



Roadshow London 2014

London, August 21

aap Implantate AG



Bruke Seyoum Alemu, CEO

Marek Hahn, CFO

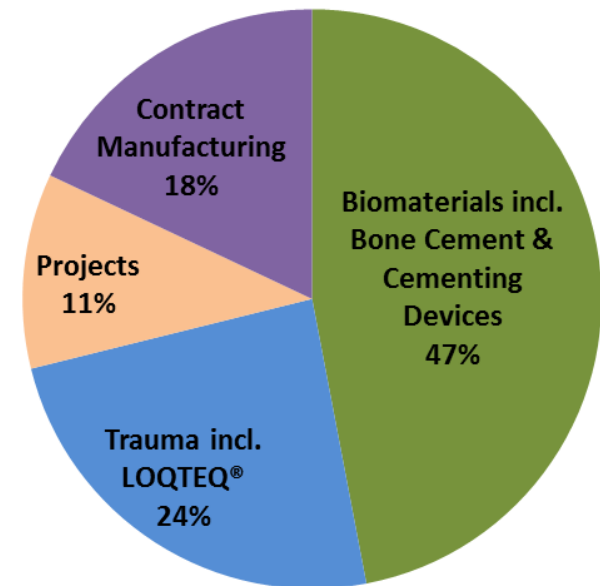
Safe Harbor Statement

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.

aap Overview

- German based international MedTech company
- Focus on Trauma and PMMA cement business
- LOQTEQ®: Sales of €5 million (+150%) in 2013
- Strategy: Profitable growth with IP-protected products under own label
- Sales: Focus on markets in Europe, U.S., BRICS and SMIT countries
- Quotation in Germany
 - XETRA: AAQ.DE, public since 1999
 - Market Cap: approx. €88 million (as of 7/2014)
 - Average Volume/day: 43k (pieces)
- 221 employees (Heads as of 30.06.2014)

Sales 2013: €40 million (+10%)



EBITDA (norm.) 2013: €7 million (+15%)

aap's Centers of Excellence

Innovations in Trauma and Biomaterials

Center of Excellence in Trauma, Berlin

- Products and Services
 - Locking-compression system LOQTEQ®, Standard Trauma Portfolio, Cannulated Screws
 - R&D and Manufacturing in-house
- Business Model
 - Direct Sales Force in Germany, International distributors, *aap* label, B2C
- Customer Base
 - Established distributors worldwide with FOCUS on Europe, BRIC, SMIT, N10
- Employees: 150



Center of Excellence in Biomaterials, Dieburg

- Products and Services:
 - Comprehensive Portfolio of bone cements and related accessories as well as biomaterials
 - One-Stop-shop solution provider for R&D, approval & registration, production
- Business Model
 - OEM, private label, B2B
- Customer Base
 - One of the global market leaders in terms of market/client access to OEMs (5 of the top-ten global orthopedic companies are customers)
- Employees: 67



Highlights H1/2014 – Sales performance

Sales in € million	Q2/2014	Q2/2013	Change
Trauma	3.0	2.8	7%
- thereof LOQTEQ®	1.9	1.6	19%
Biomaterials	4.9	3.2	50%
Projects	0.1	0.1	0%
Other	0.1	0.5	n.A.
Sales from continued operations	8.1	6.6	23%

Sales in € million	H1/2014	H1/2013	Change
Trauma	5.2	4.2	21%
- thereof LOQTEQ®	3.0	2.0	52%
Biomaterials	8.5	6.0	42%
Projects	0.2	1.6	-88%
Other	0.3	0.8	-63%
Sales from continued operations	14.2	12.6	12%
Sales from discontinued operations	1.0*	7.0* ²	-86%
Sales total	15.2	19.6	-22%

