ARTIMPLANT INTERIM REPORT January 1–June 30, 2002

Artimplant is negotiating with several global enterprises in medical-technology that wish to secure licenses for products that the Company has developed in-house for orthopedics. In addition, discussions are under way concerning partnership agreements based on the degradable polymer technology that the Company has developed and which has potential application in several areas of orthopedics as well as in other categories of therapy.

Efforts towards product licensing and partnering boosted costs for the period. As a whole, the Group posted a loss of SEK 28.2 million (SEK 21.1 million loss), corresponding to SEK -3.04 per share (SEK -2.28).

In May, two-year results from the pilot study on Spacer were reported to European hand surgeons at their congress in Amsterdam. The study confirms that patients with thumb-base arthritis who are treated with Spacer achieve better gripping strength and greater reduction of pain than patients treated by traditional methods.

CEO Anders Cedronius, who recently turned 60, notified the Board of Directors that he wishes to resign. The Board has begun the search for his successor. He will remain CEO for the time being, and the Board intends for Cedronius to continue working on special projects and serving on the Board even after his successor takes over.

Scheduled financial information:

Nine-month interim 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.

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Artimplant

Artimplant specializes in biodegradable materials for use in orthopedic surgery. Artimplant is active in the research, development, and manufacture 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 and other specialized fields where there are significant medical needs.

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 its degradable material, called Artelon™: an augmentation device for anterior cruciate ligament reconstruction, hand surgery, and augmentation sutures.

Artimplant is listed on the O list of Stockholmsbörsen, the stock exchange in Stockholm.

ARTIMPLANT'S EARNINGS, JANUARY–JUNE 2002

Consolidated net sales for the period January–June 2002 totaled SEK 13.1 million (SEK 11.7 million for the same period the preceding year). The operating loss for the period was SEK 29.0 million (SEK 23.4 million loss). The loss after taxes was SEK 28.2 million (SEK 21.1 million loss). The parent company's net sales of SEK 0.2 million consisted primarily of compensation from Mölnlycke Health Care.

Net sales by the subsidiary Gothenburg Medical Center (GMC) reached SEK 13.2 million (SEK 12.1 million). GMC's loss after taxes was SEK 2.0 million (SEK 0.3 million profit). Severance expenses for personnel were charged to operations during the period.

The loss increased as a result of more expenditure on research and development and increased costs associated with efforts to license the first of Artimplant's products.

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 technically and commercially feasible as a project	
2.	Definition	Identify and define the clinical, technical, and commercial demands on a design	
3.	Development	Specify requirements and design	Artelon™ Sternum Suture
4.	Verification	Verify requirements and design	
5.	Validation	Validate, adapt for production, and register the product for the market	Artelon™ Spacer CMC-1
6.	Product management	Follow up, monitor, and fine-tune	Artelon™ Augmentation Device ACL

At present, about 10 project ideas in addition to the above are being evaluated for their technical and commercial feasibility.

AN OUTLINE OF ARTIMPLANT'S CLINICAL PROGRAM

ACL

Study	2002	2003
Pilot 22 patients	4-year results Q3	5-year results Q3
Multicenter I patellar tendon 201 patients	2-year results Q3	3-year results Q3
Multicenter II hamstring tendon 101 patients	1-year results Q3	2-year results Q3
Accelerated rehab, pilot, patellar tendon 10 patients	1-year results Q4	2-year results Q4

SPACER

Study	2002	2003
Pilot, 15 patients		3-year results Q2
Multicenter I, three-year, 108 patients	Patients included Q1–Q3	1-year results Q4

STERNUM SUTURE

Study	2002	2003
Pilot 20 patients	Planned start Q3	1-year results Q4

BUSINESS ACTIVITIES

During the period, work continued on licensing the three products developed by the Company: ACL, Spacer, and Sternum Suture. Confidential negotiations are under way with several global players.

