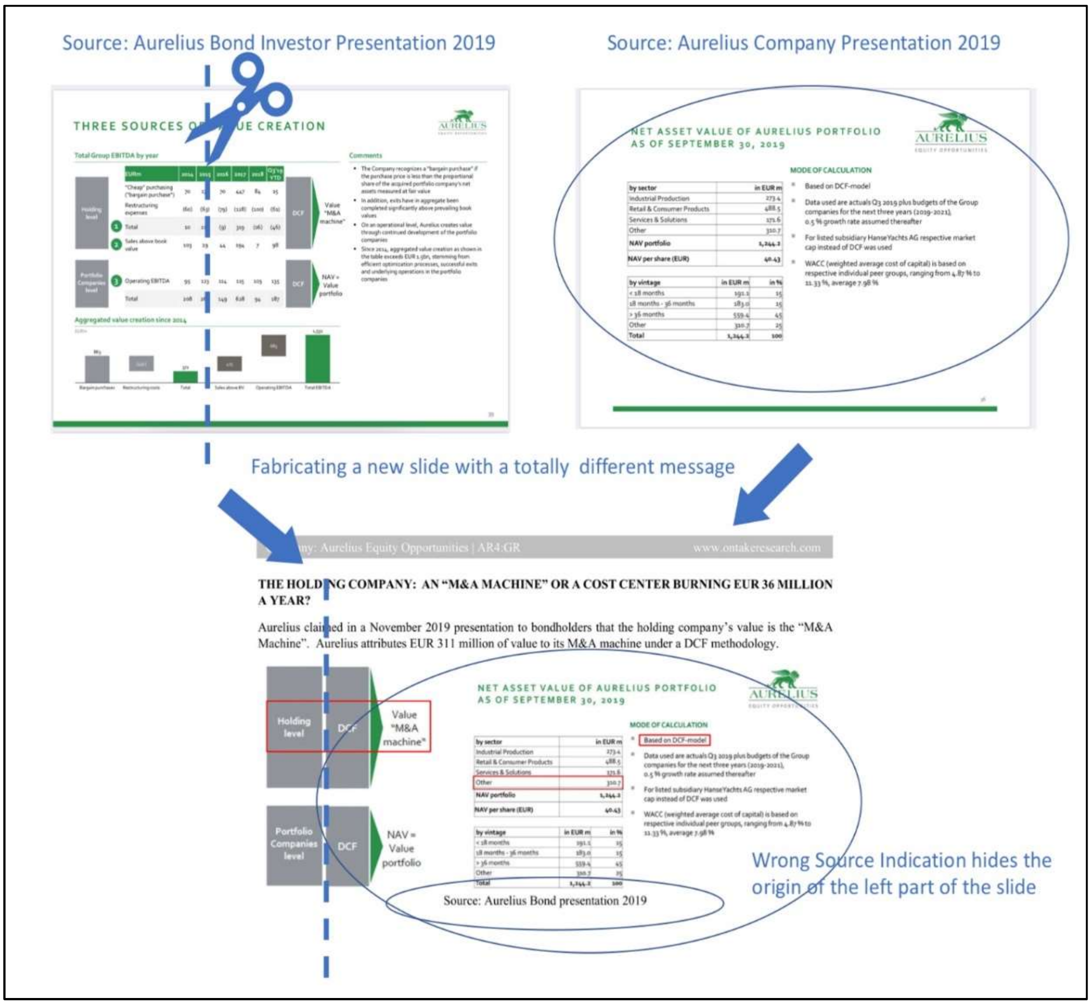
Another technique applied by Ontake to mislead readers and investors is to ignore that many of our portfolio enterprises have operations in more than one country.

Look, for example, at how Scholl is treated in their report:[6] Ontake argues as if Scholl only had operations in France and Italy, completely ignoring Scholl's brand business and most of its Asia-Pacific operations and the profit generated by them. Unsurprisingly, they only recognize EUR 1m of EBITDA rather than the EUR 5m we published.

[6] Ontake Report, p. 30.

e) Photoshopping Reality

A particularly blatant example of deceit. On p. 38 of their report, Ontake say that the chart shown was taken from the “Aurelius Bond presentation” 2019. No, it is not. In reality, Ontake fabricated the slide by cutting and pasting two different slides used by us, thus creating a new chart with an entirely different message. But see for yourself:



III. Accusation 3: Is AEO a black hole burning EUR 36m a year?

The facts: no – the "hole" is less than 5m a year.

AEO – the company referred to by Ontake as "Holding Company" – has annual costs of approx. EUR 25m of which more than 80% are covered by management fees paid by portfolio companies. So less than 5m, rather than 36m, of "burn" in a year.

Furthermore, Ontake implies that the "Other" part of NAV is in reality the Holding Company, so essentially accusing us of attributing a value of 311m to a cost center.[7] Nothing is further from the truth. Take a look at p. 63 of our Annual Report 2018 as published on our website[8]:

> The carrying amount applied for the Other segment is determined simply based on the position of cash and cash equivalents of AURELIUS Equity Opportunities SE & Co. KGaA and the individual holding companies that were not yet included in the NAV calculations of the portfolio companies. The treasury shares of AURELIUS Equity Opportunities SE & Co. KGaA and a brand company valued using a discounted cash flow model are also applied. In addition, loan receivables, which are presented as deductions in the NAV of the portfolio companies, are adjusted. The nominal amount of the issued convertible bond is likewise deducted.

Source: AURELIUS annual report 2018, p. 63.

Hence "Other" essentially comprises cash, smaller business not included in the other segments, treasury shares and a brand company. The term "brand company" refers to the Blaupunkt licensing business which generated an EBIT of more than 5m EUR last year. The value of the single components of "Other" as well as the entire calculation of AURELIUS' NAV was, and continues to be audited annually by KPMG.

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[7] Ontake Report, p. 7.
[8] https://aureliusinvest.com/site/assets/files/3405/aurelius_gb2018_en_secure.pdf.

IV. Accusation 4: This company is doomed and therefore worth 4 cents a share.

Given AURELIUS generated a consolidated EBITDA of more than EUR 200m in 2019, had a cash position of over EUR 400m as of 31 December 2019 and has returned more than EUR 489m in dividends to shareholders over the last 5 years alone, we find the issued price target of EUR 0,04 per share somewhat hard to verify.

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