



# ***aap* Implantate AG**

## **Corporate Presentation**

**8<sup>th</sup> DVFA Frühjahrskonferenz**  
**Frankfurt am Main, May 8, 2017**

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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.*

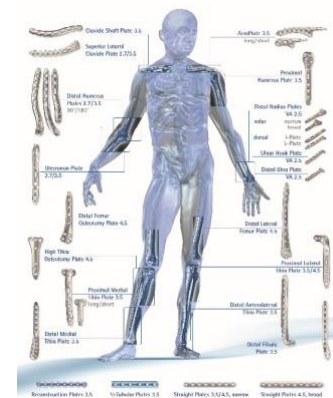
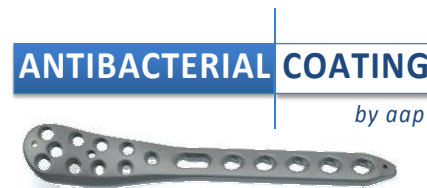
# Share Buyback

## Partial distribution of proceeds from sale of *aap* Biomaterials

- *aap*'s Management Board and Supervisory Board decided today to implement a **share buyback** within the next months in order to partially distribute proceeds from last year's sale of *aap* Biomaterials GmbH to shareholders
- Based on the current share price level of the *aap* share it is intended to purchase **up to 2.4 million *aap* shares** from the shareholders for a **maximum total purchase price** (including transaction costs) of **up to EUR 3.5 million**
- Further details of the share buyback, including the purchase price, will be determined and published by the Management Board within the next weeks
- If market circumstances or the share price development changes the Management Board reserves the right to adapt the conditions of the intended share buyback or refrain from it

# aap Company Overview

- German based international MedTech company
- Development, manufacturing and marketing of trauma products for orthopaedics
- Listed in Frankfurt, Germany, Prime standard (XETRA: AAQ)
- Customers are hospitals, distributors and global companies worldwide
- Sales 2016: EUR 10.5 million (continued operation) after diverse strategic divestitures



# Our Aspiration

*Making trauma treatment better and cost-effective*

## *Challenges in trauma*

- Simplify implantation as well as explantation
- Prevent surgical site infections
- Avoid second operations

## *Our response to the challenges*

- Address the challenges through innovations and create a sustainable value for our clients (patients, surgeons, hospitals) as well as shareholders

# Our Roadmap for Value Creation

## *Transformational roadmap*

- Transformation through divestiture
- Transformation through innovation

## *Divestiture*

- In the last years we have executed diverse divestitures to become a pure player in trauma
- The last and decisive divestiture was the sale of our biomaterials business (EV/recurring EBITDA: 9 times)
- Today *aap* is a pure trauma player

## *Innovation*

- In the last years we have been developing exciting platform technologies to become a leading trauma company:
  - LOQTEQ® plating technology
  - Antimicrobial silver coating technology
  - Resorbable coated magnesium implants technology

# Transformation Through Innovation

## Clear objectives

### *Clear innovation objectives*

- Address unmet needs
- Enable differentiation
- Build strong intellectual property portfolio
- Ensure cost-effective technical feasibility
- Fulfil key market regulatory approvals
- Capture decent market size

*Our core technologies LOQTEQ<sup>®</sup>, Silver Coating and Resorbable Coated Magnesium Implants are based on these objectives.*

# Platform Technology – LOQTEQ®

## Value based innovation

### Market Need

**Efficient and minimal invasive surgery**

- Angular stable locking and compression
- High stability of screw-plate-connection
- As few surgical steps as possible
- Uncomplicated removal of the implant with little time exposure

### Innovative Solution

- ✓ Angular stable compression in one step
- ✓ High and sustainable stability
- ✓ Platform technology for several applications
- ✓ One surgical step less for surgeon
- ✓ Strong clinical evidence of no cold-welding

### Technology

- ✓ Angular stable compression technology
- ✓ Genuine alternative to the gold standard
- ✓ In-house developed
- ✓ Protected by several global patents
- ✓ Efficient procedures & excellent anatomical fit
- ✓ Optimal instrumentation
- ✓ Competitive Price

