

## **ARTIMPLANT INTERIM REPORT January 1 – September 30, 2003**

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### **ARTIMPLANT DIVESTS GOTHENBURG MEDICAL CENTER**

- Consolidated net sales January-September 2003 reached SEK 20,3 million (SEK 18,2 million)
- The loss after taxes was SEK 17,4 million (SEK 40,0 million loss)
- Earnings per share for the period was SEK - 0,73 (SEK -4,32)
- Gothenburg Medical Center's operations were divested. The cash consideration amounts to SEK 11 million.
- In August Artimplant received CE-certificate for Artelon™ Spacer CMC-I

### **Developments after the 9-month period**

- Artimplant's board proposes a share issue to raise SEK 48 million. Institutional shareholders have announced their intention to subscribe to close to 70% of the new shares. A separate press release containing additional information has been issued.

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### **Forthcoming financial reports:**

Release of year end results:	February 17, 2004
January – March 2004 report:	April 27, 2004
January - June 2004 report:	August 27, 2004
January – September 2004 report:	November 5, 2004

Financial reports are available at [www.artimplant.se](http://www.artimplant.se) at the same time that they're distributed to the media.

### **For more information, contact:**

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### **ARTIMPLANT**

*Artimplant is a biomaterial company that focuses on orthopedic surgery solutions. The company runs R&D operations for biodegradable implants and develops manufacturing processes for the implants. Its goal is to enable active lives. Artimplant's biomaterial is based on a new technology that's opening new markets within orthopedic surgery and closely related areas that have extensive med-tech needs.*

*Artimplant developed and patented several different degradable ligament implants that are now in clinical trials. The company's business concept is to license products and technologies to global partners.*

*The Artimplant share is listed on the Stockholm stock exchange's O list.*



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### **Artimplant's results, January–September 2003**

Consolidated net sales for January–September 2003 totaled SEK 20.3 million (SEK 18.2 million for the same period the preceding year). The operating loss for the period totaled SEK 18.8 million (SEK 40.7 million loss). The loss after taxes was SEK 17.4 million (SEK 40.0 million loss). Net sales by the subsidiary Gothenburg Medical Center (GMC) for the period reached SEK 19.3 million (SEK 18.6 million), and the operating profit totaled SEK 0.8 million (SEK –2.0 million).

### **Divestment of Gothenburg Medical Center's assets**

In September Gothenburg Medical Center (GMC) entered a contractual agreement to divest its assets to a group with extensive experience from the health care industry. The cash consideration amounts to MSEK 11 million and is due October 8, 2003, when the new owners will assume possession of the clinic. The sale does not include liquid assets. The transaction is part of the plan to focus on Artimplant's core business and strengthen the company's financial platform. On Group level the sale contributes MSEK 11 in liquid assets, and a loss of SEK 366 thousands to the operating result.

### **Regulatory plan**

In August Artimplant received CE-certificate for Artelon™ Spacer CMC-I. The CE-mark enables sales of the product throughout the EU.

In July Artimplant filed a 510(k) submission at FDA of Artelon™ Surgical Suture. The Suture is the first Artelon™ product for which the company seeks FDA approval. Normally the procedure takes 90 days plus time for additional questions. The Company estimates that the review time has been extended 16 days due to such questions, which means that a decision may be announced shortly.

### **Investments and liquidity**

The investments during January–September totaled SEK 4.9 million (SEK 10.0 million), of which intangible assets accounted for SEK 4.3 million (SEK 9.6 million). At the end of the period, liquid assets totaled SEK 20.0 million (SEK 19.4 million).

### **Personnel**

As of September 30, 2003, the Group employed 23 (67). All employees of GMC were transferred over to the new ownership. The number of consultants associated with the Company was 1 (7).

