

|   |  |  |   |
|---|--|--|---|
| <b>Buy</b> (Hold)<br><b>EUR 95.00</b> (EUR 91.00)<br><br>Price <b>EUR 79.20</b><br><b>Upside 19.9 %</b> | <b>Value Indicators:</b> EUR<br>DCF: 94.85   | <b>Share data:</b><br>Bloomberg: AOF GR<br>Reuters: AOFG<br>ISIN: DE0005104400                                     | <b>Description:</b><br>ATOSS supplies software and services for the optimisation of workforce management. |
|   | <b>Market Snapshot:</b> EUR m<br>Market cap: 314.9<br>No. of shares (m): 4.0<br>EV: 289.0<br>Freefloat MC: 103.0<br>Ø Trad. Vol. (30d): 64.21 th | <b>Shareholders:</b><br>Freefloat 32.7 %<br>Founding Family 56.4 %<br>Mainfirst 5.1 %<br>Investment TGV Bonn 5.8 % | <b>Risk Profile (WRe):</b> 2018e<br>Beta: 1.1<br>Price / Book: 11.2 x<br>Equity Ratio: 63 %               |

## Cloud is growing strongly...

### Stated Figures Q3/2018:

| Figures in EUR m | Q3/18 | Q3/18e | Q3/17 | yoy   | 9M/18 | 9M/17 | yoy   |
|------------------|-------|--------|-------|-------|-------|-------|-------|
| <b>Sales</b>     | 15.9  | 15.5   | 13.5  | 17.8% | 45.4  | 40.0  | 13.3% |
| <b>EBIT</b>      | 4.6   | 4.3    | 3.6   | 28.3% | 12.0  | 10.2  | 18.1% |
| <b>margin</b>    | 28.7% | 27.7%  | 26.4% |       | 26.6% | 25.5% |       |

### Comment on Figures:

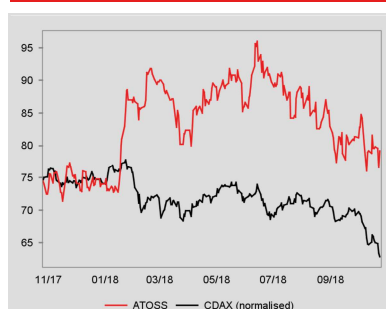
- ATOSS Software AG presented figures for the third quarter and first nine months of 2018 on Wednesday, 24.10.2018.
- These exceeded the expectations slightly and showed significant gains, especially in the cloud area.

The ATOSS results take their place in a series of consistently positive earnings developments over the past 13 years. Q3 presented no surprise but, once again, proved the consistency of the impressive development.

Of particular significance for a number of quarters, however, has been the cloud business (see our comment dated 27.10.2017 "Cloud Transformation"). Cloud orders accounted for a 30% share of licence order intake in the first nine months (previous year 14%). In this context a normal licence can generally be compared to a five-year cloud contract. Looking at Q3 alone, this value even amounted to 34%. In terms of new customers, or excluding follow-up licencing for existing customers, this value is likely to have been well above 50%. From an operative perspective it seems noteworthy that the cloud solutions are currently selling very well. Initial feedback from clients, for example from a technical point of view ("giving away data"), is playing an increasingly insignificant role in light of the profound advantages of the provision of extremely secure data centres. While cloud revenue should account for about EUR 3.9m of the overall revenue in 2018, about EUR 7m is to be expected for the next fiscal year (WRe). As the cloud subscriptions are booked under maintenance revenues, the share of maintenance revenues in the reported period rose significantly to 42% (40%). Normally, the share of the follow-up revenue category "maintenance" rises far less rapidly, especially in good business years.

These developments show that the cloud transformation case is materialising with the core assumption of a high long-term EBIT margin of 35%, carried by a high share of recurring revenue. For completely cloud-based business models (very long term), margin levels of more than 50% would also be possible as, on a calculative basis, the cloud-based provision of software to existing customers allows for extremely high margins. This however is not part of the assumption framework.

**Based on unchanged estimates, the price target is being raised slightly (roll-over). On the basis of the current share-price level, upside may now be seen once again. The share is being upgraded from Hold to Buy. The price target comes to EUR 95 (91).**



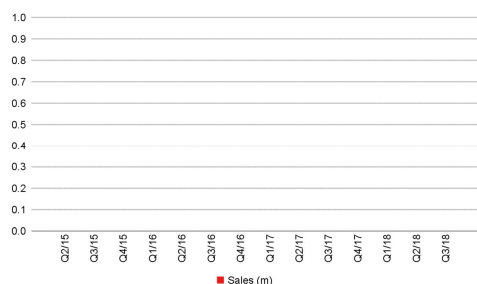
### Rel. Performance vs CDAX:

|                     |        |
|---------------------|--------|
| 1 month:            | 7.9 %  |
| 6 months:           | 2.7 %  |
| Year to date:       | 22.2 % |
| Trailing 12 months: | 19.3 % |

