Interim Report 2nd quarter | 2019 Half-Year Report

Selected figures (unaudited)

Sales and result	01/01-30/06/2019	01/01-30/06/2018	Change
Sales (KEUR)	5,974	5,436	+10%
EBITDA (KEUR)	-3,144	-3,118	-1%
EBIT (KEUR)	-4,304	-3,950	-9%
Net result (KEUR)	-4,418	-3,615	-22%
Cash flow and investments	**01/01-30/06/2019**	**01/01-30/06/2018**	**Change**
Cash flow from operating activities (KEUR)	-1,825	-2,318	+21%
Investments in intangible assets (KEUR)	812	995	-18%
Investments in tangible assets (KEUR)	308	330	-7%
Total investing activities (KEUR)	1,120	1,325	-15%
Value development	**30/06/2019**	**31/12/2018**	**Change**
Intangible assets (KEUR)	13,778	13,286	+4%
Tangible assets (KEUR)	6,584	6,876	-4%
Working capital (KEUR)	8,456	10,131	-17%
Working capital ratio (sales)*	1,3	1,1	+18%
Non-current assets (KEUR)	23,836	22,493	+6%
Current assets (KEUR)	19,537	19,728	-1%
Capital structure	**30/06/2019**	**31/12/2018**	**Change**
Total assets (KEUR)	43,373	42,221	+3%
Shareholders' equity (KEUR)	33,932	34,919	-3%
Equity ratio (%)	78%	83%	
Share**	**01/01-30/06/2019**	**01/01-30/06/2018**	**Change**
Total amount of shares 30/06 (million pieces)	32.07	28.67	+12%
Closing price 30/06 (EUR/Share)	0.93	1.90	-51%
Market Capitalization 30/06 (million EUR)	29.89	54.48	-45%
Average Price (EUR/Share)	1.01	1.84	-45%
High (EUR/Share)	1.45	2.13	-32%
Low (EUR/Share)	0.75	1.56	-52%
Ø Daily turnover (KEUR)	23.03	31.20	-26%
Employees	**30/06/2019**	**31/12/2018**	**Change**
Employees (Headcount)	141	148	-5%
Employees (FTE)	122	135	-10%

* Sales for the last four quarters

** XETRA closing prices of the day; data source: Bloomberg; remark: *aap*'s share price data for parts of the first half of 2019 and the entire first half of 2018 were adjusted retrospectively by Bloomberg by a subscription right deduction from the recent capital increase with subscription rights. The majority of the share price data listed below refer at least in parts to these adjusted values. Accordingly, the share price data for the first half of 2018 deviate from the information provided in the consolidated interim report for the second quarter of 2018.

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

Product image front page: LOQTEQ® VA Foot-System

Table of Contents

Foreword by the Management Board

Dear Sir or Madam,

Dear Shareholders,

Dear Employees and Business Partners,

We achieved our financial objectives in the second quarter, however with sales and EBITDA at the lower end of the guidance. Nevertheless, we recorded double-digit sales growth in the first half of the year, meaning that the overall trend is continuing in the right direction.

On a half-yearly basis all regions contributed with positive growth rates to the increase in sales. That was also the case in our home market in Germany, although we could not report growth in the second quarter compared with the same period of the previous year. In international business, we saw an expected quarterly decline in the second quarter following the strong first three months, although we were also able to continue the positive growth trend on a half-yearly basis here. At the same time, we further stabilized the sales development in North America both in the second quarter and in the first six months. We recorded further growth in the distribution business, continuing the trend from the first quarter.

In terms of earnings, we benefitted from an improved gross margin and a declining cost level (normalized by one-time effects) both at the quarterly and at the semi-annual level. At the same time, however, the result was impacted by significant one-time effects in the second quarter, which resulted primarily from the premature termination of the contract with our former Chairman of the Management Board and the conclusion of legal disputes. As a result, we were unable to improve EBITDA in both periods under review. Deducting the one-time effects, recurring EBITDA improved significantly in the first half of the year.

As part of the further completion of our LOQTEQ® portfolio, we took another important step in the second quarter with the US-American approval of our polyaxial LOQTEQ® VA foot system, which is likely to increase our attractiveness for full-service clinics and purchasing groups. We plan to launch the foot system at the beginning of 2020 in the US and in other markets that accept FDA approvals. We are also working on the documents for the corresponding conformity assessment procedure for the CE label in order to be able to market the system in Europe as well. In addition, there was a focus on implants in sterile packaging and adapting processes and documents to the new regulatory requirements of the new EU Medical Devices Regulation (MDR) in the reporting period. These both topics will continue to concern us intensively.

With regard to the targeted market approval of our innovative silver coating technology, we have submitted the application to conduct a human clinical study to the German Federal Institute for Drugs and Medical Devices ("BfArM") at the end of 2018 and were also in the second quarter involved in an intensive exchange with the Federal Institute. Furthermore, we trained the doctors participating in the study and prepared the various silver-coated implants for the hospitals in the reporting period. An additional focus was on the preparation of the application to conduct a study for the FDA. At the beginning of August, we have then received the approval for the study by BfArM and reached a decisive milestone on the way to the targeted market approval. We are thus the first company worldwide to test an antibacterial silver coating on anatomical plates for fracture treatment in a study of this kind. With a view to the start of the study in Germany, we now still need the approval of the ethics commissions, which has already been applied for. In addition, we have also submitted the application to conduct the human clinical study in the US at FDA at the beginning of August.

We also have positive news to report about our resorbable magnesium implant technology. We received a further European key patent in the second quarter. Our magnesium implant technology addresses a big cost-saving potential in the healthcare industry and therefore offers us considerable market potential. We aim to push forward the further development of this promising technology jointly with partners under *aap*'s management.

Furthermore, we implemented a package of measures to strengthen our financial base in the second quarter. We successfully completed a capital increase with subscription rights with gross issuance proceeds of around EUR 3.5 million and two further external financings. We accrued a total of approx. EUR 5.2 million from these measures, which we use to finance the planned sales growth and for the further development of our silver coating technology. Once again, we would like to thank all the investors who took part in the capital increase and expressed their confidence in this way.

We also look back on a successful annual general meeting in Berlin in June, in which all of the items on the agenda were accepted with a very high level of approval. In this context, Ms. Dr. med. Krebs was appointed to the Supervisory Board with an overwhelming majority from the shareholders and was subsequently elected as the new chairwoman by the members of the Supervisory Board. We are very much looking forward to working together and we are sure that *aap* will benefit from her extensive medical and economic expertise and comprehensive wealth of experience from her past and current positions.

Last but not least, we have been guiding the fate of *aap* with a new setup at Management Board level since early May. Since then, there has been a greater focus on identifying cost reduction and efficiency enhancement potentials in the company, and we have already implemented the first measures. Initially, we opted for a change in the stock exchange listing from Prime Standard to General Standard on the regulated market of the Frankfurt Stock Exchange. This eliminates the need for various reporting and publication requirements, which means that we can not only reduce the costs of stock exchange listing, but also use existing resources more efficiently and purposefully. Furthermore, we decided to discontinue parts of our standard trauma portfolio at the end of the financial year. Instead, we intend to concentrate on the distribution of our higher-margin LOQTEQ® portfolio and our comprehensive product range of cannulated screws in future. In addition, we want to push forward the further development respectively market approval of our platform technologies silver coating and resorbable magnesium implants.

We will also continue our analysis of the sales and cost structure in the coming months. We are pursuing the clear objective of identifying further cost reduction and efficiency enhancement potentials and leveraging them as quickly as possible. In addition, in the future, we will focus even more on sales expansion with higher-margin customers and products, as well as further consequently driving forward the marketing of our innovative and promising technologies. All of these measures shall form the basis for sustainable and profitable growth.

Rubino Di Girolamo
Chairman of the Management Board / CEO

Marek Hahn
Member of the Management Board / CFO

The Share

General Information about aap's Share

International Securities Identification Number (ISIN)	DE0005066609
Securities Identification Number (WKN)	506 660
Listing	All German stock exchanges, XETRA
Stock Symbol	AAQ
Market Segment	Prime Standard (since 16 May, 2003)
Indices	CDAX Prime All Share Index
Prime Sector	Pharma & Healthcare
Capital Stock (30/06/2019)	32,067,377.00 EUR
Number of Bearer Shares (30/06/2019)	32,067,377
Authorized Capital (30/06/2019)	32,067,377.00 EUR

Key Figures* of aap's Share

Preliminary Remark

aap's share price data for parts of the first half of 2019 and the entire first half of 2018 were adjusted retrospectively by Bloomberg by a subscription right deduction from the recent capital increase with subscription rights. The majority of the share price data listed below refer at least in parts to these adjusted values. Accordingly, the share price data for the first half of 2018 deviate from the information provided in the consolidated interim report for the second quarter of 2018.

	H1	
	2019	**2018**
Closing Price 30/06 (EUR/Share)	0.93	1.90
Market Capitalization 30/06 (million EUR)**	29.89	54.48
Average Price (EUR/Share)	1.01	1.84
High (EUR/Share)	1.45	2.13
Low (EUR/Share)	0.75	1.56
Ø Daily Turnover (KEUR)	23.03	31.20

* Data source: Bloomberg. Figures relate to XETRA closing prices of the day.
** As of 30/06/2019 the number of bearer shares amounted to 32,067,377 and as of 30/06/2018 to 28,674,410.

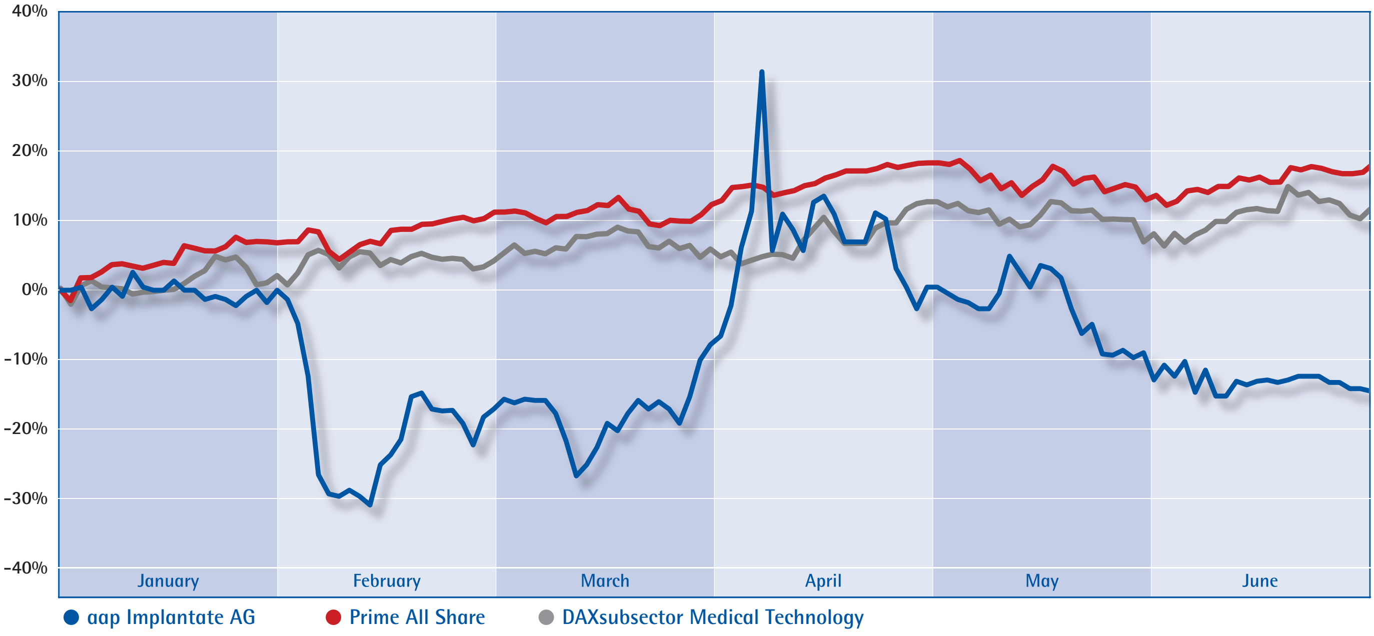
Global stock exchanges on the path to recovery

In the first half of 2019, the international stock markets recorded a predominantly positive balance sheet and therefore recovered from the rather weak trading year 2018. At the end of the reporting period, major equity indices, such as the Dow Jones (+14.0%), the Euro Stoxx 50 Index (+15.8%), and the DAX (+17.4%), were partially significantly above the corresponding values at year-end 2018. A positive impact came in particular from the favorable interest rate environment and the signs of an expansive monetary policy from the US Federal Reserve and the European Central Bank with the prospects for potential interest rate cuts. At the same time, the trade conflict between the US and China, as well as fears about a slowdown in global economic growth, repeatedly caused temporary uncertainties on the stock exchanges, with the positive sentiment prevailing at the end.

aap share with volatile price development

The *aap* share was characterized by a relative volatile price development in the first half of 2019 and was down by approx. 15% at the end of the reporting period. Starting from a XETRA closing price of EUR 1.01 on January 2, 2019, the share price initially showed a sideways movement in the first few weeks of the year. The share was then captured by a significant downward trend and reached the half-year low of EUR 0.75 on February 13, 2019. After a slight recovery, the price settled over the next few weeks at a level of approx. EUR 0.90 before it significantly increased at the start of the second quarter and exceeded the important EUR 1 mark. The temporary upturn resulted in a half-year high of EUR 1.45 on April 8, 2019. However, the share was unable to maintain this level and again declined noticeably in the remainder of the second quarter before the share price stabilized in the last weeks of the reporting period. The XETRA closing price for the first half of 2019 was EUR 0.93 on June 28, 2019.

Indices Share Price Comparison H1 | 2019



Analysts' Recommendations

All research reports by the analysis firms are available at *https://www.aap.de/investor-relations/share/analyst-reports.*

Research Company	Analyst	Recommendation	Target Price	Date
Warburg Research GmbH	Ulrich Huwald	Buy	2.00 EUR	20/05/2019
Hauck & Aufhäuser Privatbankiers AG	Aliaksandr Halitsa	Buy	2.40 EUR	16/07/2019

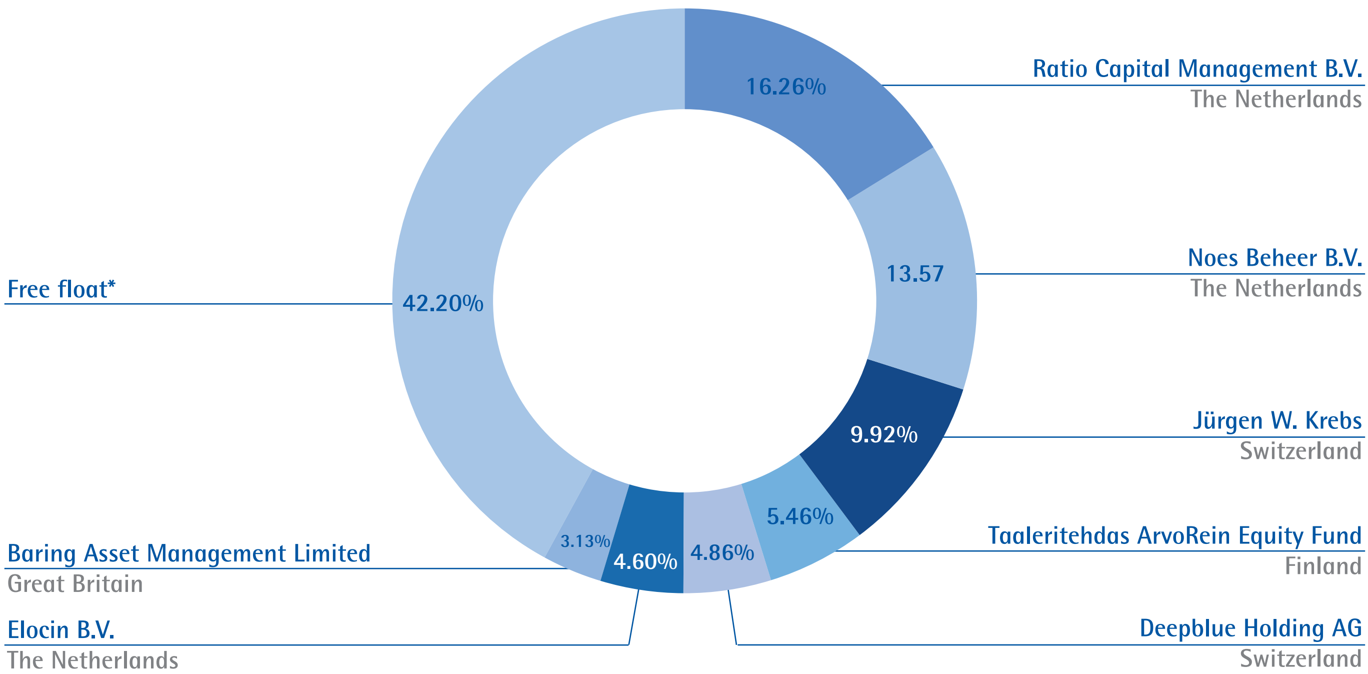
Investor Relations

The objective of investor relations work at *aap* is to achieve a fair valuation of the share through the capital market. In the first half of 2019, this was again based on a continuous dialog with all market participants, as well as the transparent provision of precise information relevant to the valuation. In addition to conventional IR communications, numerous meetings and conference calls were held with investors in the reporting period in particular against the background of the successfully implemented capital increase with subscription rights. In this context, the Management Board also held roadshows in Frankfurt am Main, both in January and May. Furthermore, the Company was present at the spring conference and the Warburg Small Cap Selection conference, which both took place in Frankfurt am Main as well. Here, the Management Board presented *aap* and held discussions on the equity story and current developments with existing and potential new investors in 1on1 meetings.

Shareholder Structure

The first half of 2019 saw in particular as part of the successfully implemented capital increase with subscription rights changes in *aap*'s shareholder structure, which did not significantly affect the overall picture. *aap*'s shareholders structure therefore continues to be characterized by a stable investor base. Furthermore, the Company was informed in May via voting rights notification that Baring Asset Management Limited now holds 3.13% of *aap*'s voting rights. The free float was approximately 42.20% on June 30, 2019.

The following table shows all shareholdings in *aap* ≥ 3% as of June 30, 2019 according to our information:



*according to Deutsche Börse.

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 June 30, 2019:

	Shares	Options
Members of the Supervisory Board		
Dr. med. Nathalie Krebs	0	0
Jacqueline Rijsdijk	0	0
Biense Visser	340,373	0
Members of the Management Board		
Rubino Di Girolamo	1,559,258	0
Marek Hahn	95,646	141,000

Capital Increase

In the second quarter of 2019 *aap* successfully implemented a capital increase with subscription rights as part of a package of measures to strengthen the financial base. Within the transaction the Company's shareholders were offered up to 4,784,485 new *aap* shares for subscription at a subscription price of EUR 1.04 per new share in an indirect subscription offer from April 25, 2019 to May 9, 2019. The shareholders could receive 1 new share per 6 held *aap* shares. At all, 3,360,467 new shares were subscribed in the capital increase by exercising subscription and oversubscription rights as well as placed with qualified institutional investors by means of a private placement after the subscription period had expired. This included the exercise by major existing shareholders of *aap*, who had committed themselves to subscribe for a total of 2,211,539 new shares ahead of the transaction. The Company thus realized total gross issuing proceeds of about EUR 3.5 million with the capital increase with subscription rights. *aap* uses the inflows from the capital increase to finance the planned sales growth and the further development of its pioneering and innovative silver coating technology.

Annual General Meeting

On June 21, 2019, *aap*'s Annual General Meeting took place at the Ludwig Erhard Haus in Berlin. The Company can look back on a successful event. After an interesting discussion during the general debate with active participation from the shareholders present, all agenda items were accepted by a large majority. Further information on the Annual General Meeting, such as the exact voting results, can be found online at *https://www.aap.de/investor-relations/annual-general-meeting.*

Interim Group Management Report (unaudited)

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 Implants Inc. Dover, Delaware, USA	100%
MAGIC Implants GmbH Berlin	100%
AEQUOS Endoprothetik GmbH Munich	4.57%

Subsidiaries

aap Implants Inc.

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

MAGIC Implants GmbH

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

Holdings

AEQUOS Endoprothetik GmbH

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

As the stake in AEQUOS Endoprothetik GmbH is immaterial for the presentation of the asset, financial and earnings position of the *aap* Group, the present report waives additional information hereto.

Products, Markets & Sales

Most products are sold under the brand name "*aap*". While products in Germany are sold directly to hospitals, buying syndicates, and hospital groups, the company primarily uses a broad network of distributors in more than 25 countries at the international level. In North America, *aap* is pursuing a hybrid distribution strategy. Distribution takes place both via distribution agents and through partnerships with global orthopedic companies.

As part of its marketing and sales activities in the second quarter of 2019, *aap* was represented at a number of different conferences and congresses in Germany and abroad. Among other things, the highlights included the 20th EFORT Congress (European Federation of National Associations of Orthopaedics and Traumatology) in Lisbon. The largest European congress in the field of trauma was again well attended this year, allowing *aap* to present its innovative technology and product portfolio to a large audience. The company also attended the 67th annual meeting of VSOU e.V. ("Vereinigung Süddeutscher Orthopäden und Unfallchirurgen" [South German Orthopedic and Accident Surgeons Association]) in Baden-Baden, which has gained a reputation as the second-largest congress for orthopedics & trauma surgery in the German-speaking region. In addition, *aap* attended the 14th IFSSH ("International Federation of Societies for Surgery of the Hand") respectively the 11th IFSHT ("International Federation of Societies for Hand Therapy") congress for hand surgery in Berlin for the first time.

Product Developments and Approvals

In the **LOQTEQ®** area, *aap* received approval by the US-American Food and Drug Administration (FDA) for its polyaxial LOQTEQ® VA foot system in the second quarter of 2019. *aap* plans to launch the LOQTEQ® VA foot plates 2.5 at the beginning of 2020 in the Unites States and in other markets that accept FDA approvals. In addition, in view of launching the system in Europe, the company is currently preparing the documents for the corresponding conformity assessment procedure for the CE label. With the LOQTEQ® VA foot system 2.5, *aap* takes an important step towards completing its portfolio, which will further increase the attractiveness for full-service clinics and purchasing groups. In addition, there was a focus on implants in sterile packaging and adapting processes and documents to the new regulatory requirements of the new EU Medical Devices Regulation (MDR) in the second quarter of 2019. These both topics will continue to concern *aap* intensively.

In the field of **silver coating technology**, *aap* submitted the application for approval to conduct a human clinical study to the German Federal Institute for Drugs and Medical Devices ("BfArM") at the end of 2018. Also in the second quarter *aap* had an intensive exchange with the Federal Institute. The doctors participating in the study were also trained during the reporting period and the equipment of the respective clinics with silver-coated implants was prepared. Furthermore, the focus in the second quarter was on the preparation of the application to conduct a study for the US Food and Drug Administration (FDA). At the beginning of August, *aap* has then received the approval for the human clinical study by BfArM. With a view to the start of the study in Germany, *aap* now still needs the approval of the ethics commissions, which has already been applied for. In addition, the application for approval of the human clinical study in the US has been submitted at the FDA at the beginning of August. From today's perspective, it is not possible to predict when approval for the study will be granted in the US.

In the area of **resorbable magnesium implant technology**, *aap* was granted a further key European patent in the second quarter of 2019. The patent describes and protects the process by which *aap*'s magnesium implants are coated. The European patent will now be nationalized in numerous key European markets and published in different languages. *aap* plans to push forward the further development of its magnesium implant technology together with partners under *aap*'s management.

Employees

As at the reporting date of June 30, 2019, a total of 141 employees were employed at *aap* (December 31, 2018: 148 employees).

Economic Report

Earnings position

Sales and margin development as well as total operating performance

Sales in the second quarter of 2019 were EUR 2.5 million (Q2/2018: EUR 2.7 million), and thus at the lower end of the guidance published in May of EUR 2.5 million to EUR 3.5 million. In contrast, *aap* increased sales in the first six months of the current financial year by 10% to EUR 6.0 million (H1/2018: EUR 5.4 million) compared with the first half of 2018.

On a half-yearly basis all regions contributed with positive growth rates to the realized increase in sales. That includes the German market (+6%), although no growth was posted in the second quarter of 2019 compared with the same period of the previous year (-1%). In international business, *aap* recorded an expected quarterly decline (-14%) in the second quarter following strong first three months, although the positive growth trend on a half-yearly basis could be continued in this market as well (+9%). In North America, *aap* continued to stabilize the sales development in both the second quarter (0%) and in the first half of 2019 (+10%). Particularly the distribution business, with growth of +5% (Q2/2019) respectively +14% (H1/2019), shows that the implemented measures are bearing fruit and the foundation for the return to dynamic growth has been laid.

The **total operating performance** decreased with lower sales revenues, an increase in inventories of finished and unfinished products (Q2/2018: reduction in inventory stocks) and a lower volume of capitalized own work and development services in the second quarter of 2019 compared with the same period of the previous year by EUR 0.2 million to EUR 3.0 million (Q2/2018: EUR 3.2 million). In the first half of 2019, total operating performance increased slightly by EUR 0.1 million to EUR 6.0 million compared with the first six months of 2018, mainly as a result of increased sales revenues given an increased reduction in inventories of finished and unfinished products and a slightly reduced level of capitalized own work and development services.

The **cost of materials** fell from EUR 0.6 million in the second quarter of 2018 to EUR 0.4 million in the reporting period and in the first half of the year were EUR 0.8 million, thus below the level of the previous year (H1/2018: EUR 1.1 million). The **cost of materials ratio** (with regard to sales revenues and changes in inventories) decreased in the second quarter of 2019 to 17% (Q2/2018: 24%) and in the first six months to 16% (H1/2018: 23%). These positive developments result in particular from a better product/market/customer mix with increased margins.

Based on the aforementioned developments, the **gross margin** (in terms of sales revenues, changes in inventories and cost of materials) increased from 76% to 83% in the second quarter of 2019 and from 77% to 84% over the first six months of 2019.

Other income, cost structure and result

The other operating income increased, mainly as a result of cost reimbursements from completed legal disputes, both in the second quarter to EUR 0.4 million and in the first half of 2019 to EUR 0.4 million.

Personnel expenses rose in the second quarter of 2019 compared with the same period of the previous year to EUR 2.5 million (Q2/2018: EUR 2.0 million) and in comparison with the previous half-year to EUR 4.4 million (H1/2018: EUR 4.0 million). One-time effects in the second quarter of 2019 in the amount of EUR 0.6 million in connection with the premature termination of the contract with the former Chief Executive Officer are crucial for this development. Excluding these extraordinary expenses, personnel expenses declined slightly both in the second quarter and in the first half of 2019. The personnel cost ratio (in relation to total operating performance) increased in the second quarter from 63% to 82% with a reduced total operating performance, and in the first six months from 68% to 74% with an unchanged total operating performance.

As at the reporting date of 30/06/2019, a total of 141 employees were employed at *aap* (31/12/2018: 148 employees).

The other **operating expenses** in the second quarter of 2019 increased by EUR 0.3 million to EUR 2.6 million (Q2/2018: EUR 2.3 million) and in the first six months by EUR 0.2 million to EUR 4.3 million (H1/2018: EUR 4.1 million). The background to this development is primarily a one-time expense as part of a settlement to end a legal dispute and an increase in marketing costs. In addition, there was an opposing effect from the first-time application of IFRS 16 – Leasing. The ratio of other operating expenses (with respect to total operating performance) increased in the second quarter of 2019 from 72% to 86%, and in the first half of 2019 it was almost at the same level as in the previous year at 72% (H1/2018: 71%).

Based on the developments described above, **EBITDA** in the second quarter of 2019 were EUR -2.1 million (Q2/2018: EUR -1.5 million), and thereby also at the lower end of the guidance of EUR -2.1 million to EUR -1.1 million issued in May. In total, *aap* thus achieved EBITDA of EUR -3.1 million in the first six months of the current financial year (H1/2018: EUR -3.1 million).

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

in EUR million	Q2/2019	Q2/2018
EBITDA	-2.1	-1.5
Personnel measures	0.6	0.0
Termination of legal disputes (net effect)	0.1	0.0
External staff	0.1	0.2
Project Quality First / Fit-4-MDR	0.0	0.1
Recurring EBITDA	-1.3	-1.3

in EUR million	H1/2019	H1/2018
EBITDA	-3.1	-3.1
Personnel measures	0.6	0.0
Termination of legal disputes (net effect)	0.1	0.0
External staff	0.2	0.3
Project Quality First / Fit-4-MDR	0.0	0.1
Recurring EBITDA	-2.2	-2.7

Based on the developments mentioned above, **recurring EBITDA**, adjusted for one-time effects, for the second quarter of 2019 amounted to EUR -1.3 million (Q2/2018: EUR -1.3 million). When compared on a half-year basis, recurring EBITDA improved to EUR -2.2 million (H1/2018: EUR -2.7 million) and reflect the aimed development: Focus on established markets with higher profit margins and simultaneous a disciplined cost management to improve the operating performance.

The increased **depreciation** of EUR 0.2 million in the second quarter of 2019 and of EUR 0.3 million in the first half of the current year mainly result from the first-time application of IFRS 16 – Leasing.

EBIT were EUR -2.7 million in the second quarter of 2019 (Q2/2018: EUR -2.0 million) and in the first six months were EUR -4.3 million (H1/2018: EUR -4.0 million).

The **financial result** decreased in the second quarter and in the first six months to EUR -0.2 million (Q2/2018: EUR 0.5 million) and EUR 0.1 million (H1/2018: EUR 0.3) respectively. This is the result of the disclosure of unrealized currency effects from intra-group transactions with the US subsidiary *aap* Implants Inc. within the financial result.

Performance in 2019	US$/EUR exchange rate	Performance in 2018	US$/EUR exchange rate
31/12/2018	1.1450	31/12/2017	1.1993
31/03/2019	1.1235	31/03/2018	1.2321
30/06/2019	1.1380	30/06/2018	1.1658

Overall, *aap* thus achieved a **net result** of EUR -3.1 million in the second quarter of 2019 (Q2/2018: EUR -1.4 million) and EUR -4.4 million over the first half of the year (H1/2018: EUR -3.6 million).

Asset Position

aap's balance sheet had not changed significantly at the end of the first half of 2019 compared to 31/12/2018. As such, **total assets** increased by 3% from EUR 42.2 million at year-end 2018 to EUR 43.4 million at 30/06/2019.

The increase in **non-current assets** to EUR 23.8 million as at 30/06/2019 compared with the end of the financial year 2018 (31/12/2018: EUR 22.5 million) resulted mainly from higher additions in intangible assets, while the property, plant and equipment fell because of lower additions from investments in relation to scheduled depreciation. In addition, the other financial assets are unchanged at the level of the end of 2018, as the released cash securities for balances with banks pledged to third parties to secure financial liabilities were balanced out by other collateral provided in the second quarter of 2019 as part of the sale and rent back agreement concluded. Capitalized development costs increased by EUR 0.5 million compared with the reporting date as at 31/12/2018, primarily as a result of development activities in the area of silver coating technology and the scheduled expansion of the LOQTEQ® portfolio. The share of intangible assets in total assets increased from 31% (31/12/2018) to 32% as at 30/06/2019. As a result of the first application of IFRS 16 – Leasing, rights of use of EUR 1.1 million are presented in a separate balance sheet position.

Current assets decreased slightly from EUR 19.7 million as at 31/12/2018 to EUR 19.5 million as at the balance sheet date of the reporting period and were influenced above all by the decline of trade receivables, the reduction in inventories and the increase in other financial assets and cash and cash equivalents.

aap was able to generate some of the sales in the first six months of the year from the existing stocks, meaning that the capital tied up in inventories was further reduced as at the reporting date (EUR -0.6 million vs. 31/12/2018). The development of trade receivables is also pleasing, standing at EUR 1.6 million as at the reporting date with increased sales in the first half of 2019 (31/12/2018: EUR 2.7 million). In addition to a consistent receivables management, the decisive factor for this development is the conclusion of a factoring agreement within the scope of the package of measures to strengthen the financial basis. As a result, *aap* was able to significantly improve the DSO (Days Sales Outstanding) key figure, which is an important financial performance indicator for the Company. Thus, the DSO (adjusted for the effect in the amount of EUR 0.3 million from the concluded factoring agreement) at the end of the reporting period was 71 days (31/12/2018: 85 days).

Cash and cash equivalents rose in the first six months of 2019 and amounted to EUR 5.2 million as at the reporting date (31/12/2018: EUR 4.3 million). Together with the tied-up liquidity holdings under the current and non-current other financial assets, the cash holdings as at 30/06/2019 stand at EUR 7.6 million (31/12/2018: EUR 7.3 million).

Due to the net result of EUR -4.4 million and an offsetting effect from the capital increase with subscription rights implemented in the second quarter (incl. ancillary costs), the **equity** as at 30/06/2019 fell to EUR 33.9 million (31/12/2018: EUR 34.9 million). With total assets of EUR 43.4 million as at 30/06/2019 (31/12/2018: EUR 42.2 million), the equity ratio is 78% (31/12/2018: 83%) and thus still at a high level.

Due to the first-time application of IFRS 16 – Leasing, the **financial liabilities** increased to EUR 1.1 million as at 30/06/2019 (31/12/2018: KEUR 5). The **trade payables** increased slightly as at 30/06/2019 to EUR 2.2 million (31/12/2018: EUR 2.1 million). The **other financial liabilities** increased by EUR 0.4 million to EUR 2.5 million as a result of the recognition of the sale and rent back agreement, while the other liabilities rose by EUR 0.5 million to EUR 1.7 million (31/12/2018: EUR 1.2 million), mainly due to the recognition of obligations to employees.

Financial position

Based on a net result of EUR -4.4 million, the **operating cash flow** of *aap* in the first half of 2019 improved to EUR -1.8 million (H1/2018: EUR -2.3 million). The main changes year-on-year can be summarized as follows:

- Unchanged operating result (EBITDA)
- Working Capital: Positive effect from the reduction of inventories (EUR 0.6 million) and trade receivables (EUR 1.1 million) as well as an increase in trade payables (EUR 0.1 million)
- The non-cash effect, which is presented 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
- Increase in other assets and receivables: Security deposit as part of factoring agreement (EUR 0.2 million), security deposit as part of sale and rent back agreement (EUR 0.3 million) as well as claim for reimbursement from successfully concluded legal dispute (EUR 0.3 million)
- Decreased reduction in provisions

Cash flow from investment activities increased to EUR -1.5 million in the first six months of 2019 (H1/2018: EUR -1.3 million). Investments in development projects amounted to EUR 0.8 million (H1/2018: EUR 1.0 million) and property, plant and equipment amounted to EUR 0.3 million (H1/2018: EUR 0.3 million), while investment subsidies amounting to EUR 0.4 million have been paid back.

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

- Payment from successfully implemented capital increase with subscription rights (less ancillary costs) of EUR 3.4 million
- Inflow from sale and rent back agreement in the amount of EUR 1.4 million
- Disclosure of loan agreements from leasing liabilities in the amount of EUR 0.3 million as a consequence of first-time application IFRS 16 – Leasing
- Repayments on finance lease contracts in the amount of EUR 0.1 million

This resulted in a cash inflow of EUR 4.2 million from financing activities during the first half of 2019 (H1/2018 cash outflow: EUR -0.1 million).

Cash and cash equivalents therefore increased as at the reporting date, 30/06/2019, to EUR 5.2 million (31/12/2018: EUR 4.3 million). In addition, EUR 2.4 million in bank balances was recognized under non-current and current 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 1.9 million as at 30/06/2019 (31/12/2018: EUR 4.0 million).

aap therefore had **cash holdings** (sum of all freely available cash and cash equivalents and the tied-up liquidity holdings under the current and non-current other financial assets) in the amount of EUR 7.6 million as at the reporting date (31/12/2018: EUR 7.2 million).

Risk and Opportunity Report

The Risk and Opportunity Report in the consolidated annual financial report 2018 stated that a lawsuit was filed against a former subsidiary during financial year 2018 with an amount in dispute of USD 3.1 million, the defense of which was conducted by *aap* as the main party in the litigation based on the corresponding contractual regulations. In July 2019, the legal dispute was terminated with the conclusion of a settlement and an accompanying payment of EUR 0.4 million.

With regard to the legal risk mentioned before, the purchaser of the former subsidiary filed a claim for payment of approx. EUR 2.0 million against the Company by way of arbitration in November 2017. This is justified by a corresponding payment obligation for the Company, allegedly resulting from the share purchase agreement, to indemnify the purchaser for third party claims against the former subsidiary. The arbitration award has now been issued, which rejects the claim for payment and states that the Company must be reimbursed for 80% of the costs incurred. This will lead to an inflow of around EUR 0.3 million. Based on this positive outcome of the arbitration proceeding for *aap* and the termination of the legal dispute against a former subsidiary described above, *aap* was able to obtain the release of EUR 2.0 million deposited under a guarantee with a bank from the purchaser of the former subsidiary at the beginning of August. These funds are now again available to *aap* without restriction and are therefore again shown as part of cash and cash equivalents.

In May 2019, a lawsuit was opened against the Company by a former distributor, under which a claimed loss of USD 3.5 million was asserted. The background is the alleged unauthorized termination of a distribution agreement concluded between the parties in 2016 and an alleged loss of profit resulting therefrom. After the first legal audit, the Company assumes that the claim is unjustified and has filed a request for it to be rejected.

aap Implantate AG
Lorenzweg 5 • 12099 Berlin • Germany

Outlook

In the second half of 2019 a number of challenges lie ahead for *aap* that the Company must master. Specifically, the Management Board will continue its analysis to identify cost reduction and efficiency enhancement potentials in the Company in the months ahead. On the sales side, the positive first-half growth trend in Germany is to be maintained, while in North America, based on the stabilised sales level in the first six months of 2019, a more dynamic development is to be shown in the distribution business. In addition, *aap* works focussed on the conclusion of strategic partnerships with global orthopaedic companies (distribution networks as well as product development and approval projects). Further key focal points of our work will be sterile packaging for implants as well as the adaptation of processes and documents to the regulatory requirements of the new EU Medical Device Regulation (MDR). With a view to its antibacterial silver coating technology, *aap* will further intensify talks and negotiations with interested global medical technology companies after approval of the human clinical study by the Federal Institute for Drugs and Medical Devices (BfArM). In detail, the Company discusses in addition to joint product development and approval projects also distribution partnerships as well as licensing deals up to the sale of the technology for specific application areas. For its innovative resorbable magnesium implant technology *aap* aims to push forward the further development of this promising technology jointly with partners under *aap*'s management.

For financial year 2019 the Management Board expects sales of EUR 11.0 million to EUR 13.0 million and EBITDA of EUR -6.0 million to EUR 5.0 million. This corresponds to an increase in sales of 2% to 21% and an improvement in EBITDA of 6% to 22% compared with the previous year's figures.

Against the background of the resolved change of the stock exchange listing from the Prime Standard to the General Standard of the regulated market of the Frankfurt Stock Exchange, *aap* will no longer be publishing a consolidated quarterly statement for the third quarter of 2019. The Company will comply with the high transparency requirements of the regulated market in the General Standard in the future as well and continue to inform its shareholders and the capital market about the developments in a suitable form on a quarterly basis within a financial year.

Rubino Di Girolamo
Chairman of the Management Board / CEO

Marek Hahn
Member of the Management Board / CFO

Interim Consolidated Financial Statements

Consolidated Balance Sheet (unaudited)

ASSETS (KEUR)	2019	2018
	30/06/2019	31/12/2018
Non-current assets	**23,836**	**22,493**
• Intangible assets	13,778	13,286
▸ Capitalized services	13,590	13,069
▸ Other intangible assets	189	217
• Rights of use	1,138	0
• Tangible assets	6,584	6,876
• Financial assets	183	183
• Other financial assets	557	560
• Deferred taxes	1,595	1,589
Current assets	**19,537**	**19,728**
• Inventories	9,052	9,617
• Accounts receivable (trade debtors)	1,606	2,663
• Other financial assets	3,199	2,850
• Other assets	525	337
• Cash and cash equivalents	5,156	4,260
Total assets	**43,373**	**42,221**

LIABILITIES AND SHAREHOLDERS' EQUITY (KEUR)	2019	2018
	30/06/2019	31/12/2018
Shareholders´equity	33,932	34,919
• Subscribed capital	32,067	28,707
• Capital reserve	20,090	19,999
• Revenue reserve	11,776	11,776
• Other reserve	0	0
• Consolidated balance sheet profit / loss	-30,091	-25,673
• Currency conversion differences	90	110
Non-current liabilities (above 1 year)	4,713	2,630
• Financial liabilities	888	0
• Other financial liabilities	1,412	343
• Deferred taxes	1,688	1,517
• Provisions	37	37
• Other liabilities	688	733
Current liabilities (up to 1 year)	4,728	4,671
• Financial liabilities	255	5
• Trade accounts payable	2,202	2,149
• Other financial liabilities	1,137	1,796
• Provisions	158	239
• Other liabilities	977	482
Total liabilities and shareholders' equity	43,373	42,221

Consolidated Statement of Comprehensive Income (unaudited)

INCOME STATEMENT (KEUR)

	2019	2018
	01/04/2019 – 30/06/2019	01/04/2018 – 30/06/2018
• Sales	2,473	2,654
• Changes in inventories of finished goods and work in progress	142	-63
• Other own and development work capitalized	391	575
Total operating performance	**3,007**	**3,166**
• Other operating income	360	184
• Cost of purchased materials and services	-441	-630
• Personnel expenses	-2,477	-1,985
• Other operating expenses	-2,595	-2,265
EBITDA	**-2,146**	**-1,530**
• Depreciation of tangible assets and intangible assets	-589	-422
EBIT	**-2,735**	**-1,952**
• Financial result	-169	497
EBT	**-2,904**	**-1,455**
• Income tax	-164	83
Net result/ Total comprehensive income	**-3,068**	**-1,372**
Total result after taxes	**-3,068**	**-1,372**
• Earnings per share (undiluted) in EUR	-0.10	-0.05
• Earnings per share (diluted) in EUR	-0.10	-0.05
• Weighted average shares outstanding (undiluted) in thousand pieces	32,067	28,644
• Weighted average shares outstanding (diluted) in thousand pieces	32,093	28,943

INCOME STATEMENT (KEUR)	2019	2018
	01/01/2019 – 30/06/2019	01/01/2018 – 30/06/2018
• Sales	5,974	5,436
• Changes in inventories of finished goods and work in progress	-772	-452
• Other own and development work capitalized	800	877
Total operating performance	**6,002**	**5,860**
• Other operating income	437	258
• Cost of purchased materials and services	-838	-1,123
• Personnel expenses	-4,422	-3,990
• Other operating expenses	-4,322	-4,135
• Other taxes	-1	11
EBITDA	**-3,144**	**-3,118**
• Depreciation of tangible assets and intangible assets	-1,160	-832
EBIT	**-4,304**	**-3,950**
• Financial result	50	259
EBT	**-4,254**	**-3,691**
• Income tax	-164	76
Net result/ Total comprehensive income	**-4,418**	**-3,615**
Total result after taxes	**-4,418**	**-3,615**
• Earnings per share (undiluted) in EUR	-0.14	-0.13
• Earnings per share (diluted) in EUR	-0.14	-0.13
• Weighted average shares outstanding (undiluted) in thousand pieces	32,067	28,644
• Weighted average shares outstanding (diluted) in thousand pieces	32,069	28,902

Consolidated Statement of Cash Flows (unaudited)

(KEUR)	2019	2018
	01/01/2019 – 30/06/2019	01/01/2018 – 30/06/2018
Cash & cash equivalents at beginning of period (incl. held for sale)	4,260	13,279
Cash flow from operating activities	-1,825	-2,318
Net income after tax	-4,418	-3,615
• Changes in working capital	1,743	796
• Share-based compensation	80	56
• Depreciation / Appreciation on fixed assets	1,160	832
• Change in provisions	-81	-298
• Changes in other assets	-585	324
• Changes in other liabilities	274	-426
• Interest rate allowance / income	1	14
• Income tax allowance / income	0	7
• Income tax payments	0	-7
Cash flow from investment activities	-1,483	-1,325
• Outflows for investments in fixed assets	-308	-330
• Outflows for investments in intangible assets	-812	-995
• Other in- and outflows from investment grants	-384	0
• Interest rates received	21	0
Cash flow from financial activities	4,206	-120
• Inflow from equity injections	3,371	0
• Outflows for redemption of loans	-189	-166
• Inflow from loans	1,386	0
• Outflows from redemption of finance lease	-133	-219
• Outflows for redumption of lease	-258	0
• Inflows from regranting of loan securities	51	279
• Interest rates paid	-23	-14
Change of liquidity from exchange rate changes	-2	17
• Increase / Decrease in cash & cash equivalents	896	-3,747
Cash & cash equivalents at end of period	5,156	9,532

Consolidated Statement of Changes in Equity (unaudited)

(KEUR)	Subscribed capital	Initial capital payments made for capital increase	Capital reserve	Revenue reserves: Legal reserves	Revenue reserves: Other revenue reserves	Non-cash changes in equity: Reserve for available-for-sale assets	Non-cash changes in equity: Difference from currency translation	Non-cash changes in equity: Total	Balance sheet result	Total
Status 01/01/2019	28,707	0	19,999	42	11,734	0	110	110	-25,673	34,919
Increase in shares	3,360		11					0		3,371
Stock options			80					0		80
Income of the group as of 30/06/2019								0	-4,418	-4,418
Currency conversion differences							-21	-21		-21
Total comprehensive income	0	0	0	0	0	0	-21	-21	-4,418	-4,439
Status 30/06/2019	32,067	0	20,090	42	11,734	0	90	90	-30,091	33,932
Status 01/01/2018	28,644	0	19,865	42	11,244	490	280	770	-18,007	42,559
Increase in shares								0		0
Stock options			56					0		56
Income of the group as of 30/06/2018								0	-3,615	-3,615
Currency conversion differences							-77	-77		-77
Total comprehensive income	0	0	56	0	0	0	-77	-77	-3,615	-3,637
Status 30/06/2018	28,644	0	19,921	42	11,244	490	203	693	-21,622	38,922

Notes to the Interim Consolidated Financial Statements (unaudited)

Accounting and Valuation Methods

The unaudited interim financial statements as at 30/06/2019 are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The same accounting and valuation methods are applied in the interim financial statements as in the consolidated financial statements for financial year 2018. For more information, please refer to the consolidated financial statements of December 31, 2018, 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 convinced that the information and comments presented to convey a true and fair view of the asset, financial and earnings position.

1. New and Amended Standards and their Application

With effect as of 01/01/2019 the following new or amended standards, which are relevant for the Group, are applied mandatorily:

- IFRS 16 Standard

The changes have an impact on the asset, financial and earnings position of the Group, which have already been described in detail in the 2018 consolidated financial statements. The first-time application of IFRS 16 – Leasing at *aap* takes place in accordance with the modified retrospective method, without adjusting comparative information from previous periods, which continues to be presented in accordance with IAS 17. The lease liability from operating leases with a remaining term of more than 12 months is measured at the current value of the remaining lease payments, taking into account a borrowing interest rate (as of January 1, 2019). The active right of use was generally taken into account at the same level as the lease liability. Equity has not been affected. *aap* utilized the exemption regulation in connection with lease agreements of up to twelve months and low-value assets. Leased assets with a maximum value of KEUR 5 were generally defined as low-value leased assets.

Lease rights of use and lease liabilities amounting to KEUR 1,396 were recognized on the date of initial application, January 1, 2019. The marginal capital interest rate for calculating the current value is between 1.3% and 1.8%. EBITDA for the reporting period increased by KEUR 258 as depreciation on rights of use and effects from the compounding of lease liabilities were recognized instead of lease expenses previously recognized in the operating result. Cash flow from operating activities in the reporting period increased by KEUR 258 due to the disclosure of lease payments in cash flow from financing activities. The rights of use presented in the balance sheet were capitalized for building rent, vehicle leasing and commercial operations.

The following table shows the reconciliation of the minimum lease payments reported as of 31/12/2018 to the lease liabilities recognized on January 1, 2019:

	KEUR
Minimum payments from operating leases as of 31/12/2018	1,461
Ease of application (short-term and low-value leases)	41
(Gross) lease liabilities as of 01/01/2019	**1,420**
Discounting	24
(Net) lease liabilities as of 01/01/2019	**1,396**

Existing finance lease agreements will continue and remain unchanged. It should be noted here that *aap* has signed a new finance lease in the form of a sale and rent back agreement for certain machines. The recognition requirements were checked and no changes were made to the presentation compared with previous finance lease agreements. Within a package of measures to strengthen its financial base, *aap* concluded a factoring agreement with a financing company in the second quarter of 2019. The agreement is valid for an indefinite period with a maximum volume of EUR 3 million, and financing occurs on a weekly basis. KEUR 334 was received as per the factoring on 30/06/2019. The outstanding receivables from the factoring are reported under other financial assets. Furthermore, the payments received from the factorer were reclassified from operating cash flow to financial cash flow.

2. Changes to the Composition of the Group of Companies

Until 30/06/2019, no changes were made to the consolidation entity of the *aap* Group.

3. Share-based Remuneration

The Group-wide share-based remuneration system for the members of the Management Board and the employees of *aap* as well as the members of the Executive Board and the employees of the affiliated companies was reported separately in the consolidated financial statements as at December 31, 2018. For further information please refer to the consolidated financial statements.

313,500 options were exercisable as of 30/06/2019.

The significant terms of the programs in force during the reporting period are summarized in the following overview:

<table>
<tr><th></th><th colspan="2">Significant Terms of the Valid Option Programs</th></tr>
<tr><th></th><th>2010, 2017</th><th>2012, 2013, 2014, 2015</th></tr>
<tr><td rowspan="2">Subscription Right</td><td colspan="2">Each option grants the beneficiaries the right to subscribe for one no-par value bearer share of aap Implantate AG in return for payment of the exercise price.</td></tr>
<tr><td colspan="2">The pecuniary advantage is restricted to four times the exercise price.</td></tr>
<tr><td>Authorized Individuals</td><td>• Employees and Management Board members
• Employees and members of the Executive Board of affiliated companies in accordance with Sections 15 et seq. AktG
• Only in option program 2010: Members of the Executive Board of affiliated companies in accordance with Sections 15 et seq. AktG</td><td>• Only in option programs 2012, 2013 and 2014: Employees of the Company and employees of affiliated companies in accordance with Sections 15 et seq. AktG
• Only in option program 2015: Management Board members of the Company</td></tr>
<tr><td>Issue period</td><td>2010: Until 19/12/2011
2017: Until 03/12/2019</td><td>2012: Until 19/12/2014, 2013: Until 19/12/2015
2014: Until 18/12/2016, 2015: Until 19/12/2017</td></tr>
<tr><td>Waiting Period</td><td colspan="2">4 years from the date of issue</td></tr>
<tr><td>Term</td><td colspan="2">8 years from the date of issue</td></tr>
<tr><td>Exercise Periods</td><td colspan="2">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 of the stock exchange has made the Company's annual financial statements, the half-yearly financial statements or the interim reports for the first or third quarter of the financial year available to the public.</td></tr>
<tr><td>Exercise Price</td><td colspan="2">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 Section 9 para. 1 AktG.</td></tr>
<tr><td rowspan="3">Performance Target</td><td colspan="2">2010, 2012, 2013 and 2014 option programs: The (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 must exceed the exercise price by at least 10%.</td></tr>
<tr><td colspan="2">2015 option program: 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 must be at least EUR 3.50.</td></tr>
<tr><td colspan="2">2017 Option program: The (average) closing auction price of the aap share in XETRA trading (or a comparable successor system) on the Frankfurt Stock Exchange must exceed the exercise price on the last trading day prior to the date on which the subscription right is exercised exceeds the exercise price by at least 15%.</td></tr>
<tr><td>Fulfilment</td><td colspan="2">The company can choose whether to fulfil the obligation by issuing equity instruments or cash settlements.</td></tr>
</table>

All option programs were issued in two or more tranches. In the past, realized payments have been settled in cash. On December 19, 2014, the Management Board decided that, with immediate effect, further options can only be exercised through the acquisition of equity instruments. Due to the legal requirements, only the options granted to the former Chief Executive Officer and subsequent Chairman of the Supervisory Board (now member of the Supervisory Board) have been fulfilled by cash settlement.

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

Option program	Grant date per tranche	Number of options granted	Expiration date	Exercise price in EUR	Fair value on the grant date in EUR
2010	15/07/2011	481,600	14/07/2019	1.03	0.40
2010	15/11/2011	55,000	14/11/2019	1.00	0.39
2012	25/08/2012	65,000	24/07/2020	1.00	0.51
2012	28/11/2012	180,000	27/11/2020	1.30	0.63
2012	03/07/2013	65,000	02/07/2021	1.27	0.64
2012	25/11/2013	5,000	24/11/2021	1.78	1.02
2013	03/07/2013	165,000	02/07/2021	1.27	0.64
2013	25/11/2013	135,000	24/11/2021	1.78	1.02
2013	01/07/2015	49,000	30/06/2023	2.51	1.02
2013	02/12/2015	26,500	01/12/2023	1.53	0.67
2014	01/07/2015	155,000	30/06/2023	2.51	1.02
2014	02/12/2015	133,500	01/12/2023	1.53	0.67
2014	04/07/2016	30,000	03/07/2024	1.36	0.54
2014	01/12/2016	66,500	30/11/2024	1.31	0.46
2015	01/07/2015	90,000	30/06/2023	2.51	1.00
2015	05/07/2017	60,000	04/07/2025	1.45	0.56
2017	05/07/2017	300,000	04/07/2025	1.45	0.61
2017	01/12/2017	149,500	30/11/2025	1.65	0.67
2017	28/06/2018	80,000	27/06/2026	1.94	0.83
2017	03/12/2018	20,000	02/12/2026	1.12	0.46

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

	2019		2018	
	Quantity	WAEP in EUR	Quantity	WAEP in EUR
Pending as of 01/01	1,098,500	1.44	1,436,000	1.44
Granted	0	1.94	50,000	1.94
Expired / forfeited	-75,000	1.55	-40,000	1.40
Exercised	0	–	-180,000	1.06
Pending as of 30/06	**1,023,500**	**1.54**	**1,266,000**	**1.52**
Of which exercisable	**313,500**		**451,000**	

The range of exercise prices for the stock options pending as of 30/06/2019 ranged from EUR 1.00 to EUR 2.51 (30/06/2018: EUR 1.00 to EUR 2.51). The stock options pending as of the end of the reporting period have a weighted average remaining term of 4.1 years (30/06/2018: 4.7 years). The expense shown in the reporting period for current option programs amounted to KEUR 80 (30/06/2018: KEUR 56) and related solely to the settlement by equity instruments.

4. Reporting on financial instruments

The following table shows the financial instruments held by the Group as at 30/06/2019. Additional information on financial instruments can be found in the consolidated financial statements as at December 31, 2018.

	Valuation categories in accordance	Book value 30/06/2019	Amortized costs	Fair value without impact on income	Valuation acc. to IFRS 16	Fair value 30/06/2019
Assets		KEUR	KEUR	KEUR	KEUR	KEUR
Financial assets	FVOCI	183	183			183
Accounts receivable	AC	1,606	1,606			1,606
Other financial assets	AC	3,755	3,755			3,755
Cash and cash equivalents	AC	5,156	5,156			5,156
Liabilities		KEUR	KEUR	KEUR	KEUR	KEUR
Financial liabilities	FLAC	0	0			0
Operate leasing liabilities		1,143	1,143		1,143	
Trade accounts payable	FLAC	2,201	2,201			2,201
Capital lease obligations	-	1,881	-	-	1,881	-
Other financial liabilities	FLAC	668	668			668

Of which aggregated to valuation categories according to IFRS 9:

	Valuation categories in accordance with IFRS 9	Book value 30/06/2019	Amortized costs	Fair value without impact on income	Fair value 30/06/2019
		KEUR	KEUR	KEUR	KEUR
Financial assets available for sale	FVOCI	183	183		183
Loans and receivables (including cash and cash equivalents)	AC	10,517	10,517		10,517
Total financial assets		**10,700**	**10,700**	**0**	**10,700**
Liabilities held at amortized costs	FLAC	2,201	2,201		2,201
Total financial liabilities		**2,201**	**2,201**		**2,201**

	Valuation categories in accordance	Book value 30/06/2018	Amortized costs	Fair value without impact on income	Valuation acc. to IAS 17	Fair value 30/06/2018
Assets		KEUR	KEUR	KEUR	KEUR	KEUR
Financial assets	FVOCI	192		192		192
Accounts receivable	AC	2,527	2,527			2,527
Other financial assets	AC	3,477	3,477			3,477
Cash and cash equivalents	AC	9,532	9,532			9,532
Liabilities		KEUR	KEUR	KEUR	KEUR	KEUR
Financial liabilities	FLAC	171	171			171
Trade accounts payable	FLAC	2,065	2,065			2,065
Capital lease obligations	-	876	-	-	876	-
Other financial liabilities	FLAC	1,249	1,249			1,249

Of which aggregated to valuation categories according to IFRS 9:

	Valuation categories in accordance with IFRS 9	Book value 30/06/2018	Amortized costs	Fair value without impact on income	Fair value 30/06/2018
		KEUR	KEUR	KEUR	KEUR
Financial assets available for sale	FVOCI	192	192	0	192
Loans and receivables (including cash and cash equivalents)	AC	15,537	15,537		15,537
Total financial assets		**15,729**	**15,729**	**0**	**15,729**
Liabilities held at amortized costs	FLAC	3,486	3,486		3,486
Total financial liabilities		**3,486**	**3,486**		**3,486**

The *aap* Group holds only primary financial instruments. The volume of primary financial instruments is shown in the balance sheet. The amount of financial assets 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, trade accounts payable, other current financial liabilities and financial debts correspond to their book values, in particular due to the short maturity of such financial instruments.

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

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

With regard to trade receivables, it should be noted that the total volume fell by EUR 0.3 million as a result of the conclusion of a factoring agreement in the second quarter of 2019.

In addition, financial liabilities increased by EUR 2.5 million in comparison to the same period of the previous year. This was due to the effects of the application of IFRS 16 (EUR 1.1 million) and the conclusion of a sale and rent back agreement in the second quarter of 2019 in the amount of EUR 1.4 million.

The financial assets available for sale relate to shares in AEQUOS Endoprothetik GmbH. A new re-verification will be carried out as part of the preparation of the 2019 consolidated financial statements.

5. Relationships with Related Companies and Individuals

Relationships with related companies and individuals are shown by groups of people.

	Individuals and companies with significant influence on the group	Associated companies	Individuals in key positions within the group
30/06/2019	KEUR	KEUR	KEUR
Proceeds from sales of goods and services	0	0	0
Purchases of goods and services	0	0	0
Accounts receivable / other receivables	0	0	0
Trade accounts payable / other liabilities	0	0	45
Interest income	0	0	0
Interest rate	*0*	*6.5 %*	*0*
Loan and interest receivables	0	0	0
Interest expenses	0	0	0
Interest rate	*0*	*0*	*0*
Loan obligations	0	0	0

	Individuals and companies with significant influence on the group	Associated companies	Individuals in key positions within the group
30/06/2018	KEUR	KEUR	KEUR
Proceeds from sales of goods and services	0	0	0
Purchases of goods and services	0	0	0
Accounts receivable / other receivables	0	0	0
Trade accounts payable / other liabilities	0	0	45
Interest income	0	0	0
Interest rate	*0*	*6.5 %*	*0*
Loan and interest receivables	0	0	0
Interest expenses	0	0	0
Interest rate	*0*	*0*	*0*
Loan obligations	0	0	0

6. Other Events

On 13 August 2019 *aap* announced within an insider information according to Article 17 MAR that the sales and EBITDA forecast for financial year 2019 is adjusted. *aap* now expects sales between EUR 11.0 million and EUR 13.0 million (previous forecast: EUR 13 million to EUR 15 million) as well as EBITDA of EUR -6.0 million and EUR -5.0 million (previous forecast: EUR -4.4 million and EUR -2.8 million). This corresponds to an increase in sales of 2% to 21% and an improvement in EBITDA of 6% to 22% compared with the previous year's figures.

On 8 August 2019 *aap* announced within an insider information according to Article 17 MAR that it has received the approval to conduct a human clinical study for its antibacterial silver coating technology by the Federal Institute for Drugs and Medical Devices ("BfArM") today. *aap* has thus reached a decisive milestone on the way to the targeted market approval. With a view to the start of the human clinical study in Germany, *aap* now still needs the approval of the ethics commissions, which has already been applied for. In addition, the application for approval of the human clinical study in the US has been submitted at the Food and Drug Administration (FDA) at the beginning of August 2019.

On 3 June 2019 *aap* announced within an insider information according to Article 17 MAR a change of the stock exchange listing from the Prime Standard to the General Standard of the regulated market of the Frankfurt Stock Exchange. On this basis *aap* subsequently applied to the management board of the Frankfurt Stock Exchange for the revocation of admission of the *aap* shares to the sub-segment of the regulated market with additional obligations arising from the admission (Prime Standard) pursuant to § 57 of the stock exchange regulations of the Frankfurt Stock Exchange, whereby the *aap* shares will be listed on the regulated market (General Standard) for trading ex officio. The revocation will be effective with the expiry of October 10, 2019.

On 17 April 2019 *aap* announced in an insider information according to Article 17 MAR the implementation of a capital increase with subscription rights as part of a package of measures to strengthen its financial base. The package of measures contained besides the capital increase with subscription rights two asset-based financings. On 10 May 2019 *aap* announced by means of a press release the successful completion of the capital increase with subscription rights with gross issuing proceeds of around EUR 3.5 million. *aap* uses the cash inflow from the capital increase with subscription rights and the two further external financings with a volume of around EUR 5.2 million in total to finance the planned sales growth and the further development of its pioneering and innovative silver coating technology.

On 15 April 2019 *aap* announced within an insider information according to Article 17 MAR that the Supervisory Board of the Company and the Chairman of the Management Board / CEO, Bruke Seyoum Alemu, agreed on an early termination of his term of office as of 30 April 2019. Bruke Seyoum Alemu thereupon resigned his mandate as Member and Chairman of the Management Board / CEO of *aap* by mutual agreement with the Supervisory Board with effect as of 30 April 2019 and retired from the Management Board at this time. Mr. Alemu will further on support the Company on a consulting basis. The Supervisory Board appointed Mr. Rubino Di Girolamo, at this time still Member of the Supervisory Board at *aap*, as successor and new Chairman of the Management Board / CEO with effect as of 1 May 2019. In addition, the Management Board and Supervisory Board of *aap* resolved to propose Ms. Dr. med. Nathalie Krebs to the competent commercial register for a judicial appointment as new Member of the Supervisory Board and successor of Mr. Di Girolamo for the period until the end of the Annual General Meeting of the company on 21 June 2019. Ms. Dr. med. Krebs was then elected to the Supervisory Board by *aap*'s Annual General Meeting held on 21 June 2019 in Berlin with an overwhelming majority (99.99%) and subsequently as new Chairwoman by the Members of the Supervisory Board.

7. Release of the consolidated financial statements

The Management Board of *aap* Implantate AG released the consolidated interim financial statements for the second quarter of 2019 on August 12, 2019 for submission to the Supervisory Board and subsequent publication.

Responsibility Statement by the Legal Representatives

To the best of our knowledge and in accordance with the applicable reporting principles for interim consolidated financial statements, these statements present a true and fair view of the group's asset, financial and earnings position and the interim group management report includes a fair review of the development and performance of the business and the Group's position, together with a description of the principal opportunities and risks associated with the Group's expected development in the remainder of the financial year.

Rubino Di Girolamo
Chairman of the Management Board / CEO

Marek Hahn
Member of the Management Board / CFO

Unternehmenskalender

2019

• November, 2019

Publication of the 3rd quarter 2019 results

• November 25 - 27, 2019

German Equity Forum 2019 (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

aap Implantate AG
Lorenzweg 5 • 12099 Berlin • Germany

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

ir@aap.de • www.aap.de