Q2 Results
Investor presentation

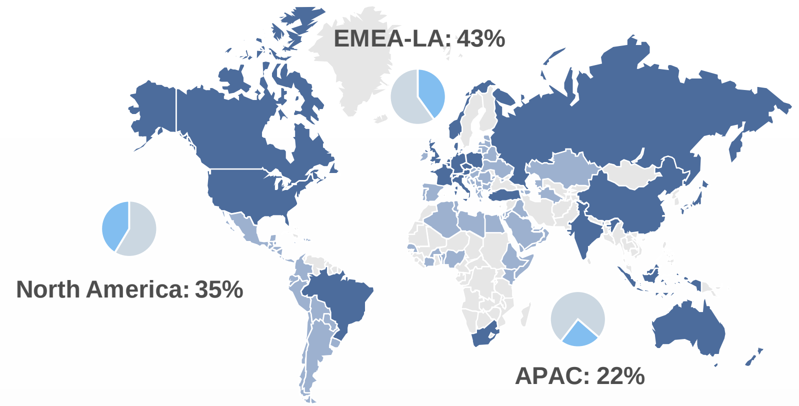
Sivantos: World leader in hearing devices manufacturing

sivantos
the hearing company

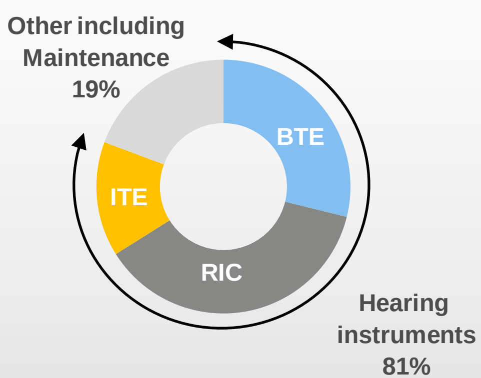
Key highlights

- Pure play manufacturer of hearing aid devices with more than 100 years of experience in audiology
  - Headquartered in Singapore, employing c. 5,000 people globally
- Global #1 manufacturer by volumes with more than 3m units manufactured annually, #3 by revenue[1]
  - LTM Mar-15 Revenue: € 752.1m (+8.9% vs. FY14)
  - LTM Mar-15 PF Adj. EBITDA[2]: € 192.2m (25.6% margin)
- Global footprint with strong market positions in key markets
- Balanced offer of technologically advanced products across all price ranges with a focus on the higher value segments

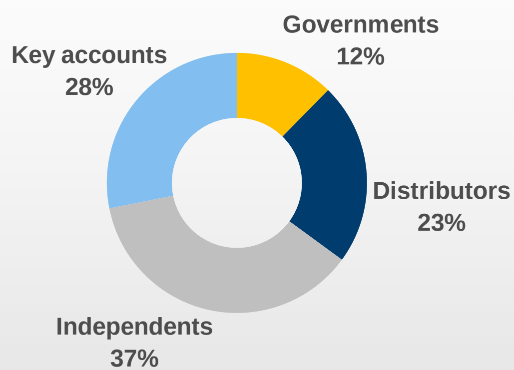
Global operating footprint



Revenue by product[3] – LTM-Mar-15



Revenue by channel – LTM-Mar-15



Key brands – Successful multibrand strategy

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SIEMENS

Audio Service

audibene einfach gut hören

REXTON

BestSound Technology Life sounds brilliant.

1. According to management estimates; 2. FY14-Q1FY15 relates to Sivantos Group and its consolidated subsidiaries (formerly "Siemens Audiology Solutions"), LTM calculation includes Q2FY15 pro forma financial data of Auris Luxembourg II SA. Please refer to the Q2FY15 interim report for further information; 3. Wholesale


