Annual report 1999

Medi Team

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Financial information

Annual General Meeting	18 April 2000
Interim report on first three months	18 April 2000
Interim report on first six months	17 August 2000
Interim report on first nine months	17 October 2000

The illustration on the front cover shows a greatly enlarged tooth with a carious lesion, in the enamel and dentine.

A summary of 1999

- Sales in 1999 totalled SEK 11.3 M (SEK 8.3 M).
- The result after net financial items was SEK -26.3 M (SEK -20.1 M).
- More than 450 of a total of 620 public dental health clinics in Sweden have tested Carisolv™ and some 400 of them are now repurchase customers.
- More than 12 per cent of Sweden's private dentists are repurchase customers for Carisolv™.
- The introduction of product improvements — *Carisolv™ in a new guise* — took place in Sweden in October.
- Delays on the German market as a result of financial problems encountered by the distributor.
- In all, around 1,700 German dentists had purchased starting kits just over a year after the introduction. Around 700 of them have placed repeat orders for gel.
- Fifteen universities in Europe have so far decided to include Carisolv™ in their basic dental courses.
- The joint results of basic research reveal that Carisolv™ is a safe and effective method.
- International patient follow-ups confirm the need for Carisolv™.
- The reference list comprises 26 scientific publications.
- The product registration of Carisolv™ in Japan has been delayed.
- A PMA application has been submitted to the US authority, the FDA.
- Medi Team received ISO 9001/EN 46001 accreditation.
- Directed new share issue brought Medi Team SEK 25 M, SEK 10 M of which is a convertible debenture loan.

President's statement

Dental care is changing and developing. Bio-compatible methods, preventive programmes and concentration on the patient's treatment experience are the main characteristics of modern dental care. At the same time, more people are keeping their own teeth for far longer and the advantages of treating children with real caution are becoming increasingly clear. Taken as a whole, trends within dental care are creating great potential for Carisolv™ and indicate that Medi Team will continue to be a growth company for many years to come. At Medi Team we are convinced that Carisolv™ is going to change the treatment of caries all over the world. Carisolv™ will become a routine method, together with the existing conventional modes of treatment.

1999 an eventful year

The past year was very eventful. Carisolv™ has now been introduced in the Nordic countries and a number of markets in Europe. Our plans were held back by the fact that operations in Germany and Japan could not be run as planned. In Germany, the financial problems encountered by the distributor Up to dent AG resulted in a delay to market development of more than six months. Sales got under way again in September, now via two sales organisations. In Japan, the registration of Carisolv™ has taken longer than anticipated. We are now expecting it to be completed in 2001 and are ready to begin the launch immediately.

In Italy, the largest dental market in Europe after Germany, the introduction began during the autumn. There is great interest; more than 40 courses for some 1,000 dentists were run before year-end. We are also well under way with our preparations for an introduction in Brazil, the world's fourth largest dental market, with 110,000 dentists and 84 schools of dentistry, several of which have already tested Carisolv™. We are also preparing local production in the same country; it should begin during the autumn of 2000.

A pre-launch has begun in Australia and New Zealand. Product registration for a large number of markets is in progress.

On the Swedish market, the use of Carisolv™ is increasing, first and foremost in the public dental health service. More than 60 per cent of the country's public dental health clinics are currently offering treatment using this method. In all, some 25 per cent of all the dentists in Sweden have tested Carisolv™ and about 70 per cent of them have placed repeat orders for gel. This means that, at the present time, around 15 per cent of the general dental practitioners in Sweden are repurchase customers for Carisolv™.

Faster global expansion

During the spring of 1999, we decided to step up the rate at which we enter the international markets. Over the next three to five years, we plan to launch Carisolv™ in a number of countries both within and outside Europe. We now have the experience we need to know how the product should be launched and both dental companies and universities are showing an interest in starting to use Carisolv™. So far, no rival products have made their appearance. By stepping up our rate of global expansion, we can save time.