In addition to licensing particular products as mentioned above, Artimplant is striving to set up partnering agreements for the technology the Company has developed. Artimplant expects applications using its materials technology will be found in several other categories of therapy, in addition to orthopedic surgery. By conducting research in collaboration with companies having specialized expertise in these fields, Artimplant expects to be able to bring new products to market more quickly. One example of such collaboration is the wound-care project with Mölnlycke Health Care.

To fortify the Company's position during protracted negotiations on licensing, the Board has begun evaluating various financing options.

ACL

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

This 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 intended to reinforce the tissue taken from the patient, usually from the patellar (kneecap) tendon or hamstring (rear of the thigh), that is operated into the knee to replace the injured tendon. The global market potential is estimated at roughly SEK 10 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 multicenter study began in the spring of 1999 with 201 patients. Half of the group were operated on in the same way as in the pilot study, while the other half were operated on without augmentation bands. This study complies with

recommendations from the U.S. Food and Drug Administration (FDA) for long-term follow-up (at least 24 months after operation).

3. A second randomized multicenter study, comprising 101 patients, began in the spring of 2000 at clinics in Sweden and Finland. Half of that group received tendons from the hamstring augmented by Artimplant's implant, and half of the group received hamstring without augmentation.
4. An accelerated rehabilitation study began in 2001 involving 10 patients who were operated on using the ACL device with patellar tendon. The goal is to prove that patients can be rehabilitated faster with retained knee stability.

Three-year results from the pilot study under way on 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

Thumb-base arthritis is one of the most common injuries of wear and tear on the ligaments of the hand. Most common among women age 40 and over, the ailment also strikes men. An estimated 10 percent of the population over 55 years of age are at risk. No satisfactory method of treatment is currently available. In its initial stages, painkillers are prescribed. Surgical treatment by arthrodesis (fusing the joint) reduces motion, while tendon arthroplasty (reconstructing the joint) can cause problems such as instability or reduced gripping strength. The market potential is estimated at roughly SEK 10 billion.

Artimplant's Spacer is designed to serve as a replacement for the damaged cartilage between the last thumb bone and the carpal bone. The band remains in the body until the damaged cartilage has recovered. The operation is less invasive than joint fusion and requires only local anesthesia.

The Spacer is a new method for treating a common ailment, so extensive trials are required to substantiate its functionality. A multicenter study involving 108 patients is being conducted at six clinics in Sweden. Two-year follow-up results from clinical trials show that the Spacer has beneficial effects on joint stability, gripping strength, and perceived pain.

Sternum Suture

In certain operations, such as open-heart surgery, the surgeon must split the breast bone (sternum). After the operation, the breast bone is closed using sternum sutures. The most common materials used for sternum sutures today are steel and polydioxanone (in PDS). Steel suture may need to be removed because some patients experience irritation, and the steel can cut into the bone. PDS is soft and degradable but loses its strength quickly. Consequently, PDS is used primarily for patients with allergic reactions to metal suture.

Surgical silk is commonly used for sutures, but it is unsuitable for sternum sutures, partly because of its strength. Artimplant's Sternum Suture combines the properties of steel and silk by being soft yet strong and elastic. The market potential in Europe and the United States combined is estimated at SEK 2.5 billion.

INVESTMENTS AND FINANCIAL POSITION

Investments for the January–June period totaled SEK 7.2 million (SEK 21.7 million), including SEK 6.7 million (SEK 18.9 million) for intangible assets. At June 30, liquid funds totaled SEK 35.8 million (SEK 107.1 million).

EMPLOYEES

At June 30, 2002, the number of employees was 69 (69), including 33 (33) people employed by the subsidiary Gothenburg Medical Center. At that time, the number of consultants associated with the Company was 7 (11).

CEO Anders Cedronius has notified the Board of Directors that he wishes to resign, and the Board has started looking for his successor. Cedronius will remain as CEO for the time being and, after his successor has taken over, will work on special projects for the Company and continue to serve as a member of the Board.

Elisabeth Liljensten, previously responsible for the Company's biological and preclinical research, became head of research at April 2.

