



# **Capital Market Day**

**November 16, 2006**

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# Artimplant

The road to the tipping point - and beyond...

# Mission

**Our mission is to restore the health of patients by offering medical professionals degradable implants that regenerate body functions**

# Objective of this meeting

**You shall become better equipped to analyze Artimplant by;**

- Understanding the underlying business development
- Understanding the magnitude and rationale of the business potential
- Understanding the risks associated with the business

# Agenda

Status of current business

Further developed strategy

Business potential

Business risks

Prioritized activities 2007

Conclusion

# Status of current business, 1(4)

- Revenue of 878 KSEK in Q3, 2006
- Underlying unit sales of the Artelon<sup>®</sup> CMC Spacer is growing considerably
- Delayed launch of the SportMesh<sup>™</sup> by Arthrotek

# **Status of current business, 2(4)**

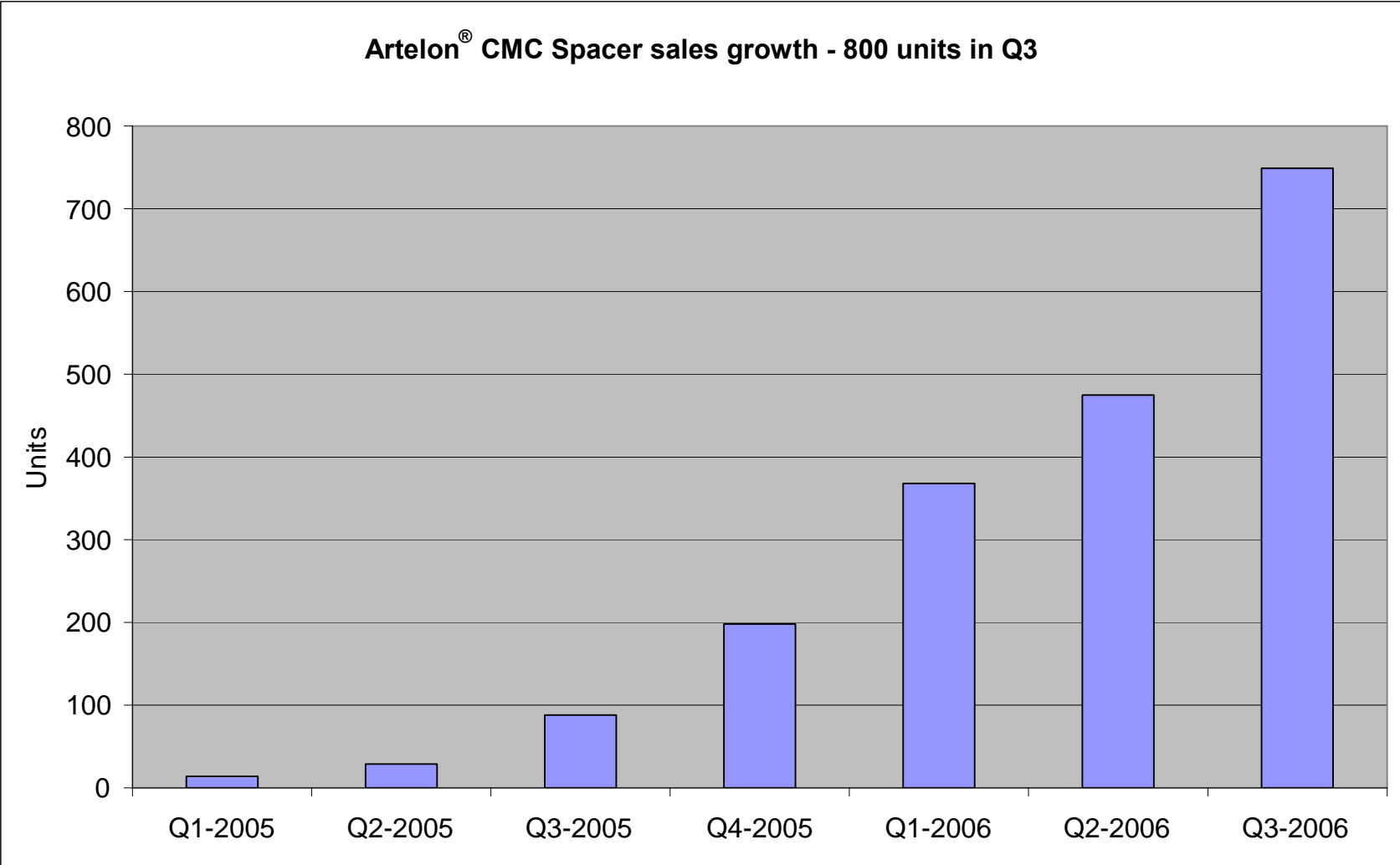
- **Three new Spacer products received CE-mark during Q3**
- **Hans Rosén was appointed CEO**
- **The strategic direction of the Company was further developed**
- **Capitalized product development costs of Artelon® Surgical Suture and Reinforcement Bands were written off. This has no cash effect.**
- **Revenue target of 2006 lowered to “in parity with revenue of last year”**

