



## JANUARY - JUNE 2012

### FIRST SIX MONTHS

- Net revenue increased with 26 percentage points and amounted to SEK 12.2 million (9.7).
- The net loss totaled SEK 5.5 million (9.0). The result has improved by SEK 3.5 million compared to the corresponding period last year.
- Earnings per stock unit amounted to SEK -0.02 (-0.08).

### SECOND QUARTER

- Net revenue increased with 26 percentage points and amounted to SEK 5.4 million (4.3).
- The net loss totaled SEK 3.2 million (5.2). The result has improved by SEK 2.0 million compared to the corresponding period last year.
- Earnings per stock unit amounted to SEK -0.01 (-0.04).

### EVENTS AFTER THE PERIOD-END

- Agreement with the insurance company regarding funding of litigation costs in the USA.

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

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

# ABOUT 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, where the focus is on innovative orthopedic solutions. Artimplant helps to improve the patient's quality of life by offering the medical sector products that create conditions for the body to heal.

The products are made from Artelon®, a biomaterial developed by the Company for reinforcement of weakened soft tissue and the treatment of osteoarthritis. The first implants using Artelon® were carried out in 1997, which means that there is 14 years of clinical experience of the material.

## Artelon® Tissue Reinforcement, ATR

The product is a degradable mesh used as reinforcement in conjunction with the repair of soft tissue, e.g. tendons, ligaments, joint capsule etc. The product is currently in the market introduction phase in Europe and the USA.

## Artelon® CMC Spacer och Artelon® STT Spacer

These were Artimplant's first products, used to treat osteoarthritis (wearing of the cartilage) in the thumb base joint and the STT joint in the wrist. The products have been granted regulatory clearance and have been launched in Europe, the USA and a small number of other countries.

## Artelon® MTP Spacer

A product for the treatment of osteoarthritis in the big toe joint. The product is in the launch phase in Europe.

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



“ Artimplant's products function as scaffolding for the body cells and helps the body to heal.

# STATEMENT BY THE CEO

During the first half of the year, Artimplant developed positively even if it was not exactly at the rate we would have liked. Turnover has increased by 26% compared with the previous year and the result has improved by SEK 3.5 million. The result still represents a loss although it has been affected by the market investments that we are currently implementing.

The US market is a key market for us and it has not developed at the rate we had planned. Own sales, however, are on a considerably higher level than previously but are still not in line with our expectations. We intend to intensify our market prospecting even further and reinforce the organization in such a way that we can return rapidly to the anticipated sales level. Despite the slightly weaker trend during the second quarter, our positive assessment of the US market still holds.

Our strategy for the US market is based as far as possible on the company assuming direct responsibility for sales via distributors. In December last year, the license agreement with SBI was concluded and during the first quarter of this year, a settlement was reached with Biomet to conclude the agreement in the middle of April this year. This means that from the middle of April this year we will assume direct responsibility for all our sales on the US market. We have thus taken a major and important step that will put us in a position to influence sales fully.

We are working purposefully to increase our market presence and thus listen to and satisfy the needs of our customers. In the coming months we will recruit an Advisory Board in the USA that will be made up of well-known and highly reputable physicians with the aim of supporting our establishment on the US market. The physicians we have been in contact with so far are very positive to the idea of helping Artimplant in its future development. The physicians who have been contacted have extensive experience of the orthopedics market in the USA and they are well acquainted with our products.

The complaints process in the USA is ongoing. It would appear that the first hearings will take place during the second quarter of next year at the earliest. We previously announced that we feel that insurance cover is adequate for all complaints that have been received in the current proceedings in the USA although at present it is unclear to what extent the losses fall under Artimplant's previous or present insurance. Pending final confirmation of where responsibility for compensation lies, an agreement has been reached that will assure Artimplant of ongoing compensation for the costs incurred to pursue the complaints process in the USA. Consequently, these costs will not have any impact on Artimplant's liquidity. It is difficult to assess how sales will be affected by this but I do not believe it will have any critical impact on sales growth in the future.

