

Interim Report

Q3 FY'16

Innovation continues to drive strong performance

- Sivantos continued its strong performance across all three regions in Q3 2016. The completion of binax portfolio and launch of primax resulted in 10.0% organic growth¹⁾.
- Reported EBITDA was at EUR 46.1 million, with a margin of 19.4%. Adjusted EBITDA was at EUR 52.8 million, with a margin of 22.3%.
- Trade Working Capital was supported by the lower inventory offsetting higher trade receivables and lower trade payables.

Note:

The financial information for Q3 2016 is unaudited. The financial statements have been prepared based on IFRS. The comparative numbers presented in the Q3 2016 Interim Report have been prepared based on audited Consolidated Financial Statements for the Financial Stub-Period 01 January to 30 September 2015 of Auris Luxembourg II S.A and its subsidiary companies.

The Issuer Auris Luxembourg II S.A. was incorporated on October 13th 2014. On November 6th 2014 EQT announced the acquisition of Sivantos Group (former “Siemens Audiology Solutions”) together with its co-investors for EUR 2.15 billion from Siemens AG. The transaction was closed on January 15th 2015. Therefore, there are no comparable figures for the previous year. For reference, the FY 2015 Proforma Income Statement (pf) are included in the Consolidated Financial Key Figures although the two are not directly comparable.

¹⁾ As per new definition, 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 30 June 2016

in mn. EUR	Q3 FY'16	Proforma ¹⁾ FY'15
Revenue	237.5	835.3
<i>Organic Growth % ²⁾</i>	10.0%	10.5%
Gross Profit	132.0	476.7
%	55.6%	57.1%
R&D	-13.0	-54.7
%	-5.5%	-6.6%
SG&A	-100.6	-344.7
%	-42.4%	-41.3%
EBIT	18.7	68.0
%	7.9%	8.1%
EBITDA	46.1	162.4
%	19.4%	19.4%
Adj. EBITDA	52.8	205.9
%	22.3%	24.7%

¹⁾ Pro-forma (Pf) financial Key figures have been prepared to present the results of Auris Luxembourg II S.A. as-if Sivantos Group and its consolidated subsidiaries formerly “Siemens Audiology Solutions” were included for the period October 2014 to September 2015. Proforma (Pf.) financial key figures are not audited.

²⁾ As per new definition, baseline revenue of acquisitions < 12 months is computed as average revenue of last twelve months (LTM) prior to acquisition

MD&A:

Revenue

Sivantos Group delivered topline growth of 8% in Q3 2016, which translates to 10% organic growth¹⁾ (pf). The growth was supported by completion of the binax portfolio and successful launch of the primax platform. All regions had a favourable (organic¹⁾) performance with Asia/Pacific (APAC) 9%, Europe including Middle East & Latin America (EMEA-LA) 8% and North America (NA) growing 13%.

Gross Margin

The gross margin in Q3 2016 was at 56%. The gross margin included effects from amortization due to the step-up of intangible assets as part of the purchase price allocation. On an adjusted basis, the gross margin Q3 2016 was at 62% benefiting from the increase in revenue.

Research and Development expenses

Total research and development costs incurred in Q3 2016 amounted to EUR 13 million. Capitalized Development costs amounted to EUR 4 million and amortization of capitalized development costs amounted to EUR 1 million. Total research and development costs expensed were 6% as a percentage of revenue reflecting a further strengthening of the product portfolio.

EBITDA and Adjusted EBITDA

EBITDA margin for Q3 2016 of 19% includes the impact of normalization items, operating expenses of new acquisitions and accelerated audibene roll-out. Adjusted EBITDA margin was 22%.

¹⁾ As per new definition, baseline revenue of acquisitions < 12 months is computed as average revenue of last twelve months (LTM) prior to acquisition

Leverage

Our Priority Gross Bank Debt includes the Term Loan B tranches with outstanding balances as of 30 June 2016 of EUR 301.2 million (B3) and 109.5 million (B5), USD 592.5 million (B4) – after 0.25% quarterly principal repayments and converted into 535.5 million EUR at the LTM average exchange rate of 1.1064 – and repayment of the RCF utilization. Total Gross Debt includes in addition our Senior Notes of EUR 275.0 million and accrued interest on the Senior Notes.

Net Debt amounts to EUR 1,202.7 million. 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.

Adjusted LTM EBITDA was at EUR 196.1 million adjusted for non-recurring items.

The above results in net leverage of 6.1x as of 30 June 2016.

Pro-forma interest was calculated at EUR 64.1 million, including 4.25% p.a. (Margin plus 1% floor) on TLB after inclusion of the newly issued Term Loan B5, 8.00% p.a. on the Notes and including the non-utilization fee for the RCF.

