ARTIMPLANT INTERIM REPORT JANUARY – MARCH 2007

- **Net revenue of SEK 3.9 million (1.1)***
- **Net loss of SEK 2.9 million (10.4)**
- **Earnings per share of SEK -0.05 (SEK -0.17)**
- **Strong sales increase for Artelon® CMC Spacer – around 1,300 (400) units were sold to end-customers during Q1 2007**
- **More than 4,000 patients had been treated with Artelon® devices through to Q1 2007**

* Figures in brackets refer 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 oral applications.

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

Mission

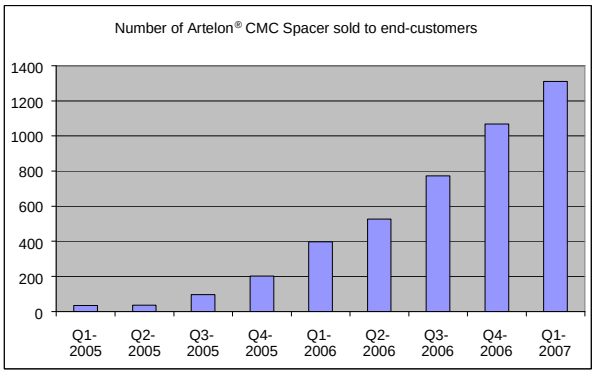
Artimplant's mission is to restore the health of patients by offering medical professionals degradable implants that help the body to heal.

Vision

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

Financial results January – March 2007

Net sales amounted to SEK 3.9 million (1.1) and consisted mainly of product sales with associated license revenues. The sales increase of Artelon® CMC Spacer has continued and sales to end-customers increased to approximately 1,300 (400) units during the quarter, an increase of 23% over the previous quarter. Since promotion started more than 4,500 implants have been sold to end-customers. During the first quarter Small Bone Innovations (SBI) Inc. built up a certain stock level. As of January 2006, accrued license revenue for one quarter is reported in the following quarter. This is the reason why only license revenue for the three first quarters was reported in 2006.



During 2006, Biomet Sports Medicine began sales of SportMesh™ Soft Tissue Reinforcement for the reinforcement of rotator cuff tears (supraspinatus). Approximately 100 units were sold to 70 clinics during the first quarter. During the fourth quarter 2006 approximately 50 units were sold.

The operating loss was SEK 2.9 million (10.7). The net loss amounted to SEK 2.9 million (10.4) and was affected positively by exchange rate differences of SEK 59 thousand. Earnings per share were SEK - 0.05 (-0.17).

The fixed cost level of the Company decreased during the first quarter by approximately SEK 5.5 million. Both 2006 and 2007 include non-recurring costs, creating a total effect of some SEK 1 million. Depreciation of capitalized product development costs has decreased by approximately SEK 1 million per quarter due to last year's non-recurring amortizations. Moreover, a higher part of the production facility is in 2007 reported as cost of goods sold. Increasingly better resource utilization in the Company mirrors the lower cost level. Further resources are planned within sales and marketing.

Investments and cash position

Investments during the period totaled SEK 0.1 million (0.6) with SEK 0.1 million (0.4) attributable to investments in intangible fixed assets. At the end of the period cash and cash equivalents amounted to SEK 63.4 million (95.5).

Personnel

As of March 31, 2007, Artimplant employed 26 people (29), 12 women and 14 men.

Product development and approvals

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 the new indications, Achilles tendons and flat foot, were presented at the Swedish Foot Society's annual meeting in January 2007. Artimplant plans to apply to the FDA for extended indications during the second half of 2007.

During the first quarter of 2007 a new size of Artelon® Tissue Reinforcement for the treatment of Achilles tendon ruptures was developed.

Artelon® Scaffold for the augmentation of soft tissues in dental applications is currently being documented in close cooperation with the Brånemark Clinic in Gothenburg and the Faculty of Odontology at Göteborg University. Artimplant is planning to run two post market studies during the second quarter of 2007.

Artimplant is developing a new design of Artelon® Bone Scaffold for bone augmentation in the upper jaw, a so-called sinus lift. A clinical evaluation is planned to start during 2007.

