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Sisram Medical Ltd

(Incorporated in Israel with limited liability)

(Stock Code: 1696)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2018

FINANCIAL HIGHLIGHTS

For the six months ended June 30, 2018:

- Revenue was US$78.2 million, increased by 17.9% as compared to that for the six months ended June 30, 2017.
- Profit for the period attributable to owners of the parent was US$11.3 million, increased by 43.9% as compared to that for the six months ended June 30, 2017.

INTERIM DIVIDEND

- The Board resolved not to declare any interim dividend for the six months ended June 30, 2018.

RESULTS HIGHLIGHTS

The board of directors (the "**Board**") of Sisram Medical Ltd (the "**Company**" or "**Sisram**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**" or "**we**") for the six months ended June 30, 2018 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2017. The results have been prepared in accordance with International Financial Reporting Standards (the "**IFRSs**").

INTERIM CONDENSED CONSOLIDAETD STATEMENTS OF PROFIT OR LOSS

	Notes	Six months ended June 30, 2018 US$'000 (Unaudited)	Six months ended June 30, 2017 US$'000 (Unaudited)
REVENUE	3	78,155	66,288
Cost of sales		(36,296)	(30,201)
Gross profit		41,859	36,087
Other income and gains	3	897	1,376
Selling and distribution expenses		(15,830)	(11,821)
Administrative expenses		(6,805)	(5,971)
Research and development expenses		(4,876)	(4,818)
Other expenses		(1,077)	(642)
Finance costs	5	(526)	(3,555)
PROFIT BEFORE TAX	4	13,642	10,656
Income tax expense	6	(2,388)	(2,838)
PROFIT FOR THE PERIOD			
Attributable to owners of the parent		11,254	7,818
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For profit for the period (US cents)	7	2.55	3.51

INTERIM CONDENSED CONSOLIDAETD STATEMENTS OF COMPREHENSIVE INCOME

	Six months ended June 30,	
	2018	**2017**
	US$'000	*US$'000*
	(Unaudited)	*(Unaudited)*
PROFIT FOR THE PERIOD	11,254	7,818
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(479)	483
Effective portion of changes in fair value of hedging instruments arising during the period	(65)	—
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	(544)	483
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(544)	483
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		
Attributable to owners of the parent	10,710	8,301

INTERIM CONDENSED CONSOLIDAETD STATEMENTS OF FINANCIAL POSITION

	Notes	As at June 30, 2018 US$'000 (Unaudited)	As at December 31, 2017 US$'000 (Audited)
NON-CURRENT ASSETS			
Plant and equipment		2,206	2,320
Goodwill		108,351	108,351
Other intangible assets		61,520	64,039
Deferred tax assets		5,542	5,268
Other non-current assets		148	139
Total non-current assets		177,767	180,117
CURRENT ASSETS			
Inventories		30,265	23,898
Trade receivables	8	39,733	35,249
Prepayments, deposits and other receivables		4,658	3,214
Derivative financial instruments		81	—
Cash and bank balances		98,431	104,137
Total current assets		173,168	166,498
CURRENT LIABILITIES			
Trade payables	9	11,712	6,742
Contract liabilities		2,491	—
Other payables and accruals		10,713	21,719
Interest-bearing bank borrowings		4,591	4,321
Derivative financial instruments		—	245
Tax payable		1,295	1,496
Total current liabilities		30,802	34,523
NET CURRENT ASSETS		142,366	131,975
TOTAL ASSETS LESS CURRENT LIABILITIES		320,133	312,092

	As at June 30, 2018 *US$'000* *(Unaudited)*	As at December 31, 2017 *US$'000* *(Audited)*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	4,536	6,761
Deferred tax liabilities	10,293	10,686
Contract liabilities	526	573
Other long-term liabilities	1,042	1,096
Total non-current liabilities	16,397	19,116
NET ASSETS	303,736	292,976
EQUITY		
Equity attributable to owners of the parent		
Share capital	1,254	1,254
Reserves	302,482	291,722
Total equity	303,736	292,976

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements, which comprise the interim condensed consolidated statement of financial position of the Group as at June 30, 2018 and the related interim condensed consolidated statements of profit or loss and comprehensive income for the six months ended June 30, 2018 (the "Reporting Period") have been prepared in accordance with IAS 34 Interim Financial Reporting approved by the International Accounting Standards Board.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements as at December 31, 2017.

The interim condensed consolidated financial statements are presented in U.S. dollars and all values are rounded to the nearest thousand (US$'000) except when otherwise indicated.

