



Q2/2014 Report - Conference Call

Berlin, August 14, 2014

***aap* Implantate AG**

Bruke Seyoum Alemu, CEO

Marek Hahn, CFO

Highlights Q2/2014

- Appointment of new CEO: Bruke Seyoum Alemu; Biense Visser new Chairman of Supervisory Board
- 23% sales growth in Q2/2014 with LOQTEQ® (+19%) and biomaterials (+50%) as sales drivers
- 13% sales growth in H1/2014 for continued operations and an EBITDA of € 1.6 million; growth in sales of LOQTEQ® products (+52%) and biomaterials (+42%)
- Financial targets achieved: Q2/2014 sales at € 8.1 million and Q2/2014 EBITDA at €1.5 million
- Trauma sales totalling € 3.0 million (+7%) in Q2/2014 - generated solely from existing customers and increased in H1/2014 by 21%
- Progress intact with regards to LOQTEQ® portfolio expansion
- Advanced-stage discussions with different US distributors
- Conclusion of a delivery contract for a PMMA bone cement with a leading US healthcare service provider for the United States, Canada and Puerto Rico
- Strong net liquidity amounting to € 13.3 million (31.12.2013: € 3.4 million net debt)
- Improvement of the balance sheet structure; Intangible assets as a proportion of the balance sheet total is now down to 24% after having been well over 50% in recent years
- Completion of spin-off of the Dental business with the sale of remaining 50% for € 1.0 million in cash
- Evaluation of strategic options for *aap* Biomaterials GmbH: various potential strategic and financial interested parties; initial talks ongoing

Financial Figures H1/2014 und Q2/2014 (in € million)

- Group (continued business operations)

In million EUR	Q2/2014	Q2/2013*	Change
Sales	8.1	6.6	23%
EBITDA	1.5	0.2	>100%
EBIT	1.0	-0.3	n.a.

*Figures refer solely to the continued business operations. Figures for previous year are adjusted

In million EUR	H1/2014	H1/2013*	Change
Sales	14.2	12.6	13%
- thereof Trauma	5.2	4.2	21%
- thereof LOQTEQ®	3.0	2.0	52%
EBITDA	1.6	2.6	-38%
EBIT	0.5	1.6	-69%

*Figures refer solely to the continued business operations. Figures for previous year are adjusted

→ EBITDA/EBIT development highly affected by project / one-time effects in both periods:

H1/2014: € 1.2 million; H1/2013: € 4.2 million

Financial Figures H1/2014 und Q2/2014 (in € million)

- Operative Performance: continued business operations (normalized*)

In million EUR	Q2/2014	Q2/2013	Change
Sales	8.0	6.5	23%
EBITDA	0.3	-0.3	>100%

*Sales/EBITDA one-time effects from share disposal and project sales as well as costs involved

In million EUR	H1/2014	H1/2013	Change
Sales	14.0	11.0	27%
EBITDA	0.4	-1.6	>100%

*Sales/EBITDA one-time effects from share disposal and project sales as well as costs involved