Increased use of Artelon® products

At the end of the first quarter approximately 700 American customers had bought Artelon® CMC Spacer. The customer base is leading the way for the effective launch of Artimplant's new spacer products following 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 started at the end of September 2006 (sold exclusively by Biomet Sports Medicine as SportMesh™ for the rotator cuff application). Marketing is now under way in Europe and the USA. According to Artimplant estimates, the market potential for the rotator cuff application is greater than for the Artelon® CMC Spacer.
During the first quarter of 2007 approximately 100 units were sold. Approximately 50 units were sold during the fourth quarter of 2006. Sales are expected to increase as the doctors gain experience from the product and confirm the value of the product.
During the spring of 2007, Biomet Sports Medicine plans to commence market studies for SportMesh™ to further support sales.

Business model

Artimplant's business model and future revenue flows are based on the exploitation and development of the technology platform Artelon®, from which different medical devices are being developed within orthopedics and odontology. Product development and production are conducted by Artimplant. For the marketing of the Company's products, Artimplant has to date signed exclusive global licensing agreements with established players on the market. These agreements form an important base for the Company's business operations. Artimplant develops operations aimed at marketing and verifying future product concepts on domestic markets. This puts Artimplant in a better position when negotiating with different players on the market at the same time that distribution channels and direct sales can be evaluated in parallel. Artimplant's potential to increase its profit margin and in the long term reinforce the Company's market position is thus improved.

Sales take place through
• Licensing via exclusive global agreements, at present with Small Bone Innovations (SBI) and Biomet
• OEM agreements (private label), non-exclusive and global
• Regional or local distribution agreements
• Direct sales of products

Operative direction 2007

Artimplant's prioritized development projects during 2007 are based on the Company's three product variants (restoration concepts):

• Resurfacing: Commencement of the development of a number of new products within hand and foot surgery.
• Tissue Reinforcement: FDA application for extended indication is planned and new sizes are being developed.

• Replenish: Verify Artelon® Cosmetic in market studies and develop a new Artelon® Bone Scaffold design.

There are numerous potential application areas for Artelon® with its unique property to help the body to heal. Not all can be exploited by Artimplant. In 2007 Artimplant plans to license Artelon® for certain single application areas.

Parent Company

The majority of 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 Company. During January-March 2007 only the Parent Company had external sales and consequently the revenue of the Parent Company is the same as the Group's. Investments and liquidity in the Parent Company correspond in all material respects to the Group's.

Accounting principles

Artimplant applies IFRS. This report has been prepared in accordance with IAS 34 and the Swedish Annual Accounts Act.

As of 2007 the Company does not to capitalize product development costs, since difficulty predicting future revenue streams is part of the nature of the business.

During 2006, Artimplant developed its production facilities to meet the increased demand for Artelon® products and currently has certain overcapacity. As of 2007, the cost of goods sold includes a larger share of the fixed cost of the production facility in addition to variable production costs.

Forthcoming reports

Six-monthly report…… August 8, 2007
Nine-monthly report……November 8, 2007
Annual Report…… February 22, 2008
Three-monthly report…… May 6, 2008

Financial reports are available at www.artimplant.com and are also distributed to the media. For information regarding the business model, technology and products, see Artimplant's Annual Report 2006, which is available on the Company's website.

For further information please contact

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INCOME STATEMENT

Amounts in SEK 1,000	Group Jan-Mar 2007	Group Jan-Mar 2006	Jan-Dec 2006
Net sales	3,942	1,110	5,536
Cost of goods & services sold*	-1,107	-43	-616
Gross profit/loss	**2,835**	**1,066**	**4,920**
Research and development costs (1,2)	-3,315	-7,688	-43,177
Selling costs	-2,039	-2,694	-12,090
Administrative costs	-979	-1,430	-7,183
Operating loss	**-3,498**	**-10,746**	**-57,530**
Interest income and other financial income	621	418	1,841
Interest expenses and other financial expenses	-45	-38	-330
Net financial items	**576**	**380**	**1,511**
Loss after financial items	**-2,922**	**-10,366**	**-56,019**
Taxes	-	-	-
Loss for the period	**-2,922**	**-10,366**	**-56,019**

**) Thereof SEK 386 thousand in variable costs in 2007*

The Income Statements include depreciation of tangible assets and amortization of intangible fixed assets as shown in the following table.