We have also decided to increase our market presence and have started establishing our own market and product support on a number of our most important markets. In Germany, Italy and the Benelux countries, there are people with an in-depth knowledge and understanding of dental care and they are prospecting the market together with the distributor, in close collaboration with Medi Team in Sweden.

Universities with schools of dentistry are showing a great deal of interest. In the long term, Carisolv™ will be a natural treatment method and the training of dentists at universities is therefore an important strategy. To date, 15 universities in Europe have decided to include Carisolv™ in their dental courses. We believe that, in the foreseeable future, many of the 10,000 or so dentists that graduate every year in Europe will regard Carisolv™ as a natural method for treating caries.

More repurchase customers

When it comes to established dentists, we know that it takes time for a new treatment method to make a breakthrough. We estimate that it takes two to three years before a market is sufficiently mature to accept a new method and enable Carisolv™ to establish itself. It is therefore pleasing to see an increase in the number of customers who are placing repeat orders for gel. This trend is clear-cut in Sweden and Germany — the markets on which the product has been available for the longest time. It has been available in Sweden for just over two years and in Germany for more than one.

Just as it is important to have Carisolv™ included in dental courses at university, it is also important to guarantee training for established dentists. We hope to be able to offer it via our homepage on the Internet, for example.

During the first year after a launch on a new market, we expect two to three per cent of dentists to start using Carisolv™. Over the next few years, we believe that a market can expand every year to include a further five to six per cent of dentists.

Research-driven company

A large percentage of our resources are invested in research, long-term product development and clinical documentation. In 1999, the results of a root caries study conducted at the School of Dentistry in Göteborg, Sweden, were presented. The conclusion I draw from this study is that Carisolv™ has the potential to become the first-line choice of treatment for one of the world's most rapidly expanding forms of caries.

Our scientific reference list currently comprises 26 publications. We can demonstrate that Carisolv™ is a safe, effective and tissue-preserving method for caries removal. More and more universities worldwide are showing an interest in collaborating with Medi Team and conducting studies on Carisolv™.

Among other things, our research aims to improve Carisolv™ still further, both biochemically and mechanically. During the autumn, at the national Swedish odontological congress, we were able to present *Carisolv™ in a new guise.* The new features and products, which facilitate clinical use and reduce the cost of a starting kit, have been given an enthusiastic reception. Our Swedish distributor, Dab Dental AB, reports a significant increase in the number of starting kits sold since the congress. The international introduction of *Carisolv™ in a new guise* has just begun.

We now know that patients generally experience more discomfort during caries treatment than we previously realised. A patient survey which we have conducted in collaboration with a Swedish dentist reveals that 80 per cent of patients feel frightened or anxious about caries treatment with a drill. After being treated with Carisolv™, 98 per cent stated that the method surpassed their expectations and almost all of them said that they would not be particularly afraid or not afraid at all next time they needed caries treatment.

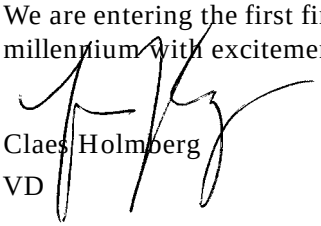
Sustained commitment calls for financial resources

As the new year approaches, we shall be stepping up the tempo still further and are looking forward among other things to introductions on new and important markets and the international launch of *Carisolv™ in a new guise.* The priority markets will be given even more support as we shall be establishing our own market organisations. At the same time, we shall be contacting additional universities, firstly in Europe and then on other important markets, in the hope that they will evaluate the method and then include it in their dental courses.

Our customers and stakeholders are increasing in number and we want to be able to offer them a good service and a broad-based presence. We shall therefore be developing our Internet-based market support. We shall also be playing a more extensive role at international fairs and congresses and in dental publications. Our brand name will be well known among dentists on our priority markets.

As the above overview indicates, we are now making a wholehearted commitment to the development of our market. To achieve this, we need the financial strength for a sustained commitment over a period of several years. We are therefore floating a new share issue, with preferential rights for existing shareholders, which will bring the company some SEK 128 M in the event of full subscription.

