



***aap* Implantate AG**

Annual Financial Statements FY/2017 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.

Key results and progress FY/2017 (1/3)

➤ Trauma sales

- Successful first year as a pure player in trauma with y-o-y trauma sales growth of 20% to EUR 10.6 million (FY/2016: EUR 8.9 million)

➤ Sales and Earnings

- Sales with EUR 10.9 million (+4% vs. FY/2016) in line with guidance (EUR 10.0 million to EUR 13.0 million); all major markets contributed to growth: North America (+26%), Germany (+3%) and International (+26%)
- EBITDA improved despite one-time effects to EUR -6.2 million (FY/2016: EUR -7.9 million) and remained within the guidance (EUR -6.5 million to EUR -4.5 million)
- Recurring EBITDA in FY/2017 at EUR -4.7 million (FY/2016: EUR -5.6 million)

➤ Gross margin and costs

- Significant increase in gross margin (+15 PP) especially due to trauma sales growth in established markets
- Reduction in personnel costs (EUR 1.3 million) due to personnel measures implemented in 2016

➤ Cash flow and balance sheet

- Cash need in FY/2017 totaled EUR 7.1 million; positive effects of working capital reduction
- Cash holdings of EUR 17.1 million¹; high equity ratio of 84%

¹ In the consolidated balance sheet of 12/31/2017 EUR 13.3 million is stated as cash and cash equivalents, while cash with banks totalling EUR 3.8 million is shown under current and non-current other financial assets as it was pledged to secure financial liabilities respectively cash payments were made to secure bank guarantees granted to third parties.

Key results and progress FY/2017 (2/3)

➤ **LOQTEQ®**

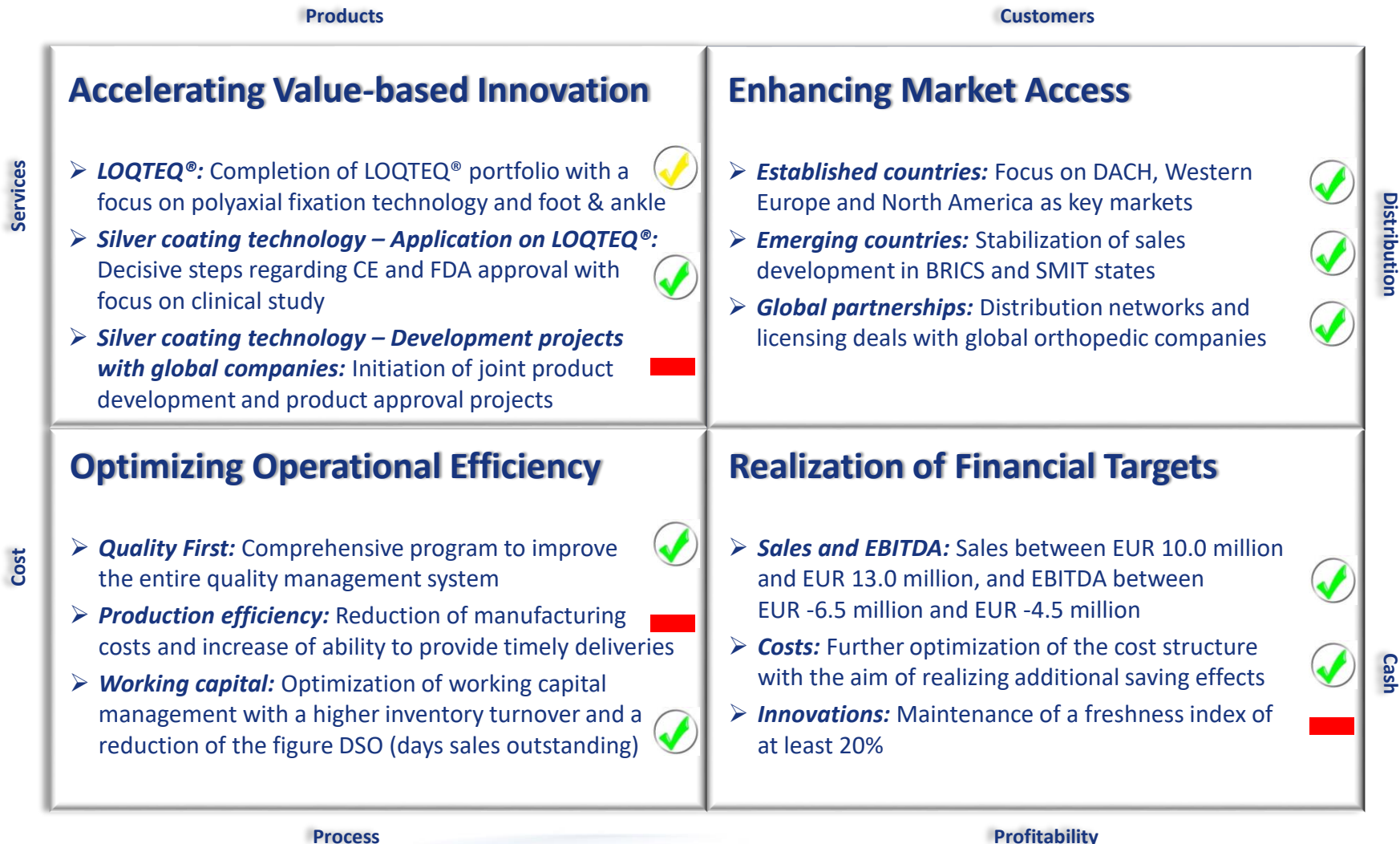
- Successful completion of development activities of LOQTEQ® VA foot and ankle system and other polyaxial LOQTEQ® systems