### Company events:

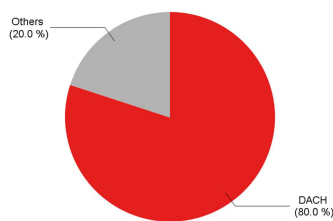
| FY End: 31.12.<br>in EUR m | CAGR<br>(17-20e) | 2014                                      | 2015   | 2016   | 2017   | 2018e  | 2019e  | 2020e  |
|----------------------------|------------------|---|--------|--------|--------|--------|--------|--------|
| <b>Sales</b>               | 11.8 %           | 39.7                                      | 44.9   | 49.5   | 54.6   | 61.4   | 68.2   | 76.3   |
| Change Sales yoy           |                  | 11.8 %                                    | 13.2 % | 10.2 % | 10.2 % | 12.4 % | 11.0 % | 12.0 % |
| Gross profit margin        |                  | 68.8 %                                    | 68.5 % | 69.9 % | 70.3 % | 70.0 % | 70.0 % | 70.0 % |
| <b>EBITDA</b>              | 14.1 %           | 10.3                                      | 12.0   | 14.3   | 14.9   | 17.2   | 19.4   | 22.1   |
| Margin                     |                  | 26.0 %                                    | 26.8 % | 28.8 % | 27.2 % | 28.0 % | 28.5 % | 29.0 % |
| <b>EBIT</b>                | 14.1 %           | 9.8                                       | 11.3   | 13.6   | 14.1   | 16.3   | 18.4   | 21.0   |
| Margin                     |                  | 24.7 %                                    | 25.2 % | 27.4 % | 25.9 % | 26.5 % | 27.0 % | 27.5 % |
| <b>Net income</b>          | 14.7 %           | 7.0                                       | 7.6    | 9.3    | 9.3    | 10.9   | 12.3   | 14.0   |
| <b>EPS</b>                 | 14.7 %           | 1.77                                      | 1.91   | 2.33   | 2.34   | 2.74   | 3.09   | 3.53   |
| <b>EPS adj.</b>            | 14.7 %           | 1.77                                      | 1.91   | 2.33   | 2.34   | 2.74   | 3.09   | 3.53   |
| <b>DPS</b>                 | 15.1 %           | 0.88                                      | 2.80   | 1.16   | 1.16   | 1.37   | 1.55   | 1.77   |
| Dividend Yield             |                  | 3.0 %                                     | 6.0 %  | 1.9 %  | 1.6 %  | 1.7 %  | 2.0 %  | 2.2 %  |
| <b>FCFPS</b>               |                  | 1.94                                      | 1.81   | 2.80   | 1.95   | 2.09   | 2.89   | 3.28   |
| <b>FCF / Market cap</b>    |                  | 6.6 %                                     | 3.9 %  | 4.7 %  | 2.8 %  | 2.6 %  | 3.6 %  | 4.1 %  |
| <b>EV / Sales</b>          |                  | 2.6 x                                     | 3.7 x  | 4.4 x  | 4.7 x  | 4.7 x  | 4.2 x  | 3.6 x  |
| <b>EV / EBITDA</b>         |                  | 9.9 x                                     | 13.7 x | 15.3 x | 17.4 x | 16.8 x | 14.6 x | 12.5 x |
| <b>EV / EBIT</b>           |                  | 10.4 x                                    | 14.5 x | 16.0 x | 18.3 x | 17.8 x | 15.4 x | 13.1 x |
| <b>P / E</b>               |                  | 16.8 x                                    | 24.3 x | 25.6 x | 30.2 x | 28.9 x | 25.6 x | 22.4 x |
| <b>P / E adj.</b>          |                  | 16.8 x                                    | 24.3 x | 25.6 x | 30.2 x | 28.9 x | 25.6 x | 22.4 x |
| <b>FCF Potential Yield</b> |                  | 6.5 %                                     | 4.8 %  | 4.3 %  | 3.8 %  | 3.9 %  | 4.6 %  | 5.4 %  |
| <b>Net Debt</b>            |                  | -15.9                                     | -19.6  | -19.4  | -22.3  | -26.0  | -32.0  | -38.9  |
| <b>ROCE (NOPAT)</b>        |                  | n.a.                                      | n.a.   | n.a.   | n.a.   | n.a.   | n.a.   | n.a.   |
| <b>Guidance:</b>           |                  | Revenue growth, EBIT margin at least 25 % |        |        |        |        |        |        |

**Sales development**  
in EUR m



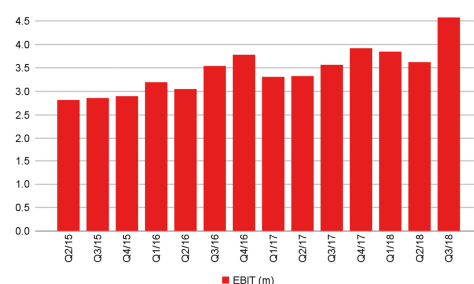
Source: Warburg Research

**Sales by regions**  
2018e; in %



Source: Warburg Research

**EBIT development**  
in EUR m



Source: Warburg Research

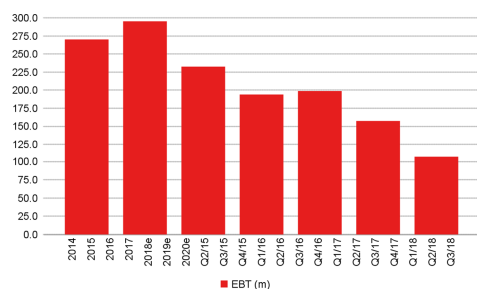
## Company Background

- ATOSS Software AG is a supplier of software and services for the optimisation of workforce management.
- ATOSS solutions optimises companies' personnel procedures, improving the level of service and efficiency of the employees and improving customer satisfaction
- The company has achieved a leading market position, particularly in the German speaking countries.
- From medium-sized companies (Mittelstand) to blue-chip firms, several million employees use ATOSS solutions.

## Competitive Quality

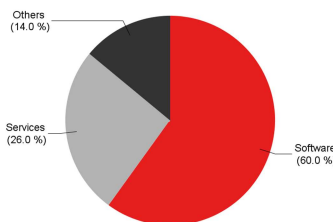
- ATOSS has a leading software product (the most modern Java technology)
- ATOSS specialises in regions and industry sectors (country-specific work conditions in the Germany, Austria, Swiss region and mapping out work processes in core industries)
- ATOSS works independently of producers (no ties to hardware or large software producers) and the ATOSS solutions have a high level of compatibility (e.g. seamless integration in the ERP systems possible)
- Financial stability and balance sheet quality is excellent, which can be regarded as a competitive advantage in the software industry.
- ATOSS is a relatively large supplier (in comparison to the competition) among many much smaller suppliers, which still pose stiff competition for ATOSS.

