

MediTeam Dental AB (publ) 556249-4293**Report on the 2000 financial year**

- Group sales totalled SEK 7.8 M (SEK 11.3).
- The result after net financial items was SEK -32.3 M (SEK -26.3 M).
- The number of start kits sold to dentists increased by 65%.
- The number of treatments performed by repurchase customers increased by 140%.
- Dentists regard the Carisolv™ power drive as a definite improvement and this will help the market to develop still further.
- Successful campaigns in Germany; the strongest market during the autumn.
- Two important markets, France and Spain, ready to launch.

Sales and results

Group sales during the year totalled SEK 7.8 M (SEK 11.3 M last year which related to the parent company. The group set-up was established in 2000). Sales during the final quarter of 2000 totalled SEK 2.1 M (SEK 2.7 M). The principal reason for the decline in sales in terms of SEK is that MediTeam introduced a new start kit at a far lower price than before. Comparisons between revenue in 1999 and 2000 are also affected by the establishment of stocks that took place at a number of distributors in 1999.

Increase in number of start kits

Sales of start kits (instruments and gel) to dentists increased by 65%, from approximately 2,300 in 1999 to around 3,900 in 2000. As the price of instruments has been reduced, MediTeam's revenue from the sale of instruments declined from around SEK 6.5 M in 1999 to SEK 3.8 M in 2000.

In the company's view, the reduction in the price barrier for instruments will result in more dentists starting to use the method and this will have a favourable effect on the sales trends for Carisolv™ gel. In the longer term, the sale of gel to repurchase customers will account for the dominant part of MediTeam's revenue.

Increase in sale of gel to repurchase customers

The number of repurchase customers is steadily increasing and sales of gel to these customers are increasing at a corresponding rate. According to the company's estimates, some 25,000 treatments were performed by repurchase customers in 1999 and this figure rose to around 60,000 in 2000 – an increase of 140%. In all, it is estimated that more than 100,000 treatments with Carisolv™ were performed in 2000.

Results

Operating expenses including depreciation totalled SEK 44.8 M (SEK 38.5 M). All development costs have been written off.

Net interest income/expense totalled SEK 4.5 M (SEK 0.6 M). The result after financial items was SEK -32.3 M (SEK -26.3 M). The result for the final quarter was SEK -9.6 M (SEK -7.4 M).

Future prospects

Dentists all over the world use drilling equipment on most treatment occasions. Changing a professional group's working methods and persuading dentists to use the drill far less frequently is an enormous challenge. As Carisolv™ offers patients such enormous benefits, the company is convinced that it will become routine treatment everywhere in the longer term. Every year, more

than one billion carious lesions are treated worldwide. In 2000, some 100,000 of them were treated with Carisolv™. It is therefore clear that the development of the market is in the initial phase.

It is normal for developments to take place slowly at the start, before there are a sufficiently large number of dentists with several years' experience who are prepared to back and recommend the method. With continual product improvements, more extensive market activity, information campaigns for dentists and patients and an increasing number of distributors to extend market coverage, the company expects the market to develop more rapidly over the next few years. As the development of every market is in an early phase, a great deal of work and effort is still required to show dentists that Carisolv™ offers important benefits in everyday clinical work. Only then will it be realistic to expect market developments to take off.

Carisolv™ power drive

MediTeam has developed an instrument for power-operated scraping to comply with the dentist's need for a faster and easier way of working with Carisolv™. The power-operated instrument, Carisolv™ power drive, has been developed in collaboration with researchers at schools of dentistry and a German development company.

The instrument was initially tested at Swedish schools of dentistry. Market tests were then initiated in November 2000 at some 50 clinics in Sweden and Germany. Experience thus far reveals that the Carisolv™ power drive facilitates treatment, results in treatment that is just as painless as manual scraping and is equally kind to the healthy part of the tooth. The advantages for the patient are maintained, while the technical limitations for the dentist are significantly reduced. The vast majority of dentists who have tested the instrument have been overwhelmingly positive. MediTeam expects the Carisolv™ power drive to increase dentists' interest in starting to use the method.

The Carisolv™ power drive has a number of unique properties which have not previously been available within the field of dental care. It works at a very low speed, which minimises noise levels and pain. It has unique torque limitation that protects the healthy dentine. Another important characteristic is the ability of the power drive to shift very easily between more powerful and more cautious caries removal.

