

ANNUAL REPORT | 2008



Artimplant's Mission

Artimplant's mission is to restore the health of patients by offering medical professionals degradable implants that help the body to heal.

About Artimplant

Artimplant restores health through the development, production and marketing of degradable implants that regenerate body functions and improve quality of life.

Artimplant produces implants for treatment of osteoarthritis in hands and feet, for shoulder and other soft tissue injuries as well as oral and veterinary applications. The Company's products are sold through licensees, distributors and the Company's own sales.

Artimplant is developing new implants for the treatment of osteoarthritis in the spine, knee and hand as well as soft tissue reconstruction in the head and face.

Artimplant is a public company listed on the NASDAQ OMX Stockholm Exchange in the Small Cap segment and in the healthcare sector.



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N.B. This is a translation from Swedish.
The Swedish version shall always take precedence.

2008 IN BRIEF

- Net revenue amounted to SEK 12.1 million (16.3) *
- The net loss totaled SEK 22.6 million (13.5)
- Earnings per share amounted to SEK -0.38 (-0.23)
- Cash flow improved to SEK -17.9 million (-19.5)
- Sales of Artelon® Spacer to end-customers amounted to approximately 3,500 (3,900) units
- Sales of Artelon® Tissue Reinforcement to end-customers amounted to approximately 1,000 (600) units
- An exclusive distributor agreement for the USA for Artelon® CCL for cranial cruciate ligament reconstruction in dogs was signed with BioMedtrix
- A proof-of-concept animal study was commenced for the use of Artelon® in the treatment of osteoarthritis in the knee joint
- Over 11,000 patients were treated with Artelon® implants up to and including December 2008

EVENTS AFTER THE PERIOD-END

- The Spacer agreement with Small Bone Innovations has been made non-exclusive and Artimplant's margin per unit sold has increased significantly
- Clearance has been granted by Swissmedic, the Swiss equivalent of the Swedish Medical Products Agency, for the clinical investigation of treatment of lumbar facet joints using Artelon® Spacer

* Figures in brackets refer to the corresponding period last year.

Being able to walk on your toes

Osteoarthritis in the big toe results in a stiff, painful toe joint that prevents you from walking naturally. This affects your sense of balance and in time increases the risk of an uneven load on other joints.

With traditional treatment alternatives the anatomy is changed or movement in the toe is limited following arthrodesis. These are unacceptable alternatives for people who wish to continue leading an active life.

Artelon® MTP Spacer restores a functional joint with retained anatomy, eliminating pain and leading to a full recovery.



STATEMENT BY THE CEO

The sun goes down over the Nevada desert on February 25, 2009. "Dr. Grisselält, I have been doing 50 successful surgeries with Artelon® CMC Spacer and I am not even a hand surgeon. This is the most biocompatible material I have ever used." For the first time Artimplant attended as an exhibitor at the world's largest orthopedics conference, American Academy of Orthopedic surgeons, AAOS. There were many testimonies from satisfied doctors and researchers among the 7,000 delegates. There were also doctors who have tested Artelon® CMC Spacer unsuccessfully and who have sought training as they believe in the concept.

Artimplant is leading the way in the development of orthopedic implants that help the body to heal. The Artelon® platform has its first product application in Artelon® CMC Spacer for thumb base osteoarthritis. The implant works excellently in the hands of trained surgeons and the benefit is noticeable for those patients suffering from osteoarthritis who with the aid of Artelon® products have experienced pain reduction and increased strength and mobility. Artelon®

Tissue Reinforcement (ATR) is used to reinforce damaged soft tissue, among other things to regain strength and movement in the shoulder where the tendons had been damaged. In total, the implants have been used successfully by hundreds of surgeons in the treatment of more than 11,000 patients.

It is fundamentally a sound, pioneering concept to help the body to heal. Artimplant has demonstrated that the first product applications are working very well in the hands of trained surgeons, which is reflected in tangible patient benefit. Eddy Blom is a patient who reports that he has regained quality of life after 45 years. He is free of pain and he can walk barefoot again thanks to an Artelon® implant, which reinstated functionality in his big toe (see also the letter on the back cover of this Annual Report).

Sales trend

Then what's the problem? Why are sales not increasing? Artelon® CMC Spacer, which combines stabilization of the joint together with the build-up of a new, functional surface in the joint, accounts for just over 60% of sales. 2008 was a poor year in terms of sales. Artimplant's licensee Small Bone Innovations (SBI) initially had very rapid market penetration with more than 900 customers. The challenge has been to assure the level of training among those surgeons who only perform a small number of operations. Unfortunately, there was a rise in the number of reported incidents during 2007, with a subsequent negative impact on SBI's sales. During 2008, sales stabilized on the same level as 2007. When launching new treatment concepts it is vital to ensure that the surgeons follow the instructions and recommendations and do not experiment with the method. It is particularly important that sales staff are trained and disciplined in their dealings with users. Artelon® CMC Spacer is an effective treatment method. Some 98% of all surgical procedures are successful, which is better than the average for the orthopedics sector.

As a direct consequence of the poor sales figures, Artimplant renegotiated the conditions in the agreement with SBI. In the revised agreement, Artimplant increased its margins significantly and took back the right to sell Artelon® Spacer globally, thus opening up entirely new business opportunities for the Company. SBI retains sales rights on those markets where they have strong representation.

Sales of ATR increased during 2008. The product is easy to work with and clinical experience is positive for all indications where it is used. Originally, responsibility for market documentation of ATR rested with our licensee Biomet Sports Medicine. Artimplant has now undertaken to carry out studies, which commenced in 2008, and ultimately to publish clinical data required to increase market penetration substantially.



STATEMENT BY THE CEO

New opportunities

Artelon® Spacer for different applications and ATR have allowed Artimplant to enter the orthopedics market with its technology platform. We have demonstrated that our concept of helping the body to heal actually works.

In 2008, Artimplant commenced several projects where the Company believes there is significant business potential. This includes products for osteoarthritis in the lumbar facet joints of the spine, knee joint osteoarthritis and cruciate ligament reconstruction in dogs. In all these areas there is a clear medical need and significant business potential.

Sound business conditions

We have learnt that our market strategy must be based on Artimplant assuming responsibility for building up clinical documentation, marketing material and training concepts for our products. In doing so, conditions are created for long-term, stable market establishment. There is very good business potential once the product concept has been produced and is ready to be launched. The products have an excellent product estimate that can generate considerable profit.

Looking back we can see that the business focus for 2008 has been followed closely in product development. During 2009, we plan to double the income. At the same time we will continue to invest in projects that offer the greatest potential. This is being done to maximize value for our shareholders. With greater market penetration and an increasingly strong cash flow, Artimplant will reach firm ground with a first-rate product portfolio.

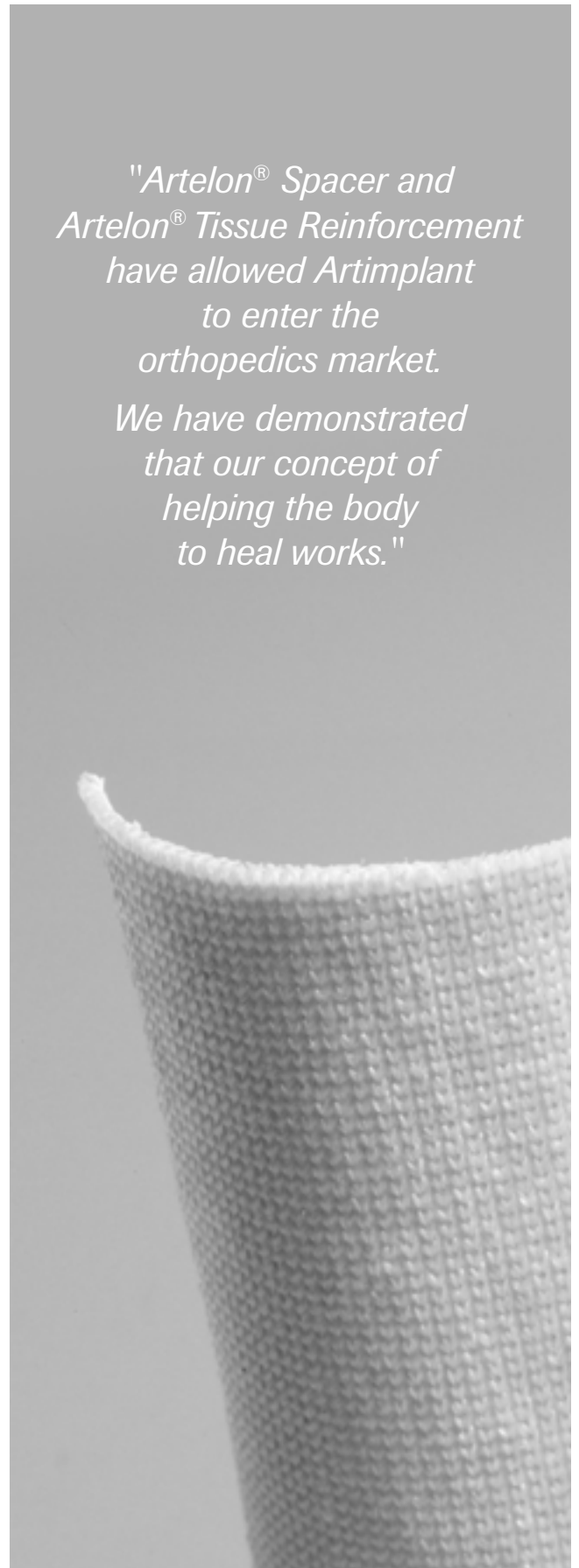
Feel free to join us on the exciting journey ahead.



Hans Rosén

"Artelon® Spacer and Artelon® Tissue Reinforcement have allowed Artimplant to enter the orthopedics market.

We have demonstrated that our concept of helping the body to heal works."



THE MEDICAL BENEFIT OF ARTELON® PRODUCTS

The body has a unique capacity to heal although sometimes conditions must be created for the healing process to take place. Imagine an implant that provides support for healing tissue, forming a scaffold on which to grow, giving the newly formed tissue the opportunity to mature and become functional.

When soft tissue, such as ligaments, is seriously injured or if the patient has poor tissue quality due to repeated ruptures, it is beneficial to reinforce the tissue. Ruptures in tendons around the shoulder, the rotator cuff, are one of the most common causes of pain and reduced movement of the arms, making it difficult to pursue normal daily activities. Dr Thomas Marberry is one of the shoulder surgeons who have used Artelon® Tissue Reinforcement (ATR) successfully for rotator cuff ruptures to reinforce large and extensive injuries. He is enthusiastic about the potential ATR opens up for his patients and in co-operation with Artimplant he has commenced a study to confirm and document scientifically the good clinical experience of the implant that he has acquired already. One of the first patients he treated was a 90-year-old woman. She had difficulty lifting her arm, which resulted in problems dressing, combing her hair, lifting a cup and performing other daily activities. When the patient came for a return visit to Dr Marberry 12 weeks after the operation she welcomed him by waving happily.



Artelon® offers the surgeon new, reliable potential for performing successful soft tissue reconstructions and has contributed to successful treatment results in several cases involving challenging soft-tissue repair of tendons and ligaments when the body's own tissue was insufficient. Treatment with ATR offers reinforcement of the repair and functions as a scaffold for tissue ingrowth with results that are sustainable in the long-term.

When the cruciate ligament is torn it cannot be repaired. Artelon® has been used successfully for reconstruction of the cruciate ligament in around 30 dogs. The main arguments for using this method are that it is reproducible, minimally invasive and the anatomy of the joint can be retained, which is an advantage for the veterinary surgeon, the animal owner and the dog. The aim is to achieve immediate joint stability to bring about an early return to functionality without pain and limping and to preserve stability in order to minimize the development of osteoarthritis. Artimplant has previously published scientific experience of this application from different animal models as well as extensive clinical studies that show that the material functions very well in the demanding knee joint application. Further studies on dogs are planned in the USA to build up a scientific base for use of the product as the anatomy of the dog and the underlying causes of cruciate ligament injuries differ from those of the human being.

Many take for granted being able to perform normal daily activities such as holding a pen, opening a door, buttoning a shirt and walking normally. These are activities where people with osteoarthritis experience problems every day due to pain, reduced strength and movement. The reason is that the surface of the joint, which comprises cartilage, is exposed to a considerable load and has been worn down, resulting in bone rubbing against bone. The surgical treatment methods that have been available to date for osteoarthritis in the thumb base and base of the big toe are arthrodesis or the removal of part or the whole of the bone, limiting movement and affecting the patient's anatomy.

Artimplant has developed a portfolio of implants with patients suffering from osteoarthritis as the target group. During surgery, the damaged tissue is removed and replaced by an Artelon® implant into which the body's own cells can grow and form functional, cushioning tissue. The anatomy is thus retained, offering good conditions for regaining a functional joint with reduced pain and retained strength, stability and movement.

THE MEDICAL BENEFIT OF ARTELON® PRODUCTS

The first patients who benefited from the new concept for the treatment of osteoarthritis in the thumb base were operated on successfully back in 1999. The results from the published study show alleviation of pain and significant improvement in strength compared with a control group. Artelon® CMC Spacer was launched in 2005 and since then the product portfolio has been developed to include further joints in order to restore functionality and to relieve pain in the hand, wrist and foot.

It is painful to take tissue from the gum and sometimes there is insufficient tissue to create the necessary volume. In oral surgery there is a need to recreate soft tissue to fill out the defects in the front upper jaw, both to recreate function and esthetics. Using Artelon® offers the opportunity to increase the volume of tissue without having to resort to a connective tissue transplant. This means the possibility of treating patients with defects in a gap for improved esthetics and functional design of a dental bridge. For patients with dental implants, the esthetics can be improved by increasing the soft tissue volume around the implant to prevent shadow formation above the implant-supported crown. The surgical procedure is simpler to perform in the fact that no incision in the gum needs to be made. In doing so, the operating time is shortened and post-operative problems for the patient are reduced.

