

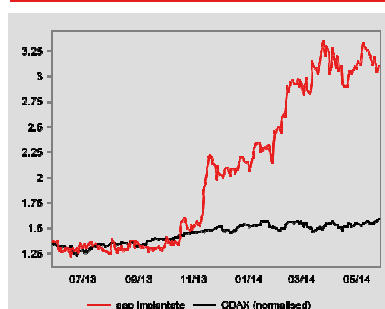
<b>Buy</b>  <b>EUR 4.50</b>  Price <b>EUR 3.10</b> Upside <b>45.2 %</b>	<b>Value Indicators:</b> EUR DCF: 4.42 SotP: 4.40 Peer Group: 4.42	<b>Share data:</b> Bloomberg: AAQ GR Reuters: AAQG.DE ISIN: DE0005066609	<b>Description:</b> Producer of implants and biomaterials to mend broken bones
	<b>Market Snapshot:</b> EUR m Market cap: 95.1 No. of shares (m): 30.7 EV: 74.6 Freefloat MC: 25.0 Ø Trad. Vol. (30d; EUR): 105.11 th	<b>Shareholders:</b> Freefloat: 26.3 % Noes de Vries: 16.7 % Elocin B.V: 15.3 % Jürgen W. Krebs: 12.6 % Fidelity Funds: 5.5 %	<b>Risk Profile (WRe):</b> 2014e Beta: 1.4 Price / Book: 1.9 x Equity Ratio: 82 % Net Fin. Debt / EBITDA: -3.8 x Net Debt / EBITDA: -3.8 x

## Warburg Highlights Feedback: Roll-out of LOQTEQ Implants

The visit of CEO Biense Visser and COO Bruke Seyoum Alemu at Warburg Highlights supports our positive view. Within several investor meetings, the management underlined the broad roll-out of the patented LOQTEQ implants.

- **aap in a nutshell:** aap is an innovative medical technological company which operates within the two orthopaedic segments of Biomaterials and Trauma. Within Biomaterials (Revenue '13 EUR 17.7m), the company manufactures bone cements and mixing systems. This business unit is the company's profitable Cash Cow. Within the Trauma segment, (Revenue '13 EUR 9.6m), aap develops and markets bone implants that are used to support the recovery of breaks and fractures. Since Q4 2011 aap has marketed the LOQTEQ implant which, through its innovative design and extensive clinical advantages, represents the most promising growth driver for the company.
- **Becoming a pure player in Trauma:** Since 2009, the company has had a strong focus on the Trauma segment. Consequently, the product portfolio of the related subsidiaries has been reduced and disposal resources have been invested into the Trauma segment. Currently, the above mentioned Biomaterials business is up for sale. Within the first quarter of 2014, an investment bank was hired to assist in the divestment process. Hence, a further step in the transformation to a pure Trauma supplier is expected within a short-term horizon. A possible sale of the Biomaterials business could bring solid cash inflows of EUR 36-40m (9x EV/EBITDA).
- **Trauma continues with strong growth:** The advanced development of the patented implant LOQTEQ ("Locking Technology") was focused upon in the past. This innovative implant is aap's key growth driver. With a revenue contribution of EUR 5m in FY 2013 (+150% yoy), this product stands for c. 50% of total sales in the Trauma segment (EUR 9.6 in FY 13). In Q1 14, LOQTEQ grew by +175% yoy, mainly driven by follow-up orders from Russia, Turkey, Italy, Spain, Czech Republic and Bulgaria. The total, the Trauma segment grew by +47% yoy up to EUR 2.2m sales. For FY 2014, a revenue contribution of EUR 15m by the Trauma segment is anticipated.
- **US, Brazil and Mexico are yet to come:** aap is clearly focusing the emerging markets like the BRICS, SMIT and N10 countries. In 2013, aap gained distribution partners in China, Russia and Saudi Arabia. In Mexico and Brazil, distribution partners have been named already. After the product approval of LOQTEQ, aap will receive the first orders (expected in H2 14). Furthermore, aap started negotiations with potential distribution partners in the US, the worldwide most important Trauma market. A result could be an additional initial order within the second half of 2014.
- **Outlook:** On May 15, aap reported quarterly results. On the basis of strong Q1 figures (Sales EUR 7.1m), the full year outlook of EUR 35m in sales and an EBITDA of EUR 5-6m was confirmed. Additionally, the guidance for Q2 was published. aap is expecting revenues of EUR 7.6m to EUR 8.2m and an EBITDA of EUR 1m-1.5m.

Against this backdrop, aap's positive development in recent years is clearly expected to continue. Hence, the Buy rating is reiterated with a price target of EUR 4.50, based on DCF.