**EBT development**  
in EUR m



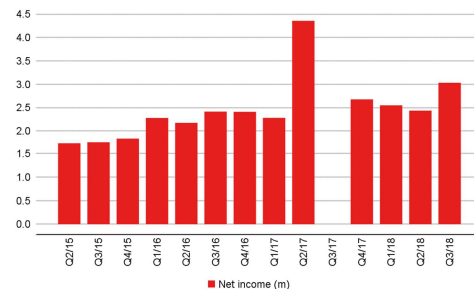
Source: Warburg Research

**Sales by segments**  
2018e; in %



Source: Warburg Research

**Net income development**  
in EUR m



Source: Warburg Research

## DCF model

| Figures in EUR m            | Detailed forecast period |        |        | Transitional period |        |        |        |        |        |        |        |        |        | Term. Value |
|-----------------------------|--------------------------|--------|--------|---------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------------|
|                             | 2018e                    | 2019e  | 2020e  | 2021e               | 2022e  | 2023e  | 2024e  | 2025e  | 2026e  | 2027e  | 2028e  | 2029e  | 2030e  |             |
| Sales                       | 61.4                     | 68.2   | 76.3   | 84.0                | 92.4   | 101.6  | 109.7  | 118.5  | 128.0  | 135.7  | 141.1  | 146.7  | 152.6  | 2.5 %       |
| Sales change                | 12.4 %                   | 11.0 % | 12.0 % | 10.0 %              | 10.0 % | 10.0 % | 8.0 %  | 8.0 %  | 8.0 %  | 6.0 %  | 4.0 %  | 4.0 %  | 4.0 %  |             |
| EBIT                        | 16.3                     | 18.4   | 21.0   | 21.8                | 24.9   | 28.4   | 31.8   | 35.6   | 39.7   | 43.4   | 46.6   | 49.9   | 53.4   |             |
| EBIT-margin                 | 26.5 %                   | 27.0 % | 27.5 % | 26.0 %              | 27.0 % | 28.0 % | 29.0 % | 30.0 % | 31.0 % | 32.0 % | 33.0 % | 34.0 % | 35.0 % |             |
| Tax rate (EBT)              | 33.0 %                   | 33.0 % | 33.0 % | 35.0 %              | 35.0 % | 35.0 % | 35.0 % | 35.0 % | 35.0 % | 35.0 % | 35.0 % | 35.0 % | 35.0 % |             |
| NOPAT                       | 10.9                     | 12.3   | 14.1   | 14.2                | 16.2   | 18.5   | 20.7   | 23.1   | 25.8   | 28.2   | 30.3   | 32.4   | 34.7   |             |
| Depreciation                | 0.9                      | 1.0    | 1.1    | 1.7                 | 1.6    | 1.5    | 1.6    | 1.8    | 1.9    | 2.0    | 2.1    | 2.2    | 2.3    |             |
| in % of Sales               | 1.5 %                    | 1.5 %  | 1.5 %  | 2.0 %               | 1.7 %  | 1.5 %  | 1.5 %  | 1.5 %  | 1.5 %  | 1.5 %  | 1.5 %  | 1.5 %  | 1.5 %  |             |
| Changes in provisions       | 0.0                      | 0.0    | 0.0    | 0.2                 | 0.2    | 0.3    | 0.2    | 0.2    | 0.2    | 0.1    | 0.1    | 0.1    | 0.1    |             |
| Change in Liquidity from    |                          |        |        |                     |        |        |        |        |        |        |        |        |        |             |
| - Working Capital           | 2.4                      | 0.7    | 1.0    | 0.5                 | 0.0    | 0.9    | 0.8    | 0.9    | 0.9    | 0.8    | 0.5    | 0.6    | 0.6    |             |
| - Capex                     | 1.1                      | 1.1    | 1.1    | 1.3                 | 1.4    | 1.5    | 1.6    | 1.8    | 1.9    | 2.0    | 2.1    | 2.2    | 2.3    |             |
| Capex in % of Sales         | 1.8 %                    | 1.6 %  | 1.5 %  | 1.5 %               | 1.5 %  | 1.5 %  | 1.5 %  | 1.5 %  | 1.5 %  | 1.5 %  | 1.5 %  | 1.5 %  | 1.5 %  |             |
| Other                       | 0.0                      | 0.0    | 0.0    | 0.0                 | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |             |
| Free Cash Flow (WACC Model) | 8.3                      | 11.5   | 13.1   | 14.3                | 16.6   | 17.9   | 20.1   | 22.5   | 25.1   | 27.6   | 29.8   | 32.0   | 34.2   | 33          |
| PV of FCF                   | 8.2                      | 10.5   | 10.9   | 11.0                | 11.8   | 11.7   | 12.1   | 12.5   | 12.8   | 13.0   | 13.0   | 12.8   | 12.6   | 202         |
| share of PVs                | 8.35 %                   |        |        | 34.76 %             |        |        |        |        |        |        |        |        |        | 56.90 %     |

### Model parameter

|                          |               |                     |             |
|--------------------------|---------------|---------------------|-------------|
| Derivation of WACC:      |               | Derivation of Beta: |             |
| Debt ratio               | 0.00 %        | Financial Strength  | 1.10        |
| Cost of debt (after tax) | 3.9 %         | Liquidity (share)   | 1.10        |
| Market return            | 8.00 %        | Cyclicality         | 1.10        |
| Risk free rate           | 2.50 %        | Transparency        | 1.10        |
|                          |               | Others              | 1.10        |
| <b>WACC</b>              | <b>8.55 %</b> | <b>Beta</b>         | <b>1.10</b> |

### Valuation (m)

|                            |            |                              |              |
|----------------------------|------------|------------------------------|--------------|
| Present values 2030e       | 153        |                              |              |
| Terminal Value             | 202        |                              |              |
| Financial liabilities      | 0          |                              |              |
| Pension liabilities        | 5          |                              |              |
| Hybrid capital             | 0          |                              |              |
| Minority interest          | 0          |                              |              |
| Market val. of investments | 0          |                              |              |
| Liquidity                  | 27         | No. of shares (m)            | 4.0          |
| <b>Equity Value</b>        | <b>377</b> | <b>Value per share (EUR)</b> | <b>94.85</b> |

### Sensitivity Value per Share (EUR)

| Beta WACC |       | Terminal Growth |        |        |        |        |        |        | Beta WACC |       | Delta EBIT-margin |         |         |         |         |         |         |
|-----------|-------|-----------------|--------|--------|--------|--------|--------|--------|-----------|-------|-------------------|---------|---------|---------|---------|---------|---------|
|           |       | 1.75 %          | 2.00 % | 2.25 % | 2.50 % | 2.75 % | 3.00 % | 3.25 % |           |       | -1.5 pp           | -1.0 pp | -0.5 pp | +0.0 pp | +0.5 pp | +1.0 pp | +1.5 pp |
| 1.28      | 9.6 % | 77.09           | 78.26  | 79.50  | 80.84  | 82.27  | 83.81  | 85.48  | 1.28      | 9.6 % | 77.13             | 78.36   | 79.60   | 80.84   | 82.07   | 83.31   | 84.55   |
| 1.19      | 9.1 % | 82.74           | 84.15  | 85.67  | 87.30  | 89.06  | 90.96  | 93.03  | 1.19      | 9.1 % | 83.28             | 84.62   | 85.96   | 87.30   | 88.63   | 89.97   | 91.31   |
| 1.15      | 8.8 % | 85.88           | 87.44  | 89.11  | 90.92  | 92.88  | 95.01  | 97.33  | 1.15      | 8.8 % | 86.74             | 88.13   | 89.53   | 90.92   | 92.32   | 93.71   | 95.10   |
| 1.10      | 8.6 % | 89.25           | 90.98  | 92.84  | 94.85  | 97.04  | 99.43  | 102.04 | 1.10      | 8.6 % | 90.49             | 91.95   | 93.40   | 94.85   | 96.31   | 97.76   | 99.22   |
| 1.05      | 8.3 % | 92.90           | 94.81  | 96.88  | 99.13  | 101.59 | 104.27 | 107.22 | 1.05      | 8.3 % | 94.57             | 96.09   | 97.61   | 99.13   | 100.65  | 102.18  | 103.70  |
| 1.01      | 8.1 % | 96.84           | 98.97  | 101.29 | 103.81 | 106.57 | 109.61 | 112.96 | 1.01      | 8.1 % | 99.03             | 100.62  | 102.22  | 103.81  | 105.40  | 106.99  | 108.59  |
| 0.92      | 7.6 % | 105.77          | 108.44 | 111.37 | 114.58 | 118.12 | 122.06 | 126.45 | 0.92      | 7.6 % | 109.30            | 111.06  | 112.82  | 114.58  | 116.34  | 118.10  | 119.85  |