We are entering the first financial year of the new millennium with excitement and optimism.



Claes Holmberg
VD

Summary

Medi Team develops and markets products for tissue-preserving dental care with the optimal patient comfort. Production and distribution are run by external business partners. To date, Medi Team has developed Carisolv™, a chemo-mechanical method for removing caries. Product development and marketing take place in close collaboration with dentists, researchers and universities.

Carisolv™ comprises two components, gel and hand instruments. The product system is protected by twelve patents and patent applications, eight of which have so far been approved. The patent system comprises five key patents which protect the product until the end of 2017.

Caries treatment with Carisolv™ is generally a painless form of treatment which involves a gel being applied to a carious lesion, after which softened caries is gently scraped away with a hand instrument. The treatment does not affect the healthy parts of the tooth.

The principal benefits of Carisolv™ are that the treatment saves healthy tooth substance, is normally painless, reduces the need for drilling and local anaesthesia and that patients prefer Carisolv™ to conventional methods. As far as the dentist is concerned, the method also offers benefits as the risk of complications is reduced and the patient's well-being is enhanced at the same time.

The applications that have so far been shown to be most suitable for treatment with Carisolv™ are root caries, deep cavities and treatment of children. These areas account for about half of all the carious lesions in the industrialised part of the world.

Business concept

Medi Team's business concept is to collaborate closely with dentists, researchers and universities and develop and market products for tissue-preserving dental care with the optimal patient comfort.

Objectives

The overall objective is to consolidate and strengthen Medi Team's position as an innovative, research-driven dental company. In the longer term, the objective is to be a leading global player on the market for tissue-preserving dental care.

Strategy

The introduction of new odontological methods calls for substantial market investments. Carisolv™ represents a major change to the treatment pattern employed by dentists and Medi Team has therefore chosen to begin by establishing this method at universities and then involve dentists who mould opinion in the profession. When Carisolv™ has been established among these groups, an introduction will be made to general dental practitioners, using training courses and other methods.

To obtain a satisfactory rate of expansion, it is necessary to implement more aggressive market prospecting of general dental practitioners than has previously been employed.

- Medi Team will develop the organisation to enable introductions to be made on many markets.
- Medi Team will run operations in international external networks and slow the establishment of internal organisations until a breakthrough is made.
- Medi Team's marketing and sales will be run through international distribution networks.
- On Medi Team's priority markets, marketing and sales will be run by internal product and market organisations and external distributors working in collaboration.
- Medi Team will introduce the product by establishing it firmly at universities and among dentists who mould opinion. The foundations will be laid for continued collaboration with universities, using targeted information activities and involvement in research projects.
- Medi Team will work to have Carisolv™ included as quickly as possible in the courses at schools of dentistry throughout the world.
- Medi Team will constantly run improvement programmes by listening receptively to customers' views and comments and via rapid product development, scientific studies and production rationalisation.
- Medi Team will continue to give top priority to patent and brand name protection.

Development plan for the next five-year period

Over the next few years, the company will be focusing on concentrating operations on the continued development and commercialisation of Carisolv™. This will take place in the following order of priority.

1. Establishment of Carisolv™ in welfare states
2. Further development of Carisolv™
3. Development of new tissue-preserving methods
4. Introduction of Carisolv™ in the developing countries

The Carisolv™ product system

Carisolv™ is a chemo-mechanical method for removing caries which consists of gel and hand instruments. The gel consists of a red viscous fluid, the components of which include three different amino acids and a transparent fluid consisting of sodium hypochlorite in a low concentration. These fluids are mixed prior to treatment. The mixed gel is then applied to carious dentine which is softened.

Special hand instruments have been developed to speed up the removal of softened carious lesions and save healthy tissue. The instruments are sharp without being cutting. The tips have been specially designed and are of different sizes to match the size and shape of cavities.

Healthy tooth substance is not removed during treatment with Carisolv™. Nor are the soft tissues in the mouth affected.