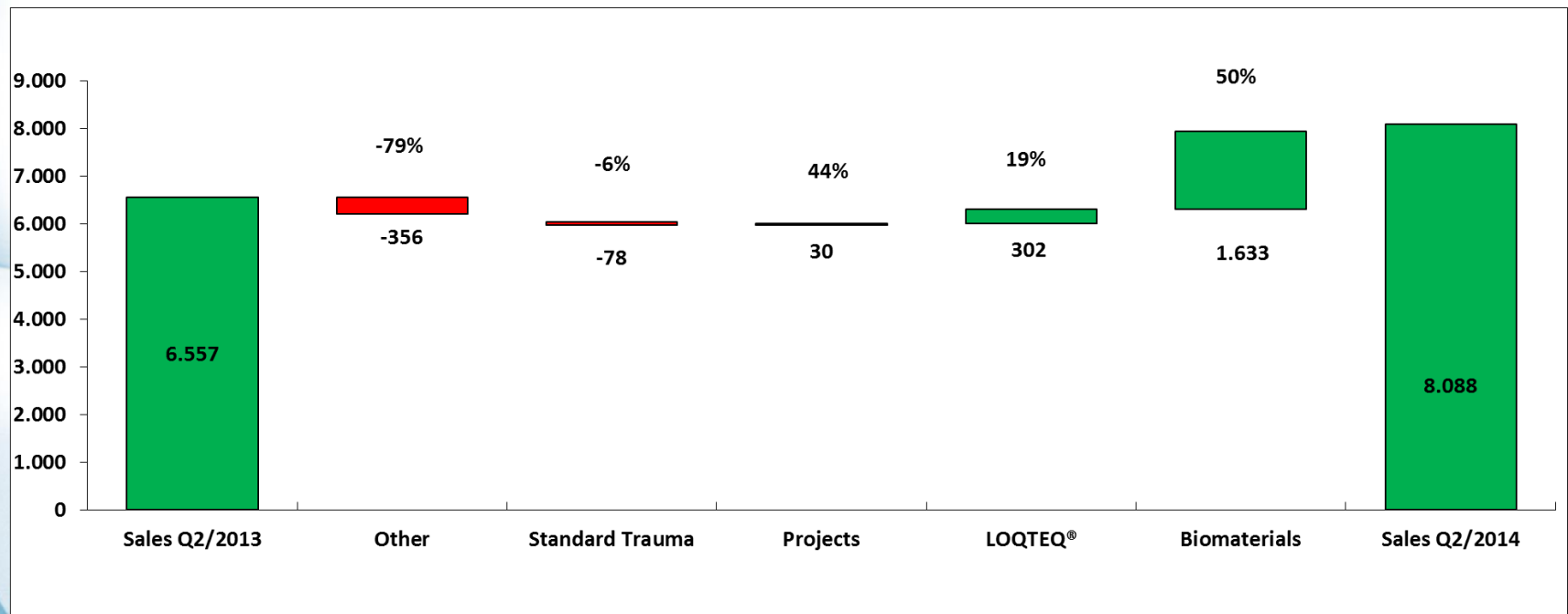
- Group (Total)

In million EUR	H1/2014*	H1/2013**	Change
Sales	15.2	19.6	-22%
EBITDA	1.6	4.2	-62%
EBIT	0.6	2.6	-81%