## INCOME STATEMENTS ARTIMPLANT

Amounts in SEK thousands	Group	Group	Group	Group	Group
	Jul-Sep 2003	Jan-Sep 2003	Jul-Sep 2002	Jan-Sep 2002	Jan-Dec 2002
Net sales	5 550	20 252	5 099	18 236	25 659
Cost of goods & services sold	-5 249	-18 768	-4 585	-18 910	-25 466
<b>Gross profit/loss</b>	<b>301</b>	<b>1 484</b>	<b>514</b>	<b>-674</b>	<b>193</b>
Research and development costs	-3 903	-9 149	-6 147	-20 221	-30 518
Marketing costs	-1 233	-5 266	-2 262	-9 113	-13 618
Administrative costs	-1 648	-5 484	-3 793	-10 790	-19 113
Other operating cost/revenues	-366	-366	-	61	61
<b>Operating loss</b>	<b>-6 849</b>	<b>-18 781</b>	<b>-11 688</b>	<b>-40 737</b>	<b>-62 995</b>
Interest income and other financial income	284	671	237	1 157	1 279
Interest expenses and other financial expenses	-17	-30	-367	-400	-435
Proceeds from sale of warrants	-	-	-	-	0
<b>Net financial items</b>	<b>267</b>	<b>641</b>	<b>-130</b>	<b>757</b>	<b>844</b>
<b>Loss after financial items</b>	<b>-6 582</b>	<b>-18 140</b>	<b>-11 818</b>	<b>-39 980</b>	<b>-62 151</b>
Taxes	0	702	-	-	99
<b>Loss for the period</b>	<b>-6 582</b>	<b>-17 438</b>	<b>-11 818</b>	<b>-39 980</b>	<b>-62 052</b>

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

Amounts in SEK thousands	Group	Group	Group	Group	Group
	Jul-Sep 2003	Jan-Sep 2003	Jul-Sep 2002	Jan-Sep 2002	Jan-Dec 2002
Capitalized research and development costs	-	-	-	-	-
Patents	382	812	383	1 151	4 290
Goodwill	175	525	175	525	699
Machinery and equipment	736	2 193	889	2 617	3 533
<b>Total depreciation</b>	<b>1 293</b>	<b>3 530</b>	<b>1 447</b>	<b>4 293</b>	<b>8 522</b>

## KEY RATIOS FOR THE GROUP

	Jan-Sep 2003	Jan-Sep 2002	Jan-Dec 2002
	Earnings per share, SEK	-0,73	-4,32
Earnings per share after full dilution SEK	-0,73	-4,32	-3,22
Equity per share, SEK	3,19	8,12	4,10
Equity per share after full dilution SEK	3,19	8,12	4,10
No. of shares at end of period	23 931 018	9 250 000	19 250 000
No. of shares after full dilution	25 264 358	9 762 500	20 583 340
Yield on equity, %	neg	neg	neg
Yield on capital employed, %	neg	neg	neg
Equity/assets ratio, %	89	83	79

## INCOME STATEMENTS ARTIMPLANT

Amounts in SEK thousands	Parent	Parent	Parent	Parent	Parent
	Jul-Sep 2003	Jan-Sep 2003	Jul-Sep 2002	Jan-Sep 2002	Jan-Dec 2002
Net sales	0	1 160	0	211	211
Cost of goods & services sold	0	-1 160	0	-211	-211
<b>Gross profit/loss</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Research and development costs	-3 903	-9 149	-6 147	-20 221	-30 518
Marketing costs	-1 233	-5 266	-2 262	-9 113	-13 618
Administrative costs	-1 214	-4 214	-3 155	-8 875	-16 561
Other operating revenues	0	-	-	-	0
Share in earnings from Group companies	50	775	54	-1 991	-1 589
<b>Operating loss</b>	<b>-6 300</b>	<b>-17 854</b>	<b>-11 510</b>	<b>-40 200</b>	<b>-62 286</b>
Interest income and other financial income	276	606	233	1 144	1 261
Interest expenses and other financial expenses	-17	-28	-11	-40	-68
Share of subsidiarys profit from sale of assets	9 966	9 966			
Derpiciation of shares in subsidiary	-13 739	-13 739			
<b>Net financial items</b>	<b>-3 514</b>	<b>-3 195</b>	<b>222</b>	<b>1 104</b>	<b>1 193</b>
<b>Loss after financial items</b>	<b>-9 814</b>	<b>-21 049</b>	<b>-11 288</b>	<b>-39 096</b>	<b>-61 093</b>
Taxes	-	-	-	-	-
<b>Loss for the period</b>	<b>-9 814</b>	<b>-21 049</b>	<b>-11 288</b>	<b>-39 096</b>	<b>-61 093</b>

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

Amounts in SEK thousands	Parent	Parent	Parent	Parent	Parent
	Jul-Sep 2003	Jan-Sep 2003	Jul-Sep 2002	Jan-Sep 2002	Jan-Dec 2002
Capitalized research and development costs	-	-	-	-	-
Patents	382	812	383	1 151	4 290
Machinery and equipment	615	1 835	796	2 387	3 212
<b>Total depreciation</b>	<b>997</b>	<b>2 647</b>	<b>1 179</b>	<b>3 538</b>	<b>7 502</b>