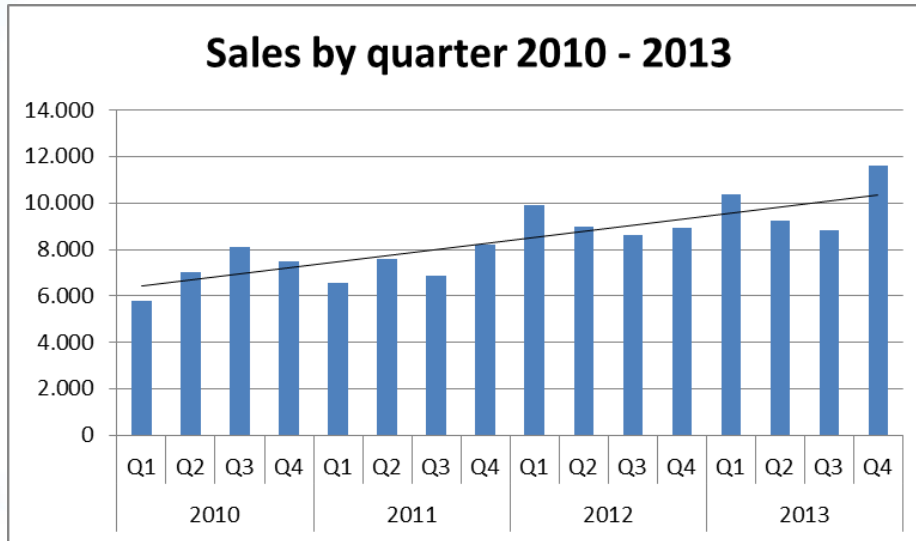
* Sales revenues EMCM B.V. 01-02/2014: €1.2 million less consolidation effects (€0.2 million)

*² Sales revenues EMCM B.V. 01-06/2013: €7.4 million less consolidation effects (€0.4 million)

Highlights H1/2014 – Further achievements

- **Appointment of new CEO**
 - Bruke Seyoum Alemu; Biense Visser new Chairman of Supervisory Board
- **Financial Performance**
 - Financial targets achieved: Second quarter 2014 sales at €8.1 million and second quarter 2014 EBITDA at €1.5 million both at the upper end of the forecasts made at the beginning of the quarter
- **IP Portfolio extension**
 - Granting of an additional US patent to extend the LOQTEQ® IP family
 - US patent on silver coating received
- **Evidence based clinical advantages of LOQTEQ®**
 - Comparative study of *aap* osteotomy implant's fatigue strength reveals outstanding characteristics compared with market leader
 - Presentation of initial findings from a study as part of market monitoring examining the behaviour of LOQTEQ® with regard to cold welding: No case of cold welding has yet been observed in connection with LOQTEQ® plates and screws
- **Continuing focus strategy**
 - Conclusion of the spin-off of the non-core Dental business by selling the remaining 50% of the shares in *aap* BM productions GmbH for €1.0 million in cash
 - Divestment of the non core contract manufacturing subsidiary EMCM for €18 million, completed in April 2014
 - Evaluation of strategic options for *aap* Biomaterials GmbH: various potential strategic and financial interested parties; initial talks ongoing
- **Business extension**
 - Conclusion of an agreement with a leading US health care service provider to supply PMMA bone cement for the USA, Canada and Puerto Rico
 - Advanced-stage discussions with different US distributors

