Consolidated Annual Financial Statement 2007

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Key Figures Overview of the *aap* Group of Companies

SELECTED PROFIT AND LOSS STATEMENT DATA		
	1.1.-12.31.2007	**1.1.-12.31.2006**
Sales	€28,006K	€18,454K
Total Output	€33,052K	€20,184K
Net Profit	€1,511K	€1,594K
Operating Income	€2,956K	€2,226K
EBITDA	€5,132K	€3,864K
EBIT	€2,950K	€2,224K
EBT	€2,423K	€2,130K
EBIT margin	10.5%	12.1%
EBT margin	8.7%	11.5%
DVFA/SG Earnings	€1,511K	€1,594K
DVFA/SG Earnings per Share	€0.06	€0.09
DVFA/SG Cash Earnings	€3,784K	€3,108K
DVFA/SG Cash Earnings per Share	€0.15	€0.18
SELECTED BALANCE SHEET DATA		
	12.31.2007	**12.31.2006**
Long-term Assets	€48,375K	€14,788K*
Thereof deferred taxes	€2,723K	€1,546K*
Short-term Assets	€19,643K	€12,766K
Total Assets	€68,018K	€27,554K*
Shareholders' Equity	€43,447K	€21,185K*
Thereof minority interest	€94K	€56K
Non-current Liabilities	€10,791K	€1,965K
Current Liabilities	€ 13,780K	€4,404K
Equity Ratio	64%	77%
Employees	289	161

* Cf. Annex F. *Adjustments of Consolidated Financial Statements to December 31, 2006*

Foreword by the Board of Management

Ladies and Gentlemen,

Dear Shareholders,

Dear Employees and Business Partners,

Yet another successful year lies behind the *aap* Group. With sales up by 52% to €28.0 million we were able to make an operating income for the year of €3.0 million. Biomaterials (the *aap* bio implants group) accounted for over 70% of sales in financial year 2007. The Trauma & Orthopaedics division (*aap* T&O) also reported a significant improvement, with sales up 26% on the previous year.

The capital increase agreed at the extraordinary meeting of shareholders held on February 15, 2007 to finance acquisition of the Dutch Fame Medical biomaterials group was concluded effectively with the commercial register entry in September 2007. The Dutch subsidiary is now trading as *aap* bio implants Netherlands B.V. and is thereby integrated, along with its subsidiaries, in the *aap* bio implants group (comprising all *aap* companies active in medicinal biomaterials).

At the Annual General Meeting held in Berlin on August 27, 2007 all draft resolutions were approved by substantial majorities, and at the ensuing constituent meeting of the Supervisory Board Mr. Rubino di Girolamo was elected as the Board's new chairman.

In financial year 2007 both divisions of the *aap* group of companies reached important milestones. The *aap* bio implants group was able to conclude exclusive worldwide sales contracts (excluding the U.S.) with Zimmer (new Hi-Fatigue bone cement) and Medtronic (NANOSTIM® bone graft substitute). The takeover of Adcon® Gel from Wright Medical Technologies (WMT) extended the biomaterials portfolio in the spinal column area. Along with intensified development work we are now concentrating on integration of the Dutch subsidiaries. In the Trauma & Orthopaedics division a global cannulated screw systems distribution and supply contract for foot and ankle treatment was signed with WMT in August 2007 that represents the division's entry into the OEM sector. Along with intensification of internationalization, development activities have also been stepped up in this area.

aap has developed in recent years into a world technology leader in the field of medicinal biomaterials. In view of the full product pipeline, intensive relations with the world's leading orthopaedics companies, and our high level of professionalism in production we expect this technology leadership to continue to lead to rising sales and earnings. Positive development of the T&O division will also strengthen the entire *aap* Group in the years ahead.

This successful year's business was based first and foremost on the know-how, motivation and hard work of our 289 employees in Germany and the Netherlands.

We also thank our shareholders and business partners for the confidence they have shown in us, and look forward to further fruitful cooperation.

Oliver Bielenstein

Bruke Seyoum Alemu

aap Implantate AG Group Management Report 2007

In this report on the state of the Group, use will be made of the terms *aap*, *aap* Group, Group or group of companies.

A) General Terms and Framework Conditions

1. Organizational and Legal Structure

aap Implantate AG is the *aap* Group's parent company. Within the Group there are currently seven operative companies: *aap* Implantate AG, *aap* Biomaterials GmbH & Co. KG, *aap* bio implants markets GmbH, ADC Advanced Dental Care GmbH & Co. KG and *aap* bio implants Netherlands B.V.'s subsidiaries European Medical Contract Manufacturing (EMCM) B.V., Bactimm B.V. and Farmalyse B.V.

Subsidiaries

aap Biomaterials GmbH & Co. KG

aap Biomaterials GmbH & Co. KG combines all German development and production activities in the field of medicinal biomaterials. The company is based in Dieburg, near Frankfurt am Main, with another location in Obernburg, near Aschaffenburg, Germany.

aap bio implants markets GmbH

aap bio implants markets GmbH, headquartered in Düsseldorf, was founded in summer 2007. It combines all of the *aap* bio implants group's marketing and sales functions.

aap bio implants Netherlands B.V.

This is the holding company of the Dutch group of companies with its head office in Nijmegen.

European Medical Contract Manufacturing (EMCM) B.V.

EMCM, headquartered in Nijmegen, Netherlands, combines the Group's Dutch development and production functions.

Bactimm B.V. and Farmalyse B.V.

Bactimm (specialized in microbiological analysis and based in Nijmegen) and Farmalyse (specialized in chemical analysis and based in Zaandam) are companies that undertake analytics for the *aap* bio implants group itself and for third parties.

Other wholly-owned subsidiaries of *aap* bio implants NL B.V. are Tissue Processing International B.V. (TPI), which holds a tissue and bone bank license, and Broockeville Corporation N.V., which owns the Dutch companies' patents.

ADC Advanced Dental Care GmbH & Co. KG

aap Implantate AG owns a 54% majority shareholding in ADC, a distribution company in the dental sector. To simplify the corporate structure the KG is to be contributed to the Verwaltungs-GmbH and is in the future to trade as ADC Advanced Dental Care GmbH while retaining the ownership distribution. At the same time a transfer of domicile from Elsenfeld to Dieburg has been agreed.

Associated Companies

AEQUOS Endoprothetik GmbH

After a December 2007 capital increase *aap* Implantate AG's shareholding in AEQUOS Endoprothetik GmbH was reduced from 7.59 to 6.64%. The companies owns and markets the innovative AEQUOS® knee system partly developed and manufactured by *aap*.

2. Segments

aap has two business segments, Trauma & Orthopaedics (*aap* T&O) und Biomaterials (*aap* bio implants group). The Board has managed the *aap* Group by segment results since 2006, the financial year in which segment reporting was first introduced.

3. The Most Important Products and Business Processes

The main focus of T&O activities in 2007 was on extending the product portfolio by expanding standard systems such as the cannulated screw system, further development of the stable angle-stable plate systems, the market launch of various hip system products, including the VarioLoc® hip system, and the cementless VarioCup® Pressfit acetabular cup.

aap exhibited its product range at the most important international trade shows, including the Arab Health in Dubai and the A.A.O.S (American Academy of Orthopaedic Surgeons) in San Diego. At the eighth EFORT congress of the European Federation of National Associations of Orthopaedics and Traumatology in May 2007 *aap* presented itself for the first time along with its Dutch subsidiaries. In Germany *aap* was represented inter alia at the German Congress for Orthopaedics and Accident Surgery and at Medica 2007.

In Germany *aap* has three production locations – Berlin, Dieburg und Obernburg. In Berlin *aap* Implantate AG manufactures osteosynthesis and endoprosthetic products and instruments for the Trauma& Orthopaedics division. Since 2007 *aap* has owned in Dieburg one of the world's most state-of-the-art and efficient bone cement production locations. Biomaterials are produced in Obernburg and Dieburg.

In the Netherlands *aap* has in Nijmegen a modern biomaterials production location with clean room production facilities in an area of over 2,000 square meters. A logistics center for *aap* bio implants markets is currently also under construction in Nijmegen.

To ensure long-term availability of production capacities *aap* Implantate AG continues to train its own skilled operatives.

4. Material Sales Markets and Competitive Positions

aap bio implants sells its products to sales partners around the world under its own and third-party brand names and is a world technology leader in the niche markets in which it is active.

In addition to the existing distribution network of around 30 regional sales partners, sales activities were launched and extended in several countries, inter alia the UK, Scandinavia, India, Australia, Kore and Russia, by gaining further local distribution partners in 2007.

aap bio implants earns most of its sales revenue from developing and manufacturing products for leading orthopedic companies that market around the world as their own design products made by *aap*.

In financial year 2007 *aap* gained first-time approval of various new products that went on sale. As a European company its initial marketing authorization is of medical products with the CE mark, to be followed in the years ahead by further approvals for the product in question, such as FDA in the United States:

- JASON® (hemostatic collagen fleece for wound coverage)

- BonOs® HF (orthopaedic bone cement)
- BonOs® Inject and Vebroplast® (injectable, hardening, high-performance plastics with a high X-ray contrast to straighten up osteoporotic vertebrae)
- Hi-Fatigue® bone cement (bone cement for long-term fixing of knee and hip prostheses)
- NANOSTIM® (nanocrystalline bone graft substitute)

In addition to primary approvals (CE marks), *aap* bio implants has assisted a number of big customers to secure approvals for their products *aap*-manufactured along with a large number of national approvals and registrations.

The *aap* T&O division has three sales channels. The main focus is direct sales to hospitals, buying syndicates and clinic groups. Sales are also via an international distribution network with partners in around 30 countries and OEM partnerships with national and international customers. Consistent expansion of these sales channels with existing and innovative new products has led to above-average sales development in this field. International sales activities are concentrated on Europe, the Middle East and the United States.

5. Fundamental Legal and Economic Influencing Factors

In most of the world's markets official registrations and approvals are a prerequisite for marketing medicinal products. Since *aap* products are intended in principle for worldwide marketing, the quality management system is based on harmonized international standards and European regulations. That being the case, the *aap* Group is audited regularly and certificated accordingly so that its products can carry and be marketed with the CE mark. In addition, production to a very large extent conforms to FDA requirements and to a large extent to GMP/GLP (Good Manufacturing Practice/Good Laboratory Practice).

All *aap* Group companies are certificated to DIN EN ISO 13485, the standard that is relevant for manufacturers of medical devices, and to the EU directive 93/42/EEC. *aap* Implantate AG is also certificated voluntarily to EN ISO 9001:2000. In the course of its business activity all of the relevant environmental protection regulations are observed. Neither *aap* production nor *aap* products pose a direct or indirect threat to the environment.

6. Research and Development Activities

aap invested heavily in research and development in financial year 2007, and around 20% of its employees (c. 57) are assigned to R&D, clinical affairs or regulatory. *aap* invests around 14% of its revenue in developing new products. In addition to its own R&D activities, *aap* cooperates with a large number of academic institutions (research institutes, university hospitals) on new and further developments and clinical studies.

aap has a sixfold R&D focus in line with its product portfolio:

- Osteosynthesis
- Endoprosthetics
- Bone Cements and Cementing Techniques

- Bone Regeneration
- Tissue regeneration
- Infection Care

As a matter of principle all products are developed in close collaboration with medical users, and frequently on their initiative. Given that the *aap* product pipeline is subject to close observation by the competition, the following comments can only be general in character.

Trauma & Orthopaedics

Development in the T&O division was concentrated in traumatology on extending the angle-stable systems to different anatomic areas on the basis of patented or patentable technologies and in orthopaedics on expansion of hip, shoulder and knee systems.

aap bio implants group

The focus of development work in this division was on bone cements, surface coverage, resorbable implants, new composite materials, collagen-based fleeces and membranes, injectable adhesion barriers and new infection therapy products. *aap* bio implants has a full pipeline in all product areas, with products in some cases being developed in cooperation with partners. For most products we aim in the medium term to secure both CE and FDA approvals.

7. Overall Economic and Industry-Specific Framework Conditions

Share and Stock Market

aap Implantate AG Share Price Development

In 2007 the *aap* Implantate AG share price trend was characterized by strong fluctuation. On January 17, 2007 the share reached its lowest price for the year of €2.21. Between early April and mid-May the price rose strongly, reaching its highest price for the year of €3.39 on May 10, 2007. Even though the Group's business developed much more positively in the second half of the year than in the first, the share price headed in the opposite direction. Influenced in part by the pessimistic stock market sentiment, the share price fell below its lowest 2007 level in January 2008, with an average price of only around €2.29 in the first quarter of 2008.

Management Board Assessment of How Overall Economic/Industry-Specific Trends Have Affected the Course of Business

Medical technology is a growing industry due to demographic factors, but in view of cost pressure on the healthcare sector in all Western countries there is significant price pressure on all providers. *aap* countervails this price pressure by focusing on innovative market niches where product functionality is the main consideration.

The submarkets for orthopedic, trauma and spine products and for dental implants are growing at a rate of between 5% and 15% per annum. *aap* intends in the long term to grow at a rate significantly higher than that of the industry average.

In Germany, *aap* T&O is one of the leading trauma providers, ranking fifth to sixth. Further afield, a growing network of international distribution partners is our medium-term guarantee of above-average sales growth.

The *aap* bio implants group is already one of Europe's leading manufacturers of bone cement and bone substitute materials. In terms of production volume the division is one of the world's top three for bone cements.

By virtue of its focus on B2B business the biomaterials division can grow with its partners in the market without needing to invest heavily in sales and marketing. Funds freed in this way can be ploughed into R&D, approvals and production infrastructure to secure a leading long-term role. This is achieved by partnerships with leading orthopaedics industry enterprises such as Biomet, Smith & Nephew, Heraeus, Zimmer, Medtronic and WMT. With long-term supply contracts and our customers' global markets, *aap* bio implants is barely subject to international economic fluctuations. The Group has had no important US dollar risks yet either.

B) Earnings, Finance and Asset Situation

1. Restructuring and Rationalization Measures

Below the AG, *aap* has established the *aap* bio implants group as a management structure that includes all of the companies in the group that deal with medicinal biomaterials.

A newcomer since summer 2007 is *aap* bio implants markets GmbH in Düsseldorf, which combines all of *aap* bio implants' marketing, sales, product management and customer service activities.

2. Company Acquisitions or Disposals

Acquisition of the aap bio implants Netherlands (formerly: Fame Medical Group)

The €8,448,999 capital increase to €25,347,156, subdivided into the same number of share certificates and approved by the extraordinary general meeting held on February 15, 2007, was entered in the commercial register in September 2007. The new shares were listed for trading on October 1, 2007. For

50% of the new shares a lockup period until October 1, 2008 was agreed. The acquisition of the Dutch companies was therewith formally completed.

3. Signing or Ending of Cooperation Agreements and Other Important Contracts

aap Biomaterials and Zimmer Sign Distribution Agreement

aap Biomaterials GmbH & Co. KG, a subsidiary of *aap* Implantate AG, signed at the beginning of May an exclusive sales agreement (excluding the U.S.) with Zimmer GmbH on the distribution of High-Fatigue® bone cement.

High-Fatigue® bone cement is an innovative bone cement for long-term fixing of knee and hip prostheses with significantly superior properties compared with existing products.

aap Biomaterials and Medtronic Sign Distribution Agreement

At the end of May 2007 *aap* Biomaterials GmbH & Co. KG signed an exclusive sales agreement with Medtronic on world distribution (excluding the U.S.) of the bone regeneration material NANOSTIM®. Medtronic as a global market leader in spinal implants and biological bone regeneration announced at the beginning of February 2008 that it was launching distribution of NANOSTIM® in Europe and other non-U.S. markets.

NANOSTIM®, developed, patented and manufactured by the *aap* bio implants group, is an innovative injectable nanocrystalline bone regeneration material for use in surgical operations.

aap Acquires Product Rights for Adcon® from Wright Medical Technologies (WMT)

aap took over from WMT in August 2007 the latter's Adcon® L brand products to prevent post-operative scars and adhesions after spinal column surgery. A transfer of all patents, brand name and distribution rights accompanied the acquisition. Prior to the agreement, Dutch *aap* subsidiary EMCM was already manufacturing Adcon® L on the basis of its innovative hydrogel technology. Together with this successful product sold in many countries, *aap* acquired its existing network of international distribution partners.

aap and WMT Sign Sales Agreement

aap Implantate AG signed in August 2007 an extensive global distribution and supply contract with Wright Medical Technologies on international distribution of *aap* cannulated screw systems for foot and ankle treatment.

The *aap* cannulated screw system is one of the best established in the market. This product group, which has been on sale for over ten years, is one of the mainstays of the trauma portfolio and accounts for significant national and international Trauma & Orthopaedics division sales.

4. Material Changes in Legal or Economic Framework Conditions

In 2007 there were no material changes in legal and economic framework conditions.

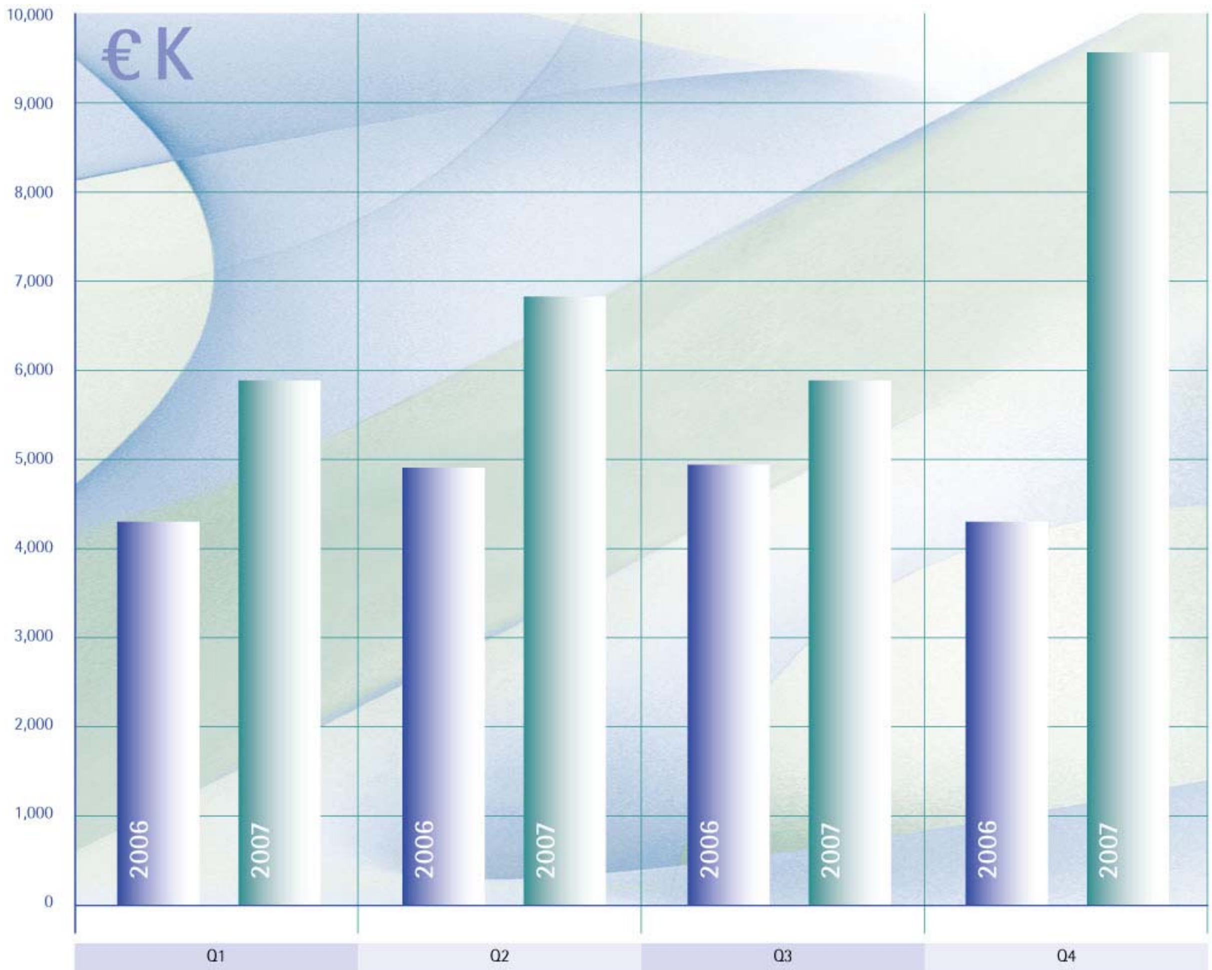
5. Changes in Market and Competitive Conditions

In 2007 there were no material change in market and competitive conditions, but medical technology does business in a global market that is subject to strong consolidation pressure and a high density of regulations, and these two trends are gaining steadily in strength.