- In the DCF model, a moderate continuation of the constant growth of the past years is anticipated.
- A margin improvement due to economies of scale is not assumed.
- The long-term margin remains at a high level

| Valuation                           | 2014   | 2015   | 2016   | 2017   | 2018e  | 2019e  | 2020e  |
|-------------------------------------|--------|--------|--------|--------|--------|--------|--------|
| Price / Book                        | 7.9 x  | 9.7 x  | 14.0 x | 12.9 x | 11.2 x | 9.0 x  | 7.3 x  |
| Book value per share ex intangibles | 3.72   | 4.71   | 4.19   | 5.40   | 6.98   | 8.74   | 10.74  |
| EV / Sales                          | 2.6 x  | 3.7 x  | 4.4 x  | 4.7 x  | 4.7 x  | 4.2 x  | 3.6 x  |
| EV / EBITDA                         | 9.9 x  | 13.7 x | 15.3 x | 17.4 x | 16.8 x | 14.6 x | 12.5 x |
| EV / EBIT                           | 10.4 x | 14.5 x | 16.0 x | 18.3 x | 17.8 x | 15.4 x | 13.1 x |
| EV / EBIT adj.*                     | 10.4 x | 14.5 x | 16.0 x | 18.3 x | 17.8 x | 15.4 x | 13.1 x |
| P / FCF                             | 15.3 x | 25.6 x | 21.3 x | 36.3 x | 38.0 x | 27.4 x | 24.1 x |
| P / E                               | 16.8 x | 24.3 x | 25.6 x | 30.2 x | 28.9 x | 25.6 x | 22.4 x |
| P / E adj.*                         | 16.8 x | 24.3 x | 25.6 x | 30.2 x | 28.9 x | 25.6 x | 22.4 x |
| Dividend Yield                      | 3.0 %  | 6.0 %  | 1.9 %  | 1.6 %  | 1.7 %  | 2.0 %  | 2.2 %  |
| FCF Potential Yield (on market EV)  | 6.5 %  | 4.8 %  | 4.3 %  | 3.8 %  | 3.9 %  | 4.6 %  | 5.4 %  |

\*Adjustments made for: -

## Consolidated profit and loss

| In EUR m   | 2014          | 2015          | 2016          | 2017          | 2018e         | 2019e         | 2020e         |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Sales</b>                                     | <b>39.7</b>   | <b>44.9</b>   | <b>49.5</b>   | <b>54.6</b>   | <b>61.4</b>   | <b>68.2</b>   | <b>76.3</b>   |
| Change Sales yoy                                 | 11.8 %        | 13.2 %        | 10.2 %        | 10.2 %        | 12.4 %        | 11.0 %        | 12.0 %        |
| COGS   | 12.4          | 14.1          | 14.9          | 16.2          | 18.4          | 20.4          | 22.9          |
| <b>Gross profit</b>                              | <b>27.3</b>   | <b>30.8</b>   | <b>34.6</b>   | <b>38.4</b>   | <b>43.0</b>   | <b>47.7</b>   | <b>53.4</b>   |
| <i>Gross margin</i>                              | <i>68.8 %</i> | <i>68.5 %</i> | <i>69.9 %</i> | <i>70.3 %</i> | <i>70.0 %</i> | <i>70.0 %</i> | <i>70.0 %</i> |
| Research and development                         | 8.0           | 8.7           | 9.5           | 10.3          | 11.5          | 12.8          | 14.3          |
| Sales and marketing                              | 6.4           | 7.4           | 8.0           | 9.7           | 10.4          | 11.6          | 13.0          |
| Administration expenses                          | 3.3           | 3.5           | 3.8           | 4.3           | 4.9           | 5.1           | 5.3           |
| Other operating expenses                         | 0.0           | 0.2           | 0.1           | 0.2           | 0.0           | 0.0           | 0.0           |
| Other operating income                           | 0.3           | 0.3           | 0.4           | 0.2           | 0.2           | 0.2           | 0.2           |
| Unfrequent items                                 | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           |
| <b>EBITDA</b>                                    | <b>10.3</b>   | <b>12.0</b>   | <b>14.3</b>   | <b>14.9</b>   | <b>17.2</b>   | <b>19.4</b>   | <b>22.1</b>   |
| <i>Margin</i>                                    | <i>26.0 %</i> | <i>26.8 %</i> | <i>28.8 %</i> | <i>27.2 %</i> | <i>28.0 %</i> | <i>28.5 %</i> | <i>29.0 %</i> |
| Depreciation of fixed assets                     | 0.4           | 0.6           | 0.6           | 0.6           | 0.8           | 0.9           | 1.0           |
| <b>EBITA</b>                                     | <b>9.9</b>    | <b>11.5</b>   | <b>13.7</b>   | <b>14.2</b>   | <b>16.4</b>   | <b>18.5</b>   | <b>21.2</b>   |
| Amortisation of intangible assets                | 0.1           | 0.1           | 0.1           | 0.1           | 0.1           | 0.1           | 0.2           |
| Goodwill amortisation                            | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           |
| <b>EBIT</b>                                      | <b>9.8</b>    | <b>11.3</b>   | <b>13.6</b>   | <b>14.1</b>   | <b>16.3</b>   | <b>18.4</b>   | <b>21.0</b>   |
| <i>Margin</i>                                    | <i>24.7 %</i> | <i>25.2 %</i> | <i>27.4 %</i> | <i>25.9 %</i> | <i>26.5 %</i> | <i>27.0 %</i> | <i>27.5 %</i> |
| <b>EBIT adj.</b>                                 | <b>9.8</b>    | <b>11.3</b>   | <b>13.6</b>   | <b>14.1</b>   | <b>16.3</b>   | <b>18.4</b>   | <b>21.0</b>   |
| Interest income                                  | 0.6           | 0.1           | 0.2           | 0.1           | 0.1           | 0.1           | 0.1           |
| Interest expenses                                | 0.1           | 0.1           | 0.1           | 0.1           | 0.1           | 0.1           | 0.1           |
| Other financial income (loss)                    | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           |
| <b>EBT</b>                                       | <b>10.3</b>   | <b>11.3</b>   | <b>13.7</b>   | <b>14.1</b>   | <b>16.2</b>   | <b>18.4</b>   | <b>21.0</b>   |
| <i>Margin</i>                                    | <i>25.9 %</i> | <i>25.2 %</i> | <i>27.6 %</i> | <i>25.7 %</i> | <i>26.4 %</i> | <i>26.9 %</i> | <i>27.5 %</i> |
| Total taxes                                      | 3.3           | 3.7           | 4.4           | 4.7           | 5.4           | 6.1           | 6.9           |
| <b>Net income from continuing operations</b>     | <b>7.0</b>    | <b>7.6</b>    | <b>9.3</b>    | <b>9.3</b>    | <b>10.9</b>   | <b>12.3</b>   | <b>14.0</b>   |
| Income from discontinued operations (net of tax) | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           |
| <b>Net income before minorities</b>              | <b>7.0</b>    | <b>7.6</b>    | <b>9.3</b>    | <b>9.3</b>    | <b>10.9</b>   | <b>12.3</b>   | <b>14.0</b>   |
| Minority interest                                | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           |
| <b>Net income</b>                                | <b>7.0</b>    | <b>7.6</b>    | <b>9.3</b>    | <b>9.3</b>    | <b>10.9</b>   | <b>12.3</b>   | <b>14.0</b>   |
| <i>Margin</i>                                    | <i>17.7 %</i> | <i>16.9 %</i> | <i>18.7 %</i> | <i>17.1 %</i> | <i>17.7 %</i> | <i>18.1 %</i> | <i>18.4 %</i> |
| Number of shares, average                        | 4.0           | 4.0           | 4.0           | 4.0           | 4.0           | 4.0           | 4.0           |
| <b>EPS</b>                                       | <b>1.77</b>   | <b>1.91</b>   | <b>2.33</b>   | <b>2.34</b>   | <b>2.74</b>   | <b>3.09</b>   | <b>3.53</b>   |
| EPS adj.   | 1.77          | 1.91          | 2.33          | 2.34          | 2.74          | 3.09          | 3.53          |

