

Buy EUR 4.50	Value Indicators:	EUR	Share data:		Description:
	DCF:	4.42	Bloomberg:	AAQ GR	Producer of implants and biomaterials to mend broken bones
Price EUR 3.08 Upside 46.1 %	SotP:	4.85	Reuters:	AAQG.DE	
	Peer Group:	4.73	ISIN:	DE0005066609	
	Market Snapshot:	EUR m	Shareholders:		Risk Profile (WRe):
	Market cap:	94.5	Freefloat:	26.3 %	2014e
	No. of shares (m):	30.7	Noes de Vries:	16.7 %	Beta:
	EV:	74.0	Elocin B.V:	15.3 %	Price / Book:
	Freefloat MC:	24.9	Jürgen W. Krebs:	12.6 %	Equity Ratio:
			Fidelity Funds:	5.5 %	

Strong Q2 results - 23% sales growth

aap Implantate AG published preliminary sales figures on Friday, July 4, which are fully in line with expectations (EUR 7.9m WRe).

aap generated sales of EUR 8.0m in Q2 2014 (EUR 6.6m in Q2 13; +23% yoy). Hence, the upper range of the guidance (EUR 7.6m-8.2m) was achieved. The key factors in this development were the strong results in the Biomaterials business as well as continued growth of the trauma product LOQTEQ.

In total, sales of EUR 15.2m (EUR 19.6m in H1 13; -22% yoy) were generated in H1 2014, of which EUR 14.2m (EUR 12.6m H1 13; +12%yoy) were contributed by continued operations. These figures hit our estimates (EUR 15.1m WRe). Due to the divestment in the Biomaterials business, the figures for the first half of the year include only EUR 1.0m (EUR 7.0m in H1 13) sales from the Dutch subsidiary EMCM B.V. (sold in February 2014). All in all, the published figures show a clear improvement of the business activities: the previous year's H1 figures included EUR 1.6m sales from the Biomaterial's project business, which only came to EUR 0.1m in the current period.

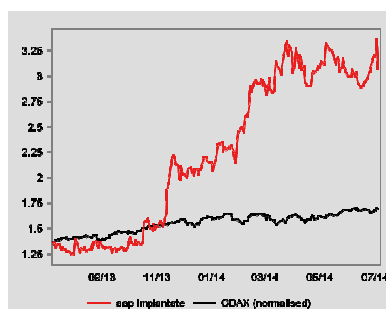
Sales in EUR million	H1/2014	H1/2013	Change
Trauma	5.2	4.2	21%
Biomaterials	8.5	6.0	42%
Projects	0.1	1.6	-91%
Other	0.4	0.8	-50%
Sales from continued operations	14.2	12.6	12%
Sales from discontinued operations	1.0*	7.0**	-86%
Sales total	15.2	19.6	-22%

* Sales revenues EMCM B.V. 01-02/2014: EUR 1.2 million less consolidation effects (EUR 0.2 million)
** Sales revenues EMCM B.V. 01-06/2013: EUR 7.4 million less consolidation effects (EUR 0.4 million)

Sales in the Trauma business amounted to EUR 3.0m in Q2 14 (EUR 2.8m Q2 13; +7%yoy), of which EUR 1.9m (+19% yoy) were generated by LOQTEQ products. This is slightly lower than our estimates of EUR 3.2m (WRe), as the sales expectations of the product portfolio alongside LOQTEQ have been higher. In total, the Trauma business grew by 21% to EUR 5.2m in H1 14 (EUR 4.2m H1 13). Here, the LOQTEQ system was again the key driver, showing a growth rate of 52% to EUR 3.0m in the first six months. Hence, LOQTEQ's strong development could not compensate the small lack in the existing Trauma portfolio.

The Biomaterials business also showed a strong growth rate of 50% up to EUR 4.9m (EUR 3.2m Q2 13) in Q2 14, which is better than expected (EUR 4.7m WRe). For the first six months, the Biomaterials business reported growth of 42% to EUR 8.5m (EUR 6.0m H1 13). This clearly positive development should support the ongoing divestment process of this subsidiary. Currently, a potential sales price of c. EUR 36-40m is expected (9x EV/EBITDA). After the recently reported supply agreement with a newly-gained, US-based distributor and the strong development in H1 14, a potential cash inflow from the divestment of the Biomaterials business could be higher than expected at the moment.

Conclusion: aap is well on track to achieving the aimed targets for this year. Hence, we reiterate the Buy rating with a target price of EUR 4.50.



