

MediTeam Dental AB (publ) 556249-4293**Interim report, January-March 2001**

- **Group sales totalled SEK 2.3 M (SEK 2.2 M).**
- **The result after net interest income/expense was SEK -8.9 M (SEK -6.8 M).**
- **The number of treatments performed by repurchase customers rose by 25%.**
- **Some 1,100 new users during the period.**
- **The Carisolv™ power drive was launched at the IDS dental fair in Cologne.**
- **The number of treatments performed by repurchase customers in Germany increased by around 300%.**
- **Surveys reveal that patients want treatment methods like Carisolv™.**
- **Interviews explain the differences between dentists' and patients' priorities.**

Sales and results

The group's sales for the period totalled SEK 2.3 million (SEK 2.2 million).

The number of repurchase customers is increasing and sales of gel to repurchase customers are improving at the same rate. According to the company's estimates, the number of treatments performed by repurchase customers has increased by 25%, from around 17, 000 in Quarter 1 of 2000 to approximately 21,000 during the corresponding period this year. In all, it is estimated that more than 32,000 treatments were performed during this period.

The number of start kits (instruments and gel) sold to dentists increased by 10%, from around 1,000 in Quarter 1 of 2000 to approximately 1,200 during the corresponding period this year.

Developments in Germany and Italy, the dominant markets in Europe, are satisfactory and are taking place more rapidly than they are on other markets. This is probably due to the fact that Carisolv™ has a greater presence in Germany and Italy, since MediTeam has focused its efforts on these markets. On the German market, the number of distributors is steadily growing and, as a result, an increasing percentage of dentists can order Carisolv™ from their main suppliers. On the Italian market, dentists are being canvassed by an active sales organisation which is giving the product greater priority than is the case on many other markets.

The company feels that the recruitment of new users is developing too slowly on certain markets. MediTeam has therefore conducted a number of surveys to analyse the causes. They are briefly described in a separate section later in this report.

Results

The increasing commitment to the development of the market organisation has resulted in some increase in operating expenses which totalled SEK 12.8 million (SEK 9.2 million), including depreciation. All the development costs have been written off.

Net interest income/expense amounted to SEK 1.6 million (SEK 0.2 million). The result after financial items was SEK-8.9 million (SEK-6.8 million).

Facts in favour of Carisolv™

Carisolv™ is the only method that removes caries and not healthy tissue. Traditional methods like drilling, on the other hand, remove healthy tissue as effectively as carious tissue and the tooth is subjected to traumatic treatment. There is an obvious benefit to being able to minimise the trauma and preserve as much as possible of the healthy tooth. This reduces the risk of unnecessary root fillings and other complications that can lead to the loss of teeth. Carisolv™ enables the careful removal of caries, which is also painless in the vast majority of cases. Injections of local anaesthetic are not normally necessary.

More than 60 scientific references and studies support the above statements and also reveal that the method is as safe and effective as the traditional method of drilling and that patients choose Carisolv™ if they are given appropriate information about the method.

More than 50 universities are already offering their students training on Carisolv™. It is unusual for a new dental method to be accepted at such an early stage by leading schools of dentistry.

At the present time, some 2,000 of the world's almost one million dentists are offering their patients treatment with Carisolv™. More than 50 universities are offering their students training on Carisolv™. To date, more than 200,000 patients have been treated with Carisolv™. Three of the world's largest dental markets, the USA, Japan and Brazil, have still not started using Carisolv™.

MediTeam believes that a method which offers such major benefits will be used as a matter of routine by many of the world's dentists. It is not reasonable for healthy dental tissue to be removed quite unnecessarily from patients' teeth.

Market surveys

It is a well-known fact that it takes a long time to change dentists' working methods. Convincing dentists to use the drill on a far smaller scale is an unusually daunting challenge. However, the major patient benefits Carisolv™ offers mean that a change will be brought about.

In order better to understand the reasons for the slow sales trend, MediTeam has conducted a number of interview surveys among dentists, both users and non-users, and patients. A clear picture of totally different approaches to dental care and patient needs in the different groups has emerged. There are first and foremost substantial differences between the needs of the majority of patients and the way most dentists perceive the situation.

