ARTIMPLANT ANNUAL ACCOUNTS JANUARY – DECEMBER 2006

- **Net revenue of 5.5 MSEK (8.2)***
- **Net loss of 56.0 MSEK (36.2)**
- **Net loss of 38.9 MSEK(36.2) if one time write-downs of capitalized R&D costs without cash effect are excluded**
- **Earnings per share of -0.95 SEK (-0.73 SEK)**
- **Strong sales increase for Artelon® CMC Spacer - about 1,050 (200) units sold to end customers during the fourth quarter**
- **More than 3,000 patients have been treated with Artelon® devices through to 2006**
- **Received clearance to market Artelon® Tissue Reinforcement for reinforcement of rotator cuff tears in the USA**
- **Four new Spacers received CE mark**
- **Hans Rosén was employed as CEO**

Events after the period

- **Promising results for Artelon® Tissue Reinforcement in foot applications were presented at the Swedish Foot Surgeon Society's yearly meeting**
- **Artimplant´s products received great attention during the worlds largest orthopedic conference AAOS**

* Numbers within brackets relate to the corresponding period last year

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Artimplant

Artimplant is a biomaterials company focused on solutions to problems in orthopedic and oral surgery. We restore health through the development, production, and marketing of degradable implants that regenerate body functions and improve quality of life. Our products, made from Artelon®, meet unmet clinical needs and are marketed in a growing number of therapy areas. Artimplant produces implants for treatment of osteoarthritis in hands and feet, for shoulder and other soft tissue injuries as well as dental applications.

Artimplant is a public company listed on the Nordic Exchange in the Small Cap segment and in the healthcare sector.

Mission

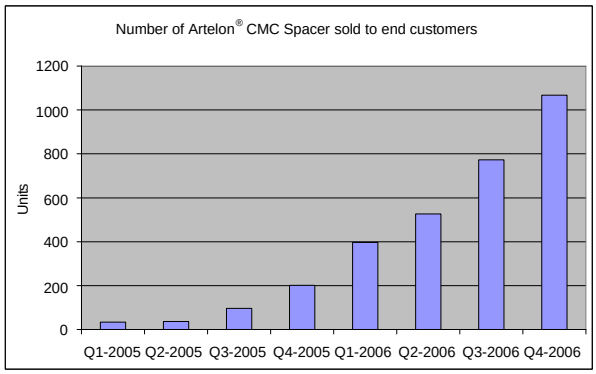
Artimplant's mission is to restore the health of patients by offering medical professionals degradable implants that help the body to heal.

Vision

Artimplant's vision is to improve the quality of life for millions of people by helping their bodies to heal.

Financial result January – December 2006

Net sales amounted to 5.5 MSEK (8.2) and consisted mainly of product sales with associated license revenues (77%). The sales increase of Artelon® CMC Spacer continues and sales to end customers increased to close to 2,700 (370) sold units during the year. For the fourth quarter the sales were about 1,050 (200) sold units. An increase of 40% over the previous quarter. Since promotion more than 3,000 implants have been sold to end customers. More than 500 customers have bought Artelon® CMC Spacer in the United States. During the fourth quarter Artimplant did not receive any license revenue from Small Bone Innovations (SBI) for 325 units delivered during the third quarter. The explanation is that SBI purchased a bigger stock of Artelon® CMC Spacers at the end of 2005. Payment including license revenue for 800 units was received and booked in 2005 in accordance with the principles of accounting (see also headline Accounting principles). All 800 units have now been accounted for. As of January 2006 accrued license revenue for a quarter is accounted for in the following quarter. This is the reason why only license revenue for the three first quarters were accounted for in 2006.



During the fourth quarter Arthrotek Inc., a subsidiary of the Biomet company, began sales of SportMesh™ Soft Tissue Reinforcement for reinforcement of rotator cuff tears (supraspinatus). Approximately 50 units were sold to 40 clinics during the fourth quarter. Sales are expected to increase substantially as doctors gain more clinical experience and confirm the product's value, and clinical data is published.

The operating loss was 57.5 MSEK (37.4), including depreciation and one time amortization of capitalized product development costs of 22.0 MSEK (6.1). In Q3 2006 the capitalized product development costs of the projects Reinforcement Bands and Artelon® Surgical Suture were written off completely. In total the one time amortization amounted 17.1 MSEK (-). Those one time amortizations have no cash effect.

