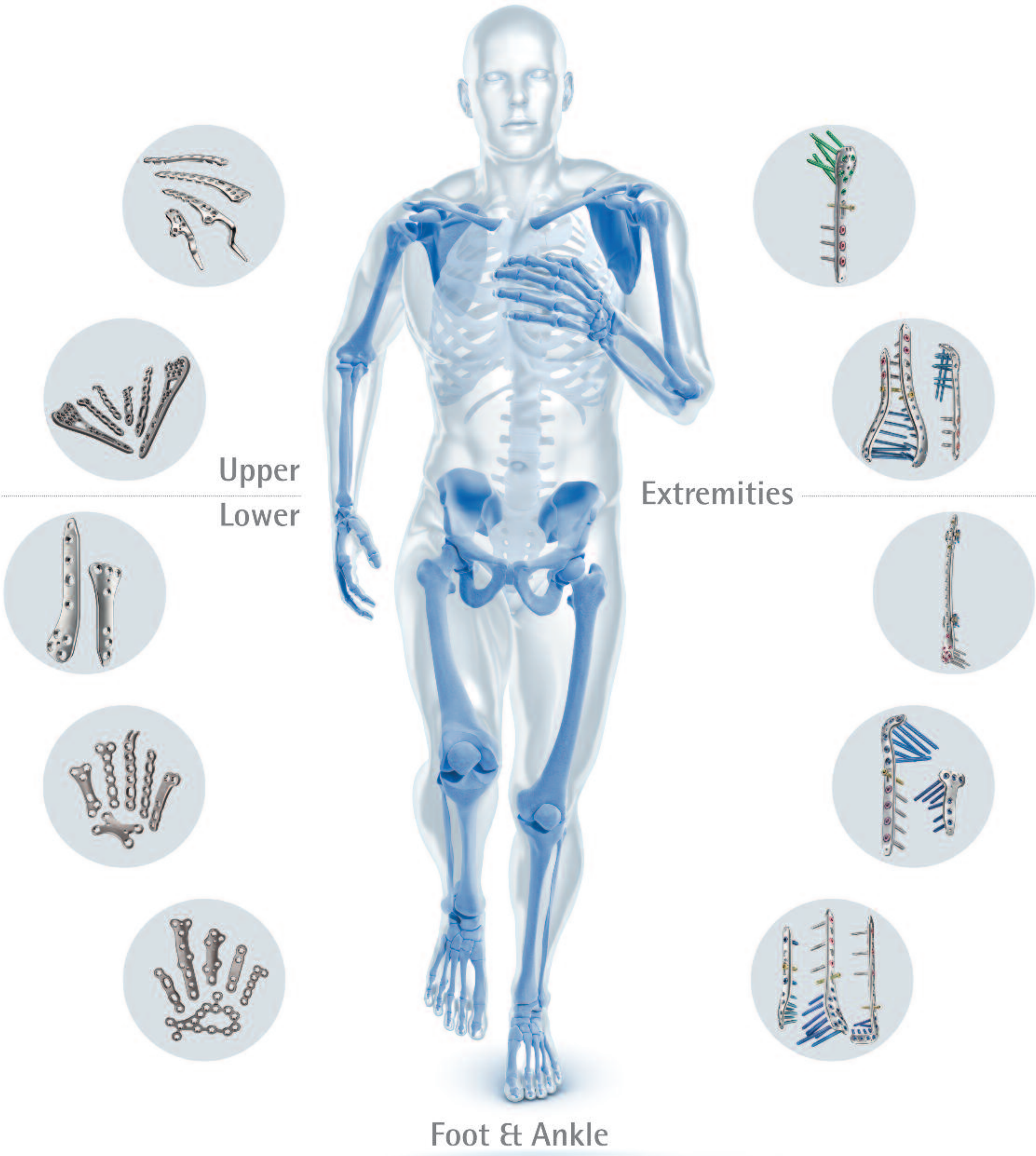
Quarterly Statement
1st quarter 2018



Selected figures (unaudited)

