



aap Implantate AG

Berlin

- German Security ID No. 506660, 126414, 126415 -
- ISIN DE0005066609, DE0001264141, DE0001264158 -

We invite our shareholders to the

General Meeting

on Tuesday, July 19, at 10 a.m.

at the Best Western Hotel Steglitz International,
Albrechtstr. 2, 12165 Berlin.

Agenda

1. **Presentation of the certified financial statements and consolidated financial statements and of the management report and management report for the group including the Supervisory Board report for the financial year 2003**

The above documents are available for inspection for shareholders at the Company's premises and can also be downloaded from the company website at www.aap.de. On request, they will be sent to shareholders free of charge.

2. **Approval of the Management Board's actions in financial year 2003**

The Management Board and the Supervisory Board propose that the actions of the Management Board members in financial year 2003 be approved.

3. **Approval of the Supervisory Board's actions in financial year 2003**

The Management Board and the Supervisory Board propose that the actions of the Supervisory Board members in the financial year 2003 be approved.

4. Resolution to increase capital stock by cash deposits and to amend the Company statute

The Management Board and the Supervisory Board propose that the following be agreed:

That the Company's capital stock be increased by up to € 9,739,058.00 from € 4,869,529.00 to as much as € 14,608,587.00 in return for cash contributions, by issuing up to 9,739,058 individual bearer share certificates each for € 1.00 of capital stock. That the issue price be € 1.00 per share.

That the new shares be offered to Company shareholders by way of indirect subscription rights in a ratio of 1:2, i. e. each shareholder will have subscription rights to two new shares for each existing share. That to the extent that subscription rights are exercised, these shares will be taken over by equinet Securities AG, which will undertake to sell them to subscribers at the issue amount of € 1.00 per share in line with their exercise of subscription rights. That the time limit for accepting the subscription offer will end two weeks after the offer is announced. That the new shares will first qualify for dividend from the financial year 2004, i. e. from January 1, 2004.

That the Management Board be authorized with the Supervisory Board's approval to specify further details of the capital increase and its execution. In particular, that it be authorized to set the conditions on which shareholders or third parties can subscribe for and purchase unsubscribed shares at the issue amount after the time limit for subscription applicable to all shareholders has expired.

That the Supervisory Board be authorized to amend the wording of the company statute as regard the amount and apportionment of capital stock in line with the actual implementation of this capital increase. That the resolution to increase capital stock become invalid immediately if the capital increase has not been effected by December 31, 2004.

5. Resolution on alteration to approved capital

In § 5 sub-section 4 of the company statute there is an authorization to increase capital stock in return for contributions in cash or in kind. It is proposed to amend this approved capital so as to authorize the Management Board with the Supervisory Board's approval to rule out shareholders' statutory subscription rights for the following additional purposes:

Issue of shares for purposes of reorganization

It is proposed to amend the end of § 5 sub-section 4 of the company statute as follows:

f) Issue of shares for purposes of reorganization.

6. Resolution on changing the number of Supervisory Board members and changes to quorum requirements and corresponding amendments to the company statute

The number of Supervisory Board members is to be reduced from six to three so as to take into account the streamlining and simplification of the Group structure.

The Management Board and the Supervisory Board propose that the following resolution be adopted:

Supervisory Board Composition

That § 10 sub-section 1 of the Company statute be reworded as follows:
"The Supervisory Board comprises three members."

Accordingly, § 13 sub-section 4 clause 4 is to be deleted without replacement. Clause 5 will become clause 4.

7. Supervisory Board Election

According to §§ 96 sub-section 1, 101 sub-section 1 of the German Stock Companies Act (AktG) in conjunction with § 10 sub-section 1 of the Company statute, the Supervisory Board comprises six members who must be elected by the General Meeting.

Against the background of the resolution proposed under Agenda Item 6, the Supervisory Board proposes that only a sufficient number of Supervisory Board members be appointed to bring the number up to the three members resulting from the amendment to the company statute.

The following Members of the Supervisory Board

- Lothar Just, auditor and tax consultant, Berlin,
- Klaus Kosakowski, management consultant, Berlin,
- Dieter Borrmann, management consultant, Berlin,
- Dr. Heinz Helge Schauwecker, senior medical consultant and lecturer, Berlin,
- Prof. Dr. Friedrich-Leopold Freiherr von Stechow, businessman, Berlin
- Prof. Dr. med. Reinhard Schnettler, senior medical consultant, Giessen

have tendered their resignations from the Supervisory Board with effect from the end of this General Meeting.

