

Report by the Supervisory Board for the Financial Year 2020

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

The financial year 2020 was a very challenging one for *aap* Implantate AG. In addition to the noticeable effects of the COVID 19 pandemic, the year under review was essentially characterised by a massive restructuring and refinancing. Among other things, the balance sheet was sustainably restructured by means of the capital reduction and other measures, thereby increasing flexibility regarding potential further financing activities. Even though business development was significantly influenced by COVID-19, which was reflected in the corresponding sales trend, *aap* Implantate AG nevertheless came through the pandemic relatively well in an industry comparison. In addition, the progress made in restructuring and refinancing has laid a good and healthy foundation for the Company's new start.

In the year under review, the Supervisory Board performed the duties incumbent upon it under the law, the Articles of Association and the Rules of Procedure with great care. The Supervisory Board advised the Management Board on the management of the company, continuously monitored its activities and always satisfied itself of the legality, appropriateness and regularity of its actions. The Management Board fulfilled its duties to provide information and informed the Supervisory Board regularly, promptly and comprehensively in written and verbal form about events and measures relevant to the Company. The reports contained all relevant information on strategy development, planning, business developments during the year, risks and compliance. Furthermore, in addition to the Chairwoman of the Supervisory Board, the other two members of the Supervisory Board also maintained a close and regular exchange of information with the members of the Management Board between meetings, which was particularly intensive due to the challenging situation of the Company in the year under review. In this way, the Supervisory Board was informed comprehensively and promptly about the intended business policy, corporate planning including financial, investment and personnel planning, the profitability of the Company, risk management, the course of business and the situation of the Group as well as questions of strategic corporate development. The Management Board also coordinated the Company's strategic orientation with the Supervisory Board. Important findings and deviations in the course of business from the approved plans were presented, explained and discussed at the next meeting at the latest. The Supervisory Board discussed with the Management Board the business transactions of importance to the Company and the further development of the Group. The Supervisory Board was involved in all decisions of fundamental importance for the Company.

The members of the Supervisory Board approved the draft resolutions at the meetings or on the basis of written and oral information after thorough examination, insofar as approval was required for decisions or measures of the Management Board by law, the Articles of Association or the Rules of Procedure. The Supervisory Board met a total of eight times in 2020, whereby the meetings were held exclusively in the form of telephone conferences due to the special circumstances against the background of the COVID 19 pandemic. These took place on February 27, March 26, April 9, June 26, June 29, July 10, August 5 and October 21. Ms. Dr. med. Nathalie Krebs and Ms. Jacqueline Rijdsdijk participated in all eight meetings held. Mr. Biense Visser attended seven of the eight meetings held and was excused from one meeting.

Focal Points of Supervisory Board Deliberations

There were no committees in the 2020 financial year, with the result that the Supervisory Board's deliberations took place as a whole. In addition to the statutory reporting requirements, the following key issues in particular were discussed and examined in detail by the Supervisory Board:

- Monitoring the implementation of refinancing measures to secure the Company's continued existence (e.g. granting shareholder loans, balance sheet restructuring with a focus on capital reduction, issuance convertible bond, selling land, selling overcapacity machinery)

- Monitoring the implementation of identified restructuring measures to reduce costs and increase efficiency (e.g. staff reduction via transfer company, renegotiation of IT and rental agreement with reduction of rental space, measures to reduce manufacturing costs)
- Discussion of the impact of the COVID 19 pandemic on the Company with the Management Board and derivation of appropriate measures as well as monitoring implementation (e.g. introduction of short-time work, use of government aid programmes)
- Monitoring of the QM-relevant audits conducted in financial year 2020 with a focus on successful recertification of the Company under MDD by 2024
- Discussion and evaluation of further potential measures to reduce costs and strengthen the financial base in order to demonstrate the assumption of going concern in the context of the preparation of the annual financial statements 2020
- Annual and consolidated financial statements as at 31.12.2019
- Discussion and monitoring of the management of operational and strategic risks
- Evaluation of strategic alternatives to increase value including, among others, development partnerships, distribution and licensing agreements as well as joint venture agreements up to corporate transactions (e.g. mergers, share or asset deals as well as carve-outs)
- Sales increase through expansion of existing customer business and acquisition of new customers with a focus on the US market
- Activities around targeted CE and FDA approvals for silver coating technology with focus on obtaining regulatory approvals to prepare and start human clinical study
- Development activities related to the completion of the LOQTEQ® portfolio, in particular sterile packaged implants
- Activities with global partners with focus on development and distribution agreements
- Development of working capital management with a focus on higher inventory turnover, among other things through consistent consignment management
- Discussion of legal disputes and possibilities of their settlement as well as mapping of legal risks in financial reporting
- Renegotiation of Management Board contracts and expansion of the Management Board
- Act on the Implementation of the Second Shareholders' Rights Directive (ARUG II)
- Corporate Governance Code
- Management Agenda and budget 2021