Trading update

Performance highlights since LBO

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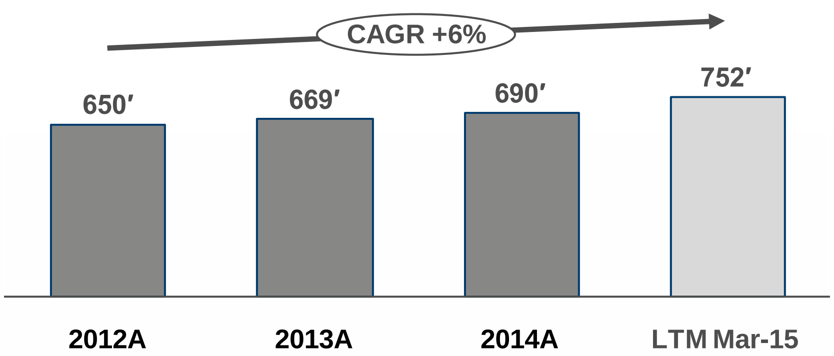
1. **Strong revenue growth** with LTM Mar-15 revenue of € 752.1m (9.4% constant currency revenue growth in H1-FY15 y-o-y)
   - Successful product launch of **binax** and continued strong demand for **micon** products
   - Global market growth estimated at 4% in H1-FY15 vs. the same period last year
2. Pro Forma Adjusted **EBITDA growth** to **€ 192.2m as of LTM Mar-15**[1] (25.6% margin) vs. €156.9m as of Sep-14 (22.7% margin)
3. **Successfully renamed** the group from Siemens Audiology Solutions to **Sivantos Group**
   - Key product brands remain Siemens, Audio Service, Rexton and A&M
   - Sivantos can continue to utilise the Siemens product brand until Jan-2020 and benefits from a 3 year extension to facilitate after sales services
4. **Acquisition of audibene,** one of the fastest growing **online retailer**s for hearing aids globally**,** in Mar-2015
   - Highly complementary transaction and will help Sivantos to shape the (online) future of the hearing aid industry
   - Customers receive consultation support by experienced hearing care professionals via telephone and the audibene websites. Fitting is done with a highly trained external audiologist partner in developed markets and remotely via video consultation in emerging markets
5. **New CFO, Oliver Walker,** appointed in Feb-2015
   - Oliver previously served as CFO of multiple high-profile healthcare companies, including Nobel Biocare, Sonova, and Stratec Medical Group

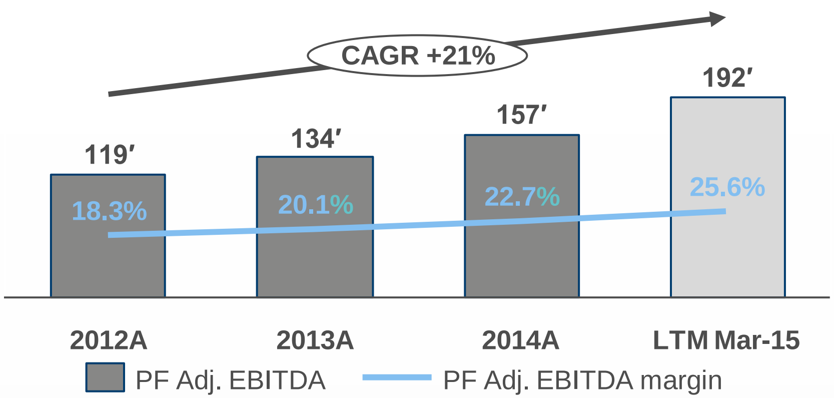
1. FY12-Q1FY15 relates to Sivantos Group and its consolidated subsidiaries (formerly "Siemens Audiology Solutions"), LTM calculation includes Q2FY15 pro forma financial data of Auris Luxembourg II SA. Please refer to the Q2FY15 interim report for further information

Financial update – overview

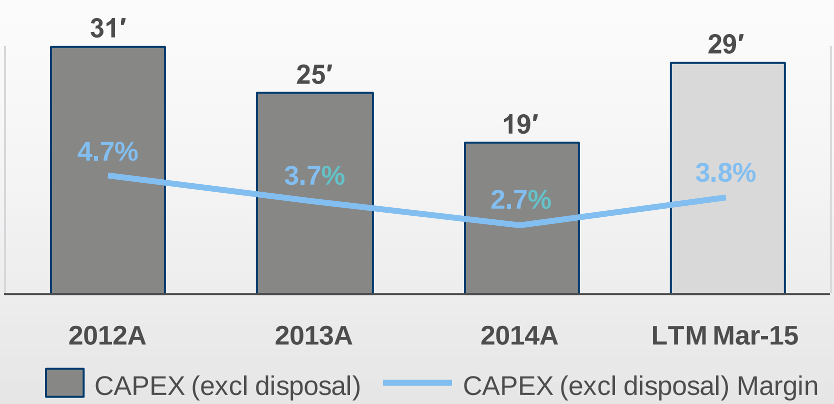
Revenue



Pro Forma Adjusted EBITDA[1]