Net loss amounted to 56.0 MSEK (36.2) or 38.9 (36.2) if excluding the one time write-offs of the capitalized development costs. Earnings per share were - 0.95 SEK (-0.73) or -0.66 SEK (-0.73) if one time write offs of capitalized development costs are excluded. The net result was negatively affected by exchange rate differences of 331 KSEK

The overall fixed cost level, excluding one time amortizations and depreciation, increased slightly in the second half of the year connected with the

change of CEO and subsequent double staffing, but is not expected to increase significantly during 2007. In relation to 2006 and 2005, more resources are being used on product and process development as well as marketing, while less are used within administration.

Investments and cash position

The investments during the period totalled 2.3 MSEK (3.3) whereas 1.1.MSEK (2.2) was attributable to investments in intangible fixed assets. Artimplant's production capacity is being increased to meet an increased demand of the company's products as of 2007. At the end of the period cash and cash equivalents amounted to 68.7 MSEK (104.2).

Personnel

During the year Hans Rosén was employed as CEO. Bengt Furberg was engaged as Head of Medical Affairs on 21 December 2006.
As at December 31, 2006, Artimplant employed 27 people (27), 12 women and 15 men.

Approvals and product development

During 2006 four new Spacer products were CE certified. These products were Artelon® DRU Spacer, Artelon® MTP Spacer, Artelon® STT Spacer and Artelon® CMC Spacer Arthro. The products will be marketed together with the Artelon® CMC Spacer. Test sales were initiated in Europe during Q4. Artimplant and SBI do, however, await clearance to market the products in the USA before full launch will be made. When the products receive clearance for marketing, they have the potential to double the market of Artimplant's spacer products. This gives the spacer concept the potential to become the preferred treatment of osteoarthritis in hand and foot joints.

In November the one year follow up results of Artelon® CMC Spacer multi-center study was presented at the annual meeting of the Swedish Medical Society. The data is in accordance with Artimplant's five year pilot study which verifies the value of the method of treatment. The study also confirms the importance of using the recommended surgical technique and the rehabilitation instructions to enable to meet the desired treatment results.

A number of patients have been treated with Artelon® Tissue Reinforcement outside the main indication of reinforcement of rotator cuff ruptures (cleared for marketing in the USA in January 2006). Case studies on Achilles tendons and flat foot were presented at the Swedish Foot Societies annual meeting in January 2007. Artimplant plans to apply to the FDA for extended indications during 2007.

Artelon® Scaffold for augmentation of soft tissues in dental applications is currently being documented in close cooperation with the Brånemarkclinik in Gothenburg and the Institute of odontology at Gothenburg University. The first patients show good results. Artimplant plans for two market studies during 2007.

Artelon® Bone Scaffold for bone augmentation in the upper jaw, for so called sinus lift was recalled during the fourth quarter. Early case study data showed that the necessary bone ingrowth could not be attained. The result showed that osteoid tissue, the starting phase for bone formation was integrated in Artelon®, but mineralised bone was not formed. Artimplant's analysis is the product has too small pores. Artimplant is now developing a new design which is expected to better meet the functional demands. A clinical evaluation is planned to start during 2007.

Increased use of Artelon® products

Both in the US and in Scandinavia surgeons show an increasing interest in treating osteoarthritis in the thumb base joint by using the Artelon® CMC Spacer (exclusively licensed to SBI, except in the Nordic countries). The investment in clinical studies and sales has started to pay off. At the end of Q4 more than 500 American customers had bought Artelon® CMC Spacer. The customer base leads the way for an effective launch of Artimplant's new spacer products after clearance for marketing in the US. Artelon® CMC Spacer is a commercial validation of Artimplant's degradable implants and an important reference for any Artelon® product and for future product launches.

Marketing of Artelon® Tissue Reinforcement (sold exclusively by Arthrotek as SportMesh™ for the rotator cuff application) started in the end

of September. Marketing is now underway in Europe and USA. The market potential for the rotator cuff application is according to Artimplant estimates considerably bigger than for the Artelon® CMC Spacer. Approximately 50 patients at 40 different clinics have been treated with SportMesh™ during the fourth quarter. The response from the patients which have been followed up until now, have been positive.