### Rel. Performance vs CDAX:

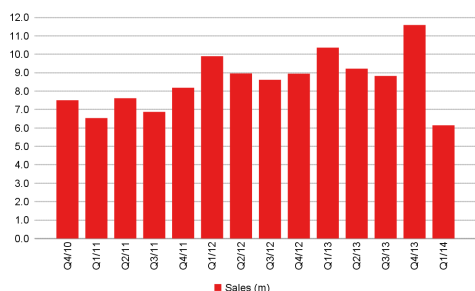
1 month:	-2.7 %
6 months:	50.8 %
Year to date:	40.5 %
Trailing 12 months:	112.8 %

### Company events:

13.06.14	AGM
14.08.14	Q2
14.11.14	Q3

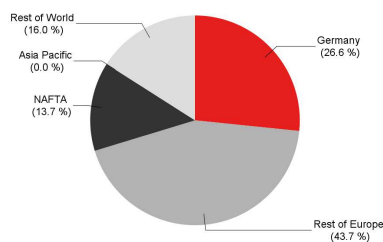
FY End: 31.12. in EUR m	CAGR (13-16e)	2010	2011	2012	2013	2014e	2015e	2016e
<b>Sales</b>	5.6 %	28.4	29.2	36.4	40.0	34.6	40.3	47.1
Change Sales yoy		-14.1 %	2.7 %	24.7 %	9.8 %	-13.6 %	16.8 %	16.9 %
Gross profit margin		81.0 %	85.3 %	78.4 %	72.7 %	74.4 %	75.0 %	75.5 %
<b>EBITDA</b>	2.5 %	3.4	4.1	7.1	7.4	5.3	6.7	7.9
Margin		12.1 %	14.1 %	19.6 %	18.4 %	15.4 %	16.7 %	16.8 %
<b>EBIT</b>	-	0.7	1.2	3.2	-2.1	2.7	3.8	4.6
Margin		2.5 %	4.0 %	8.8 %	-5.3 %	7.9 %	9.4 %	9.8 %
<b>Net income</b>	-	0.0	0.4	2.4	-2.5	2.7	3.7	4.1
<b>EPS</b>	-	0.00	0.01	0.08	-0.08	0.09	0.12	0.13
<b>DPS</b>	-	0.00	0.00	0.00	0.00	0.00	0.04	0.04
Dividend Yield		0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	1.3 %	1.3 %
<b>FCFPS</b>		-0.06	-0.03	0.10	-0.11	0.19	0.08	0.10
<b>EV / Sales</b>		1.5 x	1.2 x	0.9 x	1.2 x	2.2 x	1.8 x	1.4 x
<b>EV / EBITDA</b>		12.8 x	8.7 x	4.8 x	6.6 x	14.0 x	10.5 x	8.4 x
<b>EV / EBIT</b>		61.3 x	30.8 x	10.7 x	n.a.	27.3 x	18.7 x	14.4 x
<b>P / E</b>		n.a.	96.9 x	12.5 x	n.a.	34.4 x	25.8 x	23.8 x
<b>FCF Yield Potential</b>		7.5 %	2.6 %	11.0 %	8.6 %	3.4 %	5.1 %	6.0 %
<b>Net Debt</b>		9.1	7.1	3.9	3.3	-20.4	-24.2	-28.4
<b>ROE</b>		0.1 %	0.8 %	4.9 %	-4.9 %	5.4 %	6.9 %	7.0 %
<b>ROCE (NOPAT)</b>		0.4 %	1.4 %	5.2 %	-4.3 %	6.1 %	11.5 %	12.4 %
<b>Guidance:</b>		Guidance 2014: Revenue EUR 35m (+22% yoy), EBITDA EUR 5m-6m						

## Sales development in EUR m



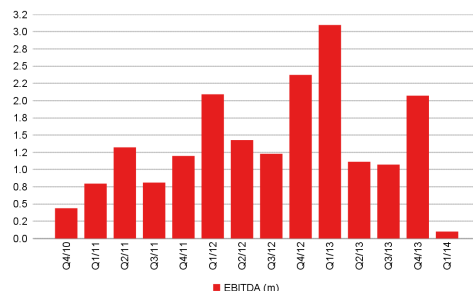
Source: Warburg Research

## Sales by regions 2013; in %



Source: Warburg Research

## EBITDA development in EUR m



Source: Warburg Research

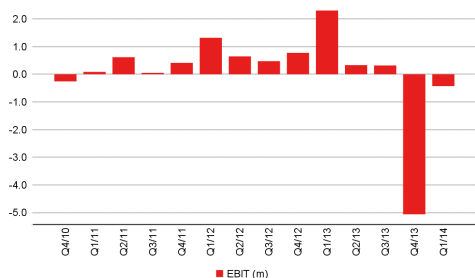
## Company Background

- aap Implantate AG develops, produces and sells medical implants, which are primarily used in orthopaedics to mend fractures.
- With the business areas Trauma and Biomaterials, the company covers the entire value chain and sells the products worldwide with the focus on Europe, the USA as well as on the BRICS and SMIT markets.
- The products are sold by direct sale, international sales partners or OEMs (including Stryker, Zimmer, Biomet or Smith& Nephew).
- aap Implantate AG was founded in 1990 as a MBO from the Johnson & Johnson Group and is headquartered in Berlin. The company has 217 employees.

## Competitive Quality

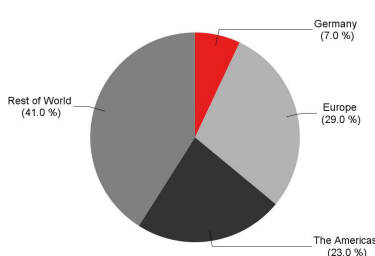
- aap Implantate AG has developed a patent protected Trauma implant (LOQTEQ), which provides significant improvements for surgeons, hospitals and clinics as well as patients.
- Additionally aap has a promising product pipeline with an antibacterial silver coating for the implants as well as resorbable magnesium implants.
- The most recent sale of the Dutch subsidiary has provided the company with sufficient financial funds to grow organically and inorganically.
- In the Biomaterials division, aap has established a network with the largest Medtech companies (e.g. Zimmer, Stryker, Smith & Nephew, Johnson & Johnson).