➤ **Silver coating technology***

- *aap* development team reinforced with experienced specialist and management staff from leading global companies
- Preparation of human clinical study with further advancements
- Renowned internationally active CRO selected and several well-known university hospitals in different countries lined up as investigation centers

Key results and progress FY/2017 (3/3)

Implementation of strategic imperatives



Financial Figures FY/2017

(in KEUR)

Sales	FY/2017	FY/2016	Change
Trauma	10,648	8,877	+20%
Germany	2,428	2,352	+3%
North America	3,071	2,436	+26%
<i>North America Distributors</i>	2,491	1,464	+70%
<i>North America Global Partners</i>	580	972	-40%
International	5,149	4,089	+26%
Other (mainly discontinued activities)	254	1,609	-84%
Sales	10,902	10,486	+4%

EBITDA	FY/2017	FY/2016	Change
EBITDA	-6,211	-7,888	+21%
One-time effects	1,479*	2,257**	-34%
Recurring EBITDA	-4,732	-5,631	+16%

*Includes costs of Quality First project, expenses for voluntary product recalls, costs for personnel measures, costs of evaluating strategic options, reduction in value on raw materials, costs of share buyback program and recertification costs in connection with the disposal of *aap* Joints GmbH.

** Includes pre-operating costs set-up distribution business North America, marketability discounts non-core products, costs for personnel measures, costs of early termination of license agreement and recertification costs in connection with the disposal of *aap* Joints GmbH.

Highlights FY/2017 (Balance Sheet)

