

ARTIMPLANT INTERIM REPORT JANUARY 1 – MARCH 31, 2003

DISTRIBUTION AGREEMENT FOR ARTELON™ AUGMENTATION DEVICE ACL

- **Artimplant and Atlantech Ltd. – a subsidiary of ArthroCare Corporation, Sunnyvale, CA – has signed an initial distribution agreement in which Atlantech will conduct test sales during six month of Artelon™ Augmentation Device ACL.**
 - **The restructuring program has turned out according to plan, and significantly reduced losses. The parent company's operating result, excluding share of subsidiary's earnings, totaled SEK –6,7 million (SEK –13,8 million).**
 - **Gothenburg Medical Center is developing according to plan, and generated an operating profit of SEK 0,7 million.**
 - **After the end of the period the Company completed the second of two share issues, which altogether brought a total of SEK 44 million.**
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Forthcoming financial reports:

January-June 2003 report: August 29, 2003
January-September 2003 report: November 7, 2003

Financial reports are available at www.artimplant.se at the same time that they're distributed to the media. For information about Business Model, Technology and Products, please see Artimplants annual report 2002, which is available in PDF-format at the Company's website.

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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.



ARTIMPLANT'S RESULTS, JANUARY–MARCH 2003

Consolidated net sales for January–March 2003 totaled SEK 8.3 million (SEK 6.5 million for the same period the preceding year). The operating loss for the period totaled SEK 6.2 million (SEK 14.5 million loss). The loss after taxes was SEK 6.1 million (SEK 14.0 million loss). The parent company's net sales of SEK 1 million consisted primarily of compensation from Mölnlycke Health Care. Net sales by the subsidiary Gothenburg Medical Center (GMC) for the period was SEK 7.4 million (SEK 6.4 million), and the operating profit totaled SEK 0.7 million (SEK -0.6 million).

DISTRIBUTION AGREEMENT – TEST SALES OF ARTELON™ AUGMENTATION DEVICE ACL

Artimplant AB and Atlantech Ltd. – a subsidiary of ArthroCare Corporation, Sunnyvale, CA – has signed an initial distribution agreement in which Atlantech will conduct test sales during six months of Artelon™ Augmentation Device ACL.

The purpose of the six-month distribution agreement is to market the Artelon™ Augmentation Device ACL primarily in the United Kingdom, but also in other markets in Europe. At the end of the test sales period, the parties may decide whether to enter into negotiating a global license and supply agreement concerning the augmentation device. The six-month period begins as soon as Artimplant starts to ship the products.

Atlantech has long experience in marketing and distributing product for ACL repair in the United Kingdom as well as in the European Union.

REGULATORY PLAN

Artimplant has initiated contact with FDA and plans to submit an application early in the third quarter. Approval for sale of the Artelon™ Spacer CMC-I in the EU countries has been delayed. The notified body has requested additional clarifications. A meeting is scheduled in May.

FINANCING

In Artimplant's preferential share issue in March–April 2003, 4.7 million new shares were subscribed for, which will add SEK 14 million to the SEK 30 million raised in a directed issue last December. The two issues raised a total of SEK 44 million before new issue costs. On March 31, before the end of the subscription period, SEK 3.2 million of the preferred issue capital had already been paid in to the company. The two issues are important milestones in the Company's long term financing. Artimplant is in the process of divesting Gothenburg Medical Center, GMC.

INVESTMENTS AND LIQUIDITY

The investments during January–March totaled SEK 1.8 million (SEK 3.8 million), of which intangible assets accounted for SEK 1.4 million (SEK 3.6 million). At the end of the period, liquid assets totaled SEK 26.3 million (SEK 49.8 million).