Earnings Position

1. Outline of Results Development/Structure

In financial year 2007 *aap* sales grew by 52% on the year from €18.5 million to €28.0 million. Most of this sales growth was due to the acquisition of the Fame Medical Group, which in 2007 posted sales of €9.1 million (previous year: €7.0 million). Year-on-year organic sales growth was 10% because *aap* sustained a sales decline of around €5 million in business in a bio implants product with a major customer. In view of dynamic growth in this area, however, this sales decline was cushioned and offset by higher sales of existing and new products to existing and new customers.



Sales 2006 vs. 2007 by Quarters

Other operating income totaling €1.975 million (previous year: €1.033 million) consisted mainly of income from government or EU grants, income from the value make-good of a biomaterials patent, and currency profits from US dollar obligations.

In keeping with IFRS, *aap* as a research-intensive company also capitalizes **development costs** (mainly instrument kits for T&O) for development projects that are highly likely to be approved and marketed successfully (2007: 2.849 million, 2006: €977 million). After market launch these project values are depreciated over their useful life. The increase on 2006 was a result of integration of the Fame Medical Group, significant expansion of R&D activity in both divisions and a corresponding increase in development work across the group.

Due to the high level of internal value added at *aap* in the Trauma & Orthopaedics division, *aap* manufactures in-house a large number of the instruments and instrument kits for inserting implants and tools and devices for manufacturing the implants themselves. This value added, totaling €3.301 million in the reporting period (previous year: €1.799 million), was capitalized in the balance sheet and will be depreciated over its expected useful life.

aap was able to boost EBITDA by 33% from €3.864 million to €5.132 million. EBIT or operating result also improved from €2.224 million to €2.950 million – also a 33% increase.

Investment earnings were not achieved – as in the previous year.

The financial result was -€528K (2006: -€93K) due to the borrowing commitments contributed by Fame, to the partial utilization by *aap* of existing overdraft facilities to finance the substantial increase in current assets, and to interest payments made to finance the Adcon® L takeover.

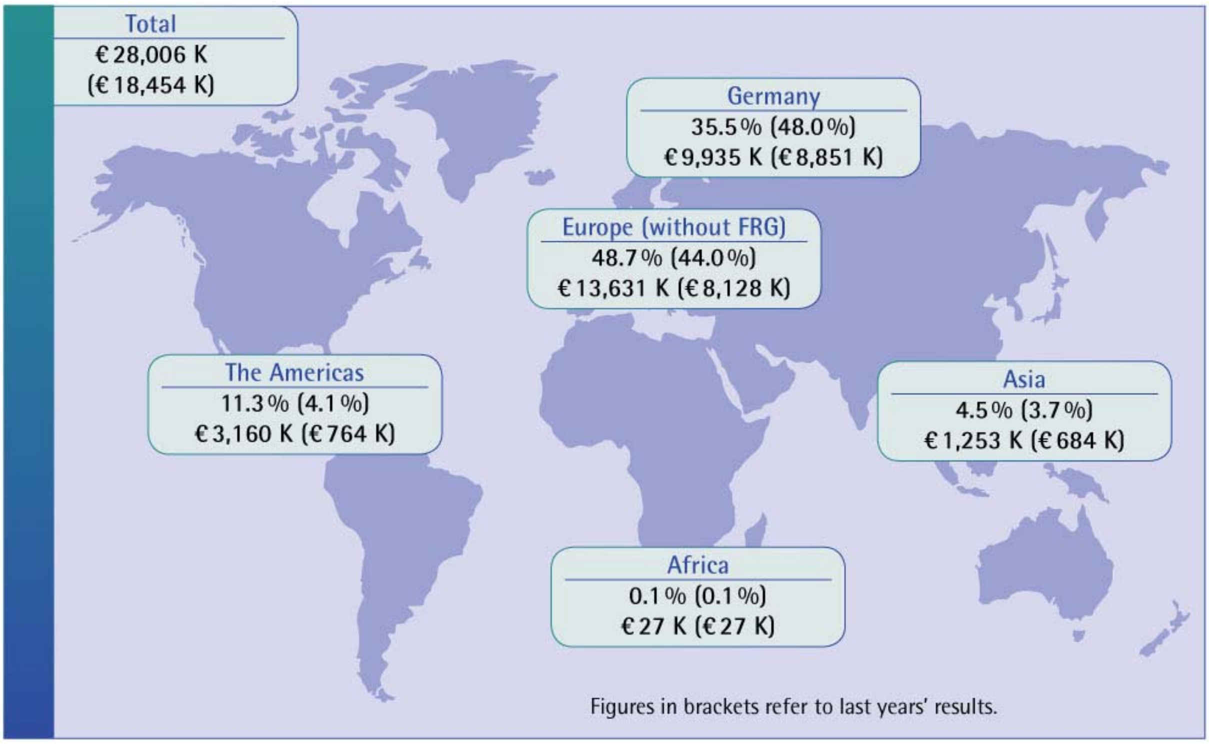
aap accordingly reported a €2.428 million profit on ordinary business activities after €2.133 million the previous year (+14%).

Due to high loss carryovers €865K of the stated taxes on earnings did not lead to actual tax payments, with the result that taxes actually paid were reduced to €47K. Earnings after taxes were €1.511 million (previous year: €1.594 million), and DVFA/SG earnings per share were €0.06 (previous year: €0.09).

2. Analysis of the Most Significant Financial and Non-financial Performance Indicators

aap as an innovative growth company sees as its primary performance indicators sales growth on reaching a high level of self-financing, establishing long-term partnerships with leading orthopedic companies and developing new and innovative products. In all three areas *aap* achieved significant successes in 2007 that will lead in the long term to highly profitable double-digit growth rates.

3. Development of Revenue and Order Position



Sales 2007 by Region

Group sales revenue improved by 52% on the year to €28.006 million (previous year: €18.454 million). Sales in Germany rose by only a limited extent due mainly to the discontinuation of direct sales of biomaterials and bone cement last year and now account for only one third of the sales total.

The Trauma & Orthopaedics segment consists of fracture treatment products for all main areas of the skeleton and joint replacement for shoulders, hips and knees. In 2007 sales in this segment were increased by 26% to €7.839 million (previous year: €6.239 million).

The mainstay of sales in the **Trauma** segment continues to be cannulated screws, while in the **Orthopaedics** segment the knee product group achievd the highest sales growth.

The *aap* **bio implants** segment with the product areas bone cements, infection care, and bone and tissue regeneration continued to develop successfully. *aap* sales in the biomaterials segment grew organically and as a result of acquisitions to €20.167 million (previous year: €12.215 million).

By expanding international business – with OEM customers and local distribution partners in both divisions – German direct sales now account for only 83% of *aap* sales revenue (2006: 69%), with the result that the group is now less dependent on cost pressure and structural change in the German healthcare system.

4. Material Changes in the Structure of Individual Income and Expense Items

The cost of materials ratio at *aap* is around 25%. Personnel expenses rose as planned from €7.324 million to €12.267 million. As a result of the organic increase in personnel numbers by 10 to 171 employees and of an acquisition-related further 118 employees the personnel cost ratio now stands at 37%.

As of December 31, 2007 the group had 289 employees, including 220 full- and 69 part-time staff (previous year: 161, including 144 full- and 17 part-time employees).

The increase in other operating expenses from €6.080 million to €9.313 million was due mainly to acquisitions and rising R&D costs as a result of the substantial increase in activities.

Although depreciation of fixed assets rose slightly in absolute terms, it fell in relative terms from 8% to 7%.

The tax rate reductions agreed as part of the reform of corporate taxes led in financial year 2007 to a one-off expense of €183K without effect on payments.

Financial Position

The *aap* Group's operational cash flow (before investment and financing activity) was reduced due to the €5 million surge in current assets (increase in receivables mainly as a result of the strong fourth quarter and in inventories in preparation for shipping large orders in the first half of 2008) and to a €2.028 million increase in expenditure to -€299K (previous year: €1.729 million), especially on R&D. The marked €4.745 million increase in net cash flow from financing activity is mainly the result of funding the Adcon® acquisition, of capitalizing R&D projects and of boosting production in Berlin, Nijmegen and Obernburg along with using current account overdrafts to finance current assets.

aap will not be paying a dividend for the foreseeable future because existing cash and cash equivalents are being invested in full in company development and expansion.

As of December 31, 2007 the Group's cash and cash equivalents totaled a mere €297K. This level was due to disproportionately high sales in the fourth quarter of 2007 that forced *aap* to make advance payments. As of the balance sheet date the existing overdraft limit was briefly exceeded.

aap considers the liquidity situation to be good in view of payments expected in the first quarter and of existing credit approvals intended to ensure financing for the year ahead. *aap* expects to end 2008 with a positive cash flow.

Net Worth Position

Due to the Fame Group's first-time consolidation and to high sales in the fourth quarter and the buildup of inventories for large orders, current assets (mainly inventories and receivables) rose by €6.877 million to €19.643 million (previous year: €12.766 million).

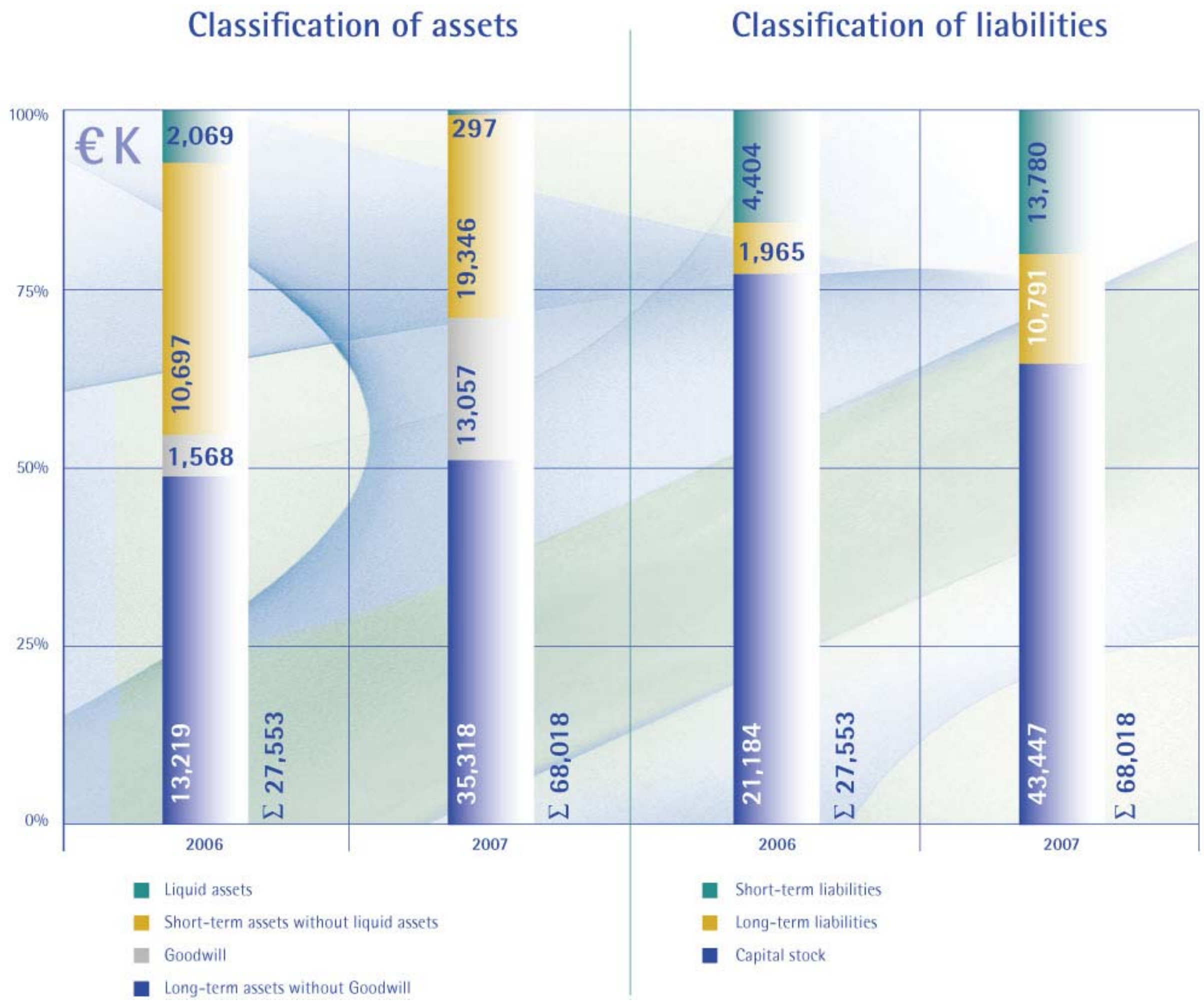
The €33.587 million increase in noncurrent *aap* assets to €48.375 million is due above all to the takeover of the Fame Medical Group and the corresponding purchase price allocation and to the acquisition of Adcon®.

Further major changes in the balance sheet picture occurred in equity, which increased to €43.447 million as a result of the capital increase to acquire the Dutch group (increase in subscribed capital and capital reserve) and the increase in net profit for the year.

Capitalized deferred taxes rose from €1.546 million to €2.723 million.

The equity ratio fell from 77% to 64%, mainly as a consequence of higher current assets and borrowing to finance them, the Fame acquisition and the Adcon® takeover.

The development of key items in the consolidated balance sheet to December 31, 2007 compared with the previous year is summarized in the following charts.



C) Supplementary Report

No major business events occurred between the end of the financial year and the time when this report was compiled.

D) Risk Report

1) Risk Management System

In its operative business the *aap* Group is naturally exposed to a large number of risks that are inseparably associated with entrepreneurial activity.

Risk management is an integral part of management at *aap* and is based on three basic components:

- Certificated Quality Management: Clearly structured and documented processes in quality management and quality control are a precondition for marketing medical devices. The aim is risk prevention. The quality assurance system in use at *aap* was certificated by DEKRA (*aap* Implantate AG), TÜV, LGA Bayern (*aap* Biomaterials GmbH & Co. KG) and the Dutch KEMA (*aap* bio implants Netherlands group).

- Controlling Instruments: Controlling at *aap* briefs the Management Board, Supervisory Board and decision makers in a regular and timely manner on the company's economic position and the status of potential risks by means of key figures and ratios.

- Risk Management System: To identify and assess risks and take suitable counter-measures, *aap* has developed a risk management system. A key part of this system is regular recording, systematization and evaluation of possible risks, the likelihood that they will occur and the damage that they might cause.

2) Description of Individual Risks, Quantification and Explanation of Possible Consequences

a) Market, Competition, New Products and Technologies

Competition in the market for medical technology in general and for orthopedic and biological implants in particular will continue to increase. That is why there is a fundamental risk of *aap* failing, in comparison with its competitors, to react in time to market trends with new products or adaptations to existing products. That could have negative repercussions on the company's asset, earnings and financial position and lead to deterioration of its market position.

aap faces up to this risk actively by investing heavily in research and development and by means of constant market and technology screening.

Government intervention in the healthcare system may also have a negative effect on the Group's sales volume and earnings position. *aap* counteracts this risk by continuous internationalization of sales and intensive observation of the German healthcare system with a view to anticipating negative developments and counteracting them.

A constant process of corporate consolidation is under way in the world market that affects *aap* bio implants in respect of customers. *aap* counteracts this industry consolidation by cooperating with a large number of companies and is constantly setting up new partnerships.

b) Product Approvals

Strict approval requirements apply in medical technology and healthcare, differing from country to country. Rejection or postponement of approval applications for the company's products such as the delay in FDA reapproval for the United States could have a negative effect on *aap*'s future sales and profits.

To identify such developments in good time and be able to react suitably to them, the company keeps a very close eye on developments in this area and monitors approval procedures in great detail as a part of the quality management system that it implements.

The approval requirements for *aap* products are growing more exacting. For implants that stay in the patient's body (endoprostheses, bone cement, resorbable regeneration materials) clinical studies are in some instances required as a precondition for approval. *aap* has responded to this trend by enlarging its regulatory and clinical affairs departments and by increasing internationalization of sales to ensure that higher expenses are covered by higher production volumes.

c) Dependence on Customers and Suppliers

In addition to the products that it develops and manufactures itself, *aap* completes its product portfolio by buying in commercial products such as instruments and lavage systems to a limited extent.

Third parties supply various *aap* products, such as extrusion plastics and polymers, if the group does not have the production competence. A partnership of this kind means an increased dependence on the supplier's quality and readiness to deliver. *aap* takes precautions against this risk to the best of its availability by means of strategic cooperation with a few qualified suppliers and their regular requalification.

