



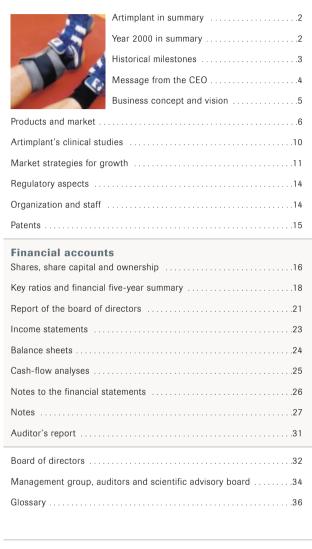
## General meeting of shareholders

The Annual General Meeting will be held on Wednesday, May 2, 2001, at 5:00 p.m. at Radisson SAS Park Hotel, Bankettsalen, Kungsportsavenyn 36-38, Gothenburg, Sweden. The premises are open for registration from 4:30 p.m.

Shareholders who wish to participate must provide notification in writing to Artimplant AB, Hulda Mellgrens gata 5, SE-421 32 Västra Frölunda, by telephone +46-31-746 56 00, by fax +46-31-746 56 60 or by e-mail *bolagsstamma2001@artimplant.se* no later than April 26, 2001 at 4:00 p.m. The notification should include name, date of birth or organization number, address and telephone number.

Shareholders who wish to participate must be entered by name in the shareholders' register maintained by Värdepapperscentralen VPC AB on April 20, 2001. Shareholders whose shares are held in trust by a bank or a private broker must temporarily register their shares in their own names in the Shareholders Register to be able to attend the Meeting. Nominee shareholders must, to be able to attend the meeting, temporarily register the shares in their own name on April 20, 2001. Banks and private brokers should be contacted in this matter well ahead of above date.

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(Org no 556404-8394)

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## Artimplant in summary

Artimplant is a Life Science company in the service of life that gives biology a helping hand. The company's innovative and degradable material supports the body's unique self-healing ability and the company's specifically designed products afford the patient new opportunities for returning to a healthy and active lifestyle. Artimplant develops and markets new materials and products and also finds new areas of application in close cooperation with clinically active doctors and leading partners within the medical industry and scientific circles.

Artimplant has, for example, developed and patented a number of degradable implants that are undergoing clinical trials. The follow-up of patients from the pilot study that was initiated in 1997 with Artimplant's reinforcement ligament in connection with anterior cruciate ligament (ACL) reconstruction has shown both subjective and objective knee stability. Moreover, earlier observations have shown that Artimplant's materials for the treatment of thumb-base arthritis and dam-

aged thumb joint ligaments ease pain and improve gripping strength.

Artimplant has worked intensively during 2000, to get its quality assurance system into position. Discussions are currently being conducted with a Notified Body with the aim of having a first product certificated in Europe (CE marking).

The market potential for Artimplant's ongoing development projects amounts to some SEK 30 billion. In addition the market potential for Artimplant's carrier technology is assessed at more than SEK 50 billion.

As part of the Artimplant market strategy the company is developing a wholly owned clinic, the Gothenburg Medical Center (GMC), as a Swedish center for the Artimplant Clinical Academy – a forum for advanced clinical research, application and education within orthopedic surgery.

Artimplant is listed on the OM Stockholm Stock Exchange's Attract 40 list.

## Year 2000 in summary

**During the first quarter** Artimplant carried out a rights issue of 1 000 000 B shares. The majority of the issue was subscribed by international institutions. The company had a capital injection of SEK 136 million after the deduction of issue costs. All the employees within the Artimplant Group were given the opportunity of participating in an options program.

Recruitment to a randomized multi-center study with 200 patients with regard to the reconstruction of ACL damage by means of Artimplant's reinforcement ligament was concluded in spring 2000. The interim follow-up after six months shows no departures from the expectations or compared with the previously conducted pilot study. The design of the study follows the American registration authority's (FDA) recommendations in respect of long-term follow-up upon reconstruction of ACL damage with synthetically produced implants.

A second randomized multi-center study regarding ACL damage was initiated in Finland and extended in Sweden during the year. As at the end of February 2001 a total of 92 patients have been operated on and planning work is currently under way for an extension of the study to more centers.

During 2000, Artimplant was granted a Swedish patent regarding the construction of a reinforcement ligament, as well as approval of its principal patent concerning the fiber material in the USA and Europe. At the end of 2000, Artimplant had five patent applications under consideration. A further patent

application was submitted at the beginning of 2001. Six new patent applications are in the process of preparation for submission.

At an international hand surgery conference in Kuopio, Finland, in August and at the Annual General Meeting of the Swedish Society of Medicine in Gothenburg, Sweden, in November, a short-term follow-up study (6 months) was presented in respect of chronic instability of the thumb where Artimplant's reinforcement ligament had been employed. All five patients in the ongoing pilot study showed after six months that they had regained normal load stability and gripping strength in the operated thumb.

Artimplant's quality assurance system became operational during December 2000. It was not until the new year that a fixed schedule for the certification work was received from the Notified Body. The certification audit has been fixed for May 29–31, 2001. Only then will the Notified Body issue a certificate for CE marking.

During 2000, Artimplant Drug Delivery Systems AB was established as a wholly owned subsidiary with the objective of conducting exploitation of Artimplant's carrier technology within the drug delivery sector.

An intensive recruitment campaign, primarily within the sales and marketing organizations, along with a comprehensive strategy program, has been successfully conducted during 2000.

## Historical milestones















**1986** An interdisciplinary group of researchers in Gothenburg, Sweden, initiate a project to develop a biocompatible and degradable material for the production of prosthesis for ACL reconstruction.

**1990** Artimplant is incorporated to commercialize its activities.

**1991** The technology for connecting a growth factor to polymer materials is presented in Sweden.

1995 First ACL surgery carried out on animals.

1997 Swedish patent is issued for hydrolyzable polymers (fiber polymers) for use in temporary implants (principal patent). Company carries out new share issue and is quoted on the Stockholm Stock Exchange. First cruciate ligament operation on humans within the framework of the pilot studies initiated during the year.

**1998** Artimplant acquires Gothenburg Medical Center.

**1999** Pilot studies for treatment of thumb ligament injuries and arthritis are initiated. First multi-center study regarding ACL injuries initiated. Artimplant commences cooperation with Mölnlycke Health Care and Genzyme Tissue Repair. Follow-up of the pilot study regarding ACL reconstruction is presented at the Annual General Meeting of the Swedish Society of Medicine.

**2000** Operation series of a first multi-center study regarding ACL reconstruction is concluded. Targeted new share issue primarily directed at international institutions carried out. Build-up of an international marketing and sales organization starts. Operations start in a second multi-center study regarding ACL reconstruction. Six-months result from pilot study regarding chronic instability in thumb ligament is presented. Principal patent for fiber material awarded in the USA and Europe. A quality assurance system becomes operative.

## Artimplant - towards the next goal



During 2000, all the people connected with Artimplant have taken part in a comprehensive reappraisal of the company's business concept, vision, strategies, goals and core values, all of which is an important process if we are to succeed in attaining the high goals we have set for ourselves. It has been very rewarding to see all highly qualified colleagues participating in the shaping of our future.

Our vision is to by 2008 be the world leaders in degradable materials. Our materials, ideas and products will then have revolutionized the treatment of damaged and defective body tissue. Our materials will then enjoy wide application and the methods of treatment will be acknowledged as being the best in terms of health economics. That is how we envisage ourselves within the near future.

We shall achieve the vision by preserving our expertise, our reliability and our innovative ability. We shall create interest and positive associations among our customers, owners and staff. We shall consistently lie at the leading edge of research by means of our multi-disciplinary scientific expertise that generates creativity and curiosity.

The past year During most of 2000, we have carried out intensive work directed at structuring our quality assurance system. The work has consumed extensive resources from among all the functions within Artimplant. The system has been operational since December 2000 and is now subject to regular internal revision. During the first quarter of 2001 a Notified Body has determined a timetable for the certification work with certification revision scheduled for May 29–31, 2001.

We have built up our production capacity sufficiently to meet demand for the foreseeable future, and our international marketing and sales organization, based in Gothenburg, is being extended continuously and accounts for the greater part of our future cost increases. During 2000 we have recruited six people to our international marketing organization. The increase is expected to be at least as great during 2001.

In Artimplant's clinical studies regarding the reinforcement of ACL injuries, over 300 patients have been operated on, of which 20 operations were carried out three years ago. We are extending our clinical studies with more patients, both within and outside of the Nordic region.

On the patent side Artimplant has been very active over the last year. We have had a total of five patents approved in Sweden, of which four have gained approval in a large number of other countries. At the end of 2000, the company obtained its principal patent for the fiber material approved in both the USA and Europe. During the year we submitted five new patent applications to the Swedish National Patent and Registration Office (PRV) followed by a further one at the beginning of 2001. These patents are important for our future since, with our new protected technology, to which we have exclusive rights, we have merely pushed the door ajar to a multi-billion market.

Within the hand surgery sector we are concentrating first and foremost upon the development of two products – an implant for the treatment of chronic instability in the thumb ligament, and a spacer implant for the treatment of thumb arthritis. At an international hand surgery conference in Finland in August as well as the Annual General Meeting of the Swedish Society of Medicine in Gothenburg in November, promising short-term results for the treatment of chronic instability in the thumb ligament were presented. All five patients in the pilot study showed after a six-month follow-up that they had regained joint stability and gripping strength in the operated thumb joints.

With patent protection now secured for the spacer implant, the first clinical results from a pilot study were able to be presented at a hand surgery conference in March 2001.

What we are doing in 2001 At the top of the list of activities in 2001 is the EU certification of a first product. After that we can commence the active launching of the reinforcement ligament for ACL reconstruction. We are also broadening the

clinical trial program for several of our products, building up the educational activity within the framework of Artimplant Academy, as well as laying the foundations for the structuring of a strong trademark.

We are extending our program for clinical trials, primarily within two of our prioritized areas – reinforcement ligaments for ACL reconstruction and spacer implants. These two areas represent an estimated market potential of over SEK 15 billion. Only about half of all ACL injuries that occur each year are treated surgically. And thumb-base arthritis is only treated at a very late stage and often with unsatisfactory results. We need to work in a targeted, persuasive and long-term manner in demonstrating the advantages of our products. The planning of a multi-center study involving spacer implants for the treatment of thumb-base arthritis is under way and the recruitment of patients is expected to start during the third quarter of 2001.

We believe that all of our activities and future scientific presentations and publications will persuade orthopedists, patients and other interested parties of the added value of Artimplant's products.

During the year we have recruited many new highly qualified staff and the number of employees has increased around 25 per cent. Artimplant is undergoing a challenging and exciting transition from a pure research company to a market-oriented growth business. It is, and will remain, a demanding and stimulating journey for us all. In conclusion I would like to thank all my colleagues for their enthusiasm and go-ahead spirit and their valuable efforts during the past year.

Anders Cedronius
ANDERS CEDRONIUS
Chief Executive Officer

## Business concept and vision

Artimplant is a Life Science business that gives biology a helping hand. The company's innovative and degradable materials support the body's unique capacity for self-healing. Artimplant's specifically designed products provide patients with new expectations of returning to a healthy and active life. The company develops and markets new materials and products and also finds new areas of application in close cooperation with customers and leading partners.

Artimplant's vision is to by 2008 be world leaders and, by means of its materials, ideas and products, have revolutionized the treatment of damaged and defective body tissues.

#### This means:

- that the whole world accept Artimplant, our expertise, our reliability and our innovative capacity.
- that we create interest and positive associations among customers, owners and colleagues.

## Products and market

Artimplant's materiel In 1986 research began aimed at producing material for use with degradable implants with the objective of repairing damaged body tissue in a natural manner. The background to this was the need to find something that could improve treatment of one of the most common and expensive injuries within orthopedics, the rupture of the anterior cruciate ligament (ACL) in the knee.

Artimplant's principal patent covers a degradable polymer material, polyurethane urea, which can be spun into thin threads and woven into temporary implants. These have mechanical and elastic properties similar to the tissues they are to replace. The material degrades under the influence of water. The degrading tempo can be varied within wide limits.

In order for a synthetically produced material to be able to serve as a temporary support and facilitate the regeneration of the body's own tissue, the following requirements are imposed upon the material:

- it shall be biocompatible.
- it shall possess mechanical properties that correspond to those of the original tissue.
- it shall have a sufficiently high breaking strain.
- it must be slowly degradable to allow the newly formed tissue to take over the strain gradually.
- it shall not give rise to any tissue-toxic residual products. Studies show that the degrading of Artimplant's fiber material takes place slowly. In animal studies we observe the grafting of vascular, organized connective tissue between the polymer fibers. The newly formed tissue lies in close contact with the material, and, in the most places, the tissue is oriented in parallel with the polymer fibers. All the animals had stable joints throughout the whole observation period, as well as normal joint cartilage without

Anatomical illustration of right knee with ruptured anterior cruciate ligament. More than three quarters of the disabling knee injuries in the most popular youth sports are due to ACL injuries.

any signs of osteoarthritis.



ACL injuries The ACL is the most important stabilizing structure in the knee joint. A damaged ACL limits the possibility of leading a physically active lifestyle. In time a worn ACL often leads to debilitating deterioration damage to other structures in the knee.

In 1995 a series of animal studies was started in which Artimplant's ligament was employed as a prosthesis. The results from these studies, which have been compiled as a scientific article that is being submitted for publication, shows that good joint stability is maintained throughout the whole observation period (up to 2 ears) and that there are no signs of arthritis occurring in the joints. Newly formed in-growth binding tissue in close contact with the polymer ligament is found both superficially and centrally, and in dwarf pigs the newly formed tissue has a ligament-like structure where the tissue is oriented in parallel with the polymer fibers. No sign of serious inflammatory reactions or foreign body reactions occur.

Three clinical studies for the treatment of ACL injuries have commenced (see Clinical Studies, page 10).

Competing methods - ACL injuries Approximately one million ACL injuries occur each year in the western world, and about half of all injuries are treated conservatively. Conservative treatment means that no surgical measures are taken and the patient is allowed to try and compensate the loss of joint stability by means of ongoing physiotherapy and appropriate muscle training. The long-term result of this method of treatment is often unsatisfactory because of gradually increasing deterioration injuries to other structures in the knee.

The operation technique currently most in use for the reconstruction of ACL is to replace the damaged ligament with part of the patient's own patellar tendon. The disadvantage with this method is, for example, that the elasticity and durability of the tendon tissue diminishes after just a few weeks, increasing the danger of rupture or stretching and thereby insufficient joint stability during rehabilitation and subsequent recovery. Measurements indicate that the tendon tissue that is surgically inserted never attains the strength of a healthy ACL. It is not uncommon for complications to set in at the donor site.

The long-term follow-ups that were undertaken after the cruciate ligament reconstruction with the body's own tissue have revealed significant complications frequency. A study conducted at the Sahlgrenska University Hospital in Gothenburg and that was presented at the 1999 Annual General Meeting of the Swedish Society of Medicine assessed



functional and objective observations 4–7 years after operation and compared these with the clinical results after 2 years follow-up. The conclusion was, among other things, that the results 4–7 years after reconstruction were worse than those measured after 2 years. Every fourth patient had undergone new surgery prior to the checks that were carried out 4–7 years after the first operation.

Even larger comparisons that were made in respect of longterm results have shown that, after an average of 4.5 years following surgery, complications occur in the form of pain, limited mobility or deterioration of the own body transplant in nearly 40 per cent of cases.

The non-degradable implants that were previously employed as prostheses for ACL reconstruction have not been able to satisfy the imposed requirements and have therefore largely been withdrawn from the market. None of these prostheses has been made from materials developed for the primary purpose of cruciate ligament reconstruction.

An estimated 25 per cent of the ACL operations that take place today involve the use of tendons from the inside and rear of the thigh, the "hamstring" – instead of part of the patellar tendon. The advantage of using this method is that it gives rise to fewer problems at the donor site. The disadvantage is that these tendons are harder to attach to bone than the patellar tendon.