Sales and result	01/01-03/31/2018	01/01-03/31/2017	Change
Sales (KEUR)	2,782	3,095	-10%
EBITDA (KEUR)	-1,588	-1,665	+5%
EBIT (KEUR)	-1,998	-2,151	+7%
Net result (KEUR)	-2,244	-2,167	-4%
Cash flow and investments	**01/01-03/31/2018**	**01/01-03/31/2017**	**Change**
Operative cash flow (KEUR)	-1,367	-1,157	-18%
Investing activities in intangible assets (KEUR)	329	264	+25%
Investing activities in tangible assets (KEUR)	155	127	+22%
Total investing activities (KEUR)	484	391	+24%
Value development	**03/31/2018**	**12/31/2017**	**Change**
Intangible assets (KEUR)	12,030	11,847	+2%
Tangible assets (KEUR)	7,073	7,196	-2%
Working capital (KEUR)	9,902	10,407	-5%
Working capital ratio[1] (sales)	0.7	1.0	-22%
Non-current assets (KEUR)	21,380	21,704	-1%
Current assets (KEUR)	25,989	28,766	-10%
Capital structure	**03/31/2018**	**12/31/2017**	**Change**
Total assets (KEUR)	47,369	50,469	-6%
Shareholders' equity (KEUR)	40,389	42,559	-5%
Equity ratio (%)	85%	84%	
Share[2]	**01/01-03/31/2018**	**01/01-03/31/2017**	**Change**
Total amount of shares 03/31 (million pieces)	28.64	30.83	-7%
Closing price 03/31 (EUR/Share)	1.95	1.08	+81%
Market Capitalization 03/31 (million EUR)	55.85	33.30	+68%
Average Price (EUR/Share)	1.83	1.31	+40%
High (EUR/Share)	2.17	1.45	+50%
Low (EUR/Share)	1.59	1.06	+50%
Ø Daily turnover (KEUR)	37.1	38.5	-4%
Employees	**03/31/2018**	**12/31/2017**	**Change**
Employees (Headcount)	136	141	-4%
Employees (FTE)	128	132	-3%

[1] Sales for the last four quarters
[2] Closing prices XETRA

Note: The figures contained in this quarterly statement are unaudited. Technical rounding differences could exist, which have no impact on the entire statement.

Product image front page: LOQTEQ® man

Table of Contents

Business Review

Foreword by the Management Board

Ladies and Gentlemen,

Dear Shareholders,

Dear Employees,

we have achieved our financial objectives in the first quarter of 2018: Both sales and EBITDA were at the upper end of the guidance. This means that we have recorded a sound start to the new financial year.

In terms of sales development, we were able to achieve a significant increase in sales on the international level. The growth drivers were the expansion of business with existing customers and new customer business, including in South Africa. In contrast, the distribution business in North America was behind our expectations in the first three months, while the decline in our global partner business in this market is primarily due to a large initial order in the first quarter of the previous year. Overall, however, we are pursuing numerous promising opportunities in North America, which will be the drivers of the planned dynamic growth this year. In our home market Germany, which is also the focus of our growth strategy, we again recorded a slight increase.

We were able to improve EBITDA in comparison with the same quarter of the previous year. On the one hand, here we benefit thanks to the focus on established and higher-margin markets from the positive development of the gross margin. On the other, we were able to reduce the other costs in the reporting period.

As part of the further completion of our LOQTEQ® portfolio, in the financial year 2018 we will concentrate in particular on polyaxial fixation technology, plate systems for the foot and ankle areas as well as implants in sterile packaging. After successfully completing the development of the LOQTEQ® VA foot and ankle system and further polyaxial LOQTEQ® systems over the last year, and with the first systems having already been approved by the FDA, we are planning to obtain approval for the European market for the current year.

