

## ARTIMPLANT INTERIM REPORT JANUARY – JUNE 2009



- Net revenue for the second quarter amounted to SEK 7.9 million (3.1) and for the first six months SEK 12.8 million (5.2)\*
- The net loss for the second quarter totaled SEK 4.1 million (6.2) and for the first six months SEK 8.6 million (12.3)
- Earnings per share for the second quarter amounted to SEK -0.07 (-0.10) and for the first six months SEK -0.14 (-0.21)
- Sales of Artelon® Spacer for the second quarter totaled SEK 4.7 million (2.4) and for the first six months SEK 8.2 million (3.7)
- Sales of Artelon® Tissue Reinforcement for the second quarter amounted to SEK 3.1 million (0.6) and for the first six months SEK 4.4 million (1.4)
- The first patient has been enrolled in a clinical investigation of treatment of osteoarthritis in the lumbar facet joints using an Artelon® implant
- The first dogs in the USA underwent surgery using Artelon® CCL for cruciate ligament injuries

N.B. This is a translation from Swedish. The Swedish version shall always take precedence.

Artimplant will hold a telephone conference by reason of this report on August 5, 2009 at 3 pm (GMT +1). For further information see [www.artimplant.com](http://www.artimplant.com).

\* Figures in brackets refer to the corresponding period last year



## **Artimplant**

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

Artimplant is a medical technology company that restores health through the development, production and marketing of degradable implants that regenerate body functions and improve quality of life. Our products are made from Artelon<sup>®</sup>, a biomaterial developed by the Company. Artimplant produces implants for the treatment of osteoarthritis in hands and feet, shoulder and other soft tissue injuries as well as oral and veterinary applications. The Company's products are sold through licensees, distributors and the Company's own sales.

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

## **Financial results**

Net revenue for the second quarter increased by 155% to SEK 7.9 million (3.1) and for the period January-June to SEK 12.8 million (5.2), equivalent to an increase of 146%. Net revenue derived primarily from product sales and during the first six months 74% of revenue originated from licensees and 26% from direct sales to end-customers and Artimplant's own local distributors.

The gross margin for the second quarter was 85% and for the first six months 89%. Compared with the previous year this was affected positively by renegotiated license agreements and a rise in production volume.

The operating loss for the second quarter fell to SEK 4.8 million (6.5) and for the first six months to SEK 9.0 million (13.0). Operating expense, excluding the cost of goods and services sold, was for the second quarter SEK 3.3 million higher than the corresponding quarter the preceding year. The increase can be attributed mainly to investments in sales and marketing. The increase includes a non-recurring item of SEK 0.8 million deriving from a personnel change in Artimplant's US sales team.

The net loss for the second quarter amounted to SEK 4.1 million (6.2) and for the first six months SEK 8.6 million (12.3). The figure has been affected negatively by currency exchange fluctuations to the amount of SEK 0.13 million. Earnings per share for the second quarter amounted to SEK -0.07 (-0.10) and SEK -0.14 (-0.21) for the first six months.

## **Investments and cash position**

Investments during the first six months totaled KSEK 131 (298) with KSEK 117 (220) attributable to investments in intangible assets.

At the end of the period cash and cash equivalents amounted to SEK 21.4 million (38.9). Total cash flow for the first six months was SEK -10.0 million (-10.3). The total change in operating capital for the first six months was SEK -3.6 million (0.1). It is mainly accounts receivable and accrued royalty revenue that have increased compared with the figure at the turn of the year.

After the period-end the Company reached agreement on an operating capital credit facility of SEK 8.0 million. See also under 'Events after the period-end'.

## **Personnel**

As of June 30, 2009, Artimplant had 26 employees (27), of whom 15 (14) were women and 11 (13) were men.

## **Sales of Artelon<sup>®</sup> products**

Artelon<sup>®</sup> Spacer is a product for the treatment of osteoarthritis in a number of joints in the hand and foot. Sales revenue from Artelon<sup>®</sup> Spacer during the second quarter amounted to SEK 4.7 million (2.4) and during the first six months to SEK 8.2 million (3.7). Small Bone Innovations (SBi) accounts for the majority of sales.