1.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2017, except for the adoption of new standards effective as of January 1, 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The following new and amended standards and interpretation are mandatory for the first time for the financial year beginning on January 1, 2018.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

The adoption of the above new and amended standards and interpretation did not have a material impact on the Group's unaudited condensed consolidated financial information. The nature and effect of these changes are disclosed below.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue and related Interpretations* and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 are applied using the following five steps:

1. Identify the contract(s) with a customer;

2. Identify the performance obligations in the contract;

3. Determine the transaction price;

4. Allocate the transaction price to the performance obligations in the contract; and

5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group is in the business of the design, development, manufacture and sale of energy-based aesthetic medical and minimally invasive treatment systems. The equipment and services are sold both on their own in separately identified contracts with customers and together as a bundled package of goods and/or services.

The Directors of the Company considers the revenue recognition results for the revenue sources of the Group are consistent between under IFRS 15 and IAS 18. As a result, no reconciliation from IAS 18 to IFRS 15 is presented.

IFRS 9 *Financial Instruments*

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

(a) Classification and measurement

Except for certain trade receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("**FVPL**"), amortized cost, or fair value through other comprehensive income ("**FVOCI**"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the "**SPPI criterion**").

The new classification and measurement of the Group's debt financial assets are, as follows:

- *Debt instruments at amortized cost* for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade and other receivables.

- *Debt instruments at FVOCI*, with gains or losses recycled to profit or loss on derecognition. Financial assets in this category are the Group's quoted debt instruments that meet the SPPI criterion and are held within a business model both to collect cash flows and to sell. Under IAS 39, the Group's quoted debt instruments were classified as available-for-sale ("**AFS**") financial assets.

Other financial assets are classified and subsequently measured, as follows:

- *Equity instruments at FVOCI*, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the Group's unquoted equity instruments were classified as AFS financial assets.

- *Financial assets at FVPL* comprise derivative instruments and quoted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under IAS 39, the Group's quoted equity securities were classified as AFS financial assets. Upon transition the AFS reserve relating to quoted equity securities, which had been previously recognized under accumulated OCI, was reclassified to retained earnings.

The assessment of the Group's business models was made as of the date of initial application, January 1, 2018, and then applied retrospectively to those financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognized in the statement of profit or loss.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model.

The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by IAS 39.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("**ECL**") approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For contract assets and trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The statement of financial position as at 31 December 2017 was not restated as the Group has no financial instruments subject to the changes mentioned above.

(c) Hedge accounting

The Group applied hedge accounting prospectively. At the date of the initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Consistent with prior periods, the Group has continued to designate the change in fair value of the entire forward contract in the Group's cash flow hedge relationships and, as such, the adoption of the hedge accounting requirements of IFRS 9 had no significant impact on the Group's consolidated financial stalememts.

Under IAS 39, all gains and losses arising from the Group's cash flow hedging relationships were eligible to be subsequently reclassified to profit or loss. However, under IFRS 9, gains and losses arising on cash flow hedges of forecast purchases of non-financial assets need to be incorporated into the initial carrying amounts of the non-financial assets. Therefore, upon adoption of IFRS 9, the Net gain or loss on cash flow hedges of forecast purchases of non-financial assets was presented under 'Other comprehensive income not to be reclassified to profit or loss in subsequent periods'. This change only applies prospectively from the date of initial application of IFRS 9 and has no impact on the presentation of comparative figures.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating activities are related to a single operating segment, which is the design, development, manufacture and sale of energy-based aesthetic medical and minimally invasive treatment systems. Therefore, no analysis by operating segment is presented.

3. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of services rendered.

An analysis of revenue, other income and gains is as follows:

	Six months ended June 30,	
	2018	**2017**
	US$'000	*US$'000*
	(Unaudited)	*(Unaudited)*
Revenue		
Sale of goods	72,002	61,741
Services and others	6,153	4,547
	78,155	66,288

	Six months ended June 30,	
	2018	**2017**
	US$'000	*US$'000*
	(Unaudited)	*(Unaudited)*
Other income and gains		
Bank interest income	822	185
Foreign exchange gains, net	—	602
Fair value gains from foreign exchange forward contracts not qualifying as hedges	75	589
	897	1,376

4. PROFIT BEFORE TAX

The Group's profit before tax from convincing operations is arrived are after charging/(crediting):

	Six months ended June 30,	
	2018	**2017**
	US$'000	*US$'000*
	(Unaudited)	*(Unaudited)*
Cost of inventories sold	25,366	21,731
Cost of services and others	10,930	8,470
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	11,117	10,077
Listing bonus	1,950	—
Defined benefit plan costs	458	421
	13,525	10,498
Research and development expenses:		
Current period expenditure	4,876	4,818
Listing expenses	—	1,189
Auditors' remuneration	131	127
Minimum lease payments under operating leases	1,048	830
Depreciation	436	430
Amortization of other intangible assets	2,519	2,446
Provision for impairment of inventories	322	337
Provision for impairment of trade receivables	319	305
Foreign exchange differences, net	436	(602)

