

Report by the Supervisory Board for the Financial Year 2021

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

aap Implantate AG can again look back on a challenging but also successful financial year 2021. Following extensive restructuring, the Company succeeded in achieving a turnaround despite the continuing adverse effects of the COVID-19 pandemic. In addition to the significant increase in sales, *aap* Implantate AG was also able to substantially improve EBITDA and cash flow, so that the trend towards a positive result and corresponding self-financing strength is now clearly discernible. Overall, a good and healthy basis has thus been laid for the Company's future. The next step is to consistently continue on the path taken and to achieve the operational and strategic goals that have been set.

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 2021, with all but one of the meetings taking the form of conference calls due to the special circumstances against the backdrop of the COVID-19 pandemic. These took place on February 16, April 29, May 18, July 15 (physical meeting), August 11, November 10, November 17, and December 9. Ms. Dr. med. Nathalie Krebs and Ms. Jacqueline Rijdsdijk participated in all eight meetings held. Furthermore, Mr. Biense Visser attended all five meetings held until the end of his term on October 31, 2021, and Mr. Marc Langner attended all three meetings held after the start of his term on November 1, 2021. For further details on the change in the Supervisory Board of *aap* Implantate AG during the year, please refer to the Corporate Governance section of this report.

Focal Points of Supervisory Board Deliberations

In financial year 2021 there were no committees other than the Audit Committee, so the majority of the Supervisory Board's deliberations took place within the full Board. In addition to the regular statutory reporting, the following key topics in particular were intensively discussed and examined by the Supervisory Board:

- Monitoring of the implementation of the refinancing measures to secure the continued existence of the Company (e.g. sale of land, completion of the sale of excess capacity machinery, granting of shareholder loans, implementation of capital increase with subscription rights)
- Monitoring of the implementation of further measures to reduce costs and increase efficiency (e.g. 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 of implementation (e.g. utilization of government aid programs)
- Monitoring of the necessary follow-up measures from the audit conducted in financial year 2021 by the designated body
- On schedule implementation and compliance of measures to adapt processes / documents to MDR requirements for the entry into force of the MDR on 21.5.2021 and beyond to ensure first-time MDR certification
- Discussion and evaluation of further potential measures to strengthen the financial basis in order to demonstrate the assumption of going concern in the context of the preparation of the annual financial statements 2021
- Annual and consolidated financial statements as of 31.12.2021
- 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 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 start of human clinical study in 2021
- Development activities related to the completion of the LOQTEQ® portfolio, in particular sterile packaged implants
- Discussion of legal disputes and possibilities of their settlement as well as mapping of legal risks in financial reporting
- Renegotiation of Management Board contracts
- Corporate Governance Code
- Management Agenda and budget 2022

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 2021, 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 financial year 2021.

Both documents are also available on the Company's website or will be available there in the near future.

There was a change on the Supervisory Board of *aap* Implantate AG in the financial year 2021. Mr. Marc Langner succeeded Mr. Biense Visser, who had resigned as a member of the Supervisory Board for personal reasons, by way of court appointment with effect from November 1, 2021. Mr. Visser's term of office ended with effect from October 31, 2021.

Annual and Consolidated Financial Statements, Audit

Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hamburg, appointed at the annual general meeting held on July 15, 2021, to be the external auditor for the financial statements 2021, 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, 2021 and issued an unqualified audit opinion. The auditor confirmed that the consolidated financial statements and the combined management report comply with the IFRS as adopted by the European Union and with the additional commercial law requirements pursuant to § 315a (1) of the German Commercial Code (Handelsgesetzbuch/HGB). Key audit matters included the assessment of the going concern premise, sales recognition and the recoverability of the receivables from *aap* Implants Inc. reported in the individual financial statements. Other key audit matters included the recoverability of inventories and trade receivables and the completeness of the valuation of provisions. 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 March 29, 2022, and March 30, 2022. At the meeting on March 29, 2022, the Management Board explained the financial statements of *aap* Implantate AG and the Group. 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, 2021 on March 30, 2022. 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 our customers, suppliers, our shareholders and all other stakeholders for their special support in what was again a very challenging year.

The Supervisory Board



Dr. med. Nathalie Krebs
Chairwoman