



aap Implantate AG

Investor Presentation

7. DVFA Frühjahrskonferenz

Frankfurt am Main

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May 9, 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.

aap Company Overview

- German based international MedTech company
- Listed in Frankfurt, Germany, Prime standard (XETRA: AAQ.DE)
- 2015*: Sales EUR 28 million, EBITDA EUR -1.9 million
- Operating with two Centres of Excellence

Center of Excellence Trauma, Berlin (continued operation)

- Comprehensive plates & screws portfolio
 - Silver coating technology
 - R&D and manufacturing in-house
-
- B2C: direct sales force in DACH, international distributors in RoW
 - *aap* label
-
- Hospitals and Distributors worldwide with focus on Europe, BRICS, SMIT, US



Technologies, Products and Services

Business Model

Customer Base

Center of Excellence Biomaterials, Dieburg (discontinued operation)

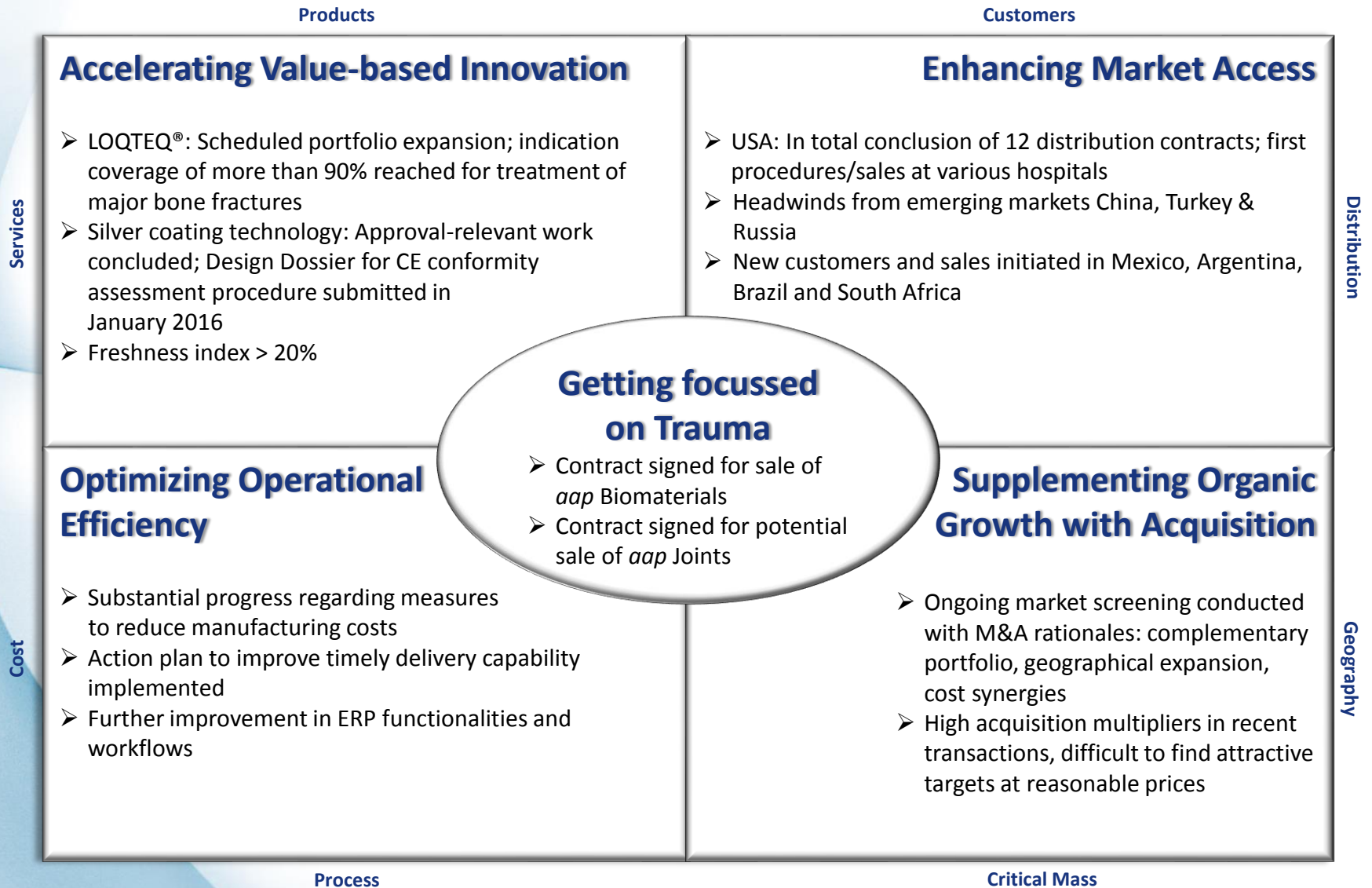
- Comprehensive portfolio of bone cements and accessories as well as biomaterials
 - R&D and manufacturing in-house
 - Service value chain for third parties: R&D → approval & registration → supply
-
- B2B: OEM and contract manufacturing
 - Private label
-
- Global orthopedic companies



*Figures relate to the continued and the discontinued operation.