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended June 30,	
	2018	**2017**
	US$'000	*US$'000*
	(Unaudited)	*(Unaudited)*
Interest on loans and borrowings	526	1,443
Imputed interest on long-term interest-free capital notes	—	2,112
	526	3,555

6. INCOME TAX

The Israeli corporate tax rates applicable to the Company were 24.0% and 23.0% for the six months ended June 30, 2017 and 2018, respectively. Each entity in the Group is taxable based on its standalone results as measured by the local tax system.

No income tax has been provided for the Company itself as there was no assessable profit earned by the Company for the Reporting Period. Taxes on taxable income assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

Alma Lasers Ltd., the major operating subsidiary of the Company, was granted the status of "Preferred Enterprise" under the Law for the Encouragement of Capital Investments, 1959 (as amended in 2011, the "2011 Amendment of the Investment Law") and therefore enjoyed a preferential corporate tax rate of 16% during the Reporting Period.

The income of Alma Lasers Inc. is taxed based upon the tax law in the United States, the country of residence. Alma Lasers Inc. had cumulative net operating losses ("**NOL**") for U.S. federal income tax return purposes at the end of the Reporting Period.

The income of the Alma Lasers GmbH, a subsidiary incorporated in Germany, is taxed based upon the tax law in Germany, the country of residence. Income was taxed at a flat corporate income tax rate of 15% during the Reporting Period and was also subject to additional trade income taxes of 15.65% as applicable.

The income of the Alma Lasers AT GmbH, a subsidiary incorporated in Austria, is taxed based upon the tax law in Austria, the country of residence. Income was taxed at a flat corporate income tax rate of 25% during the Reporting Period and was also subject to additional trade income taxes as applicable.

The income of Alma Medical Private Limited, a subsidiary incorporated in India, is taxed based upon the tax law in India, the country of residence. Income was taxed at a corporate income tax rate of 30.9% during the Reporting Period (which was not a flat rate but included many deductions/exemptions/rebates as per Income tax Act 1961) and was also subject to withholding taxes as per provisions of the said Income tax act 1961.

	Six months ended June 30,	
	2018	**2017**
	US$'000	*US$'000*
	(Unaudited)	*(Unaudited)*
Current	3,055	3,488
Deferred	(667)	(650)
Total tax charge for the period	2,388	2,838

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the six months ended June 30, 2018 and 2017 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 442,155,600 (for the six months ended June 30, 2017: 222,948,648) in issue during the period.

The calculation of basic earnings per share is based on:

	Six months ended June 30,	
	2018	**2017**
	US$'000	*US$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	11,254	7,818

	Six months ended June 30,	
	2018	**2017**
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	442,155,600	222,948,648

No adjustment has been made to the basic earnings per share presented for the six months ended June 30, 2018 and 2017 as the Group had no potentially dilutive ordinary shares in issue during those periods.

8. TRADE RECEIVABLES

	As at June 30, 2018	As at December 31, 2017
	US$'000	*US$'000*
	(Unaudited)	*(Audited)*
Trade receivables	40,756	36,308
Impairment	(1,023)	(1,059)
	39,733	35,249

The Group's trading terms with its customers are mainly on credit. The ordinary credit period is up to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the Reporting Period, based on the invoice date and net of provisions, is as follows:

	As at June 30, 2018	As at December 31, 2017
	US$'000	*US$'000*
	(Unaudited)	*(Audited)*
Within 1 month	13,546	13,325
1 to 2 months	9,278	8,086
2 to 3 months	4,968	6,111
Over 3 months	11,941	7,727
	39,733	35,249

9. TRADE PAYABLES

An aged analysis of the trade payables as at the end of Reporting Period, based on the invoice date, is as follows:

	As at June 30, 2018 *US$'000* *(Unaudited)*	As at December 31, 2017 *US$'000* *(Audited)*
Within 1 month	9,579	4,997
1 to 2 months	2,133	1,745
	11,712	6,742

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

10. DIVIDEND

The Directors did not recommend the payment of an interim dividend in respect of the Reporting Period (for the six months period ended June 30, 2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

During the Reporting Period, revenue of the Group increased by 17.9% compared to the corresponding period in 2017, amounting to US$78.2 million.

