

Medi Team Dentalutveckling i Göteborg AB (publ) 556249-4293

Interim report, January – March 2000

- **Sales totalled MSEK 2.2 (MSEK 3.5).**
- **Operating income after net financial items totalled MSEK –6.8 (MSEK –4.6).**
- **Swedish sales of Carisolv™ gel to repeat customers are increasing.**
- **Demedis GmbH – a new German distributor. Subsidiary established in Düsseldorf.**
- **Italian launch continues its positive trend.**
- **Carisolv® product news at a major Brazilian dental congress.**
- **New share issue floated. The company thus received MSEK 127.5 after issue costs.**

Sales and earnings

Sales during the period totalled MSEK 2.2 (MSEK 3.5). Pending the floating of an issue of new shares, the company postponed its market campaigns, which in the short term adversely affected sales. Above all, the company did not undertake any marketing in Germany during the period. The reasons for this and future efforts are described in the section relating to that country.

Sales of Carisolv™ gel to Swedish repeat customers are constantly rising and around 70% of the public dental health clinics and around 15% of the private dentists are now repeat customers. The Italian market has shown a sustained sales trend and the number of new users continues to rise, by around 300 during the first quarter of 2000.

Operating expenses amounted to MSEK 9.2 (MSEK 8.3) and all development costs were capitalised.

Net financial items amounted to MSEK 0.2 (MSEK 0.2). Earnings after financial items amounted to MSEK –6.8 (MSEK –4.6).

Sweden

The use of Carisolv™ gel is increasing among existing customers and during the first three quarters of 1999, the Swedish distributor DAB Dental AB sold on average 300 singlemix packs to existing customers per quarter, which is equivalent to around 1,500 patient treatments. During the first quarter of 2000, DAB sold over 500 gel packs, primarily multimix, to existing customers, equivalent to more than 5,000 patient treatments. This comparison excludes the fourth quarter of 1999 as the launch of the product improvements *Carisolv™ in a new guise* occupied the whole of this period.

The recruitment of new users proceeded more slowly during the quarter. January is traditionally a weak month in the dental care industry.

Public dental health care

The use of Carisolv™ continues to increase in the public dental health care service, where roughly half of the Sweden's general dental practitioners work. Of a total of 620 public dental health clinics, more than 500 to date have started to use Carisolv™ according to the distributor DAB. Of these, more than 450 placed repeat gel orders up to and including the first quarter of 2000.

Private dental care

An increasingly large proportion of the private dentists who tried Carisolv™ have placed repeat gel orders. According to the distributor DAB, more than 470 Swedish private dentists were repeat customers, as at March 31, 2000, which means that 15% currently fall into this category.

Germany

During the month of March Medi Team concluded an agreement with Germany's largest dental company, Demedis GmbH for the sale of Carisolv™ on a non-exclusive basis. With its headquarters in Düsseldorf, Demedis has a network of dental depots and around 250 sales staff, who directly canvass the dentists at the market level, which was previously missing. More than 200 sales staff have already received training in Carisolv™.

Medi Team have delayed the German launch of the important product improvements *Carisolv™ in a new guise*, introduced in Sweden in the autumn of 1999. Now that an agreement is in place with Demdis, the latter will market Carisolv™ and launch the product improvements with effect from April.

During the spring, Medi Team is establishing a subsidiary in Düsseldorf to provide market and product support in its own right, safeguard communications with the distributors, co-ordinate local activities and inform dentists and universities. Marketing staff and dentists have already been recruited for this organisation.

In order to intensify market canvassing in Germany, an agreement was concluded in August 1999 with Henry Schein-Dentina GmbH, the German company within the worldwide Henry Schein Inc. group, for the sale of Carisolv™ on a non-exclusive basis. Henry Schein-Dentina operates in Germany primarily with catalogue sales, which has not proved equal to the task of establishing a new method among the dentists. A much greater presence is required in order to achieve rapid market penetration. Developments on the German market in the past year proceeded slowly.

The company expects that the establishment of the subsidiary and its collaboration with Demedis will have a positive impact on sales during the autumn of 2000.

Italy

After Germany, Italy is the next largest European dental market, with around 35,000 active dentists. During the autumn of 1999, the AstraZeneca subsidiary launched Carisolv™ on the Italian market. Around forty courses were held for some thousand dentists, of whom around 400 bought a start kit.

