ARTIMPLANT INTERIM REPORT January 1–September 30, 2001

- **Preparations for the launch of the augmentation device for cruciate ligament operations, Artelon™ Augmentation Device ACL (Artelon ACL), proceeded as planned. During the third quarter, eight training and information meetings (referred to as "key opinion leader education," or KOLED) were conducted and yielded results in the form of significant interest in the product.**
- **The board of directors and company management decided to grant licenses to industry partners for the Company's three highest-priority products: Artelon ACL, Spacer and sternum sutures.**
- **Permission has been granted to start an accelerated rehabilitation study of augmentation operations on the patellar tendon using Artelon ACL. In October 2001, operations on eight of the 10 patients in the study had been completed. Another accelerated rehabilitation study with hamstring tendon augmentation on 10 patients should begin in Finland in December 2001. The goal is to show that patients can be rehabilitated faster with retained knee stability.**
- **Consolidated income for January–September totaled SEK 16.2 million (SEK 16.5 million one year earlier). The loss after taxes was SEK 37.3 million (SEK 12.2 million loss). The loss per share was SEK 4.03 (SEK 1.32 loss).**

Financial information:

Announcement of 2001 accounts	February 20, 2002
Three-month report	May 3, 2002
Six-month report	August 21, 2002
Nine-month report	November 6, 2002

Interim reports are made available at Artimplant's web site, www.artimplant.se, at the same time as they are distributed to the media.

For additional information, please contact:

Anders Cedronius, Chief Executive Officer, phone +46 (0)31 746-5600, anders.cedronius@artimplant.se

Lars Erik Nygren, Chief Financial Officer, phone +46 (0)31 746-5600, lars.erik.nygren@artimplant.se

Ulf Åkerblom, Director Corporate Communications, phone +46 (0)709 675-999, ulf.akerblom@artimplant.se

Artimplant

Artimplant specializes in biodegradable materials for use in orthopedic surgery. Artimplant is active in the research and development, manufacturing and marketing of biologically degradable implants with the goal of recreating active lives for patients. The biodegradable material the Company has developed is based on a new technology that is opening new markets in the field of orthopedic surgery as well as other specialized fields where there are significant medical needs. Artelon™ Augmentation Device ACL, Artimplant's first product, has received CE approval, so after many years of development efforts, Artimplant is entering a marketing phase.

Artimplant has already developed and patented several different degradable ligament implants, now undergoing clinical trials. The Company is focusing on three high-priority areas for this degradable material: an augmentation device for anterior cruciate ligament reconstruction, hand surgery and augmentation sutures.

Artimplant is listed on the OM Stockholm Exchange's O list.

ARTIMPLANT'S EARNINGS, JANUARY–SEPTEMBER 2001

Consolidated net sales for the period January–September 2001 totaled SEK 16.2 million (SEK 16.5 million for the same period the preceding year). The operating loss for the period was SEK 40.6 million (SEK 16.7 million loss). The loss after tax totaled SEK 37.3 million (SEK 12.2 million loss). Goodwill for Gothenburg Medical Center (GMC) totaled SEK 11.7 million at September 30 and is being amortized over a period of 20 years. The parent company's net sales of SEK 0.5 million consisted primarily of compensation from Mölnlycke Health Care. Sales and the operating loss were as planned.

Net sales by the subsidiary GMC for January–September 2001 reached SEK 17.0 million (SEK 15.5 million). Operating profit for the January–September period equaled SEK 0.1 million (SEK 0.3 million).

AN OUTLINE OF ARTIMPLANT'S PROJECT PORTFOLIO

At Artimplant, the product development process consists of six phases.

1.	Idea	Evaluate whether or not an idea is feasible as a project	Currently about a dozen projects
2.	Definition	Identify and define the clinical, technical and commercial demands on a design	Sternum sutures
3.	Development	Specify requirements and design	
4.	Verification	Verify requirements and design	
5.	Validation	Validate, adapt for use as a product and register the product for the market	Artelon ACL (The product has CE approval and is moving up to the product management phase) Spacer
6.	Product management	Follow-up and fine-tuning	

Clinical studies take place during the verification and validation phases.

