ANNUAL REPORT 2011

Artelon® helps improve the quality of life for thousands of people

Artimplant

Degradable Materials for Optimal Tissue Repair

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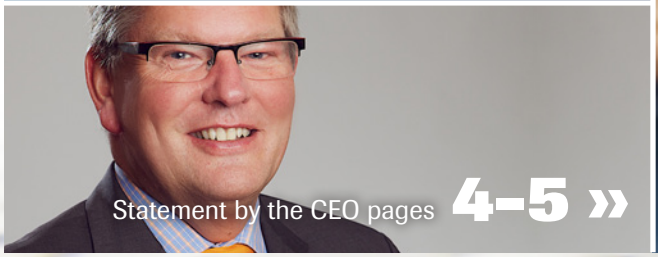


2011 IN BRIEF

- Net revenue amounted to SEK 18.3 million (18.5).*
- The net loss improved by SEK 4.5 million and totaled SEK 17.9 million (22.4).
- Earnings per stock unit amounted to SEK -0.15 (-0.32).
- Own sales as a proportion of total sales continued to increase and accounted for 75 per cent (61) of product sales.
- The Company's cash flow objective is to achieve a positive cash flow before changes in working capital on a monthly basis during the fourth quarter of 2012.
- The Board proposes that no dividend be paid for 2011.

EVENTS AFTER THE YEAR-END

- Artimplant completed the preferential stock issue in March 2012. 83.4 percent of the issue was taken up, resulting in capital input for the Company of SEK 23.7 million before issue costs.
- Focus on expanded own sales in the USA following termination of license agreements with Small Bone Innovations and Biomet.
- Artimplant takes over sales and distribution in the Nordic Region.
- Total sales in January 2012 increased by 32 percent compared to the previous year.

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

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

ABOUT ARTIMPLANT

Artimplant is a medical technology company, where the focus is on innovative orthopedic solutions. Artimplant helps to improve the patient's quality of life by offering the medical sector products that create conditions for the body to heal.

The products are made from Artelon®, a biomaterial developed by the Company for reinforcement of weakened soft tissue and the treatment of osteoarthritis. The first implants using Artelon® were carried out in 1997, which means that there is 14 years of clinical experience of the material.

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

STATEMENT BY THE CEO

The past year has been eventful in many ways for Artimplant. A new Board of Directors and a new management team have been appointed and following an extensive analysis of the Company and its operations, a new strategy for the future has been adopted. During the last few months of 2011, we could see signs that the right decision had been made and through hard work and a solid structure, we aim to capitalize on the potential of our products.

Operations have not developed as planned for several years. There have of course been many reasons for this, but by far the most important has been our failure to succeed in commercializing our products fully. Fundamentally, Artimplant has good, effective products, but bringing them to market has proved to be much more difficult than anticipated.

At the Annual General Meeting, the company acquired a new Board of Directors and management team. The first thing that was done was to make an extensive analysis of the Company and its operations. This meant that we could lay down a strategy for the next few years. The analysis also revealed that Artimplant needed to reinforce its finances in order to implement this strategy, which resulted in a resolution by the Board of Directors to implement a new stock issue during the first quarter of 2012.

NEW ISSUE

At the time of writing, the new issue had just been concluded. I am pleased to report that 83.4 per cent of the stock offer was taken up, which means that we no longer need to resort to the guarantees provided in the issue. In the light of past events, I feel we should feel satisfied with the outcome. We have generated the liquidity that will allow us to make the planned marketing investments.

INVESTMENT IN THE USA

The strategy of increasing own sales through agents and distributors still holds. The major difference now is that it will take place in a more structured and more forceful way.

An important aspect of this has been to establish a functioning sales organization in the USA that is as close to the customer as possible. Our market in the medical technology sector is based very much on building up and maintaining key relationships, which in the past Artimplant has largely failed to achieve. That is why the current focus will essentially be on reinforcing our existing relationships and developing new relationships. In the first instance, we will focus on the states with a large population and where the Company has already established a presence. The Company will also be much more alert when choosing its distributors.

Another important element in the task of increasing own sales is that effective from January 1, 2012 Artimplant has discontinued collaboration with the former licensee SBi. Many of our existing distributors in the USA have also been distributors for SBi, and we expect the transition to be relatively smooth.

The license agreement with Biomet regarding the sale of our ATR products in the USA will be terminated in April 2012. The agreement was signed originally in 2005 and was renegotiated in 2007, making it non-exclusive. The fact that we have terminated this agreement is yet another part of the strategy of increasing our presence on the important US market.

The measures that have been taken have resulted in Artimplant assuming complete responsibility for sales of the Company's products and it has a focused, target-oriented team on board. I have every hope that this will be reflected in the sales figures for 2012.

FOCUS IN EUROPE

The Company has previously employed broad-based prospecting of several countries in Europe even though volumes on each individual market have been small. Consequently, we have opted to focus on those countries which the Company considers offer the greatest market potential.

In the Nordic Region, where we previously worked via a distributor, we will assume direct responsibility for sales. We are well acquainted with the end-customers on these markets and we feel that even here direct sales are the most effective means of reaching out with Artimplant's products.

DOCUMENTATION OF MEDICAL BENEFIT

A vital source of support in our market prospecting is a focus on improving documentation of the medical benefits of Artimplant products. For many customers, sometimes as a direct result of the healthcare systems, the existence of clinical documentation is crucial.

Documentation is created through clinical studies of patients who are being treated or have been treated using Artimplant products. The aim, apart from demonstrating how the products can be used in the treatment of injuries and other conditions, is to link up a number of important orthopedic surgeons who are prepared to speak in support of the products at trade fairs and symposia and thus act as Key Opinion Leaders. This extremely important success factor is something Artimplant has focused on far too little in the past.

Clinical studies take a long time to conduct, up to five years, and we will therefore focus on smaller studies with fewer patients and which subsequently produce more rapid results.

MARKET-ORIENTED ORGANIZATION

Understanding the needs of the market and in doing so increasing customer benefit are of crucial significance to achieving success. The change process that is currently taking place within the Company means that many employees will not only work in a different way but also with a considerably larger and more distinct element of marketing and customer support. The changes that have been made in a number of countries, including the USA, will lead to the creation of opportunities. It is now a case of utilizing them.

POSITIVE TREND

After experiencing a weak sales month at the beginning of the last quarter in conjunction with the organizational changes in the USA, December was Artimplant's best month ever for own sales in the USA. The upward trend in sales continued into the beginning of the New Year. In January, sales exceeded the figure for the previous year by 32%. This is something we can all feel pleased with although at the same time we must show great respect for the challenge that lies ahead.

The aim is to achieve a positive operating cash flow on a monthly basis during the fourth quarter of 2012. This may be a daunting target but we feel it is realistic.

I would like to take the opportunity to thank our highly skilled employees for their excellent work during the past year. In conjunction with the planned market initiatives, it is vitally important that everyone helps to put across Artimplant's message to our customers and together create a successful and profitable company.

Västra Frölunda, March 21, 2012

Kjell Thörnbring

> Through hard work and a solid structure, we aim to capitalize on the potential of our products.

FIVE-YEAR OVERVIEW

Amounts in KSEK

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	2011	2010	2009	2008	2007
Net sales	18,287	18,466	23,998	12,114	16,275
Cost of goods and services sold *	–2,201	-4,024	-4,328	-4,194	-2,603
Gross profit	16,086	14,442	19,670	7,920	13,672
Other income **	619	947	451	1,359	305
Research and development costs *	–9,384	-14,637	-14,995	-15,502	-14,722
Selling costs	–19,305	-15,917	-17,049	-11,688	-9,134
Administrative costs	–5,868	-5,831	-5,729	-5,195	-5,343
Other costs **	–413	-966	-861	-1,209	-408
Operating loss	–18,265	-21,962	-18,513	-24,315	-15,630
Interest income and other financial income	565	155	311	2,284	2,251
Interest expense and other financial expense	–236	-558	-431	-602	-71
Net financial items	329	-403	-120	1,682	2,180
Loss after financial items	–17,936	-22,365	-18,633	-22,633	-13,450
Taxes	–	-	-	-	-
Loss for the year ***	–17,936	-22,365	-18,633	-22,633	-13,450

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007
Total non-current assets	809	1,797	3,501	6,680	10,006
Total current assets	23,460	45,107	26,997	40,309	59,606
Of which cash in hand and bank	11,042	36,890	15,613	31,371	49,240
Total assets	24,269	46,904	30,498	46,989	69,612
Total equity	15,946	34,402	23,853	41,965	64,249
Total provisions and non-current liabilities	–	12	65	20	52
Total current liabilities	8,323	12,490	6,579	5,004	5,311
Total equity and liabilities	24,269	46,904	30,498	46,989	69,612

CONSOLIDATED STATEMENTS OF CASH FLOWS	2011	2010	2009	2008	2007
Cash flow from operations	–21,998	-15,098	-15,529	-17,357	-15,632
Cash flow from investment activities	150	-265	-229	-590	-3,832
Cash flow from financial activities	–4,000	36,640	-	-	-
Cash flow for the year	–25,848	21,277	-15,758	-17,948	-19,464
Cash and cash equivalents as of Jan 1	36 890	15,613	31,371	49,240	68,704
Translation of foreign liquid assets	-	-	-	79	-
Cash and cash equivalents as of Dec 31	11 042	36,890	15,613	31,371	49,240

* Impairment of product development expenses brought forward is included in 2010 to the amount of KSEK 591.

** In 2008, Artimplant switched to reporting Other income and Other costs separately. A recalculation has been made for previous years.

*** Concurs with the comprehensive income for the year.

KEY RATIOS

	2011	2010	2009	2008	2007
Gross margin, %	88	80	84	64	91
Equity per stock unit, SEK	0.13	0.29	0.40	0.71	1.08
Equity per stock unit after dilution, SEK [1]	0.13	0.29	0.40	0.71	1.08
Loss per stock unit, SEK	–0.15	-0.32	-0.31	-0.38	-0.23
Loss per stock unit after dilution, SEK 1	–0.15	-0.32	-0.31	-0.38	-0.23
No. of stock units at the year-end	118,489,580	118,489,580	59,244,790	59,244,790	59,244,790
No of stock units at the year-end after dilution	119,078,102	120,532,181	61,346,566	60,793,246	60,446,582
Average no. of stock units during year	118,489,580	69,118,922	59,244,790	59,244,790	59,244,790
Average no. of stock units during the period after dilution	119,078,102	71,161,523	61,346,566	60,793,246	60,446,582
Cash flow per stock unit, SEK	–0.22	0.31	-0.27	-0.30	-0.33
Dividend per stock unit, SEK [2]	–	-	-	-	-
Market price, highest, SEK	0.66	2.16	2.90	3.53	6.28
Market price, lowest, SEK	0.11	0.61	1.08	1.29	2.58
Market price as of Jan 1, SEK	0.66	1.57	1.36	2.76	3.04
Market price as of Dec 31, SEK	0.13	0.66	1.57	1.36	2.76
Return on equity, %	Neg.	Neg.	Neg.	Neg.	Neg.
Return on capital employed, %	Neg.	Neg.	Neg.	Neg.	Neg.
Return on capital, %	Neg.	Neg.	Neg.	Neg.	Neg.
Equity/assets ratio, %	66	73	78	89	92
Proportion of risk capital, %	66	73	78	89	92
Interest-bearing liabilities, KSEK	None	4,000	None	None	None
Interest coverage ratio, %	Neg.	Neg.	Neg.	Neg.	Neg.
Financial net assets, KSEK	11,042	32,890	15,613	31,371	49,240
TOTAL GROSS INVESTMENTS, KSEK	-	265	240	600	3,863
Patents and brands	-	226	215	471	3,236
Machinery and equipment	-	39	25	129	627
NUMBER OF EMPLOYEES					
No. of employees as of Dec 31	19	25	25	28	25

[1] The impact of dilution has not been reported in those cases where dilution would have resulted in an improvement in the key ratios.
[2] For 2011, the figure refers to the proposal by the Board of Directors.

STOCKHOLDERS' EQUITY PER STOCK UNIT
Stockholders' equity divided by the number of outstanding stock units.

STOCKHOLDERS' EQUITY PER STOCK UNIT AFTER DILUTION
As above, but recalculated to reflect full exercise of call options.

EARNINGS PER STOCK UNIT
Profit or loss for the year divided by the average number of outstanding stock units during the period.

EARNINGS PER STOCK UNIT AFTER DILUTION
As above, but recalculated to reflect full exercise of call options.

CASH FLOW PER STOCK UNIT
Cash flow for the year divided by the number of outstanding stock units.

RETURN ON EQUITY
Profit or loss, expressed as a percentage of average adjusted equity.

RETURN ON CAPITAL EMPLOYED
Loss after net financial items plus financial expenses, expressed as a percentage of average capital employed. Capital employed refers to the Statement of Financial Position total less non-interest-bearing liabilities, including deferred tax on untaxed reserves.

RETURN ON CAPITAL
Operating profit plus financial income as a percentage of total assets.

EQUITY/ASSETS RATIO
Equity expressed as a percentage of total assets.

PROPORTION OF RISK CAPITAL
Equity plus untaxed reserves expressed as a percentage of total assets.

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

FINANCIAL NET ASSETS
Cash and bank balances less interest-bearing liabilities.

THE MEDICAL BENEFITS

The body has a unique capacity to heal although sometimes conditions must be created for the healing process to take place. Artimplant products act as a scaffold on which the tissue can grow, giving the newly formed tissue the opportunity to mature and become functional. The concept can be applied for a variety of clinical needs and has the potential to help many patients.

REINFORCEMENT OF TISSUE

When repairing soft tissue injuries, such as tendons and ligaments, a number of different problems can be encountered. Injuries could take the form of extensive, neglected or chronic soft tissue injuries that are difficult to repair as the tissue is often of poor quality. Injuries to tendons and ligaments frequently require a long period of rehabilitation. Reinforcement of the tissue with Artelon® Tissue Reinforcement (ATR) can improve the potential for lasting repair and even facilitate accelerated rehabilitation and resumption of activity. The repair is reinforced and the body's own tissue grows into the product, which also reinforces the repair in the long term.

An example of a soft tissue injury is the rupture of one or more of the ligaments around the shoulder, the rotator cuff. Normal daily activities, such as raising a fork to the mouth or driving a car, become extremely painful. There is often chronic pain and increased pain intensity when the shoulder is exposed to pressure. This can happen when you are asleep and turn over onto the painful shoulder.

During the year, a report was published in an international scientific journal about an 81-year-old who had injured his shoulder and had considerable difficulty managing day-to-day activities. Many people are of the opinion that it is not worth operating on patients of this type – the condition of the tissue is too poor for conventional repair using sutures only. This is particularly so if, as was the case here, there was a long period of time between injury and operation. The article describes how the surgeon chose to reinforce the repair with Artelon® Tissue Reinforcement. During follow-up visits, the patient stated that he was completely free of pain and that during the first year after the operation, he managed to paint his summer cottage entirely on his own, which would have been inconceivable before the operation. The number of older, active people in the population is on the increase and the authors of the article highlight the problem of treating these people when they are injured and the need for improved treatment. Using ATR as reinforcement can be successful even in difficult cases.

Another common tissue injury is a tear or rupture of the most powerful tendon in the human body – the Achilles tendon. Achilles tendon ruptures often occur among middle-aged men and frequently in conjunction with sports activity. The injury results in pain and limited use of the foot. If the injury is not treated or a re-rupture occurs, healing conditions need to be improved significantly by using ATR.