The Carisolv™ power drive has large sales potential as every general dental practitioner is a member of the target group. The international launch will begin at the major IDS dental fair in Cologne at the end of March 2001. The principal target group for the power drive comprises the large group of dentists who have decided to wait before using Carisolv because they have no wish to replace the drill with manual scraping.

The Carisolv™ power drive is protected by a number of patents and patent applications.

Research and development

Current product development is focusing first and foremost 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 kinds of improved technology are also currently being developed in collaboration with research institutes and clinical centres in Sweden and abroad. A number of improvements will be introduced over the next two years.

The scientific reference list is growing the whole time and it documents the safety and efficacy of the method, as well as its clinical use. This reference list, which now comprises more than 50 publications, can be retrieved from MediTeam's website at: www.meditteam.com.

Market development

A number of activities have been initiated with the aim of significantly improving the company's presence on the most important markets in order to bring about more rapid international market development.

The recruitment of new users is taking place on priority markets using PR campaigns, press conferences and mailshots to journalists. Advertisements for Carisolv™ can be found in leading dental journals, together with editorial articles including interviews with users. More and more dentists are now prepared to describe the benefits of using this method. It is important for MediTeam to publish these favourable references using interviews in trade publications, for example, and thereby influence dentists who have still not given the method a chance.

News and information about new developments and new clinical experience of Carisolv™ are sent to regular users. MediTeam is also taking part on an increasing scale in national and international fairs.

If market development is to accelerate, it is essential that patients are informed about the opportunity to be treated with this new method. It is the patients who stand to gain most from treatment with Carisolv™ and they are prepared to pay more for enhanced quality of dental care. The extensive research that has been conducted on Carisolv™ reveals among other things that patients perceive the treatment as being virtually painless and that healthy dental tissue is not removed. Many patients are, however, unaware of the existence of the method. As a result, information in the future will focus increasingly on patients and will be targeted directly at them. In addition to www.meditteam.com, a special website, www.carisolv.com, for the general public was introduced during the autumn. Information campaigns for patients will be tested in Sweden and Germany.

In order to facilitate the distribution of effective information to MediTeam's important target groups – universities and dentists, a number of new features are being launched successively on MediTeam's website. During the autumn, course literature for dental students and an introductory course for dentists were, for example, introduced on this website.

Sweden

Sales of gel to repurchase customers increased compared with the preceding year. A conversion to represent the number of treatments reveals that some 11,000 treatments were performed by repurchase customers in 1999 and that this figure increased to around 15,000 in 2000. The increase began when the new multimix gel packaging was introduced in October 1999. Since then, the number of treatments performed by repurchase customers has been some 100% higher than before and the number of dentists who use Carisolv™ on a frequent basis has risen.

In 2000, market development was slow as MediTeam chose to focus first and foremost on priority markets outside Sweden. The most important activity on the Swedish market has been the introduction of the power-operated instrument, Carisolv™ power drive, by means of extensive patient follow-up which began in November. Tests will continue during the spring of 2001. The initial reaction from most of the participating dentists is that the power drive significantly simplifies treatment with Carisolv™ and offers major advantages compared with the slower manual scraping.

At the present time, Carisolv™ is a method of which the majority of Swedish dentists are aware, but it is still relatively unknown among patients. Dentists' hesitation about changing working methods is slowing market development. MediTeam feels that it is essential to increase patient awareness of Carisolv™ and different activities aimed directly at patients are being tested.

Germany

Germany is the third largest dental market in the world. At the present time, it is one of MediTeam's top priority markets. The market trends between 1999 and April 2000 were weak. The reason for the slow development was that the company had no real presence on the German market. MediTeam lacked the resources for marketing and the previous distributor, Up to dent AG, did not have the financial potential to develop the market on its own.

As MediTeam's financial strength has been considerably reinforced following the new share issue in March, its presence has improved significantly.

German marketing activities are co-ordinated through MediTeam's own subsidiary in Düsseldorf. Advertisements are regularly inserted in the major dental journals. MediTeam has also participated in a number of important local fairs for dentists. Regular contact has been established with German dentists who use Carisolv™, using a newsletter that is distributed every six weeks, for example.

Among other things, the increase in activity on the German market has helped to make all the leading dental distributors (Demedis Dental Depot GmbH, Dental Union GmbH, Orbis Dental GmbH and Dental Liga Dental Erzeugnisse GmbH & Co. KG), as well as a number of small distributors, more aware of Carisolv™ and they have therefore decided to distribute the product to their customers. Demedis, the largest dental company in Germany, took part in training during the spring and sales got under way at the start of the autumn. Training has also been initiated at the other companies.

