

aap Implantate AG

Q3/9M 2015 Report Conference Call

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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.

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Executive Summary Q3/2015

- Sales in Q3/2015 were 7% up year-on-year to EUR 8.4 million (Q3/2014: EUR 7.8 million) and thus within the guidance of EUR 7.5 million to EUR 9.0 million
- Growth driver was **biomaterials business**, with year-on-year sales increase in Q3/2015 by 27% to EUR 5.4 million (Q3/2014: EUR 4.2 million)
- Trauma business showed year-on-year sales decline in Q3/2015
 (Q3/2015: EUR 2.9 million vs. Q3/2014: EUR 3.3 million) due to delays
 - in sales development in a number of strategic growth markets (China, Russia and Turkey) due to deteriorated economic framework conditions,
 - in the US market entry due to protracted administrative processes in hospitals and
 - in product approval in Brazil
- **EBITDA** at EUR 0.3 million in Q3/2015 (Q3/2014: EUR 0.8 million) and thus within the guidance of EUR 0.1 million to EUR 0.6 million
- Transformation of aap Implantate AG into a focused trauma company remains core objective of our strategic direction

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Implementation of Strategic Imperatives Progress in Q3/2015

Products Customers

Accelerating Value-based Innovation

- LOQTEQ®: Scheduled portfolio expansion with focus on periprosthetic treatment and introduction of polyaxial fixation technology at various plate systems
- Silver coating technology: Approval-relevant animal studies accomplished to a large extent

Optimizing Operational Efficiency

- Significant increase in production output of anatomical plates per quarter
- Production cost optimization measures on track with visible effects

Enhancing Market Access

 USA: In total conclusion of 11 distribution contracts so far; first procedures with LOQTEQ® products in various hospitals and first sales

Getting focussed on Trauma

 Necessary steps for divestment of aap Biomaterials GmbH taken

Supplementing Organic Growth with Acquisition

- Continuous market screening with M&A rationales: complementary portfolio, geographical expansion, cost synergies
- High acquisition multipliers in recent transactions, difficult to find attractive targets at reasonable prices

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Services

Critical Mass





(in EUR million, sales bridge in thousand EUR)

	Q3/2015	Q3/2014	Change
Sales	8.4	7.8	7%
Trauma	2.9	3.3	-14%
of which LOQTEQ®	1.5	2.4	-37%
Biomaterials	5.4	4.2	27%
Projects	0.0	0.1	-92%
Other	0.1	0.2	-30%

	Q3/2015	Q3/2014	Change
EBITDA	0.3	0.8	-60%
EBIT	-0.4	0.2	< -100%

Operative Performance: Sales and EBITDA normalised*

	Q3/2015	Q3/2014	Change
Sales	8.4	7.8	8%
EBITDA	0.4	1.0	-54%

^{*}excluding one-time effects of share disposals, one-time costs incurred in connection with strategic measures, project earnings and related costs









(in EUR million, sales bridge in thousand EUR)

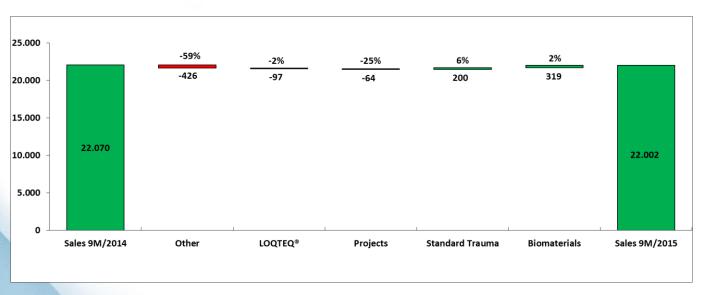
	9M/2015	9M/2014	Change
Sales	22.0	22.1	0%
Trauma	8.5	8.4	1%
of which LOQTEQ®	5.2	5.3	-2%
Biomaterials	13.0	12.7	2%
Projects	0.2	0.3	-25%
Other	0.3	0.7	-59%