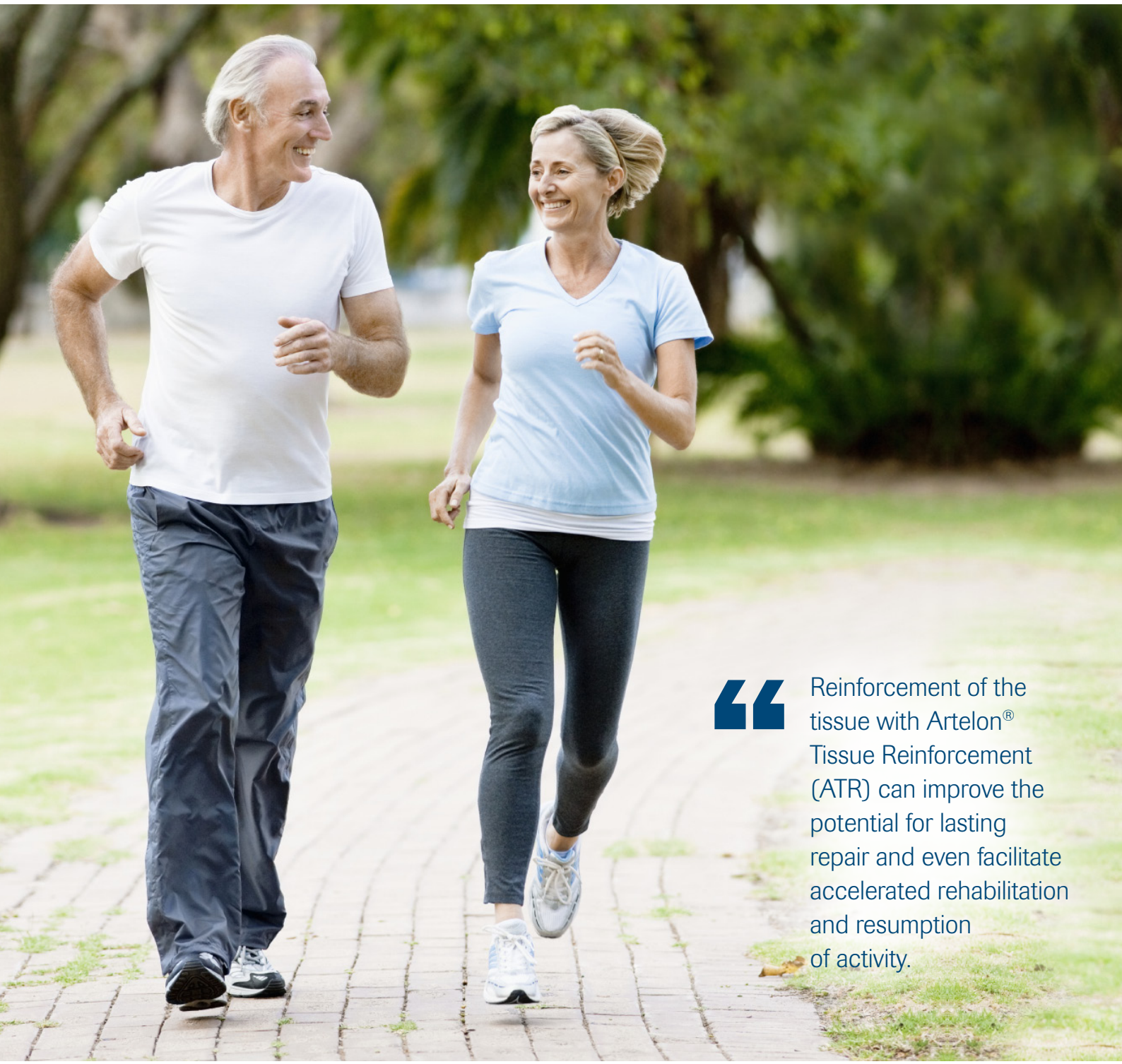
RESTORING THE JOINT SURFACE

For people with osteoarthritis, normal daily activities, such as buttoning a shirt, opening a door or walking unimpeded, can be difficult because of pain, reduced strength and movement. The reason is that the surface of the joint, which comprises cartilage, is exposed to considerable pressure and has been worn down, resulting in bone rubbing against bone. The surgical treatment methods that have been available to date for osteoarthritis in the thumb base and the base of the big toe are arthrodesis or the removal of part or the whole of the bone, thus limiting movement and affecting the patient's anatomy.

Artimplant has developed implants with patients suffering from osteoarthritis in the thumb base joint or the big toe joint as the target group. The damaged tissue is removed and replaced by an Artelon® implant into which the body's own cells can grow and form new, cushioning tissue. The anatomy is thus retained, offering good conditions for regaining a functional joint with reduced pain and retained strength, stability and movement.

In day-to-day life, we are highly dependent on our thumbs, particularly the thumb on the dominant hand. As a rule, wear and tear (osteoarthritis) in the thumb base joint causes pain even when just slight pressure is exerted on the thumb – opening a can, for example, could prove impossible. Following surgery with Artelon® CMC Spacer, the patient can return to normal daily life with preserved thumb function.

Artelon® MTP Spacer is used when the cartilage in the big toe joint is damaged. As with damage to the cartilage in the thumb, injury to the cartilage in the big toe causes considerable pain and reduced movement.



> Reinforcement of the tissue with Artelon® Tissue Reinforcement (ATR) can improve the potential for lasting repair and even facilitate accelerated rehabilitation and resumption of activity.

BUSINESS OVERVIEW

Artimplant is a medical technology company, where the focus is on innovative orthopedic solutions. Artimplant helps to improve the patient's quality of life by offering the medical sector products that create conditions for the body to heal.

Artimplant's products are used for the reinforcement of injured soft tissue and for the treatment of osteoarthritis.

The products are manufactured from the patented material Artelon®, developed by the Company. Artelon® is a biomaterial that is degraded by the body in a predictable way. The first implants using Artelon® were carried out in 1997, providing 14 years of clinical experience of the material.

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

BUSINESS MODEL

Artimplant has developed products based on the patented biomaterial platform Artelon®.

Implants for several different clinical areas are included in the product portfolio, although at present the Company is focusing on orthopedic products. Production, clinical studies, marketing documentation and sales training are handled by Artimplant. Sales and local marketing take place through the following channels:

- Direct sales via agents (USA)
- Country-specific agreements with distributors (Europe and other markets)

OWN SALES

Since 2010, Artimplant has intensified its focus on own sales in the USA, including the establishment of a sales organization in the USA. A positive step was taken in 2011 when a US president for Artimplant USA was recruited and administration and order processing were brought together at a newly opened office in Denver, Colorado.

Selling via distributors is very common on the medical technology market in the USA. Artimplant delivers directly from its own inventory, bills the end-customer and pays commission to the 30 or so distributors based on sales.

The local distributor in the USA has an important role to play as sales are based largely on relationship selling. This makes the recruitment of distributors extremely important and they are chosen with great care.

Artimplant's product specialists are responsible for a specific region within the US; they are responsible for recruiting and sales training. The product specialists make joint sales calls with distributor representatives and attend surgical procedures when needed.

In Europe, there are country-specific distribution agreements and the distributor maintains its own inventory of Artimplant products. Artimplant bills the distributor, which in turn bills the end-customer. The 20 or so European distributors are supported by the head office in Sweden. With effect from January 2012, sales will take place to customers in the Nordic region directly from the sales department in Sweden.

Own sales to the rest of the world are at present limited as resources have been focused on the USA and selected parts of Europe.

LICENSEE SALES

Artimplant's sales over the years have taken place largely through two licensees, Small Bone Innovations (SBi) and Biomet Sports Medicine (Biomet). The trend for sales by licensees has been negative in recent years, due mainly to the renegotiation of the license agreements, which resulted in a decline in interest in Artimplant products among licensees.

As part of the new strategy of assuming direct responsibility for sales of the Company's products on all markets, Artimplant has chosen to terminate the license agreements.

The agreement with SBi ceased at the end of December 2011. After the year-end, an agreement was reached with Biomet regarding termination of the agreement in April 2012.

PRODUCT PORTFOLIO AND MARKET

The concept of providing the body with the potential to heal itself by using a material that functions as a scaffold for body cells is used by Artimplant in two areas:

- Reinforcement – reinforcement of injured soft tissue
- Resurfacing – restoring the joint surface damaged by osteoarthritis

REINFORCEMENT – REINFORCEMENT OF TISSUE

Artelon® Tissue Reinforcement is a woven product that is available in two formats, rectangular "repair patches" and tape. The implant is intended for the reinforcement of weakened soft tissue, a broad indication range within which the practitioner can use the product to treat soft tissue injuries from foot to shoulder.

The rectangular ATR is available in three sizes and is suitable, for example, for large and extensive rotator cuff injuries, neglected injuries or re-ruptures of the Achilles tendon or tendons around the kneecap and in the biceps and anterior thigh muscle.

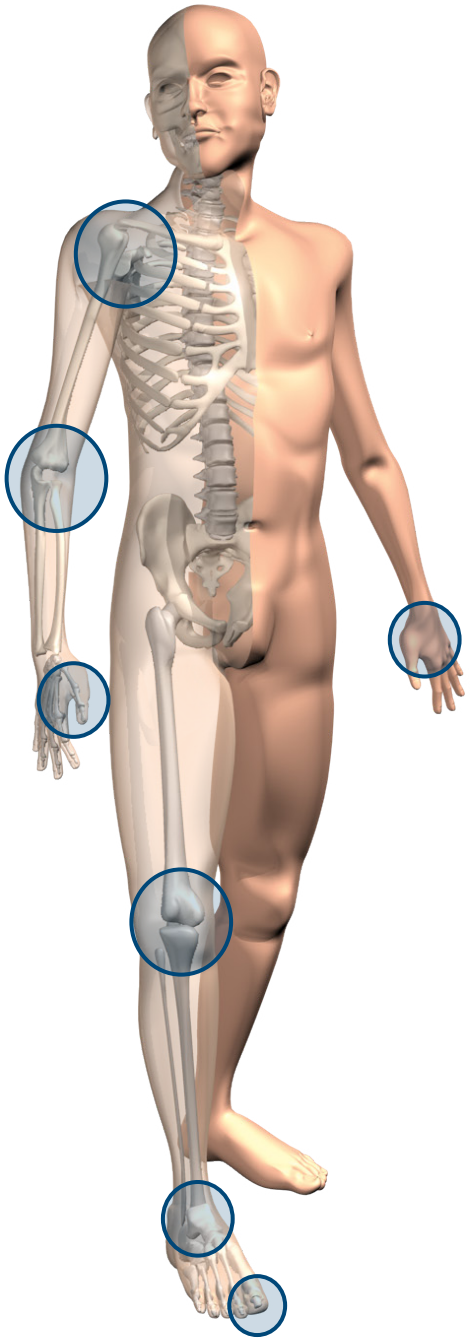
ATR in tape form was introduced in 2011 to satisfy customer wishes and needs within foot surgery. ATR has been cleared for marketing in the USA and the EU.

RESURFACING – RESTORING THE JOINT SURFACE

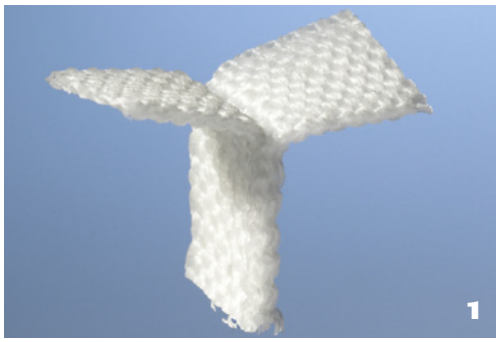
Artelon® CMC Spacer, Artelon® CMC Arthro and Artelon® STT Spacer are products for the treatment of osteoarthritis (wear and tear of the cartilage) in the thumb base joint (CMC joint) and the STT joint in the wrist.

The products can be used from an early stage in the course of the disease when keyhole surgery can be employed, which means that patients can be treated at an earlier phase than would normally be the case today and also at a later stage when both the CMC and STT joints need to be treated. The products have been cleared for marketing in the USA, Europe and a number of other countries.

Artelon® MTP Spacer is a product for the treatment of osteoarthritis in the joint in the base of the big toe, known as hallux rigidus. The product has been cleared for marketing in Europe. In 2011, Artimplant received clearance in Europe to market supplementary products for osteoarthritis in the thumb base joint and in the big toe. These have the same user-friendly textile design as ATR and can be adapted by the surgeon to the size of the patient. Its properties facilitate handling and reduce inventory management administration. The new products will be marketed under the names Artelon® CMC Soft and Artelon® MTP Soft and are currently being introduced at a small number of reference clinics before being launched generally within the EU.



> Artimplant's products act as a scaffold into which the tissue can grow, giving it the opportunity to mature and become functional. The concept can be applied to many different clinical needs and has the potential to help many patients.



Artelon® Spacers (1 och 2) and Artelon® Tissue Reinforcement (3 och 4) function as scaffolding for the body cells.

PRODUCTS AT THE DORMANT STAGE

Artelon® Cosmetic is intended for the augmentation of soft tissue in the upper jaw. The product is used to improve appearance around a dental implant or to attach a dental prosthesis. At present, soft tissue is commonly taken from the patient's gums and transplanted to the front of the upper jaw. With no similar implant available on the market, it is difficult to estimate the size of the addressable market. The product has been cleared for marketing in Europe. The Artimplant is not planning to sell the product itself, as it is directed at oral surgeons, which is a market segment (dental) in which Artimplant is not active.

COMPETITION

Reinforcement of soft tissue

The products that compete with Artelon® Tissue Reinforcement (ATR) in the market for reinforcement of soft tissue within orthopedics are mainly GraftJacket® from Wright Medical Technology, OrthAdapt® from Synovis, TissueMend from Stryker, Conexa™ from Tornier and ZCR Patch from Zimmer.

- All competing products are made from collagen and are produced from animal or human tissue. ATR has a number of advantages over the competitors' collagen-based products.
- Synthetic biomaterial – eliminates the risk, for example, of disease transfer and DNA, RNA or cell residue, which is the case if human or animal collagen is used.
- Porous and elastic – allows tissue ingrowth and stimulates reshaping of the newly formed tissue.
- Retained strength – ATR retains its strength throughout the whole of the healing period and during the time it takes for the tissue to mature.
- Controlled course of degradation – ATR is degraded at a predictable speed in the presence of water without the enzymatic degradation that takes place with collagen-based products.
- Easy handling – can be stored at room temperature and does not require any particular processing prior to the operation.

RESTORING THE JOINT SURFACE

Artimplant's Spacer products for the treatment of osteoarthritis in the hand, wrist and foot compete with conservative medical treatment, such as analgesic treatment with cortisone.

Once the disease has progressed further and surgery is required, tendon arthroplasty and arthrodesis are two common methods for the treatment of thumb base osteoarthritis. There are also various types of implant available to replace the joint.

All these procedures are considerably more extensive than treatment, for example, with Artelon® CMC Spacer, which mainly contributes to restoring a functional joint with retained anatomy.

Established methods for attritional injuries in the big toe are various types of surgical procedures where parts of the joint or the bone are removed to increase movement. In the case of obvious osteoarthritis, arthrodesis also takes place and a small number of replacement joint implants are available on the market. All these procedures are considerably more expensive than treatment using Artelon® MTP Spacer, which compared with arthrodesis, mainly helps to restore a functioning joint.

PRODUCT DEVELOPMENT

There is a strong trend within orthopedics towards biological solutions and the aim is to regenerate tissue instead of replacing it with permanent replacement parts. The Company's extensive expertise within Artelon® related to clinical benefit, biocompatibility, material properties and processability, allows continued expansion of the product portfolio in the medium to long term. The first step has been taken in evaluating the potential for using Artelon® for treatment of cartilage damage in the back and in joints larger than those that are currently being treated using the Company's resurfacing products. At present, minimal resources are being devoted to product development.

CLINICAL AFFAIRS

Clinical Affairs has been a priority area at Artimplant since June 2011 when the Department was separated from Research & Development to work with the sales and marketing organization and in doing so focus more closely on clinical trials as a market support resource. The focusing of resources on Clinical Affairs reflects the realization on the part of Artimplant that clinical documentation is by far one of the most important factors in achieving market success. With 14 years' clinical experience of Artelon® it can be stated that the Artelon® material is safe for use in joints and soft tissue on condition that the products are used in the manner intended.

Despite thousands of treated patients and long clinical experience of Artelon® implants, Artimplant needs to conduct further clinical trials and demonstrate the benefit of the products. Among other things, data from clinical studies forms the basis for applications for reimbursement from insurance companies and public healthcare systems. Studies are therefore extremely important tools when seeking to increase sales of existing Artimplant products.

The vast majority of clinical studies of medical products of a technical nature that fall within Artimplant's operating area are conducted in the form of what are termed case series, which

PRODUCT CONCEPT	INTENDED USE	PRODUCT	EXPLORE	DEVELOP	MARKET INTRODUCTION	ESTABLISHED
RESURFACING	Osteoarthritis in the thumb base joint and wrist	Artelon® CMC Spacer				
		Artelon® CMC Arthro[3]				
		Artelon® CMC Soft[1,2,3]				
		Artelon® STT Spacer				
	Osteoarthritis in the big toe joint	Artelon® MTP Spacer[1]				
		Artelon® MTP Soft[1,2]				
REINFORCEMENT	Reinforcement in conjunction with soft tissue repair	Artelon® Tissue Reinforcement				

Artimplant's products and projects can be viewed in four phases: Concept evaluation/Proof-of-Concept (Explore); product development and documentation for market registration (Develop); launch and post-market studies (Market Introduction); and a product established on the market (Established). At present, the focus is on prospecting the market (including clinical post-market studies) and the sale of existing products with minimal resources devoted to product development. Development projects are therefore not presented in the table.