In 2007 the company's three biggest customers accounted for only 25% of sales, and *aap* was thereby able to reduce its dependence on individual customers significantly (previous year: 45%). OEM sales will also increase further in the years ahead. If one of them were at short notice to cease to be a customer or to become insolvent, the Group's earnings and financial position could be in jeopardy. In view of the size of these OEM partners we feel this risk is very slight, however.

aap counteracts this risk by further internationalization and by securing further large customers (stability, sales strength, financial clout).

d) Patents and Intellectual Property

aap is not aware of any material breaches of patents or other third-party industrial property rights. It cannot, however, be ruled out that third parties might at a future date claim damages from *aap* for breach of industrial property rights. A breach of this kind might delay the shipment of products. If it lost the case, *aap* might be required to pay fees or sign license agreements. In this way a suit filed against *aap* for breach of industrial property rights could have a lasting negative effect on the Group's asset, finance and earnings position.

e) Product Liability Risk

aap's products are determined for use in and, in some instances, permanent placement in the human body. Due to differences in healing properties and in the quality of the doctors that use them, a malfunction of the products can never be ruled out entirely. No significant product liability claims have yet been made against *aap*, but they cannot be ruled out in the future.

aap takes precautions against possible product liability suits by a maximum of quality control and by taking out product liability insurance cover. There can, however, be no ruling out the possibility that the existing insurance cover might not be sufficient to meet potential claims, especially in the United States.

f) Legal Risks

At the extraordinary general meeting of *aap* Implantate AG shareholders held on February 15, 2007 a capital increase was approved for the acquisition of Fame Holding B.V. Suits filed by individual shareholders delayed the commercial register entry. *aap* then embarked on fast track proceedings, an option created in 2006 to give companies affected by litigation in connection with general meetings greater legal security and faster speed of proceedings. *aap* won the case in the court of first instance. The appeal to the higher court is now pending. The Management Board assumes, however, that the case will be decided in *aap*'s favor and that no losses will be incurred as a result.

3) Further Statements as per § 315 Para. 2 No. 2 of the German Commercial Code (HGB)

Risks posed by price changes cannot be ruled out entirely. *aap* counters this risk by seeking to switch sales to higher-margin products that it develops and manufactures itself.

Active receivables management minimizes risks arising from possible default on trade receivables. In addition, *aap* regularly makes sufficient risk provision for default. In all, however, the risk can be considered extremely slight. Losses of receivables totaled a mere €22K in the reporting year.

The funding situation of the *aap* Group and of *aap* Implantate AG can be deemed adequate in spite of the €297K in cash and cash equivalents held on the 2007 balance sheet date. That, however, is only a snapshot at a given moment in time that reflects prefinancing of the high sales in the fourth quarter of 2008. Since February 2008 the company has had a €3.5 million overdraft facility at its disposal. *aap* is subject to no major payment flow fluctuations.

aap does not take out foreign currency cover because the risk is only slight at present and US dollar-denominated payables and receivables largely balance each other out. In the future, however, *aap* plans to take out cover for receivables if dollar-denominate sales increase.

E) Forecast Report

For *aap*, 2007 was a successful year. With the advantage of initial business with new OEM customers in both divisions and of organic growth with new and existing customers, significant overall sales growth was achieved in spite of a €5 million decline in sales of a main product.

In 2008 we anticipate for the company as a whole a continuation of the growth trend. *aap* aims to achieve organic sales growth of at least 20% and above-average growth at the results level.

In the course of financial year 2008 *aap* will be launching in both segments, Biomaterials and Trauma & Orthopaedics, various new products and product families that will achieve sustained growth in the medium term.

Our clear focus in 2008 is on further growth of the *aap* bio implants group into the leading European developer and manufacturer of medical biomaterials. That will require further investment in research and development, and competence in clinical trials, approvals and product management. In addition to extending our network of regional distribution partners we will concentrate on forming new partnerships with global enterprises and on stepping up our approvals activities in the United States.

For 2008 and 2009 we anticipate a further significant sales increase in trauma and orthopaedics and, by means of volume-related economies of scale, a marked improvement in earnings too.

F. Other Information

1. Composition of Subscribed Capital

The subscribed capital of *aap* Implantate AG amounts to €25,347,156 and is divided into 25,347,156 individual share certificates.

2. Basics of the Remuneration System (Remuneration Report)

Management Board Remuneration

The remuneration of Management Board members and the structure of the Board are laid down by the Supervisory Board. The aim is to compensate Management Board members in a way that is commensurate with their activity and responsibility and to take into consideration their personal achievement and the Company's economic position, success and future prospects. Directors' contracts have a term until December 31, 2008. Their total cash remuneration consists of a fixed and a variable, performance-related component, the variable component being limited to a ceiling equivalent to the fixed salary component. The variable salary component is based on the revised IFRS EBIT of the segment for which the director in question is responsible. In addition, the remuneration of Management Board members includes remuneration in kind, especially the value of the use of a company car as laid down by German tax regulations and employer's liability insurance premiums. Management Board members are also entitled to a total of 490,000 options from *aap* Implantate AG's 2006 stock option plan. Their allocation is tied to the publication of individual quarterly results.

See Note 6, below, for the consequences of takeover bids for Management Board remuneration.

If *aap* acquires or is merged with another company that accounts for more than 50% of segment revenue, as was the case with the acquisition of the *aap* bio implants Netherlands Group, the director in charge of the segment will be granted a further 75,000 options in compensation for the effort and expense involved. These stock options will be granted in accordance with the provisions of the resolution adopted by the Annual General Meeting in 2005.

Management Board remuneration in the financial year 2007 was as follows:

	Remuneration components in €K			
	Fixed	Performance-related	Long-term incentive	Total
Bruke Seyoum Alemu	171	25	68	264
Oliver Bielenstein	190	105	75	370
				634

Supervisory Board Remuneration

Supervisory Board members receive in addition to their expenses a payment of €1,250 each per meeting. The Chairman receives twice that amount, his deputy one and a half times that sum.

Stock Options Program

The General Meeting held on June 30, 2006 authorized the Management Board or, if Management Board members are among the beneficiaries, the Supervisory Board to launch until December 31, 2008 stock option programs for *aap* Management Board members and members of the management of companies associated with *aap* as defined in §§ 15 ff of the German Stock Corporation Act (AktG) and to grant option rights to up to 1,200,000 shares in the Company with a term to maturity of up to four years from the date of issue. In any one calendar year stock option programs are only to establish option rights that entitle the holders to a maximum of 600,000 shares. Existing shareholders are not entitled to subscribe to the new shares. Fulfillment of option rights that are exercised may be by making use of either Conditional Capital I or any future share buyback authorizations at the Company's discretion.

The total volume of option rights is to be allocated to the groups of people who are entitled to them as follows:

- 65% to members of the *aap* Management Board and of the managements of associated companies
- 35% to employees of the Company and of associated companies.

Stock options will only be granted to the groups of people who are entitled to them between the tenth and twentieth stock market trading days after publication of the Company's annual or quarterly financial statements.

The exercise price to be paid per share is based on the average closing price of the *aap* Implantate AG share in XETRA trading (or a comparable successor system) on the Frankfurt stock exchange on the ten trading days prior to the issue date and at least the lowest issue price as per § 9 para. 1 AktG, or no less than each share's €1.00 share of the Company's capital stock.

Option rights may only be exercised if the average closing price of the *aap* Implantate AG share in XETRA trading (or a comparable successor system) on the Frankfurt stock exchange on the ten trading days prior to the day on which the option right is exercised is at least 10% higher than the share price on the issue date.

Option rights may only be exercised two years after the issue date at the earliest.

3. Restrictions on Voting Rights and Share Transfers

The Management Board is aware that a number of investors who were involved in the capital increase in kind of 2004 have joined forces in a pool. Its aim is to coordinate voting at the General Meeting. Restraints on disposal were not agreed. As of December 31, 2007 the pool held approx. 32% of *aap* shares (previous year: more than 50%).

4. Direct and Indirect Shareholdings > 10% of Voting Rights

To the best of our knowledge the following direct and indirect holdings of more than 10% (€25,347,156) of *aap* Implantate AG share capital were held as of December 31, 2007:

Noes Beheer B.V.	22,0%
Jürgen Krebs (Supervisory Board Chairman)	12,1%

5. Statutory Provisions and Provisions in Articles of Incorporation for Appointing and Dismissing Board Members and Amending Articles of Incorporation

The Supervisory Board is authorized to amend the Articles of Incorporation within the statutory scope.

Appointments and dismissals of Management Board members are made by the Supervisory Board, which also determines the number of Management Board members.

6. Management Board Powers to Issue and Recall Shares

The Management Board was authorized by the General Meeting held on June 10, 2005 to increase the company's capital stock until June 10, 2010 subject to approval by the Supervisory Board. A subscription right for shareholders can be ruled out. After partial utilization the approved capital now amounts to €5,460,143.

The general meeting held on August 27, 2007 authorized the company to acquire and to use own shares in accordance with § 71 Para. 1 No. 8 AktG, and to rule out subscription rights. Treasury shares may be acquired up to a nominal value of €1,000,000 of the capital stock. The shares acquired, along with other Treasury stock either owned by the company or attributable to it according to §§ 71 a ff. AktG, may at no time amount to more than 10% of the subscribed capital. The authorization may not be used for the purpose of trading in the company's shares. Use may be made of the authorization on one or more occasions in pursuit of one or more objectives by the company or by third parties on the company's behalf. The authorization is valid until February 26, 2009. Shares may be bought at the Management Board's discretion via the stock market or by means of a public purchase offer or a public invitation to make such an offer.

- If shares are bought in the stock market, the purchase price per share paid by the company (excluding purchase costs) must not be more than 5% above or below that of the opening auction on the trading day in the Xetra trading system (or a comparable successor system).

- If shares are bought via a public purchase offer or a public invitation to make such an offer, the purchase price offered or the purchase price parameters (excluding purchase costs) must not be more than 10% above or below the average closing price in the Xetra trading system (or a comparable successor system) on the three trading days before the day of the public purchase offer or the public invitation to make such an offer. If, after the publication of a public purchase offer or a public invitation to make such an offer, material deviations from the applicable price occur, the offer or the invitation to make an offer may be adjusted. The adjustment shall In this case be based on the average share price on the three trading days before the public announcement of any such adjustment. The purchase offer or the invitation to make such an offer may be subject to further conditions. If the purchase offer is oversubscribed or if, in the case of an invitation to make an offer, not all equal offers are accepted, acceptance must be proportional. Provision may be made for preferential acceptance of offer to purchase smaller numbers (up to 100 shares) per shareholder.

The Management Board is authorized to use shares in the company that are acquired on the basis of this authorization for all statutorily permissible purposes, especially for the following:

I. The shares may be redeemed without redemption or its implementation requiring further approval by a general meeting. They may also be redeemed by using a simplified procedure involving a capital reduction by adjusting the pro rata nominal value of the other shares in the company's capital stock. Redemption may be limited to a proportion of the shares acquired. Multiple use of the redemption authorization may be made. If the simplified procedure is used, the Management Board is authorized to adjust the number of shares stated in the Articles of Incorporation.

II. The shares may also be sold other than in the stock market or by an offer to shareholders if they are sold in cash at a price that is not significantly lower than the market price of similar shares in the company at the time of disposal.

III. The shares may be issued in return for consideration in kind, especially in connection with the acquisition of companies, of parts or companies or of shareholdings, or with corporate mergers.

IV. The shares may also be used to fulfill conversion rights in connection with convertible bonds issued by the company.

Authorizations under d) II to IV (above) also include the use of shares in the company acquired by reason of § 71 d Sentence 5 AktG.

Authorizations under d) may be used on one or more occasions, in full or in part, jointly or individually. Authorizations under d) II to IV (above) may also be used by dependent companies or by companies in which the company is a majority shareholder or on their behalf or on behalf of third parties acting for the company.

The right of existing shareholders to subscribe to these own shares is ruled out insofar as the shares are used for purposes stated under d) II to IV (above).

The Supervisory Board may rule that Management Board measures based on this general meeting resolution may only be undertaken with its approval.

7. Compensation Arrangements with Management Board Members or Employees in the Event of Takeover Bids

If there is a takeover bid for the Company, the Management Board may be granted any stock options that have not yet been issued.

If a person or a company or several persons or companies acting in concert as defined by the German Securities Acquisition and Takeover Act (WpÜG) should acquire more than 50% of the Company's share capital, the Management Board members shall be entitled to a bonus corresponding to the product of the number of stock options to which they are entitled according to 5 (above) but which have not yet been allocated at the time of publication of the takeover bid and the difference between the price per share offered in the takeover bid and the weighted average closing XETRA share price on the previous 20 trading days at the Frankfurt stock exchange prior to publication of the takeover bid announcement.

Berlin, March 31, 2008

The Management Board

Oliver Bielenstein Bruke Seyoum Alemu

Consolidated
Annual Financial Statement

Consolidated Income Statement according to IFRS for the Period January 1 to December 31, 2007

		2007		2006
1.	Sales revenues		28,006	18,454
2.	Increase in finished goods inventories and work in process		1,745	-69
3.	Capitalized cost of self-constructed assets		3,301	1,799
4.	Other operating income		1,975	1,033
5.	Cost of materials			
	a) Cost of raw materials, consumables and supplies, and of purchased materials	-6,987		-3,661
	b) Cost of purchased services	-1,323		-361
			-8,310	-4,022
6.	Personnel expenses			
	a) Wages and salaries	-10,478		-6,206
	b) Social security and other pension costs	-1,789		-1,118
			-12,267	-7,324
7.	Depreciation of intangible fixed assets and tangible assets		-2,181	-1,565
8.	Other operating expenses		-9,313	-6,080
9.	Other interest and similar income		34	10
10.	Depreciation on financial assets		-15	0
11.	Other interest and similar expenses		-547	-103
12.	*Results from ordinary activities*		*2,428*	*2,133*
13.	Taxes on income		-912	-537
14.	Other taxes		-5	-2
15.	*Net profit*		*1,511*	*1,594*
16.	Share of interest held by parties outside the Group		-39	-54
17.	Loss carryover from previous year		-22,154	-23,275
18.	Error correction in accordance with IAS 8		0	-419
19.	Consolidated balance sheet loss		-20,682	-21,154
	Earnings per share (undiluted/diluted)		0.06	0.09

All figures in €K

Consolidated Balance Sheet according to IFRS at December 31, 2007

Assets

			2007		2006
A.		Long-term Assets			
	I.	Intangible Assets			
		1. Concessions, industrial property rights and similar rights and values, and licenses thereto	4,227		1,369
		2. Goodwill	13,057		1,568
		3. Capitalized services rendered for own account	17,594		5,790
		4. Other intangible assets	3,620		0
		5. Prepayments made	0		7
				38,498	8,734
	II.	Tangible Assets			
		1. Land and leasehold rights and buildings, including buildings on third-party land	917		684
		2. Plant and machinery	4,297		1,511
		3. Other fixtures and fittings, tools and equipment	1,582		1,479
		4. Prepayments made and construction in progress	0		290
				6,796	3,964
	III.	Financial Assets			
		1. Other Investments	358		356
		2. Prepayments made	0		187
				358	543
	IV.	Deferred Taxes		2,723	1.547*
B.					
		Short-term Assets			
	I.	Inventories			
		1. Raw materials and supplies	2,596		1,477
		2. Work in progress	2,554		1,698
		3. Finished goods and goods for resale	5,327		3,995
				10,477	7,170
	II.	Accounts receivable and other Assets			
		1. Accounts receivable (trade debtors)	7,159		2,444
		2. Due from undertakings with which the company is linked by virtue participating interests	83		56
		3. Other assets	1,626		1,027
				8,868	3,527
	III.	Cash and cash equivalents		297	2,069
				68,018	27,554*

Liabilities and Shareholders´ Equity

			2007		2006
A.		Capital Stock			
	I.	Subscribed Capital	25,347		16,898
	II.	Capital Reserve	37,765		25,462
	III.	Revenue Reserve			
		1. Legal reserve	42		42
		2. Other revenue reserve	273		273
	IV.	Revaluation Reserve	608		608
	V.	Consolidated Balance Sheet Profit	-20,682		-21,154*
	VI.	Adjustment Item for Interests Held by Parties Outside the Group	94		56
				43,447	21,185
B.		Long-term Liabilities (above 1 year)			
		1. Long-term provisions	3,481		1,756
		2. Advances from customers	0		50
		3. Special items for investment grants	258		159
		4. Deferred taxes	4,577		
		5. Long-term financial leasing liabilities	334		0
		6. Shareholder provisions	1,147		0
		7. Other long-term liabilities	994		0
				10,791	1,965
C.		Short-term Liabilities (up to 1 year)			
		1. Other short-term provisions	1,321		1,256
		2. Short-term tax provisions	147		125
		3. Due to banks	5,917		487
		4. Advances from customers	437		600
		5. Accounts payable	2,382		1,204
		6. Special items for investment grants	60		67
		7. Due to undertakings with which the company is linked by virtue of participating interests	16		10
		8. Short-term financial leasing liabilities	302		0
		9. Other short-term liabilities	3,198		655
				13,780	4,404
				68,018	27,554*

*Cf. Annex F. Adjustments of Consolidated Financial Statements to December 31, 2006

All figures in €K

Consolidated Cash Flow Statement according to IFRS

		2007	2006
1.	Net profit for the year	1,511	1,594
2.	Stock options with effect on payments	271	18
		1,782	1,612
3.	Depreciation	2,196	1,565
4.	Changes of deferred taxes	127	412
5.	Increase in provisions	87	602
6.	Loss from retirement of tangible assets	387	208
7.	Profit from retirement of financial assets	0	-266
8.	Write-ups of intangible assets	-335	-324
9.	Increase in inventories, trade receivables and other assets	-4,804	-1,134
10.	Increase/Decrease in trade accounts payable and other liabilities	170	-868
11.	Income from retransfer of special item for investment allowances	91	-78
12.	*Inflow of funds from current business activity*	-299	1,729
13.	Payments for intangible and tangible assets	-6,086	-2,578
14.	Payments for the purchase of subsidiaries	-132	0
15.	Inpayments from investment grants	0	29
16.	Inpayments from financial asset disposals	0	300
17.	Payments for investment in financial assets	0	-187
18.	*Outflow of funds from investment activity*	-6,218	-2,436
19.	Equity procurement transaction costs	-359	0
20.	Inpayments from the take-up of loans	6,063	1,968
21.	Payments to redeem loans and dormant equity holdings	-959	-576
22.	*Inflow of funds from investment activity*	4,745	1,392
23.	Cash and cash equivalents at start of period	2,069	1,384
24.	Cash and cash equivalents at end of period	297	2,069