Artelon<sup>®</sup> Tissue Reinforcement (ATR) has been cleared as general reinforcement for soft tissue injuries. It is sold non-exclusively by Biomet Sports Medicine as SportMesh<sup>™</sup>. Sales of ATR and SportMesh<sup>™</sup> during the second quarter totaled SEK 3.1 million (0.6) and during the first six months SEK 4.4 million (1.4).

Biomet Sports Medicine accounts for the majority of the sales. During the first two quarters of the year the share attributable to Artimplant's sales and sales through distributors has increased. Medical experience from the patients who have been treated with ATR continues to be positive. Clinical experience of ATR is growing continuously and confirms that the product is easy to use. Artimplant's ongoing activities, such as clinical studies and case reports, are crucial for a continuation and to create a commercial base for the product. For an increase in market penetration, more published clinical data is required.

Artimplant and Biomet Sports Medicine have revised the existing license agreement whereby the parties have agreed that Artimplant will be responsible for conducting at least two studies involving ATR/SportMesh™. The studies will cover the treatment of rotator cuff injuries and tears in the Achilles tendon. A revised agreement came into effect on April 1, 2009. Artimplant's payment for products sold now comprises a fixed price billed on delivery to Biomet Sports Medicine. During the second quarter, payment was received in full for the Artelon® products which Biomet had in its inventory as of April 1, 2009.

Artimplant expects that normal seasonal variation may impact sales during the third quarter.

### **Product and business development**

The Schulthess Clinic in Zurich has been granted clearance by Swissmedic, the Swiss equivalent of the Swedish Medical Products Agency, to commence a clinical investigation of the Artelon® implant. The aim of this pilot study is to evaluate the potential for treatment of painful osteoarthritis in the facet joints in the spine with Artelon®. Pain relief with this treatment will be investigated and the patients will be followed up over a two-year period. The intent of the study is to document safety and user-friendliness in treatment of the facet joints in the spine using Artelon® and for drawing up rehabilitation instructions. The Schulthess Clinic commenced the study during the second quarter when the first patient was enrolled.

Artimplant and Tulsa Bone & Joints Associates, Tulsa, Oklahoma, USA, have commenced a post-

market study of ATR for patients with soft tissue tears in the rotator cuff tendons. The study comprises a maximum of 25 patients with a one-year follow-up. The final patient is due to undergo surgery in the fourth quarter of 2009.

An investigator-initiated multicenter study is in progress on the treatment of stiff big toe (Hallux Rigidus) using Artelon® MTP Spacer. All the patients in the study have undergone surgery and there will be a one-year follow-up period.

A post-market study has been conducted by the Brånemark Clinic in Gothenburg regarding Artelon® Cosmetic for replenishment of soft tissue in dental applications. The results of the study are being compiled and the plan is for a manuscript to be submitted to a scientific journal in the fall.

In 2008, the Swedish Medical Products Agency gave the go-ahead for a study of Artelon® Bone Scaffold with the aim of securing regulatory clearance for the product. The product will be used for bone replenishment in the upper jaw in conjunction with the fitting of dental implants. The study is being conducted in co-operation with Swedish oral surgery experts. All patients in the study have now undergone surgery with Artelon® Bone Scaffold. Fitting of dental implants will take place during 2009.

Artimplant and SBi have commenced two product development projects. One project aims to develop a second generation product for the treatment of thumb base osteoarthritis. The second project aims to develop a product for stabilization of the joint between the navicular bone and the lunate bone in the hand.

In cooperation with Swedish veterinary experts Artelon® has been used successfully in the treatment of cruciate ligament injuries in dogs. By using Artelon® as an artificial ligament (Artelon® CCL) conditions are created for the body to restore a functional ligament. An investigation with a one-year follow-up of the surgical results is in progress. Positive results from the study will create an important basis for future market penetration. In cooperation with American veterinary experts and Artimplant's distributor BioMedtrix, Artimplant has planned a prospective

investigation with Artelon<sup>®</sup> CCL in the USA. During the second quarter the first dogs underwent surgery, which is a prerequisite for the future launch of Artelon<sup>®</sup> CCL in the USA.

Knee joint osteoarthritis is a very common disorder. More extensive injuries in elderly patients are normally treated by means of a prosthesis whilst for younger patients there is no good treatment alternative. During the fourth quarter of 2008 Artimplant commenced a proof-of-concept animal study to demonstrate that Artelon<sup>®</sup> can provide support in restoring a functional surface in the knee joint. The results will be compiled during the third quarter of 2009. It is Artimplant's many years of experience in the treatment of osteoarthritis in joints in the hand that form the basis for this indication, which in business terms is interesting.

