



aap Implantate AG

Corporate Presentation Frühjahrskonferenz 2019

Rubino Di Girolamo, CEO
Marek Hahn, CFO

Frankfurt am Main, May 14, 2019



Making Trauma Treatment
Better and Cost-Effective

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.

Investment Highlights

1

aap is a German-based medtech company, a pure player in trauma with exciting and IP-protected platform technologies addressing unmet needs in orthopedics

2

aap is a front runner in antibacterial silver coating technology for implantable medical devices which reduces surgical site infections (SSI) caused by implants

3

aap has made substantial investments in great technology pipeline, modern manufacturing and diverse international product approvals

4

Double-digit sales growth with LOQTEQ[®] and earnings improvement planned for 2019 and beyond

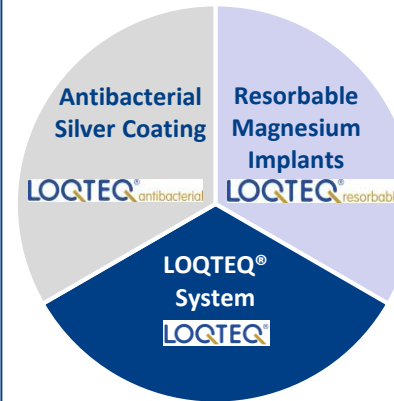
aap at a Glance

Pure player in trauma

Organisation

- Globally operating medical device company based in Germany
- Founded in 1990
- 148 Employees (31/12/2018)
- Distribution:
 - Germany: Direct to hospitals, buying syndicates and hospital groups
 - International: Broad network of distributors in more than 25 countries
 - USA: Direct sales via distribution agents and B2B partnerships with global orthopedic companies

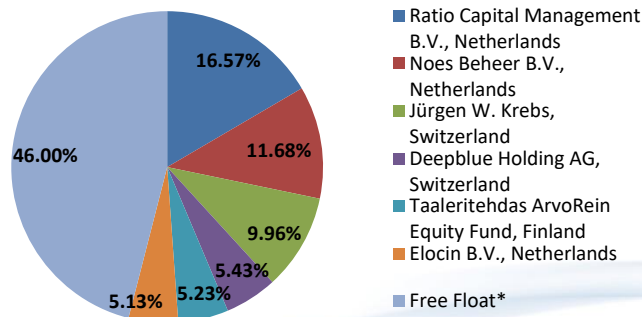
Technologies



Three innovative and IP-protected platform technologies addressing unmet needs and challenges in trauma

Capital Market

- Listed since 1999, Frankfurt, Prime Standard (XETRA: AAQ, WKN: 506660, Market Cap: ~EUR 32m)



Management Board – New CEO



Rubino Di Girolamo (57), CEO

- CEO since 2019, 2004 to 2019 in SB functions at *aap*
- Long-standing experience in different top management positions i.e. at Metalor Dental Holding AG and affiliates, Bellevue Group and Saurer Group
- Graduation in economics at Zürcher Hochschule für Angewandte Wissenschaften (ZHAW)



Marek Hahn (44), CFO

- CFO since 2010, with *aap* since 2007
- Prior to *aap* several years for KPMG Deutsche Treuhandgesellschaft AG in various national and international positions
- Graduation in economics at Technische Universität (TU) Berlin

Where are we today?

- Since 2017 after diverse strategic divestitures a pure player in trauma with the mission to make trauma treatment better for doctors and patients and cost effective through incremental and breakthrough innovations

 FOCUSED ON TRAUMA

- Unique and innovative technology and product portfolio consisting of the well established LOQTEQ® system and an exciting innovation pipeline with antibacterial silver coating and resorbable magnesium implants

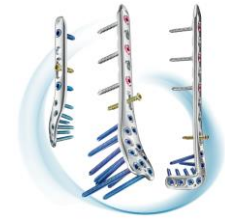
 BALANCED PORTFOLIO

- All core technologies (LOQTEQ®, Silver and Magnesium) are platform technologies based on a strong IP portfolio with broad applications and addressing unmet needs in orthopedics