Artimplant is leading the way in the development of orthopedic implants that create the conditions necessary for the body to heal itself. The concept can be applied to a broad range of clinical needs, which have the potential to offer many patients significant advantages. All products are manufactured from Artelon®, Artimplant's own biomaterial, developed in-house. The products are designed and developed with specific properties, such as shape, strength, flexibility and pore size, to match the clinical requirements for the application in question. Each implant is tailored to initially provide support for the ingrowth of the body's own tissue, which gradually matures into functional tissue. Artimplant has developed three product concepts which satisfy the demands for treating osteoarthritis, to reinforce soft tissue and to build up tissue volume, resurfacing, reinforcement and replenishment.

With these good prerequisites and successful experience as a base, Artimplant is continuing to develop new solutions to medical problems to the delight of both doctors and patients.



BUSINESS OVERVIEW

Artimplant in brief

Artimplant's mission is to restore the health of patients by offering medical professionals degradable implants that help the body to heal. Artimplant develops, produces and sells implants for the treatment of osteoarthritis, soft tissue injuries as well as oral and veterinary applications. The Company's products are sold through its own sales team, distributors and non-exclusively by licensees. New implants for the treatment of osteoarthritis in major application areas such as the spine and knee are in the process of being developed. Products made using Artelon®, have been used clinically for over 11 years and more than 11,000 patients have received implants. Artimplant is listed on the NASDAQ OMX Stockholm Exchange in the Small Cap segment and in the healthcare sector.

Business model

Artimplant's business model and future revenue flows are based on the exploitation and additional development of the patented biomaterial platform Artelon®, from which implants in different clinical areas are being developed. Product development, production, clinical studies, central marketing documentation and sales training are handled by Artimplant. Sales and local marketing take place through the following channels:

- Global/regional license agreements, at present Small Bone Innovations
- Global OEM agreements (private label), at present Biomet Sports Medicine
- Regional or local distribution agreements
- Direct sales through Artimplant's own sales team and agents

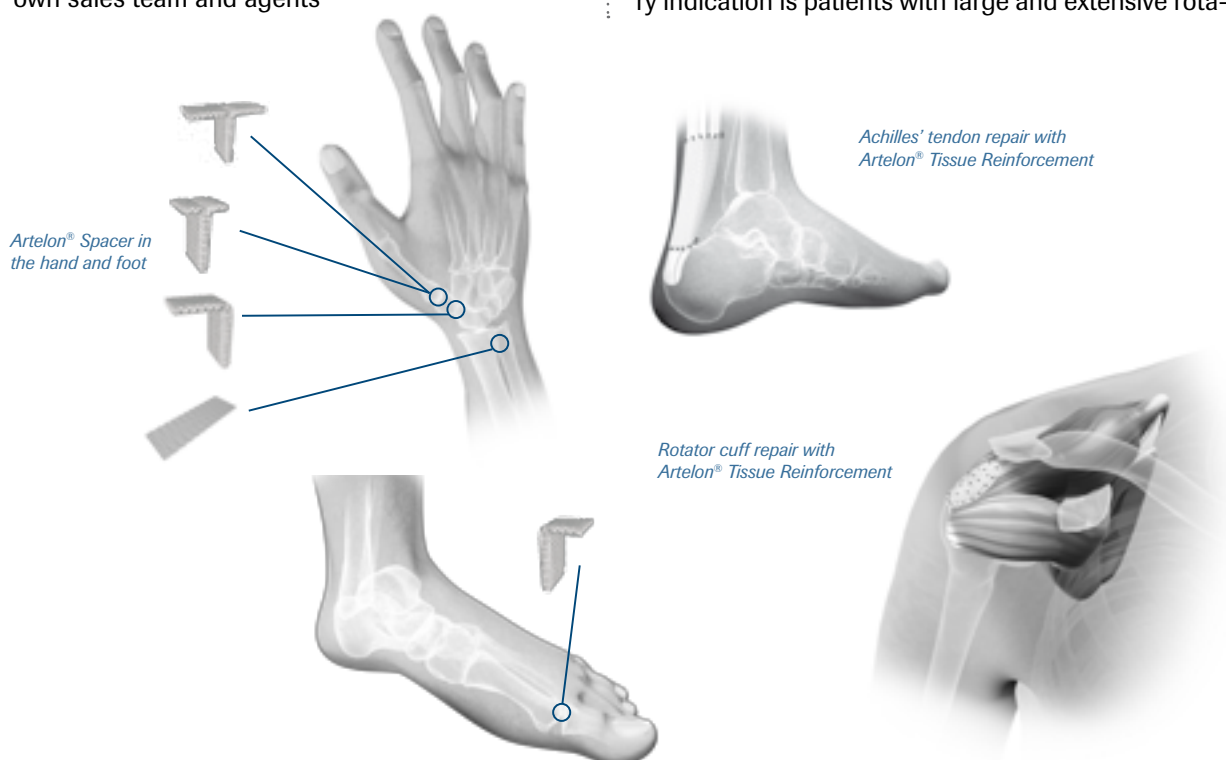
Product portfolio and market

Artelon® CMC Spacer, CMC Spacer Arthro and STT Spacer are products for the treatment of thumb base osteoarthritis. The products can be used from an early stage when keyhole surgery can be employed, which means that patients can be treated earlier in the course of the disease than would normally be the case today and even at a later stage when both the CMC and STT joints need to be treated. Artimplant estimates the number of patients who can be treated with CMC and STT Spacer at approximately 100,000 per year. The products are marketed mainly in the USA and the EU.

Artelon® MTP Spacer is a product for the treatment of osteoarthritis in the joint in the base of the big toe. The primary indication is Hallux Rigidus, or osteoarthritis of the big toe. Artimplant estimates the number of patients who can be treated with MTP Spacer at approximately 100,000 per year. The product is marketed mainly in the EU.

Artelon® DRU Spacer is a product for the treatment of osteoarthritis in the wrist. Wrist fractures often lead to osteoarthritis in the surface between the distal radius and the ulna (DRU). This is a niche indication and Artimplant estimates that approximately 3,000 patients can be treated each year with DRU Spacer. The product is marketed in the EU.

Artelon® Tissue Reinforcement is intended for reinforcement of weakened soft tissue, which is a very broad indication. Each year around 300,000 rotator cuff operations are performed in the USA. The primary indication is patients with large and extensive rota-



tor cuff injuries. Another indication is reconstruction of the Achilles tendon in conjunction with chronic injuries or reruptures.

Artimplant has also seen good results in the treatment of larger muscle ruptures, fallen arches, deformed finger joints in people suffering from rheumatism and for a condition where the shoulder is dislocated repeatedly. The product is marketed in the USA and the EU.

Artelon® Cosmetic is a product for the augmentation of soft tissue in the oral cavity. The product is used for the augmentation of tissue around a dental implant or to enable attachment of a dental prosthesis. At present, soft tissue is commonly taken from the patient's gums and transplanted to the front of the upper jaw. With no similar implant available on the market, it is difficult to estimate the size of the addressable market. The product has been cleared for marketing in the EU and has been launched at a limited number of clinics in Sweden and Italy.

Product development

Reinforcement – Reinforcement of soft tissue

The most common orthopedic disorder in dogs is cruciate ligament injuries. Artelon® CCL is intended to restore a functional knee joint in dogs in conjunction with cruciate ligament reconstruction. Together with its American distributor BioMedtrix, Artimplant estimates that each year around 300,000 dogs in the USA undergo surgery for this problem. Artimplant is planning to commence a limited launch in the USA in 2009.



Resurfacing – Formation of new joint surface

The Artelon® implant has demonstrated its capacity to restore a pain-free, functional joint in four joints affected by osteoarthritis in the hand, wrist and foot. The mechanical pressure on the surfaces of different joints varies although there is considerable evidence that Artelon® can be used to create a new, functioning surface in other joints. Experience from previous applications and the potential to tailor the properties of the Artelon® implant create the potential to develop new products to satisfy demands in new applications. Development of the second-generation Artelon® CMC Spacer is planned and an agreement has been reached with Small Bone Innovations to develop the implant for additional joints in the hand.

There is a considerable medical need for treatment of osteoarthritis in the facet joints in the lumbar region. The current treatment options are arthrodesis or cortisone injections. The results of arthrodesis are often unsatisfactory and this form of treatment is avoided if possible. At present, the market for facet joint implants is virtually non-existent and according to P&M Corporate Finance it is expected to increase to USD 500 million within six years. During 2008, Artimplant applied for clearance to carry out, together with one of the world's leading spine clinics, a clinical study with Artelon® Spacer for facet joint osteoarthritis. The study is expected to commence during the second quarter of 2009.

Many patients suffer from osteoarthritis in the knee joint. It is estimated that one in two Americans will suffer a knee injury, which ultimately leads to osteoarthritis in the knee joint. A knee joint with a high degree of osteoarthritis is treated by implanting joint prostheses made of metal, which have a limited lifespan. There is a considerable number of patients who are too young for a procedure involving a metal prosthesis. They could benefit from an Artelon® product. In 2008, Artimplant commenced a proof-of-concept animal study to demonstrate that Artelon® can provide support in forming a new functional surface in the knee joint.

Replenishment – Augmentation of tissue volume

With positive experience of Artelon® Cosmetic for augmentation of soft tissue in the oral cavity, Artimplant is developing products for the augmentation of soft tissue in the face as part of reconstructive surgery. According to the American Society of Plastic Surgeons, 300,000 surgical procedures take place each year in the USA. Artimplant estimates that the potential in the USA for an Artelon® implant in these indications is approximately 20,000 per year.

FIVE-YEAR OVERVIEW amounts in KSEK

	2008 *	2007 *	2006 *	2005	2004
INCOME STATEMENTS					
Net sales	12,114	16,275	5,571	8,143	4,804
Cost of goods and services sold **	-4,194	-2,603	-616	-482	-921
Gross profit/loss	7,920	13,672	4,955	7,661	3,883
Other income ***	1,359	305	263	163	28
Research and development costs **	-15,502	-14,722	-43,177	-26,959	-32,327
Selling costs	-11,688	-9,134	-12,090	-9,608	-8,276
Administrative costs	-5,195	-5,343	-7,183	-8,613	-6,847
Other costs ***	-1,209	-408	-298	-77	-18
Operating loss	-24,315	-15,630	-57,530	-37,433	-43,557
Interest income and other financial income	2,284	2,251	1,841	1,211	1,218
Interest expenses and other financial expenses	-602	-71	-330	-22	-33
Net financial items	1,682	2,180	1,511	1,189	1,185
Loss after financial items	-22,633	-13,450	-56,019	-36,244	-42,372
Taxes	-	-	-	-	-
Loss for the period	-22,633	-13,450	-56,019	-36,244	-42,372

	12/31/08 *	12/31/07 *	12/31/06 *	12/31/05	12/31/04
BALANCE SHEETS					
Total fixed assets	6,680	10,006	10,214	32,314	37,936
Total current assets	40,309	59,606	72,863	107,702	54,068
of which cash in hand and at the bank	31,371	49,240	68,704	104,186	51,277
Total assets	46,989	69,612	83,077	140,016	92,003
Total restricted equity	64,194	77,913	132,966	168,542	126,020
Total retained loss	-22,229	-13,664	-55,352	-35,696	-42,081
Total equity	41,965	64,249	77,614	132,846	83,939
Total provisions and non-current liabilities	20	52	353	245	-
Total current liabilities	5,004	5,311	5,110	6,925	8,065
Total equity and liabilities	46,989	69,612	83,077	140,016	92,003

	2008 *	2007 *	2006 *	2005	2004
CASH FLOW STATEMENTS					
Cash flow from operating activities	-17,357	-15,632	-33,190	-28,393	-27,416
Cash flow from investment activities	-590	-3,832	-2,292	-3,301	-3,907
Cash flow from financial activities	-	-	-	84,603	14,650
Cash flow for the year	-17,948	-19,464	-35,482	52,909	-16,673
Liquid assets as of Jan 1	49,240	68,704	104,186	51,277	67,950
Recalculation of foreign liquid assets	79	-	-	-	-
Liquid assets as of Dec 31	31,371	49,240	68,704	104,186	51,277

* Consolidated financial statements, including Artimplant USA, Inc. 2006-2008. The figures for 2004-2005 only cover the Parent Company Artimplant AB.

** Impairment of product development expenses brought forward are included in 2006 to the amount of KSEK 17,118. Since 2006 depreciation of product development expenses brought forward is reported as R&D. A recalculation has been made for previous years.

*** In 2008, Artimplant switched to reporting Other income and Other costs separately. A recalculation has been made for previous years.

