

Interim Report

Q2 FY'17

Continued positive development in Q2 FY '17

- Sivantos accelerated the organic growth¹⁾ in Q2 2017 to 6.5% after Q1 2017 (+3.7%).
- Adjusted gross profit margin was higher attributed to cost improvement.
- Adjusted EBITDA margin increased to 23.9% (+2.3%p. vs Q2 2016) driven by improvement in cost and lower operating expenses.
- Cash flow was supported by moderate spending in investment and diligent management of trade working capital.

Note:

The financial information for Q2 2017 and Q2 2016 is unaudited. Financial statements for full year 2016 is audited. The financial statements have been prepared based on IFRS.

¹⁾ Baseline revenue of acquisitions < 12 months is computed as average revenue of last twelve months (LTM) prior to acquisition

AURIS LUXEMBOURG II S.A. AND ITS SUBSIDIARY COMPANIES
Consolidated Financial Key Figures For the Quarter ending 31 March 2017

in mn. EUR	Q2 FY'17	Q2 FY'16
Revenue	244.0	223.5
<i>Organic Growth %¹⁾</i>	6.5%	7.2%
Gross Profit	138.3	127.2
<i>% of revenue</i>	56.7%	56.9%
R&D	-12.1	-12.4
<i>% of revenue</i>	-5.0%	-5.6%
SG&A	-100.0	-102.1
<i>% of revenue</i>	-41.0%	-45.7%
Other Income & (expenses)⁴⁾	0.1	0.2
<i>%</i>	0.0%	0.1%
EBIT	26.3	12.9
<i>% of revenue</i>	10.8%	5.8%
EBITDA	50.7	40.5
<i>% of revenue</i>	20.8%	18.1%
Adj. EBITDA	58.4	48.3
<i>% of revenue</i>	23.9%	21.6%
Free Cash Flow²⁾	31.1	29.7
<i>CCR³⁾</i>	0.61	0.73

¹⁾ Baseline revenue of acquisitions < 12 months is computed as average revenue of last twelve months (LTM) prior to acquisition

²⁾ FCF = Reported EBITDA +/- Change in trade working capital +/- Change in current Assets & current Liabilities (excluding taxes & hedging instruments) less Net Capex

³⁾ CCR = FCF / Reported EBITDA

⁴⁾ Includes the share of associate income for fiscal year 2016.

MD&A:

Revenue

Sivantos Group delivered growth of 9.2% in Q2 2017 which translates to 6.5% organic growth¹⁾. This was attributed to all regions, which include Asia Pacific (APAC), Europe including Middle East & Latin America (EMEA-LA) and North America (NA).

Gross Margin

The gross margin in Q2 2017 was 56.7%. The gross margin included effects from depreciation due to the step-up of tangible assets as part of the purchase price allocation and normalization items. Excluding these effects, the gross margin Q2 2017 was 64.0% benefiting mainly from good measures in improving the cost.

Research and Development expenses

Total research and development costs incurred in Q2 2017 amounted to EUR 16.5 million. Capitalized Development costs amounted to EUR 5.0 million and amortization of capitalized development costs were at EUR 0.6 million. Total research and development costs expensed were 5% as a percentage of revenue both before and after effects of normalization items. This reflects investments into future technologies in order to further strengthen the competitive advantage currently experienced with the products.

Selling expenses

Total selling expenses in Q2 2017 were 30.4% as a percentage of revenue and include effects from the amortization of customer relationship management software as part of the purchase price allocation and normalization items. Excluding these effects total selling expenses were 28.6% as a percentage of revenue.

General Administration expenses

Total general administration expenses in Q2 2017 were 10.6% as a percentage of revenue. Excluding normalization items, total general and administration expenses were 9.7% as a percentage of revenue.

EBITDA and Adjusted EBITDA

EBITDA margin for Q2 2017 of 20.8% includes the impact of normalization items. Adjusted EBITDA margin was 23.9% higher due better gross margin and lower ratio for operating expenses. Adjusted EBITDA amounted to EUR 58 million, higher than last year by EUR 10 million.

¹⁾ Baseline revenue of acquisitions < 12 months is computed as average revenue of last twelve months (LTM) prior to acquisition

Leverage

Priority Gross Bank Debt includes the Term Loan B tranches with outstanding balances as of 31 March 2017 of EUR 407.54m (B6) and USD 588m (B7) – after 0.25% quarterly principal repayments and converted into EUR 536.28m at the LTM average exchange rate of 1.0965. In addition, total Gross Debt includes the Senior Notes of EUR 275.0m and accrued interest on the Senior Notes.

Net Debt amounts to EUR 1,169.1m. This includes Cash & Cash Equivalents adjusted for Cash not readily available as per definition of the Senior Facility Agreement as well as Finance Lease obligations.

LTM consolidated EBITDA (as per SFA definition) was at EUR 234.5m.

The above results in net leverage of 4.99x as of 31 March 2017.

Pro-forma interest was calculated at EUR 62.2m after repricing of TLB which comprise Term Loan B6 (3.5% p.a. with 0% floor) and B7 (3% p.a. with 1% floor), 8.00% p.a. on the Notes.

