

<p>Buy</p> <p>EUR 4.50</p>	<p>Value Indicators: EUR</p> <p>DCF: 4.42</p> <p>SotP: 4.40</p> <p>Peer Group: 4.42</p>	<p>Share data:</p> <p>Bloomberg: AAQ GR</p> <p>Reuters: AAQG.DE</p> <p>ISIN: DE0005066609</p>	<p>Description:</p> <p>Producer of implants and biomaterials to mend broken bones</p>
	<p>Market Snapshot: EUR m</p> <p>Market cap: 92.0</p> <p>No. of shares (m): 30.7</p> <p>EV: 71.6</p> <p>Freefloat MC: 24.2</p> <p>Ø Trad. Vol. (30d; EUR): 101.91 th</p>	<p>Shareholders:</p> <p>Freefloat: 26.3 %</p> <p>Noes de Vries: 16.7 %</p> <p>Elocin B.V: 15.3 %</p> <p>Jürgen W. Krebs: 12.6 %</p> <p>Fidelity Funds: 5.5 %</p>	<p>Risk Profile (WRe): 2014e</p> <p>Beta: 1.4</p> <p>Price / Book: 1.8 x</p> <p>Equity Ratio: 82 %</p> <p>Net Fin. Debt / EBITDA: -3.8 x</p> <p>Net Debt / EBITDA: -3.8 x</p>

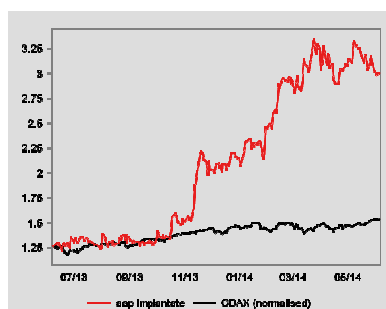
Recent news flow supports investment case

Last week, we saw further reasons to have a closer look at aap Implantate AG. The recent news flow clearly supports our view on the investment case. For further details, please see page five of our Initial Note (19.05.2014):

- aap sold its 50% share in the biomaterial dental business: Revenue volume EUR 1m; EBITDA black zero; aap's proceeds in cash: EUR 1m.
- Hence, aap's remaining Biomaterials business becomes a dedicated OEM manufacturer for bone cements and mixing devices. This should clearly support the aimed divestment process, as now, the entity is perceived as a pure player in its business.
- A new patent in the US increases barriers to entry for competitors and leads to further protection of LOQTEQ. This implant technology is based on a granted IP-family in Europe and the US.
- A professor of university medical centre, Marburg-Gießen (a clinic of Rhön-Klinikum AG), presented results of a study during the EFORT Congress (European Federation of National Associations of Orthopaedics and Traumatology) in London. Main result of this research is that there was no case of cold welding with LOQTEQ implants. Competing products show cold welding in up to 20% of the treatments. This study is expected to clearly support the awareness of LOQTEQ under surgeons and purchase managers in hospitals.

Conclusion: 2014 will be dominated by the ongoing transformation strategy with a clear focus on Trauma activities. A further divestment of the remaining Biomaterials business could bring sound cash inflow of EUR 40m. In combination with liquid funds of c. EUR 18m (after the recent divestment of the Biomaterial Dental business), almost EUR 60m of the current market capitalisation are explained. Within H2 14, additional distribution agreements are expected, which should lead to total Trauma revenue of EUR 15m and a balanced EBITDA in this segment. Hence, the current valuation of 2.1x EV/Sales looks highly attractive compared to peer and M&A multiples of 5-6x EV/Sales.

We confirm our Buy rating – PT EUR 4.50.



Rel. Performance vs CDAX:

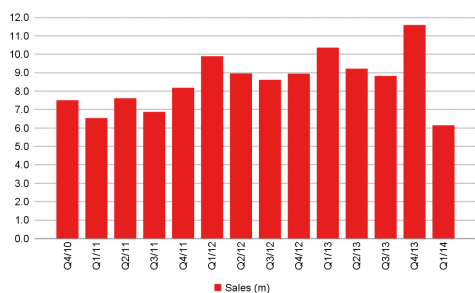
1 month:	-8.6 %
6 months:	35.2 %
Year to date:	35.2 %
Trailing 12 months:	107.8 %

Company events:

13.06.14	AGM
14.08.14	Q2
14.11.14	Q3

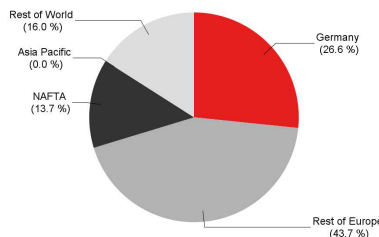
FY End: 31.12. in EUR m	CAGR (13-16e)	2010	2011	2012	2013	2014e	2015e	2016e
Sales	5.6 %	28.4	29.2	36.4	40.0	34.6	40.3	47.1
Change Sales yoy		-14.1 %	2.7 %	24.7 %	9.8 %	-13.6 %	16.8 %	16.9 %
Gross profit margin		81.0 %	85.3 %	78.4 %	72.7 %	74.4 %	75.0 %	75.5 %
EBITDA	2.5 %	3.4	4.1	7.1	7.4	5.3	6.7	7.9
Margin		12.1 %	14.1 %	19.6 %	18.4 %	15.4 %	16.7 %	16.8 %
EBIT	-	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 %
Net income	-	0.0	0.4	2.4	-2.5	2.7	3.7	4.1
EPS	-	0.00	0.01	0.08	-0.08	0.09	0.12	0.13
DPS	-	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 %
FCFPS		-0.06	-0.03	0.10	-0.11	0.19	0.08	0.10
EV / Sales		1.5 x	1.2 x	0.9 x	1.2 x	2.1 x	1.7 x	1.3 x
EV / EBITDA		12.8 x	8.7 x	4.8 x	6.6 x	13.5 x	10.1 x	8.0 x
EV / EBIT		61.3 x	30.8 x	10.7 x	n.a.	26.2 x	17.9 x	13.8 x
P / E		n.a.	96.9 x	12.5 x	n.a.	33.3 x	25.0 x	23.1 x
FCF Yield Potential		7.5 %	2.6 %	11.0 %	8.6 %	3.5 %	5.3 %	6.3 %
Net Debt		9.1	7.1	3.9	3.3	-20.4	-24.2	-28.4
ROE		0.1 %	0.8 %	4.9 %	-4.9 %	5.4 %	6.9 %	7.0 %
ROCE (NOPAT)		0.4 %	1.4 %	5.2 %	-4.3 %	6.1 %	11.5 %	12.4 %
Guidance:		Guidance 2014: Revenue EUR 35m (+22% yoy), EBITDA EUR 5m-6m						

Sales development
in EUR m



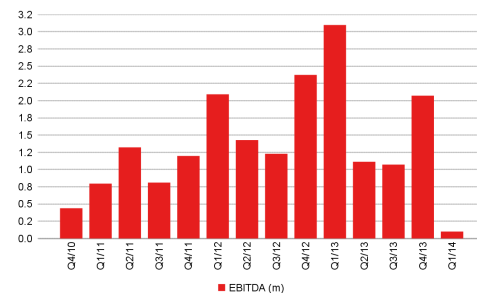
Source: Warburg Research

Sales by regions
2013; in %



Source: Warburg Research

EBITDA development
in EUR m



Source: Warburg Research

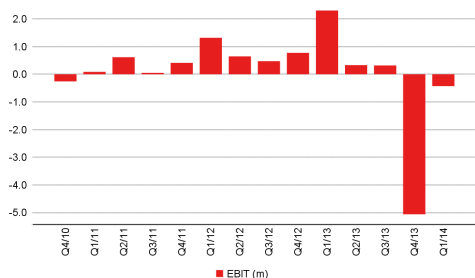
Company Background

- 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

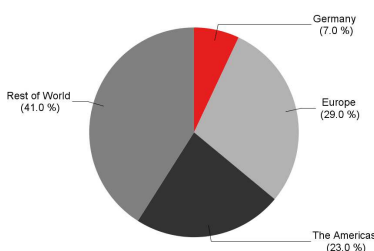
- aap Implantate AG has developed a patent protected Trauma implant (LOQTEQ), which provides significant improvements for surgeons, hospitals and clinics as well as patients.
- Additionally aap has a promising product pipeline with an antibacterial silver coating for the implants as well as resorbable 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