Applications

In addition to its tissue-preserving properties, treatment with Carisolv™ offers advantages such as reducing the risk of complications and enhancing patient comfort. To date, the following patient groups and clinical applications have been found to be most suitable for the use of Carisolv™:

- root caries
- deep cavities and
- children's dental care.

These areas account for around half of all the carious lesions in the industrialised world.

Historical background

1987-1990

Development of the principles for Carisolv™ at the Department of Biochemistry, Chalmers University of Technology, and at the School of Dentistry in Göteborg.
Financing via Göteborg University, ALMI, Karlskoga Invest and NUTEK (Swedish National Board for Industrial and Technical Development).

1991-1993

Clinical development at the schools of dentistry in Huddinge and Malmö.

1993-1995

Clinical pilot studies; some twenty dentists test the method on a couple of hundred patients. The results indicate that the method functions effectively in practical use.
A project plan for launching Carisolv™ is drawn up.

1996

New share issue of SEK 11 M.
Product development of Carisolv™:
— the liquids are optimised
— the instruments are developed
— the patent protection is reinforced
— production agreement with the National Corporation of Swedish Pharmacies.

1997

Clinical trials in Sweden.
New share issue of SEK 50 M.
Preparations for the launch within and outside Sweden.
Introduction on the SBI list.

1998

Some 1,000 dentists in Sweden start using Carisolv™.
The product system obtains a CE label.
Launch in Germany, Greece, the UK and Norway.
Formation of the Scientific council.
Introduction on the O list (list of unofficially registered equities).

1999

Introduction of *Carisolv™ in a new guise.*
The reference list comprises 26 scientific publications.
ISO 9001/EN 46001 accreditation.
Directed share issue of SEK 25 M to institutional investors, SEK 10 M of which is a convertible debenture loan.
Introduction in a further five European countries.

2000

Introduction of *Carisolv™ in a new guise* outside Sweden.
Proposed new share issue which will bring the company a maximum of SEK 128 M.
Launch outside Europe.

Advantages with Carisolv™

- Saves healthy tooth substance — smaller fillings improve the long-term prognosis for the tooth.
- The treatment is usually painless.
- Less need for drilling and local anaesthesia.
- Less risk of complications.
- Patients prefer Carisolv™.

Root caries

Root caries is an important application for Carisolv™. This type of carious lesion is often readily accessible and seldom requires a drill in conjunction with treatment with Carisolv™.

Carisolv™ makes it easier to distinguish carious dentine from healthy dentine, thereby facilitating treatment. The removal of healthy tissue to ensure that no caries remains is thereby avoided. The treatment is minimal and usually painless. As the Carisolv™ instruments do not cut, the risk of damaging surrounding tissue is reduced.

If the patient has several carious lesions, these can easily be treated in parallel. Gel is applied to all the lesions and softens the carious dentine while scraping can be performed in other cavities. This saves both time and material.

The advantages of Carisolv™ give the method every chance of becoming the first-line alternative for the treatment of root caries in the future.

Deep carious lesions

In the case of deep carious lesions, there is a risk when traditional methods are used that healthy dentine which protects the pulp is removed.

When Carisolv™ is used, more careful treatment is possible and the risk of penetrating the pulp by mistake can thus be reduced. Clinical experience reveals that post-operative problems are also very rare after treatment with Carisolv™.

Treatment of children

If the first visit to the dentist is a traumatic experience, it can affect the child negatively for many years. Treatment with Carisolv™ is a careful introduction to dental care and it increases the chances that the child will have a positive attitude to dental care when he or she grows up. Moreover, carious lesions in small children are often easily accessible and, as a result, it is seldom necessary to combine Carisolv™ with drilling.

Other applications

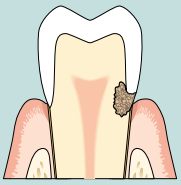
Carisolv™ is also ideal for use in the treatment of:

- large, open carious lesions,
- patients who are anxious,
- patients who cannot have local anaesthesia and
- caries in geriatric, hospital and special dental care.