Thumb-base arthritis Thumb-base arthritis is the most common wear injury to the hand among old and middle-aged women. The condition causes increasing pain and limited gripping strength. Artimplant has developed what is known as a "spacer" – an approximately half-inch pillow construction, made of the same degradable fiber material as the company's ACL implant. The spacer is designed to replace the damaged joint surface in the thumb-base joint that occurs with arthritis. The most common surgical method with thumb-base arthritis is known as tendon plastics. This operating method is not regarded as optimal and can give rise to problems in the form of limited gripping strength and instability that can lead to luxation.

During 1999 Artimplant started a pilot study involving patients with thumb-base arthritis. The series of operations involving Artimplant's material was concluded in February 2000. Early follow-up results for the limited number of patients show that treatment with Artimplant's degradable spacer leads to considerable easing of pain. A longer follow-up period is necessary to determine whether the permanent results for joint stability and gripping strength, for example, are satisfactory.

After patent protection was secured for the spacer, the one-year results were presented at a hand surgery specialist conference in March 2001. Artimplant intends to start the recruitment of patients during the third quarter of 2001 for an international clinical multi-center study for the treatment of thumb base arthritis. It is uncertain how many people are afflicted by thumb-base arthritis as the available data is insufficient. Certain surveys indicate that as many as 10-15 per cent of women and 5-8 per cent of men over the age of 55 suffer from thumb-base arthritis. Artimplant's own market surveys among hand surgery specialists in Europe and the Nordic region indicate that there is a great need for improved methods of treatment. Above all there is a demand for methods that afford greater easing of pain, restoration of gripping strength and reduction of instability of the thumb following treatment.



| Ongoing projects   |  |                                   |                     |
|--|--|-----------------------------------|---------------------|
| Product application  | Number of injuries/year in the western world <sup>13</sup> | Market<br>SEK bill. <sup>13</sup> | Development phase   |
| Priority 1   |  |                                   |                     |
| Ligament   |  |                                   |                     |
| Reinforcement ligament for reconstruction of ACL                 | 1 000 000  | >10                               | Certification phase |
| Product for thumb-base arthritis                                 | n.m.   | >5                                | Clinical studies    |
| Reinforcement ligament for treatment of chronic instability in t | ne thumb ligament 100 000                                  | 0.5                               | Clinical studies    |
| Wound care   | 1 500 000  | 3-4                               | Development phase   |
| Drug carriers  | n.m.   | >50                               | Development phase   |
| DAUC C. T. L.                |  |                                   |                     |

nAll figures are estimates. The market relates to implants and assumes that all injuries are treated surgically

Among those products at an early stage of development is the reinforcement ligament for damaged ligaments in the shoulder, elbow and ankle. The development of porous films is being undertaken for the treatment of, among other things, cartilage damage. Degradable and moldable polyurethane material is being developed for applications within the fracture fixation sector, e.g. pins for ankle fractures.

Other ligament implants The human skeleton consists of 206 bones that are attached to the skeleton and muscles by means of ligaments or tendons, respectively. Assuming that Artimplant's clinical studies involving degradable ligament implants provide satisfactory results, the company intends to launch other implants that are suited to injuries and disease conditions in other joints such as thumbs, shoulders, elbows and ankles.

Of the other ligament implants it is Artimplant's thumb ligament that has been developed furthest. Every year about half a million people in the western world sustain thumb ligament damage. Damage to the joint that stabilizes the thumb's base is one of the most common hand injuries sustained in skiing accidents. An early diagnosis leads to surgical treatment involving the sewing of the ligament back on to its original location. Misdiagnosis or an unsuccessful operation leads, in time, to chronic injury with instability of the joint, cartilage deterioration and the development of arthritis.

Upon reconstruction of the thumb's ligament Artimplant's reinforcement ligament has been used to strengthen the tendon tissue from the patient's wrist. The tendon tissue employed is taken from a tendon that is of no decisive importance for the function of the wrist. The tendon tissue is used to ensure an early grafting of cells in the reinforcement ligament. The operation method is new within the field of hand surgery. The last patient in the pilot study was operated on in December 1999.

The follow-up results show that Artimplant's degradable reinforcement ligament works well surgically and that the patients attain subjective and objective joint stability. The ethics committee at the University of Gothenburg has approved the inclusion of more patients in the pilot study.

At an international hand surgery conference in Kuopio, Finland, in August and at the Annual General Meeting of the Swedish Society of Medicine in Gothenburg in November the promising short-term results were presented. All five patients in the pilot study showed, after six months follow-up, that they had regained normal joint stability and gripping strength in the operated thumb joint. At present such patients are normally offered an arthrodetic operation as the only remaining alternative form of treatment.

Other ongoing development projects A first sub-project in cooperation with Mölnlycke Health Care (MHC), initiated in the spring of 1999, has been completed. The biological assessment of the new material variants for wound care is being conducted under Mölnlycke's control. Artimplant is carrying out parallel evaluations of new material variants within other areas of medical application.

A second sub-project within the framework of the cooperation agreement concluded with MHC started during spring 2001. Artimplant is to supply material for biological studies involving healthy volunteer subjects. The project is expected to last until the end of summer 2001. Further sub-projects are being planned.

During the second half of 1999 Artimplant and Genzyme Biosurgery (previously Genzyme Tissue Repair) began a cooperation program. Genzyme has tested and evaluated Artimplant's materials for use with the second generation cartilage cell transplantation, Carticell II. Genzyme has elected to proceed further with a commercially available collagen.

Artimplant has already obtained patent protection for a method of connecting a growth factor to degradable polymer material. Trial series undertaken during the latter part of 1999 have shown that the company's degradable polymer materials, to which a number of different pharmaceutical compounds have been coupled, are well suited for the controlled release of pharmaceuticals and other active substances over a sustained period of time (carrier technology).

Artimplant has formed a subsidiary for the exploitation of carrier technology within the drug delivery sector. The principle behind carrier technology is based upon surgically inserting a capsule or similar device in the body that, over a specific period (days, weeks or months), releases a specified amount of drugs (a delivery process known as "controlled" or "slow" release).

Possible indication areas are local application of antibiotics against infection, local release of pain-killing drugs in cases of acute pain, systematic release of hormones in low doses as well as the coupling of growth factor to stimulate local tissue growth in such sites as bone, ligament, cartilage and skin.

## Artimplant's clinical studies

With the aim of evaluating Artimplant's degradable materials, implants and operating techniques, the company is initiating clinical studies relating to the various applications that are regarded as creating added value for the patient and health care system. In order to obtain approval from the authorities, it is necessary for the studies to follow Good Clinical Practice (GCP). The planning of a clinical study is subject to rigorous and exacting requirements regarding such issues as putting questions and patient benefits, measuring methods, selection and number of patients, randomizing, therapy as well as the follow-up of outcome and side-effects.

## Artimplant has thus far initiated 5 clinical studies:

- A pilot study for the treatment of ACL injuries in 20 patients at the Gothenburg Medical Center (GMC) commenced in December 1997 and was concluded in the late spring of 1998. The patients' damaged ACLs were replaced by a third of the patient's patellar tendon reinforced with Artimplant's implant. The main criterion for inclusion in the pilot study was experienced and quantifiable instability in the knee following an ACL injury. The result from the pilot study was presented at the Annual General Meeting of the Swedish Society of Medicine in November 1999. All 20 patients displayed equally good joint stability in the operated knee as in the uninjured knee 12–18 months after the operation.
- A first randomized multi-center study concerning the treatment of ACL injuries comprising 200 patients commenced in spring 1999 in Sweden. Half the patient group was operated on in the same manner as in the pilot study and the other half with patellar tendon without reinforcement ligament. This study's structure follows the FDA's recommendations regarding long-term follow-up of the use of synthetically produced reinforcement ligament in respect of ACL injuries (at least 24 months of follow-up time). The interim follow-up reveals no departures from expectations or in comparison with the previously conducted pilot study.
- A second randomized multi-center study comprising 100 patients was started in spring 2000, with one center in Finland and one in Sweden. Half the patient group had been operated with tendon taken from the rear of the thigh (the hamstring) reinforced by Artimplant's reinforcement ligament, and half the patient group with the hamstring tendon but without the reinforcement ligament. A hundred patients have been operated on as of the first quarter of 2001, and the study will be extended to include several centers. The objective is to show a more stable knee upon employing Artimplant's reinforcement ligament, compared with the use of only the hamstring tendon.
- A hand surgery pilot study involving five patients with arthritis of the base joint of the thumb started in September 1999. Patent protection has now been secured, and the one-year result was presented at a hand surgery specialist conference in March 2001. The planning of a multi-center study is now under way and recruitment of patients is expected to start during the third quarter of 2001.
- A new method of treating chronic damage to thumb ligaments in five patients was initiated in 1999. In the study the "augmentation technique" has been used, which involves reinforcing the patient's own tendon tissue with Artimplant's degradable implant. The six-months result was presented in August 2000 and showed that all five patients had regained normal joint stability and gripping strength in the operated thumb joint. A research ethics committee has approved the inclusion of a further five patients in the study.

## Market strategies for growth



Market surveys – general survey During 2000, the marketing department intensified its work on extended market analyses and surveying. Several wide-ranging projects have been conducted during the second half of 2000. The objective is to prepare future launches through careful examination of the conditions in the major markets in Europe with regard to:

- the number of patients within Artimplant's treatment sector who visit treating doctors, patient characteristic (age, gender etc.), recommended treatment alternatives and their advantages and disadvantages.
- which doctors are opinion leaders and which hospitals are the most reputable within ACL surgery and the treatment of thumb-base arthritis.
- national market conditions, infrastructure, procurement procedures, financing and insurance systems within health care systems in the biggest markets in Europe.

Market survey – ACL A survey comprising 449 orthopedic surgeons was carried out in Europe and USA. The objective was to record their opinions regarding alternative methods of treatment for the reconstruction of ACL – on the one hand involving the use of a degradable reinforcement ligament together with an own-body tendon and, on the other hand, the use of a degradable whole prosthesis made of the same polymer material (i.e. without the need of an own-body tendon).

The survey initially showed that many orthopedists are critical of the use of artificial materials for the reconstruction of ACL injuries. This opinion is based upon their very negative experiences with the non-degradable products that were widely introduced during the 1980s.

It was, however, possible to discern great interest among orthopedic specialists in the survey in question, once they had been given a more extensive description of Artimplant's degradable reinforcement ligament and had been informed of the treatment results that could be reported from the pilot study. About 50 per cent of the orthopedists questioned expressed interest in learning more about the products and their application. More than 20 per cent of the total number of respondents stated that they were highly likely to try Artimplant's reinforcement ligament in connection with ACL reconstruction as soon as it became available. Before a wider clinical application of the reinforcement ligament can come about, the orthopedists questioned impose a strict demand to have access to persuasive clinical documentation. There is also a strong desire to see some reputable orthopedist in their own countries having first acquired relevant clinical experience of the products.

The orthopedists' opinions and wishes find support in Artimplant's market strategies and plans. For example, the first multi-center study regarding the reinforcement ligament follows the FDA's rigorous requirements in respect of documentation. In order to disseminate the practical experiences gained from the product among more orthopedists, there are also plans for an extensive information campaign as well as the extension of the clinical trials program to more countries outside Sweden.

Market strategies The number of orthopedic surgeons in the western world totals more than 50 000. More and more of these have, in turn, elected to specialize within clearly delineated treatment sectors. The most important customers for Artimplant's most prioritized products will therefore constitute a relatively limited and easily identifiable group of surgeons within their respective areas of treatment. For example, the target group for the reinforcement ligament regarding ACL reconstruction is









estimated at 3 000-4 000 surgeons in the western world.

In accordance with the business concept Artimplant shall develop and market products for well defined needs within orthopedic surgery, under its own aegis. Within each sector the medical needs shall be great, the surgeons easy to identify and manageable in terms of size, and the competition limited and price sensitivity low.

In individual cases it may also be relevant to license out materials and ready-developed products to certain business partners. This may, for example, apply in respect of products that are produced for use within areas where the existing competition is stiff and where the requirements of established global sales channels constitute a prerequisite for success. It may also be relevant in cases where a business partner wishes to employ Artimplant's materials as constituents in their own manufacture of products within areas of application that are not in direct conflict with Artimplant's core activity.

On the research side Artimplant also strives to find outlets for its materials by developing applications in cooperation with partners. Artimplant has already initiated research cooperation within areas that lie outside of its own core areas with, for example, Mölnlycke Health Care (MHC) and Genzyme Tissue Repair (GTR). The further development of carrier technology constitutes another area where Artimplant will seek cooperation with prominent players.

Long-term aspects of market cultivation and prelaunch activities Marketing within the medical sector is generally characterized by being long-term. It can take a short time to get medical products to the market if there is an expressed need that existing treatment alternatives are not able to satisfy. But it normally takes a long time before new treatment principles are accepted. The reason is that the treating doctors first wish to acquire knowledge of the new product before they start trying it out on a small scale. After some time-





of evaluation, the use increases in line with the doctors obtaining positive experiences and feeling greater confidence in the product and the supplier.

This healthy conservatism among doctors means that the initial sales development is often not particularly dramatic. One advantage is that any initial problems can usually be ironed out while the volume is relatively low. Being patient and operating on a long-term and targeted basis are important factors for success within the medical industry. A good and innovative medical product often has a long life cycle and generates income over several decades.

The target groups for Artimplant's products are often characterized by doctors who are highly specialized and relatively few in number. They are thus often suited to a high degree of personal cultivation and marketing that is built upon personal relationships. With a view to the introduction procedures for new products often being slow, it is important to start the work in establishing relationships in good time before the actual product launch. Clinical trials constitute an important strategic tool in this context. One important objective is to acquire local advocates who, against the background of an opinion-forming position and positive experiences and clinical results, are able to bridge the gap between Artimplant as an international player and the doctors at the local level. As part of the market strategy Artimplant is planning ongoing dissemination of knowledge and experience of the products through the extension of the clinical trials program.

Geographical outlook and market establishment An international marketing and sales organization with a base in Gothenburg is now being built up. In the Nordic region, which is Artimplant's domestic market, the launch is being prepared of the first products through extensive surveys, network construction and the planning and initiation of several clinical trials.

In the five biggest European countries – Spain, England, Italy, France and Germany – similar activities are taking place. These countries represent a total of almost 300 million inhabitants. The potential for Artimplant's products in these countries is very considerable and, by means of informal networks that have been built up, Artimplant has good prospects of establishing contact with the vast majority of the leading opinion-formers in the respective countries. Artimplant intends to establish its own sales activity in these countries. During 2001 the surveying of the respective markets will be intensified and local networks will be constructed with the aim of preparing these markets for a future establishment.

A separate market establishment in the American market is a resource-intensive concept both financially and in terms of personnel and imposes huge demands upon emphasis and planning. The regulatory procedure for getting Artimplant's product certified for sales on the American market is time-consuming and imposes strict formal requirements. At the end of 2002 at the earliest, the American authorities (FDA) will be able to adopt a position regarding certification of the reinforcement ligament for reconstruction of ACL. With a view to increasing the opportunities for registration approval on the American market, Artimplant has as its express strategy the formulation of all the clinical trials records so that they are in line with the standards and recommendations that are drawn up and formulated by the American authorities.

Artimplant Clinical Academy – Global forum for method development and transfer of know-how Through the acquisition of the Gothenburg Medical Center (GMC), Artimplant is able to carry out early clinical evaluations at close hand and under its own aegis, by means of pilot studies. This is seen as shortening the development time for new products by a considerable margin. On the basis of the degradable materials that are produced within material research and the access to orthopedic expertise through GMC, Artimplant enjoys unique opportunities for developing and testing degradable materials for applications within orthopedic surgery.

GMC is already an internationally renowned and well-established educational center within, for example, cartilage cell transplantation and reconstructive joint surgery. During a three-year period, for example, 400 surgeons from the USA and Europe have been trained in cartilage cell transplantation at GMC. With GMC as a base, the Artimplant Clinical Academy is conceived as becoming a global forum for clinical research, application and training within orthopedic surgery.

Artimplant Clinical Academy represents both a researchstrategic and a market-strategic investment aimed at the successful method development of new applications and cost-effective communication with Artimplant's primary target groups within orthopedic surgery.