[1] Not cleared for marketing in the USA
[2] The product is at the early market introduction stage in Europe
[3] Adapted for arthroscopy (keyhole surgery)

STUDIES/ PRODUCT	FOCUS AREA	STUDY	STUDY SITE	NO. OF PATIENTS	FOLLOW-UP	STATUS	FINALIZED
ATR I	Shoulder	Repair of large and complex tears of the rotator cuff	Tulsa Bone & Joint Association, Tulsa, USA	17	1 year	Follow-up completed, evaluation ongoing	2012
ATR II	Foot and ankle	Chronic injuries and re-ruptures of tendons	US Davis Sports Medicine, Sacramento, USA	10	1 year	Clinical follow-up ongoing	2012/2013
ATR III	Foot and ankle	Chronic injuries and re-ruptures of tendons	Orthopedic Foot & Ankle Center, Westerville, USA	10	1 year	Patient recruitment ongoing	2013
ATR IV	Foot and ankle	Lateral ankle stabilization	Community Medical Centre, Scranton, USA	20	1 year	Pending IRB approval	2014/2015
ATR V	Foot and ankle	Posterior Tibial Tendon Dysfunction	Community Medical Center, Scranton, USA	30	1 year	Patient recruitment plan 2012	2014/2015
CMC	Hand	Treatment of thumb base joint osteoarthritis	Sahlgrenska University Hospital, Gothenburg, Sweden	15	(3 years) 10 years	(Published) Clinical follow-up plan 2012	(2005) 2013

All the above studies are post-market studies on products cleared for marketing.

normally comprise 10-30 patients. The studies that carry most credibility are studies initiated and carried out by practitioners, following approval by an independent ethics committee. The trend is increasingly towards this type of study. In this case, the doctor bears full responsibility for the study. Clinical studies with a year or more years of clinical follow-up take 4-5 years from planning, clearance and patient recruitment to clinical follow-up, evaluation and presentation. The results of the studies are normally published in medical journals. Conducting studies that demonstrate the clinical benefit of Artimplant's products is thus time-consuming and a long-term undertaking.

The table above shows the studies that are currently in progress. All studies are what are termed post-market studies, which means that they refer to Artimplant products that have been cleared for marketing.

The study related to Artelon® Tissue Reinforcement for patients with rotator cuff injuries (ATR 1) has now been concluded. The results are currently being compiled and are due to be published in 2012. The doctor responsible for the study feels that the results are positive with regard to the function of the shoulder and the patient's quality of life following treatment with ATR.

In the foot and ankle area, three studies are in progress involving Artelon® Tissue Reinforcement. Two of the studies refer to patients who have been treated with the aid of ATR for their chronic Achilles tendon injuries (ATR II and ATR III). In the ATR II study, recruitment of patients has been concluded and clinical follow-up is currently taking place. In the ATR III study, the first patient has been recruited. Patient recruitment for the ATR III study will continue during 2012. It will then move on to clinical follow-up.

At the beginning of 2012, two further post-market studies related to the foot and ankle commenced. A doctor, who is also an opinion leader, intends to examine the use of the new sizes of Artelon® Tissue Reinforcement in foot and ankle applications (ATR IV and ATR V). All ATR studies described above are what are termed case series, initiated and conducted by doctors in the USA.

Long-term follow-up of patients treated with Artelon® CMC Spacer has been granted ethical approval and clinical follow-up is planned for 2012.

QUALITY

Quality work at Artimplant involves following up and improving customer-perceived quality and ensuring that the Company is satisfying the requirements laid down by different authorities regarding working methods and so on in order to be permitted to supply Artelon® products on their respective markets. If the Company satisfies the stipulations in the EU, USA and Canada, there is every chance that this will facilitate access to other markets.

To check that stipulations in the EU and Canada are satisfied, an independent inspection body, Lloyds Register Quality Assurance (LRQA), conducts a quality audit twice a year. The most recent audit took place in November 2011, with a good outcome.

In the USA, the regulatory authority is the Food and Drug Administration (FDA). Instead of conducting audits continuously, they make random checks of selected companies.

It is the Company's assessment that the products and the Artelon® material are of high quality. The first implants using the Artelon® material were carried out in 1997. With a follow-up period of 14 years, the Company has good knowledge of the safety of the material and the products.

In summary, our ongoing quality program has simplified and improved many of our in-house working processes, resulting in a very high level of internal quality in the day-to-day work. Using this as a foundation, the focus can now be switched to customer satisfaction.

ORGANIZATION AND HUMAN RESOURCES

Artimplant's operations are carried on within the Parent Company, Artimplant AB, and in the Company's wholly owned subsidiary, Artimplant USA, Inc. The Parent Company has Clinical Affairs, Research & Development and Production & Logistics functions as well as a group management team and staff functions. The sales and marketing function for Europe is located in Sweden and in the USA at the US subsidiary.

Production takes place on the same site as the Swedish head office. Following investments in the production facility during 2007/2008, there is now the capacity to expand production substantially without further additional investments.

As of December 31, 2011, Artimplant had 19 employees, of whom 14 were in Sweden and five in the USA.

With a follow-up period of 14 years, Artimplant has good knowledge of the safety of the material and the products.

BOARD OF DIRECTORS' REPORT

OPERATIONS

This Annual Report covers the financial year January-December 2011 for the Artimplant Group with the

Parent Company Artimplant AB (publ), registration number 556404-8394, with its registered office in Sweden in the county of Västra Götaland, Municipality of Gothenburg, and Artimplant USA, Inc., a wholly owned subsidiary registered in Delaware, with its office in Denver, Colorado, USA (hereinafter collectively referred to as Artimplant, the Company or the Group). Artimplant files consolidated accounts for Artimplant AB and Artimplant USA, Inc.

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

Artimplant is a medical technology company that contributes to improved health by developing, producing and selling degradable implants that restore body functions and improve quality of life. The Company's products are produced from Artelon®, a biomaterial developed by the Company. Artimplant implants are used for the treatment of osteoarthritis and reinforcement of damaged soft tissue. During 2011, the Company's products were sold under the Artimplant brand through agents, distributors and licensees. Further information about the Company's operations can be found in the Business Overview section on pages 10-15. The Parent Company has been listed since 1997 on NASDAQ OMX Stockholm and its stock is now traded in the Small Cap segment and in the healthcare sector.

KEY EVENTS

Increase in own sales

Artimplant's own sales are continuing to increase in the USA and account for the majority of the revenue. The strategy of own sales through agents and distributors remains. December 2011 was the best month to date for own sales on the US market.

Newly opened office in the USA

During the fall, Artimplant opened its first sales office in the USA, which will create better conditions for market support and distribution and establishing better relationships with agents and customers.

New sales organization on the US market

James M Jones, who has long experience in the marketing of orthopedic products in the USA, was recruited in the fall to head the subsidiary Artimplant USA, Inc. As part of the focus on increasing market presence, the subsidiary has acquired a number of new co-workers.

Disputes

Since the fourth quarter of 2010, Artimplant and its former licensee Small Bone Innovations, Inc. have been the subject of complaints from 37 patients in the USA, before and after the reporting period. The complaints refer to the product Artelon® CMC Spacer. The amount of damages claimed has not yet been determined. It is too early to assess if the court will hear all the cases and how long it could take for these cases to be resolved. Artimplant is contesting all allegations.

On January 1, 2010, Artimplant changed insurance carrier following procurement by the Company's insurance agent. In November 2010, it was noted that there was a break in the insurance. To cover this, retroactive insurance was taken out with the new insurer. Artimplant has filed all 37 complaints with both the former and present insurance carrier and according to the Company, there is adequate insurance cover for all complaints and any damages will be covered by the former or present insurance carrier.

New President, management team and Board of Directors

In conjunction with the Annual General Meeting in May 2011, a largely new Board of Directors took up their positions and the president at the time opted to resign. The Company's CFO, Kjell Thörnbring, was appointed as the new President of the Company in June, and under his leadership a new management team has been created.

Raising of capital

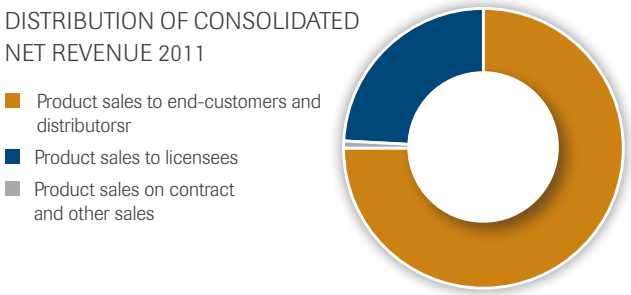
Since taking up their positions, the new Board of Directors and the management team have worked intensively to examine the Company and make an analysis of past developments. A new action plan has been produced and a target has been set to achieve a positive cash flow, before changes in working capital, on a monthly basis during the fourth quarter 2012. It is the assessment of the Board of Directors that additional capital is necessary to reinforce liquidity until the Company begins generating a positive cash flow. See also under the section Events after the period-end.

REVENUE AND RESULTS

Net revenue

Net revenue amounted to SEK 18.3 million (18.5) and was primarily revenue from product sales on the US market, 86 per cent in 2011 compared to 91 per cent in 2010. In December 2011, own sales in the USA reached the highest level ever. Own sales via agents and sales to Artimplant's local distributors accounted for 75 per cent (61). Sales to licensees fell by SEK 2.5 million and accounted for approximately 25 per cent (39) of product sales.

DISTRIBUTION OF CONSOLIDATED NET REVENUE 2011



Financial results

The operating loss amounted to SEK 18.3 million (22.0) and the gross margin for product sales increased to 88 per cent (80). The improvement on the previous year can be attributed to lower fixed production costs and the change in the product mix, mainly an increased proportion of ATR products. Compared to previous years, the cost base has shifted from research and development costs to sales costs, primarily as a result of sales initiatives on the US market.

Total operating costs fell by SEK 2.0 million to SEK 34.4 million (36.4). The operating loss includes non-recurring costs of SEK 1.4 million (0.5) related to a provision for doubtful receivables, the costs for the former president and an inventory impairment of SEK 0.2 million (0.5) for products linked to the termination of the license agreement with Small Bone Innovations, Inc.

SEK M	Jan-Dec 2011	Jan-Dec 2010
Other revenue	0.6	0.9
Research and development costs	-9.4	-14.6
Sales costs	-19.3	-15.9
Administration costs	-5.9	-5.8
Other costs	-0.4	-1.0
Operating costs	-34.4	-36.4

The net loss was SEK 17.9 million (22.4), including a currency exchange rate fluctuation of SEK 0.1 million (-0.4). Earnings per stock unit were SEK -0.15 (-0.32).

CASH FLOW AND FINANCIAL POSITION

No investments were made during the year.

At the end of the year, cash and cash equivalents amounted to SEK 11.0 million (36.9). Total cash flow for 2011 amounted to SEK -25.8 million (21.3). A new stock issue took place during 2010, which generated capital input of SEK 32.6 million.

Operating capital of SEK 4.0 million was repaid during the year. The facility was raised during the first half of 2010.

Cash flow during 2011 was affected negatively by costs for counsel of SEK 2.6 million in relation to the legal proceedings in the USA, which have yet to be settled through the Company's insurance.

SEK M	Jan-Dec 2011	Jan-Dec 2010
Cash flow from operations	-22.0	-15.1
Cash flow from investment activities	0.2	-0.3
Cash flow from financial activities	-4.0	36.6
Cash flow for the year	-25.8	21.3
Cash and cash equivalents as of Jan 1	36.9	15.6
Cash and cash equivalents as of Dec 31	11.0	36.9

At the year-end, equity in the Group amounted to SEK 15.9 million (34.4), equivalent to an equity ratio of 66 per cent (73). The change in equity can be attributed mainly to an retained loss.

MARKET DEVELOPMENT

The market for orthopedic implants is largest in the developed world, with Europe, North America and Japan accounting for around 80 per cent of the market[1]). The market is driven by a number of factors linked to demography and standard of living and a situation where a rising standard of welfare is a strong driving force for growth.

Artimplant's own sales in the USA are developing positively albeit at a slow rate. The sales organization in the USA is focusing primarily focus on the Artelon® Tissue Reinforcement (ATR) product, which has received a positive response from the market, both among surgeons and patients. During the period, Artimplant launched complementary ATR products, which facilitate and broaden use, mainly within different foot and ankle applications. Pricing differs significantly between the US and European markets for orthopedic products. For this reason, the US market is considered to offer the greatest potential for the Company's products. At the end of the year, Artimplant had four product specialists employed on the US market. They train new and existing agents and provide support in conjunction with surgical procedures and in contact with customers. The agents are the subject of ongoing review and evaluation to ensure growth for the Company's products on the US market.

Sales by licensees continue to be low during the year. Artelon® Spacer products were sold on a non-exclusive basis during the year by Small Bone Innovations (SBi).

Artelon® Spacer is a range of products approved for the treatment of osteoarthritis in a number of the joints in the hand and foot. At the turn of the year 2011/2012, agreement was reached with SBi to terminate the license agreement. Artimplant will assume direct responsibility for the sale of Spacer products. It is the Company's assessment that this area offers good conditions for growth.

ATR, which has been cleared for general reinforcement of soft tissue damage, was sold during the period by Artimplant and on a non-exclusive basis by the licensee Biomet under the SportMesh™ brand. Biomet has sold from its own inventory and sales were stable,

1) JP Konsulting

although on a low level. The license agreement with Biomet will be terminated in April 2012.

Sales to end-customers in Europe are growing, although they have been assigned a lower priority as the Company has opted to focus on the US market. Sales in Europe are concentrated on markets where the short-term potential is considered greatest.

The Company is intensifying its focus on clinical studies related to existing products for market support purposes. This focus reflects the Company's realization that clinical documentation is one of the most important factors in achieving market success.

PRODUCT AND BUSINESS DEVELOPMENT

The Company's products and product development projects are summarized under Business Overview on page 13. In the medium to long term, there are product development opportunities to satisfy further medical needs. Using the Artelon® material platform, there is significant potential to adapt products to different medical needs and, in combination with biological materials and cells, support and facilitate the body's healing processes in conjunction with tissue damage.

There is a market for complementary products within the ATR family for reinforcement of soft tissue. Artimplant has therefore produced complementary products that facilitate and broaden the use of ATR.

Artimplant has also developed a new Artelon® CMC Spacer for thumb base osteoarthritis. The Spacer has the same user-friendly textile design as ATR. The product, which was CE-labeled in Europe during the year, will be sold under the brand name Artelon® CMC Soft.

The Company has also developed a new Artelon® MTP Spacer for osteoarthritis in the big toe joint. This product also has the same textile design as ATR and will be sold under the brand name Artelon® MTP Soft. It was CE-labeled during the year. An evaluation of the product commenced during the fourth quarter at a number of selected European clinics.

EVENTS AFTER THE PERIOD-END

At the turn of the year 2011/2012, collaboration was terminated with Artimplant's licensee SBi, and in April 2012, the agreement with Biomet will also be terminated by mutual agreement. Artimplant will thus assume responsibility for all sales of the Company's products.

Collaboration with the Company's distributor in the Nordic region, Nordic Medical Supply A/S, was terminated in conjunction with the bankruptcy of the Danish company. From the turn of the year 2011/2012, the Company took over direct responsibility for sales and distribution in the Nordic region.

At the beginning of January 2012, the Company's Board of Directors proposed a preferential stock issue and stock options to reinforce the Company's liquidity. The decision to implement the issue was passed unanimously at an extraordinary shareholders meeting held at the Company's office on February 9, 2012. It was also decided at the meeting, in accordance with a proposal by the Board, to amend the Articles of Association and reduce the Company's capital stock.

Artimplant carried out the preferential stock issue in accordance with the resolution passed at the stockholders meeting. In total, 83.4 per cent of the issue was taken up, resulting in capital input for the Company of approximately SEK 23.7 million before issue costs. The level of subscription means that the issue guarantees will not need to be utilized.

FUTURE PROSPECTS

Previously, the Company announced that Artimplant would not be issuing a forecast and instead they are working with the aim of achieving a positive cash flow, before changes in working capital, on a monthly basis during the fourth quarter of 2012.

A factor that is having an impact on the Company's sales is the complaints being dealt with by the Company in the USA. At present, it is difficult to assess the extent to which these complaints will impact on the Company's and licensees' sales.

ORGANIZATION

Artimplant is certified according to the quality management standard ISO 13485:2003 for medical device products, and is working systematically to improve the quality of both personnel and products. Human resource development takes place through regular appraisal discussions, in-house exchange of know-how, the development of skills and expertise as well as preventive healthcare. The Company is working systematically to improve the working environment and fire protection and there was one minor occupational injury during the year.