AN OUTLINE OF ARTIMPLANT'S CLINICAL PROGRAM

Artelon ACL

Study	2001	2002	2003
Pilot 22 patients	Extended Q3	Four-year results Q2	Five-year results Q2
Multicenter I patellar tendon, 201 patients		Two-year results Q2	Three-year results Q2
Multicenter II hamstring tendon, 101 patients		One-year results Q2	Two-year results Q2
Accelerated rehab, pilot, patellar tendon, 10 patients	Start Q3	One-year results Q4	Two-year results Q4

SPACER

Study	2001	2002	2003
Pilot 15 patients	One-year results Q3	Two-year results Q3	Three-year results Q3
Multicenter I three-year, 108 patients	Start Q3	Completed (op) Q2	

STERNUM SUTURES

Study	2001	2002	2003
Pilot 20 patients	Start Q4	Completed (op) Q1	
Multicenter I Nordic/EU region		Start Q3	

BUSINESS ACTIVITIES: Licensing to industrial partners

In the third quarter, the board of directors and Company management refined the Company's business strategy for the next few years, which resulted in a decision to license to industry partners the Company's three highest-priority products: Artelon ACL, Spacer and sternum sutures. The goal is to have concluded license agreements for Artelon ACL and Spacer by year-end 2002 and for sternum sutures by year-end 2003.

While working out the Company's business plan, and having made careful analyses mainly of European and U.S. markets, the board of directors and Company management concluded that a small development company like Artimplant would benefit more by seeking a major partner with whom to collaborate on the distribution and marketing of the company's products.

This postpones the decision as to whether or not the Company will establish its own sales organization in the Nordic region. This change shifts the focus of the organization to business development and negotiations with potential partners.

In the fourth quarter, several of the world's biggest firms in medical technology have been contacted, and discussions have begun on business collaboration. The goal is for two of Artimplant's high-priority products, Artelon ACL and Spacer, to be under license in 2002.

The business concept and vision are not affected by this refinement of the Company's strategy. The emphasis remains as follows.

- Artimplant will establish a leading position in degradable materials and products, primarily in orthopedic surgery.
- Artimplant will concentrate on developing and producing new, innovative products.
- Artimplant will maintain a well-balanced mix of early- and late-stage projects in research and development.

During the next few years, Artimplant expects to secure CE approval of additional products made from the Company's patented polyurethane urea (PUUR) compound for use in orthopedics and hand surgery.

The Company's project portfolio currently contains more than 10 project ideas now being evaluated for future advancement to the definition phase (see the previous table).

Artelon™ Augmentation Device ACL

An essential part of the roll-out of Artelon ACL is a comprehensive KOLED program for training selected orthopedic surgeons in Europe. During the third quarter, Artimplant arranged eight training

and information meetings in the Nordic countries, Italy and England. More than 50 leading European knee surgeons have participated in the program. The product has attracted interest partly because of its potential to shorten rehabilitation time after operations on anterior cruciate ligament injuries. Results and data are expected from studies under way. An interesting observation by several doctors was that the need for augmentation can be greater among elderly patients, as their own tendons, used for the autografts, are of poorer quality.

Artimplant expects to receive the first orders for Artelon ACL during November–December 2001.

Another seven KOLED seminars are planned for the fourth quarter of 2001.

Artelon ACL is made of a patented polyurethane urea that is spun and then woven into a band that is operated onto the knee to augment an injured anterior cruciate ligament.

A ruptured anterior cruciate ligament in the knee is the most common ligament injury and often leads to lifelong suffering for the injured person as well as significant costs to society. Artimplant's first product to receive CE approval is an augmentation implant used in the reconstruction of an injured ACL. The product is designed to reinforce the tissue taken from the patient (the autograft). The global market potential is estimated at SEK 10–15 billion.

Thus far, Artimplant has initiated four clinical studies with this application.

1. A pilot study began in the autumn of 1997 with 22 patients. Some of the patellar (knee-cap) tendon in these patients was augmented using Artimplant's implant.
2. The first randomized multi-center study began in the spring of 1999 with 201 patients. Half of the group was operated on in the same manner as in the pilot study, and half of the group received patellar (knee-cap) tendon without augmentation. This study was structured to comply with the U.S. Food and Drug Administration's recommendations for long-term follow-up on anterior cruciate ligament injuries (follow-up at least 24 months after operation).
3. A second randomized multicenter study, comprising 101 patients, began in the spring of 2000 at centers in Sweden and Finland. Half of that group received tendons from the rear of the thigh (hamstring) augmented with Artimplant's implants, and half of the group received hamstring without augmentation.
4. An accelerated rehabilitation study has begun with 10 patients who will be operated on using patellar tendon augmented with our ACL device. Eight of the patients have been operated on to date. The two remaining patients will have their operations before the end of 2001. The goal is to show that patients can be rehabilitated faster with retained knee stability.