PATENTS

The Company's degradable implant polymers are protected by several patents, including the main patent (Artelon™) approved in Sweden, the United States, Europe, and several other countries. Patents have been applied for covering several variations on the basic theme of degradable polymers. Swedish and international patents have been granted for a few specific applications. Patents for degradable materials have been granted in several countries, including Sweden, the United States, and the European region.

Artimplant has been granted five patents in Sweden which are also recognized internationally. Applications for nine more patents have been submitted.

KEY RATIOS FOR THE ARTIMPLANT GROUP

	Jan–Jun 2002	Jan–Jun 2001	Jan–Dec 2001
Earnings per share, SEK	-3.04	-2.28	-5.87
Earnings per share after full conversion, SEK	-2.88	-2.16	-5.56
Equity per share, SEK	9.39	18.50	14.91
Equity per share after full conversion, SEK	24.65	33.27	29.88
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, %	84	92	89

INCOME STATEMENTS ARTIMPLANT

Amounts in SEK thousands	Group Apr–Jun 2002	Group Jan–Jun 2002	Group Apr–Jun 2001	Group Jan–Jun 2001	Group Jan–Dec 2001
Net sales	6,641	13,137	5,712	11,709	23,664
Cost of goods and services sold	-7,857	-14,325	-5,125	-10,162	-21,108
Gross profit/loss	**-1,216**	**-1,188**	**587**	**1,547**	**2,556**
Research and development costs	-7,073	-14,074	-5,354	-9,527	-22,706
Marketing costs	-2,728	-6,851	-5,101	-10,174	-25,855
Administrative costs	-3,558	-6,997	-3,206	-5,273	-12,203
Other operating revenues	11	61	-	-	30
Operating loss	**-14,564**	**-29,049**	**-13,074**	**-23,427**	**-58,178**
Interest income and other financial revenue	428	920	1,075	2,280	3,893
Interest expenses and other financial costs	-7	-33	0	-8	-48
Proceeds from sale of warrants	-	-	-	70	70
Net financial items	**421**	**887**	**1,075**	**2,342**	**3,915**
Loss after financial items	**-14,143**	**-28,162**	**-11,999**	**-21,085**	**-54,263**
Taxes	-	-	-1	-21	-19
Loss for the period	**-14,143**	**-28,162**	**-12,000**	**-21,106**	**-54,282**

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 2002	Group Jan–Jun 2002	Group Apr–Jun 2001	Group Jan–Jun 2001	Group Jan–Dec 2001
Capitalized research and development costs	-	-	4,467	7,917	18,983
Patents	412	768	291	523	1,287
Goodwill	175	350	175	350	699
Machinery and equipment	844	1,728	925	1,681	3,716
Total depreciation and amortization	**1,431**	**2,846**	**5,858**	**10,471**	**24,685**

Due to a change in accounting principles, amortization of Capitalized research and development costs will start when the product the costs refer to is launched.

INCOME STATEMENTS ARTIMPLANT

Amounts in SEK thousands	Parent company Apr–Jun 2002	Parent company Jan–Jun 2002	Parent company Apr–Jun 2001	Parent company Jan–Jun 2001	Parent company Jan–Dec 2001
Net sales	0	211	4	458	1,187
Cost of goods and services sold	0	-211	-4	-458	-1,171
Gross profit	**0**	**0**	**0**	**0**	**16**
Research and development costs	-7,073	-14,074	-5,354	-9,527	-22,706
Marketing costs	-2,728	-6,851	-5,101	-10,174	-25,855
Administrative costs	-3,087	-5,720	-2,431	-3,722	-9,096
Other operating revenues	-	-	-	-	30
Share in earnings from Group companies	-1,496	-2,045	-5	360	162
Operating loss	**-14,384**	**-28,690**	**-12,891**	**-23,063**	**-57,449**
Interest income and other financial revenue	422	911	1,064	2,263	3,859
Interest expenses and other financial costs	-7	-29	0	-8	-20
Net financial items	**415**	**882**	**1,064**	**2,255**	**3,839**
Loss after financial items	**-13,969**	**-27,808**	**-11,827**	**-20,808**	**-53,610**
Taxes	-	-	-	-	-
Loss for the period	**-13,969**	**-27,808**	**-11,827**	**-20,808**	**-53,610**