The number of employees as of December 31, 2011 was 19 (25), of whom 9 (11) were women and 10 (14) men. Five people are employed at the subsidiary Artimplant USA, Inc. and the remainder are employed by Artimplant AB. The Company has 5 (6) senior managers, of whom 3 (2) are women and 2 (4) are men. During the year, the former president, CFO and head of marketing decided to leave their positions with the Company. During the period April-May 2011, Kjell Thörnbring was CFO for Artimplant AB before taking up the position of acting President in May 2011. He became President in June 2011.

Other senior executives in the Company were recruited internally. The President of the subsidiary, Artimplant USA Inc., James, M Jones, took up his position during the fourth quarter of 2011.

Staff turnover in 2011 was 34.0 per cent (16.0). The Board of Directors comprises 5 (5) persons, of whom 0 (2) are women and 5 (3) are men. Further information is available under Note 2.

ENVIRONMENTAL IMPACT

The Company's activities have only had a negligible impact on the environment. The Company complies with legislation and guidelines for those chemicals that are used in operations. Environmental permits have been secured for the use of organic solvents. The Company is also affiliated to the REPA Register for recycling of packaging materials.

RELATED PARTY DISCLOSURE

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

LEASE AGREEMENT

The Company has one major lease agreement, with Platzer, in respect of premises for office, production and laboratory purposes at Hulda Mellgrens gata 5 in Västra Frölunda. The lease came into effect on July 1, 2010 and runs until June 30, 2013. It will be renewed automatically in three years unless it is terminated at least nine months before cessation of the lease.

As of the year-end, the Company had the following commitments under this agreement:

- Cost of premises that fall due within one year totaling KSEK 2,519.
- Cost of premises that fall due later than one year but within five years, totaling KSEK 1,260.

MATERIAL FUTURE RISKS

Operational and market-related risks

Intellectual property rights

Artimplant's success is dependent to a certain extent on the ability of the Company to develop comprehensive patent protection for product candidates that offer commercial promise. Even if each application were to be drafted together with consultants with experience in this area, there are no guarantees that the Company would be granted the patents for which it has applied or protection of patents that have been granted. Development in the Company's operating area is rapid and even if the Company holds and acquires patent protection for its products, competing solutions could be developed. Even if the Company is of the opinion that Artimplant's patents and technical solutions do not constitute an authorized infringement of other parties' intellectual property rights, there are no guarantees that a third party will not bring action for infringement against the Company in the future. The above risks related to the Company's intellectual property rights could have a negative effect on the Company's market conditions and thus its financial results and financial position.

Dependence on key persons

A knowledge-based company such as Artimplant is dependent on qualified leadership and expert employees. Even if the Company's key persons hold stocks and/or have employee stock options in the Company, there is always a risk that the Company's key persons leave, which could have a negative impact on the Company's potential to achieve commercial success.

Product development

Artimplant has a number of products that are still being developed. There are no guarantees that development projects will be completed. This could be due to an absence of commercial conditions, or that Artimplant has not received the requisite permits for the products concerned.

Official clearance

The Company's marketing and sales presuppose regulatory clearance of the Company's products. Artimplant cannot guarantee that such clearances are granted or retained. If the Company were not to be granted permits for the products that are currently being marketed and sold, this would have significant negative effects on the Company's financial result and financial position.

Competition

Artimplant's existing products have been commercially available for a relatively short time. These products, together with the Company's products that are being developed, are designed for indications where competing products already exist and/or where other companies could have new products that are being developed, such as companies with more extensive research, development and marketing or more extensive financial and human resources than Artimplant. Competition of this nature could result in negative effects for the Company's financial results and financial position and Artimplant's position on the market.

Market acceptance

Market acceptance of Artimplant's products depends on a number of factors. Artimplant's products include new technology that has not been used previously and which must compete with more established forms of treatment that are at present accepted as standard. The Company's products could require changes in established practice within the medical fraternity, which takes time. The Company cannot guarantee the outcome of any study. Reports regarding absence of effect or failed outcome in conjunction with the use of the Company's products could have a negative effect on sales of Artimplant products.

Payment systems

Different countries have different payment systems for medical care and the products used within the medical care system. There is no guarantee that Artimplant will have its products included in the payment systems in different countries. Changes in payment systems could have a negative impact on the Company's sales.

Agents and distributors

The Company makes use of agents and distributors to market and sell its products. Artimplant is therefore dependent on these partners for the successful commercialization of its products. There is no guarantee that the companies with which Artimplant has entered into, or will enter into, agency or distribution agreements, will discharge their undertakings in accordance with such agreements. Nor is there any guarantee that present agreements will not be terminated or declared invalid, that no changes in current agreements will be made, that the Company will enter into further agreements of this nature, or that new agreements could be entered into subject to attractive terms and conditions.

Production

Sale of the Company's products is reliant, among other things, on Artimplant's capacity to manufacture products in commercial quantities, in accordance with regulatory requirements and in a cost-effective manner. Even if the Company considers that it is complying with quality standards for medical technology products, it cannot be guaranteed that this is actually the case. Manufacturing is subject to inspections by special supervisory companies in order to ensure that the Company meets the requisite quality standards and there is no guarantee that a stated standard will always be satisfied in the future.

Manufacturing of Artimplant products takes place at a production facility located beside the Swedish head office. In the event of a significant disruption in production – due to a fire for example – delivery problems could arise. If this were to happen, the Company would

find it difficult to discharge its product delivery undertakings to the customer, which would have a negative effect on the Company's financial results and financial position.

Product liability and insurances

Sales of medical technology products entail a risk of product liability claims. Even if Artimplant considers that the Company is complying with official requirements, including requirements governing instructions for use and reporting of any complaints regarding the Company's products, it cannot be excluded that the Company could be subject to claims. Artimplant is of the opinion that the Company has adequate insurance cover but there is no guarantee that all losses the Company incurs are covered by the Company's insurance. Nor can it be guaranteed that the Company will in the future be granted suitable insurance cover, at an acceptable cost, that insurance cover can be secured at all, or that product liability claims or other claims do not have a substantial negative impact on Artimplant's operations and financial position.

Disputes

Artimplant is, and could in the future become, the subject of disputes and claims. Such disputes and claims could be time-consuming and disrupt normal operations. In addition, the outcome of complicated disputes could be difficult to predict. Nor can it be excluded that a disadvantageous outcome in a dispute could prove to have a highly negative impact on Artimplant's revenue flow, financial results and financial position.

Exchange rate fluctuations

During 2011, around 86 per cent of the Company's sales are in USD. Artimplant mainly has costs in SEK, which is the Company's reporting currency. A weaker USD in relation to SEK could have a negative effect on the Company's reported sales.

Liquidity risk

It is essential for a growth company to have sufficient liquidity in order to be able to finance future expansion. If the Company's development deviates from the forecast development, it cannot be excluded that in the future a situation will arise where the Company must secure new capital through, for example, the raising of loans or a new stock issue. Access to further financing is affected by a number of factors, such as market conditions, general access to loans and the Company's credit rating and credit capacity. In addition, access to further financing could depend on the Company's customers and stockholders and the market in general not having a negative view of the Company's long-term and short-term financial prospects. It cannot be guaranteed that such capital can be secured on terms and conditions that are advantageous to Artimplant. If the Company fails to secure necessary capital in the future, the Company's continued operations could be affected negatively.

Dividend

Artimplant does not have a fixed dividend policy and nor has it paid a dividend since the Company was founded. Furthermore, the Board of Directors feel that funds that could be paid as a dividend and which could arise in the Company during the next few years would probably be reinvested in the Company. No guarantees can be given that the Company will pay a dividend in the future.

Stock market risk

Stockholders in Artimplant ought to take into account that an investment in the Company is associated with a risk and that there are no guarantees that the stock price will increase. The stock price could fluctuate due to variations in the financial results as reported in the Company's quarterly reports, the general situation in the economy and changes in stock market interest in Artimplant and its shares. Limited liquidity in the shares could, in turn, contribute to reinforcing such fluctuations in stock price. The stock price could thus be affected by factors that are entirely or partly beyond the Company's control. There are thus no guarantees that Artimplant stocks can be sold at any given time at a rate that is acceptable to the stockholder.

Limited liquidity in stocks and stock options

Artimplant B stock units are traded on NASDAQ OMX Stockholm. The newly issued stocks in the recently concluded new stock issue are expected to be the subject of trading on NASDAQ OMX Stockholm in conjunction with registration of the issue. It cannot be guaranteed that the liquidity in the stocks will be sufficient. Insufficient liquidity could result in difficulty for a stockholder to change his/her holding.

The Company intends to apply for trading in stock options in the 2012/2013 series, in the first instance on NASDAQ OMX Stockholm and in the second instance on another marketplace. It cannot be guaranteed that the stock options will be accepted for trading. Even if the stock options become the subject of organized trading on the stock exchange or another marketplace, it is not possible to guarantee that the liquidity in the stock options will be satisfactory. If the stock options are not approved for trading, or if trading in the stock options generates insufficient liquidity, this could entail difficulty for a holder of stock options to change his/her holding.

PROPOSED DISTRIBUTION OF UNAPPROPRIATED EARNINGS

The financial statements of the Company will be presented for adoption at the Annual Meeting on May 3, 2012. The Board of Directors proposes that the Parent Company's retained loss of SEK 9,235,880 be carried forward.

The Board proposes that no dividend be paid for 2011.

At an extraordinary shareholders meeting held on February 9, 2012, it was decided to reduce the capital stock by SEK 9,479,166, where SEK 9,000,000 would be used to cover the loss and SEK 479,166 would be allocated to a non-restricted fund.

PARENT COMPANY

The majority of Artimplant operations are run through the Parent Company, Artimplant AB. Artimplant USA, Inc. is the Company's only subsidiary and is at present fully funded by the Parent Company. The Parent Company is responsible for continuity at the subsidiary and during January-December 2011 an impairment was made of receivables from Artimplant USA totaling SEK 9.2 million. Together with an impairment of SEK 12.2 million in the opening balance, the total impairment is SEK 21.4 million, which is equivalent to the subsidiary's negative equity. The impairment does not affect the Group result. The difference in the Parent Company's equity compared with the Group's equity can be explained by the internal profit on products sold by the Parent Company to the subsidiary and amounts to SEK

13.3 million. See the *Parent Company Income Statements and Balance Sheets* on page 30.

CORPORATE GOVERNANCE REPORT 2011

Corporate governance at Artimplant is based on external control, which includes Swedish legislation, primarily the Swedish Companies Act, the Articles of Association, the NASDAQ OMX Stockholm AB rules and the rules and recommendations issued by relevant organizations. Artimplant applies the Swedish Corporate Governance Code ('the Code'). The Code is based on the principle of 'comply or explain'. This means that a company that applies the Code can deviate from individual rules although in doing so it must provide explanations with reasons for each reported deviation. Artimplant follows the Code's rules and reports below the explanations in those cases where Artimplant has deviated from the rules laid down in the Code during 2011. During 2011, the Company complied with stock market rules and generally accepted stock market principles and was not the subject of criticism by the Stock Market Disciplinary Board or the Swedish Securities Council. The Articles of Association and information regarding annual meetings is available on the Group's website www.artimplant.com.

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

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

DEVIATIONS FROM THE CODE

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

2.4 Members of the Board who sit on the Election Committee prior to the 2012 Annual Meeting comprise the majority of the members of the Election Committee, which is in compliance with the decision reached at the 2011 Annual Meeting regarding the composition of the Election Committee.

7.3 The number of members of the Audit Committee is two compared to the figure of three laid down in the Code. Because of the Group's minor financial complexity, the Board of Directors is of the opinion that two persons can satisfactorily discharge the assignments delegated to the Audit Committee by the Board of Directors.

7.3 The Board of Directors is of the opinion that there is no need for a separate Remuneration Committee. The duties of such a committee are handled in their entirety by the Board.

STOCKHOLDERS AND STOCK INFORMATION

As of December 30, 2011, Artimplant had 6,885 stockholders according to the register kept by Euroclear Sweden AB. No stockholder or group of stockholders controlled more than 10 per cent of the votes or capital in the Company.

Artimplant's total number of stock units at the end of the year was 118,489,580, of which 575,000 are A stock units and 117,914,580 are B stock units. The A stock units carry 10 votes each whilst B stock units carry one vote each. The total number of votes at the end of the year was 123,664,580. The A stock units can, in accordance with the Articles of Association, be converted into B stock units.

Trade in Artimplant stocks takes place at NASDAQ OMX Stockholm AB. The closing price on December 30, 2011 was SEK 0.13 and the market capitalization was approximately SEK 15.4 million. For further information regarding Artimplant's stockholder structure, see the Stock and Ownership section on pages 42-43.

The quota value of the stock unit as of December 31, 2011 was SEK 0.10. Series A and Series B stock units carry equal rights to the Company's assets and profit. There are no limits on how many votes each stockholder can cast at a stockholders' meeting. The Articles of Association or Swedish law do not contain any provisions that limit the transferability of the stock units and Artimplant is not aware of any agreements between stockholders that could limit transferability.

Apart from what is stated in Note 2, there are no agreements between Artimplant and directors or employees that stipulate payments should these give notice of termination of employment, be given notice of termination of employment without reasonable grounds or if their employment ceases as a result of a public purchase offer for the stock units in Artimplant. The same applies to other significant business agreements. Employees do not have any holdings in the Company through pension foundations or similar arrangements that could affect the employees' potential to exercise a voting right.

The Company did not hold any of its own shares during 2011. Information about option programs that could lead to dilution can be found in Note 2 and further information about the capital stock can be found in Note 10.

Artimplant AB's capital stock as of December 31, 2011 was SEK 11,848,958.

At an extraordinary shareholders meeting on February 9, 2012, it was decided to reduce the capital stock by SEK 9,479,166.40 to cover a loss and for an allocation to be made to a non-restricted fund to be used in accordance with the decision reached at the shareholders meeting. Prior to the new stock issue, the capital stock amounted to SEK 2,369,791.60, divided among 118,489,580 shares, each with a quota value of SEK 0.02. The preferential stock issue in March 2012 means that the capital stock will increase by SEK 7,909,853.52 through an issue of 395,492,676 B stock units. After the preferential stock issue, the stock capital amounted to SEK 10,279,645.12, divided among 513,982,256 stock units, of which 575,000 were A stock units and 513,407,256 were B stock units.

The preferential stock issue also entails the issue of 197,746,338 Series 2012/2013 stock options, which carry entitlement to subscribe for the same number of B stock units in the Company during the period August 15-September 30, 2013. In the event of full subscription for stock units by reason of the stock options, the capital stock will be increased further by up to SEK 3,954,926.76 through the issue of a maximum of 197,746,338 B stock units.

The subscription price for stock units by virtue of stock options is SEK 0.13 per stock unit.

Information about stockholders and stock information is updated every quarter on the Company's website, www.artimplant.com.

STOCKHOLDERS MEETING AND ARTICLES OF ASSOCIATION

Control and development of Artimplant is governed by decisions made by a number of company bodies, of which the Stockholders Meeting is the supreme decision-making body. At the Stockholders Meeting, stockholders exercise their voting rights in accordance with Swedish company law and the Artimplant Articles of Association. According to the Articles of Association, "The Board of Directors, which is elected each year at the Annual Meeting for the period up to the end of the next Annual Meeting, shall comprise a minimum of four and a maximum of nine members as well as a maximum of five deputies." Otherwise, there are no stipulations regarding appointment and discharge of board members. The Articles of Association also stipulate, "A summons to the Annual Stockholders Meeting and a summons to an extraordinary meeting of the stockholders, at which the matter of an amendment to the Articles of Association will be dealt with, must be issued no earlier than six weeks and no later than four weeks prior to the meeting". Otherwise, there are no stipulations regarding amendments to the Articles of Association.

The Annual Meeting elects the Company's Board of Directors and auditor. It is also the duty of the Annual Meeting to, among other things, adopt the Company's financial statements, to decide on allocation of unappropriated earnings and to decide on discharge from liability for Directors and the President. The director's fee, the auditor's fee, guidelines for remuneration to the management team and possible stock issues are also decided at the Annual Meeting. The Board of Directors is not authorized to decide that the Company shall issue new stock units or acquire Company stock units.

At the Artimplant Annual Meeting held on May 4, 2011 in Västra Frölunda, 12.6 per cent of the total number of stock units and 14.9 per cent of the total number of votes in the Company were represented. The Board of Directors was present at the Annual Meeting. Also present were the President and CFO as well as the Company's auditor. Directors Ingemar Kihlström, Anna Malm Bernsten, Mats Lindquist and Wenche Rolfsen Sandsborg declined re-election. Håkan Johansson was re-elected to the Board. Anders Cedronius was elected as the new Chairman of the Board and John Arnold, Rickard Brånemark and Lars Peterson were elected as members in accordance with the proposal presented by the Election Committee.

