



Artimplant is a biomaterials company focusing on orthopedic surgery solutions and other therapy areas. The Company is engaged in research and development and the development of production processes for degradable implants designed to restore an active lifestyle.

Contents

ARTIMPLANT SO FAR

2004 in brief	3
Business concept and vision	3
CEO's statement	4

PRODUCTS AND MARKETS

Business model	6
ARTELON®	7
Market conditions	8
Therapy areas	10
Product portfolio	11
Patents and trademarks	14
Production	15
Organisation and human resources	16
Corporate governance	17

FINANCIAL REPORTING

Stock data	18
Five-year overview	19
Report of the board of directors	20
Key ratios	22
Income statement	23
Balance sheet	24
Changes in equity	26
Cash flow analysis	27
Accounting principles	28
Notes	30
Auditors' report	35
Board of directors and auditors	36
Senior management	37
Glossary	38
www.artimplant.com	39

ANNUAL GENERAL MEETING

The Annual General Meeting of stockholders will be held at 16.00 on Monday May 2, 2005 at the Company's offices at Hulda Mellgrens gata 5, Västra Frölunda. Registration will begin at 15.30. Stockholders wishing to attend and take part should inform the Company of their intention to do so by April 26, 2005 in one of the following ways:

- By e-mail to bolagsstamma2005@artimplant.se
- By fax +46 31 746 56 60
- By phone +46 31 746 56 00
- By letter, to Artimplant AB, Hulda Mellgrens gata 5, SE-421 32 Västra Frölunda



FINANCIALS

Interim report, Jan-March
Interim report, Jan-June
Interim report, Jan-Sept

May 2, 2005
August 31, 2005
November 10, 2005

INVESTOR RELATIONS

Tord Lendau, CEO
+46 31 746 56 00
e-mail: investor.relations@artimplant.se

Notification should include details of name, PID number (where appropriate), corporate registration number (where appropriate), address, phone number and holding of stock as recorded on April 22, 2005. To be entitled to attend and vote, stockholders' names must be recorded on the register maintained by VPC AB. To be entitled to attend and vote, stockholders whose holdings are recorded in the names of nominees must also have their holdings temporarily re-registered in their own names in good time before that date.

The Company will publish its Annual Report on its website on April 18, 2005, and copies will be available from its offices. Copies may be ordered from the Company at the above address.

2004 in brief

Licensing agreements herald commercial breakthrough

- Licensing agreement signed with Avanta Orthopaedics for sale of Artelon® Spacer CMC-I in the USA and the rest of the world.
- Development and licensing agreement signed with Biomet for development of a product for repairing damaged soft tissue.

Product sales

- In December the first shipment of ARTELON Spacer CMC-I to Avanta Orthopaedics was made.
- Increased sales of ARTELON TMC Spacer in Scandinavia, where it is now in clinical use in a number of hospitals.

Important regulatory approvals

- ARTELON Surgical Suture approved for sale on the European market.
- ARTELON Spacer CMC-I approved for sale on the US market.
- Products previously approved for sale on the European market where also approved for sale in respect of further indications.

Trial sales completed

- Trial sales of ARTELON ACL Augmentation Device in the UK completed.

Cooperation on wound care ended

- Cooperation between Artimplant and Mölnlycke Health Care on the development and licensing of wound care products using ARTELON ended.

Artimplant in brief

Artimplant

Artimplant is a biomaterials company focusing on identifying solutions to problems in orthopedic surgery and other areas of therapy. The Company is engaged in R&D and the development of production processes for degradable implants designed to restore active lifestyles. Artimplant's biomaterials are developed in-house, and are based on ground-breaking technology that is opening up new markets in the fields of orthopedic surgery and associated areas where medical needs are substantial. The Company has developed a number of different implants, including products for reinforcing cruciate ligaments, treatment of arthritis of the thumb and a number of odontological indications that are now either undergoing clinical trials or are already available on the market.

Artimplant's business model is that of licensing its products and technology to global partners. The Company currently has two licensing agreements with global partners. Artimplant is listed on the Stockholm Stock Exchange O List.

Business concept

Artimplant's mission is to develop novel biodegradable materials and implants that meet the needs of patients, physicians and healthcare providers in orthopedics and other therapy areas. The company works together with global partners as a center of excellence in this development.

Vision

Artimplant's vision is to become the partner of choice in biomaterials for hard and soft tissue repair in multiple therapy areas.

CEO's statement



We are very pleased that we have succeeded in fulfilling the ambition we set ourselves at the beginning of 2004, of entering into licensing and development agreements. That we've done so is the result of hard work and single-minded effort. But it's just the tip of the iceberg. Most important of all is that we now have in place an organization with considerable innovative abilities, that will continue to roll out new products to meet the needs both of our partners and of doctors and patients.

LET ME START BY SUMMARIZING THE MOST IMPORTANT EVENTS DURING THE YEAR:

- We signed a global licensing agreement in respect of the ARTELON Spacer CMC-I with Avanta Orthopaedics, a part of Small Bone Innovations Inc.
- We signed a global development and licensing agreement in respect of a reinforcement product with Biomet Inc.
- We launched the ARTELON Spacer CMC-I internationally.
- The FDA approved the ARTELON Spacer CMC-I for sale in the USA.
- We established sales of ARTELON Spacer products on the Swedish market.
- CE certification was granted in respect of a new, thicker version of the ARTELON Surgical Suture designed for reconstruction of tendons and ligaments.
- We brought our agreements with Atlantech and Mölnlycke Health Care to a conclusion.

ARTELON features a unique combination of characteristics that distinguish it from other degradable biomaterials including mechanical properties, long degradation time, a wide range of shapes and biocompatibility. These open up completely new therapeutic possibilities in a number of medical applications. And we have solid foundations on which to stand thanks to extensive biomaterials documentation and a considerable mass of clinical material too. For example, we can show up to eight years' clinical use of ARTELON demonstrating excellent tissue compatibility. The two approvals we've been granted by the FDA show that our regulatory strategy is the right one and that our materials data makes the process of obtaining approval a more efficient one. All in all, it means that we can develop at a faster pace when it comes to future applications for approval.

We have also made considerable efforts not only to increase our contacts with important molders of public

"The next stage is a decisive one along the way to making Artimplant a leader in the field of degradable biomaterials, based on our unique technology"

All this means that we have successfully completed the restructuring of our Company, the first phase in the long-term plan that we launched in the fall of 2002. Now that we've established ARTELON with two partners in the field of orthopedics, we're ready to go ahead with the next phase: achieving positive cash flow and further product development. We'll be continuing to expand our orthopedic product portfolio and we'll be broadening the base for ARTELON applications by branching out into odontology and plastic/reconstructive surgery. This will help us to attain our objective of becoming the leader in the field of degradable biomaterials.

opinion but also to publish scientific data and clinical results in leading professional journals and stage presentations at international conferences during the year, including the World Biomaterial Congress in Sydney and the Joint Meeting of Tissue Engineering Society International and ETES in Lausanne. The process development we've engaged in during the year has resulted in an increase in the number of ARTELON preparations – fiber, foam, granules and film – that we are able to create, opening the way to new products for use in various applications.

Sales of the ARTELON TMC Spacer in Sweden have now begun. The product is in regular use in six clinics,

most of them in Western Sweden, and a number of surgeons have expressed considerable interest in learning about the techniques involved and in making use of the product in the treatment of selected patients. The first operations involving the use of the ARTELON Surgical Suture were carried out during the fall, and active marketing has now got under way on the Scandinavian market.

Licensing activities have been further developed and, after our successes with Small Bone Innovations and Biomet, we're now going forward with further projects in conjunction with our orthopedics partners. We've also intensified our contacts with companies in the fields of odontology and plastic/reconstructive surgery.

The process of product development is now benefiting from stronger organization, methodology has been sharpened and today we're in a position to develop new products considerably more rapidly than we were two years ago.

Our production and prototype facility has undergone its baptism of fire, and is now keeping step with testing of product concepts and orders from our partners. To enable us to meet demand from our new partners we've ratcheted production up a few notches, including improvements to the fiber spinning process, more efficient ARTELON weaving and adaptation of fixing and finishing of long fabrics. Where production development's concerned we're concentrating on increasing the efficiency of thread preparation, inspection and packing, and on enhancing polymerization yield.

STRONGER, FASTER PRODUCT DEVELOPMENT

Orthopedics

In the field of orthopedics we're now further developing our Spacer family of products for treatment of arthritis of the thumb while at the same time we're expanding the concept to include joints in the hands, wrists, feet and ankles. Further new products for treatment of extremities will be developed as a result of additions to our Suture family and products tailor-made for reconstructing various types of tendon and ligament.

Pre-clinical studies have been carried out with a view to examining the possibility of using ARTELON to repair osteochondral defects, which is to say damage to cartilage and bone in joints. Here, too, we benefit from earlier data derived from our studies of ARTELON.

Odontology and CMF

Expansion into the fields of odontology and craniomaxillofacial surgery represents a highly attractive step forward, as it will increase market potential for ARTELON and as there are a number of synergies between these fields and orthopedics. Fiber, foam, granules and film have a great many applications in head and throat sur-

gery, and we can use existing data from earlier studies we've carried out to bring products rapidly to market. Two examples of this are our ongoing development work on ARTELON Membrane and ARTELON Bone Scaffold. For a long time, Göteborg and the surrounding region has been a world center in these fields, thanks largely to the development of titanium implants as replacements for lost teeth.

Artimplant has the advantage of a wide network of leading clinics in the field of oral surgery, whose members are playing an active role in developing new products to meet clinical needs. Future product development projects in odontology include new treatment concepts that will lead to enhanced esthetics in implant treatment and an increase in the number of patients for whom tooth implants represent a possible solution.

Esthetic and reconstructive CMF surgery is another area with considerable potential. The characteristics to be found in ARTELON have shown it to be suitable for soft tissue contouring, for example in the face.

We will be reinforcing our licensing and product development resources, to take full advantage of the momentum that has been created by the two global agreements we signed in 2004. We'll also be increasing levels of sales support for our partners and stepping up product development in the fields of orthopedics, odontology and reconstructive surgery with a view to meeting the demand for further products based on ARTELON.

Finally I'd just like to say a big thank-you for all the confidence our stockholders and our business partners have shown in us. I'd also like to thank all our employees for their high standards, high tempo and the enthusiasm they've demonstrated for the development of the Company.



Tord Lendau
CEO
Artimplant AB

Business model

Artimplant's business model and future income flows are based on exploitation and further development of the technological platform, ARTELON.

BUSINESS MODEL

Artimplant's business model and future income flows are based on exploitation and further development of the technological platform, ARTELON, on the basis of which various medical device applications can be developed. Over time the Company plans to position itself in commercially attractive areas where there's a need for biomaterials. At the present time Artimplants focus is on development of fibers and scaffolds for orthopedic applications, and on product development within the framework of the agreement with Biomet on the repair of damaged soft tissue.

Product development, including pre-clinical and concept studies, and process development for volume production of fibers and porous matrixes are important links in the chain.

Artimplants market interface consists of strategic partnerships. By licensing the use of ARTELON to major companies with well-known brands and global or regional distribution, and for specific product applications, Artimplant has the potential to achieve greater volumes at lower financial risk.

THREE SOURCES OF INCOME

- Licensing of product applications
- Income from own sales of products and from distribution agreements

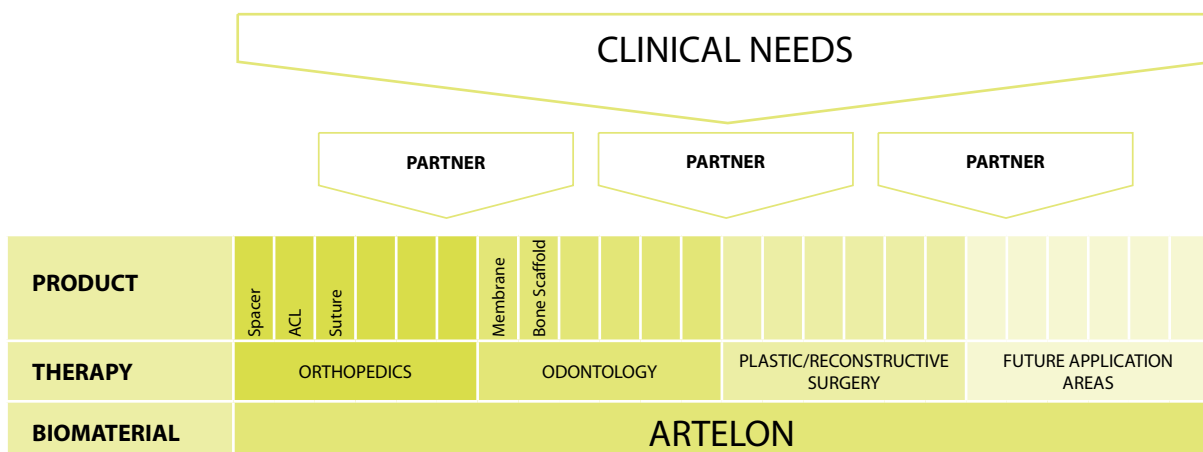
- Payment for product development projects

DEVELOPMENT AND LICENSING STRATEGY

The Company will continue with its strategy of licensing products based on ARTELON. The partners Artimplant will be looking for in this context will be those with strong brands and global distribution. ARTELON has the capability of becoming a biomaterial that can be used in a wide range of therapies where surgeons are looking for a slowly degrading synthetic material that is gradually replaced by the body's own tissue.

