

ARTIMPLANT AB's INTERIM REPORT JANUARY 1 – MARCH 31, 2004

SEVERAL NEW REGULATORY APPROVALS AND A STRONG FINANCIAL POSITION

- **Artimplant's net sales for the period reached SEK 1.0 million (SEK 1.0 million)**
- **Losses after tax was SEK 6.6 million (SEK 5.9 million), the loss per share was SEK 0.17 (SEK -0.30)**
- **Three new CE-certificates were granted, which cleared the way for product sales in EU**
- **Good results from the study of accelerated rehab with Artelon® Augmentation Device ACL, and in thumb joint surgery with UCL Augmentation Device**
- **Extended test sales of Artelon® Augmentation Device ACL in the United Kingdom**
- **The directed share issue, based on the over subscription of the December rights issue, yielded over SEK 14 millions**

DEVELOPMENTS AFTER THE END OF THE PERIOD

- **Artimplant and Carnegie Mellon University signed a research agreement relating to ARTELON in bone applications**

Forthcoming financial reports:

January-June 2004 report: August 27, 2004
January-September 2004 report: November 5, 2004

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:

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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. Registrations in the United States and Japan are pending.

ARTIMPLANT'S RESULTS, JANUARY–MARCH 2004

Artimplant's net sales for January–March 2004 totaled SEK 1.0 million (SEK 1.0 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 7.0 million (SEK 6.0 million loss). The loss after taxes was SEK 6.6 million (SEK 5.9 million loss). Loss per share was SEK 0.17 (SEK 0.30 loss).

REGULATORY APPROVALS

Three new CE certificates were granted during the period, which cleared the way for product sales in EU. 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. The extended indications offer physicians increased freedom of choice between surgical procedures, and will in many cases lead to less complicated and faster operations. In essence extended indications make the products more cost effective for the customers.

CLINICAL RESULTS

A clinical pilot study with Artimplant's ARTELON Augmentation Device ACL showed good results for patients who went through accelerated rehabilitation. Already after 6 months patients had a high degree of activity, and after a year they had returned to their per-injury activity levels. For example, this means that athletes may return faster to normal activity.

In a pilot study patients with chronic injuries to the ulnar collateral ligament (UCL) in the first metacarpophalangeal joint (thumb ligament) were operated with a reinforcement band in combination with autograft. Patients show that the initially good results with stable joints remain 2 years after surgery.

EXTENDED TEST SALES OF ARTELON ACL AUGMENTATION DEVICE

The duration of Atlantech's test sales of ARTELON Augmentation Device ACL in the United Kingdom has been extended to August 31, 2004. The reason for the extension is that a CE-certificate for the use of Hamstring autograft in ACL-reconstruction was granted in March 2004. The use of Hamstring is a growing practice compared to the use of Patellar tendon. Surgeons who have used Artimplant's augmentation device continue to operate with the product.

FINANCING

During the first quarter the company raised SEK 14.4 million in the directed issue that was decided by the November 2003 extraordinary shareholders meeting, and was based on the large over subscription in the December rights issue. The issue price was the same as in the rights issue. Shares were only allocated to share holders who subscribed both with primary and subsidiary subscription rights in the December 2003 issue.

INVESTMENTS AND LIQUIDITY

The investments during January–March totaled SEK 0.7 million (SEK 1.4 million), of which intangible assets accounted for SEK 0.7 million (SEK 1.4 million). At the end of the period, liquid assets totaled SEK 72.8 million (SEK 25.1 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.



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PERSONNEL

As of March 31, 2003, Artimplant AB employed 26 (27). No consultants are associated with the Company.

DEVELOPMENTS AFTER THE END OF THE PERIOD

Artimplant and Carnegie Mellon University in research collaboration on ARTELON in bone applications

Artimplant and Carnegie Mellon University, Pittsburgh, Pennsylvania, has entered into an agreement relating to Artimplant's proprietary degradable biomaterial ARTELON in bone applications. The first phase of the pre-clinical research will examine the soft, porous ARTELON Scaffold without and in combination with autologous cells. A soft scaffold offers several new interesting possibilities in regenerating bone. The results are expected to show ARTELON's benefits as a bone void filler and lay the ground for an FDA-clearance.

Bone void fillers make up 75% of the total market for Orthopedic Biomaterials. The market for bone void fillers is estimated to exceed SEK 4.5 billion, and exhibits strong growth.