Amounts in SEK 1,000	Group Jan-Mar 2007	Group Jan-Mar 2006	Jan-Dec 2006
(1) Capitalized R&D cost*	546	1,513	21,236
(2) Patents	120	167	779
Machinery and equipment	151	130	669
Total depreciation	**817**	**1,810**	**22,685**

** Impairments of capitalized R&D cost of SEK 17,118 thousand are included in Jan-Dec 2006.*

ALLOCATION OF NET SALES Amounts in SEK 1,000 Source of revenue	Group Jan-Mar 2007	Group Jan-Mar 2006	Jan-Dec 2006
Licensing of product applications	1,503	-	1,031
Product sales	2,439	326	3,273
Milestone payments for product development projects	-	784	1,231
	3,942	**1,110**	**5,536**

Geographic areas	Jan-Mar 2007	Jan-Mar 2006	Jan-Dec 2006
Scandinavia	344	141	717
USA	3,598	968	4,819
	3,942	**1,110**	**5,536**

BALANCE SHEET

Amounts in SEK 1,000	Group 3/31/2007	Group 3/31/2006	12/31/2006
ASSETS			
Capitalized product development	6,647	26,573	7,193
Patents	1,092	1,180	1,131
Total intangible fixed assets	7,739	27,753	8,324
Machinery and equipment	1,744	1,676	1,890
Total tangible fixed assets	1,744	1,676	1,890
Stock and participation in subsidiaries*	-	1,707	-
Total financial fixed assets	0	1,707	0
Total fixed assets	**9,483**	**31,136**	**10,214**
Raw materials, semi-finished and finished goods	1,441	538	903
Total inventories etc.	1,441	538	903
Accounts receivable	963	376	417
Other receivables	1,470	1,058	1,570
Prepaid expenses and accrued income	2,009	960	1,270
Total short-term receivables	4,442	2,394	3,256
Cash and bank accounts	63,397	95,462	68,704
Total current assets	**69,280**	**98,393**	**72,863**
TOTAL ASSETS	**78,763**	**129,529**	**83,077**

Amounts in SEK 1,000	Group 3/31/2007	Group 3/31/2006	12/31/2006
SHAREHOLDERS' EQUITY & LIABILITIES			
Equity			
Share capital	5,924	5,924	5,924
Premium reserve	127,042	162,618	127,042
Total restricted equity	132,966	168,542	132,966
Retained earnings	-55,696	-35,613	557
	-30	0	110
Loss for the period	-2,922	-10,366	-56,019
Total retained loss	-58,648	-45,978	-55,352
Total equity	**74,318**	**122,564**	**77,614**
Provisions	**238**	**292**	**353**
Accounts payable	818	563	1,212
Liabilities, subsidiaries*	-	1,822	-
Other current liabilities	1,363	1,226	951
Accrued expenses and prepaid income	2,026	3,062	2,947
Total current liabilities	**4,207**	**6,672**	**5,110**
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	**78,763**	**129,529**	**83,077**

* Only for dormant companies, not Artimplant USA

Changes in shareholders' equity during the period

Amounts in SEK 1,000	Group Jan-Mar 2007	Group Jan-Mar 2006	Jan-Dec 2006
Equity at the beginning of the period	77,614	132,846	132,966
Share issue	-	-	-
Benefit employee stock option (IFRS2)	-344	84	460
Regained VAT from share issue 2000	-	-	97
Translation difference	-30	-	110
Loss for the period	-2,922	-10,366	-56,019
Equity at the period-end	**74,318**	**122,564**	**77,614**

KEY RATIOS	Group Jan-Mar 2007	Group Jan-Mar 2006	Jan-Dec 2006
Earnings per share, SEK	-0.05	-0.17	-0.95
Earnings per share after full dilution SEK	-0.05	-0.17	-0.95
Equity per share, SEK	1.25	2.07	1.31
Equity per share after full dilution SEK	1.25	2.07	1.31
No. of shares at the period-end	59,244,790	59,244,790	59,244,790
Average no. of shares	59,244,790	59,244,790	59,244,790
No. of shares after full dilution	60,348,628	60,557,961	60,348,628
Yield on equity, %	neg	neg	neg
Yield on capital employed, %	neg	neg	neg
Equity/assets ratio, %	94	95	93