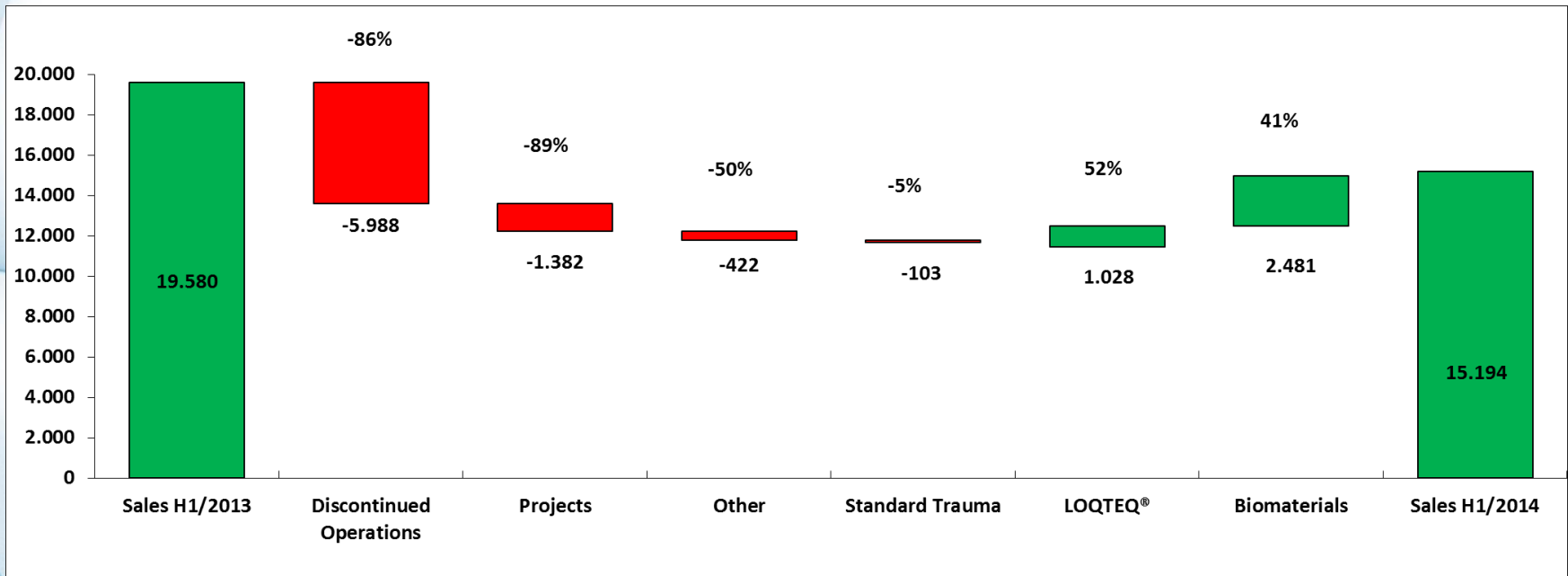
*EMCM B.V. included 01-02/2014

** EMCM B.V. included 01-06/2013

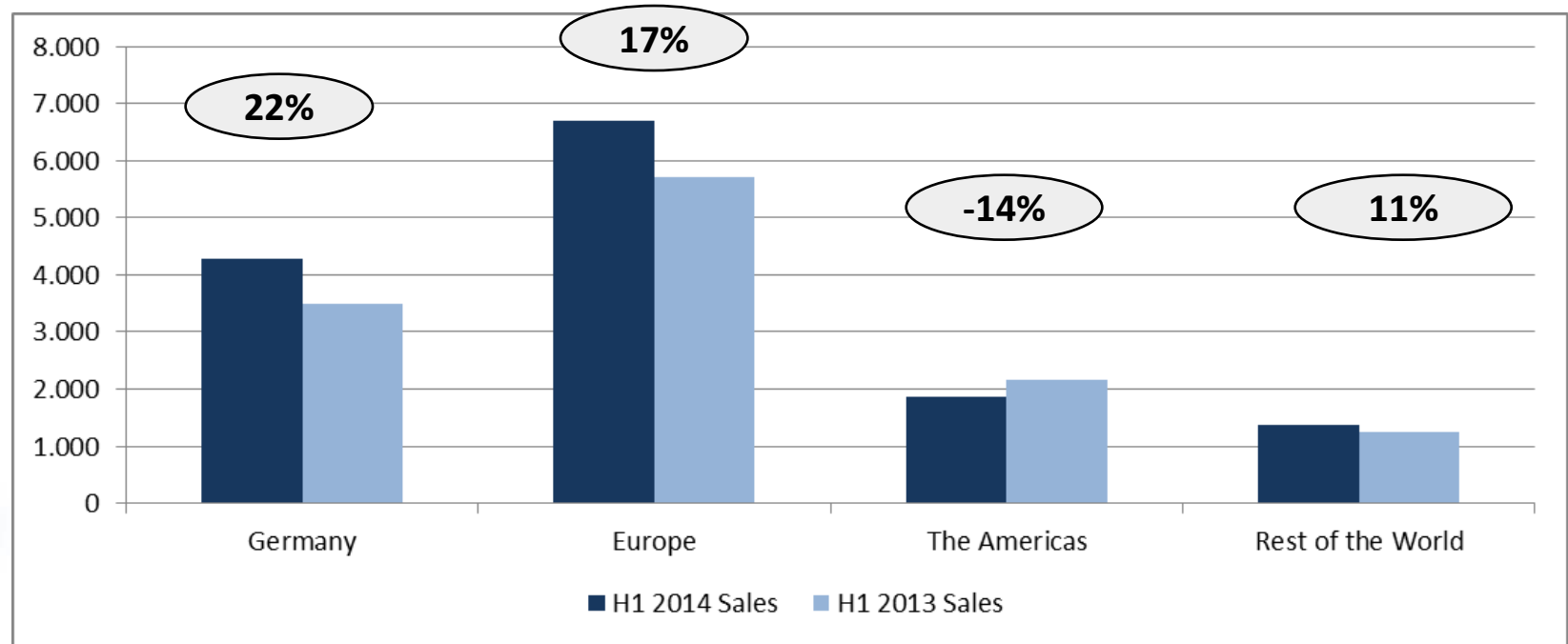
Sales bridge Q2/2013 vs. Q2/2014



Sales bridge H1/2013 vs. H1/2014



Sales Distribution H1/2014 vs. H1/2013



LOQTEQ® Products & Markets

- LOQTEQ® Performance
 - Sales driver in H1/2014: Germany, China, Turkey, Spain, Puerto Rico and Czech Republic
 - LOQTEQ® Evidence based features
 - Comparative study (July 2014): reveals outstanding biomechanical characteristics (fatigue strength) of LOQTEQ® osteotomy plate's compared with the market leader
 - First findings show no instance of cold welding with LOQTEQ® plates and screws as presented at EFFORT congress in London (July 2014)
- LOQTEQ® development, regulatory and IP status
 - Product development for portfolio extension and regulatory processes remain on track
 - Continuous filing of registration documents for new LOQTEQ® products as line extension progresses
 - A further US patent was granted to expand the LOQTEQ® IP family; other International (USA/EU) patents under examination procedure

Research and development

- LOQTEQ®:
 - Portfolio extension LOQTEQ®-plating systems remains on track
 - » Phase III: periprosthetic plating system, polyaxial radius plates and further systems for lower extremities
 - Coverage of approx. 80 % of the LOQTEQ®-indications after successful CE-approval (Phase II)
 - Phase III: indication coverage extension to approx. 90%
- Silver-coating :
 - Initial approval-relevant animal experiments are promising
 - » No indications for local or systemic toxic effects (6 months group)
 - » No accumulation of silver in analysed organs (4 weeks group)
 - » Visible positive trend of biofilm reduction (preliminary infection model)

Highlights Q2/2014 (P&L)

- Sales analysis → refer to previous slides
- Further comments focus on continued operations
- Gross Margin declined (Sales/ Changes Inventory/ Material Expenses)
 - Adjusted cost of materials ratio (w/o effects from project business) higher in Q2/2014 with 37% (PY: 35%); same development applies for HY yoy comparison
 - Change in product mix and sales structure → i.e. bone cement vs. trauma products