The Annual Meeting adopted the proposal put forward by the Board that no dividend be paid and granted the Directors and the President discharge from liability for the 2010 financial year. The Annual Meeting also decided on remuneration to the Board of Directors and approved the proposal presented by the Board of Directors regarding guidelines for remuneration to the management team. Minutes from the Annual Meeting are available at www.artimplant.com.

ELECTION COMMITTEE

At the 2011 Annual Meeting, it was decided that the Company's Chairman be appointed as a member of the Election Committee and that he be commissioned, in consultation with the Company's three largest stockholders in terms of votes as of September 30, 2011, to appoint a further three members. The Election Committee shall appoint a Chairman from within its number, who may not be the Chairman of the Board. If any of the three largest stockholders should waive their right to appoint a representative on the Election Committee, or if it is no longer one of the largest stockholders in terms of votes during the period through to the Annual Meeting in 2012, this right shall pass to the stockholder which, after these stockholders, has the largest holding in terms of votes. The composition of the Election Committee shall be made public no later than six months prior to the Annual Meeting and which was published on the Company's website on November 3, 2011. The Chairman of the Board of Directors shall convene a meeting of the Election Committee during the fourth quarter. It is the task of the Election Committee to present proposals for election of a Chairperson for the Annual Meeting, the choice of Chairperson and other members of the Board of Directors, the choice of auditors as well as fees for the Board of Directors and the auditors. The Election Committee makes an evaluation of the Board of Directors and its work. Thereafter, a proposal is drafted for a new Board of Directors, which is enclosed with the summons to the forthcoming Annual Meeting.

The Election Committee prior to the Annual Meeting for 2011 comprises

- Lars Peterson (Chairman), a private stockholder and founder of Artimplant, current member of the Board.
- John Arnold from J&C Arnold Revocable Trusts, a private stockholder, current member of the Board.
- Bo Kaunitz, private stockholder
- Anders Cedronius, private stockholder, founder and former President of Artimplant, present Chairman of the board of Artimplant AB

Stockholders who wish to contact the Election Committee can do so by e-mail to the CFO Susan Linke (susan.linke@artimplant.com) or by telephone on +46 (0)31-746 56 00.

The Election Committee meets as necessary although at least once a year. During 2012, the Election Committee held one recorded meeting and had informal contact as necessary.

ANNUAL MEETING OF STOCKHOLDERS 2012

The Artimplant Annual Meeting will be held on May 3, 2012, at 5 pm, at the Company's head office at the address below. Stockholders who have a matter they wish to be dealt with at the Annual Meeting can submit the proposal to the Company by e-mail to agm2012@artimplant.com or at the above address to Artimplant AB, Attn: Annual Meeting 2012. To ensure inclusion in the summons to the meeting and thus inclusion in the agenda, proposals must be received by the Company by March 9, 2012 at the latest.

BOARD OF DIRECTORS AND THE WORK OF THE BOARD

During the Annual Meeting, the Board of Directors is the Company's supreme administrative body. The Board of Directors is responsible for the Company's organization and its management. The Board of Directors is also required to ensure that the organization with regard to accounting and asset management is subject to satisfactory control. According to the Articles of Association, the Board of Directors at Artimplant shall comprise a minimum of four and a maximum of nine members as well as a maximum of five deputies. The members are elected each year for the period up to the end of the next Annual Meeting. None of the members of the Artimplant Board of Directors has an operative role in the Company. The Board of Directors,

President and management team are presented in more detail on pages 44-45.

It is the role of the Chairman of the Board to lead the work of the Board and to ensure that the Board discharges its duties. The work of the Board of Directors for the year is based on the rules of procedure adopted at the statutory meeting. The rules of procedure govern, among other things, the number of Board meetings, which matters are to be dealt with and the internal allocation of responsibility between the members. Each year, the Board examines its own routines and evaluates the work of the President. The allocation of duties among the Board of Directors and the President is governed each year in the adopted instructions to the President. Apart from customary budget and development matters, the work of the Board was marked by the new stock issue as well as the Company's focused strategy aimed at own sales in the USA.

The Board of Directors held 13 Board meetings during 2011. The Company's CFO acted as secretary and other officials acted as presenters at the Board meetings. Attendance at these meetings by the Board members is presented below.

Attendance/total number of meetings	
Anders Cedronius	9/9 (became a member at the 2011 Annual Meeting)
John Arnold	8/9 (became a member at the 2011 Annual Meeting)
Rickard Brånemark	8/9 (became a member at the 2011 Annual Meeting)
Håkan Johansson	11/13
Lars Peterson	8/9 (became a member of the 2011 Annual Meeting)
Ingemar Kihlström	4/4 (stepped down at the 2011 Annual Meeting)
Anna Malm Bernsten	3/4 (stepped down at the 2011 Annual Meeting)
Mats Lindquist	4/4 (stepped down at the 2011 Annual Meeting)
Wenche Rolfsen Sandsborg	2/4 (stepped down at the 2011 Annual Meeting)

At the 2011 Annual Meeting, it was decided that a fee should be paid to the Board totaling SEK 720,000 (840,000), to be divided as follows (amounts in brackets refer to the previous mandate period).

SEK 240,000 (280,000) to the Chairman of the Board, SEK 120,000 (140,000) to each of the other members. In addition, a separate fee shall be paid to the Audit Committee, amounting to SEK 20,000 (40,000) to the chairperson of the committee and SEK 10,000 (20,000) to each of the members.

Delegation of responsibility and a decision-making right to its committees is laid down in the rules of procedure for the Board of Directors, which include the rules of procedure for each committee. At present, the committees do not have any right to make decisions other than in matters delegated explicitly by the Board of Directors.

The matters dealt with at the committee meetings are recorded in the minutes and reports are submitted at the following meeting of the Board of Directors.

Artimplant complies with the NASDAQ OMX Stockholm AB listing agreement and the Code with regard to demands for independent directors. All Directors are independent.

REMUNERATION COMMITTEE

Artimplant's Remuneration Committee comprised Wenche Rolfsen Sandsborg (Committee Chairperson) and Ingemar Kihlström through to May 2011. The Board of Directors subsequently decided, in the light of the size of the Board of Directors and its composition, as well as the organization of the Company, that there was no need for a separate remuneration committee within the Board of Directors and that instead these matters would be dealt with by the Board as a whole. The duties comprised preparing matters regarding remuneration and other terms and conditions of employment for the Company management and for formulating the guidelines for remuneration to the management team which the Board of Directors presents for a decision at the Annual Meeting.

AUDIT COMMITTEE

Artimplant's Audit Committee is appointed each year by the Board of Directors and during 2011 the Committee comprised directors Håkan Johansson (Committee Chairperson) and Mats Lindquist, who was replaced by Rickard Brånemark at the Annual Meeting.

The Committee is a body within the Company's Board of Directors and is charged, in accordance with the Companies Act, with the task of preparing on behalf of the Board matters relating to quality assurance of the Company's financial statements and maintaining ongoing contact with the auditor to remain informed about the orientation and scope of the audit. The Committee shall assist the Board of Directors in these issues and present to the Board its observations, recommendations and proposals for actions and decisions. In addition, the Audit Committee lays down guidelines for services other than audit services the Company can procure from the Company's auditor. The Committee is also charged with the task of evaluating the audit work, presenting this information to the Election Committee and assisting the Election Committee in producing proposals for an auditor and the fee for the audit work performed. During 2011, the Committee held three recorded meetings and had other contact in the interim as necessary. The Audit Committee also held a meeting in February 2012 dealing with the audit of the final accounts for 2011 and this was attended by both auditors and members of the Committee.

Election Committee

Annual Meeting

Board of Directors
Remuneration Committee
Audit Committee

Policy Documents

- Duties of the Board of Directors
- Instructions to the CEO
- Quality Assurance Policy
- Information Policy
- Investment Policy
- Equal Opportunities Plan
- Foreign Exchange Risk Policy
- Authorization Procedures
- Branding Policy
- Pension and Insurance Policy
- Employee Manual
- Guidelines for remuneration to senior management

With effect from the 2011 Annual Meeting, the duties of the former Remuneration Committee will be included in the work of the Board of Directors.

The Company's auditor has attended all meetings of the Audit Committee. The Committee, together with the auditor, has discussed and specified the scope of the audit, as well as the independence of the auditor.

Attendance/total number of meetings

Håkan Johansson	2/3
Rickard Brånemark	2/2
Mats Lindquist	1/1

if employment is terminated by the Company, with retained salary during the period of notice. According to the President's contract of employment, the President is entitled during 2011 to a variable payment of up to 50 per cent of his annual salary.

In addition, the President in the USA has an agreement stipulating severance pay of 12 months' salary in the event of termination of employment by the Company.

FINANCIAL REPORTING

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

EXTERNAL AUDITORS

Auditors are as a rule appointed at the Annual Meeting every fourth year. The auditors are commissioned, on behalf of the stockholders, to examine the Company's financial statements and accounting records as well as the administration of the Board of Directors and the President.

The lead auditor is authorized public accountant Björn Grundvall. He has been the Company's auditor since 2010 and does not hold any stocks in the Company. When Ernst & Young AB is engaged to provide services other than auditing services, this takes place in accordance with the rules decided by the Audit Committee governing approval of the nature and scope of the services as well as remuneration for the services provided. Artimplant is of the opinion that performance of these services has not jeopardized Ernst & Young AB's or Björn Grundvall's impartiality. It mainly involves more in-depth examinations of accounting issues and advice in conjunction with preparation of the tax return. Note 2 in the Annual Report contains an account of all payments to the auditors during the past two years.

The Company's auditor has attended all the meetings of the Audit Committee and one meeting of the Board of Directors.

STOCK/STOCK-RELATED INCENTIVE PROGRAMS

There are no outstanding stock or stock-related incentive programs for members of the Board of Directors. Incentive programs for Artimplant employees which are linked to the stock price are presented on page 42 and in Note 2.

PRESIDENT AND THE MANAGEMENT TEAM

The President is responsible for ensuring that the ongoing administration is handled in accordance with the guidelines and instructions issued by the Board of Directors. The President shall, through a satisfactory system of controls, assure himself that the Company is in compliance with statutory requirements, the rules of NASDAQ OMX Stockholm AB and the Code. The President shall also ensure that the Board of Directors receives documentation that is as factual, comprehensive and relevant as is necessary for the Board of Directors to reach fully informed decisions. In addition, the President maintains an ongoing dialogue with the Chairman of the Board of Directors and keeps him informed of the development and financial position of the Company and the Group.

The President and other members of the management team have meetings on a continuous basis to examine the monthly results, update forecasts and plans and discuss cross-functional issues. Artimplant's management team comprises five persons. These are presented on page 45. The Board of Directors is responsible for ensuring that there is an efficient internal control and risk management system in place. The President has been delegated responsibility for creating good conditions for working with such issues. Both the management team and the staff on different levels in the Company have this responsibility within their respective areas. Authority and responsibility are defined in policies, guidelines and job descriptions.

REMUNERATION TO THE MANAGEMENT TEAM

The guidelines for remuneration to the management team were adopted at the 2011 Annual Meeting. These are presented below. The proposal prior to the Annual Meeting in 2012 is that the guidelines remain unchanged.

Artimplant shall offer terms and conditions that are in line with the market and which allow the Company to recruit and retain competent personnel. Payment to senior management shall comprise a fixed salary, variable remuneration, long-term incentive programs, pension and other customary benefits. Remuneration is based on the performance of the individual in relation to preset objectives, both for the individual and for the Company as a whole.

The fixed salary shall be in line with the market and as a rule it is reviewed once a year, taking into account the performance of the individual. The amount of the variable remuneration is based on the individual's level of responsibility and the fulfillment, in percentage terms, of established objectives. The Board of Directors shall set a ceiling each year on variable remuneration, which may not exceed 30 percentage points of the fixed salary.

Artimplant has introduced stock-based incentive programs aimed at promoting the Company's long-term interests. The incentive programs comprise subscription options and employee stock options. The options have a term of five years.

The members of the senior management are entitled to pensions according to employment agreements or the ITP1 system. The retirement age is stipulated in law.

The Board of Directors is entitled to deviate from the above guidelines if the Board of Directors feels that in an individual case there are specific reasons to justify such a course of action.

The employment agreements for senior managers include rules regarding notice of termination of employment. According to these agreements, employment can normally cease at the request of the employee subject to a period of notice of 2-6 months and at the request of the Company subject to a period of notice of 3-12 months. In addition, the CEO is entitled to six months' notice and 18 months if employment is terminated by the Company, with retained salary during the period of notice. According to the President's contract of employment, the President is entitled during 2011 to a variable payment of up to 50 per cent of his annual salary.

In addition, the President in the USA has an agreement stipulating severance pay of 12 months' salary in the event of termination of employment by the Company.

REPORT BY THE BOARD OF DIRECTORS ON INTERNAL CONTROL AND RISK MANAGEMENT IN RESPECT OF FINANCIAL REPORTING FOR THE 2011 FINANCIAL YEAR

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

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

The control environment is the component that forms the basis for the other components. Through policies, instructions and organizational structure, Artimplant has documented the division of responsibility throughout the whole of the Artimplant organization.

This is reflected in the fact that policies and instructions, when applicable, are based on internationally accepted standards and/or best working practice. Policies and instructions are evaluated at least once a year. Artimplant has integrated risk assessment with the business processes, such as business planning. Within the control structure, Artimplant has documented critical financial processes and controls for the Parent Company and Artimplant USA, Inc. The financial processing control documentation is examined annually. Artimplant has an information and communication system and processes in place with the aim of ensuring complete and correct financial reporting. Accounting and reporting instructions are updated as necessary and are evaluated at least once a year.

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

The undersigned hereby certify that the Consolidated Accounts and the Annual Report have been prepared in accordance with the International Financial Reporting Standards, IFRS, as adopted by the EU, as well as generally accepted accounting principles, and provide a fair picture of the Group's and the Parent Company's position and results and that the Board of Directors' Report provides a fair overview of the development of the Group's and the Parent Company's operations, position and results and also describes material risks and uncertainties facing the companies that form part of the Group.

Gothenburg March 21, 2012

JOHN ARNOLD Director	ANDERS CEDRONIUS Chairman of the Board	RICKARD BRÅNEMARK Director
HÅKAN JOHANSSON Director	LARS PETERSON Director	KJELL THÖRNBRING CEO

Our audit report was submitted on March 28, 2012
Ernst & Young AB

BJÖRN GRUNDVALL
Authorized Public Accountant

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Amounts in KSEK

	NOTE 1	2011	2010
Net sales		18,287	18,466
Cost of goods and services sold		-2,201	-4,024
Gross profit		16,086	14,442
Other income		619	947
Research and development costs	2,3,6,7	-9,384	-14,637
Selling costs	2,3,6,7	-19,305	-15,917
Administrative costs	2,3,6,7	-5,868	-5,831
Other costs		-413	-966
Operating loss		-18,265	-21,962
Interest income and other financial income	4	565	155
Interest expense and other financial expense	4	-236	-558
Net financial items		329	-403
Loss after financial items		-17,936	-22,365
Taxes	12	-	-
Loss for the year*		-17,936	-22,365
Loss attributable to the Parent Company's stockholders		-17,936	-22,365
Earnings per stock unit, SEK		-0.15	-0.32
Earnings per stock unit after dilution, SEK		-0.15	-0.32

* Same as the comprehensive income for the year

CONSOLIDATED ALLOCATION OF NET SALES

Amounts in KSEK

	2011	2010
SOURCE OF REVENUE		
Product sales to licensees	4,469	6,966
Product sales to end-customers and distributors	13,652	11,064
Contract product development and other sales	166	436
Total	18,287	18,466
GEOGRAPHIC AREAS		
North America	15,979	16,804
Europe	2,308	1,662
Other areas	–	-
Total	18,287	18,466

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Amounts in KSEK

ASSETS	NOTE 1	12/31/2011	12/31/2010
Capitalized product development costs	5	440	559
Patents and brand names	6	249	957
Total intangible non-current assets		688	1,516
Machinery and equipment	7	121	281
Total tangible non-current assets		121	281
Total non-current assets		809	1,797
Raw materials, semi-finished and finished goods		3,570	3,210
Total inventories etc.		3,570	3,210
Accounts receivable		2,840	1,794
Other receivables		4,238	916
Prepaid expenses and accrued income	9	1,771	2,297
Total current receivables		8,848	5,007
Cash and bank accounts		11,042	36,890
Total current assets		23,460	45,107
TOTAL ASSETS		24,269	46,904

STOCKHOLDERS' EQUITY & LIABILITIES	NOTE 1	12/31/2011	12/31/2010
Capital stock	10	11 849	11,849
Other capital reserves		53,387	53,387
Retained loss		-31,354	-8,469
Loss for the period		-17,936	-22,365
Total equity		15,946	34,402
Provisions		-	12
Accounts payable		3,078	2,342
Other current interest-bearing liabilities		-	4,000
Other current liabilities		945	548
Accrued expenses and prepaid income	11	4,300	5,600
Total current liabilities		8,323	12,490
TOTAL STOCKHOLDERS' EQUITY & LIABILITIES		24,269	46,904
Pledged assets		None	8,000
Contingent liabilities		None	None

CONSOLIDATED CHANGES IN EQUITY

Amounts in KSEK

	NOTE 1	2011	2010
As of Jan 1		11,849	5,924
New stock issue		-	5,924
Total equity*		11,849	11,849
Other capital reserves as of Jan 1**		53,387	39,953
New stock issue		-	32,585
New stock issue costs		-	-5,869
Reduction		-	-13,282
Total, other capital reserves		53,387	53,387
Other equity as of Jan 1		-30,834	-22,024
Reduction		-	13,282
Benefit, employee stock option		-520	273
Loss for the period		-17,936	-22,365
Total, other equity		-49,290	-30,834
Total equity as of Dec 31		15,946	34,402

* See also under *Stock and ownership*.