- Worldwide sales increased between 7.8% and 40.3% per geographic segment.
- Our minimally-invasive products line sales increased by 28.3%, registering the highest growth among our pillars.
- Services & Others revenue grew by 35.3%, due to strong demand of recurring business.
- Our net profit increased by 43.9% to US$11.3 million from US$7.8 million for the corresponding period of 2017.
- Our adjusted net profit increased by 15.2% to US$15.3 million from US$13.3 million for the corresponding period of 2017. Adjusted net profit margins of the Group during the Reporting Period and the corresponding period of 2017 were 19.6% and 20.1%, respectively.
- Net profit margins of the Group during the Reporting Period and the corresponding period in 2017 were 14.4% and 11.8%, respectively.
- We expanded our business outreach, establishing a new direct sales operation intended to cover additional Medical Technology ("**MedTech**") industry segments, such as distributing aesthetic injectable materials ("**Injectables**").
- The gross profit margin was 53.6%, a slight decrease compared to 54.4% for the corresponding period in 2017 due to higher indirect costs associated with manufacturing.

2. BUSINESS REVIEW FOR THE FIRST HALF OF 2018

We started 2018 by implementing our "Go East" strategy, delivering the best of the west to the east by utilizing our technological and operational strengths as an industry leader. Our first step was the establishment of a direct operation in Hong Kong, our new subsidiary – Alma Medical HK (Hong-Kong) in May 2018, which will serve as hub for us to tap into the fast-growing Southeast Asian markets. Our Asia Pacific (excluding the People's Republic of China (the "**PRC**")) revenue increased by 40.3% in the first half of 2018.

Our second step is a joint venture distribution engagement - entering the injectables business with IBSA, a leading European pharma company for the distribution of its injectables product line. The first phase of this engagement will be rolled out in key eastern territories – Hong-Kong, PRC and India. This operation is expected to further strengthen our position in Asia Pacific territory as a leading MedTech player.

Our analysis of global trends and market opportunities has identified three major “hot spots” - body contouring, dermatology (skin rejuvenation in specific) and feminine health.

According to the report “Body Contouring Market: Global Industry Trends, Share, Size, Growth, Opportunity and Forecast 2017-2022” by Research and Markets, the global body contouring market is expected to expand to US$8 billion by 2022, from US$5.3 Billion in 2016, representing a projected compound annual growth rate of about 7% from 2017 to 2022.

In response to this rising demand, we have marked 2018 as “Body Contouring” year, aiming to leverage its core competencies and unique position as one of the few global firms able to harness multiple energy sources in the medical devices industry, to gain a stronger position on a global scale. Among Alma’s recent launches in this domain are “UltraSpeed”, an Ultrasound based applicator for fat and circumferential reduction’; the “Small Areas” treatment kit, for addressing facial and small areas fat reduction and skin tightening; and “Accentuate”, a UniPolar™ Radio Frequency hands-free applicator for body contouring and skin tightening, enabling practitioners to provide advanced, effective treatments while improving their clinic’s ROI. All of these innovations are add-on to the Group’s best-selling body contouring platform, “Accent Prime”.

Looking at our outcomes for the Reported Period, we see a surge in demand for dermatology platforms with an increase of 32.8% in units sold. Dermatology is also our second leading products line, accounting for a third of our total platforms sales and a domain we plan to further bolster via cooperation with third parties. This is consistent with market forecasts and trends analysis as Global Market Insights report, June 2018 states - “UK dermatology devices market was valued at USD 450 million in 2017 and anticipated to witness robust growth over the forecast period…China is anticipated to witness over 11% CAGR over the forecast years due to rising expenditure on skin care treatments and increasing prevalence of acne and other skin ailments. Advances in technology and rising awareness of skin problems is projected to fuel business growth”.

The third global trend that is expected to continue to flourish in the coming years is Feminine Health. According to the “Energy-Based Feminine Rejuvenation” research by Medical Insight, April 2017, it was estimated that in 2016 there were 5,900 installed bases of Energy-Based Feminine Rejuvenation devices globally. This number is expected to rise to about 28,000 by 2021 with an estimated compound annual growth rate of 37% and corresponding physician fees of approximately US$2 billion. As one of the first companies to launch an energy-based feminine health platform (FemiLift), we maintain our leading position in the market, with an increase of 38% in units sold along with our clinical trials and research aimed at improving treatments efficacy and expending our treatment options for additional indications.