More and more dentists have contacted MediTeam's office in Düsseldorf asking for more information about the method. After a fairly long period of declining sales due to poor market presence, the sales trends during the autumn were favourable. In terms of sales, Germany was MediTeam's most important market during the second half of the year.

A partnership has been initiated with a public relations company with the aim of running information campaigns for dentists and patients. PR activities will be run throughout 2001 and will include an attitude survey focusing on the general public in Germany and the launch of the power-operated instrument, Carisolv™ power drive, at the major IDS dental fair in Cologne at the end of March 2001. Activities will also include press conferences and regular press mailshots.

A market test of the power drive began at the end of the autumn. Evaluations will continue throughout the spring of 2001. A number of the participating German dentists have, however, already reported that the power drive significantly improves treatment with Carisolv™.

Italy

Italy is the fifth largest dental market in global terms, with more than 35,000 active dentists. During the autumn of 1999, AstraZeneca's subsidiary began introducing Carisolv™ on the Italian market. During the autumn of 2000, the new instrument kit was launched at a far lower price to dentists. MediTeam's sales revenue in Italy therefore declined during the autumn, even though the recruitment of new users increased.

A press release dated 19 January 2001 from AstraZeneca, the current distributor of Carisolv™ in Italy, stated that Dentsply International would be taking over the sale of local anaesthetics for dental care on all markets. One result of this will be that the whole of AstraZeneca's Italian dental operations will be taken over by Dentsply's Italian subsidiary.

Dentsply is one of the world's leading companies when it comes to the development, production and marketing of materials and products for dental care. The company's dental products are distributed in more than 100 countries under some of the industry's most powerful brand names.

MediTeam has been informed that the market trends for Carisolv™ in Italy are continuing according to plan.

France and Spain

In France and Spain, MediTeam has not as yet been able to launch Carisolv™. The company feels it is first necessary to obtain the support of the most important schools of dentistry in Paris and Madrid, which have been conducting studies on Carisolv™. Both these universities have now completed their studies and have reported positive results. They are therefore prepared to give their backing to the method.

In France, MediTeam has already signed a distribution agreement with Laboratoire Pharmadent. In Spain, the support of the University of Madrid has resulted in the signing of a distribution agreement with Laboratorios Inibsa S.A., one of Spain's leading dental companies. Introductions will take place on both markets during the spring of 2001. In the longer term, France and Spain are expected to be two of the five most important European markets for Carisolv™.

USA, Japan and Brazil

North America is the world's largest dental market. In the USA alone, there are around 140,000 active dentists. Registration approval is expected from the FDA during the year. Discussions relating to the marketing of Carisolv™ are in progress with specially-selected American dental companies.

Japan has 75,000 active dentists and is the world's second largest dental market. Via Denics, MediTeam's Japanese distributor, all the leading Japanese universities and leading moulders of opinion have tested the method and the company expects to begin launching Carisolv™ no later than two months after product registration is approved. This is expected to take place in 2001.

In Brazil, there are around 110,000 active dentists and the country is the fourth largest dental market in global terms. MediTeam has set up its own subsidiary, MediTeam do Brasil LTDA, to handle imports. Agreements with local manufacturers are being prepared. This will significantly reduce the problems associated with import duty. The introduction is planned the moment the authorities grant permission to produce and maintain stocks in the country.

In all these markets, MediTeam is awaiting decisions from the authorities. In no case has any authority as yet requested further documentation from the company. Before registration takes place in the USA and Japan, MediTeam's quality system and production in Sweden will be inspected. Before approval is granted in Brazil, the stocking procedure will be examined.

Other markets

In the UK, MediTeam has opened its own office in order to increase its market presence. Three leading dental distributors are acting as distributors for Carisolv™.

In the Netherlands, the media has focused on Carisolv™ following its gradual introduction last spring. TV channels and newspapers have carried a number of balanced reports on Carisolv™. This media attention has generated large-scale interest among Dutch dentists to take part in courses relating to Carisolv™ and to test the method. In MediTeam's experience, interest wanes

relatively fast when media attention declines. The company does not expect the market in the Netherlands to develop more rapidly than that in other countries.

During the autumn, Carisolv™ was introduced on the markets in Russia, Belgium, Hungary and Israel.

