

# **Interim Report**

## **Q3 FY'17**

### **Q3 (April – June) FY 2017**

#### **Accelerated Profit improvement driven by successful transformation in Q3 FY 2017**

- Growth was lower than previous quarters with +2.2% (Organic Growth at 1.3%<sup>1</sup>) driven by slower business in Emerging Markets.
- Gross profit margin improved by 2.8%-points driven substantially by operational improvements and active portfolio management.
- Adjusted EBITDA margin improved by 2.4%-points driven by a more effective operational setup in Operations and SG&A. Thus adjusted EBITDA improved over proportionally by 7.1 million Euro (+13.6%).
- Cash flow was strong with a CCR of 83% but slightly lower than Q3/2016.

### **Q1 – Q3 (October – June) FY 2017**

#### **Moderate growth with cost improvements materialising sustainably**

- Growth was at 5.2% (Organic Growth at 3.8%<sup>1</sup>) lower than the previous period driven by portfolio reshuffling in Emerging Markets.
- Gross Profit margin improved by 1.6%-points driven by operational improvements in main production sites.
- Adjusted EBITDA margin improved by 1.1%-points driven by cost improvements at Gross Profit level and OPEX reduction. However, increase in R&D spending to support product developments and to increase future competitiveness.
- Cash flow was strong and higher by 11.2 million Euro vs. previous year with the same CCR level of 66%.

#### **Note:**

The financial information for Q3 2017 / Q3 2016 and Q1 – Q3 2017 / 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 30<sup>th</sup> June 2017**

in mn. EUR	Q3 FY'17	Q3 FY'16
<b>Revenue</b>	242.8	237.5
<i>Organic Growth % <sup>1)</sup></i>	<i>1.3%</i>	<i>10.0%</i>
<b>Gross Profit</b>	141.7	132.0
<i>% of revenue</i>	<i>58.4%</i>	<i>55.6%</i>
<b>R&amp;D</b>	-15.0	-13.0
<i>% of revenue</i>	<i>-6.2%</i>	<i>-5.5%</i>
<b>SG&amp;A</b>	-100.6	-100.6
<i>% of revenue</i>	<i>-41.4%</i>	<i>-42.4%</i>
<b>Other Income &amp; (expenses)<sup>4)</sup></b>	0.2	0.3
<i>%</i>	<i>0.1%</i>	<i>0.1%</i>
<b>EBIT</b>	26.3	18.7
<i>% of revenue</i>	<i>10.8%</i>	<i>7.9%</i>
<b>EBITDA</b>	51.5	46.1
<i>% of revenue</i>	<i>21.2%</i>	<i>19.4%</i>
<b>Adj. EBITDA</b>	59.3	52.2
<i>% of revenue</i>	<i>24.4%</i>	<i>22.0%</i>
<b>Free Cash Flow<sup>2)</sup></b>	42.7	43.9
<i>CCR<sup>3)</sup></i>	<i>0.83</i>	<i>0.95</i>

<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

<sup>4)</sup> Includes the share of associate results.

**AURIS LUXEMBOURG II S.A. AND ITS SUBSIDIARY COMPANIES**  
**Consolidated Financial Key Figures for period ended 30<sup>th</sup> June 2017**

<b>in mn. EUR</b>	<b>Q3 YTD FY'17</b>	<b>Q3 YTD FY'16</b>
<b>Revenue</b>	721.8	686.2
<i>Organic Growth %<sup>1)</sup></i>	3.8%	8.5%
<b>Gross Profit</b>	416.0	384.5
<i>% of revenue</i>	57.6%	56.0%
<b>R&amp;D</b>	-40.4	-37.1
<i>% of revenue</i>	-5.6%	-5.4%
<b>SG&amp;A</b>	-302.9	-296.7
<i>% of revenue</i>	-42.0%	-43.2%
<b>Other Income &amp; (expenses)<sup>4)</sup></b>	1.0	0.3
<i>%</i>	0.1%	0.1%
<b>EBIT</b>	73.7	51.1
<i>% of revenue</i>	10.2%	7.4%
<b>EBITDA</b>	151.1	135.4
<i>% of revenue</i>	20.9%	19.7%
<b>Adj. EBITDA</b>	171.3	155.1
<i>% of revenue</i>	23.7%	22.6%
<b>Free Cash Flow<sup>2)</sup></b>	100.1	88.9
<i>CCR<sup>3)</sup></i>	0.66	0.66

<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

<sup>4)</sup> Includes the share of associate results.

## **Q3/FY 2017 MD&A:**

### **Revenue**

Sivantos Group delivered growth of 2.2% in Q3 2017 which translates to 1.3% organic growth<sup>1)</sup>. This was attributed to Europe including Middle East & Latin America (EMEA-LA) and North America (NA), partially offset by Asia Pacific (APAC) mainly driven by a portfolio shift to higher technology products.