Rel. Performance vs CDAX:

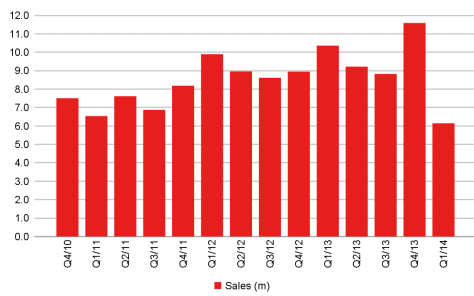
1 month:	0.3 %
6 months:	29.2 %
Year to date:	38.3 %
Trailing 12 months:	107.5 %

Company events:

14.08.14	Q2
14.11.14	Q3

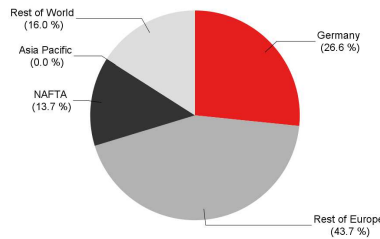
FY End: 31.12. in EUR m	CAGR (13-16e)	2010	2011	2012	2013	2014e	2015e	2016e
Sales	5.6 %	28.4	29.2	36.4	40.0	34.6	40.3	47.1
Change Sales yoy		-14.1 %	2.7 %	24.7 %	9.8 %	-13.6 %	16.8 %	16.9 %
Gross profit margin		81.0 %	85.3 %	78.4 %	72.7 %	74.4 %	75.0 %	75.5 %
EBITDA	2.5 %	3.4	4.1	7.1	7.4	5.3	6.7	7.9
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	1.4 x
EV / EBITDA		12.8 x	8.7 x	4.8 x	6.6 x	13.9 x	10.4 x	8.3 x
EV / EBIT		61.3 x	30.8 x	10.7 x	n.a.	27.1 x	18.5 x	14.3 x
P / E		n.a.	96.9 x	12.5 x	n.a.	34.2 x	25.7 x	23.7 x
FCF Yield Potential		7.5 %	2.6 %	11.0 %	8.6 %	3.4 %	5.1 %	6.1 %
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



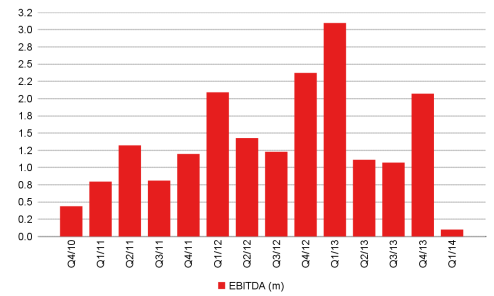
Source: Warburg Research

Sales by regions
2013; in %



Source: Warburg Research

EBITDA development
in EUR m



Source: Warburg Research

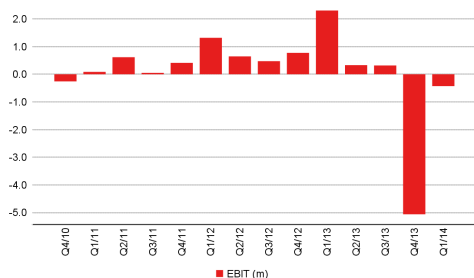
Company Background

- 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

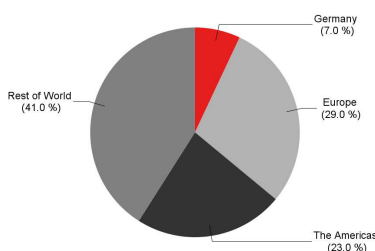
- aap Implantate AG has developed a patent protected Trauma implant (LOQTEQ), which provides significant improvements for surgeons, hospitals and clinics as well as patients.
- Additionally aap has a promising product pipeline with an antibacterial silver coating for the implants as well as resorbable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



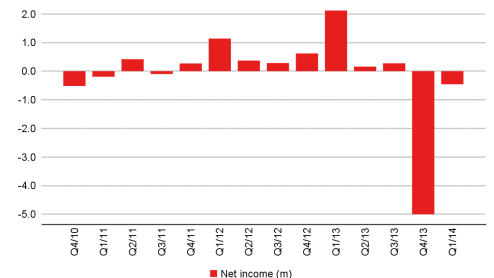
Source: Warburg Research

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 %	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&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 2014	EV/ Sales 2015	Trauma M&A Multiples	fair value 14	fair value 15	fair value 14 M&A
	2014e	2015e						
Trauma	15.00	20.4	4.29	3.77	4.67	64.4	76.9	70.0
Biomaterials	19.55	19.9	3.49	3.03	3.49	68.3	60.5	68.3
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						148.8	153.6	154.4
Number of shares						30.7	30.7	30.7
Fair Value per share						4.85	5.01	5.04