The work of obtaining registration from the authorities and appointing distributors is in progress on a number of additional markets outside Europe and launches are planned to begin on some of these markets during the spring of 2001.

Group liquidity and financial position

On 31 December 2000, cash, bank accounts and current investments totalled SEK 113.3 M (SEK 20.1 M). Equity totalled SEK 124.3 M (SEK 19.2 M). The equity/assets ratio was 95%.

The group's financial resources are expected to be sufficient for a further three years of operation at the current level, which is also in accordance with plans.

Miscellaneous

At the end of the year, the group had 26 employees. Investments in machinery and equipment totalled SEK 2.6 M. Investments in subsidiary company shares totalled SEK 0.6 M.

The subsidiary company Medi Team Dentalutveckling i Göteborg AB, corporate ID number 556585-4393, was set up at the beginning of 2000 to protect the new company name, MediTeam Dental AB. This subsidiary 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 the subsidiary company totals SEK 0.1 M.

Subsidiary companies have been registered in Germany and Brazil. The share capital of MediTeam Dental Deutschland GmbH totals EUR 25,000 (SEK 0.2 M). The share capital of 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 information for 2000 relates to the group, while the comparative figures for 1999 relate to the parent company.

Dividend

The board will submit a proposal to the AGM that no dividend should be distributed for the 2000 financial year.

PROFIT & LOSS ACCOUNT (SEK K)	Group 2000 Quarter 4 Oct-Dec	Parent company 1999 Quarter 4 Oct-Dec	Group 2000 January– December	Parent company 1999 January– December
Net turnover *	2 123	2 735	7 845	11 256
Other income	66	86	150	306
Operating expenses	-12 550	-9 897	- 43 099	- 37 042
Depreciation	-488	-371	-1 699	-1 438
Operating income	-10 849	- 7 447	-36 803	-26 918
Net interest income/expense	1 253	60	4 474	589
Result after net interest income/expense	-9 596	-7 387	-32 329	- 26 329
Tax on the result for the period	-13	0	-13	0
Result for the period	-9 609	-7 387	-32 342 Group	-26 329 Parent

BALANCE SHEET (SEK K)	31/12/2000	company 31/12/1999
Fixed assets	6 321	5 456
Current assets		
Other current assets	10 611	9 297
Cash, bank and current investments	113 281	20 070
Total assets	130 213	34 823
Shareholders' equity **	124 328	19 160
Convertible debenture loan	0	10 000
Current liabilities	5 885	5 663
Total shareholders' equity and liabilities	130 213	34 823

KEY FIGURES

Number of shares at end of period	6 940 649	3 300 000
Average number of shares	6 074 104	3 075 000
Equity/assets ratio, %	95,5	55,0
Return on equity, %	-45,1	-105,3
Return on total capital, %	-39,2	-73,6
Equity per share, SEK	17,91	5,81
Profit per share before dilution, SEK	-5,32	-8,56
Profit per share after dilution***, SEK	-5,20	-7,81
P/E ratio	neg	neg

CASH FLOW ANALYSIS (SEK K)

Cash flow from current operations	-31 664	-25 082
Cash flow from investment operations	-2 629	-1 161
Cash flow from financing operations	127 504	24 646
Change in liquid assets and current investments	93 211	-1 597
Liquid assets and current investments at start of year	20 070	21 667
Liquid assets and current investments at end of year	113 281	20 070

* Distribution of net turnover	2000	1999
Sweden	755	1 365
Nordic countries excluding Sweden	427	890
Europe excluding Nordic countries	5 693	7 399
Other markets	970	1 602
Total	7 845	11 256

**Shareholders' equity	Group	Parent company
	31/12/2000	31/12/1999
Shareholders' equity at start of year	19 160	30 842
New share issue	137 504	14 647
Loss for the year	-32 342	-26 329
Conversion difference	6	0
Shareholders' equity at end of year	124 328	19 160

*** After dilution in the event of full subscription to 166,155 shares through option rights for employees and certain consultants with ties to the company.

Publication schedule for financial information

MediTeam will be publishing the annual report for 2000 at the end of March. It will be possible to retrieve the annual report from the company's website, www.mediteam.com, or order it directly from the company.

Annual general meeting in Stockholm	24 April 2001
Interim report for January–March 2001	24 April 2001
Interim report for January–June 2001	16 August 2001
Interim report for January–September 2001	16 October 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 developing and marketing Carisolv™ – a method for tissue-preserving caries removal with a minimum of pain and trauma for the patient.

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