The sales trend in Europe is very positive and sales for the first six months have been higher than for the whole of the previous year. A greater focus on a small number of markets has begun to produce results. Sales are on the increase in the Nordic region, where since the turn of the year we have taken over full responsibility for sales following termination of the agreement with the former distributor.

An important part of the improved financial result is of course that we have now introduced better cost control. It is a case of using the financial means at our disposal to focus consistently on measures that in some way support sales. On the whole, I can see that Artimplant has developed positively during the first six months of the year. It also feels good that in my contact with our customers we have received a positive response and confirmation that the investments we are making are an effective means of reinforcing our market position. Although a great deal remains to be done, I am firmly convinced that we are on the right path. Despite the slightly weaker rate of growth during the second quarter, our aim to achieve a positive cash flow on a monthly basis during the fourth quarter still holds.

Västra Frölunda, August 23, 2012



Kjell Thörnbring

# SIX-MONTH REPORT

## REVENUE AND FINANCIAL RESULTS

### *January – June*

Net revenue for the first six months amounted to SEK 12.2 million (9.7) and was primarily revenue from product sales. Sales were entirely own sales. During the same period in 2011, sales to licensees accounted for approximately 27 percent of net sales

The gross margin for product sales during the period January–June was 90 percent (94). The change can be attributed largely to a change in the product mix compared to the same period the previous year.

With the increased focus on the USA, sales costs increased by SEK 0.4 million compared to the same period in 2011, whereas research and development costs fell by SEK 1.8 million in accordance with the previously adopted market-oriented strategy.

The operating loss in total improved by SEK 3.5 million and amounted to SEK 5.6 million (9.1).

The result after tax for the period was SEK -5.5 million (-9.0). Earnings per stock unit were SEK -0.02 (-0.08).

As of January 1, 2012, the Company changed functional currency to USD for translation of the American subsidiary. The subsidiary now has its own administration, own staff and can no longer be regarded as an integral part of the parent company but as an independent company. With the change in functional currency, the operating result for the Group and the Parent Company will be affected negatively to the amount of SEK -0.2 million in respect of the translation differences of the Parent Company's current receivables from the subsidiary.

The Parent Company has also reclassified SEK 10 million from a current to a non-current receivable from the subsidiary as this is considered a long-term investment in the subsidiary.

### *Second quarter*

Net revenue for the second quarter amounted to SEK 5.4 million (4.3) and was primarily revenue from product sales.

The operating loss for the second quarter amounted to SEK 3.3 million (5.3).

The net loss for the second quarter was SEK 3.2 million (5.2). Earnings per stock unit for the second quarter were SEK -0.01 (-0.04).

## SEASONAL EFFECTS

Artimplant has not been exposed during the reporting period to any material seasonal effects, neither in revenue nor in costs.

## INVESTMENTS AND CASH POSITION

No investments were made during the period.

At the end of the period, cash and cash equivalents amounted to SEK 20.1 million (21.1). The new stock issue during the first quarter generated capital input for the Company of SEK 19.4 million following issue costs of approximately SEK 4.3 million. Cash flow has also been affected negatively to the amount of SEK -2.3 million in legal costs attributable to the complaints in the USA and which have yet to be settled through the Company's insurance carrier, as well as prepaid insurance expenses during the second half of 2012 totaling SEK -1.5 million.

## PERSONNEL

As of June 30, 2012, Artimplant had 18 employees (19), of whom 9 (9) were women and 9 (10) were men. Five people are employed at Artimplant USA, Inc. The remainder are employed by Artimplant AB.

## MARKET DEVELOPMENT

The market for orthopedic products is largest in the developed part of the world with Europe, the USA and Japan accounting for around 80 percent of the total market. The market is driven by a number of factors linked to demography and standard of living, where increasing welfare is a strong driving force for growth.

Previously, Artimplant's sales took place largely through two licensees, SBI and Biomet. The trend in sales by licensees has been negative in recent years, due mainly to the renegotiation of the license agreements, which resulted in a decline in interest in Artimplant products among the licensees.