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	1.7 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	2.1 x	1.7 x	1.4 x
EV / EBITDA	12.8 x	8.7 x	4.8 x	6.6 x	13.9 x	10.4 x	8.3 x
EV / EBIT	61.3 x	30.8 x	10.7 x	n.a.	27.1 x	18.5 x	14.3 x
EV / EBIT adj.*	61.3 x	30.8 x	10.7 x	n.a.	27.1 x	18.5 x	14.3 x
P / FCF	n.a.	n.a.	9.6 x	n.a.	16.3 x	37.2 x	31.3 x
P / E	n.a.	96.9 x	12.5 x	n.a.	34.2 x	25.7 x	23.7 x
P / E adj.*	n.a.	96.9 x	12.5 x	n.a.	34.2 x	25.7 x	23.7 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 %	6.1 %
*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

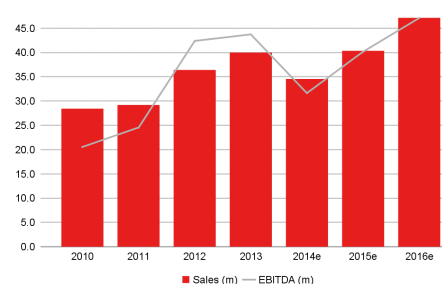
*Adjustments made for:

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

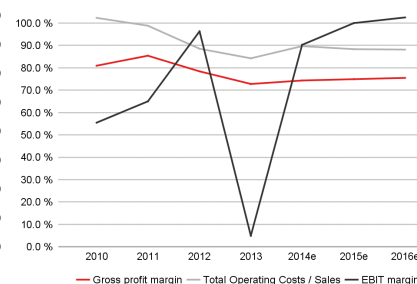
Financial Ratios

	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.

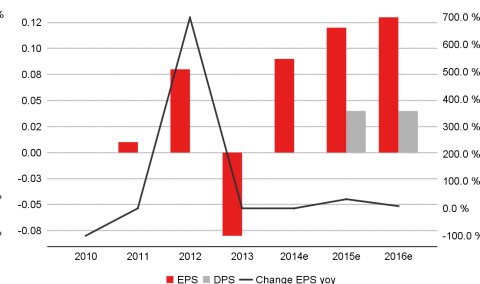
Sales, EBITDA
in EUR m



Operating Performance
in %



Performance per Share



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

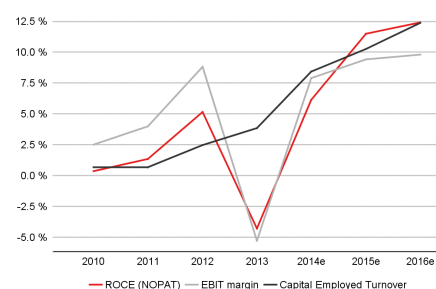
Consolidated balance sheet

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

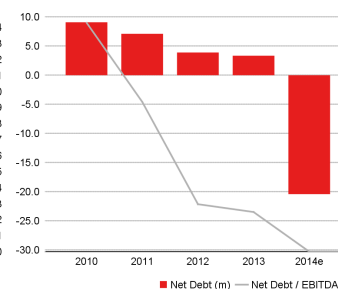
Financial Ratios

	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 %	n.a.	n.a.	n.a.
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