#### **Events after the period-end**

After the period-end Artimplant reached agreement on an operating capital credit facility of SEK 8.0 million. A chattel mortgage for the same amount has been furnished as collateral. As of the reporting date this credit facility had not been used.

#### **Prospects for 2009**

Artimplant has the following operational direction for 2009:

- At least a doubling of sales compared with 2008
  - Increased income in the USA and Europe through Artimplant's licensees.
  - Increased sales under the Company's auspices, primarily through local distributors in the USA and Europe.
- Commence a limited launch of Artelon<sup>®</sup> CCL for cruciate ligament reconstruction in dogs.
- Conclude a clinical study for Artelon<sup>®</sup> Bone Scaffold for bone replenishment in the upper jaw and apply for product registration in Europe.
- Commence development of two new products together with SBi.
- Complete the evaluation of the potential to develop a product for knee joint osteoarthritis.
- Continually reinforce the scientific and clinical base for Artelon<sup>®</sup>.

Compared with the operational direction presented previously, Artimplant has commenced development of two products in collaboration with SBi. In addition, the aim of applying for FDA clearance for products within the CMF area (head and face) has been postponed.

Artimplant's business operations are based on exploiting the Company's unique biomaterial platform Artelon<sup>®</sup>. Signing agreements with other parties is a natural, ongoing part of this business. There is considerable external interest in Artimplant and the technology the Company controls. The largest orthopedic areas, hip, knee and spine, offer exciting market potential, which has yet to be exploited by Artimplant.

#### **Significant risks and uncertainty factors**

The Company's significant risks and uncertainty factors are presented in the Board of Directors' Report in the most recent annual report.

#### **Parent Company**

The majority of operations are run through the Parent Company, Artimplant AB. Artimplant USA, Inc. is the Company's only subsidiary and is at present fully funded by the Parent Company. The Parent Company is responsible for continuity at the subsidiary and during the first six months of 2009 an impairment was made of receivables from Artimplant USA totaling SEK 1.9 million. Together with the provision of SEK 6.1 million in the opening balance, the total impairment is SEK 8.0 million, which is equivalent to the subsidiary's negative equity. The impairment does not affect the Group result. The difference in the Parent Company's equity compared with the Group's equity can be explained by the internal profit on products sold by the Parent Company to the subsidiary and amounts to SEK 6.3 million. The aim is that the subsidiary will become self-financing during 2009 and thus commence amortization of its liabilities to the Parent Company. See summary of the Parent Company Income Statement and Statement of Financial Position on pages 9-10.

#### **Accounting principles**

Artimplant applies IFRS. This interim report has been prepared in accordance with IAS 34, the Swedish Annual Accounts Act and RFR 1.2. The

Parent Company's financial statements are prepared in accordance with exceptions and addenda in RFR 2.2. In addition, the Company is subject to the Swedish Code of Corporate Governance. The following new principles have been applied since January 1, 2009.

*IAS 1 Presentation of Financial Statements*

A reworked IAS 1 Presentation of Financial Statements has been applied from January 1, 2009. The change means, among other things, that revenue and costs that are reported directly in equity are now also presented in a separate report directly after the Income Statement. During 2009, Artimplant did not have any transactions with owners or revenue/costs recorded directly against equity. Consequently, there is no separate presentation of comprehensive income. The Parent Company has one wholly owned subsidiary and all the Group's assets and results are thus attributable to the Parent Company's shareholders.

*IFRS 8 Operating Segments*

Since January 1, 2009, the Group has implemented IFRS 8 Operating segments. The new standard requires that segment information is presented from the point of view of the executive management, which means that it is presented in the manner in which it is used in the internal reports and followed up by the chief operating decision-maker in the Group, the Artimplant CEO. Artimplant presents segment information based on the allocation of net revenue between geographical markets and revenue categories. The

Income Statement and the Statement of Financial Position are not divided into segments in internal or external reports as Artimplant's costs and assets essentially refer to all geographical markets and revenue categories. Comparative figures have been recalculated in accordance with IFRS 8.

Further accounting principles can be found in the Company's Annual Report 2008, which is available on the Company's website.