** Other capital reserves have been reduced annually to cover the retained loss. Total other capital reserves before issue costs amount to SEK 470 million.

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in KSEK

	NOTE 1	2011	2010
OPERATING ACTIVITIES			
Net loss after financial items		–17,936	-22,365
Adjustment for items not affecting cash flow	13	306	2,189
Cash flow from operating activities before changes in working capital		–17,630	-20,176
CASH FLOW FROM CHANGES IN WORKING CAPITAL			
Changes in inventories etc.		–360	928
Changes in receivables		–3,842	2,240
Changes in liabilities		–166	1,910
Cash flow from operating activities		–21,998	-15,098
INVESTMENT ACTIVITIES			
Acquisition of intangible non-current assets		–	-226
Acquisition of tangible non-current assets		–	-39
Sale of tangible non-current assets		150	-
Cash flow from investment activities		150	-265
FINANCING ACTIVITIES			
Loans		–4,000	4,000
New stock issue		–	32,640
Cash flow from financing activities		–4,000	36,640
Cash flow for the period		–25,848	21,277
Cash and cash equivalents at beginning of period*		36,890	15,613
Cash and cash equivalents at end of period*		11,042	36,890

* Cash and cash equivalents consist of cash on hand and at banks that is available immediately and earns interest based on daily bank deposit rates as agreed with the Company's banks.

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

Amounts in KSEK

	NOTE 1	2011	2010
Net sales*		20,586	17,038
Cost of goods and services sold		-2,836	-4,206
Gross profit		17,750	12,832
Other income		6,423	3,398
Research and development costs	2,3,6,7	-9,384	-14,637
Selling costs*	2,3,6,7	-9,366	-8,821
Administrative costs	2,3,6,7	-5,868	-5,831
Other costs		-5,061	-4,559
Operating loss		-5,506	-17,618
Interest income and other financial income*	4	1,571	1,105
Interest expense and other financial expense	4	-1,128	-1,751
Impairment of receivable, subsidiary		-9,117	-3,262
Net financial items		-8,674	-3,908
Loss after financial items		-14,180	-21,526
Taxes	12	-	-
Loss for the year**		-14,180	-21,526

* Of the Parent Company's total income and purchases, 13,547 (7,968) of income and 0 (-) of purchases refer to intragroup transactions.
** Concurs with the comprehensive income for the year.

ALLOCATION OF PARENT COMPANY NET SALES

Amounts in KSEK

	2011	2010
SOURCE OF REVENUE		
Product sales to licensees	4,469	6,966
Product sales to end-customers and distributors	15,952	8,209
Contract product development and other sales	165	1,863
Total	20,586	17,038
GEOGRAPHIC AREAS		
North America	18,278	15,376
Europe	2,308	1,662
Other areas	-	-
Total	20,586	17,038

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

AMOUNTS IN KSEK

ASSETS	NOTE 1	12/31/2011	12/31/2010
Capitalized product development	5	440	559
Patents and brand names	6	249	957
Total intangible non-current assets		688	1,516
Machinery and equipment	7	115	270
Total tangible non-current assets		115	270
Stock and participation in subsidiaries	8	10	10
Receivables from subsidiaries		4,040	6,177
Total financial non-current assets		4,050	6,187
Total non-current assets		4,853	7,973
Raw materials, semi-finished and finished goods		2,796	2,870
Total inventories etc.		2,796	2,870
Accounts receivable		667	530
Receivables from subsidiary		12,605	5,243
Other receivables		3,934	911
Prepaid expenses and accrued income	9	1,444	2,036
Total current receivables		18,650	8,720
Cash and bank accounts		9,654	35,853
Total current assets		31,100	47,443
TOTAL ASSETS		35,953	55,416

STOCKHOLDERS' EQUITY & LIABILITIES	NOTE 1	12/31/2011	12/31/2010
Capital stock	10	11,849	11,849
Statutory reserve		26,671	26,671
Total restricted equity		38,520	38,520
Retained earnings		4,944	26,988
Loss for the period		-14,180	-21,526
Total non-restricted equity/Retained loss		-9,236	5,462
Total equity		29,284	43,982
Provisions		-	12
Accounts payable		3,004	2,288
Current interest-bearing liabilities		-	4,000
Other current liabilities		931	477
Accrued expenses and prepaid income	11	2,734	4,657
Total current liabilities		6,669	11,422
TOTAL STOCKHOLDERS' EQUITY & LIABILITIES		35,953	55,416
Pledged assets		None	8,000
Contingent liabilities		None	None

PARENT COMPANY CHANGES IN EQUITY

Amounts in KSEK

CHANGES IN EQUITY	NOTE 1	2011	2010
CAPITAL STOCK*			
Opening balance		11,849	5,924
New stock issue			5,924
Closing balance		11,849	11,849
STATUTORY RESERVE**			
Opening balance		26,671	39,953
Reduction in statutory reserve			-13,282
Closing balance		26,671	26,,671
NON-RESTRICTED EQUITY**			
Opening balance		5,462	-13,281
Reduction in statutory reserve			13,282
New stock issue			32,585
New stock issue costs			-5,869
Reclassification		2	-2
Benefit, employee stock option		-520	273
Loss for the year		-14,180	-21,526
Closing balance		-9,236	5,462
Total equity		29,284	43,982

* See also under Stock and ownership.

** The statutory reserve has been reduced annually to cover the retained loss. Total other capital reserves/non-restricted equity before stock issue costs amount to SEK 470 million.

PARENT COMPANY STATEMENTS OF CASH FLOWS

Amounts in KSEK

	NOTE 1	2011	2010
OPERATING ACTIVITIES			
Net loss after financial items		-14,180	-21,526
Adjustment for items not affecting cash flow	13	9,420	5,443
Cash flow from operating activities before changes in working capital		-4,760	-16,083
CASH FLOW FROM CHANGES IN WORKING CAPITAL			
Changes in inventories etc.		74	955
Changes in receivables		-16,910	-2,324
Changes in liabilities		-753	1,900
Cash flow from operating activities		-22,349	-15,552
INVESTMENT ACTIVITIES			
Acquisition of intangible non-current assets		-	-226
Acquisition of tangible non-current assets		-	-29
Sale of tangible non-current assets		150	-
Cash flow from investment activities		150	-255
FINANCING ACTIVITIES			
Loans		-4,000	4,000
New stock issue		-	32,640
Cash flow from financing activities		-4,000	36,640
Cash flow for the period		-26,199	20,833
Cash and cash equivalents at the beginning of the year*		35,853	15,020
Cash and cash equivalents at end of the year*		9,654	35,853

* Cash and cash equivalents consist of cash on hand and at banks that is available immediately and earns interest based on daily bank deposit rates as agreed with the Company's banks.

NOTES, amounts in KSEK

NOTE 1 ACCOUNTING PRINCIPLES

APPLICABLE RULES

This Annual Report was prepared in compliance with the Swedish Annual Accounts Act and the EU-endorsed IFRS and interpretations from IFRIC as well as RFR and UFR.

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

New and amended standards from IASB and statements from IFRIC

During the year, the Group introduced the following new and amended standards from IASB and statements from IFRIC with effect from January 1, 2011. The application of the following standards and interpretations has not had any effect on the Group's financial position or financial results.

- IAS 24, Related Party Disclosures – amendment. The change clarifies the definition of related parties to facilitate identification of such relationships and eliminate inconsistencies in the application.
- IAS 32, Financial Instruments: Classification – amendment. The definition of a liability has been changed, which means, for example, that share options which a company distributes and where the subscription amount is set in a currency other than the company's functional currency will be a separate capital instrument if it is distributed pro rata to existing stockholders.
- IFRIC 14, Limit on Defined Benefit Assets, Minimum Funding Requirements and Their Interaction – amendment. The amendment provides guidance when assessing the recoverable value of a 'net pension asset'. The amendment permits a company to report an advance payment of the lowest funding requirement as an asset.
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments. The interpretation presents how a company should report renegotiated terms and conditions for a financial liability that result in the company issuing equity instruments to a lender and which either wholly or in part extinguish the financial liability.

New and amended accounting principles that will become applicable with effect from 2012 or later

A number of new or amended IFRS come into effect during the coming financial year. Artimplant has opted not to apply a number of these standards in advance. New or amended IFRS that are to be applied from 2012 or 2013 are considered not to have any material effect on the Statement of Comprehensive Income or the Statement of Financial Position or the Group's financial statements, but in certain cases could result in expanded disclosure requirements.

PARENT COMPANY ACCOUNTING PRINCIPLES

Group contribution and shareholders' contribution

With the change in RFR 2, the principles for reporting group contributions provided or received changed for listed parent companies. The new principles mean that group contributions received by the parent company from a subsidiary are reported in the parent company as customary dividends from subsidiaries, i.e. as financial income. Stated group contributions are reported against participations in subsidiaries or as an item under appropriations depending on their financial content. A shareholders' contribution is reported directly against non-restricted equity by the receiving party and as an increase in the item 'participations in group companies' by the contributing party.

CONSOLIDATION PRINCIPLES

With effect from January 2006, the Group's final accounts include the Parent Company Artimplant AB (publ) and Artimplant USA, Inc., which is wholly owned by the Parent Company. The functional currency is SEK. Since 2008, the subsidiary's operations have been included as an extension of the Parent Company's operations. This means that the exchange effects that arise from translation of the subsidiary are shown as if they had taken place in the Parent Company. Intragroup receivables and liabilities, income or costs and unrealized gains or losses arising from intragroup transactions, are eliminated in full when preparing the consolidated accounts.

REVENUE RECOGNITION

Revenue derived from sales of products is recognized when material risks and benefits linked to those products have been transferred to the purchaser. Revenue related to services is recognized when a service has been performed or when agreed intermediate goals are achieved. Revenue relating to fees receivable under licensing agreements is recognized for the period in which the agreement is signed and all conditions and performance aspects have been met. License income from product sales is reported preliminarily by the licensee each month, at which point it is also taken up as revenue. According to the agreement with SBi, license income falls for final reporting and payment 30 days after the calendar quarter-end. Any adjustment of licensing income generated takes place in conjunction with the final report and payment by the licensee.

EMPLOYEE REMUNERATION

Pension plan

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

Stock-based remuneration

As of the closing date, the Company had three employee stock option programs and their value for the period, calculated according to IFRS 2, and social security contributions for the period according to statement UFR 7 from the Swedish Financial Reporting Council, are reported in the Statement of Comprehensive Income and Statement of Financial Position. To calculate the current value of the options as a basis for calculating the provision for social security costs, the interest rate on Swedish government bonds corresponding to the remaining duration of each option was used. Daily share price data was used to estimate volatility. Future social security contributions for employee stock options are hedged by allocating 25% of the total number of options for this purpose. See the description of the respective employee stock option programs in Note 2.

SEGMENT REPORTING

Artimplant has commercial products at an early phase. New products are developed both in cooperation with partners and solely on the Company's own account. Costs are generated mainly by the Company's Gothenburg operations and are reported as R&D expenses, Sales expenses and Administrative expenses. Income is generated by granting licenses for product applications, sales of products and payments for product development projects, and may be geographically attributable to the Nordic countries, the rest of Europe or the USA. Artimplant is dependent on regulatory clearance for the marketing of its products and technology. The Company's access to its most important market, the USA, depends on clearance from the United States Food and Drug Administration (FDA). Products must first receive CE certification before they can be marketed in Europe. As regulatory clearance plays a decisive role in the Company's risks and opportunities, net sales are reported by geographical segment. However, costs are incurred mainly in Sweden and are reported by function.

RISKS AND FINANCIAL INSTRUMENTS

Receivables and liabilities in foreign currencies are valued at the exchange rate on the closing date and unrealized exchange rate gains and losses are recognized in the Statement of Comprehensive Income. The Company had one foreign subsidiary as of the closing date. Artimplant's policy for managing financial instruments is stated in the Company's investment and currency policies, which provide guidance for handling cash, liquidity and currency risk management, with the basic premise of minimizing financial risks. A large proportion of the Company's revenues are denominated in USD while most costs are denominated in SEK. The Company therefore exchanges income received in foreign currencies for SEK and only maintains holdings in foreign currencies to the extent considered necessary to cover costs incurred in those currencies over the next three months. The functional currency of the Company is SEK. To date, the Company has chosen not to make use of any derivatives.

RESEARCH AND DEVELOPMENT COSTS

IAS 38 (Intangible assets) stipulates that companies analyze and distribute their research and development costs (R&D). Research costs are expensed as they are incurred, and up to 2006, product development costs were capitalized when it was assessed that they would in all probability produce future financial benefits. With effect from 2007, the Company does not capitalize product development costs as difficulty in predicting future revenue flows is an intrinsic part of operations. Depreciation according to plan on capitalized product development costs commences when the product in question begins to be sold commercially. Artimplant's product development takes place in project form. Project costs include salaries, cost of materials and other costs directly attributable to a specific project. As of January 2006, depreciation of capitalized product development costs is recorded as research and development costs instead of under cost of goods sold.

RECEIVABLES

Receivables are reported at the amounts expected to be recovered, as decided on a case-by-case basis. The risk of non-payment from Artimplant's customers is very low. Through to the closing date, the Company did not have any significant bad debt losses.

INVENTORY

Inventory is carried at the lower of cost or fair value on the closing date. As of the closing date, none of the inventory was valued at fair value. Raw materials and purchased finished products are valued at cost. Products and processes and finished goods produced in-house are valued at the manufacturing cost. The manufacturing cost includes costs that are directly attributable costs, such as materials and salaries as well as relevant manufacturing overheads.

NON-CURRENT ASSETS

Non-current assets are carried at cost following a deduction for accumulated depreciation according to plan. Depreciation according to plan is applied on a straight-line basis and is based on the assets' cost and assessed useful life. Patents and brand names, capitalized costs for product development and equipment, are depreciated or amortized over 5 years.

IMPAIRMENTS

IAS 36 (Impairment of assets) states that impairment should be recognized whenever the carrying value exceeds the recoverable value. On each closing date, Artimplant assesses whether there is reason to assume that the value of an asset has decreased. If so, the Company calculates the recoverable value. Any impairment is charged to net profit for the period.

PROVISIONS AND CONTINGENT LIABILITIES

Provisions are based on the estimate of the management of the expected outcome and they are reported in compliance with IAS 37.

ASSESSMENTS AND ESTIMATES

When preparing the annual accounts, the Board of Directors and senior management make several assessments and estimates that affect the disclosed amounts in the Statement of Financial Position and the revenues and expenses in the Statement of Comprehensive Income. These assumptions have been deemed reasonable under the current circumstances although the actual outcome may deviate if other assumptions are made or if other conditions are present. The following values are considered particularly sensitive to assumptions:

- Capitalized product development costs are checked by calculating the current value of expected future cash flows. These calculations are based on a number of assumptions about factors such as the competitive situation, acceptance of the product in the market, the discount rate etc. If conditions change substantially, the calculations could lead to other values. As difficulty in predicting future revenue flows from development projects is intrinsic to the nature of the business, the Company has not capitalized any further product development costs since January 2007.
- Calculated values and future social security costs for the employee stock option programs affect retained earnings and provisions in the Company's Statements of Financial Position. Assumptions about the remaining number of employees at the time of redemption, estimated volatility and risk-free interest have a considerable impact on calculated values.
- Assessments of how the risks presented under the preceding section, Material future risks, could affect the Company's financial position.

