

# Interim report | 2016 1st quarter



## Selected figures

Sales and result <sup>1)</sup>	01/01-03/31/2016	01/01-03/31/2015	Change
Sales (KEUR)	2,518	2,940	-14 %
EBITDA (KEUR)	-2,171	-1,760	-23 %
EBIT (KEUR)	-2,654	-2,166	-23 %
Cash-EBT <sup>2)</sup> (KEUR)	-2,927	-2,623	-12 %
Net result (KEUR)	-2,732	-1,787	-53 %
Cash flow and investments <sup>3)</sup>	01/01-03/31/2016	01/01-03/31/2015	Change
Operative Cash flow (KEUR)	-2,705	50	>-100 %
Investing activities in intangible assets (KEUR)	-405	-590	31 %
Investing activities in tangible assets (KEUR)	-570	-378	-51 %
Total investing activities (KEUR)	-975	-968	-1 %
Value development <sup>1)</sup>	03/31/2016	12/31/2015	Change
Intangible assets (KEUR)	10,804	10,441	3 %
Tangible assets (KEUR)	8,211	7,675	7 %
Working Capital (KEUR)	13,369	11,427	17 %
Working capital ratio <sup>4)</sup> (sales)	0.9	1.3	-31 %
Non-current assets (KEUR)	19,856	19,203	3 %
Current assets (KEUR)	33,252	35,743	-7 %
Capital structure <sup>1)</sup>	03/31/2016	12/31/2015	Change
Total assets (KEUR)	53,108	54,946	-3 %
Shareholders' equity (KEUR)	37,973	40,307	-6 %
Equity ratio	72 %	73 %	-3 %
Share <sup>5)</sup>	01/01-03/31/2016	01/01-03/31/2015	Change
Total amount of shares 09/30 (million pieces)	30.73	30.67	0 %
Closing price 09/30 (EUR/Share)	1.57	2.70	-42 %
Market Capitalization 09/30 (million EUR)	48.24	82.78	-42 %
Average Price (EUR/Share)	1.28	2.63	-51 %
High (EUR/Share)	1.67	2.82	-41 %
Low (EUR/Share)	1.09	2.33	-53 %
Ø Daily turnover (KEUR)	45.2	77.5	-42 %
Employees group <sup>1)</sup>	03/31/2016	12/31/2015	Change
Employees (Headcount)	175	179	-2 %
Employees (FTE)	161	159	1 %

<sup>1)</sup> Figures relate to the continued operation.

<sup>2)</sup> EBT excluding capitalized development services and depreciation thereof.

<sup>3)</sup> Figures relate to the group.

<sup>4)</sup> Sales of the last four quarters.

<sup>5)</sup> XETR closing prices.

Note: In the figures, as shown in the quarterly report, technical rounding differences could exist, which have no impact on the entire statement.

## Table of Contents

Selected Figures	U2
Foreword by the Management Board	2
The Share	4
Interim Group Management Report	6
• Business and General Conditions •	8
• Economic Report •	7
Earnings Position	8
Asset Position	10
Financial Position	11
• Risk and Opportunity Report •	12
• Outlook •	12
Interim Consolidated Financial Statements	13
• Consolidated Statement of Cash Flows •	13
• Consolidated Balance Sheet •	14
• Consolidated Statement of Comprehensive Income •	16
• Consolidated Statement of Changes in Equity •	18
• Notes to the Interim Consolidated Financial Statements •	19
Company Calendar	24

## Foreword by the Management Board

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Ladies and Gentlemen,  
Dear Shareholders, Employees,  
and Business Partners,

The first quarter of 2016 was a very exciting quarter during which we managed to achieve major milestones in the implementation of our strategy.

With sales of the *aap* group of EUR 5.1 million in the reporting period and EBITDA of EUR -1.9 million, we achieved our forecast from February. The continued operation with our trauma products contributed EUR 2.5 million to sales. In light of the negative overall economic development in BRICS and SMIT countries last year and our target to return to the growth path in 2016, we have taken and implemented various measures: We have focused more strongly on established markets, strengthened our business with experienced sales managers who previously worked for globally leading companies, and have already started numerous sales activities on these markets. Overall, we expect the measures to take effect in the second half of 2016, which should then be reflected in a tangibly more dynamic sales development. It is pleasing here that, among other things, our US subsidiary contributed EUR 0.2 million to sales in the first quarter of 2016 after posting no noteworthy sales in the 2015 fiscal year. This is in particular important against the background that there are now regularly procedures with our LOQTEQ® products and we thereby have direct access to hospitals or via our distributors.

A further highlight in the first quarter was the submission of the design dossier for the performance of the CE conformity assessment procedure for the first silver coated implant to a notified body at the end of January 2016. With our silver coating technology we are addressing one of the critical problems in surgery that haven't yet been resolved adequately: the reduction of the risk of infection when using metal implants. In this context, the documents submitted will now be reviewed

in the second quarter and an interactive exchange will begin with the notified body.

In addition, we made further progress in the completion of our LOQTEQ® portfolio in the first quarter and, among other things, developed implants for the lower extremities and launched the periprosthetic treatment system.

A major objective of our strategy is to transform *aap* into a pure player in trauma with IP-protected innovative technologies. In this context, we reported at the end of March 2016 the conclusion of a share purchase agreement for the sale of our *aap* Biomaterials GmbH subsidiary. Based on an assumed enterprise value of *aap* Biomaterials GmbH of EUR 36 million, we concluded the transaction on beneficial terms on our second attempt. Thus, *aap* will receive proceeds of about EUR 36.6 million. After deduction of the estimated transaction costs the net inflow amounts to around EUR 35 million. We will use a part of the proceeds to finance further growth and to distribute part of them to our shareholders. In this context *aap* evaluates different options without having taken a measure into closer consideration or decided on it. For example the set up of a share buyback program in the current financial year and/or a dividend payment in financial year 2017 based on the annual financial statements 2016 seem to be conceivable.

On the basis of the "new" *aap* as a pure player in trauma, we now need to adjust the cost structure of the company to the reduced company size. We have already drawn up a corresponding action plan and will implement it consistently from the second quarter of 2016 onwards. Our aim is to achieve an annualized savings effect of EUR 2.0 million.

Our targets set for 2016 include, in particular, the return to the growth path with planned sales growth for our trauma products of 20% with a simultaneous adjustment of the cost structure. In addition, a major objective of our further strategic alignment is to unlock the inherent value of our three IP-protected platform technologies LOQTEQ®, silver coating and magnesium. To this end, we are currently collaborating with a leading corporate finance company and are developing and assessing various value generation options.

There is still an exciting time ahead of us over the coming nine months in order to achieve the targets set for 2016. We are confident that we can achieve these targets during this fiscal year on the basis of the taken and planned measures. Last but not least, we look forward to welcoming as many of our shareholders as possible at our annual general meeting in Berlin on June 17, 2016.



**Bruke Seyoum Alemu**  
Chairman of the Management Board / CEO



**Marek Hahn**  
Member of the Management Board / CFO

## The Share

### General information about aap's share

International Securities Identification Number (ISIN)	DE0005066609
Securities Identification Number (WKN)	506 660
Listing	All German stock exchanges, XETRA
Stock Symbol	AAQ
Market Segment	Prime Standard (since 16 May 2003)
Indices	CDAX Prime All Share Index Technology All Share Index
Prime Sector	Pharma & Healthcare
Capital Stock (03/31/2016)	EUR 330,725,756
Number of Bearer Shares (03/31/2016)	30,725,756
Authorized Capital (03/31/2016)	EUR 30,725,756

### Key figures\* of aap's share

	1st quarter	
	2016	2015
Closing price 03/31 (EUR/Share)	1.57	2.70
Market Capitalization 03/31 (million EUR)	48.24	82.78**
Average Price (EUR/Share)	1.28	2.63
High (EUR/Share)	1.67	2.82
Low (EUR/Share)	1.09	2.33
Ø Daily turnover (KEUR)	45.2	77.5

\* Figures relate to XETRA closing prices of the day.