Implementation of Strategic Imperatives

Progress in FY/2015



Financial Figures FY/2015

(in EUR million)

Sales	FY/2015	FY/2014	Change
Trauma	10.8	12.8	-16%
Trauma - implants	10.3	12.2	-16%
Trauma - biomaterials	0.5	0.6	-9%
Other	1.5	1.8	-17%
Sales continued operation	12.3	14.6	-16%
Sales discontinued operation	15.7	16.0*	-2%
Group sales	28.0	30.6*	-9%

*Discontinued operation: Consists of *aap* Biomaterials GmbH and *aap*'s distribution business in bone cements, mixing systems and accessories for the period 1-12/2015 excluding EMCM B.V. for the period 1-2/2014.

EBITDA	FY/2015	FY/2014	Change
EBITDA continued operation	-6.8	-3.9	-73%
EBITDA discontinued operation	4.9	6.2*	-20%
Group EBITDA	-1.9	2.2*	> -100%

*Discontinued operation: Consists of *aap* Biomaterials GmbH and *aap*'s distribution business in bone cements, mixing systems and accessories for the period 1-12/2015 excluding EMCM B.V. for the period 1-2/2014.

Further Figures	12/31/2015*	12/31/2014	Change
Total Assets	54.9	57.9	-5%
Intangible Assets	10.4	15.2	-31%
Intangible Assets ratio	19%	26%	-
Equity ratio	73%	79%	-
Freshness index	> 20%	> 20%	-

*All figures (except freshness index) are taken from the Consolidated Balance Sheet as at 12/31/2015 including assets classified as held for sale.

Implementation of Strategic Imperatives

Getting focused on trauma – divesting *aap* Biomaterials

- Press Release dated March 22, 2016: *aap* Implantate AG signed a notarized share purchase agreement with a leading European private equity firm for the sale of 100% of the company shares in its subsidiary *aap* Biomaterials
- Purchase price based on an assumed enterprise value of EUR 36 million and will be due for payment after closing of the transaction
- Transaction transforms *aap* into a pure player in trauma and will enable to better exploit the opportunities in the fast-growing global trauma market
- Contractually expected to close within the next two months; high likelihood of closing in the next two weeks
- The closing of the transaction will result in a positive one-time deconsolidation effect on the earnings level
- Proceeds to be used for growth financing as well as to distribute part of them to shareholders

2016 Guidance

Financial Figures

➤ Continued operation

- **Sales:** EUR 13.0 million – EUR 15.0 million with 20% growth in trauma products (*FY/2015: EUR 12.3 million*)
- **EBITDA:** EUR -5.5 million – EUR -3.9 million (*FY/2015: EUR -6.8 million*)

➤ Group (continued and discontinued operation)

- **EBITDA** incl. deconsolidation gain: EUR 14.1 million – EUR 15.7 million

➤ Cost-reduction measures

- Annualized overall effect of EUR 2.0 million; possibly one-time additional costs in 2016 through termination of contractual relations

aap – Sum of the Parts

aap Trauma

- Strong LOQTEQ® sales growth, CAGR 2011-2015 > 100%
- Strong IP, comprehensive portfolio for mainstream trauma as well as extremities (foot & ankle)
- Sales 2015 (continued operation): EUR 12.3 million
- Valuation: Median EV/Sales of 4-6 in recent global transactions of pure trauma companies

aap Silver

- Technology addresses unmet need of the industry (infection prevention)
- Strong IP, platform technology with a wide range of applications
- Cost-effective coating technology with high efficacy and good biocompatibility
- Valuation: huge potential due to platform technology for wide range of applications: orthopaedics, cardiovascular, dental, instruments etc.

aap
Trauma

aap
Silver

aap
Bio

Sum of the parts strongly indicates substantial upside for value creation

Current MarketCap ca. EUR 45m

aap Bio

- Customer base: Top-10 global orthopedics companies
- Unique competency in bone cement and accessories
- Profitable, strong cash flows, sustainable growth
- Valuation: divestment process in progress; deal signed with EV of EUR 36 million; closing soon

A Transformed Business

Strategic divestitures to grow

Strategic Divestitures								
	2008	2009	2010	2011	2012	2013	2014	2016
Dental	✓							
Analytics		✓						
Medical Aesthetics		✓						
Recon					✓			
Contract Manufacturing						✓		
Biomaterials								✓
Trauma	•	•	•	•	•	•	•	•

aap's Silver Technology applied in Orthopaedics, Cardiology, Dental and surgical instruments

Inflection point

aap Trauma & Extremities Silver Coated Magnesium based **LOQTEQ**

aap Trauma & Extremities **LOQTEQ**

aap Trauma **LOQTEQ**

Transformation Phase-1

➤ Sharpen our focus through strategic divestitures and clear our path to new growth

