Quarterly Report 3 | 2015
9-Month Report

Selected figures

Sales and result	**01/01-09/30/2015**	**01/01-09/30/2014**	**Change**
Sales (KEUR)	22,002	22,070	0%
EBITDA (KEUR)	-296	2,424	<-100%
EBITDA margin	-1%	11%	
EBIT (KEUR)	-2,275	777	<-100%
EBIT margin (sales)	-10%	4%	
Cash-EBT* (KEUR)	-2,913	304	<-100%
Net result (KEUR)	-2,166	731	<-100%
Cash flow and investments**	**01/01-09/30/2015**	**01/01-09/30/2014**	**Change**
Operative Cash flow (KEUR)	-2,497	-2,262	10%
Investing activities in intangible assets (KEUR)	891	2,214	-60%
Investing activities in tangible assets (KEUR)	1,229	1,293	-5%
Total investing activities (KEUR)	2,120	3,507	-40%
Value development	**09/30/2015**	**12/31/2014**	**Change**
Intangible assets (KEUR)	15,377	15,198	1%
Tangible assets (KEUR)	7,900	7,690	3%
Working Capital (KEUR)	18,489	16,908	9%
Working capital ratio*** (sales)	1.7	1.8	-6%
Non-current assets (KEUR)	25,642	25,017	2%
Current assets (KEUR)	35,896	32,840	9%
Capital structure	**09/30/2015**	**12/31/2014**	**Change**
Total assets (KEUR)	61,538	57,857	6%
Shareholders' equity (KEUR)	43,426	45,424	-4%
Equity ratio	71%	79%	
Debt coverage ratio (DCR)	-17.8	2.0	<-100%
Interest coverage ratio (ICR)	-2.6	16.8	<-100%
Share******	**01/01-09/30/2015**	**01/01-09/30/2014**	**Change**
Total amount of shares 09/30 (million pieces)	30.83	30.67	1%
Closing price 09/30 (EUR/Share)	2.14	2.56	-16%
Market Capitalization 09/30 (million EUR)	65.98	78.52	-16%
Average Price (EUR/Share)	2.46	2.88	-15%
High (EUR/Share)	2.82	3.36	-16%
Low (EUR/Share)	2.04	2.07	-1%
Ø Daily turnover (KEUR)	49.2	111.5	-56%
Employees group	**09/30/2015**	**12/31/2014**	**Change**
Employees (Headcount)	245	241	2%
Employees (FTE)	211	217	-3%

* EBT excluding capitalised development work and depreciation thereof
** Figures relate to continued operations in general whereby EMCM B.V.'s results are considered in 01-02/2014
*** Sales for the last four quarters
**** Figures relate to XETRA closing prices of the day

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

Product image front page : LOQTEQ® VA periprothetik Distal Lateral Femur Plate 4.5

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Foreword by the Management Board

Ladies and Gentlemen,

Dear shareholders,

aap Implantate AG was able to achieve its financial targets in the third quarter of 2015 for both sales and earnings. Following a solid course for the business in the first half of the year, with primary emphasis on the sales performance in the trauma business, delays in the expected sales development in a number of strategic growth markets in the third quarter led to a sales decline, which could not be absorbed by newly tapped markets. Nevertheless, progress was made in the action areas identified in the Management Agenda 2015 as follows:

Finance

in EUR million	Q3/2015	Q3/2014	Change
Sales	**8.4**	**7.8**	**7%**
Trauma	2.9	3.3	-14%
thereof LOQTEQ®	1.5	2.4	-37%
Biomaterials	5.4	4.2	27%
Projects	0.0	0.1	-92%
Other	0.1	0.2	-30%

in EUR million	Q3/2015	Q3/2014	Change
EBITDA	0.3	0.8	-60%
EBIT	-0.4	0.2	< -100%

in EUR million	9M/2015	9M/2014	Change
Sales	**22.0**	**22.1**	**0%**
Trauma	8.5	8.4	1%
thereof LOQTEQ®	5.2	5.3	-2%
Biomaterials	13.0	12.7	2%
Projects	0.2	0.3	-25%
Other	0.3	0.7	-59%

in EUR million	9M/2015	9M/2014	Change
EBITDA	-0.3	2.4	< -100%
EBIT	-2.3	0.8	< -100%

Operative performance: Sales and EBITDA normalised

On a comparable basis (without the one-time effects of share disposals, one-time costs incurred in connection with strategic measures, project earnings and related costs) the key figures developed as follows in the third quarter of 2015 and in the first nine months of 2015:

in EUR million	Q3/2015	Q3/2014	Change
Sales (normalised)	8.4	7.8	8%
EBITDA (normalised)	0.4	1.0	-54%

in EUR million	9M/2015	9M/2014	Change
Sales (normalised)	21.8	21.9	0%
EBITDA (normalised)	0.3	1.4	-77%

aap's sales in the third quarter of 2015 totaled EUR 8.4 million (Q3/2014: EUR 7.8 million), and were thus within the guidance of EUR 7.5 million to EUR 9.0 million issued in August. In the first nine months of 2015 sales were at EUR 22.0 million (9M/2014: EUR 22.1 million).

In the trauma business, the company recorded a decline in sales in the third quarter of the current fiscal year compared to the prior year period (Q3/2015: EUR 2.9 million vs. Q3/2014: EUR 3.3 million). The reasons for this development are mainly delays in sales development in a number of strategic growth markets (China, Russia and Turkey) due to deteriorated economic framework conditions, in the US market entry due to protracted administrative processes in hospitals and in product approval in Brazil. Although customer interest in the trauma portfolio of *aap* continues to remain intact, and new customers were also acquired in the third quarter, the company was not able to evade these external developments entirely. Based on the current decline in sales with the LOQTEQ® products in the third quarter, *aap* realized only slight growth in the overall trauma business compared to the same period of the prior year, from EUR 8.4 million to EUR 8.5 million.

On the other hand, a positive sales development could be recorded in the biomaterials business both for the quarter as well as the nine-month period: Sales increased in the third quarter of the current fiscal year by 27% to EUR 5.4 million compared with the same period in the previous year (Q3/2014: EUR 4.2 million). The growth driver in the reporting period was in particular the bone cement business with global leading companies. Sales increased in the first nine months to EUR 13.0 million (9M/2014: EUR 12.7 million).

EBITDA in the third quarter of 2015 amounted to EUR 0.3 million (Q3/2015: EUR 0.8 million) and was therefore within the forecasted range of EUR 0.1 million to EUR 0.6 million as well. In the first nine months of fiscal year 2015, the company realized EBITDA of EUR -0.3 million (9M/2014: EUR 2.4 million). The EBITDA development was significantly influenced by one-time and project effects in both years, so an analysis should be made on the basis of the previously shown normalized values. In this regard, it must be stated that the operative business continued to generate positive EBITDA and the decline resulted in particular from the increase in costs in connection with the continued transformation of *aap* into a focused trauma company.

The aforementioned developments are also reflected in the development of the financial position. The expansion of the LOQTEQ® portfolio, the measures to ensure supply capability, and the development of the US market led to increased investments in working capital (especially in receivables and inventories) with simultaneously financing higher financing costs in connection with implementing our core strategic objectives. As a result, the net liquidity position decreased to EUR 3.1 million as of September 30, 2015, and thus showed a slightly upward trend compared with the end of the second quarter (net liquidity position as of June 30, 2015: EUR 2.8 million).

Focus on trauma

The transformation of *aap* in a focused trauma company remains the core objective of our strategic alignment. *aap* made further progress in this regard in the third quarter of 2015.

In September 2015, several agreements were concluded with the majority shareholder of *aap* Joints GmbH, which, depending in part on the successful extension of the certificates for all the recon products, provide for the automatic sale of the remaining 33% of the shares in the company. As of the publication of the quarterly report, these certificates had not yet been obtained. The potential conclusion of the share purchase agreement could lead to a subsequent value adjustment in income of up to EUR 0.5 million. With the successful implementation of this transaction, *aap* will completely discontinue its activities in the recon business and therefore take a further step on the way to becoming a focused trauma company.