Interview surveys among patients

Patient surveys have been conducted in Sweden and abroad in order to obtain a better understanding of the way patients experience visits to the dentist, treatment with the drill and with Carisolv™ and patients' main priorities when choosing treatment modalities. These surveys have produced a clear picture of patient needs. It is shown that patients

- want less aggressive treatment alternatives that facilitate the long-term survival of teeth
- want the most painless alternative that is available
- want good information about the different treatment alternatives so that they can participate in decisions relating to the treatment that should be selected
- are generally worried about visits to the dentist and would prefer not to be treated with the drill

- are significantly less anxious after treatment with Carisolv™
- choose Carisolv™ instead of the drill if they have the chance
- particularly appreciate the fact that Carisolv™ saves the healthy part of the tooth

Interview surveys among dentists

In international questionnaire surveys, answers were received from some 150 users and non-users of Carisolv™ in four countries. In addition, in-depth interviews were conducted with some 50 dentists in Sweden, about twenty of whom were non-users of Carisolv™. Relatively large general differences in approach were revealed between the different groups. Two categories of user can be identified.

- Some dentists use Carisolv™ as a general rule and inform all their patients about the method. These dentists particularly prioritise identifying and complying with patient needs. This group feels that it is important to work to preserve teeth for as long as possible.
- Other dentists use Carisolv™ primarily as a means of facilitating specific situations, such as the treatment of children, anxious patients, deep lesions near the pulp or root caries.

According to the survey, many non-users generally have a different approach.

- They do not think it is important to identify patient wishes or to inform patients about new treatment.
- They feel that only the dentist should decide which method should be chosen in a specific situation.
- They prioritise speed rather than conservation in the choice of treatment method.

Conclusions

MediTeam's surveys reveal that there is a clear-cut difference between the way patients wish to be treated and the way dentists currently work. Carisolv™ is a treatment method which largely complies with the patients' need for care and a minimum of pain. Many dentists underestimate these patient needs and therefore prefer traditional methods for filling holes.

Until now, MediTeam has informed dentists about the benefits of the method for certain indications, where it has been obvious that Carisolv™ can be used to avoid possible problems. The treatment of children, deep cavities and root caries has been especially spotlighted. However, Carisolv™ is a method for daily caries removal and, in the future, information must focus increasingly on informing dentists about the findings of these patient surveys. Carisolv™ is a treatment alternative that complies with the majority of patients' desire for painless repairs and helps to ensure the long-term survival of the teeth.

Power drive, a unique instrument for more straightforward treatment

The international dental fair, the IDS, in Cologne, Germany, at the end of March, attracted some 60,000 visitors and MediTeam chose to launch its new instrument, the Carisolv™ power drive, at this fair. Clinical demonstrations gave hundreds of dentists the chance to test Carisolv™.

Since the late autumn of 2000, the power drive have been the subject of evaluations at Swedish and German clinics. Around fifty clinics are currently in the process of evaluating the new technique for working with Carisolv™. The latest follow-up comprises more than 400 patients from almost 30 clinical centres. The conclusions from previous follow-ups are unchanged.

- Virtually all the patients reported that they experienced no or only insignificant discomfort.
- A large majority of patients see very few similarities with the drill and prefer to be treated with the power drive.

- Dentists found that the clinical results were just as good with the power drive as with hand instruments.

These findings agree with the data that has been previously reported during follow-ups when hand instruments were used. The majority of dentists who use the power drive primarily stress that:

- the power drive is a faster and easier way of working with Carisolv™
- as before, the drill is used initially to open up the cavity, should this prove necessary
- it is easy to learn to use the power drive and the actual method is easy and convenient

The Carisolv™ power drive has a number of unique properties which were previously not available within dental care. The power drive works at very low speeds, thereby minimising noise levels and pain. It has unique torque limitation and this helps to protect the healthy dentine. Another important characteristic is the ability of the power drive to switch very smoothly between more powerful and more cautious caries removal.

In the long term, MediTeam expects the Carisolv™ power drive to increase dentists' interest in starting to use the method. The power drive has real sales potential, as the target group comprises every single general dental practitioner. The Carisolv™ power drive is protected by a number of patents and patent applications.

Research and development

Current product development is focusing primarily on making the method faster and easier for dentists to use. The Carisolv™ power drive is an important example of this kind of development, but other improved techniques are currently being developed in collaboration with research institutes and clinical centres in Sweden and abroad. A number of improvements will be introduced during the next two years.