All figures in €K

Consolidated Schedule of Assets at December 31, 2007 according to IFRS

					Historical Cost of Acquisition							Cumulative Depreciation				Book Values	
			Status as at 1/1/07	Changes in consoli-dation entity	Addi-tions	Trans-fers	Retire-ments	Retirements due to changes in consoli-dation entity	Status as at 12/31/07	Status as at 1/1/07	Changes in consoli-dation entity	Depre-ciation in financial year	Retire-ments	Status as at 12/31/07	Write-ups During fiscal year	Status as at 12/31/07	Status as at 12/31/06
A.		Long-term Assets															
	I.	Intangible Assets															
		1. Concessions, industrial property rights and similar rights and values, and licenses thereto	17,548	0	2,782	7	15	0	20,322	16,179	0	266	15	16,430	335	4,227	1,369
		2. Goodwill	5,586	11,489	0	0	0	0	17,075	4,018	0	0	0	4,018	0	13,057	1,568
		3. Capitalized development costs	8,145	9,360	2,849	0	0	0	20,354	2,355	0	405	0	2,760	0	17,594	5,790
		4. Other intangible assets	0	3,661	0	0	0	0	3,661	0	0	41	0	41	0	3,620	0
		5. Prepayments made	7	0	0	-7	0	0	0	0	0	0	0	0	0	0	7
			31,286	24,510	5,631	0	15	0	61,412	22,552	0	712	15	23,249	335	38,498	8,734
	II.	Tangible Assets															
		1. Land and leasehold rights and buildings, including buildings on third-party land	1,763	931	10	0	0	0	2,704	1,079	546	162	0	1,787	0	917	684
		2. Technical plant and machinery	7,057	3,700	1,509	290	6	0	12,550	5,546	1,862	845	0	8,253	0	4,297	1,511
		3. Other fixtures and fittings, tools and equipment	4,541	632	836	0	708	0	5,301	3,062	522	462	326	3,719	0	1,582	1,479
		4. Prepayments made and construction in progress	290	0	0	-290	0	0	0	0	0	0	0	0	0	0	290
			13,651	5,263	2,355	0	714	0	20,555	9,687	2,930	1,469	326	13,759	0	6,796	3,964
	III.	Financial Assets															
		1. Other investments	356	20	0	0	0	0	376	0	3	15	0	18	0	358	356
		2. Other loans	38	0	0	0	0	0	38	38	0	0	0	38	0	0	0
		3. Prepayments made	187	0	0	0	0	187	0	0	0	0	0	0	0	0	187
			581	20	0	0	0	187	414	38	3	15	0	56	0	358	543
		Total	45,518	29,793	7,986	0	729	187	82,381	32,277	2,933	2,196	341	37,064	335	45,652	13,241

All figures in €K

Consolidated Schedule of Assets at December 31, 2006 according to IFRS

				Historical Cost of Acquisition					Cumulative Depreciation					Book Values	
			Status as at 01.01.2006	Additions	Transfers	Retire-ments	Status as at 12.31.2006	Status as at 01.01.2006	Depreciation Fiscal Year	Retirements	Transfers	Status as at 12.31.2006	Write-ups Fiscal Year	Status as at 12.31.2006	Status as at 12.31.2005
A.		Long-term Assets													
	I.	Intangible Assets													
		1. Concessions, industrial property rights and similar rights and values, and licenses thereto	17,466	82	0	0	17,548	15,988	191	0	0	16,179	0	1,369	1,478
		2. Goodwill	5,586	0	0	0	5,586	4,018	0	0	0	4,018	0	1,568	1,568
		3. Capitalized development costs	6,889	1,257	0	1	8,145	2,350	329	-1	0	2,680	325	5,790	
		4. Prepayments made	0	7	0	0	7	0	0	0	0		0	7	4,539
			29,941	1,346	0	1	31,286	22,356	520	-1	0	22,877	325	8,734	7,585
	II.	Tangible Assets													
		1. Land and leasehold rights and buildings, including buildings on third-party land	1,772	0	0	9	1,763	991	97	9	0	1,079	0	684	781
		2. Technical plant and machinery	6,727	321	9	0	7,057	4,990	556	0	0	5,546	0	1,768	1,737
		3. Other fixtures and fittings, tools and equipment	4,652	820	0	931	4,541	3,394	392	724	0	3,062	0	1,479	1,258
		4. Prepayments made and construction in progress	9	290	-9	0	290	0	0	0	0	0	0	33	9
			13,160	1,431	0	940	13,651	9,375	1,045	733	0	9,687	0	3,964	3,785
	III.	Financial Assets													
		1. Other Investments	388	0	0	32	356	0	0	0	0	0	0	356	388
		2. Other Loans	294	0	0	256	38	294	0	256	0	38	0	0	0
		3. Prepayments made	0	187	0	0	187	0	0	0	0	0	0	187	0
			682	187	0	288	581	294	0	256	0	38	0	543	388
		Total	43,783	2,964	0	1.229	45,518	32,025	1,565	988	0	32,602	325	13,241	11,758

All figures in €K

Movement in Equity and Minority Interests from January 1, 2005 to December 31, 2007 according to IFRS

	Subscribed Capital	Capital Reserve	Revenue Reserves: Legal Revenue Reserve	Revenue Reserves: Other Revenue Reserves	Revaluation Reserve	Balance Sheet Loss/Profit	Shares owned by the Group	Shares held Minority Interests	Total
Status as at 01.01.2006	16,519	25,198	42	273	608	-23,276	19,364	2	19,366
Capital Increase March 28, 2006	379	246	0	0	0	0	625	0	625
Stock Options	0	18	0	0	0	0	18	0	18
Net Profit for the Year	0	0	0	0	0	1,540	1,540	54	1,594
Status as at 12.31.2006	16,898	25,462	42	273	608	-21,736	21,547	56	21,603
Error correction as per IFRS 8	0	0	0	0	0	-419	-419	0	-419
Status as at 01.01.2007	16,898	25,462	42	273	608	-22,155	21,128	56	21,184
Capital Increase	8,449	12,251	0	0	0	0	20,700	0	20,700
Stock Options	0	271	0	0	0	0	271	0	271
Transaction Costs	0	-219	0	0	0	0	-219	0	-219
Net Profit for the Year	0	0	0	0	0	1,472	1,472	39	1,511
Status as at 12.31.2006/01.01.2007	25,347	37,765	42	273	608	-20,683	43,352	95	43,447

All figures in €K

Notes to the Consolidated Financial Statements to December 31, 2007 in Accordance with IFRS

A. Company Data

Company Name, Domicile

aap Implantate AG, Berlin

Head Office

Lorenzweg 5, 12099 Berlin, Germany

Commercial Register

The Company is registered at the Berlin-Charlottenburg district court as HRB 64083 and was entered into the court's commercial register on September 10, 1997.

Stock Market Listing

aap Implantate AG has been listed on the regulated market since May 10, 1999 and traded in the Frankfurt Stock Exchange's Neuer Markt segment under Security ID number 506 660. Since May 16, 2003 the Company has been listed in the Prime Standard regulated market section (known until October 31, 2007 as the former regulated market) with further and more exacting admission requirements.

Incorporation by modifying Conversion

The Company was incorporated by means of modifying conversion of *aap* Ahrens, Ahrens & Partner GmbH & Co. Betriebs KG on January 1, 1997.

Type of Business

aap Implantate AG is a medical sector enterprise. The Group's business activity consists of the research, development, manufacture and sale of implants, medical instruments, bone cements and replacement materials.

B. General Information

1. Basic Principles

The consolidated financial statements of *aap* Implantate AG, Berlin, to December 31, 2007 are drawn up in accordance with the International Financial Reporting Standards as applied in the European Union and with the commercial law provisions of § 315 a Section 1 of the German Commercial Code (HGB). As a matter of principle the IFRS that had come into binding force on the balance sheet date were applied in the consolidated financial statements. Segment reporting, however, is already undertaken in voluntary, advance accordance with IFRS 8 Business Segments.

The consolidated financial statements of *aap* Implantate AG to December 31, 2007 consist of the consolidated balance, the consolidated income statement, the cash flow statement, the statement of changes in the shareholders´ equity and the notes. The notes include the segment reporting.

The consolidated financial statements are based on the financial statements of the companies in the Group. These were drawn up applying uniform accounting and valuation methods as used by the parent company in accordance with the HGB and the German Stock Corporation Act (Aktiengesetz). The transfer to IFRS was effected at individual company level.

The consolidated balance sheet and the consolidated profit and loss statement are structured in accordance with the IFRS. The consolidated income statement was drawn up using the total costs method.

The consolidated financial statements were denominated in euros. Unless otherwise specified, all amounts are shown in thousands of euros (€K).

These annual financial statements for the financial year 2007 are based on a reporting period from January 1 to December 31, 2007.

The *aap* Implantate AG Management Board is responsible for the preparation, completeness and accuracy the consolidated financial statements and the group management report.

The consolidated financial statements, the group management report and the audit report were discussed in detail, with the auditors present, at the Supervisory Board's accounts meeting. The result of this review is contained in the Supervisory Board's report.

2. Cash Flow Statement

The consolidated cash flow statement was drawn up in accordance with IAS 7 using the indirect method. It is arranged by payment flows from commercial, investment and financing activity. The total of cash and cash equivalents shown in the cash flow statement corresponds to the total of cash and cah equivalents shown in the balance sheet. Cash and cash equivalents consists of cash in hand and at banks.

No restraints on disposal exist. The effects of exchange rate changes are stated separately. Inflows and outflows of funds from the acquisition of consolidated companies are stated separately under cash flow from investment activity.

3. Segment Reporting

Segment reporting is by voluntary application of IFRS 8. According to IFRS 8 segmentation is based on the group's business segments; these correspond to the aap Group's internal organizational and reporting structure. The Group's structure is aligned to its products and consists of the Trauma & Orthopaedics segment and the Biomaterials segment (G. (10)).

C. Consolidation Principles

1. Consolidated Entity

The consolidated financial statements include, in addition to the parent company *aap* Implantate AG, all the subsidiaries in which *aap* Implantate AG directly or indirectly holds a controlling interest. Participating interests are listed at I. (26) below.

Subsidiaries:	Holding 2007	Holding 2006
aap Biomaterials GmbH & Co. KG, Dieburg	100%	100%
aap Biomaterials Verwaltungs GmbH, Dieburg	100%	100%
OSARTIS Verwaltungs GmbH, Elsenfeld	100%	100%
ADC Advanced Dental Care GmbH & Co. KG, Elsenfeld	54%	54%
ADC Advanced Dental Care Verwaltungs GmbH, Elsenfeld	51%	51%
aap bio implants Netherlands B.V., Nijmegen (NL)	100%	-
aap bio implants markets GmbH, Düsseldorf	100%	-

2. Changes in/Acquisition of Holdings

2.1. *aap* bio implants Netherlands B.V. (Fame Holding B.V.)

aap Implantate AG signed on December 11, 2006 a contract to acquire all of the shares in Fame Holding B.V., Netherlands. By the terms of a resolution adopted by the extraordinary general meeting held on February 15, 2007 the share capital of *aap* Implantate AG was increased by €8,448,999 from €16,898,157 to €25,347,156 by issuing 8,448,999 bearer shares, each with a nominal €1.00 share of the capital stock. The contribution in kind consisted of all of the shares in Fame Holding B. V., Netherlands. The new shares were entitled to a share in profits from January 1, 2007. The issue price was €2.45. A right of existing shareholders to subscribe was ruled out. The right to subscribe was held by the shareholders in Fame Holding B.V., Netherlands. The commercial register entry was made on September 20, 2007. Fame Holding B.V. was renamed *aap* bio implants Netherlands B. V. on November 5, 2007.

On the basis of the agreements concluded, *aap* Implantate AG took over control of *aap* bio implants Netherlands B.V. as defined by IFRS with effect from January 1, 2007.

aap bio implants Netherlands B.V. holds shares in the following companies:

	Holding
Bactimm B.V.	100%
European Medical Contract Manufacturing (EMCM) B.V.	100%
Fame Medical Products B.V.	100%
Farmalyse B.V.	100%
Tissue Processing International B.V.	100%
Brookeville Corporation N.V.	100%

The *aap* bio implants Netherlands Group is active in the development, manufacture, approval, analysis and marketing of medicinal products – mainly sterile implantable biomaterials (or their components) in the areas of orthopaedics, trauma and wound treatment, but also in other areas such as plastic surgery, gynecology and urology. In financial year 2006 the *aap* bio implants Netherlands Group with 110 employees reported €7 million in consolidated sales. First-time consolidation of *aap* bio implants Netherlands B.V. took place in accordance with IFRS 3 at the time of acquisition on January 1, 2007. The purchase price allocation was based on *aap* bio implants Netherlands B.V.'s consolidated financial statements to December 31, 2006 according to IFRS and on further information and analyses.

The purchase price was €21,023 million, of which €187K was paid in cash in financial year 2006 and €136K in cash in the reporting year by way of acquisition costs, and the remainder by the issue of 8,448,999 bearer shares. The market price at the time of the transaction was €2.45 per share.

Purchase Price Allocation	Book Value	Adjustments to Market Value	Market Value
	€K	€K	€K
Acquired Assets			
Capitalized development costs	875	8,485	9,360
Customer relationships	0	3,661	3,661
Other intangible assets	379	-379	0
Fixed assets	2,334	0	2,334
Other financial investments	17	0	17
Deferred taxes	598	0	598
Inventories	1,353	55	1,408
Receivables and other assets	1,695	0	1,695
Cash and cash equivalents	4	0	4
	7,255	**11,822**	**19,077**
Acquired Liabilities			
Non-current loans	1,325	0	1,325
Prepayments received (more than 1 year)	688	0	688
Non-current financial leasing liabilities	237	0	237
Deferred taxes	311	0	311
Other tax provisions	96	0	96
Current liabilities to banks	2,140	0	2,140
Trade payables	976	0	976
Current liabilities to banks	360	0	360
Other current liabilities	449	0	449
	6,582	**0**	**6,582**
Net Acquired Assets	**673**	**11,822**	**12,495**
Deferred taxes for purchase price allocation			**2,961**
Total Counter-Performance (Purchase Price)			**21,023**
Goodwill			**11,489**

The fair value adjustment takes into account differences between residual book values and fair market values and the resulting deferred taxes incurred by the purchaser at the time of acquisition.

The remaining goodwill after the purchase price allocation results from a variety of factors that do not fulfill the statement criteria for goodwill at the time of acquisition. They include above all research projects, know-how and the quality and qualifications of employees along with non-contractual, long-term customer relationships. In addition, the acquisition led to a substantial strengthening of the *aap* Group's market position as a developer and manufacturer of implantable medicinal biomaterials.

In the reporting period the *aap* bio implants Netherlands Group contributed €7.564 million toward *aap* Group sales. The operating result (EBIT) for the reporting period includes €813K earned by the *aap* bio implants Netherlands Group.

2.2. *aap* bio implants markets GmbH

As of July 27, 2007 *aap* Implantate AG founded *aap* bio implants markets GmbH, Düsseldorf, with a capital stock of €25K and acquired all shares in the company. The business purpose of *aap* bio implants markets GmbH is the distribution and sale of medicinal products. The commercial register entry was made on Auust 14, 2007. First-time consolidation of *aap* bio implants markets GmbH was, in accordance with IFRS 3 on July 27, 2007. For the reporting period *aap* bio implants markets GmbH reported €1.543 million in sales revenue and an operating result (EBIT) of -€130K.

3. Reporting Date of the Consolidated Financial Statements

The financial year of the companies included is the calendar year. Accordingly, the consolidated financial statements were prepared to December 31, 2007.

4. Accounting and Valuation Method

The financial statements of the companies included in the consolidated financial statements were drawn up applying uniform accounting and valuation methods as used by the parent company.

Consolidated companies draw up their financial statements in their national currency, the euro (€), as the functional currency in which they do most of their business.

5. Capital Consolidation

Financial statements for mergers are prepared in accordance with IFRS 3 Business Combinations on the basis of the purchase method. Capital consolidation is thereby undertaken at the time of purchase by netting out the purchase price against the revalued net assets of the subsidiaries acquired.

Subsidiaries' allowable assets, debts and contingent liabilities are stated at their full market value irrespective of the minority interest. Intangible assets are shown separately from goodwill insofar as they can be separated from the company and result from a contractual or other right. No initial restructuring reserves are created in the course of purchase price allocation. Any positive remaining differential amounts are capitalized as goodwill. Negative differential amounts arising from initial consolidation are retransferred with effect on results.

Capitalized goodwill is not depreciated according to schedule but submitted to an impairment test annually and whenever there are indications of an impairment of value. Income and expenditure of companies acquired are included in the consolidated financial statements from the time of acquisition.

6. Debt Consolidation

Intra-group receivables and liabilities are offset. Any balancing differences that arose in the reporting period were recorded as affecting earnings.

7. Consolidation of Earnings

In the context of earnings consolidation, internal sales and intra-group income and expenses are offset. Interim results are eliminated insofar as they are of minor significance.

8. Currency Translation

In their individual financial statements companies translate business transactions denominated in foreign currencies at the exchange rates valid on the transaction date. Monetary items are translated at the exchange rate valid on the balance sheet date. Gains and losses arising by the balance sheet date from the valuation of monetary balance sheet items in a foreign currency are stated with an effect on results under other operating income or expenses.

D. Accounting and Valuation Methods

Intangible assets are shown at acquisition costs less planned depreciation. All intangible assets except goodwill have an ascertainable useful life and were therefore depreciated according to schedule.

Development costs are capitalized as intangible assets if a newly developed product or process can be clearly demarcated, is technically realizable and if the company plans to use it itself or to market it. Further prerequisites for capitalization are the likelihood of deriving future economic benefit and a reliable valuation of the asset. Capitalized development costs also include costs of borrowing. They are depreciated according to schedule in a straight line over their useful life, as a rule between 5 and 10 years from the date they were put to use. Research costs are recorded as expenses in the period in which they were incurred.

Tangible fixed assets are valued at cost of acquisition or production and, where depreciable, taking into account scheduled depreciation. The production costs of tangible fixed assets include the full costs. Costs of borrowing are not capitalized as part of acquisition or production costs.

Movable assets up to a value of €410.00 are written down in full in the year of acquisition. Tangible fixed assets rented by financial leasing are capitalized at current market value or at the lower cash value of the lease installments and depreciated in a straight line over their foreseeable service life.

Intangible assets and tangible fixed assets are depreciated off schedule if the sum obtainable for the asset is less than the book value. In the case of goodwill or of capitalized development costs annual impairment tests are undertaken irrespective of any specific indication. Assets are written up if and when the reason for any previous non-scheduled depreciation no longer applies. The resulting increase in book value may not exceed the depreciated cost of acquisition or production. Goodwill is not written up.

Other holdings listed under **financial investments** come in the "available for disposal" category. They are valued both on first inclusion in the balance sheet and in subsequent periods at market value insofar as the market value can be ascertained reliably. Initial valuation is on the day of fulfillment. Unrealized profits or losses are shown under equity. On disposal, the profit or loss affects results. If substantial objective indications of an asset impairment exist it is written off with effect on results.

Deferred taxation results from valuations at different times in IFRS and tax balance sheets of individual companies and from consolidation events. Deferred taxes on the assets side include tax reduction entitlements arising from anticipated utilization of loss carryovers in later years the realization of which is sufficiently certain. Deferred taxes are based on the rates of taxation that apply or are anticipated at the time of realization taking into account tax regulations valid or passed on the balance sheet date. Deffered taxes are netted out by company.

