

Interim Report

Q1 FY'18

Quarter 1 / Fiscal Year 2018

Continued positive development extends into the new fiscal year

- Sivantos delivered 3.5% organic growth¹⁾ in Q1 2018 with negative Fx translation effects accounting for EUR 13m vs. Q1 2017. The moderate growth rate was mainly related to a later than expected product launch of our new technology platform Signia Nx.
- Adjusted Gross Profit Margin was higher by 223Bps on year-on-year basis leading to 65.8% driven by productivity and efficiency gains in operations.
- Adjusted EBITDA margin decreased by 36Bps to 22.4% due to higher temporary launch expenses for Signia Nx including negative Fx translation effects leading to a reduction of EUR 3m vs. Q1 2017.
- Free Cash flow was lower compared to Q1 2017 due to increased inventories related to the product launch, higher capital expenditures for the new production facility in Singapore taking place in Q1 2018 and investments into several smaller acquisitions.

Note:

The financial information for Q1 2018 / Q1 2017 is unaudited. Financial statements for full year 2017 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 31st December 2017

in mn. EUR	Q1 FY'18	Q1 FY'17
Revenue	234.2	235.0
<i>Organic Growth % ¹⁾</i>	3.5%	3.7%
Gross Profit	140.1	135.9
<i>% of revenue</i>	59.8%	57.8%
Adjusted Gross Profit	154.2	149.5
<i>% of revenue</i>	65.8%	63.6%
R&D	-15.2	-13.3
<i>% of revenue</i>	-6.5%	-5.7%
SG&A	-101.8	-102.3
<i>% of revenue</i>	-43.5%	-43.5%
Other Income & (expenses)²⁾	0.0	0.8
<i>% of revenue</i>	0.0%	0.3%
EBIT	23.0	21.1
<i>% of revenue</i>	9.8%	9.0%
EBITDA	48.0	48.8
<i>% of revenue</i>	20.5%	20.8%
Adj. EBITDA	52.5	53.6
<i>% of revenue</i>	22.4%	22.8%
Free Cash Flow ³⁾	4.4	26.3
<i>CCR ⁴⁾</i>	0.09	0.54

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 1 / Fiscal Year 2018

Revenue

Sivantos Group had a reduction in nominal growth of -0.4% in Q1 2018 compared to Q1 2017, translating into +3.5% organic growth¹⁾, with the difference being mainly related to significant negative Fx translation effects of EUR 13m. 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 Q1 2018 was 59.8% 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 Q1 2018 was 65.8% plus 223Bps compared to Q1 2017 benefiting mainly from productivity improvements and increased structured efficiency in operations.

Research and Development expenses

Total research and development costs incurred in Q1 2018 amounted to EUR 18.8m. Capitalized Development costs amounted to EUR 5.5m and amortization of capitalized development costs amounted to EUR 1.9m. Total research and development costs expensed were 6.5% as a percentage of revenue both before and after effects of 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 Q1 2018 were 32.3% 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 31.2% as a percentage of revenue.

General Administration expenses

Total general administration expenses in Q1 2018 were 11.1% as a percentage of revenue and include effects from normalization items. Excluding normalization items, total general and administration expenses were 9.7% as a percentage of revenue.

EBITDA and Adjusted EBITDA

EBITDA margin for Q1 2018 of 20.5% includes the impact of normalization items. Adjusted EBITDA margin excluding these effects was 22.4%, minus 36Bps vs. previous financial year including negative Fx translation effect of EUR 3m.

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 December 2017 of EUR 404.4m (B6) and USD 583.5m (B7) – after 0.25% quarterly principal repayments and converted into EUR 516m at the LTM average exchange rate of 1.131. In addition, total Gross Debt includes the Senior Notes of EUR 285.1m and accrued interest on the Senior Notes.

Net Debt amounts to EUR 1,119.7m. 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 225.9m.

The above results in net leverage of 4.96x as of 31 December 2017.

Pro-forma interest was calculated at EUR 57.7m 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 December 2017
(in thousands of EUR, except where otherwise stated)

	<u>01 October 2017 to 31 December 2017</u>	<u>01 Oct 2016 to 31 Dec 2016</u>
Revenue	234,194	235,048
Cost of goods sold	(94,121)	(99,109)
Gross profit	<u>140,073</u>	<u>135,939</u>
Research and development expenses	(15,203)	(13,325)
Selling and general administration expenses	(101,793)	(102,323)
Other operating income	147	948
Other operating expenses	(494)	(141)
Share of profit/(loss) of associate, net of tax	303	(5)
Interest income	1,744	1,817
Interest expenses	(19,210)	(21,228)
Other financial income, net	9,804	(3,141)
Profit/(loss) before income taxes	<u>15,371</u>	<u>(1,459)</u>
Income taxes	92	562
Net profit/(loss)	<u>15,463</u>	<u>(897)</u>
Attributable to:		
Non-Controlling Interests	(92)	11
Owners of the Company	15,555	(908)

