



aap Implantate AG

Q3/9M 2016 Report Conference Call

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Berlin, November 15, 2016

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 Q3/2016

	Products	Customers	
Services	<h3>Accelerating Value-based Innovation</h3> <ul style="list-style-type: none"> ➤ LOQTEQ®: Important progress in portfolio completion through recent market launches of periprosthetic LOQTEQ® system and polyaxial LOQTEQ® VA ankle system ➤ Silver coating technology: Good progress in CE conformity assessment procedure – intensive and constructive exchange with notified body; preparation of approval documents for FDA 	<h3>Enhancing Market Access</h3> <ul style="list-style-type: none"> ➤ North America: Sales in Q3/2016 at EUR 0.7 million (Q3/2015: EUR 0.1 million) and in 9M/2016 at EUR 2.0 million (9M/2015: EUR 0.4 million) significantly above expectations; good momentum ➤ DACH and International: Access to clinic groups in Germany and new customers in Austria; new customers in Puerto Rico and Ecuador with first sales in Q3/2016 	Distribution
Cost	<h3>Optimizing Operational Efficiency</h3> <ul style="list-style-type: none"> ➤ Production efficiency: Only stock increase for back-up inventory of newly launched LOQTEQ® products predominantly for growing North American business ➤ Working capital: Significant reduction of trade receivables in Q3/2016 by EUR 1.6 million 	<h3>Realization of Financial Targets</h3> <ul style="list-style-type: none"> ➤ Sales: Growth in trauma below expectations; positive sales development in North America in FY/2016 could not compensate so far missing sales contributions from China ➤ Costs: Implemented cost measures expected to take full effect in FY/2017; one-time costs in Q3/2016 (EUR 0.5 million) and 9M/2016 (EUR 0.8 million) 	Cash
	Process	Profitability	

Financial Figures Q3/2016

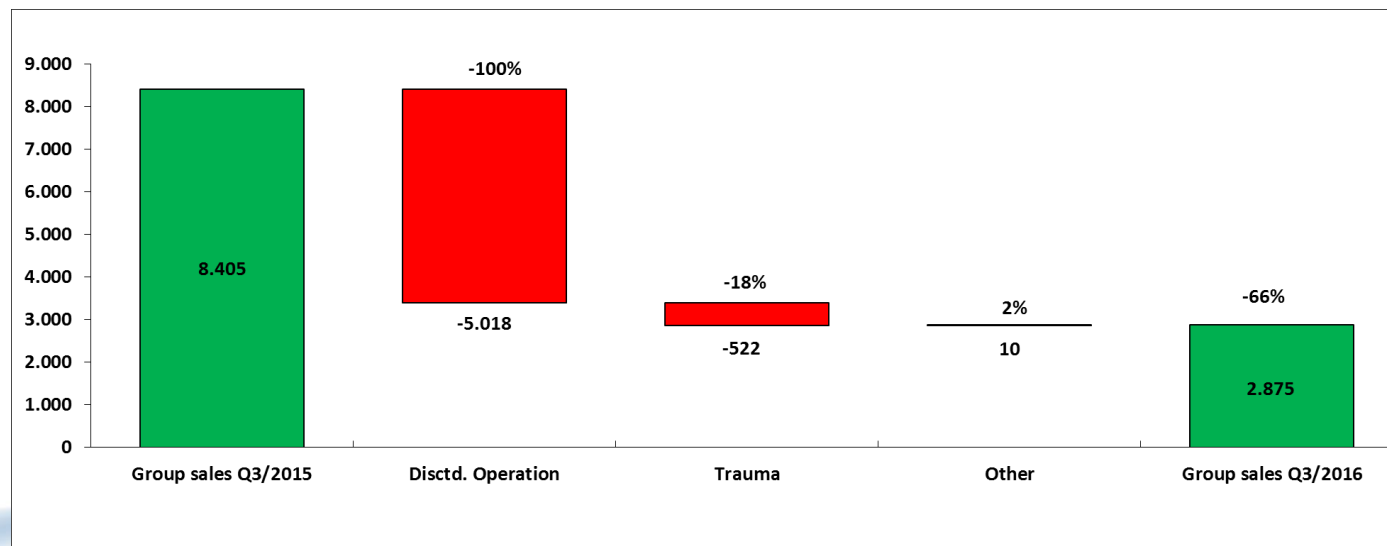
(in EUR million, sales bridge in KEUR)

Sales	Q3/2016	Q3/2015	Change
Trauma	2.3	2.9	-18%
Other	0.6	0.5	+2%
Sales continued operation	2.9	3.4	-15%
Sales discontinued operation	0.0*	5.0*	-100%
Group sales	2.9	8.4	-66%

*In Q3/2016 no effect from *aap* Biomaterials GmbH business due to deconsolidation on 05/11/2016 while Q3/2015 includes *aap* Biomaterials GmbH business from 07/01/2015 to 09/30/2015.

