Anika Therapeutics, Inc.

2007 Annual Report

Anika Therapeutics, Inc. develops, manufactures and commercializes therapeutic products for tissue protection, healing and repair. These products are based on hyaluronic acid (HA), a naturally occurring, biocompatible polymer found throughout the body that enhances joint function, and coats, protects, cushions and lubricates soft tissues. Anika's current commercial product lines address the osteoarthritis, ophthalmic, veterinary, aesthetic dermatology and post-operative adhesion markets. New product development initiatives include next-generation joint health and aesthetic dermatology products based on Anika's proprietary, chemically modified HA.

2007 Accomplishments

- Increased product revenue by 15% to a record $30.8 million
- Doubled U.S. market share and sales for ORTHOVISC®
- Developed new generation of chemically modified, non-animal HA products
- Received European CE Mark approval for single-injection MONOVISC™
- Received Canadian, European CE Mark and U.S. FDA approval for ELEVESS™ - our aesthetic dermal filler
- Relocated corporate headquarters to Bedford, Massachusetts

To Our Shareholders

This year was one of great accomplishment for Anika Therapeutics. We reported excellent financial results, dramatically grew sales of ORTHVISC® in the United States, strengthened our global position in joint health therapies, made significant progress in advancing our product pipeline, and successfully completed Phase I of the move to our new headquarters and R&D facility.

Total revenues for 2007 increased 15% to a record $30.8 million from $26.8 million in 2006. These amounts included licensing, milestone and contract revenue of $3.9 million and $2.9 million for 2007 and 2006, respectively. Product revenue increased by 12% to $26.9 million from $24 million in 2006. Net income for 2007 grew 31% to $6.0 million, or $0.53 per diluted share, from $4.6 million, or $0.41 per diluted share in 2006.

Our balance sheet continues to remain strong with cash and short-term investments in 2007 of $39.4 million, compared with $47.2 million in 2006 and an excellent working capital position. The decrease in cash year-to-year was primarily a result of expenditures relating to our new headquarters facility in Bedford, Massachusetts with its expanded manufacturing capability for our next-generation products.

Anika's Expanding Joint Health Franchise

We are particularly pleased with the strides we have made in strengthening our position in joint health therapies. The impressive revenue and net income results during the year were primarily attributable to ORTHOVISC's gains in the U.S. market. Domestic sales of our flagship treatment for osteoarthritis of the knee grew to more than $10 million in 2007, a 92% increase from 2006. For the second year in a row, U.S. unit sales of ORTHOVISC more than doubled from the previous year and our share of the osteoarthritis HA market doubled from 4% to 8%.

We also made excellent headway in our efforts to expand the availability of ORTHOVISC worldwide. ORTHOVISC is now marketed in 13 countries around the world and our existing distribution partners have reported strong gains. We have also begun discussions with a number of new potential partners and are beginning the registration process in targeted regions around the world.

Our Joint Health Product Pipeline

We are encouraged by our sales of ORTHOVISC in 2007, and we believe that both existing and new products in our joint health pipeline will drive Anika's long-term growth. During the year, we continued to leverage our industry-leading HA technology into new products and began advancing these new products into the marketplace.

The first of these is ORTHOVISC®*mini*, a dosage indication of ORTHOVISC sized for smaller joints in the body such as the elbow, wrist, ankle and hands. We recently launched ORTHOVISC *mini* in the European Union using our existing overseas distribution network. We also initiated a post-market clinical study to gain additional experience with the product by regional opinion leaders who specialize in the treatment of osteoarthritis in small joints.

We also are moving towards commercialization of several new single injection products, that we believe have excellent market potential. MONOVISC™ is our first HA formulation offered to be administered as a single injection. MONOVISC leverages our new-technology HA platform and the single injection can offer a convenient option for doctors and patients. The second single injection osteoarthritis product in our joint health pipeline, Cingal™, contains an active therapeutic molecule to provide broader pain relief for extended periods.

We are enthusiastic about our joint health franchise and believe that the work we have done to build an innovative pipeline of products will yield results for years to come.

Aesthetic Dermatology

We made important gains in 2007 on both the product development and regulatory fronts with ELEVESS,™ our breakthrough dermal filler product. ELEVESS was approved in Canada in January, received CE Mark approval for commercial sales in Europe in early April and gained FDA approval in July of 2007.