## EBIT development in EUR m



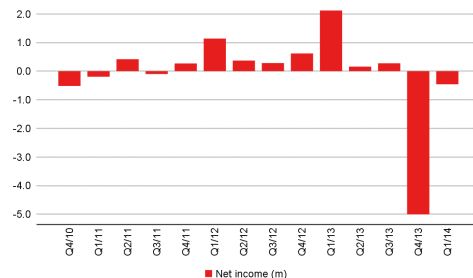
Source: Warburg Research

## LOQTEQ - Sales by regions 2013; in %



Source: Warburg Research

## Net income development in EUR m



Source: Warburg Research

## DCF model

Figures in EUR m	Detailed forecast period			Transitional period										Term. Value
	2014e	2015e	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	
Sales	34.6	40.3	47.1	53.9	59.7	65.3	70.0	74.8	79.6	84.4	89.6	94.8	100.0	3.5 %
Sales change	-13.6 %	16.8 %	16.9 %	14.4 %	10.6 %	9.5 %	7.1 %	6.8 %	6.4 %	6.1 %	6.1 %	5.8 %	5.5 %	
EBIT	2.7	3.8	4.6	5.6	6.5	7.5	8.7	10.5	12.4	14.4	17.0	19.4	20.5	20.5 %
EBIT-margin	7.9 %	9.4 %	9.8 %	10.4 %	10.9 %	11.5 %	12.5 %	14.1 %	15.6 %	17.1 %	19.0 %	20.5 %	20.5 %	
Tax rate (EBT)	6.9 %	5.1 %	12.7 %	17.0 %	25.0 %	25.0 %	25.0 %	25.0 %	25.0 %	25.0 %	25.0 %	25.0 %	25.0 %	25.0 %
NOPAT	2.5	3.6	4.0	4.6	4.9	5.6	6.5	7.9	9.3	10.8	12.8	14.6	15.4	
Depreciation	2.6	2.9	3.3	3.5	3.9	4.2	4.5	4.9	5.2	5.5	5.8	6.2	6.5	6.5 %
in % of Sales	7.5 %	7.3 %	7.0 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	
Changes in provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in Liquidity from														
- Working Capital	-3.7	0.8	1.0	1.3	1.4	1.4	0.8	1.1	1.1	1.1	1.2	0.7	1.2	6.5
- Capex	3.2	3.3	3.4	3.5	3.9	4.2	4.5	4.9	5.2	5.5	5.8	6.2	6.5	
Capex in % of Sales	9.3 %	8.2 %	7.2 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Free Cash Flow (WACC Model)	5.6	2.4	2.9	3.4	3.5	4.3	5.8	6.8	8.2	9.7	11.6	13.8	14.2	16
PV of FCF	5.6	2.2	2.4	2.5	2.4	2.6	3.2	3.5	3.8	4.1	4.4	4.8	4.5	75
share of PVs	8.51 %			29.67 %										61.83 %

### Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	0.00 %	Financial Strength	1.20
Cost of debt (after tax)	4.2 %	Liquidity (share)	1.50
Market return	8.00 %	Cyclicality	1.40
Risk free rate	2.50 %	Transparency	1.40
		Others	1.38
<b>WACC</b>	<b>10.06 %</b>	<b>Beta</b>	<b>1.38</b>

### Valuation (m)

Present values 2026e	46		
Terminal Value	75		
Financial liabilities	5		
Pension liabilities	0		
Hybrid capital	0		
Minority interest	0		
Market val. of investments	0		
Liquidity	20	No. of shares (m)	30.7
<b>Equity Value</b>	<b>136</b>	<b>Value per share (EUR)</b>	<b>4.42</b>

### Sensitivity Value per Share (EUR)

		Terminal Growth									Delta EBIT-margin						
Beta	WACC	2.75 %	3.00 %	3.25 %	3.50 %	3.75 %	4.00 %	4.25 %	Beta	WACC	-1.5 pp	-1.0 pp	-0.5 pp	+0.0 pp	+0.5 pp	+1.0 pp	+1.5 pp
1.56	11.1 %	3.62	3.68	3.73	3.80	3.86	3.93	4.00	1.56	11.1 %	3.48	3.58	3.69	3.80	3.90	4.01	4.12
1.47	10.6 %	3.88	3.94	4.01	4.08	4.16	4.25	4.34	1.47	10.6 %	3.74	3.86	3.97	4.08	4.20	4.31	4.43
1.42	10.3 %	4.02	4.09	4.16	4.25	4.33	4.43	4.53	1.42	10.3 %	3.89	4.01	4.13	4.25	4.36	4.48	4.60
1.38	10.1 %	4.17	4.25	4.33	4.42	4.52	4.62	4.73	1.38	10.1 %	4.05	4.17	4.30	4.42	4.54	4.67	4.79
1.33	9.8 %	4.33	4.42	4.51	4.61	4.72	4.83	4.96	1.33	9.8 %	4.22	4.35	4.48	4.61	4.74	4.87	4.99
1.28	9.6 %	4.51	4.60	4.70	4.81	4.93	5.07	5.21	1.28	9.6 %	4.41	4.55	4.68	4.81	4.95	5.08	5.22
1.19	9.1 %	4.90	5.02	5.15	5.28	5.43	5.60	5.78	1.19	9.1 %	4.85	4.99	5.14	5.28	5.43	5.58	5.72

- In 2013, one-third of the revenue was generated in the Trauma division and two-thirds in the Biomaterials division.
- This ratio will turn around in the medium term. As of 2020, Trauma is expected to generate almost 70% of revenue.
- 2013 EBIT was burdened by one-time effects. In 2014e, the Trauma division is expected to break even.
- The EBIT margin in perpetuity is assumed at 21%. With successful market penetration, higher margins are possible.
- Beta is relatively low owing to the good financial situation and the sector's resistance to cyclicality.