AURIS LUXEMBOURG II S.A. AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the Quarter ending 31 March 2017
(in thousands of EUR, except where otherwise stated)

	01 January 2017 to 31 March 2017	01 January 2016 to 31 March 2016
Revenue	244,029	223,494
Cost of goods sold	<u>(105,721)</u>	<u>(96,249)</u>
Gross profit	138,308	127,245
Research and development expenses	(12,127)	(12,446)
Selling and general administration expenses	(99,989)	(102,144)
Other operating income	164	420
Other operating expenses	(261)	(220)
Share of profit of associate, net of tax	150	-
Interest income	3,532	1,755
Interest expenses	(21,075)	(20,573)
Other financial expenses, net	<u>27,821</u>	<u>13,822</u>
Profit before income taxes	36,523	7,859
Income taxes	<u>3,903</u>	<u>4,418</u>
Net profit	<u>40,426</u>	<u>12,277</u>
Attributable to:		
Non-Controlling Interests	50	(26)
Owners of the Company	40,376	12,303
	<i>Unaudited</i>	<i>Unaudited</i>

AURIS LUXEMBOURG II S.A. AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2017
(in thousands of EUR, except where otherwise stated)

	31 March FY2017	30 September FY2016
Assets		
Current assets		
Cash and cash equivalents	61,447	65,939
Trade receivables	169,022	152,109
Other current financial assets	14,928	7,601
Inventories	61,875	56,728
Current income tax assets	2,295	2,989
Other current assets	25,649	21,610
Total current assets	335,216	306,976
Non-current assets		
Goodwill	1,413,940	1,407,429
Other intangible assets	641,426	671,970
Property, plant and equipment	66,682	64,917
Investments accounted for using the equity method	6,603	2,197
Other financial assets	49,139	40,005
Deferred tax assets	61,893	54,656
Other assets	3,482	3,374
Total non-current assets	2,243,165	2,244,548
Total assets	2,578,381	2,551,524
Liabilities and equity		
Current liabilities		
Short-term debt and current maturities of long-term debt	5,532	5,094
Trade payables	79,383	69,353
Other current financial liabilities	17,449	13,582
Current provisions	31,862	31,528
Current income tax liabilities	33,421	33,347
Other current liabilities	57,296	66,648
Total current liabilities	224,943	219,552
Non-current liabilities		
Long-term debt	1,171,126	1,149,741
Post-employment benefits	23,777	22,664
Deferred tax liabilities	108,773	116,058
Provisions	15,378	14,670
Other financial liabilities	25,303	66,288
Other liabilities	17,745	17,115
Total non-current liabilities	1,362,102	1,386,536
Total liabilities	1,587,045	1,606,088
Equity		
Share Capital	31	31
Capital Reserve	1,047,108	1,047,108
Retained Earnings	(78,506)	(117,702)
Reserves	12,570	6,350
Total equity attributable to owners of the Company	981,203	935,787
Non-controlling interests	10,133	9,649
Total equity	991,336	945,436
Total liabilities and equity	2,578,381	2,551,524

AURIS LUXEMBOURG II S.A. AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Quarter ending 31 March 2017
(in thousands of EUR, except where otherwise stated)

	<u>01 January 2017 to 31 March 2017</u>	<u>01 January 2016 to 31 March 2016</u>
Cash flow from operating activities		
Net profit	40,426	12,277
Adjustments to reconcile net loss to cash provided		
Amortization and depreciation	24,500	27,636
Income tax (income) expense, net	(3,903)	(4,418)
Interest expense, net	17,544	18,818
Losses on sales and disposals of intangibles and property, plant and equipment, net	248	(317)
Share of profit of associate, net of tax	(150)	-
Other non-cash expenses	(6,562)	(22,294)
Change in current assets and liabilities:	(6,876)	(26,725)
<i>Decrease in inventories</i>	97	4,680
<i>Increase in trade and other receivables</i>	(11,606)	(13,690)
<i>(Increase)/decrease in other current assets</i>	(4,992)	7,195
<i>Increase in trade payables</i>	4,970	3,668
<i>(Decrease)/increase in current provisions</i>	(236)	834
<i>Increase/(decrease) in other current liabilities</i>	4,891	(29,412)
Change in other assets and liabilities	(26,431)	30,307
Income taxes paid	(6,733)	(4,776)
Interest received	242	154
Net cash provided by operating activities	<u>32,305</u>	<u>30,662</u>
Cash flows from investing activities		
Purchase of intangible assets and property, plant and equipment	(12,138)	(9,890)
Purchase of investments in Associate	(54)	(2,069)
Acquisitions of subsidiaries and from asset deals, net of cash	(2,706)	(813)
Proceeds from disposal of intangibles and property, plant and equipment	157	401
Net cash used in investing activities	<u>(14,741)</u>	<u>(12,371)</u>
Cash flows from financing activities		
Repayment of capital reserve	-	(107,950)
Transaction costs paid for issuance of SFA and senior notes	(550)	(2,547)
Proceeds of long-term and short term debt	246	110,000
Repayment of long-term and short term debt	(2,428)	(2,379)
Interest paid	(20,214)	(20,164)
Change in short-term debt and other financing activities	(4,066)	17
Net cash used in financing activities	<u>(27,012)</u>	<u>(23,023)</u>
Effect of exchange rates on cash and cash equivalents	753	2,779
Net decrease in cash and cash equivalents	(8,695)	(1,953)
Cash and cash equivalents at beginning of period	70,142	25,971
Cash and cash equivalents at end of period	<u><u>61,447</u></u>	<u><u>24,018</u></u>

Unaudited

Unaudited

AURIS LUXEMBOURG II S.A. AND ITS SUBSIDIARY COMPANIES
PRO FORMA FINANCIAL INDICATORS
For the period ended 31 March 2017
(in millions of EUR, except where otherwise stated)

Leverage

Priority Net	EUR
Priority Gross	944.7
Cash	(55.3)
Net Priority Debt	889.4
Leverage	3.8x

Total Net	EUR
Gross Debt	1,224.4
Cash	(55.3)
Net Total Debt	1,169.1
Leverage	4.99x

Fixed Charge Coverage Ratio

Total Net	EUR
Total PF interest	62.2
Adjusted EBITDA (LTM) ¹⁾	234.5
Fixed Charge Coverage Ratio	3.8x

¹⁾ LTM Consolidated EBITDA calculated as per SFA definition.