Large, open carious lesions

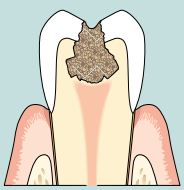
In situations in which the carious lesions are open and easily accessible, it is usually very easy to use Carisolv™.

Treatment of root caries



- Simple and safe
- Fast and effective
- Usually pain-free

Treatment of deep cavities



- Careful and safe
- Less risk of damaging the pulp
- Few post-operative problems

Treatment of children

- Quiet, gentle procedure
- Calm, child-friendly environment
- Positive patient both now and in the future

Patients who are anxious
According to patient studies conducted on behalf of Medi Team, the majority of patients who regularly visit the dentist find drilling and anaesthesia unpleasant. These patients are usually anxious when they are about to visit the dentist. Using Carisolv™, it is possible to totally eliminate the use of anaesthesia and drilling in some cases, thereby reducing the patient's discomfort and anxiety.

Some three to seven per cent of the adult population in Sweden are afraid of dentists and therefore avoid dental visits. The main reason is fear of drilling and anaesthesia. Knowing that there is an alternative to drilling could be a factor that contributes to these patients seeking dental care. However, patients who are really afraid of the dentist require a great deal of the dentist's time and involvement, regardless of the work that needs doing.

Patients who cannot have local anaesthesia
There are some patients who, for different reasons, are unable to have anaesthesia, because of certain types of medication, for example. Circumstances of this kind make caries treatment more difficult. Treatment with Carisolv™ in these situations is an alternative which reduces pain and trauma.

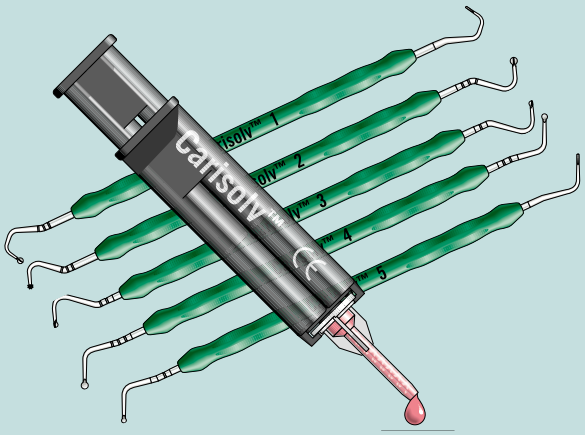
Caries in geriatric, hospital and special dental care
In the industrialised world, the life expectancy of the population is increasing. People are also keeping their teeth on a far larger scale than before. The need for geriatric and hospital dental care is probably going to increase.

When it comes to geriatric and hospital dental care, it is often difficult to offer patients treatment. The use of Carisolv™ facilitates visiting care as no permanent equipment is required.

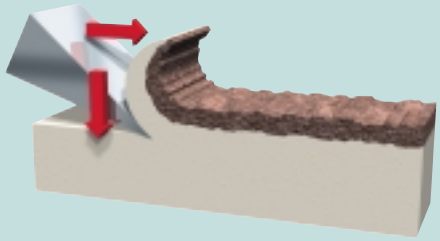
Carisolv™ has also been used successfully on mentally-handicapped children who would otherwise not have been able to obtain treatment to match their needs.

Objections

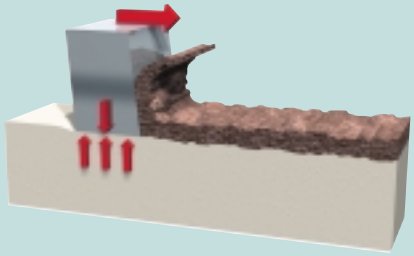
A method that is designed to replace or supplement an existing method is compared with the existing method to find any advantages and disadvantages. Carisolv™ is usually compared with the drill, which is the most established method for caries removal.



Carisolv™ gel multimix, twin syringe with a static mixer and Carisolv™ instruments with permanent tips.



A cutting instrument has an aggressive cutting angle and a small support area in relation to the underlying surface. As a result, the instrument works down into the material, making it difficult to control the cutting depth.