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 Apr–Jun 2002	Parent company Jan–Jun 2002	Parent company Apr–Jun 2001	Parent company Jan–Jun 2001	Parent company Jan–Dec 2001
Capitalized research and development costs	-	-	4,467	7,917	18,983
Patents	412	768	291	523	1,287
Machinery and equipment	797	1,591	793	1,449	3,247
Total depreciation and amortization	**1,209**	**2,359**	**5,551**	**9,889**	**23,517**

Due to a change in accounting principles, amortization of Capitalized research and development costs will start when the product the costs refer to is launched.

BALANCE SHEETS ARTIMPLANT

Amounts in SEK thousands	Group 30 Jun 2002	Group 30 Jun 2001	Group 31 Dec 2001	Parent company 30 Jun 2002	Parent company 30 Jun 2001	Parent company 31 Dec 2001
Capitalized research and development costs	36,720	46,908	54,623	36,720	46,908	54,623
Patents	4,670	2,681	3,661	4,670	2,681	3,661
Goodwill	11,206	11,905	11,556	-	-	-
Total intangible fixed assets	52,596	61,494	69,840	41,390	49,589	58,284
Machinery and equipment	8,399	9,116	9,677	7,321	8,253	8,730
Total tangible fixed assets	8,399	9,116	9,677	7,321	8,253	8,730
Shares in Group companies	-	-	-	18,096	18,096	18,096
Total long-term financial assets	-	-	-	18,096	18,096	18,096
Total fixed assets	**60,995**	**70,610**	**79,517**	**66,807**	**75,938**	**85,110**
Raw materials, semimanufactures, and finished goods	180	-	8	180	-	8
Total inventories etc.	180	-	8	180	-	8
Accounts receivable	1,807	1,698	2,632	-	1	24
Receivables, Group companies	-	-	-	-	-	63
Other receivables	1,197	2,040	2,370	1,177	2,040	2,370
Prepaid expenses and accrued income	3,150	5,187	2,992	2,825	4,887	2,740
Total short-term receivables	6,154	8,925	7,994	4,002	6,928	5,197
Cash and bank accounts	35,771	107,081	68,006	34,629	105,917	67,144
Total current assets	**42,105**	**116,006**	**76,008**	**38,811**	**112,845**	**72,349**
TOTAL ASSETS	**103,100**	**186,616**	**155,525**	**105,618**	**188,783**	**157,459**

Amounts in SEK thousands	Group 30 Jun 2002	Group 30 Jun 2001	Group 31 Dec 2001	Parent company 30 Jun 2002	Parent company 30 Jun 2001	Parent company 31 Dec 2001
SHAREHOLDERS' EQUITY & LIABILITIES						
Equity						
Share capital	925	925	925	925	925	925
Restricted reserves/Legal reserve	116,788	193,265	193,265	116,788	193,265	193,265
Total restricted equity	117,713	194,190	194,190	117,713	194,190	194,190
Retained losses	-2,661	-1,989	-1,989	-	-	-
Loss for the period	-28,162	-21,106	-54,282	-27,808	-20,808	-53,610
Total retained losses	-30,823	-23,095	-56,271	-27,808	-20,808	-53,610
Total equity	**86,890**	**171,095**	**137,919**	**89,905**	**173,382**	**140,580**
Provision for deferred tax	322	318	322	-	-	-
Other provisions	-	100	-	-	-	-
Total provisions	**322**	**418**	**322**	**-**	**-**	**-**
Other long-term liabilities	-	100	-	-	100	-
Total long-term liabilities	**-**	**100**	**-**	**-**	**100**	**-**
Accounts payable	5,374	4,350	6,425	4,554	3,912	5,465
Liabilities, Group companies	-	-	-	4,924	3,488	3,578
Tax liability	-	576	578	-	-	-
Other current liabilities	1,101	1,169	1,442	722	806	1,056
Accrued expenses and prepaid income	9,413	8,908	8,839	5,513	7,095	6,780
Total current liabilities	**15,888**	**15,003**	**17,284**	**15,713**	**15,301**	**16,879**
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	**103,100**	**186,616**	**155,525**	**105,618**	**188,783**	**157,459**