# **Status of current business, 3(4)**

**JANUARY – SEPTEMBER, 2006**

- **Net revenue of SEK 3.9 million (1.8)**
- **Net profit of SEK -46.5 million (-30.2)**
- **Net profit of SEK -29.4 (-30.2) if one time write-downs of capitalized R&D costs without cash effect are excluded**
- **Earnings per share of SEK -0.79 (SEK -0.61)**

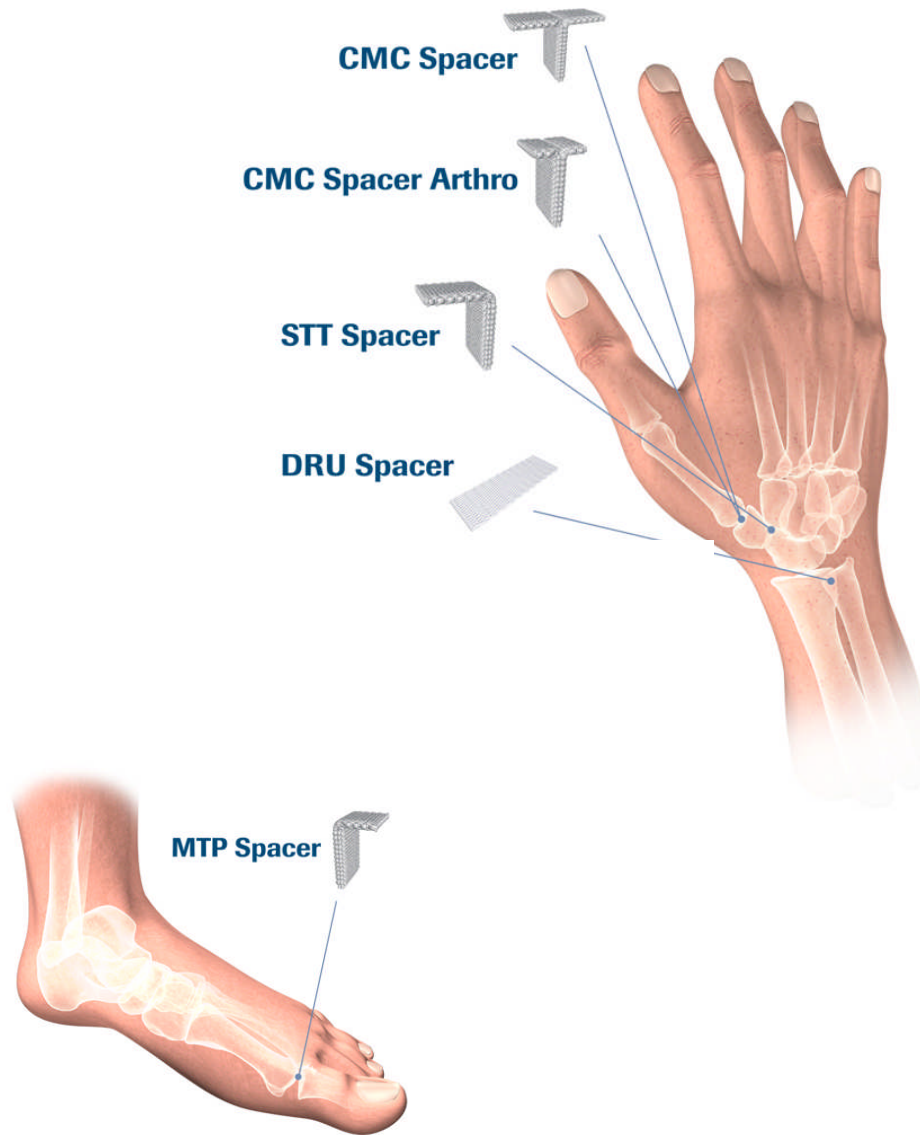
# Status of current business, 4(4)



