

# **ARTIMPLANT INTERIM REPORT JANUARY – MARCH 2009**



- Net revenue for the first quarter amounted to SEK 4.8 million (2.1)\*
- The net loss for the first quarter totaled SEK 4.5 million (6.2)
- Earnings per share for the first quarter amounted to SEK -0.08 (-0.10)
- Sales of Artelon® Spacer totaled SEK 3.5 million (1.3)
- Sales of Artelon® Tissue Reinforcement amounted to SEK 1.3 million (0.8)
- Spacer agreements with Small Bone Innovations have been made non-exclusive and Artimplant's margin per unit sold has increased significantly

#### **EVENTS AFTER THE PERIOD-END**

- The Schulthess Clinic in Zurich has been granted clearance by Swissmedic to commence a clinical investigation of treatment of lumbar facet joints using an Artelon<sup>®</sup> implant.
- The agreement with Biomet Sports Medicine has been revised, giving Artimplant a better margin in return for responsibility for clinical market studies.

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

Artimplant will not hold a telephone conference by reason of this report. For further information see <a href="https://www.artimplant.com">www.artimplant.com</a>.

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



# **Artimplant**

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

Artimplant is a medical technology company that restores health through the development, production and marketing of degradable implants that regenerate body functions and improve quality of life. Our products are made from Artelon®, a biomaterial developed by the Company. Artimplant produces implants for the treatment of osteoarthritis in hands and feet, shoulder and other soft tissue injuries as well as oral and veterinary applications. The Company's products are sold through licensees, distributors and the Company's own sales.

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

# **Financial results**

Net revenue for the first quarter increased by 129% to SEK 4.8 million (2.1) and derived primarily from product sales. During the period, 76% of revenue originated from licensees and 24% from direct sales to end-customers and local distributors.

The gross margin for the first quarter was 95%. This was affected positively by a rise in production volume, which led to a net increase in the Group's inventory by SEK 0.6 million compared with the figure for December 31, 2008.

The operating loss for the first quarter fell to SEK 4.2 million (6.5). Operating expense, excluding the cost of goods and services sold, was SEK 1.9 million higher than the corresponding quarter the preceding year. The increase can be attributed to investments in sales and marketing and to a certain extent research and development.

The net loss for the first quarter amounted to SEK 4.5 million (6.2). The figure has been affected positively by approximately KSEK 140 as a result of currency exchange fluctuations. Earnings per share for the first quarter amounted to SEK -0.08 (-0.10).

## Investments and cash position

Investments during the first quarter totaled KSEK 67 (169) with KSEK 57 (104) attributable to investments in intangible assets.

At the end of the period cash and cash equivalents amounted to SEK 25.1 million (46.2). Total cash flow for the year was SEK -6.3 million (-3.0). The deterioration in cash flow compared with the preceding year can be attributed to a negative change in operating capital.

The Company is currently examining the possibility of securing an operating capital credit facility.

#### Personnel

As of March 31, 2009, Artimplant had 28 employees (26), of whom 15 (13) were women and 13 (13) were men.

# Sales of Artelon® products

Artelon<sup>®</sup> Spacer is a product for the treatment of osteoarthritis in a number of joints in the hand and foot. Sales revenue from Artelon<sup>®</sup> Spacer during the period amounted to SEK 3.5 million (1.3). Small Bone Innovations (SBi) accounts for the majority of sales although sales by the Company and distributors have also contributed.

Artelon® CMC Spacer is a tried and tested and successful form of treatment for thumb-base arthritis when the product is used by trained surgeons. More than 98% of all Spacer operations are successful with a reported explantation frequency of less than 1%, which is lower than the average explantation frequency in the orthopedic industry.

During the period Artimplant renegotiated the agreements for Artelon<sup>®</sup> Spacer with SBi. The changes that came into effect on January 1, 2009 are as follows:

- The agreements have been amended to become non-exclusive.
- Artimplant's margin per sold unit has increased significantly.
- Sales undertakings by SBi have been reduced and the geographical area in which SBi is permitted to sell has been limited.