### First Application 2011

**LOQTEQ®**

Locking Compression Technology von aap

- ✓ Mainstream trauma, lower & upper extremities
- ✓ >90% indication coverage in mainstream trauma



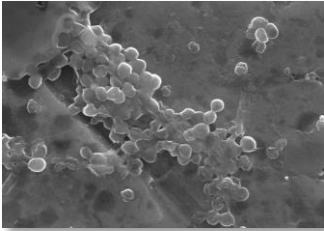
# Platform Technology – Silver Coating

## 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



ANTIBACTERIAL COATING

  
by aap



- Distal Medial Tibia Plate
- LOQTEQ® enhanced with silver coating
- Aiming to be first mover in trauma

# 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

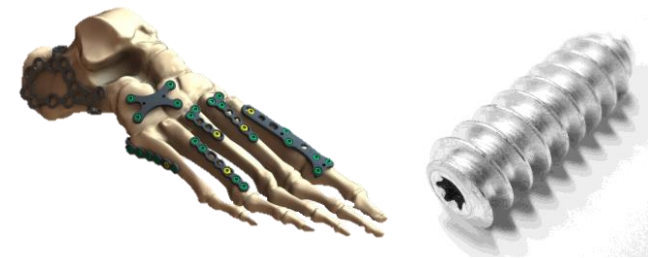
### Innovative Solution

- ✓ 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



- ✓ Plates and screws for hand, foot or sports medicine
- ✓ LOQTEQ® enhanced with magnesium

# LOQTEC<sup>®</sup> - Roadmap

Anatomical Plating System

Addressing unmet needs in trauma through a strong patent and technology portfolio

## LOQTEC<sup>®</sup> locking compression

- Mono- and Multi directional locking
- One step locking compression
- No cold-welding
- Increased intraoperative flexibility
- Comprehensive portfolio with 90% indication coverage

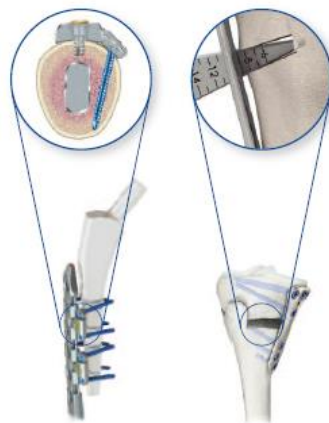


One Hole One Screw One Step



## LOQTEC<sup>®</sup> procedures focus

- Tibia and femur osteotomy
- Periprosthetic fractures
- Augmented osteosynthesis
- Foot & Ankle



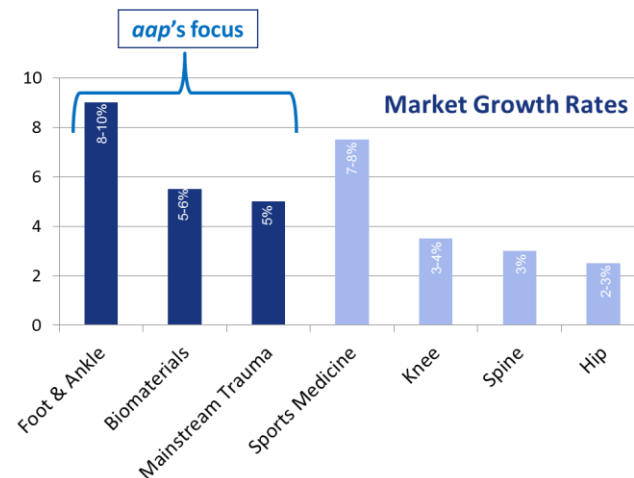
## LOQTEC<sup>®</sup> antibacterial

- High antibacterial efficacy
- Excellent biocompatibility
- Highly stable silver coating



## LOQTEC<sup>®</sup> resorbable

- Coated magnesium implants
- Bioabsorbable with controlled degradation
- Avoid second intervention



# Preliminary Sales Q1/2017 and Guidance

(in EUR million)

Preliminary Sales*	Q1/2017	Q1/2016	Change
Trauma	2.9	2.2	+30%
<i>thereof North America and Europe</i>	2.1	1.8	+16%
<i>thereof RoW</i>	0.8	0.4	+87%
Other (mainly discontinued activities)	0.2	0.3	-33%
<b>Sales</b>	<b>3.1</b>	<b>2.5</b>	<b>+23%</b>

\*These preliminary results are based on management's initial analysis of operations for the period ended on 31 March 2017, and are therefore subject to change. *aap* plans to publish its final results for the first quarter of 2017 on 15 May 2017.