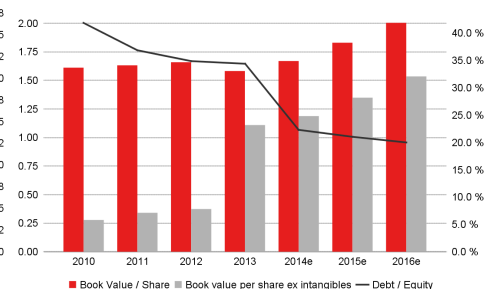
ROCE Development



Net debt in EUR m



Book Value per Share in EUR



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

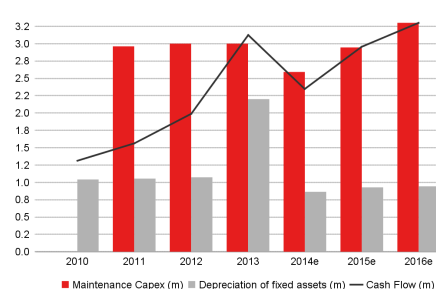
Consolidated cash flow statement

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

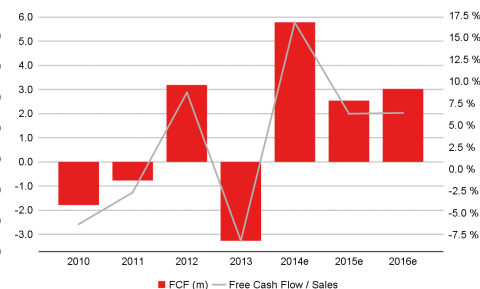
Financial Ratios

	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

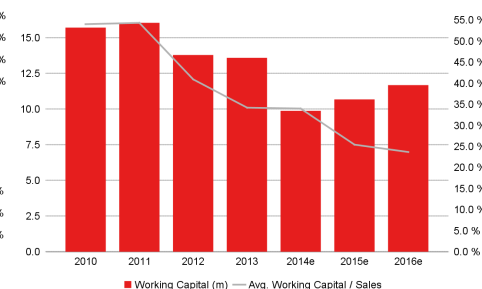
CAPEX and Cash Flow
in EUR m



Free Cash Flow Generation



Working Capital



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

LEGAL DISCLAIMER

This research report was prepared by the Warburg Research GmbH, a subsidiary of the M.M.Warburg & CO (AG & Co.) KGaA and is passed on by the M.M.Warburg & CO (AG & Co.) KGaA. It contains selected information and does not purport to be complete. The report is based on publicly available information and data ("the information") believed to be accurate and complete. Warburg Research GmbH neither does examine the information to be accurate and complete, nor guarantees its accuracy and completeness. Possible errors or incompleteness of the information do not constitute grounds for liability of M.M.Warburg & CO (AG & Co.) KGaA or Warburg Research GmbH for damages of any kind whatsoever, and M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH are not liable for indirect and/or direct and/or consequential damages. In particular, neither M.M.Warburg & CO (AG & Co.) KGaA nor Warburg Research GmbH are liable for the statements, plans or other details contained in these analyses concerning the examined companies, their affiliated companies, strategies, economic situations, market and competitive situations, regulatory environment, etc. Although due care has been taken in compiling this research report, it cannot be excluded that it is incomplete or contains errors. M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH, their shareholders and employees are not liable for the accuracy and completeness of the statements, estimations and the conclusions derived from the information contained in this document. Provided a research report is being transmitted in connection with an existing contractual relationship, i.e. financial advisory or similar services, the liability of M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH shall be restricted to gross negligence and wilful misconduct. In case of failure in essential tasks, M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH are liable for normal negligence. In any case, the liability of M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH is limited to typical, expectable damages. This research report does not constitute an offer or a solicitation of an offer for the purchase or sale of any security. Partners, directors or employees of M.M.Warburg & CO (AG & Co.) KGaA, Warburg Research GmbH or affiliated companies may serve in a position of responsibility, i.e. on the board of directors of companies mentioned in the report. Opinions expressed in this report are subject to change without notice. All rights reserved.

COPYRIGHT NOTICE

This work including all its parts is protected by copyright. Any use beyond the limits provided by copyright law without permission is prohibited and punishable. This applies, in particular, to reproductions, translations, microfilming, and storage and processing on electronic media of the entire content or parts thereof.

DISCLOSURE ACCORDING TO §34B (1) OF THE GERMAN SECURITIES TRADING ACT (WHPG) AND THE ORDINANCE ON THE ANALYSIS OF FINANCIAL INSTRUMENTS (FINANV)

The valuation underlying the investment recommendation for the company analysed here is based on generally accepted and widely used methods of fundamental analysis, such as e.g. DCF Model, Free Cash Flow Potential, Peer Group Comparison or Sum of the Parts Model. The result of this fundamental valuation is modified to take into consideration the analyst's assessment as regards the expected development of investor sentiment and its impact on the share price.

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.

This commentary reflects the opinion of the relevant author at the point in time of its compilation. A change in the fundamental factors underlying the valuation can mean that the valuation is subsequently no longer accurate. Whether, or in what time frame, an update of this commentary follows is not determined in advance.