INCOME STATEMENTS ARTIMPLANT AB

Amounts in SEK thousands	Jan-Mar 2004	Jan-Mar 2003	Jan-Dec 2003
Net sales	1 013	1 041	1 225
Cost of goods & services sold	-1 013	-1 041	-1 225
Gross profit/loss	0	0	0
Research and development costs	-2 926	-3 076	-13 878
Marketing costs	-2 001	-2 155	-7 637
Administrative costs	-2 043	-1 486	-6 417
Share in earnings from Group companies	0	671	775
Operating loss	-6 970	-6 046	-27 157
Interest income and other financial income	393	150	771
Interest expenses and other financial expenses	-1	-6	-40
Share of net result from divestment of operations	-	-	9 966
Depreciation of shares in subsidiaries	-	-	-13 739
Net financial items	392	144	-3 042
Loss after financial items	-6 578	-5 902	-30 199
Taxes	-	-	-
Loss for the period	-6 578	-5 902	-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	Jan-Mar 2004	Jan-Mar 2003	Jan-Dec 2003
Capitalized research and development costs	-	-	-
Patents	265	210	1 101
Machinery and equipment	506	610	2 451
Total depreciation	771	820	3 552

KEY RATIOS FOR ARTIMPLANT AB

	Jan-Mar 2004	Jan-Mar 2003	Jan-Dec 2003
Earnings per share, SEK	-0,17	-0,30	-1,21
Earnings per share after full conversion, SEK	-0,17	-0,30	-1,21
Equity per share, SEK	3,02	3,93	3,10
Equity per share after full conversion, SEK	3,02	3,93	3,10
No. of shares at end of period	39 496 527	20 326 016	35 896 527
Average n. of shares	37 696 527	19 788 008	24 928 144
No. of shares after full conversion	40 829 867	21 659 416	37 229 867
Yield on equity, %	neg	neg	neg
Yield on capital employed, %	neg	neg	neg
Equity/assets ratio, %	92	81	90

BALANCE SHEETS ARTIMPLANT AB

Amounts in SEK thousands	2004-03-31	2003-03-31	2003-12-31
ASSETS			
Capitalized research and development costs	46 126	42 426	45 471
Patents	2 516	2 359	2 781
Total intangible fixed assets	48 642	44 785	48 252
Machinery and equipment	2 738	4 975	3 195
Total tangible fixed assets	2 738	4 975	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	53 188	67 856	53 254
Raw materials, semi manufactures and finished goods	135	132	135
Total inventories etc	135	132	135
Accounts receivable	19	1 250	44
Other receivables	1 494	981	1 437
Prepaid expenses and accrued income	1 813	1 726	1 356
Total short-term receivables	3 327	3 957	2 837
Cash and bank accounts	72 805	25 081	67 950
Total current assets	76 266	29 170	70 922
TOTAL ASSETS	129 454	97 026	124 176

Amounts in SEK thousands	2004-03-31	2003-03-31	2003-12-31
SHAREHOLDERS' EQUITY & LIABILITIES			
Equity			
Share capital	3 950	1 925	3 590
Paid in / unregistered shares	0	3 228	0
Restricted reserves/Legal reserve	152 019	141 697	137 979
Total restricted equity	155 969	146 850	141 569
Retained losses	-30 199	-61 093	-
Loss for the period	-6 578	-5 902	-30 199
Total retained loss	-36 777	-66 995	-30 199
Total equity	119 192	79 855	111 370
Accounts payable	2 497	3 949	2 161
Liabilities, Group companies	1 788	2 591	1 944
Other current liabilities	1 125	1 263	1 174
Accrued expenses and prepaid income	4 852	9 368	7 527
Total current liabilities	10 262	17 171	12 806
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	129 454	97 026	124 176

Note: Changes in shareholder's equity during the period

Amounts in SEK thousands	Jan-Mar 2004	Jan-Mar 2003	Jan-Dec 2003
Equity at beginning of the period	111 370	82 529	82 529
Share issue	14 400	3 228	59 040
Loss for the period	-6 578	-5 902	-30 199
Equity at end of the period	119 192	79 855	111 370

CASH-FLOW ANALYSIS ARTIMPLANT AB

Amounts in SEK thousands	Jan-Mar 2004	Jan-Mar 2003	Jan-Dec 2003
Operating activities			
Loss after financial items	-6 578	-5 902	-30 199
Adjustment for items not effecting cash flow	771	820	5 904
Taxes paid	-	-	-
Cash flow from operating activities before changes in working capital	-5 807	-5 082	-24 295
Cash flow from changes in working capital			
Increase(-), decrease(+) in inventories	0	0	-3
Increase(-), decrease(+) in receivables	-490	684	1 801
Increase(+), decrease(-) in liabilities	-2 544	-4 016	-5 831
Cash flow from operating activities	-8 841	-8 414	-28 328
Investing activities			
Acquisition of intangible fixed assets	-655	-1 421	-5 779
Acquisition of tangible fixed assets	-49	0	-61
Disposal of tangible fixed assets	0	260	650
Cash from divestment of subsidiary operations	0	-	11 000
Cash flow from investing activities	-704	-1 161	5 810
Financing activities			
Share issue	14 400	3 228	59 040
Repayment of loans	-	-	-
Cash flow from financing activities	14 400	3 228	59 040
Cash flow for the period	4 855	-6 347	36 522
Liquid funds at beginning of period	67 950	31 428	31 428
Liquid funds at end of period	72 805	25 081	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, April 27, 2004
Artimplant AB (publ)

The Board of Directors

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