

Report by the Supervisory Board for the Financial Year 2014

Supervision and Advice by Means of Regular Exchanges with the Management Board

The Supervisory Board performed in the reporting year the tasks with great care that are incumbent on by law and by the Company's articles of association and rules of procedure. It advised the Management Board on the running of the Company, monitoring its activities regularly and ensuring that everything was legal, orderly and fit for purpose. The Management Board fulfilled its obligation to inform the Supervisory Board and kept it informed regularly, comprehensively and in a timely manner in reports both written and oral on events and measures of relevance for the Company. The reports included all relevant Information regarding the planning, sub-annual business developments, risks as well as compliance subjects. The Supervisory Board Chairman and individual members of the Supervisory Board also maintained a close and regular exchange of information, including between scheduled meetings with members of the Management Board. In this way the Supervisory Board was kept informed regularly and in a timely manner about the proposed business policy, corporate planning including financial, investment and personnel planning, the Company's profitability, risk management and the course of business, along with the position of the Group and matters of strategic corporate development. The Management Board also agreed the Company's strategic alignment with the Supervisory Board. Important Insights as well as deviations of the course of business from the plans as agreed were notified, explained and discussed latest on the following Supervisory Board meeting. The Supervisory Board discussed with the Management Board material business transactions and, especially, the Group's further development. The Supervisory Board was involved in all decisions of fundamental importance for the Company.

Members of the Supervisory Board checked proposed resolutions thoroughly and approved them at meetings or on the basis of written and oral information insofar as Supervisory Board approval of management decisions or measures was required by law, the articles of association or the Company's rules of procedure. Management Board members regularly attended Supervisory Board meetings. In 2014 the Supervisory Board held five regular meetings. The entire Supervisory Board attended each meeting. Several conference calls and so called expert meetings were also held.

Focal Points of Supervisory Board Deliberations

There were no committees in the financial year 2014 with the result that the Supervisory Board held discussions in its entirety. Next to the legally required reports, the following focal points were discussed intensively and approved upon:

- The annual and consolidated financial statements as of December 31, 2013
- Development of a corporate strategy in view of *aap* Implantate AG's transformation into a pure trauma company (focus strategy)
- Examination and evaluation of strategic options for *aap* Biomaterials GmbH within the focus strategy
- Adaption of the group's structure according to the focus strategy
- Geographical market penetration of LOQTEQ®
- Activities with global partners
- Analysis of reporting instruments and further development of ERP-system
- Corporate Governance Code
- Expansion of the production capacity in Berlin and growth strategies for the trauma business
- The management agenda 2015 and budget 2015
- Structuring of Research & Development activities

Sales, earnings and employment trends at *aap* Implantate AG were the subject of regular deliberations, as was the financial position, the Group's further strategic perspectives, the on-going development of the company, the investment plans as well as the project business to be achieved by the sale of products that are not part of the Company's core business. The Management Board

briefed the Supervisory Board regularly and comprehensively on corporate planning, the course of business and the Group's current position.

The Supervisory Board dealt in detail with the economic situation, with operational and strategic trends and with the Group's further development.

Corporate Governance

During the financial year the Supervisory Board maintained a watching brief on the implementation of the provisions of the German Corporate Governance Code and the development of corporate governance standards. In January 2015 the Management Board and Supervisory issued an updated declaration of conformity as per Section 161 AktG and made it permanently available to shareholders on the Company's website. Information about corporate governance in the Group and a detailed report on the amount and structure of Supervisory Board and Management Board remuneration can be found in the Corporate Governance Statement pursuant to Art. 289a of the German Commercial Code (HGB) which is available for download on our corporate website as well.

Annual and Consolidated Annual Financial Statements, Annual Audit

RBS RöverBroennerSusat GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Berlin, appointed at the annual general meeting held on June 13, 2014, to be the external auditor for the financial statements 2014, audited the annual financial statements and management report of *aap* Implantate AG to December 31, 2014 and the consolidated annual financial statements and group management report to December 31, 2014 and issued an unqualified audit statement. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS). The auditor has confirmed that the consolidated financial statements and group management report comply with IFRS as applicable in the European Union and with the additional commercial law provisions of Section 315 a (1) of the German Commercial Code (Handelsgesetzbuch/HGB). Focal points of the audit included sales realisation and the reporting to IFRS 5 and IFRS 8. The Supervisory Board was supplied with copies of the annual financial statements and management report, the consolidated financial statements and group management report and the auditor's reports. They were discussed in detail at the Supervisory Board's accounts meeting on March 31, 2015 and April 29, 2015. In this Supervisory Board meeting, the Management Board explained in detail the financial statements for *aap* Implantate AG as well as the group. The auditor who signed the auditor's report attended the Supervisory Board's and Management Board's discussion on the reports, outlined the principal audit findings and was available to answer questions.

After checking and discussing the annual financial statements, the management report and the group management report, the Supervisory Board approved the audit findings and signed off the annual financial statements and consolidated financial statements to December 31, 2014 prepared by the Management Board. The annual financial statements were thereby approved.

Statements Pursuant to Sections 289 (4) and 315 (4) HGB

The Supervisory Board discussed the statements and the report on the statements in the management report in accordance with Sections 289 (4) and 315 (4) HGB. It checked and approved the explanations given in the management report.

In the name of the Supervisory Board, I would like to thank the members of the Management Board and all of the Group's employees for their personal commitment and the constructive cooperation in the eventful past months.

The Supervisory Board



Biense Visser
Chairman