

# **Interim Report**

## **Q2 FY'18**

## Quarter 2 / Fiscal Year 2018

### Strong revenue growth driven by Signia Nx

- Sivantos delivered a strong organic growth<sup>1)</sup> of 9.8% in Q2 2018 while nominal growth at 3.6% accounted negative FX translation effects of EUR 21m vs. Q2 2017. The accelerated growth was driven by the successful product launch of our new technology platform Signia Nx.
- Adjusted Gross Profit Margin was lower by 49Bps on year-on-year basis resulting in a 63.5% margin driven by volume growth and portfolio extension on lower price points.
- Adjusted EBITDA margin increased by 7Bps year-on-year to 24.0% due to diligent management of operating expenses leading to an increase of EUR 2m vs. Q2 2017 despite negative FX translation effects on EBITDA.
- Free Cash flow was slightly lower compared to Q2 2017 due to increased inventories related to the product launch and higher capital expenditures for IT projects and R&D capitalization of new platforms.

## Half 1 / Fiscal Year 2018

### Accelerated growth delivered by strong portfolio and products

- Sivantos delivered 6.7% of organic growth<sup>1)</sup> in H1 2018 with strong momentum in Q2 while nominal growth at 1.7% accounted negative FX translation effects of EUR 34m vs. H1 2017. This growth was driven by successful product launch of Signia Nx accelerating specifically in Q2 2018.
- Gross Profit after normalization improved by 82Bps to 64.6% driven by a strong product portfolio and continued efficiency gains in operations. Reported gross margin improved by 145Bps to 58.7%.
- Adjusted EBITDA has reached EUR 113.3 m, an increase of EUR +1.2 m compared to H1 2017, compensating a negative FX translation effect of EUR 8.2m. Adjusted EBITDA margin has declined slightly by 13Bps to 23.3% compared to H1 2017. Reported EBITDA improved by 61Bps to 21.4%.

Free Cash flow remained lower vs. previous year by EUR 22.4m as a result of increased inventories related to product launch and higher capital expenditures due to the factory move in Q1.

### Note:

The financial information for Q2 2018 & H1 2018/ Q2 2017 & H1 2017 is unaudited. Financial statements for full year 2017 is audited. The financial statements have been prepared based on IFRS.

<sup>1)</sup> 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 quarter ending 31st March 2018**

<b>in mn. EUR</b>	<b>Q2 FY'18</b>	<b>Q2 FY'17</b>
<b>Revenue</b>	252.8	244.0
<i>Organic Growth % <sup>1)</sup></i>	9.8%	6.5%
<b>Gross Profit</b>	145.8	138.3
<i>% of revenue</i>	57.7%	56.7%
<b>Adjusted Gross Profit</b>	160.5	156.1
<i>% of revenue</i>	63.5%	64.0%
<b>R&amp;D</b>	-13.1	-12.1
<i>% of revenue</i>	-5.2%	-5.0%
<b>SG&amp;A</b>	-101.1	-100.0
<i>% of revenue</i>	-40.0%	-41.0%
<b>Other (expenses) / income <sup>2)</sup></b>	-0.2	0.1
<i>% of revenue</i>	-0.1%	0.0%
<b>EBIT</b>	31.4	26.3
<i>% of revenue</i>	12.4%	10.8%
<b>EBITDA</b>	56.2	50.7
<i>% of revenue</i>	22.2%	20.8%
<b>Adj. EBITDA</b>	60.7	58.4
<i>% of adjusted revenue</i>	24.0%	23.9%
<b>Free Cash Flow <sup>3)</sup></b>	30.6	31.1
<i>CCR % <sup>4)</sup></i>	0.55	0.61

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

<sup>2)</sup> Includes the share of associate results.

<sup>3)</sup> FCF = Reported EBITDA +/- Change in trade working capital +/- Change in current Assets & current Liabilities (excluding taxes & hedging instruments) less Net Capex