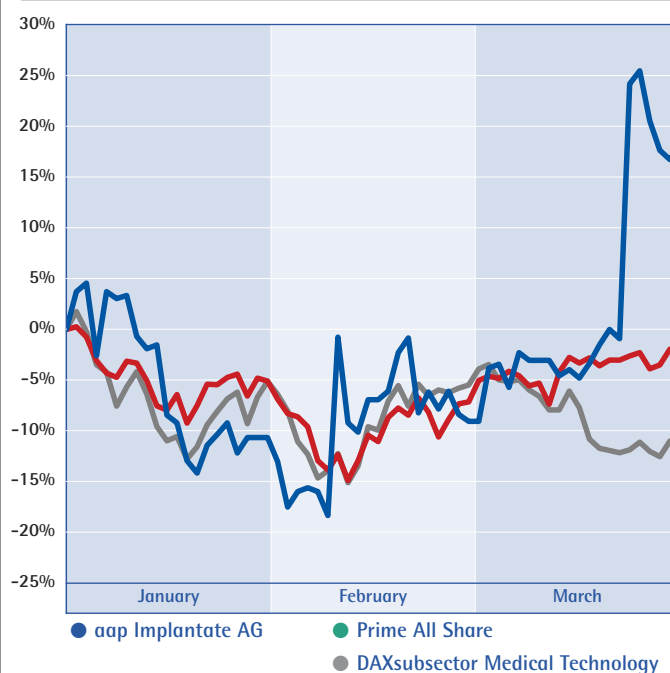
\*\* As of 03/31/2015 the number of bearer shares amounted to 30,670,056.

The start of the new year on the international stock exchanges was predominantly characterized by a high degree of volatility. Over the first few weeks of the reporting period, market sentiment was dominated by falling commodity prices and uncertainty regarding the situation in the Middle East, which partly resulted in significant share price decreases. During the remainder of the first quarter, a noticeable upward trend with increasing share prices set in, particularly since the predominantly negative forecasts for the further development of the world economy proved unfounded.

The *aap* share was initially unable to evade the negative trend at the beginning of the first quarter. The share price came under pressure based on the XETRA closing price of EUR 1.33 on January 4, 2016, and it reached a quarterly low of EUR 1.09 on February 9, 2016. The share price was subsequently on the rise for a short time, before moving mainly sideways over the following few weeks. In response to the notification about the

signed share purchase agreement for the sale of *aap* Biomaterials GmbH, there was a significant price jump on March 22, 2016, with the quarterly high of EUR 1.67 reached the following day. The closing price of the first quarter was EUR 1.57 on March 31, 2016. Overall, the *aap* share was up 18% during the reporting period, thereby outperforming both its benchmark indices and the peer group.

### Indices Share Price Comparison Q1 | 2016



### Peer Group Share Price Comparison Q1 | 2016



## Analysts' Recommendations

Research Company	Analyst	Recommendation	Target Price	Date
Warburg Research GmbH	Harald Hof	Buy	2.10 EUR	02/23/2016
Edison Investment Research GmbH	Hans Bostrom	-	2.96 EUR	08/24/2015

All research reports by the analysis firms are available at [www.aap.de/en/investoren/aktie/research](http://www.aap.de/en/investoren/aktie/research). The reports by Edison Investment Research GmbH are only available in English.

## Investor Relations

As part of its investor relations work, *aap* placed great emphasis on continuous and transparent communication with its stakeholders also in the first quarter of 2016. Here, the Management Board met and spoke a lot with existing and potential new investors, and held intensive discussions about the equity story and expectations for the current year.



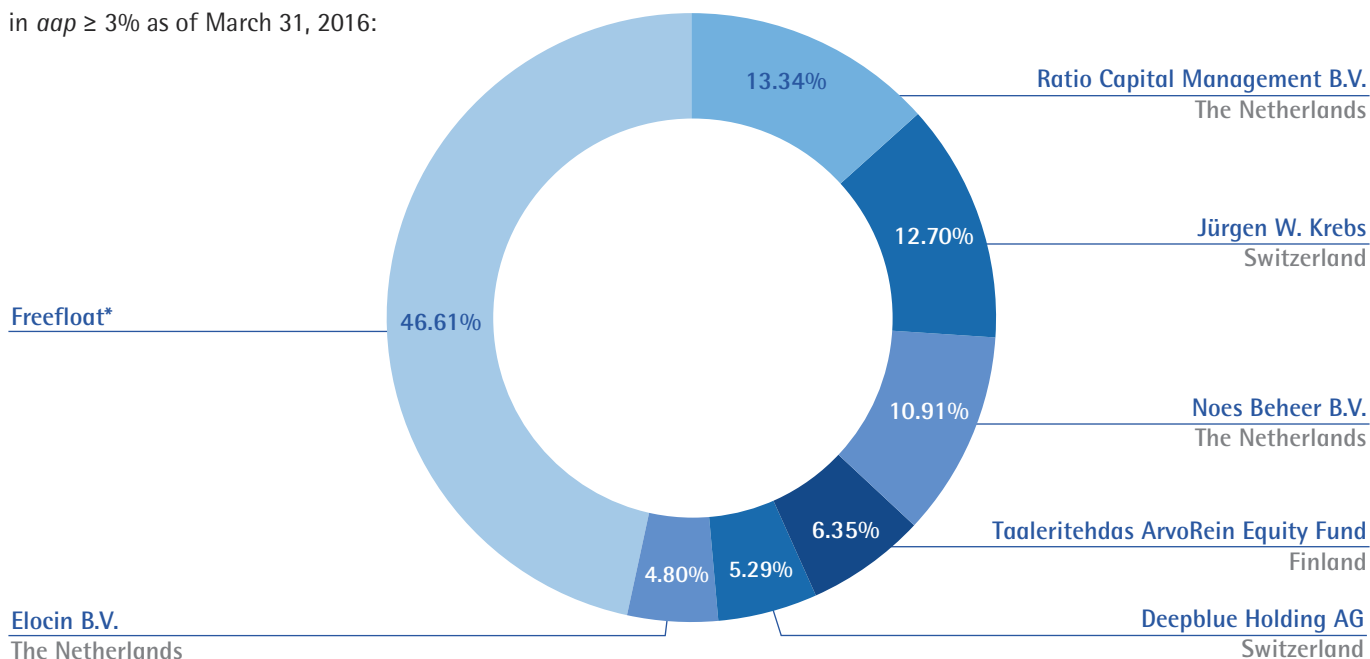
The main focus of the second quarter of 2016 is in particular the 7th DVFA "Frühjahrskonferenz" in Frankfurt am Main.

Investor Relations app download

## Shareholder Structure

In the first quarter of 2016 there were no changes in the shareholder structure of *aap*, which thereby continues to be characterized by a large number of long-term orientated investors. The free float was approximately 46.61% on March 31, 2016.

The following table shows all shareholdings in *aap*  $\geq 3\%$  as of March 31, 2016:



\* Based on own calculations.