The scientific reference list is steadily increasing and it documents the safety and efficacy of the method, as well as its clinical use. The reference list currently comprises more than 50 publications and can be downloaded from MediTeam's website at: www.mediteam.com

MediTeam has options to acquire patents and patent applications in a number of other dental areas. In collaboration with leading researchers at Swedish and foreign universities, the company is running a number of projects with the aim of developing new clinical products and methods for the international dental market. According to the company's assessments, it should be possible to begin the first product launches outside the Carisolv™ range within the next three years or so.

Market development

A number of activities designed to increase the company's presence on the most important markets and thereby achieve more rapid international market development are currently in progress. The recruitment of new users is taking place on priority markets using PR and information campaigns, press conferences and mailshots to journalists. Mailshots relating to new features and products, new developments and clinical experience of Carisolv™ are sent to regular users.

If future market development is to succeed, it is important that dentists are given the chance to share the information MediTeam has about patients' need for less aggressive caries treatment. It is far more important for patients to have access to a painless alternative which is kind to the healthy tooth

substance than dentists in general realise. The results of surveys will be published in leading dental publications.

Patients stand to gain most from treatment with Carisolv™ and they are prepared to pay more for the enhanced quality of dental care. It is therefore important that patients are informed about the opportunity to be treated using the new method. A special website, www.carisolv.com, for the general public has been introduced and information campaigns are being tested in Sweden and Germany.

Sweden

Sales of gel to repurchase customer are increasing compared with last year. The number of treatments performed by repurchase customers increased by 35%, from around 4,000 in Quarter 1 of 2000 to some 5,500 during the corresponding period this year. In all, it is estimated that almost 6,000 treatments were performed in Sweden during the period.

Germany

Germany is currently one of MediTeam's top-priority markets. The positive trend in Germany, which began as a result of the company's increased presence, continued during the first quarter.

The number of treatments performed by repurchase customers during the period increased by some 300% to total around 3,500, compared with the first quarter of 2000. Together with Italy, Germany is MediTeam's most important market in terms of sales at the present time.

German marketing activities are co-ordinated by MediTeam's own subsidiary in Düsseldorf. Advertisements are regularly inserted in the leading dental publications. A partnership has been initiated with a public relations company with a view to running information campaigns for dentists and patients. These PR activities will continue throughout 2001.

Italy

After Germany, Italy is the leading dental market in Europe. Carisolv™ has continued to experience more favourable trends in Italy than on other markets. Following the introduction of less expensive instruments, sales in Swedish kronor decreased by SEK 0.5 million during the period compared with the first quarter of 2000.

The number of repurchase customers and the number of treatments performed by them is now at the same level as the Swedish market. On the other hand, the recruitment of new users is taking place far more rapidly in Italy.

In January, AstraZeneca announced that Dentsply International would be taking over the sale of AstraZeneca's dental products in Italy. Discussions have since been in progress to analyse the market development potential for Carisolv™ in Italy. MediTeam is planning to make a decision about future developments during the spring.

France and Spain

During the period, Laboratorios Inibsa S.A launched Carisolv™ on the Spanish market. The introduction has the powerful backing of many Spanish universities and Carisolv™ has attracted a great deal of interest on the part of Spanish dentists. In France, the school of dentistry in Paris has concluded its studies of Carisolv™ and the results are positive. MediTeam had already signed a distribution agreement with Laboratoire Pharmadent.

USA, Japan and Brazil

The FDA inspection prior to US product registration was conducted at MediTeam in April. As yet, the company has not been informed about when approval can be expected. The company's efforts to establish the method at leading US universities are still in progress.

Denics, MediTeam's Japanese distributor, has seen to it that all the large Japanese universities and leading moulders of opinion have tested the method and expects to begin the launch no more than two months after product registration is completed. Denics has informed MediTeam that the Japanese authorities are waiting to see how the registration situation in the USA develops.

Brazil is the world's fourth largest dental market. A launch is planned there the moment the authorities grant permission for production and maintaining stocks in the country.

Group liquidity and financial position

On 31 March 2001, cash, bank accounts and current investments totalled SEK 105.2 million (SEK 152.0 M, SEK 11.5 M of which related to issue expenses). Equity totalled SEK 115.4 million (SEK 149.9 M). The equity/assets ratio was 95%.

The group's financial resources are expected to be sufficient for an additional three years or so of operation at the current level, which is in line with plans.

Miscellaneous

At the end of the period, the group had 26 employees. Investments in machinery and equipment totalled SEK 0.3 million.