With regard to our innovative antibacterial silver coating technology, we are in continued intensive preparation of various applications at the authorities involved for the clinical study. Futhermore, we are currently intensively working on the validation of relevant internal processes, which is a futher important prerequisite for the beginning of the study. Based on the information currently available, we strive for the start of a multicentric two arm single blind study with about 200 patients in several countries in 2018. In this context, we could attract many large and well-known university hospitals in Germany and abroad for the implementation of the study.

Last but not least, in the first quarter, we made further important progress in adaption of processes and documents to the increased regulatory requirements of the new EU Medical Device Regulation (MDR) and prepared an audit of the notified body, which was successfully completed in mid-April.

For the next few months, there are still some challenging tasks to be tackled in order to achieve the goals set for 2018. First, we look forward to welcoming as many of our shareholders as possible to our Annual General Meeting on June 22, 2018 at the Ludwig Erhard Haus in Berlin.

Bruke Seyoum Alemu
Chairman of the Management Board / CEO

Marek Hahn
Member of the Management Board / CFO

Significant Events

During the first quarter of 2018, there were no events that had a significant impact on the earnings, asset or financial position of *aap* Implantate AG.

Significant Development Activities

In the **LOQTEQ®** area, *aap* concentrated its development activities primarily on the further completion of the portfolio in the first quarter of 2018. The focus will be besides the polyaxial fixation technology in particular on plate systems for the foot and ankle areas, as well as sterile packed implants. After the development of the LOQTEQ® VA foot and ankle system as well as additional polyaxial LOQTEQ® systems was successfully completed in financial year 2017 and first systems have already a FDA approval for the North American market, *aap* plans approval for the European market during the current year. Furthermore, following customer suggestion, the company initiated additional new developments, primarily providing completions or extensions of existing systems.

In the field of **silver coating technology**, the focus in the first quarter of 2018 was on preparation works for the human clinical study with regard to the aimed CE and FDA approval. *aap* is further on in intensive preparation of various applications at the authorities for the clinical study. Futhermore, the company is currently intensively working on the validation of relevant internal processes, which is a futher important prerequisite for the beginning of the study. Based on the information currently available, the company plans the implementation of a multicentric two arm single blind study with about 200 patients in several countries. *aap* expects a duration of about two years for patient acquisition, implantation and subsequent patient follow-up. In a next step the collected data will be prepared and evaluated. All information is currently still subject to approval by the involved authorities. In this connection the company notes in particular the hardly predictable response times of the European notified body involved, the regulatory authorities BfArM (= Federal Institute for Drugs and Medical Devices) and FDA (= Food and Drug Administration) as well as the ethics commissions of the different German federal states where the hospitals in which the human clinical study is to be undertaken are located. *aap* aims to start the human clinical study in the course of financial year 2018.

In the area of **resorbable magnesium implant technology**, *aap* in particular focused on the further technological development of the coated implants in the first quarter of 2018.

Last but not least, the company achieved further important progress regarding the adaption of processes and documents to the increased regulatory requirements of the new EU Medical Device Regulation (MDR) in the first quarter and prepared an audit of the notified body, which was successfully completed mid of April.

Earnings Position

Sales and margin development as well as total operating performance

aap realized **sales** of EUR 2.8 million in the first quarter of financial year 2018 (Q1/2017: EUR 3.1 million) and therefore a value at the upper end of the guidance of EUR 1.8 million to EUR 3.0 million.

Trauma sales of EUR 2.8 million in the first three months of the current year were roughly at the same level as in the corresponding period of the financial year 2017 (Q1/2017: EUR 2.9 million). A more detailed look at the sales development shows that, in Germany, which is the focus of our growth strategy, we once again recorded a slight increase in sales (+3%) and therefore continued to demonstrate a stable development. In contrast, the distribution business in North America was below our expectations in the first quarter, while the decline in business with global partners in this market was primarily due to a large initial order in the first quarter of financial year 2017. Overall, however, we continue to see many promising opportunities in North America, meaning that the region will be a central pillar of our growth this year. The development in the international region, in which *aap* achieved a significant sales increase of 32% in the first quarter of 2018, is pleasing. The growth drivers were the expansion of business with existing customers and the acquisition of new customers, among others, in South Africa.