The idea behind the Artimplant Clinical Academy is that Artimplant seeks cooperation with selected and renowned orthopedic clinics on the dominant markets of the world in order to develop and disseminate, together with these clinics, the practical application of new treatment methods. These clinics are intended to be accredited as official centers for training with regard to Artimplant's degradable implants.

## Regulatory aspects - Artimplant's implants

In order for Artimplant to be able to market and sell its degradable implants, the regulatory requirements have to be satisfied in all the markets that are intended for cultivation. As a first step the marketing efforts are being directed at Europe. The next stage will be to move over to the North American markets.

Within the European Economic Cooperation Area<sup>1)</sup> (EEC) there is a joint directive regarding medical-technical products that each member state has adopted as national law. In the USA medical-technical products are controlled by federal law that, in certain respects, is the same as the European directive.

An important requirement that is laid down in the directive is that there are routines that ensure that the company develops, manufactures and markets its products in a systematic and controlled manner. The objective is to ensure that products that come out on to the market always maintain the same high quality and satisfy the requirements that both the company and the

authorities impose. Most importantly it is a question of guaranteeing the patient's safety.

The regulations require a functional quality system. Before a product is released for use in clinical trials or sale, verification and validation shall be completed and approved for each individual product, irrespective of whether it relates to the preparation of a prototype or merely production. Among other things it involves the ensuring of bio-compatibility, toxicology, sterility, shelf-life and clinical samples.

For Artimplant's products it is necessary to have clinical validation that shows that the product satisfies safety and efficiency requirements governing its intended purpose. Clinical studies involving human subjects require, in addition, reporting to, and approval by, the relevant authorities as well as the research ethics committees for the clinics concerned. Artimplant's clinical trials follow the standards that the authorities prescribe.

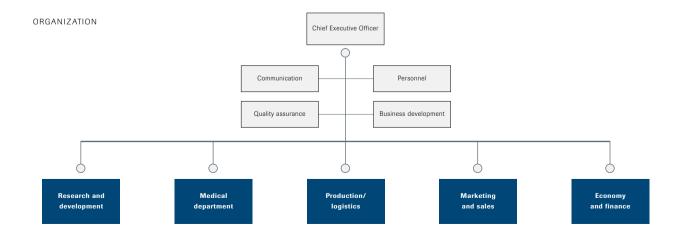
## Organization and staff

Since the quoting of the Artimplant share in November 1997 the number of employees and staff in the company has grown from 16 to 71 at the end of 2000. Several key recruitments have taken place within production, research and development as well as sales and marketing. Interest in the services has been considerable and has led to the recruitment of persons with relevant and excellent experience.

Through its staff Artimplant possesses unique expertise within the sectors of polymer technology, bio-materials, chem-

istry, textile technology, cell-biology, orthopedics, hand surgery and immunology.

In line with Artimplant's growth and development into a market-oriented company, the organizational structure has altered. During 2000, the management group has initiated and carried out a comprehensive strategic appraisal of the company with a focus upon market strategy matters. The aim has been for Artimplant to be customer-oriented, i.e. that the customer's needs shall always be central to Artimplant's business and priorities.



<sup>&</sup>lt;sup>1)</sup> All countries in the EU plus Iceland, Liechtenstein, Switzerland and Norway.

## **Patents**

Artimplant strives, as far as possible, to build up a comprehensive patent protection around commercially interesting product candidates. This covers everything from the synthesizing of materials and production processes to clinical applications. Each application that is formulated in consultation with a patent office with extensive experience in the sector, has - in the first instance - been dealt with by the Swedish National Patent and Registration Office (PRV), thereafter to be followed by an international application via what is known as a PCT procedure.

Artimplant has five patents approved in Sweden, of which four have gained approval in a number of other countries. The company had its principal patent approved in the USA and Europe at the end of 2000. During the year five new patent applications were submitted to the Swedish National Patent and Registration Office followed by a further one at the beginning of 2001. An additional six patents are under preparation for submission in 2001. Below is a summary of Artimplant's patents.



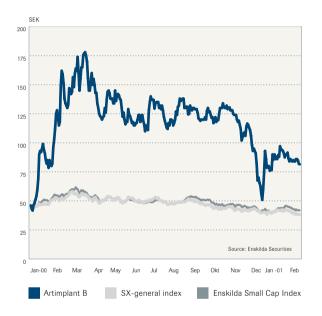


| Area                     | Description   | Status                    | Protection up to | Comments  |
|--------------------------|---|---------------------------|------------------|---|
| Fiber with growth factor | Coupling of growth factor GHK to polymer fiber        | International protection  | 2010             |   |
| Polymer fiber            | Linear block polymer for use as temporary implant     | International protection  | 2015             | Artimplant's principle patent                               |
| Molded bodies            | Degradable molded bodies of cross-linked polyurethane | PCT-application processed | 2017             | For bone fracture implants                                  |
| Porous films             | Degradable films of polyurethane urea                 | PCT-application processed | 2019             | For treatment of chronic wounds, separation of tissues etc. |
| Ligaments                | Technique to weave<br>degradable films                | PCT-application processed | 2018             |   |

## Shares, share capital and ownership

**The shares** Artimplant's Series B shares are quoted on the OM Stockholm Stock Exchange's Attract 40 list from and including January 3, 2001. The shares became listed on the OM Stockholm Stock Exchange (previously known as Stockholm Stock Exchange) O list in November 1997.

The Artimplant B share price at January 3, 2000, was SEK 46.1 and at December 31, 2000, was SEK 93, corresponding to a rise of 102 per cent. The general index fell 12 per cent over the corresponding period. During 2000, the Enskilda Sverige Småbolags index fell by 6.5 per cent. High/low for Artimplant's B share during the year was SEK 178 and SEK 41.7, respectively.



The share capital in Artimplant AB amounts to SEK 925 000. The number of shares is 9 250 000, comprising 853 750 shares of series A and 8 396 250 shares of series B, each with a par value of SEK 0.10. During 2000, a total of 146 250 series A shares were reassigned to series B. All shares carry the same rights to the company's assets and profits. A series shares carry ten votes, and B series shares entitle the holder to one vote.

**Buy-back of own shares** Artimplant's policy is not to employ the company's own funds for buying back its own shares for the foreseeable future. The company has major investments ahead of it in connection with the forthcoming product launches.

**Owners** Artimplant's ownership at December 31, 2000, is shown in the table below. The number of shareholders in Artimplant amounted at December 31, 2000, to 7 028 apportioned as below:

| Owner category                          | 0/0  |
|---|------|
| Foreign owners                          | 37.8 |
| Swedish owners, of which                | 62.2 |
| Share funds                             | 9.7  |
| Other institutions                      | 6.6  |
| Private persons incl. finance companies | 45.9 |

The foreign ownership amounted to 38 per cent of the capital and votes. Of the Swedish ownership the institutional owners' share as at January 31, 2000, amounted to approximately 15 per cent of the capital and 14 per cent of the votes.

|                                  | Number of shares<br>Series A | Number of shares<br>Series B | Number of shares<br>A+B | Share of capital, % | Share of votes, % |
|----------------------------------|------------------------------|------------------------------|-------------------------|---------------------|-------------------|
| Banco Fonder                     | 0                            | 858 100                      | 858 100                 | 9.3                 | 5.1               |
| John R. Arnold Revocable Trust   | 103 500                      | 674 000                      | 777 500                 | 8.4                 | 10.1              |
| Claire L. Arnold Revocable Trust | 103 500                      | 661 500                      | 765 000                 | 8.3                 | 10.0              |
| Skandia Liv                      | 45 000                       | 431 500                      | 476 500                 | 5.2                 | 5.2               |
| Cedronius, Anders                | 87 000                       | 277 600                      | 364 600                 | 3.9                 | 6.8               |
| Kahm, Rickard and family         | 26 500                       | 236 000                      | 262 500                 | 2.8                 | 3.0               |
| Peterson, Lars and family        | 18 750                       | 196 000                      | 214 750                 | 2.3                 | 2.3               |
| Rasmuson, Svante                 | 91 750                       | 115 000                      | 206 750                 | 2.2                 | 6.1               |
| Brunnström, Ulf                  | 25 000                       | 161 300                      | 186 300                 | 2.0                 | 2.4               |
| Andreasson, Gunnar               | 43 500                       | 139 800                      | 183 300                 | 2.0                 | 3.4               |
| Other shareholders               | 309 250                      | 4 640 2000                   | 4 949 450               | 53.6                | 45.7              |
| Total                            | 853 750                      | 8 396 250                    | 9 250 000               | 100.0               | 100.0             |

| Year | Activity                       | Price, SEK | Change in<br>shares | Total number<br>shares | Increase share-<br>capital, SEK | Total share-<br>capital, SEK |
|------|--------------------------------|------------|---------------------|------------------------|---------------------------------|------------------------------|
| 1990 | Company formed                 | _          | 1 000               | 1 000                  | 100 000                         | 100 000                      |
| 1995 | Rights issue                   | 2 050      | 2 000               | 3 000                  | 200 000                         | 300 000                      |
| 1996 | Rights issue                   | 5 500      | 1 000               | 4 000                  | 100 000                         | 400 000                      |
| 1997 | Bonus issue 1:4                | _          | 1 000               | 5 000                  | 100 000                         | 500 000                      |
| 1997 | Split 1000:1                   | _          | 4 995 000           | 5 000 000              | _                               | 500 000                      |
| 1997 | New issue                      | 45         | 1 500 000           | 6 500 000              | 150 000                         | 650 000                      |
| 1999 | Subscription warrants, listing | 16         | 1 750 000           | 8 250 000              | 175 000                         | 825 000                      |
| 2000 | Rights issue                   | 143        | 1 000 000           | 9 250 000              | 100 000                         | 925 000                      |

**New issues and options** Following authorization by the extraordinary meeting of shareholders on March 27, 2000, Artimplant carried out a rights issue of 1 000 000 B shares at a price of 143 per share. The majority of the issue was subscribed by international institutions. During April the company thus received a capital injection of SEK 136 million after issue costs.

At Artimplant's annual general meeting of shareholders on May 3, 2000, an options program was adopted for employees and persons connected with the Artimplant Group. The objective of the options program is to increase the opportunities for recruitment and retention of highly qualified personnel and to increase the motivation for, and interest in, the company's profit development.

The program comprises 512 500 option rights whereby each right carries an entitlement to subscribe to one series B share at a price of 300 with a period of validity up to and including March 30, 2004. Subscription can be effected during the period October 1, 2003, up to and including March 30, 2004. The pre-

mium for the option rights is calculated according to the Black & Scholes model and is determined on the basis of rate fluctuations at the respective times of transference. Upon full exploitation of the rights, the options program will provide the company with SEK 154 million and involve a dilution effect of 5.5 per cent for the capital and 2.8 per cent for the number of votes.

All the employees in, and persons associated with, the Artimplant Group were invited to participate in the options program, with approximately 75 per cent choosing to do so. Among persons in senior positions and with specialist qualifications, 28 out of 30 chose to subscribe. A total of 243 400 rights were subscribed.

**Dividend policy** Artimplant has not previously paid any dividend on its shares. In the foreseeable future, Artimplant expects to retain any profits that may be achieved for continued expansion of operations. The board of directors proposes that no dividend will be paid for the 2000 financial year.

## Key ratios and financial five-year summary

| Key ratios  | 2000      | 1999¹¹    | 1998      | 1996/97   | 1995/9   |
|---|-----------|-----------|-----------|-----------|----------|
| Equity capital per share, SEK   | 20.78     | 9.38      | 9.77      | 10.30     | 2.36     |
| Equity capital per share after full conversion, SEK                   | 35.44     | 9.38      | 11.09     | 11.51     | 5.6      |
| Substance value per share, SEK  | 20.78     | 9.38      | 9.77      | 10.30     | 2.36     |
| Substance value per share after full conversion, SEK                  | 35.44     | 9.38      | 11.09     | 11.51     | 5.6      |
| Loss per share, SEK   | -2.30     | -1.72     | -0.53     | -1.54     | -0.0     |
| Loss per share after full conversion, SEK                             | -2.18     | -1.72     | -0.42     | -1.21     | -0.0     |
| Number of shares at year-end  | 9 250 000 | 8 250 000 | 6 500 000 | 6 500 000 | 4 000 00 |
| Average number of shares during year                                  | 8 975 000 | 6 910 500 | 6 500 000 | 4 722 222 | 2 750 00 |
| Number of shares after full conversion                                | 9 762 500 | 8 250 000 | 8 250 000 | 8 250 000 | 5 250 00 |
| Cash flow per share, SEK  | 10.60     | 0.26      | -3.53     | 8.68      | 1.0      |
| Dividend per share, SEK   | 02)       | 0         | 0         | 0         |          |
| Share quotation, highest, SEK   | 178       | 58        | 73        | 58        | -        |
| Share quotation, lowest, SEK  | 41,7      | 31        | 34        | 49        |          |
| Share quotation at beginning of year, SEK                             | 46,1      | 48        | 50        | 57        |          |
| Share quotation at year-end, SEK                                      | 93        | 47,5      | 48        | 50        | -        |
| Yield on equity capital, %  | -16       | -20       | -5        | -26       | _        |
| Yield on employed capital, %  | -15       | -20       | -5        | -10       | _        |
| Solvency, %   | 95        | 90        | 87        | 96        | S        |
| Interest cover rate, times  | -307      | -44       | -89       | -2 641    | -4       |
| Interest-bearing liabilities  | 0         | 0         | 0         | 0         |          |
| Financial net addition, SEK thousands                                 | 137 700   | 39 660    | 37 524    | 60 446    | 4 00     |
| Gross investments<br>Research and development, SEK thousands          | 27 125    | 16 885    | 11 177    | 6 069     | 2 51     |
| Patent, SEK thousands   | 1 867     | 423       | 855       | 1 075     | 24       |
| Goodwill, SEK thousands   | 0         | 0         | 13 986    | 0         |          |
| Machinery and fittings and fixtures, ongoing new plant, SEK thousands | 6 479     | 1 694     | 3 866     | 1 039     | 58       |
| Number of employees at end of period                                  | 60        | 48        | 46        | 7         |          |
| Number of consultants at end of period                                | 11        | 11        | 11        | 10        |          |

## Definitions

## Equity capital per share

Accounted equity capital divided by number of outstanding shares.

## Equity capital per share after full conversion

As above with regard to full exploitation of subscription options.

## Substance value per share

Adjusted equity capital plus concealed reserves in assets that have "objective" market value after deduction for latent tax at the relevant tax rate, divided by number of outstanding shares.

## Substance value per share

As above with regard to full exploitation of subscription options.

## Profit/loss per share

Period's profit/loss divided by number of outstanding shares.

#### Profit/loss per share after full conversion

As above with regard to full exploitation of subscription options.

#### Cash flow per share

Year's cash flow divided by number of outstanding shares.

## Yield on equity capital

Profit/loss before extraordinary items as percentage of average adjusted equity capital.

## Yield on employed capital

Profit/loss after net financial items plus financial costs as percentage of average employed capital. Employed capital relates to balance of total assets reduced by non-interest-bearing liabilities including latent tax liabilities in untaxed reserves.

## Solvency

Equity capital as percentage of balance of total assets.

#### Interest cover degree

Profit/loss after net financial items increased by financial costs as percentage of financial costs.

## Financial net addition

Cash in hand and on deposit with deduction of interest-bearing liabilities.