To date the Company has focused on orthopedic applications where there is considerable potential for its use. Other areas now being investigated and that are also assessed as having considerable potential include odontology and plastic/reconstructive surgery. In each of these areas there is room for development of a number of different products. The Company is concentrating on looking to sign product-specific agreements. In this way Artimplant aims to create wide-ranging business opportunities and spread the number of products in which ARTELON is included, with the aim of making ARTELON a worldwide standard when it comes to the use of synthetic biomaterials for tissue reconstruction.

Thus future income will be derived from a number of narrowly defined license agreements rather than just a few wider-ranging ones producing substantial one-off payments. The two most recent agreements, with Avanta and Biomet, are examples of the type of agreement that will be pursued. They'll be licensing agreements relating to products developed in-house like the ARTELON Spacer CMC-I, and product development agreements under which licensing partners invest in the development pro-



ARTELON®

ARTELON is a unique, patented biomaterial that acts as a temporary support to the healing tissue.

Today there are hundreds of patients who have been treated with ARTELON implants in various applications and with implantation periods of up to eight years. Extensive histological surveys of implanted material and surrounding tissue have revealed that ARTELON is exceptionally biocompatible throughout its implantation period. Since the material is 100 percent synthetic there is no risk of disease transfer involved in its use. In addition the composition of polymer does not vary from batch to batch as materials of animal origin often do.

Its unique capacity in various medical applications lies in the interaction between ARTELON, which is a biomaterial with unparalleled characteristics, and the human body's inherent ability to heal itself and form new tissue;

SAFE	FLEXIBLE	SYNTHETIC	LONG TERM DEGRADATION
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something that Artimplant calls biological approach. This interaction between the body's cells and the slowly degrading biomaterial opens up many new possibilities.

One of these possibilities is the creation of a new articular surface in, for example, the joint at the base of the thumb by removing the damaged surface and implanting a biomaterial. The biomaterial then functions as a scaffold on which cells can climb and create a new, fully functional articular surface. Clinical results have shown that the body starts to build a new articular surface shortly after implantation, and that ARTELON supports the new fibrous cartilage.

ARTELON			
Excellent biocompatibility. Long term degradation.			
FIBERS	SCAFFOLDS	FILMS	GRANULES
<ul style="list-style-type: none"> • Reinforcing • 3D textile • High-performance textile structure 	<ul style="list-style-type: none"> • Filling and guiding • Highly porous 3D • Soft and shapeable 	<ul style="list-style-type: none"> • Guiding • Variable porosity • Flexible 	<ul style="list-style-type: none"> • Filling • Soft • Porous

The concept of creating a new articular surface with the help of ARTELON is a general one and can be used for many of the joints in the human body.

ARTELON can be produced in a number of shapes to meet the specific needs of end-users. Its structural design can be tailored to produce the required combination of surface structure and mechanical and biological properties, in the form of new and improved products that will help the body to heal itself.

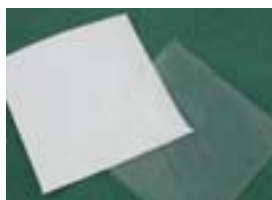
ARTELON fiber was originally developed for reconstruction of tendons and ligaments, and can be tailored into advanced structures by weaving, knitting and braiding. The scaffold and granules are both suitable for bone replacement, thanks to their softness, shapeability and high porosity. There is also a future for various types of ARTELON films for guided tissue regeneration and tissue engineering. Their structure can be varied from dense and separating to porous and selecting. By means of electrospinning, an emerging technology, it will be possible to achieve nanofibers and thus mimic fiber size and orientation in native extracellular matrixes.



Fibers



Scaffold



Films



Granules

Market conditions

Thanks to ARTELON, Artimplant has a unique opportunity to grow on the market for implants. There is currently a trend in favor of changing over to degradable products that will be replaced by the body's own cells. This trend is not limited to orthopedics.

The possibility of using ARTELON as a carrier for various types of cells and pharmaceuticals is further increasing the potential market for future products from Artimplant.

Thanks to ARTELON, Artimplant has a unique opportunity to grow on the market for implants. There is currently a trend in favor of changing over to degradable products that will be replaced by the body's own cells. This trend is not limited to orthopedics.

THE MARKET IN GENERAL

Changes in the medical sector, including those in companies engaged in the field of implants, are resulting in fewer but ever larger global players. The largest companies on the market today include DePuy, a division of Johnson & Johnson; Zimmer; and Biomet. Cooperation between these giants and small, research-intensive development companies is creating the conditions for building up product lines featuring implants in new materials, and combining them with pharmaceuticals, cells or other biologically active substances. By cooperating with the big internationals on product development and making use of their sales outlets, it's possible for smaller companies to cut down lead times from development project through approval to widespread use of a new

product, and cut them down substantially.

The market for implants is also increasing because, particularly in industrialized countries, people are living longer and longer, are financially better and better off, and are looking for better and better quality in long and active lifestyle.

THE MARKET FOR BIOMATERIALS

The market for biomaterials for use in orthopedics has been calculated as being worth the equivalent of over SEK 10 billion a year. Some 75 percent of this is attributable to bone substitute products. By 2006 the market is expected to be worth the equivalent of over SEK 25 million, and this growth is attributable to combining biomaterials with cells or other biologically active substances.

Examples of other areas experiencing strong growth, and that can be opened up for ARTELON products, include membrane and bone substitute in odontology, and membranes and scaffolds for building up both bone and soft tissue in e.g. orthopedic and plastic surgery applications.

GLOBAL MARKET FOR ORTHOPEDIC BIOMATERIALS, BY SEGMENT

SEGMENT (figures in MSEK ¹)	2002	2006	2010	GROWTH PER YEAR ²
Bone substitutes	7 973	11 557	15 211	8%
Degradable fixations	1 127	1 617	2 226	9%
Ligament	1 071	2 009	3 948	18%
Cartilage	273	1 295	2 555	32%
Orthobiologics	175	8 463	14 791	74%
Meniscus	63	406	2 541	59%
Totals	10 682	25 347	41 272	18%

¹Assuming a rate of exchange of USD 1 = SEK 7

²Aggregated annual growth 2002-2010

Sources: Artimplant/Medtech Insight March 2002

GLOBAL MARKET FOR ODONTOLOGY, CMF SURGERY AND PLASTIC/RECONSTRUCTIVE SURGERY

SEGMENT (figures in MSEK ¹)	MARKET SIZE	ESTIMATED GROWTH PER YEAR
Odontology	4 900	15%
CMF surgery	3 500	approx. 10%
Plastic/reconstructive surgery	7 000	

¹Assuming a rate of exchange of USD 1 = SEK 7

Sources: Artimplant/Market reports

ARTELON Spacer

In the USA the total number of small bone and joint operations a year, which includes surgery on hands and feet, is estimated to be 2,5 million. The ARTELON Spacer CMC-I and future members of the Spacer family will enjoy better access to this market thanks to the licensing agreement with Avanta Orthopaedics, which is now a part of Small Bone Innovations Inc. In Sweden alone, the total number of joint, tendon and ligament operations carried out on hands and wrists is estimated to be around 15 000 a year, most of them to deal with rheumatoid arthritis. In Sweden, during 2004 more than 2 000 operations were carried out to deal with arthritis of the thumb CMC-I joint (the current indication for the ARTELON TMC Spacer), most of them using tendon arthroplasty or arthrodesis techniques. But in practice the number of patients suffering from arthritis of the base of the thumb is many, many times this number. In conjunction with methods that retain the tissue, the use of a new material like ARTELON can mean that many patients suffering from pain and limited mobility can be operated on instead of receiving long-term treatment with painkillers and splints.

New areas of therapy

To date Artimplant have focused on applications in the fields of orthopedics and hand surgery, where there is tremendous potential. Other interesting areas which have considerable potential, are odontology and plastic/reconstructive surgery. The softness and shapeability of ARTELON make it particularly suitable for odontological bone replacement purposes, for example in combination with metal implants. In the USA this market sector is assessed as being worth the equivalent of some MSEK 6 750

during 2006. The majority of existing synthetic products on the market today are made of hard, brittle materials that are difficult to handle, which in some cases limits the extent to which they can be used. These are fields in which ARTELON opens up completely new possibilities.

ALTERNATIVE MATERIALS

So far as competing biomaterials are concerned, these vary depending on the medical applications in which they are used. There are other degradable biomaterials like collagen, of human or animal origin. Medical requirements can vary widely, from remedying defective bone to reconstruction of soft tissue, resulting in varying requirements as to the appearance of the biomaterial to be used.

There is no other biomaterial on the market today that offers the same combination of characteristics as ARTELON in terms of long degradation time, mechanical properties and biocompatibility. ARTELON is unique.

Therapy areas

ARTELON has outstanding biocompatibility in both soft and hard tissue, excellent mechanical properties and is available in a wide range of shapes including film, fiber and scaffold, making it suitable for use in many different areas of therapy.

WIDENING THE PRODUCT PLATFORM

Thanks to the fact that ARTELON fibers resemble human tendons and ligaments in mechanical terms, the main focus at Artimplant has been on orthopedics and sports-related injuries right from the start. Using data derived, for example, from clinical studies and by developing new shapes, the product platform has recently been widened to include new therapy areas for which both market potential and clinical need are considerable. These include:

- Odontology
- Craniomaxillofacial surgery
- Plastic/reconstructive surgery

The work done on product development means that today the pace of development of new products for use in attractive market sectors is a much faster one. At the same time the costs incurred in developing new product applications have been reduced. One of the main reasons for this is that Artimplant can now make use of previous investment and of the acquired know-how. The Company expects to have a product portfolio soon, consisting of ten or so products that will result in increased income potential.

SYNERGIES BETWEEN THERAPY AREAS

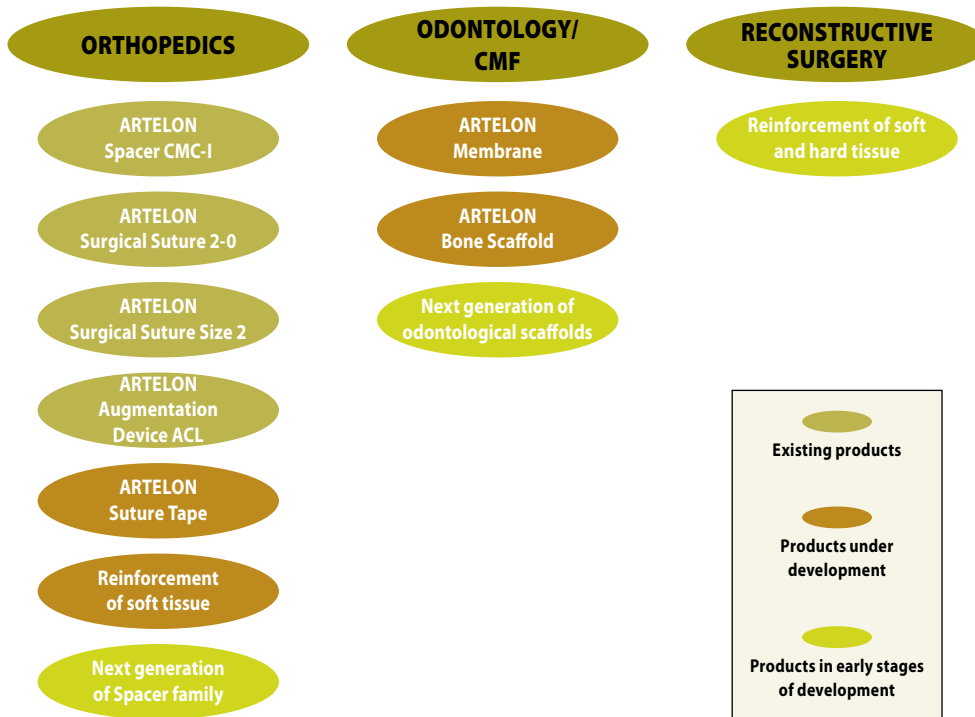
There are many similarities between the different areas of therapy in which Artimplant is involved. The principle involved, that of replacing bone or supporting the healing of soft tissue, does not differ to any great extent from one part of the body to another. Where the real differences between areas of therapy lie are:

- In the ways in which regulatory approval is obtained (how easy/difficult it is to obtain approval of a product)
- In the competition encountered from other materials and other methods of treatment
- In ability to pay, subsidies and other socio-economic factors
- In the acceptance by doctors and surgeons of new materials and products

Nevertheless, these differences can be used to create synergies between similar products used in different areas of therapy. Combinations of areas like orthopedics and odontology are attractive ones thanks to the very fact that there are many synergies between these disciplines. This explains why they're often found in large companies in the sector.