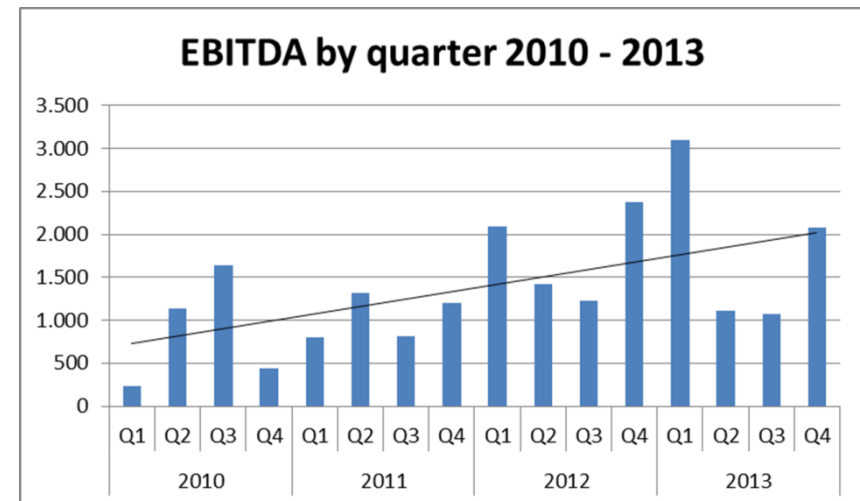
2013 – Continued profitable growth



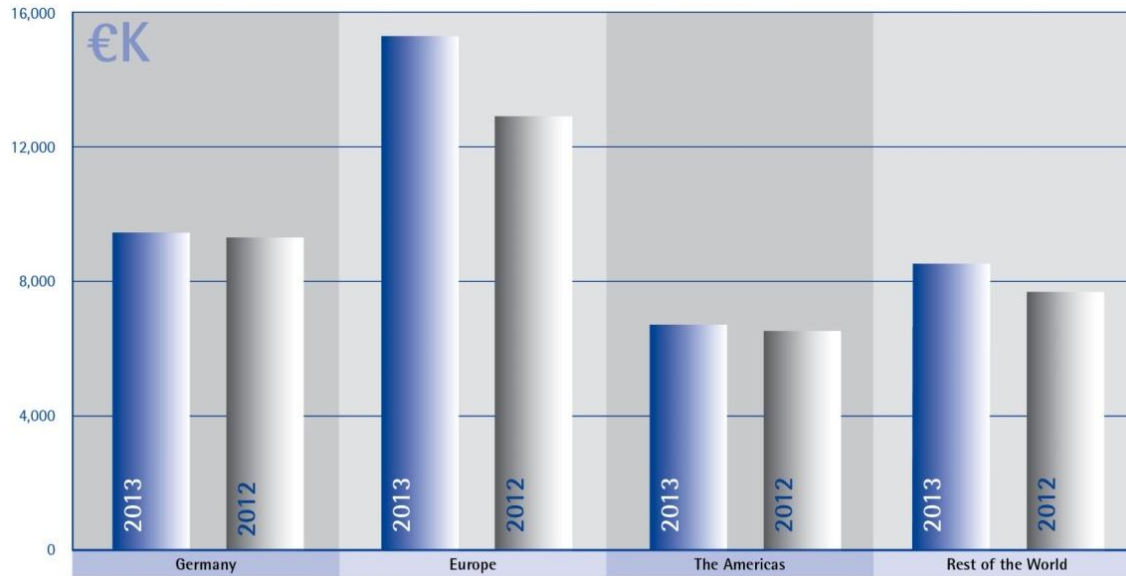
Sales CAGR 2010 – 2013: 12%

EBITDA CAGR 2010 – 2013: 29%

- **Full year projection more reliable**
- **Quarter sales volatile due to:**
 - Short life cycle of LOQTEQ® and the ordering behavior of customers and distributors
 - Less predictability of revenues from projects

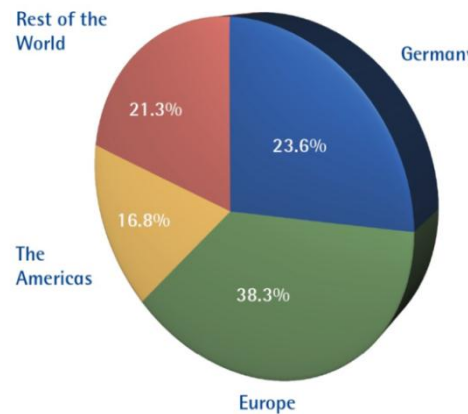


2013 Sales Distribution

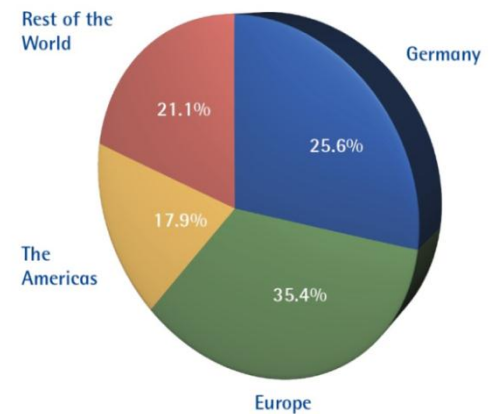


Total Sales 2013 versus 2012 by Region

- Sales driver LOQTEQ®; Growth in emerging markets
- Sales growth Europe through increased business with existing customers
- Project business impact on North America, Europe and Asia



2013



2012

2013 Development of Financial Figures

Profit & Loss					
in € million	2010	2011	2012	2013	H1/2014
Sales	28.4	29.2	36.4	40.0	15.2
EBITDA¹ (normalized)	3.4	4.1	6.1	7.0	0.8
Cash-EBT² (normalized)	-2.1	-1.2	2.1	3.5	0.3
R&D costs ratio	14%	12%	8%	8%	8%
Freshness-Index*	13%	13%	15%	22%	>20%

- ¹ EBITDA: EBITDA without one-time effects from share disposal and costs involved as well as write-ups on intangible assets
- ² Cash-EBT normalized: EBT excluding capitalized development work, depreciation thereof and extraordinary effects
- * The Freshness Index is the percentage share of product sales achieved by products newly approved in the United States and Europe in the past three years.