# Extract from income statements

| Amounts in SEK thousands                    | 2000    | 1999    | 1998    | 1996/97 | 1995/ |
|---|---------|---------|---------|---------|-------|
| Net sales                                   | 22 360  | 20 032  | 11 426  | 463     | 2     |
| Cost of goods and services sold             | -19 189 | -16 267 | -10 051 | -463    | -:    |
| Gross profit/loss                           | 3 171   | 3 765   | 1 375   | 0       |       |
| Research and development costs              | -15 189 | -9 187  | -5 127  | -3 359  | -3    |
| Marketing costs                             | -6 857  | -1 892  | 0       | 0       |       |
| Administrative costs                        | -8 221  | -7 338  | -4 726  | -1 198  |       |
| Operating profit/loss                       | -27 096 | -14 652 | -8 478  | -4 557  | -3    |
| Interest income and other financial income  | 4 120   | 753     | 1 961   | 572     | 1.    |
| Interest costs and other financial expenses | -67     | -314    | -39     | -1      |       |
| Sale of warrants                            | 2 434   | 0       | 3 063   | 155     |       |
| New share issue and listing related costs   | 0       | 0       | 0       | -6 149  |       |
| Loss after financial items                  | -20 609 | -14 213 | -3 493  | -9 980  | -2    |
| Tax   | -694    | 60      | 26      | 0       |       |
| YEAR'S LOSS                                 | -21 303 | -14 153 | -3 467  | -9 980  | -2    |
|   |         |         |         |         |       |

## Extract from balance sheets

| 001231  | 991231   | 981231   | 971231  | 9606   |
|---------|--|--|---|--|
| 0       | 0  | 0  | 0   | 2 3  |
| 59 426  | 40 996   | 32 611   | 7 713   | 3 0  |
| 142 644 | 44 786   | 40 518   | 61 918  | 4 3  |
| 137 700 | 39 660   | 37 524   | 60 446  | 4 0  |
| 202 070 | 85 782   | 73 129   | 69 631  | 9 6  |
| 216 568 | 93 715   | 66 974   | 77 200  | 9 7  |
| -24 367 | -16 361  | -3 467   | -10 226   | -2   |
| 192 201 | 77 354   | 63 507   | 66 974  | 9 4  |
| 518     | 579  | 840  | 400   |  |
| 9 351   | 7 849  | 8 782  | 2 257   | 2  |
| 202 070 | 85 782   | 73 129   | 69 631  | 9 6  |
|         | 0 59 426 142 644 137 700 202 070 216 568 -24 367 192 201 518 9 351 | 0 0 59 426 40 996 142 644 44 786 137 700 39 660 202 070 85 782 216 568 93 715 -24 367 -16 361 192 201 77 354 518 579 9 351 7 849 | 0         0         0           59 426         40 996         32 611           142 644         44 786         40 518           137 700         39 660         37 524           202 070         85 782         73 129           216 568         93 715         66 974           -24 367         -16 361         -3 467           192 201         77 354         63 507           518         579         840           9 351         7 849         8 782 | 0         0         0         0           59 426         40 996         32 611         7 713           142 644         44 786         40 518         61 918           137 700         39 660         37 524         60 446           202 070         85 782         73 129         69 631           216 568         93 715         66 974         77 200           -24 367         -16 361         -3 467         -10 226           192 201         77 354         63 507         66 974           518         579         840         400           9 351         7 849         8 782         2 257 |

# Extract from cash-flow analyses

| Amounts in SEK thousands             | 2000    | 1999    | 1998    | 1996/97 | 1995/96 |
|--------------------------------------|---------|---------|---------|---------|---------|
| Cash flow from operating activities  | -2 669  | -2 762  | 3 220   | -5 588  | -2 26   |
| Cash flow from investment activities | -35 341 | -23 002 | -26 042 | -8 183  | -3 346  |
| Cash flow from financing activities  | 136 050 | 27 900  | -100    | 70 210  | 9 60    |
| YEAR'S CASH FLOW                     | 98 040  | 2 136   | -22 922 | 56 439  | 3 99    |
| Liquid assets at beginning of year   | 39 660  | 37 524  | 60 446  | 4 007   | 1       |
| Liquid assets at end of year         | 137 700 | 39 660  | 37 524  | 60 446  | 4 00    |
|                                      |         |         |         |         |         |



## Report of the board of directors

**Direction of operations** Artimplant is a Life Science business focused on problem solutions within orthopedic surgery. Artimplant conducts research and development, manufacture and marketing of innovative and degradable bio-materials and specifically designed products that support the body's unique self-healing abilities and afford the patient a healthy and active life.

The company's own developed materials are based upon new patented technology that opens up new markets within orthopedic surgery and a range of other specialist areas where the medical needs are great. After more than 10 years of development work Artimplant has started to prepare the launch of a first product.

The intensive work directed at the building up of a quality assurance system has been conducted during most of 2000 and has made use of extensive resources from all the functions within Artimplant.

The first randomized multi-center study for the treatment of anterior cruciate ligament (ACL) injuries is proceeding according to plan. The interim follow-up shows no departures from expectations or in comparison with previously conducted pilot studies. Data from this multi-center study will, according to the trial records, be able to be used to show clinical stability after 24 months of follow-up at the earliest.

In a second randomized multi-center study for the treatment of ACL injury, the hamstring method is employed (tendon from the rear of the patient's thigh). Fewer problems for the patient at the donor site arise compared with when tendon from the patella is used. In the study, which is being conducted in Finland and Sweden, 100 patients are expected to be operated on in the first quarter of 2001.

Preliminary follow-up results regarding the pilot study for thumb-base arthritis show that treatment with Artimplant's degradable implant (spacer) leads to significant easing of pain within only six months.

At an international hand surgery conference in August in Kuopio, Finland, as well as the Annual General Meeting of the Swedish Society of Medicine in Gothenburg, Sweden, in November, promising short-term results were presented in respect of a new method of treatment of chronic injuries with instability in the thumb joint. All five patients in the pilot study showed, after six months of follow-up, that they had regained normal joint stability and gripping strength in the operated thumb joint.

A sales and marketing director was appointed with effect from July 1, whose task is to build up the international sales and marketing organization. Further recruitment has been carried out within the company's sales and marketing department, which comprises 6 people as of March 2001. A sales manager for the Nordic market, 2 international product managers and a market communicator have joined the company during the first quarter of 2001.

The first sub-project in cooperation with Mölnlycke Health Care (MHC) has been concluded. A second sub-project

within the framework of the concluded cooperation agreement with MHC has commenced. Artimplant shall supply material for biological studies involving healthy trial volunteers. The project is expected to continue until the end of summer 2001.

Events after the end of the financial year Earlier indications from a Notified Body about a possible EU-certification during the first quarter of 2001 have been revised in a drawn-up schedule, which means that the certification audit has been postponed until May 29–31, 2001. The reason for the delay is the full work schedule of the Notified Body.

After patent protection was secured for the spacer implant, its results are to be presented at a hand surgery specialist conference in March 2001. The intention is to extend this study to Norway and Denmark. The planning of a multi-center study is under way and recruitment of patients is expected to begin during the third quarter of 2001.

In January 2001 Kristina Lindberg transferred to a new appointment as Head of Human Relations. In March 2001 Ingrid Ekenman and Ulf Åkerblom joined Artimplant as Medical Director and Director of Corporate Communications, respectively. Ingrid Ekenman comes directly from Astrid Lindgren's Children's Hospital as Operations Manager. Ulf Åkerblom has extensive experience as an information and communications strategist within investor relations and other areas.

Artimplant's loss for 2000 Net turnover for the group, January–December 2000, amounted to SEK 22.4 million (SEK 20.0 million). Operating loss for the period amounted to SEK –27.1 million (SEK –14.7 million). The loss after financial items amounted to SEK –20.6 million (SEK –14.2 million). Goodwill in respect of the acquisition of GMC amounted to SEK 12.3 million at the end of the period and will be depreciated over 20 years. The parent company's net turnover of SEK 2.4 million relates primarily to payment from Mölnlycke Health Care.

The operating loss has been subjected to increased costs and investments within the research and development activity, marketing and production. During 2000, personnel have been recruited to all these areas.

The net financial items have been influenced positively by income from the sale of issue rights to employees of the Artimplant Group as well as increased interest income attributable to share issue funds received in April 2000.

Net turnover for the subsidiary Gothenburg Medical Center (GMC) increased during the year by 15 per cent to SEK 21.9 million (SEK 19.0 million), in spite of being lowered by non-prioritized activities and reconstruction. From and including the fourth quarter the increased costs have included increased patient charges, which have not reduced the incidence of operations. The recruitment of a further orthopedic specialist doctor is planned for 2001.

**Investments and financial situation** The investments during 2000, amounted to SEK 35.5 million (SEK 23.0 million), of which SEK 29.0 million (SEK 17.3 million) concerned intangible assets. At the end of the period the liquid funds amounted to SEK 137.7 million (SEK 39.7 million).

By authorization from an extraordinary general meeting of shareholders on March 27, 2000, Artimplant carried out a rights issue of a million B shares at a rate of SEK 143 per share. The greater part of the issue was subscribed by international institutions. During April the company was thus provided with SEK 136 million after issue costs.

At Artimplant's annual general meeting of shareholders on May 3, 2000, an options program was adopted for employees and persons associated with the Artimplant Group. The program comprises 512 500 option rights by which each option right carries an entitlement to a new subscription of one B series share at a rate of SEK 300 with a term of validity up to and including March 30, 2004. Upon full exploitation the options program will provide the company with SEK 154 million and involve a dilution effect of 5.5 per cent of capital and 2.8 per cent of votes. At the end of the period, 243 400 rights had been subscribed.

**Employees** During 2000, the build-up of Artimplant's sales and marketing organization commenced. During the summer of 2000, Artimplant recruited Michael Nordh from Astra Zeneca as Director of Sales & Marketing and a member of Artimplant's management group with responsibility for global marketing and sales. Anne Mari Nedevska was appointed the new Quality Manager with responsibility for the quality assurance system.

The number of employees at the end of the year amounted to 60 (48) of which 32 (32) were employed by GMC. The number of consultants associated with the parent company amounted to 11 (11).

The work of the board of directors Member of the board Akbar Seddigh was elected, on February 19, Artimplant's chairman of the board until the next general meeting of shareholders. Claes-Göran Fridh steps down as chairman but remains an ordinary board member.

During 2000, the board had 7 meetings. In addition to the ongoing business, the board directed particular attention to the work involving the company's strategy, financial matters and recruitment of key personnel.

Board and management matters of a strategic nature can occasionally be prepared by special committees. The working style of the various committees varies according to the relevance of different matters. These committees have had the following composition during 2000:

## Research and development committee

- Anders Cedronius, CEO and board member
- · Per Flodin, board member and research strategist

- · Svante Rasmuson, board member
- · Akbar Seddigh, board member

The research and development committee is responsible for matters that concern strategic research directions, resource requirements, as well as intangible assets such as patents.

## Finance and organization committee

- · Anders Cedronius, CEO and board member
- · Claes-Göran Fridh, board member
- · Svante Rasmuson, board member

The finance and organization committee is responsible for such matters as financing, organization as well as salaries and other forms of payment for certain employees and consultants associated with the company.

#### Strategy and marketing committee

- · Anders Cedronius, CEO and board member
- · Helge Ramseng, board member
- · Svante Rasmuson, board member

The strategy and marketing committee is responsible for matters that relate to strategic market direction, resource requirements and trademarks.

## **Artimplant Scientific Advisory Board**

The Board and company management are assisted in their work by a scientific council, the Artimplant Scientific Advisory Board (AISAB). AISAB had the following composition during 2000:

- Professor Lars Peterson, Sweden, chairman
- · Helge Ramseng, Norway, convener
- Professor George Bentley, England
- · Professor Freddie Fu, USA
- · Professor Howard Green, USA
- · Professor James P. Tam, USA
- Professor Peter Thomsen, Sweden

During the year AISAB carried out a two-day seminar at which Artimplant's research and development was presented and discussed.

**Future prospects** Artimplant expects to obtain an EU certification for its first product, the ACL implant, during the second quarter of 2001. Because of increased costs of marketing/sales as well as clinical research, Artimplant expects to record a loss for the 2001 financial year.

**Proposed allocation of loss** *The group*. According to the group's balance sheet of December 31, 2000, the accrued loss amounted to SEK 24 367 thousand. Appropriation to tied reserves is not proposed.

Artimplant AB. The board proposes that the year's loss of SEK 29 227 686 be settled against the reserve fund.

## Income statements

| Amounts in SEK thousands                       | Note | Group<br>2000 | Group<br>1999 | Group<br>1998 | Parent<br>2000 | Parent<br>1999 | Paren<br>199 |
|--|------|---------------|---------------|---------------|----------------|----------------|--------------|
| Net sales                                      | 1    | 22 360        | 20 032        | 11 426        | 2 396          | 1 613          | 144          |
| Cost of goods<br>and services sold             | 2, 3 | -19 189       | -16 267       | -10 051       | -2 396         | -1 613         | -144         |
| Gross result                                   |      | 3 171         | 3 765         | 1 375         | 0              | 0              | (            |
| Research and<br>development costs              | 2, 3 | -15 189       | -9 187        | -5 127        | -15 189        | -9 187         | -5 12        |
| Marketing costs                                | 2    | -6 857        | -1 892        | _             | -6 857         | -1 892         | -            |
| Administrative costs                           | 2, 3 | -8 221        | -7 338        | -4 726        | -5 146         | -4 239         | -3 579       |
| Share in group results                         |      | _             | _             | _             | 846            | 1 691          | 2 58         |
| Operating result                               |      | -27 096       | -14 652       | -8 478        | -26 346        | -13 627        | -6 11        |
| Interest income and other financial income     | 4    | 4 120         | 753           | 1 961         | 4 033          | 640            | 1 83         |
| Interest expenses and other financial expenses | 4    | -67           | -314          | -39           | -65            | -310           | -3:          |
| Sale of warrants                               | 4    | 2 434         | _             | 3 063         | _              |                | 3 06         |
| New share issue expenses                       |      | _             | _             | _             | -6 850         | _              | -            |
| Financial items net                            |      | 6 487         | 439           | 4 985         | -2 882         | 330            | 4 85         |
| Result after financial iten                    | ns   | -20 609       | -14 213       | -3 493        | -29 228        | -13 297        | -1 25        |
| Taxes, paid                                    |      | -555          | -1            | -5            | _              | _              | -            |
| Taxes, deferred                                |      | -139          | 61            | 31            | -              | -              | -            |
| LOSS FOR THE YEAR                              |      | -21 303       | -14 153       | -3 467        | -29 228        | -13 297        | -1 25        |

