



Interim Report, Jan-Jun 2006

August 8, 2006

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Agenda

Important Events in Q2 2006

Interim Report Jan-Jun 2006

Product Portfolio and Development Pipeline

What to remember

Important events in Q2, 2006

- Discussions with European dental distributors commenced
- Artelon® CMC Spacer LG, a larger CMC Spacer, was introduced
- Capitalized product development costs of the Artelon® Augmentation Device ACL was written off. This has no cash effect
- CEO Tord Lendau gave notice for private reasons
- Lars-Johan Cederbrant was appointed interim CEO, while maintaining his responsibility as CFO
- CEO recruitment was initiated and a shortlist of candidates is currently being evaluated. A new CEO is expected to be employed during Q3 or early Q4.

Interim report Jan-Jun 2006

- Net revenue increased by 130% to SEK 3.0 million (1.3).
- Net profit of SEK -30.7 million (-19.4)
- Net profit of SEK -19.1 (-19.4) if one time write-down of capitalized R&D costs relating to Artelon[®] Augmentation Device ACL is excluded
- Earnings per share of SEK -0.52 (SEK -0.39)

Income statement, Jan-Jun 2006

Amounts in SEK thousands	apr-jun 2006	jan-jun 2006	apr-jun 2005	jan-jun 2005	jan-dec 2005
Net sales	1 904	3 013	181	1 319	8 229
Cost of goods & services sold*	-86	-129	-1 571	-3 404	-6 535
Gross profit/loss	1 818	2 884	-1 390	-2 085	1 694
Research and development costs (1,2)	-17 908	-25 596	-5 002	-9 216	-20 906
Marketing costs	-2 960	-5 626	-2 053	-4 392	-9 608
Administrative costs	-1 611	-3 041	-2 098	-4 163	-8 613
Operating loss	-20 661	-31 379	-10 543	-19 856	-37 433
Interest income and other financial income	456	874	213	419	1 211
Interest expenses and other financial expenses	-125	-162	-4	-11	-22
Net financial items	331	712	209	408	1 189
Loss after financial items	-20 330	-30 667	-10 334	-19 448	-36 244
Taxes	-	-	-	-	-
Loss for the period	-20 330	-30 667	-10 334	-19 448	-36 244

* 2005 includes depreciation of capitalized R&D costs

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 2006	jan-jun 2006	apr-jun 2005	jan-jun 2005	jan-dec 2005
(1) Capitalized R&D cost*	13 121	14 634	1 513	3 026	6 053
(2) Patents	185	352	248	495	790
Machinery and equipment	143	273	321	626	1 447
Total depreciation	13 449	15 259	2 082	4 147	8 290

* In Q2 2006 a write-down of Capitalized R&D cost of SEK 11,608 thousand was charged against R&D costs



Balance sheet Jun 30, 2006 - Assets

Amounts in SEK thousands	2006-06-30	2005-06-30	2005-12-31
ASSETS			
Capitalized product development	13 578	30 088	27 949
Patents	1 181	1 743	1 264
Total intangible fixed assets	14 759	31 831	29 213
Machinery and equipment	1 670	1 247	1 394
Total tangible fixed assets	1 670	1 247	1 394
Stock and participation in subsidiaries*	1 707	1 807	1 707
Total financial fixed assets	1 707	1 807	1 707
Total fixed assets	18 135	34 885	32 314
Raw materials, semimanufactures and finished goods	1 041	632	944
Total inventories etc	1 041	632	944
Accounts receivable	528	340	204
Other receivables	1 746	1 748	1 093
Prepaid expenses and accrued income	1 460	843	1 275
Total short-term receivables	3 734	2 931	2 572
Cash and bank accounts	86 714	118 158	104 186
Total current assets	91 489	121 721	107 702
TOTAL ASSETS	109 625	156 606	140 016