NOTE 2 PERSONNEL AND REMUNERATION TO THE BOARD OF DIRECTORS, SENIOR MANAGEMENT AND AUDITORS

AVERAGE NUMBER OF EMPLOYEES	2011	2010
Women	9	13
Men	12	12
Total	21	25

At the year-end, there were 19 employees (9 women, 10 men). Five are employed by Artimplant USA Inc. and the remainder by Artimplant AB.

STAFF TURNOVER, %	2011	2010
Women	21.8	15.7
Men	43.8	16.3
Total	34.0	16

Definition of staff turnover: The lowest of the number of employees who joined or left during the period divided by the average number of employees during the period.

REMUNERATION AND OTHER BENEFITS 2011	Basic salary/ Director's fee*	Variable re-muneration	Other benefits	Pension cost	Stock-related payment	Other remune-ration	Total
PRESENT BOARD MEMBERS							
Chairman of the Board Anders Cedronius*	160	-	-	-	-	-	160
Director, Rickard Bråneмark*	87	-	-	-	-	-	87
Director, Lars Peterson*	80	-	-	-	-	-	80
Director John Arnold*	80	-	-	-	-	-	80
Director, Håkan Johansson*	168	-	-	-	-	-	168
FORMER BOARD MEMBERS							
Former Chairman of the Board Ingemar Kihlström**	121	-	-	-	-	-	121
Former Director, Mats Lindquist**	67	-	-	-	-	-	67
Former Director, Anna Malm Bernsten**	58	-	-	-	-	-	58
Former Director, Wenche Rolfsen**	67	-	-	-	-	-	67
Former CEO	1,051	-	-	280	9	-	1,331
CEO	1,339	180	-	308	-	-	1,827
Other senior managers (4)	2,729	70	-	383	-287	-	3,182
Other personnel***	7,678	26	269	718	-242	-	8,691
Social security costs on salaries and pensions***	3,476	90	-	384	-11	-	3,950

* Payment to the Board of Directors refers to the period May-December 2011, where was paid to the amount of KSEK 240 to the Chairman and KSEK 120 to each of the other directors. The remaining remuneration refers to work in the audit and remuneration committees. Payment to Håkan Johansson refers to the whole of 2011.

** Payment to former members of the Board of Directors who resigned at the Annual Meeting in May 2011, where a director's fee was paid to the amount of KSEK 280 to the Chairman and KSEK 140 to each of the other directors. The remaining remuneration refers to work in the audit and remuneration committees.

*** Personnel costs at the subsidiary Artimplant USA, Inc. are included to the amount of KSEK 3,410.

REMUNERATION AND OTHER BENEFITS 2010	Basic salary/ Director's fee*	Variable re-muneration	Other benefits	Pension cost	Stock-related payment	Other remune-ration	Total
Chairman of the Board Ingemar Kihlström*	290	-	-	-	-	-	290
Director, Anna Malm Bernsten*	140	-	-	-	-	-	140
Director, Mats Lindquist*	160	-	-	-	-	-	160
Director, Lennart Ribohn*	90	-	-	-	-	-	90
Director, Wenche Rolfsen*	160	-	-	-	-	-	160
Director, Håkan Johansson*	90	-	-	-	-		90
CEO	1,378	82	-	419	94	-	1,972
Other senior managers (5)	2,996	124	-	523	117	187	3,946
Other personnel**	8,832	34	106	796	62	-	9,830
Social security costs on salaries and pensions*	4,048	75	-	494	-53	-	4,564

* Payment to the Board of Directors refers to the period January-December 2010 where a director's fee was paid to the amount of KSEK 280 to the Chairman and KSEK 140 to each of the other directors. The remaining remuneration refers to work in the audit and remuneration committees.

** Personnel costs at the subsidiary Artimplant USA, Inc. are included to the amount of KSEK 1,174.

EMPLOYEE STOCK OPTIONS*	Option 2006-2011	Option 2007-2012	Option 2008-2013	Option 2009-2014	Total	Stock units	% of no of stock units*
CEO	110,000	110,000	112,500	112,500	445,000	569,600	0.5%
Other senior managers	115,000	150,000	180,000	156,000	601,000	769,280	0.6%
Other employees	112,500	130,000	157,500	181,500	581,500	744,320	0.6%
Provision for social security costs	112,500	130,000	150,000	150,000	542,500	694,400	0.6%
Total, approved options	450,000	520,000	600,000	600,000	2,170,000	2,777,600	2.3%
Outstanding options Jan 1, 2011	241,401	439,454	562,684	579,776	1,823,315	2,333,843	2.0%
Allocated during the period	-	-	-	-	-	-	-
Returned/Unsubscribed	-	-288,175	-418,434	-415,792	-1,122,401	-1,436,673	-
Redeemed	-	-	-	-	-	-	-
Lapsed	-241,401	-	-	-	-241,401	-308,993	-
Outstanding options, Dec 31, 2011	0	151,279	144,250	163,984	459,513	588,177	0.5%
Redemption price (SEK). Recalculated for new issue.	6.90	5.50	3.40	2.70	-	-	-
Increase in equity in the event of full subscription**	0	832	490	443	1,765	-	-

* Shares per option recalculated at 1.28 and the redemption price, recalculated for the new stock issue in 2010.

** Amounts in KSEK. Other terms and conditions for the employee stock option programs are to be found in the *Stock and ownership section*.

PENSIONS

Artimplant only has a defined contribution pension plan. The pension cost refers to the cost that has been charged to the profit for the year. The pension premium for the CEO amounts to 30% of his salary. For other personnel at Artimplant AB, pension premiums are in accordance with the ITP1 collective agreement. This means 4.5% of the salary up to KSEK 33 per month and 30% of the salary thereafter.

SEVERANCE PAY ETC.

The CEO is entitled to 18 months' notice from the Company. The Company is entitled to six months' notice from the CEO. During such periods of notice, the CEO will be entitled to continue receiving his salary, pension rights and other remuneration.

Periods of notice for other senior managers are 2-6 months from the employee and 3-12 months from the Company.

AUDITORS' FEES, KSEK	2011	2010
Audit fees, elected auditor Ernst & Young AB	200	200
Auditing work in addition to the audit assignment	29	43
Tax consulting	14	14
Other services	42	82
Other auditors (refers to subsidiary)	93	88
Total	378	427

NOTE 3 DEPRECIATION AND IMPAIRMENT OF TANGIBLE AND INTANGIBLE NON-CURRENT ASSETS

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
PLANNED DEPRECIATION OF TANGIBLE NON-CURRENT ASSETS, BY FUNCTION				
Research and development costs	133	437	133	437
Selling costs	11	16	6	10
Administrative costs	16	20	16	20
Total	160	474	155	468
PLANNED DEPRECIATION AND IMPAIRMENT OF INTANGIBLE NON-CURRENT ASSETS, BY FUNCTION				
Research and development costs	803	1,362	803	1,362
Selling costs	25	24	25	24
Administrative costs	-	-	-	-
Total	828	1,386	828	1,386

NOTE 4 FINANCIAL INCOME AND EXPENSE

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Interest income	324	104	373	118
Exchange gains	241	51	1,198	987
Total financial income	565	155	1,571	1,105
Interest expense	-43	-190	-43	-190
Exchange losses	-193	-360	-1,085	-1,553
Other financial expense	-	-8	-	-8
Total financial expense	-236	-558	-1,128	-1,751

NOTE 5 CAPITALIZED PRODUCT DEVELOPMENT COSTS

	12/31/2011	2010/12/31
Acquisition cost as of Jan 1	44,918	44,918
Capitalizations for the year		
Acquisition cost as of Dec 31	44,918	44,918
Accumulated depreciation and impairments as of Jan 1	-44,359	-43,728
Impairments for the year	-	-591
Depreciation for the year according to plan	-120	-40
Accumulated depreciation and impairments as of Dec 31	-44,479	-44,359
Total carrying value	440	560

The opening balance for the comparison year has been corrected with regard to disposals in previous years.

	ODONTOLOGY*
Carrying value as of Jan 1	560
Capital expenditure for the year	-
Impairment	-
Depreciation according to plan	-120
Carrying value as of Dec 31	440

* Refers to Artelon® Scaffold

NOTE 6 PATENTS AND BRAND NAMES

	12/31/2011	12/31/2010
Acquisition cost as of Jan 1	5,512	5,406
Capital expenditure for the year	-	226
Disposal, loss of patent protection, etc.	-2	-120
Acquisition cost as of Dec 31	5,510	5,512
Accumulated depreciation as of Jan 1	-4,556	-3,819
Depreciation for the year according to plan	-707	-755
Disposal, loss of patent protection, etc.	2	18
Accumulated depreciation as of Dec 31	-5,261	-4,556
Total carrying value	249	956

NOTE 7 EQUIPMENT

	GROUP		PARENT COMPANY	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Acquisition cost as of Jan 1	14,660	14,645	14,626	14,621
Purchases during the year	-	39	-	29
Sales and disposals during the year	-1,177	-24	-1,177	-24
Acquisition cost as of Dec 31	13,483	14,660	13,449	14,626
Accumulated depreciation as of Jan 1	-14,379	-13,922	-14,356	-13,906
Depreciation for the year according to plan	-160	-474	-155	-468
Sales/disposals during the year	1,177	17	1,177	17
Adjustment	-	-	-	1
Accumulated depreciation as of Dec 31	-13,362	-14,379	-13,334	-14,356
Total carrying value	121	281	115	270

NOTE 8 PARENT COMPANY'S STOCK AND PARTICIPATIONS IN GROUP COMPANIES

	12/31/2011	12/31/2010
Acquisition cost as of Jan 1	10	10
Acquisition cost as of Dec 31	10	10
Total carrying value	10	10

SPECIFICATION OF STOCK UNITS AND PARTICIPATIONS	Number of stock units/participations	Proportion	Carrying value
Artimplant USA, Inc., EIN 20-3865384*		10	10
Registered domicile: Delaware, USA	1,500	100%	10
Office: Denver, Colorado, USA			
Total carrying value			10

* The company commenced operations in January 2006. EIN corresponds to the Swedish corporate identity number.

NOTE 9 PREPAID EXPENSES AND ACCRUED INCOME

	GROUP		PARENT COMPANY	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Rent	636	700	636	700
Pension insurances	33	35	33	35
Patents	180	150	180	150
Accrued income	519	978	226	731
Miscellaneous	403	434	369	420
Total	1,771	2,297	1,444	2,036

NOTE 10 STOCK

CHANGES IN NUMBER OF STOCK UNITS	Quota value**	No. of series A units*	No. of series B units*	Total no. of units	Total stock
Total as of Jan 1	0.1 SEK	575,000	117,914,580	118,489,550	11,848,955 kr
Total stock units as of Dec 31	0.1 SEK	575,000	117,914,580	118,489,550	11,848,955 kr

* Series A stock units carry 10 votes each, Series B stock units carry one vote each.

** After the year-end, a decision was reached at an extraordinary shareholders' meeting on February 9, 2012, to reduce the quota value to SEK 0.02. See also under *Capital stock and ownership in the Board of Directors Report*, page 21.

	2011	2010
Average number of stock units	118,489,550	69,118,922
Total stock units after dilution	119,078,102	120,532,181

NOTE 11 ACCRUED EXPENSES AND PREPAID INCOME

	GROUP		PARENT COMPANY	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Holiday liability and accrued salaries	1,990	2,255	1,348	2,043
Social security costs	712	1,500	712	1,500
Clinical trials	141	472	141	472
Accrued sales commission	729	526	41	24
Consulting costs	-	204	-	204
Collective agreement pension and sickness insurances	110	159	110	159
Miscellaneous	618	484	382	255
Total	4,300	5,600	2,734	4,657

NOTE 12 TAXES

Accumulated loss deductions amounted to SEK 410 million in the Parent Company and USD 3 million, equivalent to SEK 21.4 million in Artimplant USA, Inc. The Parent Company's accumulated loss deduction is not subject to any time limit for utilization. The loss deduction at Artimplant USA, Inc. of KUSD 193 falls due in 2026, of KUSD 467 in 2028, KUSD 561 in 2029, KUSD 661 in 2030 and KUSD 1,143 in 2031. In compliance with IAS 12:35, no deferred tax receivable has been reported. It is anticipated that a deferred tax receivable will be reported once the Company has begun to generate a taxable surplus.

NOTE 13 ADJUSTMENT FOR ITEMS NOT INCLUDED IN THE CASH FLOW

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Impairment, receivable from subsidiary	-	-	9,117	3,262
Depreciation, accumulated product development	120	631	120	631
Depreciation, patents and brands	708	755	708	755
Depreciation, equipment	160	474	155	468
Benefits and provisions, employee stock options	-531	219	-531	219
Miscellaneous	-150	110	-150	108
Total	307	2,189	9,420	5,443

AUDIT REPORT To the annual meeting of the shareholders of Artimplant AB Corporate identity number 556404 - 8394

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Artimplant AB for the year 2011, except for the corporate governance statement on pages 21-25. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 16-40.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation, of the annual accounts in accordance with the Annual Accounts Act and, of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 21-25. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and consolidated statements of comprehensive income and consolidated statements of financial position.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Artimplant AB for the year 2011. We have also conducted a statutory examination of the corporate governance statement.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. The Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance statement has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined [the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess] whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence which we have obtained is sufficient and appropriate in order to provide a basis for our opinions.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have obtained a sufficient basis for our opinion. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Opinions

We recommend to the annual meeting of shareholders that the loss be dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and the consolidated accounts.

Gothenburg, March 28, 2012
Ernst & Young AB

Björn Grundvall
Authorized Public Accountant

STOCK AND OWNERSHIP

Artimplant AB's Series B stock has been listed since 1997 on NASDAQ OMX Stockholm in the Small cap segment and in the Healthcare sector. Series A stock is not listed but can be converted into Series B stock. The number of A stock units, B stock units and votes are presented on the next page.

The closing price for Series B stock at the year-end was SEK 0.13. Stock price development during 2011 is presented in the Development of stock price graph below. Artimplant's market capitalization as of December 31, 2011 was approximately SEK 15.4 million. Artimplant did not pay any dividend or repurchase any stock units during 2011.

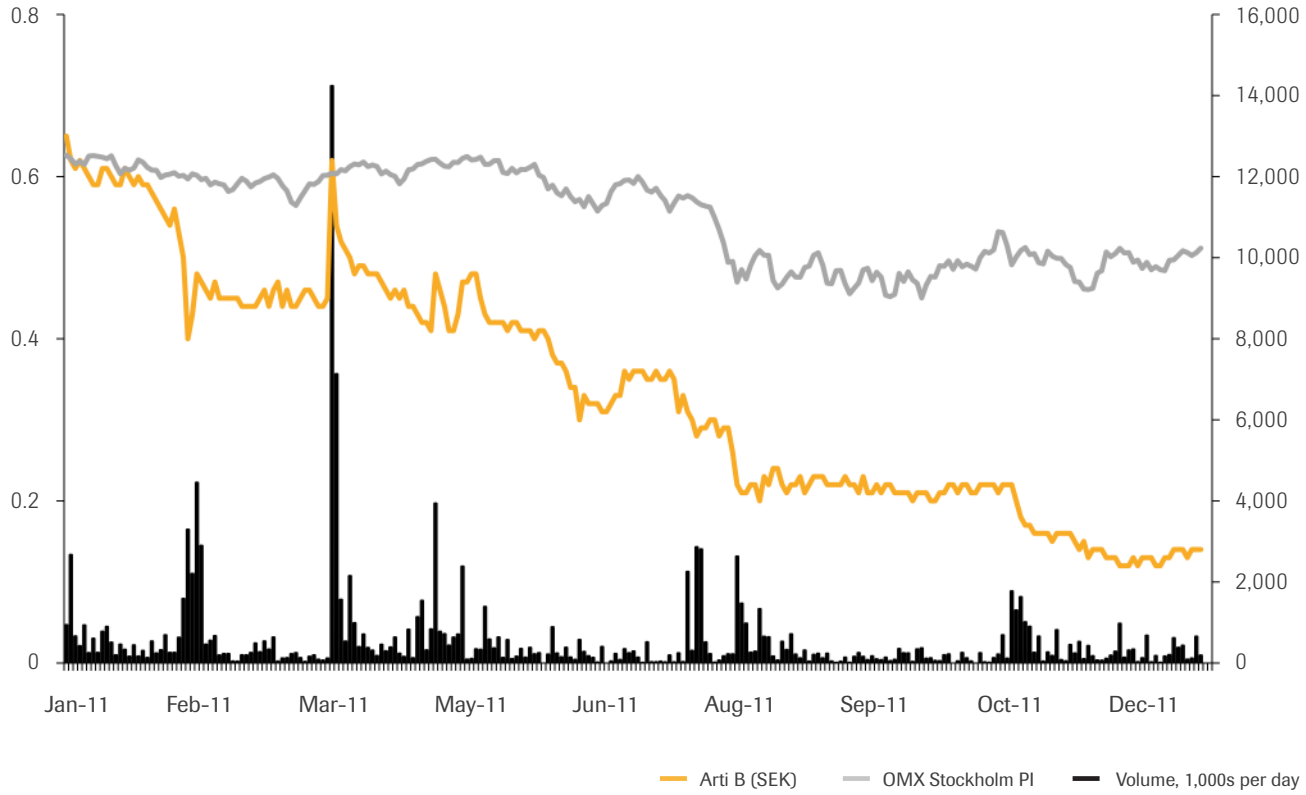
The number of stockholders as of December 31, 2011 according to the stockholders register maintained by Euroclear Sweden AB was 6,885. The largest stockholders are reported in the table '10 largest stockholders as of December 31, 2011' on the next page.