The Supervisory Board proposes that the following persons be elected to the Company's Supervisory Board for a term that runs until the end of the General Meeting that votes to approve the actions of the Supervisory Board members during the financial year 2007:

1. Prof. Dr. med. Reinhard Schnettler, senior medical consultant, Berlin;

2. Mr. Jürgen W. Krebs, business management specialist, Kilchberg near Zürich, Switzerland
3. Mr. Rubino di Girolamo, business management specialist, Oberägeri near Zug, Switzerland

The General Meeting is not bound to elect the Supervisory Board members proposed by the Supervisory Board.

It is proposed that:

Dr. Wolfgang Hohensee, attorney, Berlin,

be elected as a substitute for all three Supervisory Board members:

8. Appointment of Auditors for the Financial Year 2004

The Supervisory Board proposes that

Dr. Röver & Partner KG,
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft, Berlin

be appointed auditors for the financial year 2004.

Management Board Report to the General Meeting Concerning Agenda Item 4

The proposal put forward under Agenda Item 4 of the General Meeting of *aap* Implantate AG held on July 19, 2004 recommends increasing capital stock by an increase in cash capital. The issue amount and subscription price is EUR 1.00. Shareholder subscription rights are not ruled out, so the interests of existing shareholders are in no way diminished.

The background to this recommendation is the serious liquidity crisis that the Company currently faces. Unless new liquidity is brought into the Company within the next few months, insolvency due to shortage of liquid funds cannot be ruled out.

Because of this the Company has entered into an agreement with a group of investors on a financing package. This guarantees an inflow of funds of at least EUR 8 million into the Company on condition that (i) creditor banks waive a substantial part of their debt claims, (ii) BAFin, the German Financial Supervisory Authority, grants exemption from a mandatory offer and (iii) this General Meeting adopts a resolution to this effect and this is recorded in the Commercial Register. The waiver by creditor banks of a substantial part of their debt claims has already been arranged in binding agreements. BAFin exemption is expected shortly. After that the financing package will be subject only to a resolution by the General Meeting, and the recording of this resolution in the Commercial Register.

The Company and the group of investors consider the sum of EUR 8 million to be the minimum required to ensure lasting financial cover for the Company's reorganization, to equip the Company with sufficient liquid resources and to finance investment in new products and activities aimed at further developing markets.

Despite an intensive search, the Management Board found no other possibility for ensuring the Company's continued financing. In particular, given the present restrictive lending practices of banks, the Management Board sees no adequate possibility of financing the Company's future business activities enduringly by taking up additional conventional loans. Recent talks with our bankers have confirmed this assessment.

The abovementioned agreement with the group of investors was entered into against this background. Among other things, the agreement stipulates:

- a. The investors will guarantee a capital increase of EUR 8,000,000.00, i. e. they will subscribe the remainder of EUR 8,000,000.00 after free shareholders have exercised their options.
- b. Capital will be increased by a maximum of EUR 9,739,058.00, that is twice the present capital stock (subscription right 1:2).
- c. The present major shareholder, Mr. Uwe Ahrens, and other existing shareholders of the Company will transfer their subscription rights to the investors, with the result that the group of investors will have approximately 43% of subscription rights.
- d. Immediately after the agreement has been signed, a bridging loan of EUR 800,000.00 will be granted (this has already been done).
- e. The Company will grant the group of investors the right to subscribe for shares that are not subscribed for by shareholders, at the price of EUR 1.00.
- f. After implementation of the capital increase, the Company will use the proceeds of the capital increase to pay off a large part of the remaining loan liabilities to banks after the waiver.
- g. Discussion and agreement on refilling Supervisory Board posts (the Management Board's proposal that one member should remain and that there should be two new members, is based on this agreement).

Management Board report on agenda item 5 under § 203 sub-sections 1 and 2 clause 2 in conjunction with § 186 sub-section 4 clause 2, § 186 sub-section 3 clause 4 of the German Stock Corporation Act (AktG)

Under Agenda Item 5 of the General Meeting of *aap* Implantate AG to be held on July 19, 2004, the Management Board and the Supervisory Board propose an amendment to exist-

ing approved capital to the effect that an exclusion from subscription rights also be possible for the following purposes:

- a) It is to be possible to rule out shareholder subscription rights for the purpose of issuing shares for reorganization purposes. In that case new shares can be issued speedily to investors wishing to contribute toward the Company's reorganization. In putting forward this proposal the Management Board is reacting to the Company's tight situation, in which it may prove necessary to recruit investors willing to aid recovery. This applies particularly in the event that the recovery strategy outlined under Agenda Item 4 cannot be implemented successfully, for whatsoever reasons. In that case, discussions with further investors could not be completed with the necessary speed if another General Meeting had to be held before they were allowed to participate. The associated diluted of existing stockholders' participations is unavoidable, given that the overriding priority is to ensure the Company's survival. The Management Board undertakes to make use of this option to rule out subscription rights only after prior examination of all financing instruments that can be considered in the context of reorganization.