When Artelon® Tissue Reinforcements have been used to treat injuries, the treating doctor and the patient receive relatively quick feedback on the results of the treatment (less than 12 months). This gives the prerequisite for a faster market acceptance and an increase in sales compared with Artelon® CMC Spacer. During the spring of 2007, Arthrotek will, to further support sales, start market studies for SportMesh™ in Europe and the USA. For now, a retrospective case study is being undertaken in Europe.

Artimplant's Scaffold for dental soft tissue applications has triggered a strong interest from dentists in several European countries.

Prospects for 2007

The sales increase of the Artelon® CMC Spacer confirms that the spacer concept has received medical acceptance and breakthrough on the market. The concept is based on helping the body to heal itself by building up a new surface in the treated joint. The number of potential medical applications for the concept is numerous and no similar products are on the market. Artimplant would like to emphasize the importance of this reference for the technology Artelon®, medical, regulatory and business wise. Thanks to the well-documented clinical qualities of Artelon® Artimplant have the possibility to quickly build a brand in new product applications.

The license agreements signed so far represent an important base for the operations of the company. In order to enhance the marginal benefit, Artimplant is now developing operations to better meet the medical needs of patients, and licensees requests for product concepts ready for launch. This gives Artimplant a possibility to increase its profit margin.

Artimplant's prioritized business projects during 2007 are built on the following three product groups:

- **Spacer**: The company plans to exploit further possibilities within orthopedics. Clinical studies are planned to start during 2008.
- **Tissue Reinforcement**: During 2007 new sizes will be launched and the FDA will be approached concerning extended indications. Artimplant has good commercial potential for the brand Artelon® for these applications.
- **Scaffold**: Artelon® is used for two applications for bone augmentation and soft tissue augmentation within odontology.

There are numerous potential application areas for Artelon® with its unique property to help the body to heal. All cannot be exploited by Artimplant. In 2007 Artimplant plans to license Artelon® for some single application area.

CEO´s comments on 2006

2006 has been a successful year. Two events were decisive:

- Breakthrough on the market for Artelon® CMC Spacer
- Clearance to market Artimpant's second most important product concept in the USA: Artelon® Tissue Reinforcement

New product launches and an increased production capacity are other goals that have been reached. In total the company's risk exposure decreased substantially. It is no longer a question if the medical technology works or has a medical use. The question now is how quickly we can develop Artimplant and increase shareholder value.

During 2006 sales of implants calculated by invoices to customers increased by 600% compared with 2005. However, the company did not reach its goal for 2006 of significantly increased revenue, including one time milestone payments..

Important time was lost when Sportmesh™ was released for sale by Arthrocare six months behind schedule. The initial sales have been slow. This, amongst other reasons, is that every customer demands treated patients as a reference, especially when there is a lack of clinical data. Artimplant continues to hold high expectations for this product.

One product application that needs additional development is Artelon® Bone Scaffold.

Artimplant is a small platform company with a large amount of product applications on their way to market. The stability of the company is no longer dependant on only one product area. There is significant interest in Artimplant and the areas of technology which the company controls. The largest orthopedic areas, hip, knee and spine have a very large, unexploited market potential.

Parent company

The majority of the operations are run through the parent company Artimplant AB. Artimplant USA, Inc. is the only subsidiary and is at present fully funded by the parent. During January to December 2006 only the parent had external revenue so the revenue of the parent equals the revenue of the group. Result before balance sheet allocations and apprpriations amounts to – 54.5 MSEK whereof 22.7 MSEK was for depreciation and one time write offs, including the above mentioned one time write offs of 17.1 MSEK. Investments in the parent do in all material aspects equal the group. As at December 31 2006 the parent had 68.6 MSEK in cash. In September, 2006, 91,750 A-shares were converted to B-shares.

Merger and deregistration of subsidiaries

The dormant subsidiary Artimplant Ortopedisk Klinik AB has during the fourth quarter been absorbed by Artimplant AB. The merger created a profit of 43 KSEK which is accounted against balanced profit and a reversal accrual fund of 76 KSEK. The dormant subsidiary KB Artimplant Ortopedisk Klinik has been deregistered.