In accordance with § 5 (4) of the Ordinance on the Analysis of Financial Instruments (FinAnV) Warburg Research GmbH has implemented additional internal and organisational arrangements to prevent or to deal with conflicts of interest. Among these are the spatial separation of Warburg Research GmbH from M.M.Warburg & CO (AG & Co.) KGaA and the creation of areas of confidentiality. This prevents the exchange of information, which could form the basis of conflicts of interest for Warburg Research in terms of the analysed issuers or their financial instruments.

The analysts of Warburg Research GmbH do not receive a gratuity – directly or indirectly – from the investment banking activities of M.M.Warburg & CO (AG & Co.) KGaA or of any company within the Warburg Group.

All prices of financial instruments given in this financial analysis are the closing prices on the last stock-market trading day before the publication date stated, unless another point in time is explicitly stated.

M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH are subject to the supervision of the Federal Financial Supervisory Authority, BaFin.

SOURCES

All data and consensus estimates have been obtained from FactSet except where stated otherwise.

Section 34b of the German Securities Trading Act in combination with the FinAnV requires an enterprise preparing a securities analysis to point out possible conflicts of interest with respect to the company that is the subject of the analysis. A conflict of interest is assumed, in particular, when the enterprise preparing the analysis ...

- 1- ... or companies affiliated with this enterprise **holds 5%** or more of the share capital of the analysed company
- 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
- 4- ... or companies affiliated with this enterprise over the previous 12 months has been providing **investment banking services** for the analysed company for which a compensation has been or will be paid. Warburg Research GmbH receives indirect remuneration from the investment banking activities of M.M.Warburg & CO (AG & Co.) KGaA.
- 5- ... effected an **agreement** with the analysed company **for the preparation of the financial analysis**
- 6- ... or companies affiliated with this enterprise **regularly trade** in shares or derivatives of the analysed company
- 7- ... or the analyst responsible for this company or an employee of the Warburg Group has **other important financial interests** in relation to the analysed company such as e.g. the performance of mandates for the analysed company

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

INVESTMENT RECOMMENDATION

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.

WARBURG RESEARCH GMBH – RESEARCH UNIVERSE BY RATING

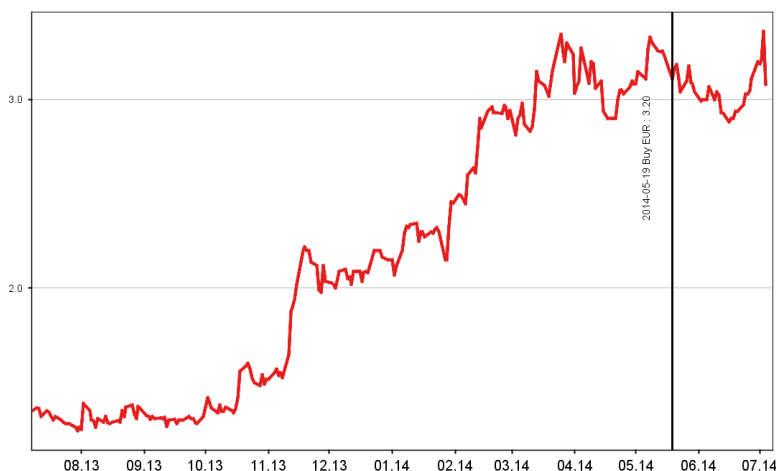
Rating	Number of stocks	% of Universe
Buy	105	53
Hold	78	39
Sell	11	6
Rating suspended	4	2
Total	198	100

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	80	60
Hold	47	35
Sell	4	3
Rating suspended	3	2
Total	134	100

PRICE AND RATING HISTORY AAP IMPLANTATE AS OF 07.07.2014



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.

