



# *aap* Implantate AG

## Annual Financial Statement FY/2016 Conference Call

Bruke Seyoum Alemu, CEO  
Marek Hahn, CFO

**Berlin, April 3, 2017**

## Safe Harbor Statement

*Our publication may include predictions, estimates or other information that might be considered forward-looking. While these forward-looking statements represent our current judgment on what the future holds, they are subject to risks and uncertainties that could cause actual results to differ materially. You are cautioned not to place undue reliance on these forward-looking statements, which reflect our opinions only as of the date of this presentation. Please keep in mind that we are not obligating ourselves to revise or publicly release the results of any revision to these forward-looking statements in light of new information or future events. Throughout today's discussion, we will attempt to present some important factors relating to our business that may affect our predictions.*

# Implementation of Strategic Imperatives (1/3)

## Key results and progress in FY/2016 – Status 12/31/2016

### ➤ Focus on trauma

- Transformation to pure trauma player completed through divestments of *aap* Biomaterials GmbH and remaining stake in *aap* Joints GmbH

### ➤ LOQTEQ®

- Comprehensive system with more than 90% indication coverage in mainstream trauma; increasing attractiveness for full service hospitals and purchasing groups
- Launch of periprosthetic system and development of various polyaxial systems
- Umbrella patent granted in the US

### ➤ Focus on established markets

- Total sales with trauma products attributable to North America and Europe up y-o-y (+50%); North America with substantial growth momentum
- Extended customer access in DACH region and listing at leading hospital groups (Helios and Asklepios)

### ➤ Silver coating technology

- Submission of design dossier for CE conformity assessment procedure and diverse interactions with European notifying body
- Pre-submission meetings with FDA

# Implementation of Strategic Imperatives (2/3)

## Key results and progress in FY/2016 – Status 12/31/2016

### ➤ Sales and Earnings

- Sales at EUR 10.5 million (FY/2015: EUR 12.3 million)
- EBITDA at EUR -7.9 million (FY/2015: EUR -6.8 million)
- Recurring EBITDA at EUR -5.6 million (FY/2015: EUR -5.5 million)

### ➤ Cash flow and balance sheet

- Working capital reduction mainly through significant decrease in trade receivables (EUR 2.9 million)
- Well funded for further growth (equity ratio at 86% and liquidity position at EUR 28.9 million\*)

### ➤ Costs

- Personnel cost reduction measures implemented (effective saving of ~EUR 1 million in 2017)
- Early termination of long-term license agreement with co-developer of LOQTEQ<sup>®</sup> technology; sustainable impact on future earnings

\* In the consolidated statement of financial position to 12/31/2016, EUR 23.8 million is stated as cash and cash equivalents, while cash with banks totaling EUR 5.1 million is shown under other financial assets as it was pledged to secure financial liabilities respectively cash payments were made to secure bank guarantees granted to third parties in the financial year.

# Implementation of Strategic Imperatives (3/3)

## Progress in FY/2016

	Products	Customers	
Services	<b>Accelerating Value-based Innovation</b> <ul style="list-style-type: none"> <li>➤ <b>LOQTEQ®:</b> Completion of LOQTEQ® portfolio with a focus on polyaxial fixation technology as well as foot and ankle </li> <li>➤ <b>Silver coating technology:</b> CE mark for the antibacterial silver coating technology </li> <li>➤ <b>Magnesium technology:</b> Accelerated development of magnesium technology </li> </ul>	<b>Enhancing Market Access</b> <ul style="list-style-type: none"> <li>➤ <b>Established countries:</b> Focus on DACH, Western Europe and USA as key markets </li> <li>➤ <b>Emerging countries:</b> Stabilization of sales development in BRICS and SMIT states </li> <li>➤ <b>Sales organization:</b> Development of a strong international sales team that attracts further talents </li> </ul>	Distribution
	<b>Optimizing Operational Efficiency</b> <ul style="list-style-type: none"> <li>➤ <b>Production efficiency:</b> Reduction of manufacturing costs and increase of ability to provide timely deliveries </li> <li>➤ <b>Sales efficiency:</b> Increase of sales efficiency with higher performance per sales employee and distributor </li> <li>➤ <b>Working capital:</b> Optimization of working capital management with a higher inventory turnover and reduction of the figure DSO (days sales outstanding) </li> </ul>	<b>Realization of Financial Targets</b> <ul style="list-style-type: none"> <li>➤ <b>Sales:</b> 20% growth with trauma products </li> <li>➤ <b>Costs:</b> Implementation of cost-reduction measures with an annualized effect of EUR 2 million </li> <li>➤ <b>Innovations:</b> Maintenance of a freshness index of at least 20% </li> </ul>	
Cost	Process	Profitability	Cash