Balance sheet Jun 30, 2006 - Liabilities

Amounts in SEK thousands	2006-06-30	2005-06-30	2005-12-31
SHAREHOLDERS' EQUITY & LIABILITIES			
Equity			
Share capital	5 924	5 924	5 924
Premium reserve	126 922	162 059	162 618
Total restricted equity	132 846	167 983	168 542
Retained earnings	222	-	548
Loss for the period	-30 667	-19 448	-36 244
Total retained loss	-30 445	-19 448	-35 696
Total equity	102 402	148 535	132 846
Provisions	318	-	245
Accounts payable	2 108	2 307	919
Liabilities, subsidiaries*	1 822	1 738	1 822
Other current liabilities	758	914	718
Accrued expenses and prepaid income	2 218	3 113	3 466
Total current liabilities	6 906	8 071	6 925
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	109 625	156 606	140 016

* Only for dormant companies, not Artimplant USA

Cash-Flow analysis, Jan-Jun 2006

Amounts in SEK thousands	jan-jun 2006	jan-jun 2005	jan-dec 2005
Operating activities			
Net loss after financial items	-30 667	-19 448	-36 244
Adjustment for items not effecting cash flow	15 555	4 147	9 715
Cash flow from operating activities			
before changes in working capital	-15 112	-15 301	-26 529
Cash flow from changes in working capital			
Changes in inventories	-98	-340	-652
Changes in receivables	-1 162	-432	-73
Changes in liabilities	-19	7	-1 140
Cash flow from operating activities	-16 391	-16 066	-28 393
Investing activities			
Acquisition of intangible fixed assets	-532	-923	-2 161
Acquisition of tangible fixed assets	-549	-174	-1 141
Cash flow from investing activities	-1 081	-1 097	-3 301
Financing activities			
Share issue	-	84 044	84 603
Cash flow from financing activities	0	84 044	84 603
Cash flow for the period	-17 471	66 881	52 909
Liquid funds at beginning of period	104 186	51 277	51 277
Liquid funds at end of period	86 714	118 158	104 186

Events after the period

- **Three new marketing clearances**
 - CE mark for Artelon® MTP Spacer
 - CE mark for Artelon® STT Spacer
 - CE mark for Artelon® CMC Spacer Arthro for minimally invasive surgery
 - All above products are, together with the Artelon® DRU Spacer, part of the four development agreements with SBI, signed on Oct 25, 2005
 - When approved in the US the four products together with the large CMC Spacer almost double the market potential

Product portfolio and pipeline

Orthopedics	CMF / Odontology	Plastic & Recon.
Artelon® Augm. Device ACL	Artelon® Membrane	Soft and hard tissue augmentation
Artelon® CMC Spacer	Artelon® Bone Scaffold	Artelon® Facial Implants
Artelon® Surgical Suture	2:nd generation dental scaffolds	
SportMesh™ Tissue Reinforcement	Products for intra oral aesthetics	
Artelon® STT Spacer		
Artelon® DRU Spacer		
Artelon® MTP Spacer		
Artelon® CMC Spacer Arthro		
Expansion of spacer and tissue reinf. concept		

- Existing products
- Product development
- Early phase
product development



Artelon® STT Spacer

Application

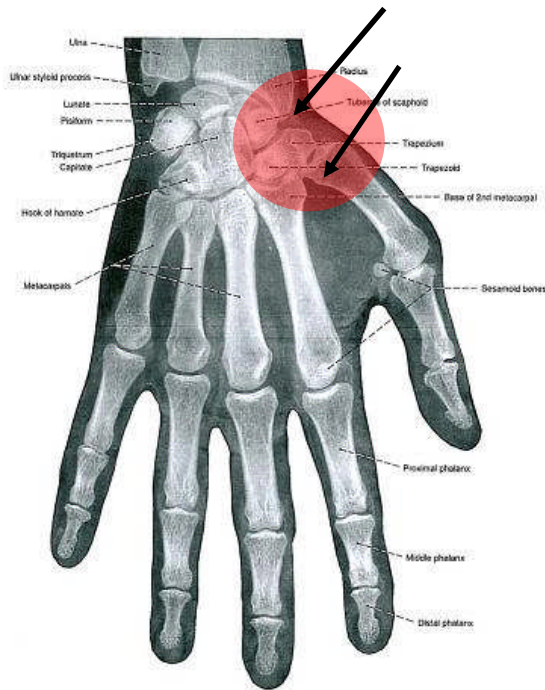
Treatment of osteoarthritis of the STT joint