3. BUSINESS OUTLOOK FOR THE SECOND HALF OF 2018

In the second half of 2018, we will continue to be committed to our mission to provide modular, cost-effective and high-performance systems based on the very latest clinical research and cutting-edge technology. We will also continue to adhere to our corporate philosophy of "Enhancing Quality of Life", and it will endeavor to capture the opportunities presented by the broad aesthetic and surgical markets, executing the development strategies of organic growth, external expansion and integrated development, and step up its efforts to acquire and integrate with domestic and overseas quality aesthetic and surgical manufacturing companies. We intend to fully exploit the global rising demand for body contouring, dermatology and feminine health treatments to further expand our market share and bolster our position in each territory.

We plan to focus on the following missions:

- To expand our sales channels in the United States.
- To strengthen our body contouring product line sales team in India, to meet the rising demand.
- To develop analytics capabilities, by implementing cloud technology into our treatment systems.
- To upgrade existing service centres and establish new service center in Germany.
- To redesign and upgrade our production lines, to enhance efficiency and increase output, as well as strengthening our ability and capacity to develop and manufacture, high-technology products.
- To develop and expand our minimally invasive product line to treat additional indications that can now be performed outside of the operating room, as an office procedure.
- To increase funding for clinical studies.
- To enhance and widen our regulatory compliance operation.
- To commercially launch our Injectable operation in Hong Kong.

4. FINANCIAL REVIEW

During the Reporting Period, the unaudited interim results and the summary of financial results are as follows:

Revenue

During the Reporting Period, revenue of the Group increased from US$66.3 million to US$78.2 million, representing an increase of 17.9% as compared to the corresponding period 2017.

Revenue by main product segments

We generate revenue from the following revenue streams: (i) sale of goods; and (ii) services and others. The revenue from sale of goods amounted to US$72.0 million, representing an increase of 16.6% as compared to the corresponding period in 2017, which was mainly contributed by the growing revenue from sales of non-invasive medical aesthetic products. The revenue from service and others amounted to US$6.2 million, representing an increase of 35.3% as compared to the corresponding period in 2017.

The following table sets forth our revenue breakdown by main product lines and as a percentage of our total revenue for the six months ended in the years indicated:

	Six months ended June 30,				
	2018		**2017**		**YOY %**
	(US$ in thousands, except for percentages)				
Sale of Goods:					
Non-invasive medical aesthetics:					
Core	57,238	73.2%	50,204	75.7%	*14.0%*
Beauty	5,629	7.2%	4,415	6.7%	*27.5%*
Subtotal	62,867	80.4%	54,619	82.4%	*15.1%*
Minimally invasive	9,135	11.7%	7,122	10.7%	*28.3%*
	72,002	92.1%	61,741	93.1%	*16.6%*
Services and Others	6,153	7.9%	4,547	6.9%	*35.3%*
Total	**78,155**	**100.0%**	**66,288**	**100.0%**	*17.9%*

We have derived a substantial majority of our revenue from our Core product line, representing 73.2% of our total revenue for the reporting period. This includes our flagship non-invasive medical aesthetics treatment systems: Soprano, Harmony and Accent platforms, as well as our Aesthetic Precision product line. Revenue from the sale of our Core product line was US$57.2 million for the six months ended June 30, 2018, which increased by 14.0% in comparison with a revenue of US$50.2 million in the corresponding period in 2017. The increase was mainly attributed to our Dermatology platform.

Our minimally invasive product line revenue increased by 28.3%, and amounted to US$9.1 million compared to US$7.1 million for the corresponding period in 2017. The increase is primarily attributed to the growth in sales volume of our FemiLift platform and its related consumables goods along with the North America launch of our fat suction and grafting platform Lipolife, post FDA and CFDA approval. This FDA clearance will enable us to penetrate the liposuction market and strengthen our minimally-invasive product offerings in North America.

Our Beauty product line revenue increased by 27.5% to US$5.6 million, compared to US$4.4 million in the corresponding period in 2017. The increase is attributed to the global growing demand following our recent product launches in this category.

Revenue by geographic segments

The following table sets forth our revenue by geographic segments for the six months ended in the years indicated (measured by the location of our direct sales customers and our distributors):

	Six months ended June 30,				
	2018		**2017**		**YOY %**
	(US$ in thousands, except for percentages)				
Europe	22,805	29.2%	19,156	28.9%	*19.0%*
North America	17,444	22.3%	15,632	23.6%	*11.6%*
PRC	13,923	17.8%	12,677	19.1%	*9.8%*
Asia Pacific (excluding PRC)	11,596	14.8%	8,267	12.5%	*40.3%*
Latin America	8,693	11.1%	7,128	10.8%	*22.0%*
Middle East and Africa	3,694	4.8%	3,428	5.1%	*7.8%*
Total	**78,155**	**100.0%**	**66,288**	**100.0%**	*17.9%*

During the Reporting Period, Europe, North America and the PRC generated 69% of our revenues. This geographical span ensures we are well diverse and able to mitigate any geographical and economical risks as well as benefit from the global economic.