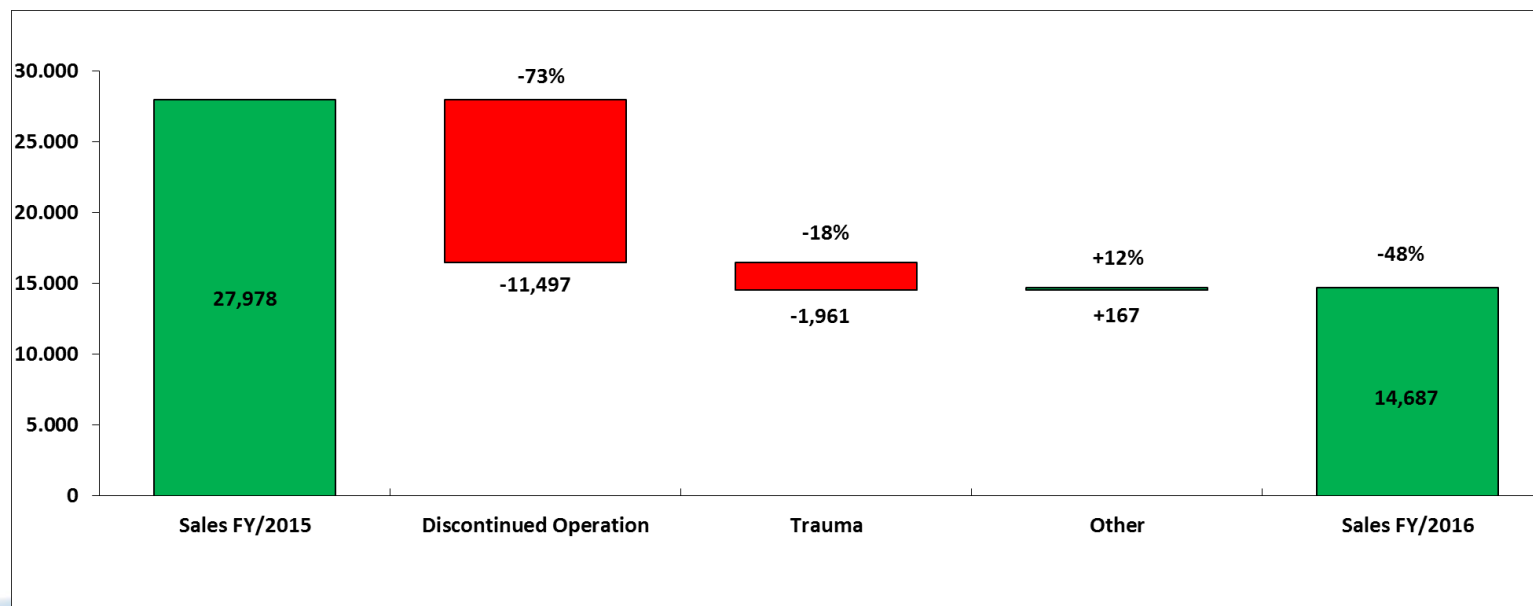
# Financial Figures FY/2016 (1/3)

(in EUR million, sales bridge in KEUR)

Sales	FY/2016	FY/2015	Change
Trauma	8.9	10.8	-18%
<i>thereof North America and Europe</i>	6.8	4.5	+50%
<i>thereof RoW</i>	2.1	6.3	-67%
Other	1.6	1.5	+12%
<b>Sales continued operation</b>	<b>10.5</b>	<b>12.3</b>	<b>-15%</b>
Sales discontinued operation	4.2*	15.7**	-73%
<b>Group sales</b>	<b>14.7*</b>	<b>28.0**</b>	<b>-48%</b>

\*Includes aap Biomaterials GmbH business only from 01/01/2016 to 05/11/2016.