- Artimplant has undertaken to support SBi with clinical studies regarding Artelon<sup>®</sup> MTP Spacer
- The agreement which gave Artimplant the right to sell and SBi the right to purchase existing product clearances has been terminated.

In the longer term, the new agreement is positive and strategically correct for Artimplant. Artimplant will take back the sales right for Artelon® Spacer and SBi will retain a non-exclusive right to sell in the USA, France, Venezuela and Italy as well as an option to sell in Germany. The new agreement provides Artimplant with the prerequisites for working actively to pursue sales within and outside the USA. For sales for 2008, the improvement in the margin would have been equivalent to a doubling of income from SBi.

In the short term, the new agreement will have a negative effect on Artimplant's cash flow as the half-yearly minimum undertakings in the original agreements governing SBi's purchases and sales have been reduced and SBi's option to acquire existing product clearances from Artimplant have also been terminated.

Artelon® Tissue Reinforcement (ATR) has been cleared as general reinforcement for soft tissue injuries. It is sold non-exclusively by Biomet Sports Medicine as SportMesh<sup>TM</sup>. Sales of ATR/ SportMesh<sup>TM</sup> during the period totaled approximately SEK 1.3 million (0.8).

Biomet Sports Medicine accounts for the majority of the sales although Artimplant's sales and sales through distributors have increased. Medical experience from the patients who have been treated with ATR is positive in all applications that have been tested. Clinical experience of ATR is growing continuously and confirms that the product is easy to use. Artimplant's ongoing activities, such as clinical studies and case reports, are crucial for a continuation and to create a commercial base for the product. For an increase in market penetration, published clinical data is required. After the end of the reporting period Biomet and Artimplant reached agreement whereby Artimplant will be responsible for clinical studies on ATR. This would give

Artimplant a higher payment for each product sold.

# **Product and business development**

Artimplant and the Schulthess Clinic in Zurich are planning to run a clinical pilot study for the treatment of osteoarthritis in the facet joints in the spine. An agreement was signed during the second quarter with the Schulthess Clinic governing the terms and conditions for the running of the study. The Schulthess Clinic plans to commence the study during the second quarter of 2009.

Artimplant and Tulsa Bone & Joints Associates, Tulsa, Oklahoma, USA, have commenced a post-market study of ATR for patients with soft tissue tears in the rotator cuff tendons. The study comprises a maximum of 25 patients with a one-year follow-up. The final patient is due to undergo surgery in the fourth quarter of 2009.

An investigator-initiated multicenter study has commenced in the treatment of stiff big toe (Hallux Rigidus) using Artelon® MTP Spacer. The study comprises a maximum of 30 patients with a one-year follow-up. The final patient is due to undergo surgery in May 2009.

A post-market study has been conducted by the Brånemark Clinic in Gothenburg regarding Artelon® Cosmetic for replenishment of soft tissue in dental applications. The results of the study are being compiled and are planned to be published.

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

In cooperation with Swedish veterinary experts Artelon® has been used successfully in the treatment of cruciate ligament injuries in dogs. By using Artelon® as an artificial ligament (Artelon® CCL) conditions are created for the body to



restore a functional ligament. Approximately 40 dogs have been successfully treated to date with Artelon<sup>®</sup> CCL. A study with a one-year follow-up is in progress. Positive results from the study will create an important basis for future market penetration. During the second quarter, Artimplant is planning to commence a prospective study in the USA which is necessary for the future launch of Artelon<sup>®</sup> CCL in the USA.

Knee joint osteoarthritis is a very common disorder. More extensive injuries in elderly patients are normally treated by means of a prosthesis whilst for younger patients there is no good treatment alternative. During the fourth quarter of 2008 Artimplant commenced a proof-of-concept animal study to demonstrate that Artelon® can provide support in restoring a functional surface in the knee joint. The results will be compiled during the third quarter of 2009. It is Artimplant's many years of experience in the treatment of osteoarthritis in joints in the hand that form the basis for this indication, which in business terms is interesting.