The first three series of operations have been completed. The pilot study has already yielded three-year data. The first multicenter study obtained data from 201 patients through ongoing internal reports and has 12-month data on all patients in the study. The second multicenter study has six-month data from all the patients.

Three-year follow-up data from the pilot study under way on Artelon ACL show that all patients' knees are stable, that Artimplant's degradable material Artelon™ is biocompatible and that connective tissue vascularizes and grows into the material.

SPACER

In hand surgery, Artimplant is conducting a pilot study involving 15 patients suffering from arthritis at the base of the thumb. This condition causes increasing pain and inhibits gripping strength. Thumb-base arthritis is one of the most common injuries of wear and tear on the ligaments of the hand and primarily strikes women over the age of 40. Its prevalence in the West is estimated at 10 percent of the population over the age of 55, and no satisfactory method of treatment is available. The market potential is estimated at more than SEK 5 billion.

The results show that patients had enhanced gripping strength and reduced pain as early as six months after the operation. A multicenter study on spacer implants for the treatment of thumb-base arthritis will begin in the fourth quarter of 2001 or the first quarter of 2002.

STERNUM SUTURES

A new project began aimed at developing products to be used as augmentation sutures. Augmentation sutures are used in orthopedic surgery and other specialized fields of surgery. Clinical studies using augmentation sutures made of degradable material developed and produced by Artimplant are scheduled to start in the fourth quarter of 2001.

Several areas of application have been defined, one of which—augmentation sutures for thoracic surgery—is estimated to have a market potential in Europe and the United States of SEK 2.5 billion.

INVESTMENTS AND FINANCIAL POSITION

Investments for January–September 2001 amounted to SEK 32.4 million (SEK 25.5 million), including SEK 28.6 million (SEK 20.1 million) for intangible assets. At the end of the period, liquid funds totaled SEK 86.6 million (SEK 148.9 million).

HUMAN RESOURCES

At September 30, 2001, the number of employees was 70 (60), including 33 (33) employed by the subsidiary GMC. At that time, the number of consultants associated with the Company was 10 (11).

PATENTS

At September 30, 2001, Artimplant had obtained five patents in Sweden, four of which had also gained international approval. Applications for an additional six patents have been submitted. In addition, six more patent applications are being prepared and are scheduled to be submitted in 2001.

KEY RATIOS FOR THE ARTIMPLANT GROUP

	Jan–Sep 2001	Jan–Sep 2000	Jan–Dec 2000
Earnings per share, SEK	-4.03	-1.32	-2.30
Earnings per share after full conversion, SEK	-3.82	-1.25	-2.18
Equity per share, SEK	16.75	21.77	20.78
Equity per share after full conversion, SEK	31.62	36.38	35.44
No. of shares at end of period	9,250,000	9,250,000	9,250,000
No. of shares after full conversion	9,762,500	9,762,500	9,762,500
Yield on equity, %	neg	neg	neg
Yield on capital employed, %	neg	neg	neg
Equity/assets ratio, %	90	95	95

INCOME STATEMENTS ARTIMPLANT

	Group	Group	Group	Group	Group
Amounts in SEK thousands	**Jul–Sep 2001**	**Jan–Sep 2001**	**Jul–Sep 2000**	**Jan–Sep 2000**	**Jan–Dec 2000**
Net sales	4,460	16,169	4,190	16,542	22,360
Cost of goods and services sold	-4,159	-14,321	-3,673	-14,455	-19,189
Gross profit/loss	**301**	**1,848**	**517**	**2,087**	**3,171**
Research and development costs	-5,920	-15,447	-4,090	-10,051	-15,189
Marketing costs	-8,879	-19,053	-1,263	-3,019	-6,857
Administrative costs	-2,632	-7,905	-1,854	-5,766	-8,221
Operating profit/loss	**-17,130**	**-40,557**	**-6,690**	**-16,749**	**-27,096**
Interest income and other financial income	946	3,226	1,329	2,850	4,120
Interest expenses and other financial expenses	0	-8	-25	-36	-67
Proceeds from sale of warrants	0	70	0	2,431	2,434
Net financial items	**946**	**3,288**	**1,304**	**5,245**	**6,487**
Result after financial items	**-16,184**	**-37,269**	**-5,386**	**-11,504**	**-20,609**
Taxes	0	-21	-6	-687	-694
Loss for the period	**-16,184**	**-37,290**	**-5,392**	**-12,191**	**-21,303**