Capex (excl. disposal)



Key Observations

- ✓ 9.4% constant currency revenue growth in H1-FY15 y-o-y
- ✓ binax and micon contributed 15.5% and 51.8% respectively of H1-FY15 revenue
- ✓ Solid performance across all key regions (slower growth in the UK)
- ✓ Increase in H1-FY15 reported capex due to one-off items, including the separation from Siemens

1. FY12-Q1FY15 relates to Sivantos Group and its consolidated subsidiaries (formerly "Siemens Audiology Solutions"), LTM calculation includes Q2FY15 pro forma financial data of Auris Luxembourg II SA. Please refer to the Q2FY15 interim report for further information. Data in EURm

Financial update – drivers of profitability

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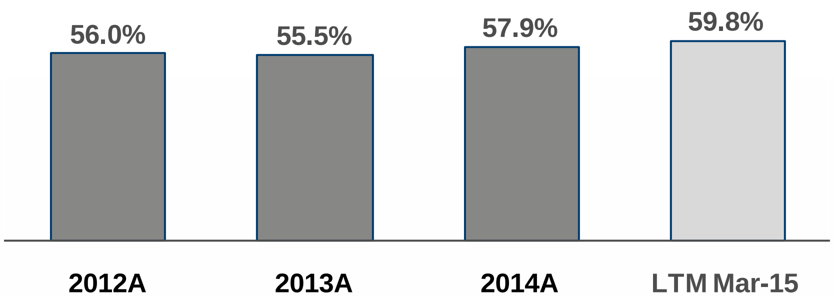
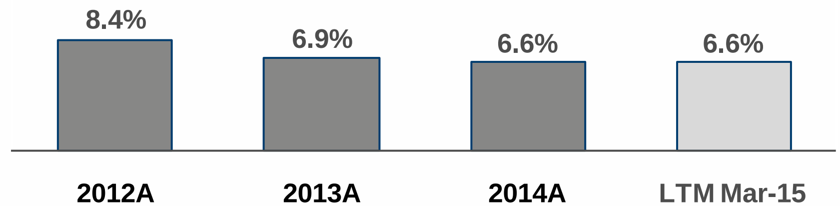
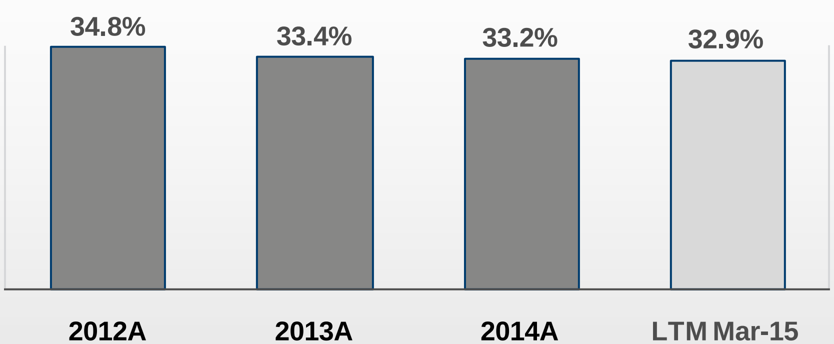
Gross margin (% of revenue)



R&D (% of revenue)



SG&A (% of revenue)



Key observations

- ✓ H1-FY15 gross margin improvement driven by better sales mix in terms of products, distribution channels and regions
  - Favourable FX development: business is short Singapore Dollars, long USD and long Yen
- ✓ Continued investment in R&D, underlying Sivantos' commitment to invest for the future
- ✓ Measured increase in marketing and selling expenses in order to accelerate binax and micon sales growth

Quality of earnings

Quality of earnings	
€m	LTM Mar-15
Reported Sivantos EBITDA[1]	**179.2**
1. Implementation of ERP system	2.0
2. Cost of litigation	(0.7)
3. Personnel restructuring	3.9
4. Retention bonus	1.1
5. IT carve-out costs	1.3
6. Consultancy & Lawyer fees	4.3
Total management adjustments	**11.9**
Adjusted EBITDA	**191.1**
7. Estimated stand-alone savings	1.2
Pro Forma Adjusted EBITDA	**192.2**

Comments

1. ERP

- The Company is in the process of rolling-out a new ERP (Enterprise Resource Planning) system across most countries. The adjustment comprises the expenses of €2.0m related to the implementation

