



# *aap* Implantate AG

## Quarterly Statement Q1/2017 Conference Call

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**Berlin, May 16, 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

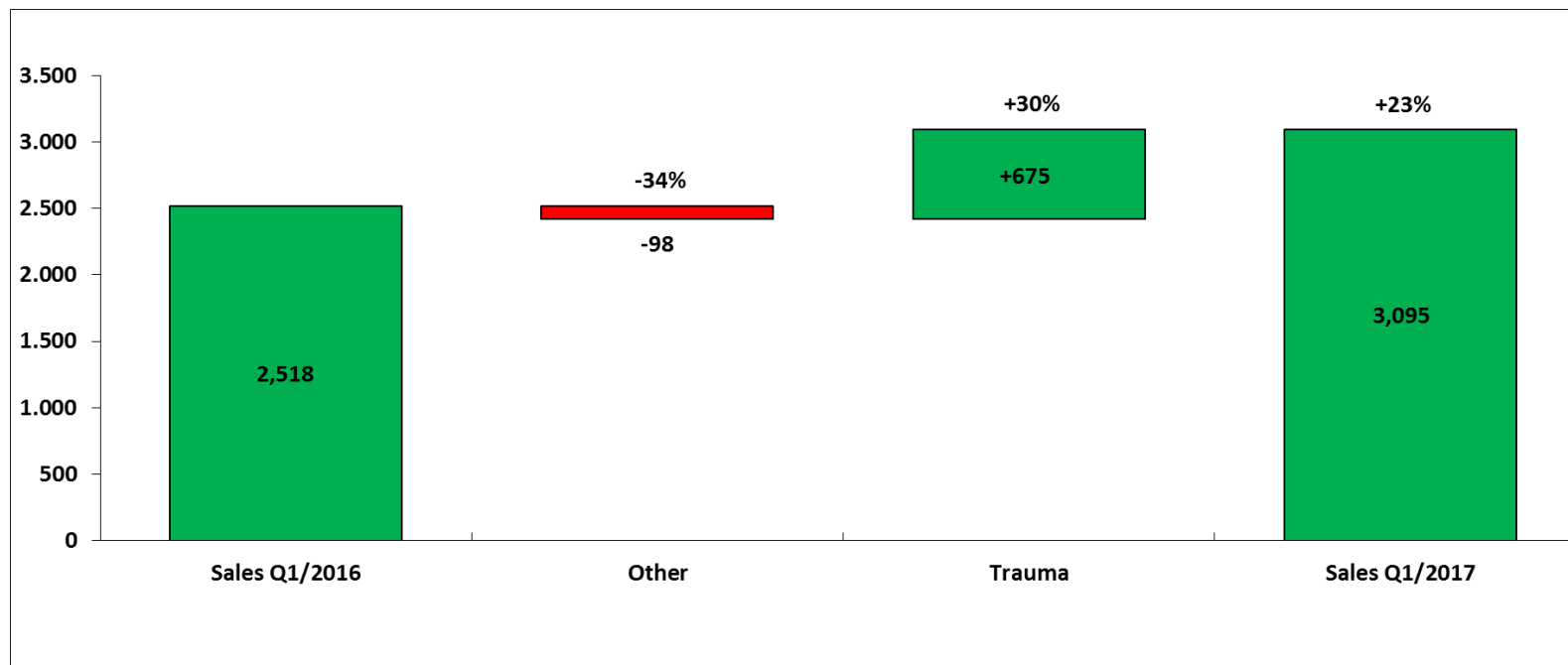
## Progress in Q1/2017

	Products	Customers	
Services	<h3>Accelerating Value-based Innovation</h3> <ul style="list-style-type: none"> <li>➤ <b>LOQTEQ®:</b> Completion of portfolio with a focus on the preparation of approvals for further polyaxial LOQTEQ® systems</li> <li>➤ <b>Silver coating technology – Application on LOQTEQ®:</b> Focus on coordinating scope of clinical study with notified body and US FDA</li> </ul>	<h3>Enhancing Market Access</h3> <ul style="list-style-type: none"> <li>➤ <b>Established countries:</b> Share of sales attributable to North America and Europe together increased by 16% to EUR 2.1 million (Q1/2016: EUR 1.8 million)</li> <li>➤ <b>Emerging countries:</b> Sales development in BRICS and SMIT states shows a positive stabilization trend</li> <li>➤ <b>Global partnerships:</b> Conclusion of distribution agreement for LOQTEQ® Radius System with worldwide leading US medical technology company</li> </ul>	Distribution
Cost	<h3>Optimizing Operational Efficiency</h3> <ul style="list-style-type: none"> <li>➤ <b>Quality First:</b> Program started with a first positive feedback on visible improvements from notified body</li> <li>➤ <b>Production efficiency:</b> No temporary workers in Q1/2017; third party services as part of material expenses significantly reduced to 4% (Q1/2016: 24%)</li> <li>➤ <b>Working capital:</b> Sales revenue Q1/2017 partially generated by inventory increase; DSO Q1/2017 improved to 86 days (DSO FY/2016: 102 days)</li> </ul>	<h3>Realization of Financial Targets</h3> <ul style="list-style-type: none"> <li>➤ <b>Sales and EBITDA:</b> Q1/2017 sales with EUR 3.1 million slightly above guidance and EBITDA with EUR -1.7 at the upper end of the forecast</li> <li>➤ <b>Costs:</b> Perceptible reduction in personnel and other costs inter alia as a result of personnel measures undertaken in 2016</li> </ul>	Cash
	Process	Profitability	