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

	Group	Group	Group	Group	Group
Amounts in SEK thousands	**Jul–Sep 2001**	**Jan–Sep 2001**	**Jul–Sep 2000**	**Jan–Sep 2000**	**Jan–Dec 2000**
Capitalized research and development costs	4,889	12,806	3,348	8,184	12,503
Patents	424	947	228	586	869
Goodwill	175	525	175	525	699
Machinery and equipment	943	2,624	799	2,009	2,874
Total depreciation and amortization	**6,431**	**16,902**	**4,550**	**11,304**	**16,945**

INCOME STATEMENTS ARTIMPLANT

Amounts in SEK thousands	Parent company Jul–Sep 2001	Parent company Jan–Sep 2001	Parent company Jul–Sep 2000	Parent company Jan–Sep 2000	Parent company Jan–Dec 2000
Net sales	4	462	7	2,392	2,396
Cost of goods and services sold	-4	-462	-7	-2,392	-2,396
Gross profit/loss	**0**	**0**	**0**	**0**	**0**
Research and development costs	-5,920	-15,447	-4,090	-10,051	-15,189
Marketing costs	-8,879	-19,053	-1,263	-3,019	-6,857
Administrative costs	-1,857	-5,579	-1,056	-3,418	-5,146
Share in earnings from Group companies	-295	65	-87	307	846
Operating profit/loss	**-16,951**	**-40,014**	**-6,496**	**-16,181**	**-26,346**
Interest income and other financial income	940	3,203	1,297	2,793	4,033
Interest expenses and other financial expenses	0	-8	-25	-36	-65
Underwriting expenses	-	-	0	-6,797	-6,850
Net financial items	**940**	**3,195**	**1,272**	**-4,040**	**-2,882**
Result after financial items	**-16,011**	**-36,819**	**-5,224**	**-20,221**	**-29,228**
Taxes	-	-	-	-	-
Loss for the period	**-16,011**	**-36,819**	**-5,224**	**-20,221**	**-29,228**

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 company Jul–Sep 2001	Parent company Jan–Sep 2001	Parent company Jul–Sep 2000	Parent company Jan–Sep 2000	Parent company Jan–Dec 2000
Capitalized research and development costs	4,889	12,806	3,348	8,184	12,503
Patents	424	947	228	586	869
Machinery and equipment	812	2,261	683	1,708	2,422
Total depreciation and amortization	**6,125**	**16,014**	**4,259**	**10,478**	**15,794**

BALANCE SHEETS ARTIMPLANT

Amounts in SEK thousands	Group 30 Sep 2001	Group 30 Sep 2000	Group 31 Dec 2000	Parent company 30 Sep 2001	Parent company 30 Sep 2000	Parent company 31 Dec 2000
Capitalized research and development costs	50,241	32,855	36,909	50,241	32,855	36,909
Patents	3,697	2,000	2,197	3,697	2,000	2,197
Goodwill	11,730	12,429	12,255	-	-	-
Total intangible fixed assets	65,668	47,284	51,361	53,938	34,855	39,106
Machinery and equipment	9,284	7,807	8,065	8,356	6,947	7,048
Total tangible fixed assets	9,284	7,807	8,065	8,356	6,947	7,048
Shares in Group companies	-	-	-	18,096	18,096	18,096
Total financial fixed assets	-	-	-	18,096	18,096	18,096
Total fixed assets	**74,952**	**55,091**	**59,426**	**80,390**	**59,898**	**64,250**
Accounts receivable	1,926	1,718	1,602	-	-	-
Other receivables	2,470	1,249	1,770	2,461	1,128	1,670
Prepaid expenses and accrued income	5,266	4,208	1,572	4,983	3,965	1,330
Total short-term receivables	9,662	7,175	4,944	7,444	5,093	3,000
Cash and bank accounts	86,577	148,940	137,700	85,334	145,267	136,957
Total current assets	**96,239**	**156,115**	**142,644**	**92,778**	**150,360**	**139,957**
TOTAL ASSETS	**171,191**	**211,206**	**202,070**	**173,168**	**210,258**	**204,207**