Inventories are valued at cost of acquisition or production or at net sale value. Production costs are full costs calculated on the basis of ordinary employment. In detail, production costs include in addition to directly attributable costs appropriate proportions of essential production overheads. These include material and manufacturing overheads and production-related administrative costs as well as straight-line depreciation of production plant and equipment. Loan capital costs are not capitalized as part of acquisition or production costs.

Valuation is based on the FIFO assumed sequence of consumption.

Inventory risks arising from diminished usability are taken account of by means of appropriate write-downs. Lower values on the reporting date due to lower net losses on disposal are stated.

Production orders for specific customers are reported in the balance sheet applying the percentage of completion method. The sum to be capitalized is shown under receivables. The stage of performance is determined according to expenses incurred and project phases that have been demonstrably completed. The pro rata contractual proceeds are shown under sales revenues as proceeds from orders. As of the balance sheet date there were no customer-specific production orders.

Financial instruments are all contracts that lead to a financial asset at one company and to a financial liability or an equity instrument at another. Reporting in accordance with IFRS 7 is at I. (19).

Receivables and other assets are shown in the balance sheet at cost of acquisition less essential value adjustments in line with the actual risk of default. Interest-free receivables with a term of more than one year are reported at cash value. Foreign currency receivables are converted at the rates valid on the transaction date. As of the balance sheet date foreign currency receivables are converted at the exchange rate on the reporting date. Translation differences are reported with effect on results.

Cash and cash equivalents are all liquid or near-liquid assets with a term to maturity of less than three months at the time of acquisition or investment. They are valued at depreciated book value.

Investment allowances and **investment grants** received are carried as liabilities under the heading special investment allowances items. They are written down, with the resulting effect on earnings, in a straight line in accordance with the useful economic life of the assets they helped to acquire.

Other **public sector grants** are stated as income in the period that is required to allocate them to the expenses they are intended to offset. Grants received to offset expenses already incurred are stated with an effect on operating result for the period in which their entitlement originated.

The **revaluation reserve** contains unrealized profits and losses from changes in market value of financial assets that are available for disposal. These profits or losses do not affect results.

Company stock option programs are shown in the balance sheet as **stock-based remuneration** by means of equity capital instruments.

Stock options granted to employees and executives are stated as personnel expenses on the one hand and as a contribution toward capital reserves on the other. The transfer to capital reserves takes place over a period that corresponds to the contractually agreed blocking period of two years. The market value of the stock options granted is calculated on their grant date.

Provisions are set up if a liability to a third party arising from a past event exists, if a claim is likely and if the foreseeable level of provision required can be estimated reliably. Provisions are stated at the settlement amount that is likeliest to be determined and are not netted out against claims to reimbursement.

Liabilities are stated at market value on first mention. In subsequent years they are valued at the effective yield rate t their updated cost of acquisition. Liabilities from financial leasing agreements are carried as liabilities at their market value. Where the cash value of minimum leasing payments is lower than the market value, the cash value will count. Foreign currency liabilities are converted at the rates valid on the transaction date. As of the balance sheet date foreign currency liabilities are converted at the exchange rate on the reporting date. Translation differences are reported with effect on results.

Leasing transactions are classified as either financial leases or operating leases. They are treated as finance leases if the group as the lessee bears all of the opportunities and risks arising from use of the leasing item, which therefore counts as its economic property. In this case the leasing item and the corresponding liability as stated in the balance sheet. Other leasing transactions are shown in the balance sheet as operating leases.

In these cases the leasing item is capitalized as an asset by the lessor and the leasing payments made by the *aap* Group are stated as expenses at the time when they occurred.

Contingent liabilities are possible or existing liabilities based on past events that are not likely to involve an outflow of funds. They are not recorded in the balance sheet. The amounts stated as contingent liabilities correspond to the extent of liability on the balance sheet date.

Sales revenues are realized when due delivery or performance has been rendered and the risk has been transferred to the customer. This does not apply to order-related income that results from applying the percentage-of-completion method. Customer discounts and rebates and returned goods are taken into account in the appropriate period in line with the sales revenues on which they are based.

Discretion must be exercised in applying accounting and evaluation methods to, for example, long-term assets that are up for disposal. It must here be determined whether the assets are saleable in the current condition and their disposal is highly likely.

In this case the assets and, if applicable, attendant debts must be stated and evaluated as assets or debts held for disposal.

For some items, drawing up the consolidated financial statements entails making **estimates** and assumptions that affect the statement and level of assets, debts and contingent liabilities and of income and expenses reported. Actual amounts may diverge from these estimated values. These assumptions and estimates relate inter alia to the forward-looking premises assumed in connection with the impairment test for goodwill, to assessments on deriving future economic benefit from a development project, and to the likelihood of realizing tax carryovers.

All such assumptions and estimates are based on circumstances and assessments on the balance sheet date and on the future business development anticipated for the enterprise, taking into account realistic expectations of future development of its economic environment. Insofar as these framework conditions develop differently, the assumptions and, if necessary, book values of the assets and debts affected will be adjusted accordingly.

On the basis of facts known when the consolidated financial statements were being compiled, no material change in the assumptions and estimates needs to be assumed, so no adjustment of the book values of the stated assets and debts is to be expected in financial year 2008.

E. Changes in Accounting and Valuation Methods

The International Accounting Standards Board (IASB) has both approved amendments to existing International Financial Reporting Standards (IFRS) and issued new IFRS standards and interpretations. Application of the mandatory standards for financial year 2007 and of the standards applied voluntarily and stated below had no material influence other than the requirement for more extensive notes on the consolidated financial statements when compared with the previous procedure. In terms of materiality no adjustment to figures for the previous year was required.

IFRS 7	Financial Instruments: Disclosures

IFRS 7 requires extensive disclosures on the significance of financial instruments for the assets, financial and earnings position of the company and qualitative and quantitative statements on the nature and extent of the risks inherent in financial instruments. The disclosures previously required by IAS 32 and those previously required by IAS only of banks and similar financial institutions were merged and expanded. With the publication of IFRS 7, IAS 1 has been extended to include mandatory disclosures on capital management.

First-time application of IFRS 7 has, except for the more detailed information required in the notes, no effect on the consolidated financial statements of *aap* Implantate AG.

IFRIC 10	Interim Financial Reporting and Impairment

This interpretation governs the relationship between the interim financial reporting provisions of IAS 34 and the impairment provisions for certain assets required by IAS 36 and IAS 39. It states that a non-scheduled depreciation made in an interim financial report may not be reversed. First-time application had no effect on the consolidated financial statements of *aap* Implantate AG.

This standard replaces IAS 14 Segment Reporting and prescribes segment reporting in accordance with the so-called management approach. Segments are to be identified on the basis of internal management, and delimitation and reporting are to be based on information used internally by the management to run the company and to assess its performance. IFRS 8 will first be mandatory for financial years beginning on or after January 1, 2009. *aap* AG first used this standard voluntarily in its consolidated financial statements for 2006.

For financial years beginning on or after January 1, 2007, IFRIC 7, IFRIC 8 and IFRIC 9 are to be applied. In the reporting year these interpretations had no effect on the drawing up of balance sheets in the *aap* Group.

aap Implantate AG applied in the reporting year the following published standards and interpretations that were not yet approved by the EU or had not yet come into force:

- IFRS 2 (2008) Vesting Conditions and Cancellations
- IFRS 3 (2008) Business Combinations
- IAS 1 (2007) Presentation of Financial Statements
- IAS 23 (2007) Borrowing Costs
- IAS 27 (2008) Consolidated and Separate Financial Statements
- IAS 32 (2008) Financial Instruments: Presentation
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions
- IFRIC 12 Service Concession Arrangements
- IFRIC 13 Customer Loyalty Programs
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The effects of applying the new provisions to the consolidated financial statements of *aap* are currently under review.

F. Adjustments to Consolidated Financial Statements to December 31, 2006

In the reporting year the company corrected errors made in previous accounting periods as required by IAS 8. The errors corrected are taxes on equity transaction costs that were deferred with effect on net income in financial years 2004 and 2005 and a gain on disposal in 2006 that was not taken into consideration in calculating deferred taxes.

The total amount adjusted was €419K. The correction took the form of an adjustment of deferred taxes on the assets side and of the result brought forward in the 2006 balance sheet. As the principal errors were not attributable to the financial year 2006, the correction did not take the form of an adjustment of the current result for 2006. Instead, it was made in the opening balance sheet values for 2006.

G. Notes on the Profit and Loss Statement

(1) Sales Revenues

	2007	2006
	€K	€K
By region		
Germany	9,935	8,851
Other European countries	13,631	8,128
Asia	1,253	684
The Americas	3,160	764
Africa	27	27
Total	28,006	18,454

	2007	2006
	€K	€K
By lines of business		
Trauma & Orthopaedics	8,029	6,702
Biomaterials	20,054	12,215
Transfer/Consolidation	-77	-463
Total	28,006	18,454

(2) Other Operating Income

	2007	2006
	€K	€K
Income from grants toward expenses	466	37
Income from exchange rate differences	453	36
Income from revaluation of assets	395	325
Income from private use of company cars	132	128
Income from retransfer of provisions	99	48
Income from retransfer of special item for investment grants and allowances	72	88
Income from write-down of receivables	41	32
Income from disposal of current assets	36	7
Income from investment grants	32	14
Income for periods unrelated to the accounting period	16	31
Income from insurance compensation	6	5
Income from asset disposals	4	0
Income from disposal of financial assets	0	267
Other	223	15
Total	1,975	1,033

Income from revaluation of assets relates to a biomaterials patent (€335K) and €60K in guarantee claims (H. (14)) (previous year: write-up of two biomaterials development projects).

The reasons for depreciations in previous reporting periods no longer apply because useful values have risen as a result of changes in market conditions.

(3) Personnel Expenses

	2007	2006
	€K	€K
Wages and salaries	10,478	6,206
Social insurance contributions and expenses for old-age provision and for support	1,789	1,118
	12,267	7,324

Average headcount over the year	2007	2006
Wage-earners	133	68
Salary-earners	140	86
	273	154

(4) Depreciation

Scheduled depreciation of property, plant and equipment totaled €1.469 million (previous year: €1.045 million) and of intangible assets €696K (previous year: €520K). Unscheduled depreciation of development projects totaled €16K.

(5) Other Operating Expenses

	2007	2006
	€K	€K
Premises costs	1,433	798
Costs of research, analysis, sampling and sterilization	1,326	552
Advertising and travel expenses	1,208	977
Consulting costs	840	487
Outgoing packaging and freight costs	693	669
Vehicle costs	539	365
Insurance	407	203
Office costs, phones, fax, postage	373	206
Repairs and maintenance	355	229
Patent and other fees	302	284
Leasing	253	192
Expenses unrelated to the accounting period	141	125
Further training costs	108	77
Losses and depreciation of receivables	83	135
Currency differences	28	2
Fixed asset disposals	19	208
Other expenses	1,205	572
	9,313	6,081

(6) Financial Result

	2007	2006
	€K	€K
Other interest and similar income	34	10
Depreciation of financial assets	-15	0
Other interest and similar expenditure		
Interest on long-term loans	-477	-79
Interest on current debts to banks	-66	-22
Write-back of financial costs	-4	-2
	-547	-103
	-527	-93

(7) Exchange Rate Differences

Exchange rate differences affecting the operating result in the accounting period were

	2007	2006
	€K	€K
Income from exchange rate differences	453	36
Cost of exchange rate differences	-28	-2
	425	34

(8) Taxes on Income

The effects of changes in tax rates on deferred taxes are stated as affecting results in the reporting period for the legislation relating to the change was announced as defined in IAS 12.48. The effects of Germany's corporate tax law reform legislation were therefore first to be taken into consideration in the third quarter of 2007. For calculating deferred taxes in Germany a tax rate of 30.2% (previous year: 39%) is applied, consisting of corporation tax at 15% (previous year: 25%) from January 1, 2008, solidarity surcharge, and trade tax at 14.4%.

Deferred taxes in the consolidated financial statements that relate to German companies in the group are tax loss carryovers and temporary differences resulting mostly from capitalization of development costs with reverse effects that will not apply until after January 1, 2008. €2.961 million in deferred tax expenditure results from first-time consolidation (C. 2). A deferred tax charge of €140K was taken in respect of equity capital transaction costs.

The tax rate reduction was taken into consideration in the reporting year in determining deferred taxes for German companies. It led to €183K in deferred tax expenditure.

The tax ratio for the reporting period is therefore approximately 38%.

Income tax expenses to IFRS reconcile with the theoretical tax expense as follows:

	2007	2006
	€K	€K
Earnings before tax	2,423	2,130
Theoretical tax expense (income) 39% (previous year: 39%)	-943	-829
Tax effects on		
• Domestic tax rate change	-183	0
• Permanent differences	-170	-99
• Non-deductible expenses and appliacable trade tax	-19	-20
• Tax rate differences within the group	108	-20
• Tax-free income	6	14
• Utilization of loss carryovers	219	313
• Tax-free gains on disposals	0	104
• Other	70	0
Total adjustments	-31	292
Income tax expenses to IFRS	-912	-537
Effective tax rate in %	38%	25%

Income tax expenses to IFRS include €47K (€126K) in actual income tax paid.

(9) Earnings per Share as per IAS 33

Undiluted earnings per share are calculated by dividing the earnings from the shares for the period by the average weighted number of shares.

	2007	2006
Result for the period in €K	1,472	1,540
Number of shares ('000s)	25,347	16,898
Earnings per share in €	0.06	0.09

Diluted earnings per share take into account the stock options issued on November 22, 2006, April 18, 2006 and November 30, 2007.

	2007	2006
Result for the period in €K	1,472	1,540
Number of diluted shares ('000s)	25,347	16,898
Earnings per share in €	0.06	0.09

(10) Segment Reporting

Segmentation is based on the group's business segments. They correspond to the internal organizational and reporting structure of the group. Group structure is product-based and consists of the Traumatology & Orthopaedics and Biomaterials segments.

<u>Biomaterials</u>

The Biomaterials segment consists of the product and competence areas:

- Bone cements & Cementing Techniques
- Infection Care

* Bone Graft Substitution
* Tissue Regeneration

Trauma & Orthopaedics

The Trauma & Orthopaedics segment consists of the Group's activities in endoprosthetics (joint replacement) and osteosynthesis (healing of fractures).

The holding company and consolidation effects are dealt with under Reconciliation/ Consolidation.

Segment Data 2007 in €K	Biomaterials	Trauma & Orthopaedics	Segments	Transfer/ Consolidation	Group 2007
Sales revenue	**20,054**	**8,029**	**28,083**	**-77**	**28,006**
External	20,167	7,839	28,006	0	28,006
Internal	-113	190	77	-77	0
Inventory changes	1,120	625	1,745	0	1,745
Internally produced and capitalized assets	2,207	1,094	3,301	0	3,301
Total economic performance	**23,381**	**9,748**	**33,129**	**-77**	**33,052**
Other operating income	1,513	645	2,158	-183	1,975
Cost of materials	-5,493	-2,880	-8,373	63	-8,310
Personnel expenses	-7,687	-4,518	-12,205	-62	-12,267
Depreciation	-1,215	-965	-2,180	-1	-2,181
Other operating expenses	-6,575	-2,570	-9,145	-168	-9,313
Other taxes	-4	-1	-5	0	-5
Operating expenses	-19,461	-10,289	-29,750	-352	-30,102
Operating result	**3,920**	**-541**	**3,379**	**-428**	**2,951**
Financial result	0	0	0	-528	-528
Result before taxes on income	3,920	-541	3,379	-956	2,423
Taxes on income	-47	0	-47	-865	-912
Result	3,873	-541	3,332	-1,821	1,511
Gross assets	48,272	15,441	63,713	4,308	68,018
Liabilities	8,065	2,065	10,130	14,535	24,665
Investments	6,239	1,723	7,962	24	7,986
Change in provisions	362	-274	88	0	88

Segment Data 2006 in €K		Biomaterials	Trauma & Orthopaedics	Segments	Transfer/ Consolidation	Group 2006
Sales revenue		12,215	6,702	18,917	-463	18,454
External		12,215	6,239	18,454	0	18,454
Internal		0	463	463	-463	0
Inventory changes		-281	212	-69	0	-69
Internally produced and capitalized assets		576	1,223	1,799	0	1,799
Total economic performance		**12,510**	**8,137**	**20,647**	**-463**	**20,184**
Other operating income		469	297	766	267	1,033
Cost of materials		-2,528	-1,957	-4,485	463	-4,022
Personnel expenses		-3,287	-3,754	-7,041	-283	-7,324
Depreciation		-629	-895	-1,524	-41	-1,565
Other operating expenses		-3,156	-2,792	-5,948	-132	-6,080
Other taxes		-3	1	-2	0	-2
Operating expenses		-9,134	-9,100	-18,234	-274	-17,960
Operating result		**3,376**	**-963**	**2,413**	**-189**	**2,224**
Financial result		0	0	0	-93	-93
Result before taxes on income		3,376	-963	2,413	-282	2,131
Taxes on income		0	0	0	-537	-537
Result		3,376	-963	2,413	-819	1,594
Gross assets		10,344	13,906	24,250	3,722	27,972
Liabilities		1,419	2,595	4,014	2,411	6,425
Investments		973	1,783	2,756	9	2,765
Change in provisions		77	292	369	234	603

Note on Segment Data:
Internal revenue is inter-segment sales. They are carried at market prices. The reconciliation and consolidation column eliminates inter-segment transactions, values that do not relate to segment data and general internal and financial services expenses. Segment accounting principles correspond to those applied to the consolidated financial statements (cf. D). The measure of the profitability of individual segments is the operating result.

Segment assets and liabilities can be reconciled as follows with the gross assets and liabilities as shown in the consolidated balance sheet.

Segment Assets in €K	**2007**	**2006**
Consolidated gross assets	68,018	27,972
Other financial investments	-358	-543
Financial accounts payable	-674	-646
Deferred taxes	-2,723	-1,965
Other	-550	-568
	63,713	24,250

Segment Liabilities in €K	**2007**	**2006**
Consolidated gross liabilities	24,665	6,425
Financial liabilities	-9,414	-1,994
Minority interests	-95	-56
Tax provisions	-147	-125
Deferred taxes	-4,577	0
Other	-303	-236
	10,130	4,014

Sales of the group's main products and services break down as follows:

	12.31.2007 €K	12.31.2006 €K
Trauma	5,327	3,968
Endoprosthetics	2,512	2,271
Bone Cement and Cementing Technique	9,618	9,846
Bone and Tissue Regeneration	7,278	1,156
Others	3,271	1,213
	28,006	18,454

Geographic Information

Group sales from business with external customers and information about segment assets break down geographically as follows:

	Sales with external customers		Non-current assets	
	12.31.2007	12.31.2006	12.31.2007	12.31.2006
	€K	€K	€K	€K
Germany	9,936	8,851	14,971	13,241
Rest of Europe	13,629	8,128	30,680	0
Asia	1,253	684	0	0
The Americas	3,161	764	0	0
Africa	27	27	0	0
Total	28,006	18,454	45,651	13,241

Information about Main Customers

Of direct sales totaling €28.006 million (2006: €18.454 million), 25% (2006: 45%) was with the *aap* Group's three largest customers.

