

Corporate governance at Artimplant is based on external control, which includes Swedish legislation, primarily the Swedish Companies Act, the Articles of Association, the NASDAQ OMX Stockholm AB rules and the rules and recommendations issued by relevant organizations. Artimplant applies the Swedish Corporate Governance Code ('the Code'). The Code is based on the principle of 'comply or explain'. This means that a company that applies the Code can deviate from individual rules although in doing so it must furnish explanations with reasons for each reported deviation. Artimplant follows the Code's rules and reports the explanations in those cases where Artimplant has deviated from the rules laid down in the Code during 2009. The Company has not applied the amended rules in the revised Code dated February 1, 2010, sections 9 and 10.3. These will be applied by July 1, 2010 at the latest. During 2009, the Company has complied with stock market rules and generally accepted stock market principles and has not been the subject of criticism by the Stock Market Disciplinary Board or the Swedish Securities Council. This report is not part of the formal Annual Report and has not been audited by the Company's auditors. The Articles of Association and information regarding annual meetings is available on the Group's website [www.artimplant.com](http://www.artimplant.com).

Internal control of the operative work at Artimplant is based on:

- Financial and qualitative objectives
- Budget and forecasts
- Monthly reports
- Policies adopted at the Annual Meeting and by the Board of Directors
- Organizational structure
- Job descriptions
- Processes and routines in the Company's management system

## Deviations from the Code

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

7.3 The number of members of the Audit Committee is two compared to the figure of three laid down in the Code. Because of the Group's minor financial complexity, with a parent company that carries on operations supplemented by a sales subsidiary, the Board of Directors is of the opinion that two persons can satisfactorily discharge the assignments delegated to the Audit Committee by the Board of Directors.

## Stockholders

At the end of 2009, Artimplant had approximately 7,700 stockholders according to the register kept by Euroclear (formerly VPC AB). Artimplant's total number of stock units at the end of the year was 59,244,790, of which 593,750 are A stock units and 58,651,040 are B stock units. A stock units carry 10 votes each whilst B stock units carry one vote each. Trade in Artimplant shares takes place at NASDAQ OMX Stockholm AB. Artimplant's market capitalization as of December 31, 2009 was approximately SEK 112 million. Artimplant's stockholder structure, stock price development etc. are presented on page 34.

## Stockholders Meeting

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



## Annual Meeting 2009

At the Artimplant Annual Meeting held on May 5, 2009 in Västra Frölunda, 15.0% of the total number of stock units and 15.8% of the total number of votes in the Company were represented. The Board of Directors was present at the Annual Meeting. Also present were the President and CFO as well as the Company's auditor. Directors Ingemar Kihlström, Lennart Ribohn, Anna Malm Bernsten, Mats Lindquist and Wenche Rolfsen Sandsborg were re-elected. Ingemar Kihlström was also re-elected as Chairman of the Board. The Annual Meeting adopted the proposal put forward by the Board that no dividend be paid and granted the Directors and the President discharge from liability for the 2008 financial year. The Annual Meeting also decided on remuneration to the Board of Directors and approved the proposal presented by the Board of Directors regarding guidelines for remuneration to the management team as well as the proposal by the Board of Directors regarding the employee stock option programs. Further information about the employee stock option programs can be found on page 34 and in Note 2 in the Annual Report. Minutes from the Annual Meeting are available at [www.artiplant.com](http://www.artiplant.com).