During the course of the first nine months of 2015, numerous new business opportunities have been established for the *aap* Biomaterials GmbH that may trigger substantial new business in the future. On the other hand, additional business ventures that were initiated have not yet materialized or were delayed upon their conclusion as a result of acquisitions and mergers in the global orthopaedic industry and the related priorities set by decision makers. Overall, *aap* Biomaterials recorded a very satisfactory sales and earnings development in 2015 and there continues to be interest from potential buyers. Taking these developments into consideration and after evaluating various courses of action, *aap* has taken the necessary steps for a divestment of *aap* Biomaterials GmbH.

Accelerating value-based innovations

We have also been making further progress with the expansion of our product and IP portfolio. Among other things, the focus in the third quarter was on the introduction of the polyaxial fixation technology at various LOQTEQ® plate systems as well as the development of a periprosthetic supply solution.

In the first nine months of 2015, the company made substantial progress in the area of silver coating technology. Among others, the extensive animal studies, that are an important basis for product approval, were accomplished to a large extent. In addition, a contract was concluded with a renowned medical research facility in the US, which provided assistance in drawing up the approval documents. All other work necessary for the approval also proceeded on schedule.

Enhancing market access

With regard to developing the US market, *aap* was also able to make further progress in the third quarter of 2015. In this strategic market, the company has already carried out first procedures with its LOQTEQ® products in various hospitals and has generated first sales. Overall, the company has concluded 11 distribution contracts in the fiscal year. Nevertheless, delays in our originally anticipated sales development came about particularly as a result of the long administrative processes in the hospitals. From 2016 on, the USA will become one of the core markets in the growth strategy.

Optimizing operational efficiency

During the second half of 2014, we already started to implement a package of measures to improve our delivery capacity in the field of screw and plate production. These measures have been further pushed during the third quarter, enabling a considerably increased and stable production output of anatomical plates per quarter, among other things. This is also evident from the increased total operating performance at the end of the third quarter of 2015. The next stages of the action plan should then lead not only to a further increase of the production output during the course of 2015, and thus to a reduction in third-party production, but also to a sustainable improvement in margins, in particular.

Supplementing organic growth with acquisitions

aap continues to actively screen the market for suitable acquisition targets (companies and technologies) to accelerate organic growth and evaluates various opportunities. However, it should be noted that due to a constant increase in acquisition multipliers – in particular for focused and innovative trauma companies in recent years – it has become increasingly challenging to find attractive targets at reasonable prices.

In respect of the outlook for the upcoming financial year and beyond, the Management Board is convinced that with the sales activities already under way in the United States and Europe the growth story with a 5-year CAGR of 20% in the trauma business is intact. The growth drivers are the LOQTEQ® product portfolio and the silver coating technology. In addition, the company is intensifying the already existing measures to improve profitability and efficiency.

The transformation of *aap* Implantate AG into a focused trauma company remains the core objective of our strategic alignment.

Bruke Seyoum Alemu
Chairman of the Management Board / CEO

Marek Hahn
Member of the Management Board / CEO

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 (09/30/2015)	EUR 30,832,156
Number of Bearer Shares (09/30/2015)	30,832,156
Authorized Capital (09/30/2015)	EUR 30,832,156

Key figures* of aap's share

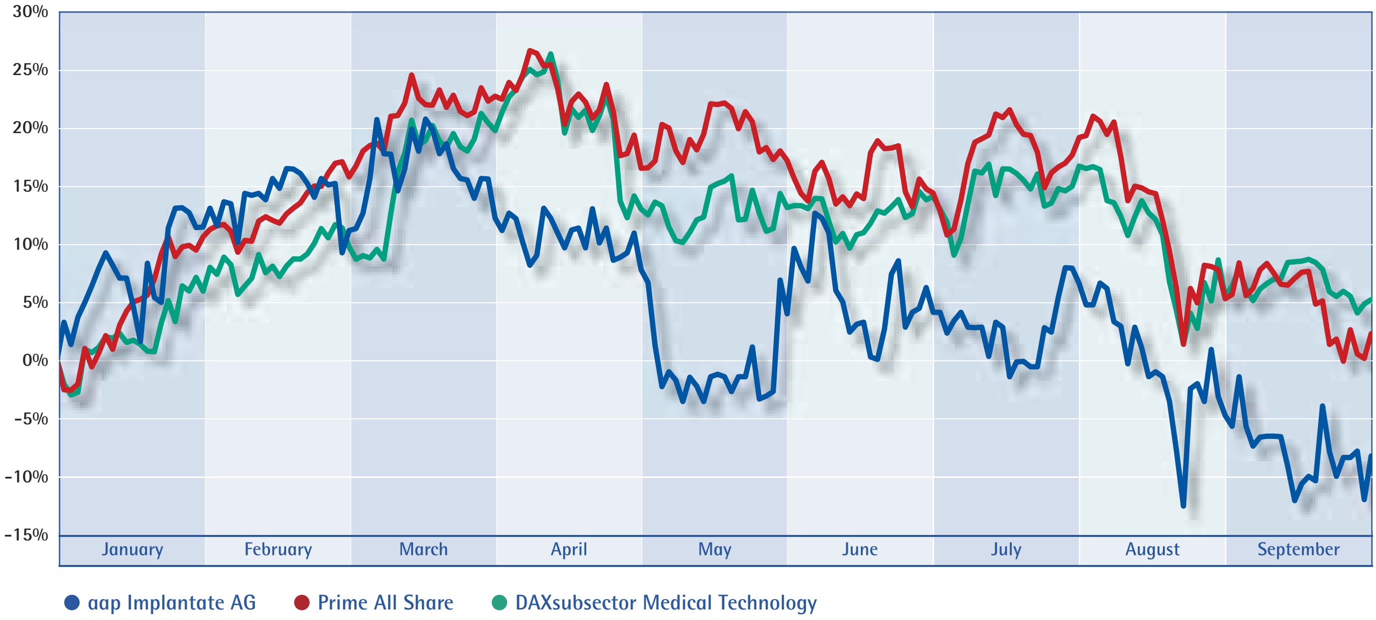
	3rd quarter		9 months	
	2015	2014	2015	2014
Closing price 09/30 (EUR/Share)	2.14	2.56	2.14	2.56
Market Capitalization 09/30 (million EUR)	65.98	78.52**	65.98	78.52**
Average Price (EUR/Share)	2.30	2.86	2.46	2.88
High (EUR/Share)	2.52	3.36	2.82	3.36
Low (EUR/Share)	2.04	2.54	2.04	2.07
Ø Daily turnover (KEUR)	29.6	87.1	49.2	111.5

* Figures relate to XETRA closing prices of the day.
** As of 09/30/2014 the number of bearer shares amounted to 30,670,056.