**Forthcoming information**

Nine-monthly report.....	November 6, 2009
Year-end report .....	February 11, 2010
Three-monthly report.....	May 4, 2010
Annual General Meeting.....	May 4, 2010
Six-monthly report.....	August 3, 2010

Financial reports are available on the Company's website [www.artimplant.com](http://www.artimplant.com) and are also distributed to the media. For information regarding the business model, technology and products, see Artimplant's Annual Report for 2008, which is available on the Company's website.

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## CONSOLIDATED INCOME STATEMENTS

Amounts in KSEK	Apr-Jun	Jan-Jun	Apr-Jun	Jan-Jun	Jan-Dec
	2009	2009	2008	2008	2008
Net sales	7,907	12,755	3,084	5,213	12,114
Cost of goods and services sold	-1,195	-1,427	-1,319	-2,261	-4,194
<b>Gross profit/loss</b>	<b>6,712</b>	<b>11,328</b>	<b>1,765</b>	<b>2,952</b>	<b>7,920</b>
Other income	-	1,477	169	193	1,359
Research and development costs (1,2)	-4,247	-8,451	-4,181	-7,991	-15,502
Selling costs	-4,797	-8,565	-2,730	-5,209	-11,688
Administrative costs	-1,509	-2,886	-1,443	-2,634	-5,195
Other costs	-967	-1,889	-52	-281	-1,209
<b>Operating loss</b>	<b>-4,808</b>	<b>-8,986</b>	<b>-6,472</b>	<b>-12,970</b>	<b>-24,315</b>
Interest income and other financial income	1,291	1,439	471	996	2,284
Interest expense and other financial expenses	-565	-1,021	-150	-357	-602
<b>Net financial items</b>	<b>726</b>	<b>418</b>	<b>321</b>	<b>639</b>	<b>1,682</b>
<b>Loss after financial items</b>	<b>-4,082</b>	<b>-8,568</b>	<b>-6,151</b>	<b>-12,331</b>	<b>-22,633</b>
Taxes	-	-	-	-	-
<b>Loss for the period</b>	<b>-4,082</b>	<b>-8,568</b>	<b>-6,151</b>	<b>-12,331</b>	<b>-22,633</b>
Earnings per stock unit, SEK	-0.07	-0.14	-0.10	-0.21	-0.38
Earnings per stock unit after dilution, SEK	-0.07	-0.14	-0.10	-0.21	-0.38

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

Amounts in KSEK	Apr-Jun	Jan-Jun	Apr-Jun	Jan-Jun	Jan-Dec
	2009	2009	2008	2008	2008
(1) Capitalized R&D cost	546	1,092	546	1,092	2,183
(2) Patents and brands	221	443	221	436	895
Machinery and equipment	153	305	180	357	721
<b>Total depreciation</b>	<b>920</b>	<b>1,840</b>	<b>947</b>	<b>1,885</b>	<b>3,800</b>

## ALLOCATION OF NET SALES

Amounts in KSEK	Apr-Jun	Jan-Jun	Apr-Jun	Jan-Jun	Jan-Dec
	2009	2009	2008	2008	2008
<b>Source of revenue</b>					
Product sales by licensees	5,685	9,371	2,710	4,481	9,964
Product sales by end customer and distributors	2,113	3,272	355	626	1,699
One-off and project milestone income	-	-	-	-	81
Contract product development and other sales	109	112	19	106	370
	<b>7,907</b>	<b>12,755</b>	<b>3,084</b>	<b>5,213</b>	<b>12,114</b>

Geographic areas	Apr-Jun	Jan-Jun	Apr-Jun	Jan-Jun	Jan-Dec
	2009	2009	2008	2008	2008
North America	6,598	10,815	2,719	4,634	11,113
Europe	1,309	1,940	365	579	1,001
Other areas	-	-	-	-	-
	<b>7,907</b>	<b>12,755</b>	<b>3,084</b>	<b>5,213</b>	<b>12,114</b>