Transformation Phase-2

➤ Unlocking the inherent value of our trauma business through strong IP portfolio, accelerated growth and global partnerships

2008 – 2015

Tipping point

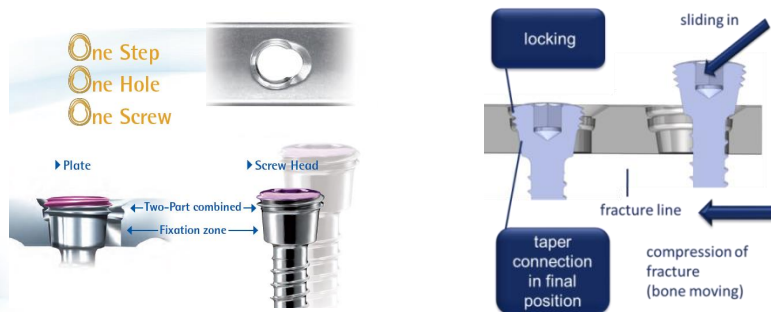
2016 and beyond

Platform Technology – LOQTEQ®

Fundamentals

Concept

Protected by several global patents



Application

Mainstream trauma, lower & upper extremities



Competitive Environment

Entirely benchmarked against the market leader

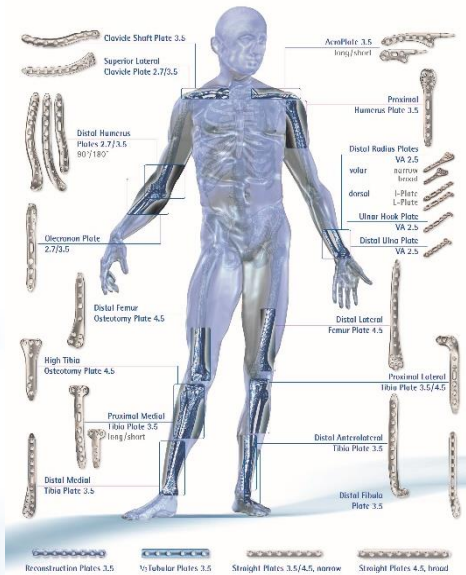
Synthes	Stryker	Zimmer	S&N	Königsee	aap
LCP	AxSOS	NCB	Peri-LOC		LOQTEQ®