Carisolv™ instruments have a sharp edge but a blunt cutting angle, so the support area in relation to the underlying surface is large. The instrument does not work its way down as easily and this results in improved control of the cutting depth.

The principal advantages of Carisolv™ from a clinical point of view are that the method:

- is tissue preserving,
- is usually painless,
- reduces the risk of complications and
- enhances patient comfort.

The usual objections to Carisolv™ are that the drill still has to be used in certain cases, the treatment takes longer and the method costs more, as far as the patient is concerned.

Combine with the drill
Carisolv™ cannot totally replace the use of a drill. Experience of clinical use this far reveals that the two methods are combined in about half the cases. The use of the drill is usually limited to the dentist drilling at the start of treatment to gain access to the carious lesion. If the carious lesion is under a filling, so-called secondary caries, the drill has to be used to remove the filling and obtain access.

Longer treatment times
Recently conducted studies reveal that the treatment times in connection with the use of Carisolv™ for the three main applications are longer. However, patient surveys reveal that the majority of the patients treated with Carisolv™ think that the method is faster or at least as fast as traditional methods.

Some additional cost for the patient
The average cost increase for treatment with Carisolv™ is about 10–20 per cent (material and time) compared with traditional caries treatment. Medi Team has conducted a number of studies, all of which reveal that the vast majority of patients who have been treated with Carisolv™ clearly prefer it to the traditional methods.

Developments within tissue-preserving dental care

As Medi Team sees it, tissue-preserving methods with the patient as the focal point are gradually gaining acceptance within the field of dental care as a whole. Large-scale treatment and the replacement of natural tissue with artificial materials should be avoided, unless it is absolutely essential. This means that healthy tissue is preserved, damage is prevented and the smallest possible intervention is used during restorative work. The aim is that the natural tooth should be given the maximum life expectancy.

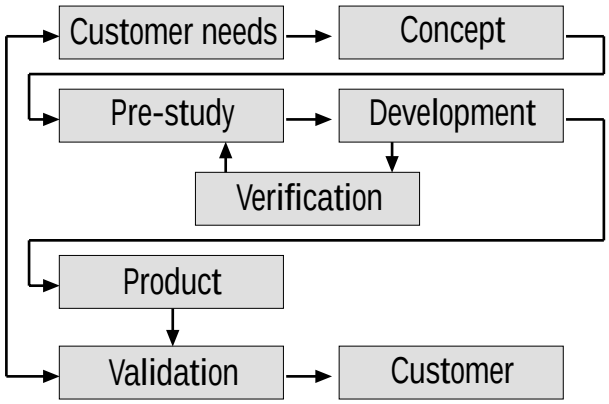
Methods and materials within restorative dental care have improved considerably. When it comes to caries removal, however, developments during the past one hundred years have been limited for the most part to more effective anaesthesia and faster and more advanced drilling equipment.

The principles of chemo-mechanical caries removal were formulated in the mid-1970s when US researchers discovered that sodium hypochlorite softened caries. Work began on finding a suitable composition which could remove caries without affecting other tissue. The result was a liquid known as Caridex®, which was introduced by a US company and approved by the US authority, the FDA, in 1984. Caridex® attracted a great deal of interest initially, but it was then shown to have shortcomings. They included the fact that a high initial investment was required, a large amount of liquid was needed for every treatment, the opened liquid packaging had a short shelf life and the equipment was large.

The experience acquired from Caridex® has been applied in the development of Carisolv™. Development work on Carisolv™ has focused on eliminating the disadvantages of Caridex®.

Carisolv™ represents a breakthrough when it comes to alternative methods to traditional caries removal.

Product development process



This figure is an illustration in principle of the different phases of the product development process.

In the concept phase, the concept is evaluated to see whether it has the potential to become a project. During the introduction to the development phase, all the relevant prerequisites should be well defined and a possible route should be chosen to enable them to be realised. This is followed by verification or, to put it another way, an evaluation to see whether the results match the prerequisites. This verification can be solely theoretical, but it is frequently combined with laboratory tests. During the validation phase, the product characteristics are evaluated – either theoretically or through clinical trials – in relation to the needs of dentists and patients.