\*Adjustments made for:

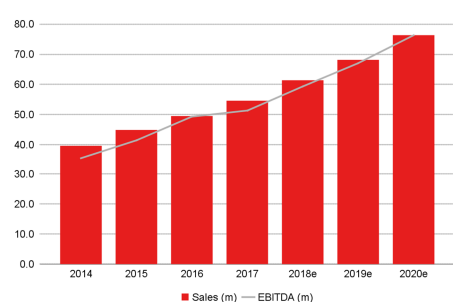
**Guidance: Revenue growth, EBIT margin at least 25 %**

## Financial Ratios

|                               | 2014    | 2015    | 2016    | 2017    | 2018e   | 2019e   | 2020e   |
|-------------------------------|---------|---------|---------|---------|---------|---------|---------|
| Total Operating Costs / Sales | 44.2 %  | 43.3 %  | 42.5 %  | 44.4 %  | 43.5 %  | 43.0 %  | 42.5 %  |
| Operating Leverage            | 1.4 x   | 1.2 x   | 1.9 x   | 0.4 x   | 1.2 x   | 1.2 x   | 1.2 x   |
| EBITDA / Interest expenses    | 105.8 x | 100.6 x | 122.0 x | 122.0 x | 171.8 x | 194.1 x | 221.2 x |
| Tax rate (EBT)                | 31.7 %  | 33.0 %  | 32.2 %  | 33.6 %  | 33.0 %  | 33.0 %  | 33.0 %  |
| Dividend Payout Ratio         | 49.8 %  | 146.7 % | 49.7 %  | 49.4 %  | 50.1 %  | 50.1 %  | 50.1 %  |
| Sales per Employee            | 135,460 | 146,103 | 153,395 | 161,023 | 172,432 | 182,285 | 194,438 |

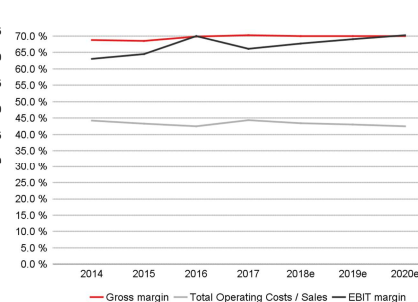
### Sales, EBITDA

in EUR m

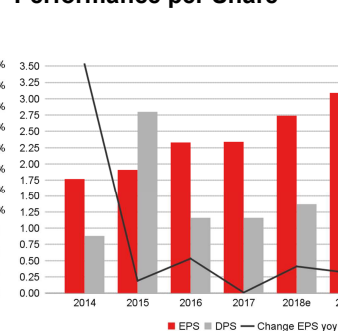


### Operating Performance

in %



### Performance per Share



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

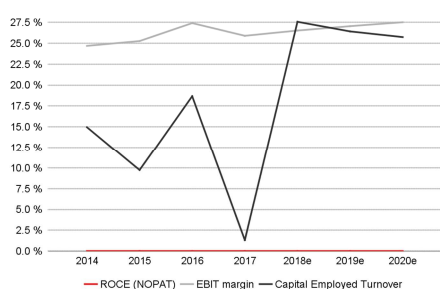
## Consolidated balance sheet

| In EUR m  | 2014        | 2015        | 2016        | 2017        | 2018e       | 2019e       | 2020e       |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Assets</b>   |             |             |             |             |             |             |             |
| Goodwill and other intangible assets                    | 0.1         | 0.2         | 0.2         | 0.4         | 0.3         | 0.3         | 0.2         |
| thereof other intangible assets                         | 0.1         | 0.2         | 0.2         | 0.4         | 0.3         | 0.3         | 0.2         |
| thereof Goodwill  | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Property, plant and equipment                           | 2.7         | 2.7         | 3.0         | 3.7         | 3.9         | 4.1         | 4.1         |
| Financial assets  | 0.5         | 0.4         | 0.5         | 0.5         | 0.5         | 0.5         | 0.5         |
| Other long-term assets                                  | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| <b>Fixed assets</b>                                     | <b>3.3</b>  | <b>3.3</b>  | <b>3.8</b>  | <b>4.6</b>  | <b>4.8</b>  | <b>4.9</b>  | <b>4.9</b>  |
| Inventories   | 0.0         | 0.0         | 0.0         | 0.0         | 0.1         | 0.1         | 0.1         |
| Accounts receivable                                     | 3.8         | 4.5         | 4.5         | 5.1         | 7.4         | 8.2         | 9.2         |
| Liquid assets   | 20.1        | 23.9        | 24.3        | 27.1        | 30.8        | 36.8        | 43.7        |
| Other short-term assets                                 | 1.5         | 1.6         | 1.5         | 1.8         | 1.9         | 2.1         | 2.3         |
| <b>Current assets</b>                                   | <b>25.5</b> | <b>30.0</b> | <b>30.3</b> | <b>34.0</b> | <b>40.1</b> | <b>47.2</b> | <b>55.3</b> |
| <b>Total Assets</b>                                     | <b>28.9</b> | <b>33.4</b> | <b>34.0</b> | <b>38.5</b> | <b>44.9</b> | <b>52.1</b> | <b>60.1</b> |
| <b>Liabilities and shareholders' equity</b>             |             |             |             |             |             |             |             |
| Subscribed capital                                      | 4.0         | 4.0         | 4.0         | 4.0         | 4.0         | 4.0         | 4.0         |
| Capital reserve   | -0.7        | -0.7        | -0.7        | -0.7        | -0.7        | -0.7        | -0.7        |
| Retained earnings                                       | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Other equity components                                 | 11.6        | 15.6        | 13.6        | 18.5        | 24.8        | 31.7        | 39.6        |
| Shareholders' equity                                    | 14.9        | 18.9        | 16.9        | 21.8        | 28.1        | 35.1        | 42.9        |
| Minority interest                                       | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| <b>Total equity</b>                                     | <b>14.9</b> | <b>18.9</b> | <b>16.9</b> | <b>21.8</b> | <b>28.1</b> | <b>35.0</b> | <b>42.9</b> |
| Provisions  | 5.6         | 5.1         | 4.9         | 5.0         | 5.1         | 5.2         | 5.3         |
| thereof provisions for pensions and similar obligations | 4.2         | 4.3         | 4.9         | 4.8         | 4.8         | 4.8         | 4.8         |
| Financial liabilities (total)                           | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| thereof short-term financial liabilities                | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Accounts payable  | 0.3         | 0.3         | 0.6         | 0.4         | 0.5         | 0.6         | 0.6         |
| Other liabilities                                       | 8.0         | 9.0         | 11.5        | 11.3        | 11.3        | 11.3        | 11.3        |
| <b>Liabilities</b>                                      | <b>13.9</b> | <b>14.4</b> | <b>17.1</b> | <b>16.7</b> | <b>16.9</b> | <b>17.1</b> | <b>17.2</b> |
| <b>Total liabilities and shareholders' equity</b>       | <b>28.9</b> | <b>33.4</b> | <b>34.0</b> | <b>38.5</b> | <b>44.9</b> | <b>52.1</b> | <b>60.1</b> |