As part of the new strategy of assuming direct responsibility for sales of the Company's products on all markets, Artimplant has chosen to terminate the license agreements. The agreement with SBI ceased in December last year and the agreement with Biomet ceased in April this year.

With effect from the middle of April this year, sales in the USA will take place entirely through agents. This is very common on the medical technology market in the USA. Artimplant delivers directly from its own inventory, bills the end-customer and pays sales-based commission to the 35 or so agents. The local distributor in the USA has an important role to play as sales are founded largely on relationships. This makes the recruitment of distributors extremely important and they are chosen with great care.

In Europe, there are country-specific distribution agreements and the distributor maintains its own inventory of Artimplant products and bills the end-customer. The 20 or so European distributors are supported by the head office in Sweden. With effect from January

this year, sales will take place directly to customers in the Nordic region.

#### *Sales during the first six months of 2012*

Sales during the first six months of the year developed positively and increased by 26 percentage points on the same period last year. With the termination of the two license agreements in the USA, no sales took place to our licensees during the six-month period. Own sales in the USA are up 78 percentage points on the previous year. Total sales in the USA are up 13 percentage points on last year's figures, which included sales to licensees.

The sales trend in Europe is also positive, up 114 percentage points on last year. The increased focus on a small number of markets has begun to produce results. Taking over responsibility for sales in the Nordic Region from the turn of the year has also had a positive effect on the sales figures.

#### CLINICAL AFFAIRS

Clinical Affairs is responsible for clinical documentation of Artimplant's products and has close collaboration with the Sales and Marketing Department. Together, the departments work on disseminating and utilizing to a greater extent the clinical knowledge and experience that already exists regarding Artelon® products. With 14 years' clinical experience of Artelon®, it can be stated that the Artelon® material is safe for use both in joints and soft tissue on condition that the products are used in the manner intended.

A clear trend within the healthcare sector throughout the world is an increase in demand for evidence-based medicine/care, which means awareness and systematic use of treatment based on the best available scientific evidence, i.e. clinically relevant research/trials, coupled with clinical experience and patient preferences. The aim is for the healthcare sector to use the methods that offer the best outcome. Despite thousands of treated patients and up to 14 years' clinical experience of Artelon® implants, Artimplant needs to conduct further clinical trials and demonstrate the benefit of the products in order to meet the increasing demand for evidence-based medicine/care. Conducting trials that demonstrate the clinical benefit of Artimplant products is time-consuming and a long-term undertaking.

The table below shows the studies that are currently in progress. All studies are what are termed post-studies, which means that they refer to Artimplant products that have been cleared for marketing. An important study trial for Artimplant in the shoulder area refers to ATR for patients with rotator cuff injuries (ATR 1). The study has been concluded and the results are currently being compiled and are expected to be published during 2012. The physician responsible for the study feels that the results are positive with regard to shoulder function and the patient's quality of life following treatment with ATR. The two ATR studies of patients with chronic Achilles tendon injuries (ATR II and ATR III) are in progress. Two further post-studies related to the foot and ankle commenced at the beginning of 2012 and patient enrolment is taking place. A physician, who is also an opinion leader, intends to examine the

STUDIES/ PRODUCT	FOCUS AREA	STUDY	STUDY SITE	NO. OF PATIENTS	FOLLOW- UP	STATUS	FINALIZED
ATR I	Shoulder	Repair of large and complex tears of the rotator cuff	Tulsa Bone & Joint Associates, Tulsa, USA	17	1 year	Follow-up completed, accepted for publication	2012
ATR II	Foot and ankle	Chronic injuries and re-ruptures of tendons (Achilles)	US Davis Sports Medicine, Sacramento, USA	10	2 year	Clinical follow-up in progress	2012/2013
ATR III	Foot and ankle	Chronic injuries and re-ruptures of tendons (Achilles)	Orthopedic Foot & Ankle Center, Westerville, USA	10	1 year	Patient recruitment in progress	2013
ATR IV	Foot and ankle	Lateral ankle stabilization	Community Medical Center, Scranton, USA	20	1 year	Patient recruitment in progress	2014/2015
ATR V	Foot and ankle	Chronic injuries and re-ruptures of tendons (Posterior Tibial)	Community Medical Center, Scranton, USA	30	1 year	Patient recruitment in progress	2014/2015
CMC	Hand	Treatment of thumb base joint osteoarthritis	Sahlgrenska University Hospital, Gothenburg, Sweden	15	10 years	Clinical follow-up planned for 2012	2013