- b) It is to be possible to rule out shareholder subscription rights for the purpose of issuing shares to strategic partners. This gives the Management Board the opportunity to allocate participations to strategic partners speedily and flexibly, thereby creating a longer-term interest of strategic partners in the Company's success. Building close relations with strategically important partners has always been especially important for the Company. Closer ties in strategic partnerships help the Company to pursue long-term economic goals together with others and are therefore in the interest of shareholders. In particular, strategic partners may be foreign partners. It is not always possible to implement a capital increase by resolution of the General Meeting because in the particular case there may not be enough time. Nor can the strategic partner be advised to acquire shares through the stock market because experience has shown that the volumes of Company shares traded are not always high enough to enable a potential purchaser to build up a substantial holding within a reasonable period. In addition, in particular cases it can be in the interests of the Company and its shareholders to offer a strategic partner wishing to acquire shares the opportunity to purchase them at the current stock market price if the partner is not willing to purchase via the stock market because stock market purchases would lead to price rises and he would therefore have to buy at higher prices leading to a valuation of *aap* Implantate AG that he does not accept. Naturally, the Management Board will also only exercise this power if the share issue is clearly in the Company's interest and the Management Board's decision will be subject to critical and thorough examination by the Supervisory Board.

The Management Board will report each utilization of approved capital to the General Meeting.

The Management Board's reports on agenda items 4 and 5 are available for inspection by shareholders at the Company's premises and can also be downloaded from the Company website at www.aap.de. On request, shareholders will be sent a copy free of charge.

Attendance at the General Meeting

According to § 19 of the Company statute, shareholders who deposit their shares with the Company at Lorenzweg 5, D-12099 Berlin, with a German notary, a bank that deals in securities or at one of the following centers in Germany during normal business hours by no later than July 13, 2004 and who leave them there until the General Meeting is over are entitled to attend the General Meeting and to exercise voting rights.

In addition to our Company, shares may be deposited with the following bank:

DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main.

Shares will have been deposited in accordance with regulations if with the consent of a depositing center shares are held locked up for it at other banks until the General Meeting is over.

If shares are deposited with a German notary or with a bank that deals in securities, the receipt for the deposit must be handed into the Company by no later than July 16, 2003.

Proxy voting rights

We draw attention to the fact that shareholders can also appoint proxies to exercise their voting rights at the General Meeting, e. g. the bank that manages their investment portfolio, a stockholders' association or another person of their choice.

As a special service to shareholders the Company is offering the opportunity to authorize proxies nominated by the Company and bound by instructions in advance of the General Meeting. Shareholders wishing to appoint proxies nominated by the Company require an entrance ticket to the General Meeting in order to do so. Authorizations must be given in writing. If proxies nominated by the Company are authorized they must in any case be given instructions as to how to exercise their voting rights. In the absence of such instructions the authorization is invalid. Proxies are obliged to vote as instructed.

Shareholders will receive the necessary documents and information along with the entrance ticket.

Authorizations and instructions to proxies nominated by the Company must be received by the Company by 6 p.m. on July 15, 2003, otherwise they cannot be taken into consideration.

Shareholders' motions and inquiries to the General Meeting

Counter-motions to a proposal by the Management Board and Supervisory Board in respect of a specific agenda item in accordance with § 126 sub-section 1 of the German Stock Corporation Act (AktG) must be addressed exclusively to:

aap Implantate AG

Investor Relations

Lorenzweg 5

D-12099 Berlin

Fax: +49 (0) 30 75 01 92 90

E-mail: n.huedepohl@aap.de

Counter-motions that are received at this address in good time will be made accessible to shareholders immediately on the company website at www.aap.de → "Investor Relations" → "Hauptversammlung". Motions addressed elsewhere will not be taken into consideration.

Berlin, June 2004

aap Implantate AG

The Management Board