Amounts in SEK thousands	Group 30 Sep 2001	Group 30 Sep 2000	Group 31 Dec 2000	Parent company 30 Sep 2001	Parent company 30 Sep 2000	Parent company 31 Dec 2000
SHAREHOLDERS' EQUITY AND LIABILITIES						
Equity capital						
Share capital	925	925	925	925	925	925
Restricted reserves/Legal reserve	193,265	215,696	215,643	193,265	222,493	222,493
Total restricted equity	194,190	216,621	216,568	194,190	223,418	223,418
Non-restricted reserves	-1,989	-3,064	-3,064	-	-	-
Loss for the period	-37,290	-12,191	-21,303	-36,819	-20,221	-29,228
Total non-restricted equity	-39,279	-15,255	-24,367	-36,819	-20,221	-29,228
Total equity	**154,911**	**201,366**	**192,201**	**157,371**	**203,197**	**194,190**
Provision for deferred tax	318	179	318	-	-	-
Other provisions	100	200	100	-	-	-
Total provisions	**418**	**379**	**418**	**-**	**-**	**-**
Other long-term liabilities	**-**	100	100	**-**	100	100
Total long-term liabilities	**-**	**100**	**100**	**-**	**100**	**100**
Accounts payable	5,104	2,826	2,058	3,910	2,014	1,638
Liabilities, Group companies	-	-	-	3,493	989	3,568
Tax liability	576	687	555	-	-	-
Other current liabilities	1,104	736	1,104	664	421	654
Accrued expenses and prepaid income	9,078	5,112	5,634	7,730	3,537	4,057
Total current liabilities	**15,862**	**9,361**	**9,351**	**15,797**	**6,961**	**9,917**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**171,191**	**211,206**	**202,070**	**173,168**	**210,258**	**204,207**

Note: Changes in shareholders' equity during the period

Amounts in SEK thousands	Group Jan–Sep 2001	Group Jan–Sep 2000	Group Jan–Dec 2000
Equity at beginning of period	192,201	77,354	77,354
New share issue	-	136,203	136,150
Loss for the period	-37,290	-12,191	-21,303
Equity at end of period	**154,911**	**201,366**	**192,201**

CASH-FLOW ANALYSES ARTIMPLANT

Amounts in SEK thousands	Group Jan–Sep 2001	Group Jan–Sep 2000	Group Jan–Dec 2000	Parent company Jan–Sep 2001	Parent company Jan–Sep 2000	Parent company Jan–Dec 2000
Operating activities						
Result after financial items	-37,269	-11,504	-20,609	-36,819	-20,221	-29,228
Adjustments for items not affecting cash flow	16,902	11,448	16,811	16,014	10,478	15,794
Taxes paid	-21	-687	-555	-	-	-
Cash flow from operating activities before changes in working capital	**-20,388**	**-743**	**-4,353**	**-20,805**	**-9,743**	**-13,434**
Cash flow from changes in working capital						
Increase(-)/Decrease(+) in receivables	-4,718	-2,049	182	-4,444	-978	1,115
Increase(+)/Decrease(-) in liabilities	6,511	1,512	1,502	5,880	806	3,762
Cash flow from operating activities	**-18,595**	**-1,280**	**-2,669**	**-19,369**	**-9,915**	**-8,557**
Investing activities						
Acquisition of subsidiaries	-	-	-	-	-100	-100
Acquisition of intangible fixed assets	-28,585	-20,139	-28,992	-28,585	-20,139	-28,992
Acquisition of tangible fixed assets	-3,843	-5,404	-6,479	-3,569	-4,632	-5,447
Disposal of tangible fixed assets	-	-	130	-	-	-
Cash flow from investing activities	**-32,428**	**-25,543**	**-35,341**	**-32,154**	**-24,871**	**-34,539**
Financing activities						
New share issue	-	136,203	136,150	-	143,000	143,000
Repayment of loans	-100	-100	-100	-100	-100	-100
Cash flow from financing activities	**-100**	**136,103**	**136,050**	**-100**	**142,900**	**142,900**
Cash flow for the period	**-51,123**	**109,280**	**98,040**	**-51,623**	**108,114**	**99,804**
Liquid funds at beginning of period	**137,700**	**39,660**	**39,660**	**136,957**	**37,153**	**37,153**
Liquid funds at end of period	**86,577**	**148,940**	**137,700**	**85,334**	**145,267**	**136,957**

Accounting principles

The same accounting principles were applied as in the 2000 annual report.

Göteborg, November 7, 2001

Artimplant AB (publ)

Anders Cedronius

Chief Executive Officer

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