# Balance sheets

| Amounts in SEK thousands No  | Grou<br>ote 0012  |  | Group<br>981231  | Parent<br>001231  | Parent<br>991231   | Pare<br>9812                         |
|--|---|--|--|---|--|--------------------------------------|
| ASSETS   |   |  |  |   |  |                                      |
| Capitalized research<br>and development  | 5 3690  | 09 22 287  | 13 002   | 36 909  | 22 287   | 13 0                                 |
| Patents  | 6 2 1   | 97 1 199   | 1 320  | 2 197   | 1 199  | 1 3:                                 |
| Goodwill   | 7 12 2  | 55 12 954  | 13 653   | _   | _  |                                      |
| Total intangible   |   |  |  |   |  |                                      |
| fixed assets   | 51 30   | 36 440   | 27 975   | 39 106  | 23 486   | 14 3                                 |
| Machinery and equipment  | 8 80  | 35 4 556   | 4 035  | 7 048   | 4 023  | 3 2                                  |
| Construction in progress   | 9   |  | 601  |   | _  | 6                                    |
| Total tangible<br>Fixed assets   | 8 0   | 65 4 556   | 4 636  | 7 048   | 4 023  | 3 8                                  |
| Shares in subsidary  | 10  |  | _  | 18 096  | 17 996   | 17 9                                 |
| Total financial<br>Tixed assets  |   |  | _  | 18 096  | 17 996   | 17 9                                 |
| Total fixed assets   | 59 4:   | 26 40 996  | 32 611   | 64 250  | 45 505   | 36 1                                 |
| Receivables, trade   | 1 6   | 02 2 408   | 1 058  | _   | 988  |                                      |
| Receivables, group companie  | S   |  | -  | -   | 602  | 2 2                                  |
| Other receivables  | 1 7   | 70 681   | 744  | 1 670   | 679  | 7                                    |
| Prepaid expenses   |   |  |  |   |  |                                      |
|  | 11 15   |  | 1 192  | 1 330   | 1 846  | 1 0                                  |
| otal short-term receivables  | 4 9   |  |  | 3 000   | 4 115  | 3 9                                  |
| Cash and bank  | 137 7   |  | 37 524   | 136 957   | 37 153   | 33 2                                 |
|  | 142 64  | 44 44 786  | 40 518   | 139 957   | 41 268   | 37 2                                 |
| OTAL ASSETS  SHAREHOLDERS' EQUITY AND Equity   | 202 0<br>D LIABILITIES  | 70 <b>85 782</b>   |  | <b>204 207</b><br>925                                   | 86 773<br>763  |                                      |
| 1. 3   | 202 0<br>D LIABILITIES  |  |  |   |  | 73 3                                 |
| OTAL ASSETS SHAREHOLDERS' EQUITY AND Equity Share capital  | 202 0<br>D LIABILITIES<br>12  | 25 763   | 650  |   | 763  |                                      |
| OTAL ASSETS SHAREHOLDERS' EQUITY AND Equity Share capital Paid in, not registered new issu   | 202 0<br>D LIABILITIES<br>12<br>9:  | 25 763<br>– 9 936  | 650<br>—   | 925   | 763<br>9 936   | 6                                    |
| OTAL ASSETS SHAREHOLDERS' EQUITY AND Equity Share capital Paid in, not registered new issues Restricted reserves/legal reserves  | 202 0 D LIABILITIES 12 9: ue ve 215 6   | 25 763<br>- 9 936<br>43 83 016   | 650<br>-<br>66 324   | 925<br>-<br>222 493                                     | 763<br>9 936<br>83 016   | 66 3                                 |
| OTAL ASSETS  CHAREHOLDERS' EQUITY AND Equity  Chare capital  Paid in, not registered new issues the control of  | 202 0  D LIABILITIES  12  9:  ue  ve 215 6-  216 56   | 25 763<br>- 9 936<br>43 83 016<br>68 93 715  | 650<br>-<br>66 324   | 925   | 763<br>9 936   | 66 3                                 |
| OTAL ASSETS SHAREHOLDERS' EQUITY AND Equity Share capital Paid in, not registered new issuestricted reserves/legal reserves/local restricted equity Accumulated loss   | 202 0  D LIABILITIES  12  9:  Jule  ve 215 6-  216 50  -3 00  | 25 763<br>- 9 936<br>43 83 016<br>58 93 715<br>64 -2 208   | 650<br>-<br>66 324   | 925<br>-<br>222 493<br>223 418<br>-                     | 763<br>9 936<br>83 016<br>93 715   | 6<br>66 3<br>66 9                    |
| OTAL ASSETS SHAREHOLDERS' EQUITY AND Equity Share capital Paid in, not registered new issues Restricted reserves/legal reserves. Fotal restricted equity Accumulated loss Loss for the year  | 202 0  D LIABILITIES 12 9:  Jule ve 215 6 216 51 -3 00 -21 31   | 25 763<br>- 9 936<br>43 83 016<br>68 93 715<br>54 -2 208<br>03 -14 153   | 650<br>-<br>66 324<br>66 974<br>-  | 925<br>-<br>222 493<br>223 418<br>-<br>-29 228          | 763<br>9 936<br>83 016   | 66 3<br>66 9                         |
| COTAL ASSETS  SHAREHOLDERS' EQUITY AND Equity Share capital Paid in, not registered new isst. Restricted reserves/legal reserv | 202 0  D LIABILITIES  12  9:  Jule  ve 215 6-  216 50  -3 00  | 25 763<br>- 9 936<br>43 83 016<br>58 93 715<br>54 -2 208<br>33 -14 153<br>57 -16 361   | 650<br>-<br>66 324<br><b>66 974</b><br>-<br>-3 467                                   | 925<br>-<br>222 493<br>223 418<br>-                     | 763<br>9 936<br>83 016<br>93 715<br>-<br>-13 297                           | 66 3<br>66 9<br>-1 2                 |
| OTAL ASSETS  CHAREHOLDERS' EQUITY AND Equity Share capital Paid in, not registered new issuments for the secretary of the sec | 202 0' D LIABILITIES 12 9: UB VE 215 6 216 50 -3 00 -21 30 192 20   | 25 763<br>- 9 936<br>43 83 016<br>58 93 715<br>54 -2 208<br>33 -14 153<br>57 -16 361   | 650<br>-<br>66 324<br>66 974<br>-<br>-3 467  | 925<br>   | 763<br>9 936<br>83 016<br>93 715<br>—<br>—<br>—13 297                      | 66 3<br>66 9<br>-1 2                 |
| COTAL ASSETS  SHAREHOLDERS' EQUITY AND Equity Share capital Paid in, not registered new issues a contract of the contract of t | 202 0  D LIABILITIES  12  9:  UP  216 50  -3 00  -21 31  -24 31  192 20   | 25 763<br>- 9 936<br>43 83 016<br>58 93 715<br>64 -2 208<br>03 -14 153<br>67 -16 361<br>01 77 354  | 650<br>-<br>66 324<br>66 974<br>-<br>-3 467<br>-3 467<br>63 507                      | 925<br>   | 763<br>9 936<br>83 016<br>93 715<br>—<br>—<br>—13 297                      | 66 3<br>66 9<br>-1 2                 |
| COTAL ASSETS  SHAREHOLDERS' EQUITY AND Equity Share capital Paid in, not registered new issues a control of the | 202 0  D LIABILITIES  12  9:  Jule  ve 215 6-  216 5-  -3 00  -21 31  -24 30  192 20  3  13 11  | 25 763<br>- 9 936<br>43 83 016<br>88 93 715<br>34 -2 208<br>03 -14 153<br>67 -16 361<br>01 77 354<br>18 179  | 650<br>-<br>66 324<br>66 974<br>-<br>-3 467<br>-3 467<br>63 507<br>240<br>300        | 925<br>   | 763<br>9 936<br>83 016<br>93 715<br>—<br>—<br>—13 297                      | 66 3<br>66 9<br>-1 2                 |
| COTAL ASSETS  SHAREHOLDERS' EQUITY AND Equity Share capital Paid in, not registered new issues the control of t | 202 0  D LIABILITIES  12  9:  UP  215 6:  216 5:  -3 0:  -21 3:  192 2:  3  13  14  | 25 763<br>- 9 936<br>43 83 016<br>58 93 715<br>54 -2 208<br>53 -14 153<br>57 -16 361<br>57 354<br>18 179<br>50 200   | 650<br>-<br>66 324<br>66 974<br>-<br>-3 467<br>-3 467<br>63 507<br>240<br>300<br>540 | 925   | 763 9 936 83 016 93 71513 297 -13 297 80 418                               | 66 3<br>66 9<br>-1 2<br>-1 2<br>65 7 |
| COTAL ASSETS  CHAREHOLDERS' EQUITY AND Equity Chare capital Paid in, not registered new issues extricted reserves/legal reserv | 202 0  D LIABILITIES  12  9:  UP  216 50  -3 00  -21 30  -24 31  192 20  3  13  14  14  | 25 763<br>- 9 936<br>43 83 016<br>58 93 715<br>54 -2 208<br>03 -14 153<br>67 -16 361<br>01 77 354<br>18 179<br>00 200<br>18 379  | 650<br>  | 925<br>   | 763 9 936 83 016 93 71513 297 -13 297 80 418                               | 66 3<br>66 9<br>-1 2<br>-1 2<br>65 7 |
| ACCUMULA ASSETS  SHAREHOLDERS' EQUITY AND Equity Equity Paid in, not registered new issues a control of the con | 202 0  D LIABILITIES  12  9:  UP  216 50  -3 00  -21 30  -24 31  192 20  3  13  14  14  | 25 763 - 9 936 43 83 016 58 93 715 54 -2 208 33 -14 153 57 -16 361 01 77 354 18 179 00 200 18 379 00 200 00 200  | 650<br>  | 925<br>   | 763 9 936 83 016 93 71513 297 -13 297 80 418 200                           | 66 3 66 9 -1 2 -1 2 65 7             |
| Accounts payable   | 202 0  D LIABILITIES 12 9: UR  Ve 215 6  -3 0  -21 3  -24 3  192 2  3  13 1  4  14 1  11  | 25 763 - 9 936 43 83 016 58 93 715 54 -2 208 33 -14 153 57 -16 361 01 77 354 18 179 00 200 18 379 00 200 00 200  | 650<br>  | 925 222 493 223 41829 228 -29 228 194 190 100           | 763 9 936 83 016 93 71513 297 -13 297 80 418 200                           | 66 3 66 9 -1 2 -1 2 65 7             |
| COTAL ASSETS  SHAREHOLDERS' EQUITY AND Equity Share capital Paid in, not registered new issues a control of the | 202 0  D LIABILITIES  12  9:  UP  216 56  -3 00  -21 31  -24 30  192 20  3 13  14  14  16  17  18  19  19  19  19  19  19  19  19  19 | 25 763 - 9 936 43 83 016 58 93 715 64 -2 208 53 -14 153 57 -16 361 501 77 354 18 179 500 200 18 379 500 200 500 200 500 200  | 650 66 324 66 9743 467 -3 467 63 507 240 300 540 300 300 1 130                       | 925 222 493 223 41829 228 -29 228 194 190 100 100 1 638 | 763 9 936 83 016 93 71513 297 -13 297 80 418 200                           | 66 3 66 9 -1 2 -1 2 65 7             |
| COTAL ASSETS  CHAREHOLDERS' EQUITY AND Equity Chare capital Chaid in, not registered new issues the control of  | 202 0  D LIABILITIES  12  9:  UP  216 56  -3 00  -21 31  -24 30  192 20  3 13  14  14  16  17  18  19  19  19  19  19  19  19  19  19 | 25 763  - 9 936  43 83 016  58 93 715  54 -2 208  53 -14 153  57 -16 361  17 354  18 179  10 200  18 379  10 200  10 200  58 2 640   55 2  | 650 66 324 66 9743 467 -3 467 63 507 240 300 540 300 300 1 130                       | 925   | 763 9 936 83 016 93 71513 297 -13 297 80 418 200 200 2 334                 | 66 3<br>66 9<br>-1 2<br>-1 2<br>65 7 |
| Accounts payable Liabilities  Accurded expenses  | 202 0  D LIABILITIES  12  9:  UP  216 56  -3 0  -21 31  -24 3:  192 20  3  13  14  14  16  2 0:                                       | 25 763 - 9 936 43 83 016 88 93 715 84 -2 208 93 -14 153 87 -16 361 179 100 200 118 379 100 200 118 379 100 200 118 379 100 200 118 379 100 200 | 650  - 66 324  66 974  - 3 467  -3 467  63 507  240  300  540  300  1 130            | 925   | 763 9 936 83 016 93 71513 297 -13 297 80 418 200 200 2 334                 | 73 3 6 66 3 66 9 -1 2 -1 2 65 7      |
| COTAL ASSETS  CHAREHOLDERS' EQUITY AND Equity Chare capital Paid in, not registered new issues a constructed reserves/legal re | 202 0' D LIABILITIES 12 9: JUNE 215 6: 216 5: -3 0: -24 3: 192 20 3 13 1: 14 1: 2 0: 5: 1 1:  | 25 763 - 9 936 43 83 016 58 93 715 54 -2 208 53 -14 153 57 -16 361 51 77 354 518 179 50 200 518 379 50 200 518 2 640 55 2 514 894  | 650  - 66 324  66 974  - 3 467  -3 467  63 507  240  300  540  300  1 130  - 4 673   | 925   | 763 9 936 83 016 93 71513 297 -13 297 80 418 200 200 2 334 544             | 66 3 66 9 -1 2 -1 2 65 7             |
| COTAL ASSETS  CHAREHOLDERS' EQUITY AND Equity Chare capital Chaid in, not registered new issues a constructed reserves/legal r | 202 0  D LIABILITIES  12  9:  UP  Ve 215 6  -3 0  -21 3  192 2  3  13 11  14 11  2 0  5:  1 1 11                                      | 25 763 - 9 936 43 83 016 58 93 715 54 -2 208 53 -14 153 57 -16 361 51 77 354 18 179 50 200 18 379 50 200 58 2 640 55 2 54 894 55 7 849   | 650 66 324 66 9743 467 -3 467 63 507 240 300 540 300 1 130 4 673 2 979               | 925   | 763 9 936 83 016 93 71513 297 -13 297 80 418 200 200 2 334 544             | 66 3 66 9 -1 2 -1 2 65 7             |
| COTAL ASSETS  CHAREHOLDERS' EQUITY AND Equity Chare capital  Paid in, not registered new issues a control of the control of th | 202 0' D LIABILITIES 12 9: UP Ve 215 6: -3 0: -21 3: -24 3: 192 2: 3 13 1: -4 14 1: -2 0: -5: -1 1: -5 6: -9 3:                       | 25 763 - 9 936 43 83 016 58 93 715 54 -2 208 53 -14 153 567 -16 361 51 77 354 51 179 50 200 58 379 50 200 58 2 640 55 2 54 894 54 4 313 51 7 849   | 650 - 66 324 66 9743 467 -3 467 63 507 240 300 540 300 1 130 4 673 2 979 8 782       | 925   | 763 9 936 83 016 93 71513 297 -13 297 80 418 200 200 2 334 544 3 277 6 155 | 66 3 66 9 -1 2 -1 2 65 7             |