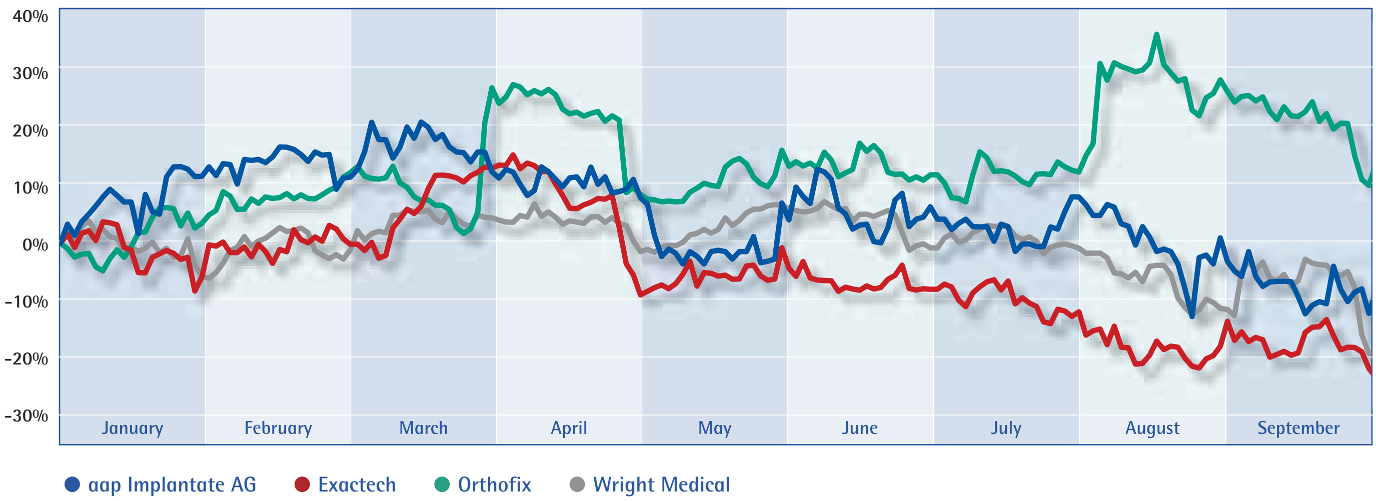
The third quarter of 2015 on the international stock exchanges was predominantly characterized by downward price movement and a considerable degree of volatility. Market sentiment was particularly burdened by the indications of an economic slowdown in China and the uncertainty regarding its effects on the international markets. Furthermore, the deferred increase of the base interest rate by the US Federal Reserve System (FED) in September caused increasing uncertainty among market participants with regard to the further development of the global economy. The *aap* share was unable to evade this downward trend in the third quarter, posting a decline of around 12% in total. Starting with the XETRA closing price of EUR 2.44 on July 1, 2015, the share price initially edged slightly downward in the first weeks. After a temporary rise, it reached the quarterly high of EUR 2.52 on July 31, 2015. During the course of the reporting period, the share price then came under increasing pressure and traded at a quarterly low of EUR 2.04 on August 24, 2015. The last weeks recorded an initial upward trend before declining again. The share closed out the third quarter on September 30, 2015 at EUR 2.14.

The first nine months of fiscal year 2015 show a mixed picture. While the expansionary monetary policy of many central banks and the bond purchase program by the ECB (European Central Bank) in particular helped to boost the mood of the markets in the first quarter, the capital market was increasingly subdued during the second quarter. Sentiment was particularly dampened by the concerns at that time of a potential Greek default combined with the possibility of the country leaving the Eurozone. The expected and yet not implemented hike of the base interest rate by the US Federal Reserve System (FED) as well as the negative economic indicators from China provided further uncertainty. In the nine-month period, the *aap* share price developed in line with the mood of the markets to a certain extent. Based on the XETRA closing price of EUR 2.33 on January 2, 2015, the share price in the first three months initially increased and achieved the annual high to date of EUR 2.82 on March 18, 2015. In the following months, the share turned increasingly in a downward direction, which was only interrupted by temporary price gains. The lowest share price of the nine-month period of EUR 2.04 was recorded on August 24, 2015 in accordance with the explanation of the price development in the third quarter. Overall, the *aap* share was unable to evade the uncertainties as the year progressed, despite the positive development in the first quarter, and declined overall by 8% in the nine-month period. The XETRA closing price of the first nine months of 2015, as for the third quarter, was EUR 2.14 on September 30, 2015.

Indices Share Price Comparison 9M | 2015



Peer Group Share Price Comparison 9M | 2015



Analysts' Recommendations

Research Company	Analyst	Recommen-dation	Target Price	Date
Warburg Research GmbH	Harald Hof	Buy	2.10 EUR	11/05/ 2015
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**. The reports by Edison Investment Research GmbH are only available in English.

Investor Relations

As part of its investor relations work, *aap* focused on a continuous and transparent exchange with its stakeholders also in the third quarter of 2015. The roadshow in London in August is worth mentioning in this respect. Here, the Management Board met both existing and also potential new investors, and held intensive discussions about the equity story and the latest developments.

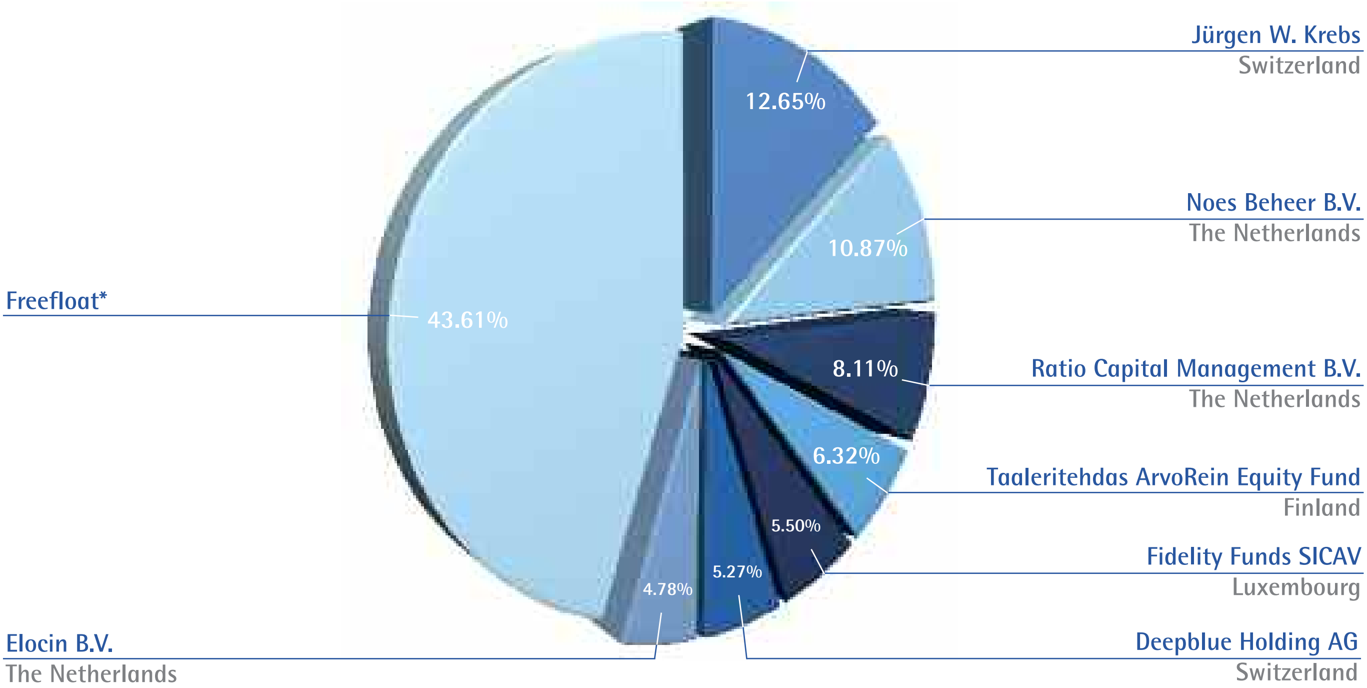
In the fourth quarter of 2015 the investor relations activities will focus on the German Equity Forum 2015 in Frankfurt am Main. In addition to the classic company presentation, the Management Board will have several one-on-one meetings with investors.

Investor Relations app download

Shareholder Structure

In the third quarter of 2015 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 43.61% on September 30, 2015.

The following table shows all investments in *aap* ≥ 3% as of September 30, 2015:



* 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 September 30, 2015:

	Shares	Options
Supervisory Board Members		
Biense Visser	275,196	150,000
Ronald Meersschaert	0	0
Rubino Di Girolamo	1,626,157	0
Members of the Management Board		
Bruke Seyoum Alemu	100,000	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 %
aap Implantate AG Berlin	Parent company
aap Biomaterials GmbH Dieburg	100%
MAGIC Implants GmbH Berlin	100%
aap Implants Inc. Dover, Delaware, USA	100%
aap Joints GmbH Berlin	33%
AEQUOS Endoprothetik GmbH Munich	4.57%

Subsidiaries

aap Biomaterials GmbH

All German development and manufacturing activities relating to medical biomaterials, as well as bone cements and cementing techniques, are subsumed in *aap* Biomaterials GmbH. The company is based in Dieburg, near Frankfurt am Main.

aap Implants Inc.

aap Implants Inc. is a pure distribution company for the American market. The sales generated by the company in the third quarter of 2015 had no significant effect on the consolidated financial statements so far. The company is based in Dover, Delaware, USA.

MAGIC Implants GmbH

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

Holdings

aap Joints GmbH

After the sale of 67% of the shares in June 2013, there is a participating interest of 33% 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.