EBITDA	Q3/2016	Q3/2015	Change
EBITDA continued operation	-1.8	-1.4	-30%
Recurring EBITDA continued operation	-1.3	-1.4	-5%
EBITDA discontinued operation	0.0*	1.7*	-100%
Group EBITDA	-1.8	0.3	> -100%

*In Q3/2016 no effect from *aap* Biomaterials GmbH business due to deconsolidation on 05/11/2016 while Q3/2015 includes *aap* Biomaterials GmbH business from 07/01/2015 to 09/30/2015.



Financial Figures 9M/2016

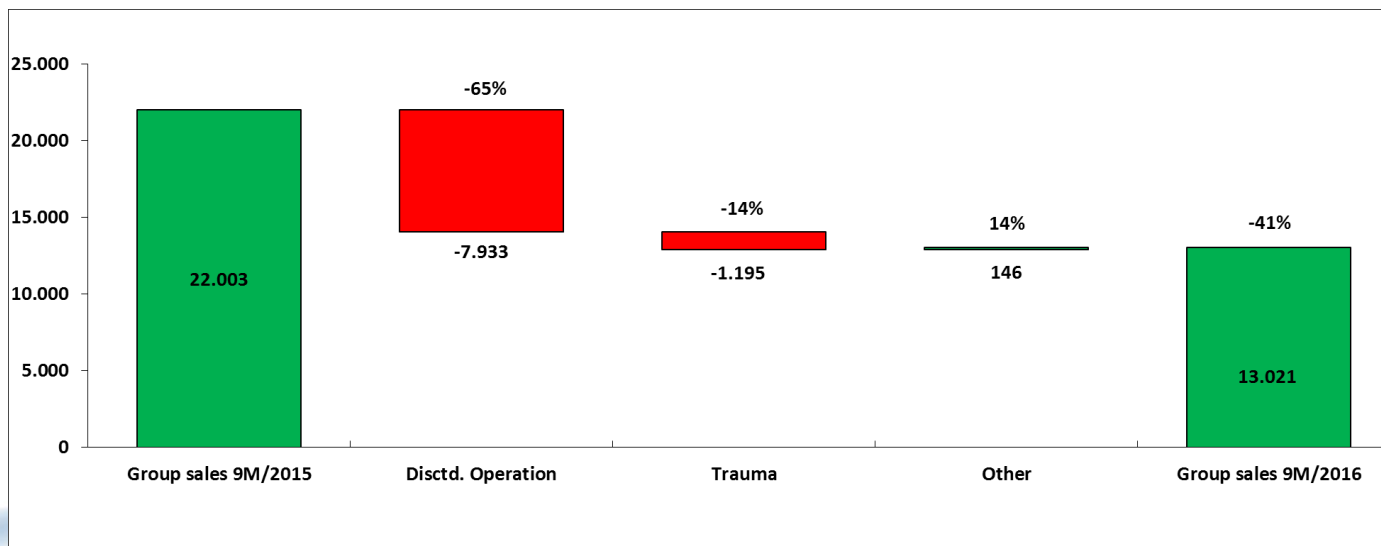
(in EUR million, sales bridge in KEUR)

Sales	9M/2016	9M/2015	Change
Trauma	7.6	8.8	-14%
Other	1.2	1.1	+14%
Sales continued operation	8.8	9.9	-11%
Sales discontinued operation	4.2*	12.1	-65%
Group sales	13.0*	22.0	-41%

*Includes aap Biomaterials GmbH business from 01/01/2016 to 05/11/2016.

