



EXPANSION INTO NEW THERAPY AREAS. NEW SHARE ISSUE

- Artimplant's net sales for the period reached SEK 1.1 million (SEK 1.0 million)
- Losses after tax was SEK 9.1 million (SEK 6.6 million)
- The loss per share was SEK 0.23 (SEK 0.17)
- ARTELON TMC Spacer was launched by Small Bone Innovations (Avanta Orthopaedics) at AAOS – American Academy of Orthopaedic Surgeons – in Washington DC
- Artimplant expands into new product areas, Odontology and Craiomaxillofacial surgery and conducts a rights issue. Institutional investors have through guarantees and letters of intent committed to subscribe to shares corresponding to 92% of the issue

Forthcoming financial reports:

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. For information regarding Business Model, technology and products see Artimplant's Annual Report 2004, which is available at our web site.

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Artimplant

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

Nota Bene: This report is a translation from Swedish. Should there be any discrepancies the Swedish original should always take precedence.

Business concept

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.

Vision

Artimplant's vision is to become the partner of choice in biomaterials for hard and soft tissue repair in multiple therapy areas.

Interim Report, January–March 2005

Artimplant's net sales for January–March 2005 totaled SEK 1.1 million (SEK 1.0 million for the same period the preceding year) and consisted primarily of compensation from licensing partners and sales of ARTELON TMC Spacer in the US. Net sales for the same period 2003 consisted of compensation for the now terminated cooperation with Mölnlycke Health Care. The operating loss for the period totaled SEK 9.3 million (SEK 7.0 million loss). The main reason for the increased loss is the amortization of capitalized product development cost. The loss after taxes was SEK 9.1 million (SEK 6.6 million loss). Loss per share was SEK 0.23 (SEK 0.17 loss).

Expansion into new therapy areas

Artimplant initiates a strategic expansion of the product platform to new orthopedic applications, and the commercially attractive surgical areas Odontology and Craniomaxillofacial (CMF) as well as Reconstructive and Plastic surgery. The main goal for 2005 is to sign three new license agreements in orthopedics and two license agreements in Odontology and CMF.

Product launch

Artimplant's Artelon® CMC-I Spacer was launched by Small Bone Innovations, SBI, at the world's largest Orthopedics meeting – AAOS – in Washington DC, USA. SBI is a new orthopedics company formed by merchant bankers Viscogliosi Bros. LLC (VB) in New York, solely focused on solutions for hand, foot, ankle, elbow and shoulder.

Financing

To support the expansion, the Board of Directors has decided to conduct a rights issue to raise approximately, and as a maxi-

mum, 89 million SEK, before transaction costs. Two (2) shares of series A and B respectively, entitle a shareholder to subscribe to one (1) new share of series B (1:2). Institutional investors have committed to subscribe to 92 percent of the new shares. Institutional investors; Andra AP-fonden, Gålöstiftelsen, Stiftelsen Stockholms Sjukhem, Strand Kapitalförvaltning (on behalf of clients) and Östersjöstiftelsen have committed to subscribe to 67 percent of the shares. In addition, Banco Teknik & Innovation PPM, Banco Småbolagsfond, Banco Teknik & Innovation, Catella Reavinstfonden, Catella Casefonden, Robur Exportfond and Livförsäkrings AB Skandia expressed their intention to subscribe to approximately 25 percent of the shares.

The share issue is conditional on the approval at the Annual General Meeting, May 2, 2005. Issue proceeds will be used primarily to speed up commercialization of new products, and to counter the short-term uncertainty regarding the pace with which existing products in current licensing agreements are launched.

Investments and liquidity

The investments during January–March totaled SEK 0.6 million (SEK 0.7 million), of which intangible assets, patent investments and accumulated product development cost, accounted for SEK 0.6 million (SEK 0.7 million). At the end of the period, liquid assets totaled SEK 42.6 million (SEK 72.8 million).

Personnel

As of March 31, 2005, Artimplant AB employed 26 (26).

Developments after the end of the period

When this report was issued there were no significant developments to report that had occurred after the end of the period.

Income statement (figures in SEK 000s)

INCOME STATEMENT	2005 Jan-Mar	2004 Jan-Mar	2004 Jan-Dec
Net sales	1 138	1 013	4 804
Cost of goods and services sold	-1 833	-1 013	-4 748
Gross operating profit/loss	-695	0	56
Research and development cost	-4 215	-2 926	-28 305
Marketing cost	-2 339	-2 001	-8 250
Administration cost	-2 065	-2 043	-6 777
Operating loss	-9 314	-6 970	-43 276
Interest income and other financial income	206	393	1 228
Interest expenses and other financial expenses	-7	-1	-33
Net financial items	199	392	1 195
Loss after financial items	-9 115	-6 578	-42 081
Tax	-	-	-
Net loss for the period	-9 115	-6 578	-42 081

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

Capitalized product development cost*	1 513	-	3 827
Patents	247	265	1 132
Machinery and equipment	305	506	2 147
Total depreciation	2 065	771	7 106

* Amortization of ACL commenced in Q3 2004 and of Spacer in Q4 2004. Remaining amortization for ACL amounts to 4.5 years, and for Spacer 4.75 years remain.