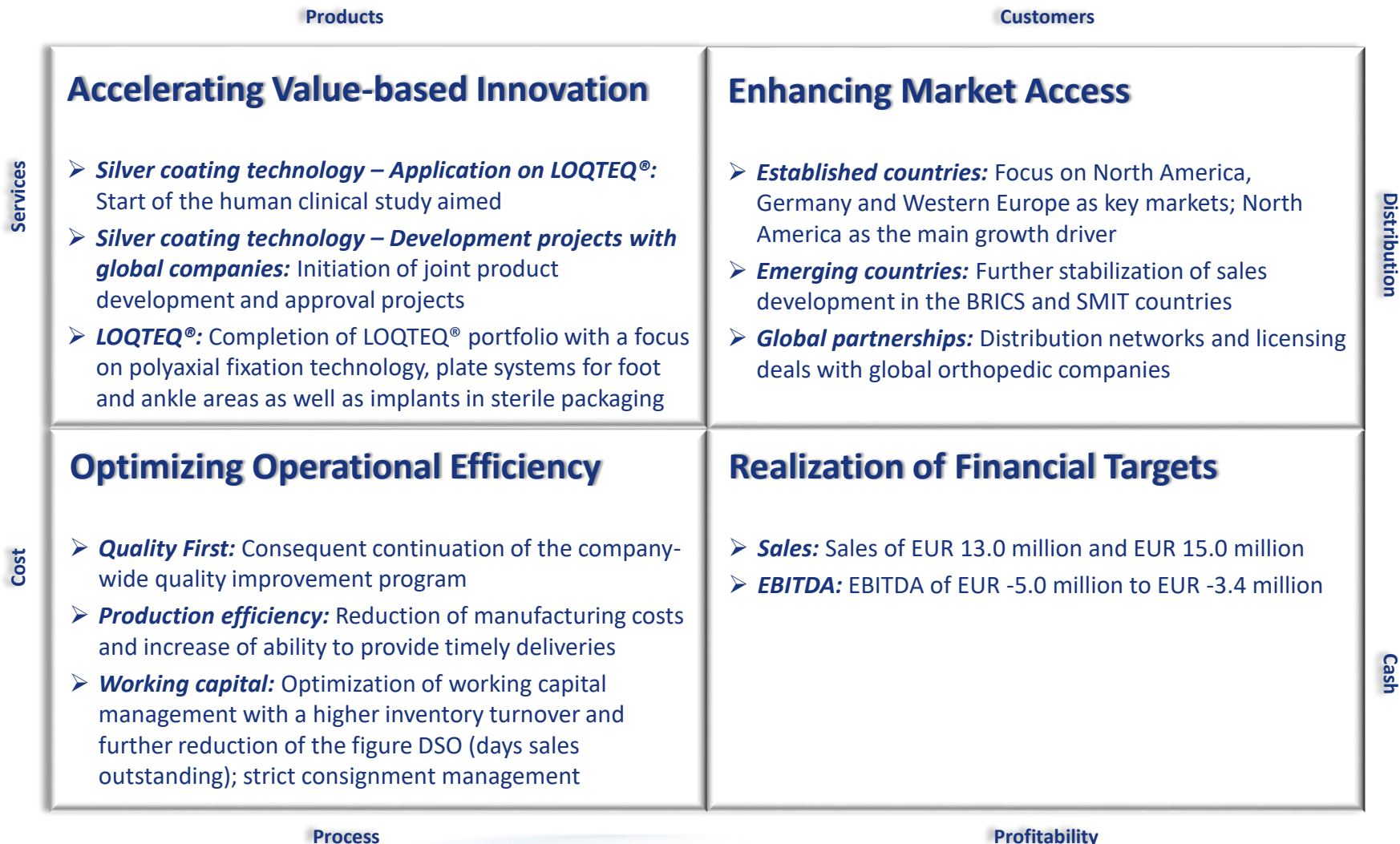
- Total assets 12/31/2017: EUR 50.5 million (12/31/2016: EUR 63.9 million) → -21%
 - Non-current assets: Change EUR -0.4 million
 - Capitalized development costs: EUR +0.7 million; share of intangible assets in total assets: 23%
 - Tangible assets: EUR -0.4 million → lower investment against usual depreciation in FY/2017
 - Other financial assets: EUR -0.7 million → reduction of cash blocked as security for financial liabilities / bank warranty and reclassifications
 - Current assets: Change EUR -13.0 million
 - Inventories: EUR -1.4 million → sales partially realized out of existing stock (EUR 0.6 million) and effect of EUR 0.9 million from FX-valuation of *aap* Implants Inc.'s stock
 - Trade receivables: EUR -0.4 million → improved DSO to 85 days in FY/2017 (FY/2016: 102 days) through disciplined cash collection
 - Other financial assets: EUR -0.7 million → reduction of cash blocked as security for financial liabilities / bank warranty and reclassifications
 - Cash and cash equivalents: EUR -10.5 million to EUR 13.3 million → including EUR 3.4 million outflow share buyback program
 - Equity: EUR 42.6 million (12/31/2016: EUR 54.8 million)
 - Net result FY/2017: EUR -9.3 million
 - Capital reduction EUR 3.4 million (effects in subscribed capital EUR 2.2 million, capital reserve EUR -2.2 million and retained earnings EUR -3.4 million)
 - Equity ratio: 84% (12/31/2016: 86%)
 - Liabilities: Change EUR -1.2 million
 - Financial liabilities: EUR -0.9 million → repayment of loans
 - Trade liabilities decreased to EUR 1.8 million (12/31/2016: EUR 2.5 million)
 - Provisions increased by EUR 0.3 million mainly because of legal risks

