

Interim Report

Q4 FY'17

Quarter 4 / Fiscal Year 2017

Sustained positive development

- Sivantos delivered 3.1% organic growth¹⁾ in Q4 FY2017. The moderate growth rate compared to previous quarters was a result of the portfolio reshuffling in Emerging Markets with increased margin focus and the timing of the product launch cycle leading to reduced revenue growth (launch of Signia Nx platform in Q1 FY2018).
- Adjusted gross profit margin improved slightly in Q4 FY2017 on year-on-year basis by 0.1%p. to 64.6% on year-on-year basis.
- In Q4 FY2017, adjusted EBITDA margin increased by 0.6%p. to 27.1% due to diligent management of SG&A.
- Free cash flow being very strong in Q4 FY2017 with highest level ever recorded this year amongst the previous quarters with a Cash Conversion Rate (CCR) of 136% driven by reduction in net inventories and trade and other receivables.

FY 2017

Portfolio optimizations and transformation initiatives lead to improved margin

- For the fiscal year 2017, Sivantos Group developed on par with the annual market growth with an organic revenue growth of 3.6%¹⁾. Organic growth was down vs PY mainly based on the portfolio reshuffling in Emerging Markets with increased margin focus and the timing of the product launch cycle.
- Gross profit after normalization improved by 1.3%p to 64.2% despite lower revenue growth driven by operational efficiency gains and optimized structures. Reported gross profit margin improved by 0.3%p to 57.0%.
- Adjusted EBITDA has reached EUR 237.7 million, an increase of EUR +17.2 million compared to FY 2016. Adjusted EBITDA margin has improved by +0.9%p to 24.6% compared to FY 2016 due to improved operational performance, improved cost structure and effective management of operating expenses. Reported EBITDA improved by 1.3%p to 21.9%.
- Free cash flow was strong and higher vs. previous year by 33.2 million Euro. This is translated to a CCR of 86%.

Note:

The financial information for Q4 FY2017 / Q4 FY2016 and Q1 – Q4 FY2017 / 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 30th September 2017

in mn. EUR	Q4 FY'17	Q4 FY'16
Revenue	245.4	246.3
<i>Organic Growth %¹⁾</i>	3.1%	11.4%
Gross Profit	135.6	144.6
<i>% of revenue</i>	55.3%	58.7%
Adjusted Gross Profit	158.4	159.0
<i>% of revenue</i>	64.6%	64.5%
R&D	-15.3	-12.6
<i>% of revenue</i>	-6.2%	-5.1%
SG&A	-96.9	-101.8
<i>% of revenue</i>	-39.4%	-41.3%
Other Income & (expenses)²⁾	12.3	-1.8
<i>% of revenue</i>	5.0%	-0.8%
EBIT	35.7	28.4
<i>% of revenue</i>	14.5%	11.5%
EBITDA	60.6	56.7
<i>% of revenue</i>	24.7%	23.0%
Adj. EBITDA	66.4	65.4
<i>% of revenue</i>	27.1%	26.5%
Free Cash Flow³⁾	82.5	60.4
<i>CCR⁴⁾</i>	1.36	1.07

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

²⁾ Includes the share of associate results.

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

⁴⁾ CCR = FCF / Reported EBITDA

AURIS LUXEMBOURG II S.A. AND ITS SUBSIDIARY COMPANIES
Consolidated Financial Key Figures for period ended 30th September 2017

in mn. EUR	Total FY'17	Total FY'16
Revenue	967.3	932.5
<i>Organic Growth % ¹⁾</i>	3.6%	9.3%
Gross Profit	551.6	529.0
<i>% of revenue</i>	57.0%	56.7%
Adjusted Gross Profit	621.2	587.2
<i>% of revenue</i>	64.2%	62.9%
R&D	-55.7	-49.7
<i>% of revenue</i>	-5.8%	-5.3%
SG&A	-399.8	-398.4
<i>% of revenue</i>	-41.4%	-42.7%
Other Income & (expenses)²⁾	13.2	-1.5
<i>% of revenue</i>	1.4%	-0.2%
EBIT	109.3	79.4
<i>% of revenue</i>	11.3%	8.5%
EBITDA	211.7	192.1
<i>% of revenue</i>	21.9%	20.6%
Adj. EBITDA	237.7	220.5
<i>% of revenue</i>	24.6%	23.6%
Free Cash Flow ³⁾	182.6	149.4
<i>CCR ⁴⁾</i>	0.86	0.78

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

²⁾ Includes the share of associate results.

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

⁴⁾ CCR = FCF / Reported EBITDA

MD&A: Quarter 4 / Fiscal Year 2017

Revenue

Sivantos Group had a slight reduction in nominal growth of -0.4% in Q4 FY2017 translated to a +3.1% organic growth¹⁾, the difference being mainly related to negative Fx transaction effects. The growth attributed to Europe including Middle East & Latin America (EMEA-LA) and Asia Pacific (APAC), partially offset by North America (NA).