AEQUOS Endoprothetik GmbH

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

Products, Markets & Distribution

aap makes use of three different channels to sell its products. In the German-speaking countries, products are sold directly to hospitals, buying syndicates and clinic groups. At the international level, the company makes use of a broad distribution network in over 60 countries. In addition, sales are also handled in OEM and private label cooperations with a series of selected international orthopedic and trauma companies. While the products in the trauma business are predominantly sold directly or via distributors under the brand name "*aap*", the biomaterials business is dominated by sales on an OEM and private label basis. *aap* consistently focuses its international distribution activities on growth markets and key regions such as Europe, BRICS (especially Brazil) and SMIT countries as well as the USA.

As part of its marketing and distribution activities, *aap* was represented, among others, at the 5th German Arthrosis Conference of the DGFAM (German Society for Arthrosis Management) in Leipzig in the third quarter of 2015. In addition to this, the "International Osteosynthesis Trauma Meeting", which the company held in collaboration with the University Hospital of Gießen under the patronage of university professor, Dr. Christian Heiß, should be highlighted. Alongside various case studies, the training event also included a workshop with human preparations. It focused on the application of the LOQTEQ® products on the upper and lower extremities. Among the 27 participants were both international physicians and *aap* distributors.

Product Developments and Approvals

In the **trauma** business, the primary focus during the third quarter of 2015 was on expanding the LOQTEQ® portfolio. A new addition, for example, is the periprosthetic treatment with LOQTEQ®. During the reporting period, the initial batch was produced and preparations were made for approval and product launch. Further progress was also made with the LOQTEQ® calcaneus plate. Accordingly, with the help of state-of-the-art production techniques (e.g. 3D printing), various prototypes were developed during the third quarter. A workshop on human preparations then confirmed the design, enabling the company to commence approval tests in the fourth quarter. Furthermore, the polyaxial fixation technology was introduced at various LOQTEQ® plate systems in the reporting period. Here as well, the first approval-related tests are scheduled to start by the end of the year. After its market introduction in the second quarter of 2015, the new polyaxial LOQTEQ® radius plate system is now being used in numerous clinics in several countries, and has received a positive response from users so far.

In the **biomaterials** business, the focus in the third quarter of 2015 included the intended expansion of the EASYMIX product line as well as its introduction in additional relevant markets. Furthermore, during the reporting period, *aap* was able to conclude the development of the product Manumix® (mixing and transfer system for bone cements in augmentation applications). The approval documents are currently being checked by the appointed body. The statistical data analysis has begun on the pharmacokinetic study which examined the influence of the mantle thickness of a bone cement on its antibiotic release.

In the area of **silver coating technology** the extensive animal studies, that are an important basis for product approval, are accomplished to a large extent. On the basis of the current state of development and subject to the results of current consultations with the approval authorities the company still plans to submit its CE approval application this financial year. The approval process with the US Food and Drug Administration (FDA) is expected to be launched subsequently.

In the field of **magnesium technology**, *aap* primarily focused on the further technological development of the absorbable implants in the third quarter of 2015.

Employees

As of September 30, 2015 the number of employees was 245, of which 218 were full-time and 27 part-time employees (previous year: 234, of which 213 were full-time and 21 part-time employees).

Economic Report

Year-on-year comparison of the 9-month results based on the Consolidated Statement of Comprehensive Income

At the beginning of the 2014 fiscal year, *aap* sold its contract manufacturing business, which was bundled in the Dutch company EMCM B.V. (EMCM), to a private equity firm. Due to the resulting deconsolidation, EMCM's sales revenues and expenses were only included in the 2014 Consolidated Statement of Comprehensive Income for the months of January and February. Therefore, the performance in the first nine months of fiscal year 2015 is not comparable with the previous year´s results based on the Consolidated Statement of Comprehensive Income. EMCM achieved sales of EUR 1.2 million in the first two months of fiscal year 2014, with a total profit after taxes of EUR 0.1 million. Unless otherwise stated, all previous year´s figures relate to the asset, financial and earnings position of the continued operations. In any case, only continued operations are considered in the year-on-year comparison of the results in the third quarter of 2015.

Earnings position

Sales development and total operating performance

aap increased its **sales** during the third quarter of 2015 by 7% to EUR 8.4 million compared with the same period in the previous year (Q3/2014: EUR 7.8 million), which was therefore within the forecast of EUR 7.5 million to EUR 9.0 million issued in August. In the first nine months of 2015, the company generated sales of EUR 22.0 million (9M/2014: EUR 22.1 million).

The growth realized in the third quarter of fiscal year 2015 is primarily based on the positive sales development in the biomaterials business. Sales in this business increased by 27% to EUR 5.4 million compared with the same period of the previous year (Q3/2014: EUR 4.2 million). The growth driver here was in particular the bone cement business with leading global companies. In the nine-month period of the current fiscal year, *aap* realized sales of EUR 13.0 million in the biomaterials business (9M/2014: EUR 12.7 million).

In the trauma business, the company reported sales of EUR 2.9 million in the third quarter of 2015 (Q3/2014: EUR 3.3 million) and of EUR 8.5 million in the first nine months (9M/2014: EUR 8.4 million). This performance is primarily based on delays in the sales development in several strategic trauma markets of *aap*. Accordingly, the demand for our trauma products in China, Russia and Turkey was significantly affected by the deteriorating economic conditions. In China the latest collapse of the stock market as well as the devaluation of the Reminbi caused the product quantities taken by our distributor to lag behind the originally planned quantities and therefore only slower sales growth could be achieved. At the same time, due to the sustained weak phase of the Rubel and the trade sanctions imposed on western countries, we saw virtually no orders from Russia in the year to date. In Turkey, the increasingly unfavorable development of the exchange rate EUR/Turkish Lira in conjunction with a reduction in the government reimbursements for medical treatments already implemented at the beginning of the year, led to a reduced order volume from the distributor which was significantly below the budgeted amount. Furthermore, the initial deliveries to Brazil which were planned for the third quarter could not be carried out due to delays in product approval. In addition, due to protracted administrative processes in hospitals, no significant sales contribution has yet been recorded from the US market. In this strategic market, the company has already carried out its first procedures with its LOQTEQ® products in various hospitals and generated initial sales.

aap has already reacted to recent developments in the BRICS and SMIT countries and will intensify sales activities in relatively more stable markets such as for example the DACH region and push the development of new European markets. At the same time the United States will from 2016 be one of the core markets in the company's growth strategy.

The **total operating performance** includes sales revenues and inventory changes as well as own and development work capitalized. The total operating performance increased during the third quarter of 2015 to EUR 8.9 million compared with the same period in the previous year, primarily due to the increased sales revenues (Q3/2014: EUR 8.4 million). As part of the preparations for the sales launch in the USA and the scheduled expansion of the LOQTEQ® portfolio, *aap* built up its stocks in the trauma business in order to ensure sufficient delivery capacity. Thus, inventory increased in the nine-month period of fiscal year 2015 compared with the same period in the previous year to EUR 2.1 million (9M/2014: EUR 1.0 million) and as a consequence total operating performance grew to EUR 25.3 million accordingly (9M/2014: EUR 24.2 million).