## Guidance

### *FY/2017*

- **Sales:** EUR 10.0 million – EUR 13.0 million (*FY/2016: EUR 10.5 million*)
- **EBITDA:** EUR -6.5 million – EUR -4.5 million (*FY/2016: EUR -7.9 million*)

→ **Targeted annual growth in trauma in the next years of 20%**

# Financial Figures FY/2016

(in EUR million)

Capital Structure	FY/2016	FY/2015	Change
Total Assets	63.9	54.9	+16%
Equity Ratio	86%	73%	+18%

Value development	FY/2016	FY/2015	Change
Share of intangible assets in total assets	17%	19%	-11%
Freshness Index	26%	21%	+24%

Cash Structure	FY/2016	FY/2015	Change
Financial Liabilities (Interest bearing)	2.8	4.9	-43%
Net Cash	23.0	0.0	> +100%

*Following the recent divestments aap is well funded with a sound balance sheet structure forming a solid basis for further growth.*

# Accelerated Path to Profitable Growth

## *aap* Trauma

- Accelerated access to level-1 and -2 hospitals through substantial portfolio extension; today >90% indication coverage in mainstream trauma
- High growth momentum in Europe and North America through own sales organization
- Additional growth dynamic through portfolio extension to foot & ankle
- Additional distribution opportunity through partnerships with global companies

## *aap* Silver

- Coating technology as a catalyst to own trauma portfolio
- Co-development projects and license deals with global medtech companies in trauma and non-trauma areas (cardio-vascular devices, dental implants, surgical instruments etc.)

*Our goal is to achieve >20% EBITDA margins in 3 years*

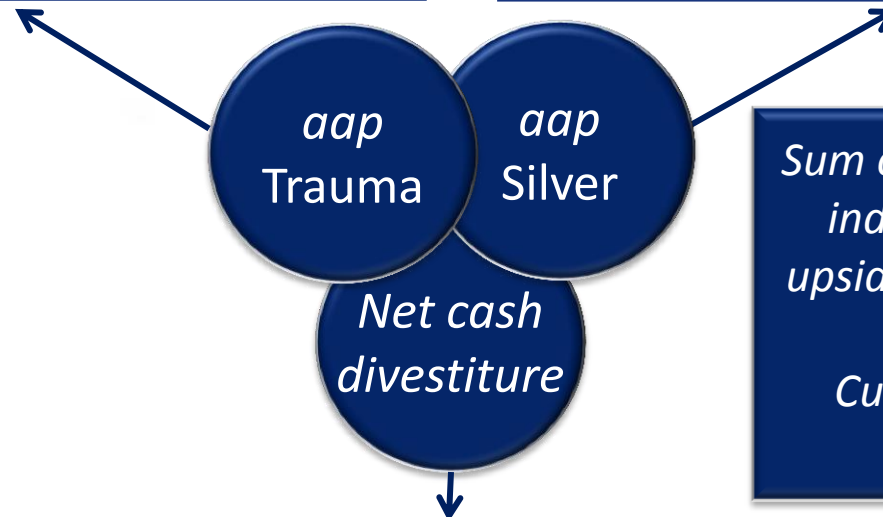
# aap – Sum of the Parts

## aap Trauma

- Strong IP, comprehensive portfolio
- Trauma sales 2016: ca. EUR 9 million; strong LOQTEQ® sales growth with CAGR 2011-2016 > 60%
- Valuation: Median EV/Sales of 4-6 in recent global transactions of pure trauma companies