In November, after much consideration for the long-term future of ELEVESS, we terminated the license, development and supply agreements we had for the product with Galderma Pharma S.A. ELEVESS is an exciting product that is ready for market. We have devoted considerable attention to securing a new distribution partner who can help us maximize its potential in the marketplace. Our goal is to find a partner who is a good cultural and strategic fit and who we believe shares our vision for this significant family of products.

We are optimistic that we will be able to find the right partner and we hope to launch the product around mid-2008. In addition, we are seeing considerable interest for ELEVESS in Mexico, South America and Asia and expect to receive approvals in some of those markets during the year. We are also developing a series of product line extensions for ELEVESS to target other applications for use in the aesthetic dermatology market.

Anika's Ophthalmic and Veterinary Franchises

Product revenues generated by our line of viscoelastic gels for ophthalmic surgery finished the year at $10.5 million, or essentially even with 2006. This portfolio of enduring products – the leaders in their field – represented approximately 39% of Anika's product sales. Our partners for this product line control approximately 25% of the U.S. viscoelastic market, and while growth expectations for this mature business remain modest, it has generated a consistent base of revenues for the company.

HYVISC,® the gold standard for treating equine osteoarthritis, exceeded our expectations and achieved a 30% increase in sales in 2007. We are pleased with how this product has performed in 2007, however, this category remains a very competitive one and we expect that order patterns for HYVISC could remain uneven.

While it represented a small component of our revenue for 2007, we were quite pleased with the acceptance of our INCERT® product for the prevention of post-surgical tissue adhesion and scarring. We are currently selling INCERT in three countries in Europe and are looking to add distributors. We also see the potential to expand indications and uses for this unique product.

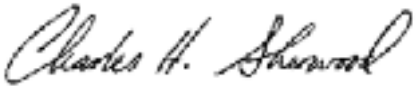
Building for the Future

From an operational standpoint, the highlight for the year was the relocation to our new facility in Bedford, Massachusetts. We completed the first phase of the interior buildout and successfully moved our entire corporate, marketing and R&D staffs into the new facility. The interior buildout of the manufacturing side of the facility is underway and we will soon begin the process of installing our production equipment. We are working to get the facility validated under the U.S. FDA's Good Manufacturing Practice (GMP) standards and anticipate a mid-2009 timeframe to begin full manufacturing operations.

We achieved success in many areas in 2007, and we are excited about our prospects for continued accomplishments in the coming year. Our joint health franchise is the long-term growth driver of the company, and we expect to broaden the product suite with new indications and enhanced features in 2008. We also see an opportunity to achieve growth with our ELEVESS product line. In 2008, we plan to bring a new marketing partner on board, launch the product and move additional ELEVESS line extensions through the pipeline. Operationally, we expect to initiate manufacturing in our new facility in mid-2009 and we look forward to the advantages this state-of-the-art space will have to enhance our processes and maximize our efficiency.

All of us at Anika are proud of our accomplishments in 2007 and are eager to meet the aggressive goals we have set for ourselves in 2008. On behalf of everyone at Anika, I would like to thank you for your continued support and for making the opportunity we have before us possible. I look forward to updating you on our progress throughout the year.

Sincerely,



Charles H. Sherwood, Ph.D.
President & Chief Executive Officer
April 9, 2008

"We believe that both existing and new products in our joint health pipeline will drive Anika's long-term growth."

Anika's Joint Health Franchise

Q What drove the increased sales of ORTHOVISC in the U.S. in 2007?

Domestic sales of ORTHOVISC nearly doubled during 2007. This growth was fueled by ongoing marketing investments from our distribution partner, DePuy Mitek. During the year, they increased their sales force devoted to this product line and initiated a pilot direct-to-consumer advertising campaign. As we expected, this business also was able to capitalize on the unique reimbursement code we received from the Centers for Medicaid & Medicare Services, effective January 1, 2007, which simplified the reimbursement process in the physician office setting.

Q What steps has the Company taken to increase international sales of ORTHOVISC?

Internationally, our strategy in joint health continues to focus on targeting countries where we can increase ORTHOVISC sales with our integrated approach to marketing, distributor relationships and reimbursement. In 2007, our partners in Germany, Italy and Greece achieved strong sales for the product. We also signed distribution agreements for China, India, Hungary and Switzerland and began discussions and product registrations with several other countries, including Saudi Arabia, Mexico, Brazil and Venezuela. In 2008, we will continue to focus on signing distributors and proceeding through the registration process in each targeted region.