## Shareholdings Executive Bodies

The table below shows the direct and indirect shareholdings of all members of the Company's Supervisory Board and Management Board as of March 31, 2016:

	Shares	Options
<b>Supervisory Board Members</b>		
Biense Visser	275,196	150,000
Ronald Meerschaert	0	0
Rubino Di Girolamo	1,626,157	0
<b>Members of the Management Board</b>		
Bruke Seyoum Alemu	160,000	204,000
Marek Hahn	56,000	186,000

## Interim Group Management Report

### Business and General Conditions

#### Organizational and Legal Structure

In the consolidated financial statements, *aap* Implantate AG and all of its companies have been consolidated using the full consolidation method, in which the parent company *aap* Implantate AG directly or indirectly holds the majority of voting rights through consolidated subsidiaries.

	Shareholding in %
<b>aap Implantate AG</b> Berlin	<b>Parent company</b>
<b>aap Biomaterials GmbH</b> Dieburg	<b>100</b>
<b>aap Implants Inc.</b> Dover, Delaware, USA	<b>100</b>
<b>MAGIC Implants GmbH</b> Berlin	<b>100</b>
<b>aap Joints GmbH</b> Berlin	<b>33</b>
<b>AEQUOS Endoprothetik GmbH</b> Munich	<b>4.57</b>

#### Subsidiaries

##### *aap* Biomaterials GmbH

In the first quarter of 2016, all development and manufacturing activities relating to medical biomaterials, as well as bone cements and cementing techniques, were subsumed in *aap* Biomaterials GmbH. The company is based in Dieburg, near Frankfurt am Main. On March 22, 2016, a notarized share purchase agreement was signed with a leading European private equity firm for the sale of 100% of the company shares in *aap* Biomaterials GmbH. The transaction was closed on May 11, 2016.

##### *aap* Implants Inc.

*aap* Implants Inc. is the distribution company of *aap* Implantate AG for the US market. The company is based in Dover, Delaware, USA. All orders are logistically handled via a service provider in Atlanta, Georgia, USA.

##### MAGIC Implants GmbH

MAGIC Implants GmbH is a shelf company in which all potential development and, if applicable, marketing activities in the area of magnesium technology should be bundled. The company is based in Berlin.

#### Holdings

##### *aap* Joints GmbH

After the sale of 67% of the shares in June 2013, in the first quarter of 2016, there was a 33% stake in *aap* Joints GmbH. In *aap* Joints GmbH, all the orthopedic activities (knees, hips, and shoulders) are bundled together with the C~Ment® line. The company is based in Berlin. Through a notarized contract dated September 21, 2015, it was agreed that the remaining 33% shareholding in *aap* Joints GmbH will be sold if eight products get successfully re-certified. To date, seven of the re-certifications have already been completed.

##### AEQUOS Endoprothetik GmbH

There is a 4.57% stake in AEQUOS Endoprothetik GmbH that has no decisive influence on the operating and financial policies. The company is based in Munich.

#### Products, Markets & Distribution

Most products are sold under the brand name "*aap*". While products in German-speaking countries are sold directly to hospitals, buying syndicates and hospital groups, the company uses of a broad network of distributors in more than 60 countries at the international level. In regional terms, the most important sales markets, in addition to the DACH region and other European markets, are the USA and the BRICS and SMIT countries. In addition, in the first quarter of 2016, *aap* served global orthopedics companies via its subsidiary *aap* Biomaterials GmbH. Here sales via OEM and private label cooperations dominated.

In the first quarter of 2016, as part of its marketing and sales activities, *aap* was inter alia present at the 41st Arab Health in Dubai. With 130,000 visitors from 163 countries and 4,000 exhibitors from 70 countries, the event is the largest health sector exhibition in the Middle East and Asia. Furthermore, *aap* pre-



sented its product portfolio at the annual congress of the American Academy of Orthopaedic Surgeons (AAOS) in Orlando, Florida. The AAOS congress is particularly aimed at orthopaedic surgeons and other healthcare professionals, and alongside its educational events, it also includes a vast industrial exhibition that is growing ever larger in stature on the international stage. In addition to this, the basic osteosynthesis trauma course that *aap* ran for the eighth time in Berlin alongside its Spanish distributor should be highlighted. The event was well attended, with more than 30 doctors and about ten of the distributor's employees.

### Product Developments and Approvals

In the **trauma** business, the primary focus of research and development activities during the first quarter of 2016 was on the planned completion of the LOQTEQ® portfolio. Here, the company concentrated partly on developing implants for extremities. There are various plate market launches planned for the rest of the current financial year. There was also a focus on the launch of the patented periprosthetic treatment system. The anatomic fit, functionality and stability of the new CE-marked system were tested in extensive workshops and mechanical testing and convinced with good results. The implants were then passed on to a number of selected hospitals for a first-using phase prior to the worldwide launch, which is planned until the end of the year.

In the area of **silver coating technology**, the focus during the first quarter of 2016 was on the successful completion of the approval relevant work and the intended CE marking. In January, *aap* submitted the design dossier for the CE conformity assessment procedure for the antibacterial silver coating technology to a notified body leading in the field of medical products. The conformity assessment procedure is initially undertaken for a silver-coated LOQTEQ® plate. In case of a successful conformity assessment, the company plans to extend the approval to further trauma products. Furthermore, the first steps towards an approval process with the US Food and Drug Administration (FDA) have been taken.

In the **magnesium technology** area, the primary focus over the reporting period was on analyzing the opportunities to source various raw materials. *aap* is also continuing to evaluate various opportunities for cooperation with external companies.

### Employees

As at the reporting date of March 31, 2016, a total of 177 employees were employed in the continued operation (December 31, 2015: 179 employees). In the discontinued operation the number of employees amounted to 67 as at March 31, 2016 (March 31, 2015: 67 employees).

### Economic Report

#### Preliminary remarks on the presentation of the consolidated statement of income

On March 22, 2016, *aap* Implantate AG signed a notarized share purchase agreement with a leading European private equity firm regarding the sale of 100% of the company's shares in its subsidiary *aap* Biomaterials GmbH, based in Dieburg. The operation sold within the transaction consists of *aap* Biomaterials GmbH, which is specialized in the development, production and marketing of bone cements, mixing systems and related accessories, and *aap* Implantate AG's distribution business in this area. In 2015, the operation sold recorded sales of EUR 15.7 million.

Based on this transaction and the fulfillment of the requirements of IFRS 5 in November 2015, the disposed operation was first presented as a discontinued operation in the consolidated financial statements of December 31, 2015.

The consolidated statement of income of the group is therefore splitted into two parts: continued operation and discontinued operation. The continued operation includes the activities bundled in *aap* Implantate AG, Berlin, *aap* Implants Inc., Dover, Delaware, USA, and MAGIC Implants GmbH, Berlin. The discontinued operation for the first quarter of 2016 and 2015 includes *aap* Biomaterials GmbH, Dieburg and the distribution business

of *aap* Implantate AG in bone cements, mixing systems and related accessories. The closing of the transaction is subject to the market standard conditions precedent, which were not met by the reporting date 03/31/2016.

Unless otherwise stated, all remarks regarding the asset, financial and earnings position refer to the continued operation.

