

# **Interim Report**

## **Q1 FY'17**

### **Positive start into FY '17**

- Sivantos continued to deliver growth in Q1 2017. The performance of a strong product portfolio (eg. Primax platform) including newly launched products at EUHA 2016 (e.g. Cellion, Silk and Tele-care) resulted in 3.7% organic growth<sup>1)</sup> for the quarter.
- Adjusted gross profit margin was higher by +1.3%p attributed to mix effects and cost effectiveness in production.
- Adjusted EBITDA margin decreased to 22.8% driven mainly by increased operating expenses of audibene expansion.
- Strong cash flow up by EUR 11 million vs last year supported by modest investment and no significant movement in trade working capital shows increased cash related performance.

### **Note:**

The financial information for Q1 2017 and Q1 2016 is unaudited. Financial statements for full year 2016 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 the Quarter ending 31st December**

in mn. EUR	Q1 FY'17	Q1 FY'16
<b>Revenue</b>	235.0	225.2
<i>Organic Growth % <sup>1)</sup></i>	3.7%	8.1%
<b>Gross Profit</b>	135.9	125.3
<i>% of revenue</i>	57.8%	55.6%
<b>R&amp;D</b>	-13.3	-11.6
<i>% of revenue</i>	-5.7%	-5.2%
<b>SG&amp;A</b>	-102.3	-93.9
<i>% of revenue</i>	-43.5%	-41.7%
<b>Other Income &amp; (expenses)</b>	0.8	-0.2
<i>%</i>	0.3%	-0.1%
<b>EBIT</b>	21.1	19.5
<i>% of revenue</i>	9.0%	8.7%
<b>EBITDA</b>	48.8	48.9
<i>% of revenue</i>	20.8%	21.7%
<b>Adj. EBITDA</b>	53.6	54.6
<i>% of revenue</i>	22.8%	24.2%
<b>Free Cash Flow <sup>2)</sup></b>	26.3	15.3
<i>CCR <sup>3)</sup></i>	0.54	0.31

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

<sup>3)</sup> CCR = FCF / Reported EBITDA

## **MD&A:**

### **Revenue**

Sivantos Group delivered growth of 4.4% in Q1 2017 which translates to 3.7% organic growth<sup>1)</sup>. This was attributed to Europe including Middle East & Latin America (EMEA-LA) and North America (NA).

### **Gross Margin**

The gross margin in Q1 2017 was 57.8%. 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 Q1 2017 was 63.6% benefiting mainly from mix effects and cost effectiveness in operations.

### **Research and Development expenses**

Total research and development costs incurred in Q1 2017 amounted to EUR 15.6 million. Capitalized Development costs amounted to EUR 2.9 million and amortization of capitalized development costs were at EUR 0.6 million. Total research and development costs expensed were 6% 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 primax including newly launched products.

### **Selling expenses**

Total selling expenses in Q1 2017 were 32.4% 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 29.0% as a percentage of revenue.

### **General Administration expenses**

Total general administration expenses in Q1 2017 were 11.2% as a percentage of revenue. Excluding normalization items, total general and administration expenses were 9.8% as a percentage of revenue.

### **EBITDA and Adjusted EBITDA**

EBITDA margin for Q1 2017 of 20.8% includes the impact of normalization items. Adjusted EBITDA margin was 22.8% lower than previous by -1.4%p mainly due to the expansion costs of audibene. Adjusted EBITDA amounted to EUR 54 million, almost at the same level of last year.

<sup>1)</sup> 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 December 2016 of EUR 299.7 mn (B3) and 108.9mn (B5), USD 589.5 mn (B4) – after 0.25% quarterly principal repayments and converted into 533.68 mn EUR at the LTM average exchange rate of 1.1046 as well as repayment of the RCF utilization. In addition, total Gross Debt includes the Senior Notes of EUR 275.0 mn and accrued interest on the Senior Notes.

Net Debt amounts to EUR 1,166.0 mn. 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.

The above results in net leverage of 5.3x as of 31 December 2016.

Pro-forma interest was calculated at EUR 63.7 mn, 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 Quarters ending 31 December**  
**(in thousands of EUR, except where otherwise stated)**

	<u>01 October 2016 to</u> <u>31 December 2016</u>	<u>01 October 2015 to</u> <u>31 December 2015</u>
Revenue	235,048	225,226
Cost of goods sold	<u>(99,109)</u>	<u>(99,965)</u>
Gross profit	135,939	125,261
Research and development expenses	(13,325)	(11,629)
Selling and general administration expenses	(102,323)	(93,907)
Other operating income	948	54
Other operating expenses	(141)	(241)
Share of profit of associate, net of tax	(5)	-
Interest income	1,817	1,772
Interest expenses	(21,228)	(20,272)
Other financial expenses, net	<u>(3,141)</u>	<u>(14,677)</u>
Loss before income taxes	(1,459)	(13,638)
Income taxes	<u>562</u>	<u>10,944</u>
<b>Net loss</b>	<b><u>(897)</u></b>	<b><u>(2,694)</u></b>
Attributable to:		
Non-Controlling Interests	11	533
Owners of the Company	(908)	(3,227)
	<i>Unaudited</i>	<i>Unaudited</i>

**AURIS LUXEMBOURG II S.A. AND ITS SUBSIDIARY COMPANIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2016**  
**(in thousands of EUR, except where otherwise stated)**