Another element in our growth overseas during the second half of 2007 was the conversion of ORTHOVISC to a non-animal-based form derived from bacterial fermentation. The use of non-animal-based products is preferred in the European market and our new formulation has been well received. We expect that it will be an important factor in customer decisions as we expand overseas.

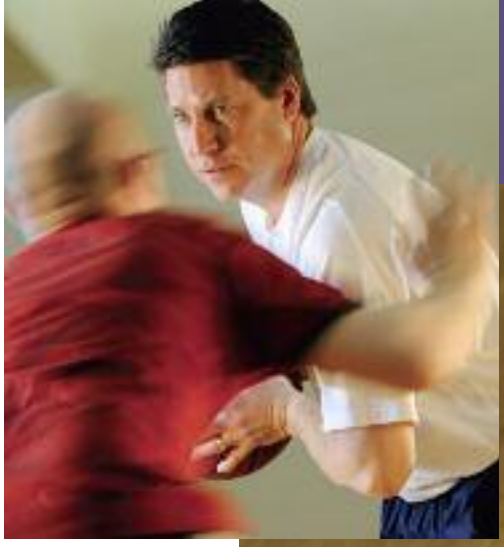
Q What are Anika's latest HA technological innovations?

Anika's core expertise centers on hyaluronic acid (HA), a complex biomacromolecule found throughout the tissues in the human body. HA has a number of beneficial properties and is involved in many diverse biochemical functions.

With 20-plus years of experience in HA technology, Anika has developed a new generation of products for our joint health and cosmetic dermatology franchises. These are based on a cross-linked, non-animal HA source derived from bacterial fermentation. This modified form of HA improves upon Anika's first-generation technology with formulations that have the highest concentrations of hyaluronic acid, enhanced resistance to enzymatic degradation and longer *in-vivo* durability. Anika's HA formulation most closely matches the body's healthy synovial fluid, the natural fluid that reduces friction and lubricates and cushions joints during movement. Anika has the expertise in the manufacturing processes required to consistently produce sterile, viscous injectable products, and we will continue to leverage this expertise for new products in the future.

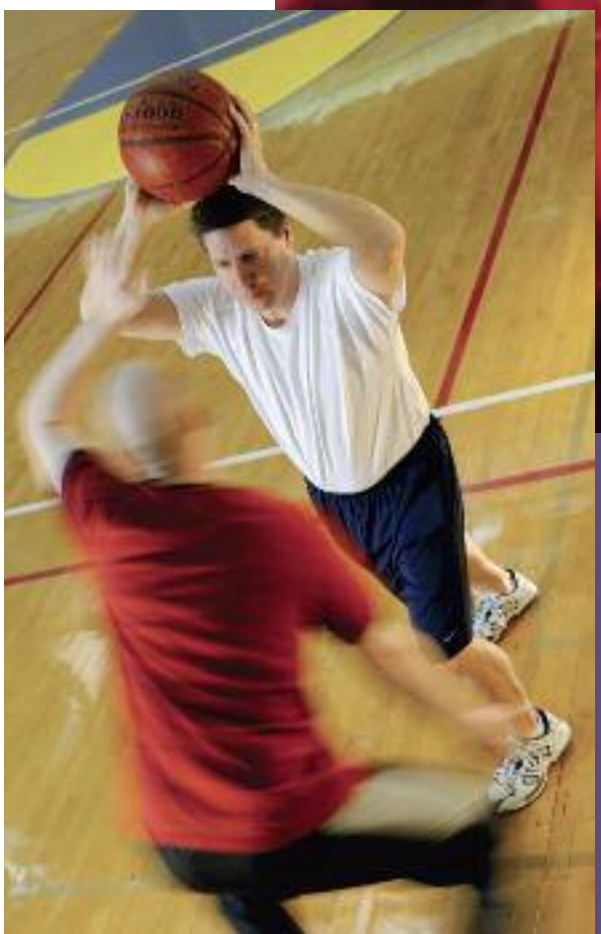
Q What are the opportunities for expanding the use of ORTHOVISC?

