

Interim report, January-June 2001

- **Group sales totalled SEK 5.0 M (SEK 4.4 M).**
- **The result after net interest income/expense was SEK -20.4 M (SEK 14.5 M).**
- **Carisolv™ was approved by the FDA in the USA.**
- **MediTeam is implementing strategic changes.**
- **Operations are being extended by the sale of new dental products.**

Sales and results

The group's sales for the period totalled SEK 5.0 million (SEK 4.4 million). Sales during the second quarter totalled SEK 2.7 million (SEK 2.2 million).

Sales of the multimix gel packaging increased from 4,400 during the first half of 2000 to 5,400 during the corresponding period in 2001. Multimix is sufficient for 10-15 patient treatments. Sales of the singlemix gel packaging improved from just over 425 during the first half of 2000 to 750 during the corresponding period in 2001. Singlemix is sufficient for five patient treatments.

The trends in Germany, Italy and Spain, the leading markets in Europe, are satisfactory and developments here are taking place more rapidly than on other markets. This is probably due to the fact that the company is focusing its activities more heavily on these countries.

Results

During the past year, the company has been focusing increasingly on building up the market organisation and this has resulted in an increase in operating expense which, including depreciation, totalled SEK 27.4 million (SEK 20.8 million). All these development costs have been written off.

Net interest income/expense totalled SEK 2.0 million (SEK 1.8 million). The result after financial items was SEK -20.4 million (SEK -14.5 million).

Facts in favour of Carisolv™

Carisolv™ is the only method that only removes caries and not healthy tissue. The risk of unnecessary root fillings and other complications that can lead to the loss of teeth is therefore reduced. In most cases, the method is painless. More than 60 scientific studies and surveys have been conducted. All these surveys reveal that patients choose Carisolv™ if they are given sufficient information.

More than 50 of the world's universities are training their students to use Carisolv™. At the present time, some 2,000 of the world's almost one million dentists are using Carisolv™. To date, more than 250,000 patients have been treated. Three of the world's largest dental markets, the USA, Japan and Brazil, have still not started using Carisolv™.

MediTeam believes that a method offering such important benefits will eventually be used as a matter of routine by the majority of the world's dentists. It is not reasonable for healthy dental tissue to be removed completely unnecessarily from our teeth.

Carisolv™ approved in the USA

The FDA, the US drug authority, has approved Carisolv™ in the USA. As a result, MediTeam is now able to supply Carisolv™ to universities and dentists who mould opinion to enable them to test the method prior to its launch in 2002. MediTeam is in contact with a number of US companies which have expressed an interest in marketing Carisolv™. The company's experience in Europe will be an important factor in the selection of US business partners.

The US market is the world's largest single market with some 140,000 dentists. Almost 150 million treatments of carious lesions are performed every year, representing a market potential of SEK 7.5 billion for Carisolv™ gel.

Change in strategy

MediTeam has now been marketing Carisolv™ on a number of European markets for around two years. This is a short period in which to bring about a radical change in dentists' working methods, but it is still sufficiently long to draw conclusions about the potential for continued market development.

The removal of caries with Carisolv™, which offers the patient significant qualitative benefits, requires the dentist to invest a little more time in each individual treatment. A method that is gentle, selective (removes carious dentine but not healthy dentine) and minimally invasive (does as little damage as possible) can never be as fast as a non-selective, invasive method such as drilling.

According to extensive interview surveys conducted by the company, most dentists are currently unwilling to spend extra time on caries treatment in order to offer benefits to their patients. A number of important conclusions can therefore be drawn.

- A more clearly-defined segmentation of the market is needed. It is currently more cost effective to focus marketing on the 10-15% of dentists who are most quality and patient oriented.
- It is more important to ensure that these activities are sustained than to increase pressure on the market over a short period.
- It is going to take longer than previously anticipated to establish Carisolv™ as a routine method for most dentists.
- During the introductory phase, Carisolv™ alone is unable to support the cost the organisation must bear in order to run international dental business operations.

During the past year, the company has been working to implement the necessary strategic changes in order to strengthen developments. The following changes are being made and they will be completed before the end of the year.

- Marketing which exclusively targets dentists who prioritise tissue preservation and top-class quality rather than short treatment times.
- Activities which focus on the leading markets and thus reduce marketing costs.
- Adapt the introduction in the USA and Japan on the basis of the experience acquired in Europe.
- Extend operations to include additional dental products.
- Develop Carisolv™ for use in other dental applications.
- Step up R&D activities still further in order to introduce dental innovations at an earlier stage.

Osstell™, unique instrument for the implant market

MediTeam is now marketing two different dental products, Carisolv™ and Osstell™. The company has signed a joint-venture agreement with Integration Diagnostics Ltd, a dental development company. This agreement relates to the marketing and sale of Osstell™, a unique method for measuring the healing/integration of dental implants which has been given a very good reception since its introduction in the autumn of 2000. Osstell™ is currently being used by more than one hundred of Europe's leading implant clinics.

