

ARTIMPLANT INTERIM REPORT January 1 – June 30, 2003

- **Consolidated net sales January-June 2003 reached SEK 14,7 million (SEK 13,1 million)**
- **The loss after taxes was SEK 10,9 million (SEK 28,2 million loss). The reduced loss was a result of the company's restructuring program.**
- **Earnings per share for the period was SEK - 0,45**
- **Artimplant commenced shipment of Artelon™ Augmentation Device ACL**
- **3-year results from the Artelon™ Spacer CMC-I pilot study show that patients remain painless and stable**
- **1-year results confirm that accelerated rehabilitation with Artelon™ Augmentation Device ACL is possible**

Developments after the 6 month period

- **In July Artimplant filed for FDA approval of Artelon™ Surgical Suture**
 - **In August Artimplant received CE-certificate for Artelon™ Spacer CMC-I**
-

Forthcoming financial reports:

January-September 2003 report: November 7, 2003
Release of year end results: February 17, 2004

Financial reports are available at www.artimplant.se at the same time that they're distributed to the media.

For more information, contact:

Tord Lendau, CEO, +46 (0)31 746 56 00, +46 708 369 403, tord.lendau@artimplant.se

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.



Artimplant AB
Hulda Mellgrens gata 5
SE-421 32 Västra Frölunda
SWEDEN

Phone +46 (0)31 746 56 00
Fax +46 (0)31 746 56 60
Web www.artimplant.se
Org. No 556404-8394

Artimplant's results, January–June 2003

Consolidated net sales for January–June 2003 totaled SEK 14.7 million (SEK 13.1 million for the same period the preceding year). The operating loss for the period totaled SEK 11.9 million (SEK 29.0 million loss). The loss after taxes was SEK 10.9 million (SEK 28.2 million loss). Net sales by the subsidiary Gothenburg Medical Center (GMC) for the period reached SEK 13.7 million (SEK 13.2 million), and the after tax profit totaled SEK 0.7 million (SEK –2.0 million).

Product Sales

During the second quarter Artimplant commenced commercial deliveries of Artelon™ Augmentation Device ACL to Atlantech Ltd. in England. The order from Atlantech is a part of the distribution agreement and was intended for test sales primarily in Great Britain and Italy.

Regulatory plan

After the end of the period 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.

Clinical trials

The 3-year results in the ongoing pilot study show that patients remain painless and stable. Their strength remains very good and is considerably better than the control group. The results will be presented in a scientific publication that will be submitted to an international journal of hand surgery on November 14, 2003.

One-year result from the ongoing rehabilitation study confirm that accelerated rehabilitation with the Artelon™ Augmentation Device ACL is possible.

Investments and liquidity

The investments during January–March totaled SEK 3.8 million (SEK 7.2 million), of which intangible assets accounted for SEK 3.3 million (SEK 6.7 million). At the end of the period, liquid assets totaled SEK 28.9 million (SEK 35.8 million).

Personnel

As of June 30, 2003, the Group employed 61 (69), of which 37 (33) worked at the subsidiary Gothenburg Medical Center (GMC). Of the 24 employees in the parent company, 3 were laid off in 2002 and their contracts will expire after the notification periods. The number of consultants associated with the Company was 1 (7).

KEY RATIOS FOR THE GROUP

	Jan-Jun 2003	Jan-Jun 2002	Jan-Dec 2002
Earnings per share, SEK	-0,45	-3,04	-3,22
Earnings per share after full conversion, SEK	-0,45	-3,04	-3,22
Equity per share, SEK	3,42	9,39	4,10
Equity per share after full conversion, SEK	3,42	9,39	4,10
No. of shares at end of period	23 931 018	9 250 000	19 250 000
No. of shares after full conversion	25 264 358	9 762 500	19 250 000
Yield on equity, %	neg	neg	neg
Yield on capital employed, %	neg	neg	neg
Equity/assets ratio, %	85	84	79