### **Gross Profit**

The gross profit in Q3 2017 was 58.4%. The gross 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 Q3 2017 was 64.7% benefiting mainly from strong efforts in cost improvements and network optimization in operations.

### **Research and Development expenses**

Total research and development costs incurred in Q3 2017 amounted to EUR 16.8 million. Capitalized Development costs were at EUR 3.8 million and amortization of capitalized development costs at EUR 2.0 million. Total research and development costs expensed were 6% as a percentage of revenue both before and after effects of normalization items. This reflects higher investments into future technologies in order to further strengthen the competitive advantage currently experienced with the product portfolio.

### **Selling expenses**

Total selling expenses in Q3 2017 were 30.9% 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 29.2% as a percentage of revenue driven by investments into structural change.

### **General Administration expenses**

Total general administration expenses in Q3 2017 were 10.5% as a percentage of revenue. Excluding normalization items, total general and administration expenses were 8.9% as a percentage of revenue.

### **EBITDA and Adjusted EBITDA**

EBITDA margin for Q3 2017 of 21.2% includes the impact of normalization items. Adjusted EBITDA margin was 24.4%. Adjusted EBITDA amounted to EUR 59 million, higher than last year by EUR 7 million or 13.6%.

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

## **Q1 - Q3 / FY 2017 MD&A:**

### **Revenue**

Overall revenue growth has been at 5.2% with organic growth<sup>1)</sup> being at 3.8%. This was attributed to Europe including Middle East & Latin America (EMEA-LA) and North America (NA), partially offset by Asia Pacific (APAC). Portfolio reshufflings in the Emerging Markets, especially China, to higher end products have been the key contributing factors.

### **Gross Margin**

The YTD gross margin in 2017 was 57.6%. The gross 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 YTD 2017 gross margin was 64.1% mainly driven by cost improvements.

### **Research and Development expenses**

Total research and development costs incurred in YTD 2017 amounted to EUR ~ 49 million. Capitalized Development costs amounted to EUR ~ 12 million and amortization of capitalized development costs were at EUR ~ 3 million. Total research and development costs expensed were 6% as a percentage of revenue both before and after effects of normalization items. This reflects higher investments into future technologies in order to further strengthen the competitive advantage currently experienced with the product portfolio.

### **Selling expenses**

Total selling expenses in YTD 2017 were 31.2% 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 28.9% as a percentage of revenue driven by cautious spending on marketing activities partially increased by the investments into structural change.

### **General Administration expenses**

Total general administration expenses in YTD 2017 were 10.8% as a percentage of revenue. Excluding normalization items, total general and administration expenses were 9.5% as a percentage of revenue.

### **EBITDA and Adjusted EBITDA**

EBITDA margin for YTD 2017 of 20.9% includes the impact of normalization items. Adjusted EBITDA margin was 23.7% higher on account of diligent management of costs. Adjusted EBITDA amounted to EUR 171 million, higher than last year by EUR 16 million or 10.4%

<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 30 June 2017 of EUR 406.50m (B6) and USD 586.53m (B7) – after 0.25% quarterly principal repayments and converted into EUR 537.35m at the LTM average exchange rate of 1.0915. In addition, total Gross Debt includes the Senior Notes of EUR 285.08m and accrued interest on the Senior Notes.

Net Debt amounts to EUR 1,166.5m. 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 239.3m.

The above results in net leverage of 4.9x as of 30 June 2017.

Pro-forma interest was calculated at EUR 58.62m 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 June 2017**  
**(in thousands of EUR, except where otherwise stated)**

	<b>01 April 2017 to 30 June 2017</b>	<b>01 April 2016 to 30 June 2016</b>
Revenue	242,767	237,460
Cost of goods sold	(101,044)	(105,490)
Gross profit	<u>141,723</u>	<u>131,970</u>
Research and development expenses	(14,975)	(13,024)
Selling and general administration expenses	(100,590)	(100,604)
Other operating income	309	(81)
Other operating expenses	(103)	417
Share of loss of associate, net of tax	(48)	-
Interest income	1,677	1,831
Interest expenses	(19,933)	(20,997)
Other financial income/(expenses), net	39,182	(35,497)
Profit/(loss) before income taxes	<u>47,242</u>	<u>(35,985)</u>
Income taxes	(425)	(32)
<b>Net profit/(loss)</b>	<b><u>46,817</u></b>	<b><u>(36,017)</u></b>
Attributable to:		
Non-Controlling Interests	(110)	79
Owners of the Company	46,927	(36,096)
	<i>Unaudited</i>	<i>Unaudited</i>