Accounting principles

Artimplant applies IFRS. This report has been prepared in accordance with IAS 34 and the Swedish Annual Report Act. As of January 2006 Artimplant prepares consolidated financial statements. Artimplant AB (parent) and Artimplant USA, Inc. are consolidated. The operation in Artimplant USA, Inc. was earlier part of the parent, so the consolidated accounts of 2006 is in all material aspects comparable with 2005.

License income from product sales is, according to the agreements with SBI and Biomet, due four to six weeks after calendar quarter end. Accrued license income for one quarter is, as at January 2006 recognized the following quarter, hence no license income from product sales are recorded in Q1 2006.

Depreciation of capitalized product development costs is, as of January 2006 part of research and development costs, instead of part of cost of goods sold. When Artimplant receives product development contributions from third parties during a development project the research and development costs are not capitalized according to IAS 38.

Upcoming information events

Three months report……. 3 May 2007
Six months report……. 8 August 2007
Nine months report…… 8 November 2007
Annual accounts…… 22 February 2008

Financial reports are available at www.artimplant.com simultaneously as distributed to the media. For information regarding business model, technology and products see Artimplant's annual report 2005, which is available at the company's website.

Annual meeting of stockholders

The annual meeting is being held on May 3 2007, at 5 p.m., at the company offices. The premises will be opened for registration at 4 p.m. Shareholders who wish to participate shall no later then April 25 2007 register his participation to the company in one of the following ways:

- By email to agm2007@artimplant.com
- By fax on +46 31-746 56 60,
- By telephone +46 31-746 56 00,
- By writing to Artimplant AB, Annual meeting 2007, Hulda Mellgrens gata 5, 421 32 Västra Frölunda, Sweden

Notification should include details of name, PID number or corporate registration number, address, phone number and holding of stock as recorded on April 25, 2007. To be entitled to attend and vote, stockholders' names must be recorded in the register maintained by VPC AB. Stockholders whose shares are recorded in the names of nominees through a bank or similar institution must request to have their holdings temporarily re-registered in their own names in the register by April 25, 2007, in order to be entitled to participate at the meeting. Such notification should take place well before that date. The company will publish its annual report on its website no later than April 17, 2007, and copies will be available at its office.

For further information contact

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INCOME STATEMENT

Amounts in SEK thousands	Group		Parent	
	oct-dec 2006	jan-dec 2006	oct-dec 2005	jan-dec 2005
Net sales	1 645	5 536	6 432	8 229
Cost of goods & services sold*	-380	-616	-1 574	-6 535
Gross profit/loss	**1 265**	**4 920**	**4 858**	**1 694**
Research and development costs (1,2)	-5 945	-43 177	-6 717	-20 906
Marketing costs	-3 161	-12 090	-2 443	-9 608
Administrative costs	-1 974	-7 183	-2 090	-8 613
Operating loss	**-9 816**	**-57 530**	**-6 392**	**-37 433**
Interest income and other financial income	484	1 841	371	1 211
Interest expenses and other financial expenses	-159	-330	-9	-22
Net financial items	**325**	**1 511**	**362**	**1 189**
Loss after financial items	**-9 491**	**-56 019**	**-6 030**	**-36 244**
Taxes	-	-	-	-
Loss for the period	**-9 491**	**-56 019**	**-6 030**	**-36 244**

** 2005 includes depreciation of capitalized R&D costs as specified under (1) below.*

The income statements include depreciation on tangible and amortization on intangible fixed assets as shown in the following table.

Amounts in SEK thousands	Group		Parent	
	oct-dec 2006	jan-dec 2006	oct-dec 2005	jan-dec 2005
(1) Capitalized R&D cost*	546	21 236	1 513	6 053
(2) Patents	212	779	10	790
Machinery and equipment	203	669	491	1 447
Total depreciation	**961**	**22 685**	**2 014**	**8 290**

** Write-downs of Capitalized R&D cost of SEK 17,118 thousand are included in jan-dec.*

ALLOCATION OF NET SALES

Amounts in SEK thousands Source of revenue	Group		Parent	
	oct-dec 2006	jan-dec 2006	oct-dec 2005	jan-dec 2005
Licensing of product applications	585	1 031	1 712	1 841
Product sales	1 025	3 273	770	1 529
Milestone payments for product development projects	35	1 231	3 950	4 859
	1 645	**5 536**	**6 432**	**8 229**