## Financial Ratios

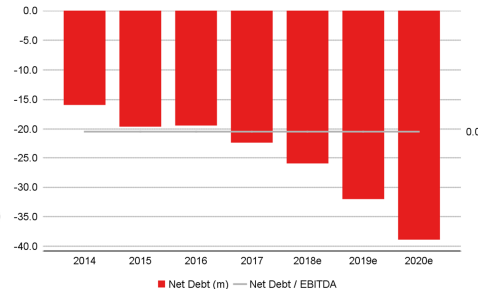
|   | 2014     | 2015     | 2016     | 2017     | 2018e   | 2019e   | 2020e   |
|---|----------|----------|----------|----------|---------|---------|---------|
| <b>Efficiency of Capital Employment</b> |          |          |          |          |         |         |         |
| Operating Assets Turnover               | 6.3 x    | 6.6 x    | 7.2 x    | 6.6 x    | 5.6 x   | 5.8 x   | 5.9 x   |
| Capital Employed Turnover               | -40.4 x  | -69.1 x  | -20.1 x  | -115.7 x | 29.1 x  | 22.5 x  | 19.0 x  |
| ROA                                     | 210.9 %  | 226.4 %  | 247.0 %  | 204.6 %  | 228.2 % | 252.0 % | 287.8 % |
| <b>Return on Capital</b>                |          |          |          |          |         |         |         |
| ROCE (NOPAT)                            | n.a.     | n.a.     | n.a.     | n.a.     | n.a.    | n.a.    | n.a.    |
| ROE                                     | 52.6 %   | 44.8 %   | 51.8 %   | 48.1 %   | 43.6 %  | 39.0 %  | 36.0 %  |
| Adj. ROE                                | 52.6 %   | 44.8 %   | 51.8 %   | 48.1 %   | 43.6 %  | 39.0 %  | 36.0 %  |
| <b>Balance sheet quality</b>            |          |          |          |          |         |         |         |
| Net Debt                                | -15.9    | -19.6    | -19.4    | -22.3    | -26.0   | -32.0   | -38.9   |
| Net Financial Debt                      | -20.1    | -23.9    | -24.3    | -27.1    | -30.8   | -36.8   | -43.7   |
| Net Gearing                             | -106.6 % | -103.4 % | -114.6 % | -102.2 % | -92.5 % | -91.4 % | -90.6 % |
| Net Fin. Debt / EBITDA                  | n.a.     | n.a.     | n.a.     | n.a.     | n.a.    | n.a.    | n.a.    |
| Book Value / Share                      | 3.8      | 4.8      | 4.2      | 5.5      | 7.1     | 8.8     | 10.8    |
| Book value per share ex intangibles     | 3.7      | 4.7      | 4.2      | 5.4      | 7.0     | 8.7     | 10.7    |