# Events after the period-end

The Schulthess Clinic in Zurich has been granted clearance by Swissmedic to commence a clinical investigation of the Artelon® implant. The aim of this pilot study is to evaluate the potential for treatment of painful osteoarthritis in the facet joints in the spine with Artelon®. Pain relief with this treatment will be investigated and the patients will be followed up over a two-year period. The study will form the basis for documenting safety and user-friendliness in treatment of the facet joints in the spine using Artelon® and for drawing up rehabilitation instructions.

Artimplant and Biomet Sports Medicine have amended the existing license agreement where the parties have agreed that Artimplant will be responsible for ensuring that at least two studies are carried out on ATR/SportMesh. Studies refer to the treatment of rotator cuff injuries and ruptures of the Achilles tendon. The agreement, which will come into effect on April 1, 2009, will give Artimplant a significantly improved product margin. Payment for products sold will in the future comprise a fixed transfer price instead of a combination of transfer price and royalty.

## **Prospects for 2009**

Artimplant has the following operational direction for 2009:

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

Artimplant's business operations are based on exploiting the Company's unique biomaterial platform Artelon<sup>®</sup>. Signing agreements with other parties is a natural, ongoing part of this business. There is considerable external interest in Artimplant and the technology the Company controls. The largest orthopedic areas, hip, knee and spine, offer exciting market potential, which has yet to be exploited by Artimplant.

# Significant risks and uncertainty factors

The Company's significant risks and uncertainty factors are presented in the Board of Directors' Report in the most recent annual report.

## **Parent Company**

The majority of operations are run through the Parent Company, Artimplant AB. Artimplant USA, Inc. is the Company's only subsidiary and is at present fully funded by the Parent Company. The Parent Company is responsible for continuity at the subsidiary and during the first quarter of 2009 an impairment was made of receivables from Artimplant USA totaling SEK 1.5 million.



Together with the provision of SEK 6.1 million in the opening balance, the total impairment is SEK 7.6 million, which is equivalent to the subsidiary's negative equity. The impairment does not affect the Group result. The difference in the Parent Company's equity compared with the Group's equity can be explained by the internal profit on products sold by the Parent Company to the subsidiary and amounts to SEK 4.9 million. The aim is that the subsidiary will become self-financing during 2009 and thus commence amortization of its liabilities to the Parent Company. See summary of the Parent Company Income Statement and Statement of Financial Position on pages 9-10.

### **Accounting principles**

Artimplant applies IFRS. This interim report has been prepared in accordance with IAS 34, the Swedish Annual Accounts Act and RFR 1.2. The Parent Company's financial statements are prepared in accordance with exceptions and addenda in RFR 2.2. In addition, the Company is subject to the Swedish Code of Corporate Governance. The following new principles have been applied since January 1, 2009.

IAS 1 Presentation of Financial Statements
A reworked IAS 1 Presentation of Financial
Statements has been applied from January 1,
2009. The change means, among other things, that
revenue and costs that are reported directly in
equity are now also presented in a separate report
directly after the Income Statement. During the
first quarter of 2009, Artimplant did not have any
transactions with owners or revenue/costs
recorded directly against equity. Consequently,
there is no separate presentation of comprehensive
income. The Parent Company has one wholly
owned subsidiary and all the Group's assets and
results are thus attributable to the Parent
Company's shareholders.

IFRS 8 Operating Segments Since January 1, 2009, the Group has implemented IFRS 8 Operating segments. The new standard requires that segment information is presented from the point of view of the executive management, which means that it is presented in the manner in which it is used in the internal reports and followed up by the chief operating decision-maker in the Group, the Artimplant CEO. Artimplant presents segment information based on the allocation of net revenue between geographical markets and revenue categories. The Income Statement and the Statement of Financial Position are not divided into segments in internal or external reports as Artimplant's costs and assets essentially refer to all geographical markets and revenue categories. Comparative figures have been recalculated in accordance with IFRS 8.