KEY RATIOS amounts in KSEK

	2008	2007	2006	2005	2004
Equity per stock unit, SEK	0.71	1.08	1.31	2.24	2.13
Equity per stock unit after dilution, SEK	0.71	1.08	1.31	2.24	2.13
Loss per stock unit, SEK	-0.38	-0.23	-0.95	-0.73	-1.12
Loss per stock unit after dilution, SEK	-0.38	-0.23	-0.95	-0.73	-1.12
No of stock units in issue at year-end	59,244,790	59,244,790	59,244,790	59,244,790	39,496,527
Average no. of stock units in issue during year	59,244,790	59,244,790	59,244,790	49,370,659	37,696,527
No. of stock units in issue after dilution	60,793,246	60,446,582	60,348,628	61,107,012	40,829,867
Cash flow per stock unit, SEK	-0.30	-0.33	-0.60	0.89	-0.42
Dividend per stock unit, SEK ¹⁾	-	-	-	-	-
Market price, highest, SEK	4.25	7.55	9.80	9.15	15.40
Market price, lowest, SEK	1.55	3.10	2.79	4.29	3.67
Market price as of Jan 1, SEK	3.32	3.66	8.45	6.50	7.60
Market price as of Dec 31, SEK	1.64	3.32	3.66	8.45	6.50
Return on equity, %	Neg	Neg	Neg	Neg	Neg
Return on capital employed, %	Neg	Neg	Neg	Neg	Neg
Equity/assets ratio, %	89	92	93	95	91
Proportion of risk capital, %	89	92	93	95	91
Interest-bearing liabilities	None	None	None	None	None
Interest coverage ratio, times	Neg	Neg	Neg	Neg	Neg
Financial net assets	31,371	49,240	68,704	104,186	51,277
Capital expenditure					
Research and development ²⁾	-	-	480	1,587	2,889
Patents and brands	471	3,236	646	574	367
Machinery, equipment and fixed assets under construction	129	627	1,165	1,141	651
Number of employees					
No. of employees as of Dec 31	28	25	28	27	26

The impact of dilution has not been reported in those cases where dilution would have resulted in an improvement in the key ratios.

¹⁾ For 2008, the figure refers to the proposal by the Board of Directors.

²⁾ Investment in product development according to IAS 38. With effect from 2007, product development expenses are not capitalized.

DEFINITIONS

Stockholders' equity per stock unit

Stockholders' equity divided by the number of outstanding stock units.

Stockholders' equity per stock unit after dilution

As above, but recalculated to reflect full exercise of call options.

Earnings per stock unit

Profit or loss for the year divided by the average number of outstanding stock units during the period.

Earnings per stock unit after dilution

As above, but recalculated to reflect full exercise of call options.

Cash flow per stock unit

Cash flow for the year divided by the number of outstanding stock units.

Return on equity

Profit or loss before extraordinary items, expressed as a percentage of average adjusted equity.

Return on capital employed

Loss after net financial items plus financial expenses, expressed as a percentage of average capital employed. Capital employed refers to the balance sheet total less non-interest bearing liabilities including deferred tax on untaxed reserves.

Equity/assets ratio

Equity expressed as a percentage of the balance sheet total.

Proportion of risk capital

Equity plus untaxed reserves expressed as a percentage of the balance sheet total.

Interest coverage ratio

Profit or loss after net financial items plus financial expenses, expressed as a percentage of financial expenses.

Financial net assets

Cash and bank balances less interest-bearing liabilities.

Company information

This Annual Report covers the financial year January-December 2008 for the Artimplant Group with the Parent Company Artimplant AB (publ), registration number 556404-8394, hereinafter called Artimplant or the Company, with its registered office in the county of Västra Götaland, Municipality of Gothenburg. The Group comprises the aforementioned Parent Company and Artimplant USA, Inc., a wholly owned subsidiary registered in Delaware, having its office in Lansdale, Pennsylvania, USA. Since January 2006, Artimplant has filed consolidated accounts for Artimplant AB and Artimplant USA, Inc. The Group's primary operations are carried on in the Parent Company. Further information about the Company's operations can be found in the Business Overview section on pages 8-9. The Parent Company has been listed on NASDAQ OMX Stockholm since 1997.

Sales

Net sales amounted to SEK 12.1 million (16.3) and derived primarily from product sales with associated license revenue. A total of 79% of revenue originated from Artimplant's two US licensees, Small Bone Innovations (SBI) and Biomet Sports Medicine. Product sales for the whole year were on a par with the preceding year and consequently the reduction in turnover compared with the preceding year refers primarily to one-off and project milestone income. The net sales for the fourth quarter include a positive effect of SEK 1.3 million from a transition to reporting license revenue in the quarter during which it is generated instead of with a delay of one quarter as was the case previously.

Since the launch of Artelon® more than 11,000 patients have been treated with Artelon® implants. Sales of Artelon® Spacer to SBI customers and Artimplant's end-customers totaled approximately 3,500 (3,900). SBI's Sales of Spacer products during 2008 were below the minimum level agreed between SBI and Artimplant. As a direct result of the poor growth in sales, Artimplant renegotiated after the period-end the terms and conditions in the agreement. For further information see 'Events after the period-end'.

The use of Artelon® CMC Spacer is a tried and tested and successful form of treatment for thumb base arthritis when the product is used by trained hand surgeons. The challenge for SBI has been to assure the level of training in conjunction with what was initially very rapid market penetration with more than 900 new customers. The majority of surgeons have only carried out a small number operations, which was a contributing factor to the increase in the number of incidents reported, which reached a peak at mid-year 2008. This had negative impact on SBI's Spacer sales during parts of 2007 and 2008. SBI and Artimplant have during the financial year carried out corrective measures, including an improved surgical procedure, which have contributed to stabilizing sales. More than 98% of all Spacer operations are successful and the reported explanation frequency is less than 1%, which is lower than the average explanation frequency in the orthopaedic industry. Artimplant is continuing to support SBI to regain the trust that had been impaired during the initial marketing phase. Artelon® Tissue Reinforcement (ATR) has been cleared as

general reinforcement for soft tissue injuries. It is sold non-exclusively by Biomet Sports Medicine as SportMesh™. Sales of Artelon® Tissue Reinforcement totaled approximately 1,000 (600) units. Biomet Sports Medicine accounts for the majority of the sales although Artimplant's sales in the Nordic region and the USA have also contributed. Medical experience from the patients who have been treated with ATR is positive in all applications that have been tested. Clinical experience of ATR is growing continuously and confirms that the product is easy to use. Artimplant's ongoing activities, such as clinical studies and case reports are crucial to creating the commercial base for the product. For a significant increase in market penetration, published clinical data is required.

Product and business development

Knee joint osteoarthritis is a very common disorder. More extensive injuries in elderly patients are normally treated by means of a prosthesis whilst for younger patients there is no good treatment alternative. During the fourth quarter Artimplant commenced a proof-of-concept animal study to demonstrate that Artelon® can provide support in forming a new functional surface in the knee joint. It is Artimplant's many years of experience in the treatment of osteoarthritis in joints in the hand that form the basis for this indication, which from a business point of view is of considerable interest.

Artimplant is planning to run a clinical pilot study for the treatment of **osteoarthritis in the facet joints** in the spine in cooperation with the Schulthess Clinic in Zurich. An agreement was signed during the second quarter with the Schulthess Clinic governing the terms and conditions for the running of the study. During the fourth quarter the study was granted ethical clearance whereupon an application was filed with the Swiss drugs administration. The study is planned to commence once official clearance has been granted.

Artimplant and Tulsa Bone & Joints Associates, Tulsa, Oklahoma, USA, have commenced a clinical study for patients with **rotator cuff injuries**. Around ten patients have undergone surgery with Artelon® Tissue Reinforcement. The study comprises a maximum of 25 patients with a one-year follow-up. The plan is for all patients to have undergone surgery by May 2009.

A multicenter study initiated by doctors has commenced in the treatment of **stiff big toe (Hallux Rigidus)** using Artelon® MTP Spacer. The follow-up period in the study is one year.

On behalf of SBI, Artimplant has produced a smaller size of Artelon® CMC Spacer Arthro for the **treatment of thumb base osteoarthritis using keyhole surgery**. The product is was launched by SBI during the first quarter of 2009.

Artimplant has decided to commence the launch of Artelon® Cosmetic for **replenishment of soft tissue in dental applications** at a limited selection of important reference clinics in Europe. A post market study has been conduc-

ted by the Brånemark Clinic in Gothenburg and the results were compiled during the first quarter of 2009.

In 2008, the Swedish Medical Products Agency gave the go-ahead for a study of Artelon® Bone Scaffold with the aim of securing regulatory clearance for the product. The product will be used for **bone replenishment in the upper jaw** in conjunction with the fitting of dental implants. The study is being conducted in co-operation with Swedish oral surgery experts. All patients in the study have now undergone surgery with Artelon® Bone Scaffold. Fitting of dental implants will take place during 2009.

In cooperation with Swedish veterinary experts Artelon® CCL has been used successfully in the treatment of **cruciate ligament injuries in dogs**. By using Artelon® CCL as an artificial ligament the conditions are created for the body to form a new functional ligament. Approximately 30 dogs have been successfully treated to date with the product. A study with a one-year follow-up is in progress. Positive results from the study will create an important basis for future market penetration. During the fourth quarter, Artimplant signed an exclusive distributor agreement for the product with BioMedtrix Inc. for the USA. BioMedtrix is responsible for training veterinary surgeons, establishing reference clinics and conducting prospective studies that are necessary for a future launch in the USA.

Artimplant's financial results and liquidity 2008

The gross margin was 65%. It was affected negatively by a low production volume. Production capacity was scaled up during 2007 and has been adapted for higher production volumes. With a higher volume, the gross margin will be improved significantly.

The net operating loss was SEK 24.3 million (15.6). The deterioration in the results compared to the preceding year can be attributed largely to lower sales but also to investments in sales and marketing, which increased sales costs by SEK 2.6 million. The net result amounted to SEK -22.6 million (-13.5). The net result has not yet been affected to any material extent by exchange rate fluctuations. Earnings per stock unit amounted to SEK -0.38 (-0.23). Investments amounted to SEK 0.6 million (3.8), of which SEK 0.5 million (3.2) referred to intangible assets. The total cash flow for the year was SEK -17.9 million (-19.5). The deterioration in the result compared with the preceding year was compensated by a change in working capital, which was affected positively by an advance royalty from SBI and a lower level of investment. At the period-end liquid funds amounted to SEK 31.4 million (49.2). Artimplant's Board of Directors and senior management continuously evaluate the Company's liquidity situation and are currently investigating the possibility of securing a working capital loan facility.

Events after the period-end

Artimplant has renegotiated the agreements for Artelon® Spacer with SBI. The changes come into effect on January 1, 2009.

- The agreement has been amended to become non-exclusive.

- Artimplant's margin per sold unit has increased significantly.
- Purchasing and sales undertakings by SBI have been reduced
- The geographical area in which SBI is permitted to sell has been limited.
- Artimplant has undertaken to support SBI with clinical studies regarding Artelon® MTP Spacer.
- The agreement which gave Artimplant the right to sell and SBI the right to purchase existing product clearances has been terminated.

In the long-term the new agreement is very positive and strategically correct for Artimplant. The agreement provides Artimplant with a basis for working actively to carry on sales in and outside the USA. For sales for 2008, the improvement in the margin would have been equivalent to a doubling of income from SBI. In the short term the new agreement will have a negative effect on Artimplant's cash flow. The half-yearly minimum undertakings in the original agreements governing SBI's purchases and sales have been reduced and SBI's option to acquire existing product clearances from Artimplant have been terminated.

At the beginning of April 2009, the Company was informed that the Swiss drugs administration, Swissmedic, had granted clearance for a clinical study for the treatment of osteoarthritis of the facet joint using Artelon® Spacer. The study is scheduled to begin during the second quarter of 2009.

Future prospects

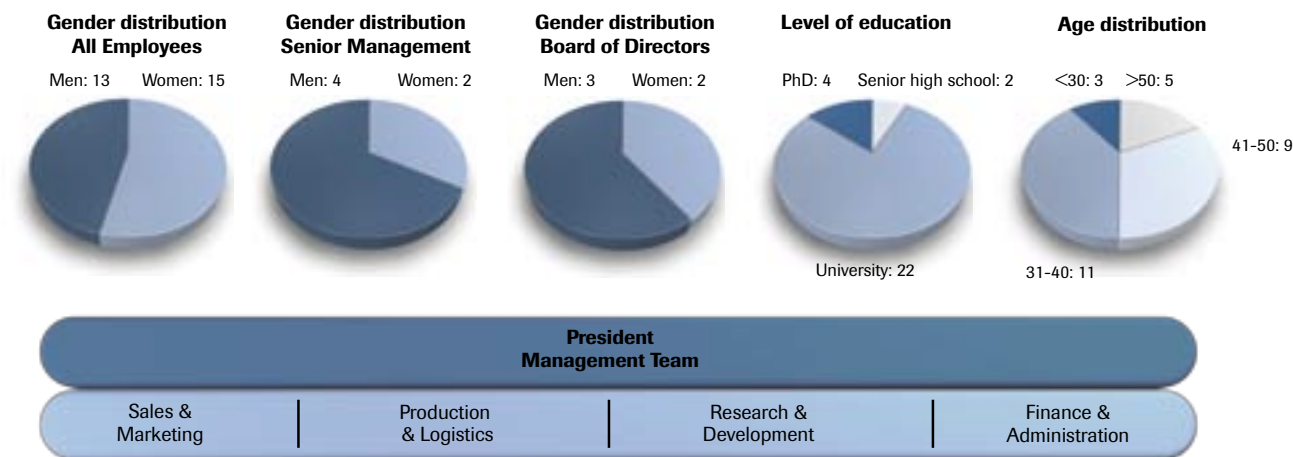
The Company does not issue any earnings forecast as the majority of the Company's products have been recently launched. Artimplant has the following operative direction for 2009:

- At least double sales compared to 2008
 - Increased income in the USA and Europe through Artimplant's licensees.
 - Increased sales under the Company's auspices, primarily through local distributors in the USA and Europe.
- Commencement of a limited launch of Artelon® CCL for cruciate ligament reconstruction in dogs
- File the application with the FDA for the marketing of products within the CMF area (head and face).
- Conclude a clinical study and apply for product registration in Europe for Artelon® Bone Scaffold for bone replenishment in the upper jaw.
- Develop a new Spacer product together with SBI.
- Complete an evaluation of the potential to develop a product for knee joint osteoarthritis.
- Continually reinforce the scientific and clinical base for Artelon®.