<sup>4)</sup> CCR = FCF / Reported EBITDA

**AURIS LUXEMBOURG II S.A. AND ITS SUBSIDIARY COMPANIES**  
**Consolidated Financial Key Figures for period ended 31st March 2018**

in mn. EUR	H1 FY'18	H1 FY'17
<b>Revenue</b>	487.0	479.1
<i>Organic Growth % <sup>1)</sup></i>	6.7%	5.1%
<b>Gross Profit</b>	285.9	274.2
<i>% of revenue</i>	58.7%	57.2%
<b>Adjusted Gross Profit</b>	314.7	305.7
<i>% of revenue</i>	64.6%	64.2%
<b>R&amp;D</b>	-28.3	-25.5
<i>% of revenue</i>	-5.8%	-5.3%
<b>SG&amp;A</b>	-202.9	-202.3
<i>% of revenue</i>	-41.7%	-42.2%
<b>Other Income &amp; (expenses)<sup>2)</sup></b>	-0.3	0.9
<i>% of revenue</i>	-0.1%	0.2%
<b>EBIT</b>	54.4	47.3
<i>% of revenue</i>	11.2%	9.9%
<b>EBITDA</b>	104.2	99.6
<i>% of revenue</i>	21.4%	20.8%
<b>Adj. EBITDA</b>	113.3	112.0
<i>% of revenue</i>	23.3%	23.4%
<b>Free Cash Flow <sup>3)</sup></b>	35.0	57.4
<i>CCR <sup>4)</sup></i>	0.34	0.58

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

<sup>2)</sup> Includes the share of associate results.

<sup>3)</sup> FCF = Reported EBITDA +/- Change in trade working capital +/- Change in current Assets & current Liabilities (excluding taxes & hedging instruments) less Net Capex

<sup>4)</sup> CCR = FCF / Reported EBITDA

## **MD&A: Quarter 2 / Fiscal Year 2018**

### **Revenue**

Sivantos Group delivered nominal growth of 3.6% in Q2 2018 compared to Q2 2017, translating into +9.8% organic growth<sup>1)</sup>, with significant negative FX translation effects of EUR 21m. All regions, North America (NA), Europe including Middle East & Latin America (EMEA-LA) and Asia Pacific (APAC), contributed to growth.

### **Gross Margin**

The Gross Margin in Q2 2018 was 57.7% including effects from depreciation due to the step-up of tangible assets as part of the purchase price allocation and normalization items. Excluding these effects, Gross Margin for Q2 2018 was 63.5% minus 49Bps compared to Q2 2017 driven by planned portfolio extension to lower price points.

### **Research and Development expenses**

Total research and development costs incurred in Q2 2018 amounted to EUR 18.2m. Capitalized Development costs amounted to EUR 7.4m and amortization of capitalized development costs amounted to EUR 2.3m. Total research and development costs expensed were 5.2% as a percentage of revenue both before and after effects of normalization items. These investments were related to strengthening the product pipeline for the next years and the maintaining of the competitive advantage currently experienced with the existing Signia Nx platform.

### **Selling expenses**

Total selling expenses in Q2 2018 were 30.0% as a percentage of revenue and include effects from the amortization of customer relationship management software and depreciation of tangible assets as part of the purchase price allocation and normalization items. Excluding these effects total selling expenses were 29.5% as a percentage of revenue.

### **General Administration expenses**

Total general administration expenses in Q2 2018 were 9.9% as a percentage of revenue and include effects from normalization items. Excluding normalization items, total general and administration expenses were 8.3% as a percentage of revenue.

### **EBITDA and Adjusted EBITDA**

EBITDA margin for Q2 2018 of 22.2% includes the impact of normalization items. Adjusted EBITDA margin excluding these effects was 24.0%, plus 7Bps vs. previous financial year including negative FX translation effect of EUR 5m.

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

## **MD&A: Half 1 / Fiscal Year 2018**

### **Revenue**

Sivantos Group delivered nominal growth of 1.7% in H1 2018 compared to H1 2017, translating into +6.7% organic growth<sup>1)</sup>, with significant negative FX translation effects of EUR 34m. All regions, North America (NA), Europe including Middle East & Latin America (EMEA-LA) and Asia Pacific (APAC), contributed to growth.

### **Gross Margin**

The Gross Margin in H1 2018 was 58.7% including effects from depreciation due to the step-up of tangible assets as part of the purchase price allocation and normalization items. Excluding these effects, Gross Margin for H1 2018 was 64.6% plus 82Bps compared to H1 2017 benefiting from a strong product portfolio and continued efficiency gains in operations.

### **Research and Development expenses**

Total research and development costs incurred in H1 2018 amounted to EUR 36.7m. Capitalized Development costs amounted to EUR 12.9m and amortization of capitalized development costs amounted to EUR 4.5m. Total research and development costs expensed were 5.8% as a percentage of revenue both before and after effects of normalization items.