Cost structure and EBITDA

As in the comparable period in the previous year, no significant impact from project business was recorded in EBITDA in the third quarter of 2015. In contrast, *aap* realized a project result of EUR 0.2 million in the first nine months of the current fiscal year (9M/2014: EUR 0.0 million):

	Q3/2015	Q3/2014	9M/2015	9M/2014
	KEUR	KEUR	KEUR	KEUR
Project revenues	7	41	191	210
Project expenses	-7	-41	26	-209
Project result	**0**	**0**	**217**	**1**

Furthermore, EBITDA was significantly influenced by one-time effects in the third quarter and particularly in the nine-month period both in the current fiscal year as well as in the previous year:

	Q3/2015	Q3/2014	9M/2015	9M/2014
	KEUR	KEUR	KEUR	KEUR
One-time effects revenues	37	-14	42	1,409
One-time effects expenses	-166	-146	-868	-363
One-time effects result	**-129**	**-160**	**-826**	**1,046**

These were at EUR -0.1 million in the third quarter of 2015 (Q3/2014: EUR -0.2 million) and at EUR -0.8 million in the first nine months (9M/2014: EUR 1.0 million). The one-time effects in the year to date have negatively impacted EBITDA and are essentially the result of expenses in connection with the revaluation of individual tranches of *aap*´s stock option programs, preliminary costs for the planned sale of *aap* Biomaterials GmbH, extensive negotiations regarding existing contracts with various major customers and the ongoing measures to increase the efficiency of the company. On the other hand, the one-time effects in the nine-month period of 2014 positively influenced EBITDA and originated primarily from the sale of EMCM, the sale of 50% of the shares in *aap* BM productions GmbH as well as a front end fee from a supply agreement with a leading service provider in the US healthcare system. Overall, the aforementioned effects make it difficult to perform a year-on-year comparison of EBITDA. Operating performance should therefore be evaluated on the basis of a normalized EBITDA (excluding project and one-time effects).

in EUR million	Q3/2015	Q3/2014	9M/2015	9M/2014
EBITDA	0,3	0,8	-0,3	2,4
thereof project effects	0,0	0,0	0,2	0,0
thereof one-time effects	-0,1	-0,2	-0,8	1,0
EBITDA normalized	**0,4**	**1,0**	**0,3**	**1,4**

In the third quarter of 2015, the **other operating income** amounted to EUR 0.3 million (Q3/2014: EUR 0.4 million) and to EUR 0.9 million in the first nine months (9M/2014: EUR 2.2 million). The decline on a nine-month basis is explained primarily by the sale of the remaining shares in *aap* BM productions GmbH as well as from the collection of a front end fee from the conclusion of a supply agreement. This led to a one-time effect of EUR 1.3 million in total in the nine-month period of 2014.

The **cost of materials ratio** (based on sales revenues and changes in inventories) increased in the third quarter of 2015 to 40% (Q3/2014: 36%) and in the first nine months to 41% (9M/2014: 37%). This increase is based on two effects: First, the total operating performance grew as a result of the buildup of inventory, which does not yet entail a contribution to margin. Second, the hiring in production during the reporting period did not take place to the extent originally planned, and thus we relied on temporary staff in order to ensure the higher production output. Material expenses increased in absolute terms by 23% to EUR 3.4 million in the third quarter (Q3/2014: EUR 2.8 million) and in the first nine months by 15% to EUR 9.7 million (9M/2014: EUR 8.5 million). The volume of third-party services required to ensure delivery capacity is still high. Among other things, a sustainable reduction of manufacturing costs is the objective of the action plan adopted at the beginning of the year. At the same time, reducing the volume of third-party services towards a higher degree of in-house production is an integral part of the plan to improve margins. In this context, further progress has been recorded: The proportion of third-party services in the cost of materials during the first nine months of the 2015 fiscal year improved to 26% compared to the same period of the previous year (9M/2014: 29%).

Personnel expenses in the third quarter of 2015 were not significantly affected by project and one-time effects. The **personnel expenses ratio** (based on total operating performance) decreased in the third quarter to 32% (Q3/2014: 34%), primarily due to the increased total operating performance. In the first nine months of fiscal year 2015, personnel expenses were impacted by one-time effects from the revaluation of individual tranches of the stock option programs as well as other one-time costs. Adjusted for these effects, the personnel expenses ratio was despite the hiring activities at 37% and thereby on the level of the same period in the previous year (9M/2014: 36%). As of the reporting date 09/30/2015, a total of 245 people were employed at *aap* (12/31/2014: 241 employees). Hiring activities were primarily focused in the divisions of production and quality management, while the number of employees was reduced in the administration division.

Other operating expenses amounted to EUR 2.7 million in the third quarter of 2015 (Q3/2014: EUR 2.3 million) and to EUR 7.6 million in the first nine months (9M/2014: EUR 6.8 million). These figures included one-time effects, both in the third quarter and the nine-month period resulting from various structural measures at the level of the managerial holding company in the amount of EUR 0.1 million (Q3/2014: EUR 0.2 million) respectively EUR 0.6 million (9M/2014: EUR 0.4 million). The year-on-year increase is in both periods under review primarily based on the increased development expenses required for expanding the LOQTEQ® portfolio as well as work in the area of the silver coating technology, increased travel and marketing expenses in connection with increased sales activity for our LOQTEQ® portfolio, and higher consultancy expenses in conjunction with the development of the US business and the outsourcing of the IT infrastructure, among other items. Overall, the ratio of other operating expenses (based on total operating performance) increased to 32% in both the third quarter and in the first nine months of 2015 compared to the relevant reference periods of the previous year (Q3/2014: 28% respectively 9M/2014: 27%).

As a result of the increased investments in machinery and systems in course of the capacity development in the second half of 2014, the **planned depreciation** both in the third quarter and in the first nine months of 2015 increased compared to the relevant reference periods of the previous year to EUR 0.7 million (Q3/2014: EUR 0.6 million) and to EUR 2.0 million (9M/2014: EUR 1.6 million).

aap realized an **EBITDA** of EUR 0.3 million in the third quarter of 2015 (Q3/2014: EUR 0.8 million) and of EUR -0.3 million in the first nine months (9M/2014: EUR 2.4 million). In both fiscal years, EBITDA was significantly influenced by one-time effects which had opposing effects in each case. Adjusted by project and one-time effects, *aap* recorded a normalized EBITDA of EUR 0.4 million in the third quarter of 2015 (Q3/2014: EUR 1.0 million) and of EUR 0.3 million in the nine-month period (9M/2014: EUR 1.4 million).

EBIT amounted to EUR -0.4 million in the third quarter of 2015 (Q3/2014: EUR 0.2 million) and to EUR -2.3 million (9M/2014: EUR 0.8 million) in the first nine months. After eliminating the project and one-time effects, the normalized EBIT was EUR -0.3 million in the third quarter (Q3/2014: EUR 0.4 million) and EUR -1.7 million in the nine-month period (9M/2014: EUR -0.2 million).

The **financial result** remained stable in both the third quarter and the first nine months of 2015 compared to the corresponding periods in the previous year.

aap realized a **net profit** of EUR -0.2 million in the third quarter of 2015 (Q3/2014: EUR 0.2 million) and of EUR -2.1 million (9M/2014: EUR 0.7 million) in the nine-month period.

Asset Position

The developments presented as part of the planned sales growth in the trauma business are also reflected in the group balance sheet as per the reporting date 09/30/2015. Accordingly, the inventory buildup to ensure the delivery capacity for the US market entry as well as due to the expansion of the LOQTEQ® portfolio led to an increase in working capital by EUR 1.6 million compared with the level at 12/31/2014.

The **capitalized development costs** increased by EUR 0.4 million in the first nine months of 2015 compared to the reporting date of the 2014 fiscal year, mainly due to the development activities in the area of silver coating technology and the scheduled further development of the LOQTEQ® portfolio. The share of intangible assets in the balance sheet total remained unchanged at 25% and therefore has dropped significantly compared to previous years.

Inventories increased to EUR 11.7 million (12/31/2014: EUR 9.4 million) in the first nine months of the current fiscal year as a result of an inventory buildup in the trauma business. The inventory buildup in the biomaterials business in the second quarter of 2015 was already reflected in sales in the third quarter.

The amount of **accounts receivable** (including receivables from service contracts) was EUR 11.4 million as of 09/30/2015 (12/31/2014: EUR 10.5 million). On the one hand, the background to this development was the growing internationalization of the business, which is linked to the development of new markets and consequently also to new customers and other payment arrangements. On the other hand, *aap* also provides its business partners with targeted support by granting longer credit periods as part of its growth strategy, which leads directly to a buildup of receivables. The increase in **other assets** in the first nine months of the 2015 fiscal year resulted mainly from increased income tax receivables and accruals.

The level of **cash and cash equivalents** was EUR 11.7 million in the nine-month period of the current fiscal year (12/31/2014: EUR 12.1 million).

Based on the net result for the period (EUR -2.2 million) and contributions to equity from the issue of shares to employees (EUR +0.2 million), **equity** decreased in the first nine months of 2015 to EUR 43.4 million (12/31/2014: EUR 45.4 million). With total assets of EUR 61.5 million as of 09/30/2015 (12/31/2014: EUR 57.9 million), the equity ratio was 71% (12/31/2014: 79%). The equity capital ratio, adjusted for goodwill and the capitalized development costs, declined from 71% to 61% during the first nine months of the current fiscal year.