Key Ratios (figures in SEK 000s)

KEY RATIOS	2005 Jan-Mar	2004 Jan-Mar	2004 Jan-Dec
Earnings per share, SEK	-0,23	-0,17	-1,12
Earnings per share after full dilution SEK	-0,23	-0,17	-1,12
Equity per share, SEK	1,89	3,02	2,13
Equity per share after full dilution SEK	1,89	3,02	2,13
No. of shares at end of period	39 496 527	39 496 527	39 496 527
Average number of shares during period	39 496 527	37 696 527	37 696 527
No. of shares after full dilution	40 829 867	40 829 867	40 829 867
Yield on equity, %	neg	neg	neg
Yield on capital employed, %	neg	neg	neg
Equity/assets ratio, %	92	92	91

Allocation of net sales (figures in SEK 000s)

ALLOCATION OF NET SALES	2005 Jan-Mar	2004 Jan-Mar	2004 Jan-Dec
Source of revenue			
Licensing of product applications	0	0	3 351
Product sales	427	0	453
Milestone payments product development projects	711	1 013	1 000
	1 138	1 013	4 804
Geographic origin			
Nordic region	26	1 013	1 283
USA	1 112	0	3 521
	1 138	1 013	4 804

Balance sheet (figures in SEK 000s)

BALANCE SHEET	2005-03-31	2004-03-31	2004-12-31
ASSETS			
Capitalized product development cost	31 301	46 126	32 414
Patents	1 981	2 516	2 016
Total intangible fixed assets	33 282	48 642	34 430
Machinery and equipment	1 405	2 738	1 699
Total tangible fixed assets	1 405	2 738	1 699
Shares in subsidiaries	1 807	1 807	1 807
Total financial fixed assets	1 807	1 807	1 807
Total fixed assets	36 494	53 188	37 936
Raw material, work in progress and inventory	628	135	292
Total inventory	628	135	292
Accounts receivable	370	19	414
Other receivables	1 131	1 494	792
Prepaid expenses and accrued income	413	1 813	1 293
Total short-term receivables	1 914	3 327	2 499
Cash and bank accounts	42 566	72 805	51 277
Total current assets	45 108	76 266	54 068
TOTAL ASSETS	81 602	129 454	92 003

Balance sheet (figures in SEK 000s)

BALANCE SHEET	2005-03-31	2004-03-31	2004-12-31
SHAREHOLDERS' EQUITY & LIABILITIES			
Share capital	3 950	3 950	3 950
Premium reserve	122 070	152 019	122 070
Total restricted equity	126 020	155 969	126 020
Retained losses	-42 081	-30 199	-
Loss for the period	-9 115	-6 578	-42 081
Total retained loss	-51 196	-36 777	-42 081
Total equity	74 824	119 192	83 939
Accounts payable	956	2 497	2 007
Liabilities, Group companies	1 738	1 788	1 793
Other current liabilities	414	1 125	731
Accrued expenses and prepaid income	3 670	4 852	3 534
Total current liabilities	6 778	10 262	8 065
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	81 602	129 454	92 003

CHANGES IN SHAREHOLDER'S EQUITY DURING THE PERIOD	2005	2004	2004
	jan-mars	jan-mars	jan-dec
Equity at beginning of the period	83 939	111 370	111 370
New share issue	-	14 400	14 650
Loss for the period	-9 115	-6 578	-42 081
Equity at end of the period	74 824	119 192	83 939

Cash-flow analysis

CASH-FLOW ANALYSIS	2005 jan-mars	2004 jan-mars	2004 jan-dec
Operating activities			
Loss after financial items	-9 115	-6 578	-42 081
Adjustment for items not effecting cash flow	2 065	771	19 226
Taxes paid	-	-	-
Cash flow from operating activities before changes in working capital	-7 050	-5 807	-22 855
Cash flow from changes in working capital			
Change in inventories	-336	0	-157
Change in receivables	585	-490	338
Change in liabilities	-1 287	-2 544	-4 741
Cash flow from operating activities	-8 088	-8 841	-27 416
Investing activities			
Aquisition of intangible fixed assets	-611	-655	-3 256
Aquisition of tangible fixed assets	-12	-49	-651
Cash flow from investing activities	-623	-704	-3 907
Financing activities			
New share issue	-	14 400	14 650
Cash flow from financing activities	0	14 400	14 650
Cash flow for the period	-8 711	4 855	-16 673
Liquid funds at beginning of period	51 277	67 950	67 950
Liquid funds at end of period	42 566	72 805	51 277

International accounting and financial reporting standards

Artimplant applies, starting January 1, 2005, IFRS with the exceptions and additions listed in RR 32 – Accounting for legal entities. Accounting according to these rules have not led to any changes compared to previously applied accounting principles. This interim report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 20 on interim reports.

Göteborg May 2, 2005
Artimplant AB (publ)

The Board of directors

We have conducted a limited audit of this interim report in accordance with the recommendation from FAR. Our examination is considerably more limited than a regular audit. We have not found anything that would indicate that the interim report does not comply with the requirements in ÅRL.

Göteborg May 2, 2005

Ernst & Young AB

Bertel Enlund
Certified public accountant