 - Substantial increase in external services required temporarily to ensure ability to supply
 - Increase in inventories → stock building in Trauma (ability to supply) and higher volumes in Biomaterials (orders in progress for Q3 and Q4)
- Increase in Other Operating Income
 - Increase Q2/2014 from €0.8 million to €1.5 million
 - Effect from sales of remaining shares in Dental JV of €1.0m
 - €0.3m signing fee supply contract with leading US healthcare service provider
 - HY1/14 decrease from €3.3 million to €1.9 million
 - Up-front payment project deal Q1/13 (€2.2 million); Divest 67% shares in JV Recon Q2/13 (€ 0.6 million)

Highlights Q2/2014 (P&L)

- Increased Personnel expenses
 - Number of employees continued operations up from 215 (12/2013) to 220 with increased expenses of €3.0 million; HY1/14 increase from €5.7 million to €6.0 million
 - FY 2014 personnel expenses will increase driven by new hiring's in production and related areas and in sales/marketing
- Higher Other Operating Expenses
 - Q2/14 only slight increase from €2.3 million to €2.4 million; HY1/14 up with €0.4 million to €4.5 million
 - Q1/2014 OOE include €1.0 million disposal cost in connection with sales of Dutch subsidiary EMCM
 - Development continued operations mainly due to capacity expansion Berlin, marketing and sales cost further market roll-out LOQTEQ®, related legal and consulting cost US-deal bone cement, divestment shares JV Dental
- Further improved Financial result
 - Q2/2014 continued operations with €-0.02 million (PY: €-0.03 million); HY1/14: €-0.06 million (PY: €-0.1 million)
 - Reduction in interest-bearing liabilities from €5.0 million (12/2013) to €3.6 million
- Change in result figures highly affected project deals/one-time effects
 - EBITDA in Q2/2014 with €1.5 million significantly higher than Q2/2013 with €0.2 million; HY1/14 from €2.6 million to €1.6 million
 - Healthy operational development continued operations (w/o projects/one-timer): From €-0.3 million to €0.3 million for Q2 and from €-1.6 million to €0.4 million in HY1
 - Impact from projects/one-timer: Q2 & HY1/14: €1.2 million; Q2/13: €0.6 million and HY1/13: €4.2 million