\*\*Includes aap Biomaterials GmbH business for the entire FY/2015.



# Financial Figures FY/2016 (2/3)

(in EUR million)

EBITDA	FY/2016	FY/2015	Change
<b>EBITDA continued operation</b>	<b>-7.9</b>	<b>-6.8</b>	<b>-16%</b>
One-time effects	2.3*	1.3**	+77%
<b>Recurring EBITDA continued operation</b>	<b>-5.6</b>	<b>-5.5</b>	<b>-1%</b>
EBITDA discontinued operation	23.9***	4.9	> +100%
<b>Group EBITDA</b>	<b>16.0***</b>	<b>-1.9</b>	<b>&gt; +100%</b>

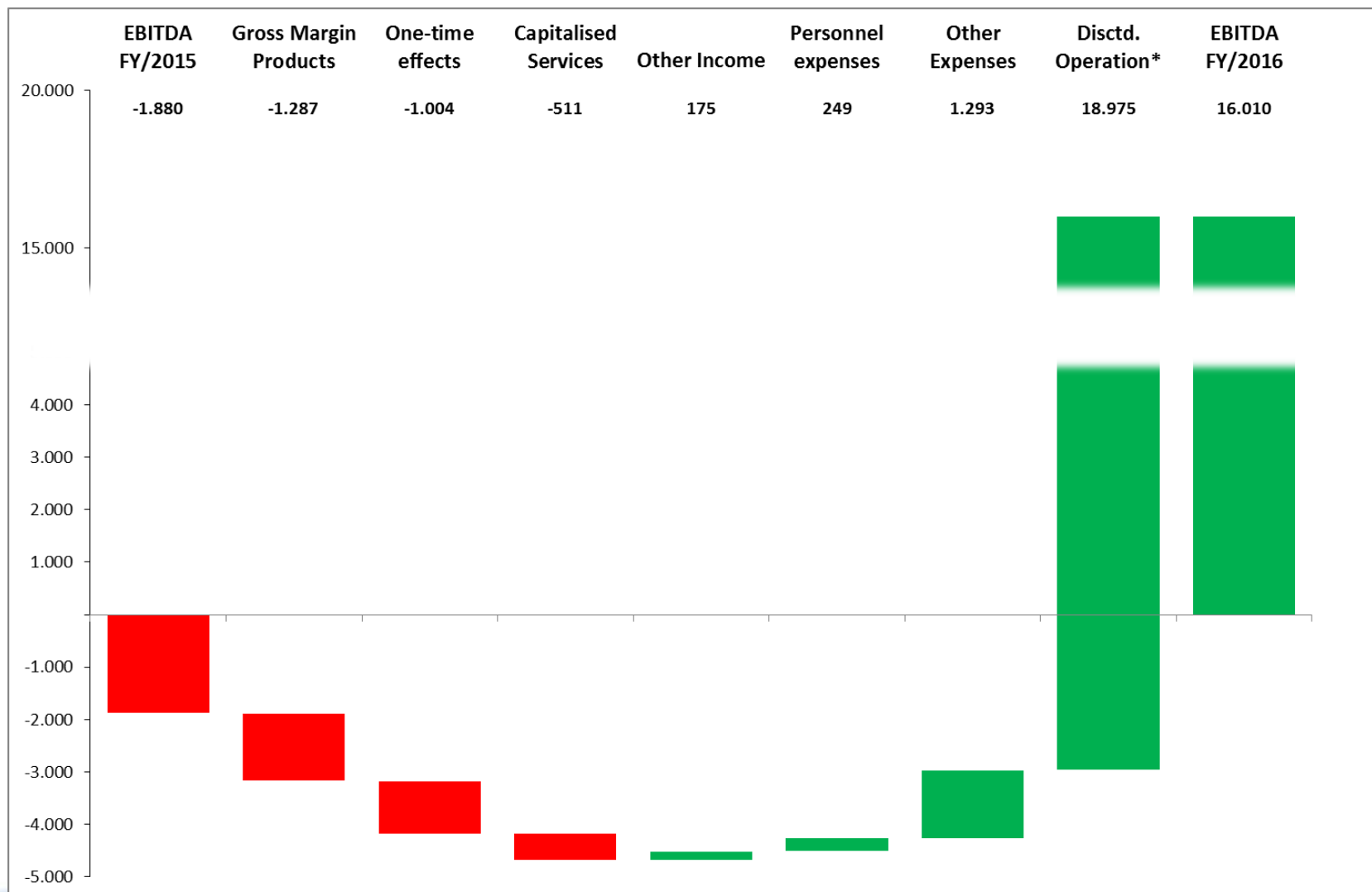
\*Includes e.g. pre-operating costs set-up distribution business North America (EUR 0.9 million), marketability discounts non-core products (EUR 0.45 million), redundancy payments incl. advisory costs for personnel measures (EUR 0.4 million) as well as expenses for the early termination of a LOQTEQ® license agreement incl. advisory costs (EUR 0.4 million).