Balance Sheet					
in € million	12/2010	12/2011	12/2012	12/2013	H1/2014
Total Assets	63.6	66.2	68.6	65.2	59.6
Intangible Assets	37.0	38.2	39.4	29.6	14.6
Intangible Assets ratio	58%	58%	57%	46%	24%
Equity ratio	70%	73%	74%	75%	81%
Net debt (interest bearing)	9.3	6.9	4.3	3.0	-13.3
DCR rolling (last 4 quarters)	2.7	1.7	0.8	0.5	0.8
ICR rolling (last 4 quarters)	6.1	6.8	11.8	32.9	26.7

*incl. EMCM

Strategic Progress and Value Creation

Shareholder point of view*	2013	2012	Change
Share price (closing) (€)	2.15	1.34	60%
Total amount of shares in millions	30.7	30.7	0%
Market Capitalization (€ million)	65.9	41.1	60%
Share price (average) (€)	1.45	1.02	43%
Share price (high) 52 weeks (€)	2.22	1.45	53%
Share price (low) 52 weeks (€)	1.22	0.70	74%
Average Volume/day (pieces)	30,426	29,029	5%

20/8/2014	Change
2.8	30%
30.7	0%
86	30%
2.92	>100%
3.50	58%
1.21	-1%
43,429	43%

*XETRA closing prices



Share price development of aap Implantate AG



Share price development of aap Implantate AG compared to peer group

● aap Implantate AG
 ● Exoctech
 ● Wright Medical
● Orthofix
 ● Tornier

Global Trauma Market

Key dynamics, trends and valuation

• Development Global Market

- Trauma is fastest growing segment in Orthopedics
 - Orthopedics: total: \$6 billion revenue, 3% growth
 - Relevant Trauma segment: \$3 billion revenue, 6-7% growth
- Emerging markets are the future major market players
- Industry consolidations will continue to reshape the trauma devices competitive landscape
- Mostly non-elective, hence, less price sensitive than other segments

• Technologies

- Innovation and differentiation remain key-factors for growth
- Growth driving: locking-plates, Minimal Invasive Surgery (MIS), small bone initiatives, nails
- Biodegradable implants to bolster growth in trauma fixation

Date	Buyer	Target firm	EV/ Sales	Transaction
2014	Wright Medical	OrthoPro	5.50	M&A
2014	Wright Medical	Solana Surgical	5.50	M&A
2013	Wright Medical	Biotech International	5.33	M&A
2013	LDR Holding		2.97	IPO
2013	Wright Medical	WG Healthcare	n.a.	M&A
2012	Globus Medical		2.60	IPO
2012	Tornier	OrthoHelix	5.78	M&A
2011	Tornier		3.38	IPO
2011	Stryker	Memometal	5.40	M&A
2010	China Kanghui		5.55	IPO
Mean			4.67	



Current valuation* aap: 2.5x - 2.9x

Source: Warburg Research

*above mentioned companies are pure Trauma/extremities companies; aap is still a mixed company

aap's Aspiration and Imperatives

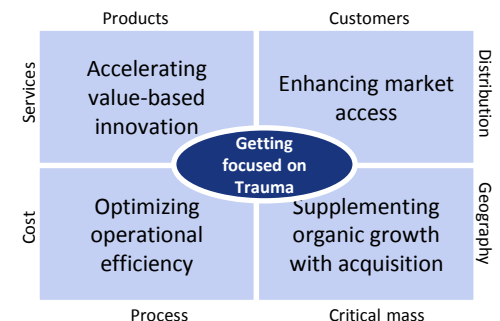


Implementation of Strategic Imperatives

Transformation to a pure Trauma company

Focus on core business							
	2008	2009	2010	2011	2012	2013	2014
Dental	+						
Analytics	+						
Medical Aesthetics	+						
Recon	+	+	+	+	+		
Contract Manufacturing	+	+	+	+	+	+	
Biomaterials	+	+	+	+	+	+	(+)
Trauma	+	+	+	+	+	+	+

