



***aap* Implantate AG**

Q2/H1 2018 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.

Key results and progress Q2/2018 and H1/2018

➤ Sales and Earnings

- Q2 sales (EUR 2.7 million) and EBITDA (EUR -1.5 million) at upper end of the guidance
- Q2 sales +13% yoy, Q2 trauma sales +16% yoy, H1 trauma sales +5% yoy
- Double digit sales growth rates in focus market Germany (+28% yoy in Q2, +15% yoy in H1) and in international business (+25% yoy in Q2, +28% yoy in H1)

➤ Gross margin and costs

- Gross margin¹ remains at a good level with 76% in Q2 and 77% in H1
- Personnel costs nearly unchanged and decreasing trend in other expenses in Q2 and H1

➤ Cash flow and balance sheet

- Cash need in H1 of EUR 3.7 million; further positive effects of working capital reduction
- Cash holdings of EUR 12.7 million²; further high equity ratio of 84%

➤ LOQTEQ®

- Continued focus on European approval of polyaxial LOQTEQ® systems, adaption of processes and documentations to new regulatory requirements (MDR) and sterile packaging for implants

➤ Silver coating technology

- Focus on intensive preparation of various applications for human clinical study, internal validation of processes and start of training for physicians

¹ In terms of sales revenues, changes in inventories of finished goods and work in progress and cost of purchased materials and services.

² In the consolidated balance sheet of 06/30/2018 EUR 9.5 million is stated as cash and cash equivalents, while cash with banks totalling EUR 3.2 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.

Financial Figures Q2/2018

(in KEUR)

Sales (reported)	Q2/2018	Q2/2017	Change
Trauma	2,678	2,310	+16%
Germany	735	576	+28%
North America	621	675	-8%
<i>North America Distributors</i>	584	675	-13%
<i>North America Global Partners</i>	37	0	>+100%
International	1,322	1,059	+25%
Other (mainly discontinued activities in FY/2017)	-24	34	<-100%
Sales	2,654	2,344	+13%

Sales (constant exchange rates)	Q2/2018	Q2/2017	Change
Trauma	2,746	2,310	+19%
Other (mainly discontinued activities in FY/2017)	-25	34	<-100%
Sales	2,722	2,344	+16%

Financial Figures H1/2018

(in KEUR)

Sales (reported)	H1/2018	H1/2017	Change
Trauma	5,475	5,210	+5%
Germany	1,391	1,210	+15%
North America	1,151	1,718	-33%
<i>North America Distributors</i>	1,097	1,253	-13%
<i>North America Global Partners</i>	55	465	-88%
International	2,932	2,282	+28%
Other (mainly discontinued activities in FY/2017)	-39	229	<-100%
Sales	5,436	5,439	0%

Sales (constant exchange rates)	H1/2018	H1/2017	Change
Trauma	5,603	5,211	+8%
Other (mainly discontinued activities in FY/2017)	-39	228	<-100%
Sales	5,564	5,439	+2%

Financial Figures Q2/2018

(in KEUR)

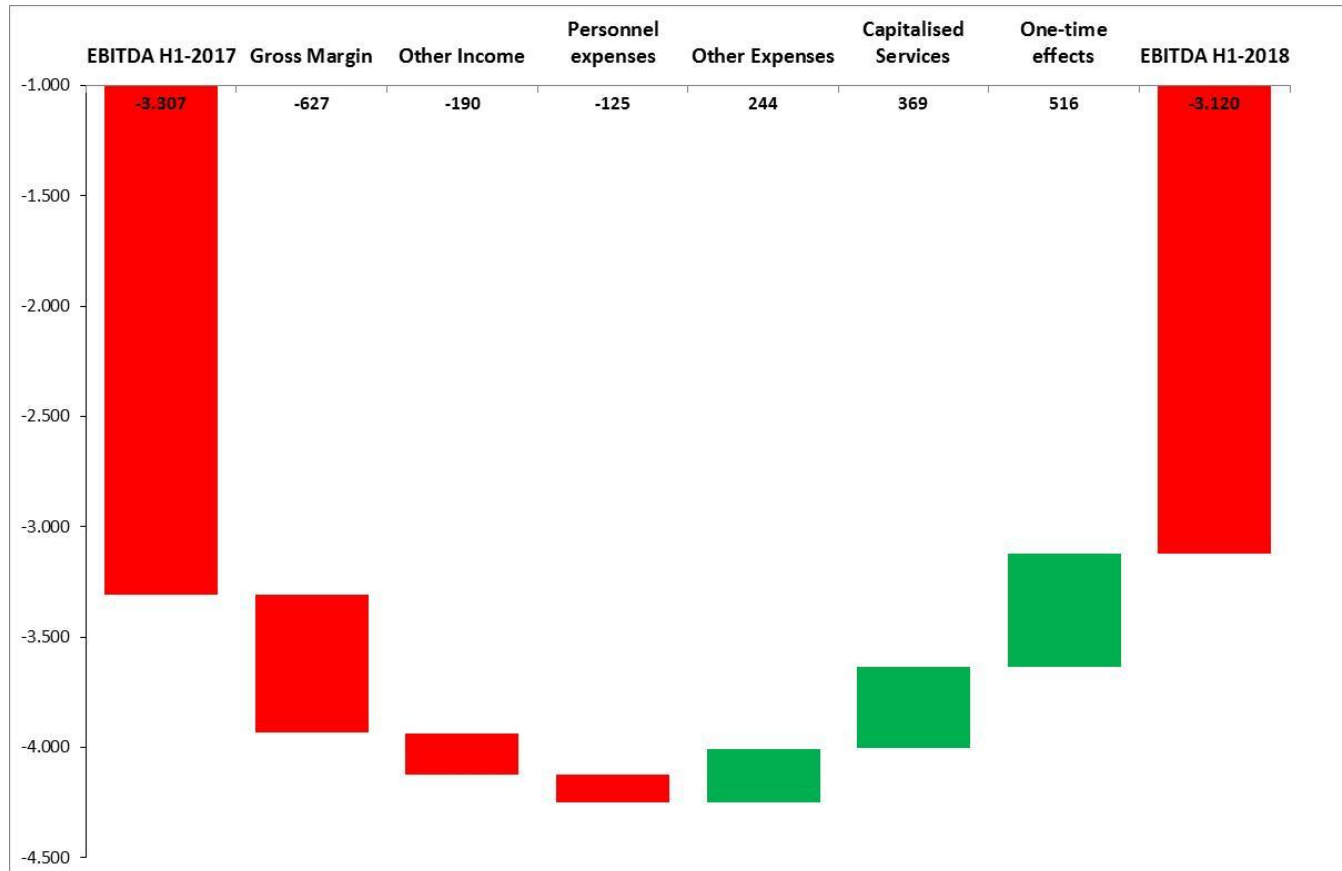
EBITDA	Q2/2018	Q2/2017	Change
EBITDA	-1,530	-1,642	+7%



