

ARTIMPLANT AB's year-end results, January 1 – December 31, 2004

COMMERCIAL BREAKTHROUGH WITH TWO AGREEMENTS IN THE FOURTH QUARTER

- **Artimplant's net sales for the full year 2004 reached SEK 4.82 millions (1.2)**
 - **Losses after tax amounted to SEK 42.1 millions (30.2) Adjusted for write-down the after tax losses amounted to SEK 30.0 millions**
 - **The result per share amounted to SEK -1.12 (-1.21) Adjusted for write-down the result per share amounted to SEK -0.80.**
 - **Global license, supply and distribution agreement for Artimplant's Artelon® CMC-I Spacer* signed with Avanta Orthopaedics.**
 - **Development, license and supply agreement with Biomet concerning an implant for soft tissue repair**
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Forthcoming financial reports:

January-March 2005 report: May 2, 2005
January-June 2005 report: August 31, 2005
January-September 2005 report: November 10, 2005
Financial reports are available at www.artimplant.se at the same time that they're distributed to the media.

Annual general meeting

The annual general meeting of shareholders will be held at 4 p.m. on Monday, May 2, 2005 at Artimplant AB (publ), Hulda Mellgrens gata 5, Västra Frölunda, Sweden. Registration will begin at 3:30 p.m. Shareholders who intend to participate must notify the Company no later than April 25, 2005, in one of the following ways:

- Send an e-mail to bolagsstamma2005@artimplant.se
- Send a fax to +46 31 746 56 60
- Phone +46 31 746 56 00
- Write to Artimplant AB, Hulda Mellgrens gata 5, 421 32 Västra Frölunda, Sweden.

Please include your name, personal identification number or VAT number, address, telephone number and the number of shares in the share register as per April 22, 2005. To vote at the annual general meeting, a shareholder must be entered in the share register maintained by VPC AB no later than April 22, 2005. Shareholders who have allowed their shares to be registered to a trustee, such as a bank or brokerage, must temporarily register their shares in their own name to take part in the meeting. This should be done well in advance of the date specified above.

Artimplant's annual report will be published on the company's web site on April 18, and will also be available in the company headquarters. A copy of the annual report can be ordered from the company by writing to the above address.

For more information, contact:

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* *A schedule under "Regulatory approvals" contains a summary of all the company's approved products*



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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.

Artimplant AB's January – December 2004 financial results

Artimplant's net sales for 2004 reached SEK 4.8 million (1.2) and consisted of fee for licensing of product applications, compensation from Mölnlycke Health Care and product sales. The operating loss was SEK 43.3 million (27.2). Adjusted for write-down of capitalized product development costs the operating loss was SEK 31.2 million. The loss after taxes amounted to SEK 42.1 million (30.2). The result per share amounted to SEK -1.12 (-1.21). Adjusted for write-down of capitalized product development costs the result per share amounted to SEK -0.80.

Artimplant AB's October – December 2004 financial results

Artimplant's net sales for the fourth quarter 2004 reached SEK 3.7 million (0.1) and consisted of fee for licensing of a product application and product sales. The operating loss for the quarter was SEK 19.8 million (9.3) and includes a SEK 12.1 million write-down of capitalized product development costs. The loss after taxes amounted to SEK 19.7 million (9.1). The result per share amounted to SEK -0.50 (-0.25).

Avanta

In November Artimplant and Avanta Orthopaedics signed a global license, supply and distribution agreement for Artimplant's ARTELON CMC-I Spacer, a biological implant for treating arthritis in the base of the thumb. Avanta is a market leader when it comes to products for bone, tendons and ligaments in the upper extremities and in feet. The agreement is application specific. Total revenues from license fee, product sales to Avanta and royalties are estimated to amount to SEK 60 million over the next five years.

Biomet

In December Artimplant and Biomet, a worldwide leader in the design, manufacture and marketing of musculoskeletal implants, signed a global development, license and supply agreement concerning an implant based on Artimplant's proprietary Artelon technology. The product will be used for repair of damaged soft tissue. Biomet's responsibility will be to take the product to the market on a world-wide basis. Product development is under way and it should be possible to launch an Artelon-based tendon augmentation solution to the market by the end of 2005.

Product development and licensing strategies

Artimplant continues to operate under the strategy to outlicense products based on the ARTELON biomaterial. We are seeking partners with strong brands and global distribution.

There is a substantial potential for ARTELON to become a biomaterial that is broadly used in a number of therapies where doctors require a synthetic material with a long degradation time, and during which time the material is successively replaced by the body's own tissue. In the past, Artimplant has focused on orthopedic applications, where the potential is large. The company has recently started product development in odontology, and is also looking into reconstructive and plastic surgery. Both these areas have substantial potential, and there is room for development of a number of different applications.