- Spun off Recon activities into *aap* Joints GmbH, a joint venture with a Chinese partner (Q2/2013)
- Divestiture of Contract Manufacturing Business EMCM (Q1/2014)
- Further step of transformation: Investment Bank hired to assist in the strategic options of *aap* Biomaterials GmbH
- Main usage of proceedings from divestment: Organic growth and acquisition



Implementation of Strategic Imperatives

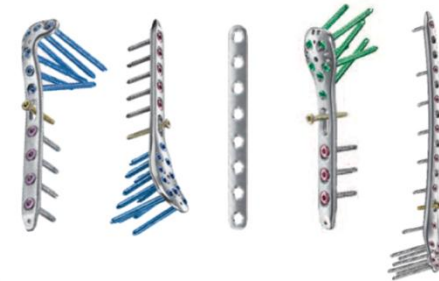
Accelerating value-based innovation – LOQTEQ®

The Concept



The Applications

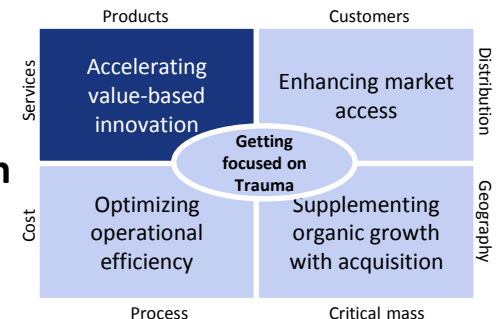
LOQTEQ®



Locking Compression Technology von aap

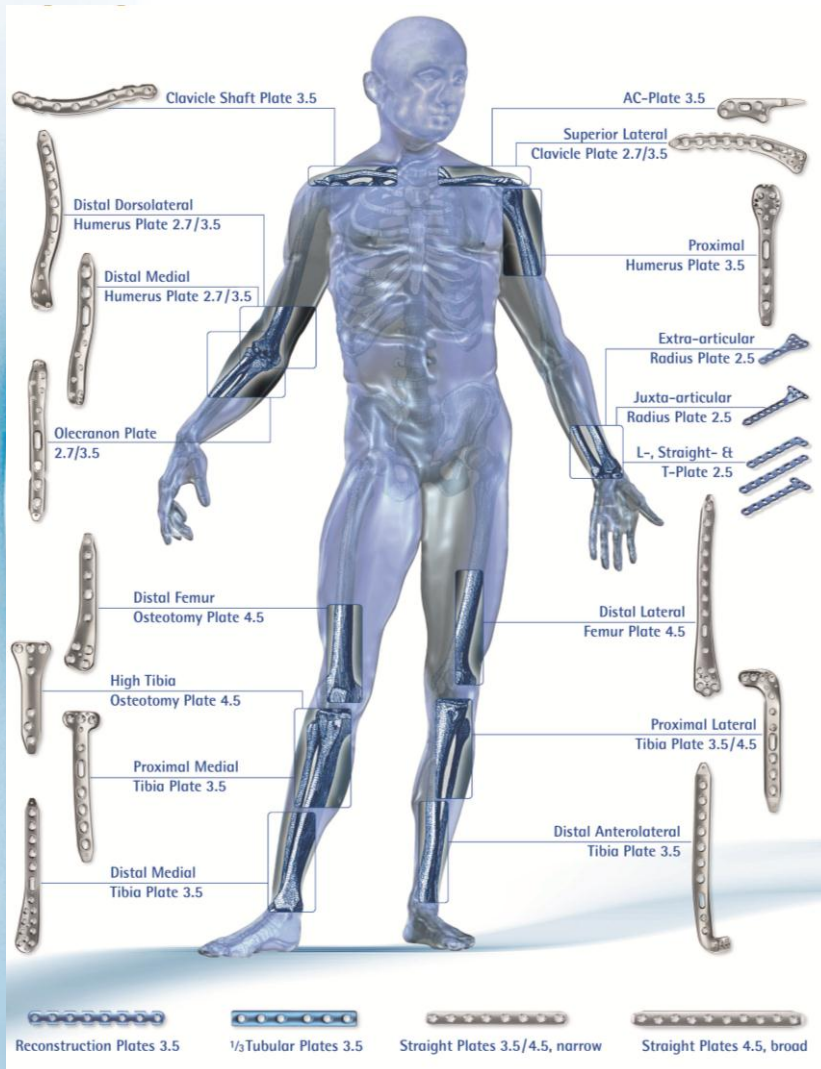
The Value

- New locking compression technology
- Patents issued and pending
- Genuine alternative to the gold standard
- Excellent anatomical fit, optimum instrumentation
- Strong indication for no cold-welding
- Competitive price