## Earnings position

### Sales development and total operating performance

The **sales** of the **continued operation** were down 14% in the first quarter of 2016 as compared to the same period in the previous year, falling from EUR 2.9 million to EUR 2.5 million. Here, sales from trauma products (implants and trauma-complementary biomaterials) dropped from EUR 2.6 million to EUR 2.2 million. It must be noted in this context that initial sales invoiced to a new Iranian distributor in the amount of EUR 0.7 million were included in the first quarter of 2015 which were reversed in the course of preparing the 2015 annual financial statements due to non-fulfilled contractual obligations. When factoring out this effect, sales from trauma products grew from EUR 1.9 million in the first quarter of the previous year to EUR 2.2 million in the reporting period. It is pleasing that our US subsidiary contributed EUR 0.2 million to sales in the first quarter of 2016 after virtually no noteworthy sales in fiscal year 2015.

In response to the business development of the past quarters, *aap* has expanded its sales organization considerably. For instance, the sales team was strengthened with several executives with extensive experience and proven track records in the industry based on many years of service with renowned international medical technology companies. We expect that these and the already initiated sales measures will have an effect from the second half of 2016, which should then be reflected in a tangibly more dynamic sales development from our trauma products.

Supply sales in the non-core area of Recon (hip, knee and shoulder as well as the C~Ment® line) remained unchanged in the first quarter of 2016 as compared to the same period in the previous year at EUR 0.3 million.

**Sales** in the **discontinued operation** fell from EUR 4.2 million in the first quarter of 2015 to EUR 2.5 million in the reporting period. This is due to a pure quarterly fluctuation that primarily results from the order behavior of major customers for bone cements and mixing systems.

The **total operating performance** includes sales revenues and inventory changes as well as own and development work capitalized. With lower sales revenues, the total operating performance of the **continued operation** remained unchanged in the first quarter of 2016 at EUR 3.7 million. The reason for this is the temporary increase in stock due to the pre-production for larger orders in the second quarter of 2016 as well as the necessary safety stock of new LOQTEQ® products, which were launched in recent months.

In accordance with IFRS, *aap*, as a development-intensive company, capitalizes not only internally produced capital goods but also expenses of its own projects and development projects for which approval and economically successful sales are highly likely. In the continued operation, *aap* capitalized EUR 0.4 million in the first quarter of 2016 (Q1/2015: EUR 0.5 million) of own and development services. The largest additions in this regard concern the development of our silver coating technology and the expansion of our LOQTEQ® system by additional plating systems for certain indication regions and functions.

For the **discontinued operation**, total operating performance is down in the first quarter of 2016 as compared to the same period in the previous year, falling EUR 1.5 million to EUR 2.9 million, which is due above all to the strong fall in sales in the face of slightly lower capitalized own and development services and a larger change in stock.

### Cost structure and Result

**Other operating income** in the **continued operation** fell from EUR 0.2 million in the first quarter of 2015 to EUR 0.1 million in the reporting period. The decline results from non-recurring effects in the first quarter of 2015: One-off income from currency conversion as a result of appropriating a significant USD

amount was realized and higher fees for services to subsidiaries collected.

In the **discontinued operation**, other operating income fell in the first quarter of 2016 from EUR 0.3 million in the same period in the previous year to EUR 0.1 million, again mainly due to one-off income from currency conversion.

The **cost of materials ratio** (with regard to sales revenue and changes in inventories) in the **continued operation** improved from 51% to 46% in the first quarter of 2016. Also material expenses fell slightly from EUR 1.6 million to EUR 1.5 million. The action plan implemented at the beginning of the year aims, among other things, to lower manufacturing costs sustainably. In this regard, a reduction in the share of external services and an increase in in-house manufacturing is essential to achieving an improvement in margins. In this context, further progress has already been recorded: For example, the proportion of third-party services in the cost of materials during the first quarter of 2016 improved to 24% compared to the same period of the previous year (Q1/2015: 23%).

The cost of materials ratio in the **discontinued operation** increased from 30% in the first quarter of 2015 to 44% in the first quarter of 2016. This rise is based primarily on a changed product mix/sales structure with higher material expenses and higher project proceeds without corresponding material expenditure which were included in the first quarter of 2015.

**Personnel expenses** in the **continued operation** rose in the first quarter of 2016 from EUR 2.1 million in the same period in the previous year to EUR 2.3 million due to the higher average number of employees. In the fourth quarter of 2015 and the first quarter of 2016 *aap* expanded its sales organization in a targeted manner in order to achieve the planned sales growth for 2016. The personnel expense ratio (with regard to total operating performance) increased to 62% in the first quarter of 2016 as a result of the higher personnel expenses with a stable total operating performance (Q1/2015: 57%).

As at the reporting date of March 31, 2016, a total of 177 employees were employed in the continued operation (December 31, 2015: 179 employees).

In the **discontinued operation**, personnel expenses in the first quarter of 2016 were unchanged at EUR 0.9 million as compared to the same period in the previous year. As at March 31, 2016, 67 employees were working in the discontinued operation (March 31, 2015: 67 employees).

The **other operating expenses** of the **continued operation** increased over the reporting period compared to the same period in the previous year by EUR 0.2 million to EUR 2.1 million. The main reasons for the increase are the additional advance costs in connection with the establishment of the US business, higher hiring costs in particular for the acquisition of experienced sales employees and the temporary and rented use of a machine. Overall, the other operating expenses ratio in the continued operation (with regard to total operating performance) increased in the first quarter of 2016 as compared to the same period in the previous year from 52% to 57%. Some of the other operating expenses are passed on via group allocation to the discontinued operation. However, it must be noted that the cost structure in the continued operation also includes central administration costs, which will need to be adjusted down to an adequate degree for the remaining company part after completion of the sale of *aap* Biomaterials GmbH.

In the **discontinued operation**, other operating expenses fell slightly in the first quarter of 2016 by EUR 29 thousand as compared to the same period in the previous year.

*aap* thereby achieved in the **continued operation** EBITDA of EUR -2.2 million in the first quarter of 2016 (Q1/2015: EUR -1.8 million). The decline in EBITDA resulted, in particular, from the fall in other operating income due to special effects in the previous year, the rise in other operating expenses as a result of the advance costs for sales in the US as well as expenses for hiring staff and higher personnel costs due to the slightly higher average number of personnel.

EBITDA in the **discontinued operation** fell significantly in the first quarter of 2016 as compared to the same period in the previous year from EUR 2.0 million to EUR 0.3 million, above all due to the substantially lower sales revenues and decreased other operating income due to special effects in the previous year at a constant overall cost level.

Based on the comprehensive investments in machinery and systems with a view to building up capacity in the 2014 and 2015 fiscal years, in the **continued operation scheduled depreciation** increased from EUR 0.4 to EUR 0.5 in the first quarter of 2016 as compared with the same period in the previous year.

Due to the suspension of depreciation in application of IFRS 5, depreciation fell in the **discontinued operation** from EUR 0.2 million in the first quarter of 2015 to EUR 0.0 million in the reporting period.

EBIT in the **continued operation** stood at EUR -2.7 million in the first quarter of 2016 (Q1/2015: EUR -2.2 million) and in the **discontinued operation** at EUR 0.3 million (Q1/2015: EUR 1.7 million).

The **financial result** changed only slightly both in the continued operation and the discontinued operation and has only a very marginal impact on the key performance indicators as in the first quarter of 2015.

The result from joint ventures and affiliates rose in the continued operation from EUR -34 thousand in the first quarter of 2015 to EUR -5 thousand in the first quarter of 2016 and is attributable entirely to *aap* Joints GmbH.

Overall, *aap* achieved in the **continued operation** a net result of EUR -2.7 million for the first quarter of 2016 (Q1/2015: EUR -1.8 million) and in the **discontinued operation** of EUR 0.3 million (Q1/2015: EUR 1.3 million).