## BALANCE SHEETS ARTIMPLANT

	Group	Group	Group	Parent	Parent	Parent
Amounts in SEK thousands	2003-09-30	2002-09-30	2002-12-31	2003-09-30	2002-09-30	2002-12-31
<b>ASSETS</b>						
Capitalized research and development costs	44 092	38 819	41 148	44 092	38 819	41 148
Patents	2 978	5 006	2 425	2 978	5 006	2 425
Goodwill	0	11 031	10 857	-	-	-
<b>Total intangible fixed assets</b>	<b>47 070</b>	<b>54 856</b>	<b>54 430</b>	<b>47 070</b>	<b>43 825</b>	<b>43 573</b>
Machinery and equipment	3 786	7 530	6 740	3 786	6 545	5 846
<b>Total tangible fixed assets</b>	<b>3 786</b>	<b>7 530</b>	<b>6 740</b>	<b>3 786</b>	<b>6 545</b>	<b>5 846</b>
Shares in Group companies	-	-	-	4 357	18 096	18 096
<b>Total financial fixed assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 357</b>	<b>18 096</b>	<b>18 096</b>
<b>Total fixed assets</b>	<b>50 856</b>	<b>62 386</b>	<b>61 170</b>	<b>55 213</b>	<b>68 466</b>	<b>67 515</b>
Raw materials, semimanufactures and finished goods	135	227	132	135	227	132
<b>Total inventories etc</b>	<b>135</b>	<b>227</b>	<b>132</b>	<b>135</b>	<b>227</b>	<b>132</b>
Accounts receivable	0	2 214	1 807	0	-	0
Receivables, Group companies	-	-	-	9 298	-	0
Other receivables	12 123	1 132	3 081	1 086	1 123	3 075
Prepaid expenses and accrued income	2 257	4 816	1 882	2 257	4 542	1 566
<b>Total short-term receivables</b>	<b>14 380</b>	<b>8 162</b>	<b>6 770</b>	<b>12 641</b>	<b>5 665</b>	<b>4 641</b>
Cash and bank accounts	19 967	19 436	32 274	18 884	18 759	31 428
<b>Total current assets</b>	<b>34 482</b>	<b>27 825</b>	<b>39 176</b>	<b>31 660</b>	<b>24 651</b>	<b>36 201</b>
<b>TOTAL ASSETS</b>	<b>85 338</b>	<b>90 211</b>	<b>100 346</b>	<b>86 873</b>	<b>93 117</b>	<b>103 716</b>

	Group	Group	Group	Parent	Parent	Parent
Amounts in SEK thousands	2003-09-30	2002-09-30	2002-12-31	2003-09-30	2002-09-30	2002-12-31
<b>SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>						
Equity						
Share capital	2 393	925	1 925	2 393	925	1 925
Restricted reserves/Legal reserve	94 912	116 788	141 697	94 912	116 788	141 697
Total restricted equity	97 305	117 713	143 622	97 305	117 713	143 622
Retained losses	-3 620	-2 661	-2 661	-	-	-
Loss for the period	-17 438	-39 980	-62 052	-21 049	-39 096	-61 093
Total retained loss	-21 058	-42 641	-64 713	-21 049	-39 096	-61 093
<b>Total equity</b>	<b>76 247</b>	<b>75 072</b>	<b>78 909</b>	<b>76 256</b>	<b>78 617</b>	<b>82 529</b>
Provision for deferred tax	82	322	223	-	-	-
Other provisions	-	-	-	-	-	-
<b>Total provisions</b>	<b>82</b>	<b>322</b>	<b>223</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other long-term liabilities	-	0	-	-	0	-
<b>Total long-term liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Accounts payable	3 094	5 997	4 900	3 094	5 062	4 078
Liabilities, Group companies	-	-	-	1 945	3 889	3 547
Tax liability	-	-	0	-	-	-
Other current liabilities	1 769	1 445	1 548	1 431	1 014	933
Accrued expenses and prepaid income	4 147	7 375	14 766	4 147	4 535	12 629
<b>Total current liabilities</b>	<b>9 010</b>	<b>14 817</b>	<b>21 214</b>	<b>10 617</b>	<b>14 500</b>	<b>21 187</b>
<b>TOTAL SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>	<b>85 338</b>	<b>90 211</b>	<b>100 346</b>	<b>86 873</b>	<b>93 117</b>	<b>103 716</b>