Platform Technology – LOGTEQ®

Portfolio and performance

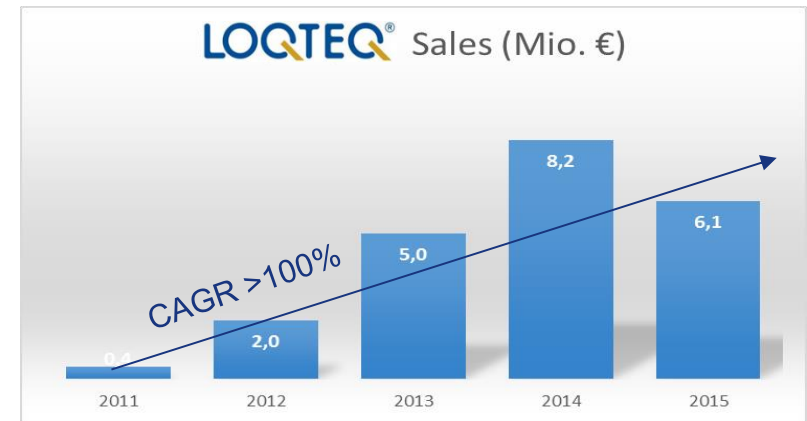
Portfolio

Comprehensive and procedure focused



Growth Track Record

Driven by BRICS, SMIT and Europe

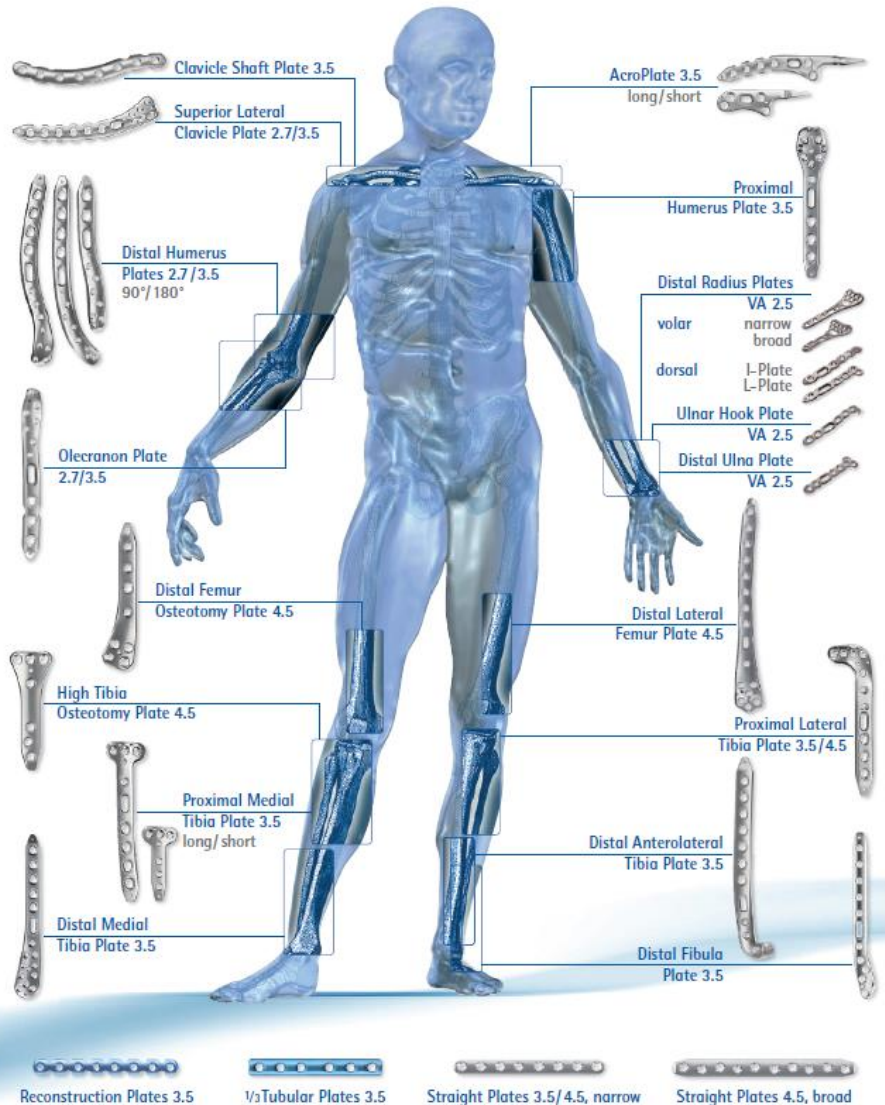


Value Proposition

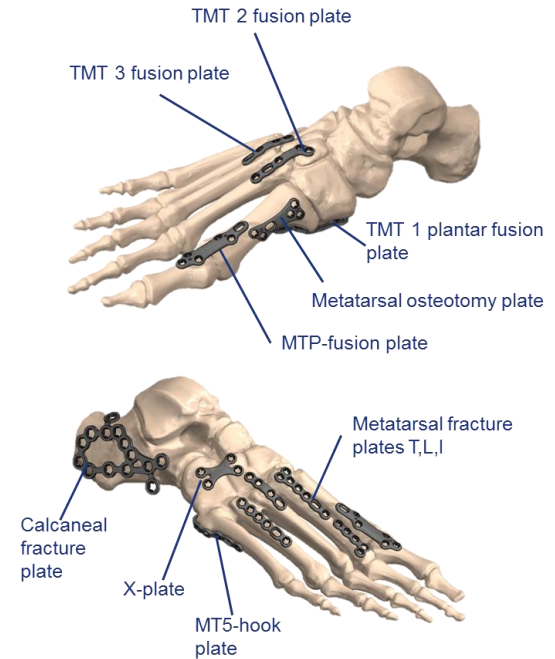
- Genuine alternative to the gold standard with new and additional features
- Clinical and economical advantages:
 - Optimum instrumentation and efficient procedures,
 - Excellent anatomical fit,
 - Strong clinical evidence of no cold-welding,
 - Competitive price

Platform Technology – LOQTEQ®

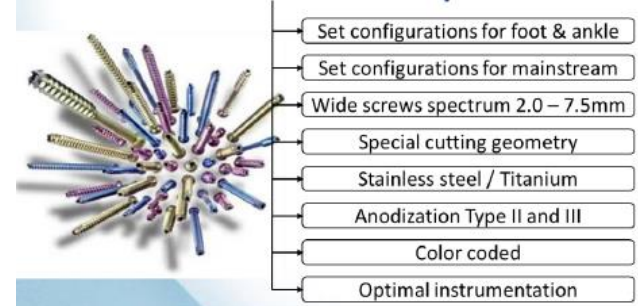
Comprehensive portfolio



Foot System



Cannulated Screws System



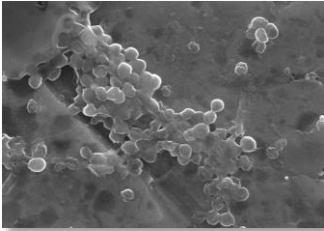
Platform Technology – Silver Coating

Value based innovation

Unmet Need

Infection prevention for medical devices

Surgical Site Infection (SSI)



Biofilm formed on an TiAl6V4 implant surface
S. epidermidis ATCC 35984

Innovative Solution

- Prevention of bacterial colonization
- Platform technology with broad application
- Very high efficacy (*in vitro* / *in vivo*)
- Very good biocompatibility (*in vitro* / *in vivo*)
- Unchanged mechanical properties