All studies are what are termed post-studies, referring to products that have been approved for marketing.

use of the new sizes of Artelon® Tissue Reinforcement in foot and ankle applications (ATR IV and VD). All ATR studies described above are what are termed case series, initiated and conducted by physicians in the USA. Long-term follow-up of patients treated with Artelon® CMC Spacer has been granted ethical approval and clinical follow-up is planned for 2012.

In summary, Artimplant feels secure with regard to the safety of Artelon® materials and products. Artimplant has intensified efforts to document the benefit of the products, in the first instance through case series compiled by prominent opinion leaders although in time also through our internally initiated prospective clinical trials.

Clinical Affairs became a priority area at Artimplant in June 2011 when the Department was separated from Research & Development to work with the sales and marketing organization in order to focus more closely on clinical trials as a market support resource. The focusing of resources on Clinical Affairs reflects the realization on the part of Artimplant that clinical documentation is one of the most important factors in achieving market success.

#### QUALITY

Quality work at Artimplant involves following up and improving customer-perceived quality and that the Company is satisfying the requirements laid down by different authorities regarding working methods and other aspects in order to be permitted to supply Artelon® products on their respective markets. If the Company satisfies the stipulations in the EU, USA and Canada, this offers considerable scope to secure easy access to other markets.

To check that stipulations in the EU and Canada are satisfied, an independent inspection body, Lloyds Register Quality Assurance (LRQA), conducts regular audits. The most recent audit was conducted in May 2012 with a successful outcome.

In the USA, the regulatory authority is the Food and Drug Administration (FDA). Instead of conducting regular audits, they make random checks of selected companies.

The assessment of the Company is that the products and the Artelon® material are of high quality. The first Artelon® implants took place in 1997. With a follow-up period of 14 years, the Company has good knowledge of the safety of the material and the products.

In summary, our ongoing quality program has simplified and improved many of our working processes, resulting in a very high level of internal quality in day-to-day operations. Using this as a foundation, the focus can now be switched to customer satisfaction.

#### PRODUCT DEVELOPMENT

There is a strong trend within orthopedics towards biological solutions with the aim of regenerating tissue instead of replacing it with permanent replacement parts. The Company's extensive expertise within Artelon® related to clinical benefit, biocompatibility, material properties and processability, allows continued expansion of the product portfolio in the medium to long term. At present, minimum

resources are being devoted to product development.

#### EVENTS AFTER THE END OF THE REPORTING PERIOD

According to Artimplant's previously announced assessments, there is adequate insurance cover for all complaints that have been received in the current proceedings in the USA although at present it is unclear to what extent the losses fall under Artimplant's previous or present insurance. Pending final confirmation of where responsibility for compensation lies, an agreement has been reached that will assure Artimplant of ongoing compensation for the costs incurred to pursue the complaints process in the USA. Consequently, these costs will not have any impact on Artimplant's liquidity.

Katrin Gisselgård is stepping down as head of Research and Development at Artimplant to take a position at another company. Lars Peterson will take over as Head of Research and Development until a suitable permanent solution has been found. Lars Peterson has been a member of the Artimplant Board of Directors since 2011. He is also emeritus professor at the Sahlgrenska Academy, Gothenburg University, and he conducts research into tissue regeneration.

During July, Artimplant Inc. moved its office to Dallas, Texas- This was a further step in improving the efficiency of the American organisation.

#### FUTURE PROSPECTS

Previously, the Company announced that Artimplant would not provide any forecast, but would work towards achieving a positive cash flow before changes in working capital on a monthly basis during the fourth quarter of 2012. This aim still holds.