Non-current financial liabilities decreased during the nine-month period of fiscal year 2015 compared to the level as of the reporting date in the previous year by EUR 0.8 million due to scheduled repayments, whereas **current liabilities** rose, mainly due to the utilization of individual credit lines to finance further growth. **Accounts payable** stood at EUR 4.6 million in the first nine months of fiscal year 2015 (12/31/2014: EUR 3.0 million). The **other liabilities** barely changed during the nine-month period of 2015 compared to the end of 2014 and were around EUR 1.7 million.

Financial position

During the first nine months of 2015, *aap* group generated an **operating cash flow** of EUR -2.5 million (9M/2014: EUR -2.3 million). The main changes in the year-on-year comparison can be summarized as follows:

- Negative net result until 09/30/2015 (change EUR -3.0 million)
- No outflow of funds from the exercising of the share-based payments (EUR +1.1 million)
- Lower funds tied up in working capital, while the increase in accounts receivable and the inventory buildup required for ensuring the delivery capacity faced a positive cash effect from the extension of credit periods with suppliers (EUR +1.0 million)
- No significant effects from cash-neutral transactions such as the disposal of financial assets (EUR +0.9 million)

Cash flow from investing activities decreased to EUR -2.0 million in the first nine months of the current fiscal year (9M/2014: EUR 14.7 million), while the invested cash flow from 2014 of EUR 16.7 million was predominantly influenced by the sale of the subsidiary EMCM B.V. In fiscal year 2015, *aap* also made further investments (EUR -1.2 million) in machinery and plants in order to increase production capacity in the trauma business. In this connection, an investment volume of EUR 0.3 million had been made through capital leases as of the reporting date 09/30/2015. The expansion of the Berlin production facility and the increase in sales in the trauma business are reflected in all parts of cash flow. Investment spending is partially funded with long-term and low-interest loans appropriate to the maturity date, while a significant portion is financed directly from operating cash flow.

The main effects in **financing activities** can be summarized as follows for the first nine months of 2015:

- Utilization of the credit line (EUR +4.6 million)
- Repayments on loans/finance leasing agreements (EUR -0.8 million), partially using funds obtained
- Proceeds from the issue of new shares (EUR +0.2 million)

This resulted in cash inflow of EUR 4.0 million from financing activities during the first nine months of fiscal year 2015 (9M/2014: EUR 0.5 million).

Cash and cash equivalents decreased slightly to EUR 11.7 million as of the reporting date 9/30/2015 (12/31/2014: EUR 12.1 million). The net credit balance (sum of cash and cash equivalents minus all interest-bearing liabilities) was EUR 3.1 million during the nine-month period of 2015 (12/31/2014: EUR 7.7 million).

The *aap* group had access to contractually guaranteed credit lines totaling EUR 5.5 million as of September 30, 2015 (12/31/2014: EUR 4.5 million), of which EUR 4.1 million had been drawn on as of the reporting date (12/31/2014: not utilized). Furthermore, *aap* held usable liquidity (sum of cash and cash equivalents and available undrawn credit lines) of EUR 13.0 million as of 09/30/2015 (12/31/2014: EUR 16.7 million).

Risk and Opportunity Report

The risk and opportunity situation of *aap* Implantate AG has not materially changed since the end of 2014. 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 annual report 2014.

Outlook

With regard to achieving the strategic objectives for the 2015 fiscal year, we have made good progress in many areas. We will continue to focus on the objectives set forth in the 2015 Management Agenda in the fourth quarter of 2015. Based on the described developments in the third quarter of 2015 and the delays and uncertainties in trauma sales performance in a number of strategic markets, the Management Board is convinced that, in respect of the outlook for the upcoming financial year and beyond, with the sales activities already under way in the USA and Europe the growth story with a 5-year CAGR of 20% in the trauma business is intact. The growth drivers are the LOQTEQ® product portfolio and the silver coating technology.

Focus on trauma

After breaking off negotiations at the end of the first quarter of 2015, we have continued to expand the business of *aap* Biomaterials GmbH, which has developed very satisfying this year so far. Furthermore, new business opportunities have arisen, which may result in concrete new business in future. After a detailed review of various courses of action, we have taken the necessary steps for a divestment of our subsidiary. The basis for this step continues to be the transformation of *aap* Implantate AG into a focused trauma company. We will provide updates about the progress made in this respect on an ongoing basis.

Accelerating value-based innovations

We aim to further expand our strategically important product and IP portfolio in the last quarter of fiscal year 2015 as well. In the trauma business we intend – among other – to launch the periprosthetic LOQTEQ® plate system for application in the area of the femur near the knee. In the silver coating technology area the company still plans on the basis of the current state of development and subject to the results of current consultations with the approval authorities to submit its CE approval application this financial year. The approval process with the US Food and Drug Administration (FDA) is expected to be launched subsequently.

Enhancing market access

Our previous focus was primarily on countries with strong economic growth rates, including BRICS, SMIT and the USA. As a reaction to the developments, above all in the BRICS and SMIT countries, *aap* will intensify its sales activities in relatively more stable markets such as for example the DACH region and push the development of new European markets. With respect to the development of the US market, we have already concluded 11 distribution contracts. Furthermore, the first procedures have been carried out with our LOQTEQ® products in various hospitals and first sales have been generated. The next steps include, among others, the provision of necessary inventories and the execution of various product training courses and sessions for the distributors. In order to reach optimal geographic coverage as well as to expand the presence in this strategically important market, *aap* will further push the distributor acquisition in the coming months and intensify sales activities. From

2016 on, the US will become one of the core markets in the growth strategy. In Brazil, the documents for the registration of LOQTEQ® products were filed with the local authority ANVISA by our Brazilian distribution partner in the first quarter of 2015. The company is expecting the first product approvals in the fourth quarter of 2015.

Optimizing operational efficiency

Our goal is to sustainably optimize *aap*'s cost structure and to further increase the efficiency of our supply chain management and sales processes. We have already been able to improve our delivery capacity in the area of screw and plate production by means of implemented and ongoing measures. We aim to take additional steps to further increase production output of anatomical plates in the fourth quarter of 2015. Furthermore, the company is also intensifying the measures already running to increase the profitability in divisions of the company.

We will provide information about the initial outlook for the 2016 fiscal year and the first quarter of 2016 in a separate release in January 2016.

Bruke Seyoum Alemu
Chairman of the Management Board / CEO

Marek Hahn
Member of the Management Board / CEO

Interim Consolidated Financial Statements

Consolidated Balance Sheet

ASSETS (KEUR)	2015	2014
	9/30/2015	12/31/2014
Non-current assets	**25,642**	**25,017**
• Intangible assets	15,377	15,198
• Goodwill	1,568	1,568
• Capitalized services	13,540	13,118
• Other intangible assets	269	512
• Tangible assets	7,900	7,690
• Accounts receivable (trade debtors)	468	461
• At-Equity financial assets	1,359	1,464
• Financial assets	192	192
• Deferred taxes	346	12
Current assets	**35,896**	**32,840**
• Inventories	11,713	9,400
• Accounts receivable (trade debtors)	10,795	8,838
• Receivables from service contracts	101	1,158
• Other financial assets	883	865
• Other assets	738	414
• Cash and cash equivalents	11,666	12,165
Total assets	**61,538**	**57,857**

LIABILITIES AND SHAREHOLDERS' EQUITY (KEUR)	2015	2014
	9/30/2015	12/31/2014
Shareholders´equity	**43,426**	**45,424**
• Subscribed capital	30,832	30,670
• Capital reserve	17,584	17,609
• Revenue reserve	228	228
• Other reserve	490	490
• Consolidated balance sheet profit / loss	-5,708	-3,573
Non-current liabilities (above 1 year)	**4,365**	**4,980**
• Financial liabilities	1,445	2,257
• Other financial liabilities	372	126
• Deferred taxes	1,590	1,583
• Provisions	75	112
• Other liabilities	883	902
Current liabilities (up to 1 year)	**13,747**	**7,453**
• Financial liabilities	6,696	1,997
• Trade accounts payable	4,588	2,949
• Other financial liabilities	1,360	1,308
• Provisions	283	300
• Tax liabilities	0	177
• Other liabilities	820	722
Total liabilities and sharholders' equity	**61,538**	**57,857**