## Sum of the parts

## M&amp;A Transaction

Date	Buyer	Target company	EV/ (LTM) Sales	Transaction
2014	Wright Medical	OrthoPro	5,50	M&A
2014	Wright Medical	Solana Surgical	5,50	M&A
2013	Wright Medical	Biotech International	5,33	M&A
2013	LDR Holding		2,97	IPO
2013	Wright Medical	WG Healthcare	n.a	M&A
2012	Globus Medical		2,60	IPO
2012	Tornier	OrthoHelix	5,78	M&A
2011	Tonier		3,38	IPO
2011	Stryker	Memometal	5,40	M&A
2010	China Kanghui		5,55	IPO
		<b>Mean</b>	<b>4,67</b>	

## SotP aap Implantate

	Sales		EV/ Sales	EV/ Sales	Trauma M&A	fair value 14	fair value 15	fair value 14
	2014e	2015e	2014	2015	Multiples			M&A
Trauma	15,00	20,4	4,09	3,60	4,67	61,4	73,5	70,0
Biomaterials	19,55	19,9	3,04	2,65	3,04	59,4	52,8	59,4
<b>Other Assets</b>								
Net Debt (without EMCM)						-14,7	-14,7	-14,7
Joint Venture aap Joints (at equity)						1,5	1,5	1,5
<b>Fair Value</b>						<b>137,0</b>	<b>142,4</b>	<b>145,6</b>
Number of shares						30,7	30,7	30,7
<b>Fair Value per share</b>						<b>4,47</b>	<b>4,64</b>	<b>4,75</b>

Source: Warburg Research, Bloomberg

<b>Valuation</b>							
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014e</b>	<b>2015e</b>	<b>2016e</b>
Price / Book	0.8 x	0.6 x	0.6 x	0.9 x	1.9 x	1.7 x	1.5 x
Book value per share ex intangibles	0.28	0.34	0.37	1.11	1.19	1.35	1.53
EV / Sales	1.5 x	1.2 x	0.9 x	1.2 x	2.2 x	1.8 x	1.4 x
EV / EBITDA	12.8 x	8.7 x	4.8 x	6.6 x	14.0 x	10.5 x	8.4 x
EV / EBIT	61.3 x	30.8 x	10.7 x	n.a.	27.3 x	18.7 x	14.4 x
EV / EBIT adj.*	61.3 x	30.8 x	10.7 x	n.a.	27.3 x	18.7 x	14.4 x
P / FCF	n.a.	n.a.	9.6 x	n.a.	16.4 x	37.5 x	31.5 x
P / E	n.a.	96.9 x	12.5 x	n.a.	34.4 x	25.8 x	23.8 x
P / E adj.*	n.a.	96.9 x	12.5 x	n.a.	34.4 x	25.8 x	23.8 x
Dividend Yield	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	1.3 %	1.3 %
Free Cash Flow Yield Potential	7.5 %	2.6 %	11.0 %	8.6 %	3.4 %	5.1 %	6.0 %
*Adjustments made for: -							

