



ARTIMPLANT AB'S INTERIM REPORT JANUARY 1 – JUNE 30, 2004

INCREASED SALES EFFORTS AND CONTINUED STRONG CASH POSITION

- Artimplant's net sales for the 6 month period reached SEK 1.0 million (SEK 1.2 million)
- Losses after tax amounted to SEK –13.3 million (SEK –11.2 million)
- The result per share amounted to SEK –0.35 (SEK –0.52)
- Liquid funds at the end of the period amounted to SEK 63.8 million
- Artelon TMC Spacer marketing activities have commenced in the Nordic countries

DEVELOPMENTS AFTER THE END OF THE PERIOD

- The test sales of Artelon ACL Augmentation Device in the United Kingdom has expired
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Forthcoming financial reports:

January-September 2004 report: November 5, 2004
Release of year end results: February, 17, 2005

Financial reports are available at www.artimplant.se at the same time that they're distributed to the media. For information regarding business model, technology and products see Artimplant's Annual Report 2003, which is available at our web site.

For more information, contact:

Tord Lendau, CEO, +46 31 746 5600, +46 708 369 403, tord.lendau@artimplant.se
Jonas Ström, CFO, +46 31 746 5654, +46 703 016 854, jonas.strom@artimplant.se

ARTIMPLANT

Artimplant's mission is to develop novel biodegradable materials and implants that meet the needs of patients, physicians and healthcare providers in orthopedics and other therapy areas.

The company works together with global partners as a center of excellence in this development. Artimplant's vision is to become the partner of choice in biomaterials for hard and soft tissue repair in multiple therapy areas.

Artimplant is a public company, listed on the Stockholm Exchange, O-list.

Nota Bene: Artelon® is a registered trade name in Europe, the United States and Japan.



Artimplants results, January – June 2004

Artimplant's net sales for January–June 2004 totaled SEK 1.0 million (SEK 1.2 million for the same period the preceding year) and consisted primarily of compensation from Mölnlycke Health Care. The operating loss for the period totaled SEK 14.0 million (SEK 11.6 million loss). The loss after taxes was SEK 13.3 million (SEK 11.2 million loss). Loss per share was SEK 0.35 (SEK 0.52 loss).

Regulatory approvals

In January Artimplant's ARTELON Surgical Suture received CE-certificate. In March Artimplant received new CE certificates with extended indications for two products: ARTELON TMC Spacer (formerly ARTELON CMC-I Spacer) and ARTELON Augmentation Device ACL. Altogether the company has obtained regulatory approvals for the following products:

Products cleared for marketing in Europe:

- ARTELON Augmentation Device ACL (2 indications)
- ARTELON TMC Spacer (2 indications)
- ARTELON Surgical Suture

Products cleared for marketing in the US:

- ARTELON Surgical Suture

Patents and trade marks

As of May ARTELON is a registered trade mark in USA. During the period these patents were approved:

- Linear block polymer approved in China
- Porous films approved in Australia and US
- Ligament approved in US
- Spacer approved in Sweden
- Linear block polymer approved in China
- Ligament registered in Greece
- Polymerfiber registered in China (July 9, 2004)

Clinical trials

The spacer TMC multicenter study proceeds according to plan, and surgery has been completed for all patients. From the ACL pilot study, tissue samples (biopsies) have been obtained up to 61 months revealing excellent biocompatibility and the Artelon biomaterial is fully accepted by the host tissue at this long-term follow up. The other studies; ACL pilot study, multicenter studies and accelerated rehabilitation study, TMJ Spacer pilot study and UCL pilot study continue according to plan.

Spacer

Following the regulatory approvals for Artelon TMC Spacer and the Artelon Surgical Suture, marketing activities have commenced in the Nordic countries. During the year Artimplant will participate in 6 industry exhibitions. The Company is pursuing partnership with certain players in the market for hand surgery.