Product development of Carisolv™

In the autumn of 1999, *Carisolv™ in a new guise* was introduced on the Swedish market. This involved product improvements in the form of new hand instruments at a lower price than the previous ones and a new gel packaging which will facilitate treatment for the dentist. The new Carisolv™ gel multimix packaging is a twin syringe which is calculated to be enough for 10 to 15 treatments and which makes it possible for the dentist to minimise the amount of surplus gel. Multimix can be left out all day, thereby creating real potential to work with Carisolv™ in a flexible manner and in combination with other methods. The previous gel packaging had to be kept in the refrigerator until it was needed for treatment.

Scientific publications relating to Carisolv™

Clinical trials

Carisolv™ removes caries, the need for anaesthesia is reduced, the pain experience is reduced, even without anaesthesia, and patient comfort is enhanced. In all these trials, which have comprised some 250 patients, no negative effects have been noted after studies of possible side-effects. The need for anaesthesia was reduced and no fewer than 80 per cent of patients chose treatment without anaesthesia. The treatment time is, however, longer, but patients appreciate the quiet, stress-free treatment. Around 50 per cent of patients felt that the treatment was faster. Almost 100 per cent of the patients who have tested Carisolv™ state that they want the same method again the next time they require treatment.

Effective caries removal

A number of in-vitro studies conducted at different universities reveal that Carisolv™ only removes carious dentine. Clinical and in vitro studies also reveal that caries can be removed just as effectively as when using the drill.

Effect on mucous membrane

Toxicological studies were conducted in accordance with European standards at an accredited laboratory in France and no negative results were produced. A clinical study has also confirmed that the mucous membrane is not negatively affected by Carisolv™.

Effect on the pulp

Two independent studies reveal that Carisolv™ does not have a negative effect on the tissue in healthy pulp.

Bond strength

Modern white filling material is bonded to the surface of the tooth. A couple of in-vitro studies of the bond strength reveal that modern filling material which is bonded to the surface of the tooth adheres just as well after treatment with Carisolv™ as it does to a surface that has been treated with the drill.

Follow-up studies

To demonstrate that Carisolv™ is a safe and effective method in the hands of any dentist and in the majority of patients, a straightforward questionnaire was completed by some 300 dentists with a treatment population of 3,000 patients in different countries. The results agree very well with those of the clinical studies. No side-effects have been reported.

Refer to the reference list on page 46.

As no changes had been made to the composition of the gel or the basic design of instruments, *Carisolv™ in a new guise* could be passed on to the market within two years after the method was initially launched. During development work, the emphasis was placed on collecting the views and impressions of users of the existing packaging and instruments and then improving the method accordingly.

In collaboration with the Department of Biochemistry at Chalmers University of Technology and Göteborg University, among others, research on the biochemical degradation of carious tooth substance has been initiated. This research is designed to improve Carisolv™ still further and make the method more suitable for different clinical situations. This biochemical research may also lead to new discoveries which will enable Medi Team successively to strengthen the level of patent protection for Carisolv™.

Another important objective is to use research to document and influence the dentine surface that is created following treatment with Carisolv™. The topography and surface chemistry of this surface have an important effect on the bonding of filling material.

Long-term research

Medi Team's long-term development is taking place in collaboration with universities and research institutes. Network partnerships produce far greater research flexibility, as well as time and cost effectiveness. Medi Team has its own key experts who co-ordinate these activities. This way of working makes it easier to identify future products and business concepts.

To date, the company's research and development resources have been concentrated on documenting Carisolv™ pre-clinically and clinically and on developing new generations of Carisolv™. The documentation relating to Carisolv™ comprises so far 26 scientific publications (see page 46). They reveal that Carisolv™ is a safe and effective method for removing carious dentine.

The acquisition of skills and expertise within the company and its networks make Medi Team an attractive partner for research groups. This has helped us to generate both internal and external new product concepts which meet the requirements set for tissue-preserving odontology and a high level of patient comfort.