Further accounting principles can be found in the Company's Annual Report 2008, which is available on the Company's website.

# Forthcoming reports

Six-monthly report	
Nine-monthly report	November 6, 2009
Year-end report	February 11, 2010
Three-monthly report	May 4, 2010

Financial reports are available on the Company's website <a href="www.artimplant.com">www.artimplant.com</a> and are also distributed to the media. For information regarding the business model, technology and products, see Artimplant's Annual Report for 2008, which is available on the Company's website.

# For further information please contact

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# **CONSOLIDATED INCOME STATEMENTS**

Amounts in KSEK	Jan-Mar	Jan-Mar	Jan-Dec
	2009	2008	2008
Net sales	4,848	2,129	12,114
Cost of goods and services sold	-232	-942	-4,194
Gross profit/loss	4,616	1,187	7,920
Other income	1,477	24	1,359
Research and development costs (1,2)	-4,204	-3,605	-15,502
Selling costs	-3,768	-2,479	-11,688
Administrative costs	-1,377	-1,396	-5,195
Other costs	-922	-229	-1,209
Operating loss	-4,178	-6,498	-24,315
Interest income and other financial income	148	525	2,284
Interest expense and other financial expenses	-456	-207	-602
Net financial items	-308	318	1,682
Loss after financial items	-4,486	-6,180	-22,633
Taxes	-	-	
Loss for the period	-4,486	-6,180	-22,633
Earnings per stock unit, SEK	-0.08	-0.10	-0.38
Earnings per stock unit after dilution, SEK	-0.08	-0.10	-0.38

The income statements include depreciation of tangible fixed assets and amortization of intangible fixed assets as shown in the following table.

Amounts in KSEK	Jan-Mar	Jan-Mar	Jan-Dec
	2009	2008	2008
(1) Capitalized R&D cost	546	546	2,183
(2) Patents and brands	222	215	895
Machinery and equipment	152	177	721
Total depreciation	920	938	3,800

# ALLOCATION OF NET SALES

Amounts in KSEK	Jan-Mar	Jan-Mar	Jan-Dec
Source of revenue	2009	2008	2008
Product sales by licensees	3,686	1,771	9,964
Product sales by end customer and distributors	1,159	271	1,699
One-off and project milestone income	-	87	81
Contract product development and other sales	3	-	370
	4,848	2,129	12,114
	Jan-Mar	Jan-Mar	Jan-Dec
Geographic areas	2009	2008	2008
North America	4,217	1,915	11,113
Europe	631	214	1,001
	4,848	2,129	12,114



# **CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

Amounts in KSEK	3/31/2009	3/31/2008	12/31/2008
ASSETS			
Capitalized product development	2,280	4,463	2,826
Patents and brands	2,405	2,976	2,547
Total intangible fixed assets	4,685	7,439	5,373
Machinery and equipment	1,166	1,785	1,307
Total tangible fixed assets	1,166	1,785	1,307
Total fixed assets	5,851	9,224	6,680
Raw materials, semi-finished and finished goods	5,303	4,648	4,726
Total inventories, etc.	5,303	4,648	4,726
Accounts receivable	537	339	1,123
Other receivables	1,145	1,327	1,071
Prepaid expenses and accrued income	4,878	1,987	2,018
Total short-term receivables	6,560	3,653	4,212
Cash and bank accounts	25,122	46,240	31,371
Total current assets	36,985	54,541	40,309
TOTAL ASSETS	42,836	63,765	46,989