## Consolidated profit & loss

In EUR m	2010	2011	2012	2013	2014e	2015e	2016e
<b>Sales</b>	<b>28.4</b>	<b>29.2</b>	<b>36.4</b>	<b>40.0</b>	<b>34.6</b>	<b>40.3</b>	<b>47.1</b>
Change Sales yoy	-14.1 %	2.7 %	24.7 %	9.8 %	-13.6 %	16.8 %	16.9 %
Increase / decrease in inventory	0.8	0.8	0.2	-1.0	-0.3	0.0	0.0
Own work capitalised	3.3	3.0	2.7	2.0	2.1	2.0	2.4
<b>Total Sales</b>	<b>32.6</b>	<b>33.0</b>	<b>39.3</b>	<b>41.0</b>	<b>36.3</b>	<b>42.4</b>	<b>49.5</b>
Material Expenses	9.5	8.1	10.8	12.0	10.6	12.1	13.9
<b>Gross profit</b>	<b>23.0</b>	<b>24.9</b>	<b>28.6</b>	<b>29.1</b>	<b>25.7</b>	<b>30.3</b>	<b>35.6</b>
<b>Gross profit margin</b>	<b>81.0 %</b>	<b>85.3 %</b>	<b>78.4 %</b>	<b>72.7 %</b>	<b>74.4 %</b>	<b>75.0 %</b>	<b>75.5 %</b>
Personnel expenses	12.1	11.9	13.5	14.6	13.4	15.7	18.4
Other operating income	2.6	1.9	3.3	4.3	4.0	4.1	4.6
Other operating expenses	10.1	10.8	11.2	11.4	11.0	11.9	13.9
Unfrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>3.4</b>	<b>4.1</b>	<b>7.1</b>	<b>7.4</b>	<b>5.3</b>	<b>6.7</b>	<b>7.9</b>
<b>Margin</b>	<b>12.1 %</b>	<b>14.1 %</b>	<b>19.6 %</b>	<b>18.4 %</b>	<b>15.4 %</b>	<b>16.7 %</b>	<b>16.8 %</b>
Depreciation of fixed assets	1.0	1.1	1.1	2.2	0.9	0.9	0.9
<b>EBITA</b>	<b>2.4</b>	<b>3.1</b>	<b>6.0</b>	<b>5.2</b>	<b>4.5</b>	<b>5.8</b>	<b>7.0</b>
Amortisation of intangible assets	1.7	1.9	2.8	7.3	1.7	2.0	2.4
Goodwill amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>0.7</b>	<b>1.2</b>	<b>3.2</b>	<b>-2.1</b>	<b>2.7</b>	<b>3.8</b>	<b>4.6</b>
<b>Margin</b>	<b>2.5 %</b>	<b>4.0 %</b>	<b>8.8 %</b>	<b>-5.3 %</b>	<b>7.9 %</b>	<b>9.4 %</b>	<b>9.8 %</b>
<b>EBIT adj.</b>	<b>0.7</b>	<b>1.2</b>	<b>3.2</b>	<b>-2.1</b>	<b>2.7</b>	<b>3.8</b>	<b>4.6</b>
Interest income	0.0	0.1	0.0	0.0	0.3	0.3	0.3
Interest expenses	0.6	0.6	0.5	0.2	0.2	0.2	0.2
Other financial income (loss)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBT</b>	<b>0.2</b>	<b>0.6</b>	<b>2.7</b>	<b>-2.3</b>	<b>2.9</b>	<b>3.9</b>	<b>4.7</b>
<b>Margin</b>	<b>0.7 %</b>	<b>2.1 %</b>	<b>7.5 %</b>	<b>-5.7 %</b>	<b>8.3 %</b>	<b>9.6 %</b>	<b>10.0 %</b>
Total taxes	0.1	0.2	0.3	0.2	0.2	0.2	0.6
<b>Net income from continuing operations</b>	<b>0.1</b>	<b>0.4</b>	<b>2.4</b>	<b>-2.5</b>	<b>2.7</b>	<b>3.7</b>	<b>4.1</b>
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income before minorities</b>	<b>0.0</b>	<b>0.4</b>	<b>2.4</b>	<b>-2.5</b>	<b>2.7</b>	<b>3.7</b>	<b>4.1</b>
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income</b>	<b>0.0</b>	<b>0.4</b>	<b>2.4</b>	<b>-2.5</b>	<b>2.7</b>	<b>3.7</b>	<b>4.1</b>
<b>Margin</b>	<b>0.2 %</b>	<b>1.3 %</b>	<b>6.6 %</b>	<b>-6.1 %</b>	<b>7.8 %</b>	<b>9.2 %</b>	<b>8.7 %</b>
Number of shares, average	27.8	29.6	30.7	30.7	30.7	30.7	30.7
<b>EPS</b>	<b>0.00</b>	<b>0.01</b>	<b>0.08</b>	<b>-0.08</b>	<b>0.09</b>	<b>0.12</b>	<b>0.13</b>
EPS adj.	0.00	0.01	0.08	-0.08	0.09	0.12	0.13

\*Adjustments made for:

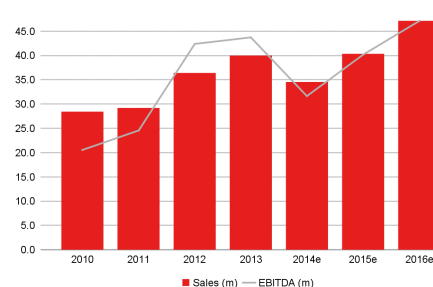
**Guidance: Guidance 2014: Revenue EUR 35m (+22% yoy), EBITDA EUR 5m-6m**

## Financial Ratios

	2010	2011	2012	2013	2014e	2015e	2016e
Total Operating Costs / Sales	102.4 %	98.9 %	88.5 %	84.2 %	89.6 %	88.3 %	88.2 %
Operating Leverage	5.7 x	23.1 x	7.1 x	n.a.	n.a.	2.3 x	1.3 x
EBITDA / Interest expenses	6.1 x	6.8 x	13.7 x	40.6 x	35.5 x	33.7 x	39.6 x
Tax rate (EBT)	72.6 %	36.1 %	11.5 %	-7.9 %	6.9 %	5.1 %	12.7 %
Dividend Payout Ratio	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	33.2 %	29.8 %
Sales per Employee	n.a.	109,793	137,932	n.a.	n.a.	n.a.	n.a.