As of the closing date, Artimplant had three employee stock option programs. The division between personnel categories, change in the number of outstanding options, redemption price, potential dilution and potential increase in equity in the event of full subscription is reported in Note 2. The main content of the terms and conditions of these programs is: Term 5 years and redemption can take place in years 3-5. The personnel must hold a certain number of stock units in Artimplant during the term of the program, otherwise the options are free of charge. An option carries entitlement to 1.28 stock units. Full terms and conditions for the option programs can be found on the Artimplant website under "Investors and media/Corporate governance/General stockholders' meetings".

At an extraordinary stockholders' meeting on February 9, 2012, it was decided to reduce the capital stock, and carry out an option issue. The option issue was carried out in March 2012. For further information, see Board of Directors' Report, *Stockholders and Stock Information section*, page 21 and Issue History, page 43.

Further information about stockholders and stock units, e.g. quota value, limitations on transferability, entitlement to the Company's profit etc. can be found in the Board of Directors' Report in the *Stockholders and Stock Information section* on page 21.

DEVELOPMENT OF STOCK PRICE, SOURCE: NASDAQ OMX



10 LARGEST STOCKHOLDERS AS OF DECEMBER 31, 2011, Source: Euroclear Sweden AB

NAME	SERIES A	SERIES B	% OF VOTES	% OF CAPITAL
John & Claire Arnold through a foundation	207,000	6,371,875	6.83	5.55
Nordnet Pensionsförsäkring AB	–	6,721,822	5.44	5.67
Försäkringsaktiebolaget Avanza Pension	–	4,682,840	3.79	3.95
Anders Cedronius and family	99,000	2,041,000	2.45	1.81
JP Morgan Bank	–	3,024,200	2.45	2.55
Bo Kaunitz	–	2,200,000	1.78	1.86
Håkan Johansson	–	2,000,000	1.62	1.69
Lars Peterson with family and company	37,500	1,596,530	1.59	1.38
Livförsäkrings AB Skandia	45,000	1,153,690	1.30	1.01
Handelsbanken Life & Pension Ltd	–	1,432,000	1.16	1.21
Other stockholders	186,500	86,690,623	71.61	73.32
Total	575,000	117,914,580	100.00	100.00

NUMBER OF STOCK UNITS AND VOTES

CATEGORY OF STOCK UNIT	NUMBER OF STOCK UNITS	NUMBER OF VOTES	CAPITAL %	VOTES %
Series A stock units	575,000	5,750,000	0.5	4.6
Series B stock units	117,914,580	117,914,580	99.5	95.4
Total	118,489,580	123,664,580	100	100

ISSUE HISTORY

		CHANGE						
YEAR	ACTIVITY	CAPITAL STOCK	A STOCK UNITS	B STOCK UNITS	CAPITAL STOCK	A STOCK UNITS	B STOCK UNITS	QUOTA VALUE
1990	Company founded	100,000	1,000	–	100,000	1,000	–	100.00
1995	Directed new issue	200,000	2,000	–	300,000	3,000	–	100.00
1996	Directed new issue[1]	100,000	1,000	–	400,000	4,000	–	100.00
1997	Bonus issue 1:4	100,000	1,000	–	500,000	5,000	–	100.00
1997	Split 1000:1	–	995,000	4,000,000	500,000	1,000,000	4,000,000	0.10
1997	New issue	150,000	–	1,500,000	650,000	1,000,000	5,500,000	0.10
1999	New issue [1]	175,000	–	1,750,000	825,000	1,000,000	7,250,000	0.10
2000	Conversion A to B	–	–146,250	146,250	825,000	853,750	7,396,250	0.10
2000	Directed new issue	100,000	–	1,000,000	925,000	853,750	8,396,250	0.10
2002	Conversion A to B	–	–77,750	77,750	925,000	776,000	8,474,000	0.10
2002	Directed new issue	1,000,000	–	10,000,000	1,925,000	776,000	18,474,000	0.10
2002	Conversion A to B	–	–21,750	21,750	1,925,000	754,250	18,495,750	0.10
2003	Option issue	468,102	–	4,681,018	2,393,102	754,250	23,176,768	0.10
2003	Option issue	1,196,551	–	11,965,509	3,589,653	754,200	35,142,277	0.10
2003	Conversion A to B	–	–68,750	68,750	3,589,653	685,500	35,211,027	0.10
2004	Directed new issue	360,000	–	3,600,000	3,949,653	685,500	38,811,027	0.10
2005	Conversion A to B	–	–91,750	91,750	3,949,653	593,750	38,902,777	0.10
2005	Option issue	1,974,826	–	19,748,263	5,924,479	593,750	58,651,040	0.10
2010	Conversion A to B	–	–18,750	18,750	5,924,479	575,000	58,669,790	0.10
2010	Option issue	5,924,479	–	59,244,790	11,848,958	575,000	117,914,580	0.10
2012	Reduction[2]	-9,479,166	–	–	2,369,792	575,000	117,914,580	0.02
2012	Option issue[3]	7,909,854	–	395,492,676	10,279,645	575,000	513,407,256	0.02
2013	New issue[4]	3,954,927	–	197,746,338	14,234,572	575,000	711,153,594	0.02

1 New issue through exercising of options.
2 At an extraordinary stockholders' meeting on February 9, 2012, it was decided to reduce the capital stock to cover a loss and to make an allocation to a non-restricted fund.
3 Outcome of an option issue carried out in March 2012.
4 New issue in the event of full exercising of options in series 2012/2013.

BOARD OF DIRECTORS

ANDERS CEDRONIUS

Chairman of the Board since 2011.

Born in 1942. Marine officer specializing in the submarine service and intelligence service. Runs his own company as a business development consultant. Has worked mainly in management, marketing and sales within the international pharmaceutical and medical technology industry and has previously held leading positions at Erco Läkemedel, AKZO, Johnson & Johnson and Bota Läkemedel. Founder of Artimplant in 1990, board member 1990-2003 and Artimplant CEO 1992-2002.

Holding in Artimplant: 99,000 Series A stock units, 2,041,000 Series B stock units and 2,140,000 paid subscribed units* (own and through related parties). Options: 0

JOHN R ARNOLD

Director since 2011.

Born in 1944. US citizen from Englewood, Colorado, USA. BA in anthropology and sociology, MA in psychology from the University of Northern Colorado. Worked previously as a psychologist with the U.S. Army and in the state of Alaska and has held leading positions at hospitals in Colorado and Utah. Founder and former owner of Concentra Medical Centers, Rehabilitation & Performance Medicine Specialists, which was sold and listed on NASDAQ in the USA.

Holding in Artimplant: 207,000 Series A stock units, 6,371,875 Series B stock units and 6,578,875 paid subscribed units* (own and through related parties as a foundation). Options: 0

RICKARD BRÅNEMARK

Director since 2011.

Born in 1960. MSc, PhD, MD, consultant in orthopedics at Sahlgrenska University Hospital, MScEng in applied physics from Chalmers University of Technology. Conducts research in experimental studies of osseointegration and osseoperception, clinical evaluation of bone-anchored amputation processes and biomechanical analysis of bone-anchored implants.

Holding in Artimplant: Options: 0

HÅKAN JOHANSSON

Director since 2010.

Born in 1955. MBA, University of Gothenburg School of Business, Economics and Law. Independent adviser. Former Senior Partner at EQT Partners AB 1999-2009. During the period 1994-1999, Håkan Johansson worked in the Electrolux Group, first as head of Mergers & Acquisitions and then as CEO of Electrolux Wascator AB. Before his years at Electrolux, he held a number of managerial positions within the Volvo Group and he was the Group CFO during the period 1991-1994.

Holding in Artimplant: 2,000,000 Series B stock units and 6,500,000 paid subscribed units*. Options: 0

LARS PETERSON

Director since 2011.

Born in 1936. PhD, MD, Professor Emeritus in orthopedics at the Sahlgrenska Academy, Gothenburg University and honorary doctor, Medical Faculty, Helsinki University, Finland, and Universidad Catolica de San Antonia de Murcia, Spain. Conducts research in tissue regeneration with cells, among other things in conjunction with the treatment of cartilage damage. Founder and clinical head of the Gothenburg Medical Center 1988-2004, a specialist clinic focusing on orthopedics and sports injuries. Founder of Artimplant in 1990, Director 1990-1995 and the person behind Artimplant's focus on biologically degradable material to support and facilitate the body's healing process in conjunction with soft tissue damage.

Holding in Artimplant: 37,500 Series A stock units, 1,596,530 Series B

COMPANY'S AUDITOR

Ernst & Young AB

Björn Grundvall (1955). Authorized Public Accountant

Auditor at Artimplant since 2010

* Paid subscribed units were subscribed for in March 2012 in conjunction with the option issue. Each unit comprises four (4) new Series B stock units and two (2) options, each of which carries the right to subscribe for one (1) new Series B stock unit during the period August-September 2013.


ANDERS CEDRONIUS


JOHN R ARNOLD


RICKARD BRÅNEMARK


HÅKAN JOHANSSON


LARS PETERSON

SENIOR MANAGEMENT

KJELL THÖRNBRING

President and CEO

Born in 1958. Employed since 2011. MBA , Gothenburg University. His most recent position was CFO for Din Bostad Sverige AB (publ), which was acquired by Fastighets AB Balder (publ). Former CFO at Borås Wäfveri AB (publ), President and CEO of Elanders AB (publ) as well as a number of other positions as president and CFO. During the period April-May 2011, Kjell Thörnbring was CFO for Artimplant AB, whereupon he took up the position of acting President in May 2011. He became President in June 2011.

Holding in Artimplant: 2,000,000 paid subscribed units*.

KATRIN GISSELFÄLT

Head of Research & Development, PhD

Born 1969. Employed since 1995. MScEng Chemical Engineering, PhD in polymer chemistry at Chalmers University of Technology. One of the key researchers behind Artelon®.

Holdings in Artimplant: 30,000 Series B stock units and 15,000 paid subscription units*.

Option holdings within employee option programs

44,799 options in the 2007/2012 series

40,000 options in the 2008/2013 series

44,000 options in the 2009/2014 series

JAMES M JONES

President of Artimplant USA, Inc.

Born 1967. Employed since 2011. BA in management from Angelo State University, Texas, USA. Former Territory Manager at Xerox and Wyeth Pharmaceuticals, Area Business Manager at Biomatrix and Bionicare, Area Sales Manager at Abbott Spine, and Senior Clinical Account Executive at Genzyme.

Holdings in Artimplant: -

SUSAN LINKE

Chief Financial Officer

Born 1969, employed since 2007. Economics program, specializing in operational control, at the IHM Business School and currently on the economics program at University West/Blekinge Institute of Technology. Susan Linke was previously head of accounting at Artimplant and was appointed as CFO in June 2011. She has a background in accounting and as head of accounting and finance.

Holdings in Artimplant: 1,100 Series B stock units and 42,100 paid subscription units*.

Option holdings within employee option programs

8,255 options in the 2007/2012 series

12,313 options in the 2008/2013 series

1,440 options in the 2009/2014 series

HANNA STENHAMRE

Head of Clinical Research/Clinical Affairs, PhD

Born 1978. Employed since 2005. Hanna Stenhamre holds a PhD in biosciences and an MScEng from Chalmers University of Technology. Previously worked at Artimplant as head of preclinical research and in June 2011 she was appointed as Head of the new Clinical Research/Clinical Affairs Department.

Holdings in Artimplant: 8,000 Series B stock units and 8,000 paid subscription units* (own and through related parties)

Option holdings within employee option programs

8,255 options in the 2007/2012 series

12,313 options in the 2008/2013 series

11,699 options in the 2009/2014 series

* Paid subscribed units were subscribed for in March 2012 in conjunction with the option issue. Each unit comprises four (4) new Series B stock units and two (2) options, each of which carries the right to subscribe for one (1) new Series B stock unit during the period August-September 2013.

KJELL THÖRNBRING

KATRIN GISSELFÄLT

JAMES M JONES

SUSAN LINKE

HANNA STENHAMRE

HISTORY

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

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

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

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

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

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

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

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

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

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

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

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

2008 Sales of Artelon® Tissue Reinforcement increase significantly whilst there is a lack of growth in sales of Artelon® Spacer. Artimplant is initiating new development projects for the treatment of knee joint osteoarthritis and osteoarthritis in the facet joint in the spine. Agreement signed with BioMedtrix regarding the distribution in the USA of Artelon® CCL for cruciate ligament reconstruction in dogs.

2009 Sales have doubled and product sales to end-customers and distributors have multiplied, increasing its share of total sales to 37% (15). The agreement with Small Bone Innovations was renegotiated, making it non-exclusive from 2009. All patients enrolled for the American post-market study of Artelon® Tissue Reinforcement for the treatment of patients with tears in the rotator cuff tendons. The first patients are included in a clinical study for the treatment of osteoarthritis in the facet joint in the spine with an Artelon® implant. Product design and procedure are developed further for Artelon® CCL. The first dogs in a prospective investigation in the USA underwent cruciate ligament reconstruction using Artelon® CCL.

2010 Own sales have doubled and account for 61% (37) of total product sales whilst license revenue has halved. Artimplant's strategy is market oriented with a focus on the strategically important USA market and Artelon® Tissue Reinforcement. Four product specialists are employed in the USA and costs not related directly to marketing and sales are reduced in Sweden. The American post-market study on Artelon® Tissue Reinforcement for the treatment of the rotator cuff in the shoulder is concluded.

2011 In the USA, a new marketing and sales initiative commenced with the recruitment of a person to head the subsidiary Artimplant USA Inc., which also acquires a number of new co-workers. Administration and market support are brought together at Artimplant's newly opened office in Denver to create considerably better conditions for building up relationships with agents and customers. Own sales continue to increase, both in absolute numbers and as a proportion of total product sales, albeit from low levels, and account for 76 per cent of total product sales.

ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting will be held on May 3, 2012, at 5 pm, at the Company offices at the address below. The premises will be open for registration at 4 pm.

Artimplant AB Hulda Mellgrens gata 5, SE-421 32 Västra Frölunda, Sweden

ATTENDANCE AT THE MEETING

Stockholders who wish to participate must

- Register their participation with the Company no later than April 26, 2012 in one of the following ways:
  - By e-mail to agm2012@artimplant.com
  - By fax on +46 31-746 56 60
  - By telephone on +46 31-746 56 00
  - In writing to Artimplant AB, Annual Meeting 2012 Hulda Mellgrens gata 5, SE-421 32 Västra Frölunda, Sweden

  Notification should include details of name, civic registration number or company registration number, address, phone number and stockholding as recorded in the stockholders' register on April 26, 2012.
- Be recorded in the stockholders' register maintained by Euroclear Sweden AB no later than April 26, 2012

To attend the meeting, stockholders whose stocks are recorded in the names of nominees through a bank or similar institution must request to have their holdings temporarily re-registered in their own names at Euroclear Sweden AB. Reregistration must be completed by April 26, 2012 at the latest.

DIVIDEND

The Board of Directors has proposed that no dividend be paid for 2011.

FOR FURTHER INFORMATION

Please contact the Chief Executive Officer or Chief Financial Officer:
Tel. +46 31 746 56 00
Investor.relations@artimplant.com

UPCOMING INFORMATION

Three-month Report	May 3, 2012
Annual Meeting	May 3, 2012
Six-month Report	August 23, 2012
Nine-month Report	October 31, 2012
Year-end Report	February 1, 2013

Financial reports are published on the Company's website www.artimplant.com and are distributed to the media at the same time.

The Annual Report is published on the Company's website and is available at the Company office.

Artimplant AB, Hulda Mellgrens Gata 5, SE-421 32 Västra Frölunda, Sweden
Tel +46 31 746 56 00, Fax +46 31 746 56 60, www.artimplant.com

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Artimplant
Degradable Materials for Optimal Tissue Repair