 HIGHLY ATTRACTIVE FOR GLOBAL MEDTECH COMPANIES

Focused trauma company with strong IP and technology portfolio

Platform Technology – LOQTEQ®



- LOQTEQ® System (clinically proven and rolled-out in key markets)
 - Comprehensive trauma product portfolio with more than 90% indication coverage
 - Strong IP protection
 - Products providing clinical as well as economical competitive advantages compared to global leaders
 - Received international product approvals for key markets (CE, FDA, AVISA, CFDA etc.)
 - Since 2011 successful clinical track record with constant improvements
 - Listed in almost all leading group clinics and group purchasing organizations in Germany
 - Successfully distributed in key international markets (Europe, USA, BRICS, SMIT etc.)
 - Strong pipeline to extend market access (foot & ankle, variable angle, sterile packed)



PRODUCTS WITH HIGH SALES POTENTIAL / GROWING ACCEPTANCE / EARLY STAGE OF LIFE CYCLE



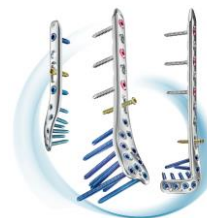
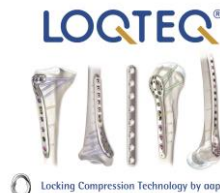
- With the LOQTEQ® System *aap* is active in the fastest growing segments (mainstream trauma, foot & ankle) of the USD 7bn global orthopedic market

Double-digit sales growth with LOQTEQ® and earnings improvement planned for 2019 and beyond

Value Creation

Approach to exploit the market with LOQTEQ®

LOQTEQ®	Approach	Successes	Future Growth
Germany	<ul style="list-style-type: none"> ➤ Direct sales force to hospitals, buying syndicates, and hospital groups 	<ul style="list-style-type: none"> ➤ Comprehensive portfolio (>90% indication coverage) enabled listing at major hospital groups and group purchasing organizations (e.g. Helios, Asklepios etc.) ➤ 14% yoy sales growth from EUR 2.4m (2017) to EUR 2.8m (2018) 	<ul style="list-style-type: none"> ➤ Increase of market presence with >20% sales growth per year
International	<ul style="list-style-type: none"> ➤ Network of local distributors (currently in more than 25 countries) 	<ul style="list-style-type: none"> ➤ 24% yoy sales growth in 2018 in key markets (BRICS and Europe w/o Germany) from EUR 2.9m (2017) to EUR 3.6m (2018) 	<ul style="list-style-type: none"> ➤ Extension of distribution network with >20% sales growth per year
North America	<ul style="list-style-type: none"> ➤ Direct sales via distribution agents and B2B partnerships with global orthopedic companies 	<ul style="list-style-type: none"> ➤ EUR 3.1m (FY/2017) sales from the scratch in 3 years market presence (CAGR: 84%) ➤ 2018 some setbacks (EUR 2.2m) 	<ul style="list-style-type: none"> ➤ Extension of distributor and agents network with >30% sales growth per year

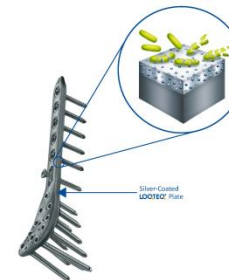


Platform Technology – Silver Coating LOQTEC[®] antibacterial

- Silver Coating Technology (game changer technology)
 - Front runner in developing antibacterial silver coating technology for implantable medical devices
 - Technology and product development accomplished
 - Final stage to start human clinical study in Germany / USA / Austria with top clinical surgeons
 - First ever human clinical study after many decades of research by many companies
 - Technology with broad applications (orthopedics, dental, cardio-vascular etc.)
 - Continuous high interest from global players to license or acquire the technology

 **POTENTIAL MAJOR GAME CHANGER**


- Striving to be the first company in the world with approved silver coated trauma products addressing an unmet need of the industry