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

	<b>30 June 2017</b>	<b>30 September 2016</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	69,442	65,939
Trade receivables	162,616	152,109
Other current financial assets	17,827	7,601
Inventories	58,150	56,728
Current income tax assets	2,395	2,989
Other current assets	23,383	21,610
<b>Total current assets</b>	<b>333,813</b>	<b>306,976</b>
Non-current assets		
Goodwill	1,408,824	1,407,429
Other intangible assets	623,609	671,970
Property, plant and equipment	64,106	64,917
Investments accounted for using the equity method	6,232	2,197
Other financial assets	54,155	40,005
Deferred tax assets	60,602	54,656
Other assets	3,339	3,374
<b>Total non-current assets</b>	<b>2,220,867</b>	<b>2,244,548</b>
<b>Total assets</b>	<b>2,554,680</b>	<b>2,551,524</b>
<b>Liabilities and equity</b>		
Current liabilities		
Short-term debt and current maturities of long-term debt	10,972	5,094
Trade payables	68,144	69,353
Other current financial liabilities	17,456	13,582
Current provisions	30,651	31,528
Current income tax liabilities	29,596	33,347
Other current liabilities	62,579	66,648
<b>Total current liabilities</b>	<b>219,398</b>	<b>219,552</b>
Non-current liabilities		
Long-term debt	1,138,186	1,149,741
Post-employment benefits	21,742	22,664
Deferred tax liabilities	105,396	116,058
Provisions	14,571	14,670
Other financial liabilities	14,194	66,288
Other liabilities	15,699	17,115
<b>Total non-current liabilities</b>	<b>1,309,788</b>	<b>1,386,536</b>
<b>Total liabilities</b>	<b>1,529,186</b>	<b>1,606,088</b>
Equity		
Share Capital	31	31
Capital Reserve	1,047,108	1,047,108
Retained Earnings	(31,103)	(117,702)
Reserves	72	6,350
Total equity attributable to owners of the Company	<b>1,016,108</b>	<b>935,787</b>
Non-controlling interests	9,386	9,649
<b>Total equity</b>	<b>1,025,494</b>	<b>945,436</b>
<b>Total liabilities and equity</b>	<b>2,554,680</b>	<b>2,551,524</b>

*Unaudited*

*Audited*

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

	<u>01 April 2017 to 30 June 2017</u>	<u>01 April 2016 to 30 June 2016</u>
Cash flow from operating activities		
Net profit/(loss)	46,817	(36,017)
Adjustments to reconcile net loss to cash provided		
Amortization and depreciation	25,224	27,375
Income tax expense, net	425	32
Interest expense, net	18,256	19,167
Losses on sales and disposals of intangibles and property, plant and equipment, net	85	66
Share of loss of associate, net of tax	48	-
Other non-cash expenses	(33,876)	13,920
Change in current assets and liabilities:	70	10,677
<i>(Increase)/ decrease in inventories</i>	(359)	12,911
<i>Increase in trade and other receivables</i>	(245)	(6,593)
<i>(Increase)/decrease in other current assets</i>	(714)	3,205
<i>Decrease in trade payables</i>	(7,608)	(3,871)
<i>Increase in current provisions</i>	383	925
<i>Increase in other current liabilities</i>	8,613	4,100
Change in other assets and liabilities	(15,224)	21,523
Income taxes paid	(7,484)	(5,399)
Interest received	294	219
<b>Net cash provided by operating activities</b>	<b>34,635</b>	<b>51,563</b>
Cash flows from investing activities		
Purchase of intangible assets and property, plant and equipment	(11,585)	(10,683)
Purchase of investments in Associate	(5,293)	-
Acquisitions of subsidiaries and from asset deals, net of cash	(591)	-
Proceeds from disposal of intangibles and property, plant and equipment	149	62
<b>Net cash used in investing activities</b>	<b>(17,320)</b>	<b>(10,621)</b>
Cash flows from financing activities		
Transaction costs paid for issuance of SFA and senior notes	(513)	-
Proceeds of long-term and short term debt	22	-
Repayment of long-term and short term debt	(2,347)	(17,380)
Interest paid	(9,912)	(11,280)
Change in short-term debt and other financing activities	(628)	(717)
<b>Net cash used in financing activities</b>	<b>(13,378)</b>	<b>(29,377)</b>
Effect of exchange rates on cash and cash equivalents	4,058	181
Net decrease in cash and cash equivalents	7,995	11,746
Cash and cash equivalents at beginning of period	61,447	24,020
<b>Cash and cash equivalents at end of period</b>	<b>69,442</b>	<b>35,766</b>
	<i>Unaudited</i>	<i>Unaudited</i>

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

**Leverage**

<b>Priority Net</b>	<b>EUR</b>
Priority Gross	943.9
Cash	(63.3)
<b>Net Priority Debt</b>	<b>880.6</b>
<b>Leverage</b>	<b>3.7x</b>

<b>Total Net</b>	<b>EUR</b>
Gross Debt	1,229.8
Cash	(63.3)
<b>Net Total Debt</b>	<b>1,166.5</b>
<b>Leverage</b>	<b>4.9x</b>

**Fixed Charge Coverage Ratio**

<b>Total Net</b>	<b>EUR</b>
Total PF interest	58.6
Adjusted EBITDA (LTM) <sup>1)</sup>	239.3
<b>Fixed Charge Coverage Ratio</b>	<b>4.1x</b>

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