# Cash-flow analyses

| Amounts in SEK thousands   | Group<br>2000                                    | Group<br>1999                        | Group<br>1998   | Parent<br>2000          | Parent<br>1999          | Parent<br>1998                         |
|--|--|--------------------------------------|---|-------------------------|-------------------------|--|
| OPERATING ACTIVITIES<br>Result after financial items   | -20 609  | -14 213                              | -3 493  | -29 228                 | -13 297                 | -1 259                                 |
| Adjustment for items not affecting cash flow   | 16 811   | 10 517                               | 5 629   | 15 794                  | 9 559                   | 5 375                                  |
| Taxes paid   | -555   | -1                                   | -5  | -                       | _                       | _                                      |
| Cash flow from operating<br>activities before changes<br>in working capital  | -4 353   | -3 697                               | 2 131   | -13 434                 | -3 738                  | 4 116                                  |
| Cash flow from<br>changes in working capital<br>Increase(-) Decrease(+) in rece  | ivables 182                                      | -2 132                               | 893   | 1 115                   | -144                    | -2 499                                 |
| Increase(+) Decrease(-) in liabil  | lities 1 502                                     | 3 067                                | 196   | 3 762                   | 2 778                   | 1 120                                  |
| Cash flow from operating activities  | -2 669   | -2 762                               | 3 220   | -8 557                  | -1 104                  | 2 737                                  |
| INVESTING ACTIVITIES Acquisition of subsidiaries   | _  | -4 000                               | -10 144   | -100                    | -4 000                  | -13 990                                |
| Acquisition of intangible fixed asset  | ets -28 992                                      | -17 308                              | -12 032   | -28 992                 | -17 308                 | -12 032                                |
| Acquisition of tangible fixed asset  |  | -1 694                               | -3 866  | -5 447                  | -1 571                  | -3 819                                 |
| Disposal of tangible fixed assets  | 130  | _                                    | _   | _                       | _                       | _                                      |
| Cash flow from investing activities  | -35 341  | -23 002                              | -26 042   | -34 539                 | -22 879                 | -29 84                                 |
| FINANCING ACTIVITIES<br>New share issue  | 136 150  | 28 000                               | _   | 143 000                 | 28 000                  | -                                      |
| Repayment of loans   | -100   | -100                                 | -100  | -100                    | -100                    | -100                                   |
| Cash flow from<br>financing activities   | 136 050  | 27 900                               | -100  | 142 900                 | 27 900                  | -10                                    |
| CASH FLOW FOR THE YEAR   | 98 040   | 2 136                                | -22 922   | 99 804                  | 3 9 1 7                 | -27 210                                |
| Liquid funds at beginning of ye  | ear 39 660                                       | 37 524                               | 60 446  | 37 153                  | 33 236                  | 60 446                                 |
| Liquid funds at end of year  | 137 700  | 39 660                               | 37 524  | 136 957                 | 37 153                  | 33 236                                 |
| SUPPLEMENTARY INFORMATION<br>Interest received and paid  | N FOR CASH FLOW                                  | ANALYSES                             |   |                         |                         |  |
|  |  |                                      |   |                         |                         |  |
|  | 4 120  | 753                                  | 1 961   | 4 033                   | 640                     | 1 83                                   |
|  | 4 120<br>-19                                     | 753<br>-19                           | 1 961   | 4 033<br>-17            | 640<br>-15              | 1 83                                   |
| Interest paid  Adjustment for items  |  |                                      | 1 961   |                         |                         | 1 83                                   |
| Adjustment for items not affecting cash flow Depreciation and write-   |  |                                      | 1 961<br>-<br>6 023   |                         |                         | _                                      |
| Adjustment for items not affecting cash flow Depreciation and write- downs of assets   | -19<br>16 945                                    | -19                                  | _   | -17                     | -15                     | 5 368                                  |
| Adjustment for items not affecting cash flow Depreciation and write- downs of assets Result from disposal of fixed asse  | -19<br>16 945                                    | -19<br>10 593                        | 6 023   | -17                     | -15<br>9 535            | 5 368                                  |
| Adjustment for items not affecting cash flow Depreciation and write- downs of assets Result from disposal of fixed asse  | -19<br>16 945<br>ets -34                         | -19<br>10 593<br>24                  | 6 023<br>6  | -17                     | -15<br>9 535            | 5 36t<br>:                             |
| Adjustment for items not affecting cash flow  Depreciation and write- downs of assets  Result from disposal of fixed assembler provisions  Total adjustment  ACQUISITION OF SUBSIDIARIES  Acquired assets and liabilities  | -19  16 945 ets -34  -100  16 811                | -19<br>10 593<br>24<br>-100          | 6 023<br>6<br>-400<br>5 629   | -17<br>15 794<br>-<br>- | -15<br>9 535<br>24<br>- | 5 36t<br>:                             |
| Adjustment for items not affecting cash flow  Depreciation and write- downs of assets  Result from disposal of fixed asset  Other provisions  Total adjustment  ACQUISITION OF SUBSIDIARIES  Acquired assets and liabilities  Tangible fixed assets  | -19  16 945 ets -34 -100 16 811                  | -19<br>10 593<br>24<br>-100          | 6 023<br>6 -400<br>5 629  | -17<br>15 794<br>-<br>- | -15<br>9 535<br>24<br>- | 5 36t<br>:                             |
| Adjustment for items not affecting cash flow  Depreciation and write- downs of assets  Result from disposal of fixed asset  Other provisions  Total adjustment  ACQUISITION OF SUBSIDIARIES  Acquired assets and liabilities  Tangible fixed assets  Short-term receivables  | -19  16 945 ets -34  -100  16 811                | -19<br>10 593<br>24<br>-100          | 6 023<br>6 -400<br>5 629  | -17<br>15 794<br>-<br>- | -15<br>9 535<br>24<br>- | 5 36t<br>:                             |
| Adjustment for items not affecting cash flow  Depreciation and write- downs of assets  Result from disposal of fixed asset  Other provisions  Total adjustment  ACQUISITION OF SUBSIDIARIES Acquired assets and liabilities  Tangible fixed assets  Short-term receivables  Liquid funds   | -19  16 945 ets -34  -100  16 811  100           | -19<br>10 593<br>24<br>-100          | 6 023<br>6 -400<br>5 629<br>1 044<br>2 415<br>3 852   | -17<br>15 794<br>-<br>- | -15<br>9 535<br>24<br>- | 5 36t<br>:                             |
| Adjustment for items not affecting cash flow Depreciation and write- downs of assets Result from disposal of fixed asset Other provisions Total adjustment Acquistion of Subsidiaries Tangible fixed assets Short-term receivables Liquid funds Total assets   | -19  16 945 ets -34  -100  16 811                | -19<br>10 593<br>24<br>-100          | 6 023<br>6 -400<br>5 629  | -17<br>15 794<br>-<br>- | -15<br>9 535<br>24<br>- | 5 36t<br>:                             |
| Adjustment for items not affecting cash flow  Depreciation and write- downs of assets  Result from disposal of fixed asset  Other provisions  Total adjustment  ACQUISITION OF SUBSIDIARIES Acquired assets and liabilities Tangible fixed assets  Short-term receivables  Liquid funds  Total assets  Provisions  | -19  16 945 ets -34 -100 16 811 100 100          | -19<br>10 593<br>24<br>-100          | 6 023<br>6 -400<br>5 629<br>1 044<br>2 415<br>3 852<br>7 311  | -17<br>15 794<br>-<br>- | -15<br>9 535<br>24<br>- | 1 834<br>-<br>5 368<br>-<br>-<br>5 378 |
| Adjustment for items not affecting cash flow  Depreciation and write- downs of assets  Result from disposal of fixed asset  Other provisions  Total adjustment  ACQUISITION OF SUBSIDIARIES Acquired assets and liabilities Tangible fixed assets  Short-term receivables  Liquid funds  Total assets  Provisions  Short-term liabilities  | -19  16 945 ets -34 -100 16 811  100 100 -       | -19<br>10 593<br>24<br>-100          | 6 023<br>6 -400<br>5 629<br>1 044<br>2 415<br>3 852<br>7 311<br>972                                       | -17<br>15 794<br>-<br>- | -15<br>9 535<br>24<br>- | 5 36t<br>:                             |
| Adjustment for items not affecting cash flow  Depreciation and write- downs of assets  Result from disposal of fixed asset  Other provisions  Total adjustment  ACQUISITION OF SUBSIDIARIES Acquired assets and liabilities  Tangible fixed assets  Short-term receivables  Liquid funds  Total assets  Provisions  Short-term liabilities  Total provisions and liabilities   | -19  16 945 ets -34 -100 16 811  100 100         | -19  10 593 24 -100 10 517           | 6 023<br>6 -400<br>5 629<br>1 044<br>2 415<br>3 852<br>7 311<br>972<br>2 329                              | -17<br>15 794<br>-<br>- | -15<br>9 535<br>24<br>- | 5 36t<br>:                             |
| Adjustment for items not affecting cash flow  Depreciation and write- downs of assets  Result from disposal of fixed asset  Other provisions  Total adjustment  ACQUISITION OF SUBSIDIARIES Acquired assets and liabilities Tangible fixed assets  Short-term receivables  Liquid funds  Total assets  Provisions  Short-term liabilities  Total provisions and liabilities  | -19  16 945 ets -34 -100 16 811  100 100 100 100 | -19  10 593  24  -100  10 517        | 6 023<br>6 -400<br>5 629<br>1 044<br>2 415<br>3 852<br>7 311<br>972<br>2 329<br>3 301                     | -17<br>15 794<br>-<br>- | -15<br>9 535<br>24<br>- | 5 36t<br>:                             |
| Adjustment for items not affecting cash flow  Depreciation and write- downs of assets  Result from disposal of fixed asset  Other provisions  Total adjustment  ACQUISITION OF SUBSIDIARIES  Acquired assets and liabilities  Tangible fixed assets  Short-term receivables  Liquid funds  Total assets  Provisions  Short-term liabilities  Total provisions and liabilities  Purchase price  Less: Conditional, not paid purcha  | -19  16 945 ets -34 -100 16 811  100 100 100 100 | -19  10 593  24  -100  10 517  4 000 | 6 023<br>6 -400<br>5 629<br>1 044<br>2 415<br>3 852<br>7 311<br>972<br>2 329<br>3 301<br>17 996           | -17<br>15 794<br>-<br>- | -15<br>9 535<br>24<br>- | 5 36t<br>:                             |
| Interest received Interest paid  Adjustment for items not affecting cash flow Depreciation and write-downs of assets Result from disposal of fixed asset Other provisions Total adjustment ACQUISITION OF SUBSIDIARIES Acquired assets and liabilities Tangible fixed assets Short-term receivables Liquid funds Total assets Provisions Short-term liabilities Total provisions and liabilities Purchase price Less: Conditional, not paid purcha Paid purchase price Less: Liquid funds acquired | -19  16 945 ets                                  | -19 10 593 24 -100 10 517  4 000     | 6 023<br>6 -400<br>5 629<br>1 044<br>2 415<br>3 852<br>7 311<br>972<br>2 329<br>3 301<br>17 996<br>-4 000 | -17<br>15 794<br>-<br>- | -15<br>9 535<br>24<br>- | 5 368<br>;                             |

## Notes to the financial statements

## **Accounting principles**

The accounts have been prepared according to the recommendations of the Swedish Financial Accounting Standards Council.

#### Valuation principles

Assets, provisions and liabilities have been valued at acquisition value unless otherwise stated.

#### Reasearch and development expenses

Research and development expenses during the year, including 75 per cent of expenses for CEO and financial administration, are activated under capitalized reasearch and development expenses. Expenses for employees, as well as consultants and other external expanses, are included.

#### Taxes

The group's total taxes consist of paid and deferred taxes. Deferred taxes are calculated as 28 per cent of untaxed reserves.

#### Receivables

Receivables have been valued individually up to amounts that are expected to be paid.

#### Provisions and liabilities

Liabilities have been valued at nominal value with the customary reservation of accrued expenses. Provisions have been made for known or expected risks after individual valuation.

## Depreciation principles of fixed assets

Depreciation according to plan is based on the acquisition value and calculated economic life. Write-downs are made in the event of a permanent loss of value.

#### The following depreciation rules apply:

#### Intangible assets

| Capitalized research and development expenses | 5 years   |
|---|-----------|
| Patents                                       | 5 years   |
| Goodwill                                      | .20 years |

## Tangible assets

#### Goodwill

Goodwill is recorded as fixed asset and depreciated according to plan. Goodwill relating to GMC is depreciated over 20 years, due to the operation's long-term strategic importance to Artimplant.

#### **Consolidated accounts**

The consolidated accounts have been prepared according to the recommendation of the Swedish Financial Accounting Standards Council (RR1:96). The consolidated accounts include all complanies in which the parent company directly or through a subsidiary owns more than 50 per cent of the votes.

## Information regarding the reporting period's acquisition

The wholly owned subsidiary Artimplant Drug Delivery Systems AB was acquired during the year for the purchase price of SEK 100 000. The company is dormant until further notice.

# Notes

|  | les originate from                              | Sweden.   |  |  |  |   |
|--|---|---|--|--|--|---|
| Net sales per division and geogr   | caphia ragion, am                               | ounts in SEK thousan                            | de   |  | Group<br>2000  | Parer   |
| Health care services   | apine region, an                                | ounts in our mousan                             | us   |  | 19 964   | 200   |
| Research services  |   |   |  |  | 2 396  | 2 39  |
| Net sales  |   |   |  |  | 22 360   | 2 39  |
|  |   |   |  |  | 22 000   | 2 00  |
| Note 2 Information on e  | mployees an                                     | d remuneration                                  | to board of di   | ectors and aud   | itors  |   |
| Average number of employees  | Group<br>2000                                   | Group<br>1999                                   | Group<br>1998  | Parent<br>2000   | Parent<br>1999   | Parer   |
| Women  | 38  | 33  | 35   | 10   | 6  |   |
| Men  | 15  | 14  | 11   | 10   | 9  |   |
| Total  | 53  | 47  | 46   | 20   | 15   | 1   |
| Salaries, other compensation and   | d payroll overhea                               | nd, amounts i SEK tho                           | usands   |  |  |   |
| Board of directors and CEO   | 2 341   | 2 095   | 2 740  | 1 681  | 1 435  | 1 24  |
| of which bonus etc.  | 0   | 0   | 0  | 0  | 0  |   |
| Other employees  | 16 696  | 12 573  | 8 680  | 8 071  | 4 881  | 2 53  |
| of which bonus etc.  | 0   | 0   | 0  | 0  | 0  |   |
| Total wages and other compensati   | on 19 037                                       | 14 668  | 11 420   | 9 752  | 6 3 1 6  | 3 7   |
| Payroll overhead according o law or agreement  | 6 039   | 4 818   | 3 855  | 2 982  | 1 951  | 1 2   |
| Pension costs  | 2 121   | 1 043   | 533  | 1 173  | 761  | 2   |
| (of which board of   |   |   |  |  |  |   |
| directors and CEO)   | 283   | 209   | 124  | 283  | 209  | 1   |
| Total .  | 27 197  | 20 529  | 15 808   | 13 907   | 9 028  | 5 30  |
| Salaries and other compensation a<br>to the board of directors amounted<br>consulting fees have been paid to   | d to SEK 400 thou                               | sand (280 thousand) v                           | whereof SEK 100 the  | ousand (80 thousand)   | to the Chairman. Fur   |   |
|  | parent company                                  |   | 2000   | 1999   | 1998   | 1996/   |
| Consultants associated with the  |   |   | 11   | 11   | 11   |   |
|  |   |   |  |  |  |   |
| Number   |   |   | 6.5  | 5  | 4.5  |   |
| Number<br>Number of full-time positions  |   |   | 6.5<br>4.1   |  | 4.5<br>2.7   | E   |
| Number  Number of full-time positions  Expenses, SEK million  Pension benefits  All employees in the company have During 2000, the CEO's retirement  Compensation at notice of dismi   | t benefit/health ca<br>ssal                     | re insurance correspon                          | 4.1<br>ension plans at a le<br>ds with an annual p   | 5 3.0 vel comparable to the remium of 2.1 month'   | 2.7<br>ITP/SPP pension plar<br>s salary.                                       | 5<br>2<br>1.  |
| Consultants associated with the Number Number of full-time positions Expenses, SEK million Pension benefits All employees in the company have During 2000, the CEO's retirement Compensation at notice of dismi Upon notice of dismissal from the  | t benefit/health ca<br>ssal<br>company, the CEC | re insurance correspon  ) will be compensated v | 4.1 ension plans at a led s with an annual p with 24 months sala                               | 5 3.0  vel comparable to the remium of 2.1 month'  ry. The CEO must give Group                     | 2.7  ITP/SPP pension plats salary.  2 12 months notice property.               | an.<br>ior to termin<br>Pare                        |
| Number Number of full-time positions Expenses, SEK million  Pension benefits All employees in the company have During 2000, the CEO's retirement Compensation at notice of dismi Upon notice of dismissal from the   | t benefit/health ca<br>ssal<br>company, the CEC | re insurance correspon  ) will be compensated v | 4.1 ension plans at a le ds with an annual p with 24 months sala  Group 2000                   | 5 3.0  vel comparable to the remium of 2.1 month'  ry. The CEO must give   Group  1999             | 2.7  ITP/SPP pension plats salary.  e 12 months notice pr  Parent  2000        | n.<br>ior to termin<br>Pare                         |
| Number Number of full-time positions Expenses, SEK million Pension benefits All employees in the company have During 2000, the CEO's retirement Compensation at notice of dismi Upon notice of dismissal from the Fee and remuneration to the aud KPMG Auditing assignments  | t benefit/health ca<br>ssal<br>company, the CEC | re insurance correspon  ) will be compensated v | 4.1 ension plans at a le ds with an annual p with 24 months sala Group 2000                    | 5 3.0  vel comparable to the remium of 2.1 month'  ry. The CEO must give   Group 1999 220          | 2.7  ITP/SPP pension plans salary.  Parent 2000                                | ior to termin Pare                                  |
| Number Number of full-time positions Expenses, SEK million Pension benefits All employees in the company have During 2000, the CEO's retirement Compensation at notice of dismi Upon notice of dismissal from the Fee and remuneration to the aud KPMG Auditing assignments Dther assignments  | t benefit/health ca<br>ssal<br>company, the CEC | re insurance correspon  ) will be compensated v | 4.1 ension plans at a le ds with an annual p with 24 months sala  Group 2000                   | 5 3.0  vel comparable to the remium of 2.1 month'  ry. The CEO must give   Group  1999             | 2.7  ITP/SPP pension plats salary.  e 12 months notice pr  Parent  2000        | ior to termin Pare                                  |
| Number Number of full-time positions Expenses, SEK million Pension benefits All employees in the company have During 2000, the CEO's retirement Compensation at notice of dismit Upon notice of dismissal from the Fee and remuneration to the aud KPMG Auditing assignments Other assignments PM Revision   | t benefit/health ca<br>ssal<br>company, the CEC | re insurance correspon  ) will be compensated v | 4.1 ension plans at a le ds with an annual p with 24 months sala Group 2000                    | 5 3.0  vel comparable to the remium of 2.1 month'  ry. The CEO must give   Group 1999 220          | 2.7  ITP/SPP pension plans salary.  Parent 2000                                | 5<br>2<br>n.<br>ior to termina<br>Pare<br>19:<br>18 |
| Number Number of full-time positions Expenses, SEK million Pension benefits All employees in the company have During 2000, the CEO's retirement Compensation at notice of dismi Upon notice of dismissal from the Fee and remuneration to the aud KPMG Auditing assignments Dther assignments PM Revision Auditing assignments   | t benefit/health ca<br>ssal<br>company, the CEC | re insurance correspon  ) will be compensated v | 4.1 ension plans at a le ds with an annual p with 24 months sala Group 2000 210 55             | 5 3.0  vel comparable to the remium of 2.1 month'  ry. The CEO must give  Group 1999  220 110      | 2.7  ITP/SPP pension plats salary.  e 12 months notice pr  Parent 2000  180 55 | ior to termin Pare 19                               |
| Number  Number of full-time positions  Expenses, SEK million  Pension benefits  All employees in the company have During 2000, the CEO's retirement  Compensation at notice of dismi   | t benefit/health ca<br>ssal<br>company, the CEC | re insurance correspon  ) will be compensated v | 4.1  ension plans at a le ds with an annual p  with 24 months sala  Group 2000  210 55         | 5 3.0  vel comparable to the remium of 2.1 month'  ry. The CEO must give   Group 1999 220 110 10   | 2.7  ITP/SPP pension plans s salary.  Parent 2000  180  55                     | 5<br>2<br>n.<br>ior to termina<br>Pare<br>19:<br>18 |
| Number Number of full-time positions Expenses, SEK million  Pension benefits All employees in the company have During 2000, the CEO's retirement Compensation at notice of dismi Upon notice of dismissal from the Fee and remuneration to the auc KPMG Auditing assignments Other assignments Other assignments Other assignments Other assignments Other assignments Other assignments | t benefit/health ca<br>ssal<br>company, the CEC | re insurance correspon  ) will be compensated v | 4.1  ension plans at a le ds with an annual p  with 24 months sala  Group 2000  210  55  20  — | 5 3.0  vel comparable to the remium of 2.1 month'  ry. The CEO must give   Group 1999 220 110 10 — | 2.7  ITP/SPP pension plans s salary.  Parent 2000  180  55                     | 5<br>2<br>1.  |

such examination or implementation of such other tasks. All other tasks are defined as other assignments.