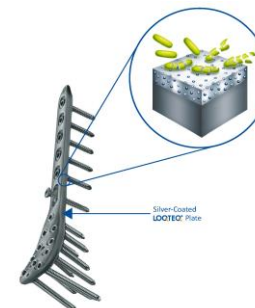


After successful human clinical study big potential in the medical device industry

Value Creation

Approach to exploit the market with Silver Coating **LOQTEC[®]** antibacterial

	Approach	Successes	Future Value Creation
<p style="text-align: center;">Worldwide</p>	<ul style="list-style-type: none"> ➤ Own distribution and partnerships with global companies 	<ul style="list-style-type: none"> ➤ Application for approval of human clinical study submitted to BfArM ➤ Submission of application for approval of human clinical study to FDA under preparation 	<ul style="list-style-type: none"> ➤ Distribution of silver coated <i>aap</i> products ➤ Co-development and licensing deals with global orthopedic companies ➤ Establishing <i>aap</i> as the “Silver-Coating-Company” as service provider for medtech companies



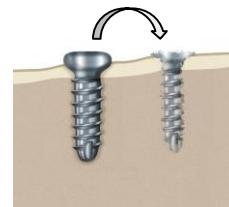
Platform Technology – Magnesium Implants

LOQTEC[®] resorbable

- Coated Resorbable Magnesium Implant Technology (open for co-investment)
 - Avoids second surgery for implant removal thanks to resorption of the implant in the body after fracture healing
 - Technology and products under development
 - First animal studies accomplished with promising results
 - Technology with broad applications (CMF, sports medicine, pediatric etc.)

 POTENTIAL MAJOR GAME CHANGER

- Striving to be the company that offers products avoiding second surgeries in orthopedics and thereby to address a big cost saving potential for the health economy

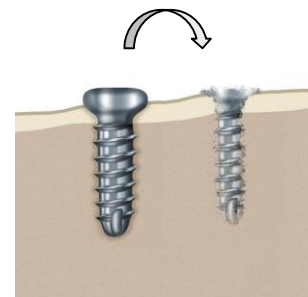
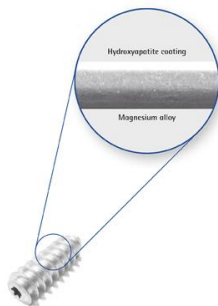


Targeted co-investment in coated magnesium implant technology as a start-up managed by aap

Value Creation

Approach to exploit the market with Magnesium Implants **LOQTEC[®]** resorbable

	Approach	Successes	Future Value Creation
<p style="text-align: center;">Worldwide</p>	<ul style="list-style-type: none"> ➤ Joint development and distribution with co-investor 	<ul style="list-style-type: none"> ➤ Unique magnesium alloy with good biomechanical properties combined with moderate and controllable resorption rate ➤ Cost-effective coating technology 	<ul style="list-style-type: none"> ➤ Joint development and distribution agreement with co-investor ➤ Co-development and licensing deals with global trauma companies



