

ARTIMPLANT AB's year-end results, January 1 – December 31, 2003

FDA-CLEARANCE AND DRASTICALLY REDUCED LOSSES

- **Artimplant's net sales for the full year 2003 reached SEK 1.2 million (0.2)**
- **Losses after tax was SEK 30.2 million (61.1)**
- **The result per share was SEK -1.21 (-6.06)**
- **Artimplant's Artelon™ Surgical Suture got FDA-clearance**
- **An extraordinary shareholders meeting decided on a rights issue and a mandate for a directed share issue**
- **The rights issue was oversubscribed, and yielded close to SEK 48 million**

Important events after the end of the period:

- **Artimplant's ARTELON Surgical Suture was approved for marketing in Europe through a CE-mark**
- **The pilot study of accelerated rehabilitation with ARTELON Augmentation Device ACL showed good results**
- **A directed share issue in January 2004 yielded over SEK 14 million**

Forthcoming financial reports:

Annual general meeting in Artimplant's office:	April 26, 2004, 5:00 p.m.
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 simultaneously with distribution to the media. Artimplant's annual report will be published on the above site March 26, at 12:00 noon.

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ARTIMPLANT

Artimplant's mission is to develop novel degradable materials and implants that meet the needs of patients, physicians and healthcare providers in orthopedics and other therapy areas, the company will work with global partners as a center of excellence in this development.

Artimplant's vision is to become the partner of choice in biomaterials for hard and soft tissue repair in multiple therapy areas.

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

Financial reporting

Since the subsidiary Gothenburg Medical Center's operations have been fully divested, all present activities are performed by the parent Artimplant AB. Therefore all financial reporting will henceforth reflect Artimplant AB only. The basis for comparison will be the parent's historical figures.

Financial results of Artimplant AB for January – December 2003

The goal to reduce the company's burn-rate by 40% has been met. Net sales for 2003 reached SEK 1.2 million (0.2). The operating loss was SEK 27.2 million (62.3). The loss after taxes amounted to SEK 30.2 million (61.1). The reduced losses are the results from the restructuring program that were outlined in the fourth quarter of 2002, and have since been executed according to plan. Net sales consists mainly from compensation from Mölnlycke Health Care.

Regulatory affairs

In November Artimplant received a 510k-clearance from the FDA (Food and Drug Administration) for ARTELON Surgical Suture. Product development will continue when an agreement on R&D collaboration with a partner has been signed. Artimplant plans to submit additional files to FDA for other product applications. In January the Suture was approved for marketing in Europe as well. The Suture is the third product, along with the ARTELON Augmentation Device ACL and ARTELON Spacer CMC-I, for which CE-approval has been granted.

Rights issues

In the first quarter of 2003 Artimplant raised SEK 14 million gross in a rights issue (1:1 and SEK 3 per share). In December 2003 the company raised another SEK 48 million in an oversubscribed rights issue (1:2 and SEK 4 per share).

Investment and liquidity

Investments in 2003 reached SEK 5.8 million (12.8), of which SEK 5.8 million (12.4) were intangible assets. At year-end liquid assets amounted to SEK 68 million (31.4).

Personnel

As of December 31, 2003 Artimplant AB employed 24 persons (36).

Developments after the end of the period

Clinical trials

The pilot study of accelerated rehabilitation with ARTELON Augmentation Device ACL showed good results. Seven of the ten patients were able to successfully perform the program. Physical training started one week after operation with free training after nine weeks. Patients have been followed up during two years.

Directed share issue

In light of the over-subscription in the December rights issue, and with the Extraordinary Shareholder's Meeting authorization, the Board decided to increase the share capital through a directed share issue of 3.6 million shares. The terms were the same as in the December rights issue; 1:2 at SEK 4. The issue yielded SEK 14.4 million gross. The shares were distributed among shareholders who applied for extra allotment based on their subsidiary subscription rights in the December rights issue.

The Board of directors propose that no dividend shall be paid for the year 2003.

INCOME STATEMENTS ARTIMPLANT AB

Amounts in SEK thousands	Oct-Dec 2003	Jan-Dec 2003	Oct-Dec 2002	Jan-Dec 2002
Net sales	65	1 225	0	211
Cost of goods & services sold	-65	-1 225	0	-211
Gross profit/loss	0	0	0	0
Research and development costs	-4 729	-13 878	-10 297	-30 518
Marketing costs	-2 371	-7 637	-4 505	-13 618
Administrative costs	-2 202	-6 417	-7 686	-16 561
Share in earnings from Group companies	0	775	402	-1 589
Operating loss	-9 302	-27 157	-22 086	-62 286
Interest income and other financial income	165	771	117	1 261
Interest expenses and other financial expenses	-12	-40	-28	-68
Share of net result from divestment of operations	-	9 966	-	-
Depreciation of shares in subsidiaries	-	-13 739	-	-
Net financial items	153	-3 042	89	1 193
Loss after financial items	-9 149	-30 199	-21 997	-61 093
Taxes	-	-	-	-
Loss for the period	-9 149	-30 199	-21 997	-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	Oct-Dec 2003	Jan-Dec 2003	Oct-Dec 2002	Jan-Dec 2002
Capitalized research and development costs	-	-	-	-
Patents	289	1 101	3 031	4 290
Machinery and equipment	617	2 451	825	3 212
Total depreciation	906	3 552	3 856	7 502