Note: Changes in shareholders' equity during the period

Amounts in SEK thousands	Group Jan–Jun 2002	Group Jan–Jun 2001	Group Jan–Dec 2001	Parent company Jan–Jun 2002	Parent company Jan–Jun 2001	Parent company Jan–Dec 2001
Equity at beginning of period	137,919	192,201	192,201	140,580	194,190	194,190
Change in accounting principle	-22,867	-	-	-22,867	-	-
Loss for the period	-28,162	-21,106	-54,282	-27,808	-20,808	-53,610
Equity at end of period	**86,890**	**171,095**	**137,919**	**89,905**	**173,382**	**140,580**

CASH-FLOW ANALYSES ARTIMPLANT

Amounts in SEK thousands	Group Jan–Jun 2002	Group Jan–Jun 2001	Group Jan–Dec 2001	Parent company Jan–Jun 2002	Parent company Jan–Jun 2001	Parent company Jan–Dec 2001
Operating activities						
Loss after financial items	-28,162	-21,085	-54,263	-27,808	-20,808	-53,610
Adjustment for items not affecting cash flow	2,847	10,471	24,555	2,360	9,889	23,487
Taxes paid	-	-21	-15	-	-	-
Cash flow from operating activities before changes in working capital	**-25,315**	**-10,635**	**-29,723**	**-25,448**	**-10,919**	**-30,123**
Cash flow from changes in working capital						
Increase (-)/Decrease (+) in inventories	-172	-	-8	-172	-	-8
Increase(-)/Decrease(+) in receivables	1,840	-3,981	-3,050	1,195	-3,928	-2,197
Increase(+)/Decrease(-) in liabilities	-1,396	5,652	7,933	-1,166	5,384	6,962
Cash flow from operating activities	**-25,043**	**-8,964**	**-24,848**	**-25,591**	**-9,463**	**-25,366**
Investing activities						
Acquisition of intangible fixed assets	-6,742	-18,923	-39,448	-6,742	-18,923	-39,448
Acquisition of tangible fixed assets	-450	-2,732	-5,449	-182	-2,654	-5,050
Disposal of tangible fixed assets	-	-	151	-	-	151
Cash flow from investing activities	**-7,192**	**-21,655**	**-44,746**	**-6,924**	**-21,577**	**-44,347**
Financing activities						
Repayment of loans	-	-	-100	-	-	-100
Cash flow from financing activities	**0**	**0**	**-100**	**0**	**0**	**-100**
Cash flow for the period	**-32,235**	**-30,619**	**-69,694**	**-32,515**	**-31,040**	**-69,813**
Liquid funds at beginning of period	**68,006**	**137,700**	**137,700**	**67,144**	**136,957**	**136,957**
Liquid funds at end of period	**35,771**	**107,081**	**68,006**	**34,629**	**105,917**	**67,144**

Accounting principles

The same accounting principles were applied as in the 2001 annual report with the exception that effective January 1, 2002, the Company applies the Swedish Financial Accounting Standards Council's recommendation 15, on intangible assets. This change in accounting principle reduced the book value of capitalized research and development costs by SEK 22.9 million. Comparative figures for 2001 have not been restated because the new principle was applied starting January 1, 2002.

Gothenburg, August 21, 2002

Artimplant AB (publ)

Board of Directors

Auditors' Review Report

We have made a review of this interim report in accordance with recommendations issued by the Swedish Institute of Authorized Public Accountants (FAR). A review is substantially limited in comparison with an audit. Nothing has come to our attention that indicates that this interim report fails to comply with the requirements of the Swedish Securities Exchange and Annual Accounts Acts.

Gothenburg, August 21, 2002

Anders Ivdal
Authorized public accountant

Per Modéer
Authorized public accountant