RESEARCH

Roland Rapelius Head of Research	+49 40 309537-220 rrapelius@warburg-research.com	Andreas Pläsier Banks, Financial Services	+49 40 309537-246 aplaesier@warburg-research.com
Henner Rüschemier Head of Research	+49 40 309537-270 hrueschmeier@warburg-research.com	Malte Rätther Technology, Telco, Internet	+49 40 309537-185 mraether@warburg-research.com
Christian Cohrs Engineering, Logistics	+49 40 309537-175 ccohrs@warburg-research.com	Jochen Reichert Telco, Internet, Media	+49 40 309537-130 jreichert@warburg-research.com
Felix Ellmann Software, IT	+49 40 309537-120 fellmann@warburg-research.com	Christopher Rodler Utilities	+49 40 309537-290 crodler@warburg-research.com
Jörg Philipp Frey Retail, Consumer Goods	+49 40 309537-258 jfrey@warburg-research.com	Malte Schaumann Technology	+49 40 309537-170 mschaumann@warburg-research.com
Harald Hof Medtech	+49 40 309537-125 hhof@warburg-research.com	Susanne Schwartze Telco, Internet, Media	+49 40 309537-155 sschwartze@warburg-research.com
Ulrich Huwald Health Care, Pharma	+49 40 309537-255 uhuwald@warburg-research.com	Oliver Schwarz Chemicals, Agriculture	+49 40 309537-250 oschwarz@warburg-research.com
Thilo Kleibauer Retail, Consumer Goods	+49 40 309537-257 tkleibauer@warburg-research.com	Marc-René Tonn Automobiles, Car Suppliers	+49 40 309537-259 mtonn@warburg-research.com
Torsten Klingner Real Estate	+49 40 309537-260 tklingner@warburg-research.com	Björn Voss Steel, Car Suppliers	+49 40 309537-254 bvoss@warburg-research.com
Eggert Kuls Engineering	+49 40 309537-256 ekuls@warburg-research.com	Andreas Wolf Software, IT	+49 40 309537-140 awolf@warburg-research.com
Frank Laser Construction, Industrials	+49 40 309537-235 flaser@warburg-research.com	Stephan Wulf Utilities	+49 40 309537-150 swulf@warburg-research.com

SALES

Holger Nass Head of Equity Sales, USA	+49 40 3282-2669 hnass@mmwarburg.com
Klaus Schilling Dep. Head of Equity Sales, GER	+49 40 3282-2664 kschilling@mmwarburg.com
Christian Alisch Scandinavia, Spain	+49 40 3282-2667 calisch@mmwarburg.com
Tim Beckmann United Kingdom	+49 40 3282-2665 tbeckmann@mmwarburg.com
Matthias Fritsch United Kingdom	+49 40 3282-2696 mfritsch@mmwarburg.com
Marie-Therese Grübner France	+49 40 3282-2630 mgruebner@mmwarburg.com
Ömer Güven Germany	+49 40 3282-2633 ogueven@mmwarburg.com
Michael Kriszun United Kingdom	+49 40 3282-2695 mkriszun@mmwarburg.com
Marc Niemann Germany	+49 40 3282-2660 mniemann@mmwarburg.com
Dirk Rosenfelder Austria, Switzerland	+49 40 3282-2692 drosenfelder@mmwarburg.com
Philipp Stumpfegger Australia, United Kingdom	+49 40 3282-2635 pstumpfegger@mmwarburg.com

SALES TRADING

Oliver Merckel Head of Sales Trading	+49 40 3282-2634 omerckel@mmwarburg.com
Gudrun Bolsen Sales Trading	+49 40 3282-2679 gbolsen@mmwarburg.com
Michael Ilgenstein Sales Trading	+49 40 3282-2700 milgenstein@mmwarburg.com
Bastian Quast Sales Trading	+49 40 3282-2701 bquast@mmwarburg.com
Thekla Struve Sales Trading	+49 40 3282-2668 tstruve@mmwarburg.com
Jörg Treptow Sales Trading	+49 40 3262-2658 jtreptow@mmwarburg.com
Jan Walter Sales Trading	+49 40 3262-2662 jwalter@mmwarburg.com
Katharina Merkel Roadshow/Marketing	+49 40 3282-2694 kmerckel@mmwarburg.com

MACRO RESEARCH

Carsten Klude Macro Research	+49 40 3282-2572 cklude@mmwarburg.com
Matthias Thiel Macro Research	+49 40 3282-2401 mthiel@mmwarburg.com
Dr. Christian Jasperneite Investment Strategy	+49 40 3282-2439 cjasperneite@mmwarburg.com

Our research can be found under:

Warburg Research	research.mmwarburg.com/en/index.html	Thomson	www.thomson.com
Bloomberg	MMWA GO	Reuters	www.knowledge.reuters.com
FactSet	www.factset.com	Capital IQ	www.capitaliq.com

For access please contact:

Andrea Schaper Sales Assistance	+49 40 3282-2632 aschaper@mmwarburg.com	Kerstin Muthig Sales Assistance	+49 40 3282-2703 kmuthig@mmwarburg.com
---	--	---	---