Technology

- PEO – Plasma Electrolytic Oxidization
- In-house developed
- IP protected
- Cost-effective Coating technique
- Very short coating time
- Comparably low investment
- Easily up-scalable
- Applicable on all relevant geometries

First Application expected 2016

ANTIBACTERIAL COATING

by aap



- Aiming to be first mover in trauma
- LOQTEQ® enhanced with silver coating

Platform Technology – Silver Coating

Competitive advantage

	<i>aap</i>	Market Leader 1	Market Leader 2
Antibacterial agent	micro-Ag / nano-Ag	AgNO ₃	micro-Ag / nano-Ag
Coating principle	Single step: Electrochemical (PEO)	4-step in 2 solutions: Electrochemical (acidic anodization) & dipping	Multi-step: vacuum deposition
Antibacterial efficacy	+	+	+
Biocompatibility	+	–	+
Silver directly effective	+	+	–
Coating stability	+	+	+
Process simplicity	+	+/-	–
Cost-effectiveness	+	+	–
Prevention efficiency	5,5 µg/cm ² LOG4 & NO cytotox	50 µg/cm ² LOG4 BUT cytotox 6 µg/cm ² No cytotox BUT only LOG2	Full silver layer by PVD
Coating time	< 10 min	~ 4 h	30 min to 1 h
Additional characteristics	Up-scaling & shorter coating time achievable	Inhomogeneous distribution of Ag	Complicated coating process

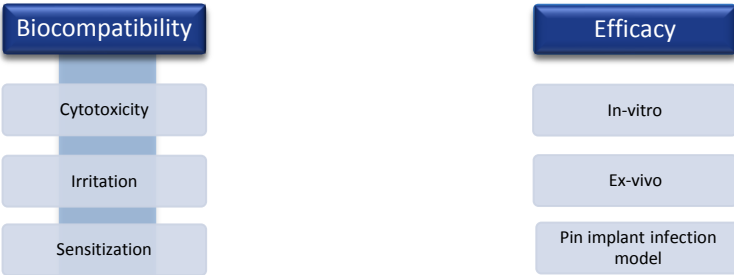
* Based on available information (publications, patents, conference's lectures, posters, press releases etc.).

Platform Technology – Silver Coating

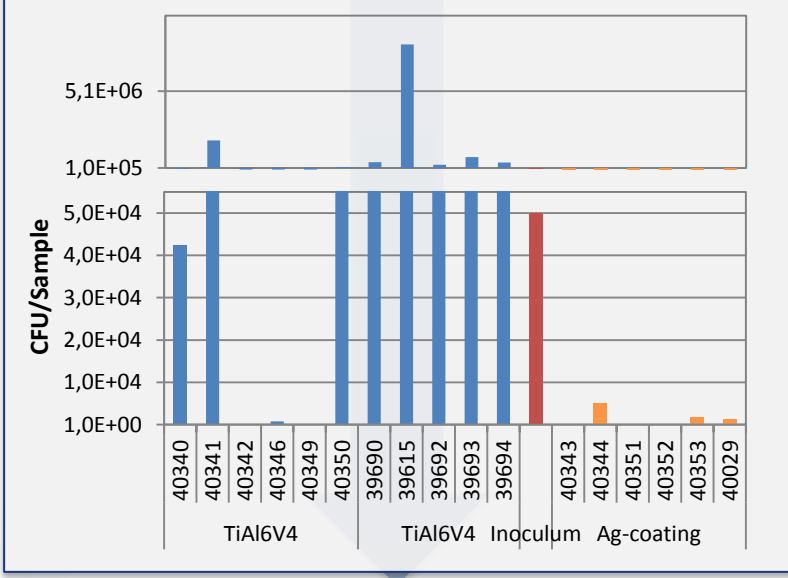
Regulatory path

Results delivered

Comprehensive animal trials accomplished



Intramedullary pin implant in rabbit femur, efficacy study against Methicillin-resistant *Staphylococcus aureus* (MRSA) ATCC 43300