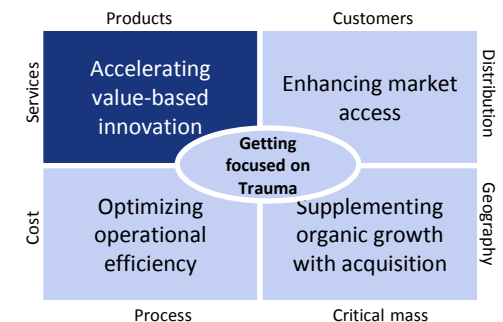


Implementation of Strategic Imperatives

Accelerating value-based innovation – Portfolio extension



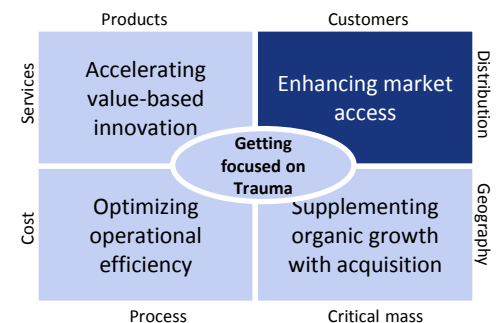
Phase	Value added	2012	2013	2014	2015	2016
I	Proximal Humerus Distal Femur Proximal Tibia Distal Tibia	✓				
II	Clavicle Osteotomy Elbow Tibia		✓			
III	Periprosthetic			X	X	
IV	Polyaxial locking Radius PMMA Augmented LOQTEQ®			X X	X	
V	Silver coated LOQTEQ®				X	
VI	Magnesium based LOQTEQ®					X



Implementation of Strategic Imperatives

Enhancing market access

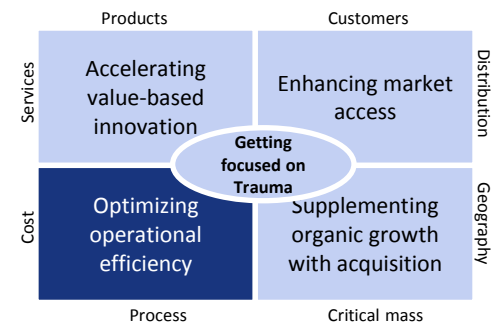
- **Achievements**
 - Continued strong commercial growth of LOQTEQ® in core markets in 2014
 - Substantial extension of Key Opinion Leaders (KOL) and Key Users
 - Successful international distributors meetings, training and education
- **Continued focus on capitalizing on emerging markets BRICS, SMIT and N10**
- **Initiatives to set our footprint in the US market**



Implementation of Strategic Imperatives

Optimizing operational efficiency

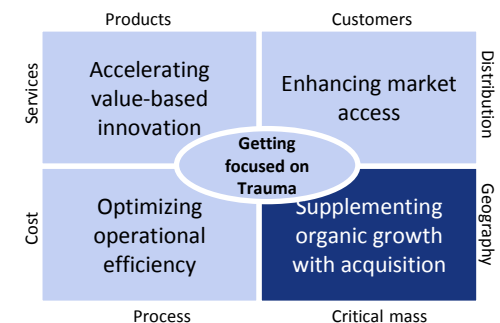
- **Supply chain improvement initiative with external professional support**
 - Faster product delivery and better inventory management
- **Product development and regulatory path improvement initiatives**
 - Shorter time-to-market and faster CE- and FDA-approvals
- **Sales effectiveness improvement initiatives**
 - Higher closing rates per sales rep and faster geographical expansion



Implementation of Strategic Imperatives

Supplementing organic growth with acquisition

- **Core acquisition rationales**
 - Extension of distribution channels and geographical coverage
 - Operational synergies
 - Portfolio extension
- **Preferred targets**
 - Small companies with lower multiples
 - Proven business model
 - Profitable, accretive
- **Disciplined reallocation of proceedings from divestitures**



Implementation of Strategic Imperatives

The LOQTEQ® Value Capture Concept

Different than others

Positioning

- The masstige concept: Premium trauma products for mass market
- Pursuit of differentiation & low-cost