Organization and human resources

Artimplant is certified according to the quality management standard ISO 13485 for medical device products and works systematically to improve the quality of both personnel and products. Human resource development takes place th-

BOARD OF DIRECTORS' REPORT



rough regular appraisal discussions, in-house exchange of know-how, the development of skills and expertise as well as preventive health care. The Company works continuously to improve the working environment and fire protection and did not have any occupational injuries or incidents during the year. The number of employees as of December 31, 2008 was 28 (25), of whom 15 (12) were women and 13 (13) men. The staff turnover in 2008 was 10.9% (19.2). Absence due to illness was 2.1% (3.3) and of the total number of hours absent due to illness, 32.0% (26.5) referred to absenteeism due to illness longer than 60 days. Further information is available under Note 2.

Environmental impact

The Company's activities have only had a negligible impact on the environment. The Company complies with legislation and guidelines for those chemicals that are part of operations. Environmental permits have been secured for the use of organic solvents. The Company is also affiliated to the REPA Register for recycling of packaging materials.

Stock and ownership

The Company did not hold any of its own stocks during 2008. A presentation of the number of stocks, quota value, option programs that could lead to dilution, right to the Company's assets, ownership provisions, ownership structure etc. can be found in Note 2 in the section Stock and ownership on page 30, and in Note 10.

Related party disclosure

The Company has not been involved in any transactions with related parties other than the remuneration and other benefits received by Directors and senior management reported in Note 2.

Lease agreement

The Company has one major operational lease with Platzer for an office, production premises and laboratory in Västra Frölunda at Hulda Mellgrens gata 5. The agreement is valid until June 30, 2010 and is renewed automatically for five years if notice of termination is not given within 12 months of cessation of the lease. The rent is adjusted according

to the Swedish Consumer Price Index. At the year-end the Company had the following commitments pursuant to this agreement.

- The cost of premises which falls due for payment within one year is KSEK 3,036.
- The cost of premises which falls due for payment later than one year but within five years is KSEK 1,518.

Material future risks

Artimplant personnel have contingency plans and systems in place to handle, prevent and limit risks and restrict the damage that could nevertheless arise. With over 11,000 patients treated with Artelon® implants and up to 11 years' clinical experience we have a base for the biocompatibility of Artelon® and that the first product concepts actually work. The level of risk falls even further in line with the increase in medical experience.

Artimplant has one production location and would thus have difficulty supplying products to its customers if a significant disruption were to occur, e.g. fire. To compensate for this risk, the Company stores part of its finished goods inventory outside the production location. The Company has business interruption insurance which will compensate in part for this risk. Should any of Artimplant's largest customers experience a disruption this could have a considerable impact on Artimplant's revenue. With more customers and a broader product portfolio, the risk exposure will decrease in the years to come.

It is in the nature of the business that there is a risk of lawsuits and claims for damages linked to the Company's product liability. In addition, there is always a risk that the Company could be drawn into patent disputes or disputes regarding other intangible assets, falsification etc. To compensate for these risks the Company has taken out global liability insurance which covers in particular product liability. The maximum compensation amount payable under the insurance is adjusted in conjunction with the increase in sales volume, particularly in the USA.

Artimplant is dependent on a number of individuals in key positions. As operations grow, this dependency decreases.

BOARD OF DIRECTORS' REPORT

The Company is endeavoring to ensure that all individuals are replaceable without jeopardizing operational continuity.

Official requirements regarding clearance of new products is becoming tighter with increasingly keener demands on clinical documentation from one year to the next, which could delay clearance of new products.

As Artelon® has already been registered for use in approved implants, the Company considers the official requirements regarding documentation to be perfectly manageable within the framework of normal product development.

When the Company's products are licensed to other operators on the market there is an increased risk that the products are incorrectly used and that this falls outside Artimplant's control.

During 2008, 92% (95) of the Company's sales derived from the USA and consequently Artimplant has a significant exposure to exchange rate fluctuations in USD. No derivatives were used during 2008. The asset management policy, including the handling of currency and investment risks, is also dealt with in Note 1, Accounting principles. In addition, there are the normal operating and financial risks to which the Company is exposed.

During the latter half of the third quarter, global financial unrest intensified. If this were to persist it could affect the financing situation for Artimplant's customers. Deterioration in personal finances could affect the willingness to pay on the part of those patients who meet the cost of the implant themselves. The health service payment system is not expected to be affected by the current crisis.

The above risks are not a complete account of the Company's risk exposure. These are risks which the Board of Directors and the senior management consider to be of significance to Artimplant. The Company is not involved in

any disputes and has not made any risk provisions in the annual accounts for 2008.

Remuneration to senior managers

Guidelines for remuneration to senior managers for 2008 and the proposal by the Board of Directors for presentation at the 2009 Annual Meeting are dealt with in Note 2.

Proposed change in the Articles of Association

In the summons to the 2009 Annual Meeting, which was published on April 2, 2009, the Board of Directors proposed that §8 of the Articles of Association should be changed. The purpose is that in accordance with the proposed amendment to the Companies Act (SFS 2005:551) a complete summons to the Annual Meeting does not need to be published in a national daily newspaper. If the amendment were to be approved at the 2009 Annual Meeting, it would be subject to the new wording of the Companies Act coming into effect and that the new Articles of Association are compatible with such wording. The Board of Directors proposes the following new wording for §8.

"8. A summons to the Annual Meeting shall take place in accordance with the Companies Act through an announcement in Post och Inrikes Tidningar and on the Company's website. A statement that a summons has been issued shall be published in Dagens Industri."

Proposed distribution of unappropriated earnings

Losses brought forward from previous years have been covered by a reduction in the statutory reserve, following resolutions passed at Annual Meetings. The Company's Income Statement and Balance Sheet will be presented for adoption at the Annual Meeting on May 5, 2009. The Board of Directors proposes that the Parent Company statutory reserve be reduced by SEK 18,317,205 to cover the retained loss for the year. The Board proposes that no dividend be paid for 2008.

The undersigned hereby certify that the Consolidated Accounts and the Annual Report have been prepared in accordance with the International Financial Reporting Standards, IFRS, as adopted by the EU, as well as generally accepted accounting principles, and provide a fair picture of the Group's and the Parent Company's position and results and that the Board of Directors' Report provides a fair overview of the development of the Group's and the Parent Company's operations, position and results and also describes material risks and uncertainties facing the companies that form part of the Group.

Gothenburg April 7, 2009

Ingemar Kihlström
Chairman of the Board

Hans Rosén
President

Mats Lindquist
Director

Lennart Ribohn
Director

Anna Malm Bernsten
Director

Wenche Rolfsen Sandsborg
Director

Our audit report was submitted on April 7, 2009
Ernst & Young AB

Bertel Enlund
Authorized Public Accountant

INCOME STATEMENTS Amounts in KSEK

	Note 1	Group		Parent Company **	
		2008	2007	2008	2007
Net sales		12,114	16,275	16,401	16,240
Cost of goods and services sold		-4,194	-2,603	-4,407	-2,603
Gross profit/loss		7,920	13,672	11,994	13,637
Other income *		1,359	305	2,241	305
Research and development costs	2,3,6,7	-15,502	-14,722	-15,502	-14,722
Selling costs	2,3,6,7	-11,688	-9,134	-8,928	-9,202
Administrative costs	2,3,6,7	-5,195	-5,343	-5,195	-5,267
Other costs *		-1,209	-408	-1,209	-408
Operating loss		-24,315	-15,630	-16,599	-15,657
Interest income and other financial income	4	2,284	2,251	3,157	2,251
Interest expenses and other financial expenses	4	-602	-71	-612	-71
Impairment of receivables, subsidiaries		-	-	-4,668	-
Net financial items		1,682	2,180	-2,123	2,180
Loss after financial items		-22,633	-13,450	-18,722	-13,477
Taxes	12	-	-	-	-
Loss for the period		-22,633	-13,450	-18,722	-13,477
Earnings per stock unit, SEK		-0.38	-0.23	-0.32	-0.23
Earnings per stock unit after dilution SEK		-0.38	-0.23	-0.32	-0.23

* In 2008, Artimplant switched to reporting Other income and Other costs separately. Previous years have been recalculated

** The Parent Company's income statements contained the following intragroup income and costs (previous year in brackets):

- Net sales KSEK 4,964 (-)
- Selling costs KSEK 257 (2,001)
- Interest income KSEK 67 (-)

ALLOCATION OF NET SALES Amounts in KSEK

	2008	2007
Source of revenue		
Royalty from product sales by licensees	6,236	5,198
Product sales	5,427	6,520
One-off and project milestone income	81	4,500
Contract product development and other sales	370	57
Total	12,114	16,275
Geographic areas		
Scandinavia	1,001	891
USA	11,113	15,384
Total	12,114	16,275

BALANCE SHEETS Amounts in KSEK

	Note 1	Group		Parent Company	
		12/31/08	12/31/07	12/31/08	12/31/07
ASSETS					
Capitalized product development	5	2,826	5,009	2,826	5,009
Patents and brand names	6	2,547	3,087	2,547	3,087
Total intangible fixed assets		5,373	8,096	5,373	8,096
Machinery and equipment	7	1,307	1,910	1,293	1,901
Total tangible fixed assets		1,307	1,910	1,293	1,901
Stock and participation in subsidiaries	8	-	-	10	10
Total financial fixed assets		0	0	10	10
Total fixed assets		6,680	10,006	6,676	10,007
Raw materials, semi-finished and finished goods		4,726	4,373	4,543	4,372
Total inventories etc.		4,726	4,373	4,543	4,372
Accounts receivable		1,123	3,538	848	3,538
Receivables from Group company		-	-	4,480	-
Other receivables		1,071	1,092	1,071	1,073
Prepaid expenses and accrued income	9	2,018	1,363	2,158	1,363
Total short-term receivables		4,212	5,993	8,557	5,974
Cash and bank accounts		31,371	49,240	30,850	49,154
Total current assets		40,309	59,606	43,950	59,500
TOTAL ASSETS		46,989	69,612	50,626	69,506

BALANCE SHEETS Amounts in KSEK

	Note 1	Group		Parent Company	
		12/31/08	12/31/07	12/31/08	12/31/07
SHAREHOLDERS' EQUITY & LIABILITIES					
Share capital	10	5,924	5,924	5,924	5,924
Other capital reserves / Statutory reserve		58,270	71,989	58,270	71,989
Total restricted equity		64,194	77,913	64,194	77,913
Retained earnings / Retained loss		404	-210	404	-241
Translation difference		-	-3	-	-
Loss for the period		-22,633	-13,450	-18,722	-13,477
Total retained loss		-22,229	-13,664	-18,318	-13,718
Total equity		41,965	64,249	45,876	64,195
Provisions		20	52	20	52
Accounts payable		1,114	948	888	942
Liabilities, subsidiaries		-	-	-	534
Other current liabilities		1,445	1,651	1,397	1,608
Accrued expenses and prepaid income	11	2,445	2,712	2,445	2,175
Total current liabilities		5,004	5,311	4,730	5,259
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES		46,989	69,612	50,626	69,506
Pledged assets		None	None	None	None
Contingent liabilities		None	None	None	None

CHANGES IN EQUITY Amounts in KSEK

	Note 1	Group		Parent Company	
		2008	2007	2008	2007
CHANGES IN EQUITY					
Capital Stock (Opening and closing balance) *		5,924	5,924	5,924	5,924
Other capital reserves / Statutory reserve					
As of Jan 1		71,989	127,042	71,989	126,922
Reduction of statutory reserve		-13,718	-55,263	-13,718	-55,263
Recovered VAT		-	329	-	329
Reclassification		-1	-119	-1	1
As of Dec 31		58,270	71,989	58,270	71,989
Retained loss					
As of Jan 1		-13,664	-55,352	-13,718	-55,263
Reduction of statutory reserve		13,718	55,263	13,718	55,263
Reclassification		-54	119	-	-
Benefit, employee stock option		404	-241	404	-241
Translation difference		-	-3	-	-
Net loss for the year		-22,633	-13,450	-18,722	-13,477
As of Dec 31		-22,229	-13,664	-18,318	-13,718

* See also under Stock and ownership.

CASH FLOW STATEMENTS Amounts in KSEK

	Note 1	Group		Parent Company	
		2008	2007	2008	2007
Operating activities					
Net loss after financial items		-22,633	-13,450	-18,722	-13,477
Adjustment for items not effecting cash flow	13	4,151	3,825	8,953	3,821
Cash flow from operating activities before changes in working capital		-18,482	-9,625	-9,769	-9,656
Cash flow from changes in working capital					
Changes in inventories etc.		-353	-3,470	-171	-3,470
Changes in receivables		1,829	-2,737	-7,252	-2,734
Changes in liabilities		-351	201	-531	215
Cash flow from operating activities		-17,357	-15,632	-17,723	-15,646
Investment activities					
Acquisition of intangible fixed assets		-471	-3,236	-471	-3,236
Acquisition of tangible fixed assets		-129	-627	-120	-623
Sale of tangible fixed assets		10	30	10	30
Cash flow from investment activities		-590	-3,832	-581	-3,828
Financing activities					
Cash flow from financing activities		-	-	-	-
Cash flow for the period		-17,948	-19,464	-18,304	-19,474
Cash and cash equivalents at beginning of period *		49,240	68,704	49,154	68,628
Translation of foreign liquid assets		79	-	-	-
Cash and cash equivalents at end of period *		31,371	49,240	30,850	49,154

* Cash and cash equivalents consists of cash on hand and at banks. All bank deposits are immediately available and earn interest based on daily bank deposit rates as agreed with the Company's banks.

Note 1 Accounting principles

Applicable rules

This Annual Report was prepared in compliance with the Swedish Annual Accounts Act and the EU-approved IFRS and interpretations from IFRIC as well as RFR and UFR.

During the year the Group and the Parent Company have been affected by the following new and amended standards and statements from IFRIC, approved by the EU, and RFR:

- IFRIC 11 – IFRS 2 Group and Treasury Share Transactions
- RFR 1.1 – Supplementary Accounting Principles for Groups of Companies
- RFR 2.1 – Accounting for Legal Entities

The above standards and statements have only affected the Company's financial statements to a limited extent. Amended standards that have not had any impact on the Group's or the Parent Company's financial statements have not been taken up.

The Parent Company applies as far as possible the same accounting principles as the Group, but with the exceptions and additions as specified in RFR 2.1.

Future changes in the rules

The new standards and statements which are to be applied for the 2009 calendar year and later are:

- Supplements to IFRS First-time adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements
- IFRS 2 Share-based Payment (amended)
- IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements
- IFRS 8 Operating Segments
- Amended IAS1 Presentation of Financial Statements
- IAS 23 Borrowing Costs (amended)
- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
- IFRIC 13 Customer Loyalty Programs
- IFRIC 15 Agreement for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- RFR 1.2 – Supplementary Accounting Principles for Groups of Companies
- RFR 2.2 – Accounting for Legal Entities (applicable only to the Parent Company)

Item 5 affects the arrangement of Changes in Equity in such way that only shareholder transactions are reported. The arrangement of the Income Statement is adapted to 'Statement of comprehensive income'. Other items are not considered to have any material impact on the Artimplant financial statements.

Principles for consolidation

With effect from January 2006, the Group's final accounts

include the Parent Company Artimplant AB (publ) and Artimplant USA, Inc., which is wholly owned by the Parent Company. Since the fourth quarter of 2008, the subsidiary's financial statements have been included in the consolidated financial statements according to the monetary method for integrated subsidiaries. On consolidation of an integrated subsidiary, exchange effects that arise from translation of the subsidiary are shown as if they had taken place in the parent company. Intragroup receivables and liabilities, income or costs and unrealized gains or losses arising from intragroup transactions are eliminated in full when preparing the consolidated accounts.

Revenue recognition

Revenue derived from sales of products is recognized when important risks and benefits linked to those products have been transferred to purchasers. Revenues related to services are recognized when a service has been performed or when agreed intermediate goals are achieved. Revenue relating to fees receivable under licensing agreements is recognized for periods in which the agreements are signed and all conditions and performance aspects have been met. License income from product sales is reported preliminarily by the licensee each month at which point it is also taken up as revenue. According to the agreements with SBI and Biomet, licence income falls due four to six weeks after the calendar quarter-end. Any adjustment of licensing income generated takes place in conjunction with the final report and payment by the licensee.

Employee remuneration

Pension plan

Artimplant only has premium-based pension plans. According to IAS 19, premiums are recognized in the quarter during which they are earned.

Share-based remuneration

As of the closing day, the Company had four employee stock option programs and their value for the period, calculated according to IFRS 2, and social security contributions for the period according to statement UFR 7 from the Swedish Financial Reporting Council, are reported in the Income Statement and Balance Sheet. To calculate the current value of the options as a basis for calculating the provision for social security costs, the interest rate on Swedish government bonds corresponding to the remaining duration of each option was used. Daily share price data was used to estimate volatility. Future social security contributions for employee stock options are hedged by allocating 25% of the total number of options for this purpose. See the description of the respective employee stock option programs in Note 2.

Segment reporting

Artimplant has commercial products at an early phase. The Company has in principle only one place of business, located in Gothenburg. New products are developed both in cooperation with partners and solely on the Company's own account. Costs are generated by the Company's Gothenburg operations and are reported as R&D expenses, Marketing expenses, Sales expenses and Administration expenses. Income is generated by granting licenses for product applications, sales of products and payments for product develop-

ment projects, and may be geographically attributable to the Nordic countries, the rest of Europe or the USA. Artimplant is dependent on regulatory clearance for the marketing of its products and technology. The Company's access to its most important market, the USA, depends on clearance from the United States Food and Drug Administration (FDA). Products must first receive CE certification before they can be marketed in Europe. As regulatory clearance plays a decisive role in the Company's risks and opportunities, net sales are reported by geographical segment. However, costs are incurred mainly in Sweden and are reported by function.

Risks and financial instruments

Receivables and liabilities in foreign currencies are valued at the exchange rate on the closing date and unrealized exchange rate gains and losses are recognized in the Income Statement. The Company had one foreign subsidiary as of December 31, 2008. Artimplant's policy for managing financial instruments is stated in the Company's investment and currency policies, which provide guidance for handling cash, liquidity and currency risk management, with the basic premise of minimizing financial risks. Currently, a large part of the Company's revenues are denominated in USD while most costs are denominated in SEK. The Company therefore exchanges income received in foreign currencies for SEK and only maintains holdings in foreign currencies to the extent considered necessary to cover costs incurred in those currencies over the next three months. The functional currency of the Company is SEK. The Company has no interest-bearing liabilities. To date, the Company has chosen not to make use of any derivatives.

Research and development costs

IAS 38 (Intangible assets) stipulates that companies analyze and distribute their research and development costs (R&D). Research costs are expensed as they are incurred, and up to 2006 product development costs were capitalized when it was assessed that they would in all probability produce future financial benefits. With effect from 2007, the Company does not capitalize product development costs as difficulty in predicting future revenue flows is an intrinsic part of operations. Depreciation according to plan on capitalized product development costs commences when the product in question begins to be sold commercially. Artimplant's product development takes place in project form. Project costs include salaries, cost of materials and other costs directly attributable to a specific project. As of January 2006, depreciation of capitalized product development costs is recorded as research and development costs instead of under cost of goods sold.

Receivables

Receivables are reported at the amounts expected to be recovered, as decided on a case-by-case basis. The risk of non-payment from Artimplant's customers is very low. Through to the closing date the Company did not have any significant bad debt losses.

Inventory

Inventory is carried at cost or fair value on the closing date. As of the closing date, none of the inventory was valued at fair value. Raw materials and purchased finished products are valued at cost. Products and processes and finished

goods produced in-house are valued at the manufacturing cost. The manufacturing cost includes costs that are directly attributable, such as materials and salaries as well as relevant manufacturing overheads.

Non-current assets

Non-current assets are carried at cost following a deduction for accumulated depreciation according to plan. Depreciation according to plan is applied on a straight-line basis and is based on the assets' cost and assessed useful life. The following depreciation and amortization periods are applied:

- Patents and brand names 5 years
- Capitalized for product development costs 5 years
- Equipment 5 years

Impairments

IAS 36 (Impairment of assets) states that an impairment should be recognized whenever the carrying value exceeds the recoverable value. On each closing date Artimplant assesses whether there is reason to assume that the value of an asset has decreased. If so, the Company calculates the recoverable value. Any impairment is charged to net profit for the period.

Provisions and contingent liabilities

Provisions are based on the estimate of the management of the expected outcome and they are reported in compliance with IAS 37 (Commissions and contingent liabilities for assets and liabilities).

Assessments and estimates

When preparing the annual accounts, the Board of Directors and senior management make several assessments and estimates that affect the disclosed amounts in the Balance Sheet and the revenues and expenses in the Income Statement. These assumptions have been deemed reasonable under the current circumstances although the actual outcome may deviate if other assumptions are made or if other conditions are present. The following values are considered particularly sensitive to assumptions:

- Capitalized product development costs are checked by calculating the current value of expected future cash flows from each product. These calculations are based on a number of assumptions about factors such as the competitive situation, acceptance of the product in the market, the discount rate etc. If conditions change substantially the calculations could lead to other values. As difficulty in predicting future revenue flows from development projects is intrinsic to the nature of the business the Company has not capitalized any further product development costs since January 2007.
- Calculated values and future social security costs for the employee stock option programs affect retained earnings and provisions in the Company's balance sheets. Assumptions about the remaining number of employees at the time of redemption, estimated volatility and risk-free interest have a considerable impact on calculated values.
- Assessments of how the risks presented under the preceding section, Material future risks, could affect the Company's financial position.

Note 2 Personnel and remuneration to the Board of Directors, senior management and auditors

	2008	2007
Average number of employees		
Women	15	13
Men	13	13
Total	28	26

At the year-end there were 28 employees (15 women, 13 men). One person is employed by Artimplant USA, Inc., the others by Artimplant AB.

	Men		Women		Total	
	2008	2007	2008	2007	2008	2007
Absence due to illness %						
<30 years	2.7	0	1.0	2.4	1.5	1.8
30-49 years	0.9	3.0	3.9	4.2	2.6	3.5
>50 years	0.6	0	1.9	8.5	1.0	3.7
All employees	0.9	2.3	3.3	4.3	2.1	3.3

32.0% of the total number of hours absent due to illness referred to sick leave in excess of 60 calendar days.

	2008	2007
Staff turnover, %		
Women	6.8	30.8
Men	15.5	7.7
All employees	10.9	19.2

Definition of staff turnover: The lowest of the number of employees who joined or left during the period divided by the average number of employees during the period.

	Basic salary/ Director's fee*	Variable remunera- tion	Other benefits	Pension cost	Stock- related payment	Other remu- neration	Total
Remuneration and other benefits 2008							
Chairman of the Board	169	-	-	-	-	-	169
Other directors (4)	374	-	-	-	-	-	374
CEO	1,299	93	-	391	128	-	1,911
Other senior managers (5)	2,268	38	-	396	176	303	3,181
Other personnel **	9,082	74	188	742	100	-	10,186
Social security costs, salaries and pensions	4,057	57	-	380	-32	-	4,462

* Payment to the Board of Directors refers to the period June-December 2008 and includes payment for assignments in the audit and remuneration committees.

** KSEK 1,080 of the item Total refers to staff employed by Artimplant USA, Inc.

	Basic salary/ Director's fee	Variable remunera- tion	Other benefits	Pension cost	***Stock- related payment	Other remu- neration	Total
Remuneration and other benefits 2007							
Chairman of the Board	260	-	-	-	-	-	260
Other directors (4) **	520	-	-	-	-	-	520
CEO	1,222	144	-	392	55	-	1,813
Other senior managers (5) *	3,420	15	167	1,106	-186	230	4,752
Other personnel	8,297	35	-	356	-110	-	8,578
Social security costs, salaries and pensions	4,003	61	-	351	-302	-	4,113

* Of the amount, 2,098 refers to personnel in the USA (of which 1,612 is a one-off cost to the head of US operations, who left the Company in May 2007). Salaries and remuneration for the personnel in Sweden and one employee in the USA up to May 2007.

** The Director's fee is the same for all directors.

*** During 2007, a number of holders of employee stock options left the company which has resulted in a reversal of estimated costs.

	Option 2002- 2008	Option 2005- 2010	Option 2006- 2011	Option 2007- 2012	Option 2008- 2013	Total	% number of stock units
Employee stock options							
CEO	175,000	210,000	110,000	110,000	112,500	717,500	1.2%
Other senior managers	225,000	270,000	115,000	150,000	180,000	940,000	1.6%
Other employees	100,000	120,000	112,500	130,000	157,500	620,000	1.0%
Provision for social security costs	166,670	200,000	112,500	130,000	150,000	759,170	1.3%
Total, approved options	666,670	800,000	450,000	520,000	600,000	3,036,670	5.1%
Outstanding options January 1, 2008	147,162	239,316	299,423	515,892	-	1,201,793	2.0%
Allocated during the period	-	-	-	-	600,000	600,000	-
Returned/unsubscribed	-	-29,836	-17,184	-21,839	-37,316	-106,175	-
Redeemed	-	-	-	-	-	-	-
Lapsed	-147,162	-	-	-	-	-147,162	-
Outstanding options, December 31, 2008	0	209,480	282,239	494,053	562,684	1,548,456	2.6%
Redemption price (SEK)	16.10	7.20	8.80	7.10	4.38	-	-
Increase in equity in the event of full subscription *	-	1,508	2,484	3,508	2,465	9,964	-

Comment:

* Amounts in KSEK. Other terms and conditions for the employee stock option programs are to be found in the Stock and ownership section.

Decision process and remuneration principles

The Chairman and other members of the Board of Directors, of whom two are women, receive remuneration at an amount decided by the stockholders at the Annual Meeting. No special remuneration is payable in respect of committee work. Remuneration to the CEO and other senior managers consists of a basic salary, variable salary, other benefits, pension rights and, where applicable, other remuneration. The senior managers are the five persons (two women) who, together with the CEO, make up the Company's senior management. Pension rights, options and other benefits are reported as part of the total remuneration.

Preparation process and decision-making process

The CEO's salary and other remuneration are negotiated and decided by the Board of Directors following the advice of the Remuneration Committee. The CEO negotiates and decides on salaries, terms and conditions for other senior managers and all the personnel in accordance with the guidelines for remuneration for senior managers and confirms salary revisions with the Remuneration Committee.

Guidelines for remuneration to senior managers for 2008 and proposal for 2009

Incentive schemes for the Company's business organization are of strategic importance to Artimplant. In the light thereof, remuneration and incentive schemes have been produced which will offer competitive terms and conditions and at the same time the Company's employees will be motivated to work in the interests of the stockholders.

The scheme comprises three components – fixed salary, variable salary and options – and is based on five fundamental principles.

- Employees should be offered competitive basic terms and conditions.
- It should be possible to link both individual efforts and group performance to the clear objectives laid down by the Board of Directors.
- Variable salary that is paid should be linked to the clear objectives laid down and which on fulfillment should be to the benefit of the stockholders.
- Each year the Board of Directors sets the ceiling for the total variable salary.
- All employees should be encouraged to adopt the same views as the Company's stockholders which is achieved through reasonably considered employee stock option programs where the employees benefit from the increase in prices or realized increases in value but also assume a personal risk by holding Artimplant stock during the term of each program.