Due to an organisational change at the Italian AstraZeneca subsidiary, no courses were held in January. Developments in February and March continued along the same lines as in the autumn, with the courses attracting a large number of participants, who accounted for high sales of start kits. In all, some 700 Italian dentists have now started to use Carisolv™. Of these, a hundred or so have placed repeat gel orders. So far, this is the fastest rise in the repeat order rate on any market.

Other European countries

In the United Kingdom, two of the leading British dental companies, Dental Directory and Henry Schein's British subsidiary have replaced the previous distributor, NovaDent Ltd. as marketers of Carisolv™. Interest is growing among British dentists and a number of universities have decided to include Carisolv™ in their dental courses.

In Poland, Carisolv™ was launched in April 1999. So far, around 400 dentists have bought a start kit. The distributor (Polorto) is currently registering the important product improvements introduced in Sweden in autumn 1999, with the Polish authorities. A launch will take place as soon as possible after the authorities give their approval.

Brazil

In conjunction with one of the largest dental congresses in the world in São Paulo, Carisolv™ was highlighted by leading TV channels and in dailies and business journals, which carried reports and articles on this new caries treatment method. Brazilian dentists and the public received a more even-handed view of the potential of this new method than prior to the launch of Carisolv™ in Sweden and Germany. According to the international co-ordinator of the São Paulo dental trade fair, Carisolv™ was the major product story that contributed to the dental congress receiving more attention than in previous years.

A pre-launch through the organisation of courses aimed at general dental practitioners in various parts of the country has now commenced.

Brazil has around 110,000 active dentists and is fourth largest dental market in the world. Its potential will make it one of the key Medi Team markets. This factor and the high import duties that currently make the product so expensive, are the reasons for Medi Team preparing for local production.

Carisolv will be distributed in Brazil by Nordic Biotech, with whom Medi Team has signed a three-year agreement. It is a medium-sized, rapidly expanding dental company, well regarded among Brazilian opinion-shapers and universities. It has successfully launched several new odontological techniques including the Swedish dental implant Brånemark System®.

USA

North America is the largest dental market in the world and there are around 140,000 active dentists in the USA. A PMA application for Carisolv™ was submitted in the autumn of 1999 to the American regulatory agency, the FDA, where it was registered on January 10, which means that it can start to be examined. Approved registration by the FDA can be expected at the earliest towards the end of this year. Discussions relating to the marketing of Carisolv™ are currently in progress with a number of American dental companies.

Japan

Japan with its 75,000 active dentists is the second largest dental market in the world. The Japanese authorities have classified Carisolv™ as a medical device and not a pharmaceutical. In the spring, Denics, Medi Team's Japanese distributor, submitted supplements to the current application as requested by the Japanese authorities. Registration is expected during the current year. Denics has allowed all Japanese universities and leading opinion-makers to test the method and expects to commence a full-scale launch no later than three months after registration is granted.

Other markets

The launch of Carisolv™ is in progress during the spring on the markets in Australia and New Zealand through Henry Schein Regional. The launch on the South African market is being implemented in the spring by the South African dental company Pharmaplan Ltd.

Efforts involving official registration and the appointment of a distributor are currently being undertaken for the markets in the Middle East, Southeast Asia, Hong Kong, Korea and Taiwan. Medi Team are planning to initiate a launch on certain of these markets in the spring of 2001.

Carisolv™ in dental courses

Up to and including the first quarter of 2000, some twenty European universities had decided to offer student dentists training in Carisolv™. Medi Team are working on targeted campaigns in the form of electronic newsletters, Internet-based course literature and interactive training programs. The objective is to increase the penetration of European universities so that the majority of dentists who graduate every year will receive training in Carisolv™.

In February Medi Team Scientific Service was launched for lecturers and researchers at around fifty universities in Europe, Australia, South Africa and Brazil. The aim is to highlight continued development of the method, important product modifications and the latest results of scientific studies. Invitations to participate in research into the method are another important aspect. In the future, Medi Team Scientific Service will be distributed via Internet to all university employees involved in research and training relating to Carisolv™.

