



***aap* Implantate AG**

Q2/H1 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

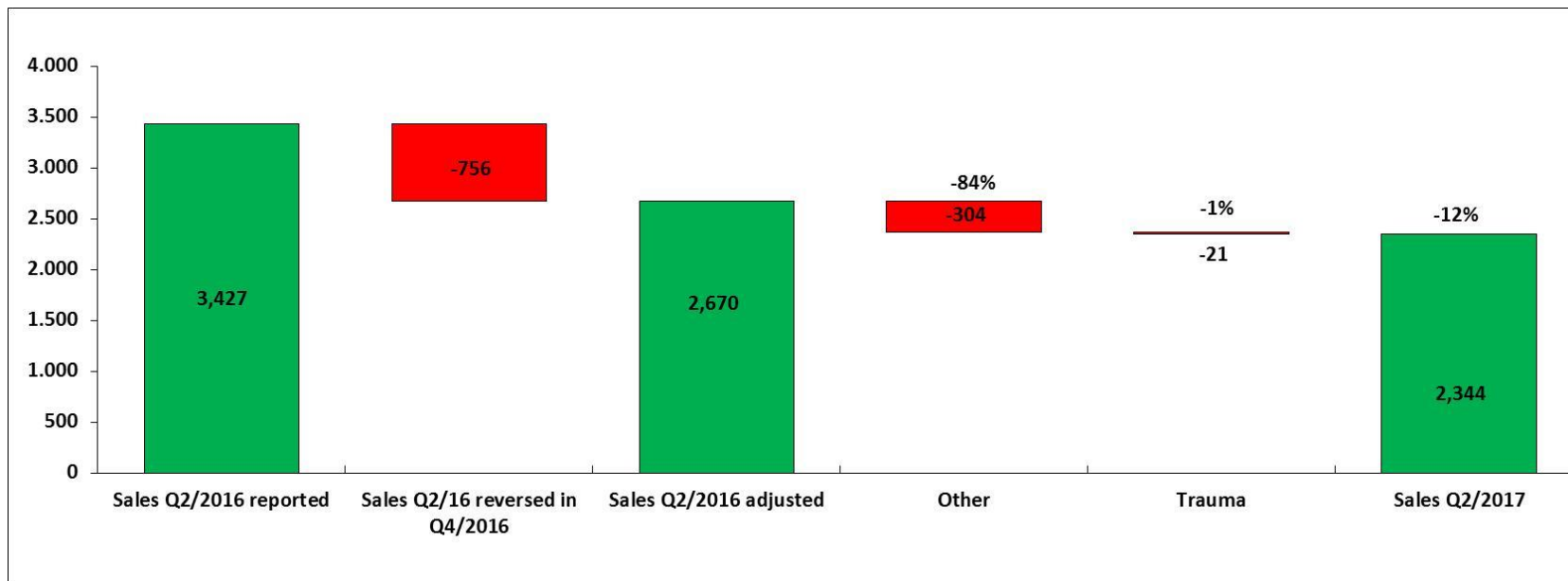
Progress in Q2/H1 2017

	Products	Customers	
Services	<h3>Accelerating Value-based Innovation</h3> <ul style="list-style-type: none"> ➤ LOQTEQ®: Completion of portfolio with a focus on preparations of approvals for further polyaxial LOQTEQ® systems and steps towards completion of foot system ➤ Silver coating technology – Application on LOQTEQ®: Focus on coordination process regarding scope and design of the clinical study with involved authorities; renowned international CRO selected; team strengthened with specialist and executive staff 	<h3>Enhancing Market Access</h3> <ul style="list-style-type: none"> ➤ Established countries: H1/2017 trauma sales +14% y-o-y; sales NA and EU together up to EUR 3.7 million in H1; growth drivers are NA (+26%) and DACH (+10%) ➤ Emerging countries: Sales development in BRICS and SMIT states shows a positive stabilization trend ➤ Global partnerships: Conclusion of distribution agreement for LOQTEQ® Radius System with Integra LifeSciences 	Distribution
Cost	<h3>Optimizing Operational Efficiency</h3> <ul style="list-style-type: none"> ➤ Quality First: Visible progress; 2 audits successfully completed in Q2; further improvements planned for FY ➤ Production efficiency: No temporary workers in H1/2017; third party services as part of material expenses significantly reduced to 5% (H1/2016: 20%) ➤ Working capital: Sales revenue in H1/2017 partially generated by inventory decrease; DSO in H1/2017 improved to 88 days (DSO