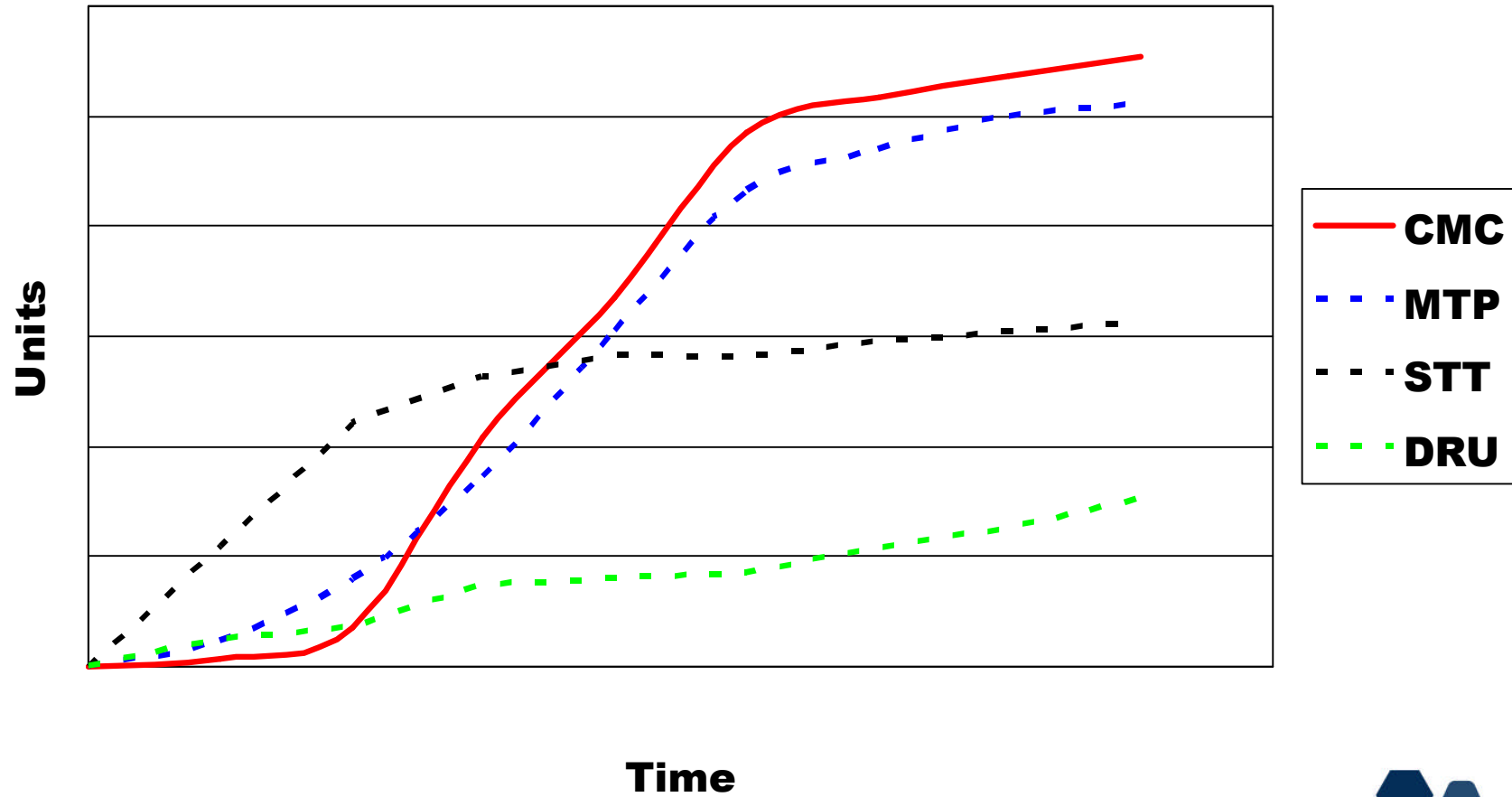
# Further developed strategy

- 1. Spacer: Artelon® is well positioned – new indications to exploit within orthopedics.**
- 2. Tissue Reinforcement: Artimplant benefits from the build up of Artelon® brand for rotator cuff application – new indications to exploit within hand, foot and shoulder surgery.**
- 3. Scaffold: Artelon® is used for two applications for bone augmentation and soft tissue augmentation, at first, within odontology.**