## Asset Position

In connection with the planned sale of *aap* Biomaterials GmbH, as at March 31, 2016, assets in the amount of EUR 13.7 million and liabilities in the amount of EUR 2.2 million are held for sale.

The *aap* group's balance sheet changed only slightly as compared to December 31, 2015. As such, the balance sheet total decreased from EUR 54.9 million by 3% to EUR 53.1 million as at March 31, 2016.

The increase in **non-current assets** results from the investments in development projects and property. **Capitalized development costs** increased compared to the reporting date as at December 31, 2015, in particular due to the development activities in the area of the silver coating technology and the planned enhancement of the LOQTEQ® portfolio by EUR 0.4 million. The proportion of intangible assets to total assets now stands at 20%, thereby increasing slightly on the year-end (December 31, 2015: 19 %). The rise in **tangible assets** results from purchased machines at the year end 2015 which have been only bought in the first quarter of 2016 and for which final payments have been performed.

**Current assets** fell from EUR 35.7 million to EUR 33.3 million as at March 31, 2016. Here, **inventories** rose slightly by EUR 0.6 million from EUR 9.7 million to EUR 10.3 million, which reflects the temporary inventories increase due to pre-production for larger orders in the second quarter of 2016 and the creation of backup inventories for the new LOQTEQ® products, which were launched in recent months. **Accounts receivable** rose slightly from EUR 5.8 million to EUR 6.1 million as at March 31, 2016.

The level of **cash and cash equivalents** dropped as at March 31, 2016 to EUR 1.6 million (December 31, 2015: EUR 4.9 million).

Based on the net result of EUR -2.7 million, **equity** decreased as at March 31, 2016 to EUR 38.0 million (December 31, 2015:

EUR 40.3 million). With total assets of EUR 53.1 million as at March 31, 2016 (December 31, 2015: EUR 54.9 million), the equity ratio was 72% (December 31, 2015: 73%).

**Financial liabilities** rose after payment of the planned settlement payments in the amount of EUR 0.3 million due to the taking up of a short-term loan in the amount of EUR 1.2 million from EUR 3.3 million to EUR 4.2 million as at March 31, 2016. **Accounts payable** saw a contrary performance and fell as at March 31, 2016 from EUR 4.1 million to EUR 3.1 million.

### Financial position

Starting from a negative net result of EUR -2.7 million, the **operating cash flow** of the *aap* group in the first quarter of 2016 was down on the same period of the previous year to EUR -2.5 million (Q1/2015: EUR 0.1 million). The main changes in the quarter-on-quarter comparison can be summarized as follows:

- Negative net result for the period ending March 31, 2016 (EUR -2.7 million)
- Funds tied up in working capital on the reporting date due to increases in receivables as at the quarter-end and the increase in inventories due to pre-production for the second quarter of 2016 (in the continued operation) as well as backup inventories for new LOQTEQ® products
- Reduction of trade liabilities by EUR 1.0 million
- Reduction of accounts receivable in the discontinued operation

**Cash flow from investing activities** was at EUR -0.9 million in the first quarter of 2016 (Q1/2015: EUR -1.0 million). *aap* invested EUR 0.6 million in machinery and systems in order to increase production capacities in the trauma business with EUR 0.3 million relating to investments in the previous year leading to an outflow of funds only in 2016. In addition, EUR 0.4 million was invested in capitalized development projects and in particular in the innovative silver coating technology and LOQTEQ® technology.

The main effects in **financing activities** can be summarized as follows:

- Repayments on loans/finance leasing agreements in the amount of EUR -0.3 million
- Taking up of a short-term loan of EUR 1.2 million, which will be repaid in the second quarter

This resulted in cash inflow of EUR 0.9 million from financing activities during the first quarter of 2016 (Q1/2015: EUR 1.7 million).

Cash and cash equivalents (including EUR 1.4 million made up by the discontinued operation) fell as at the reporting date to EUR 3.0 million (December 31, 2015: EUR 5.7 million). The net credit balance (the sum of cash and cash equivalents minus all interest-bearing liabilities, including the discontinued operation) as at March 31, 2016 was EUR 1.7 million (December 31, 2015: Net credit balance of EUR 0.9 million).

The *aap* group had access to contractually guaranteed credit lines totaling EUR 4.5 million as at March 31, 2016 (December 31, 2015: EUR 4.5 million), of which EUR 1.2 million had been drawn on as at the reporting date (December 31, 2015: not utilized). Furthermore, *aap* held usable liquidity (sum of cash and cash equivalents and available undrawn credit lines) of EUR 6.3 million as of March 31, 2016 (December 31, 2015: EUR 10.2 million).

### Risk and Opportunity Report

The risk and opportunity situation of *aap* Implantate AG has not materially changed since the end of 2015. There are still no risks that would threaten the company's continued existence. All existing risks and opportunities as well the structure and set-up of our risk and opportunity management are comprehensively presented in our consolidated annual financial report 2015.

## Outlook

In the second quarter of 2016 *aap* aims to achieve further progress in its strategy implementation. The Management Board will be focussing on the following topics:

To accelerate value-based innovations *aap* will be taking forward in a targeted manner the further expansion of the LO-QTEQ® portfolio for certain indication areas respectively functionalities. In the area of silver coating technology an active interaction with the approval authorities is to be pursued for the approval process under way.

The company wants to enhance market access by means of two approaches: Firstly, sales activities in the established markets in Western Europe as well as in the United States are to be expanded further. Secondly, further endeavours are to be undertaken to stabilize sales in growth markets such as the BRICS and SMIT countries.

Following the successful divestment of *aap* Biomaterials GmbH, *aap* will in the second quarter also be concentrating on opti-

mizing operational efficiency with a focus on adjusting the cost structure to the company's new size holding.

According to preliminary calculations, the completion of the *aap* Biomaterials GmbH transaction will result in a positive one-time overall effect on the earnings level of about EUR 19.6 million in the second quarter of 2016.

Thus the Management Board confirms its forecast for the entire year of 2016: The company anticipates for the EDITDA of the Group (continued and discontinued operation) incl. deconsolidation gain a value of between EUR 14.1 million and EUR 15.7 million. For the continued operation sales between EUR 13.0 million and EUR 15.0 million and an EBITDA between EUR -5.5 million and EUR -3.9 million are expected.

For the second quarter of 2016, *aap* is expecting for the continued operation sales to range between EUR 2.5 million and EUR 3.5 million and an EBITDA of EUR -2.0 million to EUR -1.5 million.