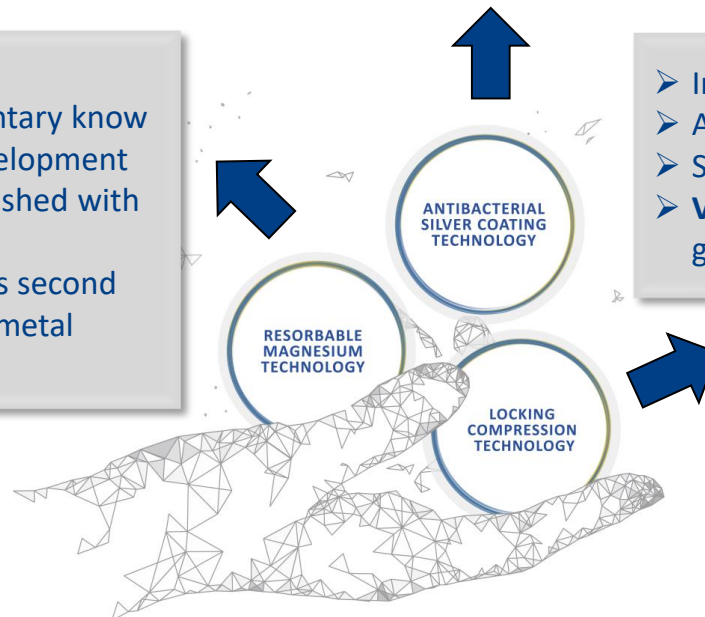
Value Creation

Sum of the Parts - Strategic framework

- Potential to be first mover in trauma application
- Wide range of applications outside trauma (i.e. cardiology)
- Increasing interest by global companies
- **Valuation:** Assessment by PWC on licensing opportunities shows big value potential

- Leading scientist team
- IP-protected and complementary know how transfer from silver development
- First animal studies accomplished with promising results
- **Valuation:** Big opportunity as second surgery is avoided (i.e. USA, metal intolerance)

- Increasing LOQTEQ® brand awareness
- Almost no screw sizing effects
- Sales in 2019e: EUR 13m -15m
- **Valuation:** Median EV/Sales of 3-5x in recent global transactions of pure trauma companies



The Way Ahead

Key success factors 2019 and ahead

- Accelerated Top-line growth via:
 - Increase in domestic and international sales as a result of efforts made in 2018
 - Establish new US team with focus on listing at national contracts and active training of clients
 - Selected distribution partnerships for LOQTEQ® with global orthopedic companies
 - *Update Q1*: 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)

- Cost-Price-Improvement program
 - Targets Personnel and OPEX cost reduction → Program identified, execution started
 - Leverage production facility with third party orders → Increase of supply to global orthopedic companies
 - Partnerships for manufacturing → Evaluation with, among others, Chinese companies started

- Silver coating technology
 - Start human clinical study as prerequisite for market approval
 - Global partnerships with leading trauma companies
 - *Update Q1*: Different global orthopedic companies showed keen interest in recent talks

- Coated Resorbable Magnesium Implant Technology
 - Push further technology and product development
 - Process to select co-investor for a start-up managed by *aap* has started



Many thanks for your attention!



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Appendix



Update Q1/2019

➤ Q1/2019 Key Results

- 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:

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%

➤ 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

aap by numbers

Overview

P & L (in EUR million)	FY/2018	FY/2017
Sales	10.8	10.9
EBITDA	-6.4	-6.2

Capital Structure (in EUR million)	31/12/2018	31/12/2017
Total Assets	42.2	50.5
Equity Ratio	83%	84%

Cash Structure (in EUR million)	31/12/2018	31/12/2017
Cash (per B/S)	4.3	13.3
Net Cash (per B/S)	4.0	12.7
Cash holdings	7.3*	17.1**
Net Cash (incl. Restricted Cash)	6.6	15.7

*In the consolidated balance sheet of 12/31/2018 EUR 4.3 million is stated as cash and cash equivalents, while cash with banks totalling EUR 3.0 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.

**In the consolidated balance sheet of 12/31/2017 EUR 13.3 million is stated as cash and cash equivalents, while cash with banks totaling EUR 3.8 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.

aap by numbers

Closer look at sales

Sales (in EUR million)	FY/2018	FY/2017	Change
Trauma	10,816	10,648	+2%
Germany	2,774	2,427	+14%
North America	2,240	3,071	-27%
<i>North America Distributors</i>	2,172	2,491	-13%
<i>North America Global Partners</i>	68	580	-88%
International (without North America)	5,802	5,150	+13%
<i>Europe (without Germany)</i>	1,864	1,593	+17%
<i>BRICS states</i>	1,713	1,297	+32%
Total key markets	3,577	2,890	+24%
<i>Rest</i>	2,225	2,260	-2%
Other (mainly discontinued activities)	-35	254	<-100%
Sales	10,781	10,902	-1%

Notes





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