INCOME STATEMENTS ARTIMPLANT

Amounts in SEK thousands	Group Apr-Jun 2003	Group Jan-Jun 2003	Group Apr-Jun 2002	Group Jan-Jun 2002	Group Jan-Dec 2002
	Net sales	6 361	14 702	6 641	13 137
Cost of goods & services sold	-6 052	-13 519	-7 857	-14 325	-25 466
Gross profit/loss	309	1 183	-1 216	-1 188	193
Research and development costs	-2 170	-5 246	-7 073	-14 074	-30 518
Marketing costs	-1 878	-4 033	-2 728	-6 851	-13 618
Administrative costs	-1 968	-3 836	-3 558	-6 997	-19 113
Other operating revenues	0	0	11	61	61
Operating loss	-5 707	-11 932	-14 564	-29 049	-62 995
Interest income and other financial income	232	387	428	920	1 279
Interest expenses and other financial expenses	-5	-13	-7	-33	-435
Proceeds from sale of warrants	-	-	-	-	0
Net financial items	227	374	421	887	844
Loss after financial items	-5 480	-11 558	-14 143	-28 162	-62 151
Taxes	701	701	-	-	99
Loss for the period	-4 779	-10 857	-14 143	-28 162	-62 052

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 Apr-Jun 2003	Group Jan-Jun 2003	Group Apr-Jun 2002	Group Jan-Jun 2002	Group Jan-Dec 2002
	Capitalized research and development costs	-	-	-	-
Patents	220	430	412	768	4 290
Goodwill	175	350	175	350	699
Machinery and equipment	732	1 457	844	1 728	3 533
Total depreciation	1 127	2 237	1 431	2 846	8 522

INCOME STATEMENTS ARTIMPLANT

Amounts in SEK thousands	Parent	Parent	Parent	Parent	Parent
	Apr-Jun 2003	Jan-Jun 2003	Apr-Jun 2002	Jan-Jun 2002	Jan-Dec 2002
Net sales	119	1 160	0	211	211
Cost of goods & services sold	-119	-1 160	0	-211	-211
Gross profit/loss	0	0	0	0	0
Research and development costs	-2 170	-5 246	-7 073	-14 074	-30 518
Marketing costs	-1 878	-4 033	-2 728	-6 851	-13 618
Administrative costs	-1 514	-3 000	-3 087	-5 720	-16 561
Other operating revenues	0	-	-	-	0
Share in earnings from Group companies	54	725	-1 496	-2 045	-1 589
Operating loss	-5 508	-11 554	-14 384	-28 690	-62 286
Interest income and other financial income	180	330	422	911	1 261
Interest expenses and other financial expenses	-5	-11	-7	-29	-68
Net financial items	175	319	415	882	1 193
Loss after financial items	-5 333	-11 235	-13 969	-27 808	-61 093
Taxes	-	-	-	-	-
Loss for the period	-5 333	-11 235	-13 969	-27 808	-61 093

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
	Apr-Jun 2003	Jan-Jun 2003	Apr-Jun 2002	Jan-Jun 2002	Jan-Dec 2002
Capitalized research and development costs	-	-	-	-	-
Patents	220	430	412	768	4 290
Machinery and equipment	610	1 220	797	1 591	3 212
Total depreciation	830	1 650	1 209	2 359	7 502

BALANCE SHEETS ARTIMPLANT

	Group	Group	Group	Parent	Parent	Parent
Amounts in SEK thousands	2003-06-30	2002-06-30	2002-12-31	2003-06-30	2002-06-30	2002-12-31
ASSETS						
Capitalized research and development costs	44 209	36 720	41 148	44 209	36 720	41 148
Patents	2 247	4 670	2 425	2 247	4 670	2 425
Goodwill	10 507	11 206	10 857	-	-	-
Total intangible fixed assets	56 963	52 596	54 430	46 456	41 390	43 573
Machinery and equipment	5 554	8 399	6 740	4 379	7 321	5 846
Total tangible fixed assets	5 554	8 399	6 740	4 379	7 321	5 846
Shares in Group companies	-	-	-	18 096	18 096	18 096
Total financial fixed assets	-	-	-	18 096	18 096	18 096
Total fixed assets	62 516	60 995	61 170	68 930	66 807	67 515
Raw materials, semimanufactures and finished goods	12	180	132	12	180	132
Total inventories etc	12	180	132	12	180	132
Accounts receivable	1 642	1 807	1 807	149	-	0
Receivables, Group companies	-	-	-	-	-	0
Other receivables	1 570	1 197	3 081	947	1 177	3 075
Prepaid expenses and accrued income	2 028	3 150	1 882	1 770	2 825	1 566
Total short-term receivables	5 241	6 154	6 770	2 867	4 002	4 641
Cash and bank accounts	28 915	35 771	32 274	27 147	34 629	31 428
Total current assets	34 167	42 105	39 176	30 025	38 811	36 201
TOTAL ASSETS	96 684	103 100	100 346	98 956	105 618	103 716