H. Notes on the Balance Sheet

(11) Long-term Fixed Assets

The development of long-term fixed assets is shown in the attached consolidated schedule of assets. Additions in the reporting year were internally produced assets amounting to €3.301 million.

1. Intangible Assets (excluding Development Costs and Goodwill)

Intangible assets acquired in return for payment are depreciated pro rata in a straight line from the historic cost of acquisition.

Useful economic life is as follows:	Years
Industrial property rights and similar rights and values	3-20

Write-downs totaling €307K (Vorjahr:€191K) and write-ups totaling €335K were made in the reporting period (cf. F.2).

2. Development Costs

Development costs totaling €2.849 million (previous year: €1.257 million) were capitalized in the reporting period. They include €186K in directly attributable borrowing costs based on the average group financing cost rate of 6.22%. Development costs related for the most part to the following projects:

- Collagen fleece
- Ostim stoechiom
- PC cement
- CAP cement
- Allografts
- Fibricoll
- HF cement
- Angle-stable plates
- Reco plate

In addition, research and further development costs totaling €696K (previous year: €377K) were capitalized as expenses. Write-downs in the reporting period totaled €405K (previous year: €330K), including €16K in extraordinary depreciation. Service lives range from 10 to 15 years. Write-ups were nil (previous year: €325K).

3. Goodwill

The following cash generating units were identified and specified on the basis of the segments reportable by the *aap* Group in accordance with IFRS 8.

Costs of Acquisition

	12/31/07	12/31/06
Status at the beginning of the year	5,586	5,586
Additional amounts from corporate acquisitions made in the course of the financial year	11,489	-
Status at the end of the year	17,075	5,586

Accumulated Impairment Losses

	12/31/07	12/31/06
Status at the beginning of the year	3,099	3,099
Impairment losses stated in the course of the year	-	-
Status at the end of the year	3,099	3,099

Book Value

	12/31/07	12/31/06
Status at the beginning of the year	1,568	1,568
Status at the end of the year	13,057	1,568

The total goodwill of the *aap* Group as of December 31, 2007 amounted to €13.1 million (2006: €1.6 million) consisting of the amounts listed above.

Annual Impairment Test

During the financial year the Group assessed the achievable amount of goodwill and found that the goodwill associated with the Biomaterials segment was unimpaired. The amount that could be achieved by the cash generating unit in question was based on its useful value. A discount of 12.4% (2006: 12.4%) was used to ascertain the useful value.

Allocation of Goodwill to Cash Generating Units

For the purpose of impairment testing of cash the cash generating unit was allocated to Biomaterials.

	12/31/07	12/31/06
	€K	€K
Biomaterials	13,057	1,568

Goodwill results from the acquisition of the Dutch Fame Medical Group (2007), of Osartis GmbH & Co. KG and of the majority shareholding in ADC GmbH & Co. KG.

The goodwill of the cash generating unit was determined by means of cash flow forecasts from the five-year plan approved by the Management Board for the *aap* bio implants group and a discount rate of 12.4%. Cash flows for periods beyond the five years were extrapolated on the basis of a constant annual growth rate of 15% that corresponds to a long-term market growth rate forecast for medicinal biomaterials. The Management Board is of the opinion that no reasonably conceivable change in the basic assumptions on which the calculation of the achievable amount is based would lead to the accumulated book value of the cash generating unit exceeding the accumulated achievable amount.

4. Tangible Fixed Assets

Tangible fixed assets are depreciated in a straight line from historic cost of acquisition or cost of production.

Useful economic life is, on average, as follows:	Years
Land and buildings	50
Technical plant and machinery	5 - 10
Other plant, office and business equipment	5 - 10

The book value of leased fixed assets as of December 31, 2007 was €939K (previous year: €292K).

The €636K in consolidated obligations arising from this financial leasing is covered by the lessors' rights to the leasing items.

The book value of fixed assets assigned as collateral for liabilities is €1.389 million.

5. Financial Assets

Other Participating Interests		2007		2006	
		€K	Holding in %	€K	Holding in %
1.	AEQUOS Endoprothetik GmbH, Munich	356	6.64	356	7.59
2.	Cybernetic Vision AG Health Monitoring Technologies, Berlin	0	5.69	0	5.69
Total		356		356	

The stated value of the AEQUOS Endoprothetik GmbH shareholding is the market value.

(12) Deferred Taxes

Tax accruals carried as assets totaling €2,723K (previous year: €1,965K) include the following capitalized tax credit entitlements arising, according to the present business plan, from the anticipated utilization of existing loss carryovers in the years ahead:

	2007	2006
	€K	€K
Corporate income tax, including solidarity surcharge	2,215	2,010
Trade tax	1,601	1,742
	3,816	3,752

There is a sufficient degree of certainty that these loss carryovers will be realized.

Deferred taxes on the liabilities side amounting to €5.672 million (previous year: €2,297K) and deferred taxes on the assets side amounting to €92K (previous year: nil) result from consolidation (elimination of interim results and consolidation of liabilities, including currency differences) and from temporary differences between tax values and balance sheet item statements to IFRS. Corporation and trade tax loss carryovers for which no tax deferrals were made totaled around €4.085 million and €5.238 million respectively at the end of the reporting year.

Trade earnings tax was calculated on the basis of the net result for the year to IFRS. The trade tax rate is around 14.4% Corporation tax was calculated on the basis of the 15% rate in force from January 1, 2008 plus the 5.5% solidarity surcharge. Deferred taxes arising from consolidation were calculated on the basis of an average group tax rate of 30.2% (previous year: 39%).

(13) Inventories

Value adjustments totaling €48K (previous year: €60K) were made in order to state inventories at their net residual value. Depreciation of inventories amounted to €1.611 million (previous year: €1.659 million). The book value of inventories state at residual value was €316K.

Inventories amounting to €1.215 million were assigned as collateral for liabilities.

(14) Accounts Receivable and Other Assets

In €K	12/31/07	Of which due in > 1 year	12/31/06	Of which due in > 1 year
Trade receivables	7,160	23	2,444	0
Claims against other companies with which *aap* has a participation relationship	83	0	56	0
Other assets				
- Tax refund claims	410	0	116	0
- Warranty claims	674	0	646	0
- Other	542	12	265	12
	1,626	12	1,027	12
	8,868	39	3,527	12

The claim for breach of warranty is against the contributing partners of holdings in Corimed Kundenorientierte Medizinprodukte GmbH, Coripharm Medizinprodukte-Verwaltungs-GmbH and Coripharm Medizinprodukte GmbH & Co. KG. It is backed by shares in *aap* Implantate AG.

Trade receivables totaling €3.878 million were assigned as collateral for liabilities.

Overdue dates of receivables (in €K) are as follows:

	Book value as of 12/31/07	Thereof not value-adjusted but overdue as follows on the reporting date				
		Up to 3 months	Up to 6 months	Up to 9 months	Up to 12 months	Over a year
Trade receivables	7,160	1,906	194	234	27	19

	Book value as of 12/31/06	Thereof not value-adjusted but overdue as follows on the reporting date				
		Up to 3 months	Up to 6 months	Up to 9 months	Up to 12 months	Over a year
Trade receivables	2,444	238	415	19	0	0

	Book value as of 12/31/07	Thereof not value-adjusted but overdue as follows on the reporting date				
		Up to 3 months	Up to 6 months	Up to 9 months	Up to 12 months	Over a year
Other receivables	1,626	0	0	0	0	12

	Book value as of 12/31/06	Thereof not value-adjusted but overdue as follows on the reporting date				
		Up to 3 months	Up to 6 months	Up to 9 months	Up to 12 months	Over a year
Other receivables	1,027	0	0	0	0	12

For receivables not value-adjusted but overdue there were no indications as of the balance sheet date that payment might not be received.

(15) Tax Refund Entitlements

This item consists mainly of sales tax (VAT) refund entitlements.

(16) Equity

The company's capital stock as of December 31, 2007 amounted to €25,347,156 and was divided into 25,347,156 fully paid-up bearer shares.

The Extraordinary General Meeting held on February 15, 2007 approved an increase in the capital stock of *aap* Implantate AG by €8,448,999 from €16,898,157 to €25,347,156 by the issue of 8,448,999 individual bearer shares, each with a nominal €1 share in the capital stock. The contribution in kind consists of all the shares in Fame Holding B.V. Netherlands. The new shares are entitled to a share in profits from January 1, 2007. The issue price is €2.45. Existing shareholders are not entitled to subscribe to the new shares. The right to subscribe was held by the shareholders in Fame Holding B.V. Netherlands. The commercial register entry was made on September 20, 2007.

The statutory reserve amounted to €41,703.95 at the end of the financial year. Jointly with the capital reserve it amounted to more than one tenth of the capital stock.

Conditional Capital

The General Meeting held on June 30, 2006 approved a conditional increase in the Company's capital stock by up to 1,200,000 new individual bearer shares. The new shares are entitled to share in the profits from the beginning of the financial year in which they are issued (Conditional Capital 2006/I).

Conditional Capital 2006/I serves to fulfill option rights granted on the basis of the authorization by the General Meeting held on June 30, 2006 and exercised by December 31, 2008.

The General Meeting held on June 30, 2006 approved a conditional €6,000,000 increase in the Company's capital stock by the issue of up to 6,000,000 individual bearer shares (Conditional Capital 2006/II). This conditional capital increase is solely for the purpose of issuing shares to the holders of options or convertible bonds issued by the Company until June 29, 2011. The conditional capital increase also serves the purpose – by the terms of the convertible bond issue – of issuing shares to holders of convertible bonds with compulsory conversion. The new shares will be entitled to a share in profits from the beginning of the financial year in which they are created by the exercise of option or conversion rights or the fulfillment of conversion obligations. The Management Board is authorized, subject to Supervisory Board approval, to specify the further details of implementation of the conditional capital increase.

Authorizations

1. Stock Options

The General Meeting held on June 30, 2006 authorized the Management Board or, if Management Board members are among the beneficiaries, the Supervisory Board to launch until December 31, 2008 stock option programs for *aap* Management Board members and members of the management of companies associated with *aap* as defined in §§ 15 ff of the German Stock Corporation Act (AktG) and to grant option rights to up to 1,200,000 shares in the Company with a term to maturity of up to four years from the date of issue. In any one calendar year stock option programs are only to establish option rights that entitle the holders to a maximum of 600,000 shares. Existing shareholders are not entitled to subscribe to the new shares. Fulfillment of option rights that are exercised may be by making use of either Conditional Capital I or any future share buyback authorizations at the Company's discretion.

The total volume of option rights is to be allocated to the groups of people who are entitled to them as follows:

- 65% to members of the *aap* Management Board and of the managements of associated companies
- 35% to employees of the Company and of associated companies.

Stock options will only be granted to the groups of people who are entitled to them between the tenth and twentieth stock market trading days after publication of the Company's annual or quarterly financial statements.

The exercise price to be paid per share is based on the average closing price of the *aap* Implantate AG share in XETRA trading (or a comparable successor system) on the Frankfurt stock exchange on the ten trading days prior to the issue date and at least the lowest issue price as per § 9 para. 1 AktG, or no less than each share's €1.00 share of the Company's capital stock.

Option rights may only be exercised if the average closing price of the *aap* Implantate AG share in XETRA trading (or a comparable successor system) on the Frankfurt stock exchange on the ten trading days prior to the day on which the option right is exercised is at least 10% higher than the share price on the issue date.

Option rights may only be exercised two years after the issue date at the earliest.

2. Stock Warrants and/or Convertible Bonds

The General Meeting held on June 30, 2006 authorized the Management Board to issue by June 29, 2011 on one or more occasions, subject to approval by the Supervisory Board, bearer stock warrants and/or convertible bonds up to a total face value of €6,000,000 with a term to maturity of up to ten years and to grant the holders of stock warrants option rights and the holders of convertible bonds conversion rights to up to 6,000,000 individual bearer shares in the Company by the stock warrant or convertible bond terms and conditions of issue.

Stock warrants and/or convertible bonds with conversion rights or obligations are to be offered for sale to shareholders. The Management Board is, however, authorized, subject to approval by the Supervisory Board, to waive the existing shareholders' subscription right to any residual amounts that result from the subscription ratio to the extent that may be necessary to ensure that the holders of existing or pending option or conversion rights are able to buy as many shares in *aap* Implantate AG as they are entitled to buy.

The conversion or option price for a share must be at least 80% of the average closing price of the *aap* Implantate AG share in XETRA trading (or a comparable successor system) on the Frankfurt stock exchange on the ten trading days prior to the Management Board's decision to issue the convertible bonds or stock warrants without prejudice to § 9 para. 1 AktG.

Treasury shares

The General Meeting held on August 28, 2007 authorized the Company to buy Treasury shares up to a nominal €1 million of the capital stock.

These shares, together with any other Treasury shares held by the Company or attributable to it by the terms of §§ 71a ff. AktG, must at no time exceed 10% of the capital stock. The authorization must not be used for the purpose of trading in the Company's shares.

The authorization may be exercised in its entirety or in partial amounts, on one or more occasions, in pursuit of one or more purposes by the Company or by third parties on the Company's behalf. The authorization runs untl February 26, 2009.

The purchase may, at the Management Board's discretion, be made in the stock market or by means of a public purchase offering or a public solicitation to make an offer.

Approved Capital

The General Meeting held on June 10, 2005 authorized the Management Board to increase the company's capital stock by June 10, 2010 on one or more occasions by up to €7,300,000 in cash or kind and to lay down the terms and conditions of the share issue. Subject to Supervisory Board approval, subscription rights for existing shareholders may be ruled out

a) to balance residual amounts,

b) if the capital increase in cash does not exceed 10% of the capital stock and the issue price of the new shares is not substantially lower than the market price (§ 186 (3) Sentence 4 AktG),

c) to issue shares in return for contributions as part of an acquisition of companies, parts of companies or participations in companies (including conversions by the terms of the Conversion Act),

d) to issue shares to strategic partners,

e) to serve conversion or subscription rights held by holders of stock options, convertible bonds, stock warrants and/or participation certificates,

f) to issue shares to employees and directors of the Company and to employees and management of associated companies as part of a stock option plan,

g) in payment for consulting services,

h) to issue shares to lenders in place of interest payments in cash or in addition thereto (so-called equity kickers), especially in connection with mezzanine financing,

i) to repay loans or other liabilities.

After partial utilization the Approved Capital now totals only €5,460,143.00.

The General Meeting held on August 27, 2007 authorized the Management Board to increase the Company's capital stock, subject to approval by the Supervisory Board, by August 26, 2012 on one or more occasions by up to €2,988,935.00 in cash or kind (Approved Capital 2007) and, as agreed with the Supervisory Board, to lay down the terms and conditions of the share issue. subscription rights for existing shareholders may be ruled out

a) to balance residual amounts,

b) if the capital increase in cash does not exceed 10% of the capital stock and the issue price of the new shares is not substantially lower than the market price (§ 186 (3) Sentence 4 AktG),

c) to issue shares in return for contributions as part of an acquisition of companies, parts of companies or participations in companies (including conversions by the terms of the Conversion Act),

d) to issue shares to strategic partners,

j) in payment for consulting services,

k) to issue shares to lenders in place of interest payments in cash or in addition thereto (so-called equity kickers), especially in connection with mezzanine financing,

e) to repay loans or other liabilities.

The commercial register entry was made on October 2, 2007.

The capital reserve contains premiums from share issues, voluntary additional payments made by partners and partners' contributions resulting from the issue of stock options.

The revaluation reserve, not affecting net income, contains unrealized profits and losses from changes in the fair value of financial assets available for sale.

For further details see the equity statement.

(17) Share Price-Based Remuneration

In the previous year a share price-based remuneration system with equity capital adjustment was introduced throughout the Group for employees of *aap* Implantate AG and associated companies (cf. G (15)).

Date of commitment	11/22/06	04/18/07	11/30/07
Number of options issued	385,000	152,500	477,500
Exercise price in €	2.28	2.37	2.41

The average fair value of stock options issued on April 18, 2007 and November 30, 2007 was €0.99 and €0.69 respectively. Fair values were established in the reporting year by means of a binominal model. The Management decided to use the binomial model rather than the Black-Scholes model used for the 11/2006 tranche because it maps the terms and conditions of the stock options plan better. On grounds of materiality no adjustment was made to the previous year's figures. The total stated cost of share-based remuneration in the reporting period was €271K.

Stock Options	2006 tranche	2007 tranche	Total
Outstanding at beginning of financial year	385,000	0	385,000
Issued in the financial year	0	630,000	630,000
Lapsed	-35,000	0	-35,000
Exercised	0	0	0
Outstanding at end of financial year	350,000	630,000	980,000
Exercisable at end of financial year	0	0	0

To establish the fair market value by means of the binomial model the following parameters were taken into consideration:

Stock Options	11/2006 tranche	4/2007 tranche	11/2007tranche
Target price	€ 2.64	€ 2.60	€ 2.51
Risk-free interest rate	3.65%	4.11%	3.8 %
Volatility	50.5%	48.58%	41.14%
Stock market price when the options were granted	€ 2.35	€ 2.55	€ 2.27
Exercise factor	1.4	1.4	1.4

(18) Short-term Reserves

	As at 01/01/07 €K	Con-sumption €K	Write-back €K	Additions €K	As at 12/31/07 €K
Provisions for taxes	125	9	0	31	147
Other provisions					
• Commitments to employees	401	382	0	653	672
• Bonuses paid	402	402	0	29	29
• Commission	53	16	37	1	1
• Licenses	50	49	1	56	56
• Cost of annual financial state-ments, audit	133	126	4	153	156
• Employers' liability insurance	42	34	8	45	45
• Bills outstanding	175	116	49	352	362
	1,381	1,134	99	1,320	1,468

All of the stated reserves have terms of up to one year.

(19) Liabilities

Times to maturity of liabilities, broken down by balance sheet heading, are as follows:

	12.31.07 Total	Time to maturity: Up to 1 year	1-5 years	More than 5 years	Previous year
	€K	€K	€K	€K	€K
Amounts owed to banks	9,398	5,917	2,481	1,000	2,243
Prepayments received	436	436	0	0	650
Trade payables	2,382	2,382	0	0	1,204
Special investment grant item	318	60	258	0	226
Liabilities to associated companies	16	16	0	0	10
Other liabilities	5,975	3,428	2,547	0	655
of which					
Partners	(1,147)	(0)	(1,147)	(0)	(0)
Financial leasing liabilities	(636)	(302)	(334)	(0)	(0)
(Social security-related)	(347)	(347)	(0)	(0)	(9)
(Taxes)	(10)	(10)	(0)	(0)	(167)
	18,525	12,239	5,286	1,000	4,988

Of the long-term liabilities (with times to maturity of more than a year) totaling €6.286 million, €5.034 million (previous year: €1.756 million) bore interest. Of the short-term liabilities (with times to maturity of up to a year) totaling €12.239 million, €6.369 million bore interest. The average interest burden was around 6% (previous year: 6%).