Financial Figures H1/2018

(in KEUR)

EBITDA	H1/2018	H1/2017	Change
EBITDA	-3,118	-3,307	+6%



Highlights H1/2018 (Balance Sheet)

- Total assets 06/30/2018: EUR 46.3 million (12/31/2017: EUR 50.5 million) → -9%
 - Non-current assets: almost unchanged, but countervailing effects
 - Capitalized development costs: EUR +0.6 million
 - Share of intangible assets in total assets: 27% → healthy ratio
 - Tangible assets: EUR -0.2 million → lower investment against usual depreciation in H1/2018
 - Other financial assets: EUR -0.4 million → classification of cash blocked as security financial liabilities / bank
 - Current assets: Change EUR -4.3 million
 - Inventories: EUR -0.5 million → sales partially realized out of existing stock
 - Other financial assets: EUR -0.2 million → reduction of cash blocked as security for financial liabilities / bank warranty and reclassification
 - Other assets: EUR +0.2 million → prepaid expenses
 - Cash and cash equivalents: EUR -3.7 million to EUR 9.5 million
 - Equity: EUR 38.9 million (12/31/2017: EUR 42.6 million)
 - Net result H1/2018: EUR -3.6 million
 - Equity ratio: 84% (12/31/2017: 84%)
 - Liabilities: Change EUR -0.6 million
 - Financial liabilities: EUR -0.2 million → repayment of loans
 - Trade liabilities increased to EUR 2.1 million (12/31/2017: EUR 1.8 million)
 - Other financial liabilities: EUR -0.5 million → EUR -0.2 million finance lease, EUR -0.2 million *aap* Joints deal
 - Provisions: EUR -0.3 million → utilization of provision build in FY/2017; mainly for legal costs
 - Other liabilities: EUR +0.2 million → personnel related

Highlights H1/2018 (Cash Flow)

- Operating Cash Flow H1/2018: EUR -2.3 million (H1/2017: EUR -2.9 million)
 - Improved operating result (EBIT)
 - Positive contribution from working capital of EUR 0.8 million, stable DSO of 84 days in H1/2018 (FY/2017: 85 days)
 - Utilization of provisions taken in FY/2017; mainly legal costs
 - Other Assets / Liabilities: lower non-cash effect from the recognition of unrealized currency effects from intercompany transactions
- Investing Cash Flow H1/2018 : EUR -1.3 million (H1/2017: EUR -0.3 million)
 - Investments in tangible assets (EUR 0.3 million) and R&D (EUR 1.0 million, mainly silver project)
- Financing H1/2018: EUR -0.1 million (H1/2017: EUR -0.1 million)
 - Ordinary redemption of bank loans (EUR -0.2 million) and finance lease (EUR -0.2 million) while in parallel inflow from securities granted to banks of EUR +0.3 million
- Cash on hand: EUR 9.5 million (12/31/2017: EUR 13.3 million)
- Total Cash (incl. restricted cash granted for securities): EUR 12.7 million (12/31/2017: EUR 17.1 million)
- Net cash per B/S: EUR 9.0 million (12/31/2017: EUR 12.7 million)
- Net Cash (incl. restricted cash): EUR 11.7 million (12/31/2017: EUR 15.7 million)

Outlook

Q3/2018

- **Sales:** EUR 2.0 million – EUR 3.8 million
(*Q3/2017: EUR 2.6 million*)
- **EBITDA:** EUR -1.8 million – EUR -0.9 million
(*Q3/2017: EUR -1.6 million*)

FY/2018

- Overall, *aap* confirms its outlook for financial year 2018 and expects sales and EBITDA at the lower end of the guidance of EUR 13 million to EUR 15 million (*FY/2017: EUR 10.9 million*) and EUR -5.0 million to EUR -3.4 million (*FY/2017: EUR -6.2 million*) respectively.

Many thanks for your attention!



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