Geographic areas	oct-dec 2006	jan-dec 2006	oct-dec 2005	jan-dec 2005
Scandinavia	158	717	65	350
USA	1 487	4 819	6 367	7 879
	1 645	**5 536**	**6 432**	**8 229**

BALANCE SHEET

	Group	Parent
Amounts in SEK thousands	**2006-12-31**	**2005-12-31**
ASSETS		
Capitalized product development	7 193	27 949
Patents	1 131	1 264
Total intangible fixed assets	8 324	29 213
Machinery and equipment	1 890	1 394
Total tangible fixed assets	1 890	1 394
Stock and participation in subsidiaries*	0	1 707
Total financial fixed assets	0	1 707
Total fixed assets	**10 214**	**32 314**
Raw materials, semimanufactures and finished goods	903	944
Total inventories etc	903	944
Accounts receivable	417	204
Other receivables	1 570	1 093
Prepaid expenses and accrued income	1 270	1 275
Total short-term receivables	3 256	2 572
Cash and bank accounts	68 704	104 186
Total current assets	**72 863**	**107 702**
TOTAL ASSETS	**83 077**	**140 016**

	Group	Parent
Amounts in SEK thousands	**2006-12-31**	**2005-12-31**
SHAREHOLDERS' EQUITY & LIABILITIES		
Equity		
Share capital	5 924	5 924
Other capital reserves/Premium reserve	127 042	162 618
Total restricted equity	132 966	168 542
Retained earnings	557	548
Translation difference	110	-
Loss for the period	-56 019	-36 244
Total retained loss	-55 352	-35 696
Total equity	**77 614**	**132 846**
Provisions	**353**	**245**
Accounts payable	1 212	919
Liabilities, subsidiaries*	0	1 822
Other current liabilities	951	718
Accrued expenses and prepaid income	2 947	3 466
Total current liabilities	**5 110**	**6 925**
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	**83 077**	**140 016**

* Only for dormant companies, not Artimplant USA

Artimplant
Degradable Materials for Optimal Tissue Repair

Changes in shareholders' equity during the period

	Group	Parent
Amounts in SEK thousands	jan-dec 2006	jan-dec 2005
Equity at beginning of the period	132 966	83 939
Share issue	-	84 603
Benefit employee stock option (IFRS2)	460	548
Regained VAT from share issue 2000	97	
Translation difference	110	
Loss for the period	-56 019	-36 244
Equity at end of the period	**77 614**	**132 846**

KEY RATIOS	Group		Parent
	oct-dec 2006	jan-dec 2006	jan-dec 2005
Earnings per share, SEK	-0,16	-0,95	-0,73
Earnings per share after full dilution SEK	-0,16	-0,95	-0,73
Equity per share, SEK	1,31	1,31	2,24
Equity per share after full dilution SEK	1,31	1,31	2,24
No. of shares at end of period	59 244 790	59 244 790	59 244 790
Average n. of shares	59 244 790	59 244 790	49 370 659
No. of shares after full dilution	60 348 628	60 348 628	61 107 012
Yield on equity, %	neg	neg	neg
Yield on capital employed, %	neg	neg	neg
Equity/assets ratio, %	93	93	95

CASH-FLOW ANALYSIS

Amounts in SEK thousands	Group jan-dec 2006	Parent jan-dec 2005
Operating activities		
Net loss after financial items	-56 019	-36 244
Adjustment for items not effecting cash flow	23 477	9 715
Cash flow from operating activities before changes in working capital	**-32 542**	**-26 529**
Cash flow from changes in working capital		
Changes in inventories	41	-652
Changes in receivables	-684	-73
Changes in liabilities	-5	-1 140
Cash flow from operating activities	**-33 190**	**-28 393**
Investing activities		
Acquisition of intangible fixed assets	-1 126	-2 161
Acquisition of tangible fixed assets	-1 165	-1 141
Cash flow from investing activities	**-2 292**	**-3 301**
Financing activities		
Share issue	-	84 603
Cash flow from financing activities	**0**	**84 603**
Cash flow for the period	**-35 482**	**52 909**
Liquid funds at beginning of period	**104 186**	**51 277**
Liquid funds at end of period	**68 704**	**104 186**

Göteborg, 2007-02-20
Artimplant AB (publ)

Styrelsen

Historik

1997 - The Company acquires a Swedish patent in respect of Artelon® hydrolyzable fiber polymers for use in temporary implants. New share issue raises SEK 67.5m less costs and the Company is introduced on the Stockholm Stock Exchange. First cruciate ligament operations on human patients using implants from Artimplant carried out within the framework of a pilot study.