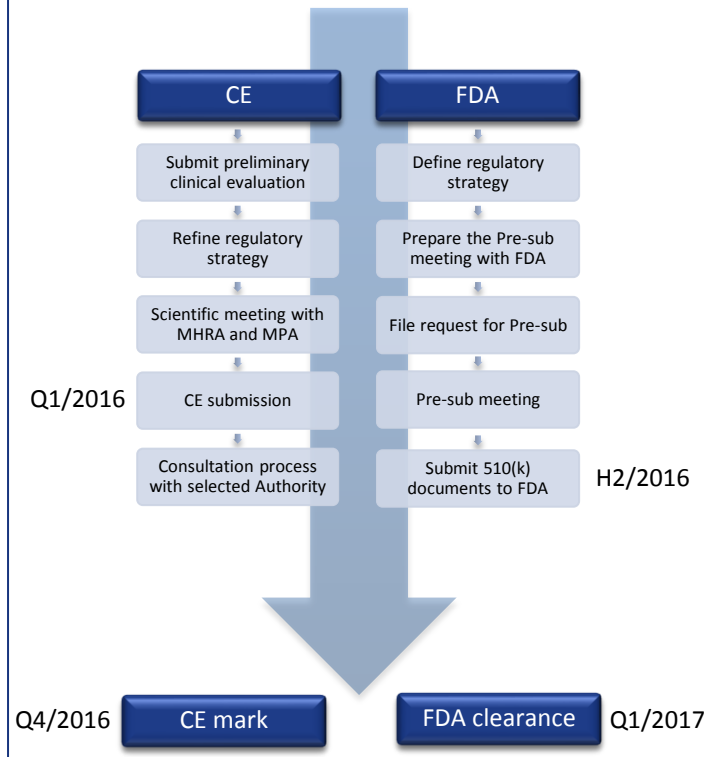


Excellent Biocompatibility

High efficiency

Regulatory Path

Short term targeted CE- and FDA-clearance



Platform Technology – Magnesium Implants

Value based innovation

Unmet Need

Biocompatible and biodegradable metal implants

Disadvantages of currently used metallic implants

- Need of second surgery for implant removal
- Stress shielding
- Inflammatory osteolysis caused by toxic titanium particles
- Interference in radiological studies

Innovative Solution

- ✓ Bioabsorbable implants
- ✓ Platform technology with broad application
- ✓ Moderate and controllable degradation rate
- ✓ Good biocompatibility
- ✓ Appropriate mechanical properties

Technology

- ✓ Magnesium alloy and alloy coating
- ✓ Partially in-house developed
- ✓ IP protected
- ✓ PEO – Plasma Electrolytic Oxidization
- ✓ Very short coating time
- ✓ Comparably low investment for coating
- ✓ Higher manufacturing cost-effectiveness expected
- ✓ Applicable on small pins, screws and plates

First Application expected 2018



- ✓ LOQTEQ® enhanced with magnesium

aap – LOQTEQ® Roadmap

Unique, innovative, addressing unmet needs

Our Innovation Pipeline

Anatomical Plating System

LOQTEQ®

- IP-protected technology
- Monodirectional locking
- One step locking compression



LOQTEQ® VA

- Multidirectional locking
- Stable thread-in-thread connection
- Increased intraoperative flexibility



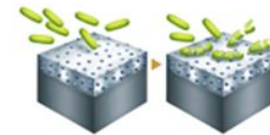
LOQTEQ® VA procedures focus

- Tibia and femur osteotomy
- Periprosthetic fractures
- Augmented osteosynthesis



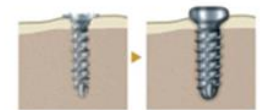
LOQTEQ® VA antibacterial

- IP-protected technology
- Highly stable silver coating
- Excellent biocompatibility
- High antibacterial efficacy