At the present time, around 100,000 dentists worldwide are working with dental implants. One of the most important questions for them is to reduce the integration period from the time the implants are installed until the patient can be given his/her replacement teeth. It is also important to be able to identify implant losses at an early stage before the cost of replacement/reworking them is too high. In both these cases, Osstell™ offers unique opportunities and can reduce the risk of complications. As far as MediTeam is concerned, this agreement represents additional potential for the further development of the company:

- The product is an ideal match for the skills and expertise already available within MediTeam and within the company's international network.
- The markets on which MediTeam plans to sell Osstell™, which include Germany, Italy, Spain and Benelux, are the European leaders and are also some of the top-priority markets for Carisolv™. This agreement will enable the more rapid development of the market organisation in these countries.
- MediTeam will be able to market both Carisolv™ and Osstell™ to the quality- and patient-oriented general dental practitioners who work with dental implants.
- MediTeam's resources, skills and expertise in areas such as marketing, clinical research, quality assurance, regulatory matters, economy and administration can be used for two products, thereby creating cost synergies.

Biolin Medical AB owns 47.2% of Integration Diagnostics Ltd. Some members of the board of MediTeam are also members of the board of Biolin and they own shares in both MediTeam and Biolin. A joint-venture agreement based on the customary terms has been reached.

New applications for MediTeam's technology

Research and clinical use have uncovered good opportunities for using the power-operated instrument, the Carisolv™ power drive, in combination with a gel, for other dental applications. Developments in collaboration with external clinical centres are currently in progress. A power drive with programs for different applications is expected to be developed and ready for use during the autumn. It will be launched one year from now at the very earliest.

The new opportunities for using MediTeam's minimally-invasive technology for dental areas other than caries will result in advantages when it comes to future development.

- The technology can be used in areas in which specialist dentists are more motivated to use new technology and tissue-preserving methods.
- These target groups are less sensitive to price than normal general dental practitioners.
- A power drive with additional applications will be less sensitive to price and will represent a better investment for the dentist.

- A minimally-invasive general approach can be established within dental care, based on cleaning different parts of the tooth, in contrast to the current invasive mechanical tissue removal.

New dental products under development

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

Research and development

The current development of Carisolv™ is focusing first and foremost on making the method faster and easier for dentists to use. These developments are taking place in collaboration with research institutes and clinical centres in Sweden and abroad. A number of improvements will be introduced over the next couple of years.

The number of published scientific studies is steadily increasing and they document the safety and efficacy of the method, as well as its clinical use. This reference list, which is published on the company's website www.mediteam.com, comprises more than 60 publications.

Increasing focus on marketing activities

MediTeam's surveys which have been conducted to analyse the reason for the slow recruitment of new users reveal that there are groups of dentists with total different approaches and attitudes to dental care and patient needs. The company has therefore decided to focus its marketing activities on the dentists who have a quality- and patient-oriented approach to work and who feel that care is more important than speed. This will be achieved first and foremost by identifying and collaborating with the international dental organisations which attract this group of dentists.

The company estimates that 10-15% of the dentists in Europe are interested in more patient-friendly dental care. These dentists are prepared to spend a little more time on informing patients and treating teeth with care. As a result, these dentists offer their patients enhanced quality. Patients who are treated in this way acquire a more positive attitude towards visiting the dentist and they feel that they receive value for money.

Sweden

Sales of gel to repurchase customers continue to increase compared with last year. Some 9,500 treatments were performed by repurchase customers during the first half of 2001. The 100 largest users perform about half these treatments. The recruitment of new users is taking place slowly.

Germany

Germany is one of MediTeam's top-priority markets and is currently, together with Italy, also the company's most important market in terms of sales. The positive trends in Germany, which began when the company stepped up its presence there, continued during the first half of 2001.

Italy and Spain

After Germany, Italy is the leading dental market in Europe. Carisolv™ has continued to experience more powerful trends in Italy than in other markets. It is particularly interesting to note that the recruitment of new users is taking place more rapidly in Italy.

In January, the distributor, AstraZeneca, announced that Dentsply International would be taking over the sale of products involved in AstraZeneca's Italian dental operations. It has now been decided that Dentsply will also take over the sale of Carisolv™ and will continue with the same sales strategies as AstraZeneca.

During the period, Laboratorios Inibsa S.A. launched Carisolv™ on the Spanish market. The introduction has been backed up very effectively by many Spanish universities and Carisolv™ has been received with great interest by dentists.

On the Italian and Spanish markets, dentists are being canvassed by active sales organisations, which are giving the product greater priority than it is given on many other markets.

Japan and Brazil

Denics, MediTeam's Japanese distributor, has made sure that all the leading Japanese universities and moulders of opinion have tested the method and it expects to start the launch no more than two months after product registration takes place. FDA approval in the USA will facilitate the registration procedure in Japan.

Brazil is the fourth largest dental market in the world. The launch is planned to take place the moment the authorities give their permission for the product to be manufactured and stocked in the country.