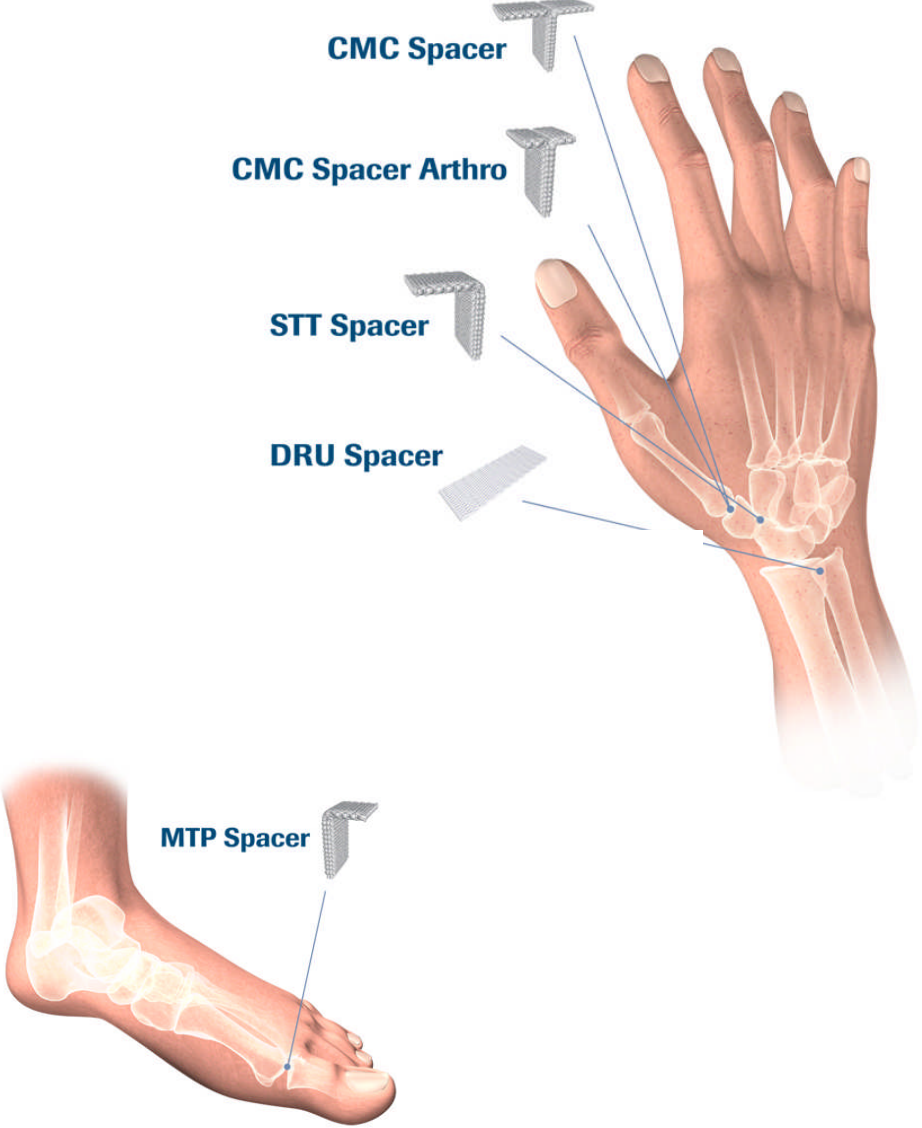
# Spacer



# Spacer penetration and relative size