## aap Silver

- Technology addresses unmet need
- Strong IP, leading platform technology with a wide range of applications
- Valuation: external assessment by reputable consultancy firm on licensing opportunities shows huge value potential



*Sum of the parts strongly indicates substantial upside for value creation*

*Current Market Cap ca. EUR 40m*

- Bio divestiture with EV of EUR 36 million
- Cash position end of 2016 ca. EUR 29 million\*

# The New *aap* – Pure Trauma Company

## Why invest in *aap*?

### *aap's* Equity Story

- **Comprehensive IP protected platform technologies**
  - LOQTEQ® Technology, Silver Coating Technology, Resorbable Coated Magnesium Implants Technology
- **Comprehensive product portfolio**
  - CE, FDA and SFDA approved; indication coverage > 90% in mainstream trauma
  - Attractive for established markets, purchasing and hospital groups and tender business
- **Accelerated and profitable 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 focus on established markets: Europe and North America
  - Global partnerships with industry leaders
- **Technology and product portfolio attractive for global partners**
  - Enabling additional revenue streams and business opportunities
- **Growth financing**
  - Well funded after recent divestments

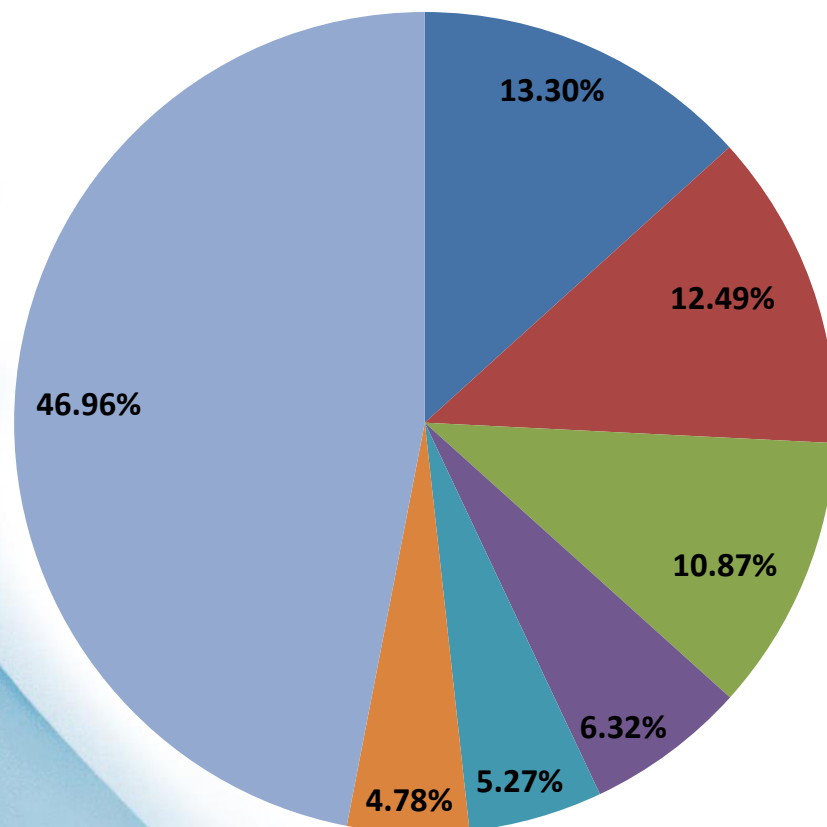
**It's all about unlocking the value of our pure trauma business!**



# Shareholder Structure

(As of 05/04/2017, shareholdings in *aap*  $\geq 3\%$ )

- High degree of stability with a base of long-term oriented investors
  - No significant changes for almost 1.5 years\*
- Market Cap of approx. EUR 40 million



**Total number of bearer shares: 30,832,156**

- Ratio Capital Management B.V., Netherlands
- Jürgen W. Krebs, Switzerland
- Noes Beheer B.V., Netherlands
- Taaleritehdas ArvoRein Equity Fund, Finland
- Deepblue Holding AG, Switzerland
- Elocin B.V., Netherlands
- Free Float\*

\*According to our information.

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