**Bruke Seyoum Alemu**  
Chairman of the Management Board / CEO



**Marek Hahn**  
Member of the Management Board / CFO

## Interim Consolidated Financial Statements

### Consolidated Statement of Cash Flows

(KEUR)	2016	2015
	01/01/2016 - 03/31/2016	01/01/2015 - 03/31/2015
• Net income (after tax) from continued operations	-2,732	-1,788
• Net income (after tax) from discontinued operations	354	1,332
<b>Net income after tax</b>	<b>-2,378</b>	<b>-456</b>
<b>Changes in working capital</b>	<b>-1,219</b>	<b>40</b>
• Stock options expenses without effect on payments	38	0
thereof: • Cash settlement	0	0
• Stock option expenses	38	0
• Depreciation and impairment loss fixed assets	483	630
• Changes in provisions	71	145
• Gains / loss from retirement of financial assets	0	0
• Gains / loss from disposal of subsidiary	0	0
• Gains / loss from disposal of fixed assets	0	0
• Share of net profit / loss of investments	5	34
• Interest rate expenses / income	5	30
• Interest tax expenses / income	7	-47
• Changes in other assets	25	-346
• Changes in other liabilities	259	349
• Income tax payments	-0	-329
<b>Cash flow from operating activities</b>	<b>-2,705</b>	<b>50</b>
• Outgoing payments from investing activities	-975	-968
• Grants	0	55
• Interest received	23	5
<b>Cash flow from investing activities</b>	<b>-953</b>	<b>-908</b>
• Incoming payments from equity injection	0	0
• Inflow from loans	1,220	2,003
• Redemption of loans	-251	-249
• Redemption of finance leases	-43	-17
• Interest paid	-28	-32
<b>Cash flow from financing activities</b>	<b>898</b>	<b>1,705</b>
<b>Changes of cash fund due to exchange rate effects</b>	<b>37</b>	<b>-1</b>
• Increase / Decrease in cash & cash equivalents	-2,723	846
• Cash & cash equivalents at beginning of period	5,721	12,136
<b>Cash &amp; cash equivalents at end of period</b>	<b>2,997</b>	<b>12,981</b>
thereof account for the discontinued operation	1,408	1,811

## Consolidated Balance Sheet

ASSETS (KEUR)	2016	2015
	03/31/2016	12/31/2015
<b>Non-current assets</b>	<b>19,856</b>	<b>19,203</b>
• Intangible assets	10,804	10,441
• Goodwill	0	0
• Capitalized services	10,651	10,293
• Other intangible assets	153	148
• Tangible assets	8,211	7,675
• Accounts receivable (trade debtors)	93	310
• At-Equity financial assets	0	0
• Financial assets	192	192
• Deferred taxes	556	585
<b>Current assets</b>	<b>33,252</b>	<b>35,743</b>
• Inventories	10,331	9,703
• Accounts receivable (trade debtors)	6,040	5,516
• Other financial assets	365	725
• Other assets	442	202
• Cash and cash equivalents	1,590	4,941
• Asset classified as held for sale	14,484	14,656
<b>Total assets</b>	<b>53,108</b>	<b>54,946</b>



LIABILITIES AND SHAREHOLDERS' EQUITY (KEUR)	2016	2015
	03/31/2016	12/31/2015
<b>Shareholders' equity</b>	<b>37,973</b>	<b>40,307</b>
• Subscribed capital	30,726	30,670
• Contributions to implement the capital increase resolved	106	162
• Capital reserve	17,653	17,615
• Revenue reserve	228	228
• Other reserve	490	490
• Consolidated balance sheet profit / loss	-11,272	-8,864
• Currency differences	42	6
<b>Non-current liabilities (above 1 year)</b>	<b>3,490</b>	<b>3,406</b>
• Financial liabilities	0	0
• Other financial liabilities	1,420	1,340
• Deferred taxes	1,172	1,140
• Provisions	17	22
• Other liabilities	881	904
<b>Current liabilities (up to 1 year)</b>	<b>11,645</b>	<b>11,233</b>
• Financial liabilities	4,229	3,260
• Trade accounts payable	3,095	4,102
• Other financial liabilities	1,114	940
• Provisions	353	276
• Tax liabilities	0	0
• Other liabilities	613	504
• Liabilities directly associated with assets classified as held for sale	2,241	2,151
<b>Total liabilities and shareholders' equity</b>	<b>53,108</b>	<b>54,946</b>

## Consolidated Statement of Comprehensive Income

INCOME STATEMENT (KEUR)	Continued operation	
	2016	2015
	01/01/2016 - 03/31/2016	01/01/2015 - 03/31/2015
• Sales	2,518	2,940
• Changes in inventories of finished goods and work in progress	819	262
• Other own work capitalized	389	533
<b>Total revenue</b>	<b>3,726</b>	<b>3,735</b>
• Other operating income	87	201
• Cost of purchased materials and services	-1,539	-1,621
• Personnel expenses	-2,305	-2,116
• Other operating expenses	-2,137	-1,955
• Other taxes	-3	-4
<b>EBITDA</b>	<b>-2,171</b>	<b>-1,760</b>
• Depreciation of tangible assets and intangible assets	-483	-406
<b>EBIT</b>	<b>-2,654</b>	<b>-2,166</b>
• Financial result	-13	-11
• Income / Expenses from joint ventures and associates	-5	-34
<b>EBT</b>	<b>-2,672</b>	<b>-2,210</b>
• Income tax	-60	423
<b>Net result / Total comprehensive income</b>	<b>-2,732</b>	<b>-1,787</b>
• Minority interest	0	0
<b>Net result / Total comprehensive income</b>	<b>-2,732</b>	<b>-1,787</b>
Assets which can be reclassified in income statement:		
• Differences from currency translation		
<b>Other net result / Other comprehensive income</b>	<b>-2,732</b>	<b>-1,787</b>
• Net income per share (undiluted) in EUR	-0.09	-0.06
• Net income per share (diluted) in EUR	-0.09	-0.06
• Weighted average shares outstanding (undiluted) in thousand pieces	30,832	30,670
• Weighted average shares outstanding (diluted) in thousand pieces	30,971	31,357

Discontinued operation		Group Total	
2016	2015	2016	2015
01/01/2016 - 03/31/2016	01/01/2015 - 03/31/2015	01/01/2016 - 03/31/2016	01/01/2015 - 03/31/2015
2,546	4,194	5,064	7,134
354	162	1,173	424
15	57	404	590
<b>2,915</b>	<b>4,413</b>	<b>6,641</b>	<b>8,148</b>
61	270	148	471
-1,289	-1,314	-2,828	-2,935
-866	-862	-3,171	-2,977
-526	-555	-2,664	-2,510
-1	-1	-4	-5
<b>293</b>	<b>1,952</b>	<b>-1,878</b>	<b>192</b>
0	-224	-483	-629
<b>293</b>	<b>1,729</b>	<b>-2,361</b>	<b>-437</b>
8	-19	-5	-30
0	0	-5	-34
<b>302</b>	<b>1,710</b>	<b>-2,371</b>	<b>-500</b>
24	-376	-35	48
<b>326</b>	<b>1,334</b>	<b>-2,406</b>	<b>-453</b>
		0	0
<b>326</b>	<b>1,334</b>	<b>-2,406</b>	<b>-453</b>
		0	0
<b>326</b>	<b>1,334</b>	<b>-2,406</b>	<b>-453</b>
0.01	0.04	-0.08	-0.01
0.01	0.04	-0.08	-0.01
30,832	30,670	30,832	30,670
30,971	31,670	30,971	31,357

## Consolidated Statement of Changes in Equity

	Subscribed capital	Initial capital payments made for capital increase	Capital reserve	Revenue reserves		Non-cash changes in equity				Balance sheet result*	Total
				Legal reserves	Other revenue reserves	Reserve for available-for-sale assets	Other revenue reserves	Difference from currency translation	Total		
(TEUR)											
<b>Status 01/01/2016</b>	30,670	162	17,615	42	187	490	0	6	496	-8,865	40,307
									0		
Increase in shares	56	-56							0		0
Stock options			38						0		38
Income of the group as of 12/31/2015			0						0	-2,406	-2,406
Currency diff.								35	35		35
Other comprehensive income								0	0		0
Total comprehensive income								35	35	-2,406	-2,371
<b>Status 03/31/2016</b>	30,726	106	17,653	42	187	490	0	42	531	-11,272	37,974
<b>Status 01/01/2015</b>	30,670	0	17,609	42	186	490	0	0	490	-3,573	45,424
Increase in shares	0		0								0
Stock options			0								0
Valuation of available-for-sale assets						0					0
Raising ownership shares in subsidiaries											0
Income of the group as of 12/31/2014										-456	-456
Other comprehensive income											0
Total comprehensive income										(-456)	(-456)
<b>Status 03/31/2015</b>	30,670	0	17,609	42	186	490	0	0	490	-4,029	44,968

## Notes to the Interim Consolidated Financial Statements

### 1. Accounting and valuation methods

The unaudited interim financial statements as at March 31, 2016 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The same accounting policies are applied in the interim financial statements as in the consolidated financial statements for fiscal year 2015. For more information, please refer to the consolidated financial statements of December 31, 2015, which form the basis for these interim financial statements.