# Spacer



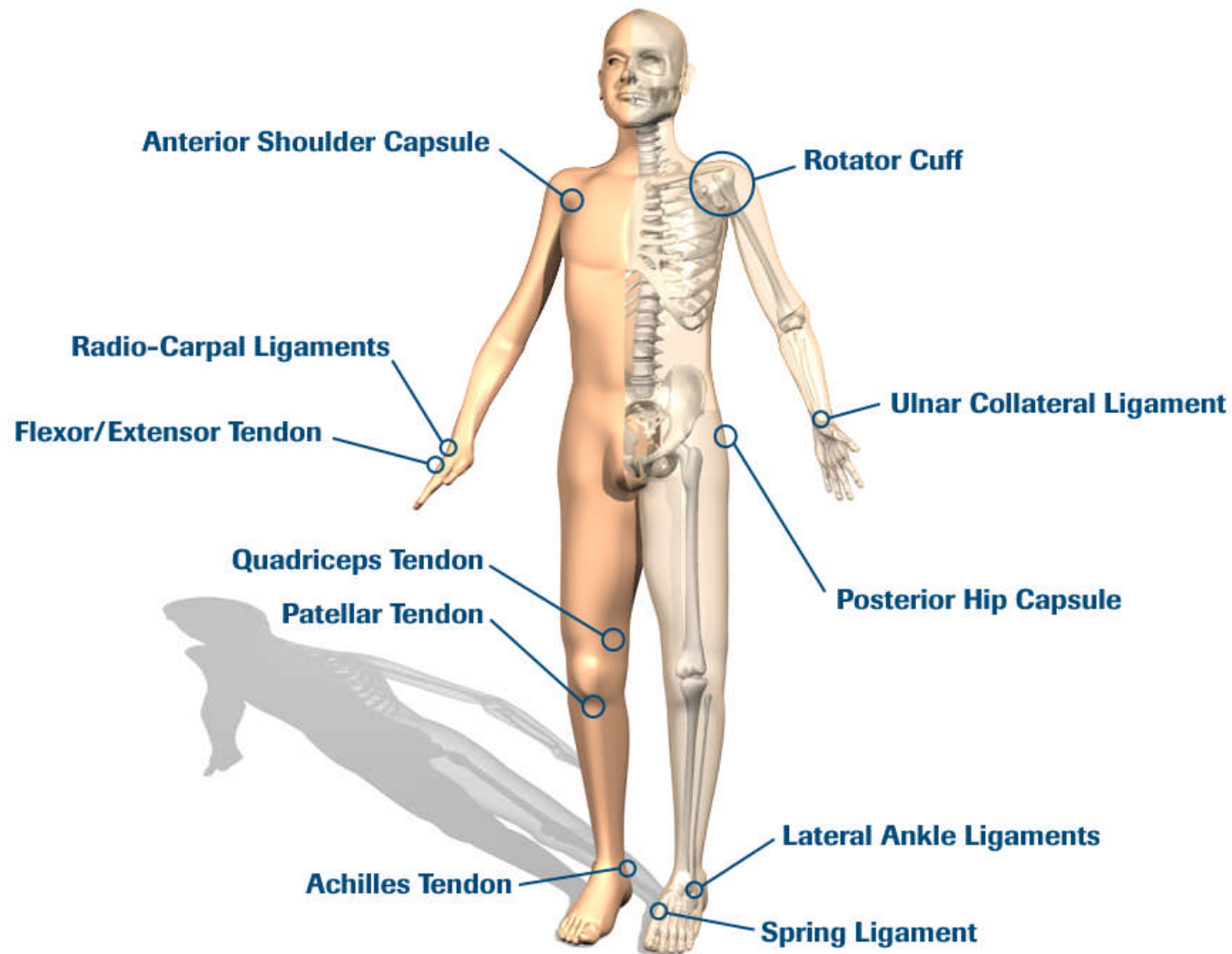
# Tissue Reinforcement Rotator Cuff Application