\*\*Includes e.g. pre-operating costs set-up distribution business North America (EUR 0.6 million), reduction in value on inventory as a consequence of cannibalization effects (EUR 0.7 million).

\*\*\*Includes aap Biomaterials GmbH business from 01/01/2016 to 05/11/2016 and deconsolidation profit of sale of aap Biomaterials GmbH.

# Financial Figures FY/2016 (3/3)

(EBITDA bridge FY/2015 to FY/2016 (IFRS 5) in KEUR)





# Highlights FY/2016 (Balance Sheet)

- Sale of *aap* Biomaterials GmbH / Deconsolidation 05/11/2016: Disposal of assets of EUR 14.7 million and debts of EUR 2.7 million → Balance sheet changed significantly
- Total assets 12/31/2016: EUR 63.9 million (12/31/2015: EUR 54.9 million) → +16%
  - Non-current assets: Change EUR +1.1 million
    - Investments in development projects
    - Capitalized development costs: EUR +0.7 million → silver coating technology and expansion of LOQTEQ® portfolio
    - Share of intangible assets in total assets: 17% → Healthy ratio
    - Other financial assets: EUR 1.8 million cash as security for non-current financial liabilities / bank warranty 3<sup>rd</sup> party
  - Current assets: Change EUR +7.8 million
    - Inventories: EUR +1.4 million → backup inventory for new LOQTEQ® products, dynamic North America business
    - Trade receivables: Significant decrease in 2016 with strict reduction of long outstanding receivables (EUR -2.9 million)
    - Cash rose significantly impacted by sale of *aap* Biomaterials GmbH to EUR 23.8 million (12/31/2015: EUR 4.9 million )
    - Other financial assets: EUR 3.3 million cash as security for current financial liabilities / bank warranty 3<sup>rd</sup> party
  - Equity: EUR 54.8 million (12/31/2015: EUR 40.3 million)
    - Net result FY/2016 including deconsolidation profit → EUR 14.6 million
    - Equity ratio: 86% (12/31/2015: 73%)
  - Debts: Change EUR -5.6 million
    - Financial liabilities: EUR -2.0 million → repayment of loans
    - Trade liabilities decreased to EUR 2.5 million (12/31/2015: EUR 4.1 million)
    - Disposal of liabilities directly associated with assets held for sale deconsolidated (12/31/2015: EUR 2.2 million)