One factor that is having an impact on the Company's sales is the complaints the Company is dealing with in the USA. It is difficult at present to assess the degree to which these complaints could affect sales by the Company's products.

#### 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 and in a prospectus for the new stock issue dated February 14, 2012. They are also presented on the Company's website [www.artimplant.com](http://www.artimplant.com).

Since the fourth quarter of 2010, Artimplant and its former licensee Small Bone Innovations, Inc. have been the subject of 40 complaints from patients in the USA. The amount of damages claimed has not yet been determined. Artimplant is contesting all allegations. Artimplant has filed a notice of loss with its insurance carrier and its assessment is that there is adequate insurance cover for any damages that may arise over and above the deductible. It is too early to assess if or when the court will hear all the cases and how long it could take for the cases to be resolved.

#### PARENT COMPANY

The majority of Artimplant's operations are run through the Parent Company, Artimplant AB. Artimplant USA, Inc. is the Company's only subsidiary. The Parent Company is responsible for continuity at the subsidiary and during the period a reversal totaling SEK -2.1 million was made of receivables from Artimplant USA Inc. Together with an earlier impairment of SEK 21.4 million in the opening balance, the total impairment is SEK 23.5 million, which is equivalent to the subsidiary's negative equity. The impairment does not affect the Group's result.

## ACCOUNTING PRINCIPLES

Artimplant applies IFRS. This interim report has been prepared in accordance with IAS 34, the Swedish Annual Accounts Act and RFR 1. The Parent Company's financial statements are prepared in accordance with exceptions and addenda in RFR 2. No new or amended IFRS that came into effect in 2011 or 2012 have had any significant impact on the Group. Further accounting principles can be found in the Company's Annual Report for 2011, which is available on the Company's website.

## FORTHCOMING INFORMATION

Nine-month Report, January-September 2012	October 31, 2012
Year-End Report 2012	February 1, 2013
Three months report January-March	May 7, 2013
Annual General Meeting	May 7, 2013

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 2011, which is available on the Company's website.

[For further information please contact](#)

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# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Amounts in KSEK	APR-JUN 2012	JAN-JUN 2012	APR-JUN 2011	JAN-JUN 2011	JAN-DEC 2011
Net sales	5 408	12 229	4 273	9 652	18 287
Cost of goods and services sold	-491	-1 256	-174	-554	-2 201
Gross profit	4 917	10 973	4 099	9 098	16 086
Other income	474	474	381	381	619
Research and development costs	-1 810	-3 319	-2 527	-5 093	-9 384
Selling costs	-4 932	-10 107	-5 085	-9 738	-19 305
Administrative costs	-1 975	-3 388	-1 883	-3 392	-5 868
Other costs	-	- 243	-280	-327	-413
Operating loss	-3 326	-5 610	-5 295	-9 071	-18 265
Interest income and other financial income	195	230	145	186	565
Interest expense and other financial expense	-37	-81	- 27	-142	-236
Net financial items	158	149	118	44	329
Loss after financial items	-3 168	-5 461	-5 177	-9 027	-17 936
Tax	-	-	-	-	-
Loss for the period	-3 168	-5 461	-5 177	-9 027	-17 936
Exchange differences arising on translation of foreign operations	- 359	- 298	-	-	-
Total comprehensive loss for the period	-3 527	-5 758	5 177	-9 027	-17 936
Loss attributable to the Parent Company's stockholders	-3 168	-5 461	-5 177	-9 027	-17 936
Earnings per stock unit, SEK	-0,01	-0,02	-0,04	-0,08	-0,15
Earnings per stock unit after dilution, SEK	-0,01	-0,02	-0,04	-0,08	-0,15

The statements include depreciations and amortization of tangible assets and intangible non-current assets as shown in the following table:

Amounts in KSEK	APR-JUN 2012	JAN-JUN 2012	APR-JUN 2011	JAN-JUN 2011	JAN-DEC 2011
(1) Capitalized R&D costs	30	60	30	60	120
(2) Patents and brands	26	64	177	354	708
Machinery and equipment	23	45	40	80	160
Total depreciation	79	169	247	494	988