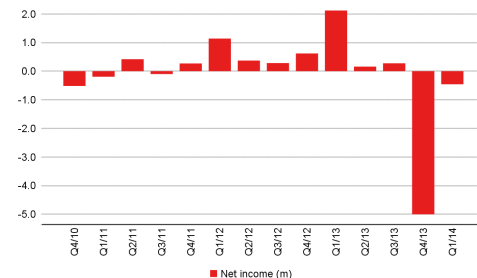
Source: Warburg Research

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	
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 %	3.5 %
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	
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 %	
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	
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	
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	
- 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 %	
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
WACC	10.06 %	Beta	1.38

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
Equity Value	136	Value per share (EUR)	4.42

Sensitivity Value per Share (EUR)

Beta	WACC	Terminal Growth							Delta EBIT-margin								
		2.75 %	3.00 %	3.25 %	3.50 %	3.75 %	4.00 %	4.25 %	-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&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
		Mean	4,67	

SotP aap Implantate

	Sales		EV/ Sales	EV/ Sales	Trauma M&A Multiples	fair value 14	fair value 15	fair value 14 M&A
	2014e	2015e	2014	2015				
Trauma	15,00	20,4	4,00	3,52	4,67	60,0	71,8	70,0
Biomaterials	19,55	19,9	3,14	2,74	3,14	61,4	54,6	61,4
Other Assets								
Net Debt (without EMCM)						-14,7	-14,7	-14,7
Joint Venture aap Joints (at equity)						1,5	1,5	1,5
Fair Value						137,6	142,6	147,6
Number of shares						30,7	30,7	30,7
Fair Value per share						4,49	4,65	4,81

Source: Warburg Research, Bloomberg

Valuation							
	2010	2011	2012	2013	2014e	2015e	2016e
Price / Book	0.8 x	0.6 x	0.6 x	0.9 x	1.8 x	1.6 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	2.1 x	1.7 x	1.3 x
EV / EBITDA	12.8 x	8.7 x	4.8 x	6.6 x	13.5 x	10.1 x	8.0 x
EV / EBIT	61.3 x	30.8 x	10.7 x	n.a.	26.2 x	17.9 x	13.8 x
EV / EBIT adj.*	61.3 x	30.8 x	10.7 x	n.a.	26.2 x	17.9 x	13.8 x
P / FCF	n.a.	n.a.	9.6 x	n.a.	15.9 x	36.3 x	30.5 x
P / E	n.a.	96.9 x	12.5 x	n.a.	33.3 x	25.0 x	23.1 x
P / E adj.*	n.a.	96.9 x	12.5 x	n.a.	33.3 x	25.0 x	23.1 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 %	3.5 %	5.3 %	6.3 %
*Adjustments made for: -							

Consolidated profit & loss

In EUR m	2010	2011	2012	2013	2014e	2015e	2016e
Sales	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 %
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
Total Sales	32.6	33.0	39.3	41.0	36.3	42.4	49.5
Material Expenses	9.5	8.1	10.8	12.0	10.6	12.1	13.9
Gross profit	23.0	24.9	28.6	29.1	25.7	30.3	35.6
<i>Gross profit margin</i>	<i>81.0 %</i>	<i>85.3 %</i>	<i>78.4 %</i>	<i>72.7 %</i>	<i>74.4 %</i>	<i>75.0 %</i>	<i>75.5 %</i>
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
EBITDA	3.4	4.1	7.1	7.4	5.3	6.7	7.9
<i>Margin</i>	<i>12.1 %</i>	<i>14.1 %</i>	<i>19.6 %</i>	<i>18.4 %</i>	<i>15.4 %</i>	<i>16.7 %</i>	<i>16.8 %</i>
Depreciation of fixed assets	1.0	1.1	1.1	2.2	0.9	0.9	0.9
EBITA	2.4	3.1	6.0	5.2	4.5	5.8	7.0
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
EBIT	0.7	1.2	3.2	-2.1	2.7	3.8	4.6
<i>Margin</i>	<i>2.5 %</i>	<i>4.0 %</i>	<i>8.8 %</i>	<i>-5.3 %</i>	<i>7.9 %</i>	<i>9.4 %</i>	<i>9.8 %</i>
EBIT adj.	0.7	1.2	3.2	-2.1	2.7	3.8	4.6
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
EBT	0.2	0.6	2.7	-2.3	2.9	3.9	4.7
<i>Margin</i>	<i>0.7 %</i>	<i>2.1 %</i>	<i>7.5 %</i>	<i>-5.7 %</i>	<i>8.3 %</i>	<i>9.6 %</i>	<i>10.0 %</i>
Total taxes	0.1	0.2	0.3	0.2	0.2	0.2	0.6
Net income from continuing operations	0.1	0.4	2.4	-2.5	2.7	3.7	4.1
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income before minorities	0.0	0.4	2.4	-2.5	2.7	3.7	4.1
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	0.0	0.4	2.4	-2.5	2.7	3.7	4.1
<i>Margin</i>	<i>0.2 %</i>	<i>1.3 %</i>	<i>6.6 %</i>	<i>-6.1 %</i>	<i>7.8 %</i>	<i>9.2 %</i>	<i>8.7 %</i>
Number of shares, average	27.8	29.6	30.7	30.7	30.7	30.7	30.7
EPS	0.00	0.01	0.08	-0.08	0.09	0.12	0.13
EPS adj.	0.00	0.01	0.08	-0.08	0.09	0.12	0.13

