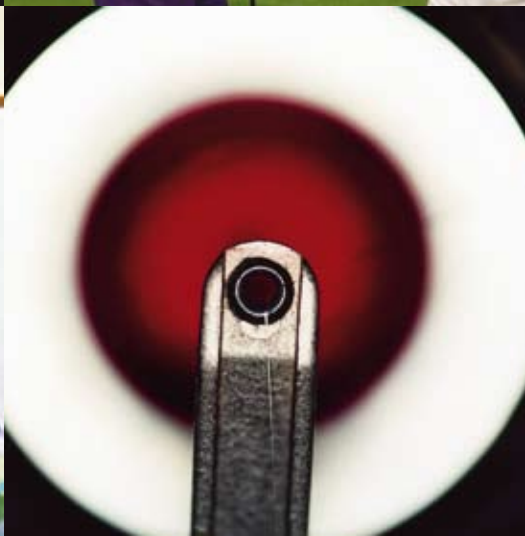


ANNUAL REPORT 2005

Artelon® - A biomaterial with unlimited potential



INTRODUCTION

Annual Meeting

The Annual Meeting of stockholders will be held at 4 pm on May 3, 2006, at the Company's offices. Registration will begin at 3:30 pm. Stockholders wishing to attend and take part should inform the Company of their intention to do so by April 26, 2006 in one of the following ways:

- Send an e-mail message to agm2006@artimplant.com
- Send a fax to +46 (0)31-746 56 60
- Call +46 (0)31-746 56 00
- Write a letter to Artimplant AB, 2006 Annual Meeting, Hulda Mellgrens gata 5, 421 32 Västra Frölunda.

Notification should include details of name, PID number or corporate registration number, address, phone number and holding of stock as recorded on April 26, 2006. To be entitled to attend and vote, stockholders' names must be recorded in the register maintained by VPC AB. Stockholders whose shares are recorded in the names of nominees through a bank or similar institution must request to have their holdings temporarily re-registered in their own names in the register by April 26, 2006, in order to be entitled to participate at the Meeting. Such notification should take place well before that date. The Company will publish its Annual Report on its website no later than April 14, 2006, and copies will be available at its office.

For more information please contact

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Nota bene: This is a translation from Swedish. The Swedish version shall always take precedence.

Calendar

Interim report, January – March	May 3, 2006
Interim report, April – June	August 8, 2006
Interim report, July – September	November 9, 2006

The reports will be published on the Company's website at the same time that they are distributed to the media, www.artimplant.com.

2005 IN BRIEF

- Net sales increased by over 70% and totaled SEK 8.2 million (4.8).
- Net loss was SEK 36.2 million (loss: 42.4).
- Earnings per share were SEK -0.73 (-1.12).
- Four new development and licensing agreements signed with Small Bone Innovations during the fourth quarter.
- Artelon® Surgical Suture received CE mark and clearance for marketing in the US.
- Artelon® for rotator cuff reinforcement received CE mark.
- Distribution agreement for Artelon® Surgical Suture with ArthroCare Corporation.
- Fulfilled six out of the seven goals announced in the share issue prospectus in May 2005.

EVENTS AFTER THE PERIOD

- Artelon® implant for rotator cuff reinforcement received clearance for marketing in the US.
- Artimplant established a small representative office in the US, Artimplant USA, Inc.

ABOUT ARTIMPLANT

Artimplant is a biomaterials company focused on solutions to problems in orthopedic, dental, craniomaxillofacial (CMF), and plastic and reconstructive surgery. The Company is engaged in the development, production, and marketing of degradable implants designed to restore active lifestyles and improve quality of life. Artimplant's proprietary biomaterial Artelon® opens new markets in therapeutic areas with great medical need. Artimplant has developed a number of implants catering to market needs for the treatment of thumb base arthritis and other small joints, rotator cuff reinforcement, as well as various dental applications. Artimplant's business model is to license its products and technology to global partners. The Company currently has six licensing and one distribution agreement with three global partners. Artimplant is listed on the Stockholm Stock Exchange O List.



Mission

Artimplant's mission is to develop, produce, and market implants based on the Artelon® biomaterial that meet the needs of patients, physicians, and healthcare providers in orthopedics and other therapy areas.

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 have passed the turning point in our restructuring program and are expanding operations in accordance with the plan we implemented in 2003. The first two development and licensing agreements in late 2004 confirmed our strategy of increasing the scope and speed of our product development. The share issue that was completed in June gave us the financial resources to invest mainly in orthopedics and odontology, as well as to begin working in the fields of CMF and plastic and reconstructive surgery.

FASTER PRODUCT DEVELOPMENT

Last year we streamlined the product development process and shortened the time from concept to finished product. Today we are pursuing more parallel development projects than previously and this strategy has already paid off; in 2005 we developed two products in odontology, expanded the suture family and completed a product for reinforcing the shoulder's rotator cuff, the product from the development and licensing agreement with Biomet. We received regulatory approval for all of our products in Europe and for the sutures in the United States. Right after the first of the year our rotator cuff product also gained approval in the United States. The guiding principle of product development at Artimplant is to quickly move products to market that have great clinical relevance and can rapidly generate revenues. These products should also be able to obtain regulatory approval without large investments in new clinical trials.

MORE AGREEMENTS

The new product development agreements we signed with SBI in November reflect a vote of confidence to continue developing four additional products. Artelon® STT Spacer, a spacer for osteoarthritis in the STT joint of the hand, Artelon® Arthroscopic TMC Spacer for arthroscopic implantation in the thumb base joint, Artelon® DRU Spacer for treatment of osteoarthritis in the wrist, and Artelon® MTP Spacer for treatment of osteoarthritis in the joint at the base of the big toe. We initiated these projects in 2005 and will continue working on them in 2006. We are still looking for additional licensing partners in orthopedics.

NEW OPPORTUNITIES

Now that our products have been well received by doctors we see increased interest in improving upon existing concepts and developing brand new products. Companies, doctors, and patients all come directly to us with inquiries and ideas.

Our development work has also resulted in new forms of Artelon®. Through electrospinning we can produce Artelon® nanofibers that resemble the body's own tissue. These fibers can be used for purposes such as producing completely new structures or for coating other materials (e.g., metals) with a thin layer of Artelon®, creating brand new opportunities with many different clinical applications.

At the end of 2005 we opened a small representative office in the United States to provide a presence close to the absolute majority of our customers and to prepare for the distribution of our odontology/CMF products, as well as our products for plastic and reconstructive surgery.

INCREASING REVENUES

Revenues increased by over 70% during the year and consist mainly of one-off payments within the framework of various partnerships. Underlying sales are still low but are increasing faster than total revenue and in 2005 comprised over 40% of total sales.

THE FUTURE

Our main goal for 2006 is to take a big step in the direction of a positive cash flow. As we said previously, while we probably will not reach our final destination this year, we will make good progress. According to our plan, we should be able to achieve positive cash flow by the end of 2007 or in 2008. In 2006 we expect our underlying product sales to increase considerably. Additional product development agreements should lead to one-off payments and we will be able to launch some of the products we have under development.

In conclusion, I would like to thank all of the stockholders who participated in the 2005 share issue, as well as all of our employees for their hard work and dedicated efforts.

A handwritten signature in black ink that reads "Tord Lendau". The signature is written in a cursive, flowing style.

Tord Lendau
Chief Executive Officer
Artimplant AB

GOALS FOR 2006

- To considerably increase the Company's revenues.
- To launch at least three new products.
- To sign new development and licensing or distribution agreements for at least three products.
- To increase production capacity in order to meet increased demand.
- To continue to strengthen and expand product and process development.

BUSINESS MODEL

Artimplant’s business model and future revenue flows are based on utilization and further development of the Artelon® technology platform.

BUSINESS MODEL

Artimplant’s business model and future revenue flows are based on utilization and further development of the Artelon® technology platform, from which various medical devices and product applications are developed. The Company will gradually position itself in commercially attractive areas that need biomaterials. The current focus is product and material development of fiber, porous matrix, and other forms of Artelon® in the fields of orthopedics, odontology, craniomaxillofacial surgery, as well as plastic and reconstructive surgery. Product development, including pre-clinical studies and concept studies, as well as process development for volume production of Artelon® products, are important links in the chain. The interface with the orthopedics market mainly consists of strategic partnerships. By outlicensing Artelon® for specific product applications to major companies with well known brands and global or regional distribution, Artimplant will potentially achieve greater volumes at lower financial risk. In odontology, craniomaxillofacial surgery, plastic and reconstructive surgery, and other therapy areas, the Company is weighing the options of distribution agreements and direct selling against the possibility of outlicensing developed products.

DEVELOPMENT AND MARKET STRATEGY

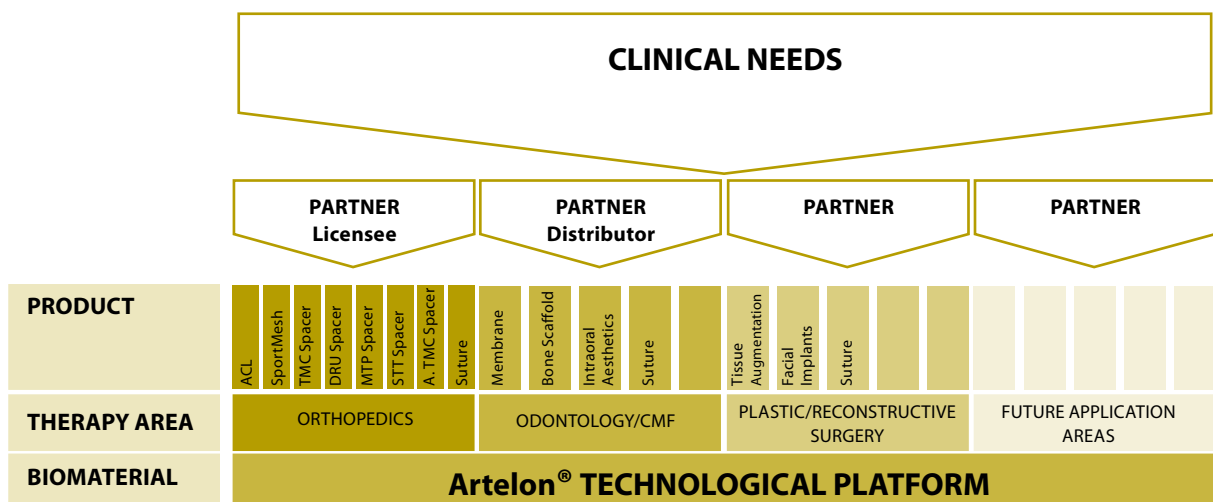
Artimplant’s main strategy is to develop and outlicense products based on the Artelon® biomaterial, mainly within orthopedics. The Company seeks partners with strong brands and global distribution.

Artelon® has the potential to become 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 applications in orthopedics, where there is great potential. In addition, the Company is now working in other areas with significant potential such as odontology, plastic surgery, and craniomaxillofacial reconstructive surgery. Artimplant could potentially develop a number of products in each of these therapy areas.

The Company is actively seeking application-specific agreements to create more business opportunities and augment the proliferation of products using Artelon®. Artimplant’s goal is for Artelon® to become the global standard in synthetic biomaterials for reconstruction and regeneration of both bone and human tissue. Artimplant’s future income will likely be derived from a number of narrowly defined license agreements rather than just a few wider-ranging ones producing substantial one-off payments.

SUMMARY OF ARTIMPLANT’S STRATEGY

- Effective product development, production, and marketing of patent-protected products based on Artelon®, which meet the needs of patients, doctors, and healthcare providers.
- Artimplant focuses on orthopedics, odontology, craniomaxillofacial surgery, and plastic and reconstructive surgery.
- Revenues are generated through:
 - outlicensing of application-specific products to global partners, mainly within orthopedics,
 - regional or local distribution agreements, mainly within odontology and craniomaxillofacial surgery,
 - direct selling of products in the Nordic countries
 - remuneration for product development projects, usually in conjunction with outlicensing.



A biomaterial with unlimited potential.

Artelon® HAS UNIQUE PROPERTIES

Introducing a new biomaterial and what is in many ways a new way of thinking about the treatment of different diseases is a great challenge. But when the timing is right and you offer a product that the market demands, the returns are great. Since Artelon® is completely synthetic, there is no risk of disease transmission, which can be the case with materials of human or animal origin. The biomaterial provides support, allowing the body to heal itself by having a long degradation time.

SAFE	FLEXIBLE	SYNTHETIC	LONG-TERM TISSUE SUPPORT
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Extensive histological surveys of implanted material and surrounding tissue have revealed that Artelon® is exceptionally biocompatible throughout the degradation period. The unique properties of the Artelon® biomaterial open new doors for Artimplant to develop unique implants for a variety of fields and applications.

Artelon® - A VERSATILE BIOMATERIAL

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 can be adapted using textile techniques into complex structures for purposes such as strengthening tendons and ligaments.