The subsidiary company Medi Team Dentalutveckling i Göteborg AB, corporate ID number 556585-4393, runs no operations of its own, has no employees and no assets apart from liquid funds corresponding to the share capital. The share capital in this subsidiary totals SEK 0.1 million.

The share capital in the subsidiary company MediTeam Dental Deutschland GmbH totals EUR 25,000 (SEK 0.2 M). The share capital in the subsidiary company MediTeam do Brasil LTDA totals BRL 1,000 (SEK 5 K). MediTeam Dental AB owns 99.9% of the shares in MediTeam do Brasil LTDA.

As the group was created in 2000, the data for the first quarter of 2001 and the whole of 2000 relates to the group, while comparative figures for the first quarter of 2000 relate to the parent company.

The accounting and valuation principles are unchanged compared with those used in the 2000 annual report.

	Group 2001	Parent company 2000	Group 2000
PROFIT AND LOSS ACCOUNT (SEK K)	Quarter 1 Jan-Mar	Quarter 1 Jan-Mar	January– December
Net turnover *	2 298	2 165	7 845
Other income	0	42	150
Operating expenses	-12 338	-8 860	-43 099
Depreciation	-441	-365	-1 699
Operating income	-10 481	-7 018	-36 803
Net interest income/expense	1 614	228	4 474
Result after financial items	-8 867	-6 790	-32 329

Tax on result for period	0	0	-13
Result for period	-8 867	-6 790	-32 342

	Group	Parent company	Group
BALANCE SHEET (SEK K)	31/3/2001	31/3/2000	31/12/2000
Fixed assets	6 192	5 430	6 321
Current assets			
Other current assets	10 016	7 660	10 611
Cash, bank and current investments	105 153	151 956	113 281
Total assets	121 361	165 046	130 213
Equity **	115 443	149 874	124 328
Current liabilities	5 918	15 172	5 885
Total shareholders' equity and liabilities	121 361	165 046	130 213

	Group	Parent company	Group
Key figures	31/3/2001	31/3/2000	31/12/2000
Number of shares at end of period	6 940 649	6 940 649	6 940 649
Average number of shares	6 940 649	3 474 470	6 074 104
Equity/assets ratio, %	95,1	90,8	95,5
Return on equity, %	-7,4	-8,0	-45,1
Return on total capital, %	-7,0	-6,8	-39,2
Equity per share, SEK	16,63	21,59	17,91
Profit per share before dilution, SEK	-1,28	-1,95	-5,32
Profit per share after dilution ***, SEK	-1,25	-1,86	-5,20
P/E ratio	neg	neg	neg

CASH FLOW ANALYSIS (SEK K)			
Cash flow from current operations	-7 798	4 731	-31 664
Cash flow from investment operations	-330	-349	-2 629
Cash flow from financing operations	0	127 504	127 504
Change in liquid assets and current investments	-8 128	131 886	93 211
Liquid assets and current investments at start of year	113 281	20 070	20 070
Liquid assets and current investments at year-end	105 153	151 956	113 281

* Distribution of net turnover	Group	Parent company	Group
	2001	2000	2000
	Quarter 1	Quarter 1	January–
	Jan–Mar	Jan–Mar	December
Sweden	266	231	755
Nordic countries, excluding Sweden	112	103	427
Europe, excluding Nordic countries	1674	1433	5 693
Other markets	246	398	970
Total	2 298	2 165	7 845

**Equity	Group	Parent company	Group
	31/3/2001	31/3/2000	31/12/2000
Equity at start of year	124 328	19 160	19 160
New share issue	0	137 504	137 504
Loss for the year	-8 867	-6 790	-32 342
Conversion differences	-18	0	6

Equity at year-end**115 443****149 874****124 328**

*** After dilution with full subscription to 166,155 shares via option rights for employees and certain consultants with close company ties.

Dates for economic information

The annual report for 2000 and the interim reports can be downloaded from the company's website at: www.mediteam.com or alternatively they can be ordered from the company.

Interim report for January–June 2001

16 August 2001

Interim report for January–September 2001

16 October 2001

Sävedalen, 24 April 2001

Claes Holmberg

President

This interim report has not been examined by the company's auditors.

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MediTeam is a Swedish dental company which markets new treatment methods based on odontological research on the international market. At the present time, MediTeam is developing and marketing Carisolv™ – a method for tissue-preserving caries removal with a minimum of pain and trauma for the patient.

www.mediteam.com

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