Other sales in the first quarter of 2017 (EUR 0.2 million) came from the product business and from sales services for the former shareholdings / subsidiaries *aap* Joints GmbH and *aap* Biomaterials GmbH, which are not realized in this year due to the divestments performed in the previous years.

Compared to the same period of the previous year, **total operating performance** decreased by EUR 0.2 million to EUR 2.7 million in the first quarter of 2018 with lower sales revenues and approximately the same level of inventory reduction and an equivalent amount of own work capitalized. The development of inventories is very pleasing, as *aap* managed to generate some of the sales in the first quarter of 2018 from the existing inventories.

Cost of materials dropped from EUR 0.6 million in the first quarter of 2017 to EUR 0.5 million over the reporting period. The same is true for the **cost of materials ratio** (with regard to sales revenues and changes in inventories), which also fell to 21% (Q1/2017: 24%).

Based on the aforementioned developments and the continued focus on higher-margin markets, the **gross margin** (in terms of sales revenues, changes in inventories and cost of materials) increased from 76% in the first quarter of 2017 to 79% in the reporting period.

Cost Structure and Result

Personnel expenses, which rose by EUR 0.1 million to EUR 2.0 million (Q1/2017: EUR 1.9 million) compared to the first quarter of the previous year, resulted from the planned increase in personnel numbers, above all in order to take account of increased regulatory requirements. With reduced total operating performance, the personnel cost ratio (in relation to total operating performance) increased accordingly from 66% to 74%.

Other operating expenses decreased to EUR 1.9 million in the first quarter of 2018 (Q1/2017: EUR 2.2 million). The sales-related costs of goods delivery (outgoing freight, packaging material and sales commissions) declined in line with the sales development in North America. The remaining cost items show a declining trend and reflect our efforts to further optimize costs. Overall, the ratio of the other operating expenses (relating to total operating performance) decreased compared to the corresponding period in the previous year from 74% to 69% in the first quarter of 2018.

Based on a slightly decreased total operating performance, but with an increased gross margin and simultaneously lower total costs, *aap* therefore achieved an improved **EBITDA** of EUR -1.6 million in the first quarter of 2018 (Q1/2017: EUR -1.7 million), which is also at the upper end of the guidance of EUR -1.9 million to EUR -1.4 million.

As one-time effects are included in both financial years, a comparison on the basis of the **recurring EBITDA** (EBITDA without one-time effects) is meaningful:

in EUR million	Q1/2018	Q1/2017
EBITDA	**-1.6**	**-1.7**
Project „Quality First“	0.1	0.2
Value depreciations raw materials	0.0	0.2
Recurring EBITDA	**-1.5**	**-1.3**

Based on the aforementioned developments, the **recurring EBITDA** adjusted for one-time effects in the first three months of the current financial year amounts to EUR -1.5 million (Q1/2017: EUR -1.3 million).

The **EBIT** stood at EUR -2.0 million in the first quarter of 2018 (Q1/2017: EUR -2.2 million).

The reduced financial result of EUR -0.2 million in the first quarter of 2018 compared to the same period of the previous year (Q1/2017: KEUR -16) results from the recognition of unrealized currency effects from intercompany transactions within the financial result (US$/EUR-Rate 03/31/2018: 1.2321 vs. US$/EUR-Rate 12/31/2017: 1.1993).

Overall, *aap* therefore realized a **net result** of EUR -2.2 million in the first three months of the current financial year (Q1/2017: EUR -2.2 million).

Asset Position

aap' balance sheet had not changed significantly at the end of the first quarter of 2018 compared to 12/31/2017. Total assets dropped by 6% from EUR 50.5 million at year-end 2017 to EUR 47.4 million as at 03/31/2018.