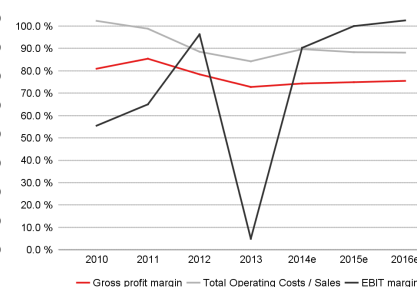
## Sales, EBITDA

in EUR m

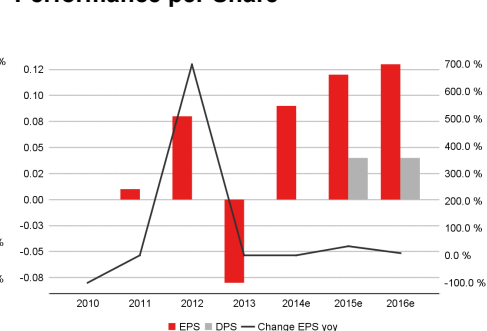


## Operating Performance

in %



## Performance per Share



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

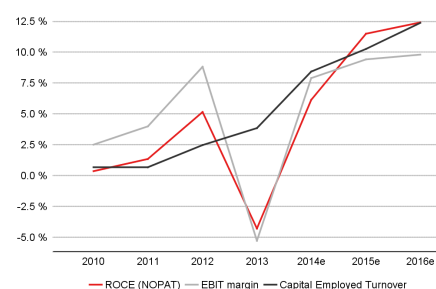
## Consolidated balance sheet

In EUR m	2010	2011	2012	2013	2014e	2015e	2016e
<b>Assets</b>							
Goodwill and other intangible assets	37.0	38.2	39.4	14.5	14.8	14.8	14.4
thereof other intangible assets	6.1	5.5	5.1	0.9	1.1	1.1	0.8
thereof Goodwill	12.5	12.5	12.5	1.6	1.6	1.6	1.6
Property, plant and equipment	5.2	5.1	5.1	5.9	6.2	6.6	7.1
Financial assets	0.4	0.4	0.4	1.8	1.8	1.8	1.8
Other long-term assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Fixed assets</b>	<b>42.6</b>	<b>43.7</b>	<b>44.9</b>	<b>22.2</b>	<b>22.8</b>	<b>23.2</b>	<b>23.3</b>
Inventories	12.7	14.0	13.9	9.4	7.7	8.1	8.6
Accounts receivable	6.2	5.5	4.2	7.0	4.7	5.5	6.5
Liquid assets	0.9	2.2	3.7	1.6	25.4	29.1	33.4
Other short-term assets	1.3	0.8	1.8	25.0	2.0	2.0	2.0
<b>Current assets</b>	<b>21.1</b>	<b>22.5</b>	<b>23.7</b>	<b>43.0</b>	<b>39.8</b>	<b>44.8</b>	<b>50.5</b>
<b>Total Assets</b>	<b>63.6</b>	<b>66.2</b>	<b>68.6</b>	<b>65.2</b>	<b>62.6</b>	<b>67.9</b>	<b>73.8</b>
<b>Liabilities and shareholders' equity</b>							
Subscribed capital	27.9	30.7	30.7	30.7	30.7	30.7	30.7
Capital reserve	40.0	40.4	18.6	18.8	18.8	18.8	18.8
Retained earnings	0.2	0.2	0.2	0.8	3.5	8.4	13.7
Other equity components	-23.4	-23.0	1.4	-1.7	-1.7	-1.7	-1.7
Shareholder's equity	44.7	48.4	50.9	48.5	51.2	56.1	61.5
Minority interest	0.1	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total equity</b>	<b>44.9</b>	<b>48.4</b>	<b>50.9</b>	<b>48.5</b>	<b>51.2</b>	<b>56.1</b>	<b>61.5</b>
Provisions	0.2	0.2	0.2	0.3	0.3	0.3	0.3
thereof provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial liabilities (total)	10.0	9.2	7.6	4.9	4.9	4.9	4.9
thereof short-term financial liabilities	5.5	5.5	4.5	2.6	2.6	2.6	2.6
Accounts payable	3.0	3.1	3.3	2.9	2.5	2.9	3.4
Other liabilities	5.6	5.2	6.7	8.7	3.7	3.7	3.7
<b>Liabilities</b>	<b>18.8</b>	<b>17.8</b>	<b>17.7</b>	<b>16.7</b>	<b>11.4</b>	<b>11.8</b>	<b>12.3</b>
<b>Total liabilities and shareholders' equity</b>	<b>63.6</b>	<b>66.2</b>	<b>68.6</b>	<b>65.2</b>	<b>62.6</b>	<b>67.9</b>	<b>73.8</b>

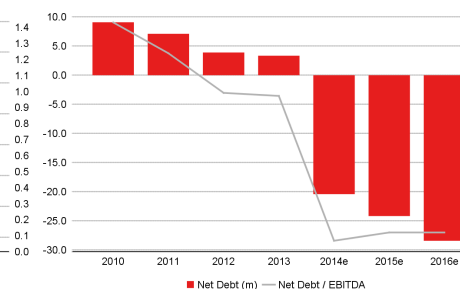
## Financial Ratios

	2010	2011	2012	2013	2014e	2015e	2016e
<b>Efficiency of Capital Employment</b>							
Operating Assets Turnover	1.4 x	1.4 x	1.9 x	2.1 x	2.1 x	2.3 x	2.5 x
Capital Employed Turnover	0.5 x	0.5 x	0.7 x	0.8 x	1.1 x	1.3 x	1.4 x
ROA	0.1 %	0.9 %	5.4 %	-11.0 %	11.7 %	15.9 %	17.7 %
<b>Return on Capital</b>							
ROCE (NOPAT)	0.4 %	1.4 %	5.2 %	-4.3 %	6.1 %	11.5 %	12.4 %
ROE	0.1 %	0.8 %	4.9 %	-4.9 %	5.4 %	6.9 %	7.0 %
Adj. ROE	0.1 %	0.8 %	4.9 %	-4.9 %	5.4 %	6.9 %	7.0 %
<b>Balance sheet quality</b>							
Net Debt	9.1	7.1	3.9	3.3	-20.4	-24.2	-28.4
Net Financial Debt	9.1	7.1	3.9	3.3	-20.5	-24.2	-28.5
Net Gearing	20.3 %	14.7 %	7.7 %	6.9 %	-39.9 %	-43.1 %	-46.3 %
Net Fin. Debt / EBITDA	262.8 %	171.4 %	54.4 %	45.2 %	-384.5 %	-359.6 %	-359.5 %
Book Value / Share	1.6	1.6	1.7	1.6	1.7	1.8	2.0
Book value per share ex intangibles	0.3	0.3	0.4	1.1	1.2	1.3	1.5