2. Cost of Litigation

- The litigation adjustment primarily relates to a class action brought by the previous shareholder of HearUSA, a company acquired by SAS in 2011. In August 2014, following final settlement, management released €0.7m of provisions. The adjustment in FY2015 represents the reversal of this release

3. Personnel restructuring

- The personnel restructuring adjustment relates to severance payments

4. Retention bonus

- The bonus accrual adjustment in FY2015 relates to the retention bonus plan for the key personnel identified, related to the sale of the Company

5. IT Carve–out costs

- The IT carve-out costs relates to the one-time IT expenses required due to change of control

6. Consultancy & Lawyer Fees

- The adjustment relates to consultancy fees for special projects and lawyer fees for management participation program

5. Standalone savings

- Savings relate to services currently provided by Siemens AG that are seen either as unnecessary for the separated business or which management believes can be absorbed into the Company's existing organization. These services will no longer be required going forward

[1] *Excluding one-off transaction costs associated with the EQT LBO, incurred at Auris Luxembourg II SA level*

Current capital structure

Significant deleveraging since EQT acquisition driven by strong EBITDA growth and cash flow generation

	EQT acquisition		31 March 2015					
€ millions	**Amt**	**xEBITDA**	**Amt**	**xEBITDA**	**Maturity**	**Pricing**	**Floor**	**Current ratings**
Cash	-		(62)	(0.3)x				Corp: B2/B+
RCF drawn	-		48		2021	E + 3.75%	-	B1/B+
€ Term loan	305		305		2022	E + 4.50%	1.00%	B1/B+
US$ Term loan ($600m)[1]	480		480		2022	L + 4.50%	1.00%	B1/B+
Senior secured net debt	**785**	**5.0x**	**771**	**4.0x**				
			1.0x deleveraging					
€ Senior notes	275		275		2023	8.00%	-	Caa1/B-
Total net debt	**1,060**	**6.76x**	**1,046**	**5.4x**				
			1.3x deleveraging					
Available RCF	75		27		2021			
Applicable PF Adj. EBITDA	157		192					
		+22.5% increase						
Interest cover		2.4x		2.9x				

[1] *Assuming average FX EUR/USD over 31-Mar-14 to 1-Apr-15 @ c. 1.25 as per Sivantos SFA calculation*

Sivantos has a very attractive credit profile

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1 Attractive and resilient market	• **Strong and stable market growth:** ~5% CAGR over 2003-2013; expected to continue at approximately the same rate driven by secular demographic trends and the importance of the hearing aids for maintaining quality of life • **Limited reliance on reimbursement regimes:** significant proportion of hearing devices are self-paid
2 Most profitable segment in the value chain	• **Favourable value chain composition:** top 6 manufacturers representing >90% of the total market, for which Sivantos ranks in the top 3, and highly fragmented distribution market • **Limited threat of low cost countries:** significant proportion of production already in low cost countries • **High barriers to entry:** historically stable OEM margins. Hearing aids are also **Class I regulated devices under FDA**. No new successful market entrance by an OEM in over 30 years • **No major technological shift expected**
3 Leading market positions	• **#1 global manufacturer by volume** and **#3 by revenue** with improving market share in the wholesale market[1] • **Strong market positions in key countries[1]:** #1 Japan and France; #2 UK; #3 Germany; #4 US • **Strong position in emerging markets[1]: #1 China and India**
4 Highly diversified business	• Distribution of a **wide portfolio of products via four different distribution channels** (independents, key accounts, distributors and governments) serving a diversified customer base across **multiple geographies** • **Fragmented customer base** with top 10 customers representing c. 26% of revenues • Recent acquisition of one of the fastest growing **online retailers**, Audibene
5 Proven performance	• **Strong financial track record** over the last financial years further underpinned by **strong current trading YTD** – **Very positive uptake of** our binaural **binax** platform launched in October 2014 and **continued success of micon** – **Sales and Pro Forma Adjusted EBITDA up 8.9% and 22.5% respectively on LTM basis vs. FY14**
6 Strong cashflow generation	• **Consistent improvement of EBITDA margins** from 16.9% in FY12 to 25.6% in LTM Mar-15 • **Very high cash flow conversion** driven by limited capex and working capital requirements • **Significant 1.3x deleveraging achieved over the last two quarters** from 6.8x post EQT acquisition to 5.4x Q2-15

[1] *According to management estimates*

Q&A