Our Europe revenue increased by 19.0% to US$22.8 million in the Reporting Period from US$19.2 million for corresponding period in 2017. The increase is attributed to a high demand in Europe.

Our North America revenue increased by 11.6% to US$17.4 million in the Reporting Period from US$15.6 million in the corresponding period in 2017. The increase is attributed to the growing investment in sales force and marketing.

Our PRC revenue increased by 9.8% to US$13.9 in the Reporting Period from US$12.7 million in the corresponding period in 2017. We believe that the treatment procedures have gained popularity among treatment recipients as a result of increased market awareness. We believe that we will increase our market share in the following years.

Our Asia Pacific (excluding PRC) revenue increased by 40.3% to US$11.6 million in the Reporting Period from US$8.3 million corresponding period in 2017. The increase is primarily attributable to the growth of direct sales in India by 88% and sales in Hong Kong.

Our Latin America revenue increased by 22.0% to US$8.7 million in the Reporting Period from US$7.1 million corresponding period in 2017. The increase is primarily attributable to strong demand for body contouring treatments in Brazil following a massive consumer-targeted campaign covering digital channels, Life-style magazines and special events led by top bloggers and micro-influencers.

Gross profit and gross profit margin

During the Reporting Period, gross profit of the Group increased by 16.0% to US$41.9 million from US$36.1 million for the corresponding period in 2017 due to the increase in revenues.

The gross profit margin for the Reporting Period and the corresponding period in 2017 were 53.6% and 54.4%, respectively. The decrease is due to higher indirect costs associated with the manufacturing.

Selling and distribution expenses

During the Reporting Period, selling and distribution expenses of the Group increased by 33.9% to US$15.8 million from US$11.8 million for the corresponding period of 2017, which was mainly due to the growth in the sales volume and to the extensive market expansion during the Reporting Period.

Administrative expenses

During the Reporting Period, administrative expenses of the Group increased by 14.0% to US$6.8 million from US$6.0 million for the corresponding period in 2017. This was mainly due to additional consulting fees to facilitate future growth.

Administrative expenses include amortization of intangible assets arising from the acquisition of Alma Lasers (the "**Alma Acquisition**"). During the Reporting Period. the amortization is US$2.5 million, compared to US$2.4 million in the corresponding period in 2017.

Research and development expenses

During the Reporting Period, we maintained a consistent level of research and development expenses based on industry benchmark and the corresponding period in 2017 amounting to US$4.9 million.

Finance costs

Finance costs comprise mainly interest on bank loans. Finance costs decreased from US$3.6 million during the corresponding period in 2017 to US$0.5 million, primarily attributable to a lower debt balance in the Reporting Period due to the repayment of bank loans and the capitalization of the capital notes issued by the Company upon listing of the Company's shares in September 2017.

Income tax expense

Income tax expense decreased by 15.9% to US$2.4 million in the Reporting Period from US$2.8 million in the corresponding period in 2017. This was primarily attributable to the tax reform in the US and one-off tax expenses in the Israeli subsidiary.

The effective tax rate of the Group was 17.5% for the Reporting Period in comparison to 26.6% during the corresponding period in 2017.

Profit for the period

As a result of the foregoing, during the Reporting Period, our profit increased by 43.9% to US$11.3 million from US$7.8 million for the corresponding period in 2017.

The net profit margin of the Group during the Reporting Period and the corresponding period in 2017 were 14.4% and 11.8%, respectively.

Adjusted net profit and adjusted net profit margin

Sisram presents this financial measure since it is used to evaluate financial performance by excluding the impact of items that are not considered indicative of the ordinary operating performance or that are no longer outstanding subsequent to the Listing.

Sisram calculates the adjusted net profit by adding back to the profit of the Reporting Period:

a. *Expenses associated with the acquisition of Alma Lasers shares:* (1) the amortization of other intangible assets resulting entirely from the Alma Acquisition; (2) the deferred tax liability arising from other intangible assets, which primarily relates to the Alma Acquisition; (3) interest expenses arising from the Capital Notes that were no longer outstanding upon Listing; and (4) finance costs arising from the buy-out loan from a related company, which was repaid subsequent to the Listing and is no longer outstanding; and

b. *Expenses related to the listing of Sisram:* (1) expenses incurred in relation to the Listing (one-off in nature); and (2) bonus to managements and employees as a result of the completion of the Listing

The adjusted net profit margin is defined by dividing adjusted net profit by revenue.