AURIS LUXEMBOURG II S.A. AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the Quarter ending 30 June 2016
(in thousands of EUR, except where otherwise stated)

	01 April to 30 June FY2016	01 January to 30 September FY2015
Revenue	237,460	611,672
Cost of goods sold	(105,490)	(269,497)
Gross profit	<u>131,970</u>	<u>342,175</u>
Research and development expenses	(13,024)	(39,986)
Selling and general administration expenses	(100,604)	(274,852)
Other operating income	(81)	64
Other operating expenses	417	(3,569)
Interest income	1,831	3,424
Interest expenses	(20,997)	(56,315)
Other financial income (expenses), net	(35,497)	(33,296)
Income before income taxes	<u>(35,986)</u>	<u>(62,355)</u>
Income taxes	(32)	7,111
Net income/(loss)	<u>(36,018)</u>	<u>(55,244)</u>
Attributable to:		
Non-Controlling Interests	79	1,627
Owners of the Company	(36,097)	(56,870)
	<i>Unaudited</i>	<i>Audited</i>

AURIS LUXEMBOURG II S.A. AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2016
(in thousands of EUR, except where otherwise stated)

	30 June	30 September
	FY2016	FY2015
Assets		
Current assets		
Cash and cash equivalents	35,769	38,876
Trade receivables	141,225	119,760
Other current financial assets	8,382	19,865
Inventories	71,312	81,326
Current income tax assets	3,973	2,501
Other current assets	20,074	19,032
Total current assets	280,734	281,361
Non-current assets		
Goodwill	1,411,971	1,405,755
Other intangible assets	690,054	742,953
Property, plant and equipment	65,535	64,658
Other financial assets	20,601	14,210
Deferred tax assets	46,602	44,517
Other assets	6,115	6,136
Total non-current assets	2,240,878	2,278,229
Total assets	2,521,612	2,559,589
Liabilities and equity		
Current liabilities		
Short-term debt and current maturities of long-term debt	29,396	48,540
Trade payables	69,401	73,569
Other current financial liabilities	16,197	16,106
Current provisions	30,699	30,403
Current income tax liabilities	10,529	11,672
Other current liabilities	57,635	66,815
Total current liabilities	213,856	247,105
Non-current liabilities		
Long-term debt	1,133,103	1,028,471
Post-employment benefits	11,735	11,859
Deferred tax liabilities	97,858	121,212
Provisions	14,667	13,682
Other financial liabilities	64,164	30,139
Other liabilities	17,963	17,846
Total non-current liabilities	1,339,490	1,223,208
Total liabilities	1,553,346	1,470,313
Equity		
Share Capital	31	31
Capital Reserve	1,047,108	1,155,058
Retained Earnings	(100,572)	(74,504)
Reserves	12,421	(183)
Total equity attributable to owners of the Company	958,988	1,080,402
Non-controlling interests	9,278	8,875
Total equity	968,266	1,089,277
Total liabilities and equity	2,521,612	2,559,589
	<i>Unaudited</i>	<i>Audited</i>

AURIS LUXEMBOURG II S.A. AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CASH FLOW
For the Quarter ending 30 June 2016
(in thousands of EUR, except where otherwise stated)

	01 April to 30 June FY2016	01 January to 30 September FY2015
Cash flow from operating activities		
Net income/(loss)	(36,018)	(55,244)
Adjustments to reconcile net loss to cash provided		
Amortization and depreciation	27,375	86,005
Income tax (income) expense, net	32	(7,111)
Interest expense, net	19,167	52,891
Losses on sales and disposals of intangibles and property, plant and equipment, net	66	847
Losses on disposals and impairm. of afs fin. assets	-	1
Other non-cash expenses	13,920	40,304
Change in current assets and liabilities:	10,678	(11,072)
<i>(Increase) decrease in inventories</i>	12,911	3,941
<i>(Increase) decrease in trade and other receivables</i>	(6,593)	(2,014)
<i>(Increase) decrease in other current assets</i>	3,205	(18,836)
<i>Increase (decrease) in trade payables</i>	(3,871)	(11,459)
<i>Increase (decrease) in current provisions</i>	925	(2,441)
<i>Increase (decrease) in other current liabilities</i>	4,100	19,737
Change in other assets and liabilities	21,516	18,743
Income taxes paid	(5,399)	(11,875)
Interest received	219	447
Net cash provided by (used in) operating activities	51,555	113,937
Cash flows from investing activities		
Additions to intangible assets and property, plant and equipment	(10,676)	(25,122)
Purchase of investments	-	-
Acquisitions, net of cash	-	(1,976,503)
Proceeds from disposal of intangibles and property, plant and equipment	62	2,309
Net cash provided by (used in) investing activities	(10,612)	(1,999,316)
Cash flows from financing activities		
(Redemption)/proceeds from capital contribution without issuance of new shares	-	937,139
Change in other financing activities	(717)	-
Transaction costs paid for issuance of SFA and senior notes	-	(42,963)
Proceeds of long-term and short term debt	-	1,101,312
Repayment of long-term and short term debt	(17,380)	(24,212)
Interest paid	(11,280)	(47,070)
Net cash provided by (used in) financing activities	(29,377)	1,924,206
Effect of exchange rates on cash and cash equivalents	183	31
Net increase (decrease) in cash and cash equivalents	11,749	38,858
Cash and cash equivalents at beginning of period	24,020	18
Cash and cash equivalents at end of period	35,769	38,876
	<i>Unaudited</i>	<i>Audited</i>

AURIS LUXEMBOURG II S.A. AND ITS SUBSIDIARY COMPANIES
PRO FORMA FINANCIAL INDICATORS
For the period ended 30 June 2016
(in thousands of EUR, except where otherwise stated)

Leverage

Priority Net	EUR m
Priority Gross	946.2
Cash	(28.0)
Net Priority Debt	918.2
Leverage	4.7x

Total Net	EUR m
Gross Debt	1,230.7
Cash	(28.0)
Net Total Debt	1,202.7
Leverage	6.1x

Fixed Charge Coverage Ratio

Total Net	EUR m
Total PF interest	64.1
Total adjusted LTM EBITDA	196.1
Fixed Charge Coverage Ratio	3.1x