Artimplant is actively seeking to strike deals that are application specific. The reason is that in doing so, more business opportunities are created and the proliferation of products using ARTELON will be enhanced. Artimplant's goal is that ARTELON will become a global standard in the use of synthetic biomaterials for the reconstruction and regeneration of human tissue. Artimplant's future revenues will come from a number of more narrow and application specific license deals, rather than from a few broad agreements with large upfront payments.

The two most recent deals are examples of the type of agreements that will be negotiated – license, supply and distribution agreements regarding products developed in-house, e.g. the ARTELON TMC Spacer, and development agreements where a partner invests in the product development in order to later distribute the product on a global basis.

Regulatory approvals

In September 2004 Artimplant received FDA clearance through a 510(k) for its ARTELON CMC-I Spacer. The North American market represents more than 50 percent of the world market. Hand surgeons in the US have expressed interest in treating patients with the Spacer.

In November Artimplant was granted CE-certification for a thicker and stronger – size 2 – Artelon® Surgical Suture that meets additional needs mainly in orthopedics. Previously, a thinner size – 2-0 – suture has been approved for marketing in Europe. The schedules below list all the company's approved products.

CE (Europe)

Product name	Decision date
Artelon® Augmentation Device ACL	5/31/2001
Artelon® TMC Spacer	7/1/2003
Artelon® Surgical Suture 2-0	12/16/2003
Artelon® Surgical Suture #2	11/2/2004

510(k) (USA)

Product name	510(k)	Decision date
Artelon® Surgical Suture 2-0	K032160	11/17/2003
Artelon® Spacer CMC-I	K040070	09/21/2004

Product sales

Sales of ARTELON TMC Spacer is under way on the Nordic market. Several hospitals are treating patients with the product. In December the first shipment of CMC-I Spacers was sent to Avanta Orthopaedics in the US.

Amortization of Capitalized R&D

In the 3rd quarter amortization of Capitalized R&D for ARTELON ACL Augmentation Device commenced. Amortization will follow a straight 5 year schedule. The third quarter amortization of SEK 1.6 million was charged against Cost of goods sold. Test marketing results indicate that the Augmentation Device can be interesting for certain patient categories, but for the majority of patients the current standard treatment is deemed sufficient. A valuation based on these results led to a write-off of SEK 12.1 millions in the 4th quarter. The write-off was charged against Research and development costs.

In the 4th quarter amortization of Capitalized R&D for ARTELON Spacer CMC-I commenced. Amortization will follow a straight 5 year schedule. The 4th quarter amortization of SEK 0.5 million was charged against Cost of goods sold.

Investment and liquidity

Investments in 2004 reached SEK 3.9 millions (5.8), of which SEK 3.3 millions (5.8) were intangible assets. At year-end liquid assets amounted to SEK 51.3 millions (68.0)

Proposed dividend

The Board's proposal is that no dividend will be paid in 2004.

Personnel

As of December 31, 2003 Artimplant AB employed 26 persons (24).

INCOME STATEMENT ARTIMPLANT AB

Amounts in SEK thousands	Oct - Dec 2004	Jan - Dec 2004	Oct - Dec 2003	Jan - Dec 2003
Net sales *	3 745	4 804	65	1 225
Cost of goods & services sold **	-2 011	-4 748	-65	-1 225
Gross profit/loss	1 734	56	0	0
Research and development costs ***	-17 306	-28 305	-4 729	-13 878
Marketing costs	-2 402	-8 250	-2 371	-7 637
Administrative costs	-1 914	-6 777	-2 202	-6 417
Share in earnings from subsidiaries	-	-	-	775
Operating loss	-19 888	-43 276	-9 302	-27 157
Interest income and other financial income	242	1 228	165	771
Interest expenses and other financial expenses	-7	-33	-12	-40
Share of subsidiarys profit from sale of assets	-	-	-	9 966
Depreciation of shares in subsidiary	-	-	-	-13 739
Net financial items	235	1 195	153	-3 042
Loss after financial items	-19 653	-42 081	-9 149	-30 199
Taxes	-	-	-	-
Loss for the period	-19 653	-42 081	-9 149	-30 199

* Allocation of Net Sales between geographic segments and product categories is shown in schedules on the next page

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

*** In Q4 2004 a write-down of Capitalized R&D cost of SEK 12 120 thousands was charged against R&D costs

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

Amounts in SEK thousands	Oct - Dec 2004	Jan - Dec 2004	Oct - Dec 2003	Jan - Dec 2003
Capitalized R&D cost	2 187	3 827	-	-
Patents	307	1 132	289	1 101
Machinery and equipment	554	2 147	617	2 451
Total depreciation	3 048	7 106	906	3 552