FY/2016: 102 days) 	<h3>Realization of Financial Targets</h3> <ul style="list-style-type: none"> ➤ Sales and EBITDA: Q2/2017 sales and EBITDA within guidance ➤ Costs: Decrease in personnel costs continued in Q2/2017 and led to a noticeable reduction in H1/2017 as a consequence of personnel measures implemented in FY/2016; Q2 burdened with one-time effects 	Cash
	Process	Profitability	

Financial Figures Q2/2017 (1/3)

(in KEUR)

Sales	Q2/2017	Q2/2016	Change
Sales (reported)	2,344	3,427	-32%
less Q2/2016 initial sales revoked in Q4/2016	0	756	-
Sales (like-for-like)	2,344	2,670	-12%
Trauma	2,288	2,309	-1%
<i>North America and Europe</i>	1,608	1,799	-11%
<i>Other</i>	680	510	+33%
Other (mainly discontinued activities)	57	361	-84%



Financial Figures Q2/2017 (2/3)

(in KEUR and EUR million)

EBITDA	Q2/2017	Q2/2016	Change
EBITDA	-1,642	-1,390	-18%
One-time effects	553*	-95**	>+100%
Recurring EBITDA	-1,089	-1,485	+27%

*Includes risk provision for voluntary product recalls and costs for personnel measures

**Includes Q2/2016 initial sales revoked in Q4/2016, costs for personnel measures and recertification costs in connection with the disposal of aap Joints GmbH

One-time effects	Q2/2017	Q2/2016
Q2/2016 initial sales revoked in Q4/2016	0.0	-0.5
Project "Quality First"	0.0*	0.0
Value depreciations raw materials	0.0	0.0
Risk provision voluntary product recalls	0.4	0.0
Voluntary share buyback offer	0.0*	0.0
Personnel measures	0.1	0.3
aap Joints transaction (recertification costs)	0.0*	0.1
Total	0.5	-0.1

* Expenses in the reporting period <EUR 50k

Financial Figures Q2/2017 (3/3)