**Note: Changes in shareholder's equity during the period**

	Group	Group	Group	Parent	Parent	Parent
Amounts in SEK thousands	Jan-Sep	Jan-Sep	Jan-Dec	Jan-Sep	Jan-Sep	Jan-Dec
	2003	2002	2002	2003	2002	2002
Equity at beginning of the period	78 909	137 919	137 919	82 529	140 580	140 580
New share issue	14 776	0	25 909	14 776	0	25 909
Change in accounting principle	0	-22 867	-22 867	0	-22 867	-22 867
Loss for the period	-17 438	-39 980	-62 052	-21 049	-39 096	-61 093
Equity at end of the period	<b>76 247</b>	<b>75 072</b>	<b>78 909</b>	<b>76 256</b>	<b>78 617</b>	<b>82 529</b>

## CASH-FLOW ANALYSIS ARTIMPLANT

Amounts in SEK thousands	Group	Group	Group	Parent	Parent	Parent
	Jan-Sep 2003	Jan-Sep 2002	Jan-Dec 2002	Jan-Sep 2003	Jan-Sep 2002	Jan-Dec 2002
<b>Operating activities</b>						
Loss after financial items	-17 438	-39 980	-62 151	-21 049	-39 096	-61 093
Adjustment for items not effecting cash flow	4 164	4 294	8 522	15 996	3 539	7 502
Accrued taxes	-141	-	0	-	-	-
<b>Cash flow from operating activities before changes in working capital</b>	<b>-13 415</b>	<b>-35 686</b>	<b>-53 629</b>	<b>-5 053</b>	<b>-35 557</b>	<b>-53 591</b>
Cash flow from changes in working capital						
Increase(-), decrease(+) in inventories	-3	-219	-124	-3	-219	-124
Increase(-), decrease(+) in receivables	1 154	-168	1 224	-8 000	-468	556
Increase(+), decrease(-) in liabilities	-9 928	-2 467	3 930	-10 570	-2 379	4 308
<b>Cash flow from operating activities</b>	<b>-22 192</b>	<b>-38 540</b>	<b>-48 599</b>	<b>-23 626</b>	<b>-38 623</b>	<b>-48 851</b>
<b>Investing activities</b>						
Aquisition of intangible fixed assets	-4 308	-9 560	-12 446	-4 308	-9 560	-12 446
Aquisition of tangible fixed assets	-583	-470	-596	-36	-202	-328
Disposal of tangible fixed assets	0	-	-	650	-	-
<b>Cash flow from investing activities</b>	<b>-4 891</b>	<b>-10 030</b>	<b>-13 042</b>	<b>-3 694</b>	<b>-9 762</b>	<b>-12 774</b>
<b>Financing activities</b>						
New share issue	14 776	-	25 909	14 776	-	25 909
Repayment of loans	-	0	-	-	-	0
<b>Cash flow from financing activities</b>	<b>14 776</b>	<b>0</b>	<b>25 909</b>	<b>14 776</b>	<b>0</b>	<b>25 909</b>
<b>Cash flow for the period</b>	<b>-12 307</b>	<b>-48 570</b>	<b>-35 732</b>	<b>-12 544</b>	<b>-48 385</b>	<b>-35 716</b>
<b>Liquid funds at beginning of period</b>	<b>32 274</b>	<b>68 006</b>	<b>68 006</b>	<b>31 428</b>	<b>67 144</b>	<b>67 144</b>
<b>Liquid funds at end of period</b>	<b>19 967</b>	<b>19 436</b>	<b>32 274</b>	<b>18 884</b>	<b>18 759</b>	<b>31 428</b>

### Accounting principles

This report is prepared in accordance with the Swedish Financial Accounting Standards Council's statements and recommendations regarding interim reporting.

This report is prepared based on the same accounting principles as the Company's latest Annual Report.

Since all the subsidiaries assets have been completely divested all remaining activities will occur within the parent.

Future financial reporting will therefore only reflect Artimplant AB.

The basis for comparisons hereafter will be the parent's historical figures.

Gothenburg, November 7, 2003

Artimplant AB (publ)

Tord Lendau  
CEO

This report has not been audited by Artimplant's auditors.