EBITDA	9M/2016	9M/2015	Change
EBITDA continued operation	-5.3	-4.5	-19%
Recurring EBITDA continued operation	-4.5	-4.3	-6%
EBITDA discontinued operation	24.1*	4.2	> +100%
Group EBITDA	18.8*	-0.3	> +100%

*Includes aap Biomaterials GmbH business from 01/01/2016 to 05/11/2016 and deconsolidation profit of sale of aap Biomaterials GmbH.



Financial Figures 9M/2016

(EBITDA bridge in KEUR)



*Includes aap Biomaterials GmbH business from 01/01/2016 to 05/11/2016 and deconsolidation profit of sale of aap Biomaterials GmbH.

Highlights 9M/2016 (Balance Sheet)

- Sale of *aap* Biomaterials / Deconsolidation 05/11/2016: Disposal of assets of EUR 14.6 million and debts of EUR 2.8 million → Balance sheet changed significantly
- Total assets 09/30/2016: EUR 66.7 million (12/31/2015: EUR 54.9 million) → +21%
 - Non-current assets: Change EUR +0.3 million
 - Investments in development projects and tangible assets
 - Capitalized development costs: EUR +0.5 million → silver coating technology and expansion of LOQTEQ® portfolio
 - Share of intangible assets in total assets: 16% → Healthy ratio
 - Tangible assets: Purchased machines from end of 2015 where last payments were made in Q1/2016
 - Current assets: Change EUR +11.5 million
 - Inventories: EUR +0.5 million → backup inventory for new LOQTEQ® products, dynamic North America business, preproduction Q4
 - Trade receivables: Significant decrease in Q3/2016 with strict reduction of long outstanding receivables (EUR -1.3 million)
 - Cash rose significantly impacted by sale of *aap* Biomaterials to EUR 30.8 million (12/31/2015: EUR 4.9 million)
 - Disposal of assets classified as held for sale reduced to EUR 0.4 million (12/31/2015: EUR 14.7 million) → impact *aap* Joints
 - Equity: EUR 57.0 million (12/31/2015: EUR 40.3 million)
 - Net result 9M/2016 including deconsolidation profit → EUR 16.7 million
 - Equity ratio: 85% (12/31/2015: 73%)
 - Debts: Change EUR -4.9 million
 - Financial liabilities: EUR -1.7 million → repayment of loans
 - Trade liabilities decreased to EUR 2.2 million (12/31/2015: EUR 4.1 million)
 - Other short-term financial liabilities increased to EUR 2.2 million (12/31/2015: EUR 0.9 million)
 - Disposal of liabilities directly associated with assets held for sale deconsolidated (12/31/2015: EUR 2.2 million)

Highlights 9M/2016 (Cash Flow)

- 9M/2015 Cash Flow includes full Biomaterials business → almost no comparability to 9M/2016
- Operating Cash Flow 9M/2016: EUR -5.0 million (9M/2015: EUR -2.5 million)
 - Net result of EUR 16.7 million in 9M/2016 incl. deconsolidation profit of EUR 23.3 million
 - Development in working capital → strong decrease in receivables mainly in Q3; slight increase in inventory due to backup inventory for new LOQTEQ® products; decrease of trade payables against significant increase in other liabilities
- Investing Cash Flow 9M/2016 : EUR 32.1 million (9M/2015: EUR -2.0 million)
 - Cash from disposal of *aap* Biomaterials less disposed cash: EUR 34.1 million
 - Investments: EUR -2.0 million
 - Intangibles: EUR -1.2 million → mainly silver coating technology and LOQTEQ® developments
 - Machinery and other equipment: EUR -0.8 million
- Financing 9M/2016: EUR -2.1 million (9M/2015: EUR +4.0 million)
 - Regular repayments on loans / finance lease agreements: EUR -2.1 million
- Cash 09/30/2016: EUR 30.8 million (12/31/2015: EUR 4.9 million for continued operation)
- Restricted cash & cash equivalents 09/30/2016: EUR 5.9 million
- Liquidity reserves (cash and free credit facilities): EUR 27.6 million (12/31/2015: EUR 9.8 million for continued operation) → Credit facility of EUR 4.5 million terminated as of 08/31