Group liquidity and financial position

On 30 June 2001, cash, bank accounts and current investments totalled SEK 94.8 million (SEK 133.0 million). Shareholders' equity totalled SEK 103.9 million (SEK 142.1 million). The equity/assets ratio was 93%.

It is estimated that the group's financial resources will cover a further 2.5 years of operations at the current level. Strategic changes are being made in order to create additional financial staying power, among other things.

Miscellaneous

At the end of the period, the group had 28 employees. Investments in machinery and equipment totalled SEK 0.4 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 other than liquid assets corresponding to the share capital. The share capital in this subsidiary amounts to 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 amounts to BRL 1,000 (SEK 5 K). MediTeam Dental AB owns 99.9% of the shares in MediTeam do Brasil LTDA.

As a group was at the end of 2000, the data for 2001 and the whole of 2000 relate to the group, whereas the comparative figures for Quarter 2 and the first half of 2000 relate to the parent company.

The accounting and valuation principles are the same as those that were used in the annual report for 2000.

	Group 2001 Quarter 2 April-June	Parent company 2000 Quarter 2 April-June	Group 2001 January- June	Parent company 2000 January- June	Group 2000 January - December
PROFIT AND LOSS ACCOUNT (SEK K)					
Net turnover *	2 682	2 224	4 980	4 389	7 845
Other income	17	42	17	84	150
Operating expense	-14 169	-11 187	-26 507	-20 037	-43 099
Depreciation	-468	-399	-909	-774	-1 699
Operating income	-11 938	-9 320	-22 419	-16 338	-36 803
Net interest income/expense	431	1 571	2 045	1 799	4 474
Result after financial items	-11 507	-7 749	-20 374	-14 539	-32 329
Tax on result for the period	0	0	0	0	-13
Result for the period	-11 507	-7 749	-20 374	-14 539	-32 342
BALANCE SHEET (SEK K)					
			Group 30/6/2001	Parent company 30/6/2000	Group 31/12/2000
Fixed assets			5 653	6 337	6 321
Current assets					
Other current assets			11 178	8 921	10 611
Cash, bank and current investments			94 805	133 038	113 281
Total assets			111 636	148 296	130 213
Shareholders' equity **			103 912	142 125	124 328
Current liabilities			7 724	6 171	5 885
Total shareholders' equity and liabilities			111 636	148 296	130 213
KEY FIGURES					
			Group 30/6/2001	Parent company 30/6/2000	Group 31/12/2000
Number of shares at the end of the period			6 940 649	6 940 649	6 940 649
Average number of shares			6 940 649	5 207 560	6 074 104
Equity/assets ratio, %			93.1	95.8	95.5
Return on equity, %			-17.9	-18.0	-45.1
Return on total capital, %			-16.8	-15.9	-39.2
Equity per share, SEK			14.97	20.48	17.91
Profit per share before dilution, SEK			-2.94	-2.79	-5.32
Profit per share after dilution***, SEK			-2.87	-2.71	-5.20
P/E ratio			neg	neg	neg
CASH FLOW ANALYSIS (SEK K)					
Cash flow from current operations			-18 201	-12 880	-31 664

Cash flow from investment operations	-275	-1 656	-2 629
Cash flow from financing operations	0	127 504	127 504
Change in liquid assets and current investments	-18 476	112 968	93 211
Liquid assets and current investments at the start of the period	113 281	20 070	20 070
Liquid assets and current investments at the end of the period	94 805	133 038	113 281

* Distribution of net turnover	Group 2001 Quarter 2 April-June	Parent company 2000 Quarter 2 April-June	Group 2001 January– Jun	Parent company 2000 January– June	Group 2000 January - December
Sweden	206	211	472	442	755
Nordic countries, excluding Sweden	72	165	184	268	427
Europe, excluding Nordic countries	1 980	1 557	3 654	2 990	5 693
Other markets	424	291	670	689	970
Total	2 682	2 224	4 980	4 389	7 845

**Shareholders' equity	Group 30/6/2001	Parent company 30/6/2000	Group 31/12/2000
Shareholders' equity at the start of the period	124 328	19 160	19 160
New share issue	0	137 504	137 504
Loss for the period	-20 374	-14 539	-32 342
Conversion differences	-42	0	6
Shareholders' equity at the end of the period	103 912	142 125	124 328

*** After dilution following full subscription to 166,155 shares via option rights for employees and some consultants with ties to the company

Sävedalen, 16 August 2001

Claes Holmberg

President and CEO

We have reviewed this interim report. A review is significantly limited in relation to an audit. Nothing has emerged to indicate that this interim report fails to comply with the requirements specified in the Swedish Stock Exchange Act or the Swedish Annual Accounts Act.

Göteborg, 16 August 2001

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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 marketing two products, Carisolv™ – the company's own method for tissue-preserving caries removal – and Osstell™ – a unique instrument for measuring the healing of dental implants.