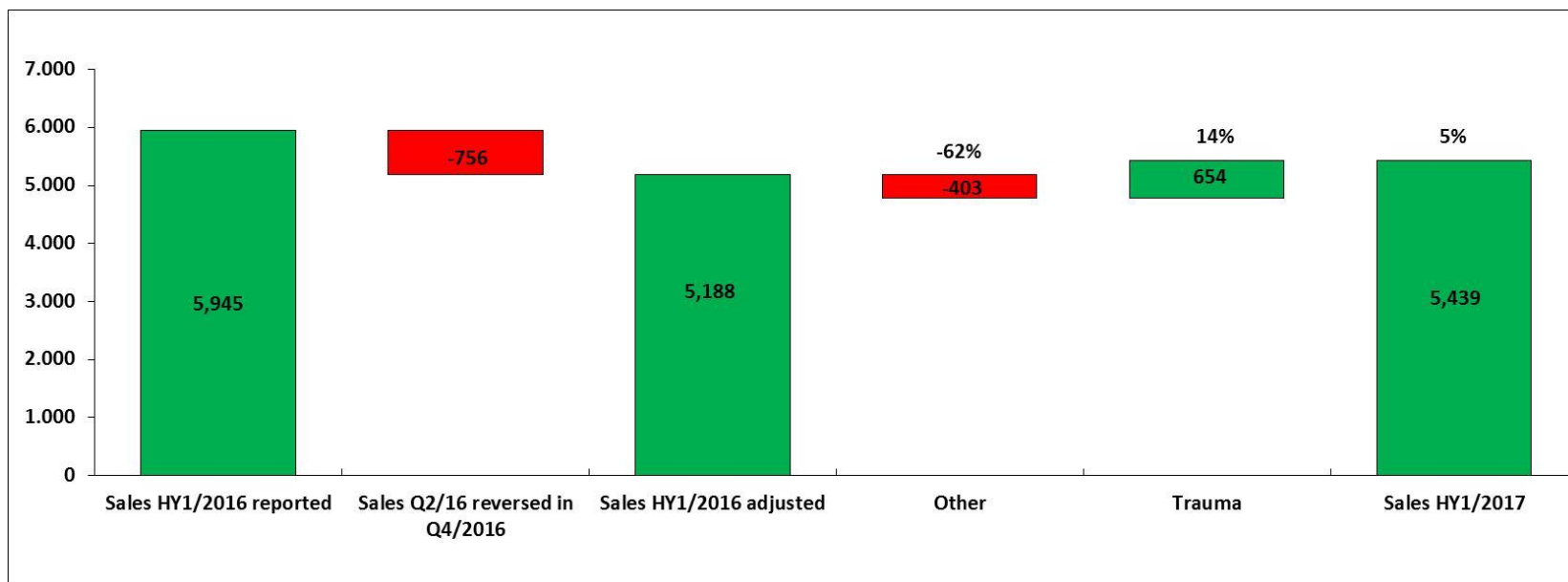
(EBITDA bridge Q2/2016 to Q2/2017 in KEUR)



Financial Figures H1/2017 (1/3)

(in KEUR)

Sales	H1/2017	H1/2016	Change
Sales (reported)	5,439	5,945	-9%
less Q2/2016 initial sales revoked in Q4/2016	0	756	-
Sales (like-for-like)	5,439	5,188	+5%
Trauma	5,189	4,535	+14%
<i>North America and Europe</i>	3,653	3,568	+2%
<i>Other</i>	1,536	967	+59%
Other (mainly discontinued activities)	250	653	-62%



Financial Figures H1/2017 (2/3)

(in KEUR and EUR million)

EBITDA	H1/2017	H1/2016	Change
EBITDA	-3,307	-3,561	+7%
One-time effects	905*	-18**	>+100%
Recurring EBITDA	-2,402	-3,579	+33%

*Includes risk provision for voluntary product recalls and costs for personnel measures

**Includes Q2/2016 initial sales revoked in Q4/2016, costs for personnel measures and recertification costs in connection with the disposal of *aap* Joints GmbH

One-time effects	H1/2017	H1/2016
Q2/2016 initial sales revoked in Q4/2016	0.0	-0.5
Project "Quality First"	0.2	0.0
Value depreciations raw materials	0.2	0.0
Risk provision voluntary product recalls	0.4	0.0
Voluntary share buyback offer	0.0*	0.0
Personnel measures	0.1	0.3
<i>aap</i> Joints transaction (recertification costs)	0.0*	0.2
Total	0.9	0.0

* Expenses in the reporting period <EUR 50k

Financial Figures H1/2017 (3/3)

(EBITDA bridge H1/2016 to H1/2017 in KEUR)



Highlights H1/2017 (Balance Sheet)

