

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

IMPORTANT FDA-CLEARANCE. NORDIC REGION SALES HAVE COMMENCED

- **Artimplant's net sales for the 9 month period reached SEK 1.1 million (SEK 1.2 million)**
- **Losses after tax amounted to SEK –22.4 million (SEK –21.0 million)**
- **The result per share amounted to SEK –0.59 (SEK –0.97)**
- **FDA-clearance through a 510(k) for Artelon® CMC-I Spacer**

DEVELOPMENTS AFTER THE END OF THE PERIOD

- **Development cooperation between Artimplant and Mölnlycke Health Care terminated**
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Forthcoming financial reports:

Release of year end results:	February, 17, 2005
Shareholders annual general meeting:	April 20, 2005, at 4:00 PM in Artimplant's HQ
Report for the first quarter 2005:	April 20, 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:

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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, the United States and Japan.

Artimplants results, January – September 2004

Artimplant's net sales for January–September 2004 totaled SEK 1.1 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 23.4 million (SEK 17.9 million loss). The loss after taxes was SEK 22.4 million (SEK 21.0 million loss). Loss per share was SEK 0.59 (SEK 0.97 loss).

Regulatory approvals

In September Artimplant's Artelon® CMC-I Spacer for treatment of thumb base arthritis was cleared for marketing in the USA. The decision was made by the FDA through a 510(k) procedure. The North American market represents more than 50 percent of the world market, and hand surgeons in the US have expressed interest to treat patients with Artimplant's Spacer.

Product sales

Sales of the Artelon TMC Spacer has commenced in the Nordic countries. Several hospitals are using the products clinically. 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. 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.

Amortization of Capitalized R&D

In the 3rd quarter amortization of Capitalized R&D for Artelon ACL Augmentation Device has commenced since the products are now sold commercially. Amortization will follow a straight 5 year schedule. The third quarter amortization of SEK 1.6 million was charged against Cost of goods sold.

Investments and liquidity

The investments during January–September totaled SEK 3.2 million (SEK 4.3 million), of which intangible assets accounted for SEK 2.7 million (SEK 4.3 million). At the end of the period, liquid assets totaled SEK 55.1 million (SEK 18.9 million).

International accounting- and reporting standards

Artimplant is evaluating how accounting and reporting will be affected by new International Accounting Standards / International Financial Reporting Standards (IAS / IFRS). Artimplant does not report consolidated financial statements. In preparing the Annual Report 2003, no significant deviations from the IFRS regulatory framework were discovered.

Personnel

As of September 30, 2004, Artimplant employed 27 (27).

DEVELOPMENTS AFTER THE END OF THE PERIOD

The contract between Artimplant and Mölnlycke Health Care concerning development and licensing of products for wound healing has been terminated. Artimplant continues to further develop these products with focus on applications for esthetic and reconstructive surgery. The termination of the cooperation has no significant financial implications for Artimplant.

INCOME STATEMENTS ARTIMPLANT

Amounts in SEK thousands	Jul - Sep	Jan - Sep	Jul - Sep	Jan - Sep	Jan - Dec
	2004	2004	2003	2003	2003
Net sales	37	1 059	0	1 160	1 225
Cost of goods & services sold *	-1 715	-2 737	0	-1 160	-1 225
Gross profit/loss	-1 678	-1 678	0	0	0
Research and development costs	-4 276	-10 999	-3 903	-9 149	-13 878
Marketing costs	-1 988	-5 848	-1 233	-5 266	-7 637
Administrative costs	-1 449	-4 863	-1 214	-4 214	-6 417
Share in earnings from subsidiaries	-	-	50	775	775
Operating loss	-9 391	-23 388	-6 300	-17 854	-27 157
Interest income and other financial income	272	986	276	606	771
Interest expenses and other financial expenses	-21	-26	-17	-28	-40
Share of subsidiarys profit from sale of assets	-	-	9 966	9 966	9 966
Derpiciation of shares in subsidiary	-	-	-13 739	-13 739	-13 739
Net financial items	251	960	-3 514	-3 195	-3 042
Loss after financial items	-9 140	-22 428	-9 814	-21 049	-30 199
Taxes	-	-	-	-	-
Loss for the period	-9 140	-22 428	-9 814	-21 049	-30 199

* Starting in the 3rd quarter 2004 amortization of Capitalized R&D has been charged against Cost of goods sold

Note: Income statements include depreciation of tangible / amortization of intangible fixed assets as shown below

Amounts in SEK thousands	Jul - Sep	Jan - Sep	Jul - Sep	Jan - Sep	Jan - Dec
	2004	2004	2003	2003	2003
Capitalized R&D cost	1 640	1 640	-	-	-
Patents	290	825	382	812	1 101
Machinery and equipment	550	1 593	615	1 835	2 451
Total depreciation	2 480	4 058	997	2 647	3 552