## Highlights FY/2016 (Cash Flow)

- FY/2015 Cash Flow includes full Biomaterials business → almost no comparability to FY/2016
- Operating Cash Flow FY/2016: EUR -7.2 million (FY/2015: EUR -2.3 million)
  - Net result of EUR 14.6 million in FY/2016 incl. deconsolidation profit of EUR 23.2 million
  - Positive development in working capital → strong decrease in receivables (DSO down to approx. 100 days); increase in inventory due to backup inventory for new LOQTEQ® products; decrease of trade payables
- Investing Cash Flow FY/2016 : EUR 29.8 million (FY/2015: EUR 3.1 million)
  - Cash from disposal of *aap* Biomaterials GmbH less disposed cash: EUR 33.9 million
  - Investments: EUR -2.5 million
    - Intangibles: EUR -1.4 million → mainly silver coating technology and LOQTEQ® developments
    - Machinery and other equipment: EUR -1.1 million
  - Cash of EUR 2.0 million as security for bank warranty under share transaction
- Financing FY/2016: EUR -4.6 million (FY/2015: EUR -1.1 million)
  - Regular repayments on loans / finance lease agreements: EUR -2.4 million
  - Cash of EUR 2.1 million pledged as security for financial liabilities
- Cash 12/31/2016: EUR 23.8 million (12/31/2015: EUR 4.9 million for continued operation)
- Net cash 12/31/2016: EUR 23.0 million (12/31/2015: EUR 0.1 million for continued operation)

# Outlook FY/2017

## ***FY/2017***

- **Sales:** EUR 10.0 million – EUR 13.0 million  
*(FY/2016: EUR 10.5 million)*
- **EBITDA:** EUR -6.5 million – EUR -4.5 million  
*(FY/2016: EUR -7.9 million)*

## ***Q1/2017***

- **Sales:** EUR 1.8 million – EUR 2.8 million  
*(Q1/2016: EUR 2.5 million)*
- **EBITDA: EUR -2.3 million – EUR -1.7 million**  
*(Q1/2016: EUR -2.2 million)*

# Management Agenda 2017 and beyond

## Implementation of strategic imperatives

	Products	Customers	
Services	<h3>Accelerating Value-based Innovation</h3> <ul style="list-style-type: none"> <li>➤ <b>LOQTEQ®:</b> Completion of LOQTEQ® portfolio with a focus on polyaxial fixation technology as well as foot and ankle</li> <li>➤ <b>Silver coating technology – Application on LOQTEQ®:</b> Decisive steps regarding CE and FDA approval with focus on clinical study</li> <li>➤ <b>Silver coating technology – Development projects with global companies:</b> Initiation of joint product development and product approval projects</li> </ul>	<h3>Enhancing Market Access</h3> <ul style="list-style-type: none"> <li>➤ <b>Established countries:</b> Focus on DACH, Western Europe and North America as key markets</li> <li>➤ <b>Emerging countries:</b> Stabilization of sales development in BRICS and SMIT states</li> <li>➤ <b>Global partnerships:</b> Distribution networks and licensing deals with global orthopaedic companies</li> </ul>	Distribution
Cost	<h3>Optimizing Operational Efficiency</h3> <ul style="list-style-type: none"> <li>➤ <b>Quality First:</b> Comprehensive program to improve the entire quality management system</li> <li>➤ <b>Production efficiency:</b> Reduction of manufacturing costs and increase of ability to provide timely deliveries</li> <li>➤ <b>Working capital:</b> Optimization of working capital management with a higher inventory turnover and a reduction of the figure DSO (days sales outstanding)</li> </ul>	<h3>Realization of Financial Targets</h3> <ul style="list-style-type: none"> <li>➤ <b>Sales and EBITDA:</b> Sales between EUR 10.0 million and EUR 13.0 million, and EBITDA between EUR -6.5 million and EUR -4.5 million</li> <li>➤ <b>Costs:</b> Further optimization of the cost structure with the aim of realizing additional saving effects</li> <li>➤ <b>Innovations:</b> Maintenance of a freshness index of at least 20%</li> </ul>	Cash
	Process	Profitability	



# Many thanks for your attention!



**aap Implantate AG**

Lorenzweg 5 • 12099 Berlin • Germany

[www.aap.de](http://www.aap.de)

**Fabian Franke**

**Manager Investor Relations**

Tel.: +49 30 750 19 – 134

Fax: +49 30 750 19 – 290

E-Mail: [ir@aap.de](mailto:ir@aap.de)

IR-app:

