



# *aap* Implantate AG

## Q3/9M 2017 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.*

# Implementation of Strategic Imperatives

## Progress in Q3/9M 2017

	Products	Customers	
Services	<h3>Accelerating Value-based Innovation</h3> <ul style="list-style-type: none"> <li>➤ <b>LOQTEQ®:</b> Completion of development activities in connection with <i>aap</i> foot system and other polyaxial LOQTEQ® systems</li> <li>➤ <b>Silver coating technology – Application on LOQTEQ®:</b> Focus on preparation of the clinical study for CE and FDA approval</li> </ul>	<h3>Enhancing Market Access</h3> <ul style="list-style-type: none"> <li>➤ <b>Established countries:</b> North America and DACH region as growth drivers; sales in North America +14% in Q3/2017 and +23% in 9M/2017; sales in DACH region +8% in 9M/2017</li> <li>➤ <b>Emerging countries:</b> Sales development in BRICS and SMIT states shows a positive stabilization trend</li> <li>➤ <b>Global partnerships:</b> Evaluations on further potential cooperations ongoing</li> </ul>	Distribution
Cost	<h3>Optimizing Operational Efficiency</h3> <ul style="list-style-type: none"> <li>➤ <b>Quality First:</b> Quality improvement program effective with regard to CE and FDA recertification audits in 2017</li> <li>➤ <b>Production efficiency:</b> No temporary workers in 9M/2017; third party services as part of material expenses significantly reduced to 5% (9M/2016: 18%)</li> <li>➤ <b>Working capital:</b> Sales revenue in 9M/2017 partially generated by inventory decrease; DSO in 9M/2017 improved to 89 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> Q3/2017 sales and EBITDA within guidance; trauma sales in Q3/2017 +11% and in 9M/2017 +13%</li> <li>➤ <b>Costs:</b> Decrease in personnel costs (Q3/2017 and 9M/2017) as a result of personnel measures implemented in 2016; Q3/2017 burdened with one-time effects</li> </ul>	Cash
	Process	Profitability	

# Financial Figures Q3/9M 2017 (1/3)

(in KEUR)

Sales	Q3/2017	Q3/2016	Change
<b>Sales</b>	<b>2,595</b>	<b>2,875</b>	<b>-10%</b>
Trauma	2,574	2,325	+11%
<i>North America</i>	733	641	+14%
<i>DACH</i>	668	648	+3%
<i>Europe w/o DACH</i>	256	434	-41%
<i>RoW</i>	917	602	+52%
<b>Other (mainly discontinued activities)</b>	<b>21</b>	<b>550</b>	<b>-96%</b>

Sales	9M/2017	9M/2016	Change
Sales (reported)	8,033	8,820	-9%
less Q2/2016 initial sales revoked in Q4/2016	0	756	-
<b>Sales (like-for-like)</b>	<b>8,033</b>	<b>8,064</b>	<b>N/C</b>
Trauma	7,785	6,860	+13%
<i>North America</i>	2,414	1,959	+23%
<i>DACH</i>	2,036	1,888	+8%
<i>Europe w/o DACH</i>	882	1,444	-39%
<i>RoW</i>	2,453	1,569	+56%
<b>Other (mainly discontinued activities)</b>	<b>248</b>	<b>1,204</b>	<b>-79%</b>

# Financial Figures Q3/9M 2017 (2/3)

(in KEUR and EUR million)

EBITDA	Q3/2017	Q3/2016	Change
<b>EBITDA</b>	<b>-1,567</b>	<b>-1,764</b>	<b>+11%</b>
One-time effects	286*	315**	-9%
<b>Recurring EBITDA</b>	<b>-1,281</b>	<b>-1,449</b>	<b>+12%</b>

\*Includes costs of evaluating strategic options, costs of "Quality First" project, costs of share buyback program and risk provision for voluntary product recalls

\*\*Includes costs of early termination of long-term license agreement

EBITDA	9M/2017	9M/2016	Change
<b>EBITDA</b>	<b>-4,874</b>	<b>-5,325</b>	<b>+8%</b>
One-time effects	1,191*	298**	>+100%
<b>Recurring EBITDA</b>	<b>-3,683</b>	<b>-5,027</b>	<b>+27%</b>

\*Includes risk provision for voluntary product recalls, costs of "Quality First" project, costs of evaluating strategic options, costs of share buyback program, costs for personnel measures and recertification costs in connection with the disposal of *aap* Joints GmbH

\*\*Includes Q2/2016 initial sales revoked in Q4/2016, costs for personnel measures, costs of early termination of long-term license agreement and recertification costs in connection with the disposal of *aap* Joints GmbH

# Financial Figures 9M/2017 (3/3)

## (EBITDA bridge 9M/2016 to 9M/2017 in KEUR)



# Highlights 9M/2017 (Balance Sheet)

- Total assets 09/30/2017: EUR 52.3 million (12/31/2016: EUR 63.9 million) → -17%
  - Non-current assets: Change EUR -0.6 million
    - Capitalized development costs: EUR +0.3 million; Share of intangible assets in total assets: 22% → Healthy ratio
    - Tangible assets: EUR -0.3 million → lower investment against usual depreciation in 9M/2017
    - Other financial assets: EUR -0.8 million → reduction of cash blocked as security for non-current financial liabilities / bank warranty 3<sup>rd</sup> party and reclassification to current assets (EUR 0.3 million)
  - Current assets: Change EUR -10.6 million
    - Inventories: EUR -1.2 million → sales partially realized out of existing stock (EUR 0.4 million) and effect of EUR 0.8 million from FX-valuation of *aap* Inc. stock
    - Trade receivables: EUR -0.3 million → improved DSO to 89 days in 9M/2017 (FY/2016: 102 days)
    - Other financial assets: EUR -0.2 million → reduction of cash blocked as security for non-current financial liabilities / bank warranty 3<sup>rd</sup> party and reclassification from non-current assets (EUR 0.3 million)
    - Cash and cash equivalents: EUR -8.9 million to EUR 14.9 million → EUR 5.5 million operative cash out; EUR 3.4 million outflow under share buyback program
  - Equity: EUR 44.4 million (12/31/2016: EUR 54.8 million)
    - Net result 9M/2017: EUR -7.1 million and capital reduction EUR 3.4 million
    - Equity ratio: 84% (12/31/2016: 86%)
  - Liabilities: Change EUR -0.8 million
    - Financial liabilities: EUR -0.7 million → repayment of loans
    - Trade liabilities decreased to EUR 2.3 million (12/31/2016: EUR 2.5 million)

## Highlights 9M/2017 (Cash Flow)

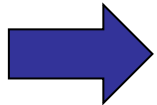
- Operating Cash Flow 9M/2017: EUR -4.4 million (9M/2016: EUR -5.0 million)
  - Improved operating result
  - Positive contribution from working capital reduction of EUR 0.4 million → main impact reduction of inventory of EUR +0.4 million, receivables EUR +0.3 million and payables EUR -0.2 million
  - Improved debtor management leads to reduced level of trade receivables of EUR 2.6 million (FY/2016: EUR 2.9 million) → Further improved DSO to 89 days in 9M/2017 (FY/2016: 102 days)
- Investing Cash Flow 9M/2017: EUR -0.9 million (9M/2016: EUR +32.1 million)
  - Limited investments in 9M/2017: EUR 0.6 million in tangible assets and EUR 0.9 million in R&D
  - Inflow of EUR 0.5 million: investment grants for investments made in 2010-2013
- Financing 9M/2017: EUR -3.6 million (9M/2016: EUR -2.1 million)
  - EUR 3.4 million outflow from share buyback program
  - Ordinary redemption of bank loans of EUR -0.7 million and finance lease of EUR -0.4 million while in parallel securities granted to banks of EUR +0.9 million could be released and returned to cash
- Total Cash (incl. restricted cash granted for securities): EUR 19.1 million (12/31/2016: EUR 28.9 million)
- Net Cash (incl. restricted cash): EUR 17.3 million (12/31/2016: EUR 26.7 million)
- Net cash per B/S: EUR 14.3 million (12/31/2016: EUR 23.0 million)



# 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)*



Against the background of the results realized in the year to date and the outlook for the fourth quarter, sales and EBITDA are expected to be at the lower end of the guidance.

# Many thanks for your attention!



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