PERSONNEL

As of March 31, 2003, the Group employed 57 (70), of which 30 (34) worked at the subsidiary Gothenburg Medical Center (GMC). Of the 27 employees in the parent company, 5 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- Mar 2003	Jan- Mar 2002	Jan-Dec 2002
Earnings per share, SEK	-0,30	-1,52	-3,22
Earnings per share after full conversion, SEK	-0,30	-1,52	-3,22
Equity per share, SEK	3,74	10,92	4,10
Equity per share after full conversion, SEK	4,43	26,10	4,81
No. of shares at end of period*	20 326 016	9 250 000	19 250 000
No. of shares after full conversion*	21 659 356	9 762 500	20 583 340
Yield on equity, %	neg	neg	neg
Yield on capital employed, %	neg	neg	neg
Equity/assets ratio, %	81	87	79

* Including 1 076 016 shares in the ongoing preferential issue

INCOME STATEMENTS ARTIMPLANT

Amounts in SEK thousands	Group	Group	Group
	Jan- Mar 2003	Jan- Mar 2002	Jan-Dec 2002
Net sales	8 341	6 496	25 659
Cost of goods & services sold	-7 467	-6 468	-25 466
Gross profit/loss	874	28	193
Research and development costs	-3 076	-7 001	-30 518
Marketing costs	-2 155	-4 123	-13 618
Administrative costs	-1 868	-3 439	-19 113
Other operating revenues	0	50	61
Operating loss	-6 225	-14 485	-62 995
Interest income and other financial income	155	492	1 279
Interest expenses and other financial expenses	-8	-26	-435
Net financial items	147	466	844
Loss after financial items	-6 078	-14 019	-62 151
Taxes	-	-	99
Loss for the period	-6 078	-14 019	-62 052

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

Amounts in SEK thousands	Group	Group	Group
	Jan- Mar 2003	Jan- Mar 2002	Jan-Dec 2002
Patents	768	356	4 290
Goodwill	175	175	699
Machinery and equipment	1 728	884	3 533
Total depreciation	2 671	1 415	8 522

INCOME STATEMENTS ARTIMPLANT

Amounts in SEK thousands	Parent	Parent	Parent
	Jan- Mar 2003	Jan- Mar 2002	Jan-Dec 2002
Net sales	1 041	211	211
Cost of goods & services sold	-1 041	-211	-211
Gross profit/loss	0	0	0
Research and development costs	-3 076	-7 001	-30 518
Marketing costs	-2 155	-4 123	-13 618
Administrative costs	-1 486	-2 633	-16 561
Other operating revenues	0	0	0
Share in earnings from Group companies	671	-549	-1 589
Operating loss	-6 046	-14 306	-62 286
Interest income and other financial income	150	489	1 261
Interest expenses and other financial expenses	-6	-22	-68
Net financial items	144	467	1 193
Loss after financial items	-5 902	-13 839	-61 093
Taxes	-	-	-
Loss for the period	-5 902	-13 839	-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
	Jan- Mar 2003	Jan- Mar 2002	Jan-Dec 2002
Patents	210	356	4 290
Machinery and equipment	610	794	3 212
Total depreciation	820	1 150	7 502

BALANCE SHEETS ARTIMPLANT

	Group	Group	Group	Parent	Parent	Parent
Amounts in SEK thousands	2003-03-31	2002-03-31	2002-12-31	2003-03-31	2002-03-31	2002-12-31
ASSETS						
Capitalized research and development costs	42 426	34 130	41 148	42 426	34 130	41 148
Patents	2 359	4 522	2 425	2 359	4 522	2 425
Goodwill	10 682	11 381	10 857	-	-	-
Total intangible fixed assets	55 467	50 033	54 430	44 785	38 652	43 573
Machinery and equipment	6 172	8 996	6 740	4 975	8 088	5 846
Total tangible fixed assets	6 172	8 996	6 740	4 975	8 088	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	61 639	59 029	61 170	67 856	64 836	67 515
Raw materials, semimanufactures and finished goods	132	137	132	132	137	132
Total inventories etc	132	137	132	132	137	132
Accounts receivable	3 246	3 364	1 807	1 250	1 100	0
Other receivables	985	997	3 081	981	941	3 075
Prepaid expenses and accrued income	2 010	2 691	1 882	1 726	2 415	1 566
Total short-term receivables	6 241	7 052	6 770	3 957	4 456	4 641
Cash and bank accounts	26 305	49 839	32 274	25 081	49 198	31 428
Total current assets	32 678	57 028	39 176	29 170	53 791	36 201
TOTAL ASSETS	94 317	116 057	100 346	97 026	118 627	103 716