## Election Committee

At the 2009 Annual Meeting, it was decided that the Election Committee shall comprise representatives from Artimplant's three largest stockholders as of September 30, 2009, and that the Chairman of the Company's Board of Directors shall be responsible for convening the Election Committee. The Chairman of the Board of Directors shall each year, during the fourth quarter, convene the Election Committee. If any of the three largest stockholders should waive their right to appoint a representative on the Election Committee, or if any member should leave the Election Committee before its work has been completed, the right shall pass to the stockholder which, after these stockholders, has the largest holding in the Company. The task of the Election Committee is to present proposals regarding the election of a chairman for the Annual Meeting, election of the Chairman of the Board and other Board Directors, election of an auditor as well as fees for the Board of Directors and the auditors. The Board of Directors shall not constitute a majority of the members of the Election Committee and neither the President nor any other person from the management team is permitted to sit on the Election Committee. In addition, the Election Committee shall elect a chairman from within its number. The composition of the Election Committee shall be notified to the Company with sufficient time for it to be published six months prior to the Annual Meeting at the latest. The composition of the Election Committee for the 2010 Annual Meeting was announced in the Interim report on November 6, 2009 and all stockholders have had the opportunity to contact the Election Committee with nomination proposals. The Election Committee makes an evaluation of the Board of Directors and its work. A proposal for a new Board of Directors is then presented in conjunction with the summons to the forthcoming Annual Meeting. The Election Committee prior to the 2010 Annual Meeting comprises Sven Zetterqvist from Livförsäkringsaktiebolaget Skandia (Chairman of the Election Committee), John Arnold from John & Claire Arnold

Revocable Trusts, Anders Cedronius, who is a private stockholder, and the Chairman of the Board Ingemar Kihlström. The Election Committee meets as necessary although at least once a year. During 2009 and the beginning of 2010 the Election Committee had two recorded meetings.

## Board of Directors and the work of the Board

During the Annual Meeting, the Board of Directors is the Company's supreme administrative body. The Board of Directors is responsible for the Company's organization and its management. The Board of Directors is also required to ensure that the organization with regard to accounting and asset management is subject to satisfactory control. The Board of Directors at Artimplant shall, according to the Articles of Association, comprise a minimum of four and a maximum of nine members as well as a maximum of five deputies. The members are elected each year for the period up to the end of the next Annual Meeting. None of the members of the Artimplant Board of Directors has an operative role in the Company. The Board of Directors, President and management team are presented in more detail on pages 40-41. It is the role of the Chairman of the Board to lead the work of the Board and to ensure that the Board discharges its assignments. The work of the Board of Directors for the year is based on the rules of procedure adopted at the statutory meeting. The rules of procedure govern, among other things, the number of Board meetings, which matters are to be dealt with and the internal allocation of responsibility between the members. Each year, the Board of Directors examines its own routines and evaluates the work of the President. The allocation of tasks between the members of the Board of Directors and the President, including which matters require a decision by the Board, are decided each year in the adopted instructions to the President. The Board of Directors held a statutory meeting on May 5, 2009 and during the year 13 board meetings were held, of which seven were telephone meetings. Attendance at these meetings is presented below.

### Attendance/total number of meetings

Ingemar Kihlström	13/13
Lennart Ribohn	13/13
Wenche Rolfsen Sandsborg	13/13
Anna Malm Bernsten	12/13
Mats Lindquist	13/13

The Chairman of the Board and three of the directors have, in addition to work on the Board, attended meetings of either the Remuneration Committee or the Audit Committee. Delegation of responsibility and a decision-making right to its committees is laid down in the rules of procedure for the Board of Directors and in the rules of procedure for each Committee. At present the Committees do not have any right to make decisions other than in matters which have been delegated explicitly by the Board of Directors. The matters dealt with at the Committee meetings are recorded in the minutes and reports are submitted at the following meeting of the Board of Directors. The work of the Board of Directors has, apart from customary budget and development issues, been marked by the agreements

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that have been negotiated or entered into as well as the Company's strategy for commercialization of new products. The secretary at the Board meetings has been CFO Lars-Johan Cederbrant. At the 2009 Annual Meeting, it was decided that Director's fees totaling SEK 840,000 should be paid, to be divided as follows: SEK 280,000 to the Chairman of the Board, SEK 140,000 to each of the other members. In addition, it was decided that a separate fee should be paid to the Audit Committee to the amount of SEK 40,000 to the chairman of the Committee and SEK 20,000 to the members as well as a separate fee to the Remuneration Committee amounting to SEK 20,000 to the chairman of the Committee and SEK 10,000 each to the members. Artimplant is in compliance with the NASDAQ OMX Stockholm AB listing agreement and the Code with regard to demands for independent directors. All Directors are independent.