Better than others

Innovation & Customer Value

- Complete as well as indication-based solution portfolio
- Added Value with silver coating and magnesium
- Clinical Value 'no-cold-welding'
- Economic Value premium product with competitive pricing

LOQTEQ®

Value Capture Concept

More efficient than others

Operational Excellence

- Diverse initiatives for gross margin, supply chain and sales effectiveness improvement
- Proven and efficient product development process and team

More intelligent than others

Enablers & Accelerators

- In-house R&D
- In-house manufacturing
- Own distribution network
- KOL network
- Reallocation of divestiture proceedings

Management Agenda 2014

Customers

- Growing Trauma sales to €>15 million (>50%); driven by LOQTEQ®
- Expanding LOQTEQ® portfolio; striving for >90% indication coverage
- Appointing a distributor in the USA and further expansion of distribution network beyond BRICS- and SMIT-countries
- Appointing new global Partner for a bone cement

Innovation

- Sustain Freshness index of at >20%
- Accelerate development of silver-coated Trauma products; market introduction in 2015
- Extend co-development network for resorbable magnesium products; market introduction in 2-3 years
- Interim analysis of the LOQTEQ® study for phase 1 products in Q2/2014

Financials

- Profitable growth: sales of €35 million (+22%) & EBITDA between €5-€6 million
- Working capital ratio > 2.4
- Strengthening the balance sheet by ongoing reduction of the percentage of intangible assets as of the balance sheet total
- DCR < 3 and ICR > 8

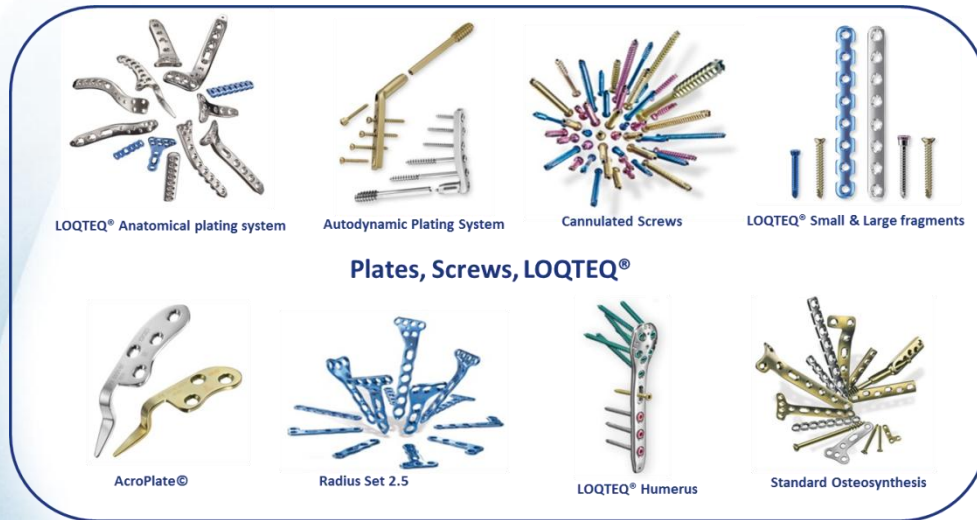
Organisation/IT

- Further improvements of the ERP functionality
- Optimization of supply chain management with a focus on Trauma products
- Divestment/out licensing of non-core products and IP

Financial Outlook 2014

- Outlook Q3/2014:
 - Sales of €7.0 million to €8.0 million (Q3/2013 continued operations: €6.3 million)
 - EBITDA between €0 million to €0.4 million
- FY 2014: Management Board reconfirms communicated guideline
 - Strong sales growth with focus on Trauma business
 - Sales revenue +22% to €35 million (PY: €28.6 million for continued operations)
 - EBITDA between €5 million to €6 million (0% to +20%)
 - Trauma sales >€15 million (>50%)
- Further step of transformation: Investment Bank hired to assist in the strategic options of aap Biomaterials GmbH

Outlook 2014 and beyond



Forecast → Sales (incl. LOQTEQ®) 2013: €10 million
 Sales (incl. LOQTEQ®) 2014e: >€15 million