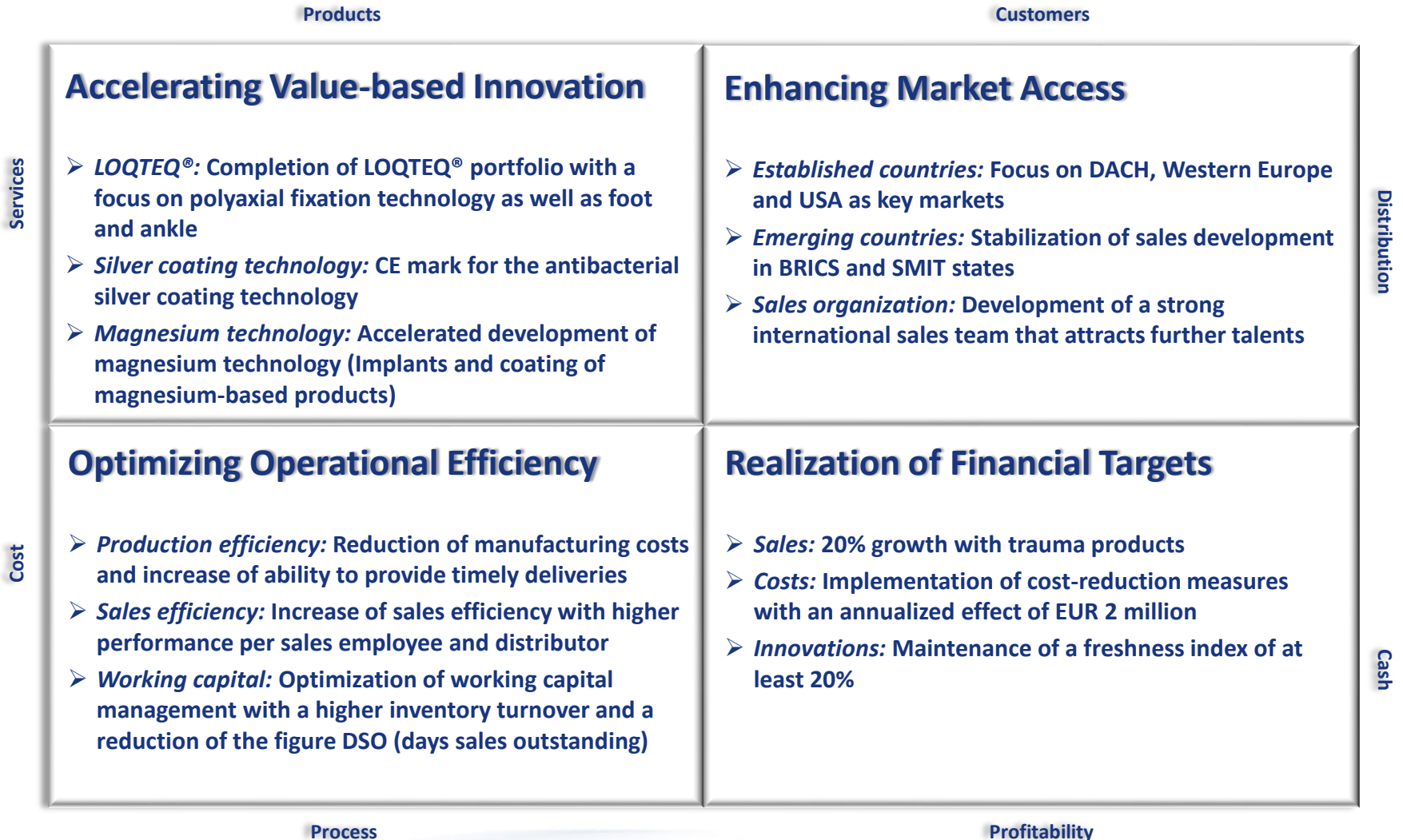
Outlook FY/2016

FY/2016

- **Continued operation:**
 - Based on the business performance to date and taking into account one-time effects as well as ongoing negotiations, Management Board expects sales and EBITDA to be at lower end of the guidance for financial year 2016
 - **Sales:** EUR 13.0 million – EUR 15.0 million
(FY/2015: EUR 12.3 million)
 - **EBITDA:** EUR -5.9 million – EUR -4.3 million
(FY/2015: EUR -6.8 million)
- **Group (continued and discontinued operation):**
 - **EBITDA** incl. deconsolidation profit (sale of *aap* Biomaterials GmbH): EUR 18.1 million – EUR 19.7 million

Management Agenda 2016 and beyond

Implementation of strategic imperatives



Many thanks for your attention!



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