# CONSOLIDATED ALLOCATION OF NET SALES

Amounts in KSEK	APR-JUN 2012	JAN-JUN 2012	APR-JUN 2011	JAN-JUN 2011	JAN-DEC 2011
SOURCE OF REVENUE					
Product sales to licensees	-	-	1 216	2 652	4 469
Product sales to end-customers and distributors	5 406	12 206	3 038	6 855	13 652
Contract product development and other sales	2	23	19	145	166
Total	5 408	12 229	4 273	9 652	18 287
GEOGRAPHIC AREAS					
North America	4 162	9 342	4 081	8 304	15 979
Europe	1 246	2 887	192	1 348	2 308
Other areas	5 408	12 229	4 273	9 652	18 287
Total					

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Amounts in KSEK

ASSETS	6/30/2012	6/30/2011	12/31/2011
Capitalized product development costs	380	499	440
Patents and brand names	185	603	249
Total intangible non-current assets	565	1 102	688
Machinery and equipment	76	201	121
Total tangible non-current assets	76	201	121
Total non-current assets	641	1 303	809
Raw materials, semi-finished and finished goods	4 895	3 434	3 570
Total inventories etc.	4 895	3 434	3 570
Accounts receivable	4 039	3 317	2 840
Other receivables	6 262	2 405	4 238
Prepaid expenses and accrued income	3 301	2 663	1 771
Total current receivables	13 602	8 385	8 848
Cash and bank accounts	20 110	21 203	11 042
Total current assets	38 507	33 022	23 460
TOTAL ASSETS	39 248	34 325	24 269

STOCKHOLDERS' EQUITY & LIABILITIES	6/30/2012	6/30/2011	12/31/2011
Capital stock	10 280	11 849	11 849
Other capital reserves	64 879	47 925	53 387
Other contributed capital	-39 788	-25 839	-31 354
Loss for the period	-5 758	-9 027	-17 936
Total equity	29 613	24 908	15 946
Provisions	-	1	-
Accounts payable	4 168	2 885	3 078
Other current liabilities	334	416	945
Accrued expenses and prepaid income	5 133	6 115	4 300
Total current liabilities	9 635	9 416	8 323
TOTAL STOCKHOLDERS' EQUITY & LIABILITIES	39 248	34 325	24 269

## CONSOLIDATED CHANGES IN EQUITY

Amounts in KSEK	JAN-JUN 2012	JAN-JUN 2011	JAN-DEC 2011
Capital stock at the beginning of the period	11 849	11 849	11 849
Reduction	-9 479	-	-
New stock issue	7 910	-	-
Total equity	10 280	11 849	11 849
Other capital reserves at the beginning of the period	53 387	53 387	53 387
New stock issue	15 817	-	-
New stock issue costs	-4 325	-	-
Reduction	-	-5 462	-
Total, other capital reserves	64 879	47 925	53 387
Other equity at the beginning of the period	-49 290	-30 834	-30 834
Reduction	9 000	5 462	-
Transfer to non-restricted reserve	479	-	-
Benefit, employee stock option	23	-467	-520
Loss for the period	-5 758	-9 027	-17 936
Total, other equity	-45 546	-34 866	-49 290
Total equity at period end	29 613	24 908	15 946

\* Other capital reserves have been reduced annually to cover the retained loss. Total other capital reserves before issue costs amount to SEK 485,8 MSEK.