KEY RATIOS ARTIMPLANT AB

	Jan-Sep	Jan-Sep	Jan-Dec
	2004	2003	2003
Earnings per share, SEK	-0,59	-0,97	-1,21
Earnings per share after full dilution SEK	-0,59	-0,97	-1,21
Equity per share, SEK	2,62	3,19	3,10
Equity per share after full dilution SEK	2,62	3,19	3,10
No. of shares at end of period	39 496 527	23 931 018	35 896 527
Average number of shares during period	37 696 527	21 590 509	24 928 144
No. of shares after full dilution	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	88	90

BALANCE SHEETS ARTIMPLANT

Amounts in SEK thousands	2004-09-30	2003-09-30	2003-12-31
ASSETS			
Capitalized research and development costs	46 298	44 092	45 471
Patents	2 168	2 978	2 781
Total intangible fixed assets	48 466	47 070	48 252
Machinery and equipment	2 138	3 786	3 195
Total tangible fixed assets	2 138	3 786	3 195
Shares in subsidiaries	1 807	4 357	1 807
Total financial fixed assets	1 807	4 357	1 807
Total fixed assets	52 411	55 213	53 254
Raw materials, work in progress and finished goods	56	135	135
Total inventories etc	56	135	135
Accounts receivable	47	-	44
Receivables, subsidiaries	-	9 298	-
Other receivables	1 322	1 086	1 437
Prepaid expenses and accrued income	2 339	2 257	1 356
Total short-term receivables	3 708	12 641	2 837
Cash and bank accounts	55 081	18 884	67 950
Total current assets	58 845	31 660	70 922
TOTAL ASSETS	111 256	86 873	124 176

Amounts in SEK thousands	2004-09-30	2003-09-30	1900-01-00
SHAREHOLDERS' EQUITY & LIABILITIES			
Equity			
Share capital	3 950	2 393	3 590
Premium reserve	121 820	94 912	137 979
Total restricted equity	125 770	97 305	141 569
Retained losses	0	0	0
Loss for the period	-22 428	-21 049	-30 199
Total retained loss	-22 428	-21 049	-30 199
Total equity	103 342	76 256	111 370
Accounts payable	2 150	3 094	2 161
Liabilities, Group companies	1 844	1 945	1 944
Other current liabilities	1 358	1 431	1 174
Accrued expenses and prepaid income	2 562	4 147	7 527
Total current liabilities	7 914	10 617	12 806
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	111 256	86 873	124 176

Note: Changes in shareholder's equity during the period

Amounts in SEK thousands	Jan - Sep 2003	Jan - Sep 2003	Jan - Dec 2003
Equity at beginning of the period	111 370	82 529	82 529
New share issue	14 400	14 776	59 040
Loss for the period	-22 428	-21 049	-30 199
Equity at end of the period	103 342	76 256	111 370

CASH-FLOW ANALYSIS ARTIMPLANT

Amounts in SEK thousands	Jan - Sep 2003	Jan - Sep 2003	Jan - Dec 2003
Operating activities			
Loss after financial items	-22 428	-21 049	-30 199
Adjustment for items not effecting cash flow	4 058	15 996	5 904
Cash flow from operating activities before changes in working capital	-18 370	-5 053	-24 295
Cash flow from changes in working capital	0	0	0
Change in inventories	79	-3	-3
Change in receivables	-871	-8 000	1 801
Change in liabilities	-4 892	-10 570	-5 831
Cash flow from operating activities	-24 054	-23 626	-28 328
Investing activities			
Aquisition of intangible fixed assets	-2 680	-4 308	-5 779
Aquisition of tangible fixed assets	-536	-36	-61
Disposal of tangible fixed assets	-	650	650
Cash from divestment of subsidiary operations	-	-	11 000
Cash flow from investing activities	-3 216	-3 694	5 810
Financing activities			
New share issue	14 400	14 776	59 040
Cash flow from financing activities	14 400	14 776	59 040
Cash flow for the period	-12 870	-12 544	36 522
Liquid funds at beginning of period	67 950	31 428	31 428
Liquid funds at end of period	55 081	18 884	67 950

Accounting principles

The interim report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR20 on interim reports. The accounting principles and calculation methods used in this interim report are the same as those used in the most recent annual report. Moreover, the company has applied the new recommendation RR29 "Employee benefits" which came into effect on January 1, 2004. The report has not been audited by the company's auditors.

Gothenburg, November 4, 2004

Artimplant AB (publ)

The Board of Directors