In the reporting year an equity loan amounting to €90K that was previously listed under amounts owed to banks was restated under other liabilities.

In financial year 2007 a total of €2 million was raised in new loans. In addition the *aap* Group makes use of current account overdraft facilities totaling €5.093 million of which the Dutch companies' share amounts to €2.593 million. They serve for one as short-term operating credits and for another to finance the purchase of all assets in connection with the product Adcon® L. They have terms of between two and five years, with interest payable at both fixed (5.45%–5.70%) and variable rates (based on 3-month Euribor).

The *aap* Group's short- and long-term liabilities to banks are all denominated in euro. Advance payments received total €437K. Other, dollar-denominated liabilities amount to €3.175 million.

Financial leasing contract liabilities in 2007	Capital repayments		
	Nominal value	Discount	Cash value
	€K	€K	€K
Due within up to one year	302	9	293
Due in one to five years	334	34	300
Due in over five years	0	0	0
Total	636	43	593

In 2006 the *aap* Group had no financial leasing contracts.

Financial leasing liabilities are for machinery and are covered by the assets leased. Interest was agreed for the entire term of the leasing agreement and amounts to an average of around 6%.

(20) Other Financial Liabilities

Other financial liabilities break down as follows:

	12/31/07	12/31/06
	€K	€K
Future rent payments	4,405	2,701
Future operating lease payments	1,192	497
Other financial obligations	42	0
Total	5,639	3,198

	Book value	Capital repayments		
	31/12/07	2008	2009–2012	From 2013
	€K	€K	€K	€K
Other rent payments	4,405	1,185	3,138	82
Other operating lease payments	1,192	479	649	64
Other financial obligations	42	42	0	0
Total	5,639	1,706	3,787	146

The operating lease contracts are short-term contracts for cars and provide in some instances for renewal and purchase options.

(21) Contingent Liabilities

A contingent liability exists in connection with the purchase contract for the Adcon® gel license. By the terms of the contract EMCM B. V. must pay the sum of US$500,000 if sales achieved by means of the license exceed US$2.2 million either between August 1, 2007 and July 31, 2008 or between August 1, 2008 and July 31, 2009.

At the extraordinary general meeting of *aap* Implantate AG held on Febrary 15, 2007 a capital increase in return for a contribution in kind was agreed. Suits filed by individual shareholders delayed the commercial register entry. *aap* then embarked on fast track proceedings, an option created in 2006 to give companies affected by litigation in connection with general meetings greater legal security and faster speed of proceedings. *aap* won the case in the court of first instance. The appeal to the higher court is now pending. The Management Board assumes, however, that the case will be decided in *aap*'s favor and that no losses will be incurred as a result.

Out of court proceedings are currently under way against a Group company for alleged unlawful cancelation of a sales contract. The Management Board assumes, on the basis of legal advice, that there is no basis for the argument of unlawfulness and that an out of court settlement in the Group company's favor will be agreed within the next six months.

Out of court proceedings are currently under way against another Group company for alleged brand and patent infringements. The Management Board of the *aap* Group assumes that a settlement in the Group company's favor can be agreed within the next six months and that no expenses will be incurred by the Group.

Contingent liabilities totaling €300K exist in respect of public sector grants in case the requirements for the grant were not fulfilled and the funds were retained, or the funds were not used for the stated purpose and the requirements were therefore not fulfilled.

Contingent liabilities amounting to €115K relate to investment grants received. They require the financial assets to remain at the company's Berlin operational facility for at least five years after completion of the investment project. The goods manufactured must not be sold mainly outside of the Berlin region.

In financial year 2006 a former partner in *aap* Biomaterials GmbH & Co. KG waived loan claims against the company and against *aap* Implantate AG. These loan claims were refinanced. As collateral for the refinancing loan the former partner assigned 194,209 *aap* Implantate AG shares.

If the sale of these shares leads to tax that the former partner must pay, the loan claims against *aap* Biomaterials GmbH & Co. KG and *aap* Implantate AG will be reactivated proportionately in relation to the original loan claims. This will only lead to a contingent liability for the group, however, if the share price exceeds €5.40.

I. Other Disclosures

(22) Reporting on Financial Instruments

The *aap* Group holds only primary financial instruments. On the assets side they consist mainly of participating interests, receivables and cash assets. Financial assets that are available for disposal are stated at market value, other financial assets at the depreciated cost of acquisition. Market values are established on the basis of acknowledged evaluation methods.

On the liabilities side the primary financial instruments consist mainly of liabilities stated at cost of acquisition. Holdings of primary financial instruments are shown in the balance sheet. The level of financial assets corresponds to the maximum risk of default. Where default risks are apparent, they are covered by value adjustments.

Market values are either the market price or are established on the basis of acknowledged evaluation methods. For the financial assets and liabilities no material differences from the fair value resulted.

Value adjustments for receivables shown under the following balance sheet items were as follows:

Value adjustment for receivables in 2007	Trade receivables	Other receivables and other assets	Total
	€K	€K	€K
As of 1/1/07	139	222	361
Addition due to changes in consolidation entity	7	0	7
Value adjustment in reporting year	68	0	68
Disposals	-41	-60	-101
As of 12/31/07	173	162	335

Value adjustment for receivables in 2006	Trade receivables	Other receivables and other assets	Total
	€K	€K	€K
As of 1/1/06	38	322	360
Value adjustment in reporting year	139	0	139
Disposals	-38	-100	-138
As of 12/31/06	139	222	361

Valuations of individual financial instruments by category are shown in the following tables. Along with financial assets and liabilities, other assets and other liabilities include non-financial assets and liabilities that serve to reconcile the corresponding balance sheet items. Book values stated in the tables largely corresponded to the fair values as of the balance sheet date.

	Book value as of 31/12/07 €K	Balance sheet valuation in accordance with IAS 39 Continued cost of acquisition €K	Fair value, no effect on operating result €K	Non-financial assets/ liabilities €K
Assets				
Other investments	358	0	358	0
Trade receivables	7,160	7,160	0	0
Due from undertakings with which the company is linked by participating interests	83	83	0	0
Other assets				
- financial assets	1,034	1,034	0	0
- non-financial assets	592	0	0	592
Cash and cash equivalents	297	297	0	0
Liabilities				
Amounts owed to banks	9,398	9,398	0	0
Financial leasing liabilities	636	636	0	0
Trade liabilities	2,382	2,382	0	0
Amounts owed to partners	1,147	1,147	0	0
Owed to undertakings with which the company is linked by participating interests	16	16	0	0
Other liabilities				
- financial liabilities	3,200	3.,00	0	0
- non-financial liabilities	991	0	0	991

thereof aggregated by valuation methods in accordance with IAS 39:

	Book value as of 12/31/07 €K	Balance sheet valuation as per IAS 39 Continued cost of acquisition €K	Fair value, not affecting operating result €K
Loans and receivables, including cash and cash equivalents	8,573	8,573	0
Financial assets held as available for sale	358	0	358
Total financial assets	**8,931**	**8,573**	**358**
Liabilities valued at their continued cost of acquisition	16,779	16,779	0
Total financial liabilities	**16,779**	**16,779**	**0**

	Book value as of 31/12/06	Balance sheet valuation in accordance with IAS 39		Non-financial assets/ liabilities
		Continued cost of acquisition	Fair value, no effect on operating result	
	€K	€K	€K	€K
Assets				
Other investments	356	0	356	0
Downpayments made	187	187		
Trade receivables	2,444	2,444	0	0
Due from undertakings with which the company is linked by participating interests	55	55	0	0
Other assets				
- financial assets	847	847	0	0
- non-financial assets	181	0	0	181
Cash and cash equivalents	2,069	2,069	0	0
Liabilities				
Amounts owed to banks	2,243	2,243	0	0
Financial leasing liabilities	0	0	0	0
Trade liabilities	1,204	1,204	0	0
Amounts owed to partners	0	0	0	0
Owed to undertakings with which the company is linked by participating interests	10	10	0	0
Other liabilities				
- financial liabilities	212	212	0	0
- non-financial liabilities	277	0	0	277

thereof aggregated by valuation methods in accordance with IAS 39:

	Book value as of 12/31/06	Balance sheet valuation as per IAS 39	
		Continued cost of acquisition	Fair value, not affecting operating result
	€K	€K	€K
Loans and receivables, including cash and cash equivalents	5,602	5,602	0
Financial assets held as available for sale	356	0	356
Total financial assets	**5,958**	**5,602**	**356**
Liabilities valued at their continued cost of acquisition	3,669	3,669	0
Total financial liabilities	**3,669**	**3,669**	**0**

(23) Management of Financial Risks

In view of its operating activities the *aap* Group is subject to risks in the following areas:

- Market risks
- Liquidity risks
- Credit risks

Market risks

Market risks are understood to include interest risks, currency risks and other risks.

Interest risks

Interest risks result from financial liabilities and investments. The *aap* Group seeks to optimize interest results and to minimize interest risks. To do so it operates cash management across the Group for the German companies and for original financial business. Incorporation of the Dutch companies in cash management across the Group is planned for 2008. Interest and price change risks are managed by mixing terms and taking up variable and fixed interest positions. The use of derivative financial instruments is currently under consideration.

Currency risks

Buying and selling in foreign currencies can, depending on how exchange rates develop, lead to risks for the company.

The lion's share of the group's business activity is conducted in the euro zone. Business conducted outside of Europe has not been generally suitable in nature or extent for hedging by means of exchange futures trading. For individual contracts that involve large sums in foreign currencies currency risks are currently limited by intragroup foreign exchange business, with dollar-denominated receivables and liabilities largely balancing each other out. In the future *aap* is, however, planning to hedge currency risks for sales involving larger amounts in U.S. dollars. Further hedging is currently under consideration.

Other price risks

In connection with market risks IFRS 7 requires details of how hypothetical changes in risk variables might affect the prices of financial instruments.

At *aap* Implantate AG the market prices of listed securities are the only relevant risk variables. As of December 31, 2007, however, *aap* Implantate AG held no shares in listed companies.

Liquidity risks

The company's liquidity risk is that of possibly being unable to meet financial obligations in time for lack of liquidity. This risk arises, for example, in connection with the repayment of financial liabilities, with the payment of purchases and with commitments arising from financial leasing.

aap Implantate AG limits this risk by means of effective central cash management and by negotiating adequate credit lines. In addition to cash and cash equivalents, from 2008 the *aap* Group has at its disposal until further notice credit lines for its German companies totaling

€3.5 million and credit lines for its Dutch companies amounting to €2.650 million. In addition, the *aap* Group has at its disposal bilateral lending commitments amounting to €1 million that are due in 2008.

Contractually agreed payments, such as interest and capital, for financial obligations stated in the balance sheet are as follows:

Capital/interest payments toward financial liabilities	Book value on 31/12/07	Capital payments 2008	Capital payments 2009-2012	Capital payments From 2013	Interest payments 2008	Interest payments 2009-2012	Interest payments From 2013
	€K	€K	€K	€K	€K	€K	€K
Owed to banks	9,398	5,917	2,481	1,000	589	351	0
Other financial liabilities	1,147	0	1,147	0	69	92	0
Leasing liabilities	636	302	334	0	34	30	0
Other liabilities	5,598	4,532	1,066	0	961	0	0
Total	16,779	10,751	5,028	1,000	1,653	473	0

Capital/interest payments toward financial liabilities	Book value on 31/12/07	Capital payments 2007	Capital payments 2008-2011	Capital payments From 2012	Interest payments 2007	Interest payments 2008-2011	Interest payments From 2012
	€K	€K	€K	€K	€K	€K	€K
Owed to banks	2,243	487	1,756	0	108	175	0
Other financial liabilities	0	0	0	0	0	0	0
Leasing liabilities	0	0	0	0	0	0	0
Other liabilities	1,426	1,376	50	0	15	0	0
Total	3,669	1,863	1,806	0	123	175	0

Credit Risks

A credit risk is the risk of default by a customer or contracting partner leading to a need for value adjustment of assets, investments or receivables in the consolidated balance sheet. The risk is therefore limited to the book value of these assets.

Credit risks result mainly from trade receivables. Credit risks in respect of contracting partners are checked before the contract is signed and are monitored constantly. Credit risks still exist because customers may not honor their payment obligations. The *aap* Group limits this risk by undertaking a regular creditworthiness review of its customers and by means of efficient receivables management. Write-offs in the reporting year and the previous year were immaterial.

For trade receivables that were not value-adjusted as of December 31 there were no indications of possible default.

(24) Capital Management

aap manages its capital with a view to ensuring the company's long-term development, its short-term solvency and a sufficiently high level of self-financing, thereby ensuring that all companies in the Group are able to operate on the assumption that it will stay in business as a going concern.

Net Indebtedness

The *aap* Group's net indebtedness at the end of the financial year is as follows:

	12/31/07 €K	12/31/06 €K
Debts (i)	10,034	2,243
Cash and cash equivalents	-297	-2,069
Net debts	9,737	174
Equity (ii)	43,447	21,603
Net indebtedness to capital ratio	22%	1%

(i) Debts are defined as the sum total of current and non-current liabilities to banks and of financial leasing liabilities

(ii) Equity comprises the *aap* Group's entire equity capital and reserves

In the financial year the Group's equity increased mainly as a result of the capital increase agreed in February 2007 to acquire all of the shares in FAME Holding B.V. The large increase in debts is due to the first-time consolidation of FAME Holding B.V. and to the raising of fresh loans in the financial year. The decline in cash and cash equivalents is mainly due to the strong fourth-quarter sales and the preliminary financing that they required and to the significant increase in investment activity.

(25) Cash Flow Statement

The inflow of funds from current business activities includes inter alia:

<u>Interest income</u> €35K (previous year: €10K)

<u>Interest expenses</u> €340K (previous year: €78K)

Income tax paid totaled €1K (previous year: €5K); income tax refunded was €0K (previous year: €6K).

(26) Participating Interests

I. Allied Companies (§ 271 Para. 2 HGB)

	Name	Domicile	Participation	Equity	Result
			%	€K	€K
1.	*aap* Biomaterials GmbH & Co. KG	Dieburg	100	2,457	2,066
2.	*aap* Biomaterials Verwaltungs-GmbH	Dieburg	100	45	4
3.	OSARTIS Verwaltungs GmbH	Elsenfeld	100	26	0
4.	ADC Advanced Dental Care GmbH & Co. KG	Elsenfeld	54	188	84
5.	ADC Advanced Dental Care Verwaltungs GmbH	Elsenfeld	51	19	1
6.	*aap* bio implants Netherlands B.V.	Nijmegen (NL)	100	1,468	790
7.	*aap* bio implants markets GmbH	Düsseldorf	100	-69	-94

This information relates to annual financial statements according to IFRS.

II. Participating Interests

	Name	Domicile	Participation	Equity	Result
			%	€K	€K
8.	AEQUOS Endoprothetik GmbH	Munich	6.64	-	-
9.	Cybernetic Vision AG Health Monitoring Technologies	Berlin	5.96	-	-
10.	Rofil Medical International N.V.		10		
11.	Prisna B.V.		20		

The annual financial statements of AEQUOS Endoprothetik GmbH, Cybernetic Vision AG Health Monitoring Technologies, Rofil Medical International N.V. and der Prisna B.V. to December 31, 2007 are not yet available.

Insolvency proceedings were initiated on December 1, 2000 in respect of the assets of Cybernetic Vision AG Health Monitoring Technologies and have yet to be concluded. In 2007 insolvency proceedings were initiated against Rofil Medical International N.V.

(27) Related Enterprises and Persons

Related enterprises were *aap* GmbH and AEQUOS Endoprothetik GmbH. In financial year 2007 business was conducted that led to the following items in the accounts:

	aap GmbH €K	AEQUOS Endoprothetik GmbH €K
Trade receivables from companies with which a participating relationship exists		83
Earnings		436
Liabilities loans	-10	
Liabilities from companies with which a participating relationship exists		-6

Transactions are undertaken on market terms and conditions.

The consulting services of Supervisory Board member (till Feb. 15, 2007) Dr. Wolfgang T. Hohensee were used in connection with the acquisition of Fame Holding B.V. (C.2). Remuneration with effect on payments in financial year 2007 totaled €81K.

Mrs. Dr. med. Ritter provides consulting services to the Company and also receives payment as a co-developer. Remuneration with effect on payments in financial year 2007 totaled €81K.

Dr. Walter R. Meyer received €47K in consulting fees in the reporting period that was booked with effect on expenses.

(28) Management Board, Supervisory Board

Members of the company's Management Board in the year under review were:

Mr. Bruke Seyoum Alemu, Dipl.-Ing., Berlin,

Mr. Oliver Bielenstein, lic. oec. HSG, Berlin

Management remuneration totaled €634K.

	Remuneration components in €K			
	Fixed	Performance-related	Long-term incentive	Total
Bruke Seyoum Alemu	171	25	68	264
Oliver Bielenstein	190	105	75	370
				634

The Company has taken out D&O insurance cover for the management. Premiums paid in 2007 totaled €28K.

Members of the Management Board hold no supervisory board directorships.

Remuneration of retired Management Board members totaled €0K (previous year: €164K).

Members of the Company's Supervisory Board in the reporting year were:

Mr. Rubino Di Girolamo, business management expert, Oberägeri nr. Zug, Switzerland (Chairman)

Mr. Jürgen W. Krebs, business management expert, Kilchberg nr. Zurich, Switzerland (Deputy Chairman)

Prof. Dr. Dr. med. Reinhard Schnettler, university professor, Giessen

Mr. Uwe Ahrens, Dipl.-Ing., Berlin

Dr. Wolfgang Hohensee, attorney, Berlin (until 02/15/07)

Dr. phil. nat. Walter Meyer, businessman, Thun nr. Berne, Switzerland (until 02/15/07)

Mr. Marcel Boekhoorn, businessman, Nijmegen, Netherlands (since 02/15/07)

Mr. Biense Visser, businessmann, Utrecht, Netherlands (since 02/15/07)

The Supervisory Board members were elected for the full term of office permitted by the Company's Articles of Incorporation, until the end of the General Meeting that resolves to approve the Board's actions for the financial year 2007.

Supervisory Board members Dr. Walter Meyer and Dr. Wolfgang Hohensee resigned as directors at the end of the Extraordinary General Meeting held on February 15, 2007. The Extraordinary General Meeting elected Messrs Marcel Boekhoorn, Nijmegen, Netherlands, and Biense Visser, Utrecht, Netherlands, to the Supervisory Board. Their term runs from the end of the Extraordinary General Meeting held on February 15, 2007 to the end of the General Meeting that resolves to approve the Board's actions for the financial year 2007.