| •  | tung.b.o un         | d intangible fix           | ieu asseis                 |                      |                      |                      |
|--|---------------------|----------------------------|----------------------------|----------------------|----------------------|----------------------|
| Depreciation according<br>to plan per function<br>Amounts in SEK thousands | Group<br>2000       | <b>Group</b><br>1999       | <b>Group</b><br>1998       | Parent<br>2000       | Parent<br>1999       | Parent               |
| Cost of goods and services sold  | 452                 | 359                        | 322                        | _                    | _                    | _                    |
| Research and development costs   | 15 189              | 9 187                      | 5 127                      | 15 189               | 9 187                | 5 127                |
| Marketing costs  | _                   | _                          | _                          | _                    | _                    | _                    |
| Administrative costs   | 1 304               | 1 047                      | 574                        | 605                  | 348                  | 241                  |
| Total  | 16 945              | 10 593                     | 6 023                      | 15 794               | 9 535                | 5 368                |
| Note 4 Financial incom   | ne and exper        | nses                       |                            |                      |                      |                      |
| Amounts in SEK thousands   | Group<br>2000       | <b>Group</b><br>1999       | <b>Group</b><br>1998       | Parent<br>2000       | Parent<br>1999       | Parent               |
| Interest income and other financial income                                 | 4 120               | 753                        | 1 961                      | 4 033                | 640                  | 1 834                |
| Interest expenses  | -19                 | -19                        | _                          | -17                  | -15                  | _                    |
| Other financial expenses   | -48                 | -295                       | -39                        | -48                  | -295                 | -39                  |
| Interest expenses and other financial expenses                             | -67                 | -314                       | -39                        | -65                  | -310                 | -39                  |
| Sale of warrants   | 2 434               | -                          | 3 063                      | -                    | -                    | 3 063                |
| Note 5 Capitalized reso  | Group               | Group<br>1999-12-31        | Group<br>1998-12-31        | Parent 2000-12-31    | Parent<br>1999-12-31 | Parent<br>1998-12-31 |
| Acquisition value at beginning of year                                     | 36 722              | 19 837                     | 8 660                      | 36 722               | 19 837               | 8 660                |
| Reporting period's capitalization  | 27 125              | 16 885                     | 11 177                     | 27 125               | 16 885               | 11 177               |
| Acquisition value at year-end  | 63 847              | 36 722                     | 19 837                     | 63 847               | 36 722               | 19 837               |
| Accumulated depreciation at beginning of year                              | -14 435             | -6 835                     | -2 867                     | -14 435              | -6 835               | -2 867               |
| Reporting period's depreciation according to plan                          | -12 503             | -7 600                     | -3 968                     | -12 503              | -7 600               | -3 968               |
| Accumulated depreciation at year-end                                       | -26 938             | -14 435                    | -6 835                     | -26 938              | -14 435              | -6 835               |
| Book value   | 36 909              | 22 287                     | 13 002                     | 36 909               | 22 287               | 13 002               |
| Note 6 Patents   |                     |                            |                            |                      |                      |                      |
| Amounts in SEK thousands   | Group<br>2000-12-31 | <b>Group</b><br>1999-12-31 | <b>Group</b><br>1998-12-31 | Parent<br>2000-12-31 | Parent<br>1999-12-31 | Parent<br>1998-12-31 |
| Acquisition value at beginning of year                                     | 2 599               | 2 176                      | 1 321                      | 2 599                | 2 176                | 1 321                |
| Reporting period's capitalization  | 1 867               | 423                        | 855                        | 1 867                | 423                  | 855                  |
| Acquisition value at year-end  | 4 466               | 2 599                      | 2 176                      | 4 466                | 2 599                | 2 176                |
| Accumulated depreciation at beginning of year                              | -1 400              | -856                       | -421                       | -1 400               | -856                 | -421                 |
| Reporting period's depreciation according to plan                          | -869                | -544                       | -435                       | -869                 | -544                 | -435                 |
| Accumulated depreciation at year-end                                       | -2 269              | -1 400                     | -856                       | -2 269               | -1 400               | -856                 |
| Book value   | 2 197               | 1 199                      | 1 320                      | 2 197                | 1 199                | 1 320                |

| A OFIX II   |   |   |  | Group  | Group  | Group   |
|---|---|---|--|--|--|---|
| Amounts in SEK thousands  | fyoor   |   |  | 13 986   | 1999-12-31<br>13 986   | 1998-12-31  |
| Acquisition value at beginning of Reporting period's acquisition  | year  |   |  | 13 900   | 13 900   | 13 986  |
|   |   |   |  | 13 986   | 13 986   | 13 986  |
| Acquisition value at year-end Accumulated depreciation at be  | ainning of year   |   |  | -1 032   | -333   | 13 900  |
| Reporting period's depreciation   |   |   |  | -699   | -699   | -333  |
| Accumulated depreciation at ye  |   |   |  | -1 731   | -1 032   | -333  |
| Book value  | ai-enu  |   |  | 12 255   | 12 954   | 13 653  |
| Note 8 Machinery and  | I equipment   |   |  |  |  |   |
|   | Group   | Group   | Group  | Parent   | Parent   | Parent  |
| Amounts in SEK thousands  | 2000-12-31  | 1999-12-31  | 1998-12-31   | 2000-12-31   | 1999-12-31   | 1998-12-3   |
| Acquisition value at beginning of   |   | 8 518   | 1 623  | 6 939  | 4 827  | 1 623   |
| Reporting period's acquisition  | 6 479   | 1 641   | 3 265  | 5 447  | 1 518  | 3 218   |
| Acquisition of subsidiary   |   | _   | 3 644  | -  |  |   |
| Reporting period's disposal   | -705  | -60   | -14  | _  | -60  | -14   |
| Reclassifications   |   | 654   |  |  | 654  |   |
| Acquisition value at year-end   | 16 527  | 10 753  | 8 518  | 12 386   | 6 939  | 4 827   |
| Accumulated depreciation at beginning of year   | -6 197  | -4 483  | -603   | -2 916   | -1 561   | -603  |
| Acquisition of subsidiary   | _   | _   | -2 600   | _  | _  | _   |
| Reporting period's disposal   | 609   | 36  | 7  | _  | 36   | 7   |
| Reporting period's  |   |   |  |  |  |   |
| depreciation according to plan  | -2 874  | -1 750  | -1 287   | -2 422   | -1 391   | -965  |
| depreciation according to plan  |   | -1 750<br>-6 197  | -1 287<br>-4 483   | -2 422<br>-5 338   | -1 391<br>-2 916   |   |
| depreciation according to plan<br>Accumulated depreciation at yea<br>Book value   | 8 065   |   |  |  |  | -1 561  |
| lepreciation according to plan Accumulated depreciation at yea Book value  Note 9 Construction in   | 8 065<br>n progress<br>Group  | -6 197<br>4 556<br>Group                                    | -4 483<br>4 035<br>Group   | -5 338<br>7 048<br>Parent  | -2 916<br>4 023<br>Parent  | -1 56<br>3 266<br>Paren   |
| depreciation according to plan Accumulated depreciation at yea Book value  Note 9 Construction in   | 8 065<br>n progress<br>Group<br>2000-12-31  | -6 197<br>4 556<br>Group<br>1999-12-31                      | -4 483<br>4 035<br>Group<br>1998-12-31   | -5 338<br>7 048<br>Parent<br>2000-12-31  | -2 916<br>4 023<br>Parent<br>1999-12-31  | -1 561<br>3 266<br>Paren<br>1998-12-3   |
| depreciation according to plan Accumulated depreciation at yea Book value  Note 9 Construction in Amounts in SEK thousands Acquisition value at beginning of  | 8 065  n progress Group 2000-12-31 of year 0  | -6 197<br>4 556<br>Group<br>1999-12-31<br>601               | -4 483<br>4 035<br>Group<br>1998-12-31   | -5 338<br>7 048<br>Parent  | -2 916<br>4 023<br>Parent<br>1999-12-31<br>601   | -1 561<br>3 266<br>Parent<br>1998-12-3  |
| depreciation according to plan Accumulated depreciation at yea Book value  Note 9 Construction in Amounts in SEK thousands Acquisition value at beginning of  | 8 065 n progress Group 2000-12-31 of year 0   | -6 197<br>4 556<br>Group<br>1999-12-31<br>601<br>53         | -4 483<br>4 035<br>Group<br>1998-12-31   | -5 338<br>7 048<br>Parent<br>2000-12-31  | -2 916 4 023  Parent 1999-12-31 601 53   | -1 561<br>3 266<br>Parent<br>1998-12-3  |
| depreciation according to plan Accumulated depreciation at yea Book value  Note 9 Construction in Amounts in SEK thousands Acquisition value at beginning of Reporting period's capitalization Reclassifications  | 8 065  n progress Group 2000-12-31 of year 0 n —  | -6 197<br>4 556<br>Group<br>1999-12-31<br>601<br>53<br>-654 | -4 483<br>4 035<br>Group<br>1998-12-31<br>0<br>601   | -5 338 7 048  Parent 2000-12-31 0 -  | -2 916 4 023  Parent 1999-12-31 601 53 -654  | -1 561<br>3 266<br>Pareni<br>1998-12-3  |
| depreciation according to plan Accumulated depreciation at year Book value  Note 9 Construction in Amounts in SEK thousands Acquisition value at beginning of Reclassifications Acquisition value at year-end   | 8 065  n progress Group 2000-12-31 of year 0 - 0  | -6 197<br>4 556<br>Group<br>1999-12-31<br>601<br>53         | -4 483<br>4 035<br>Group<br>1998-12-31<br>0<br>601<br>-  | -5 338 7 048  Parent 2000-12-31 0 - 0  | -2 916 4 023  Parent 1999-12-31 601 53 -654  | -1 561<br>3 266<br>Parent<br>1998-12-3<br>(<br>601  |
| depreciation according to plan Accumulated depreciation at yea Book value  Note 9 Construction in Amounts in SEK thousands Acquisition value at beginning of  | 8 065  n progress Group 2000-12-31 of year 0 n —  | -6 197<br>4 556<br>Group<br>1999-12-31<br>601<br>53<br>-654 | -4 483<br>4 035<br>Group<br>1998-12-31<br>0<br>601   | -5 338 7 048  Parent 2000-12-31 0 -  | -2 916 4 023  Parent 1999-12-31 601 53 -654  | -1 561<br>3 266<br>Parent<br>1998-12-3<br>(<br>601  |
| depreciation according to plan Accumulated depreciation at year Book value  Note 9 Construction in Amounts in SEK thousands Acquisition value at beginning of Reporting period's capitalization Reclassifications Acquisition value at year-end   | 8 065  n progress Group 2000-12-31 of year 0 - 0 0  | -6 197 4 556  Group 1999-12-31 601 53 -654 0                | -4 483<br>4 035<br>Group<br>1998-12-31<br>0<br>601<br>-  | -5 338 7 048  Parent 2000-12-31 0 - 0  | -2 916 4 023  Parent 1999-12-31 601 53 -654  | -1 561<br>3 266<br>Parent<br>1998-12-3<br>(<br>601  |
| depreciation according to plan Accumulated depreciation at year Book value  Note 9 Construction in Amounts in SEK thousands Acquisition value at beginning of Reporting period's capitalization Reclassifications Acquisition value at year-end Book value  Note 10 Shares and so   | 8 065  n progress Group 2000-12-31 of year 0 - 0 0  | -6 197 4 556  Group 1999-12-31 601 53 -654 0                | -4 483<br>4 035<br>Group<br>1998-12-31<br>0<br>601<br>-  | -5 338 7 048  Parent 2000-12-31 0 - 0  | -2 916 4 023  Parent 1999-12-31 601 53 -654  | -1 561 3 266  Parent 1998-12-3:  601  601  Parent   |
| depreciation according to plan Accumulated depreciation at year Book value  Note 9 Construction in Amounts in SEK thousands Acquisition value at beginning of Reclassifications Acquisition value at year-end Book value  Note 10 Shares and standards  | 8 065  n progress Group 2000-12-31 of year 0 0 0 takes in grou  | -6 197 4 556  Group 1999-12-31 601 53 -654 0                | -4 483<br>4 035<br>Group<br>1998-12-31<br>0<br>601<br>-  | -5 338 7 048  Parent 2000-12-31 0 0 0 Parent   | -2 916 4 023  Parent 1999-12-31 601 53 -654 0 0  | -1 561 3 266  Parent 1998-12-3:  601  601  Parent 1998-12-3:  |
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| Note 11 Prepaid expenses and accrued income |                     |                            |                         |                      |                      |                      |  |
|---|---------------------|----------------------------|-------------------------|----------------------|----------------------|----------------------|--|
| Amounts in SEK thousands                    | Group<br>2000-12-31 | <b>Group</b><br>1999-12-31 | <b>Group</b> 1998-12-31 | Parent<br>2000-12-31 | Parent<br>1999-12-31 | Parent<br>1998-12-31 |  |
| Rent  | 1 269               | 929                        | 942                     | 1 116                | 824                  | 837                  |  |
| Other                                       | 303                 | 1 108                      | 250                     | 214                  | 1 022                | 179                  |  |
| Total                                       | 1 572               | 2 037                      | 1 192                   | 1 330                | 1 846                | 1 016                |  |

|                                       |         | Paid not        |            |             |
|---------------------------------------|---------|-----------------|------------|-------------|
| Group                                 | Share   | registered      | Restricted | Accumulated |
| Amounts in SEK thousands              | capital | new share issue | reserves   | loss        |
| At beginning of year                  | 763     | 9 936           | 83 016     | -16 361     |
| Registration new issue                | 62      | -9 936          | 9 874      | _           |
| New share issue                       | 100     | _               | 136 050    | _           |
| Allocation of result                  | _       | _               | -13 297    | 13 297      |
| Result for reporting period           | _       | -               | -          | -21 303     |
| At year-end                           | 925     | 0               | 215 643    | -24 367     |
|                                       |         | Paid not        |            | Result for  |
| Parent                                | Share   | new share       | Legal      | reporting   |
| Amounts in SEK thousands              | capital | issue           | reserve    | period      |
| At beginning of year                  | 763     | 9 936           | 83 016     | -13 297     |
| Registration new issue                | 62      | -9 936          | 9 874      | _           |
| New share issue                       | 100     | _               | 142 900    | _           |
| Disposition according to AGM decision | _       | _               | -13 297    | 13 297      |
| Result for reporting period           | _       | _               | _          | -29 228     |
| At year-end                           | 925     | 0               | 222 493    | -29 228     |

Paid but not registered new share issue refers to 621 000 subscribed and paid series B shares. The shares were registered at the Patent and Registration Office in January 2000. New share issue refers to 1 000 000 series B shares. During the year 146 250 series A shares were converted to the same number of series B shares. At the and of the year the parent company's share capital amounted to SEK 925 thousand, corresponding to 853 750 series A shares and 8 396 250 series B shares with a nominal value at SEK 0.10 per share.