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

<b>Amounts in KSEK</b>	<b>6/30/2009</b>	<b>6/30/2008</b>	<b>12/31/2008</b>
<b>ASSETS</b>			
Capitalized product development	1,734	3,917	2,826
Patents and brands	2,015	2,870	2,547
<b>Total intangible fixed assets</b>	<b>3,749</b>	<b>6,787</b>	<b>5,373</b>
Machinery and equipment	1,029	1,620	1,307
<b>Total tangible fixed assets</b>	<b>1,029</b>	<b>1,620</b>	<b>1,307</b>
<b>Total fixed assets</b>	<b>4,778</b>	<b>8,407</b>	<b>6,680</b>
Raw materials, semi-finished and finished goods	5,205	4,488	4,726
Total inventories, etc.	5,205	4,488	4,726
Accounts receivable	3,213	1,663	1,123
Other receivables	1,339	1,390	1,071
Prepaid expenses and accrued income	4,133	2,511	2,018
Total short-term receivables	8,685	5,564	4,212
Cash and bank accounts	21,377	38,904	31,371
<b>Total current assets</b>	<b>35,267</b>	<b>48,956</b>	<b>40,309</b>
<b>TOTAL ASSETS</b>	<b>40,045</b>	<b>57,363</b>	<b>46,989</b>

<b>Amounts in KSEK</b>	<b>6/30/2009</b>	<b>6/30/2008</b>	<b>12/31/2008</b>
<b>STOCKHOLDERS' EQUITY &amp; LIABILITIES</b>			
Capital stock	5,924	5,924	5,924
Other capital reserves / Statutory reserve	39,953	58,270	58,270
Total restricted equity	45,877	64,194	64,194
Retained loss/ Retained earnings	-3,664	275	404
Translation difference	-	53	-
Loss for the period	-8,568	-12,331	-22,633
Total retained loss	-12,232	-12,003	-22,229
<b>Total equity</b>	<b>33,645</b>	<b>52,191</b>	<b>41,965</b>
<b>Provisions</b>	<b>46</b>	<b>38</b>	<b>20</b>
Accounts payable	1,057	775	1,114
Other current liabilities	2,017	1,717	1,445
Accrued expenses and prepaid income	3,280	2,642	2,445
<b>Total current liabilities</b>	<b>6,354</b>	<b>5,134</b>	<b>5,004</b>
<b>TOTAL STOCKHOLDERS' EQUITY &amp; LIABILITIES</b>	<b>40,045</b>	<b>57,363</b>	<b>46,989</b>

## CHANGES IN STOCKHOLDERS' EQUITY DURING THE PERIOD

Amounts in KSEK	Jan-Jun 2009	Jan-Jun 2008	Jan-Dec 2008
<b>Capital stock</b>	<b>5,924</b>	<b>5,924</b>	<b>5,924</b>
Other capital reserves at the beginning of the period	58,270	71,989	71,989
Reduction of statutory reserve	-18,317	-13,718	-13,718
Translation difference	-	-1	-
Reclassification	-	-	-1
<b>Total other capital reserves</b>	<b>39,953</b>	<b>58,270</b>	<b>58,270</b>
Retained loss at the beginning of the period	-22,229	-13,664	-13,664
Reduction of statutory reserve	18,317	13,718	13,718
Reclassification	-	-	-54
Benefit, employee stock option (IFRS2)	247	221	404
Translation difference	-	53	-
Loss for the period	-8,568	-12,331	-22,633
<b>Total retained loss</b>	<b>-12,232</b>	<b>-12,003</b>	<b>-22,229</b>
<b>Equity at the period-end</b>	<b>33,645</b>	<b>52,191</b>	<b>41,965</b>

## CONSOLIDATED CASH FLOW STATEMENTS

Amounts in KSEK	Jan-Jun 2009	Jan-Jun 2008	Jan-Dec 2008
<b>Operating activities</b>			
Net loss after financial items	-8,568	-12,331	-22,633
Adjustment for items not effecting cash flow	2,269	2,156	4,151
<b>Cash flow from operating activities before changes in working capital</b>	<b>-6,299</b>	<b>-10,175</b>	<b>-18,482</b>
<b>Cash flow from changes in working capital</b>			
Changes in inventories etc.	-479	-115	-353
Changes in receivables	-4,484	429	1,829
Changes in liabilities	1,374	-177	-351
<b>Cash flow from operating activities</b>	<b>-9,888</b>	<b>-10,038</b>	<b>-17,357</b>
<b>Investment activities</b>			
Acquisition of intangible fixed assets	-117	-220	-471
Acquisition of tangible fixed assets	-25	-79	-129
Sale of tangible fixed assets	11	-	10
<b>Cash flow from investment activities</b>	<b>-131</b>	<b>-298</b>	<b>-590</b>
<b>Cash flow from financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash flow for the period</b>	<b>-10,019</b>	<b>-10,336</b>	<b>-17,948</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>31,371</b>	<b>49,240</b>	<b>49,240</b>
<b>Translation of foreign liquid assets</b>	<b>25</b>	<b>-</b>	<b>79</b>
<b>Cash and cash equivalents at end of period</b>	<b>21,377</b>	<b>38,904</b>	<b>31,371</b>