Consolidated Statement of Comprehensive Income

INCOME STATEMENT (KEUR)	Continued operations	
	2015	2014
	01/01/2015 – 09/30/2015	01/01/2014 – 09/30/2014
• Sales	22,002	22,070
• Changes in inventories of finished goods and work in progress	2,106	1,007
• Other own work capitalized	1,194	1,137
Total revenue	**25,302**	**24,214**
• Other operating income	908	2,241
• Cost of purchased materials and services	-9,724	-8,492
• Personnel expenses	-9,240	-8,771
• Other operating expenses	-7,568	-6,765
• Other taxes	26	-3
EBITDA	**-296**	**2,424**
• Depreciation of tangible assets and intangible assets	-1,979	-1,647
EBIT	**-2,275**	**777**
• Financial result	-110	-76
• Income / Expenses from joint ventures and associates	-106	24
EBT	**-2,491**	**725**
• Income tax	325	6
Net result / Total comprehensive income	**-2,166**	**731**
Assets which can be reclassified in income statement:		
• Differences from currency translation	30	0
Other net result / Other comprehensive income	**-2,136**	**731**
• Net income per share (undiluted) in EUR	-0.07	0.02
• Net income per share (diluted) in EUR	-0.07	0.02
• Weighted average shares outstanding (undiluted) in thousand pieces	30,832	30,670
• Weighted average shares outstanding (diluted) in thousand pieces	31,350	31,608

* Adjustment of presentation deconsolidation EMCM analogous to annual financial statement as of 12/31/2014

Discontinued operation	Consolidation	Group Total	
2014	2014	2015	2014
01/01/2014 – 02/28/2014	01/01/2014 – 02/28/2014	01/01/2015 – 09/30/2015	01/01/2014 – 09/30/2014
1,180	-219	22,002	23,031
157	0	2,106	1,164
45	0	1,194	1,182
1,382	**-219**	**25,302**	**25,377**
230 *	-45	908	2,426
-650	219	-9,724	-8,923
-541 *		-9,240	-9,312
-405 *	45	-7,568	-7,125
0	0	26	-3
16	**0**	**-296**	**2,440**
0	0	-1,979	-1,647
16	**0**	**-2,275**	**793**
-5	0	-110	-81
0	0	-106	24
11	**0**	**-2,491**	**736**
79	0	325	85
90	**0**	**-2,166**	**821**
0	0	30	0
90	**0**	**-2,136**	**821**
2.93	–	-0.07	0.03
2.85	–	-0.07	0.03
30,670	–	30,832	30,670
31,608	–	31,350	31,608

Consolidated Statement of Comprehensive Income

INCOME STATEMENT (KEUR)	Continued operations	
	2015	2014
	07/01/2015 – 09/30/2015	07/01/2014 – 09/30/2014
• Sales	8,405	7,837
• Changes in inventories of finished goods and work in progress	268	28
• Other own work capitalized	272	486
Total revenue	**8,945**	**8,351**
• Other operating income	296	369
• Cost of purchased materials and services	-3,463	-2,810
• Personnel expenses	-2,808	-2,811
• Other operating expenses	-2,680	-2,290
• Other taxes	32	0
EBITDA	**322**	**809**
• Depreciation of tangible assets and intangible assets	-687	-566
EBIT	**-365**	**243**
• Financial result	-49	-21
• Income / Expenses from joint ventures and associates	-48	34
EBT	**-462**	**256**
• Income tax	248	-7
Net result / Total comprehensive income	**-214**	**249**
Assets which can be reclassified in income statement:		
• Differences from currency translation	25	0
Other net result / Other comprehensive income	**-189**	**249**
• Net income per share (undiluted) in EUR	-0.01	0.01
• Net income per share (diluted) in EUR	-0.01	0.01
• Weighted average shares outstanding (undiluted) in thousand pieces	30,832	30,670
• Weighted average shares outstanding (diluted) in thousand pieces	31,317	31,577

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Consolidated Statement of Cash Flows

(KEUR)	2015 01/01/2015 – 09/30/2015	2014 01/01/2014 – 09/30/2014
• Net income (after tax) from continued operations	-2,166	731
• Net income (after tax) from discontinued operations	0	90
Net income after tax	**-2,166**	**821**
Changes in working capital	-1,581	-2,658
• Stock options expenses without effect on payments	-40	-1,005
thereof: • Cash settlement	-11	-1,204
• Stock option expenses	-28	199
• Depreciation and impairment loss fixed assets	1,979	1,647
• Changes in deferred taxes	-327	-10 *
• Changes in provisions	-54	24
• Gains / loss from retirement of financial assets	0	-943 *
• Gains / loss from disposal of subsidiary	0	-181 *
• Gains / loss from disposal of fixed assets	0	11
• Share of net profit / loss of investments	106	-24
• Changes in other assets	-340	205
• Changes in other liabilities	-74	-149
Cash flow from operating activities	**-2,497**	**-2,262**
• Outgoing payments from investing activities	-2,120	-3,507 *
• Incoming payments from disposal of fixed assets	23	3
• Incoming payments from disposal of financial assets and other assets	0	1,000
• Grants	55	472
• Incoming payments from disposal of shares from subsidiaries	0	16,693 *
Cash flow from investing activities	**-2,042**	**14,661**
• Incoming payments from equity injection	177	2,219
• Inflow from loans	4,630	-1,594
• Redemption of loans	-747	-77
• Redemption of finance leases	-50	0 *
Cash flow from financing activities	**4,010**	**548**
Changes of cash fund due to exchange rate effects	**30**	**0**
• Increase / Decrease in cash & cash equivalents	-499	12,947
• Cash & cash equivalents at beginning of period	12,165	2,505
Cash & cash equivalentsat end of period	11,666	15,452

* Adjustment of presentation deconsolidation EMCM analogous to annual financial statement as of 12/31/2014

Consolidated Statement of Changes in Equity

(KEUR)	Subscribed capital	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		
Status 01/01/2015	30,670	17,609	42	186	490	0	0	490	-3,573	45,424
								0		0
Increase in shares	162	15						0		177
Stock options		-40						0		-40
Income of the group as of 09/30/2015								0	-2,166	-2,166
Other comprehensive income							31	31		31
Total comprehensive income							31	31	-2,166	-2,135
Status 09/30/2015	30,832	17,584	42	186	490	0	0	490	-5,738	43,426
Status 01/01/2014	30,670	18,768	42	186	490			490	-3,117	47,039
Increase in shares	0	0								0
Stock options		-1,005								-1,005
Valuation of available-for-sale assets					0					0
Raising ownership shares in subsidiaries										0
Income of the group as of 12/31/2014									821	821
Other comprehensive income										0
Total comprehensive income									821	821
Status 09/30/2014	30,670	17,763	42	186	490			490	-2,296	46,855

* Adjustment of the previous year due to the change of the accounting method for the capitalization of deferred taxes on losses carried forward

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Notes to the Interim Consolidated Financial Statements

1. Accounting and valuation methods

The unaudited interim financial statements as of 09/30/2015 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 the 2014 fiscal year. For more information, please refer to the consolidated financial statements of December 31, 2014, 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

The following new or revised standards, which may be relevant for the group, were mandatory with effect as of 01/01/2015. The changes have no impact on the assets, financial and earnings position of the group.

Amended IAS / IFRS standard	Brief explanation
AIP 2011-2013 Changes resulting from the Annual Improvements Project 2011-2013 Cycle	The following improvements to the standards listed below, among others, were implemented in the EU endorsement on December 18, 2014: IFRS 3 (excluding joint ventures from the scope of application), IFRS 13 (scope of the portfolio exception)

3. Changes to the composition of the company

As of September 21, 2015, an agreement was made with the majority shareholder of aap Joints GmbH to acquire the remaining shares of 33% in total. The agreement is subject to the suspensive condition of the successful prolongation of certificates for all recon products. These certificates had not yet been obtained by the time the quarterly report was published.