1998 - The Company acquires Gothenburg Medical Center, a hospital specializing in sports-related injuries.

1999 - Pilot studies in treatment of damaged thumb ligament and arthritis of the thumb initiated. Artimplant's first multicenter trial in ACL reconstruction begins. The Company begins cooperation with Mölnlycke Health Care AB in the field of wound care.

2000 - Operations in first multicenter trial in ACL reconstruction concluded. Second multicenter ACL reconstruction trial begins. Directed new share issue, first and foremost in favour of overseas corporate investors, raises SEK 143m less costs. Artimplant's Artelon® patent is recognized in the USA and Europe.

2001 - The Company's quality assurance system is granted certification by Lloyds Register Quality Assurance. Artimplant's first product, the Artelon® ACL Augmentation Device, gains CE certification, and can now be marketed in Europe.

2002 - Strategic review. Products and materials technology are to be commercialized by the granting of licenses to leading partners with global presence and strong brand names. Licensing agreement on wound care signed with Mölnlycke Health Care AB. Tord Lendau takes over as CEO in October. The Company undertakes wide-ranging measures designed to reduce overhead and put in place a more efficient organization matched to its new strategy. Directed new share issue raises SEK 30m less costs.

2003 - The Company implements its new strategy and reduces its overheads by more than fifty percent. Its focus is now on licensing its technology, product development and creation of a balanced product development portfolio. Artimplant reinforces its biological angle of attack by pre-clinical studies in which a porous matrix is tested as a scaffold for proteins, growth factors and stem cells. The Company signs an agreement with Atlantech for trial sales in the UK of its Artelon® ACL Augmentation Device

Artelon® Spacer CMC-I for treating arthritis of the thumb is granted CE certification. Artelon® Surgical Suture is cleared by the FDA. New share issues in March and December raise about SEK 62m less costs. Gothenburg Medical Center is divested.

2004 - Artelon® Spacer CMC-I receives approval from the FDA for sale on the US market. Licensing agreements signed with Avanta Orthopaedics (now owned by Small Bone Innovations) for sale of Artelon® Spacer CMC-I in the US and rest of the world. Development and licensing agreement signed with Biomet for development of a product for repairing damaged soft tissue. In December the first shipment of Artelon® Spacer CMC-I is sent to Avanta in the US. Artelon® Surgical Suture approved for sale on the European market. Products previously approved for sale on the European market are approved for additional indications. Trial sales of Artelon® ACL Augmentation Device in the UK is completed. Cooperation between Artimplant and Mölnlycke Health Care on the development and licensing of wound care products using Artelon® ends. Directed new share issue raises SEK 14m less costs.

2005 - Artelon® Spacer CMC-I is launched at AAOS. Oversubscribed preferential rights issue raises about SEK 89m before costs for the Company. Focus on new product areas, odontology and craniomaxillofacial surgery, initiated. Two new products in odontology, Artelon® Bone Scaffold and Artelon® Membrane, approved for sale in Europe. Several sizes of Artelon® Surgical Suture approved for sale in the United States and Europe. Four new licensing and development agreements signed with Small Bone Innovations. Distribution agreement for Artelon® Surgical Suture in North America signed with Arthrocare. Artelon® implant for reinforcing rotator cuffs approved for sale in Europe. Office opened in the United States. Artelon® TMC Spacer approved for sale in Australia.

2006 - The company receives clearance to market the SportMesh™ Soft tissue reinforcement for reinforcement of rotator cuff tears in the USA. Four new Spacer products for treatment of osteoarthritis in hand and foot are CE certified. Hans Rosén is employed as new CEO in August. The company's stategy is further developed with focus on three product areas. Spacer, Tissue Reinforcement and Scaffold. The sales of Artelon® CMC Spacer increases by 600% compared with 2005. Through to 2006 approximately 3000 patients have received Artelon® implants at 500 clinics..