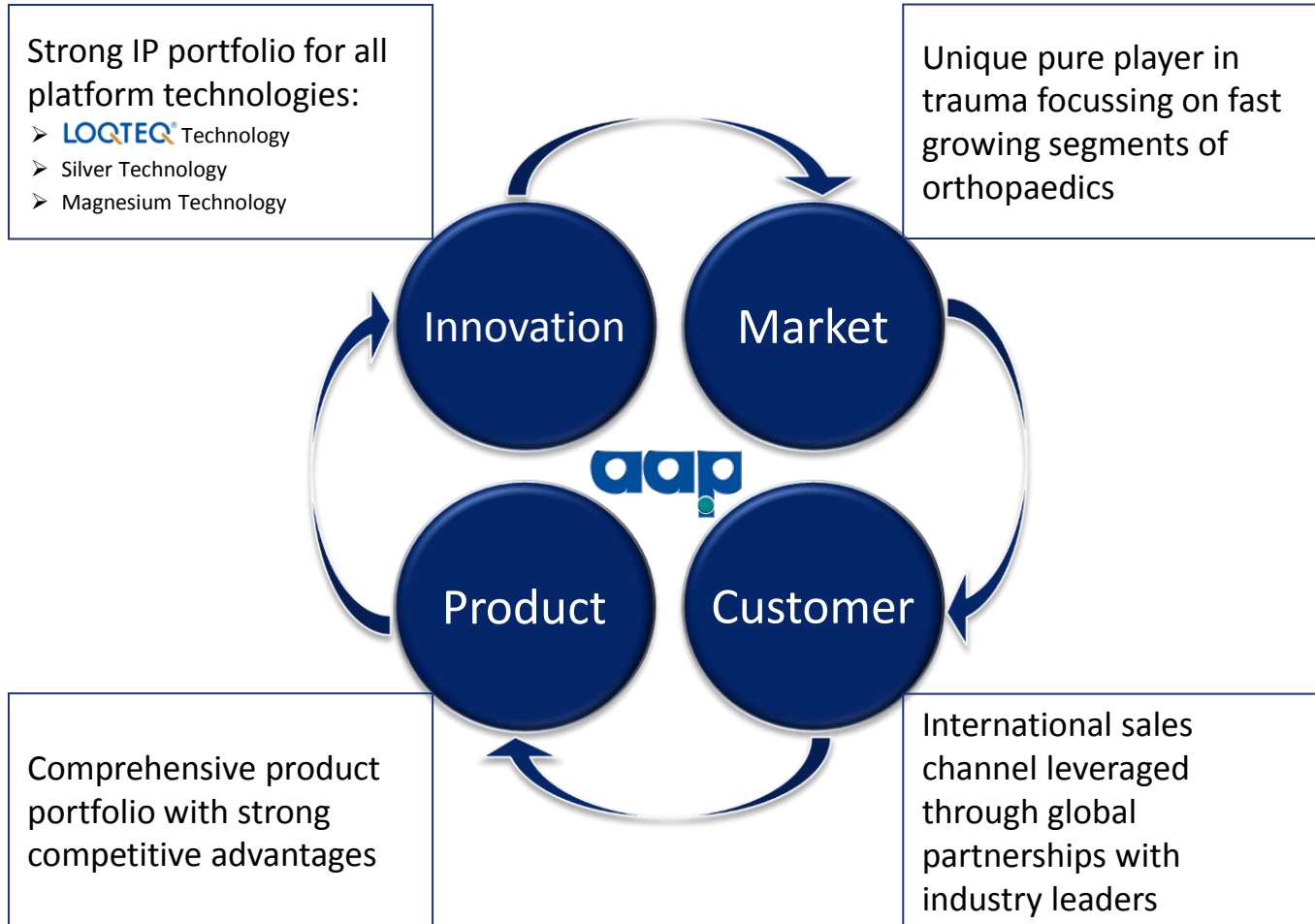


LOQTEQ® VA resorbable

- IP-protected technology
- Coated magnesium implants
- Bioabsorbable with controlled degradation
- Avoid second intervention