One element of our strategy for Anika's joint health franchise is to evaluate and commercialize our existing ORTHOVISC product in new indications. Recently, we launched ORTHOVISC *mini* in Europe for the treatment of smaller-sized joints in the body such as the elbow, wrist, ankle and the hands. We also see an opportunity for the use of ORTHOVISC *mini* in the jaw and have conducted trials in the recent past on Tempero-mandibular joint syndrome, or TMJ. We are also looking at the shoulder as a possible new indication for the current formulation of ORTHOVISC.



Q What is the status of Anika's new single-injection product?

In addition to leveraging our current ORTHOVISC product into new indications, we are developing new products based on our innovative joint health technology. MONOVISC, which uses our cross-linked HA technology, is our first osteoarthritis product that can be administered as a single injection. We see great potential in this important new product, as it offers a significant improvement in convenience for patients. We received CE Mark approval for MONOVISC in late 2007 and we expect to launch the product in Europe with key product champions by mid-2008. We recently began a U.S. clinical study of MONOVISC for the relief of knee pain and plan to use the data from this study for an application with the FDA.



The Future of Joint Health

Q How is Anika differentiating its joint health products?

One of our goals for commercialization is to enhance our new HA-based products with unique and differentiating features. The second single injection osteoarthritis product in our joint health pipeline, Cingal, contains an active therapeutic molecule to provide broader pain relief for a longer period of time. We expect to file for European CE Mark approval during 2008 and commence a pivotal trial for Cingal in the United States in 2009.

Q What is Anika's long-term vision for its joint health franchise?

As the world's population ages, osteoarthritis has become more prevalent. This most commonly occurs in the knee, causing joint pain and degeneration and compromises an individual's mobility. With today's emphasis on increased physical activity, people are less likely than their predecessors to accept the chronic discomfort and debilitation associated with degenerative joint pain.

Accepting the lifestyle changes that go along with degenerative joint pain is even less of an option for many of today's younger generation, who may have incurred sports or activity related injuries early in life, and who are suffering with chronic pain in their 40s or 50s – decades earlier perhaps than their parents.

Anika's future product development efforts will be focused on finding solutions for these individuals by incorporating therapeutic agents into our products that can not only alleviate pain but repair and even restore damaged tissue and lead to truly long-term pain relief.

Aesthetic Dermatology

Q What is Anika's commercial launch strategy for ELEVESS?

As part of our agreement with our former marketing and distribution partner, we reacquired the worldwide distribution rights to the product, and purchased the "ELEVESS" brand name, and all related packaging, marketing and promotional materials. We also received all of the clinical studies, marketing research and training materials previously developed. This body of work and intellectual property is highly valuable to Anika and our ultimate commercialization of the product.

We have focused considerable attention on securing a new distribution partner for ELEVESS. Concurrent with this effort, we are in the midst of a marketing program targeting key opinion leaders in the dermatology community with detailed information and training about ELEVESS. We are pleased to report keen interest on the part of doctors and patients. In initial usage to date, doctors have found ELEVESS easy to use and inject with favorable comments regarding other aspects of product performance. Additionally, patients are pleased, both with the results and with the comfort of the procedure as a result of the incorporation of lidocaine in the product formulation.

We also are parallel tracking other commercialization tasks so that we are in a position to launch quickly once we have a marketing partner on board. Given the progress we have made in 2007, we are looking forward to a commercial launch of this breakthrough product around mid-2008.

Q What competitive advantages does ELEVESS have over other products currently available?

Based on our new-technology HA, ELEVESS is designed to be long lasting and hold large volumes of water molecules to more effectively fill wrinkles, and smooth scars and other dermal imperfections. ELEVESS offers the highest concentration of cross-linked HA available in a dermal filler, which results in a long duration of effect compared to competitive products. But perhaps most significantly, ELEVESS also is the first HA-based dermal filler approved for use in the U.S. to incorporate lidocaine, which can dramatically improve patient comfort and satisfaction and provide physicians with a new alternative for their aesthetic practice. Lidocaine has proven clinical utility as an anesthetic and is very fast acting. We believe that this addition, combined with the superior characteristics of our cross-linked HA technology, significantly enhances ELEVESS' competitive positioning in the marketplace.

Q What is the market opportunity for an aesthetic dermatology product such as ELEVESS?