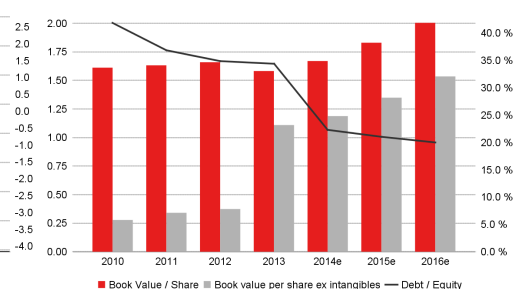
## ROCE Development



## Net debt in EUR m



## Book Value per Share in EUR



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

## Consolidated cash flow statement

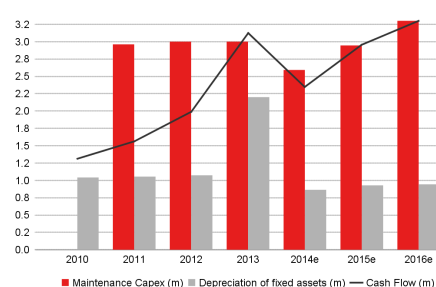
In EUR m	2010	2011	2012	2013	2014e	2015e	2016e
Net income	0.0	0.4	2.4	-2.5	2.7	3.7	4.1
Depreciation of fixed assets	1.0	1.1	1.1	2.2	0.9	0.9	0.9
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	1.7	1.9	2.8	7.3	1.7	2.0	2.4
Increase/decrease in long-term provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other non-cash income and expenses	0.2	0.2	-1.9	0.0	0.0	0.0	0.0
<b>Cash Flow</b>	<b>3.0</b>	<b>3.5</b>	<b>4.5</b>	<b>7.0</b>	<b>5.3</b>	<b>6.6</b>	<b>7.4</b>
Increase / decrease in inventory	-0.6	-0.5	1.4	-4.3	1.7	-0.4	-0.5
Increase / decrease in accounts receivable	0.0	0.0	0.0	0.0	2.3	-0.8	-1.0
Increase / decrease in accounts payable	0.3	0.2	1.3	0.8	-0.4	0.4	0.5
Increase / decrease in other working capital positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase / decrease in working capital (total)	-0.3	-0.3	2.6	-3.5	3.7	-0.8	-1.0
<b>Net cash provided by operating activities</b>	<b>2.7</b>	<b>3.2</b>	<b>7.1</b>	<b>3.5</b>	<b>9.0</b>	<b>5.8</b>	<b>6.4</b>
Investments in intangible assets	-3.3	-3.1	-2.8	-5.7	-2.0	-2.0	-2.0
Investments in property, plant and equipment	-1.1	-0.9	-1.1	-1.1	-1.2	-1.3	-1.4
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.0	0.3	0.0	3.5	18.0	0.0	0.0
<b>Net cash provided by investing activities</b>	<b>-4.4</b>	<b>-3.7</b>	<b>-3.9</b>	<b>-3.3</b>	<b>14.8</b>	<b>-3.3</b>	<b>-3.4</b>
Change in financial liabilities	0.3	-1.1	-1.4	-2.5	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	1.2	1.2
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	3.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	-0.1	-0.2	0.0	0.0	0.0	0.0
<b>Net cash provided by financing activities</b>	<b>0.3</b>	<b>1.8</b>	<b>-1.6</b>	<b>-2.5</b>	<b>0.0</b>	<b>1.2</b>	<b>1.2</b>
Change in liquid funds	-1.5	1.2	1.5	-2.3	23.8	3.8	4.2
Effects of exchange-rate changes on cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash and cash equivalent at end of period</b>	<b>0.9</b>	<b>2.2</b>	<b>3.7</b>	<b>1.4</b>	<b>25.4</b>	<b>29.1</b>	<b>33.4</b>