Market dynamics

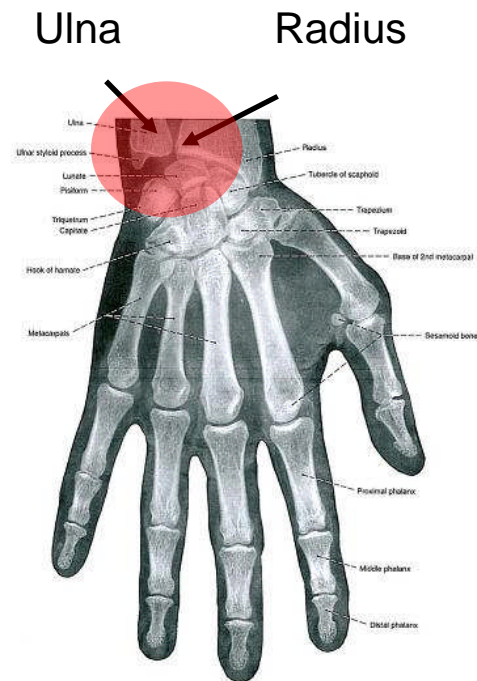
About 25 – 40 % of the patients seeking help for thumb base osteoarthritis also have osteoarthritis in the STT joint. All patients on the waiting list can be operated with spacers. Product expected to grow market by 50 – 75 % of CMC market.

Competitive situation

Other surgical methods such as tendon arthroplasty or insertion of a prosthesis. Also conservative treatment, for example in the form of painkillers or anti-inflammatory drugs and support bandages.



Artelon® DRU Spacer



Application

Treatment of osteoarthritis in the distal radioulnar (DRU) joint of the wrist

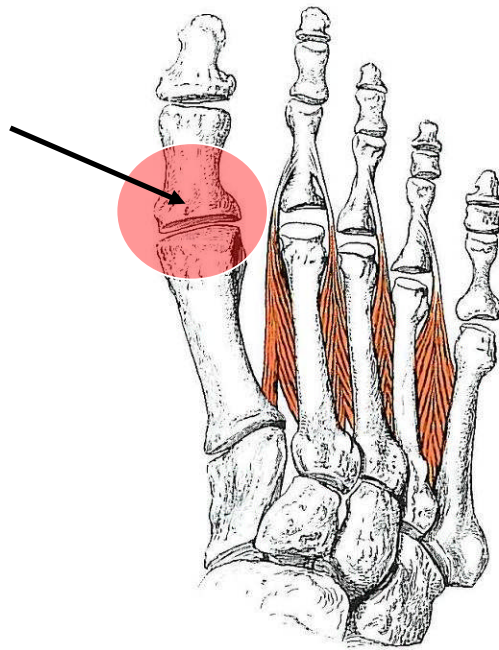
Market dynamics

No. of surgeries estimated to about 3 000 WW / year.
Door opener for other Artelon® spacers

Competitive situation

Artelon® DRU Spacer is the first DRU implant maintaining anatomy and mobility.

Artelon® MTP Spacer



Application

Treatment of osteoarthritis in the metatarsophalangeal joints of the foot, mainly Hallux Rigidus

Market dynamics

About 2-3 % of population > 50 years is affected, which means 65 000 – 97 000 people in Sweden. Currently only about 1 500 people in Sweden undergo surgery each year, mainly due to questionable results with present methods.

Competitive situation

Mainly conservative treatment such as pain killers or anti-inflammatory drugs

Artelon® CMC Spacer Arthro

Application

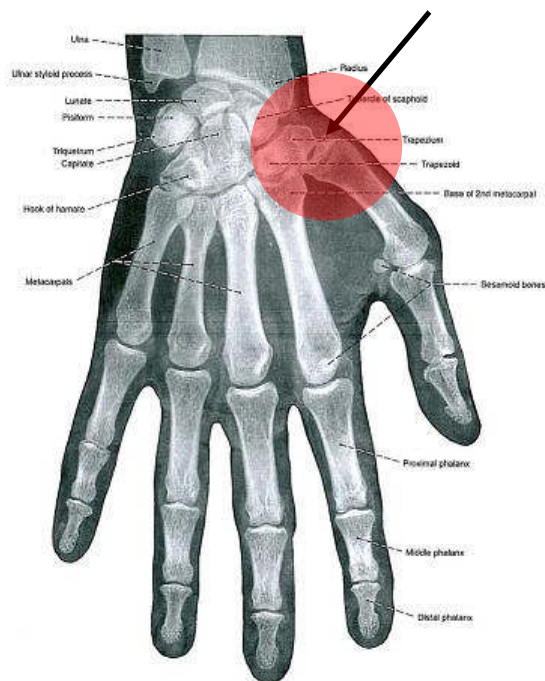
Minimally invasive treatment of osteoarthritis in the CMC joint