The matrix (scaffold) and granules are suitable for applications that require volume to be created and maintained. Both forms are soft, pliable, and highly porous. These properties make it possible to perform minimally invasive surgery and allow plenty of room for cell ingrowth, at the same time that the scaffold supports the cells to allow them to form new tissue. There is also a future for various types of films for guided tissue regeneration and tissue engineering. The structure can be varied from dense and separating to porous and selective.

In 2005, developers made initial attempts to produce thin films of Artelon® consisting of threads as small as 100 nanometers using a process called electrospinning. The advantage of such thin fibers is that the porous material provides an extremely large surface and the fibers mimic the size of the fiber in the body's own tissue.

In addition to these various forms Artelon® can also be combined with other biomaterials and active substances. Electrospun fibers have been used to cover metal surfaces, which can be of interest for percutaneous applications (applications in which the implant penetrates the skin) and the Artelon® scaffold has been used to carry hyaluronic acid. An animal study has shown that the combination of Artelon® and hyaluronic acid results in faster tissue growth and revascularization than Artelon® alone.

Artelon® SUPPORTS THE BODY'S HEALING

How does this work clinically in the products that Artimplant has in the market today? The Artelon® TMC Spacer creates a new joint surface in the joint at the base of the thumb, where the arthritic joint surface is removed and the implant works as a scaffold to allow the cells to form a new functioning joint surface. Clinical results have shown that the body begins to form new tissue soon after the implant and that Artelon® supports the formation of new fibrous cartilage. Artelon® is used as a fiber in Spacer products to achieve properties appropriate for this specific application.

Another form - the porous matrix or scaffold - is used to create new bone where it is needed. Almost all previous bone substitutes in the market are hard and brittle materials as a result of efforts to replace lost bone with something that is as similar to bone as possible. The Artelon® concept represents a completely different approach. Instead of replacing bone with an imitation, it provides a scaffold for easy regeneration of the body's own bone. This approach offers essentially unlimited potential.



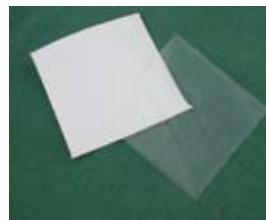
Fiber

- Reinforcing
- 3D textile
- High performance textile structures



Scaffolds

- Filling and guiding
- Highly porous 3D
- Soft and malleable



Films

- Guiding
- Variable porosity
- Flexible

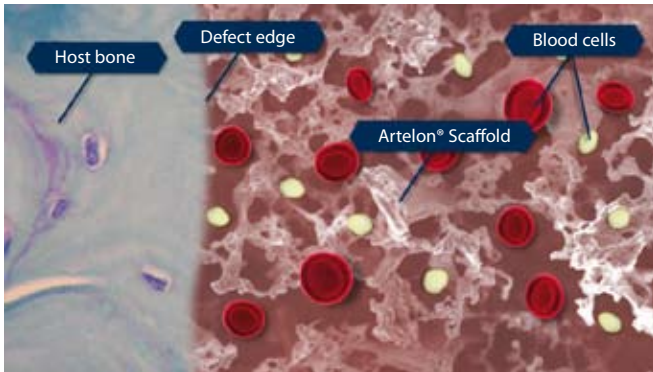


Granules

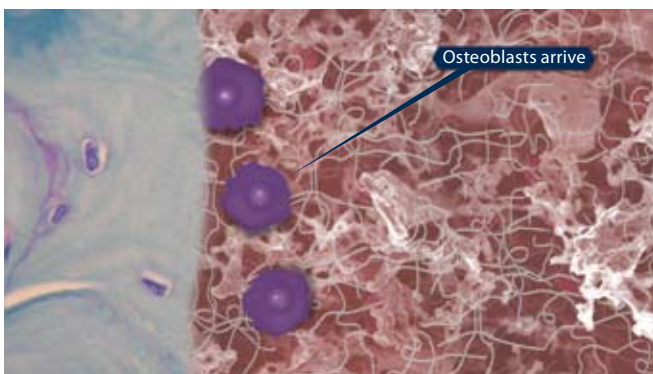
- Filling
- Soft
- Porous

Artelon® (CONTINUED)

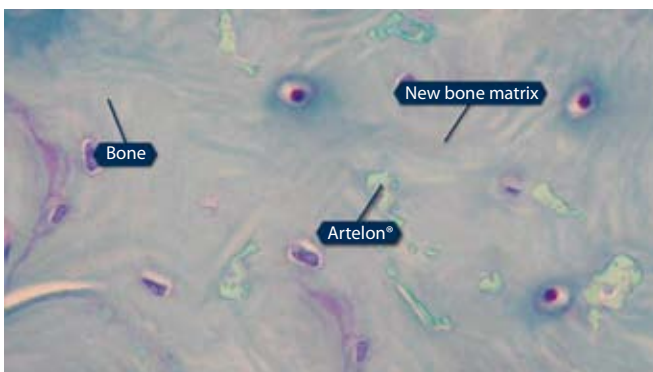
Illustration of tissue growth in Artelon®. From the implant to newly formed tissue.



1. This is an illustration of a tissue defect, in this case in bone, but the principle is the same in soft tissue. The Artelon® scaffold is implanted where the tissue is missing. It absorbs blood cells and stabilizes the clot. Healing can begin.



2. Fibrin (white threads in the picture) begins to form; at this stage the new tissue is very fragile and needs the long-term support of the Artelon® scaffold. With time the tissue is remodeled and matures.



3. Finally, new tissue has formed and only a very small part Artelon® remains in the tissue. Artelon® served as a support for the body and new tissue has formed.

MARKET

No other biomaterial is currently available in the market with the unique combination of properties that Artelon® offers in terms of long degradation time, mechanical properties, and biocompatibility.

IMPLANT MARKET TRENDS

From “spare parts” to implants that support the body’s healing

The market for implants is increasing because - especially in industrialized countries - people are living longer, are financially better off, and are looking for better quality in a long life with an active lifestyle. The biomaterial implant market is currently one of the biggest and fastest growing markets in medical devices. In addition to the aging population, younger and middle-aged people are more willing to have surgery. Technological achievements and greater understanding of the body’s functions also drive the biomaterial market. In addition to demographics and technology, the rapid growth of biomaterials is related to healthcare developments that reduce surgical and recovery times.

Degradable implants that provide support while the body heals itself capture market share from traditional “spare parts,” which only replace joints or other parts of the body.

The market also demands safe implants of synthetic materials such as Artelon®, in which the risk of disease transmission is minimal.

Larger and fewer companies

Changes in medicine, including companies that focus on implants, are resulting in fewer but larger global companies. Partnerships between these global companies and small research-intensive development companies create conditions for building up product lines with implants in new materials and for combining them with medications, cells or other bioactive substances. By teaming up with big internationals on product development and using their sales outlets, smaller companies can substantially reduce lead times from development project through approval to widespread use of each new product.

Competition

Artimplant is active in several medical specialties in which Artelon® can create new opportunities. Competition from other biomaterials varies depending on the medical field in which they are used. Medical needs vary greatly, running the gamut from bone defects to soft tissue reconstruction, which places varying demands on the appearance of the biomaterial. For example, competitors include other degradable biomaterials such as collagen, of animal or human origin, or permanent implants made of materials such as silicone or titanium. Because of unsatisfactory results with surgical treatment, the competition with conservative medical treatment persists, such as pain management with cortisone. Various types of surgical procedures without implants also pose competition, such as treatment of thumb base arthritis, in which tendon grafts and arthrodesis are two common methods.

THE MARKET FOR Artelon®-PRODUCTS

ORTHOPEDICS

Analysts estimate that the global market for orthopedic biomaterials in 2006 is worth over SEK 25 billion. About 75% of this market consists of bone replacements. Rapid growth in this market will continue, especially because biomaterials will be combined with cells or other bioactive substances.

Orthopedists and hand surgeons, who have experience with implants, are often highly knowledgeable about various materials. Interest in new biomaterials, including Artelon®, has therefore been great and many have requested information.

Treatment of Thumb Base Arthritis

Thumb base arthritis is a common condition that causes significant pain in the cartilage at the base of the thumb and also leads to impaired function. Women over the age of 55 are most

GLOBAL MARKET FOR ORTHOPEDIC BIOMATERIALS, BY SEGMENT

SEGMENT (figures in MSEK*)	2002	2006	2010	GROWTH PER YEAR**
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 %

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

** Aggregated annual growth 2002-2010

Sources: Artimplant/Medtech Insight March 2002

MARKET (CONTINUED)

commonly afflicted, though the disease is not uncommon at lower ages or in men. Conservative medical treatment during the preliminary phase of the course of the disease, such as with pain management with cortisone, is the most common method for treating thumb base arthritis. The most common surgical procedures are tendon grafts or arthrodesis, which involve modifying the anatomy of the hand.

The total number of small bone and joint operations a year in the US, including surgery on hands and feet, is estimated at 2.5 million. The total number of procedures involving joints, tendons, and ligaments of the hand and wrist is estimated at about 15,000 per year in Sweden alone. With osteoarthritis in the TMC joint of the thumb, the current indication for the Artelon® TMC Spacer (marketed in the United States under the name Artelon® Spacer CMC-I), over 2,000 procedures are carried out annually in Sweden. Using a conservative estimate, 20% of all women and 7% of all men over the age of 55 have thumb base arthritis, which means 240,000 women and 77,000 men in Sweden alone. Every year, 15,000 to 20,000 Swedes are diagnosed with thumb base arthritis. The number of procedures in the world today within this area of application for the Artelon® TMC Spacer is estimated at over 100,000 per year. The number of patients with thumb base arthritis is actually many times greater. A new material such as Artelon® and a tissue-preserving surgical technique could mean that many patients with pain and disabilities would not have to go on treatment with analgesics and splinting for lengthy periods, and could instead have surgery.

Reinforcing the Rotator Cuff

The rotator cuff helps to lift and rotate the arm and to stabilize the shoulder. Rotator cuff injuries are a common cause of shoulder pain and disability. This problem is found in both young people and the elderly. The risk of rotator cuff injury increases with rising age since the rotator cuff muscle and tendon lose some of their elasticity and become more susceptible to injury. Injuries can be caused by activities of daily living such as lifting or reaching for something. Rotator cuff injuries are also common in people who are active in sports and people with physically demanding jobs.

The products available on the market are produced from collagen of human or animal origin. Not only can the risk of infection never be completely eliminated, but in many cases collagen also causes tissue reactions.

Today more than 300,000 rotator cuff procedures are carried out annually in the United States. This is a growing market segment for both primary and follow-up therapies. About 20 to 30% of all patients who have a rotator cuff repair require further treatment due to a rerupture. By reinforcing the sutures with SportMesh™ many of these reoperations could probably be avoided.

Shoulder surgery and other specialties have lacked a strong, elastic, synthetic, soft tissue reinforcement that degrades over a long period of time. SportMesh™ for reinforcing rotator cuff repairs is marketed internationally by Arthrotek, a subsidiary of Biomet. Interest in the soft tissue reinforcement device is also great in fields such as podiatric surgery and for sports injuries other than shoulders.

Sutures

The global suture market is worth several billion Swedish kronor and is controlled by a few large enterprises.

The suture market can be divided into absorbable and nonabsorbable sutures. The Artelon® Surgical Suture is formally classified as a nonabsorbable suture, because when compared with the absorbable sutures currently available in the market, it has a significantly longer biodegradation period.

Artelon® Surgical Suture is a niche product optimized for slow healing tissue, such as tendons and ligaments. The superior knotability and knot security of the Artelon® Surgical Suture make it ideal in arthroscopic procedures such as shoulder surgery.

ODONTOLOGY

The new safe biomaterials that help dentists to treat patients who have lost bone through illness or trauma create new opportunities for these people. One or more surgical procedures are needed to regenerate bone volume and soft tissue; these are top priority, research-intensive areas, as are more advanced surgical procedures involving bone void filler and regeneration of new facial structures during operations for cancer or cysts. In odontology, the strongest growing field in the market involves biomaterials combined with dental implants. According to the latest forecast from Medtech Insight the dental implant market combined with the rest of the biomaterial market will be worth SEK 7 billion in 2011.

The soft consistency and malleability of Artelon® as a dental bone substitute open brand new clinical opportunities, especially combined with metal dental implants. The majority of existing synthetic products on the market today are made of hard, brittle materials that are difficult to handle, which limits the extent to which they can be used. These are fields in which Artelon® opens up completely new possibilities.

The global biomaterial market in odontology is dominated by several major players such as Geistlich, Centerpulse Dental, Straumann, Dentsply, Biomet, and Zimmer.