The variable salary to employees is paid out over a period of several years. The cost of variable salary for each year is, however, recorded in full during the year in which it is earned.

The Board of Directors shall be entitled to deviate from these guidelines should there be specific reasons.

Proposals for guidelines for remuneration to senior managers for 2009 are identical to the guidelines for 2008.

Pensions

Artimplant only has a defined contribution pension plan. The pension cost refers to the cost that has been charged to the profit for the year. The pension premium for the CEO amounts to 35% of his salary. One senior manager has a pension contribution of 20% of his salary. Premiums in respect of pension entitlements for other employees amount to 4-6% of salaries up to 7.5 times the basic amount for social security purposes, 12-20% of salaries between 7.5 and 20 times the basic amount and 5-13% of salaries between 20 and 30 times the basic amount.

Severance pay

The CEO is entitled to 12 months' notice from the Company. The Company is entitled to four months' notice from the CEO. During such period of notice the CEO will be entitled to continue to receive his salary, pension rights and other remuneration. The CEO is entitled to one month's notice and 18 months' severance pay if the whole of the Company is sold or delisted.

Periods of notice for other senior managers are six months from the employee and 6-12 months from the Company.

	2008	2007
Auditors' fees		
Audit fees, elected auditor Ernst & Young AB	175	150
Other work, elected auditor Ernst & Young AB	78	52
Other auditors (refers to subsidiary)	62	50
Total	315	252

'Audit fees' refers to the examination of the annual accounts and accounting records and the administration by the Board of Directors and the CEO. Other duties incumbent on the Company's auditors include providing advice and other assistance arising from the observations in conjunction with such an examination or performance of other such duties. All other services are defined as other work.

Note 3 Depreciation and impairment of tangible and intangible fixed assets

	Group		Parent Company	
	2008	2007	2008	2007
Depreciation of tangible fixed assets according to plan, by function				
Research and development costs	671	561	671	561
Selling costs	35	18	29	13
Administration costs	15	92	15	92
Total	721	671	715	666
Depreciation and impairment of intangible fixed assets according to plan, by function				
Research and development costs	3,062	3,233	3,062	3,233
Selling costs	17	4	17	4
Administration costs	-	-	-	-
Total	3,079	3,237	3,079	3,237

Note 4 Financial income and expense

	Group		Parent Company	
	2008	2007	2008	2007
Interest income	1,683	2,042	1,750	2,042
Exchange gains	601	209	1,407	209
Total financial income	2,284	2,251	3,157	2,251
Interest expenses	-2	-	-2	-1
Exchange losses	-600	-71	-610	-70
Total financial expense	-602	-71	-612	-71

Note 5 Capitalized product development costs

	12/31/08	12/31/07
Acquisition cost as of Jan 1	50,427	50,427
Capitalizations for the year	-	-
Acquisition cost as of Dec 31	50,427	50,427
Accumulated depreciation and impairments as of Jan 1	-45,419	-43,235
Depreciation for the year according to plan	-2,183	-2,184
Accumulated depreciation and impairments as of Dec 31	-47,602	-45,419
Total carrying value	2,826	5,008

	Odontologi *	Artelon® Spacer **
Capitalized product development costs approved/launched products		
Carrying value, opening balance 2008	1,191	3,818
Capital expenditure for the year	-	-
Depreciation according to plan	-	-2,183
Carrying value, closing balance 2008	1,191	1,635

* Refers to Artelon® Scaffold

** Refers to the Artelon® CMC Spacer product family

Note 6 Patents and brand names

	12/31/08	12/31/07
Acquisition cost as of Jan 1	6,291	6,207
Capital expenditure for the year	471	3,236
Disposal, loss of patent protection, etc.	-447	-3,152
Acquisition cost as of Dec 31	6,315	6,291
Accumulated depreciation as of Jan 1	-3,205	-5,075
Depreciation for the year according to plan	-895	-1,054
Disposal, loss of patent protection, etc.	332	2,926
Accumulated depreciation as of Dec 31	-3,768	-3,205
Total carrying value	2,547	3,087

Note 7 Equipment

	Group		Parent Company	
	12/31/08	12/31/07	12/31/08	12/31/07
Acquisition cost as of Jan	12,425	13,043	12,411	13,029
Purchases during the year	129	627	120	627
Sales and disposals during the year	-155	-1,245	-155	-1,245
Acquisition cost as of Dec 31	12,399	12,425	12,376	12,411
Accumulated depreciation as of Jan 1	-10,515	-11,153	-10,510	-11,153
Depreciation for the year according to plan	-721	-671	-715	-666
Sales/disposal during the year	145	1,245	143	1,245
Adjustment	-1	64	-1	64
Accumulated depreciation as of Dec 31	-11,092	-10,515	-11,083	-10,510
Total carrying value	1,307	1,910	1,293	1,901

Note 8 Parent Company's stock and participations in Group companies

	12/31/08	12/31/07
Acquisition cost as of Jan 1	10	10
Acquisition cost as of Dec 31	10	10
Total carrying value	10	10

	Number of stock units/participations	Proportion	Carrying value
Specification of stock units and participations			
Artimplant USA, Inc., EIN 20-3865384 *			
Registered domicile: Delaware, USA	1,500	100%	10
Office: Lansdale, Pennsylvania, USA			
Total carrying value			10

* The company commenced operations in January 2006. EIN corresponds to the Swedish corporate identity number.

Note 9 Prepaid expenses and accrued income

	Group		Parent Company	
	12/31/08	12/31/07	12/31/08	12/31/207
Rent	760	744	760	744
Pension insurances	121	123	121	123
Patents	221	134	221	134
Accumulated royalty income	443	-	443	-
Miscellaneous	473	362	613	362
Total	2 018	1 363	2 158	1 363

Note 10 Stock

	Quota value	No. of series A units *	No. of series B units *	Total no. of units
Changes in number of stock units				
Total as of Jan 1	0.1 SEK	593,750	58,651,040	59,244,790
Conversion	-	-	-	-
Total as of Dec 31	0.1 SEK	593,750	58,651,040	59,244,790

* Series A stock units carry 10 votes each, Series B stock units carry one vote each.

	2008	2007
Average number of stock units	59,244,790	59,244,790
Total stock units after dilution	60,793,246	60,446,582

Note 11 Accrued expenses and prepaid income

	Group		Parent Company	
	12/31/08	12/31/07	12/31/08	12/31/07
Holiday liability and accrued salaries	1,466	2,033	1,466	1,496
Social security costs	461	401	461	401
Clinical trials	85	108	85	108
Prepaid royalty income	91	-	91	-
Miscellaneous	342	170	342	170
Total	2,445	2,712	2,445	2,175

Note 12 Taxes

Accumulated loss deductions amounted to SEK 370.3 million in the Parent Company and KUSD 672.0, equivalent to SEK 5.2 million, in Artimplant USA, Inc. No deferred tax receivable has been reported.

Note 13 Adjustment for items not included in the cash flow

	Group		Parent Company	
	2008	2007	2008	2007
Impairment, receivable from subsidiary	-	-	4,668	-
Impairment, accumulated product development	2,183	2,184	2,183	2,184
Depreciation, patents	895	1,053	895	1,053
Depreciation, equipment	721	671	715	660
Benefits and provisions, employee stock options	372	-543	372	-543
Miscellaneous	-20	460	120	461
Total	4,151	3,825	8,953	3,821

STOCK AND OWNERSHIP

Artimplant AB's Series B stock has been listed since 1997 on NASDAQ OMX Stockholm in the Small cap segment and in the Healthcare sector. The closing price of the Series B stock at the year-end was SEK 1.64. Series A stock is not listed although in accordance with the Articles of Association it can be recategorized to Series B stock. During 2008, no Series A stock units were recategorized. The number of stock units was 59,244,790, divided into 593,750 A stock units and 58,651,040 B stock units. The quota value of the stock unit is SEK 0.10. Series A and Series B stock units carry equal rights to the Company's assets and profit. A Series A stock unit carries 10 votes and a Series B stock unit carries one vote. There are no limits on how many votes each stockholder can put forward at a stockholders' meeting. The Articles of Association or Swedish law does not contain any provisions that limit the transferability of the stock units and Artimplant is not aware of any agreements between stockholders that could limit transferability.

In addition to what is stated in Note 2 there are no agreements between Artimplant and directors or employees that stipulate payments should these give notice of termination of employment, be given notice of termination of employment without reason or if their employment ceases as a result of a public purchase offer for the stock units in Artimplant. The

same applies to other significant business agreements. As of the closing date, Artimplant had four employee stock option programs. The division between personnel categories, change in the number of outstanding options, redemption price, potential dilution and potential increase in equity in the event of full subscription is reported in Note 2. The main content of the terms and conditions of these programs is; Term 5 years and redemption to take place in year 5 (2005 program) or years 3-5 (2006, 2007 and 2008 programs). The personnel must hold a certain number of stock units in Artimplant during the term of the program, otherwise the options are free of charge. An option carries entitlement to one stock unit. Full terms and conditions for the option programs can be found on the Artimplant website under "Investors and media/Corporate governance/Annual Meeting of stockholders".

Artimplant's market capitalization as of December 31, 2008 was approximately SEK 97 million. Artimplant did not pay out any dividend or repurchase any stock units during 2008.

The number of stockholders as of December 31, 2008 was approximately 7,600. The largest stockholders are reported in the table below. No stockholder or group of stockholders controls more than 10% of the votes.

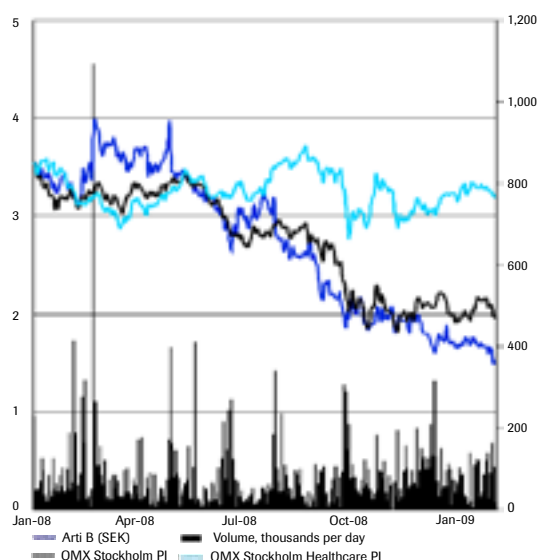
TEN LARGEST STOCKHOLDERS AS OF DECEMBER 31, 2008

SOURCE: EUROCLEAR

Name	Series A	Series B	Capital (%)	Votes (%)
AFA FÖRSÄKRING	0	5,339,450	9.01	8.27
JOHN & CLAIRE ARNOLD REVOCABLE TRUSTS	207,000	3,226,799	5.8	8.2
BANCO FONDER	0	3,108,885	5.25	4.81
LIVFÖRSÄKRINGSAKTIEBOLAGET SKANDIA	45,000	1,813,611	3.14	3.5
ANDERS CEDRONIUS (incl. family)	99,000	1,101,000	2.03	3.24
JP MORGAN BANK	13,250	1,905,450	3.24	3.16
NORDNET PENSIONS FÖRSÄKRING AB	0	1,132,382	1.91	1.75
LARS PETERSON (incl. family and company)	37,500	729,530	1.29	1.71
GÄLÖSTIFTELSEN	0	870,680	1.47	1.35
LARIX BYGGNADS AKTIEBOLAG	0	716,000	1.21	1.11
Others, (7,587)	192,000	38,707,253	65.65	62.90
Totalt	593,750	58,651,040	100	100

Category of stock unit	No of units	No of votes	% of capital	% of votes
Series A units	593,750	5,937,500	1.0	9.2
Series B units	58,651,040	58,651,040	99.0	90.8
Totals	59,244,790	64,588,540	100	100

DEVELOPMENT OF STOCK PRICE, SOURCE: EUROCLEAR, NASDAQ OMX



ISSUE HISTORY

Year	Activity	Price, SEK	Change in no of stock units	Total no of stock units	Increase in stock, SEK	Total stock, SEK
1990	Company founded		1,000	1,000	100,000	100,000
1995	Directed new issue	2,050	2,000	3,000	200,000	300,000
1996	Directed new issue	5,500	1,000	4,000	100,000	400,000
1997	Bonus issue 1:4		1,000	5,000	100,000	500,000
1997	Split 1000:1		4,995,000	5,000,000		500,000
1997	New issue	45	1,500,000	6,500,000	150,000	650,000
1999	Redemption, subscription options	16	1,750,000	8,250,000	175,000	825,000
2000	Directed new issue	143	1,000,000	9,250,000	100,000	925,000
2002	Directed new issue	3	10,000,000	19,250,000	1,000,000	1,925,000
2003	Option issue	3	4,681,018	23,931,018	468,102	2,393,102
2003	Option issue	4	11,965,509	35,896,527	1,196,551	3,589,653
2004	Directed new issue	4	3,600,000	39,496,527	360,000	3,949,653
2005	Option issue	4.50	19,748,263	59,244,790	1,974,826	5,924,479

To the annual meeting of stockholders of Artimplant AB Corporate identity number 556404 – 8394

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Artimplant AB for the year 2008. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circum-

stances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with the international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the loss of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Gothenburg April 7, 2009

Ernst & Young AB

Bertel Enlund
Authorized Public Accountant

Corporate governance at Artimplant is based on external control, which includes Swedish legislation, primarily the Swedish Companies Act, the Articles of Association, the NASDAQ OMX Stockholm AB rules and the rules and recommendations issued by relevant organisations. Artimplant applies the Swedish Corporate Governance Code ('the Code'). The Code is based on the principle of 'comply or explain'. This means that a company that applies the Code can deviate from individual rules although in doing so it must furnish explanations with reasons for each deviation reported. Artimplant follows the Code's rules and reports the explanations in those cases where Artimplant has deviated from the rules laid down in the Code during 2008. This report is not part of the formal Annual Report and has not been audited by the Company's auditors. The Articles of Association and information regarding annual meetings is available on the Group's website www.artimplant.com. Internal control of the operative work at Artimplant is also exercised and is based on:

- Financial and qualitative objectives
- Budget and forecasts
- Monthly reports
- Policies adopted at the Annual Meeting and by the Board of Directors
- Organisational structure
- Job descriptions

Deviations from the Code

In the following cases and for the reasons given, Artimplant has deviated from the guidelines in the Code.

- 3.1. Because the organisation has fewer than 30 employees, Artimplant considers that the Company's existing equality plan satisfies the demands laid down in the Code regarding ethical guidelines governing the way the Company acts.
- 10.1. The number of members of the Audit Committee is two compared to the figure of three laid down in the Code. Because of the Group's minor financial complexity, with a parent company that carries on operations supplemented by a sales subsidiary, the Board of Directors is of the opinion that two persons can satisfactorily discharge the assignments delegated to the Audit Committee by the Board of Directors.

Stockholders

At the end of 2008, Artimplant had approximately 7,600 stockholders according to the register kept by Euroclear (formerly VPC AB). Artimplant's total number of stock units at the end of the year was 59,244,790, of which 593,750 are A stock units and 58,651,040 are B stock units. A stock unit carries 10 votes each whilst B stock units carry one vote each. Trade in Artimplant shares takes place at NASDAQ OMX Stockholm AB. Artimplant's market capitalization as of December 31, 2008 was SEK 97 million. Artimplant's stockholder structure, stock price development etc. are presented on page 30.

Annual meeting

Control and development of Artimplant is governed by decisions made by a number of company bodies, of which the Annual Meeting is the supreme decision-making body. At the Annual Meeting, stockholders exercise their voting rights in accordance with Swedish company law and the Artimplant Articles of Association. The Annual Meeting elects the Company's Board of Directors and auditor. It is also the duty of the Annual Meeting to, among other things, adopt the Company's Balance Sheet and Income Statement, to decide on allocation of unappropriated earnings and to decide on discharge from liability for Directors and the President. The director's fee, the auditor's fee and guidelines for remuneration to senior managers are also decided at the Annual Meeting.

Annual Meeting 2008

At the Artimplant Annual Meeting held on May 6, 2008 in Västra Frölunda, 16.3% of the total number of stock units and 17.0% of the total number of votes in the Company were represented. The Board of Directors was present at the Annual Meeting with the exception of Rickard Söderberg and Wenche Rolfsen Sandsborg. Also present were the President and CFO as well as the Company's auditor. Directors Ingemar Kihlström, Lennart Ribohn, Anna Malm Bersten and Wenche Rolfsen Sandsborg were re-elected. Mats Lundquist was elected to the Board. Ingemar Kihlström was also re-elected as Chairman of the Board. Former Board member Rickard Söderberg declined re-election prior to the 2008 Annual Meeting. The Annual Meeting adopted the proposal put forward by the Board that no dividend be paid



and granted the Directors and the President discharge from liability for the 2007 financial year. The Annual Meeting also decided on remuneration to the Board of Directors and approved the proposal presented by the Board of Directors regarding guidelines for remuneration to senior managers as well as the proposal by the Board of Directors regarding the employee stock option programs. Further information about the employee stock option programs can be found on page 30 and in Note 2 in the Annual Report. Minutes from the Annual Meeting are available at www.artimplant.com.

Election committee

At the 2008 Annual Meeting, it was decided that the Election Committee shall comprise representatives from Artimplant's three largest stockholders as of September 30, 2008, and that the Chairman of the Company's Board of Directors shall be responsible for convening the Election Committee. The Chairman of the Board of Directors shall each year, during the fourth quarter, convene the Election Committee. If any of the three largest stockholders should waive their right to appoint a representative on the Election Committee, or if any member should leave the Election Committee before its work has been completed, the right shall pass to the stockholder which, after these stockholders, has the largest stockholding in the Company. The task of the Election Committee is to present proposals regarding the election of a chairman for the Annual Meeting, election of the Chairman of the Board and other Board Directors, election of an auditor as well as fees for the Board of Directors and the auditors. The majority of the members of the Election Committee shall not comprise Board Directors or the President or any other person from the senior management. In addition, the Election Committee shall elect a chairman from within its number. The composition of the Election Committee shall be notified to the Company with sufficient time so that it can be published six months prior to the Annual Meeting at the latest. The composition of the Election Committee for the 2009 Annual Meeting was announced on November 11, 2008 and all stockholders have had the opportunity to contact the Election Committee with nomination proposals. The Election Committee makes an evaluation of the Board of Directors and its work. A proposal for a new Board of Directors is then presented in conjunction with the summons to the forthcoming Annual Meeting. The Election Committee prior to the 2009 Annual Meeting comprises Anders Algotsson, AFA Försäkring (chairman of the Election Committee), John Arnold from John & Claire Arnold Revocable Trust, Sven Zetterqvist from Livförsäkringsaktieföretaget Skandia as well as the Chairman of the Board of Directors Ingemar Kihlström. The Election Committee meets as necessary although at least once a year. During 2008, and the beginning of 2009 the Election Committee had two recorded meetings and one working meeting.

Board of Directors and the work of the Board

After the Annual Meeting, the Board of Directors is the Company's supreme administrative body. The Board of Directors is responsible for the Company's organization and its management. The Board of Directors is also required to ensure that the organization with regard to accounting and asset management is subject to satisfactory control. The Board

of Directors at Artimplant shall, according to the Articles of Association, comprise a minimum of four and a maximum of nine members as well as a maximum of five deputies. The members are elected each year for the period up to the end of the next Annual Meeting. None of the members of the Artimplant Board of Directors has an operative role in the Company. The Board of Directors, President and senior management are presented in more detail on pages 36-37. It is the role of the Chairman of the Board to lead the work of the Board and to ensure that the Board discharges its assignments. The work of the Board of Directors for the year is based on the rules of procedure adopted at the statutory meeting. The rules of procedure govern, among other things, the number of Board meetings, which matters are to be dealt with and the internal allocation of responsibility between the members. Each year, the Board of Directors examines its own routines and evaluates the work of the President. The allocation of tasks between the members of the Board of Directors and the President, including which matters require a decision by the Board, are decided each year in the adopted instructions to the President. The Board of Directors held a statutory meeting on May 6, 2008 and during the year ten board meetings were held, of which two were telephone meetings and one meeting in the form of circulation of documents. Attendance at these meetings is presented below.

	Attendance/total number of meetings
Ingemar Kihlström	10/10
Lennart Ribohn	9/10
Wenche Rolfsen Sandsborg	8/10
Anna Malm Bernsten	9/10
Mats Lindquist (joined May 6, 2008)	8/10
Rickard Söderberg (retired May 6, 2008)	1/10

The Chairman of the Board and three of the Board members have, in addition to work on the Board, attended meetings of either the Remuneration Committee or the Audit Committee. Delegation of responsibility and decision-making right to its committees is laid down in the rules of procedure for the Board of Directors and in the rules of procedure for each committee. The matters dealt with and the decisions reached at the Committee meetings are recorded in the minutes and reports are submitted at the following meeting of the Board of Directors. The work of the Board of Directors has, apart from customary budget and development issues, been marked by the agreements that have been negotiated or discontinued as well as the Company's strategy for commercialization of new products. The secretary at the Board meetings has been CFO Lars-Johan Cederbrant. At the 2008 Annual Meeting, it was decided that Director's fees totaling SEK 840,000 should be paid, to be divided as follows: SEK 280,000 to the Chairman of the Board, SEK 140,000 to each of the other members. In addition, it was decided that a separate fee should be paid to the Audit Committee to the amount of SEK 40,000 to the chairman of the Committee and SEK 20,000 to the members as well as a separate fee to the Remuneration Committee amounting to SEK 20,000 to the chairman of the Committee and SEK 10,000 each to the members. Artimplant is in compliance

with the NASDAQ OMX Stockholm AB listing agreement and the Code with regard to demands for independent board members. All Board members are independent.

Remuneration Committee

Artimplant's Remuneration Committee is appointed each year by the Board of Directors and during 2008 comprised Board members Wenche Rolfsen Sandsborg (chairwoman) and Ingemar Kihlström. All members were present at all the meetings during the year. During 2008, the Committee held two recorded meetings and in between had other contact as necessary. The Committee is a body within the Board of Directors of the Company and is charged with the task of preparing matters regarding remuneration and other terms and conditions of employment for the company management and for formulating the guidelines for remuneration to senior managers which the Board of Directors presents for a decision at the Annual Meeting.

Attendance/total number of meetings

Ingemar Kihlström	2/2
Wenche Rolfsen Sandsborg	2/2

Audit Committee

Artimplant's Audit Committee is appointed each year by the Board of Directors and during 2008 comprised Board members Lennart Ribohn (Chairman) and Mats Lindquist. The Committee is a body within the Company's Board of Directors and is charged with the task of preparing on behalf of the Board matters relating to quality assurance of the Company's financial statements and maintaining continuous contact with the auditor to remain informed about the orientation and scope of the audit. The Committee shall assist the Board of Directors in these issues and present to the Board its observations, recommendations and proposals for actions and decisions. In addition, the Audit Committee lays down guidelines for services other than audit services which the Company can procure from the Company's auditor. The Committee is also charged with the task of evaluating the audit work and presenting this information to the Election Committee and to assist the Election Committee in producing proposals for an auditor and the fee for the audit work performed. During 2008, the Committee held four recorded meetings and also had other contact in between as necessary. The Audit Committee also held a meeting in February 2009 dealing with the audit of the final accounts for 2008. The Company's auditor has attended all the meetings of the Audit Committee. Together with the Auditor, the Committee has discussed and decided on the scope of the audit.

Attendance/total number of meetings

Lennart Ribohn	4/4
Mats Lindquist (joined on May 6, 2008)	2/4
Rickard Söderberg (retired May 6, 2008)	2/4

Financial reporting

The Board of Directors monitors the quality of financial reporting through instructions for the President and the Audit Committee and through instructions for financial reporting to establish the requirements regarding the content of reports dealing with economic conditions which are presented on an ongoing basis to the Board of Directors. The Board of Directors is presented with and assures the financial reports as well as the Year-End Report and the Annual Report and has delegated to the company management the task of assuring press releases with a financial content as well as presentation material in conjunction with meetings with the media, stockholders and financial institutions.

External auditors

Auditors are as a rule appointed at the Annual Meeting every fourth year. The auditors are commissioned, on behalf of the shareholders, to examine the Company's financial statements and accounting records as well as the administration of the Board of Directors and the President. At the 2007 Annual Meeting the auditing company Ernst & Young AB. He was appointed as auditor for Artimplant. The lead auditor is authorized public accountant Bertel Enlund. He is a graduate in business administration and is employed by Ernst & Young AB and he has been the Company's auditor since 2003. Bertel Enlund has no stockholding in the company. When Bertel Enlund is engaged to provide services other than auditing services, this takes place in accordance with the rules decided by the Audit Committee governing approval of the nature and scope of the services as well as remuneration for the services provided. Artimplant is of the opinion that performance of these services does not jeopardize Bertel Enlund's impartiality. It mainly involves more in-depth examinations of accounting issues and advice in conjunction with preparation of the tax return. Note 2 in the Annual Report contains an account of all payments to the auditors during the past two years. The Company's auditor has attended all the meetings of the Audit Committee and one meeting of the Board of Directors. In conjunction with the meeting of the Board of Directors, the auditor had a meeting with the Board where no representatives from the senior management were present.

Stock/stock-related incentive programs

There are no outstanding stock and stock-related incentive programs for members of the Board of Directors. Incentive programs for Artimplant employees which are linked to the stock price are presented on page 30 and in Note 2.

President and senior management

The President is responsible for ensuring that the ongoing administration is handled in accordance with the guidelines and instructions issued by the Board of Directives. The President shall, through a satisfactory system of controls, assure himself that the Company is in compliance with statutory requirements, the rules of NASDAQ OMX Stock-

holm AB and the Code. The President shall also ensure that the Board of Directors receives documentation that is as factual, comprehensive and relevant as is necessary for the Board of Directors to reach fully informed decisions. In addition, the President maintains an ongoing dialogue with the Chairman of the Board of Directors and keeps him informed of the development and financial position of the Company and the Group.

The President and other members of the senior management have meetings on a continuous basis to examine the monthly results, update forecasts and plans and discuss strategy issues. Artimplant's senior management comprises six persons. These are presented on page 37. The Board of Directors is responsible for ensuring that there is an efficient internal control and risk management system in place. The President has been delegated responsibility for creating good conditions for working with such issues. Both the senior management and the staff on different levels in the Company have this responsibility within their respective areas. Authority and responsibility are defined in policies, guidelines and job descriptions.

Remuneration to senior managers

The guidelines for remuneration to senior managers were adopted at the 2008 Annual Meeting. These are presented together with proposals for 2009 in Note 2 of the 2008 Annual Report.

Report by the Board of Directors on internal control and risk management in respect of financial reporting for the 2008 financial year.

The Board of Directors is responsible under the Swedish Companies Act and the Swedish Code of Corporate Governance ('the Code') for internal control. This report on internal control and risk management regarding financial reporting has been prepared in accordance with section 10.5 of the Code. Artimplant organizes its internal control based on the Internal Control - Integrated Framework launched in 1992 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). COSO comprises five components, which are related to each other, and a number of objectives must be satisfied for each component:

- Follow-up
- Information and communication
- Control structure
- Risk assessment
- Control environment

The control environment is the component that forms the basis for the other components. Through policies, instructions and organizational structure, Artimplant has documented the division of responsibility throughout the whole of the Artimplant organization. This is reflected in the fact

that policies and instructions, when applicable, are based on internationally accepted standards and/or best working practice. Policies and instructions are evaluated at least once a year. Artimplant has integrated risk assessment with the business processes, such as business planning. Within control structure, Artimplant has documented critical financial processes and controls for the Parent Company and Artimplant USA, Inc. The financial processing control documentation is examined annually. Artimplant has an information and communication system and processes in place with the aim of ensuring complete and correct financial reporting. Accounting and reporting instructions are updated as necessary and are evaluated at least once a year.

Due to the Group's minor financial complexity, with a Parent Company that conducts operations supplemented by a sales subsidiary, Artimplant does not have a separate internal audit function for financial reporting. The need for an internal audit function is evaluated annually, normally in conjunction with an examination of the year-end accounts together with an external auditor. The internal control is carried out mainly by the Company's external auditors, by the Audit Committee and by the Group's CFO. The Board of Directors receives regular financial reports and the Group's financial position and development are discussed at each meeting. The Board of Directors examines all interim reports and the year-end report before these are published externally.



BOARD OF DIRECTORS



Ingemar Kihlström (1952)

Chairman of the Board since 2006. Board member since 2003. Associate Professor at Uppsala University. Ingemar Kihlström has worked with preclinical and clinical research and business development at Astra AB and Pharmacia AB for more than fifteen years. He has more than 10 years' experience from the financial sector as a pharmaceutical analyst at companies such as Aros and ABG Sundal Collier. He is now an independent advisor to the biotech/medtech/pharmaceutical sector. Chairman of the board of Recopharma AB, Innate Pharmaceuticals AB, Prolight Diagnostics AB and Acromed Invest AB, deputy chairman of the board of DiaGenic ASA, board member of Health Invest Partners AB, Medivir AB, Kezzler AS, Oxypharma AB and Respiratorius AB. Regarded as independent in relation to the Company, senior management and major shareholders in the Company.

Holding in Artimplant: Series B stock units 149,300. Options 0



Lennart Ribohn (1943)

Board member since 2001. Lennart Ribohn was employed by AB Electrolux 1963-2000, holding a number of leading positions, including Group Controller, Chief Financial Officer and Senior Executive Vice President. Chairman of the Board of Försäkrings AB Nordisk Garanti and a director of SEB Investment Management AB, Segulah Advisor AB and FPG Försäkringsaktiebolaget Pensionsgaranti. Board member of the Securities Council (Aktiemarknadsnämnden). Regarded as independent in relation to the Company, senior management and major stockholders in the Company.

Holding in Artimplant: Series B stock units 119,750. Options 0



Wenche Rolfsen Sandsborg (1952)

Board member since 2007. PhD in pharmacy, Associate Professor at Uppsala University. Wenche Rolfsen Sandsborg has 16 years' experience in leading positions within preclinical research and development at Pharmacia and she has been responsible for the early clinical organization for Quintiles Europe and president of Quintiles Scandinavia for a total of 11 years. Chairman of the board of Aprea AB. Director of Biovitrum AB, Industrifonden AB and Aker Biomarine AS. Regarded as independent in relation to the Company, senior management and major stockholders in the Company.

Holding in Artimplant: Series B stock units 10,000. Options 0



Mats Lindquist (1951)

Board member since 2008. Degrees from Uppsala University in psychology and economics. Employed by the Chamber of Commerce in the County of Uppsala. Formerly Vice President, Corporate Development for the contract research company Quintiles Transnational Corp. During the period 1998-2005, Mats Lindquist was President of Quintile AB's operations in the Nordic region and the Baltic countries. Prior to this he held a number of different managerial positions within the global and local pharmaceutical industry. Regarded as independent in relation to the Company, senior management and major stockholders in the Company.

Holding in Artimplant: Series B stock units 30,000. Options 0



Anna Malm Bernsten (1961)

Director since 2007, deputy director since 2006. Anna Malm Bernsten has vast management experience from the medical and pharmaceutical industry, former CEO of Carmeda and has held a number of senior positions in Assa Abloy, Medivir, Pharmacia, Baxter and Aerocrine AB. At present Chief Marketing Officer at GE Healthcare Life Sciences. Director of DiaGenic ASA, Fagerhult AB and Medivir AB. Regarded as independent in relation to the Company, senior management and major stockholders in the Company.

Holding in Artimplant: Series B stock units 0. Options 0



Company's auditor

Ernst & Young AB

Bertel Enlund, (1950)

Authorized Public Accountant

Auditor at Artimplant since 2003

SENIOR MANAGEMENT



Hans Rosén (1960)
President.

Employed at Artimplant since 2006. Director of Vivolux AB and Ottonova AB.

Holdings in Artimplant: Series B stock units 70,000 (including family members). Employee stock options, 117,056, program 2006/2011; 110,000 program 2007/2012; 112,500 program 2008/2013.



Katrin Gisselfält (1969)
Vice President, Product Development. PhD.

Employed at Artimplant since 1995.

Holdings in Artimplant: Series B stock units 15,000. Employee stock options 49,500 program 2005/2010; 26,233 program 2006/2011; 44,799 program 2007/2012; 40,000 program 2008/2013.



Lars-Johan Cederbrant (1971)
CFO

Employed at Artimplant since 2005. Advisory board member of CardioBridge GmbH and Inventive Capital LLP.

Holdings in Artimplant: Series B stock units 89,000. Employee stock options 49,500 program 2005/2010; 26,233 program 2006/2011; 44,799 program 2007/2012; 40,000 program 2008/2013.



Kauko Haapasaari (1958)
Vice President, Sales and Marketing

Employed at Artimplant since 2007.

Holdings in Artimplant: Series B stock units 60,000. Employee stock options 25,000 program 2007/2012; 40,000 program 2008/2013.



Maria Nyström (1964)
Vice President, Production

Employed at Artimplant since 2000.

Holdings in Artimplant: Series B stock units 4,500. Employee stock options; 29,779 program 2007/2012; 20,000 program 2008/2013.



Bengt Furberg (1941)
Vice President, Medical Affairs. MD, PhD, Associate Professor.

Engaged by Artimplant since 2006. Member of the Board of IndDex Pharmaceuticals AB. Senior medical advisor for Bactiguard AB and a member of the scientific advisory board of LinkMed AB.

Holdings in Artimplant: Series B stock units 10,000. Employee stock options 0

HISTORY

1986 – 1996 – A medical need is identified and the development of a new biomaterial commences. During subsequent years material, product and production development takes place and the technology is verified through preclinical trials.

1997 – The Company acquires a Swedish patent for Artelon® hydrolyzable fiber polymers for use in temporary implants. The Company is floated on the Stockholm Stock Exchange. The first cruciate ligament (ACL) operations on human patients using implants from Artimplant are carried out within the framework of a pilot study.

1998 – The Company acquires Gothenburg Medical Center, a clinic specializing in sports-related injuries.

1999 – Pilot studies in the treatment of damaged thumb ligament and thumb base osteoarthritis are initiated. Artimplant's first multicenter trial in ACL reconstruction begins. Artimplant begins cooperation with Mölnlycke Health Care AB in the field of wound care.

2000 – Operations in the first multicenter trial in ACL reconstruction are concluded. The second multicenter ACL reconstruction trial begins. Artimplant's Artelon® patent is approved in the USA and Europe. The marketing organization is expanded.

2001 – Artimplant's quality assurance system is certified by Lloyds Register Quality Assurance. Artimplant's first product, the Artelon® Augmentation Device ACL is granted CE-certification, and can now be marketed in Europe. The task of building up the Company's own marketing and sales organization ceased during the autumn. Products and material technology will be commercialized through the granting of licenses to leading companies with a global presence.

2002 – Agreement on wound care signed with Mölnlycke Health Care AB. Tord Lendau takes over as CEO. An extensive restructuring program is commenced to reduce the Company's cost base.

2003 – The Company signs an agreement with Atlantech for sales of its Artelon® Augmentation Device ACL. Artimplant's Artelon® CMC Spacer for treating thumb base osteoarthritis receives clearance for marketing

in Europe. Artelon® Surgical Suture is given the clearance by the FDA for sales on the American market. The subsidiary Gothenburg Medical Center is sold.

2004 – Artelon® CMC Spacer receives clearance for marketing from the FDA for sale on the US market. Licensing agreements signed with Small Bone Innovations. A licensing agreement is signed with Biomet Inc. for the production of SportMesh™. Cooperation with Atlantech for the sale of Artelon® Augmentation Device ACL is concluded. Cooperation between Artimplant and Mölnlycke Health Care within wound care is concluded.

2005 – Four new licensing and development agreements are signed with Small Bone Innovations. A distribution agreement for Artelon® Surgical Suture in North America is signed with ArthroCare. Artelon® implant for reinforcing rotator cuffs is cleared for marketing in Europe. Office opened in the United States.

2006 – The Company receives clearance for marketing by the FDA for the sale of the SportMesh™ rotator cuff implant in the USA. Four new Spacer products for the treatment of osteoarthritis in the hand and foot are granted clearance for marketing in Europe. The product Artelon® Augmentation Device ACL is discontinued. Hans Rosén becomes the new CEO. The sales of Artelon® CMC Spacer to end-customers increase significantly.

2007 – The Company's sales increase markedly and cash-flow improves considerably. The FDA grants clearance to market Artelon® Tissue Reinforcement for soft tissue reinforcement in several new indications in the USA. Two new Spacer products for osteoarthritis in the hand are granted clearance by the FDA for marketing in the USA.

2008 – Sales of Artelon® Tissue Reinforcement increase significantly whilst there is a lack of growth in sales of Artelon® Spacer. The agreement with Small Bone Innovations was renegotiated, making it non-exclusive from 2009. Artimplant is initiating new development projects for the treatment of knee joint osteoarthritis and osteoarthritis in the facet joint in the spine. Agreement signed with BioMedtrix regarding the distribution in the USA of Artelon® CCL for cruciate ligament reconstruction in dogs. Up to 2008, over 11,000 patients had been treated with an Artelon® implant.

ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting will be held on May 5, 2009, at 5 pm, at the Company offices at the address below. The premises will be open for registration at 4 pm. Stockholders who wish to participate shall register participation to the Company no later than April 28, 2009 in one of the following ways:

- By e-mail to agm2009@artimplant.com
- By fax on +46 31-746 56 60,
- By telephone on +46 31-746 56 00,
- By writing to Artimplant AB, Annual Meeting 2009, Hulda Mellgrens gata 5, SE-421 32 Västra Frölunda, Sweden

Notification should include details of name, civic registration number or company registration number, address, phone number and stockholding as recorded in the stockholders' register on April 28, 2009. To be entitled to attend and vote, stockholders' names must be recorded in the stockholders' register maintained by Euroclear (formerly VPC AB). Stockholders whose shares are recorded in the names of nominees through a bank or similar institution must request to have their holdings temporarily re-registered in their own names in the register by April 28, 2009, in order to be entitled to participate at the meeting. Such notification should take place well before that date. The Company will publish its Annual Report on its website no later than April 21, 2009, and copies will be available at its office.

The Board proposes that no dividend be paid for 2008.

For further information contact

Lars-Johan Cederbrant, Chief Financial Officer,
Tel. +46 31 746 5654, +46 703 016 854,
lars-johan.cederbrant@artimplant.com

Upcoming information events

Three months report	May 5, 2009
Six months report	August 5, 2009
Nine months report	November 6, 2009
Year-end report	February 11, 2010

Financial reports are available at www.artimplant.com and are distributed to the media at the same time.



www.artimplant.com

Now I can walk properly

Two and a half years have passed since I had my implant, an Artelon® MTP Spacer, operated into my right big toe and I would like to offer my sincere thanks to Artimplant! After having lived with a painful, stiff and immobile toe for 45 years I'm now beginning to get used to be able to do things I was unable to do before, such as walk barefoot and on my toes.

It was way back in 1961 that I damaged my toe badly after colliding with a guy from Alingsås while playing football during my national service days. We didn't have any proper equipment in those days, just thin canvas shoes that offered no protection for the feet. It was then unfortunate that the doctor who examined me failed to notice that a joint in my toe had broken in two. I was in terrible pain every time I put pressure on my toe and I had to develop a new way of walking which meant that I only put pressure on the outside of my foot. When it was eventually discovered that the joint was broken it was too late to do anything as it had already begun to heal incorrectly and an unwelcome layer of bone had also begun to form around the damaged joint.

Forty-five years passed without one single method for operating on the toe emerging that I could accept. I have been offered both arthrodesis of the toe and having the joint replaced with silicone but both alternatives meant that I would lose forever the possibility of regaining movement in the ever so important toe joint – the whole of your balance depends on being able to move your big toe joint.

Now I'm glad I waited. Senior consultant Liliane Helger at the Orthopedic Clinic at Skene Hospital has done a really good job and I have once again regained functionality in my toe!

Initially it felt strange and difficult to keep my balance when I stood on my toes but now I can walk around and almost bang my head on the ceiling at home. I've also thought about realizing an old dream which was impossible to do with an immobile toe – walking the 90 km Dag Hammarskjöld Trail between Abisko and Nikkaluokta. Now that my right big toe is no longer a problem it is simply a matter of not creating another problem by not finding the time to do that walk!

Best regards



Eddy Blom