## Remuneration Committee

Artimplant's Remuneration Committee is appointed each year by the Board of Directors and during 2009 comprised directors Wenche Rolfsen Sandsborg (chairwoman of the Committee) and Ingemar Kihlström. During 2009, the Committee held two recorded meetings and in the interim had other contact as necessary. The Committee is a body within the Board of Directors of the Company and is charged with the task of preparing matters regarding remuneration and other terms and conditions of employment for the Company management and for formulating the guidelines for remuneration to the management team which the Board of Directors presents for a decision at the Annual Meeting.

Attendance/total number of meetings

Wenche Rolfsen Sandsborg	2/2
Ingemar Kihlström	2/2

## Audit Committee

Artimplant's Audit Committee is appointed each year by the Board of Directors and during 2009 comprised directors Lennart Ribohn (Chairman) and Mats Lindquist. The Committee is a body within the Company's Board of Directors and is charged with the task of preparing on behalf of the Board matters relating to quality assurance of the Company's financial statements and maintaining continuous contact with the auditor to remain informed about the orientation and scope of the audit. The Committee shall assist the Board of Directors in these issues and present to the Board its observations, recommendations and proposals for actions and decisions. In addition, the Audit Committee lays down guidelines for services other than audit services which the Company can procure from the Company's auditor. The Committee is also charged with the task of evaluating the audit work and presenting this information to the Election Committee and to assist the Election Committee in producing proposals for an auditor and the fee for the audit work performed. During 2009, the Committee held three recorded meetings and also had other contact in the interim as necessary. The Audit Committee also held a meeting in February 2010 dealing with the audit of the final accounts for 2009. The Company's auditor has attended all the meetings of the Audit Committee. Together with the Auditor, the Committee has discussed and decided on the scope of the audit.

Attendance/total number of meetings

Lennart Ribohn	3/3
Mats Lindquist	3/3

## Financial reporting

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

## External auditors

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

## Stock/stock-related incentive programs

There are no outstanding stock or stock-related incentive programs for members of the Board of Directors. Incentive programs for Artimplant employees which are linked to the stock price are presented on page 34 and in Note 2.

## President and the management team

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

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

The President and other members of the management team have meetings on a continuous basis to examine the monthly results, update forecasts and plans and discuss interfunctional issues. Artimplant's management team comprises six persons. These are presented on page 41. The Board of Directors is responsible for ensuring that there is an efficient internal control and risk management system in place. The President has been delegated responsibility for creating good conditions for working with such issues. Both the management team and the staff on different levels in the Company have this responsibility within their respective areas. Authority and responsibility are defined in policies, guidelines and job descriptions.

## Remuneration to the management team

The guidelines for remuneration to the management team were adopted at the 2009 Annual Meeting. These are presented in Note 2 of the 2009 Annual Report. Proposals prior to the Annual Meeting in 2010 are presented in the Board of Directors Report in the 2009 Annual Report, page 16.

## Report by the Board of Directors on internal control and risk management in respect of financial reporting for the 2009 financial year

The Board of Directors is responsible under the Swedish Companies Act and the Swedish Code of Corporate Governance ('the Code') for internal control. Artimplant organizes its internal control based on Internal Control – Integrated Framework, launched in 1992 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). COSO comprises five components, which are related to each other, and a number of objectives must be satisfied for each component:

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

The control environment is the component that forms the basis for the other components. Through policies, instructions and organizational structure, Artimplant has documented the division of responsibility throughout the whole of the Artimplant organization. This is reflected in the fact that policies and instructions, when applicable, are based on internationally accepted standards and/or best working practice. Policies and instructions are evaluated at least once a year. Artimplant has integrated risk assessment with the business processes, such as business planning. Within the control structure, Artimplant has documented critical financial processes and controls for the Parent Company

and Artimplant USA, Inc. The financial processing control documentation is examined annually. Artimplant has an information and communication system and processes in place with the aim of ensuring complete and correct financial reporting. Accounting and reporting instructions are updated as necessary and are evaluated at least once a year.

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