Artelon® Bone Scaffold and Artelon® Membrane

Patients who have lost part of the jawbone through either illness or trauma need new healthy bone in order to be offered dental implants. However, in order to regenerate new bone the body needs some help. Many of the products available in the market for regeneration of bone tissue are hard and brittle and some are derived from animal sources. Artimplant's Artelon® Bone Scaffold differs from similar products in the market because it is soft, synthetic, retains its shape, and is extremely user-friendly. It serves as a temporary scaffold which when placed in the bone defect helps the body to initiate bone regeneration.

According to Artimplant's conservative estimate, Artelon® Bone Scaffold can be used in about 650,000 treatments per year, worldwide.

Periodontitis is a disease that afflicts millions of people worldwide every year. It is an inflammatory process that attacks the jawbone and breaks down the supportive tissue in which the tooth sits, causing the tooth to loosen.

MARKET (CONTINUED)

Artelon® Membrane is a completely synthetic and porous product with optimal properties to promote regeneration of the destroyed tissue surrounding the tooth. Artimplant's dental membrane is a tissue-generating membrane used in the oral cavity to support regeneration of bone, either related to a periodontitis or other types of bone defects. Regenerating bone allows the dentist to offer patients the possibility of treatment with titanium dental implants.

Artelon® Membrane is completely synthetic, which eliminates the risk of transmitting infection and it also retains its shape, which means that the membrane can be manipulated in challenging environments without collapsing.

Artimplant estimates that Artelon® Membrane can be used in about the same number of treatments as Artelon® Bone Scaffold.

Artimplant's dental products will mainly be used in two markets, the implantology market and the referral market. The referral market means that the general dentist refers the patient to a surgeon. In the implantology market each dentist will carry out the surgical treatment. Most countries, such as the US, Canada, Australia, the UK, and the Nordic countries, offer a mixture of the two treatment modalities, while Germany, Italy, and France are known to a greater extent as implantology markets.

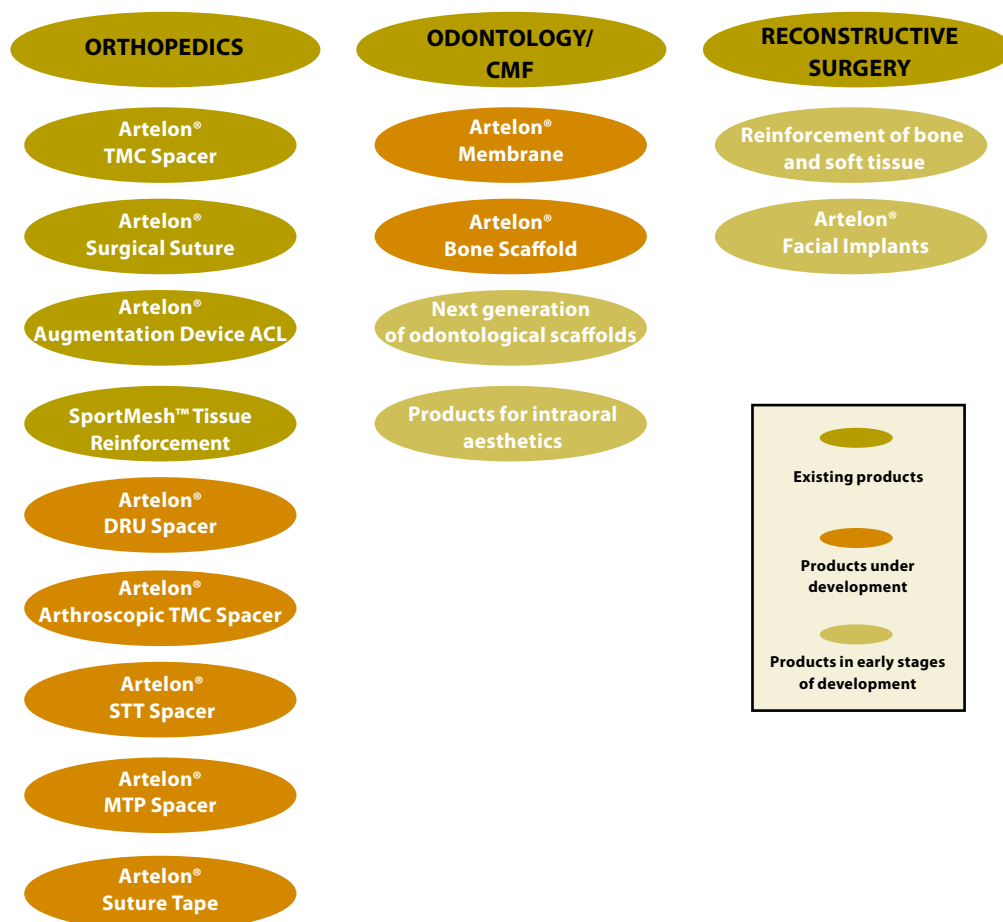
PLASTIC AND RECONSTRUCTIVE SURGERY

The market in plastic and reconstructive surgery is extensive and includes many different types of procedures in various parts of the body. In the US market, implants in plastic surgery have trended downward in recent years, while demand for cosmetic filler products has increased. However, the number of procedures for reconstruction and correction of the tissue contour of the face has increased since 2000. The total number of cosmetic plastic surgery procedures in the United States in 2004 was 9.2 million and in reconstructive surgery, 5.6 million. These figures include all types of plastic and reconstructive surgery (American Society of Plastic Surgeons).

For some time Artimplant has been evaluating several projects for product development in cooperation with potential partners in plastic and reconstructive surgery. After trauma, illness or congenital injuries patients require reconstruction or correction of soft tissue contours, and in some cases cartilage and bone tissue, including in the face. Using Artelon® in these applications has many advantages for patients and doctors. Artelon® is soft and flexible, which means that the implant is easy to trim and adapt to the patient's anatomy. Because tissue grows in the Artelon® implant, it becomes an integral part of the body's own tissue, which helps to prevent rotation of the implant or other undesired effects, such as encapsulation. Because the material works as a long-term support for tissue in certain applications, doctors can offer an attractive alternative to procedures that must be repeated time after time.

PRODUCT PORTFOLIO

The number of products in Artimplant's product portfolio more than doubled in 2005.



ORTHOPEDICS

Artelon® TMC Spacer

The Artelon® TMC Spacer is an efficient and tissue-preserving method for treating thumb base arthritis. Thumb base arthritis is a common condition in which the cartilage at the base of the thumb is often extremely painful and also leads to impaired function. In surgical procedures with Artelon® TMC Spacer, only a small part of the arthritic bone is removed – we call it a tissue-preserving approach. The spacer offers a scaffold for tissue to grow into at the same time that it forms a new surface against the arthritic bone. The operation may be carried out under local anesthesia and takes less time than most conventional surgical methods. The product is mainly intended for the early phases of thumb base arthritis, which allows the patients to be treated earlier in the course of the disease than what usually occurs today.

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. A continuous increase of grip strength can be seen in patients in the spacer group compared with the patients in the control group. In the United States the product is marketed under the name Artelon® Spacer CMC-I. For more information please see www.tumbasartros.se (in Swedish).

The product is outlicensed to SBI, which has global sales rights. However, Artimplant has the right to sales in the Nordic countries.

New Artelon® Spacer Products Under Development

The general concept of stimulating regeneration of a joint surface may be applied to several joints in addition to the TMC joint. Artimplant signed four global licensing agreements in 2005 with SBI to develop and market an additional four Spacers for joints in the hand and foot. The size of the market for the four spacer products varies, but for all of them there is a strong need from clinicians. Once approved, the implants are expected to have a relatively short time to market through SBI's broad distributor network.

Artelon® STT Spacer is a new spacer for a different thumb joint. Osteoarthritis is almost as common in the STT joint, which is above the TMC, as in the TMC joint. Patients with osteoarthritis in both the TMC and STT joints cannot be operated with the Artelon® TMC Spacer. Doctors have to remove the trapezium for patients to become pain-free. Now it will become possible to operate these patients with spacers.

Artelon® Arthroscopic TMC Spacer for minimally invasive procedures. Artimplant is developing an Artelon® Spacer for arthroscopic surgery that will make it possible to operate thumb base arthritis in the TMC joint even faster, easier, and with less trauma. Even more patients will then be able to have surgery early enough to halt joint destruction at an early stage. It further increases the chances of achieving good treatment outcome and preventing unnecessary suffering in patients.

PRODUCT PORTFOLIO (CONTINUED)

Artelon® MTP Spacer is a spacer for the treatment of osteoarthritis in the joint at the base of the big toe. Hallux Rigidus or arthritis of the MTP joint in the big toe is an extremely common illness. Mobility in the MTP (metaphalangeal) joint decreases, usually in combination with increased pain and ultimately the joint becomes completely stiff. Pain and difficulty bearing weight are often associated with significant disability. The results of conventional surgical treatment have not proven especially successful and therefore surgery is only done after lengthy medical treatment with analgesics and NSAIDs (non-steroid anti-inflammatory drugs).

Artelon® DRU Spacer is a spacer for treatment of osteoarthritis of the wrist. Fractures in the wrist region often result in complications. One complication may be osteoarthritic change in the surfaces of the distal radioulnar (DRU) joint. Osteoarthritis in the DRU joint often results in wrist pain, restriction of forearm rotation, and decreased grip strength, limiting the patient's daily activities. The Artelon® DRU Spacer allows the forearm to work naturally.

Work on these spacer products began in 2005 and will be completed during 2006.

SportMesh™ of Artelon®

SportMesh™ is a new generation of synthetic products for rotator cuff injuries. Reinforcement with Artelon® eliminates the risk of tissue irritation that may be caused by biomaterials of animal origin. The implant provides additional mechanical strengthening in the treatment of rotator cuff injuries. The product also functions as a degradable scaffold into which the patient's own tissue grows. This reinforcement in both the short- and long-term reduces the risk of rerupture with subsequent reoperation. The rotator cuff helps to lift and rotate the arm and to stabilize the shoulder. Rotator cuff injuries are a common cause of shoulder pain and disability.

The product is outlicensed to Biomet, which has global sales rights. However, Artimplant retained the right to sales in the Nordic countries.

Artelon® Surgical Suture

Artelon® Surgical Suture is optimized for slow healing tissue and is especially appropriate in orthopedic applications. The unique mechanical properties and biocompatibility of Artelon® are extremely appropriate for 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 sites such as ligaments and tendons. Artelon® Surgical Suture has superior knotability and knot security, which means it is easy to tie and requires fewer knots to lock the sutures in place. The elastic properties of Artelon® the sutures mimic surrounding tissue, which reduces the risk that they will cut through tissue. Repairing elastic tissues with an elastic material should also promote more natural healing.

During 2005, Artimplant expanded the product family by adding more sizes. Artelon® Surgical Suture is approved for sale in Europe and the US and is available today, needled and unneedled, in sizes 2-0, 0, 1, and 2. ArthroCare Corporation has nonexclusive rights to distribute the product in North America.

Projects are underway to further develop the suture concept. Artelon® was developed to attain mechanical properties similar to human tendons and ligaments. There are several clinical situations in which these properties are used in a coarser, flatter suture, called Suture Tape, for use in applications such as reconstructing a tendon in a hand or a foot.

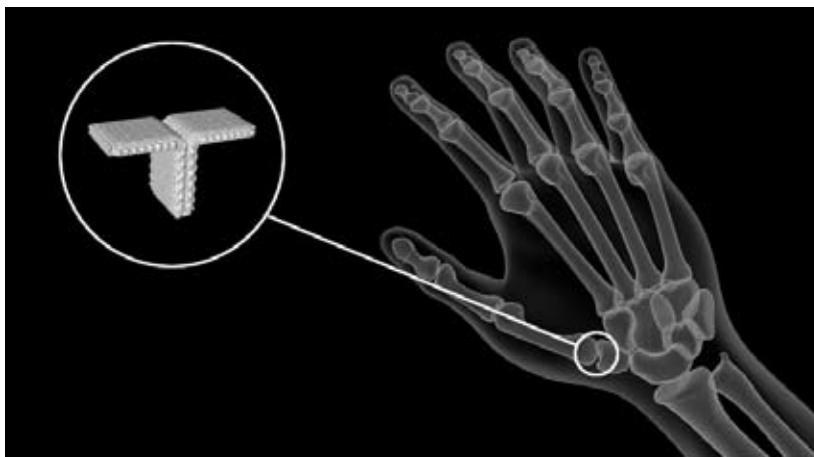
Artelon® Augmentation Device ACL

The Artelon® Augmentation Device ACL was developed for patients with torn anterior cruciate ligaments (ACL). The augmentation device supports an autograft during the sensitive initial healing period and serves as a scaffold for the cells. Despite relatively good clinical results, contacts with users in clinical trials have shown that both clinical added value and the number of patients for which the product is

Artelon® Surgical Suture



Artelon® TMC Spacer



PRODUCT PORTFOLIO (CONTINUED)

appropriate, are more limited than initially estimated.

Every year about a million people in the western world suffer ACL injuries. These patients are physically active and rather young, with an average age of about 25 to 30. The injury is usually associated with athletic activities. A prosthesis would be a major advantage to ACL reconstruction and this is part of the development project in which the ACL Artelon® Augmentation Device will be outlicensed.

ODONTOLOGY

Artelon® Bone Scaffold

The Artelon® Bone Scaffold is soft, safe, and synthetic and is completely different from other currently available bone substitutes. Essentially all synthetic products in the market consist of hard, brittle materials that limit their usefulness.

Patients who have lost part of the jawbone through either illness or trauma need new healthy bone before they can be offered dental implants. However, in order to regenerate new bone the body needs some help.

The Artelon® Bone Scaffold serves as temporary scaffolding for the body's own tissue. The Artelon® Bone Scaffold obtained the CE mark in July 2005 and has been available for limited clinical use since the end of 2005. Clinical experience shows that Artelon® offers new opportunities in a number of clinical situations. The scaffold product is easy to handle and can readily be shaped to fit the size of the bone defect, it effectively supports blood or bone marrow, and since it is both soft and highly porous, it is appropriate for applications such as anchoring titanium dental implants through the scaffold.

Artelon® Membrane

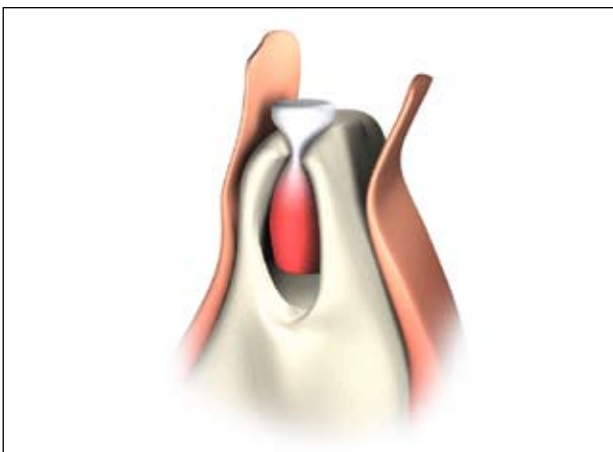
Artelon® Membrane possesses the same advantageous handling properties as the Artelon® Bone Scaffold and is useful in several dental applications to facilitate bone formation in areas such as the maxillary sinuses and to cover various types of bone defects.

Unlike many rival products, Artelon® Membrane retains its shape when wet. And because Artelon® Membrane is degradable, no additional surgery is needed to remove it. It is also completely synthetic, which eliminates the risk of infection. Artelon® Membrane received CE approval in July 2005 and is available in a variety of sizes.

PLASTIC AND RECONSTRUCTIVE SURGERY

Another related therapeutic area in which Artimplant is considering various product development projects is plastic and reconstructive surgery. Trauma, illness, or birth defects frequently require reconstruction and correction of soft tissue contours in areas such as the face. Artelon® can be implanted with Minimal Invasive Surgery (MIS), which improves the aesthetic results, shortens procedure time, and enables more doctors in smaller medical centers to offer their patients plastic surgery with the Artelon® concept. The minimal capsule formation around Artelon® in tissue makes it an ideal biomaterial in these applications.

Artelon® Bone Scaffold



Artelon® Membrane



PRODUCT DEVELOPMENT

Successful development consists of rapidly converting ideas into concrete products that provide added value for patients, doctors, and society.

Continual and efficient product development is pivotal for Artimplant's growth. In order to identify potential business opportunities Artimplant closely monitors customer needs with a focus on orthopedics, odontology/CMF, as well as plastic and reconstructive surgery. Artimplant explores commercial and regulatory aspects as well as opportunities for meeting clinical needs using some form of Artelon® or with Artelon® in combination with other biomaterials or active substances.

During the year Artimplant established a more effective project development process as yet another step in its transition from a research company to a product development and market-oriented enterprise. These efforts culminated in the completion of four new products. Moreover, it took only eleven months to develop the rotator cuff reinforcement

from concept to approved product. More than eight years of well documented clinical data about Artelon® help accelerate the pace for development, approval and introduction of new products based on the unique, slowly degradable biomaterial.

The Company bases the expansion of its product portfolio on its knowledge of Artelon® from the perspective of biological, material and process engineering. Products based on fiber and porous matrix in orthopedics and odontology are already available in the market and the Company focuses on exploring concepts within new therapeutic areas, developing new forms of Artelon®, as well as maintaining and improving existing processes and production lines.



PATENTS AND TRADEMARKS

PATENTS

Artimplant's patent portfolio provides good patent protection for products and commercially promising product candidates in the Company's primary markets.

Artimplant has continued to optimize patent protection in relation to costs.

The table below shows seven Artimplant patents approved in Sweden, one of which was approved in 2005. Three of these have also gained international approval, two of which were approved in 2005. One additional patent application not shown in the table was submitted.

The patent pertaining to Artelon® (the basic patent) was in-

licensed from Polyrand AB (originator Per Flodin) in exchange for future payment in the form royalties for Artimplant's sales.

In 2005, Artimplant intensified its efforts defining and implementing its patent strategies for both the Artelon® biomaterial platform and each product.

The goal is to patent protect new product design, technology, and implantation method as early as possible in the product development process.

Trademarks

Artelon® is a registered trademark in the EU, Australia, Japan, and the US.

PATENT PORTFOLIO

DESCRIPTION	STATUS	EXPIRATION
Linear block polymer (basic patent for Artelon®)	Patented in Sweden, Australia, China, US, and EU.	2015-2016
Ligament	Patented in Sweden, Australia, China, US, and EU.	2018-2019
Porous films	Patented in Sweden, Australia, China, US, and EU.	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
Linear block polymer II	Patented in Sweden. International patents applied for.	2022



PRODUCTION

Artimplant carries out all production in its own premises. The facilities and machinery are adapted and built for production of Artelon®.

Production is carried out in accordance with Good Manufacturing Practice in a controlled cleanroom environment. The high-quality production facilities and cleanrooms are well adapted to the operation. The clean room facility is classified according to ISO standards for cleanrooms.

During the past year Artimplant invested in equipment for production and development of products in warp knit fabric. The warp knit technology offers opportunities for fast, efficient and diversified product development, as well as streamlined production.

Moreover, the processes for production of porous matrices have been established and are now being optimized. At the

same time that Artimplant is developing new production methods the Company is also working on improving existing production processes, with a primary focus on increased productivity.

During 2005, polymerization processes for Artelon® improved, resulting in increased process control and a higher yield. The entire production chain for production of Artelon® Surgical Suture is now in place.

In 2006 Artimplant will focus on increased production capacity to meet increased customer demand.

New investments are planned, mainly for production of Artelon® fibers and in textile production, as well as in post-processing.



ORGANIZATION AND HUMAN RESOURCES

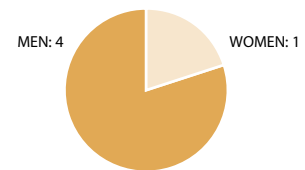
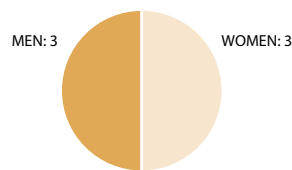
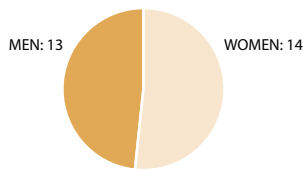
Artimplant is a knowledge-intensive company. It is therefore essential to retain in-house specialist skills and nurture external contacts in specialties necessary for the Company's growth. The organization is cost-effective and employees focus on working with the right matters in the right way, maintaining superior quality at every level, and achieving maximum productivity in all of the Company's processes. Personnel development includes periodic employee performance review sessions, in-house exchange of knowledge and skills enhancement, as

well as a wellness program. Artimplant's primary objective has been to support and stimulate employees to increase their expertise in order to accept greater responsibility within the Company.

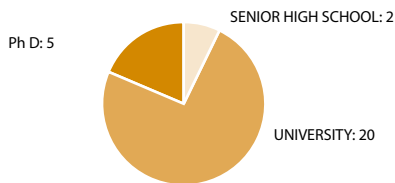
The Company works continuously to improve the work environment and has not had any occupational injuries or incidents during the year.

The staff turnover rate in 2005 was 5.8%.

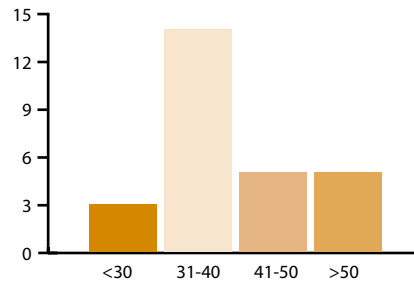
GENDER DISTR. ALL EMPLOYEES GENDER DISTR. SENIOR MANAGEMENT GENDER DISTR. BOARD OF DIRECTORS



LEVEL OF EDUCATION



DISTRIBUTION BY AGE



CEO MANAGEMENT TEAM				
Finance and Administration	Medical Affairs	Product Development	Production	Licensing and Marketing

QUALITY POLICY

Artimplant is a biomaterials company that develops, produces and markets degradable implants designed to meet well-defined clinical needs. Artimplant always aims to exceed customers' expectations in every aspect of supply, operations, and communication. In doing so the patients' quality of life is enhanced, which makes the Company's operations successful. Implementing this policy requires that everyone throughout the organization accepts responsibility for quality. In its turn Artimplant offers them all necessary resources, excellent working conditions, and excellent career prospects. Product development must always focus 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 on every occasion through a variety of activities such as:

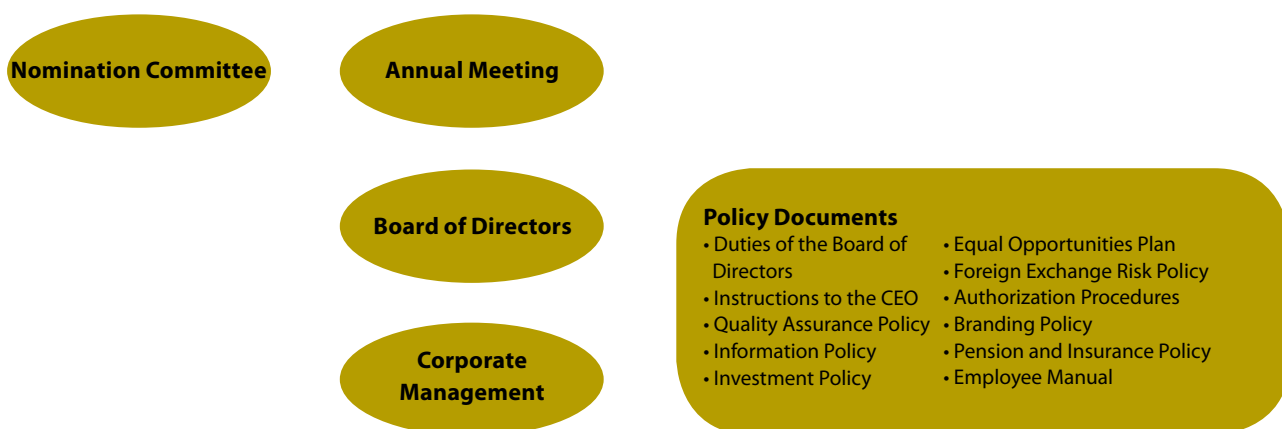
- Actively encouraging feedback from product users, not just with the aim of further improving existing products, but also with a view to developing new ones
- Giving priority to the most important quality targets and following them up
- Encouraging all employees to come up with suggestions for improvements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

CORPORATE GOVERNANCE

In late 2004 the Code Group published the "Swedish Code of Corporate Governance". The Stockholm Stock Exchange included the Code in its regulations as of July 1, 2005 and initially requires compliance from all firms on the A list and firms on the O list with a market capitalization of over SEK 3 billion. Artimplant's market capitalization is lower and it has a limited administrative staff, which limits its potential for implementing early adaptation to the Code. Consequently, the Board of Directors resolved in 2005 that the Company would not apply the Code in full, but would let it serve as guidance in those areas that the administration considered relevant. Below is an overview of Artimplant's corporate governance principles.

Objectives of Artimplant's corporate governance policy:

- To create the right conditions for stockholders to exercise active and responsible ownership.
- To create an equitable balance of power between stockholders, the Board of Directors and senior management that will guarantee stockholders the opportunity to exercise their rights in relation to the management
- To create well-defined roles and divisions of responsibility among the various management and supervisory bodies
- To ensure practical application of the provisions of the Swedish Annual Accounts Act with reference to equal treatment.
- To create the greatest possible transparency in relation to the Company, its stockholders, the capital market and the community as a whole.



Nomination Committee

The 2005 Annual Meeting resolved that the nomination committee would consist of representatives from Artimplant's three biggest stockholders as of September 30, 2005, as well as the Company's chairman of the board, who would act as convener. The nomination committee for the 2006 AGM consists of Petter Odhnoff from the Second National Pension Insurance Fund (chairman of the committee), John Arnold from John & Claire Arnold Revocable Trust, Johan Ågren from Banco Fonder and the chairman of the board, Akbar Seddigh. The committee held two meetings during 2005.

Board of Directors

The 2005 Annual Meeting re-elected all five previous Directors at the recommendation of the nomination committee. According to the Articles of Association, the Board of Directors shall consist of a minimum of four and a maximum of nine

directors. It is the Board's task to decide on the Group's overall objectives and strategies, determine the direction of its operations, appoint the CEO, decide on major investments and decide on major organizational issues. The Board approves marketing plans, budgets, interim reports, and annual earnings figures. The Board's duties include determining the number of meetings to be held, matters to be dealt with at its ordinary meetings, and the responsibilities of the Chairman. In view of the size of the Company and the composition and size of the Board itself, the Board has decided that there is no need to appoint either a Remuneration Committee or an Audit Committee for the time being. The Board of Directors held thirteen board meetings during 2005. The Board elected Akbar Seddigh to serve as Chairman of the Board at its statutory meeting on May 2. The Board also approved updates to the rules of procedure for the Board of Directors, in-

structions to the CEO, and comprehensive policy documents.

Corporate Management

The CEO conducts the Company's business in accordance with the instructions of the Board of Directors. The CEO is responsible for keeping the Chairman and other Directors informed on an ongoing basis about the Company's financial and operational development, and for ensuring that all necessary information is available prior to Board meetings. The Company's senior management consists of the CEO and the Vice Presidents with responsibility for Finance, Medical Affairs, Corporate Development, Production, and Product Development.

Remuneration

The AGM sets the remuneration paid to the Board and the Company's auditors. The Board sets the remuneration for the CEO.

BOARD OF DIRECTORS



Akbar Seddigh (1943)

Chairman of the board, board member since 1997. Chairman of the Board of Elekta AB, Formo Services AB and Ortivus AB. Member of the Boards of Affärsstrategerna AB and Biolight AB.

Holdings in Artimplant:
Class B shares 223,334
Call options 0
Issued call options for 65,000 shares.



Birgit Stättin-Norinder (1948)

Board member since 2004. Management positions in research and development at Pharmacia & Upjohn Corp., Glaxo Group Research Ltd., Astra Research Centre AB, and Pfizer. Previously CEO and chairperson of Prolifix Ltd. Chairperson of InDex Pharmaceuticals AB, Lauras AS and Board member of Antisoma Ltd, Biolipox AB, Photocure ASA, and Betagenon AB.

Holdings in Artimplant:
Class B shares 0
Call options 0



Svante Rasmuson (1955)

Board member since 1997. After taking his medical degree, worked in international marketing at Gambro Engström AB and as a pharmaceuticals analyst with Alfred Berg Fondkommission AB. CEO of InDex Pharmaceuticals AB.

Holdings in Artimplant:
Class A shares 91,750
Class B shares 423,659 including family members' holdings
Call options 0
Issued call options for 75,000 shares.



Lennart Ribohn (1943)

Board member since 2001. Employed by the Electrolux Group 1963-2000, holding a number of leading positions such as Group Controller, CFO, and Senior Executive Vice President. Chairman of the board of Försäkrings AB Nordisk Garanti. Member of the boards of SEB Fondförvaltning AB, AB Segulah, Ortivus AB, Compatec AB, FPG Försäkringsaktiebolaget Pensionsgaranti, and Reachin Technologies AB. Board member in the Securities Council.

Holdings in Artimplant:
Class B shares 93,750
Call options 0



Ingemar Kihlström (1952)

Board member since 2003. Associate Professor, Uppsala University. Worked in R&D at both Astra AB and Pharmacia AB 1982-1996, and subsequently as a financial analyst specializing in the pharmaceutical industry with firms such as Aros Fondkommission AB and ABG Sundal Collier ASA. Currently independent advisor to biotech/medical engineering/pharma industries. Board member of DiaGenic ASA, Hemapure AB, New Science Svenska AB, Niconovum AB, and Oxypharma AB.

Holdings in Artimplant:
Class B shares 24,300
Call options 0



Bolagets revisor

Ernst & Young AB
Responsible partner
Bertel Enlund, (1950)
Authorized public accountant,
Auditor for Artimplant since 2003

SENIOR MANAGEMENT



Tord Lendau (1957)

President.
Employed by Artimplant since October 2002. Board member of Diamyd AB, which is listed on the O list of the Stockholm Stock Exchange, and ArthroCare Inc, which is listed on NASDAQ.

Holdings in Artimplant:
Class B shares 248,998 (owned through company)
Employee options 175,000 program 2002/2006, 175,000 program 2002/2008, 210,000 program 2005/2010. Call options in Artimplant issued by certain large owners 107,500 with terms equivalent to the 2002/2006 program and 107,500 with terms equivalent to the 2002/2008 program.



Ulf Åkerblom (1944)

Corporate Development, Marketing, and Licensing. CEO, Artimplant USA Inc. Employed by Artimplant since January 2002, before that associated with Artimplant as a consultant since March 2001.

Holdings in Artimplant:
Class B shares 229,000 (private and owned through company)
Employee options 56,250 program 2002/2006, 56,250 program 2002/2008, 49,500 program 2005/2010.



Lars-Johan Cederbrant (1971)

CFO.
Employed by Artimplant since 2005. Board member of CardioBridge GmbH and Inventive Capital LLP.

Holdings in Artimplant:
Class B shares 18,000
Employee options 49,500 program 2005/2010



Katrin Gisselgård (1969)

Vice President, Product Development. PhD. Employed by Artimplant since 1995.

Holdings in Artimplant:
Class B shares 15,000
Employee options 5,000 program 2002/2006, 5,000 program 2002/2008, 49,500 program 2005/2010.



Elisabeth Liljensten (1969)

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

Holdings in Artimplant:
Class B shares 12,375
Employee options 56,250 program 2002/2006, 56,250 program 2002/2008, 49,500 program 2005/2010.



Maria Nyström (1964)

Vice President, Production. M. Sc. Employed by Artimplant since 2000.

Holdings in Artimplant:
Class B shares 0
Employee options 5,000 program 2002/2006, 5,000 program 2002/2008.

SHARES AND OWNERSHIP

Artimplant's Class B shares are listed on the O list of the OM Stockholm Stock Exchange. Market price at the close of the last day of business for 2005 was SEK 8.45. Class A shares are not listed on the stock exchange, but can be converted into Class B shares. No Class A shares were converted into Class B shares in 2005. Class A and Class B shares carry equal rights to the Company's assets and profits. Class A shares carry 10 votes and Class B shares carry 1 vote. Artimplant's market capitalization on December 31, 2005, was about SEK 501 million.

Total number of shares is 59,244,790, including 685,500 Class A shares and 58,559,290 Class B shares. The par value

of each share is SEK 0.10. Artimplant does not plan to pay any dividend or buy back any stock over the next two years. On December 31, 2005 the Company had 9,234 stockholders. The biggest stockholders are presented in the table below.

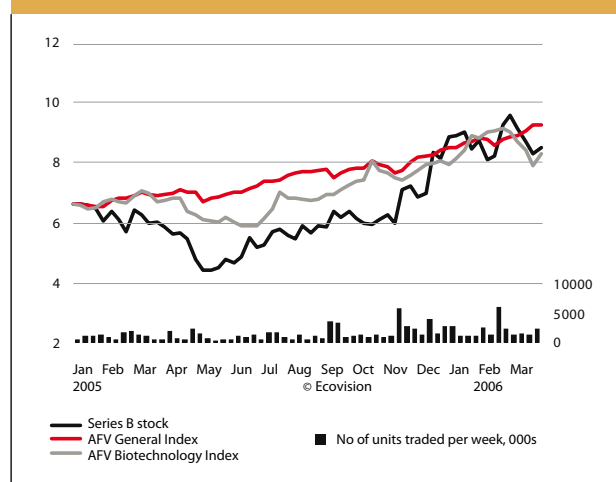
On March 31, 2005 the Board of Directors resolved to carry out a preferential rights issue for a maximum of 19,748,263 Class B shares with a subscription price of SEK 4.50 per share. The AGM approved the Board's resolution on May 2, 2005. The issue, which was 92% underwritten by stockholders and new investors, was oversubscribed 1.5 times.

Artimplant raised SEK 88.9 million prior to issue costs in June 2005.

STOCKHOLDERS AT 31 DEC 2005, SOURCE: VPC AB

NAME	SERIES A	SERIES B	% OF CAPITAL	% OF VOTES
SECOND NATIONAL PENSION FUND	0	5,837,722	9.85	8.92
J & C ARNOLD REVOCABLE TRUST	207,000	3,243,499	5.82	8.12
BANCO FONDER (through three funds)	0	3,211,885	5.42	4.90
CATELLA CASE	0	2,623,950	4.43	4.01
SKANDIA LIFE ASSURANCE	45,000	1,813,611	3.14	3.46
EXPORTFOND, ROBURS	0	1,807,958	3.05	2.76
CEDRONIUS, ANDERS	99,000	1,401,000	2.53	3.66
NORDEA BANK S A	0	1,227,750	2.07	1.88
LÄNSFÖRSÄKRINGAR SMÅBOLAGSFOND	0	978,700	1.65	1.50
GÅLÖSTIFTELSEN /PRINS CARLS	0	870,680	1.47	1.33
PETERSON, LARS (and ass. companies)	37,500	695,211	1.24	1.64
RASMUSON, SVANTE	91,750	408,059	0.84	2.03
MAGNACK AKTIEBOLAG	0	387,000	0.65	0.59
SVENSKA HANDELSBANKEN S.A.	0	359,000	0.61	0.55
SEB PRIVATE BANK S.A., NQJ	0	338,050	0.57	0.52
STRÖM, NICKLAS	0	300,000	0.51	0.46
KAHM, RICHARD	26,500	255,000	0.48	0.79
SIS SEGAINTERSETTLE AG/ZÜRICH	0	270,568	0.46	0.41
DFA-INTL SML CAP VAL PORT	0	255,000	0.43	0.39
BRODIN, TORSTEN	0	251,500	0.42	0.38
LENDAU, TORD (and ass. companies)	0	248,998	0.42	0.38
ÅKERBLOM, ULF	0	225,000	0.38	0.34
SEDDIGH, AKBAR	0	223,334	0.38	0.34
NILSSON, MARCUS	0	221,710	0.37	0.34
LAZARD CAPITAL MARKETS LLC	0	204,513	0.35	0.31
Others, (9,206)	178,750	30,899,592	52.46	49.99
Totals	685,500	58,559,290	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	1.2	10.5
Series B units	58,559,290	58,559,290	98.8	89.5
Totals	59,244,790	65,414,290	100.0	100.0

EMPLOYEE STOCK OPTIONS

DATE	NO OF OPTIONS	STRIKE PRICE*	STRIKE PERIOD	NO OF NEW SERIES B	INCREASE IN STOCK	INCREASE IN EQUITY
				UNITS ON 100% STRIKE	ON 100% STRIKE	ON 100% STRIKE
Dec-02	666,670	8.00	Dec 2005 - Apr 2006	666,670	1.1 %	5 333 360
Dec-02	666,670	16.10	Dec 2007 - Apr 2008	666,670	1.1 %	10 733 387
May-05	800,000	7.20	Jun 2010 - Sep 2010	800,000	1.4 %	5 760 000

*Strike price has been recalculated according to share issues. The original strike prices were SEK 10.00, 20.00 and 7.33.

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
2005	Rights issue	4,50	19,748,263	59,244,790	1,974,826	5,924,479

FIVE-YEAR OVERVIEW Amounts in SEK thousands

INCOME STATEMENT	2005	2004*	2003	2002	2001
Net sales	8,229	4,804	1,225	211	1,187
Cost of goods & services sold	-6,535	-4,748	-1,225	-211	-1,171
Gross profit/loss	1,694	56	0	0	16
Research and development costs	-20,906	-28,500	-13,878	-30,518	-22,706
Marketing costs	-9,608	-8,276	-7,637	-13,618	-25,855
Administrative costs	-8,613	-6,847	-6,417	-16,561	-9,096
Other operating income	-	-	-	-	30
Share in profit/loss of subsidiaries	-	-	775	-1,589	162
Operating loss	-37,433	-43,567	-27,157	-62,286	-57,449
Interest income and other financial income	1,211	1,228	771	1,261	3,859
Interest expenses and other financial expenses	-22	-33	-40	-68	-20
Share of profit on disposal of operations	-	-	9,966	-	-
Write-down of participations in subsidiaries	-	-	-13,739	-	-
Net financial items	1,189	1,195	-3,042	1,193	3,839
Loss after financial items	-36,244	-42,372	-30,199	-61,093	-53,610
Taxes	-	-	-	-	-
Loss for the period	-36,244	-42,372	-30,199	-61,093	-53,610

BALANCE SHEET	2005	2004*	2003	2002	2001
Total fixed assets	32,314	37,936	53,254	67,515	85,110
Total current assets	107,702	54,068	70,922	36,201	72,349
of which cash in hand and at the bank	104,186	51,277	67,950	31,428	67,144
TOTAL ASSETS	140,016	92,003	124,176	103,716	157,459
Total restricted equity	168,542	126,020	141,569	143,622	194,190
Total retained loss	-35,696	-42,081	-30,199	-61,093	-53,610
Total equity	132,846	83,939	111,370	82,529	140,580
Total provisions and long-term liabilities	245	-	-	-	-
Total short-term liabilities	6,925	8,065	12,806	21,187	16,879
TOTAL EQUITY AND LIABILITIES	140,016	92,003	124,176	103,716	157,459

CASH-FLOW ANALYSIS	2005	2004*	2003	2002	2001
Cash utilized by current operations	-28,393	-27,416	-28,328	-48,851	-25,366
Cash utilized/generated by investment operations	-3,301	-3,907	5,810	-12,774	-44,347
Cash utilized/generated by financial operations	84,603	14,650	59,040	25,909	-100
Cash flow for the year	52,909	-16,673	36,522	-35,716	-69,813
Liquid assets at Jan 1	51,277	67,950	31,428	67,144	136,957
Liquid assets at Dec 31	104,186	51,277	67,950	31,428	67,144

* 2004 recalculated according to IFRS. 2001-2003 have not been recalculated.

BOARD OF DIRECTORS' REPORT

LICENSE, DEVELOPMENT, AND DISTRIBUTION AGREEMENTS

In November Artimplant signed a distribution agreement for Artelon® Surgical Suture in North America with ArthroCare Corporation. The nonexclusive distribution agreement covers the sizes of Artelon® Surgical Suture available at the time of signing of the agreement and is the first of its type for Artimplant. ArthroCare sells the suture products through its own sales force and through distributors.

In October Artimplant signed four new development and licensing agreements with Small Bone Innovations, LLC (SBI) in New York City. The four new agreements underline SBI's focus on Artelon® and are a logical development of the success with Artelon® TMC Spacer, which treats thumb base arthritis. The new products will treat osteoarthritis - one of the most common joint diseases - of the hand, wrist, and foot. Artimplant estimates that total revenues from the four new products will exceed SEK 50 million over the next five to six years. The new products are:

- Artelon® STT Spacer - a spacer for osteoarthritis in the STT joint of the thumb.
- Artelon® Arthroscopic TMC Spacer - for arthroscopic implantation in the thumb base joint.
- Artelon® DRU Spacer - for treatment of osteoarthritis in the distal radial ulnar joint of the wrist.
- Artelon® MTP Spacer - for treatment of osteoarthritis in the metatarsophalangeal joint of the foot.

APPROVALS AND PRODUCT LAUNCHES

Artimplant obtained approval to market Artelon® TMC Spacer in Australia in December. The Small Bone Innovation's network of distributors is marketing the product.

In November the Artelon® implant for rotator cuff reinforcement received its CE mark. The rotator cuff is in the shoulder and consists of four muscles and their tendons. The product is sold by Arthrotek, a subsidiary of Biomet, under the name of SportMesh™.

In October Artimplant received CE marking and approval to market Artelon® Surgical Suture in the United States. The product family of sutures with slow degradation was expanded and is now available, both needled and unneedled, in sizes 2-0, 0, 1 and 2.

In July Artimplant received CE marking for two new products in the field of odontology and craniomaxillofacial surgery, Artelon® Membrane and Artelon® Bone Scaffold. Artimplant sells these products in the Nordic countries and they will be sold in the rest of the world by regional distributors.

In February Artelon® Spacer TMC was launched by Small Bone Innovations (SBI) at the world's biggest conference for orthopedists - AAOS - in Washington DC, USA. Artelon® TMC Spacer is a biological approach for the treatment of thumb base arthritis, a condition that is very common in women.

PRODUCT DEVELOPMENT

Artimplant does not pursue basic research; instead, the Company carries out applied product development in the form of projects based on the Artelon® biomaterial platform. It conducts research on its own behalf and within the framework for collaboration agreements with licensees. Each project relates to a specific product application and includes product specification, prototype, validation, and preclinical

and clinical trials. Project resources include salaries, materials, and other expenses directly attributable to the project. During the year the Company streamlined the product development process, as can be seen in the rotator cuff device, which took only eleven months from concept to CE marked rotator cuff product. More information about product development can be found in the Product Portfolio and Product Development sections.

ENVIRONMENT

The Company's activities have only a negligible impact on the environment. The Company complies with legislation and guidelines for those chemicals that are part of the operation. Artimplant has obtained environmental permits for the use of organic solvents.

NEW ISSUE

In late March the Board of Directors resolved to carry out a share issue with preferential rights, subject to the approval of the Annual Meeting. After the AGM's approval Artimplant issued 19.7 million new Class B shares in June, raising SEK 89 million for the Company before share issue expenses. The issue was 92% underwritten and oversubscribed 1.5 times.

REGISTRATION AND DIVESTITURE OF SUBSIDIARY

Artimplant USA, Inc was registered in December. The new company began operations in January 2006.

At the end of the year Artimplant Ortopedisk Klinik KB, formerly referred to as Gothenburg Medical Center KB (GMCKB), owned by Artimplant AB and Artimplant AB's wholly owned subsidiary Artimplant Ortopedisk Klinik AB, formerly referred to as Gothenburg Medical Center AB (GMCAB), deregistered. Artimplant AB took over the company's dealings, which did not have any significant effect on profits. Since October 2003, when operations at Gothenburg Medical Center were sold in their entirety, no business activities have been pursued in GMCKB or in GMCAB. GMC AB, the former holding company for GMCKB, will merge with Artimplant AB during 2006.

During October Artimplant Drug Delivery System AB was sold. The company has not pursued any business activities since it was created in October 2000. This had only marginal effects on profits for Artimplant AB.

ARTIMPLANT'S PERFORMANCE FOR 2005

Just as in 2004, only the Parent Company pursues business activities and therefore all financial reporting only pertains to Artimplant AB. Underlying figures for purposes of historical comparison are those for the Parent Company.

Artimplant AB's net sales between January and December totaled SEK 8,229 thousand (4,804), an increase of over 70% compared with the previous year. All revenue types, product sales with associated license revenues, and compensation for product development projects, increased during 2005, which was a breakthrough year for Artimplant's product sales. Including associated license revenues, product sales increased by 640%, mainly driven by Artelon® Spacer revenues from Small Bone Innovations, but also by the same product in the Nordic countries, which increased revenues by over 25%. Revenues from product sales account for 41% (9) of total sales.

The operating loss was SEK 37.4 million (loss: 43.6), including amortization for capitalized product development costs of SEK 6.1 million (3.8). Net loss amounted to SEK 36.2 million (loss: 42.4). Loss per share was SEK 0.73 (loss: 1.12). The

net result was positively affected by exchange rate differences of SEK 70 thousand, mainly attributable to revaluation of cash and cash equivalents in USD at the end of the year.

As of the closing of the books for 2005, including comparative figures for 2004, calculated costs for employee stock options, both option value and corresponding social security fees, are carried in the financial statements according to IFRS 2 and URA 46. Social security fees did not have any material effect during 2004 or during previous years. However, it should be mentioned that the Company has hedged the cost of social security fees and expects such fees payable at exercise of each option program to be fully covered by this hedge. However, according to IFRS, the effect of this hedge is first accounted for when realized and not allocated over the option period.

TRADING WITH OWN SHARES

The Company has not owned any shares during 2005.

INVESTMENTS AND FINANCIAL POSITION

Investments between Jan. and Dec. 2005 were SEK 3.3 million (3.9), including SEK 2.2 million (3.3) for intangible assets. Cash and cash equivalents were SEK 104.2 million (51.3) at the end of the period.

SIGNIFICANT FUTURE RISKS

Other than the usual business and financial risks, Artimplant has not identified any specific risks of material nature. The Company is not involved in any disputes. Currency risk is addressed separately in note 1, Accounting policies.

EMPLOYEES

Artimplant had 27 (26) employees as of December 31, 2005. More information is available in note 2 and under the heading Organization and Human Resources.

BOARD OF DIRECTORS

The Annual Meeting reelected Directors Akbar Seddigh, Svante Rasmuson, Lennart Ribohn, Ingemar Kihlström, and Birgit Stattin-Norinder on May 2, 2005. The Board carries out its duties based on the Rules of Procedure for the Board of Directors, which is adopted at a statutory board meeting held in connection with the AGM. The rules of procedure regulate matters such as the number of board meetings, the issues addressed, and the internal distribution of responsibilities among Directors. The Board held thirteen meetings during 2005. Attendance at these meetings was good. Birgit Stattin-Norinder and Svante Rasmuson were absent from two meetings and Lennart Ribohn and Ingemar Kihlström from

one. During the year the Board mainly focused on agreements with both licensees and distributors, the new share issue, and an overview of the Company's strategy for commercializing new products.

EVENTS AFTER YEAR-END

In January 2006 Artimplant obtained US clearance to market the Artelon® implant for rotator cuff reinforcement. The product is sold by Arthrotek, a subsidiary of Biomet, under the name of SportMesh™.

Artimplant established a small representative office in the US, Artimplant USA, Inc., which opened on January 1, 2006. The main purpose of the new office is to support Artimplant's US licensees and to develop new business. It will also provide a platform for improved market presence and the launch of odontology products through American distributors, once regulatory approval has been obtained.

OUTLOOK

Artimplant's goal is to have its biomaterials used in applications within several therapy areas. Its long-term objective is to be positioned as a leader in the biomaterials sector. Artimplant has the following operational goals for 2006:

- To considerably increase the Company's revenues.
- To launch at least three new products.
- To sign new development and licensing or distribution agreement for at least three products.
- To increase production capacity in order to meet increased demand.
- To continue to strengthen and expand product and process development.

The Company is not making a sales or profit forecast, since most of its products were only recently launched.

PROPOSED DISTRIBUTION OF UNAPPROPRIATED EARNINGS

Losses brought forward from previous years have been covered by a reduction of the stock premium reserve, as resolved at Annual Meetings. The Company's income statement and balance sheet will be laid before the Annual Meeting on May 3, 2006. The Board of Directors proposes that the stock premium reserve be reduced by SEK 36,244 thousand to cover the net loss for the year. The Board proposes that no dividend be paid to the stockholders, since the Company has a negative cash flow. The Company intends to use its cash to expand operations in the near future.

Gothenburg February 17, 2006

Akbar Seddigh
Chairman of the board

Lennart Ribohn

Svante Rasmuson

Ingemar Kihlström

Birgit Stattin-Norinder

Tord Lendau
President

KEY RATIOS Amounts in SEK thousands

KEY RATIOS	2005	2004*	2003	2002	2001
Equity per stock unit, SEK	2.24	2.13	3.10	4.29	15.20
Equity per stock unit after dilution in full, SEK	2.24	2.13	3.10	4.29	15.20
Loss per stock unit, SEK	-0.73	-1.12	-1.21	-6.06	-5.80
Loss per stock unit after dilution in full, SEK	-0.73	-1.12	-1.21	-6.06	-5.80
No of stock units in issue at year-end	59,244,790	39,496,527	35,896,527	19,250,000	9,250,000
Average no of stock units in issue during year	49,370,659	37,696,527	24,928,144	10,083,333	9,250,000
No of stock units in issue after dilution in full	61,107,012	40,829,867	37,229,867	20,583,340	9,762,500
Cash flow per stock unit, SEK	0.89	-0.42	1.02	-1.86	-7.55
Dividend per stock unit, SEK ¹⁾	-	-	-	-	-
Market price, highest, SEK	9.15	15.40	8.83	49.00	96.00
Market price, lowest, SEK	4.29	3.67	2.11	4.20	35.00
Market price at Jan 1, SEK	6.50	7.60	3.77	48.50	93.00
Market price at Dec 31, SEK	8.45	6.50	7.60	4.95	48.50
Return on equity, %	neg	neg	neg	neg	neg
Return on capital employed, %	neg	neg	neg	neg	neg
Equity/assets ratio, %	95	91	90	80	89
Proportion of risk capital, %	95	91	90	80	89
Interest bearing liabilities	none	none	none	none	none
Interest coverage ratio, times	-	-	-	-	-
Financial net assets	104,186	51,277	67,950	31,428	67,144
Capital expenditure:					
Research and development ²⁾	1,587	2,889	4,440	9,393	36,697
Patents	574	367	1,456	3,054	2,751
Machinery, equipment and fixed assets under construction	1,141	651	61	328	5,050
No of employees at Dec 31	27	26	24	36	36
No of consultants at Dec 31	-	-	-	-	9

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

* 2004 recalculated according to IFRS. Earlier years have not been recalculated, since there is no material effect.

¹⁾ For 2005 the figure refers to the proposal of the board of directors.

²⁾ For 2002-2005 the figures refer only to investments in product development, in accordance with IAS 38.

DEFINITIONS

Stockholders' equity per share

Stockholders' equity divided by number of outstanding shares.

Stockholders' equity per share after full dilution

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

Earnings per share

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

Earnings per share after full dilution

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

Cash flow per share

Cash flow for the year divided by number of outstanding shares.

Return on equity

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

Return on capital employed

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

Equity/assets ratio

Equity expressed as a percentage of balance sheet total.

Share of risk-bearing capital

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

Interest coverage ratio

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

Financial net assets

Cash and bank balances less interest bearing liabilities.

INCOME STATEMENT Amounts in SEK thousands

INCOME STATEMENT	Notes	2005	2004*	2003
	1			
Net sales		8,229	4,804	1,225
Cost of goods & services sold	3, 5	-6,535	-4,748	-1,225
Gross profit/loss		1,694	56	0
Research and development costs	2, 3, 6, 7	-20,906	-28,500	-13,878
Marketing costs	2, 3, 6, 7	-9,608	-8,276	-7,637
Administrative costs	2, 3, 6, 7	-8,613	-6,847	-6,417
Share in profit/loss of subsidiaries		-	-	775
Operating loss		-37,433	-43,576	-27,157
Interest income and other financial income	4	1,211	1,228	771
Interest expenses and other financial expenses	4	-22	-33	-40
Share of subsidiaries profit from sale of assets		-	-	9,966
Depreciation of shares in subsidiary		-	-	-13,739
Net financial items		1,189	1,195	-3,042
Loss after financial items		-36,244	-42,372	-30,199
Taxes	13	-	-	-
Loss for the period		-36,244	-42,372	-30,199
Earnings per share, SEK		-0.73	-1.12	-1.21
Earnings per share after full dilution SEK		-0.73	-1.12	-1.21

* 2004 recalculated according to IFRS.

ALLOCATION OF NET SALES Amounts in SEK thousands

GEOGRAPHIC AREAS	2005	2004	2003
Scandinavia	350	1,283	1,225
USA	7,879	3,521	-
Totals	8,229	4,804	1,225
SOURCE OF REVENUE	2005	2004	2003
Licensing of product applications	1,841	3,351	-
Product sales	1,529	453	225
Milestone payments for product development projects	4,859	1,000	1,000
Totals	8,229	4,804	1,225

BALANCE SHEET Amounts in SEK thousands

BALANCE SHEET	Notes	2005	2004*	2003
	1			
ASSETS				
Capitalized product development	5	27,949	32,414	45,471
Patents	6	1,264	2,016	2,781
Total intangible fixed assets		29,213	34,430	48,252
Machinery and equipment	7	1,394	1,699	3,195
Total tangible fixed assets		1,394	1,699	3,195
Stock and participation in subsidiaries	8	1,707	1,807	1,807
Total financial fixed assets		1,707	1,807	1,807
Total fixed assets		32,413	37,936	53,254
Raw materials, semimanufactures and finished goods		944	292	135
Total inventories etc		944	292	135
Accounts receivable		204	414	44
Other receivables		1,093	792	1,437
Prepaid expenses and accrued income	9	1,275	1,293	1,356
Total short-term receivables		2,572	2,499	2,837
Cash and bank accounts		104,186	51,277	67,950
Total current assets		107,702	54,068	70,922
TOTAL ASSETS		140,016	92,003	124,176

* 2004 recalculated according to IFRS.

BALANCE SHEET Amounts in SEK thousands

BALANCE SHEET	Notes	2005	2004*	2003
	1			
SHAREHOLDERS' EQUITY & LIABILITIES				
Share capital	10	5,924	3,950	3,590
Premium reserve		162,618	122,070	137,979
Total restricted equity		168,542	126,020	141,569
Retained earnings		548	291	-
Loss for the period		-36,244	-42,372	-30,199
Total retained loss		-35,696	-42,081	-30,199
Total equity		132,846	83,939	111,370
Provisions		245	-	-
Accounts payable		919	2,007	2,161
Liabilities, subsidiaries		1,822	1,793	1,944
Other current liabilities		718	731	1,174
Accrued expenses and prepaid income	11	3,466	3,534	7,527
Total current liabilities	12	6,925	8,065	12,806
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES		140,016	92,003	124,176
Pledged assets		none	none	none
Contingent liabilities**		none	none	328

* 2004 recalculated according to IFRS.

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

CHANGES IN EQUITY Amounts in SEK thousands

CHANGES IN EQUITY	CAPITAL STOCK	STOCK PREMIUM RESERVE	ACCUMULATED NET LOSS
As at Jan 1, 2004	3,590	137,979	-30,199
Allocation as resolved by AGM	-	-30,199	30,199
New stock issue, Q1	360	14,040	-
Costs in connection with stock issues	-	250	-
Effect from recalculation of employee stock options according to IFRS*	-	-	291
Net loss for the year**	-	-	-42,372
As at Dec 31, 2004	3,950	122,070	-42,081
As at Jan 1, 2005	3,950	122,070	-42,081
Allocation as resolved by AGM	-	-42,081	42,081
New stock issue, Q2	1,974	86,893	-
Costs in connection with stock issues***	-	-4,264	-
Effect from recalculation of employee stock options according to IFRS*	-	-	548
Net loss for the year	-	-	-36,244
As at Dec 31, 2005	5,924	162,618	-35,696

No 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 5,924,479 made up of 685,500 Series A stock units and 58,559,290 Series B stock units, each of them with a par value of SEK 0,10.

* Calculated income from future exercise of employee stock options according to IFRS 2.

** Recalculated according to IFRS.

*** Includes SEK +559 thousand of regained VAT from share issues 2002-2004.

CASH-FLOW ANALYSIS Amounts in SEK thousands

CASH-FLOW ANALYSIS	Notes	2005	2004*	2003
Operating activities				
Net loss after financial items		-36,244	-42,372	-30,199
Adjustment for items not effecting cash flow	14	9,715	19,517	5,904
Cash flow from operating activities before changes in working capital		-26,529	-22,855	-24,295
Cash flow from changes in working capital				
Changes in inventories		-652	-157	-3
Changes in receivables		-73	337	1,801
Changes in liabilities		-1,140	-4,741	-5,831
Cash flow from operating activities		-28,393	-27,416	-28,328
Investing activities				
Acquisition of intangible fixed assets		-2,161	-3,256	-5,779
Acquisition of tangible fixed assets		-1,141	-651	-61
Sales of tangible fixed assets		-	-	650
Liquid proceeds of sales of subsidiaries' operations		-	-	11,000
Cash flow from investing activities		-3,301	-3,907	5,810
Financing activities				
Share issue		84,603	14,650	59,040
Cash flow from financing activities		84,603	14,650	59,040
Cash flow for the period		52,909	-16,673	36,522
Liquid funds at beginning of period		51,277	67,950	31,428
Liquid funds at end of period		104,186	51,277	67,950

* 2004 recalculated according to IFRS.

NOTES

Note 1 Accounting policies

COMPANY INFORMATION

The Company's operations are described earlier in this annual report for the financial year January to December 2005 for Artimplant AB (publ), company registration number 556404-8394, hereafter referred to as Artimplant or the Company, with registered office in Västra Götalands County, municipality of Gothenburg. The CEO and the Board of Directors approved the annual report, which will be adopted by the 2006 Annual Meeting. Since Artimplant divested itself of all assets in its subsidiaries in full (Q4, 2003), all operations are carried out through Artimplant. Stock and participation rights in those subsidiaries that were not sold during 2005 are still wholly owned by Artimplant, but since the companies are dormant only the Parent Company's income statement and balance sheet are reported. Consolidated accounts are considered unnecessary as in every important respect such accounts would be identical to those of the parent company.

APPLICABLE RULES

This annual report was prepared in compliance with the Swedish Annual Accounts Act and IFRS/IAS, with the exceptions and additions as specified in the Swedish Financial Accounting Standards Council's recommendation 32:05 (Report for legal entities).

TRANSITION TO IAS / IFRS

Last year Artimplant made a preliminary assessment that its earnings and financial position as of December 31, 2004, would not have been affected in any material way if these rules had been applied when preparing the 2004 annual report. When restating earnings from 2004, the only adjustment required involved reporting of share-based payments according to IFRS 2. The restatement increases the income statement's employee costs by SEK 291 thousand with reference to employee options. This amount is recognized in the balance sheet as part of retained earnings and in the cash flow statements it is included in adjustments for items that are not included in cash flow. No provision is made for social security contributions in 2004. Previous years were not restated because the effect was not significant.

REVENUE RECOGNITION

Revenue derived from sales of products is recognized when important benefits and risks linked with those products have been transferred to purchasers. Revenues related to services are recognized when agreed-upon intermediate goals are achieved. Revenue relating to fees receivable under licensing agreements is recognized for periods in which agreements are signed and all conditions and performance aspects have been met.

EMPLOYEE REMUNERATION

Pension plan

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

Share-based remuneration

As of closing day the Company had three employee stock option programs and their value for the period calculated according to IFRS 2 and social security contributions for the period according to statement no. 46 from the Swedish Financial Accounting Standards Council are reported in the Income Statement and Balance Sheet. To calculate the current value of the options as a basis for calculating the provision for social security costs, the interest rate on Swedish government bonds corresponding with the remaining duration of each option was used. Daily share price data were used to estimate volatility. Future social security contributions for employee stock options are hedged by allocating 25% of the total number of options for this purpose. Please see the description of the respective employee stock option programs in note 2.

SEGMENT REPORTING

Artimplant is a development company. The Company has only one place of business, located in Gothenburg. New products are developed both in cooperation with partners and solely on its own account. Costs are generated exclusively by the Company's Gothenburg operations and are reported as R&D Expenses, Marketing Expenses, and Administration Expenses. Income is generated by granting licenses for product applications, sales of products, and payments for product development projects, and may be geographically attributable to the Nordic countries, the rest of Europe, or the US. Artimplant is dependent upon regulatory approval for the marketing of its products and technology. The Company's access to its most important market, the US, depends on approval from the United States Food and Drug Administration (FDA). Products must first receive CE certification before they can be marketed in Europe. As regulatory approval plays such a decisive role in the Company's risks and opportunities, net sales are reported by geographical segment. However, costs 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 incurred costs are common, it has not yet proved possible to determine a reasonable basis for allocation of costs, nor can investment, profit/loss or cash flow by segment be reported in a meaningful way.

RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Receivables and liabilities in foreign currencies are valued at the exchange rate applying on the balance sheet date and unrealized exchange rate gains and losses are recognized in the income statement. The Company has no active foreign subsidiaries as of Dec. 31, 2005. Artimplant's policy for managing financial instruments is stated in the Company's investment and currency policies, which provide guidance for handling cash, liquidity and currency risk management, with the basic premise of minimizing financial risks. Currently, a large part of the Company's revenues are denominated in USD and in the future revenue will also be denominated in EUR, while most costs are denominated in SEK. The Company

therefore exchanges income received in foreign currencies for SEK, and only maintains holdings in foreign currencies to the extent considered necessary to cover costs incurred in those currencies over the next three months. The 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.

RELATED PARTY DISCLOSURE

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

RESEARCH AND DEVELOPMENT EXPENSES

IAS 38 (Intangible assets) prescribes that companies analyze and distribute their research and development costs (R&D). 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. Amortization 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. In cases in which the Company does not receive revenue from licensees or similar counter party during the development period, such project costs are capitalized.

RECEIVABLES

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

INVENTORY

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

NONCURRENT ASSETS

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

Intangible assets

- Patents 5 years
- Capitalized expenses for product development 5 years.

Amortization of capitalized development costs begins when the product in question begins to be sold commercially.

Plant, property, and equipment

- Equipment 5 years

IMPAIRMENT LOSSES

IAS 36 (Impairment of assets) states that an impairment loss should be recognized whenever the recoverable amount of an asset is less than its carrying amount. On each balance sheet date Artimplant assesses whether there is reason to assume that the value of an asset has decreased. If so, the Company calculates an estimate of the recoverable value of the asset and takes a charge for an impairment loss, if any, against net profit for the period.

PROVISIONS AND CONTINGENT LIABILITIES

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

ESTIMATES AND ASSUMPTIONS

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

- Capitalized product development costs are checked by calculating the present value of expected future cash flows from each product. These calculations are based on a number of assumptions about factors such as the competitive situation, acceptance of the product in the market, and the discount rate. If conditions change substantially the calculations could lead to other values.
- Calculated costs for the employee stock option programs described under the heading Employee Remuneration. Assumptions about the remaining number of employees at time of redemption, estimated volatility and risk-free return have a considerable impact on calculated costs.

NOTES (Amounts in SEK thousands except where otherwise stated)

Note 2 Remuneration of employees, senior management, board of directors and auditors

Average no of employees	2005	2004	2003
Women	14	15	18
Men	13	12	12
Totals	27	27	30

Employees at year-end totaled 27 (14 women, 13 men).

Absence due to illness %	Men	Women	Totals
<30 years	0	0	0
30-49 years	1.3	5.2	3.3
>50 years	0	42.2	17.5
All employees	1.0	10.1	5.7

31.4% of all absence hours are attributable to absence above 60 calendar days.

Remuneration principles

The Chairman and other members of the Board of Directors, whereof one woman, receive remuneration the amount of which is resolved by the stockholders in Annual 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 five persons (three women) 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, 2005	Basic salary/ Directors' fees	Other benefits	Pension costs	Totals
Chairman of the board	180	-	-	180
Other members of the board (4)	460	-	-	460
CEO	2,046	-	421	2,467
Other senior managers (5)	3,680	-	683	4,363
Other employees	8,063	-	771	8,834

Statutory and contractual social security costs for the year totaled SEK 5,475.

2004	Basic salary/ Directors' fees	Other benefits	Pension costs	Totals
Chairman of the board	150	-	-	150
Other members of the board (4 st)	400	-	-	400
CEO	1,944	170	412	2,526
Other senior managers (4 st)	3,108	142	623	3,873
Other employees	7,239	-	648	7,887

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

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.

Employee stock options	Revolved by AGM in 2002		Revolved by AGM in 2005		Totals	% no of shares
	Options 2002-2006	Options 2002-2006	Options 2005-2010			
CEO	175,000	175,000	210,000	560,000	0.9 %	
Other senior managers	225,000	225,000	270,000	720,000	1.2 %	
Other employees	100,000	100,000	120,000	320,000	0.5 %	
Intended to cover social security costs	166,670	166,670	200,000	533,340	0.9 %	
Totals approved options	666,670	666,670	800,000	2,133,340	3.6 %	
Lapsed/not subscribed	-106,134	-106,134	-58,851	-271,118	-0.5 %	
Totals no. of outstanding options	560,537	560,537	741,149	1,862,222	3.1 %	

Comments:

For details of the terms of the option schemes, please see section Shares and Ownership.

NOTES (Amounts in SEK thousands 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% 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. Two senior managers has a pension contribution of 29% and 20% of their salary. Premiums in respect of pension entitlements for other employees amount to 5-7% of salaries up to 7,5 times the basic amount for social security purposes, 19-23% of salaries up to 20 times the basic amount and 10-15% 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

	2005 Ernst & Young	2004 Ernst & Young	2003 Ernst & Young
Audit fees	145	145	145
Other work	165	105	250
Totals	310	250	395

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 3 Depreciation of tangible and intangible fixed assets

DEPRECIATION OF TANGIBLE FIXED ASSETS ACCORDING TO PLAN, BY FUNCTION

	2005	2004	2003
Cost of goods and services sold	-	-	-
Research and development cost	1,301	1,932	2,206
Marketing cost	-	-	-
Administration cost	145	215	245
Totals	1,446	2,147	2,451

DEPRECIATION OF INTANGIBLE FIXED ASSETS ACCORDING TO PLAN, BY FUNCTION

	2005	2004	2003
Cost of goods and services sold	6,053	3,827	-
Research and development cost	790	1,132	1,101
Marketing cost	-	-	-
Administration cost	-	-	-
Totals	6,843	4,959	1,101

Note 4 Financial income and expenses

	2005	2004	2003
Interest income and other financial income	1,211	1,228	771
Interest expenses	-14	-29	-32
Other financial expenses	-8	-4	-8
Total interest expenses and other financial expenses	-22	-33	-40

NOTES (Amounts in SEK thousands except where otherwise stated)

Note 5 Capitalized product development costs

	2005	2004	2003
Acquisition cost at Jan 1	48,360	45,471	41,148
Capital expenditure for the year	1,587	2,889	4,323
Acquisition cost at Dec 31	49,947	48,360	45,471
Accumulated depreciation at Jan 1	-15,946	-	-
Depreciation for the year according to plan	-6,052	-3,826	-
One time write down *	-	-12,120	-
Accumulated depreciation at Dec 31	-21,998	-15,946	-
Book value	27,949	32,414	45,471

* Write-down of Artelon® Augmentation Device ACL in Q4 2004. The write-down was included in research and development costs in Q4 2004.

PRODUCTS IN PROCESS OF DEVELOPMENT

	Reinforcement for soft tissue	Artelon® Surgical Suture	Odontology*
Balance at 1 Jan, 2005	2,573	2,060	0
Capitalizations for the year	0	825	763
Balance at Dec 31, 2005	2,573	2,885	763

* Artelon® Membrane and Artelon® Bone Scaffold.

PRODUCTS APPROVED/LAUNCHED

	Artelon® Augmentation Device ACL	Artelon® Spacer*
Balance at Jan 1	17,410	10,369
Capital expenditure for the year	0	0
Depreciation for the year according to plan**	-3,869	-2,184
Balance at Dec 31	13,541	8,185

* Relates to both Artelon® TMC Spacer and Artelon® Spacer CMC-I.

** 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. Deprecation time is 5 years.

Note 6 Patents

	2005	2004	2003
Acquisition cost at Jan 1	5,661	6,593	10,271
Capitalizations for the year	574	367	1,457
Retirement, loss of patent protection, etc	-674	-1,299	-5,135
Acquisition cost at Dec 31	5,561	5,661	6,593
Accumulated depreciation at Jan 1	-3,645	-3,812	-7,846
Depreciation for the year according to plan	-790	-1,132	-1,101
Retirement, loss of patent protection, etc	140	1,299	5,135
Accumulated depreciation at Dec 31	-4,296	-3,645	-3,812
Book value	1,264	2,016	2,781

NOTES (Amounts in SEK thousands except where otherwise stated)

Note 7 Equipment

	2005	2004	2003
Acquisition cost at Jan 1	10,737	17,024	17,613
Purchases during the year	1,141	651	61
Sales/retirements during the year	0	-6,938	-650
Acquisition cost at Dec 31	11,878	10,737	17,024
Accumulated depreciation at Jan 1	-9,038	-13,829	-11,767
Sales/retirements during the year	0	6,938	390
Depreciation for the year according to plan	-1,446	-2,147	-2,452
Accumulated depreciation at Dec 31	-10,484	-9,038	-13,829
Book values	1,394	1,699	3,195

Note 8 Shares in subsidiaries

	2005	2004	2003
Acquisition cost at Jan 1	1,807	1,807	18,096
Write-down following divestment of operations			-13,739
Write-down against capital element			-2,550
Divestiture and liquidation*	-100		
Acquisition cost at Dec 31	1,707	1,807	1,807
Book values	1,707	1,807	1,807

* Divestiture of Artimplant Drug Delivery Systems AB and liquidation of Artimplant Ortopedisk Klinik Kommanditbolag.

SHARES IN SUBSIDIARIES – DETAILS	STOCK UNITS/ PARTICIPATIONS	PERCENTAGE	BOOK VALUE
Artimplant Ortopedisk Klinik AB	1,000	100 %	1,707
Org.nr. 556301-3902 Seat: Gothenburg			
Artimplant USA, Inc.*	1,500	100 %	0
Seat: Delaware, USA			
Total book value			1,707

* The Company was registered in December 2005, but share capital was paid in January 2006 when the operations commenced.

Note 9 Accrued income and prepaid expenses

	2005	2004	2003
Rent	154	1,086	1,026
Other items	1,121*	207	330
Totals	1,275	1,293	1,356

* Whereof 285 in accrued income. All other amounts are prepaid expenses.

NOTES (Amounts in SEK thousands except where otherwise stated)

Not 10 Stock

CHANGES IN NO OF STOCK UNITS IN ISSUE	PRICE	PAR VALUE	NO OF SERIES A UNITS*	NO OF SERIES B UNITS*	TOTAL NO OF UNITS
Total at Jan 1		SEK 0.10	685,500	38,811,027	39,496,527
New share issue, Q2 2005	SEK 4.50	SEK 0.10	0	19,748,263	19,748,263
Conversion		SEK 0.10	0	0	
Total at Dec 31		SEK 0.10	685,500	58,559,290	59,244,790

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

Note 11 Accrued expenses and prepaid income

	2005	2004	2003
Holiday pay and accrued salaries	1,261	1,444	1,200
Social security costs	671	573	577
Divestment costs	0	25	1,551
Cost of clinical trials	562	842	1,666
Other costs	971	650	2,533
Totals	3,466	3,534	7,527

Note 12 Short-term and long-term liabilities

No short term liabilities fall due for payment later than one year ahead of the balance sheet date. The Company has no long term liabilities falling due for payment more than five years ahead of the balance sheet date.

Note 13 Tax

The Company's tax-deductible non-capitalized losses total SEK 283.8 million. Therefore, no deferred tax recoverable has been reported in respect of these losses. The majority of the Company's products were recently launched, making the uncertainty of future profit forecasts high.

Note 14 Adjustments in respect of items not included in cash flow

	2005	2004*	2003
Depreciation of accumulated product development costs	6,053	3,827	-
Write-down of accumulated product development costs	-	12,120	-
Depreciation of patents	790	1,132	1,101
Depreciation of equipment	1,447	2,147	2,451
Benefit and provision employee stock options	793	291	-
Profit share in subsidiaries	-	-	-775
Write-down of shares in subsidiaries	-	-	13,739
Profit share in divested operations	-	-	-9,966
Other	633	-	-646
Total	9,715	19,517	5,904

* 2004 recalculated according to IFRS.

AUDITOR'S REPORT

To the annual meeting of the stockholders of Artimplant AB
Company reg. no. 556404 – 8394

We have audited the annual accounts, the accounting records and the administration of the Board of and the Chief Executive Officer of Artimplant AB for the financial year 2005. These accounts and the administration of the Company and the application of the Annual Accounts Act when preparing the annual accounts are the responsibility of the Board of Directors and the Chief Executive Officer. Our responsibility is to express an opinion on the annual accounts and the administration based on our audit. We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the Chief Executive Officer and significant estimates made by the Board of Directors and the Chief Executive Officer when preparing the annual accounts as well as evaluating the overall presentation of information in the annual accounts. As a basis for our

opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any Board member or the Managing Director. We also examined whether any board member or the Chief Executive Officer has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion as set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the Company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory administration report is consistent with the other parts of the annual accounts.

We recommend to the annual meeting of the stockholders that the income statement and balance sheet be adopted, that the loss be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the Chief Executive Officer be discharged from liability for the financial year.

Gothenburg, February 17, 2006
Ernst & Young AB

Bertel Enlund
Authorized public accountant

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.

Dental

Teeth and products related to teeth.

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.

HISTORY

- **1997** - The Company acquires a Swedish patent for Artelon® hydrolyzable fiber polymers for use in temporary implants. New share issue raises SEK 67.5m 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. Second multicenter ACL reconstruction trial begins. Directed new share issue, first and foremost in favor of overseas corporate investors, raises SEK 143m less costs. Artimplant's Artelon® patent is recognized in the US and Europe.
- **2001** - The Company's quality assurance system is certified 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 overhead and put in place a more efficient organization matched to its new strategy. Directed new share issue raises SEK 30m 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 the FDA approves Artelon® Surgical Suture for sale in the US. New share issues in March and December raise about SEK 62m less costs.
- **2004** - Artelon® Spacer CMC-I receives approval from the FDA for sale on the US market. Licensing agreements signed with Avanta Orthopaedics (now owned by Small Bone Innovations) for sale of Artimplant's Artelon® Spacer CMC-I in the US and the rest of the world. Development and licensing agreement signed with Biomet for development of a product for repairing damaged soft tissue. In December the first shipment of Artelon® Spacer CMC-I sent to Avanta in the US. Artelon® Surgical Suture approved for sale on the European market. Products previously approved for sale on the European market were approved for additional indications. Trial sales of Artelon® ACL Augmentation Device in the UK completed. Cooperation between Artimplant and Mölnlycke Health Care on the development and licensing of wound care products using Artelon® ended. Directed new share issue raises SEK 14m less costs.
- **2005** - Artelon® Spacer CMC-I launched at AAOS. Oversubscribed preferential rights issue raises about SEK 89m before costs for the Company. Focus on new product areas, odontology and craniomaxillofacial surgery, initiated. Two new products in odontology, Artelon® Bone Scaffold and Artelon® Membrane, approved for sale in Europe. Several sizes of Artelon® Surgical Suture approved for sale in the United States and Europe. Four new licensing and development agreements signed with Small Bone Innovations. Distribution agreement for Artelon® Surgical Suture in North America signed with Arthrocare. Artelon® implant for reinforcing rotator cuffs approved for sale in Europe. Office opened in the United States. Artelon® TMC Spacer approved for sale in Australia.