Supervisory Board remuneration in the financial year totaled €52K as follows:

Mr. Jürgen Krebs	€16K
Mr. Rubino Di Girolamo	€15K
Prof. Dr. Dr. med. Reinhard Schnettler	€6K
Mr. Uwe Ahrens	€9K
Dr. Wolfgang Hohensee	€1K
Dr. Walter Meyer	€0K
Marcel Boekhoorn	€1K
Biense Visser	€4K
	€52K

Payments made totaled €10K.

Members of the Supervisory Board hold the following Supervisory Board directorships in addition to their work on behalf of *aap* Implantate AG:

Herr Jürgen W. Krebs	Administrative Council Chairman, Merval Holding AG
	Administrative Council Chairman, Basisinvest AG
	MainFirst Holding AG
	MainFirst Financial Service AG
	Reviderm AG
	Mistral Fund Limited
Rubino Di Girolamo	Administrative Council Chairman, Deepblue Holding AG
	Bastei Privatfinanz AG
	Mentalor Dental Holding AG
Prof. Dr. Dr. med. Reinhard Schnettler	Kliniken des Main-Taunus-Kreises GmbH
Uwe Ahrens	Heliocentris Fuel Cells AG (until end of February 2007)
Biense Visser	OPG Groep N.V.
	HZPC Holland B.V.
	Keygene N.V.
Marcel Boekhoorn	Ouwehands Dierenpark
	Motip Dupli Group
Dr. Wolfgang Hohensee	Supervisory Board Chairman, Emness Technology AG
	VGH Capital B.V.

Supervisory Board and Management Board members held the following shares and options:

	Shares		Options	
	2007	2006	2007	2006
Supervisory Board				
Jürgen W. Krebs	3,076,200	3,076,200	0	0
Rubino Di Girolamo	1,470,000	1,420,000	0	0
Prof. Dr. Dr. med. Reinhard Schnettler	166,094	166,094	0	0
Uwe Ahrens (since June 30, 2006)	1,122,723	1,363,142	0	0
Dr. Wolfgang Hohensee (until Feb. 15, 2007)	46,000	46,000	0	0
Dr. Walter Meyer (until Feb. 15, 2007)	115,000	115,000	0	0
Marcel Boekhoorn	2,346,145	0	0	0
Biense Viesser	0	0	0	0

	Shares		Options	
	2007	2006	2007	2006
Management Board				
Bruke Seyoum Alemu	40,000	35,000	200,000	125,000
Oliver Bielenstein	503,128	490,548	365,000	150,000

Fair values of the options when they were granted were between €1.14 and €0.69.

(29) Informations according to Article 160, Section 1 No. 8 AktG

Under Article 160, Section 1 No. 8 of the German Stock Corporation Act (Aktiengesetz) the following announcements were received by *aap* in accordance with the Article 21, Section 1 or 1a of the WpHG during the financial year. The announcements shown thereby reproduce the last interest level. Individuals whose voting rights in *aap* Implantate AG reach, exceed or fall below 3%, 5%, 10 %, 15 %, 20 %, 25 %, 30 %, 50 %, or 75 % directly or indirectly through acquisition, sale, or in any other way have to make such announcements.

On September 27, 2007, Union Investment Luxembourg S.A. 308, route d'Esch, L-1471 Luxembourg has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on aap Implantate AG, Berlin, Deutschland, ISIN: DE0005066609, WKN: 506660, have fallen below the 3% limit of the Voting Rights on September 27, 2007 and now amount to 2.57% (this corresponds to 650708 Voting Rights).

On September 27, 2007, Highclere International Investors Limited London, UK has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on aap Implantate AG, Berlin, Deutschland, ISIN: DE0005066609, WKN: 506660, have fallen below the 3% limit of the Voting Rights on September 26, 2007 and now amount to 2.1% (this corresponds to 532001 Voting Rights). According to Article 22, Section 1, Sentence 1, No. 6 of the WpHG, 2.1% of the Voting Rights (this corresponds to 532001 Voting Rights) is to be attributed to the company from Highclere International Investors Smaller Companies Fund.

On September 27, 2007, Highclere International Investors Smaller Copmanies Fund Westport (CT), USA has informed us according to Article 21, Section 1 of the WpHG that via shares its Voting Rights on aap Implantate AG, Berlin, Deutschland, ISIN: DE0005066609, WKN: 506660, have fallen below the 3% limit of the Voting Rights on September 26, 2007 and now amount to 2.1% (this corresponds to 532001 Voting Rights).

Following companies and persons has informed us according to Article 21, Section 1 of the WpHG Abs.1 on October 16, 2007 that via shares their Voting Rights on aap Implantate AG, Berlin, Germany, ISIN: DE0005066609, WKN: 506660 have changed as follows:

Noes Beheer B.V., Nijmegen, The Netherlands, have exceeded the 3, 5, 10, 15 and 20% limits of the Voting Rights on September 20, 2007 and amount to 22.00% (this corresponds to 5577491 Voting Rights).

Mr. Noes de Vries, The Netherlands, have exceeded the 3, 5, 10, 15 and 20% limits of the Voting Rights on September 20, 2007 and amount to 22.00% (this corresponds to 5577491

Voting Rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, all 5577491 Voting Rights are to be attributed to him from Noes Beheer B.V.

Elocin B.V., Arnhem, The Netherlands, have exceeded the 3 and 5% limits of the Voting Rights on September 20, 2007 and amount to 6.39% (this corresponds to 1619272 Voting Rights).

Mr. Marcel Boekhoorn, The Netherlands, have exceeded the 3 and 5% limits of the Voting Rights on September 20, 2007 and amount to 9.26% (this corresponds to 2346145 Voting Rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, all 2346145 Voting Rights are to be attributed to him, thereof 6.39% (this corresponds to 1619272 Voting Rights) from Elocin B.V.

Due to the commercial register entry of the capital increase resolved on February 15, 2007, Mr. Juergen Krebs, Switzerland, have fallen below the 50% limit of the Voting Rights on September 20, 2007 and amount to 32.06% (this corresponds to 8127547 Voting Rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, 0.53% (this corresponds to 135000 Voting Rights) is to be attributed to him from Merval AG and according to Article 22 Section 2 of the WpHG 20.46% (this corresponds to 5186347 Voting Rights) from Oliver Bielenstein, Bruke Alemu, Rubino Di Girolamo, Bernhard Gottwald, Uwe Ahrens, Hanspeter Schwager, Oliver Benz, Merval AG, Deepblue Holding AG, Carpe Diem AG and KST Beteiligungs AG.

Due to the commercial register entry of the capital increase resolved on February 15, 2007, Merval AG, Zug, Switzerland, have fallen below the 50% limit of the Voting Rights on September 20, 2007 and amount to 32.06% (this corresponds to 8127547 Voting Rights). According to Article 22 Section 2 of the WpHG, 31.53% (this corresponds to 7992547 Voting Rights) is to be attributed to the company from Oliver Bielenstein, Bruke Alemu, Rubino Di Girolamo, Juergen Krebs, Bernhard Gottwald, Uwe Ahrens, Hanspeter Schwager, Oliver Benz, Deepblue Holding AG, Carpe Diem AG and KST Beteiligungs AG.

Due to the commercial register entry of the capital increase resolved on February 15, 2007, Mr. Rubino Di Girolamo, Switzerland, have fallen below the 50% limit of the Voting Rights on September 20, 2007 and amount to 32.06% (this corresponds to 8127547 Voting Rights). According to Article 22, Section 1, Sentence 1, No. 1 of the WpHG, 5.80% (this corresponds to 1470000 Voting Rights) is to be attributed to him from Deepblue Holding AG and according to Article 22 Section 2 of the WpHG 32.06% (this corresponds to 8127547 Voting Rights) from Oliver Bielenstein, Bruke Alemu, Juergen Krebs, Uwe Ahrens, Bernhard Gottwald, Hanspeter Schwager, Oliver Benz, Merval AG, Deepblue Holding AG, Carpe Diem AG and KST Beteiligungs AG.

Due to the commercial register entry of the capital increase resolved on February 15, 2007, Deepblue Holding AG, Zug, Switzerland, have fallen below the 50% limit of the Voting Rights on September 20, 2007 and amount to 32.06% (this corresponds to 8127547 Voting Rights). According to Article 22 Section 2 of the WpHG, 26.27% (this corresponds to 6657547 Voting Rights) is to be attributed to the company from Oliver Bielenstein, Bruke Alemu, Juergen Krebs, Rubino Di Girolamo, Bernhard Gottwald, Uwe Ahrens, Hanspeter Schwager, Oliver Benz, Merval AG, Carpe Diem AG and KST Beteiligungs AG.

Due to the commercial register entry of the capital increase resolved on February 15, 2007, Mr. Oliver Bielenstein, Germany, have fallen below the 50% limit of the Voting Rights on

September 20, 2007 and amount to 32.06% (this corresponds to 8127547 Voting Rights). According to Article 22 Section 2 of the WpHG 30.11% (this corresponds to 7632919 Voting Rights) is to be attributed to him from Bruke Alemu, Juergen Krebs, Rubino Di Girolamo, Bernhard Gottwald, Uwe Ahrens, Hanspeter Schwager, Oliver Benz, Merval AG, Deepblue Holding AG, Carpe Diem AG and KST Beteiligungs AG.

Due to the commercial register entry of the capital increase resolved on February 15, 2007, Mr. Bruke Alemu, Germany, have fallen below the 50% limit of the Voting Rights on September 20, 2007 and amount to 32.06% (this corresponds to 8127547 Voting Rights). According to Article 22 Section 2 of the WpHG, 31.93% (this corresponds to 8092547 Voting Rights) is to be attributed to him from Oliver Bielenstein, Juergen Krebs, Rubino Di Girolamo, Bernhard Gottwald, Uwe Ahrens, Hanspeter Schwager, Oliver Benz, Merval AG, Deepblue Holding AG, Carpe Diem AG and KST Beteiligungs AG.

Due to the commercial register entry of the capital increase resolved on February 15, 2007, Mr. Bernhard Gottwald, Germany, have fallen below the 50% limit of the Voting Rights on September 20, 2007 and amount to 32.06% (this corresponds to 8127547 Voting Rights). According to Article 22 Section 2 of the WpHG, 31.26% (this corresponds to 7922547 Voting Rights) is to be attributed to him from Oliver Bielenstein, Bruke Alemu, Juergen Krebs, Rubino Di Girolamo, Uwe Ahrens, Hanspeter Schwager, Oliver Benz, Merval AG, Deepblue Holding AG, Carpe Diem AG and KST Beteiligungs AG.

Due to the commercial register entry of the capital increase resolved on February 15, 2007, Mr. Uwe Ahrens, Germany, have fallen below the 50% limit of the Voting Rights on September 20, 2007 and amount to 32.06% (this corresponds to 8127547 Voting Rights). According to Article 22 Section 2 of the WpHG, 27.59% (this corresponds to 6993824 Voting Rights) is to be attributed to him from Oliver Bielenstein, Bruke Alemu, Juergen Krebs, Rubino Di Girolamo, Bernhard Gottwald, Hanspeter Schwager, Oliver Benz, Merval AG, Deepblue Holding AG, Carpe Diem AG and KST Beteiligungs AG.

Due to the commercial register entry of the capital increase resolved on February 15, 2007, Mr. Hanspeter Schwager, Switzerland, have fallen below the 50% limit of the Voting Rights on September 20, 2007 and amount to 32.06% (this corresponds to 8127547 Voting Rights). According to Article 22 Section 2 of the WpHG, 29.45% (this corresponds to 7464968 Voting Rights) is to be attributed to him from Oliver Bielenstein, Bruke Alemu, Juergen Krebs, Rubino Di Girolamo, Bernhard Gottwald, Uwe Ahrens, Oliver Benz, Merval AG, Deepblue Holding AG, Carpe Diem AG and KST Beteiligungs AG.

Due to the commercial register entry of the capital increase resolved on February 15, 2007, Carpe Diem AG, Uerikon, Switzerland, have fallen below the 50% limit of the Voting Rights on September 20, 2007 and amount to 32.06% (this corresponds to 8127547 Voting Rights). According to Article 22 Section 2 of the WpHG, 31.28% (this corresponds to 7927547 Voting Rights) is to be attributed to the company from Oliver Bielenstein, Bruke Alemu, Juergen Krebs, Rubino Di Girolamo, Bernhard Gottwald, Uwe Ahrens, Hanspeter Schwager, Oliver Benz, Merval AG, Deepblue Holding AG and KST Beteiligungs AG.

Due to the commercial register entry of the capital increase resolved on February 15, 2007, Mr. Oliver Benz, Switzerland, has fallen below the 50% limit of the Voting Rights on September 20, 2007 and amount to 32.06% (this corresponds to 8127547 Voting Rights). According to Article 22, Section 1, Sentence 1 No. 1 of the WpHG, 0.79% (this corresponds to 200000 Voting

Rights) is to be attributed to him from Carpe Diem AG and according to Article 22 Section 2 of the WpHG 32.06% (this corresponds to 8127547 Voting Rights) from Oliver Bielenstein, Bruke Alemu, Juergen Krebs, Rubino Di Girolamo, Bernhard Gottwald, Uwe Ahrens, Hanspeter Schwager, Merval AG, Deepblue Holding AG, Carpe Diem AG and KST Beteiligungs AG.

Due to the commercial register entry of the capital increase resolved on February 15, 2007, KST Beteiligungs AG, Stuttgart, Germany, have fallen below the 50% limit of the Voting Rights on September 20, 2007 and amount to 32.06% (this corresponds to 8127547 Voting Rights). According to Article 22 Section 2 of the WpHG 28.71% (this corresponds to 7277130 Voting Rights) is to be attributed to the company from Oliver Bielenstein, Bruke Alemu, Juergen Krebs, Rubino Di Girolamo, Bernhard Gottwald, Uwe Ahrens, Hanspeter Schwager, Oliver Benz, Merval AG, Deepblue Holding AG and Carpe Diem AG.

Mr. Asuncion Barrueto, Switzerland, have fallen below the 50, 30, 25, 20, 15, 10, 5 and 3% limits of the Voting Rights on September 20, 2007 and amount to 0% (this corresponds to 0 Voting Rights).

Mr. Oliver Borrmann, Germany, have fallen below the 50, 30, 25, 20, 15, 10, 5 and 3% limits of the Voting Rights on September 20, 2007 and amount to 0.01% (this corresponds to 3000 Voting Rights).

Fermann AG, Zurich, Switzerland, have fallen below the 50, 30, 25, 20, 15, 10, 5 and 3% limits of the Voting Rights on September 20, 2007 and amount to 0% (this corresponds to 0 Voting Rights).

Martin Lechner, Switzerland, have fallen below the 50, 30, 25, 20, 15, 10, 5 and 3% limits of the Voting Rights on September 20, 2007 and amount to 0% (this corresponds to 0 Voting Rights).

Dr. Frank Husemann, Germany, have fallen below the 50, 30, 25, 20, 15, 10, 5 and 3% limits of the Voting Rights on September 20, 2007 and amount to 0% (this corresponds to 0 Voting Rights).

Berlex AG, Berlin, Germany, have fallen below the 50, 30, 25, 20, 15, 10, 5 and 3% limits of the Voting Rights on September 20, 2007 and amount to 0% (this corresponds to 0 Voting Rights).

Robert Schrödel, Germany, have fallen below the 50, 30, 25, 20, 15, 10, 5 and 3% limits of the Voting Rights on September 20, 2007 and amount to 0% (this corresponds to 0 Voting Rights).

Christian Walliker, Switzerland, have fallen below the 50, 30, 25, 20, 15, 10, 5 and 3% limits of the Voting Rights on September 20, 2007 and amount to 0% (this corresponds to 0 Voting Rights).

(30) Auditor's Fees

Auditor's fees stated as expenses in the financial year totaled:

a) For auditing the annual financial statements	€75,000.00
b) Other certificates or evaluation services	€133,979.50

(31) Use of Exemption Permitted by § 264b HGB

The following subsidiaries make use of the opportunity to opt out of the audit and disclosure requirement provided by § 264b HGB:

- *aap* Biomaterials GmbH & Co. KG
- ADC Advanced Dental Care GmbH & Co. KG

(32) Statement on the German Corporate Governance Code

aap Implantate AG has issued a declaration of conformity with the German Corporate Governance Code in accordance with § 161 AktG and made it available to shareholders.

(33) Publication

The Company's Management Board will approve the publication of these consolidated financial statements to December 31, 2007 on April 2, 2008.

(34) Statement by Company's Authorized Officers as per § 37y (1) WpHG

To the best of our knowledge and in accordance with the applicable financial reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities and earnings position of the Group and the Group's management report conveys an accurate picture of the development and performance of the Group's business and financial position, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Berlin, April 2007

The Management Board

Oliver Bielenstein | Bruke Seyoum Alemu

Audit Certificate

We have audited the consolidated financial statements drawn up by aap Implantate Aktiengesellschaft, comprising the balance sheet, income statement, statement of changes in equity, capital flow statement and notes to the consolidated financial statements, and the group management report for the financial year January 1, 2007 to December 31, 2007. Drawing up the consolidated financial statements and the group management report in accordance with IFRS as applicable in the EU and with the additional commercial law provisions of Section 315 a Para. 1 of the German Commercial Code (HGB) is the responsibility of aap Implantate Aktiengesellschaft's Management Board. Our task is to pass judgment, on the basis of our audit, on the consolidated financial statements and the group management report.

We carried out our audit of the financial statements drawn up in accordance with Section 317 HGB with due regard for the German principles of proper auditing laid down by the Institute of Auditors (IDW). These state that the audit is to be planned and executed in such a way as to be able to identify with a sufficient degree of certainty inaccuracies and infringements that have a material effect on the picture of the assets, financial and earnings position conveyed by the consolidated financial statements, taking into account the principles of proper accounting and the group management report. In determining audit activities, knowledge about the company's business activities and economic and legal environment is taken into account, as are expectations of possible errors. As a part of the audit, the effectiveness of the accounting-related internal audit system and the evidence provided for the information given in the consolidated financial statements and in the group management report are assessed mainly on the basis of spot checks.

The audit comprises assessing the annual financial statements of the companies included in the consolidated annual report, delimitation of the consolidation entity, the accounting and consolidation principles applied and the fundamental assessments made by the Management Board, as well as forming an opinion on the overall picture presented in the consolidated financial statements and in the group management report. We are of the opinion that our audit forms a sufficiently sound basis for our judgment.

Our audit has led to no objections.

In our opinion, based on what we learnt in the course of the audit, the consolidated financial statements comply with IFRS as applicable in the EU and with the additional commercial law provisions of Section 315 a Para. 1 HGB and convey, with due regard to these regulations, a picture of the Group's assets, financial and earnings position that is in accordance with the actual circumstances. The group management report tallies with the consolidated financial statements, conveys an accurate picture of the group's situation and accurately describes the risks and opportunities of future development.

Berlin, April 1, 2007

Dr. Röver & Partner KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Gertrud R. Bergmann	*Bettina Grothe*
Auditor	Auditor