Highlights Q2/2014 (Balance Sheet)

- Total assets Q2/2014: €59.6 million (Q4/2013: €65.2 million) → -9%
 - Non-current assets: €+1.4 million
 - Capacity expansion Trauma required Investments in tangible assets
 - Relative share of intangible assets significantly reduced to 24% of total assets! → 12/2012: 57%; 03/2013: 54%
 - Current assets → €-7.0 million
 - Inventories €+1.4 million → stock building Trauma ensuring ability to supply; increased order volume Biomaterials
 - Trade receivables €-1.0 million → strong 4th quarter with high level of sales in Dec 2013; cash inflow in Q1/2014
 - Cash rose to €16.9 million after receipt of purchase price EMCM B.V.
 - Equity → unchanged
 - Effects from stock options in capital reserve → €-0.5 million
 - Positive net result HY1/2014 → €0.6 million
 - Debts → €-7.6 million
 - Increase financial liabilities bank net: €0.7million (mainly credit facilities)
 - Trade payables €-0.4 while other financial liabilities €-0.4 million (mainly due to bonus payments) and other liabilities €+0.4 million (accruals o/s holiday and tax liabilities employees)
 - €6.0 million deconsolidation effect Dutch subsidiary EMCM
- Working Capital: €14.7 million (Q4/2013: €13.9 million); WC-turn TTM (sales): 2.5
- Net Cash Q2/2014: €13.3 million! (Net debt Q4/2013: €3.4 million) → Strong cash basis

Highlights Q2/2014 (Cash Flow)

- Operating CF HY1/2014: €-2.8 million (PY continued operations: €2.9million)
 - Positive net result of €0.6 million
 - Cash-inflow from decrease of trade receivables €+1.0 million while financing inventory €-1.4 million and reduction of liabilities €-1.1 million
 - Cash settlement stock options (2008): €-0.6 million
- Investing CF HY1/2014: €16.5 million (PY continued operations: €1.4 million)
 - Investments HY1/2014: €-2.5 million; machinery and other equipment €-1.8 million; intangibles €-0.7 million
 - Cash inflow investment grants €+0.5 million; divestment stake in JV Dental €+1.0 million
 - Cash inflow sale EMCM €18.0 million; €-0.9 million net cash disposed; €+0.5 million dividend received
- Financing CF Q1/2014: €0.7 million (PY continued operations: €-5.1 million)
 - “Repayment” credit facility: €-0.8 million → no usage
 - Redemption financing machinery: €-0.7 million also by using received investment grants
 - New long-term loans financing machinery: €+2.2 million
- Cash Q2/2014: €16.9 million (Q4/2013: €1.6 million)
- Liquidity reserves (Cash and free Credit facilities): €21.3 million (Q4/2013 continued operations: €5.3 million)

Outlook 2014

- **Outlook 2014:**
 - Strong sales growth with focus on Trauma business
 - Sales +22% to €35 million (PY: €28.6 million) for continued operations
 - EBITDA between €5 million to €6 million (0% to +20%)
- **Outlook Q3/2014:**
 - Sales of €7.0 million to €8.0 million (Q3/2013 continued operations: €6.3 million)
 - EBITDA between €0 million to €0.4 million
- **Further step of transformation: Further steps expected with regards to the divestment of *aap* Biomaterials GmbH**

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