The term adjusted net profit is not a financial measure defined under IFRSs. The use of the adjusted net profit has material limitations as an analytical tool, as it does not include all items that impact net profit for the period. Items excluded from the adjusted net profit are significant components in understanding and assessing the Group's operating and financial performance. The following table reconciles the adjusted net profit for the period presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is the profit for the period:

	Six months ended June 30,	
	2018	**2017**
	US$'000	*US$'000*
PROFIT FOR THE PERIOD	11,254	7,818
Adjusted for:		
Amortization of other intangible assets arising from the Alma Acquisition	2,519	2,446
Deduct: deferred tax arising from other intangible assets	(412)	(440)
Shareholder Capital Notes imputed interest expenses	—	2,112
Interest expense from a related party loan	—	170
Expenses related to the listing of Sisram		
Listing expenses	—	1,189
Bonus to managements and employees relating to initial public offering	1,950	—
Adjusted net profit	**15,311**	**13,295**
Adjusted net profit margin	**19.6%**	**20.1%**

Debt Structure, Liquidity and Sources of Funds

Gearing Ratio

As at June 30, 2018 and December 31, 2017, the Group's cash and cash equivalents exceeded the total debt. As such, no gearing ratio was presented. The gearing ratio is calculated as net debt divided by total equity plus net debt.

Interest Coverage

During the Reporting Period, the interest coverage, which is calculated by EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) divided by financial costs was 45.8 as compared with 5.1 for the corresponding period in 2017. The interest coverage increased mainly because the Group's finance costs during the Reporting Period decreased to US$0.5 million from US$3.6 million for the corresponding period in 2017.

Available Banking Facilities

As of June 30, 2018, Sisram did not have any unutilized banking facilities. Sisram is financing its operations through cash generated from operating activities.

Maturity Structure of Outstanding Debts

As of June 30, 2018, the total interest-bearing bank and other borrowings at a floating interest rate amounted to US$9.1 million (December 31, 2017: US$11.1 million).

	June 30, 2018	**December 31, 2017**
	US$'000	*US$'000*
Within 1 year	4,591	4,321
1 to 2 years	4,536	4,861
2 to 5 years	—	1,900
Total	9,127	11,082

Collateral and Pledged Assets

On April 13, 2014, the Company entered into a loan agreement pursuant to which an unconditional guarantee agreement with the banks was entered into, pursuant to which, the Company granted and pledged to the banks a continuing security interest in all the Company's assets. In addition, the Company granted and pledged to the banks all of the issued and outstanding shares of Alma and a floating charge over all of the present and future assets of the Company as they may be from time to time. The Company also agreed not to sell, transfer, assign, mortgage, pledge, lease, grant a security interest in, or encumber any of its assets. The Company has met all the aforementioned financial covenants. The remaining balance of the loan amounted to US$ 9.1 million as of June 30, 2018, which is fully covered by the Company's cash balance.

Cash Flow

Sisram is using its cash primarily for operating activities, payments of interest and principals of debts due, capital expenditures and funding growth and expansion of its business.

The table below shows the cash flow of the Group generated from (or used in) operating activities, investing activities and financing activities for the Reporting Period and the corresponding period of 2017.

	Six months ended June 30,	
	2018	**2017**
	US$'000	*US$'000*
Net cash flows from operating activities	3,054	9,339
Net cash flows (used in)/from investing activities	(4,400)	5,813
Net cash flows used in financing activities	(10,416)	(7,759)
Net (decrease)/increase in cash and cash equivalents	(11,762)	7,393
Cash and cash equivalents at the beginning of the period	38,081	18,105
Effect of foreign exchange rate changes, net	1,041	(320)
Cash and cash equivalents	27,360	25,178
Cash and cash equivalents	27,360	25,178
Pledged bank balances for long term bank loans	55	53
Term deposits with original maturity of more than three months	71,016	15,500
Cash and bank balance at the end of the period	**98,431**	40,731

Capital Commitments and Capital Expenditures

During the Reporting Period, capital expenditures of the Group amounted to US$0.2 million, which mainly consisted of additions to property, plant and equipment and other intangible assets.

As of June 30, 2018, the Group did not have any significant capital commitments.

Contingent Liabilities

As of June 30, 2018, the Group did not have any contingent liabilities.

Material Acquisition and Disposal

During the Reporting Period, the Group did not conduct any material acquisition or disposal.