Gross Profit

The gross profit for Q4 FY2017 was 55.3%. The gross profit included effects from amortization due to the step-up of intangible assets as part of the purchase price allocation and normalization items. Excluding these effects, the gross profit margin was 64.6% plus 0.1%p. attributed by the improved operational excellence.

Research and Development expenses

Total research and development costs incurred in Q4 FY2017 amounted to EUR 15.3 million. Capitalized development costs amounted to EUR 3.3 million and amortization of capitalized development costs were at EUR 1.9 million. Total research and development expenses were 6.2% as a percentage of revenue both before and after normalization items. These investments focused on strengthening the product pipeline for the next years to maintain the competitive advantage currently experienced with existing platforms.

Selling expenses

Total selling expenses in Q4 FY2017 were 28.6% 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 26.9% as a percentage of revenue.

General Administration expenses

Total general administration expenses in Q4 FY2017 were 10.8% as a percentage of revenue and include effects from normalization items. Excluding normalization items, total general and administration expenses were 8.4% as a percentage of revenue.

EBITDA and Adjusted EBITDA

EBITDA margin for Q4 FY2017 of 24.7% includes the impact of normalization items. Adjusted EBITDA margin excluding these effects was 27.1%, plus 0.6%p. vs. PY.

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

MD&A: Full Fiscal Year 2017

Revenue

Sivantos Group had a solid development across all regions delivering revenue growth of 3.7% which translates into 3.6% organic growth¹⁾. All regions had a favorable performance with North America (NA) at 4% organic growth, Europe including Middle East & Latin America (EMEA-LA) at 5% and Asia/Pacific (APAC) at 1%.

Gross Profit

Gross profit for fiscal year 2017 was 57.0%. The gross profit margin included effects from amortization due to the step-up of intangible assets as part of the purchase price allocation and normalization items. Excluding these effects, the gross profit margin was 64.2%, plus 1.3%p attributed by the improved operational excellence.

Research and Development expenses

Total research and development costs incurred in fiscal year 2017 amounted to EUR 55.7 million. Capitalized development costs amounted to EUR 15.1 million and amortization and depreciation of assets capitalized and used for development costs amounted to EUR 5.1 million. Total research and development expenses were 5.8% as a percentage of revenue for both including and excluding effects of normalization items. These investments focused on strengthening the product pipeline for the next years to maintain the competitive advantage currently experienced with the existing platforms.

Selling expenses

Total selling expenses in fiscal year 2017 were 30.6% 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 one-time and non-recurring effects total selling expenses were 28.4% as a percentage of revenue.

General Administration expenses

Total general administration expenses in fiscal year 2017 were 10.8% as a percentage of revenue and include effects from normalization items. Excluding these effects total general administration expenses were 9.2% as a percentage of revenue.

EBITDA and Adjusted EBITDA

EBITDA margin for fiscal year 2017 of 21.9% includes normalization items. Adjusted EBITDA margin excluding these effects was 24.6%, plus 0.9%p. vs. PY.

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 30 September 2017 of EUR 405.47m (B6) and USD 585.03m (B7) – after 0.25% quarterly principal repayments and converted into EUR 528.77m at the LTM average exchange rate of 1.1064. In addition, total Gross Debt includes the Senior Notes of EUR 279.58m and accrued interest on the Senior Notes.

Net Debt amounts to EUR 1,108.90m. 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 234.90m.

The above results in net leverage of 4.72x as of 30 September 2017.

Pro-forma interest was calculated at EUR 58.24m 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 30 September 2017
(in thousands of EUR, except where otherwise stated)

	01 July 2017 to 30 September 2017	01 Jul 2016 to 30 Sep 2016
Revenue	245,446	246,328
Cost of goods sold	(109,805)	(101,756)
Gross profit	<u>135,641</u>	<u>144,572</u>
Research and development expenses	(15,297)	(12,594)
Selling and general administration expenses	(96,909)	(101,754)
Other operating income	13,063	1,775
Other operating expenses	(877)	(3,740)
Share of profit of associate, net of tax	47	118
Interest income	1,727	1,759
Interest expenses	(19,371)	(21,331)
Other financial income, net	40,658	24,533
Profit before income taxes	<u>58,682</u>	<u>33,338</u>
Income taxes	(12,368)	(39,030)
Net profit/(loss)	<u>46,314</u>	<u>(5,692)</u>
Attributable to:		
Non-Controlling Interests	(345)	421
Owners of the Company	46,659	(6,113)
	<i>Unaudited</i>	<i>Unaudited</i>

AURIS LUXEMBOURG II S.A. AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2017
(in thousands of EUR, except where otherwise stated)