The decrease in **non-current assets** as at 03/31/2018 by EUR 0.3 million compared to the end of the 2017 financial year results largely from, related to the planned depreciations, lower income from investments in intangible assets and property, plant and equipment as well as released cash securities for balances pledged with banks to third parties to secure financial liabilities, which are recognized in the other financial assets. The proportion of intangible assets to total assets stands at 25%, having risen slightly compared to year-end 2017 (12/31/2017: 23%).

Current assets decreased from EUR 28.8 million as at 12/31/2017 to EUR 26.0 million as at the balance sheet due date of the reporting period and were influenced above all by the reduction in inventories and trade receivables and the decline in cash and cash equivalents.

In addition to the reduction of capital tied-up in inventories, the development of trade receivables is also pleasing, which decreased (EUR -0.2 million) to EUR 2.4 million as at 03/31/2018. Another highlight is the reduction of the DSO (Days Sales Outstanding), which is an important financial performance indicator for *aap*. As a result of the decline in trade receivables, this has continued to improve by 9 days to 76 days (12/31/2017: 85 days).

Cash and cash equivalents fell in the first quarter of 2018 and amounted to EUR 11.2 million on the balance sheet date (12/31/2017: EUR 13.3 million). Together with the tied-up liquidity holdings under the current and non-current other financial assets, the **cash holdings** as at 03/31/2018 amounted to EUR 14.7 million (12/31/2017: EUR 17.1 million).

Based on the net result of EUR -2.2 million, **equity** decreased to EUR 40.4 million as of 03/31/2018 (12/31/2017: EUR 42.6 million). With total assets of EUR 47.4 million as of 03/31/2018 (12/31/2017: EUR 50.5 million), the equity ratio is almost unchanged high at 85% (12/31/2017: 84%).

After payment of regularly scheduled loan repayments, **financial liabilities** fell from EUR 0.3 million at the end of 2017 to EUR 0.2 million as of 03/31/2018. Likewise, **trade accounts payable** decreased as at 03/31/2018 from EUR 1.8 million as at 12/31/2017 to EUR 1.4 million and **other financial liabilities** decreased by EUR 0.6 million to EUR 2.0 million (12/31/2017: EUR 2.7 million), while **other liabilities** increased by EUR 0.25 million to EUR 1.3 million (12/31/2017: EUR 1.1 million).

Financial Position

Starting from a net result of EUR -2.2 million, the **operating cash flow** of *aap* in the first quarter of 2018 decreased compared to the same period of the previous year to EUR -1.4 million (Q1/2017: EUR -1.2 million). The main changes year-on-year can be summarized as follows:

- Constant operating result
- Working capital: Consistent receivables management with reduction of trade receivables (EUR 0.2 million) and positive effect from the reduction of inventories (EUR 0.5 million) as well as reduction of trade accounts payable by EUR 0.4 million
- The non-cash effect, which is reported in the changes to other accounts payable and other liabilities, primarily results from the currency effect on the valuation of intragroup transactions in the amount of EUR 0.2 million

Cash flow from investing activities decreased to EUR -0.5 million in the first quarter of 2018 (Q1/2017: EUR 0.2 million). In the first quarter of 2018, investments in development projects accounted for EUR 0.3 million (Q1/2017: EUR 0.3 million) and in tangible assets for EUR 0.2 million (Q1/2017: EUR 0.1 million), while in the same period of the previous year inflows from investment allowances in the amount of EUR 0.5 million were contained.

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

- Repayments on loan contracts in the amount of EUR 0.1 million
- Repayments on finance leasing agreements in the amount of EUR 0.1 million

This resulted in cash outflow of EUR 0.2 million from financing activities during the first quarter of 2018 (Q1/2017: outflow of funds of EUR 0.1 million).

Cash and cash equivalents therefore decreased as at the reporting date, 03/31/2018, to EUR 11.2 million (12/31/2017: EUR 13.3 million). In addition, EUR 3.5 million in balances with banks was recognized under other financial assets, as it was pledged or deposited as a security to the financing bank for bank guarantees granted to third parties as part of the process to secure financial liabilities.