	9M/2015	9M/2014	Change
EBITDA	-0.3	2.4	< -100%
EBIT	-2.3	0.8	< -100%

Operative Performance: Sales and EBITDA normalised*

	9M/2015	9M/2014	Change
Sales	21.8	21.9	0%
EBITDA	0.3	1.4	-77%

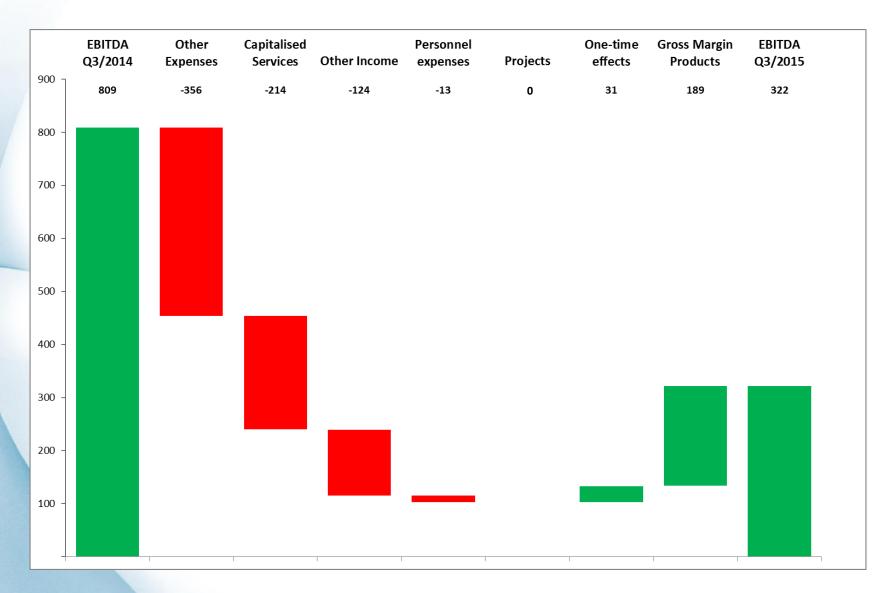
^{*}excluding one-time effects of share disposals, one-time costs incurred in connection with strategic measures, project earnings and related costs



Financial Figures Q3/2015



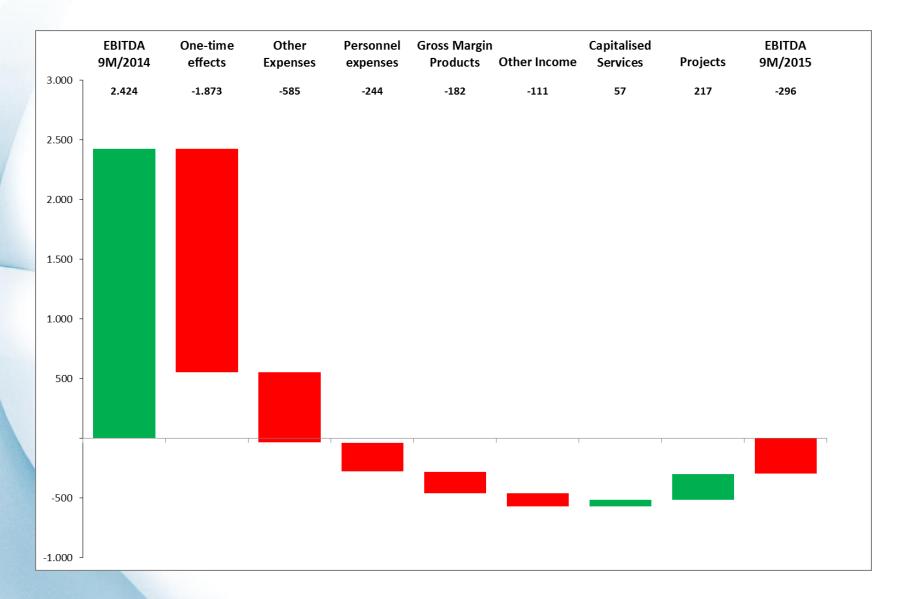
(in thousand EUR)