	<u>30 September 2017</u>	<u>30 September 2016</u>
Assets		
Current assets		
Cash and cash equivalents	111,692	65,939
Trade receivables	157,942	152,109
Other current financial assets	19,629	7,601
Inventories	48,119	56,728
Current income tax assets	2,597	2,989
Other current assets	22,539	21,610
Total current assets	<u>362,518</u>	<u>306,976</u>
Non-current assets		
Goodwill	1,416,568	1,407,429
Other intangible assets	607,193	671,970
Property, plant and equipment	66,655	64,917
Investments accounted for using the equity method	6,160	2,197
Other financial assets	67,659	40,005
Deferred tax assets	49,506	54,656
Other assets	5,715	3,374
Total non-current assets	<u>2,219,456</u>	<u>2,244,548</u>
Total assets	<u>2,581,974</u>	<u>2,551,524</u>
Liabilities and equity		
Current liabilities		
Short-term debt and current maturities of long-term debt	4,678	5,094
Trade payables	73,053	69,353
Other current financial liabilities	18,596	13,582
Current provisions	31,855	31,528
Current income tax liabilities	31,009	33,347
Other current liabilities	69,439	66,648
Total current liabilities	<u>228,630</u>	<u>219,552</u>
Non-current liabilities		
Long-term debt	1,122,115	1,149,741
Post-employment benefits	12,139	22,664
Deferred tax liabilities	106,819	116,058
Provisions	14,368	14,670
Other financial liabilities	6,483	66,288
Other liabilities	14,914	17,115
Total non-current liabilities	<u>1,276,838</u>	<u>1,386,536</u>
Total liabilities	<u>1,505,468</u>	<u>1,606,088</u>
Equity		
Share Capital	31	31
Capital Reserve	1,047,108	1,047,108
Retained Earnings	24,281	(117,702)
Reserves	(3,643)	6,350
Total equity attributable to owners of the Company	<u>1,067,777</u>	<u>935,787</u>
Non-controlling interests	8,729	9,649
Total equity	<u>1,076,506</u>	<u>945,436</u>
Total liabilities and equity	<u>2,581,974</u>	<u>2,551,524</u>

AURIS LUXEMBOURG II S.A. AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Quarter ending 30 September 2017
(in thousands of EUR, except where otherwise stated)

	01 July 2017 to 30 September 2017	01 Jul 2016 to 30 Sep 2016
Cash flow from operating activities		
Net profit/(loss)	46,315	(5,693)
Adjustments to reconcile net profit/(loss) to cash provided		
Amortization and depreciation	24,973	28,300
Income tax expense, net	12,368	39,030
Interest expense, net	17,644	19,573
(Gains)/losses on sales and disposals of intangibles and property, plant and equipment, net	(11,650)	361
Share of profit of associate, net of tax	(47)	(118)
Other non-cash income	(16,750)	(3,009)
Change in current assets and liabilities:	26,934	15,317
<i>Decrease in inventories</i>	8,741	14,060
<i>Decrease/(increase) in trade and other receivables</i>	2,463	(11,419)
<i>(Increase)/decrease in other current assets</i>	(98)	4,056
<i>Increase in trade payables</i>	5,781	609
<i>Increase in current provisions</i>	1,899	1,107
<i>Increase in other current liabilities</i>	8,148	6,904
Change in other assets and liabilities	(27,751)	(20,516)
Income taxes paid	(1,658)	(1,602)
Interest received	311	109
Net cash provided by operating activities	70,689	71,752
Cash flows from investing activities		
Purchase of intangible assets and property, plant and equipment	(13,908)	(10,952)
Purchase of investments in Associate	5,293	-
Acquisitions of subsidiaries and from asset deals, net of cash	(5,336)	(36)
Proceeds from disposal of intangibles and property, plant and equipment	12,332	56
Net cash used in investing activities	(1,619)	(10,932)
Cash flows from financing activities		
Transaction costs paid for issuance of SFA and senior notes	-	-
Proceeds of long-term and short term debt	10	412
Repayment of long-term and short term debt	(3,089)	(2,376)
Interest paid	(20,731)	(22,289)
Change in short-term debt and other financing activities	(4,095)	(1,921)
Net cash used in financing activities	(27,905)	(26,174)
Effect of exchange rates on cash and cash equivalents	1,085	(4,476)
Net decrease in cash and cash equivalents	42,250	30,170
Cash and cash equivalents at beginning of period	69,442	35,769
Cash and cash equivalents at end of period	111,692	65,939
	<i>Unaudited</i>	<i>Unaudited</i>

AURIS LUXEMBOURG II S.A. AND ITS SUBSIDIARY COMPANIES
PRO FORMA FINANCIAL INDICATORS
For the period ended 30 September 2017
(in millions of EUR, except where otherwise stated)

Leverage

Priority Net	EUR
Priority Gross	934.3
Cash	(105.1)
Net Priority Debt	829.2
Leverage	3.5x

Total Net	EUR
Gross Debt	1,214.0
Cash	(105.1)
Net Total Debt	1,108.9
Leverage	4.72x

Fixed Charge Coverage Ratio

Total Net	EUR
Total PF interest	58.2
Adjusted EBITDA (LTM) ¹	234.9
Fixed Charge Coverage Ratio	4.0x

¹ LTM Consolidated EBITDA calculated as per SFA definition