Beyond this, no changes were made in the consolidation entity of the aap group as at September 30, 2015.

4. Share-based remuneration

In the consolidated financial statements of December 31, 2014 it was reported separately about the group-wide share-based remuneration system for the employees of *aap* Implantate AG and its affiliated companies. For further information please refer to the consolidated financial statements.

At the AGM on June 12, 2015, the Supervisory Board was authorized to set-up a stock option plan of up to 150,000 stock options for an entitled group of people by December 19, 2017 (stock option program 2015). In the third quarter of 2015, 49,000 options from the stock option program 2013, 155,000 options from the stock option program 2014 and 90,000 options from the stock option program 2015, so in total 294,000 options, were issued. Of these, 204,000 were attributed to the executive employees of the *aap* Group and 90,000 to members of the Management Board.

The fair value on the grant date on July 1, 2015 was measured using a binomial model. The following parameters were taken into account:

Grant date	07/01/2015
Performance target	EUR 2.76
Risk-free interest rate	0.01%
Expected volatility	41.11%
Expected dividend payment	EUR 0
Share price on the measurement date	EUR 2.44
Expected option term	5 years

507,500 options were exercisable as of 09/30/2015. In the past, realized compensations have been settled in cash. The difference between the respective exercise prices on the grant date and on the exercise date was not recognized as an expense in accordance with IFRS 2.43 (a). On 12/19/2014, the Management

Board decided that, with immediate effect, additional options can only be exercised through the acquisition of equity instruments. According to a report commissioned by the company, the effectiveness of exercising equity-based stock options is controversial when a member of the Management Board moves to the Supervisory Board. Therefore the stock options exercisable during the reporting period were compensated. Stock options exercisable in the future were valued at the fair value of future pay-off obligation.

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 **aap Implantate AG** upon payment of the exercise price	
	The pecuniary benefit is limited to four times the exercise price	
Authorized individuals	• Employees and Management Board members of the company • Employees and executives in affiliated companies in accordance with Sections 15 et seqq. of the German Companies Act (AktG)	• Employees of the company • Employees of affiliated companies in accordance with Sections 15 et seqq. of the German Companies Act (AktG) • Management Board members of the company (only in option program 2015)
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 • After the company's Annual General Meeting • 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	
Exercise price	The average closing price of the *aap* 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 2012, 2013 and 2014: (Average) closing auction price of the *aap* 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 *aap* 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	

As of the reporting date, the following option plans 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
2014	07/01/2015	155,000	06/30/2023	2.51	1.02
2015	07/01/2015	90,000	06/30/2023	2.51	1.02

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

	2015		2014	
	Quantity	WAEP in EUR	Quantity	WAEP in EUR
Pending as of 01/01	1,344,600	1.19	2,387,225	1.26
Granted	294,000	2.51	0	
Expired / waived / forfeited	-168,000	1.43	-45,000	1.53
Exercised	-177,100	1.09	-997,625	1.34
Pending as of 09/30	**1,293,500**	**1.47**		
Pending as of 12/31			**1,344,600**	**1.19**
of which exercisable	**507,500**		**283,000**	

The range of exercise prices for the stock options outstanding as of 09/30/2015 was 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 5.2 years (previous year: 5.0 years). The negative expenses shown in the reporting period from share-based remuneration settled with equity instruments amounted to KEUR -40, of which KEUR -85 is from the release from capital reserve and revaluation of the pay-off obligation described above (2014 total: KEUR 201). The expenses for pay-off obligations shown in the reporting period amounted to KEUR 229.

5. Reporting on financial instruments

The following table shows the financial instruments held by the group as of September 30, 2015. Additional information on financial instruments can be found in the Consolidated Financial Statements as of December 31, 2014.

	Valuation categories in accordance with IAS 39	Book value 09/30/2015	Amortized costs	Fair value without impacting on income	Valuation acc. to IAS 17	Fair value 09/30/2015
Assets		KEUR	KEUR	KEUR	KEUR	KEUR
Financial assets	AfS	192	192			0
Accounts receivable	LaR	11,264	11,264			11,264
Receivables from service contracts	–	101	-	-		101
Other financial assets	LaR	883	883			883
Cash and cash equivalents	LaR	12,266	12,266			12,266
Liabilities		KEUR	KEUR	KEUR	KEUR	KEUR
Financial liabilities	FLAC	8,741	8,741			8,741
Accounts payable	FLAC	4,588	4,588			4,588
Development orders with debit balances	–	0	-	-		0
Capital lease obligations	-	413	-	-	413	-
Other financial liabilities	FLAC	1,319	1,319			1,319

	Valuation categories in accordance with IAS 39	Book value 09/30/2014	Amortized costs	Fair value without impacting on income	Valuation acc. to IAS 17	Fair value 09/30/2014
Assets		KEUR	KEUR	KEUR	KEUR	KEUR
Financial assets	AfS	238		238		238
Accounts receivable	LaR	7,364	7,364			7,364
Receivables from service contracts	–	315				
Other financial assets	LaR	820	820			820
Cash and cash equivalents	LaR	15,452	15,452			15,452
Liabilities		KEUR	KEUR	KEUR	KEUR	KEUR
Financial liabilities	FLAC	5,337	5,337			5,337
Accounts payable	FLAC	1,869	1,869			1,869
Capital lease obligations	–	206	-	-	206	
Other financial liabilities	FLAC	1,269	1,269			1, 269

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

	Valuation categories acc. to IAS 39	Book value 09/30/2015	Amortized costs	Fair value without impacting on income	Fair value 09/30/2015
		KEUR	KEUR	KEUR	KEUR
Financial assets available for sale	AfS	192	192		0
Loans and receivables (including cash and cash equivalents)	LaR	24,412	24,412		24,412
Total financial assets		**24,604**	**24,604**	**0**	**24,412**
Liabilities held at amortized costs	FLAC	14,647	14,647		14,647
Total financial liabilities		**14,647**	**14,647**		**14,647**

	Valuation categories acc. to IAS 39	Book value 09/30/2014	Amortized costs	Fair value without impacting on income	Fair value 09/30/2014
		KEUR	KEUR	KEUR	KEUR
Financial assets available for sale	AfS	238		238	0
Loans and receivables (including cash and cash equivalents)	LaR	23,635	23,635		23,635
Total financial assets		**23,873**	**23,635**	**238**	**23,635**
Liabilities held at amortized costs	FLAC	8,475	8,475		0
Total financial liabilities		**8,475**	**8,475**		**0**

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 evaluated on the basis of various parameters such as interest rate, 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 with interest at 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 in the previous year (09/30/2014) without effect on net income. The information required to determine fair value was not available as of the reporting date 12/31/2014. The shareholding was therefore valued at its amortized costs in the 2014 financial statements 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
09/30/2015	KEUR	KEUR	KEUR
Proceeds from sales of goods and services	0	1,257	0
Purchases of goods and services	0	0	0
Accounts receivable / other receivables	0	792	0
Accounts payable / other liabilities	0	0	55
Interest income	0	5	0
Interest rate		*6.5%*	
Loan and interest receivables	0	115	0
Interest expenses	0	0	0
Interest rate			
Loan obligations	0	0	0

	Individuals and companies with significant influence on the group	Associated companies	Joint ventures	Individuals in key positions within the group
09/30/2014	KEUR	KEUR	KEUR	KEUR
Proceeds from sales of goods and services	0	1,782	3	0
Purchases of goods and services	0	0	0	-192
Accounts receivable / other receivables	0	428	0	0
Accounts payable / other liabilities	0	0	0	193
Interest income	0	5	0	0
Interest rate		*0%*		
Loan receivables	0	108	0	0
Interest expenses	0	0	0	0
Interest rate	*9%*			
Loan obligations	0	0	0	0

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

7. Other events

aap Implants Inc. started its business as a distributor for the US market.

8. Release of the consolidated financial statements

The Management Board of *aap* Implantate AG released the consolidated interim financial statements for the third quarter of 2015 on November 13, 2015 for submission to the Supervisory Board and subsequent publication.

Company Calendar

2015

- **November 23-25, 2015**

German Equity Forum 2015 (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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