## KEY RATIOS

	Apr-Jun 2009	Jan-Jun 2009	Apr-Jun 2008	Jan-Jun 2008	Jan-Dec 2008
Earnings per stock unit, SEK	-0.07	-0.14	-0.10	-0.21	-0.38
Earnings per stock unit after dilution, SEK	-0.07	-0.14	-0.10	-0.21	-0.38
Equity per stock unit, SEK	0.57	0.57	0.88	0.88	0.71
Equity per stock unit after dilution, SEK	0.57	0.57	0.88	0.88	0.71
No. of stock units in issue at the period-end	59,244,790	59,244,790	59,244,790	59,244,790	59,244,790
Average no. of stock units in issue during period	59,244,790	59,244,790	59,244,790	59,244,790	59,244,790
No. of stock units in issue after dilution	61,366,789	61,366,789	60,894,681	60,894,681	60,793,245
Return on equity, %	neg	neg	neg	neg	neg
Return on capital employed, %	neg	neg	neg	neg	neg
Return on capital, %	neg	neg	neg	neg	neg
Equity/assets ratio, %	84	84	91	91	89

## PARENT COMPANY INCOME STATEMENTS

Amounts in KSEK	Apr-Jun 2009	Jan-Jun 2009	Apr-Jun 2008	Jan-Jun 2008	Jan-Dec 2008
Net sales	9,520	15,141	4,453	9,567	16,401
Cost of goods and services sold	-1,231	-1,557	-1,430	-2,551	-4,407
<b>Gross profit/loss</b>	<b>8,289</b>	<b>13,584</b>	<b>3,023</b>	<b>7,016</b>	<b>11,994</b>
Other income	-	1,477	169	193	2,241
Research and development costs (1,2)	-4,247	-8,451	-4,181	-7,991	-15,502
Selling costs	-3,460	-6,246	-1,965	-2,626	-8,928
Administrative costs	-1,509	-2,886	-1,443	-2,634	-5,195
Other costs	-967	-1,889	-52	-281	-1,209
<b>Operating loss</b>	<b>-1,894</b>	<b>-4,411</b>	<b>-4,449</b>	<b>-6,323</b>	<b>-16,599</b>
Interest income and other financial income	208	1,146	490	1,015	3,157
Interest expense and other financial expenses	-562	-1,022	-150	-357	-612
Impairment of receivables subsidiaries	-448	-1,941	-	-	-4,668
<b>Net financial items</b>	<b>-802</b>	<b>-1,817</b>	<b>340</b>	<b>658</b>	<b>-2,123</b>
<b>Loss after financial items</b>	<b>-2,696</b>	<b>-6,228</b>	<b>-4,109</b>	<b>-5,665</b>	<b>-18,722</b>
Taxes	-	-	-	-	-
<b>Loss for the period</b>	<b>-2,696</b>	<b>-6,228</b>	<b>-4,109</b>	<b>-5,665</b>	<b>-18,722</b>

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

Amounts in KSEK	Apr-Jun 2009	Jan-Jun 2009	Apr-Jun 2008	Jan-Jun 2008	Jan-Dec 2008
(1) Capitalized R&D cost	546	1,092	546	1,092	2,183
(2) Patents and brands	221	443	221	436	895
Machinery and equipment	152	302	179	355	715
<b>Total depreciation</b>	<b>919</b>	<b>1,837</b>	<b>946</b>	<b>1,883</b>	<b>3,794</b>