The **net balance** (the sum of all cash and cash equivalents minus all interest-bearing liabilities) was EUR 10.8 million as at 03/31/2018 (12/31/2017: EUR 12.7 million).

aap therefore had **cash holdings** (sum of all freely available cash and cash equivalents and the liquidity holdings bound under the current and non-current other financial assets) in the amount of EUR 14.7 million as at the balance sheet due date of the reporting period (12/31/2017: EUR 17.1 million).

Risk and Opportunity Report

The risk and opportunity situation of *aap* Implantate AG has not materially changed since the year end 2017. There are still no risks that would threaten the company's continued existence. All existing risks and opportunities as well as the structure and set-up of our risk and opportunity management are comprehensively presented in the consolidated annual financial report 2017.

Outlook

For the second quarter of 2018 *aap* expects sales of EUR 1,8 million to EUR 3.0 million and EBITDA of EUR -1.9 million to EUR -1.4 million.

Selected Financial Data

Consolidated Balance Sheet (unaudited)

ASSETS (KEUR)	2018	2017
	03/31/2018	12/31/2017
Non-current assets	**21,380**	**21,704**
• Intangible assets	12,030	11,847
▸ Capitalized services	11,905	11,739
▸ Other intangible assets	125	108
• Tangible assets	7,073	7,196
• Financial assets	192	192
• Other financial assets	680	1,065
• Deferred taxes	1,405	1,405
Current assets	**25,989**	**28,766**
• Inventories	8,924	9,617
• Accounts receivable (trade debtors)	2,364	2,543
• Other financial assets	3,074	3,001
• Other assets	410	326
• Cash and cash equivalents	11,217	13,279
Total assets	**47,369**	**50,469**

aap Implantate AG
Lorenzweg 5 • 12099 Berlin • Germany

LIABILITIES AND SHAREHOLDERS' EQUITY (KEUR)	2018	2017
	03/31/2018	12/31/2017
Shareholders´equity	40,389	42,559
• Subscribed capital	28,644	28,644
• Capital reserve	19,896	19,865
• Revenue reserve	11,286	11,286
• Other reserve	490	490
• Consolidated balance sheet profit / loss	-20,251	-18,007
• Currency conversion differences	323	280
Non-current liabilities (above 1 year)	2,681	2,790
• Financial liabilities	0	5
• Other financial liabilities	663	744
• Deferred taxes	1,326	1,326
• Provisions	37	37
• Other liabilities	655	679
Current liabilities (up to 1 year)	4,300	5,121
• Financial liabilities	254	333
• Trade accounts payable	1,386	1,752
• Other financial liabilities	1,361	1,922
• Provisions	623	713
• Other liabilities	675	401
Total liabilities and shareholders' equity	47,369	50,469

Consolidated Statement of Comprehensive Income (unaudited)

INCOME STATEMENT (KEUR)	2018	2017
	01/01/2018 – 03/31/2018	01/01/2017 – 03/31/2017
• Sales	2,782	3,095
• Changes in inventories of finished goods and work in progress	-390	-416
• Other own and development work capitalized	302	264
Total operating performance	**2,694**	**2,943**
• Other operating income	74	138
• Cost of purchased materials and services	-492	-636
• Personnel expenses	-2,005	-1,931
• Other operating expenses	-1,870	-2,179
• Other taxes	12	-1
EBITDA	**-1,588**	**-1,665**
• Depreciation of tangible assets and intangible assets	-410	-486
EBIT	**-1,998**	**-2,151**
• Financial result	-238	-16
EBT	**-2,236**	**-2,166**
• Income tax	-7	0
Net result/ Total comprehensive income	**-2,244**	**-2,167**
Total result after taxes	**-2,244**	**-2,167**
• Earnings per share (undiluted) in EUR	-0.08	-0.07
• Earnings per share (diluted) in EUR	-0.08	-0.07
• Weighted average shares outstanding (undiluted) in thousand pieces	28,644	30,832
• Weighted average shares outstanding (diluted) in thousand pieces	28,991	30,948