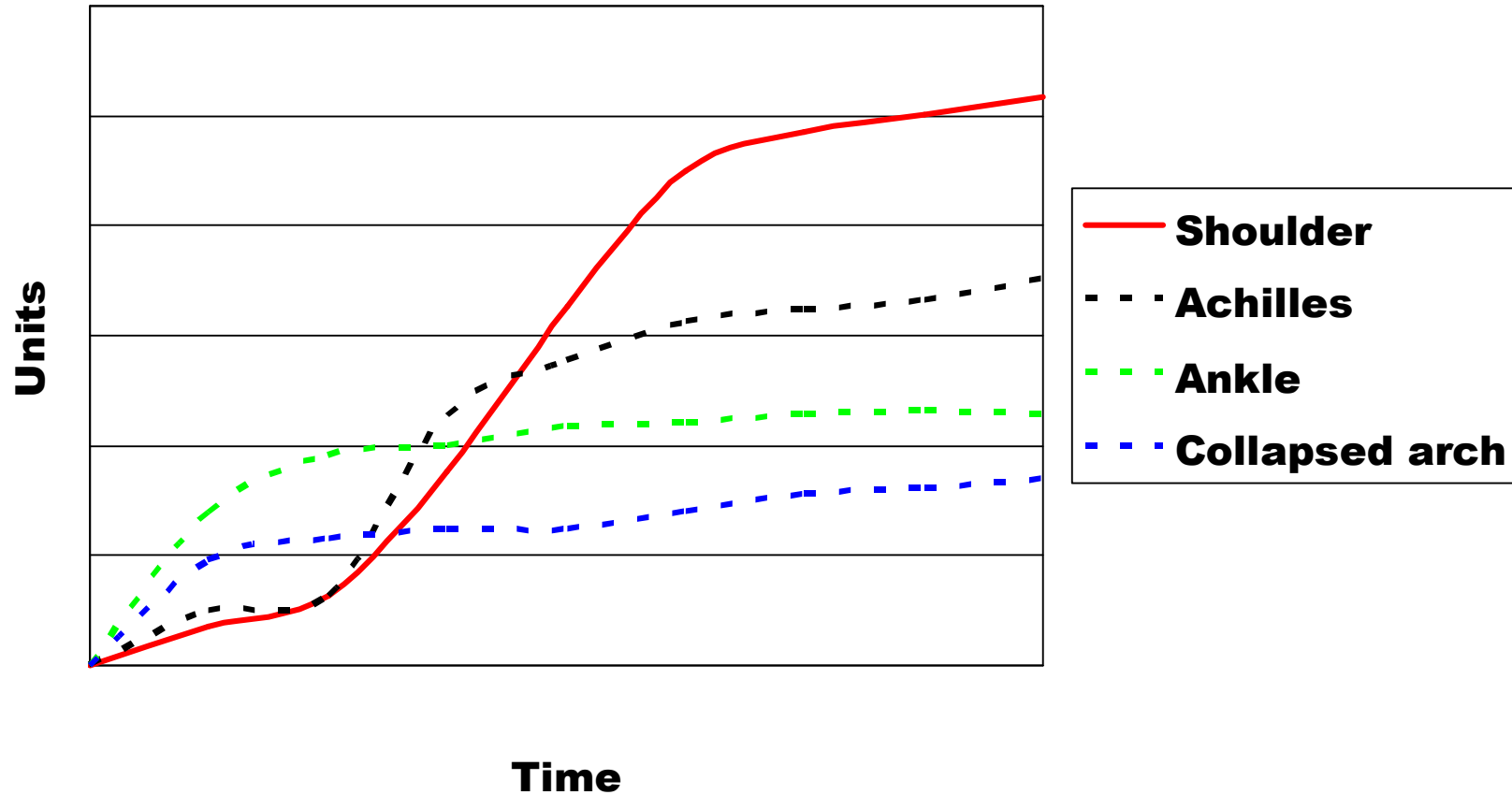
- Launched at the end of September
- 100 surgeries to date
- 2 – 4 per day
- 300,000 procedures / year in the U.S.
- 25% re-ruptures

“make the first repair the best repair possible”

# Tissue Reinforcement Potential Indications



# Tissue Reinforcement penetration and relative size



# Scaffold



Two applications within odontology under development

- Bone augmentation in the upper jaw
- and
- Soft tissue augmentation in the mouth



**Esthetics is becoming the no. 1 driver in the dental market**

# Potential dental sales channels

**Direct sales**

**Private label**



**Distributors**

**Licensing**

# Areas possible to license

- Cosmetic scaffold
- Hip
- Jaw joint (TMJ)
- Spine
- Knee
- Coating
- Oral Bone Scaffold
- ...