## Note 13 Other provisions

The amount concerns provision for future costs related to possible repeat patient surgery within the normal activities of Gothenburg Medical Center.

## Note 14 Long-term liabilities

No long-term liabilities mature later than five years from the balance date.

|                          | Group      | Group      | Group      | Parent     | Parent     | Parent     |
|--------------------------|------------|------------|------------|------------|------------|------------|
| Amounts in SEK thousands | 2000-12-31 | 1999-12-31 | 1998-12-31 | 2000-12-31 | 1999-12-31 | 1998-12-31 |
| Vacation compensation    |            |            |            |            |            |            |
| and accrued salaries     | 990        | 480        | 318        | 717        | 323        | 123        |
| Payroll overhead         | 1 022      | 637        | 665        | 671        | 353        | 285        |
| Others                   | 3 622      | 3 196      | 1 996      | 2 669      | 2 601      | 1 656      |
| Total                    | 5 634      | 4 313      | 2 979      | 4 057      | 3 277      | 2 064      |

Gothenburg, March 30, 2001

AKBAR SEDDIGH Chairman of the board

ANDERS CEDRONIUS
Chief Executive Officer

CLAES-GÖRAN FRIDH

PER FLODIN

SVANTE RASMUSON

STIG I ANDERSSON

HELGE RAMSENG

## Auditor's report

To the general meeting of the shareholders of Artimplant AB (publ) Corporate identity number 556404-8394

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the CEO of Artimplant AB (publ) for the year 2000. These accounts and the administration of the company are the responsibility of the board of directors and the CEO. Our responsibility is to express an opinion on the annual accounts, the consolidated 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 and the consolidated 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 CEO, as well as evaluating the overall presentation of information in the annual accounts and the consolidated 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 CEO. We also examined whether any board member or the CEO 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 set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's and the group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the general meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the loss for the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the CEO be discharged from liability for the financial year.

Gothenburg, March 30, 2001

ANDERS IVDAL
Chartered Accountant

PER MODÉER Chartered Accountant

## Board of directors

#### Share and option holdings at December 31, 2000



#### Akbar Seddigh born 1943

Chairman of the board. Akbar Seddigh founded the medicaltechnical company Medical Invest AB 1985, now Ortivus AB. Other assignments: Member of the board and CEO of Ortivus US, Inc. Chairman of the board of Elekta AB, Cascade Computing AB, Neoventa Medical AB and Samba Sensor AB, as well as member of the board of, among others, Affärsstrategerna AB, Biolight AB, Chemel AB, Minidoc AB, Nordbanken Täby and Ortivus AB. Member of the board of Artimplant since 1997. Number of shares in Artimplant: 5 000 of series B Number of options in Artimplant: 0.



## Anders Cedronius born 1942

Number of options in Artimplant: 40 000.

Member of the board and CEO of Artimplant. Since 1970 Anders Cedronius has worked in international marketing within the medical industry and has held leading appointments in Erco Läkemedel, Organon (Akzo Nobel), Cilag (Johnson & Johnson) and Bota Läkemedel. Since 1988 Anders Cedronius has worked as a management consultant within business development and international marketing. Other assignments: Chairman of the board of Stiftelsen Center at Eriksberg for Communication, Information and Logistics AB (CECIL), CECIL Research and Development AB and member of the board of A. Cedronius AB. Member of the board since 1990. Employed at Artimplant since 1997. Number of shares in Artimplant: 87 000 of series A, 277 600 of series B.



#### Stig I Andersson born 1945

Member of the board. Professor of Mathematics, including mathematical physics and mathematical immunology. Stig Andersson has many years experience from international research with more than 60 research publications and is currently heading operations at Stiftelsen Center at Eriksberg for Communication, Information and Logistics (CECIL) in Gothenburg, where he is also a member of the board. Other assignments: Chairman of the board of Videnda, Inc., member of the board of Abscondenda AB, member of the board and CEO of CECIL Research and Development AB, and chairman of the board of the German School in Gothenburg.

Deputy board member since 1992. Member of the board since 1998. Number of shares in Artimplant: 33 500 of series A. Number of options in Artimplant: 0.



## Per Flodin born 1924

Member of the board and research strategist at Artimplant. Professor emeritus in polymer technology at Chalmers University of Technology and author of more than 100 research publications. Per Flodin has held a large number of honorary position on various national and international scientific councils and has 19 years experience as a commercial researcher at, among others, Pharmacia AB and as Research Manager at Perstorp. Per Flodin holds about 40 patents, of which at least 10 have been commercialized, and is also the inventor of, and contributor to the development of, Sephadex and gel filtering (Pharmacia Biotech AB). Inventor of the material that is covered by Artimplant's principal patent.

Other assignments: Member of the Royal Academy of Engineering Sciences and member of the board of Polyrand AB. Member of the board of Artimplant since 1990. Number of shares in Artimplant: 18 750 of series A, 127 000 of series B privately and via companies. Number of options in Artimplant: 15 000.



Claes-Göran Fridh born 1955

Member of the board. As CEO of the risk capital company Affärsstrategerna AB, Claes-Göran Fridh has been involved in developing a number of businesses active within medicine and information services.

Other assignments: Chairman of the board of Artema Medical AB, Chemel AB, Freehand Communication AB, InfiniCom AB, Netbaby World AB and Widermind AB as well as member of the board of A Brand New World AB, Fingerprint Cards AB, AB Mocat, Musicbrigade AB, Naty AB, Samba Sensors AB, SWATS AB and Yesitworks Sweden AB.

Member of the board of Artimplant since 1995. Number of shares in Artimplant: 19 000 of series B, via Affärsstrategerna.

Number of options in Artimplant: 0.



Svante Rasmuson born 1955

Member of the board. Svante Rasmuson, following his graduation as a medical doctor, worked for four years in international marketing in the Gambro Group and for eight years as a pharmaceuticals analyst at Alfred Berg Fondkommission AB in Stockholm. Since 1997 Svante Rasmuson has run his own consultancy business involving, for example, business development and financial advisory services for inventors and growth companies primarily within bio-medicine and medical technology. Other assignments: Chairman of the board of ViscoCheck AB. member of the board of Artema Medical AB, InDex Pharmaceuticals AB, Humlegården Konsult AB.

Member of the board of Artimplant since 1997. Number of shares in Artimplant: 91 750 of series A, 115 000 of series B.

Number of options in Artimplant: 0.



Helge Ramseng born 1942

Member of the board. Since January 2001 Helge Ramseng has been CEO and Member of the board of GlaxoSmithKline AS in Norway. Helge Ramseng has worked with international marketing within the medical industry since 1964 and has held senior appointments in Europe and USA in, for example, Organon (Akzo Nobel). Helge Ramseng has, as CEO for GlaxoSmithKline AS, built up a business that has led to him being frequently asked, in recent years, to lecture on entrepreneurship and marketing within the GlaxoSmithKline Group. Member of AISAB.

Other assignments: Member of the board, Norwegian Pharmaceuticals Industry Association.

Member of the Board of Artimplant since 1997.

Number of shares in Artimplant: 12 000 of series B.

Number of options in Artimplant: 0.

## Management group, auditors and scientific advisory board

Share and option holdings at December 31, 2000 (Anders Cedronius, Chief Executive Officer, see Board of directors)



#### Hans Bertilsson born 1944

Director of Research and Development. Associate Professor and Department Head of the Institute for Polymer Materials, Chalmers University of Technology until 1998. Hans Bertilsson has been responsible for the material-technical research and development at Artimplant for many years. Since receiving his PhD in 1977 from the Institute for Polymer Technology at the Royal Institute of Technology, Stockholm, Hans Bertilsson has served as a university professor at the Luleå Institute of Technology for 11 years and at Chalmers University of Technology since 1987. Hans Bertilsson's fields of research are electron microscopy, micro analysis and polymer alloying. Hans Bertilsson has published more than 30 scientific articles and papers. Associated with Artimplant since 1990. Employed at Artimplant since 1998.

Number of shares in Artimplant: 18 750 of series A, 95 000 of series B. Number of options in Artimplant: 15 000.



Michael Nordh born 1965

Director of Sales & Marketing with responsibility for building up the international marketing and sales organization within Artimplant. Following his MBA at the Stockholm School of Economics, Michael Nordh acquired broad experience in marketing, sales and strategic work at both the marketing company and group company level within the international pharmaceuticals industry (within the American Merck Group and Astra). Michael comes directly from AstraZeneca where he held the position of Director, Business Development within the group staff and reported directly to the Group management. At AstraZeneca, and previously as a member of the group staff at Astra AB, he has worked as part of the central staff in connection with the integration work involving Astra and Zeneca, the strategic prioritizing of the global research portfolio and with project management responsibility for group-wide strategy matters.

Employed at Artimplant since 2000. Number of shares in Artimplant: 0. Number of options in Artimplant: 17 500.



## **Ulf Åkerblom** born 1944

Consultant. Director of Corporate Communications with responsibility for development of internal and external communications strategy. Ulf Åkerblom has 30 years experience of PR and communication. Ulf is a consultant specializing in strategic communication, business positioning and investor relations. He was most recently responsible for Burson-Marsteller's Corporate Practice in the Nordic region. He has also been head of information in companies and organizations, has run his own consultancy business and has held board positions in Aktiepararna (the Swedish Association of Shareholders) and the Swedish professional association for PR consultants. Ulf Åkerblom has been engaged in a large number of share issues/quotations of A-list companies at OM Stockholm Stock Exchange as well as the drawing up annual reports and accounts. Associated with Artimplant since March 2001.

Number of shares in Artimplant: 0. Number of options in Artimplant: 0.



Ingrid Ekenman born 1946

Medical Director. Ingrid Ekenman is a Doctor of Medicine at the Karolinska Institutet, specializing in orthopedic surgery. For a period of 20 years Ingrid Ekenman has served as a doctor at St Erik's Hospital, the Mälar Hospital, Karolinska Hospital, St Göran's Hospital, Södertälje Hospital and Huddinge Hospital. Her most recent position was as Head of Operations at the Astrid Lindgren's Children's Hospital. Ingrid Ekenman has been involved in over 20 publications, some 20 abstracts and five posters.

Employed at Artimplant since March 2001. Number of shares in Artimplant: 0. Number of options in Artimplant: 0.



#### Kristina Lindberg born 1944

Director of HR. Since 1976 Kristina Lindberg has worked in finance and personnel, including positions as accountant at PressResor AB, Chief Accountant at Stroede Data AB, finance manager at Invent Management AB and has also run her own accounts bureau. Employed at Artimplant since 1996. Number of shares in Artimplant: 5 000 of series B. Number of options in Artimplant: 3 000.



## Lars Erik Nygren born 1946

Consultant. CFO. Lars Erik Nygren has previously worked as finance manager for the Byggma Group, Organon AB, Export AB Franz Witte & Co. and Scandsea International AB, as well as CEO of Export AB Franz Witte & Co.

Associated with Artimplant since 1999. Number of shares in Artimplant: 10 200 of series B. Number of options in Artimplant: 20 000.



## Anders Östin born 1965

Director of Production & Logistics with responsibility for the manufacture of the company's medical-technical products. Anders Östin has previously worked on the start-up of the chemical part of Artimplant's production. Took the civil engineering exam specializing in chemicaltechnology at Chalmers University of Technology in 1995. Anders Östin has previously worked with product and process development at Astra Hässle 1995-96 and Eka Chemicals 1996-99. Employed at Artimplant since 1999.

Number of shares in Artimplant: 100 of series B. Number of options in Artimplant: 5 000.



#### Lars Peterson born 1936

Clinic Director at GMC and also responsible for the pre-clinical and clinical research at Artimplant. Professor of Orthopedic Surgery at Gothenburg University. Lars Peterson has, together with Professor Anders Lindahl and MD Anders Nilsson, developed the method for cartilage replacement that is considered by the Harvard Medical School to be one of the ten most significant medical advances in 1994. Lars Peterson has more than 150 research publications within orthopedics and sports injuries and was chairman of the Swedish Sports Medicine Association from 1981-86. Lars Peterson was senior doctor for the Swedish national football team 1984-90. He was the senior doctor at the World Football Championships in France in 1998. He founded the Gothenburg Medical Center (GMC) in 1988. GMC was acquired in May 1998 by Artimplant. Lars Peterson is currently President of the International Cartilage Repair Society. Chairman of AISAB. Associated with Artimplant as a consultant since 1990. Employed at Artimplant since 1998. Number of shares in Artimplant: 18 750 of series A, 190 000 of series B, privately and via companies. Number of options in Artimplant: 15 000.

#### **AUDITORS**

#### **Anders Ivdal**

Authorized Public Accountant, KPMG Bohlins AB. Auditor at Artimplant since 1997.

## Per Modéer

Authorized Public Accountant, PM Revision AB. Auditor at Artimplant since 1990.

## **Artimplant Scientific Advisory Board (AISAB)**

Lars Peterson Chairman

Helge Ramseng Convener

George Bentley Professor of surgery and honorary consultant Orthopaedic Surgeon at the Institute of Orthopaedics. Royal National Orthopaedic Hospital Trust. Stanmore. England.

Freddie Fu Professor of orthopedic surgery at University of Pittsburgh, Pennsylvania, in the USA.

Howard Green Holder of the George Higginson chair in cell biology at Harvard Medical School in the USA.

James P. Tam Professor of micro biology, immunology and biochemistry at Vanderbilt University, Nashville, Tennessee, USA.

Peter Thomsen Professor of anatomy and cell biology, Gothenburg University, Sweden.

## Glossary

**ACL:** Anterior Cruciate Ligament: The anterior ligament of the two cruciate ligaments that stabilize the knee.

Arthritis: Chronic deterioration of the joint cartilage.

**Biocompatible:** Tissue friendly. A biocompatible material is successfully accepted by the body and does not result in inflammation or rejection symptoms.

**Biomaterial:** Substitution material that is employed in a biological context.

**Cartilage:** Tissue surrounding and protecting bone-joint surfaces, functioning as a slippery surface that dissipates pressure.

**EEC:** European Economic Cooperation Area, consisting of the EU countries together with Norway, Iceland, Switzerland and Lichtenstein.

Carriers: Bearers of substances, e.g. active pharmaceuticals.

**Certification:** Approval by authorities of a specific product that permits marketing of same.

Hamstring: Tendon at rear of thigh.

**Implant:** Foreign material surgically implanted in the body to support or replace a body part.

**Clinical research/testing:** Testing of medical products on humans.

**Life Science:** Science relating to biological life and its conditions.

**Orthopedics:** Medical specialist field that concerns diseases and injuries of the muscoloskeletal system.

Polymer: Chain of giant molecules.

Polyurethane: Polymer containing groups of urethane.

**Polyurethane urea:** Polymer containing groups of urethane and urea.

Randomize: To arrange randomly or to make a random selection.

**Spacer:** Implant developed to serve as a shock-absorbing cushion to prevent bone surfaces rubbing against each other and thereby causing pain.

**Growth factor:** Substance that promotes the growth of tissues or organs.

**Thumb arthritis:** A common wear injury in the hand among older and middle-aged women that gives rise to increasing pain and limited gripping strength.

**Thumb ligament:** The ligament that stabilizes the thumb's joints.

**Tissue:** Group of cells with a close functional connection in an organism.