### ROCE Development



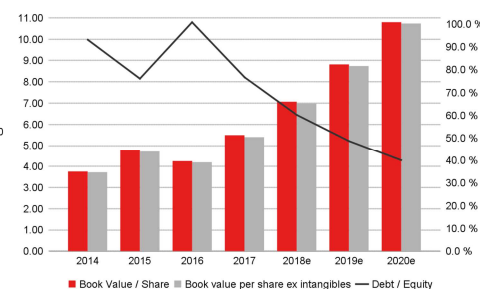
Source: Warburg Research

### Net debt in EUR m



Source: Warburg Research

### Book Value per Share in EUR



Source: Warburg Research

## Consolidated cash flow statement

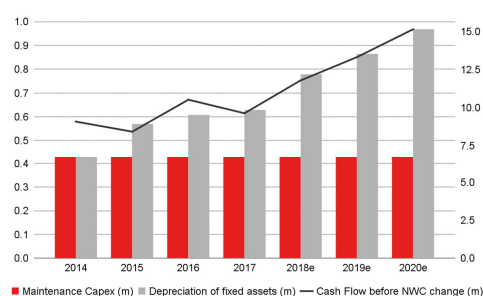
| In EUR m   | 2014        | 2015        | 2016         | 2017        | 2018e       | 2019e       | 2020e       |
|--|-------------|-------------|--------------|-------------|-------------|-------------|-------------|
| Net income   | 7.0         | 7.6         | 9.3          | 9.3         | 10.9        | 12.3        | 14.0        |
| Depreciation of fixed assets                           | 0.4         | 0.6         | 0.6          | 0.6         | 0.8         | 0.9         | 1.0         |
| Amortisation of goodwill                               | 0.0         | 0.0         | 0.0          | 0.0         | 0.0         | 0.0         | 0.0         |
| Amortisation of intangible assets                      | 0.1         | 0.1         | 0.1          | 0.1         | 0.1         | 0.1         | 0.2         |
| Increase/decrease in long-term provisions              | 1.5         | 0.1         | 0.5          | -0.1        | 0.0         | 0.0         | 0.0         |
| Other non-cash income and expenses                     | 0.0         | 0.0         | 0.0          | -0.4        | 0.0         | 0.0         | 0.0         |
| <b>Cash Flow before NWC change</b>                     | <b>9.1</b>  | <b>8.4</b>  | <b>10.5</b>  | <b>9.6</b>  | <b>11.8</b> | <b>13.3</b> | <b>15.2</b> |
| Increase / decrease in inventory                       | 0.0         | 0.0         | 0.0          | 0.0         | -0.1        | 0.0         | 0.0         |
| Increase / decrease in accounts receivable             | -0.8        | -0.6        | 0.0          | -0.6        | -2.3        | -0.8        | -1.0        |
| Increase / decrease in accounts payable                | 0.0         | 0.0         | 0.3          | -0.2        | 0.1         | 0.1         | 0.0         |
| Increase / decrease in other working capital positions | 0.0         | 0.2         | 1.4          | 0.0         | 0.0         | 0.0         | 0.0         |
| Increase / decrease in working capital (total)         | -0.8        | -0.4        | 1.7          | -0.8        | -2.4        | -0.7        | -1.0        |
| <b>Net cash provided by operating activities [1]</b>   | <b>8.3</b>  | <b>8.0</b>  | <b>12.2</b>  | <b>8.9</b>  | <b>9.4</b>  | <b>12.6</b> | <b>14.2</b> |
| Investments in intangible assets                       | 0.0         | -0.1        | -0.1         | -0.1        | -0.1        | -0.1        | -0.1        |
| Investments in property, plant and equipment           | -0.5        | -0.7        | -1.0         | -1.0        | -1.0        | -1.0        | -1.0        |
| Payments for acquisitions                              | 0.0         | 0.0         | 0.0          | 0.0         | 0.0         | 0.0         | 0.0         |
| Financial investments                                  | 0.0         | 0.0         | 0.0          | 0.0         | 0.0         | 0.0         | 0.0         |
| Income from asset disposals                            | 0.0         | -1.1        | -3.0         | -2.5        | 0.0         | 0.0         | 0.0         |
| <b>Net cash provided by investing activities [2]</b>   | <b>-0.5</b> | <b>-1.9</b> | <b>-4.1</b>  | <b>-3.6</b> | <b>-1.1</b> | <b>-1.1</b> | <b>-1.1</b> |
| Change in financial liabilities                        | 0.0         | 0.0         | 0.0          | 0.0         | 0.0         | 0.0         | 0.0         |
| Dividends paid   | -2.9        | -3.5        | -11.1        | -4.6        | -4.6        | -5.4        | -6.2        |
| Purchase of own shares                                 | 0.0         | 0.0         | 0.0          | 0.0         | 0.0         | 0.0         | 0.0         |
| Capital measures                                       | 0.0         | 0.0         | 0.0          | 0.0         | 0.0         | 0.0         | 0.0         |
| Other  | 0.0         | 0.0         | 0.0          | 0.0         | 0.0         | 0.0         | 0.0         |
| <b>Net cash provided by financing activities [3]</b>   | <b>-2.9</b> | <b>-3.5</b> | <b>-11.1</b> | <b>-4.6</b> | <b>-4.6</b> | <b>-5.4</b> | <b>-6.2</b> |
| <b>Change in liquid funds [1]+[2]+[3]</b>              | <b>4.9</b>  | <b>2.6</b>  | <b>-3.0</b>  | <b>0.7</b>  | <b>3.7</b>  | <b>6.0</b>  | <b>6.9</b>  |
| Effects of exchange-rate changes on cash               | 0.0         | 0.0         | 0.0          | 0.0         | 0.0         | 0.0         | 0.0         |
| Cash and cash equivalent at end of period              | 19.4        | 22.7        | 20.9         | 24.9        | 30.8        | 36.8        | 43.7        |

## Financial Ratios

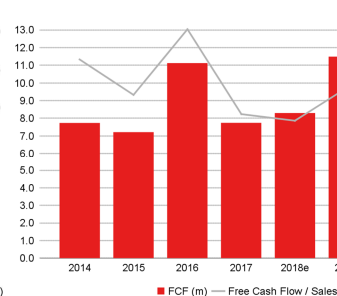
|                                      | 2014     | 2015     | 2016     | 2017     | 2018e    | 2019e    | 2020e    |
|--------------------------------------|----------|----------|----------|----------|----------|----------|----------|
| <b>Cash Flow</b>                     |          |          |          |          |          |          |          |
| FCF                                  | 7.7      | 7.2      | 11.1     | 7.7      | 8.3      | 11.5     | 13.0     |
| Free Cash Flow / Sales               | 19.5 %   | 16.1 %   | 22.4 %   | 14.2 %   | 13.5 %   | 16.9 %   | 17.1 %   |
| Free Cash Flow Potential             | 6.6      | 7.9      | 9.4      | 9.7      | 11.4     | 12.9     | 14.8     |
| Free Cash Flow / Net Profit          | 110.1 %  | 95.1 %   | 119.8 %  | 83.1 %   | 76.3 %   | 93.4 %   | 92.9 %   |
| Interest Received / Avg. Cash        | 3.5 %    | 0.4 %    | 0.9 %    | 0.2 %    | 0.2 %    | 0.2 %    | 0.1 %    |
| Interest Paid / Avg. Debt            | n.a.     | n.a.     | n.a.     | n.a.     | n.a.     | n.a.     | n.a.     |
| <b>Management of Funds</b>           |          |          |          |          |          |          |          |
| Investment ratio                     | 1.3 %    | 1.7 %    | 2.3 %    | 2.0 %    | 1.8 %    | 1.6 %    | 1.5 %    |
| Maint. Capex / Sales                 | 1.1 %    | 1.0 %    | 0.9 %    | 0.8 %    | 0.7 %    | 0.6 %    | 0.6 %    |
| Capex / Dep                          | 101.5 %  | 113.3 %  | 157.8 %  | 148.3 %  | 123.9 %  | 111.6 %  | 99.6 %   |
| Avg. Working Capital / Sales         | 7.9 %    | 8.6 %    | 8.1 %    | 7.8 %    | 9.5 %    | 10.8 %   | 10.7 %   |
| Trade Debtors / Trade Creditors      | 1199.2 % | 1487.0 % | 720.6 %  | 1138.3 % | 1480.0 % | 1366.7 % | 1533.3 % |
| Inventory Turnover                   | 1802.9 x | 1707.9 x | 1803.3 x | 4056.0 x | 184.2 x  | 204.5 x  | 229.0 x  |
| Receivables collection period (days) | 35       | 36       | 33       | 34       | 44       | 44       | 44       |
| Payables payment period (days)       | 9        | 8        | 15       | 10       | 10       | 11       | 10       |
| Cash conversion cycle (Days)         | 26       | 29       | 18       | 24       | 36       | 35       | 36       |

## CAPEX and Cash Flow

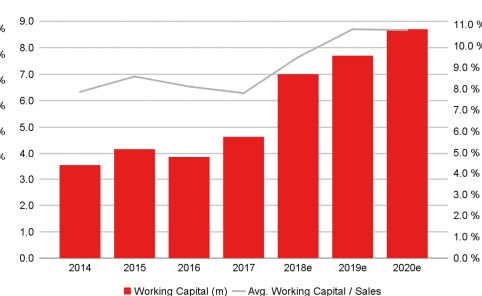
in EUR m



## Free Cash Flow Generation



## Working Capital



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research



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The valuation underlying the investment recommendation for the company analysed here is based on generally accepted and widely used methods of fundamental analysis, such as e.g. DCF Model, Free Cash Flow Potential, Peer Group Comparison or Sum of the Parts Model (see also <http://www.mmwarburg.de/disclaimer/disclaimer.htm#Valuation>). The result of this fundamental valuation is modified to take into consideration the analyst's assessment as regards the expected development of investor sentiment and its impact on the share price.

Independent of the applied valuation methods, there is the risk that the price target will not be met, for instance because of unforeseen changes in demand for the company's products, changes in management, technology, economic development, interest rate development, operating and/or material costs, competitive pressure, supervisory law, exchange rate, tax rate etc. For investments in foreign markets and instruments there are further risks, generally based on exchange rate changes or changes in political and social conditions.