## KEY RATIOS

	APR-JUN 2012	JAN-JUN 2012	APR-JUN 2011	JAN-JUN 2011	JAN-DEC 2011
Gross margin, %	91	90	96	94	88
Loss per stock unit, SEK	-0,01	-0,02	-0,04	-0,08	-0,15
Loss per stock unit after dilution, SEK <sup>1</sup>	-0,01	-0,02	-0,04	-0,08	-0,15
Equity per stock unit, SEK	0,06	0,06	0,21	0,21	0,13
Equity per stock unit after dilution, SEK	0,06	0,06	0,21	0,21	0,13
No. of stock units at the period-end	513 982 256	513 982 256	118 489 580	118 489 580	118 489 580
No of stock units at the period-end after dilution	712 297 307	712 297 307	119 093 548	119 093 548	119 078 102
Average no. of stock units during the period	513 982 256	344 485 395	118 489 580	118 489 580	118 489 580
Average no. of stock units during period after dilution	662 942 533	429 857 777	119 093 548	119 093 548	119 078 102
Cash flow per stock unit, SEK	0,02	0,03	-0,05	-0,13	-0,22
Operating margin, %	Neg	Neg	Neg	Neg	Neg
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, %	75	75	73	73	66

<sup>1)</sup> The impact of dilution has not been reported in those cases where dilution would have resulted in an improvement in the key ratios.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in KSEK	JAN-JUN 2012	JAN-JUN 2011	JAN-DEC 2011
OPERATING ACTIVITIES			
Net loss after financial items	-5 460	-9 027	-17 936
Adjustment for items not affecting cash flow	-241	-136	306
Cash flow from operating activities before changes in working capital	-5 701	-9 163	-17 630
CASH FLOW FROM CHANGES IN WORKING CAPITAL			
Changes in inventories etc.	- 1 325	-224	-360
Changes in receivables	-4 631	-3 378	-3 842
Changes in liabilities	1 310	928	-166
Cash flow from operating activities	-10 347	-11 837	-21 988
INVESTMENT ACTIVITIES			
Acquisition of intangible non-current assets	-	-	-
Acquisition of tangible non-current assets	-	-	-
Sale of tangible non-current assets	-	150	150
Cash flow from investment activities	-	150	150
FINANCING ACTIVITIES			
Loan	-	-4 000	-4 000
New stock issue	19 405	-	-
Cash flow from financing activities	19 405	-4 000	-4 000
Cash flow for the period	9 058	-15 687	-25 848
Cash and cash equivalents at beginning of the period	11 042	36 890	36 890
xxxxxxx	10	-	-
Cash and cash equivalents at end of the period	20 110	21 203	11 042

# PARENT COMPANY INCOME STATEMENTS

Amounts in KSEK

	APR-JUN 2012	JAN-JUN 2012	APR-JUN 2011	JAN-JUN 2011	JAN-DEC 2011
Net sales	5 355	13 543	5 618	11 507	20 586
Cost of goods and services sold	-647	-1 755	-716	-1 435	-2 836
Gross profit	4 708	11 788	4 902	10 072	17 750
Other income	478	478	1 381	1 489	6 423
Research and development costs (1,2)	-1 810	-3 319	-2 527	-5 093	-9 384
Selling costs	-1 901	-3 612	-2 506	-4 471	-9 366
Administrative costs	-1 975	-3 388	-1 883	-3 392	-5 868
Other costs		-247	-1 304	-2 910	-5 061
Operating profit/loss	-500	1 700	-1 937	-4 305	-5 506
Interest income and other financial income	208	279	363	481	1 571
Interest expense and other financial expense	-42	-86	-239	-706	-1 128
Reversal/impairment of receivable, subsidiary	-2 212	-2 128	-1 308	-2 824	-9 117
Net financial items	-2 046	-1 935	-1 184	-3 049	-8 674
Profit/loss after financial items	-2 546	-235	-3 121	-7 354	-14 180
Tax	-	-	-	-	-
Loss for the period*	-2 546	-235	-3 121	-7 354	-14 180

\* Equals total comprehensive income

The statements include depreciations and impairment of of tangible assets and intangible non-current assets as shown in the following table:

Amounts in KSEK	APR-JUN 2012	JAN-JUN 2012	APR-JUN 2011	JAN-JUN 2011	JAN-DEC 2011
(1) Capitalized R&D costs	30	60	30	60	120
(2) Patents and brand names	26	64	177	354	708
Machinery and equipment	22	43	39	78	155
Total depriceation	78	167	245	491	983

# PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

Amounts in KSEK

ASSETS	6/30/2012	6/30/2011	12/31/2011
Total intangible non-current assets	565	1 102	688
Total tangible non-current assets	72	192	115
Stock and participation in subsidiaries	110	10	10
Receivables from subsidiaries	11 912	6 301	4 040
Total financial non-current assets	12 022	6 311	4 050
Total non-current assets	12 658	7 605	4 853
Total, inventory etc.	3 737	2 830	2 796
Accounts receivable	1 272	1 749	667
Receivables from subsidiary	11 614	7 368	12 605
Other receivables	6 262	2 401	3 934
Prepaid expenses and accrued income	2 756	2 137	1 444
Total current receivables	21 904	13 655	18 650
Cash and bank accounts	18 518	20 135	9 654
Total current assets	44 159	36 620	31 100
TOTAL ASSETS	56 818	44 225	35 953
STOCKHOLDERS' EQUITY & LIABILITIES	6/30/2012	6/30/2011	12/31/2011
Total equity	48 476	36 163	29 284
Provisions		1	
Accounts payable	4 106	2 756	3 004
Other current liabilities	334	319	931
Accrued expenses and prepaid income	3 982	4 986	2 734
Total current liabilities	8 342	8 061	6 669
TOTAL STOCKHOLDERS' EQUITY & LIABILITIES	56 818	44 225	35 953

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 23, 2012  
Artimplant AB (publ)

Anders Cedronius  
Chairman of the Board

John Arnold  
Board Member

Lars Peterson  
Board Member

Rickard Brånemark  
Board Member

Håkan Johansson  
Board Member

Anders Strid  
Board Member

Kjell Thörnbring  
CEO

*This information is information which Artimplant is required to publish pursuant to the Swedish Financial Instruments Act and/or the Swedish Securities Exchange and Clearing Operations Act and/or stock market agreements. The information was published on xx, 2012 at 3 pm (CET).*

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

**2004** - Artelon® 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™. Cooperation with Atlantech for the sale of Artelon® 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® Surgical Suture in North America is signed with Arthro-Care. Artelon® 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™ 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® Augmentation Device ACL is discontinued. Sales of Artelon® 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® 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® Tissue Reinforcement increase significantly whilst there is a lack of growth in sales of Artelon® Spacer. 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® CCL for cruciate ligament reconstruction in dogs.

**2009** - Sales have doubled and product sales to end-customers and distributors have multiplied, increasing its share of total sales to 37% (15). The agreement with Small Bone Innovations was renegotiated, making it non-exclusive from 2009. All patients enrolled for the American post-market study of Artelon® Tissue Reinforcement for the treatment of patients with tears in the rotator cuff tendons. The first patients are included in a clinical study for the treatment of osteoarthritis in the facet joint in the spine with an Artelon® implant. Product design and procedure are developed further for Artelon® CCL. The first dogs in a prospective investigation in the USA underwent cruciate ligament reconstruction using Artelon® CCL.

**2010** - Own sales have doubled and account for 61% (37) of total product sales whilst license revenue has halved. Artimplant's strategy is market oriented with a focus on the strategically important USA market and Artelon® Tissue Reinforcement. Four product specialists are employed in the USA and costs not related directly to marketing and sales are reduced in Sweden. The American post-market study on Artelon® Tissue Reinforcement for the treatment of the rotator cuff in the shoulder is concluded.

**2011** - In the USA, a new marketing and sales initiative commenced with the recruitment of a person to head the subsidiary Artimplant USA Inc., which also acquires a number of new co-workers. Administration and market support are brought together at Artimplant's newly opened office in Denver to create considerably better conditions for building up relationships with agents and customers. Own sales continue to increase, both in absolute numbers and as a proportion of total product sales, albeit from low levels, and account for 76 per cent of total product sales.

**2012** With effect from January, Artimplant takes over the sale of the Spacer product group from the former licensee Small Bone Innovations. The agreement with the Nordic distributor was terminated on January 1. On April 1, the agreement with the licensee Biomet was terminated with the result that all sales take place on the company's own auspices. ■