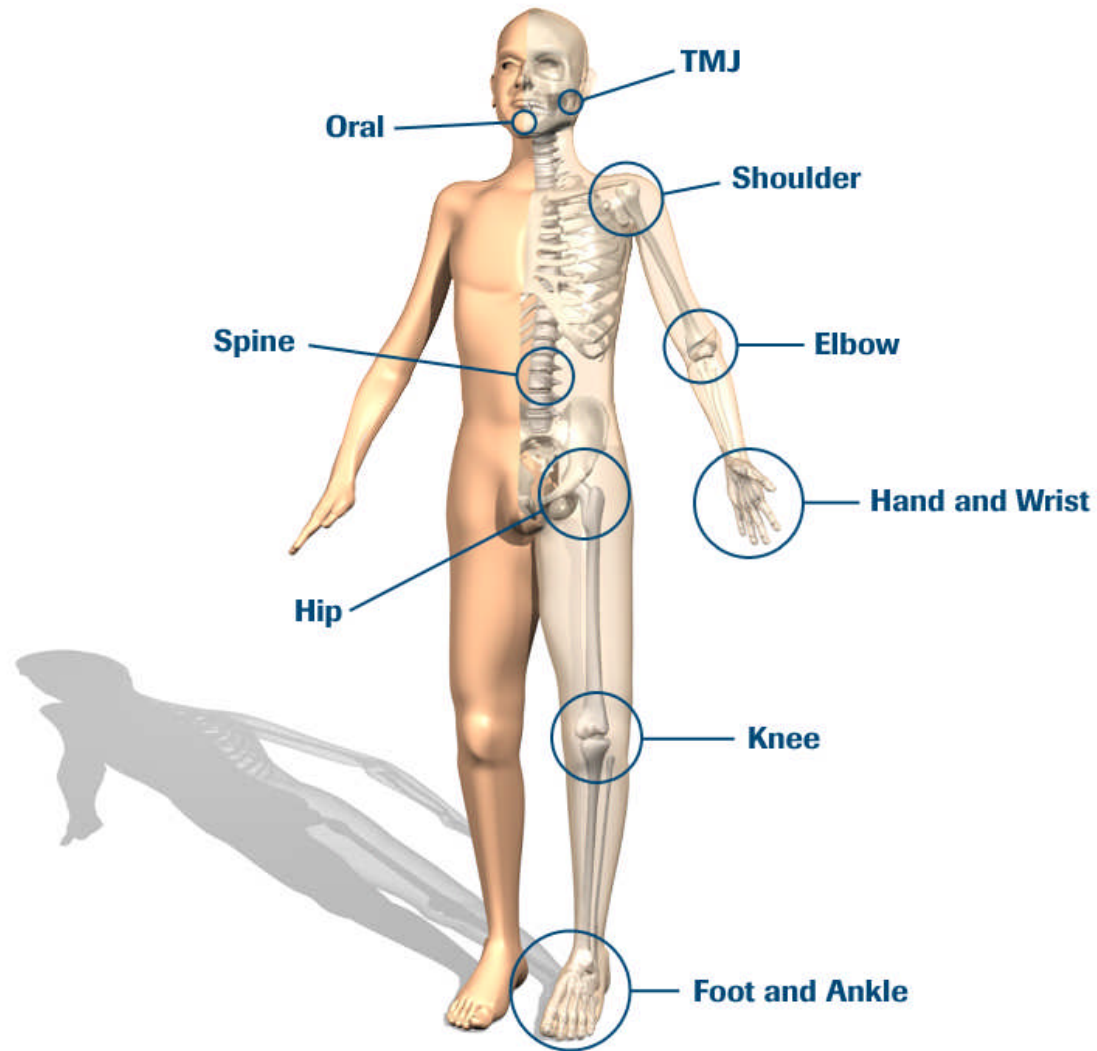
# Artelon® concept

**Artelon® - Game changing technology**

Repair => Replace => Regenerate

**Our products "help the body to heal" by acting as a scaffold  
for human cells that regenerate tissue**

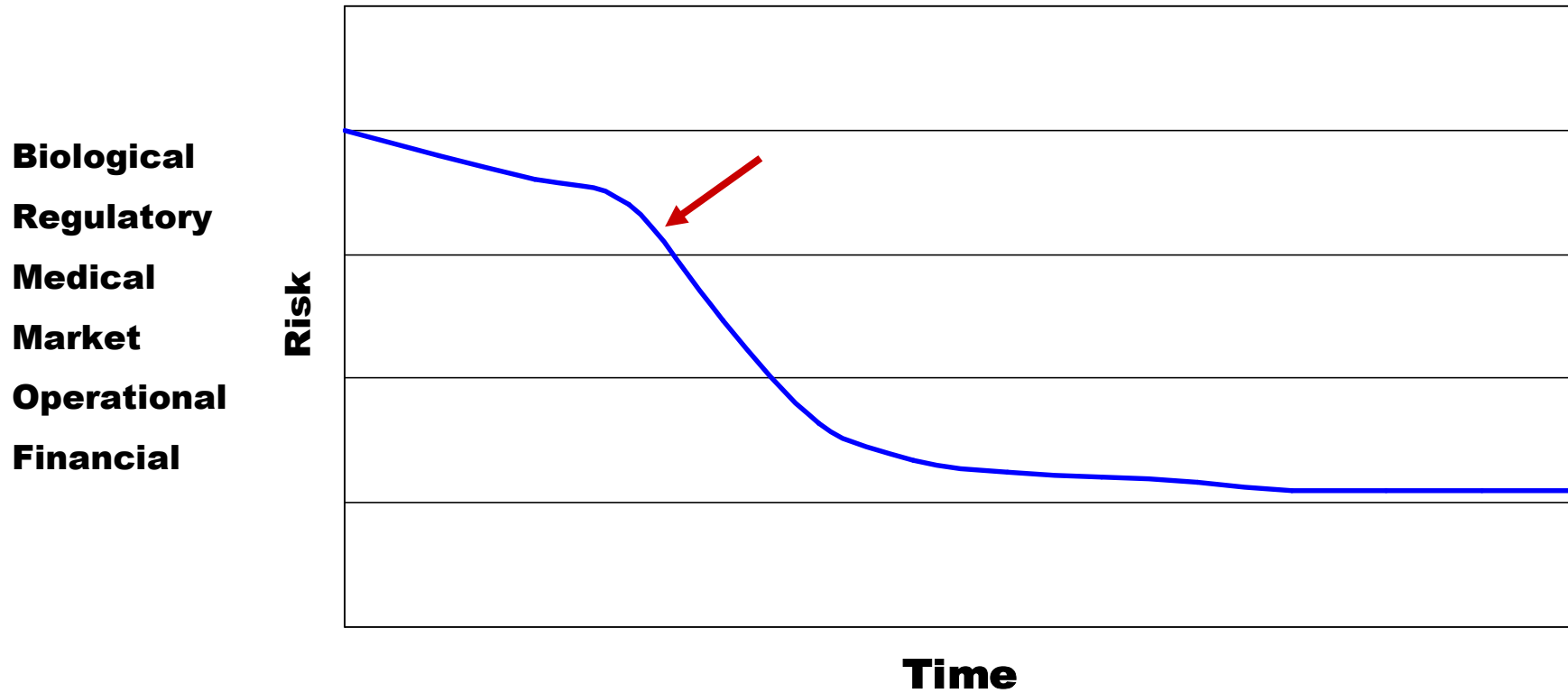
# Business potential



# Barriers to entry

- **Close to 10 years of clinical data on file**
- **Patent portfolio**
  - Chemical patents
  - Design patents
- **Unique, game changing technology**
- **Strategic partnerships with market leaders**

# Business risks declining



# Prioritized activities 2007

- Drive sales of existing products!

## Spacer

- FDA clearance of CMC Arthro, STT, MTP, DRU

## Spacer and Tissue Reinforcement

- Extended applications cleared by FDA

## Soft Tissue Scaffold (in the mouth)

- CE clearance. FDA clearance depending on predicate device.
- European launch

## Bone scaffold (in the upper jaw)

- Development of new design – increased pore size
- Clinical data on file

# Artimplant operations

- **Strong revenue base and sound gross margin for each application / product**
- **Entering expansion phase of first product launches**
- **New applications with shorter time to market**
- **Stronger position in licensing discussions**
- **Approximately 50% of personnel in product and process development**

# Conclusion

- **Close to 10 years of clinical data demonstrate safety and biocompatibility of Artelon®**
- **Underlying unit sales to real customers, 300 surgeons (CMC only)**
- **Continue to leverage existing applications and partnerships**
  - Expanding the indications for existing product concepts
  - Entering new therapy areas
- **Risk level beginning to decline**

# Did we meet the set objective?

- You shall become better equipped to analyze Artimplant by;
  - Understanding the underlying business development
  - Understanding the magnitude and rationale of the business potential
  - Understanding the risks associated with the business



# **Additional Questions?**

**Hans Rosén**

**CEO**

**+46 (0)31 746 5600**

**[hans.rosen@artimplant.com](mailto:hans.rosen@artimplant.com)**