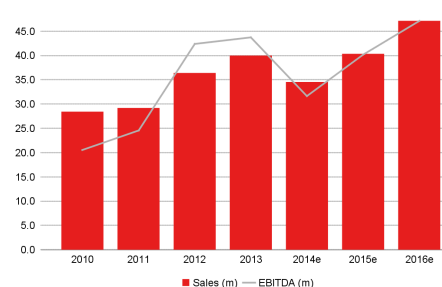
*Adjustments made for:

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

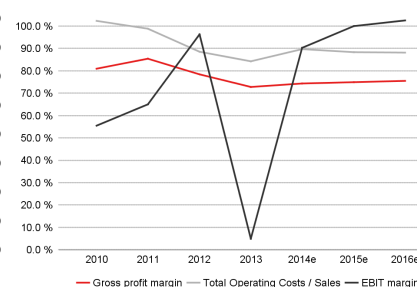
Financial Ratios

	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.

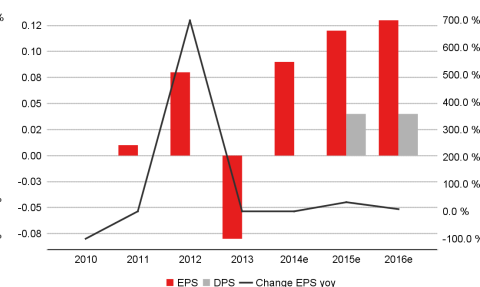
Sales, EBITDA
in EUR m



Operating Performance
in %



Performance per Share



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

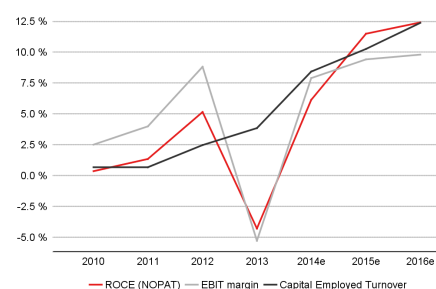
Consolidated balance sheet

In EUR m	2010	2011	2012	2013	2014e	2015e	2016e
Assets							
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
Fixed assets	42.6	43.7	44.9	22.2	22.8	23.2	23.3
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
Current assets	21.1	22.5	23.7	43.0	39.8	44.8	50.5
Total Assets	63.6	66.2	68.6	65.2	62.6	67.9	73.8
Liabilities and shareholders' equity							
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
Total equity	44.9	48.4	50.9	48.5	51.2	56.1	61.5
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
Liabilities	18.8	17.8	17.7	16.7	11.4	11.8	12.3
Total liabilities and shareholders' equity	63.6	66.2	68.6	65.2	62.6	67.9	73.8

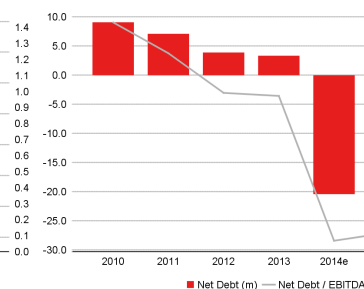
Financial Ratios

	2010	2011	2012	2013	2014e	2015e	2016e
Efficiency of Capital Employment							
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 %
Return on Capital							
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 %
Balance sheet quality							
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