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

	31 December 2017	30 September 2017
Assets		
Current assets		
Cash and cash equivalents	91,397	111,692
Trade receivables	162,383	157,942
Other current financial assets	20,464	19,629
Inventories	64,133	48,119
Current income tax assets	2,200	2,597
Other current assets	28,975	22,539
Total current assets	369,552	362,518
Non-current assets		
Goodwill	1,422,687	1,416,568
Other intangible assets	594,311	607,193
Property, plant and equipment	71,981	66,655
Investments accounted for using the equity method	6,443	6,160
Other financial assets	73,062	67,659
Deferred tax assets	50,853	49,506
Other assets	5,658	5,715
Total non-current assets	2,224,995	2,219,456
Total assets	2,594,547	2,581,974
Liabilities and equity		
Current liabilities		
Short-term debt and current maturities of long-term debt	10,337	4,678
Trade payables	79,115	73,053
Other current financial liabilities	20,911	18,596
Current provisions	29,377	31,855
Current income tax liabilities	32,937	31,009
Other current liabilities	61,645	69,439
Total current liabilities	234,322	228,630
Non-current liabilities		
Long-term debt	1,115,011	1,122,115
Post-employment benefits	12,530	12,139
Deferred tax liabilities	105,054	106,819
Provisions	15,342	14,368
Other financial liabilities	5,795	6,483
Other liabilities	15,698	14,914
Total non-current liabilities	1,269,430	1,276,838
Total liabilities	1,503,752	1,505,468
Equity		
Share Capital	31	31
Capital Reserve	1,047,108	1,047,108
Retained Earnings	39,926	24,281
Reserves	(4,765)	(3,643)
Total equity attributable to owners of the Company	1,082,300	1,067,777
Non-controlling interests	8,495	8,729
Total equity	1,090,795	1,076,506
Total liabilities and equity	2,594,547	2,581,974

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

	01 Oct 2017 to 31 Dec 2017	01 Oct 2016 to 31 Dec 2016
Cash flow from operating activities		
Net profit/(loss)	15,463	(897)
Adjustments to reconcile net profit/(loss) to cash provided		
Amortization and depreciation	24,950	27,717
Income tax expense, net	(92)	(562)
Interest expense, net	17,467	19,411
Losses on sales and disposals of intangibles and property, plant and equipment, net	485	65
Share of (profit)/loss of associate, net of tax	(303)	5
Other non-cash (income)/expense	(6,528)	29,767
Change in current assets and liabilities:	(26,906)	(16,817)
<i>Increase in inventories</i>	(10,885)	(3,624)
<i>Increase in trade and other receivables</i>	(1,847)	(2,508)
<i>Increase in other current assets</i>	(2,642)	(1,020)
<i>Increase in trade payables</i>	1,126	2,895
<i>Decrease in current provisions</i>	(2,581)	(268)
<i>Decrease in other current liabilities</i>	(10,077)	(12,292)
Change in other assets and liabilities	(4,369)	(22,420)
Income taxes paid	(1,338)	(2,223)
Interest received	340	188
Net cash provided by operating activities	19,169	34,234
Cash flows from investing activities		
Purchase of intangible assets and property, plant and equipment	(18,176)	(7,401)
Purchase of investments in Associate/others	(3,800)	(4,078)
Acquisitions of subsidiaries and from asset deals, net of cash	(7,517)	(870)
Proceeds from disposal of intangibles and property, plant and equipment	34	176
Net cash used in investing activities	(29,459)	(12,173)
Cash flows from financing activities		
Proceeds of long-term and short term debt	75	169
Repayment of long-term and short term debt	(2,302)	(2,467)
Interest paid	(9,545)	(11,433)
Change in short-term debt and other financing activities	(222)	(301)
Net cash used in financing activities	(11,994)	(14,032)
Effect of exchange rates on cash and cash equivalents	1,989	(3,826)
Net decrease in cash and cash equivalents	(20,295)	4,203
Cash and cash equivalents at beginning of period	111,692	65,939
Cash and cash equivalents at end of period	91,397	70,142
	<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 2017
(in millions of EUR, except where otherwise stated)

Leverage

Priority Net	EUR
Priority Gross	920.4
Cash	(86.0)
Net Priority Debt	834.4
Leverage	3.69x

Total Net	EUR
Gross Debt	1,205.7
Cash	(86.0)
Net Total Debt	1,119.7
Leverage	4.96x

Fixed Charge Coverage Ratio

Total Net	EUR
Total PF interest	57.7
Adjusted EBITDA (LTM) ¹	225.9
Fixed Charge Coverage Ratio	3.92x

¹ LTM Consolidated EBITDA calculated as per SFA definition