	<b>31 December 2016</b>	<b>30 September 2016</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	70,142	65,939
Trade receivables	157,443	152,109
Other current financial assets	11,442	7,601
Inventories	61,251	56,728
Current income tax assets	3,761	2,989
Other current assets	20,455	21,610
<b>Total current assets</b>	<b>324,494</b>	<b>306,976</b>
Non-current assets		
Goodwill	1,412,729	1,407,429
Other intangible assets	654,046	671,970
Property, plant and equipment	65,248	64,917
Investments accounted for using the equity method	6,274	2,197
Other financial assets	42,052	40,005
Deferred tax assets	58,143	54,656
Other assets	3,566	3,374
<b>Total non-current assets</b>	<b>2,242,058</b>	<b>2,244,548</b>
<b>Total assets</b>	<b>2,566,552</b>	<b>2,551,524</b>
<b>Liabilities and equity</b>		
Current liabilities		
Short-term debt and current maturities of long-term debt	10,767	5,094
Trade payables	72,953	69,353
Other current financial liabilities	15,593	13,582
Current provisions	32,038	31,528
Current income tax liabilities	39,131	33,347
Other current liabilities	53,790	66,648
<b>Total current liabilities</b>	<b>224,272</b>	<b>219,552</b>
Non-current liabilities		
Long-term debt	1,179,431	1,149,741
Post-employment benefits	23,586	22,664
Deferred tax liabilities	110,903	116,058
Provisions	15,101	14,670
Other financial liabilities	44,658	66,288
Other liabilities	18,410	17,115
<b>Total non-current liabilities</b>	<b>1,392,089</b>	<b>1,386,536</b>
<b>Total liabilities</b>	<b>1,616,361</b>	<b>1,606,088</b>
Equity		
Share Capital	31	31
Capital Reserve	1,047,108	1,047,108
Retained Earnings	(118,899)	(117,702)
Reserves	11,725	6,350
Total equity attributable to owners of the Company	<b>939,965</b>	<b>935,787</b>
Non-controlling interests	10,226	9,649
<b>Total equity</b>	<b>950,191</b>	<b>945,436</b>
<b>Total liabilities and equity</b>	<b>2,566,552</b>	<b>2,551,524</b>
	<i>Unaudited</i>	<i>Audited</i>

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

	<u>01 October 2016 to 31 December 2016</u>	<u>01 October 2015 to 31 December 2015</u>
Cash flow from operating activities		
Net loss	(897)	(2,694)
Adjustments to reconcile net loss to cash provided		
Amortization and depreciation	27,717	29,360
Income tax (income) expense, net	(562)	(10,944)
Interest expense, net	19,411	18,500
Losses on sales and disposals of intangibles and property, plant and equipment, net	65	205
Losses on disposals and impairm. of afs fin. assets	-	-
Share of profit of associate, net of tax	5	-
Other non-cash expenses	29,767	14,837
Change in current assets and liabilities:	(16,817)	1,952
<i>(Increase) decrease in inventories</i>	(3,624)	(3,658)
<i>(Increase) decrease in trade and other receivables</i>	(2,508)	2,212
<i>(Increase) decrease in other current assets</i>	(1,020)	(1,306)
<i>Increase (decrease) in trade payables</i>	2,895	(6,979)
<i>Increase (decrease) in current provisions</i>	(268)	(2,211)
<i>Increase (decrease) in other current liabilities</i>	(12,292)	13,894
Change in other assets and liabilities	(22,420)	(25,882)
Income taxes paid	(2,223)	(2,579)
Interest received	188	161
<b>Net cash provided by operating activities</b>	<u>34,234</u>	<u>22,915</u>
Cash flows from investing activities		
Purchase of intangible assets and property, plant and equipment	(7,401)	(8,755)
Purchase of investments in Associate	(4,078)	0
Acquisitions of subsidiaries and from asset deals, net of cash	(870)	(494)
Proceeds from disposal of intangibles and property, plant and equipment	176	193
<b>Net cash used in investing activities</b>	<u>(12,173)</u>	<u>(9,056)</u>
Cash flows from financing activities		
Repayment of capital reserve	-	-
Transaction costs paid for issuance of SFA and senior notes	-	-
Proceeds of long-term and short term debt	169	-
Repayment of long-term and short term debt	(2,467)	(15,155)
Interest paid	(11,433)	(12,384)
Change in short-term debt and other financing activities	(301)	-
Dividends paid to non-controlling interests	-	(262)
<b>Net cash used in financing activities</b>	<u>(14,032)</u>	<u>(27,801)</u>
Effect of exchange rates on cash and cash equivalents	(3,826)	1,036
Net increase (decrease) in cash and cash equivalents	4,203	(12,905)
Cash and cash equivalents at beginning of period	65,939	38,876
<b>Cash and cash equivalents at end of period</b>	<u><b>70,142</b></u>	<u><b>25,971</b></u>
	<i>Unaudited</i>	<i>Unaudited</i>



**AURIS LUXEMBOURG II S.A. AND ITS SUBSIDIARY COMPANIES**  
**PRO FORMA FINANCIAL INDICATORS**  
**For the period ended 31 December 2016**  
**(in millions of EUR, except where otherwise stated)**

**Leverage**

<b>Priority Net</b>	<b>EUR</b>
Priority Gross	942.3
Cash	(61.3)
<b>Net Priority Debt</b>	<b>881.0</b>
<b>Leverage</b>	<b>4.0x</b>

<b>Total Net</b>	<b>EUR</b>
Gross Debt	1,227.3
Cash	(61.3)
<b>Net Total Debt</b>	<b>1,166.0</b>
<b>Leverage</b>	<b>5.3x</b>

**Fixed Charge Coverage Ratio**

<b>Total Net</b>	<b>EUR</b>
Total PF interest	63.7
Adjusted EBITDA (LTM)	219.5
<b>Fixed Charge Coverage Ratio</b>	<b>3.4x</b>