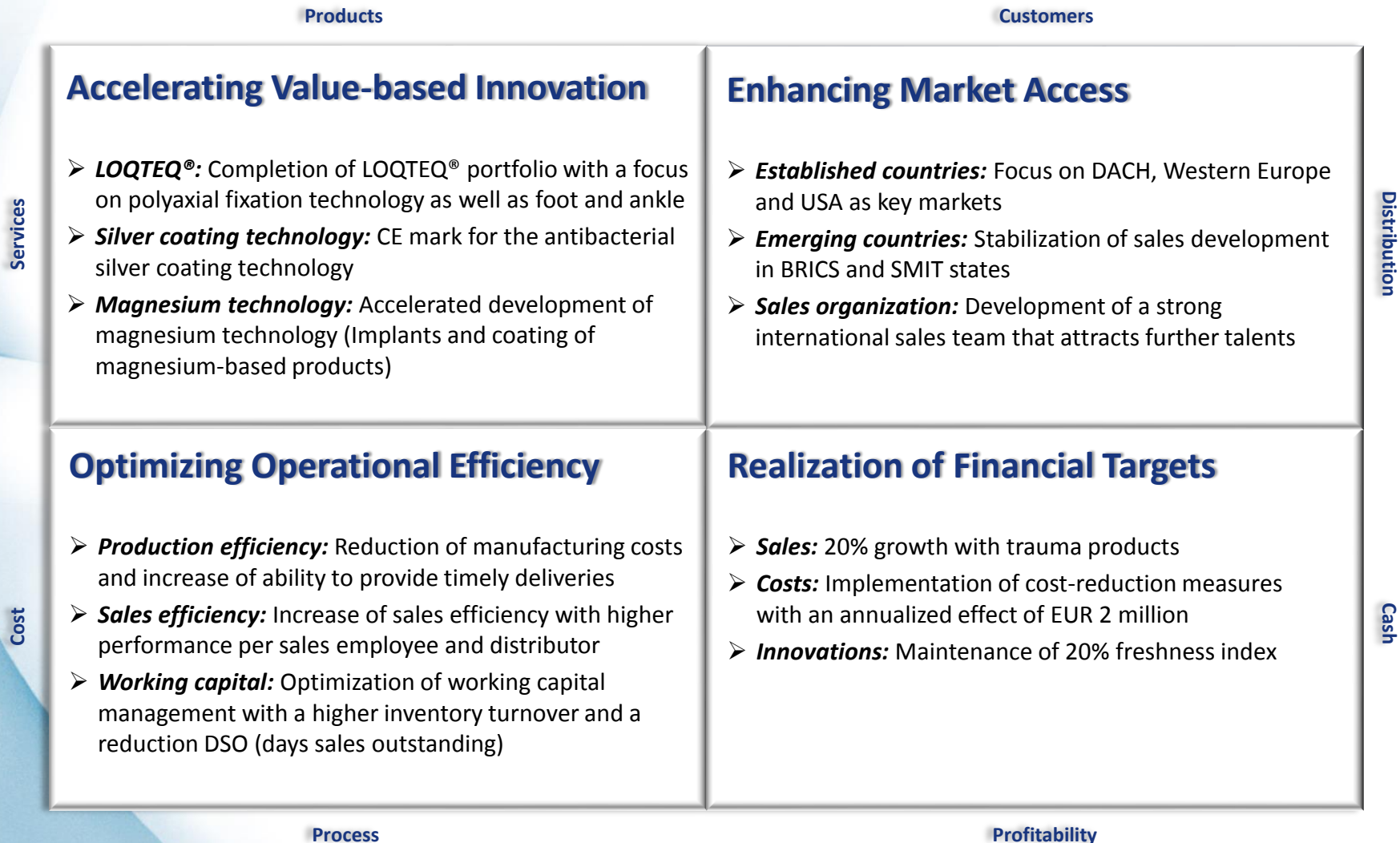


Our Differentiated Business Model



Management Agenda 2016 and beyond

Implementation of strategic imperatives



The New *aap* – Pure Trauma Company

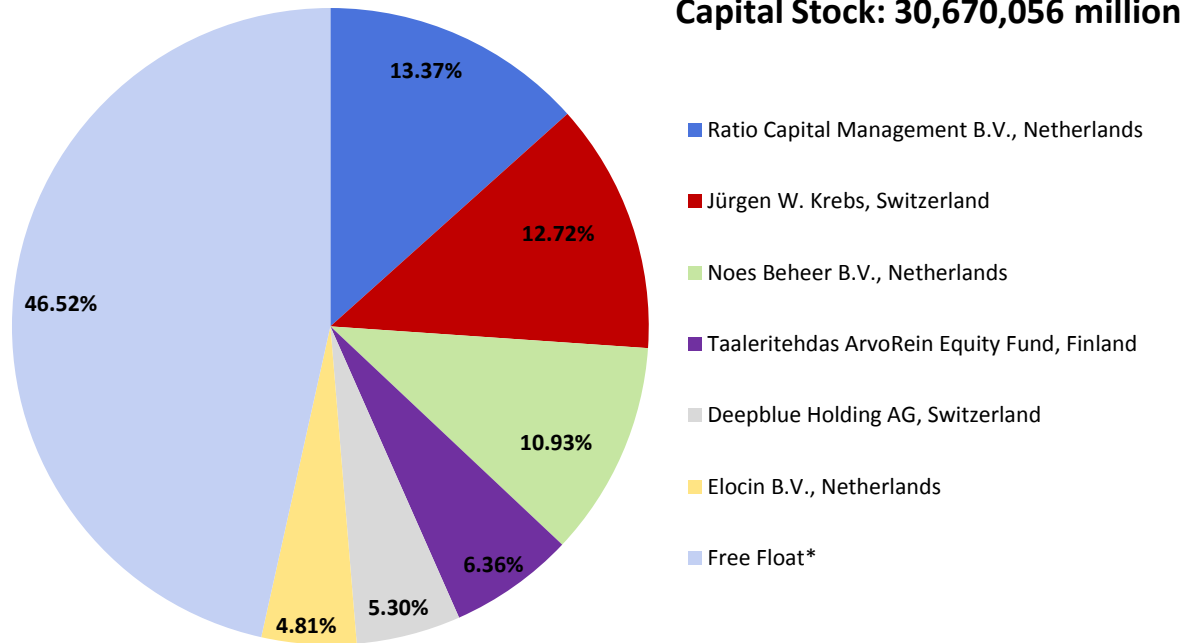
Why invest in *aap*?

- **Comprehensive IP protected platform technologies**
 - LOQTEQ® Technology, Silver Coating Technology, Magnesium Implants Technology
- **Comprehensive product portfolio**
 - CE, FDA and SFDA approved; indication coverage > 90% for large bone fractures
 - Attractive for established markets, purchasing and hospital groups and tender business
- **Accelerated and multiple growth opportunities**
 - Strong pipeline with continuous launch of new innovative products
 - Competitive proposition to be active in the three fastest-growing segments of orthopaedics
 - Sales organization in DACH, USA and International equipped with experienced sales executives
- **Growth financing**
 - Secured after the divestiture of *aap* Biomaterials
- **Technology and product portfolio attractive for global partners**
 - Enabling additional revenue streams and business opportunities
 - Corporate finance advisor assigned to evaluate opportunities
- **Accelerated path to better financial performance**
 - Executing rigorous cost adjustment to the new *aap*
 - Generating more revenues from strong margin markets like the US
 - Global partnerships with industry leaders

It's all about unlocking the value of our pure trauma business!

Shareholder structure

➤ Market Cap amounts to approx. EUR 45 million**



* According to own calculations

** As of 05/08/2016

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