With an increasingly aging population desiring to retain a more youthful appearance and rising disposable income worldwide, the market for soft-tissue fillers represents an important opportunity to leverage our HA technologies. Worldwide, demand for dermal filler compounds for the correction of facial wrinkles, folds and scars, as well as lip augmentation, was estimated to be as much as $600 million last year and is projected to grow to more than $1 billion by 2010, with over half of the market in the United States.

Q How will the new facility enhance Anika's R&D and manufacturing capabilities?

With the development and addition of new chemically modified HA products, a broad pipeline of joint health products, and our opportunities to expand our cosmetic dermatology franchise, Anika had long understood the need for additional space.

Our new 134,000 square foot headquarters facility in Bedford, Massachusetts will meet these needs and give us the advantages to help drive our growth in the coming years. Most importantly, it will consolidate all of our operations that were previously housed in two separate buildings, including administration, research and development and manufacturing operations. By gathering all of these activities into one location, we can better leverage the highly integrated approach to R&D, regulatory, clinical and manufacturing operations for which Anika has long been recognized.

At the end of 2007, we successfully moved our corporate, marketing, regulatory and R&D staffs into the new building. On the manufacturing side of the facility, there is still much to do to complete the build-out, including installing new automated processing systems to enhance our manufacturing efficiency and certifying the facility under FDA GMP standards. We expect to fully complete and certify the manufacturing area and look forward to begin full production in this state-of-the-art facility by mid-2009. The entire project is expected to cost approximately $30 million and will provide us with the infrastructure and capacity necessary to grow our existing businesses for the foreseeable future.

Anika's Infrastructure Initiatives and Strategic Priorities

Q How has Anika strengthened its human capital position?

Along with expanding our facility to support the growth of the market, we also have made significant investments in our staff during the year. We have added to our senior scientific and technical staff, as well as increased our headcount in R&D. During the year, we added three key people to our senior management team. Randall Wilhoite, with nearly two decades of operations experience in the life sciences industry, was promoted to oversee all of our operations as VP-Operations. Irina Kulinets joined us as VP-Regulatory & Clinical Affairs. We enhanced our marketing capabilities with the addition of Gregory Fulton as Chief Commercial Officer. And in January 2008, Andrew Carter, Ph.D., joined Anika as Chief Technology Officer. Dr. Carter has extensive expertise in orthopedics, as well as commercializing products and bringing them to market.

In the coming year, we plan to continue to develop the infrastructure and manpower to take advantage of the growing marketplace opportunity.

Q What are the Company's strategic priorities for 2008?

2007 was a year of significant achievement for Anika and we have set the stage for continued success in 2008. We have a robust pipeline of products and indications for our proprietary HA technology that we can begin to leverage worldwide.

In 2008, our goals will be to broaden our joint health franchise with new indications and differentiated features, successfully introduce ORTHOVISC *mini* and MONOVISC into the European market and submit the CE Mark application for Cingal, launch our ELEVESS product line with a new partner, and take full advantage of our personnel and facilities to enhance our processes and maximize our efficiency.

Selected Financial Data

Statement of Operations Data
(in thousands, except per share amounts)

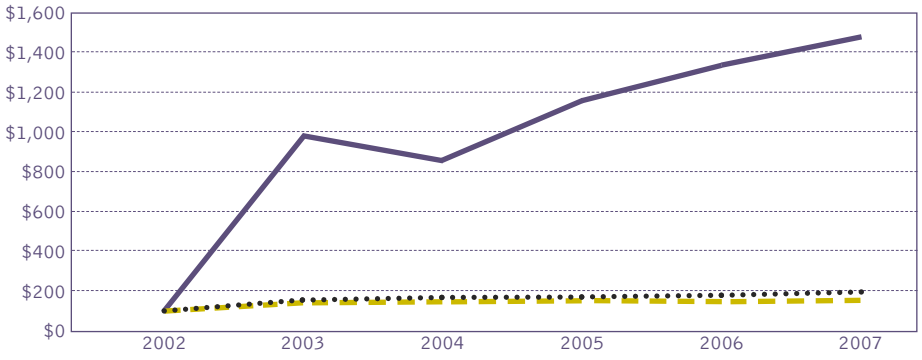
For the years ended December 31,	2007	2006	2005	2004	2003
Product revenue	$ 26,905	$ 23,953	$ 20,534	$ 22,286	$ 15,330
Licensing, milestone and contract revenue	$ 3,925	$ 2,887	$ 9,301	$ 4,180	$ 74
Total revenue	$ 30,830	$ 26,840	$ 29,835	$ 26,466	$ 15,404
Product gross profit	$ 15,024	$ 12,835	$ 9,390	$ 12,337	$ 7,325
Product gross margin	56%	54%	46%	55%	48%
Operating income	$ 6,587	$ 5,427	$ 8,551	$ 6,388	$ 595
Net income	$ 6,035	$ 4,604	$ 5,893	$ 11,190	$ 827
Diluted net income per share	$ .53	$ .41	$ .52	$ .98	$ .08
Shares used in calculating diluted earnings per share	11,454	11,155	11,428	11,384	10,850