	Group	Group	Group	Parent	Parent	Parent
Amounts in SEK thousands	2003-03-31	2002-03-31	2002-12-31	2003-03-31	2002-03-31	2002-12-31
SHAREHOLDERS' EQUITY & LIABILITIES						
Equity						
Share capital	1 925	925	1 925	1 925	925	1 925
Paid in capital, ongoing share issue	3 228	-	-	3 228	-	-
Restricted reserves/Legal reserve	141 697	170 397	141 697	141 697	170 397	141 697
Total restricted equity	146 850	171 322	143 622	146 850	171 322	143 622
Retained losses	-64 713	-56 271	-2 661	-61 093	-53 610	-
Loss for the period	-6 078	-14 019	-62 052	-5 902	-13 839	-61 093
Total retained loss	-70 791	-70 290	-64 713	-66 995	-67 449	-61 093
Total equity	76 059	101 032	78 909	79 855	103 873	82 529
Provision for deferred tax	223	322	223	-	-	-
Total provisions	223	322	223	-	-	-
Accounts payable	4 599	4 463	4 900	3 949	3 838	4 078
Liabilities, Group companies	-	-	-	2 591	3 702	3 547
Other current liabilities	1 565	1 163	1 548	1 263	767	933
Accrued expenses and prepaid income	11 871	9 077	14 766	9 368	6 447	12 629
Total current liabilities	18 035	14 703	21 214	17 171	14 754	21 187
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	94 317	116 057	100 346	97 026	118 627	103 716

Note: Changes in shareholder's equity during the period

Amounts in SEK thousands	Group	Group	Group	Parent	Parent	Parent
	Jan- Mar	Jan- Mar	Jan-Dec	Jan- Mar	Jan- Mar	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
Change in accounting principle	-	-22 868	-22 867	-	-22 868	-22 867
Ongoing share issue	3 228	-	25 909	3 228	-	25 909
Loss for the period	-6 078	-14 019	-62 052	-5 902	-13 839	-61 093
Equity at end of the period	76 059	101 032	78 909	79 855	103 873	82 529

CASH-FLOW ANALYSIS ARTIMPLANT

Amounts in SEK thousands	Group	Group	Group	Parent	Parent	Parent
	Jan- Mar	Jan- Mar	Jan-Dec	Jan- Mar	Jan- Mar	Jan-Dec
	2003	2002	2002	2003	2002	2002
Operating activities						
Loss after financial items	-6 078	-14 019	-62 151	-5 902	-13 839	-61 093
Adjustment for items not effecting cash flow	1 110	1 415	8 461	820	1 150	7 502
Taxes paid	-	-	-	-	-	-
Cash flow from operating activities before changes in working capital	-4 968	-12 604	-53 690	-5 082	-12 689	-53 591
Cash flow from changes in working capital						
Increase(-), decrease(+) in inventories	-	-129	-124	-	-129	-124
Increase(-), decrease(+) in receivables	529	942	1 224	684	741	556
Increase(+), decrease(-) in liabilities	-3 179	-2 581	3 930	-4 016	-2 125	4 308
Cash flow from operating activities	-7 618	-14 372	-48 660	-8 414	-14 202	-48 851
Investing activities						
Aquisition of intangible fixed assets	-1 421	-3 592	-12 446	-1 421	-3 592	-12 446
Aquisition of tangible fixed assets	-418	-203	-596	-	-152	-328
Disposal of tangible fixed assets	260	-	61	260	-	-
Cash flow from investing activities	-1 579	-3 795	-12 981	-1 161	-3 744	-12 774
Financing activities						
Repayment of loans	3 228	-	25 909	3 228	-	25 909
Cash flow from financing activities	3 228	0	25 909	3 228	0	25 909
Cash flow for the period	-5 969	-18 167	-35 732	-6 347	-17 946	-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	26 305	49 839	32 274	25 081	49 198	31 428

Accounting principles

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



Gothenburg, April 30, 2003

Artimplant AB (publ)

Tord Lendau
CEO

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