KEY RATIOS ARTIMPLANT AB

	Oct - Dec 2004	Jan - Dec 2004	Oct - Dec 2003	Jan - Dec 2003
Earnings per share, SEK	-0,50	-1,12	-0,25	-1,21
Earnings per share after full dilution SEK	-0,50	-1,12	-0,25	-1,21
Equity per share, SEK		2,13		3,10
Equity per share after full dilution SEK		2,13		3,10
No. of shares at end of period		39 496 527		35 896 527
Average number of shares during period		37 696 527		24 928 144
No. of shares after full dilution		40 829 867		37 229 867
Yield on equity, %		neg		neg
Yield on capital employed, %		neg		neg
Equity/assets ratio, %		91		90

ALLOCATION OF NET SALES	okt-dec	jan-dec	okt-dec	jan-dec
Source of revenue	2004	2004	2003	2003
Licensing of product applications	3 351	3 351	0	0
Product sales	394	453	65	225
Milestone payments for product development projects	0	1 000	0	1 000
	3 745	4 804	65	1 225
	okt-dec	jan-dec	okt-dec	jan-dec
Geographic segments	2004	2004	2003	2003
Nordic region	224	1 283	65	1 225
USA	3 521	3 521	0	0
	3 745	4 804	65	1 225

BALANCE SHEET ARTIMPLANT AB

Amounts in SEK thousands	2004-12-31	2003-12-31
ASSETS		
Capitalized research and development costs	32 414	45 471
Patents	2 016	2 781
Total intangible fixed assets	34 430	48 252
Machinery and equipment	1 699	3 195
Total tangible fixed assets	1 699	3 195
Shares in subsidiaries	1 807	1 807
Total financial fixed assets	1 807	1 807
Total fixed assets	37 936	53 254
Inventories	292	135
Accounts receivable	414	44
Other receivables	792	1 437
Prepaid expenses and accrued income	1 293	1 356
Total short-term receivables	2 499	2 837
Cash and bank accounts	51 277	67 950
Total current assets	54 068	70 922
TOTAL ASSETS	92 004	124 176

Amounts in SEK thousands	2004-12-31	2003-12-31
SHAREHOLDERS' EQUITY & LIABILITIES		
Equity		
Share capital	3 950	3 590
Premium reserve	122 070	137 979
Total restricted equity	126 020	141 569
Retained losses	0	0
Loss for the period	-42 081	-30 199
Total retained loss	-42 081	-30 199
Total equity	83 939	111 370
Accounts payable	2 007	2 161
Liabilities, Group companies	1 793	1 944
Other current liabilities	731	1 174
Accrued expenses and prepaid income	3 534	7 527
Total current liabilities	8 065	12 806
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	92 004	124 176

Note: Changes in shareholder's equity during the period

Amounts in SEK thousands	Oct - Dec 2004	Jan - Dec 2003
Equity at beginning of the period	111 370	82 529
New share issue	14 650	59 040
Loss for the period	-42 081	-30 199
Equity at end of the period	83 939	111 370

CASH-FLOW ANALYSIS ARTIMPLANT AB

Amounts in SEK thousands	Oct - Dec 2004	Jan - Dec 2003
Operating activities		
Loss after financial items	-42 081	-30 199
Adjustment for items not effecting cash flow	19 226	5 904
Cash flow from operating activities before changes in working capital	-22 855	-24 295
Cash flow from changes in working capital	0	0
Change in inventories	-157	-3
Change in receivables	338	1 801
Change in liabilities	-4 741	-5 831
Cash flow from operating activities	-27 416	-28 328
Investing activities		
Aquisition of intangible fixed assets	-3 256	-5 779
Aquisition of tangible fixed assets	-651	-61
Disposal of tangible fixed assets	-	650
Cash from divestment of subsidiary operations	-	11 000
Cash flow from investing activities	-3 907	5 810
Financing activities		
New share issue	14 650	59 040
Cash flow from financing activities	14 650	59 040
Cash flow for the period	-16 673	36 522
Liquid funds at beginning of period	67 950	31 428
Liquid funds at end of period	51 277	67 950

Accounting principles

This report has been compiled in accordance with the Swedish Financial Accounting Standards Council's recommendations. Artimplant offers defined contribution pension plans only. No employees have defined benefit pension plans. Therefore the financial reporting has not been affected by RR 29 that went into effect on January 1, 2004.

Göteborg February 17, 2005
Artimplant AB (publ)

The Board of Directors

This report is a translation only. The Swedish report shall at all times have precedence.