



aap Implantate AG

Q1/2019 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 Q1/2019 (1/2)

➤ Sales and Earnings

- Good start to 2019 with significant sales growth (+26% yoy to EUR 3.5 million) and substantially improved EBITDA (+37% to EUR -1.0 million); sales and EBITDA above the guidance
- Double-digit sales growth rates in all regions: Germany (+15%), international business (+28%) and North America (+22%)

➤ Gross margin and costs

- Improvement of gross margin¹ to 85% (Q1/2018: 79%) primarily due to continued focus on high margin markets and improved product/customer mix
- Decrease in total costs

➤ Cash flow and balance sheet

- Cash need in Q1/2019 totaled EUR 1.6 million with further positive effects of working capital reduction
- Cash holdings of EUR 5.3 million²; first-time application of IFRS 16 Leases leads to shifts in balance sheet, income statement and cash flow

¹ Relating to sales revenues, changes in inventories of finished and unfinished products and cost of materials / purchased services.

² In the consolidated balance sheet of 03/31/2019 EUR 2.7 million is stated as cash and cash equivalents, while cash with banks totaling EUR 2.6 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 Q1/2019 (2/2)

➤ LOQTEQ®

- Focus on polyaxial fixation technology, plate systems for foot and ankle area as well as sterile packaging for implants
- Further focus on adaptation of processes and documents to new regulatory requirements

➤ Silver coating technology

- Intensive exchange with BfArM following submission of application to conduct a human clinical study at the end of 2018
- Applications submitted to ethics commissions with first positive feedback
- Preparation of corresponding application for FDA with submission as next step
- Global orthopedic companies reaffirmed interest in silver coating technology

➤ Measures to strengthen financial base (actually Q2/2019)

- Package of measures adopted at mid-April 2019 consisting of a capital increase with subscription rights and two asset-based financings
- Successful completion of capital increase with gross issuing proceeds of around EUR 3.5 million
- With cash inflow from capital increase and two further external financings *aap* has approx. EUR 5.2 million at its disposal to finance planned sales growth and further development of pioneering and innovative silver coating technology

Financial Figures Q1/2019

(in KEUR)

Sales	Q1/2019	Q1/2018	Change
Trauma	3,451	2,797	+23%
Germany	752	656	+15%
North America	646	531	+22%
<i>North America distributors</i>	630	513	+23%
<i>North America global partners</i>	16	18	-11%
International (without North America)	2,053	1,610	+28%
<i>Europe (without Germany)</i>	654	502	+30%
<i>BRICS states</i>	821	738	+11%
Total key markets	1,475	1,240	+19%
<i>Rest</i>	578	370	+56%
Other	+49	-15	>+100%
Sales	3,501	2,782	+26%

EBITDA	Q1/2019	Q1/2018	Change
EBITDA	-998	-1,588	+37%

Highlights Q1/2019 (Balance Sheet)

- Total assets 03/31/2019: EUR 41.0 million (12/31/2018: EUR 42.2 million) → -3%
 - Non-current assets: slightly increased, but countervailing effects
 - Capitalized development costs: EUR +0.3 million
 - First-time application IFRS 16 Leases: Increase in other intangible assets to EUR 1.5 million
 - Share of intangible assets in total assets: 36%
 - Tangible assets: EUR -0.1 million → lower investment against usual depreciation in Q1/2019
 - Other financial assets: EUR -0.3 million → reduction of cash blocked as security for non-current financial liabilities
 - Current assets: Change EUR -2.3 million
 - Inventories: EUR -0.7 million → sales partly realized from stock
 - Trade receivables: slight decrease as per reporting date; improved DSO of 65 days in Q1/2019 (Q1/2018: 90 days)
 - Cash and cash equivalents: EUR -1.6 million to EUR 2.7 million
 - Equity: EUR 33.5 million (12/31/2018: EUR 34.9 million)
 - Net result Q1/2019: EUR -1.4 million
 - Equity ratio: 82% (12/31/2018: 83%)
 - Liabilities: Change EUR +0.1 million
 - Financial liabilities: EUR +1.3 million → First-time application IFRS 16 Leases
 - Trade liabilities decreased to EUR 1.8 million (12/31/2018: EUR 2.1 million) → EUR -0.4 million
 - Other financial liabilities: EUR -1.0 million → Payment compensation employees, severance agreement and repayment investment allowances

Highlights Q1/2019 (Cash Flow)

- Operating Cash Flow Q1/2019: EUR -0.5 million (Q1/2018: EUR -1.4 million)
 - Substantially improved operating result
 - Positive contribution from working capital of EUR 0.7 million → reduction of inventory (EUR +0.9 million), decreasing receivables (EUR +0.1 million) and decrease in payables (EUR -0.4 million)
 - Sharp decline in other accounts payable/other liabilities → compensation for employees and severance agreement from 2016
- Investing Cash Flow Q1/2019 : EUR -1.0 million (Q1/2018: EUR -0.5 million)
 - Limited investments in Q1/2019 in tangible assets of EUR 0.2 million and higher investments of EUR 0.4 million mainly in R&D silver project
 - EUR 0.4 million repayment of investment allowances
- Financing Q1/2019 : EUR -0.2 million (Q1/2018: EUR -0.2 million)
 - Ordinary redemption of bank loans and finance lease totaling to EUR 40k
 - First-time disclosure for repayments of lease liabilities of EUR 127k as a result of first-time application of IFRS 16 Leases
- Cash on hand per B/S: EUR 2.7 million (12/31/2018: EUR 4.3 million)
- Total Cash (incl. restricted cash granted for securities): EUR 5.3 million (12/31/2018: EUR 7.2 million)
- Net cash per B/S: EUR 0.8 million (12/31/2018: EUR 4.0 million)
- Net Cash (incl. restricted cash): EUR 3.5 million (12/31/2018: EUR 6.6 million)

Outlook FY/2019

Q2/2019

- **Sales:** EUR 2.5 million – EUR 3.5 million
(Q2/2018: EUR 2.7 million)
- **Normalized (recurring) EBITDA:** EUR -1.6 million – EUR -1.0 million
Reported EBITDA: EUR -2.1 million – EUR -1.5 million
(Q2/2018: EUR -1.5 million)

FY/2019

- **Sales:** EUR 13.0 million – EUR 15.0 million
(FY/2018: EUR 10.8 million)
- **EBITDA:** EUR -4.4 million – EUR -2.8 million
(FY/2018: EUR -6.4 million)

Many thanks for your attention!



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