During the preparation of consolidated financial statements for interim reporting in accordance with IAS 34, the Management Board is required to make judgements and estimates as well as assumptions that affect the application of accounting principles within the group and the approach, recognition and measurement of assets and liabilities, income and expenses. The actual amounts may differ from these estimates.

The consolidated interim financial statements account for all current transactions and deferrals that the Management Board deems necessary for an accurate presentation of the interim results. The Management Board is confident that the information and comments presented convey a true and fair view of the assets, financial and earnings position.

### 2. New and amended standards and their application

No new or revised standards which may be relevant for the group were mandatory with effect as at 01/01/2016. The changes have no impact on the assets, financial and earnings position of the group.

### 3. Changes to the composition of the company

Until March 31, 2016, no changes had been made to the consolidation entity of the *aap* group.

#### *aap* Joints GmbH

On September 21, 2015 it was agreed in a notarized contract that the remaining shareholding of 33% in *aap* Joints GmbH will be sold in the event of the successful recertification of eight products. In the first quarter of 2016, the recertification of the eight products was not fully completed.

#### *aap* Biomaterials GmbH

On March 22, 2016, a notarized share purchase agreement was signed with a leading European private equity firm for the sale of 100% of the company shares in *aap* Biomaterials GmbH. Based on this transaction and the fulfillment of the requirements of IFRS 5 in November 2015, the disposed operation was first presented as a discontinued operation in the consolidated financial statements of December 31, 2015. The operation disposed in the transaction (discontinued operation) consists of *aap* Biomaterials GmbH and *aap*'s distribution business in the field of bone cements, mixing systems and related accessories. The closing of the transaction is subject to the market standard conditions precedent, which were not met by the reporting date of March 31, 2016. The transaction was completed on May 11, 2016.

### 4. Share-based remuneration

The Group-wide share-based remuneration system for the employees of *aap* Implantate AG and its affiliated companies was reported separately in the consolidated financial statements as at December 31, 2015. For further information please refer to the consolidated financial statements.

532,500 options were exercisable as of March 31, 2016.

The significant terms and conditions of the programs in force during the period under review are summarized in the following overview:

	Significant terms of the valid option programs	
	2010	2012, 2013, 2014, 2015
Subscription right	Each option grants the beneficiaries the right to subscribe to one no-par value bearer share in <b>aap Implantate AG</b> upon payment of the exercise price	
	The pecuniary benefit is limited to four times the exercise price	
Authorized individuals	<ul style="list-style-type: none"> <li>• Employees and Management Board members of the company</li> <li>• Employees and executives in affiliated companies in accordance with Sections 15 et seqq. of the German Companies Act (AktG)</li> </ul>	<ul style="list-style-type: none"> <li>• Employees of the company</li> <li>• Employees of affiliated companies in accordance with Sections 15 et seqq. of the German Companies Act (AktG)</li> <li>• Management Board members of the company (only in option program 2015)</li> </ul>
Issue period	until 12/19/2011	2012: until 12/19/2014, 2013: until 12/19/2015 2014: until 12/18/2016, 2015: until 12/19/2017
Waiting period	4 years from date of issue	
Term	8 years from the date of issue	
Exercise periods	Within four weeks, beginning on the second trading day of the Frankfurt Stock Exchange <ul style="list-style-type: none"> <li>• After the company's Annual General Meeting</li> <li>• After the date on which the management has made the annual financial statements, the half-year financial statements or the interim report for the first or third quarter of the company's fiscal year available to the public at the stock exchange</li> </ul>	
Exercise price	The average closing price of the <b>aap</b> share in electronic trading (XETRA or a successor system) on the Frankfurt Stock Exchange on the five trading days preceding the first day of the purchase period, at least according to the lowest issue price in accordance with Sec. 9 para. 1 AktG	
Performance target	Option programs 2010, 2012, 2013 and 2014: (Average) closing auction price of the <b>aap</b> share in XETRA trading (or a comparable successor system) on the Frankfurt Stock Exchange on the last trading day prior to the date on which the subscription right is exercised exceeds the exercise price by at least 10 %	
	Option program 2015: The closing price of the <b>aap</b> share in electronic trading (XETRA or a successor system) on the Frankfurt Stock Exchange on the last trading day prior to the date on which the subscription right is exercised is at least EUR 3.50	
Fulfilment	The company can choose whether to fulfil the obligation by issuing equity instruments or cash settlements	

All stock options within the stock option programs were issued in two or more tranches. In the past, realized compensations have been settled in cash. On 12/19/2014, the Management Board decided that, with immediate effect, additional options can only be exercised through the acquisition of equity instruments. Due to the legal requirements, only the options granted to the former chairman of the Management Board and the cur-

rent chairman of the Supervisory Board are settled in cash. The stock options exercised by him were compensated by cash settlement. His stock options that may be exercised in the future are valued at the reporting date using the fair value of the future pay-off obligation and recorded as a provision.

As at the reporting date, the following option programs have not yet been exercised or fully exercised:

Option program	Granting date per tranche	Number of options granted	Expiration date	Exercise price in EUR	Fair value on the grant date in EUR
2010	07/29/2010	360,000	07/28/2018	1.29	0.58
2010	11/17/2010	505,000	11/16/2018	1.17	0.501
2010	07/15/2011	481,600	07/14/2019	1.03	0.40
2010	11/15/2011	55,000	11/14/2019	1.00	0.39
2012	07/25/2012	65,000	07/24/2020	1.00	0.51
2012	11/28/2012	180,000	11/27/2020	1.30	0.63
2012	07/03/2013	65,000	07/02/2021	1.27	0.64
2012	11/25/2013	5,000	11/24/2021	1.78	1.02
2013	07/03/2013	165,000	07/02/2021	1.27	0.64
2013	11/25/2013	135,000	11/24/2021	1.78	1.02
2013	07/01/2015	49,000	06/30/2023	2.51	1.02
2013	12/02/2015	26,500	12/01/2023	1.53	0.67
2014	07/01/2015	155,000	06/30/2023	2.51	1.02
2014	12/02/2015	133,500	12/01/2023	1.53	0.67
2015	07/01/2015	90,000	06/30/2023	2.51	1.00

The following table illustrates the quantity and weighted average exercise prices (WAEPs) and the development of the stock options during the reporting period:

	2016		2015	
	Quantity	WAEP in EUR	Quantity	WAEP in EUR
Pending as of 01/01	1,453,500	1.32	1,344,600	1.20
Granted	0	0.00	454,000	1.62
Expired / waived / forfeited	0	0.00	-123,000	1.53
Exercised	0	0.00	-222,100	1.11
Pending as of 03/31	1,453,500	1.32		
Pending as of 12/31			1,453,500	1.32
of which exercisable	532,500		532,500	

The range of exercise prices for the stock options outstanding as at 03/31/2016 ranged from EUR 1.00 to EUR 2.51 (previous

year: EUR 1.00 to EUR 1.78). The stock options outstanding at the end of the reporting period have a weighted average remaining term of 5.1 years (previous year: 4.9 years). The expenses shown in the reporting period from share-based remuneration settled with equity instruments amounted to KEUR 63 (2015 total: KEUR 110), of which KEUR 32 for programs to be settled through equity instruments and KEUR 31 for programs to be settled in cash in order to increase the provision, as the right to select the way of exercise of the company for fulfilling by equity instruments actually no longer exists with respect to the Supervisory Board.