Product portfolio

Artimplants extensive work on product development has resulted in a portfolio that today consists of products and product development projects covering a number of therapy areas.



Orthopedics

The **ARTELON TMC Spacer*** offers a mode of biological approach and tissue-preserving method for treating patients with arthritis of the base of the thumb. It involves the creation of a new surface on the arthritic bone and stabilizing the TMC joint.

Thumbs are by far the most important digits. Reduced or lost function of a thumb is a severe handicap. Arthritis of the base of the thumb occurs when the cartilage between the first metacarpal bone (*os metacarpale-I*) and the wrist bone at the base of the thumb (*os trapezium*) degenerates. This degeneration is often very painful, and also results in reduced function. Its reported prevalence in women after menopause is as high as 33 percent. At present there is no completely satisfactory treatment available for this form of arthritis. In its early stages patients are given conservative treatment, for example in the form of painkillers or anti-inflammatory drugs and support bandages. The surgical treatments that have been available to date have consisted of arthrodesis, tendon arthroplasty or insertion of a prosthesis. These all involve operations resulting in irreversible changes to the anatomy of the

hand. Today the total number of operations worldwide in the area of therapy in which the ARTELON Spacer CMC-I is designed to be used has been assessed as about 100 000 a year. The product is intended to be used in the early stages of arthritis of the base of the thumb, and should therefore be regarded as a first-generation product with scope for further development. Further development, in the form of the next generation of the Spacer family, should make the product suitable for treatment of a wider group of patients suffering from various stages of the disability.

The ARTELON TMC Spacer is a T-shaped woven implant made of ARTELON fibers. Its vertical section separates the bones of the joint and at the same time offers a scaffold on which the body's own tissue can grow. Its horizontal section reinforces the capsule of the joint and in this way stabilizes the whole. When the ARTELON TMC Spacer is used, only a small portion of the *os trapezium* is lost. The original joint surface and a few millimeters of the underlying bone are removed to make it easier for body tissue to grow into the implant. This method saves tissue and leaves the TMC joint almost intact.

The operation can be carried out under local anas-

* ARTELON TMC Spacer is approved in Europe. In the US the product is marketed under the name ARTELON Spacer CMC-I.

thetia and takes less time than, for example, tendon arthroplasty. Results over the past three years of an ongoing pilot study of patients treated with the ARTELON TMC Spacer reveal stability of the TMC joint and almost complete disappearance of pain. These patients reveal a continuous increase in strength of grip as distinct from patients in the control group.

The ARTELON TMC Spacer was granted CE certification for the European market in August 2003, and was approved by the FDA for sale in the USA in September 2004. In the USA the product is marketed as the ARTELON Spacer CMC-I.

The concept of stimulating the rebuilding of a joint surface is a general one that can be applied to many of the body's joints in addition to the TMC joint. Successful pilot operations have already been carried out in which surgeons have called for tailor-made Spacer implants for other joints.

The ARTELON Surgical Suture has been optimized for use with slowly healing tissue, and is particularly suitable for orthopedic applications. The unique mechanical properties and biocompatibility found in ARTELON are advantageous in sutures. For example, a degradable material that retains its mechanical properties over a longer period than do traditional absorbable sutures is suitable for treatment of ligaments and tendons. The ARTELON Surgical Suture retains 50 percent of its strength for up to four years after implantation, distinguishing it from other degradable sutures available on the market whose degradation period is much shorter than this.

The ARTELON Surgical Suture is available in various dimensions – a thinner version (2-0) and a somewhat coarser one (Size 2) – for use in different clinical situations. The ARTELON Surgical Suture 2-0 was approved for sale in the USA in 2003 and in Europe in 2004, and the ARTELON Surgical Suture Size 2 was granted CE certification in 2004.

Because ARTELON has mechanical properties similar to those of human tendons and ligaments, there are a number of clinical situations in which an appreciably coarser and flatter suture, the ARTELON Suture Tape, can be used to reconstruct a tendon in the hand or foot, for example.

ARTELON Augmentation Device ACL has been developed for patients with torn anterior cruciate ligaments (ACL). The device supports the autograft during the sensitive initial stage of healing. Every year about a million people in the western world suffer ACL injuries. Patients in this group are quite young, with an average age of 25-30 and have been enjoying a physically active lifestyle. ACL injuries are often sports-related. Together with three other knee ligaments and the menisci, the anterior cruciate ligament governs the passive stability of the knee joint. If any of these structures are damaged there is a considerable risk that the knee joint will become unstable. Unless the patient receives adequate treatment, instability problems may remain, accompanied by pain as the result of tissue degeneration. ACL injuries can be treated by physiotherapy or reconstruction of the ACL using autografts. Clinical studies are currently taking place to assess the treatment of ACL injuries using autologous tendons reinforced with the ARTELON ACL Augmentation Device. Results over the past five years indicate comparable stability in operated knees and healthy knees that have not been operated on. These studies also indicate that ARTELON is biocompatible and that body tissue grows into the implant. A pilot study based on accelerated rehabilitation has shown very good results in patients who undergo an accelerated rehabilitation program.

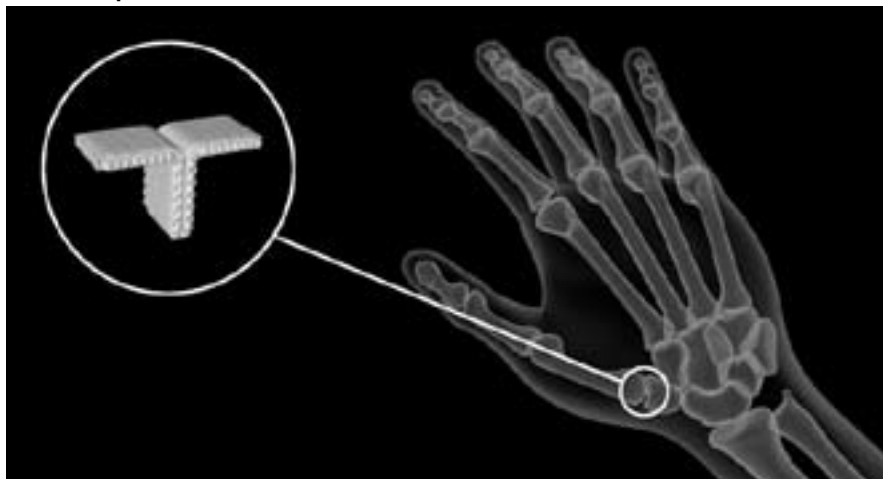
ARTELON ACL Augmentation Device was the first Artimplant product to be approved for medical use. It won CE certification in Spring 2001.

However, contacts with users in clinical studies and

ARTELON Surgical Suture



ARTELON Spacer



the recently completed trial sales conducted by Atlantech in the UK have revealed that its clinical added value and the group of patients in whose treatment the product is suitable are much more limited than originally expected. The great benefit of ACL reconstruction is in a prosthesis, and this will form the subject of the development project with which the product will be licensed.

Reinforcement of soft tissue

Products made of ARTELON for repairing soft tissue can be designed to match a variety of applications.

Development of an ARTELON-based tendon reinforcement product is currently in progress in partnership with Biomet, the world leader in the development, production and marketing of musculoskeletal implants. It's possible to have a product that's received regulatory approval and is ready for launching on the market by the end of 2005. At the moment, however, due to a confidentiality agreement with Biomet, the exact area of application for which this product is intended cannot be disclosed.

Odontology/CMF

ARTELON Bone Scaffold

The majority of synthetic products available on the market today are made of hard, brittle materials that are difficult to handle, which in some cases limits the extent to which they can be used. These are fields in which ARTELON opens up completely new possibilities. With its high porosity, ARTELON Bone Scaffold represents the optimum solution for building new bone. Both experimental and clinical studies have revealed extensive growth of bone into ARTELON matrixes and osseointegration of ARTELON in the surrounding bone tissue. The soft consistency and plasticity of ARTELON make it particularly suitable for odontological bone replacement purposes, for example in combination with metal implants. The matrix functions as a wick, making it easier to absorb and retain

blood or bone marrow, for example. ARTELON Bone Scaffold is scheduled for launch during 2005.

A conservative estimate puts the number of treatments per year in which this new product could be used to about 650 000 worldwide. The next generation of ARTELON Bone Scaffold will include ARTELON in granular format of various dimensions.

ARTELON Membrane

ARTELON Membrane can be used in a number of odontological applications to assist the building of new bone, for example in the maxillary sinuses, bone cysts and traumatized bone defects. Membrane will be available in various dimensions and thicknesses. ARTELON Membrane distinguishes itself from many of its competitors in that it retains its geometry when wet. And the fact that the product's degradable means there's no need for a second operation to remove it. In addition to the existing completely porous membrane, there is also a demand for follow-up products with varying porosity. The launch of the first generation of ARTELON Membrane is scheduled during 2005. The number of treatments a year in which this product could be used is estimated to be just as great as that for ARTELON Bone Scaffold.

Plastic- and reconstructive surgery

Another closely associated therapy area in which Artimplant is currently evaluating a number of interesting product development projects together with potential partners is plastic- and reconstructive surgery. Following trauma, illness or malformation reconstruction and correction of soft tissue contours is needed, for example in the face. Pre-clinical studies in which ARTELON has been evaluated in similar environments have shown that the material's consistency, ease of handling and biocompatibility make it well suited to applications of this type.

ARTELON Bone Scaffold



ARTELON Membrane



Patents and trademarks

Artimplant's portfolio of patents provides good protection for existing products and commercially promising candidates on the Company's main markets.

Artimplant has continued with its policy of optimizing protection in relation to the costs involved.

The table below lists six patents that Artimplant has been granted in Sweden. Three of them have also been approved internationally. A further patent application, not listed in the table, has been submitted.

All patent rights and other rights in respect of ARTELON have been acquired from Polyrand AB (founder Per Flodin), in 1998. Compensation is paid in form of royalties.

PATENTS

DESCRIPTION	STATUS	EXPIRATION
Linear block polymer (main patent)	Patented in Sweden, Australia, China, USA and EU	2015-2016
Ligament	Patented in Sweden, Australia, China, USA and EU	2018-2019
Porous films	Patented in Sweden, Australia and USA	2019-2020
Porous material	Patented in Sweden. International patents applied for	2020
Linear block polymer with handle	Patented in Sweden. International patents applied for	2020
Spacer	Patented in Sweden. International patents applied for	2021

TRADEMARKS
ARTELON is a registered trademark in the EU, Australia, Singapore and the USA.



Production

Except for sterilization, all production at Artimplant takes place using the Companys own equipment at its premises in Göteborg. It's been built up to focus on production of fibers and woven goods, areas in which Artimplant has considerable experience.

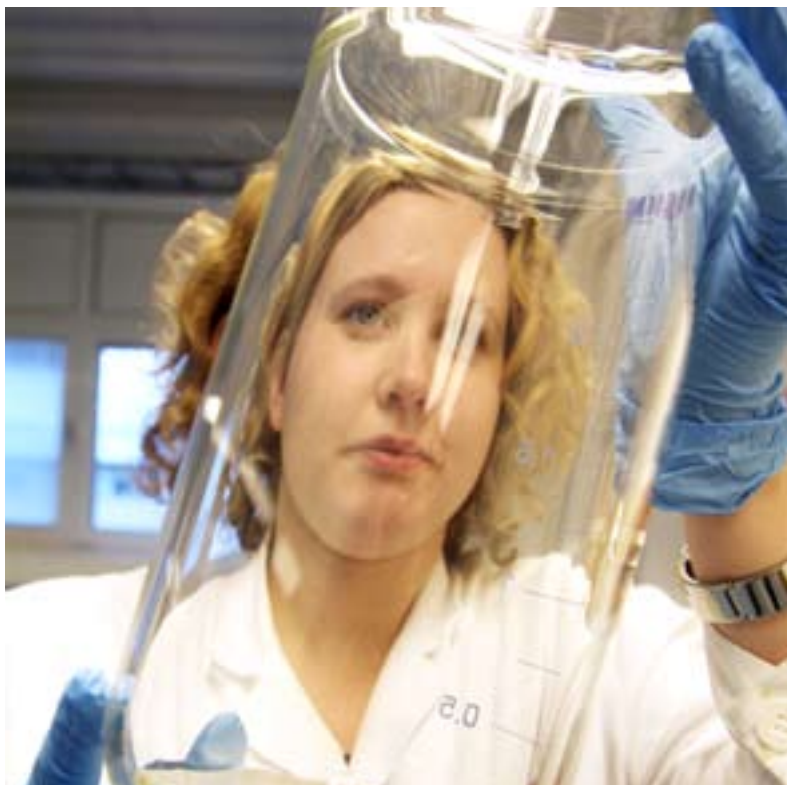
All production is in accordance with Good Manufacturing Practice standards, in clean rooms with controlled environments. The production premises are right next door to the development labs, which means that manufacturing of prototypes and development work can both be carried out in the same plant.