# Financial Figures Q1/2017 (1/3)

(in EUR million, sales bridge in KEUR)

Sales	Q1/2017	Q1/2016	Change
Trauma	2.9	2.2	+30%
<i>thereof North America and Europe</i>	2.1	1.8	+16%
<i>thereof RoW</i>	0.8	0.4	+87%
Other (mainly discontinued activities)	0.2	0.3	-34%
<b>Sales</b>	<b>3.1</b>	<b>2.5</b>	<b>+23%</b>



# Financial Figures Q1/2017 (2/3)

(in EUR million)

<b>EBITDA</b>	<b>Q1/2017</b>	<b>Q1/2016</b>	<b>Change</b>
<b>EBITDA</b>	<b>-1.7</b>	<b>-2.2</b>	<b>+23%</b>
One-time effects	0.5	0.2	>100%
<b>Recurring EBITDA</b>	<b>-1.2</b>	<b>-2.0</b>	<b>+39%</b>

<b>One-time effects</b>	<b>Q1/2017</b>	<b>Q1/2016</b>
Project "Quality First"	0.2	0.0
Value depreciation raw materials	0.2	0.0
Pre-operating costs US sales	0.1	0.1
<i>aap</i> Joints transaction (recertification costs)	0.0	0.1
<b>Total</b>	<b>0.5</b>	<b>0.2</b>

# Financial Figures Q1/2017 (3/3)

(EBITDA bridge Q1/2016 to Q1/2017 in KEUR)



# Highlights Q1/2017 (Balance Sheet)

- Total assets 03/31/2017: EUR 61,5 million (12/31/2016: EUR 63,9 million) → -4%
  - Non-current assets: Change EUR -0.2 million
    - Capitalized development costs: EUR +0.1 million
    - Share of intangible assets in total assets: 18% → Healthy ratio
    - Tangible assets: EUR -0.2 million → lower investment in Q1/2017 and usually depreciation
    - Other financial assets: EUR -0.1 million → reduction of cash blocked as security for non-current financial liabilities / bank warranty 3<sup>rd</sup> party
  - Current assets: Change EUR -2.1 million
    - Inventories: EUR -0.7 million → sales partially realized out of existing stock
    - Trade receivables: improved DSO to 86 days in Q1/17 (FY/2016: 102 days)
    - Other financial assets: EUR -0.4 million → mainly reduction of cash blocked as security for current financial liabilities / bank warranty 3<sup>rd</sup> party
    - Cash and cash equivalents: EUR -1.1 million
  - Equity: EUR 52.6 million (12/31/2016: EUR 54.8 million)
    - Net result Q1/2017: EUR -2.2 million
    - Equity ratio unchanged: 86% (12/31/2016: 86%)
  - Liabilities: Change EUR -0.2 million
    - Financial liabilities: EUR -0.3 million → repayment of loans
    - Trade liabilities decreased to EUR 2.4 million (12/31/2016: EUR 2.5 million)
    - Other financial liabilities: EUR +0.3 million

# Highlights Q1/2017 (Cash Flow)

- Operating Cash Flow Q1/2017: EUR -1.2 million (Q1/2016: EUR -2.7 million)
  - Positive contribution from working capital reduction of KEUR 412  
→ main impact reduction of inventory of EUR 0.7 million
  - Stringent and improved debtor management leads to unchanged level of trade receivables of EUR 2.9 million → Further improved DSO to 86 days in Q1/2017 (FY/2016: 102 days)
- Investing Cash Flow Q1/2017: EUR 0.2 million (Q1/2016: EUR -1.0 million)
  - Very limited investments in Q1/2017: KEUR 127 in tangible assets and KEUR 264 in development projects
  - Inflow of EUR 0.5 million of investment grants for investments made in previous years
- Financing Q1/2017: EUR -0.1 million (Q1/2016: EUR +0.9 million)
  - Ordinary redemption of bank loans of KEUR 250 and finance lease of KEUR 164 while in parallel securities granted to banks of KEUR 355 could be released and returned to cash and cash equivalents
- Cash per B/S: EUR 22.7 million (12/31/2016: EUR 23.8 million)
- Total Cash (incl. restricted cash granted for securities): EUR 27.4 million (12/31/2016: EUR 28.9 million)
- Net cash per B/S: EUR 22.0 million (12/31/2016 : EUR 23.0 million)



# Outlook FY/2017

## Q2/2017

- **Sales:** EUR 1.8 million – EUR 2.7 million  
(Q2/2016: Reported EUR 3.4 million)\*
- **EBITDA:** EUR -1.7 million – EUR -1.3 million  
(Q2/2016: Reported EUR -1.4 million)

## 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)

\*Regarding the above mentioned sales forecast it has to be considered with respect to the year on year comparison (Total sales Q2/2016 reported at EUR 3.4 million) that in course of drawing up the annual financial statements for 2016 the Management Board decided as a precautionary measure to revoke an initial sale with a distribution partner invoiced in the second quarter. The reason was a delayed payment of the contractual due purchase price. After adjusting for this effect this results in comparable trauma sales of EUR 2.3 million for the second quarter of 2016 respectively total sales (incl. discontinued activities) of EUR 2.7 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!



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