The subject of regular consultations was the development of *aap* Implantate AG's sales, earnings and employment, the financial position, strategic prospects, the Group's further development and investment planning. The Management Board informed the Supervisory Board regularly and comprehensively about corporate planning, the course of business and the Group's current situation.

The Supervisory Board dealt in detail with the economic situation and with the operative and strategic development and discussed the further development of the Group.

Corporate Governance

In the past fiscal year, the Supervisory Board continuously monitored the implementation of the provisions of the German Corporate Governance Code and the development of corporate governance standards. In December 2020, the Management Board and Supervisory Board issued an updated Declaration of Conformity in accordance with section 161 of the German Stock Corporation Act (Aktiengesetz/AktG) and made it permanently available to shareholders on the Company's website. Information on corporate governance within the company and a detailed report on the amount and structure of the remuneration of the Supervisory Board and Management Board can be found in the corporate governance declaration pursuant to Sections 289 f and 315 d of the German Commercial Code (Handelsgesetzbuch/HGB) and in the remuneration report of the consolidated annual financial report 2020. Both documents are also available on the Company's website.

Annual and Consolidated Financial Statements, Audit

Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hamburg, appointed at the annual general meeting held on August 7, 2020, to be the external auditor for the financial statements 2020, audited the annual financial statements and the combined management report for the individual and consolidated financial statements as well as the consolidated financial statements, prepared in accordance with the International Financial Reporting Standards (IFRS), of *aap* Implantate AG as at December 31, 2020. Since by the time of the balance sheet meeting on April 29, 2021 the auditor had not been presented with sufficient evidence that *aap* Implantate AG's financing is secured for a 12-month period, the auditor declared the non-issuance of audit opinions due to an audit impediment and issued a note of refusal. The Supervisory Board was supplied with the annual financial statements and the combined management report for the individual and consolidated financial statements as well as the consolidated financial statements and the auditor's reports. The financial statement documents and audit reports were discussed in detail at the balance sheet meeting on April 29, 2021. At this meeting, the Management Board explained the financial statements of *aap* Implantate AG and the Group and the reasons for not issuing the auditor's opinion. The auditor who signed the auditor's report attended the Supervisory Board's and Management Board's discussions on the reports, outlined the principal audit findings and was available to answer questions.

After reviewing and discussing the annual financial statements and the consolidated financial statements as well as the combined management report for the individual and consolidated financial statements, the Supervisory Board approved the result of the audit by the auditor and approved the annual financial statements and the consolidated financial statements prepared by the Management Board as at December 31, 2020. The annual financial statements are thus adopted.

Statements Pursuant to Articles 289 (4) and 315 (4) of the German Commercial Code (Handelsgesetzbuch/HGB)

The Supervisory Board dealt with the information and the report on the information in the combined management report for the individual and consolidated financial statements in accordance with sections 289 (4) and 315 (4) HGB. The Supervisory Board approved the corresponding explanations in the combined management report for the individual and consolidated financial statements.

In the name of the entire Supervisory Board, I would like to thank the members of the Management Board and all of the employees for their above-average personal commitment and the constructive cooperation in the eventful and challenging past months of our Company. Furthermore, we would like to thank all customers, suppliers, our shareholders and all other stakeholders for their special support during this demanding year.

The Supervisory Board



Dr. med. Nathalie Krebs
Chairwoman