CASH FLOW ANALYSIS

Amounts in SEK 1,000	Group Jan-Mar 2007	Group Jan-Mar 2006	Jan-Dec 2006
Operating activities			
Net loss after financial items	-2,922	-10,366	-56,019
Adjustment for items not effecting cash flow	328	1,941	23,477
Cash flow from operating activities before changes in working capital	**-2,594**	**-8,425**	**-32,542**
Cash flow from changes in working capital			
Changes in inventories	-538	406	41
Changes in receivables	-1,186	178	-684
Changes in liabilities	-903	-253	-5
Cash flow from operating activities	**-5,221**	**-8,093**	**-33,190**
Investments			
Acquisition of intangible fixed assets	-81	-219	-1,126
Acquisition of tangible fixed assets	-5	-412	-1,165
Cash flow from investments	**-86**	**-631**	**-2,292**
Financing			
Share issue	-	-	-
Cash flow from financing	**0**	**0**	**0**
Cash flow for the period	**-5,307**	**-8,724**	**-35,482**
Liquid funds at the beginning of period	**68,704**	**104,186**	**104,186**
Liquid funds at the period-end	**63,397**	**95,462**	**68,704**

Gothenburg, May 3 2007
Artimplant AB (publ)

Board of Directors

History

1986 – 1996 – A medical need is identified and the development of a new biomaterial commences. During subsequent years material, product and production development takes place and the technology is verified through preclinical trials.

1997 - The Company acquires a Swedish patent for Artelon® hydrolyzable fiber polymers for use in temporary implants. The Company is floated on the Stockholm Stock Exchange. The first cruciate ligament (ACL) operations on human patients using implants from Artimplant are carried out within the framework of a pilot study.

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

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

2000 - The first multicenter trial in ACL reconstruction is concluded. The second multicenter ACL reconstruction trial begins. Artimplant's Artelon® patent is approved in the USA and Europe. The marketing organization is expanded.

2001 - Artimplant's quality assurance system is certified by Lloyds Register Quality Assurance. Artimplant's first product, the Artelon® Augmentation Device ACL is granted CE-certification and can now be marketed in Europe. The task of building up the Company's own marketing and sales organization ceased during the autumn. Products and material technology will be commercialized through the granting of licenses to leading companies with a global presence.

2002 - Agreement on wound care signed with Mölnlycke Health Care AB. An extensive restructuring program is commenced to reduce the Company's cost base.

2003 – The Company signs an agreement with Atlantech for sales in the UK of its Artelon® Augmentation Device ACL. Artimplant's Artelon® CMC Spacer for treating thumb base osteoarthritis receives clearance for marketing in Europe. Artelon® Surgical Suture is given clearance by the FDA for sales on the American market. The subsidiary Gothenburg Medical Center is sold.

2004 - Artelon® CMC Spacer receives clearance for marketing from the FDA for sales on the US market. Licensing agreements signed with Small Bone Innovations. A licensing agreement is signed with Biomet Inc. for the production of SportMesh™. Cooperation with Atlantech for the sale of Artelon® Augmentation Device ACL is concluded. Cooperation between Artimplant and Mölnlycke Health Care within wound care is concluded.

2005 - Four new licensing and development agreements are signed with Small Bone Innovations. A distribution agreement for Artelon® Surgical Suture in North America is signed with ArthroCare. Artelon® implant for reinforcing rotator cuffs is cleared for marketing in Europe. Office opened in the United States.

2006 - The Company receives clearance for marketing by the FDA for the sale of the SportMesh™ rotator cuff implant in the USA. Four new Spacer products for the treatment of osteoarthritis in the hand and foot are granted clearance for marketing in Europe. The product Artelon® Augmentation Device ACL is discontinued. The sale of Artelon® CMC Spacer to end-customers increases by over 600% compared with 2005. Over 3,000 patients have been given an Artelon® implant at 500 clinics.