In conjunction with the development of sutures Artimplant has invested in equipment for plaiting of ARTELON fibers. During the year new premises for production of porous matrixes have been acquired.

Along with the development of new manufacturing processes the current ones are being continually improved, partly to enhance product quality further and partly to meet increased demand.

During 2004 improvements were made to the fiber spinning process, resulting in greater quality consistency and higher yield. Weaving of Spacer has also been optimized, resulting in increased productivity and thus less waste. In addition, finishing and packaging procedures are being reorganized for improved efficiency. This will lead to a certain amount of automation when it comes to time-consuming inspection and packing.

In 2005 Artimplant plans to increase polymerization yield by optimizing process control and purchase of improved equipment.



Organisation and human resources

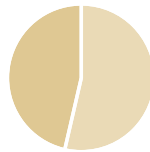
The nature of Artimplant's operations is based on expertise and know-how. It is essential to retain in-house specialist skills and cherish external contacts in the specialist areas necessary if the Company is to develop and grow. The organization is cost-effective and the operations are sharply focused.

Managing human resources takes the form of periodic evaluation of employees and personal development talks,

in-house exchanges of know-how, development of employees' professional skills and a health care program designed to keep them physically fit as well as mentally alert. First and foremost, the aim is to give employees support and to provide them with the stimulus for acquiring further skills, thus enabling them to take on greater responsibilities within the Company.

DISTRIBUTION BY GENDER

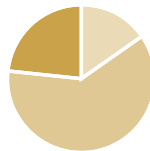
MEN: 12



WOMEN: 14

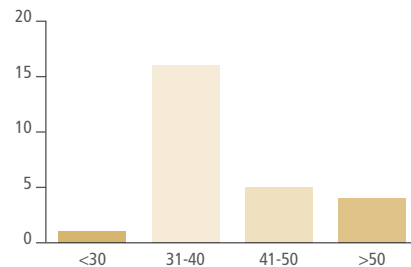
LEVELS OF EDUCATION

Ph D: 6



SENIOR HIGH SCHOOL: 4
UNIVERSITY: 16

DISTRIBUTION BY AGE GROUP



Quality assurance policy

Artimplant is a biomaterials company engaged in the development, production and marketing of degradable implants designed to meet well-defined clinical needs. Artimplant always aims to exceed customers' expectations in every aspect of supply, activity and communication. In doing so the patients' quality of life is enhanced and thus makes the Company's operations successful.

Implementing this policy requires that everyone, throughout the organization outlined above, takes his or her full responsibility where quality is concerned. In its turn Artimplant offers them all the resources needed, excellent working conditions and excellent career prospects.

Product development must always be focused on well-defined clinical needs and commercial potential. Products must do more than merely satisfy the letter of the law and the relevant regulations on the markets on which they are

to be sold. They must also satisfy Artimplant's in-house safety and ethical standards. And they must be produced in safe conditions with margins as close to zero defect as possible.

Artimplant strives to make improvements in every respect by means of a number of activities, including:

- *Actively encouraging feedback from product users, not just with the aim of improving existing products still further but also with a view to developing new ones*
- *Giving priority to the most important quality targets and following them up*
- *Encouraging all employees to come up with suggestions for improvements*
- *Periodically reviewing internal processes to verify their efficiencies*

Corporate governance

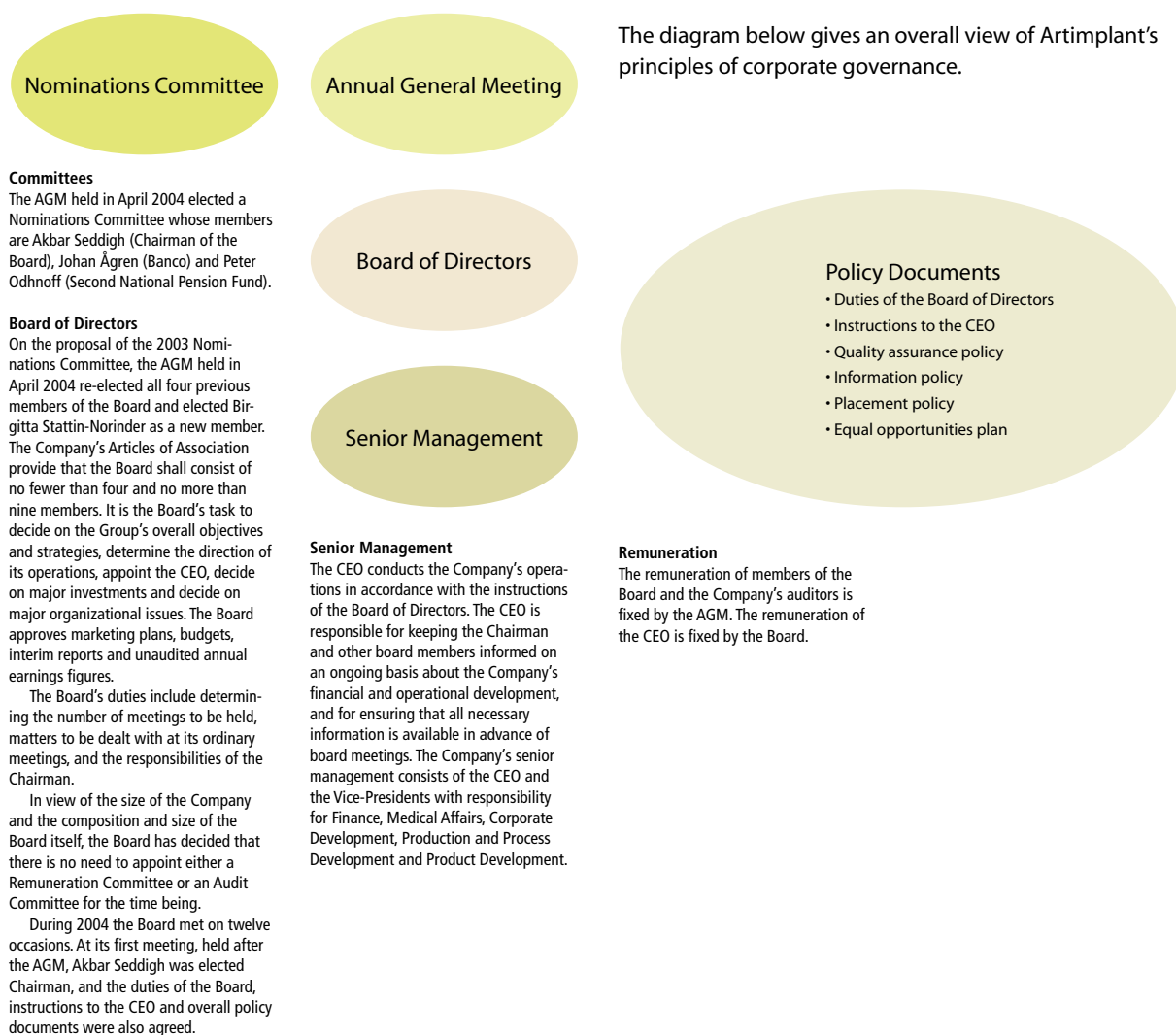
Towards the end of 2004 the Code Group, set up in 2003 under the auspices of the Swedish Commission on Business Confidence and the Swedish Institute of Authorized Public Accountants, published a document entitled "Swedish Code of Corporate Governance". The Stockholm Stock Exchange has taken the view that, in due course, the Code should be applied by all companies whose shares are listed on the Exchange, but also wants to see its provisions brought into force stage by stage, so that smaller companies are given time to adapt to them. The Stockholm Stock Exchange expects that revised regulations, to include transitional provisions as to how adaptation to the Code should take place, will come into force on July 1, 2005, followed by the requirement that the Code be applied by all companies on the A List and the larger companies on the O List. The Exchange has announced that it will in the near future be publishing the bases for determining which companies on the O List will be required to apply the Code at this initial stage.

Early compliance with the Code by smaller listed companies like Artimplant will benefit those companies and reinforce the market's confidence in them. During the year Artimplant has therefore begun work on adapting to the Code.

The targets are as follows:

- To create the right conditions for the exercise of active and responsible ownership by stockholders
- To create an equitable balance of power between stockholders, board of directors and senior management that will guarantee stockholders the opportunity to exercise their rights vis-à-vis management
- To create well-defined roles and divisions of responsibility as between management and supervisory bodies
- To ensure the practical application of the provisions of the Swedish Annual Accounts Act as to equal treatment
- To create maximum possible transparency as between the Company, its stockholders, the capital market and the community as a whole

The diagram below gives an overall view of Artimplant's principles of corporate governance.



Stock data

Artimplant Series B stock is quoted on the Stockholm Stock Exchange O List. Market price at the close of the last day of business for 2004 was SEK 6,50. The Company's Series A stock is not quoted, but these units can be converted into Series B units. During the year 68 750 Series A units were converted into Series B units. All stock units carry equal rights to share in the Company's assets and profits. However, Series A units carry ten votes while Series B units carry one vote. The Company's market value at year-end was approx MSEK 252.

The total number of stock units in issue at year-end was 39 496 527, of which 685 000 were Series A units and 38 811 027 Series B units. Each unit has a nominal value of SEK 0,10. The Company does not plan to pay any dividend or buy back any stock over the next two years. As at year-end the total

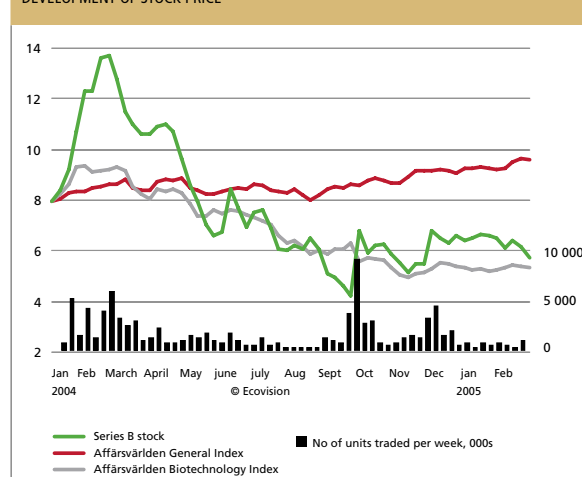
number of stockholders was 9 316. Details of the 25 largest holdings are given in the table below.

In January 2004, under the terms of the authorization granted to it by an Extraordinary General Meeting held on November 28, 2003, the Board of Directors decided to make a rights issue of 3,6 million Series B stock units at a subscription price of SEK 4 per unit. Stock units were allotted in accordance with the guidelines set out in the resolution passed at the Extraordinary General Meeting and intentions expressed in the prospectus as to preferential rights prepared in December 2003. Only stockholders in Artimplant at the date of the Extraordinary General Meeting who had indicated an interest in subscribing for further stock units without relying on their preferential rights were allotted new stock.

STOCKHOLDERS AT 31 DEC 2004, SOURCE: VPC AB

Namn	SERIES A	SERIES B	% OF CAPITAL	% OF VOTES
SECOND NATIONAL PENSION FUND		2 883 817	7,30	6,28
JOHN AND CLAIRE ARNOLD REVOC. TRUST	207 000	2 090 533	5,82	9,07
SKANDIA LIFE ASSURANCE	45 000	1 752 651	4,55	4,80
NORDEA BANK S A		1 016 600	2,57	2,22
CATELLA REAVINSTFOND		1 000 000	2,53	2,18
BANCO TEKNIK & INNOVATION PENSION		968 607	2,45	2,11
ANDERS CEDRONIUS	99 000	847 000	2,40	4,00
ROBUR EXPORTFOND		830 000	2,10	1,81
BANCO SMÄBOLAG		672 650	1,70	1,47
BANCO TEKNIK & INNOVATION		608 032	1,54	1,32
SKANDIA LIFE IRELAND LTD		450 000	1,14	0,98
LARS PETERSON	37 500	366 974	1,02	1,62
SVANTE RASMUSON	91 750	283 059	0,95	2,62
HENRIK PETERSON		331 237	0,84	0,72
PETER SPECHT ANDERSEN		240 000	0,61	0,52
RICHARD KAHM	26 500	200 000	0,57	1,01
SEGAINTERSETTLE AG		211 043	0,53	0,46
ANDERS ARNBORGER		180 000	0,46	0,39
SEB PRIVATE BANK S A		176 300	0,45	0,38
GUNNAR ANDREASSON	43 500	130 900	0,44	1,23
AKBAR SEDDIGH		173 334	0,44	0,38
TORD LENDAU AND ASS. COMPANIES		165 999	0,42	0,36
ULF ÅKERBLOM		150 000	0,38	0,33
NILS-ERIK SANDBERG		149 000	0,38	0,32
ANN EKSTRÖM		138 000	0,35	0,30
9 291 others	135 250	22 795 291	58,00	53,00
Totals	685 500	38 811 027	100	100

DEVELOPMENT OF STOCK PRICE



STOCKTYPE	NO OF UNITS	NO OF VOTES	% OF CAPITAL	% OF VOTES
Series A units	685 500	6 855 000	1,74	15
Series B units	38 811 027	38 811 027	98,26	85
Totals	39 496 527	45 666 027	100	100

OPTION SCHEME

DATE	NO OF OPTIONS	STRIKE PRICE ¹	STRIKE PERIOD	NO OF NEW SERIES B UNITS ON 100% STRIKE	INCREASE IN STOCK ON 100% STRIKE	INCREASE IN EQUITY ON 100% STRIKE
Dec 2002	666 670	8,2	Dec 2005-April 2006	666 670	1,7%	5 466 694
Dec 2002	666 670	16,4	Dec 2007-April 2008	666 670	1,7%	10 933 388

¹ Strike price has been recalculated following the 2003 rights issue. The original strike prices were SEK 10 and SEK 20 respectively

STOCK HISTORY

YEAR	TRANSACTION	PRICE IN SEK	CHANGE IN NO OF STOCK UNITS	TOTAL NO OF STOCK UNITS	INCREASE IN STOCK IN SEK	TOTAL STOCK IN SEK
1990	Company formation	-	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	Stock dividend 1 for 4	-	1 000	5 000	100 000	500 000
1997	Split 1000 for 1	-	4 995 000	5 000 000	-	500 000
1997	New issue	45	1 500 000	6 500 000	150 000	650 000
1999	Warrant strike	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	Rights issue	3	4 681 018	23 931 018	468 102	2 393 102
2003	Rights issue	4	11 965 509	35 896 527	1 196 551	3 589 653
2004	Directed issue	4	3 600 000	39 496 527	360 000	3 949 653

Five-year overview (figures in SEK 000s)

INCOME STATEMENT	2004 Jan-Dec	2003 Jan-Dec	2002 Jan-Dec	2001 Jan-Dec	2000 Jan-Dec
Net turnover	4 804	1 225	211	1 187	2 396
Cost of goods and services sold	-4 748	-1 225	-211	-1 171	-2 396
Gross operating profit/loss	56	-	-	16	-
Research and development expenses	-28 305	-13 878	-30 518	-22 706	-15 189
Marketing expenses	-8 250	-7 637	-13 618	-25 855	-6 857
Administration expenses	-6 777	-6 417	-16 561	-9 096	-5 146
Other operating income				30	
Share in profit/loss of subsidiaries		775	-1 589	162	846
Operating loss	-43 276	-27 157	-62 286	-57 449	-26 346
Interest receivable and similar income	1 228	771	1 261	3 859	4 033
Interest payable and similar expenses	-33	-40	-68	-20	-65
Share of profit on disposal of operations		9 966			
Write-down of participations in subsidiaries		-13 739			
Costs in connection with stock issue					-6 850
Net financial items	1 195	-3 042	1 193	3 839	-2 882
Loss after financial items	-42 081	-30 199	-61 093	-53 610	-29 228
Tax	-	-	-	-	-
Net loss for the year	-42 081	-30 199	-61 093	-53 610	-29 228

BALANCE SHEET	2004	2003	2002	2001	2000
Total fixed assets	37 936	53 254	67 515	85 110	64 250
Total current assets	54 068	70 922	36 201	72 349	139 957
of which cash in hand and at the bank	51 277	67 950	31 428	67 144	136 957
TOTAL ASSETS	92 004	124 176	103 716	157 459	204 207
Total restricted equity	126 020	141 569	143 622	194 190	223 418
Total non-restricted equity	-42 081	-30 199	-61 093	-53 610	-29 228
Total equity	83 939	111 370	82 529	140 580	194 190
Total provisions and long-term liabilities					100
Total short-term liabilities	8 065	12 806	21 187	16 879	9 917
TOTAL EQUITY AND LIABILITIES	92 004	124 176	103 716	157 459	204 207

CASH FLOW ANALYSIS	2004 Jan-Dec	2003 Jan-Dec	2002 Jan-Dec	2001 Jan-Dec	2000 Jan-Dec
Cash utilized by current operations	-27 416	-28 328	-48 851	-25 366	-8 557
Cash utilized/generated by investment operations	-3 907	5 810	-12 774	-44 347	-34 539
Cash utilized/generated by financial operations	14 650	59 040	25 909	-100	142 900
Cash flow for the year	-16 673	36 522	-35 716	-69 813	99 804
Liquid assets at Jan 1	67 950	31 428	67 144	136 957	37 153
Liquid assets at Dec 31	51 277	67 950	31 428	67 144	136 957

Report of the board of directors

LICENSING AND DEVELOPMENT AGREEMENTS

In November the Company signed a global licensing, supply and distribution agreement with Avanta Orthopaedics, part of Small Bone Innovations Inc, in respect of the ARTELON Spacer CMC-I, Artimplants implant for remedying arthritis of the thumb. Avanta is the market leader in the field of extremities, the name given to the small bones and joints in the hands, arms, shoulders and feet. The agreement is product-specific. Total income to be derived from license fees, product sales to Avanta and royalties on sales to customers is expected to be at least MSEK 60 over the next five years.

In December the Company signed a development, licensing and distribution agreement with Biomet Inc, the world leader in the field of development, production and marketing of musculoskeletal implants. The product covered by the agreement is based on Artimplant's patented biomaterial ARTELON, and will be used for repairing damaged soft tissue. Artimplant will be responsible for product development and obtaining regulatory approval. Biomet will be responsible for launching the product on the global market. Work on product development has already begun, and the two parties reckon that it should prove possible to have an approved product ready for market launch by the end of 2005.

REGULATORY APPROVALS

At the beginning of the year the Company was granted CE certification in respect of the ARTELON Surgical Suture, thus opening the way for sales on the European market. The suture is the third ARTELON product to be granted CE certification. It was approved by the FDA for sale in the USA back in November 2003.

In March the Company was informed that CE certification had been granted for extension of the indications for two of its products. In the case of the ARTELON TMC Spacer (previously known as the ARTELON Spacer CMC-I), this means that the product can now be marketed as suitable for fastening of implants with screws. Previous approval was in respect of fastening of implants with sutures. The extended indication will allow surgeons to choose between methods, meeting the wishes of hand surgeons and orthopedists who had expressed interest in the product. Fastening an implant with a screw reduces operation time by more than half. In the case of the ARTELON ACL Augmentation Device for use in operations on the anterior cruciate ligament, the earlier indication had meant that only patella tendons could be used as autografts. Now surgeons can also make use of hamstrings for the purpose. Over the last few years the proportion of hamstrings used in cruciate ligament operations has

increased from around 20 percent to 40-50 percent overall. Knee surgeons who wish to use Artimplant's augmentation device now have a wider choice of method available to them, depending on their patients' condition. The wider CE certification will increase these products' potential on the European market. It was also one of the conditions for final evaluation of trial sales in the UK.

In September the ARTELON Spacer CMC-I was approved for sale in the USA.

NEW STOCK ISSUE AND ALLOTMENT

In January the Board decided, under the terms of the authorization granted to it by an Extraordinary General Meeting held on November 28, 2003, to make a rights issue of a further 3,6 million Series B stock units in the Company. Stock units were allotted in accordance with the guidelines set out in the resolution passed at the Extraordinary General Meeting and the intentions expressed in the prospectus as to preferential rights prepared in December 2003. Only stockholders in Artimplant at the date of the Extraordinary General Meeting who had indicated an interest in subscribing for further stock units without relying on their preferential rights were allotted new stock.

Stockholders owning 1 000 stock units or less were allotted new stock units in the amounts subscribed for, but not exceeding 1 000 new units per stockholder. Stockholders owning more than 1 000 stock units were allotted new stock units totalling approx 85 percent of amounts subscribed for, but not exceeding their holdings at the date of the Extraordinary General Meeting. Stock units allotted on the foregoing basis to the group of stockholders who, before the issue was made, had signed guarantees or letters of intent in respect of the issue, were allotted within that group on a pro rata basis, based in turn on the unutilized or guaranteed amount outstanding following their subscriptions to the rights issue. Senior managers and those members of the Board involved in the decision to make the directed new issue did not themselves subscribe for stock.

RESEARCH & DEVELOPMENT

The Company does not engage in basic research but in applied product development in project form. Development is partly for own account and partly within the framework of agreements for cooperation with partners. Each project relates to the development of a specific product application and includes product specification, production of prototypes, pre-clinical studies and clinical trials. Project costs include salaries, cost of materials and other costs directly attributable to a project.

ARTIMPLANT AND THE ENVIRONMENT

The Company's operations have only insignificant impact on the environment.

ARTIMPLANTS FINANCIAL RESULTS 2004

Since the operations of the Company's previous subsidiary, Gothenburg Medical Center, were divested in their entirety, only the parent company is involved in any operations. Financial reporting since that divestment is solely in respect of Artimplant AB (publ). Underlying figures for purposes of historical comparison are those for the parent company.

Net turnover for the year was MSEK 4 804 (MSEK 1 225 in 2003). Operating loss for the year totalled MSEK 43,3 (MSEK 27,2). Net loss for the year after tax was MSEK 42,1 (MSEK 30,2). Net turnover is made up of payments received in respect of licensing agreements, payments received from Mölnlycke Health Care AB and proceeds of sale of products.

INVESTMENTS AND LIQUIDITY

Investments during the year totalled MSEK 3,9 (MSEK 5,8), of which MSEK 3,3 (MSEK 5,8) was attributable to intangible assets, mainly in the form of production development costs brought forward and patents. Liquid assets at year-end totalled MSEK 51,3 (MSEK 68,0).

PERSONNEL

The number of employees at year-end was 26 (24).

THE BOARD OF DIRECTORS AND ITS WORK

At the Annual General Meeting held on April 26, 2004 Akbar Seddigh, Svante Rasmuson, Lennart Ribohn and Ingemar Kihlström were re-elected to the Board and Birgit Stattin-Norinder was elected as a new member. The work of the Board during the year was based on its duties as fixed at its first meeting following the Annual General Meeting. These regulate the number of board meetings to be held, the matters to be dealt with at them and the division of responsibilities as between the Board and its Chairman. The Board met twelve times during the year. Most of the matters dealt with related to strategies for regulatory approval and product commercialization.

SIGNIFICANT EVENTS AFTER YEAR-END

As at the date of this Annual Report there have been no significant events after year-end to report.

FUTURE PROSPECTS

It is the Company's ambition that its biomaterials should be used in applications in a wide range of therapies. Its long-term objective is to position itself as a leader in the biomaterials sector.

PROPOSED TREATMENT OF UNAPPROPRIATED EARNINGS

Losses brought forward in respect of previous years have been covered by reduction of the stock premium reserve as resolved at Annual General Meetings. The Company's income statement and balance sheet will be laid before the Annual General Meeting to be held on May 2, 2005.

The Board of Directors proposes that the stock premium reserve be reduced by a further SEK 42 081 480 to cover the net loss for the year.

Göteborg, February 17, 2005

Akbar Seddigh
Chairman of the Board

Tord Lendau
CEO

Lennart Ribohn

Svante Rasmuson

Ingemar Kihlström

Birgit Stattin-Norinder



Key ratios (figures in SEK 000s)

	Jan-Dec 2004	Jan-Dec 2003	Jan-Dec 2002	Jan-Dec 2001	Jan-Dec 2000
Equity per stock unit, SEK	2,13	3,10	4,29	15,20	20,99
Equity per stock unit after dilution in full, SEK	2,13	3,10	4,29	15,20	20,99
Loss per stock unit, SEK	-1,12	-1,21	-6,06	-5,80	-3,26
Loss per stock unit after dilution in full, SEK	-1,12	-1,21	-6,06	-5,80	-3,26
No of stock units in issue at year-end	39 496 527	35 896 527	19 250 000	9 250 000	9 250 000
Average no of stock units in issue during year	37 696 527	24 928 144	10 083 333	9 250 000	8 975 000
No of stock units in issue after dilution in full	40 829 867	37 229 867	20 583 340	9 762 500	9 762 500
Cash flow per stock unit, SEK	-0,42	1,02	-1,86	-7,55	10,79
Dividend per stock unit, SEK ¹	None	None	None	None	None
Market price, highest, SEK	15,40	8,83	49,00	96,00	178,00
Market price, lowest, SEK	3,67	2,11	4,20	35,00	41,70
Market price at Jan 1, SEK	7,60	3,77	48,50	93,00	46,10
Market price at Dec 31, SEK	6,50	7,60	4,95	48,50	93,00
Return on equity, %	neg	neg	neg	neg	neg
Return on capital employed, %	neg	neg	neg	neg	neg
Equity/assets ratio, %	91%	90%	80%	89%	95%
Proportion of risk capital, %	91%	90%	80%	89%	95%
Interest bearing liabilities	None	None	None	None	100
Interest coverage ratio, times ²					
Financial net assets	51 277	67 950	31 428	67 144	136 857
Capital expenditure:					
Research and development ³	2 889	4 440	9 393	36 697	27 125
Patents	367	1 456	3 054	2 751	1 867
Machinery, equipment and fixed assets under construction	51	61	328	5 050	5 447
No of employees at Dec 31	26	24	36	36	28
No of consultants at Dec 31	0	0	0	9	11

The effects of dilution have not been reported in those cases where they would have resulted in an improvement in key ratios.

¹⁾ For 2004 the figure refers to the proposal of the board of directors.

²⁾ Not applicable, as the Company has reported losses each year before financial items.

³⁾ For 2002, 2003 and 2004 the figures refer only to investments in product development, in accordance with the Swedish Financial Accounting Standards Council's Recommendation RR15

Definitions

Equity per stock unit

Reported equity divided by the number of stock units in issue.

Equity per stock unit after dilution in full

As above, but taking account of 100 per cent strike in respect of call options.

Loss per stock unit

Loss for the year divided by the number of stock units in issue.

Loss per stock unit after dilution in full

As above, but taking account of 100 per cent strike in respect of call options.

Cash flow per stock unit

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

Return on equity

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 is balance sheet total less non-interest bearing liabilities including deferred tax on untaxed reserves.

Equity/assets ratio

Equity expressed as a percentage of balance sheet total.

Proportion of risk capital

Equity plus deferred tax liability, expressed as a percentage of balance sheet total.

Interest coverage ratio

Loss after net financial items plus financial expenses, expressed as a percentage of financial expenses.

Financial net assets

Cash in hand and at the bank less interest bearing liabilities.

Income statement (figures in SEK 000s)

	Note	2004 Jan-Dec	2003 Jan-Dec	2002 Jan-Dec
Net sales		4 804	1 225	211
Cost of goods and services sold	1	-4 748	-1 225	-211
Gross operating profit/loss		56	-	-
Research and development cost	1,2	-28 305	-13 878	-30 518
Marketing cost	1	-8 250	-7 637	-13 618
Administration cost	1,2	-6 777	-6 417	-16 561
Share in profit/loss of subsidiaries			775	-1589
Operating loss		-43 276	-27 157	-62 286
Interest income and other financial income	3	1 228	771	1 261
Interest expenses and other financial expenses	3	-33	-40	-68
Share of subsidiaries profit from sale of assets		-	9 966	-
Depreciation of shares in subsidiary		-	-13 739	-
Net financial items		1 195	-3 042	1 193
Loss after financial items		-42 081	-30 199	-61 093
Tax	12	-	-	-
Net loss for the year		-42 081	-30 199	-61 093
Net loss per stock unit, SEK		-1,12	-1,21	-6,06
Net loss per stock unit after dilution in full, SEK		-1,12	-1,21	-6,06

Allocation of net sales (figures in SEK 000s)

GEOGRAPHIC AREAS	Jan-Dec 2004	Jan-Dec 2003	Jan-Dec 2002
Scandinavia	1 283	1 225	211
USA	3 521	-	-
Totals	4 804	1 225	211

SOURCE OF REVENUE	Jan-Dec 2004	Jan-Dec 2003	Jan-Dec 2002
Licensing of product applications	3 351		
Product sales	453	225	-
Milestone payments for product development projects	1 000	1 000	211
Totals	4 804	1 225	211



Balance sheet (figures in SEK 000s)

	Note	2004	2003	2002
ASSETS				
Capitalized product development	4	32 414	45 471	41 148
Patents	5	2 016	2 781	2 425
Total intangible fixed assets		34 430	48 252	43 573
Machinery and equipment	6	1 699	3 195	5 846
Total tangible fixed assets		1 699	3 195	5 846
Stock and participations in subsidiaries	7	1 807	1 807	18 096
Total financial fixed assets		1 807	1 807	18 096
Total fixed assets		37 936	53 254	67 515
Inventories		292	135	132
Total inventories		292	135	132
Accounts receivable		414	44	
Other receivables		792	1 437	3 075
Accrued income and prepaid expenses	8	1 293	1 356	1 566
Total short-term receivables		2 499	2 837	4 641
Cash and bank accounts		51 277	67 950	31 428
Total current assets		54 068	70 922	36 201
TOTAL ASSETS		92 004	124 176	103 716

Balance sheet (figures in SEK 000s)

	Note	2004	2003	2002
EQUITY AND LIABILITIES				
Share capital	9	3 950	3 590	1 925
Premium reserve		122 070	137 979	141 697
Total restricted equity		126 020	141 569	143 622
Net loss for the year		-42 081	-30 199	-61 093
Accumulated net loss		-42 081	-30 199	-61 093
Total equity		83 939	111 370	82 529
Accounts payable, trade		2 007	2 161	4 078
Liabilities, subsidiaries		1 793	1 944	3 547
Other current liabilities		731	1 174	933
Accrued expenses and prepaid income	10	3 534	7 527	12 629
Total current liabilities	11	8 065	12 806	21 187
TOTAL EQUITY AND LIABILITIES		92 004	124 176	103 716
Pledged assets		None	None	None
Contingent liabilities ¹		None	328	3 574

¹Refers to unlimited partner's liability for debts incurred by Artimplant Ortopedisk Klinik KB.

Changes in equity (figures in SEK 000s)

	CAPITAL STOCK	STOCK PREMIUM RESERVE	ACCUMULATED NET LOSS	NET LOSS FOR THE YEAR
As at Jan 1, 2003	1 925	141 697	-61 093	-
Allocation as resolved by AGM		-61 093	61 093	-
New stock issue, Q1 2003	468	13 575	-	-
New stock issue, Q4 2003	1 197	46 665	-	-
Costs in connection with stock issues		-2 865	-	-
Net loss for the year	-	-	-	-30 199
As at Dec 31, 2003	3 590	137 979	-	-30 199
As at Jan 1, 2004	3 590	137 979	-30 199	-
Allocation as resolved by AGM	-	-30 199	30 199	-
New stock issue, January 2004	360	14 040	-	-
Costs in connection with stock issue ¹	-	250	-	-
Net loss for the year	-	-	-	-42 081
As at Dec 31, 2004	3 950	122 070	0	-42 081

68 750 Series A stock units were converted into Series B stock units during the year. As at year-end the Company's capital stock was SEK 3 949 652,70 made up of 685 500 Series A stock units and 38 811 027 Series B stock units, each of them with a nominal value of SEK 0,10.

¹Representing a reduction in the costs of the new stock issues made in 2003.

Cash flow analysis (figures in SEK 000s)

	Note	2004 Jan-Dec	2003 Jan-Dec	2002 Jan-Dec
Current operations				
Net loss after financial items		-42 081	-30 199	-61 093
Adjustments for items not effecting cash flow	13	19 226	5 904	7 502
Cash utilized by current operations before changes in working capital		-22 855	-24 295	-53 591
Cash flow generated/utilized by changes in working capital				
Changes in inventories etc		-157	-3	-124
Changes in receivables		337	1 801	556
Changes in liabilities		-4 741	-5 831	4 308
Cash utilized by current operations		-27 416	-28 328	-48 851
Investment operations				
Acquisitions of intangible fixed assets		-3 256	-5 779	-12 446
Acquisitions of tangible fixed assets		-651	-61	-328
Sales of tangible fixed assets		-	650	-
Liquid proceeds of sales of subsidiaries' operations		-	11 000	-
Cash utilized/generated by investment operations		-3 907	5 810	-12 774
Financial operations				
Proceeds of new stock issues		14 650	59 040	25 909
Cash generated by financial operations		14 650	59 040	25 909
Cash flow for the year		-16 673	36 522	-35 716
Liquid assets at Jan 1		67 950	31 428	67 144
Liquid assets at Dec 31		51 277	67 950	31 428
Interest receivable and similar income		1 228	771	1 261
Interest payable and similar expenses		-33	-40	-68

By liquid assets are meant cash in hand and at the bank.

Accounting principles

ACCOUNTING PRINCIPLES

This Annual Report has been drawn up in accordance with generally accepted accounting standards in Sweden, which means that it complies with the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendations and statements. The Company's subsidiaries have not been engaged in any operations since the last quarter of 2003, and this Annual Report is therefore in respect solely of Artimplant AB (publ), the only company in the Group engaged in current operations. The Company operates only premium-based pensions, and none of its employees is entitled to a pension based on benefits receivable. The Company's financial statements are not therefore affected by the Swedish Financial Accounting Standards Council's Recommendation RR29, which came into force on January 1, 2004.

TRANSITION TO IAS/IFRS

The Company does not prepare consolidated financial statements. Effective as of January 1, 2005 the provisions of IAS/IFRS apply to all companies whose shares are quoted on stock exchanges in member states of the European Union, in the case of Sweden with the additions and exceptions set out in the Swedish Financial Accounting Standards Council's Recommendation RR32. The Company's preliminary assessment is that its profit/loss and financial position as at year-end would not have been affected to any significant extent if these provisions had been applied in drawing up this Annual Report.

REVENUE RECOGNITION

Revenue derived from sales of products is recognised when important benefits and risks linked with those products have been transferred to purchasers. Revenue relating to services is recognised as and when agreed project sub-targets have been attained. Revenue relating to fees receivable under licensing agreements is recognised for periods in which agreements are signed and all conditions and performance aspects have been met.

EXTRAORDINARY INCOME AND EXPENSES

During the period to which this Annual Report relates, the Company did not report any income or expenses in connection with any operations other than the Company's normal operations.

REPORTING BY SEGMENT

Artimplant is a development company. The Company has only one place of business, which is in Göteborg. New products are developed both in cooperation with partners and solely for own account. Costs are generated exclusively by the Company's Göteborg operations and are reported as R&D expenses, marketing expenses and administration expenses. Income is generated by granting licenses in respect of product applications, sales of products and payments in respect of product development projects, and may be geographically attributable to Scandinavia, the rest of Europe or the USA.

Artimplant is dependent upon regulatory approval for the marketing of its products and technology. The Company's access to its most important market, the USA, is dependent upon approvals from the United States Food and Drug Administration (FDA). For products to be marketed in Europe, they must first receive CE certification. As regulatory approval plays such a decisive role in the Company's possibilities and risks, net turnover is reported by geographical segment. Costs, on the other hand, are incurred exclusively in Sweden, and are reported by function and capitalized to the extent to which they are directly related to product development projects (see Note 4). In view of the relatively limited extent of the Company's operations, and the fact that a large part of costs incurred are common, it has not yet proved possible to determine a reasonable basis for allocation of costs. Nor can investment, profit/loss and cash flow by segment be reported in a meaningful way.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's policy for management of financial instruments is stated in its placement policy document. This sets out guidelines for the management of cash in hand, liquidity and currency risks, and has been formulated on the basis that financial risks are to be kept to a minimum. The Company takes the view that a large part of its income will be in USD and EUR, and that most of its costs will be 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. The Company has no interest bearing liabilities. To date the Company has assessed the financial risks to which it is exposed as very limited, and has therefore chosen not to make use of any derivatives.

TRANSACTIONS WITH CLOSE ASSOCIATES

The Company has not been involved in any transactions with close associates other than the remuneration and other benefits receivable by members of the board of directors and senior management reported in Note 1.

RESEARCH AND DEVELOPMENT EXPENSES

The Swedish Financial Accounting Standards Council's Recommendation RR15 requires companies to analyze and apportion their research and development expenses. Artimplant's research costs are charged as they are incurred, and product development costs are capitalized as and when they are assessed as producing future financial benefits. Depreciation of capitalized product development costs according to plan begins when commercial sales of the product in question start. The Company's product development activities take the form of projects, with each project relating to the development of a specific application and covering product specification, production of prototypes, pre-clinical studies and clinical trials. Project costs include salaries, cost of materials and other costs directly attributable to a specific project.

WRITE-DOWNS

The Swedish Financial Accounting Standards Council's Recommendation RR17 requires that assets should be written down if their book values exceed their recovery values. At each balance sheet date the Company assesses whether there is reason to anticipate that an asset has fallen in value. If such is the case the recovery value of the asset in question is calculated. Any write-downs are charged against the profit/loss for the period in question.

RECEIVABLES

Receivables are reported at the amounts expected to be recovered on a case-by-case basis.

INVENTORIES

Inventories are reported at acquisition cost or actual value at balance sheet date, whichever is the lower.

FIXED ASSETS

Fixed assets are reported at acquisition cost after deduction of accumulated depreciation according to plan. Depreciation according to plan is linear, and is based on acquisition cost and expected service life. The following periods are applied:

Intangible fixed assets

- Patents 5 years
 - Product development costs brought forward 5 years
- Depreciation of capitalized development costs begins when commercial sales of the product in question start.*

Tangible fixed assets

- Equipment 5 years

CONSOLIDATED ACCOUNTING

Since the operations of subsidiaries were completely divested, all operations are those of Artimplant AB (publ). The Company's stock and participations in its subsidiaries continue to be 100 percent owned by it, but as these subsidiaries are dormant, only income statements and balance sheets for the parent company are prepared. It is considered unnecessary to prepare consolidated accounts as, in all important respects, such accounts would be identical to those of the parent company.

Notes (figures in SEK 000s except where otherwise stated)

Note 1 Remuneration of employees, senior management, board of directors and auditors

Average no of employees	2004	2003	2002
Women	15	18	22
Men	12	12	14
Totals	27	30	36

Employees at year-end totalled 26 (14 women, 12 men). Absence due to illness during the year was 2,8 percent of total ordinary working hours (women 4,9 percent, men 0,2 percent). No division into age groups has been made as the number of employees per age group would be fewer than 10. Of the Company's board of directors, 80 percent were men and 20 percent women. Of the Company's senior managers, 67 percent were men and 33 percent women.

Permanent consultants to the Company	2004	2003	2002
Full-time consultants	-	-	6
Remuneration	-	-	5 100

Remuneration principles

The Chairman and other members of the Board of Directors receive remuneration the amount of which is resolved by the stockholders in Annual General Meeting. No special remuneration is payable in respect of committee work. Remuneration of the CEO and other senior managers consists of basic salary, other benefits and pension rights. By senior managers are meant the other four persons who, together with the CEO, constituted the Company's senior management during the year. Pension rights, options and other benefits are reported as part of total remuneration.

Salaries and other remuneration, 2004	Basic salary/ Directors' fees	Other benefits	Pension costs	Totals
Chairman of the board	150	-	-	150
Other members of the board	400	-	-	400
CEO	1 944	170	412	2 526
Other senior managers	3 108	142	623	3 873
Other employees	7 239	-	648	7 887

Statutory and contractual social security costs for the year totalled SEK 5 165.

Salaries and other remuneration, 2003	Basic salary/ Directors' fees	Other benefits	Pension costs	Totals
Chairman of the board	150	-	-	150
Other members of the board	300	-	-	300
CEO	1 800	180	405	2 385
Other senior managers	2 940	168	561	3 669
Other employees	5 843	-	512	6 355

Statutory and contractual social security costs for the year totalled SEK 5 322.

Comments:

Salaries and other remuneration reported are solely in respect of employees in Sweden. Other remuneration includes housing, travel and car parking benefits. The Company operates only premium-based pensions, pension costs being those charged against profit or loss for the year. The Chairman did not receive any remuneration during the year other than director's fees. The CEO is entitled to a premium-based pension on reaching the age of 65. Thus the Company's pension obligations are limited solely to payment of premiums that are calculated as a percentage of salary, for so long as the person concerned remains an employee of the Company. No pensions are payable in respect of early retirement.

Financial instruments	Option scheme resolved by EGM in December 2002	
No of options	2005-2006	2007-2008
CEO	175 000	175 000
Other senior managers	225 000	225 000
Other employees	100 000	100 000
Intended to cover social security costs	166 670	166 670
Totals	666 670	666 670

Comments:

For details of the terms of the option schemes, please see page 18.

Notes (figures in SEK 000s except where otherwise stated)

Pensions

The CEO is entitled to a premium-based pension on reaching the age of 65. The Company's obligations are accordingly limited to payment of premiums – amounting to 35 percent of his salary up to 30 times the basic amount for social security purposes – for as long as the CEO is employed by the Company. There is no provision for payment of pension on early retirement. Premiums in respect of pension entitlements for other employees amount to 5-7 percent of salaries up to 7,5 times the basic amount for social security purposes, 19-23 percent of salaries up to 20 times the basic amount and 10-15 percent of salaries up to 30 times the basic amount.

Severance compensation

The CEO is entitled to a period of notice of 24 months from the Company, the Company being entitled to six 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. Should the CEO be discharged from his obligation to continue to work for the Company during such period of notice, the Company will be entitled to set off any remuneration the CEO receives in respect of other employment during the final twelve months of such period of notice. The Company will not pay any severance compensation other than the foregoing. Periods of notice for other senior managers are six months from the employee and 6-12 months from the Company.

Auditors' remuneration	2004 Ernst & Young	2003 Ernst & Young	2002 KPMG
Audit fees	145	145	181
Other work	105	250	66
Totals	250	395	247

By audit fees are meant fees for examining the annual report and accounting records and the administration by the Board of Directors and the CEO, other duties falling to a company's auditors, and advice and other assistance arising out of the observations made in such examinations or in the performance of such duties. All other services are defined as other work.

Decision-making process relating to remuneration

The CEO's salary and other remuneration is negotiated and fixed by the Chairman of the Board. Remuneration and conditions of employment for other senior managers and all other employees are negotiated and fixed by the CEO. In view of the size of the Company, the number of its senior managers and its remuneration model, the Board has decided that no Remuneration Committee is required for the time being.

Note 2 Depreciation of tangible and intangible fixed assets

DEPRECIATION ACCORDING TO PLAN, BY FUNCTION	2004	2003	2002
Cost of goods and services sold	3 827	-	-
Research and development cost	3 064	3 307	7 180
Marketing cost	-	-	-
Administration cost	215	245	322
TOTALS	7 106	3 552	7 502

Note 3 Financial income and expenses

	2004	2003	2002
Interest income and other financial income	1 228	771	1 261
Interest expenses	-29	-32	-26
Other financial expenses	-4	-8	-42
Total interest expenses and other financial expenses	-33	-40	-68

Notes (figures in SEK 000s except where otherwise stated)

Note 4 Capitalized product development costs

	2004	2003	2002
Acquisition cost at Jan 1	45 471	41 148	100 544
Changes in accounting principles	-	-	-68 789
Capital expenditure for the year	2 889	4 323	9 393
Acquisition cost at Dec 31	48 360	45 471	41 148
Accumulated depreciation at Jan 1	-	-	-45 921
Changes in accounting concepts	-	-	45 921
Depreciation for the year according to plan	-3 826	-	-
Accumulated depreciation at Dec 31	-3 826	-	-
Book values	44 534	45 471	41 148

The same accounting concepts have been employed as for 2003.

PRODUCTS IN PROCESS OF DEVELOPMENT

	Reinforcement for soft tissue	ARTELON Surgical Suture
Balance at 1 Jan	2519	1427
Capitalizations for the year	54	633
Balance at Dec 31	2 573	2 060

PRODUCTS APPROVED/LAUNCHED

	ARTELON Augmentation Device ACL	ARTELON Spacer ¹
Balance at Jan 1	31 923	9 602
Capital expenditure for the year	889	1 313
Depreciation for the year according to plan ²	-3 282	-546
Write-downs ³	-12 120	-
Balance at Dec 31	17 410	10 369

¹ Relates to both ARTELON TMC Spacer and ARTELON Spacer CMC-I

² Depreciation according to plan in respect of ARTELON ACL Augmentation Device began in the third quarter of 2004, and for Spacer products in the fourth quarter of 2004. Remaining depreciation periods are 4,5 years and 4,75 years respectively.

³ Trial sales indicated that the product in question may be of interest to certain patient groups but that, for the time being, the established method of treatment is adequate for the needs of patients as a whole. A write-down of MSEK 12,1 was therefore made in the fourth quarter of 2004, to reflect the assessed recovery value of the asset in view of the results of trial sales. The write-down has been reported as research and development expenses.

Note 5 Patents

	2004	2003	2002
Acquisition cost at Jan 1	6 593	10 271	7 217
Capitalizations for the year	367	1 457	3 054
Retirement, loss of patent protection ²	-1 299	-5 135	-
Acquisition cost at Dec 31	5 661	6 593	10 271
Accumulated depreciation at Jan 1	-3 812	-7 846	-3 556
Depreciation for the year according to plan	-1 132	-1 101	-1 790
One-off write-down ¹	-	-	-2 500
Retirement, loss of patent protection ²	1 299	5 135	-
Accumulated depreciation at Dec 31	-3 645	-3 812	-7 846
Book values	2 016	2 781	2 425

¹ A one-off write-down was made in 2002 of an amount corresponding to the residual book value of patents in respect of markets on which protection was not maintained.

² Patent protection in respect of markets on which protection was not maintained ceased in 2003.

Notes (figures in SEK 000s except where otherwise stated)

Note 6 Equipment

	2004	2003	2002
Acquisition cost at Jan 1	17 024	17 613	17 285
Purchases during the year	651	61	328
Sales/retirements during the year	-6 938	-650	-
Acquisition cost at Dec 31	10 737	17 024	17 613
Accumulated depreciation at Jan 1	-13 829	-11 767	-8 555
Sales/retirements during the year	6 938	390	-
Depreciation for the year according to plan	-2 147	-2 452	-3 212
Accumulated depreciation at Dec 31	-9 038	-13 829	-11 767
Book values	1 699	3 195	5 846

Note 7 Shares in subsidiaries

	2004	2003	2002
Acquisition cost at Jan 1	1 807	18 096	18 096
Write-down following divestment of operations	-	-13 739	-
Write-down against capital element	-	-2 550	-
Acquisition cost at Dec 31	1 807	1 807	18 096
Book values	1 807	1 807	18 096

SHARES IN SUBSIDIARIES – DETAILS	STOCK UNITS/ PARTICIPATIONS	PERCENTAGE	BOOK VALUE
Artimplant Ortopedisk Klinik AB			
Reg No: 556301-3902. Reg Office: Göteborg	1 000	100%	1 706
Artimplant Ortopedisk Klinik KB (a limited partnership)			
Reg No: 916832-2387. Reg Office: Göteborg (the other partner is Artimplant Ortopedisk Klinik AB)	unlimited partner		1
Artimplant Drug Delivery Systems AB	1 000	100%	100
Reg No: 556596-4664. Reg Office: Göteborg			
TOTAL BOOK VALUE			1 807

Note 8 Accrued income and prepaid expenses

	2004	2003	2002
Rent	1 086	1 026	1 081
Accrued cost of clinical trials	207	-	-
Other items	-	330	485
Totals	1 293	1 356	1 566

Notes (figures in SEK 000s except where otherwise stated)

Note 9 Stock

CHANGES IN NO OF STOCK UNITS IN ISSUE	PRICE	NOMINAL VALUE	NO OF SERIES A UNITS ¹	NO OF SERIES B UNITS ¹	TOTAL NO OF UNITS	NO OF UNITS NOT FULLY PAID-UP ²
Total at Jan 1 ³		SEK 0,10	754 250	35 142 277	35 896 527	251 871
New share issue, Jan 2004	SEK 4	SEK 0,10		3 600 000	3 600 000	
Conversion		SEK 0,10	-68 750	68 750		
Total at Dec 31		SEK 0,10	685 500	38 811 027	39 496 527	

¹ Series A stock units carry ten votes. Series B stock units carry one vote.

² Payment in full was received on January 23, 2004 in respect of those stock units not fully paid-up as at Dec 31, 2003.

³ During the fourth quarter of 2003 the Company made a directed new stock issue that raised MSEK 47,9 less costs. As at year-end 2003 some 98 percent of the proceeds of the new issue had been received. This increase in stock capital was reported in the balance sheet figures as at December 31, 2003 despite the fact that it was not registered by the Swedish Patent and Registration Office until February 3, 2004. The proceeds of the new issue should have been reported as paid-up but not yet registered proceeds of a new issue, and the increase in stock capital should have been reported in the interim report for the first three months of 2004.

Note 10 Accrued expenses and prepaid income

	2004	2003	2002
Holiday pay and accrued salaries	1 444	1 200	1 917
Social security costs	573	577	1 327
Divestment costs	25	1 551	6 229
Cost of clinical trials	842	1 666	
Other costs	650	2 533	3 156
Totals	3 534	7 527	12 629

Note 11 Short-term and long-term liabilities

The Company has no liabilities falling due for payment more than five years ahead of the balance sheet date.

Note 12 Tax

The Company's tax-deductible non-capitalized losses total MSEK 247,6. No deferred tax recoverable has been reported in respect of these losses.

Note 13 Adjustments in respect of items not included in cash flow

Depreciation of accumulated product development costs	3 827
Write-down of accumulated product development costs	12 120
Depreciation of patents	1 132
Depreciation of equipment	2 147
Total	19 226

Auditors' report

To the Annual General Meeting of Artimplant AB (publ)
Registered Number 556404–83944

We have examined the annual report, the accounting records and the administration by the Board and the CEO of Artimplant AB (publ) for the financial year ended 31 December, 2004. The Board and the CEO have responsibility for the accounting records and the administration. Our responsibility is to express our opinion on the annual report and the administration on the basis of our audit.

Our audit has been carried out in accordance with generally accepted auditing standards in Sweden. This means that we have planned and carried out the audit in order to assure ourselves to a reasonable extent that the annual report is free from material error. An audit involves examining a selection of the information in the accounting records for amounts and other factual information. An audit also includes testing the accounting principles and their application by the Board and the CEO as well as assessing the totality of the information in the annual report. As a basis for recommendation on discharging the Board and CEO from liability, we have examined significant decisions, measures and conditions in the Company in order to determine whether any member of the Board or the CEO is liable to pay compensation to the Company. We have also examined whether any member of the Board or the CEO has acted in any other way in contravention of the Swedish Companies Act, the Annual Accounts Act or the Company's Articles of Association. We consider that our audit gives us reasonable grounds for our comments below.

The annual report has been prepared in accordance with the Annual Accounts Act and therefore provides a true and fair picture of the result of operations and of the financial position of the company in accordance with generally accepted accounting standards in Sweden. The report of the board of directors is consistent with the other sections of the annual report.

We recommend that the income statement and the balance sheet be adopted, that the unappropriated loss be dealt with in accordance with the proposal in the report of the board of directors, and that the members of the board and the CEO be discharged from liability for the financial year.

Göteborg, 17 February, 2005
Ernst & Young AB

Bertel Enlund
Authorized Public Accountant
Responsible Partner

Board of directors



Akbar Seddigh, b. 1943
Chairman of the Board. Board member since 1997. Chairman of the boards of Elekta AB, Formo Services AB and Ortivus AB. Member of the boards of Affärsstrategerna AB and Biolight AB.

Holdings in Artimplant:
173 334 Series B stock units
Call options for 65 000 stock units



Birgit Stättin-Norinder, b. 1948
Board member since 2004. Long experience of the pharmaceuticals industry, having worked in R&D at Astra, Glaxo, Pfizer and Pharmacia. Previously Chairman and CEO of Prolifix Ltd. Chairman of the boards of InDex Pharmaceuticals AB and Laurus A/S. Member of the boards of Antisoma Ltd, Biolipox AB, Photocure ASA, Probi AB and the Swedish Foundation for Strategic Research.

Holdings in Artimplant:
No shares or options in Artimplant



Svante Rasmuson, b. 1955
Board member since 1997. After taking his medical degree, worked in international marketing at Gambro Engström AB and as a stock exchange medical analyst with Alfred Berg Fondkommission AB. President of InDex Pharmaceuticals AB.

Holdings in Artimplant:
91 750 Series A stock units
283 059 Series B stock units
Call options for 75 000 stock units



Lennart Ribohn, b. 1943
Board member since 2001. Employed within the Electrolux Group 1963-2000, holding a number of leading positions including Group Controller, Senior Vice-President and Vice-President New Markets, Components and Direct Sales. Chairman of the board of Försäkrings AB Nordisk Garanti. Member of the boards of SEB Fondförvaltning AB, Försäkringsbolaget Pensionsgaranti AB, AB Segulah, Ortivus AB and Compatec AB. Member of the Swedish Securities Council.

Holding in Artimplant:
62 500 Series B stock units



Ingemar Kihlström, b. 1952
Board member since 2003. Associate professor, University of Uppsala. Worked in R&D at both Astra AB and Pharmacia AB 1982-1996; and subsequently as a financial medical analyst, including spells with Aros Fondkommission AB and ABG Sundal Collier ASA, until 2003. Member of the boards of Oxypharma AB, New Science AB and Diagenic A/S.

Holding in Artimplant:
16 200 Series B stock units

Auditors:



Ernst & Young AB

Responsible partner:
Bertel Enlund, b. 1950
Authorized public accountant
Auditor since 2003

Senior management



Tord Lendau, b.1957

CEO. Employed by Artimplant since October 2002. Chairman of the Board of Diamyd AB (publ) and member of the board of ArthroCare Inc.

Holdings in Artimplant:

165 999 Series B stock units, including those of associated companies

Call options for 565 000 stock units



Jonas Ström, b. 1964

MBA. CFO. Employed by Artimplant since 2002.

Holding in Artimplant:

Call options for 112 500 stock units



Elisabeth Liljensten, b. 1969

DDS, PhD. Vice-President Medical Affairs, Employed by Artimplant since 1999.

Holdings in Artimplant:

8 250 Series B stock units

Call options for 112 500 stock units



Ulf Åkerblom, b. 1944

B Sc (Econ). Vice-President Corporate Development, Marketing and Licensing. Employed by Artimplant since January 2002. Previously a consultant to the Company since March 2001.

Holdings in Artimplant:

154 000 Series B stock units, including those of associated companies

Call options for 112 500 stock units



Anders Östin, b. 1965

M Sc. Vice-President Production and Process Development and Quality Assurance. Employed by Artimplant since 1999.

Holdings in Artimplant:

7 800 Series B stock units

Call options for 112 500 stock units



Katrin Gissselfält, b. 1969

Ph D. Vice-President Product Development. Employed by Artimplant since 1995. Member of senior management team since February 2005.

Holdings in Artimplant:

15 000 Series B stock units

Options for 10 000 stock units



Glossary

510 (k)

Procedure for obtaining clearance by the FDA for marketing of medical devices in the USA.

ACL

(anterior cruciate ligament)

The anterior of the crossover ligaments that stabilize the front and back of the knee joint.

Allograft

Tissue transferred from a donor (usually deceased) to a recipient of the same species.

Arthritis

Chronic degeneration of joint cartilage.

Autograft

Tissue taken from a healthy site on a patient and implanted at a site on the same patient where similar tissue is required.

Biocompatibility

Tissue-friendliness. Biocompatible material is readily accepted by a patient's body and does not result in inflammation or rejection.

Biomaterials

Substitute materials used in biological context.

Biopsy

Removal of a specimen for microscopic investigation of tissue morphology.

Cartilage

Pliable tissue surrounding and protecting bone-joint surfaces and functioning as a sliding surface that distributes pressure.

CE certification

Approval by an EU regulatory agency of a specific product that enables the product to be marketed in member states of the EU.

CE marking

Labeling of products indicating that they comply with European (EN) standards.

Clinical trial

Testing of a pharmaceutical or technical medical product on human patients in accordance with a specific program (protocol) approved by the regulatory agency and the relevant ethical research committee in the country in which the trial is being carried out.

CMC-I

The joint at the base of the thumb known as the carpo-metacarpal joint.

CMF

(craniomaxillofacial surgery)

Surgery carried out on the cranium and face.

FDA

United States Food and Drug Administration, the regulatory agency responsible for approval of pharmaceuticals and technical medical products to be marketed in the USA.

Hamstring

Tendon on the back of the thigh.

Histology

The study of tissue and, in the context of this Annual Report, microscopic studies of tissue.

Hydrolysis

Chemical reaction in which the bonds in a compound are split as the result of the presence of the hydrogen in water.

Implant

Foreign material surgically inserted into a patient's body to support or replace a body part.

Indication

Recommended application.

Multicenter trial

Clinical trial carried out at multiple clinics.

Odontology

The science of the structure, development and diseases of the teeth.

Orthobiologics

Materials used as scaffolds to carry substances to influence cell growth.

Orthopedics

Specialized field of medicine dealing with skeletal deformation and injuries to the musculoskeletal system.

Osseointegration

Direct connection between bone and implanted biomaterial.

Os trapezium

Wrist bone at the base of the thumb.

Patella

Kneecap, the small bone forming the point of the knee.

Pilot study

Small-scale clinical trial designed primarily to evaluate a product before multicenter trials are undertaken.

PMA

(pre-market approval)

Registration of a product as approved by the FDA.

PMN

(pre-market notification)

Clearance of a product as approved by the FDA.

Polymer

Large molecules consisting of many small repeating units.

Pre-clinical study

Study preceding a clinical trial.

Regeneration

Rebuilding or renewal.

Scaffold

Matrix for tissue ingrowth.

Degradable Materials for Optimal Tissue Repair

A Life Science Company with focus on unmet needs in the field of reconstructive surgery



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Welcome to Artimplant's world of biomaterials

Welcome to Artimplant's web site! Here you can find information about the Company and our products.

Click on investor relations if you are interested in the Artimplant share or want to download or subscribe to our financial reports and press releases.

Latest share price at the Stockholm Stock Exchange

	+/-	+/- %	Buy	Sell	Last	High	Low	Volume	Turnover
ARTI B	-0.05	-0.89	5.55	5.65	5.60	5.60	5.55	12000	66000

Quotes delayed 15 minutes

[View the share development >>](#)

Disclaimer
Relevant authorities in each country formulate and implement requirements for acceptance and release of medical devices on their markets. For information on where Artimplant's devices are accepted, please contact info@artimplant.se

While there may be information on this web site relating to individual physicians and health professionals, Artimplant makes no guarantees or representations regarding their qualifications, experience or skills.

[Press Releases](#)

2005-04-01
Artimplant expands into new product areas and conducts rights issue guaranteed by investors to 92 percent

2005-02-25
Artelon® TMC Spacer launched by Small Bone Innovations at AAS in Washington DC

2005-02-17
ARTIMPLANT AB's year-end results, January 1 - December 31, 2004

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Artimplant's history

1997

The Company acquires a Swedish patent in respect of ARTELON hydrolyzable fiber polymers for use in temporary implants. New share issue raises MSEK 67,5 less costs and the Company is introduced on the Stockholm Stock Exchange. First cruciate ligament operations on human patients using implants from Artimplant carried out within the framework of a pilot study.

1998

The Company acquires Gothenburg Medical Center, a hospital specializing in sports-related injuries.

1999

Pilot studies in treatment of damaged thumb ligament and arthritis of the thumb initiated. Artimplant's first multicenter trial in ACL reconstruction begins. The Company begins cooperation with Mölnlycke Health Care AB in the field of wound care.

2000

Operations in first multicenter trial in ACL reconstruction concluded. Operations in the second multicenter trial begin. Directed new share issue, first and foremost in favor of overseas corporate investors, raises MSEK 143 less costs. Artimplant's ARTELON patent is recognized in the USA and Europe.

2001

The Company's quality assurance system is granted certification by Lloyds Register Quality Assurance. Artimplant's first product, the ARTELON ACL Augmentation Device, gains CE certification, and can now be marketed in Europe.

2002

Strategic review. Products and materials technology are to be commercialized by the granting of licenses to leading partners with global presence and strong brand names.

Licensing agreement on wound care signed with Mölnlycke Health Care AB. Tord Lendau takes over as CEO in October. The Company undertakes wide-ranging measures designed to reduce overheads and put in place a more efficient organization matched to its new strategy. Directed new share issue raises MSEK 30 less costs.

2003

The Company implements its new strategy and reduces its overheads by more than fifty percent. Its focus is now on licensing its technology, product development and creation of a balanced product development portfolio. Artimplant reinforces its biological angle of attack by pre-clinical studies in which a porous matrix is tested as a scaffold for proteins, growth factors and stem cells. The Company signs an agreement with Atlantech for trial sales in the UK of its ARTELON ACL Augmentation Device. Artimplant's ARTELON Spacer CMC-I for treating arthritis of the thumb is granted CE certification, and its ARTELON Surgical Suture is approved by the FDA. New share issues in March and December raise some MSEK 62 less costs. Gothenburg Medical Center is divested.