### **Selling expenses**

Total selling expenses in H1 2018 were 31.1% as a percentage of revenue and include effects from the amortization of customer relationship management software and depreciation of tangible assets as part of the purchase price allocation and normalization items. Excluding these effects total selling expenses were 30.3% as a percentage of revenue.

### **General Administration expenses**

Total general administration expenses in H1 2018 were 10.5% as a percentage of revenue and include effects from normalization items. Excluding normalization items, total general and administration expenses were 9.0% as a percentage of revenue.

### **EBITDA and Adjusted EBITDA**

EBITDA margin for H1 2018 of 21.4% includes the impact of normalization items. Adjusted EBITDA margin excluding these effects was 23.3%, minus 13Bps vs. previous financial year including negative FX translation effect of EUR 8m.

## **Leverage**

Priority Gross Bank Debt includes the Term Loan B tranches with outstanding balances as of 31 March 2018 of EUR 403.4m (B6) and USD 582.04m (B7) – after 0.25% quarterly principal repayments and converted into EUR 496.8m at the LTM average exchange rate of 1.1715. In addition, total Gross Debt includes the Senior Notes of EUR 279.6m and accrued interest on the Senior Notes.

Net Debt amounts to EUR 1,110.8m. 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 228.9m.

The above results in net leverage of 4.85x as of 31 March 2018.

Pro-forma interest was calculated at EUR 58.8m including Term Loans B6 (margin plus 0% floor) and B7 (margin plus 1% floor), 8% p.a. on the Notes and non-utilisation fee for the RCF.

**AURIS LUXEMBOURG II S.A. AND ITS SUBSIDIARY COMPANIES**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**For the Quarter ending 31 March 2018**  
**(in thousands of EUR, except where otherwise stated)**

	<u>01 January 2018 to 31 March 2018</u>	<u>01 Jan 2017 to 31 Mar 2017</u>
Revenue	252,845	244,029
Cost of goods sold	(107,029)	(105,721)
Gross profit	<u>145,816</u>	<u>138,308</u>
Research and development expenses	(13,117)	(12,127)
Selling and general administration expenses	(101,080)	(99,989)
Other operating income	69	164
Other operating expenses	(335)	(261)
Share of profit of associate, net of tax	34	150
Interest income	1,778	3,532
Interest expenses	(18,609)	(21,075)
Other financial income, net	5,583	27,821
Profit before income taxes	<u>20,139</u>	<u>36,523</u>
Income taxes	2,901	3,903
<b>Net profit/(loss)</b>	<b><u>23,040</u></b>	<b><u>40,426</u></b>
Attributable to:		
Non-Controlling Interests	10	50
Owners of the Company	23,030	40,376
	<i>Unaudited</i>	<i>Unaudited</i>



**AURIS LUXEMBOURG II S.A. AND ITS SUBSIDIARY COMPANIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 31 March 2018**  
**(in thousands of EUR, except where otherwise stated)**

	<b>31 March 2018</b>	<b>30 September 2017</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	75,228	111,692
Trade receivables	175,514	157,942
Other current financial assets	24,361	19,629
Inventories	71,353	48,119
Current income tax assets	4,980	2,597
Other current assets	26,587	22,539
<b>Total current assets</b>	<b>378,023</b>	<b>362,518</b>
Non-current assets		
Goodwill	1,430,922	1,416,568
Other intangible assets	584,389	607,193
Property, plant and equipment	72,128	66,655
Investments accounted for using the equity method	6,415	6,160
Other financial assets	77,463	67,659
Deferred tax assets	52,426	49,506
Other assets	5,719	5,715
<b>Total non-current assets</b>	<b>2,229,462</b>	<b>2,219,456</b>
<b>Total assets</b>	<b>2,607,485</b>	<b>2,581,974</b>
<b>Liabilities and equity</b>		
Current liabilities		
Short-term debt and current maturities of long-term debt	5,007	4,678
Trade payables	96,988	73,053
Other current financial liabilities	21,836	18,596
Current provisions	30,421	31,855
Current income tax liabilities	31,400	31,009
Other current liabilities	57,972	69,439
<b>Total current liabilities</b>	<b>243,624</b>	<b>228,630</b>
Non-current liabilities		
Long-term debt	1,102,540	1,122,115
Post-employment benefits	12,573	12,139
Deferred tax liabilities	101,319	106,819
Provisions	14,028	14,368
Other financial liabilities	5,585	6,483
Other liabilities	15,177	14,914
<b>Total non-current liabilities</b>	<b>1,251,222</b>	<b>1,276,838</b>
<b>Total liabilities</b>	<b>1,494,846</b>	<b>1,505,468</b>
Equity		
Share Capital	31	31
Capital Reserve	1,047,108	1,047,108
Retained Earnings	63,126	24,281
Reserves	(5,889)	(3,643)
Total equity attributable to owners of the Company	<b>1,104,376</b>	<b>1,067,777</b>
Non-controlling interests	8,263	8,729
<b>Total equity</b>	<b>1,112,639</b>	<b>1,076,506</b>
<b>Total liabilities and equity</b>	<b>2,607,485</b>	<b>2,581,974</b>