## Financial Ratios

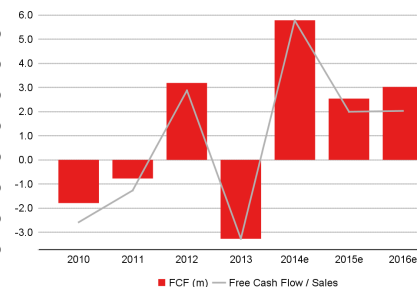
	2010	2011	2012	2013	2014e	2015e	2016e
<b>Cash Flow</b>							
FCF	-1.8	-0.8	3.2	-3.3	5.8	2.5	3.0
Free Cash Flow / Sales	-6.3 %	-2.6 %	8.7 %	-8.2 %	16.7 %	6.3 %	6.4 %
Free Cash Flow Potential	3.3	0.9	3.8	4.2	2.5	3.6	4.0
Free Cash Flow / Sales	-6.3 %	-2.6 %	8.7 %	-8.2 %	16.7 %	6.3 %	6.4 %
Free Cash Flow / Net Profit	-3812.8 %	-197.2 %	132.3 %	133.6 %	215.8 %	68.7 %	73.3 %
Interest Received / Avg. Cash	2.1 %	3.8 %	1.0 %	0.0 %	2.2 %	1.1 %	1.0 %
Interest Paid / Avg. Debt	5.7 %	6.3 %	6.2 %	2.9 %	3.1 %	4.1 %	4.1 %
<b>Management of Funds</b>							
Investment ratio	15.6 %	13.6 %	10.7 %	17.1 %	9.3 %	8.2 %	7.2 %
Maint. Capex / Sales	0.0 %	10.1 %	8.2 %	7.5 %	7.5 %	7.3 %	7.0 %
Capex / Dep	162.9 %	134.6 %	99.8 %	72.0 %	123.5 %	112.0 %	103.0 %
Avg. Working Capital / Sales	54.0 %	54.4 %	41.0 %	34.2 %	33.9 %	25.5 %	23.7 %
Trade Debtors / Trade Creditors	209.1 %	176.5 %	129.7 %	246.6 %	188.0 %	189.7 %	191.2 %
Inventory Turnover	0.8 x	0.6 x	0.8 x	1.3 x	1.4 x	1.5 x	1.6 x
Receivables collection period (days)	80	69	42	64	50	50	50
Payables payment period (days)	114	141	110	87	86	87	89
Cash conversion cycle (Days)	470	595	379	251	215	189	167

## CAPEX and Cash Flow

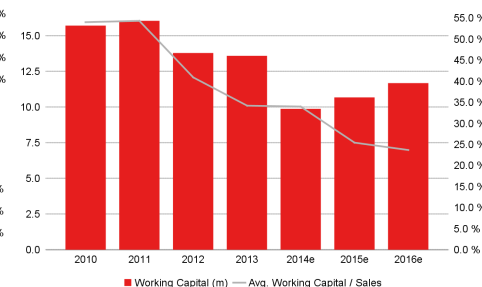
in EUR m



## Free Cash Flow Generation



## Working Capital



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research



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Independent of the applied valuation methods, there is the risk that the price target will not be met, for instance because of unforeseen changes in demand for the company's products, changes in management, technology, economic development, interest rate development, operating and/or material costs, competitive pressure, supervisory law, exchange rate, tax rate etc. For investments in foreign markets and instruments there are further risks, generally based on exchange rate changes or changes in political and social conditions.

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- 2- ... or companies affiliated with this enterprise were involved in the management of a **consortium** for a public offering of securities which are or whose issuer is the subject of this report within the last twelve months
- 3- ... or companies affiliated with this enterprise **manages the securities** of the analysed company on the basis of an existing contract
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Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
aap Implantate	5	<a href="http://www.mmwarburg.com/disclaimer/disclaimer_en/DE0005066609.htm">http://www.mmwarburg.com/disclaimer/disclaimer_en/DE0005066609.htm</a>

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Investment recommendation: expected direction of the share price development of the financial instrument up to the given price target in the opinion of the analyst who covers this financial instrument.

-B-	<b>Buy:</b>	The price of the analysed financial instrument is expected to rise over the next 12 months.
-H-	<b>Hold:</b>	The price of the analysed financial instrument is expected to remain mostly flat over the next 12 months.
-S-	<b>Sell:</b>	The price of the analysed financial instrument is expected to fall over the next 12 months.
“-“	<b>Rating suspended:</b>	The available information currently does not permit an evaluation of the company.

# WARBURG RESEARCH GMBH – RESEARCH UNIVERSE BY RATING

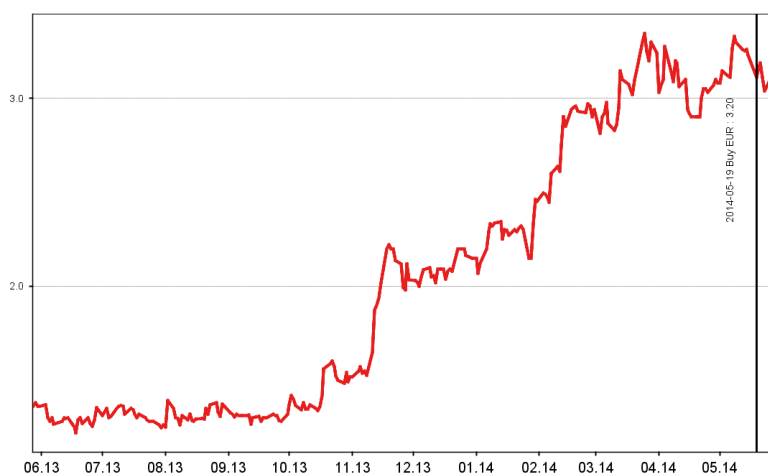
Rating	Number of stocks	% of Universe
Buy	106	53
Hold	78	39
Sell	12	6
Rating suspended	3	2
<b>Total</b>	<b>199</b>	<b>100</b>

# WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING ...

... Looking only at companies for which a disclosure according to § 34b of the Germany Securities Trading Act and the FinAnV has to be made.

Rating	Number of stocks	% of Universe
Buy	84	57
Hold	53	36
Sell	8	5
Rating suspended	2	1
<b>Total</b>	<b>147</b>	<b>100</b>

# PRICE AND RATING HISTORY AAP IMPLANTATE AS OF 27.05.2014



The chart has markings if Warburg Research GmbH changed its rating in the last 12 months. Every marking represents the date and closing price on the day of the rating change.

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