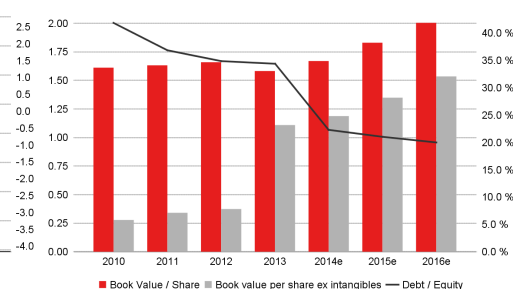
ROCE Development



Net debt in EUR m



Book Value per Share in EUR



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

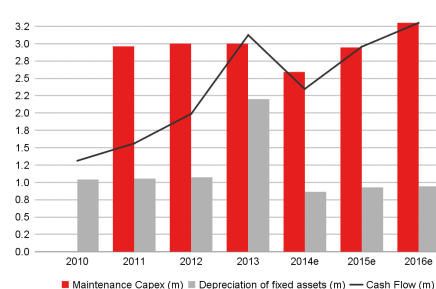
Consolidated cash flow statement

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
Cash Flow	3.0	3.5	4.5	7.0	5.3	6.6	7.4
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
Net cash provided by operating activities	2.7	3.2	7.1	3.5	9.0	5.8	6.4
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
Net cash provided by investing activities	-4.4	-3.7	-3.9	-3.3	14.8	-3.3	-3.4
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
Net cash provided by financing activities	0.3	1.8	-1.6	-2.5	0.0	1.2	1.2
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
Cash and cash equivalent at end of period	0.9	2.2	3.7	1.4	25.4	29.1	33.4

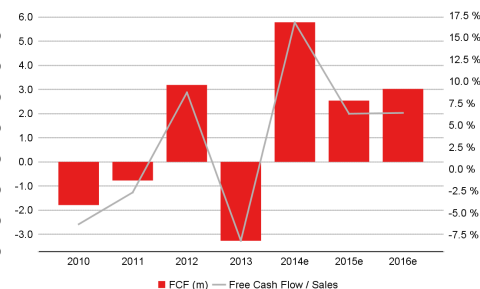
Financial Ratios

	2010	2011	2012	2013	2014e	2015e	2016e
Cash Flow							
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 %
Management of Funds							
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

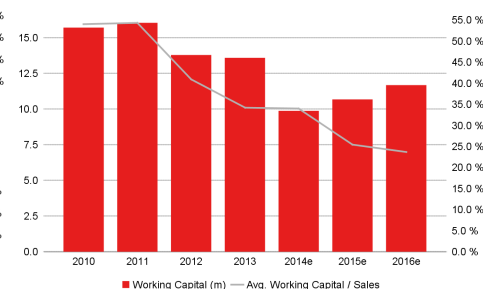
CAPEX and Cash Flow
in EUR m



Free Cash Flow Generation



Working Capital



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

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Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
aap Implantate	5	http://www.mmwarburg.com/disclaimer/disclaimer_en/DE0005066609.htm

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

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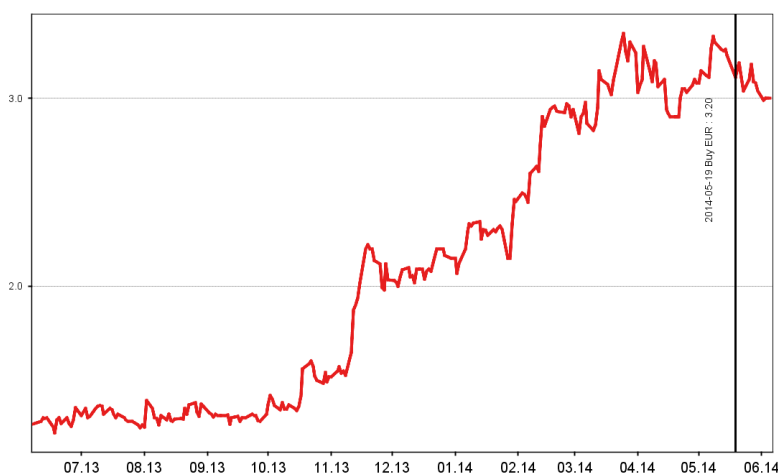
Rating	Number of stocks	% of Universe
Buy	105	53
Hold	78	39
Sell	11	6
Rating suspended	4	2
Total	198	100

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	85	58
Hold	52	35
Sell	7	5
Rating suspended	3	2
Total	147	100

PRICE AND RATING HISTORY AAP IMPLANTATE AS OF 06.06.2014



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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