5. RISK MANAGEMENT

Foreign Currency Exposure

The functional currency of the Group is the U.S. dollar and most of the sales proceeds are denominated in U.S. dollars. However, the Company also generates revenue globally in a few other currencies, particularly Euros, and incurs costs mostly in New Israeli Shekels. Furthermore, the functional currencies of certain overseas subsidiaries are currencies other than the U.S. dollar, including the Euro and the Indian Rupee. As at the end of the Reporting Period, the assets and liabilities of these entities were translated into the U.S. dollar at the exchange rates prevailing at the end of the Reporting Period and their statements of profit or loss were translated into the U.S. dollar at the weighted average exchange rates for the period. As such the Group's results of operations are sensitive to changes in foreign currency exchange rates.

The Company has formally established a hedging management framework in 2014 and the hedging transactions are mainly managed by the Company's finance department. By analyzing the currency balance sheet and trends in the foreign exchange markets, the Company has entered into forward contracts from time to time to mitigate the adverse effects of exchange rate fluctuations.

Interest Rate Exposure

It is the Group's strategy to use debts with fixed and floating interest rates to manage its interest costs. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

Potential Risks

I. Market risks

The global medical aesthetic treatment market is subject to intense competition. The Group competes against energy-based aesthetic devices offered by private and public companies, and these companies have specialised in developing and marketing energy-based medical aesthetic treatment systems. Additional competitors may enter the market, and the Group is likely to compete with new companies in the future. New technologies could be developed and commercialized that are superior to the Group's technologies. New entrants or existing competitors may develop products that would compete directly with the Group's products. If these competitors are better able to develop and market aesthetic treatment systems, or develop more effective and/or less expensive products that render the Group's systems obsolete or non-competitive, or deploy larger or more effective marketing and sales resources, the Group's business will be harmed and commercial opportunities will be reduced or eliminated.

II. Business and operating risks

Energy-based medical aesthetic treatment systems are inherently complex in design and require ongoing regular maintenance. The technical complexity of the products, changes in suppliers' manufacturing processes, the inadvertent use of defective or contaminated materials by suppliers and subcontractors, as well as various other factors, could restrict our ability to achieve acceptable product reliability. In addition, the Group's products are produced using components and subassemblies supplied by third party suppliers, which may contain defects. As a result, should a problem occur, it may be difficult to identify the source of the problem. There are also risks of physical injury to treatment recipients when treated with one of the Group's products, even if the product is not defective.

III. Force majeure risks

Severe natural disasters and abrupt public health incidents may harm the properties and personnel of the Group, and may affect the ordinary production and operation of the Group.

6. EMPLOYEES AND REMUNERATION POLICIES

The following table sets forth the number of our employees by function as at June 30, 2018:

Function	Number of Employees
Operations	159
Research and Development	56
Sales & Marketing	145
General and Administration	30
Total	390

The employees' remuneration includes basic salary and a performance-based salary. The performance-based salary is determined by reference to the performance appraisal of the employees of the Group. Through clearly locating position-oriented performance targets and formulating performance standards, the Company has managed to assess employees' performance in an objective manner. By materializing reward and penalty in the performance-related portion of the employees' remuneration, the Company is able to achieve the coexistence of incentives and restraints.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2018.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions set forth in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

During the Reporting Period, the Company has complied with all applicable principles and code provisions of the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted Directors' and Chief Executive Officer's Dealing Policy on terms no less exacting than the required standard under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries to all of the directors of the Company, all directors of the Company confirmed that they have fully complied with the relevant requirements set out in its own code of conduct during the Reporting Period.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the unaudited interim results of the Group for the six months ended June 30, 2018 prepared in accordance with IFRSs.

PUBLICATION OF INTERIM RESULTS AND 2018 INTERIM REPORT

This results announcement is published on the website of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at http://www.hkexnews.hk and on the website of the Company at http://www.sisram-medical.com. The 2018 interim report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company in due course and will be published on the websites of the Company and the Stock Exchange.

APPRECIATION

The Group would like to express its appreciation to all the staff for their outstanding contribution towards the Group's development. The Board wishes to sincerely thank the management for their dedication and diligence, which are key factors for the Group to continue its success in future. Also, the Group wishes to extend its gratitude for the continued support from its shareholders, customers, and business partners. The Group will continue to deliver sustainable business development, so as to create more values for all its shareholders.

On behalf of the Board
Sisram Medical Ltd
Yi LIU
Chairman

Hong Kong, August 20, 2018

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Yi LIU, Mr. Lior Moshe DAYAN and Mr. Jianping HUA as Executive Directors; Mr. Yifang WU, Mr. Yao WANG and Ms. Yang YANG as Non-Executive Directors; Mr. Heung Sang Addy FONG, Mr. Chi Fung Leo CHAN, Ms. Jenny CHEN and Mr. Kai Yu Kenneth LIU as Independent Non-executive Directors.