Market dynamics

More patients will be candidates to undergo surgery early enough to halt joint destruction at an early stage. The Artelon® CMC Spacer Arthro extends the CMC concept to surgeons preferring arthroscopic surgery.

Competitive situation

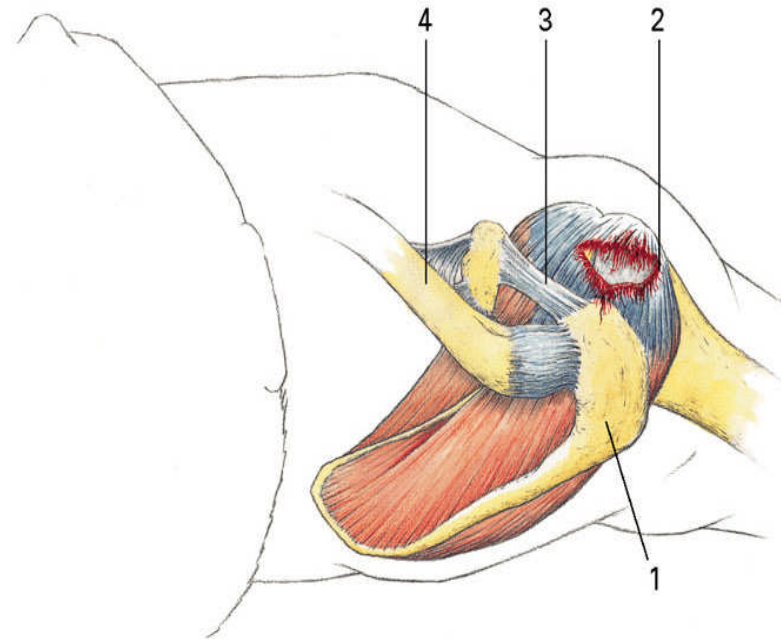
Other surgical methods such as arthrodesis, tendon arthroplasty or insertion of a prosthesis. Also conservative treatment, for example in the form of painkillers or anti-inflammatory drugs and support bandages.



SportMesh™ launch

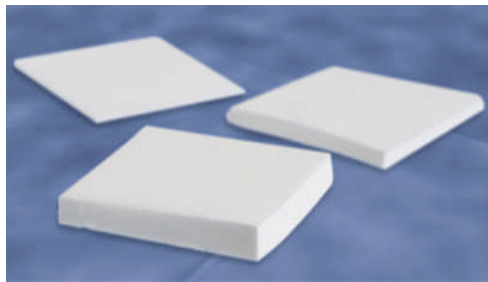
Launch activities of Arthrotek

- A number of key clinicians have implanted the product
- The sales force has been trained
- Broader marketing activities during Q3
- Dr. Frosty Moore, physician and surgeon at Westlake Medical, performed the first implantation
- Dr. Moore was interviewed by News 8 Austin regarding the implant in the context of rotator cuff tears in baseball players



Odontology launch

- **Key opinion leader clinicians in Sweden are currently using the products**
- **Follow-up of initial patients during Q3 and Q4 will reinforce marketing message**
- **Discussions with European dental distributors commenced**



What to remember?

1. Product sales continuing to grow
2. The one time write down of Artelon[®] Augmentation Device ACL does not have any cash effect
3. New opportunities short term
 - Four new spacers CE-certified
 - Potential approvals of four new spacers in the US
 - Leverage of Artelon[®] Tissue Reinforcement
 - Dental distributor agreements
4. New opportunities medium and long term continuously evaluated
5. Organization and infrastructure geared for growth



Additional Questions?

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