Test sales of ARTELON ACL Augmentation Device in the UK

The agreement with Atlantech Ltd concerning test sales of Artelon ACL Augmentation Device in the United Kingdom has expired. The results from the test period show that Artimplants products can be interesting for certain patient categories, for example athletes requiring accelerated rehabilitation. For the major patient groups however the current gold standard is considered to be clinically sufficient. Going forward Artimplant pursues partnership with larger orthopedic companies that have global reach and resources to invest in product development, and a following regulatory effort for a stand alone ACL prosthesis.





Investments and liquidity

The investments during January–June totaled SEK 2.2 million (SEK 3.8 million), of which intangible assets accounted for SEK 1.8 million (SEK 3.3 million). At the end of the period, liquid assets totaled SEK 63.8 million (SEK 27.1 million).

International accounting- and reporting standards

Adaptation to IAS/IFRS is under way. In preparing the Annual Report 2003, no significant deviations from the IFRS regulatory framework were discovered.

Personnel

As of June 30, 2004, Artimplant employed 27 (24). No consultants are presently associated with the Company.

Correction

In the fourth quarter 2003 Artimplant raised SEK 47,9 millions in a rights issue. On December 31 approximately 98% of the capital had been paid in to the Company. In the annual report for 2003 the Company reported an increase of the share capital, even though it was not formally registered by the Swedish Companies Registration Office (Patent och Registreringsverket) until February 2004. The paid in capital should have been reported as “paid in but not registered share capital” on December 31, and “share capital” in the following report for the first quarter 2004.

INCOME STATEMENTS ARTIMPLANT AB

Amounts in SEK thousands	Apr-Jun	Jan-Jun	Apr-Jun	Jan-Jun	Jan-Dec
	2004	2004	2003	2003	2003
Net sales	9	1 022	119	1 160	1 225
Cost of goods & services sold	-9	-1 022	-119	-1 160	-1 225
Gross profit/loss	0	0	0	0	0
Research and development costs	-3 797	-6 723	-2 170	-5 246	-13 878
Marketing costs	-1 859	-3 860	-1 878	-4 033	-7 637
Administrative costs	-1 371	-3 414	-1 514	-3 000	-6 417
Share in earnings from Group companies	0	0	54	725	775
Operating loss	-7 027	-13 997	-5 508	-11 554	-27 157
Interest income and other financial income	321	714	180	330	771
Interest expense and other financial expenses	-4	-5	-5	-11	-40
Share of net result from divested operations	-	-	-	-	9 966
Depreciation of shares in subsidiaries	-	-	-	-	-13 739
Net financial items	317	709	175	319	-3 042
Loss after financial items	-6 710	-13 288	-5 333	-11 235	-30 199
Taxes	-	-	-	-	-
Loss for the period	-6 710	-13 288	-5 333	-11 235	-30 199

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

Amounts in SEK thousands	Apr-Jun	Jan-Jun	Apr-Jun	Jan-Jun	Jan-Dec
	2004	2004	2003	2003	2003
Capitalized research and development costs	-	-	-	-	-
Patents	271	536	220	430	1 101
Machinery and equipment	537	1 043	610	1 220	2 451
Total depreciation	808	1 579	830	1 650	3 552

KEY RATIOS FOR ARTIMPLANT AB

	Jan-Jun	Jan-Jun	Jan-Dec
	2004	2003	2003
Earnings per share, SEK	-0,35	-0,52	-1,21
Earnings per share after full conversion, SEK	-0,35	-0,52	-1,21
Equity per share, SEK	2,85	3,56	3,10
Equity per share after full conversion, SEK	2,85	3,56	3,10
No. of shares at end of period	39 496 527	23 931 018	35 896 527
Average n. of shares	37 696 527	21 590 509	24 928 144
No. of shares after full conversion	40 829 867	25 264 358	37 229 867
Yield on equity, %	neg	neg	neg
Yield on capital employed, %	neg	neg	neg
Equity/assets ratio, %	93	86	90