**AURIS LUXEMBOURG II S.A. AND ITS SUBSIDIARY COMPANIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the Quarter ending 31 March 2018**  
**(in thousands of EUR, except where otherwise stated)**

	<b>01 Jan 2018 to 31 Mar 2018</b>	<b>01 Jan 2017 to 31 Mar 2017</b>
Cash flow from operating activities		
Net profit	23,040	40,426
Adjustments to reconcile net profit to cash provided		
Amortization and depreciation	24,786	24,500
Income tax expense, net	(2,901)	(3,903)
Interest expense, net	16,831	17,544
Losses on sales and disposals of intangibles and property, plant and equipment, net	328	248
Share of profit of associate, net of tax	(34)	(150)
Other non-cash income	(12,806)	(6,562)
Change in current assets and liabilities:	(9,518)	(6,876)
<i>(Increase)/decrease in inventories</i>	(7,876)	97
<i>Increase in trade and other receivables</i>	(14,470)	(11,606)
<i>Increase in other current assets</i>	(2,952)	(4,992)
<i>Increase in trade payables</i>	18,441	4,970
<i>Increase/(decrease) in current provisions</i>	1,546	(236)
<i>(Decrease)/increase in other current liabilities</i>	(4,207)	4,891
Change in other assets and liabilities	3,610	(26,431)
Income taxes paid	(7,061)	(6,733)
Interest received	365	242
<b>Net cash provided by operating activities</b>	<b>36,640</b>	<b>32,305</b>
Cash flows from investing activities		
Purchase of intangible assets and property, plant and equipment	(16,177)	(12,138)
Purchase of investments in Associate/others	(2,926)	(54)
Acquisitions of subsidiaries and from asset deals, net of cash	(11,078)	(2,706)
Proceeds from disposal of intangibles and property, plant and equipment	306	157
<b>Net cash used in investing activities</b>	<b>(29,875)</b>	<b>(14,741)</b>
Cash flows from financing activities		
Transaction costs paid for issuance of SFA and senior notes	-	(550)
Proceeds of long-term and short term debt	175	246
Repayment of long-term and short term debt	(2,250)	(2,428)
Interest paid	(20,414)	(20,214)
Change in short-term debt and other financing activities	(4,201)	(4,066)
<b>Net cash used in financing activities</b>	<b>(26,690)</b>	<b>(27,012)</b>
Effect of exchange rates on cash and cash equivalents	3,756	753
Net decrease in cash and cash equivalents	(16,169)	(8,695)
Cash and cash equivalents at beginning of period	91,397	70,142
<b>Cash and cash equivalents at end of period</b>	<b>75,228</b>	<b>61,447</b>
	<i>Unaudited</i>	<i>Unaudited</i>

**AURIS LUXEMBOURG II S.A. AND ITS SUBSIDIARY COMPANIES**  
**PRO FORMA FINANCIAL INDICATORS**  
**For the period ended 31 March 2018**  
**(in millions of EUR, except where otherwise stated)**

**Leverage**

<b>Priority Net</b>	<b>EUR</b>
Priority Gross	900.2
Cash	(69.4)
<b>Net Priority Debt</b>	<b>830.8</b>
<b>Leverage</b>	<b>3.6x</b>

<b>Total Net</b>	<b>EUR</b>
Gross Debt	1,180.3
Cash	(69.4)
<b>Net Total Debt</b>	<b>1,110.8</b>
<b>Leverage</b>	<b>4.85x</b>

**Fixed Charge Coverage Ratio**

<b>Total Net</b>	<b>EUR</b>
Total PF interest	58.8
Adjusted EBITDA (LTM) <sup>1</sup>	228.9
<b>Fixed Charge Coverage Ratio</b>	<b>3.9x</b>

<sup>1</sup> LTM Consolidated EBITDA calculated as per SFA definition