Amounts in KSEK	3/31/2009	3/31/2008	12/31/2008
STOCKHOLDERS' EQUITY & LIABILITIES			
Capital stock	5,924	5,924	5,924
Other capital reserves / Statutory reserve	58,270	71,988	58,270
Total restricted equity	64,194	77,912	64,194
Retained loss/ Retained earnings	-22,112	-13,570	404
Translation difference	-	56	-
Loss for the period	-4,486	-6,180	-22,633
Total retained loss	-26,598	-19,694	-22,229
Total equity	37,596	58,218	41,965
Provisions	26	60	20
Accounts payable	890	802	1,114
Other current liabilities	1,240	1,536	1,445
Accrued expenses and prepaid income	3,084	3,149	2,445
Total current liabilities	5,214	5,487	5,004
TOTAL STOCKHOLDERS' EQUITY & LIABILITIES	42,836	63,765	46,989



# CHANGES IN STOCKHOLDERS' EQUITY DURING THE PERIOD

Amounts in KSEK	Jan-Mar	Jan-Mar	Jan-Dec
	2009	2008	2008
Capital stock	5,924	5,924	5,924
Other capital reserves at the beginning of the period	58,270	71,989	71,989
Reduction of statutory reserve	-	-	-13,718
Translation difference	-	-1	-
Reclassification	-	-	-1
Total other capital reserves	58,270	71,988	58,270
Retained loss at the beginning of the period	-22,229	-13,664	-13,664
Reduction of statutory reserve	-	-	13,718
Reclassification	-	-	-54
Benefit, employee stock option (IFRS2)	117	94	404
Translation difference	-	56	-
Loss for the period	-4,486	-6,180	-22,633
Total retained loss	-26,598	-19,694	-22,229
Equity at the period-end	37,596	58,218	41,965

#### **CONSOLIDATED STATEMENTS OF CASH FLOWS**

Amounts in KSEK	Jan-Mar	Jan-Mar	Jan-Dec
	2009	2008	2008
Operating activities			
Net loss after financial items	-4,486	-6,180	-22,633
Adjustment for items not effecting cash flow	1,035	1,108	4,151
Cash flow from operating activities			_
before changes in working capital	-3,451	-5,072	-18,482
Cash flow from changes in working capital			
Changes in inventories etc.	-577	-275	-353
Changes in receivables	-2,329	2,340	1,829
Changes in liabilities	125	176	-351
Cash flow from operating activities	-6,232	-2,831	-17,357
Investment activities			
Acquisition of intangible fixed assets	-57	-104	-471
Acquisition of tangible fixed assets	-10	-65	-129
Sale of tangible fixed assets	8	-	10
Cash flow from investment activities	-59	-169	-590
Financing activities			
Cash flow from financing activities	-	-	-
Cash flow for the period	-6,291	-3,000	-17,948
Cash and cash equivalents at beginning of period	31,371	49,240	49,240
Translation of foreign liquid assets	42	-	79
Cash and cash equivalents at end of period	25,122	46,240	31,371



# **KEY RATIOS**

	Jan-Mar	Jan-Mar	Jan-Dec
	2009	2008	2008
Earnings per stock unit, SEK	-0.08	-0.10	-0.38
Earnings per stock unit after dilution, SEK	-0.08	-0.10	-0.38
Equity per stock unit, SEK	0.63	0.98	0.71
Equity per stock unit after dilution, SEK	0.63	0.98	0.71
No. of stock units in issue at the period-end	59,244,790	59,244,790	59,244,790
Average no. of stock units in issue during period	59,244,790	59,244,790	59,244,790
No. of stock units in issue after dilution	60,793,245	60,446,582	60,793,245
Return on equity, %	neg	neg	neg
Return on capital employed, %	neg	neg	neg
Return on capital, %	neg	neg	neg
Equity/assets ratio, %	88	91	89