Balance Sheet Data
(in thousands)

For the years ended December 31,	2007	2006	2005	2004	2003
Cash, cash equivalents and marketable securities	$ 39,406	$ 47,167	$ 44,747	$ 39,339	$ 14,592
Working capital	$ 41,805	$ 52,145	$ 46,584	$ 42,135	$ 18,450
Total assets	$ 79,497	$ 68,114	$ 62,618	$ 59,538	$ 21,873
Retained earnings (accumulated deficit)	$ 14,153	$ 8,118	$ 3,514	$ (2,379)	$(13,569)
Stockholders' equity	$ 54,961	$ 45,488	$ 37,892	$ 30,363	$ 17,984

Stock Price Performance
(Unaudited)

Set forth below is a graph comparing the total returns of the Company, the NASDAQ Composite Index and the NASDAQ Biotechnology Index. The graph assumes $100 is invested on December 31, 2002 in the Company's Common Stock and each of the indicies.



	2002	2003	2004	2005	2006	2007
Anika Therapeutics	$ 100.00	$ 983.84	$ 924.24	$1,180.81	$1,340.40	$ 1,469.70
NASDAQ Composite Index	$ 100.00	$ 150.01	$ 162.86	$ 165.13	$ 180.85	$ 198.60
NASDAQ Biotechnology Index	$ 100.00	$ 145.75	$ 154.68	$ 159.06	$ 160.69	$ 168.05

Board of Directors

Joseph L. Bower, D.B.A., Lead Director [1,2,3]
Professor
Harvard Business School

Eugene A. Davidson, Ph.D. [1,3]
Professor of Biochemistry, Cell
and Molecular Biology
Georgetown University Medical School

Raymond J. Land [2,3]
Senior Vice President and
Chief Financial Officer
Safeguard Scientifics, Inc.

John C. Moran [1,2]
Former First President of Synthes Spine
a division of Synthes (USA)

Charles H. Sherwood, Ph.D.
President and Chief Executive Officer
Anika Therapeutics, Inc.

Steven E. Wheeler [1,2,3]
President
Wheeler & Co., LLC

1. Compensation Committee
2. Audit Committee
3. Nominating Committee

Officers

Charles H. Sherwood, Ph.D.
President and Chief Executive Officer

Kevin W. Quinlan
Chief Financial Officer

Andrew J. Carter, Ph.D.
Chief Technology Officer

Gregory T. Fulton
Chief Commercial Officer

Irina B. Kulinets
Vice President – Regulatory and
Clinical Affairs

William J. Mrachek
Vice President – Human Resources

Randall W. Wilhoite
Vice President – Operations

General Information

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Transfer Agent
American Stock Transfer & Trust Company
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Tel: (800) 937-5449

Stock Listing
The common stock of Anika Therapeutics, Inc. is traded on the Nasdaq Global Select Market[sm] under the symbol ANIK.

SEC Form 10-K
A copy of Anika's Form 10-K for the year ended December 31, 2007 is provided with this annual report. Additional copies are available on request, without charge, by writing to Anika's chief financial officer.

Annual Meeting
The Annual Meeting of Shareholders will be held at 10:00 a.m. on Tuesday, June 3, 2008 at Goodwin Procter LLP, Exchange Place, Boston, MA.

Design; Grossman Marketing Group, http://grossmanmarketing.com • Photography; Len Rubenstein, http://lenrubenstein.com • Copy; Sharon Merrill Associates, Inc., http://investorrelations.com

Corporate Information

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