BALANCE SHEETS ARTIMPLANT AB

Amounts in SEK thousands	2004-06-30	2003-06-30	2003-12-31
ASSETS			
Capitalized R&D costs	47 301	44 209	45 471
Patents	2 309	2 247	2 781
Total intangible fixed assets	49 610	46 456	48 252
Machinery and equipment	2 497	4 379	3 195
Total tangible fixed assets	2 497	4 379	3 195
Shares in Group companies	1 807	18 096	1 807
Total financial fixed assets	1 807	18 096	1 807
Total fixed assets	53 914	68 930	53 254
Raw materials, semimanufactures and finished goods	135	12	135
Total inventories etc	135	12	135
Accounts receivable	11	149	44
Other receivables	946	947	1 437
Prepaid expenses and accrued income	2 150	1 770	1 356
Total short-term receivables	3 107	2 867	2 837
Cash and bank accounts	63 840	27 147	67 950
Total current assets	67 082	30 025	70 922
TOTAL ASSETS	120 995	98 956	124 176

Amounts in SEK thousands	2004-06-30	2003-06-30	2003-12-31
SHAREHOLDERS' EQUITY & LIABILITIES			
Share capital	3 950	2 393	3 590
Restricted reserves/Legal reserve	152 019	93 957	137 979
Total restricted equity	155 969	96 350	141 569
Retained losses	-30 199	-	-
Loss for the period	-13 288	-11 235	-30 199
Total retained loss	-43 487	-11 235	-30 199
Total equity	112 482	85 115	111 370
Accounts payable	2 335	3 735	2 161
Liabilities, Group companies	1 845	2 647	1 944
Other current liabilities	881	1 328	1 174
Accrued expenses and prepaid income	3 453	6 131	7 527
Total current liabilities	8 513	13 841	12 806
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	120 995	98 956	124 176

Note: Changes in shareholder's equity during the period

Amounts in SEK thousands	Jan-Jun 2004	Jan-Jun 2003	Jan-Dec 2003
Equity at beginning of the period	111 370	82 529	82 529
Share issue	14 400	13 821	59 040
Loss for the period	-13 288	-11 235	-30 199
Equity at end of the period	112 482	85 115	111 370

CASH-FLOW ANALYSIS ARTIMPLANT AB

Amounts in SEK thousands	Jan-Jun 2004	Jan-Jun 2003	Jan-Dec 2003
Operating activities			
Loss after financial items	-13 288	-11 235	-30 199
Adjustment for items not effecting cash flow	1 579	1 260	5 904
Taxes paid	-	-	-
Cash flow from operating activities before changes in working capital	-11 709	-9 975	-24 295
Cash flow from changes in working capital			
Increase(-), decrease(+) in inventories	-	120	-3
Increase(-), decrease(+) in receivables	-270	1 774	1 801
Increase(+), decrease(-) in liabilities	-4 294	-7 346	-5 831
Cash flow from operating activities	-16 272	-15 427	-28 328
Investing activities			
Aquisition of intangible fixed assets	-1 893	-3 312	-5 779
Aquisition of tangible fixed assets	-345	-13	-61
Disposal of tangible fixed assets	-	650	650
Cash from divestment of subsidiary operations	-	-	11 000
Cash flow from investing activities	-2 238	-2 675	5 810
Financing activities			
Share issue	14 400	13 821	59 040
Cash flow from financing activities	14 400	13 821	59 040
Cash flow for the period	-4 110	-4 281	36 522
Liquid funds at beginning of period	67 950	31 428	31 428
Liquid funds at end of period	63 840	27 147	67 950

Accounting principles

The same accounting principles were applied as in the 2003 annual report.

The Company applies the Swedish Financial Accounting Standards Council's recommendations.

Gothenburg, August 27, 2004

Artimplant AB (publ)

Tord Lendau
CEO

This report has not been audited by Artimplant's auditors.