Consolidated Statement of Cash Flows (unaudited)

(KEUR)	2018	2017
	01/01/2018 – 03/31/2018	01/01/2017 – 03/31/2017
Cash & cash equivalents at beginning of period (previous year incl. held for sale)	13,279	23,774
Cash flow from operating activities	-1,367	-1,157
Net income after tax	-2,244	-2,167
• Changes in working capital	339	412
• Share-based compensation	31	4
• Depreciation / Appreciation on fixed assets	410	486
• Change in provisions	-90	-114
• Changes in other assets and receivables	223	-41
• Changes in other liabilities	-44	246
• Interest rates allowance / income	8	16
• Corporate tax allowance / income	7	0
• Income tax payments	-7	0
Cash flow from investment activities	-484	153
• Outflows for investments in fixed assets	-155	-127
• Outflows for investments in intangible assets	-329	-264
• Other in- and otflows from investment grants	0	542
• Interest rates received	0	2
Cash flow from financial activities	-204	-76
• Outflows from redemption of loans	-83	-250
• Outflows from redemption of finance lease	-114	-164
• Inflows from regranting of loan securities	0	355
• Outlows from redemption of shareholder loan	0	-18
• Interest rates paid	-8	-1
Change of liquidity from exchange rate changes	-7	-1
• Increase / Decrease in cash & cash equivalents	-2,062	-1,081
Cash & cash equivalents at end of period	11,217	22,693

Consolidated Statement of Changes in Equity (unaudited)

				Revenue reserves		Non-cash changes in equity					
(KEUR)	Subscribed capital	Initial capital payments made for capital increase	Capital reserve	Legal reserves	Other revenue reserves	Reserve for available-for-sale assets	Other revenue reserves	Difference from currency translation	Total	Balance sheet result	Total
Status 01/01/2018	28,644	0	19,865	42	11,244	490	0	280	770	-18,007	42,559
Increase in shares			31						0		31
Share buyback program									0		0
Stock options									0		0
Income of the group as of 03/31/2018									0	-2,244	-2,244
Currency conversion differences								42	42		42
Other comprehensive income									0		0
Total comprehensive income	0	0	31	0	0	0	0	42	42	-2,244	-2,170
Status 03/31/2018	28,644	0	19,896	42	11,244	490	0	323	813	-20,251	40,389
Status 01/01/2017	30,832	0	17,511	42	14,687	490	0	-50	440	-8,736	54,776
Increase in shares									0		0
Stock options			4						0		4
Income of the group as of 03/31/2017									0	-2,167	-2,167
Currency conversion differences									0		0
Other comprehensive income								-7	-7		-7
Total comprehensive income	0	0	4	0	0	0	0	-11	-11	-2,167	-2,174
Status 03/31/2017	30,832	0	17,515	42	14,678	490	0	-57	432	-10,902	52,606

Company Calendar

2018

- **May 14 – 16, 2018**

Frühjahrskonferenz 2018 (Analyst Meeting)

Frankfurt am Main

- **June 22, 2018**

Annual General Meeting

Berlin

- **August 14, 2018**

Interim report 2nd quarter 2018

- **November 14, 2018**

Quarterly statement 3rd quarter 2018

- **November 26 – 28, 2018**

German Equity Forum 2018 (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.

© aap Implantate AG
Lorenzweg 5 • 12099 Berlin • Germany

Phone +49 30 75019 - 133
Fax +49 30 75019 - 290

ir@aap.de
www.aap.de

Subject to change. Errors and omissions excepted.
Design and Composing: deSIGN graphic - Wolfram Passlack

Investor Relations app download

aap Implantate AG
Lorenzweg 5 • 12099 Berlin • Germany
Phone +49 30 75019-133
Fax +49 30 75019-290
ir@aap.de • www.aap.de