## 5. Reporting on financial instruments

The following table shows the financial instruments held by the group as at March 31, 2016. Additional information on financial instruments can be found in the consolidated financial statements as at December 31, 2015.

	Valuation categories in accordance with IAS 39	Book value 03/31/2016	Amortized costs	Fair value without impacting on income	Valuation acc. to IAS 17	Fair value 03/31/2016
<b>Assets</b>		KEUR	KEUR	KEUR	KEUR	KEUR
Financial assets	AfS	192	192			0
Accounts receivable	LaR	6,133	6,133			6,133
Receivables from service contracts	-	0				0
Other financial assets	LaR	365	365			365
Cash and cash equivalents	LaR	1,590	1,590			1,590
<b>Liabilities</b>		KEUR	KEUR	KEUR	KEUR	KEUR
Financial liabilities	FLAC	4,229	4,229			4,229
Accounts payable	FLAC	3,095	3,095			3,095
Development orders with debit balances	-	0				0
Capital lease obligations	-	1,878			1,878	
Other financial liabilities	FLAC	655	655			655

	Valuation categories in accordance with IAS 39	Book value 03/31/2015	Amortized costs	Fair value without impacting on income	Valuation acc. to IAS 17	Fair value 03/31/2015
<b>Assets</b>		KEUR	KEUR	KEUR	KEUR	KEUR
Financial assets	AfS	192	192			0
Accounts receivable	LaR	9,085	9,085			9,085
Receivables from service contracts	-	77				77
Other financial assets	LaR	842	842			842
Cash and cash equivalents	LaR	13,010	13,010			13,010
<b>Liabilities</b>		KEUR	KEUR	KEUR	KEUR	KEUR
Financial liabilities	FLAC	6,008	6,008			6,008
Accounts payable	FLAC	2,477	2,477			2,477
Development orders with debit balances						
Capital lease obligations	-	173			173	
Other financial liabilities	FLAC	1,287	1,287			1,287

of which aggregated by valuation categories in accordance with IAS 39 for the continued operation:

	Valuation categories acc. to IAS 39	Book value 03/31/2016	Amortized costs	Fair value without impacting on income	Fair value 03/31/2016
		KEUR	KEUR	KEUR	KEUR
Financial assets available for sale	AfS	192	192		0
Loans and receivables (including cash and cash equivalents)	LaR	8,087	8,087		8,087
<b>Total financial assets</b>		<b>8,280</b>	<b>8,280</b>	<b>0</b>	<b>8,087</b>
Liabilities held at amortized costs	FLAC	7,980	7,980		7,980
<b>Total financial liabilities</b>		<b>7,980</b>	<b>7,980</b>		<b>7,980</b>

	Valuation categories acc. to IAS 39	Book value 03/31/2015	Amortized costs	Fair value without impacting on income	Fair value 03/31/2015
		KEUR	KEUR	KEUR	KEUR
Financial assets available for sale	AfS	192	192		0
Loans and receivables (including cash and cash equivalents)	LaR	22,937	22,937		22,937
<b>Total financial assets</b>		<b>23,129</b>	<b>23,129</b>		<b>22,937</b>
Liabilities held at amortized costs	FLAC	9,773	9,773		9,773
<b>Total financial liabilities</b>		<b>9,773</b>	<b>9,773</b>		<b>9,773</b>

The *aap* group holds only primary financial instruments. The volume of primary financial instruments is shown in the balance sheet. The financial asset amount represents the maximum default risk. Where default risks are apparent, they are reflected as value adjustments. The fair values of cash and cash equivalents, current receivables, accounts payable, other current financial liabilities and financial debts correspond to their book values, in particular due to the short maturity of such financial instruments.

Non-current receivables with remaining terms of more than one year are valued on the basis of various parameters such as interest rates, individual creditworthiness of the customer and the risk characteristics of the financing transaction. Accordingly, the book values of these receivables less the shown value adjustments are approximately equivalent to their cash values.

The fair value of non-current liabilities to banks and non-current finance lease liabilities are measured by discounting the expected future cash flows at interest market rates which are usual for similar financial liabilities with comparable maturities.

The financial assets available for sale relate to shares in AEQUOS Endoprothetik GmbH, which were recognized at fair value as at June 30, 2014 without effect on net income. The information required to determine fair value was not available as at the reporting date of December 31, 2015. The shareholding was therefore valued at its amortized costs in the quarterly financial statements as at March 31, 2016 due to a lack of an active market and the fact that the fair value cannot be reliably assessed.

## 6. Relationships with related companies and individuals

Relations with related companies and individuals are shown as groups of people.



	Individuals and companies with significant influence on the group	Associated companies	Individuals in key positions within the group
03/31/2016	KEUR	KEUR	KEUR
Proceeds from sales of goods and services	0	361	0
Purchases of goods and services	0	0	0
Accounts receivable / other receivables	0	527	0
Accounts payable / other liabilities	0	0	100
Interest income	0	0	0
Interest rate		6.5 %	
Loan and interest receivables	0	0	0
Interest expenses	0	0	0
Interest rate			
Loan obligations	0	0	0

	Individuals and companies with significant influence on the group	Associated companies	Individuals in key positions within the group
03/31/2015	KEUR	KEUR	KEUR
Proceeds from sales of goods and services	0	381	0
Purchases of goods and services	0	0	0
Accounts receivable / other receivables	0	490	0
Accounts payable / other liabilities	0	0	60
Interest income	0	2	0
Interest rate		6.5 %	
Loan receivables	0	112	0
Interest expenses	0	0	0
Interest rate			
Loan obligations	0	0	0

All transactions do not fundamentally differ from trade relationships with third parties.

## 7. Other events

On March 22, 2016 a notarized share purchase agreement was signed with a leading European private equity firm for the sale of 100% of the company shares in *aap* Biomaterials GmbH. The transaction was completed on May 11, 2016.

## 8. Release of the consolidated financial statements

The Management Board of *aap* Implantate AG released the consolidated interim financial statements for the first quarter of 2016 on May 13, 2016 for submission to the Supervisory Board and subsequent publication.

## Company Calendar

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2016

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- **June 17, 2016**

Annual General Meeting

Berlin

- **August 12, 2016**

Interim report 2nd quarter 2016

- **November 14, 2016**

Interim report 3rd quarter 2016

- **November 21 – 23, 2016**

German Equity Forum 2016 (Analyst Meeting)

Frankfurt am Main

#### Forward-looking statements

This report contains forward-looking statements based on current experience, estimates and projections of the management board and currently available information. They are not guarantees of future performance. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. Many factors could cause the actual results, performance or achievements of aap to be materially different from those that may be expressed or implied by such statements. These factors include those discussed in aap's public reports. Forward-looking statements therefore speak only as of the date they are made. aap does not assume any obligation to update the forward-looking statements contained in this release or to conform them to future events or developments.

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