KEY RATIOS FOR THE GROUP

	Jan-Dec 2002	Jan-Dec 2001
Earnings per share, SEK	-1,21	-6,06
Earnings per share after full conversion, SEK	-1,21	-6,06
Equity per share, SEK	3,10	4,29
Equity per share after full conversion, SEK	3,10	4,29
No. of shares at end of period	35 896 527	19 250 000
Average n. of shares	24 928 144	10 083 333
No. of shares after full conversion	37 229 867	20 583 340
Yield on equity, %	neg	neg
Yield on capital employed, %	neg	neg
Equity/assets ratio, %	90	80

BALANCE SHEETS ARTIMPLANT AB

Amounts in SEK thousands	2003-12-31	2002-12-31
ASSETS		
Capitalized research and development costs	45 471	41 148
Patents	2 781	2 425
Total intangible fixed assets	48 252	43 573
Machinery and equipment	3 195	5 846
Total tangible fixed assets	3 195	5 846
Shares in Group companies	1 807	18 096
Total financial fixed assets	1 807	18 096
Total fixed assets	53 254	67 515
Raw materials, semi-manufactures and finished goods	135	132
Total inventories etc	135	132
Accounts receivable	44	-
Other receivables	1 437	3 075
Prepaid expenses and accrued income	1 356	1 566
Total short-term receivables	2 837	4 641
Cash and bank accounts	67 950	31 428
Total current assets	70 922	36 201
TOTAL ASSETS	124 176	103 716

Amounts in SEK thousands	2003-12-31	2002-12-31
SHAREHOLDERS' EQUITY & LIABILITIES		
Equity		
Share capital	3 590	1 925
Restricted reserves/Legal reserve	137 979	141 697
Total restricted equity	141 569	143 622
Retained losses	-	-
Loss for the period	-30 199	-61 093
Total retained loss	-30 199	-61 093
Total equity	111 370	82 529
Accounts payable	2 161	4 078
Liabilities, Group companies	1 944	3 547
Other current liabilities	1 174	933
Accrued expenses and prepaid income	7 527	12 629
Total current liabilities	12 806	21 187
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	124 176	103 716

Note: Changes in shareholder's equity during the period

Amounts in SEK thousands	0	0
	Jan-Dec 2003	Jan-Dec 2002
Equity at beginning of the period	82 529	140 580
Share issue	59 040	25 909
Change in accounting principle	-	-22 867
Loss for the period	-30 199	-61 093
Equity at end of the period	111 370	82 529

CASH-FLOW ANALYSIS ARTIMPLANT AB

Amounts in SEK thousands	Jan-Dec 2003	Jan-Dec 2002
Operating activities		
Loss after financial items	-30 199	-61 093
Adjustment for items not effecting cash flow	5 904	7 502
Taxes paid	-	-
Cash flow from operating activities before changes in working capital	-24 295	-53 591
Cash flow from changes in working capital		
Increase(-), decrease(+) in inventories	-3	-124
Increase(-), decrease(+) in receivables	1 801	556
Increase(+), decrease(-) in liabilities	-5 831	4 308
Cash flow from operating activities	-28 328	-48 851
Investing activities		
Acquisition of intangible fixed assets	-5 779	-12 446
Acquisition of tangible fixed assets	-61	-328
Disposal of tangible fixed assets	650	-
Cash from divestment of subsidiary operations	11 000	-
Cash flow from investing activities	5 810	-12 774
Financing activities		
Share issue	59 040	25 909
Repayment of loans	-	-
Cash flow from financing activities	59 040	25 909
Cash flow for the period	36 522	-35 716
Liquid funds at beginning of period	31 428	67 144
Liquid funds at end of period	67 950	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 recommendations. Since the subsidiaries operations have been divested entirely the Company's financial reporting includes Artimplant AB figures only. The Parent's figures from previous reports are used for comparison.

Gothenburg February 17, 2004

Artimplant AB (publ)

The Board of directors

This report is a translation. The Swedish report shall at all times have precedence.