- Total assets 06/30/2017: EUR 58.4 million (12/31/2016: EUR 63.9 million) → -9%
 - Non-current assets: Change EUR -0.5 million
 - Share of intangible assets in total assets: 19% → Healthy ratio
 - Tangible assets: EUR -0.2 million → lower investment against usual depreciation in H1/2017
 - Other financial assets: EUR -0.6 million → reduction of cash blocked as security for non-current financial liabilities / bank warranty 3rd party and reclassification license payment 2018 to current assets (EUR 0.3 million)
 - Current assets: Change EUR -5.0 million
 - Inventories: EUR -0.8 million → sales partially realized out of existing stock and effect of EUR 0.5 million from FX valuation US-stock
 - Trade receivables: EUR -0.8 million → improved DSO to 88 days in H1/2017 (FY/2016: 102 days) through disciplined cash collection
 - Other financial assets: EUR -0.2 million → reduction of cash blocked as security for non-current financial liabilities / bank warranty 3rd party and reclassification license payment 2018 from non-current assets (EUR 0.3 million)
 - Cash and cash equivalents: EUR -3.4 million to EUR 20.3 million
 - Equity: EUR 50.2 million (12/31/2016: EUR 54.8 million)
 - Net result H1/2017: EUR -4.8 million
 - Equity ratio: 86% (12/31/2016: 86%)
 - Liabilities: Change EUR -0.9 million
 - Financial liabilities: EUR -0.5 million → repayment of loans
 - Trade liabilities decreased to EUR 2.0 million (12/31/2016: EUR 2.5 million)
 - Other financial liabilities: EUR +0.3 million → mainly inflow from investment grants (EUR -0.5 million) of which EUR 0.4 million may need to be repaid, EUR -0.3 million repayment finance lease and EUR +0.2 million personnel related liabilities

Highlights H1/2017 (Cash Flow)

- Operating Cash Flow H1/2017: EUR -2.9 million (H1/2016: EUR -4.1 million)
 - Positive contribution from working capital reduction of EUR 0.6 million → main impact reduction of inventory of EUR +0.3 million, receivables EUR +0.8 million and payables EUR -0.5 million
 - Stringent and improved debtor management leads to reduced level of trade receivables of EUR 2.1 million (FY/2016: EUR 2.9 million) → Further improved DSO to 88 days in H1/2017 (FY/2016: 102 days)
- Investing Cash Flow H1/2017: EUR -0.3 million (H1/2016: EUR +33 million)
 - Limited investments in H1/2017: EUR 0.4 million in tangible assets and EUR 0.5 million in R&D
 - Inflow of EUR 0.5 million of investment grants for investments made in 2010-2013
- Financing H1/2017: EUR -0.1 million (H1/2016: EUR -1.7 million)
 - Ordinary redemption of bank loans of EUR -0.5 million and finance lease of EUR -0.3 million
 - Release from securities granted to banks of EUR +0.7 million and returned to cash and cash equivalents
- Total Cash (incl. restricted cash granted for securities): EUR 24.9 million (12/31/2016: EUR 28.9 million)
- Net Cash (incl. restricted cash) : EUR 22.5 million (12/31/2016: EUR 26.7 million)
- Net Cash per B/S: EUR 19.7 million (12/31/2016 : EUR 23.0 million)

Voluntary Public Share Buyback Offer

And Subsequent Capital Reduction

- Voluntary public share buyback offer: purchase of up to 2.25 million *aap* shares for EUR 1.52 per share
- Transaction was oversubscribed with 3.9 million shares offered for buyback
- *aap*'s shareholders participated in part of the proceeds from last year's sale of *aap* Biomaterials GmbH
- Following the completion of the transaction: Redemption of 2.25 million purchased shares and share capital reduction
- After the capital reduction: share capital amounts to EUR 28,582,410.00

Exploration of Strategic Alternatives

- *aap*'s Management Board is currently exploring strategic alternatives for more value creation
- Alternatives range from, among other things, co-development-/license agreements, joint venture agreements to corporate transactions (e.g. merger, share or asset deal, carve out)
- No set time table for the process
- No decision has been made with regard to any alternatives
- No assurance that the exploration of strategic alternatives will result in any transaction being entered into or consummated

Outlook FY/2017

Q3/2017

- **Sales:** EUR 1.8 million – EUR 3.0 million
(Q3/2016: *EUR 2.9 million*)
- **EBITDA:** EUR -1.8 million – EUR -1.2 million
(Q3/2016: *EUR -1.8 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*)

Management Agenda 2017 and beyond

Implementation of strategic imperatives

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

Many thanks for your attention!



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