	Group	Group	Group	Parent	Parent	Parent
Amounts in SEK thousands	2003-06-30	2002-06-30	2002-12-31	2003-06-30	2002-06-30	2002-12-31
SHAREHOLDERS' EQUITY & LIABILITIES						
Equity						
Share capital	2 393	925	1 925	2 393	925	1 925
Restricted reserves/Legal reserve	93 957	116 788	141 697	93 957	116 788	141 697
Total restricted equity	96 350	117 713	143 622	96 350	117 713	143 622
Retained losses	-3 620	-2 661	-2 661	-	-	-
Loss for the period	-10 857	-28 162	-62 052	-11 235	-27 808	-61 093
Total retained loss	-14 477	-30 823	-64 713	-11 235	-27 808	-61 093
Total equity	81 873	86 890	78 909	85 115	89 905	82 529
Provision for deferred tax	82	322	223	-	-	-
Other provisions	-	-	-	-	-	-
Total provisions	82	322	223	-	-	-
Other long-term liabilities	-	-	-	-	-	-
Total long-term liabilities	0	0	0	0	0	0
Accounts payable	4 376	5 374	4 900	3 735	4 554	4 078
Liabilities, Group companies	-	-	-	2 647	4 924	3 547
Tax liability	-	-	0	-	-	-
Other current liabilities	1 657	1 101	1 548	1 328	722	933
Accrued expenses and prepaid income	8 696	9 413	14 766	6 131	5 513	12 629
Total current liabilities	14 729	15 888	21 214	13 841	15 713	21 187
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	96 684	103 100	100 346	98 956	105 618	103 716

Note: Changes in shareholder's equity during the period

	Group	Group	Group	Group	Group	Group
Amounts in SEK thousands	Jan-Jun	Jan-Jun	Jan-Dec	Jan-Jun	Jan-Jun	Jan-Dec
	2003	2002	2002	2002	2001	2001
Equity at beginning of the period	78 909	137 919	137 919	82 529	140 580	140 580
New share issue	13 821	0	25 909	13 821	0	25 909
Change in accounting principle	0	-22 867	-22 867	0	-22 867	-22 867
Loss for the period	-10 857	-28 162	-62 052	-11 235	-27 808	-61 093
Equity at end of the period	81 873	86 890	78 909	85 115	89 905	82 529

CASH-FLOW ANALYSIS ARTIMPLANT

Amounts in SEK thousands	Group	Group	Group	Parent	Parent	Parent
	Jan-Jun 2003	Jan-Jun 2002	Jan-Dec 2002	Jan-Jun 2003	Jan-Jun 2002	Jan-Dec 2002
Operating activities						
Loss after financial items	-10 857	-28 162	-62 151	-11 235	-27 808	-61 093
Adjustment for items not effecting cash flow	1 847	2 847	8 522	1 260	2 360	7 502
Taxes paid	-	-	0	-	-	-
Cash flow from operating activities before changes in working capital	-9 010	-25 315	-53 629	-9 975	-25 448	-53 591
Cash flow from changes in working capital						
Increase(-), decrease(+) in inventories	120	-172	-124	120	-172	-124
Increase(-), decrease(+) in receivables	1 529	1 840	1 224	1 774	1 195	556
Increase(+), decrease(-) in liabilities	-6 626	-1 396	3 930	-7 346	-1 166	4 308
Cash flow from operating activities	-13 987	-25 043	-48 599	-15 427	-25 591	-48 851
Investing activities						
Aquisition of intangible fixed assets	-3 312	-6 742	-12 446	-3 312	-6 742	-12 446
Aquisition of tangible fixed assets	-531	-450	-596	-13	-182	-328
Disposal of tangible fixed assets	650	-	0	650	-	0
Cash flow from investing activities	-3 193	-7 192	-13 042	-2 675	-6 924	-12 774
Financing activities						
New share issue	13 821	0	25 909	13 821	0	25 909
Repayment of loans	-	-	0	-	-	0
Cash flow from financing activities	13 821	0	25 909	13 821	0	25 909
Cash flow for the period	-3 359	-32 235	-35 732	-4 281	-32 515	-35 716
Liquid funds at beginning of period	32 274	68 006	68 006	31 428	67 144	67 144
Liquid funds at end of period	28 915	35 771	32 274	27 147	34 629	31 428

Accounting principles

The same accounting principles were applied as in the 2002 annual report.

The Company applies the Swedish Financial Accounting Standards Council's recommendation 15, on intangible assets.

Gothenburg, August 29, 2003

Artimplant AB (publ)

Tord Lendau
CEO

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