Financial Figures 9M/2015



(in thousand EUR)



Highlights 9M/2015 (Balance Sheet)



- Total assets 09/30/2015: EUR 61.5 million (12/31/2014: EUR 57.9 million) → +6%
 - Non-current assets: EUR +0.6 million
 - Healthy relative share of intangible assets of 25%
 - Current assets → EUR +3.1 million
 - Inventory: EUR +2.3 million → development trauma business (set-up US business; extension LOQTEQ® portf.)
 - Trade receivables: +0.9 million, but trade receivables product business EUR +2.0 million
 - Cash at EUR 11.7 million (EUR -0.5 million): almost no change, but financing needs via short-term loans
 - Equity → EUR -2.0 million
 - Net result 9M/2015 → EUR -2.1 million
 - Increase subscribed capital → EUR +0.2 million → inflow from exercising stock options
 - Equity ratio: 71% (12/31/2014: 79%)
 - Debts → EUR +5.7 million
 - Decrease in long-term financial liabilities bank: EUR -0.8 million
 - Increase in short-term financial liabilities bank: EUR +4.7 million
 - Trade payables: EUR +1.6 million
 - Other liabilities: EUR +0.2 million
- Working Capital: EUR 18.5 million (12/31/2014: EUR 16.9 million)
- Working Capital-turn TTM (sales): 1.7 (FY 2014: 1.8)
- Net Cash 09/30/2015: EUR 3.1 million (12/31/2014: EUR 7.7 million) → slight improvement compared to 06/30/2015

Highlights 9M/2015 (Cash Flow)



- Operating Cash flow 9M/2015: EUR -2.5 million
 - Net result of EUR -2.1 million in 9M/2015
 - Increase in operating working capital in 9M/15: EUR +2.6 million → development trauma & set-up
 US business (EUR +1.5 million); trade receivables biomaterials business (EUR +1.1 million)
- Investing Cash Flow 9M/2015: EUR -2.0 million
 - Investments: EUR -2.1 million
 - Machinery and other equipment: EUR -0.9 million
 - Intangibles: EUR -1.2 million → mainly silver and LOQTEQ® developments
- Financing 9M/2015: EUR 4.0 million
 - Usage of credit facility: EUR +4.6 million → short-term financing growth related
 - Redemption financing for machinery: EUR -0.8 million
 - Proceeds from issue of new shares: EUR +0.2 million
- Cash 09/30/2015: EUR 11.7 million (12/31/2014: EUR 12.2 million)
- Liquidity reserves (Cash and free credit facilities): EUR 13.0 million (12/31/2014: EUR 16.7 million)

Outlook 2015



- Updated Outlook 2015:
 - Sales: EUR 27.5 million EUR 31.5 million
 - **EBITDA**: EUR -1.5 million EUR 1.0 million
- Transformation of *aap* Implantate AG into a **focused trauma company** remains core objective of our strategic direction

Management Agenda 2015



Products

Customers

Accelerating Value-based Innovation

- LOQTEQ® portfolio expansion targeting indication coverage >90%
- Silver technology: Submission for CE approval in H2/2015
- Freshness index of minimum 20%

Enhancing Market Access

- Trauma sales growth: 20% to 25% (2-3x faster than the trauma market)
- Setting a footprint in the US market
- Achieving full presence in BRICS and SMIT countries

Getting focussed on Trauma

Ongoing evaluation of

Biomaterials GmbH

strategic options for aap

Optimizing Operational Efficiency

- Substantial reduction of manufacturing costs and significant extension of delivery capability
- Shortening time to market (launch minimum 3 systems per year)
- Improvements in ERP functionalities to comply with growth pace

Supplementing Organic Growth with Acquisition

 M&A rationales: complementary portfolio, geographical expansion and cost synergies Distribution

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