Highlights FY/2017 (Cash Flow)

- Operating Cash Flow FY/2017: EUR -5.4 million (FY/2016: EUR -7.2 million)
 - Improved operating result
 - Positive contribution from working capital reduction
- Investing Cash Flow FY/2017 : EUR -1.5 million (FY/2016: EUR +29.8 million)
 - Investments in FY/2017: EUR 0.7 million in tangible assets and EUR 1.4 million in R&D (LOQTEQ®/Silver)
 - Inflow of EUR 0.5 million of investment grants
 - FY/2016: approx. EUR 34 million inflow from divestment of *aap* Biomaterials GmbH
- Financing FY/2017: EUR -3.5 million (FY/2016: EUR -4.6 million)
 - EUR 3.4 million outflow from share buyback program
 - Ordinary redemption of bank loans of EUR -0.9 million and finance lease of EUR -0.5 million
 - Securities granted to banks (EUR 1.3 million) could be released and returned to cash/cash equivalents
- Cash and cash equivalents: EUR 13.3 million (FY/2016: EUR 23.8 million)
- Net cash per B/S: EUR 12.7 million (FY/2016: EUR 23.0 million)
- Total Cash (incl. restricted cash): EUR 17.1 million (FY/2016: EUR 28.9 million)
- Total Net Cash (incl. restricted cash): EUR 15.7 million (FY/2016: EUR 26.0 million)

Management Agenda 2018

Implementation of strategic imperatives



Silver Coating Technology – Update

Substantial progress regarding preparations for human clinical study

- *aap* is in the process of intensive coordination with the competent authorities regarding scope and design of the human clinical study for the aimed CE and FDA approval
- Scope of the study still subject to approval by the competent authorities
 - Multicentric two arm single blind study with ~200 patients in several countries
 - Duration of approx. 2 years for patient acquisition, implantation and subsequent patient follow-up
(data collection, preparation and evaluation separate and subsequent)



- ***aap* aims to start the human clinical study in the course of FY/2018**
- To be noted: hardly predictable response times of the involved authorities (European notified body, BfArM, FDA and ethics commissions)

Outlook FY/2018

FY/2018

- **Sales:** EUR 13.0 million – EUR 15.0 million
(FY/2017: *EUR 10.9 million*)
- **EBITDA:** EUR -5.0 million – EUR -3.4 million
(FY/2017: *EUR -6.2 million*)

Q1/2018

- **Sales:** EUR 1.8 million – EUR 3.0 million
(Q1/2017: *EUR 3.1 million*)
- **EBITDA:** EUR -1.9 million – EUR -1.4 million
(Q1/2017: *EUR -1.7 million*)

Many thanks for your attention!



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