**PARENT COMPANY STATEMENTS OF FINANCIAL POSITION**

<b>Amounts in KSEK</b>	<b>6/30/2009</b>	<b>6/30/2008</b>	<b>12/31/2008</b>
<b>ASSETS</b>			
Total intangible fixed assets	3,749	6,787	5,373
Total tangible fixed assets	1,017	1,612	1,293
Stock and participation in subsidiaries	10	10	10
Receivables from affiliated companies	-	2,972	-
Total financial fixed assets	10	2,982	10
<b>Total fixed assets</b>	<b>4,776</b>	<b>11,381</b>	<b>6,676</b>
Total inventories, etc.	4,915	4,417	4,543
Accounts receivable	2,829	5,848	848
Receivables from affiliated companies	6,800	-	4,480
Other receivables	1,339	1,412	1,071
Prepaid expenses and accrued income	4,133	2,511	2,158
Total short-term receivables	15,101	9,771	8,557
Cash and bank accounts	20,927	38,334	30,850
<b>Total current assets</b>	<b>40,943</b>	<b>52,522</b>	<b>43,950</b>
<b>TOTAL ASSETS</b>	<b>45,719</b>	<b>63,903</b>	<b>50,626</b>

<b>Amounts in KSEK</b>	<b>6/30/2009</b>	<b>6/30/2008</b>	<b>12/31/2008</b>
<b>STOCKHOLDERS' EQUITY &amp; LIABILITIES</b>			
<b>Total equity</b>	<b>39,896</b>	<b>58,750</b>	<b>45,877</b>
<b>Provisions</b>	<b>46</b>	<b>38</b>	<b>20</b>
Accounts payable	963	766	888
Other current liabilities	1,677	1,703	1,396
Accrued expenses and prepaid income	3,137	2,646	2,445
<b>Total current liabilities</b>	<b>5,777</b>	<b>5,115</b>	<b>4,729</b>
<b>TOTAL STOCKHOLDERS' EQUITY &amp; LIABILITIES</b>	<b>45,719</b>	<b>63,903</b>	<b>50,626</b>

The Board of Directors and the CEO certify that this Report provides a true and fair overview of the Parent Company's and the Group's operations, financial position and results and presents the material risks and uncertainty factors facing the Parent Company and the companies that form part of the Group.

Gothenburg, August 5, 2009  
Artimplant AB (publ)

Ingemar Kihlström  
Chairman of the Board

Hans Rosén  
CEO

Mats Lindquist  
Board Member

Lennart Ribohn  
Board Member

Wenche Rolfsen Sandsborg  
Board Member

Anna Malm Bernsten  
Board Member

*This report has not been reviewed by the Company's auditors.*

*This information is information which Artimplant is required to publish pursuant to the Swedish Financial Instruments Act and the Swedish Securities Exchange and Clearing Operations Act and/or stock market agreements. The information was published on August 5, 2009 at 2 pm (GMT+1).*

## 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<sup>®</sup> 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<sup>®</sup> 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<sup>®</sup> 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<sup>®</sup> Augmentation Device ACL. Artimplant's Artelon<sup>®</sup> CMC Spacer for treating thumb base osteoarthritis receives clearance for marketing in Europe. Artelon<sup>®</sup> Surgical Suture is given clearance by the FDA for sales on the American market. The subsidiary Gothenburg Medical Center is sold.

2004 - Artelon<sup>®</sup> 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<sup>™</sup>. Cooperation with Atlantech for the sale of Artelon<sup>®</sup> 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<sup>®</sup> Surgical Suture in North America is signed with ArthroCare. Artelon<sup>®</sup> 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<sup>™</sup> 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<sup>®</sup> Augmentation Device ACL is discontinued. Sales of Artelon<sup>®</sup> CMC Spacer to end-customers increase significantly.

2007 - The Company's sales increase markedly and cash flow improves considerably. The FDA grants clearance to market Artelon<sup>®</sup> Tissue Reinforcement for soft tissue reinforcement in several new indications in the USA. Two new Spacer products for osteoarthritis in the hand are granted clearance by the FDA for marketing in the USA.

2008 - Sales of Artelon<sup>®</sup> Tissue Reinforcement increase significantly whilst there is a lack of growth in sales of Artelon<sup>®</sup> Spacer. The agreement with Small Bone Innovations was renegotiated, making it non-exclusive from 2009. Artimplant is initiating new development projects for the treatment of knee joint osteoarthritis and osteoarthritis in the facet joint in the spine. Agreement signed with BioMedtrix regarding the distribution in the USA of Artelon<sup>®</sup> CCL for cruciate ligament reconstruction in dogs. Up to 2008, over 11,000 patients had been treated with an Artelon<sup>®</sup> implant.