- **Expected growth in 2015 and beyond: 20%**

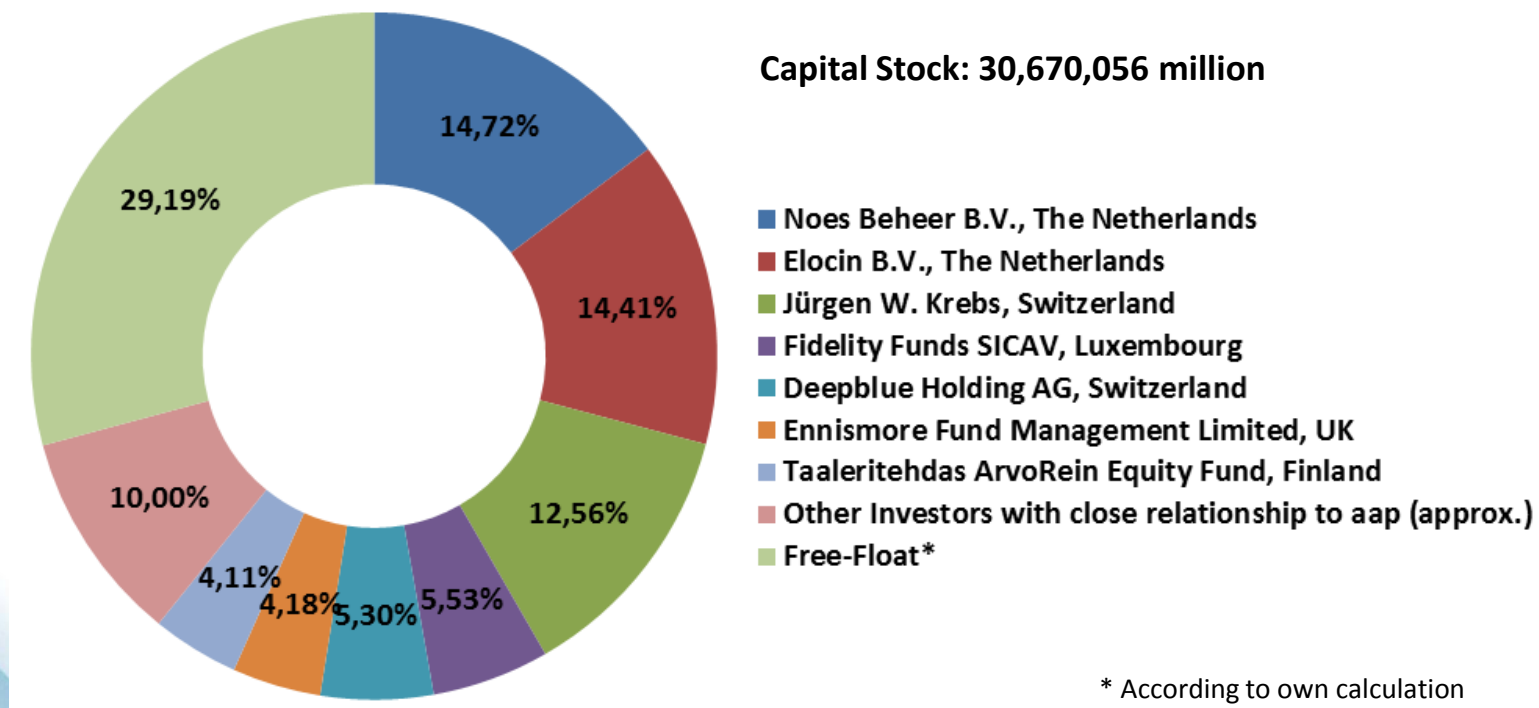


Sales driver PMMA-Bone Cements

Forecast → Sales 2013 (Products and Projects): €23.0 million; w/o EMCM: €17.5 million
 Sales 2014e (Products and Projects) w/o EMCM: €18 million

Stockholder Structure

- Growing interest in *aap*'s value driving strategy is also reflected in new shareholders:
 - December 2013: Taaleritehdas ArvoRein Equity Fund, Finland
 - March 2014: Ennismore Fund Management Limited, UK
 - April 2014: Fidelity Funds SICAV, Luxembourg
- Market Cap increased to almost €100 million (2012: €41 million)



Contact



aap Implantate AG

Lorenzweg 5

12099 Berlin

Marc Heydrich

Investor Relations

Tel.: +49 30 750 19 – 134

Fax: +49 30 750 19 – 290

E-Mail: ir@aap.de

Website: www.aap.de

IR-app:

