

Declaration by the Management Board and Supervisory Board of *aap* Implantate AG

on the recommendations of the

“Government Commission on the German Corporate Governance Code”

in accordance with Article 161 of the German Stock Corporation Act (Aktiengesetz/AktG)

The Management Board and Supervisory Board of *aap* Implantate AG issued their last annual declaration of conformity to the German Corporate Governance Code pursuant to Article 161 of the German Stock Corporation Act (Aktiengesetz/AktG) on January 23, 2019. The following declaration relates to the Code’s recommendations in its version of February 7, 2017, published in the Federal Gazette on April 24, 2017.

The Management Board and Supervisory Board of *aap* Implantate AG hereby declare that, subject to the exceptions stated below, the Company has complied with the recommendations of the “Government Commission on the German Corporate Governance Code” since issuing its last annual declaration of conformity on January 23, 2019 and will continue to do so subject to the exceptions stated below.

D&O Policy Deductible (Section 3.8 para. 3)

aap Implantate AG has taken out D&O insurance cover for its Supervisory Board members. The policies do not include a deductible for Supervisory Board members. In the opinion of the Management Board and Supervisory Board, a deductible has no effect on the sense of responsibility and loyalty which Supervisory Board members perform their tasks and functions with. Furthermore, a deductible is not customary in other countries. Besides, every Supervisory Board member would be free to take out insurance cover to the amount of the deductible, so the deductible would no longer have the intended effect. For the reasons stated there it will continue to be no deductible for members of the Supervisory Board.

Multi-year Calculation Basis and Cap on Variable Compensation Components of the Management Board’s Compensation (Section 4.2.3 para. 2, sentence 3 and sentence 6)

In the Management Board members’ employment contracts, *aap* Implantate AG agreed with the Management Board members on variable compensation components capped at a maximum amount with a multi-year calculation basis, as well as on such variable compensation components having neither a capped maximum amount nor a multi-year calculation basis. The Supervisory Board is of the opinion that the relevant remuneration elements, which include the payment of a special allowance only in the case of certain extraordinary events, provide an incentive for the Management Board in the best interests of the company. The hereby intended alignment of the interests of shareholders and Management Board members would be undermined by imposing a ceiling on the amount. A multi-year calculation basis is precluded in the case of compensation to be granted only when particular special events occur.

Age Limit for Management Board Members (Section 5.1.2 para. 2)

aap Implantate AG has set no age limit for Management Board members. Setting an age limit for Management Board members would restrict the Supervisory Board in its task to appoint the best-qualified candidate to the Management Board. As a matter of principle, the Company should also be able to call on the expertise of experienced candidates. Setting a very high limit which does not limit the choice of candidates in order to comply with the Code’s recommendations is not considered appropriate.

No Formation of Committees by the Supervisory Board (Section 5.3.1; Section 5.3.2; Section 5.3.3)

aap Implantate AG's Supervisory Board consists of three members. In the Company's circumstances and in view of the low number of Supervisory Board members no committees are formed. The efficiency of the Supervisory Board work is considered to be sufficient in the existing organizational structure.

Training and Further Education Measures (Section 5.4.5 para. 2)

The Company supports members of the Supervisory Board as a matter of principle in taking the training and further education measures required for their tasks but has not adopted any formal procedure or guidelines in this respect. Furthermore, it is not clear which conditions must be fulfilled pursuant to Section 5.4.5 para. 2 of the German Corporate Governance Code for the Company to be able to deem support for training and further education measures for Supervisory Board members to be appropriate. We therefore take the precaution of declaring a deviation from Section 5.4.5 para. 2 of the German Corporate Governance Code.

Compensation of Supervisory Board Members (Section 5.4.6 para. 1 sentence 2)

No special consideration is given in setting Supervisory Board compensation to the exercise of the Chair and Deputy Chair positions. The Management Board and Supervisory Board of *aap* Implantate AG are of the opinion that given the size of the Supervisory Board and the allocation of tasks within the Board a differentiation in the compensation paid to Supervisory Board members is inappropriate.

Financial Reporting (Section 7.1.2)

Contrary to the recommendation made in Section 7.1.2 sentence 3 of the German Corporate Governance Code the consolidated financial statements and the consolidated management report of *aap* Implantate AG for the financial year 2018 were not made publicly accessible within 90 days from the end of the financial year. The reason was based on different, and at that time new developments, and temporal shifts, which occurred during the months before the initially planned publication date in implementing the strategy to develop *aap* into a sustainably growing pure player in trauma. As a consequence, an evaluation and decision on various issues by Management Board and Supervisory Board was required. As individual decisions within this evaluation had to be considered in the consolidated financial statements and the consolidated management report 2018, the company had decided to postpone the publication to 30 April 2019 and was unable to comply with the recommendation made in Section 7.1.2 sentence 3 of the German Corporate Governance Code in financial year 2019. The Management Board and Supervisory Board do, however, intend to comply with the recommendation in Section 7.1.2 Sentence 3 of the German Corporate Governance Code in the future and to make the consolidated financial statements and the consolidated management report for financial year 2019 publicly accessible within 90 days from the end of the financial year.

To increase transparency and state comprehensively the importance of the Corporate Governance Code for *aap* Implantate AG, the Management Board and Supervisory Board also include a statement on compliance with the Code's suggestions in this declaration of conformity. The following declaration relates to the Code's suggestions in its version of February 7, 2017, published in the Federal Gazette on April 24, 2017.

With the exception of the following suggestion, all suggestions made in the Code are complied with already respectively will be complied with in the financial year 2020:

Transmission of the Annual General Meeting on the Internet (Section 2.3.3)

Use was not made of the provision in the Articles of Association for transmitting the 2019 Annual General Meeting on the internet. There are no plans to transmit the 2020 Annual General Meeting on the internet or by any other modern means of communication.

Berlin, December 11, 2019

For the Supervisory Board

For the Management Board



Dr. med Nathalie Krebs
Chairwoman of the Supervisory Board

Rubino Di Girolamo
Chairman of the Management Board / CEO