# PARENT COMPANY INCOME STATEMENTS

Amounts in KSEK	Jan-Mar	Jan-Mar	Jan-Dec
	2009	2008	2008
Net sales	5,621	5,114	16,401
Cost of goods and services sold	-326	-1,121	-4,407
Gross profit/loss	5,295	3,993	11,994
Other income	1,477	24	2,241
Research and development costs (1,2)	-4,204	-3,605	-15,502
Selling costs	-2,786	-661	-8,928
Administrative costs	-1,377	-1,396	-5,195
Other costs	-922	-229	-1,209
Operating loss	-2,517	-1,874	-16,599
Interest income and other financial income	938	525	3,157
Interest expense and other financial expenses	-460	-207	-612
Impairment of receivebles subsidiaries	-1,493	-	-4,668
Net financial items	-1,015	318	-2,123
Loss after financial items	-3,532	-1,556	-18,722
Taxes	-	-	
Loss for the period	-3,532	-1,556	-18,722

The income statements include depreciation of tangible fixed assets and amortization of intangible fixed assets as shown in the following table.

Amounts in KSEK	Jan-Mar	Jan-Mar	Jan-Dec
	2009	2008	2008
(1) Capitalized R&D cost	546	546	2,183
(2) Patents and brands	222	215	895
Machinery and equipment	150	176	715
Total depreciation	918	937	3,794



#### PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

Amounts in KSEK	3/31/2009	3/31/2008	12/31/2008
ASSETS			
Total intangible fixed assets	4,685	7,439	5,373
Total tangible fixed assets	1,153	1,777	1,293
Stock and participation in subsidiaries	10	10	10
Receivables from affiliated companies	-	1,834	-
Total financial fixed assets	10	1,844	10
Total fixed assets	5,848	11,060	6,676
Total inventories, etc.	5,066	4,636	4,543
Accounts receivable	308	3,156	848
Receivables from affiliated companies	5,195	-	4,480
Other receivables	1,145	1,280	1,071
Prepaid expenses and accrued income	4,930	1,987	2,158
Total short-term receivables	11,578	6,423	8,557
Cash and bank accounts	24,867	46,102	30,850
Total current assets	41,511	57,161	43,950
TOTAL ASSETS	47,359	68,220	50,626

Amounts in KSEK	3/31/2009	3/31/2008	12/31/2008
STOCKHOLDERS' EQUITY & LIABILITIES			
Total equity	42,462	49,014	45,877
Provisions	26	60	20
Accounts payable	689	798	888
Lia bilities, subsidiaries	-	157	-
Other current liabilities	1,184	1,482	1,396
Accrued expenses and prepaid income	2,998	2,991	2,445
Total current liabilities	4,871	5,428	4,729
TOTAL STOCKHOLDERS' EQUITY & LIABILITIES	47,359	54,502	50,626

The Board of Directors and the CEO certify that this Report provides a true and fair overview of the Parent Company's and the Group's operations, financial position and results and presents the material risks and uncertainty factors facing the Parent Company and the companies that form part of the Group.

Gothenburg, May 5, 2009 Artimplant AB (publ)

Ingemar Kihlström Hans Rosén Mats Lindquist Chairman of the Board CEO Board Member

Lennart Ribohn Wenche Rolfsen Sandsborg Anna Malm Bernsten Board Member Board Member Board Member

# This report has not been reviewed by the Company's auditors.

This information is information which Artimplant is required to publish pursuant to the Swedish Financial Instruments Act and the Swedish Securities Exchange and Clearing Operations Act and/or stock market agreements. The information was published on May 5, 2009 at 15:00 (GMT+1).



## **History**

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

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

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

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

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

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

2002 - Agreement on wound care signed with Mölnlycke Health Care AB. An extensive restructuring program is commenced to reduce the Company's cost base.

2003 - The Company signs an agreement with Atlantech for sales in the UK of its Artelon® Augmentation Device ACL. Artimplant's Artelon® CMC Spacer for treating thumb base osteoarthritis receives clearance for marketing in Europe. Artelon® Surgical Suture is given clearance by the FDA for sales on the American market. The subsidiary Gothenburg Medical Center is sold.

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

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

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

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

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