Research and development

The product development of Carisolv™ continues to enjoy a high priority and will result in successive improvements to the method in the immediate future. Important development projects are currently in progress that will make the method simpler and quicker for the dentists to use. The patent situation strengthened further in 1999 and a number of new patent applications to protect Carisolv™ will be submitted in 2000.

Research into and clinical trials of Carisolv™ are currently being undertaken at some thirty universities in Europe, Japan, Brazil, Argentina, Australia and South Africa.

The number of scientific studies of Carisolv™ is continually rising and these document both its theoretical foundation and clinical application. The Swedish State Medical Research Council recently selected Carisolv™ as one of twenty-four instances of successful Swedish clinical research.

Medi Team's liquidity and financial situation

Cash, bank deposits and current investments as at 31-03-2000 totalled MSEK 152.0 (MSEK 13.0). Equity totalled MSEK 149.9 (MSEK 26.3). The equity/assets ratio was 91%.

New share issue

During the quarter Medi Team floated an issue of new shares with preferential rights for company shareholders. The issue price was SEK 40 per share. The new share issue would comprise 3,475,438 shares and when fully subscribed would bring the company MSEK 139.0 before issue costs.

In all, 99.7% of the shares offered were subscribed for, which meant that Medi Team received MSEK 127.5 after issue costs and that the number of shares in the company now totals 6,940,649.

The purpose of the new share issue floated was to finance an offensive marketing campaign incorporating the following principal items:

- International launch of the product improvements *Carisolv™ in a new guise*.
- Launch of Carisolv™ on further markets in Europe and also in Brazil, Australia, Japan, North America and South Africa.
- Establishment of an in-house market and product support function for the markets in Scandinavia and Germany and subsequently on other priority markets.
- Continuing penetration of the European universities in order to introduce Carisolv™ into dental courses.

- Development of Internet-based market support.
- Greater attendance at national and international congresses and trade fairs.
- Preparations for a launch of Carisolv™ on the more important markets in Southeast Asia, the Middle East and the rest of South America.
- Strengthening of the market organisation.

Miscellaneous

At the end of the period, seventeen people were employed at the company. Investments in shares, machinery and equipment totalled MSEK 0.3 during the period.

The subsidiary Media Team Dental AB, reg. no. 556585-4393 was founded at the start of 2000 to protect the company name. It does not undertake any operations, has no employees and no assets except for liquid funds equivalent to the share capital. The share capital of the subsidiary totals MSEK 0.1. No consolidated accounts have been drawn up as in all essential respects these would resemble those of the parent company shown below.

INCOME STATEMENT (KSEK)	2000 First quarter January- March	1999 First quarter January- March	1999 January- December
Net turnover	2,165	3,457	11,256
Other income	42	84	306
Operating expenses	-9,225	- 8,308	-38,480
Operating income	-7,018	- 4,767	-26,918
Net financial items	228	194	589
Profit/loss for the period	-6,790	- 4,573	- 26,329

BALANCE SHEET (KSEK)	31-03-2000	31-03-1999	31-12-1999
Fixed assets	5,430	6,270	5,456
Current assets			
Other current assets	7,660	10,868	9,297
Cash, bank deposits and current inv.	151,956	12,961	20,070
Total assets	165,046	30,099	34,823
Equity	149,873	26,270	19,160
Convertible subordinated debentures	0	0	10,000
Current liabilities	15,173	3,829	5,663
Total equity and liabilities	165,046	30,099	34,823

KEY RATIOS

Number of shares at end of period	6,940,649	3,000,000	3,300,000
Average number of shares	3,474,470	3,000,000	3,075,000
Equity/assets ratio, %	90.8	87.3	55.0
Per-share equity, SEK	21.59	8.76	5.81
Earnings per share, SEK	-1.95	-1.52	-8.56

CASH FLOW STATEMENT (KSEK)

Cash flow from current operations	4,731	-7,827	-25,082
Cash flow from investment operations	-349	-879	-1,161
Cash flow from financial operations	127,504	0	24,646
Change in liquid assets and current investments	131,886	-8,706	-1,597

Dates of financial information

Interim report January-June 2000

August 17, 2000

Interim report January-September 2000

October 17, 2000

Sävedalen, April 18, 2000

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

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