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| Company | Disclosure | Link to the historical price targets and rating changes (last 12 months)  |
|---------|------------|---|
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Investment recommendation: expected direction of the share price development of the financial instrument up to the given price target in the opinion of the analyst who covers this financial instrument.

|     |                          |   |
|-----|--------------------------|---|
| -B- | <b>Buy:</b>              | The price of the analysed financial instrument is expected to rise over the next 12 months.               |
| -H- | <b>Hold:</b>             | The price of the analysed financial instrument is expected to remain mostly flat over the next 12 months. |
| -S- | <b>Sell:</b>             | The price of the analysed financial instrument is expected to fall over the next 12 months.               |
| “-“ | <b>Rating suspended:</b> | The available information currently does not permit an evaluation of the company.                         |

## WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING

| Rating           | Number of stocks | % of Universe |
|------------------|------------------|---------------|
| Buy              | 120              | 58            |
| Hold             | 84               | 41            |
| Sell             | 3                | 1             |
| Rating suspended | 0                | 0             |
| <b>Total</b>     | <b>207</b>       | <b>100</b>    |

## WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING ...

... taking into account only those companies which were provided with major investment services in the last twelve months.

| Rating           | Number of stocks | % of Universe |
|------------------|------------------|---------------|
| Buy              | 35               | 71            |
| Hold             | 14               | 29            |
| Sell             | 0                | 0             |
| Rating suspended | 0                | 0             |
| <b>Total</b>     | <b>49</b>        | <b>100</b>    |

## PRICE AND RATING HISTORY ATOSS AS OF 25.10.2018



Markings in the chart show rating changes by Warburg Research GmbH in the last 12 months. Every marking details the date and closing price on the day of the rating change.

## EQUITIES

**Roland Rapelius** +49 40 3282-2673  
Head of Equities rrapelius@mmwarburg.com

## RESEARCH

**Michael Heider** +49 40 309537-280  
Head of Research mheider@warburg-research.com

**Henner Rüschemeyer** +49 40 309537-270  
Head of Research hrueschmeier@warburg-research.com

**Jonas Blum** +40 40 309537-240  
Small/Mid Cap Research jblum@warburg-research.com

**Christian Cohrs** +49 40 309537-175  
Engineering, Logistics ccohrs@warburg-research.com

**Felix Ellmann** +49 40 309537-120  
Software, IT fellmann@warburg-research.com

**Jörg Philipp Frey** +49 40 309537-258  
Retail, Consumer Goods jfrey@warburg-research.com

**Marius Fuhrberg** +49 40 309537-185  
Financial Services mfuhrberg@warburg-research.com

**Ulrich Huwald** +49 40 309537-255  
Health Care, Pharma uhuwald@warburg-research.com

**Thilo Kleibauer** +49 40 309537-257  
Retail, Consumer Goods tkleibauer@warburg-research.com

**Eggert Kuls** +49 40 309537-256  
Engineering ekuls@warburg-research.com

**Marina Manas Cháfer** +49 40 309537-254  
Renewables, Small/Mid Cap mmanaschafer@warburg-research.com

**Andreas Pläsier** +49 40 309537-246  
Banks, Financial Services aplasier@warburg-research.com

**Jochen Reichert** +49 40 309537-130  
Telco, Internet, Media jreichert@warburg-research.com

**J. Moritz Rieser** +49 40 309537-260  
Real Estate mrieser@warburg-research.com

**Arash Roshan Zamir** +49 40 309537-155  
Cap. Goods, Renewables aroshanzamir@warburg-research.com

**Franz Schall** +40 40 309537-230  
Automobiles, Car Suppliers fschall@warburg-research.com

**Malte Schaumann** +49 40 309537-170  
Technology mschaumann@warburg-research.com

**Patrick Schmidt** +49 40 309537-125  
Leisure, Internet pschmidt@warburg-research.com

**Oliver Schwarz** +49 40 309537-250  
Chemicals, Agriculture oschwarz@warburg-research.com

**Cansu Tatar** +49 40 309537-248  
Cap. Goods ctatar@warburg-research.com

**Marc-René Tonn** +49 40 309537-259  
Automobiles, Car Suppliers mtonn@warburg-research.com

**Robert-Jan van der Horst** +49 40 309537-290  
Technology rvanderhorst@warburg-research.com

**Andreas Wolf** +49 40 309537-140  
Software, IT awolf@warburg-research.com

## INSTITUTIONAL EQUITY SALES

**Klaus Schilling** +49 40 3282-2664  
Head of Equity Sales, Germany kschilling@mmwarburg.com

**Tim Beckmann** +49 40 3282-2665  
United Kingdom tbeckmann@mmwarburg.com

**Lyubka Bogdanova** +49 69 5050-7411  
United Kingdom, Australia lbogdanova@mmwarburg.com

**Jens Buchmüller** +49 69 5050-7415  
Scandinavia, Austria jbuchmueller@mmwarburg.com

**Alexander Eschweiler** +49 40 3282-2669  
Germany aeschweiler@mmwarburg.com

**Matthias Fritsch** +49 40 3282-2696  
United Kingdom mfritsch@mmwarburg.com

**Michael Kriszun** +49 40 3282-2695  
United Kingdom mkriszun@mmwarburg.com

**Sanjay Oberoi** +49 69 5050-7410  
United Kingdom soberoi@mmwarburg.com

**Simon Pallhuber** +49 69 5050-7414  
Switzerland, France spallhuber@mmwarburg.com

**Angelika Flegler** +49 69 5050-7417  
Roadshow/Marketing aflegler@mmwarburg.com

**Juliane Willenbruch** +49 40 3282-2694  
Roadshow/Marketing jwillenbruch@mmwarburg.com

## SALES TRADING

**Oliver Merckel** +49 40 3282-2634  
Head of Sales Trading omerckel@mmwarburg.com

**Elyaz Dust** +49 40 3282-2702  
Sales Trading edust@mmwarburg.com

**Michael Ilgenstein** +49 40 3282-2700  
Sales Trading milgenstein@mmwarburg.com

**Bastian Quast** +49 40 3282-2701  
Sales Trading bquast@mmwarburg.com

**Jörg Treptow** +49 40 3282-2658  
Sales Trading jtreptow@mmwarburg.com

**Jan Walter** +49 40 3282-2662  
Sales Trading jwalter@mmwarburg.com

## MACRO RESEARCH

**Carsten Klude** +49 40 3282-2572  
Macro Research cklude@mmwarburg.com

**Dr. Christian Jasperneite** +49 40 3282-2439  
Investment Strategy cjasperneite@mmwarburg.com

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## For access please contact:

**Andrea Schaper** +49 40 3282-2632  
Sales Assistance aschaper@mmwarburg.com

**Kerstin Muthig** +49 40 3282-2703  
Sales Assistance kmuthig@mmwarburg.com