At the present time, a number of new product opportunities are being evaluated in Medi Team's areas of interest. Some concepts have reached the stage of patents being applied for in collaboration with the inventors.

Patents and trademarks

The patent strategy is of vital significance when it comes to reducing the threat of imitation. Medi Team's strategy is to apply for broad-based patent protection in order to protect associated areas. To make it possible to collaborate with academic research institutes, it is important to apply for patents at an early stage in the development process.

The procedure Medi Team adopts is to begin by submitting a patent application with priority in Sweden (basic application). The date on which this application is submitted also applies to subsequent applications internationally. The Swedish application is followed within one year by an application in accordance with the Patent Cooperation Treaty (PCT), which applies in every important country, including the EU member states, the USA and Japan. The company then submits applications within 30 months for European patents on the basis of the PCT application, in accordance with the European patent convention, as well as applying for national patents on other strategically important markets.

The patents and applications that originate from a basic application are known as patent series. At the present time, patents have been granted in eight of a total of twelve patent series for which applications have been submitted with the aim of protecting Carisolv™. It is the company's view that the patent structure protects large parts of the field known as chemo-mechanical caries therapy. In the company's view, future competitors will therefore be obliged to make detours in their development work to avoid breaching Medi Team's patent. Five key patents are protected until 2017.

Medi Team uses the name and logotype for Carisolv™ throughout the world when the product is marketed. The company is planning to protect the brand name on every priority market.

Documentation and registration

Carisolv™ is classified as a medical device. Medi Team's policy for the documentation of medical devices complies essentially with the standardised methods that are used for development, documentation and registration in the pharmaceutical industry. A number of different clinical studies have so far been conducted with good results.

Medi Team has chosen to document Carisolv™ and its properties to a greater extent than is required for CE labelling and thereby product registration for a class 1 product within the EU. The purpose is to guarantee basic knowledge for future product development which will facilitate the work of documentation and make shorter registration times possible.

Medi Team's list of references, see page 46, includes a selection of scientific publications and other official reports on studies of Carisolv™.

Continuous follow-up

Clinical studies were conducted on around a hundred patients before the CE labelling of Carisolv™. The clinical studies are then supplemented by what are known as Phase IV studies, comprehensive patient follow-ups, which are conducted once a product has been launched. This is a means of obtaining information about possible low-frequency side-effects.

Medi Team has introduced a standardised system for patient follow-ups on different markets as the product is launched. This type of follow-up also makes it possible to identify any cultural differences in modes of treatment.

Regulatory requirements within the EU

To sell a medical device, the regulatory requirements in the country in question have to be met. Within the EU, there are different directives, joint agreements between EU member states which each country includes in its individual legislation. One example is the directive relating to medical devices, which has been given the designation 93/42/EEC and is generally known as the MDD (Medical Device Directive). It governs the use of Carisolv™.

Scientific council

Medi Team's scientific council includes Professors Per-Olof Glantz and Douglas Bratthall at the School of Dentistry in Malmö and Professor Jan Lindhe at the School of Dentistry in Göteborg. They each represent a specialist field in odontology and are world-famous when it comes to dental material, cariology (tooth decay) and periodontology (gum disease).

Together with the two inventors of Carisolv™, the dentists Dan Ericson and Rolf Bornstein, and Medi Team's own specialists, the company's research strategies are drawn up. The involvement of leading international researchers in the scientific council reinforces Medi Team's research programme. Future opportunities for research are identified, important questions are defined and answered and documentation of the kind of quality that is accepted in both Sweden and most other markets in the world is drawn up.

Medi Team's policy is to develop new products which help to improve dental care. Scientifically-designed clinical studies or external research programmes for existing and future products generate the documentation required by universities and other researchers. The aim is that dentists should feel secure when they use these products on their patients.

Most of the company's research resources are currently being invested in the documentation and further development of Carisolv™. The objective is to develop more effective gel, instruments and methods to comply with future requirements.

The MDD is essentially a set of rules regulating the safety and sale of medical devices within the European Community. Registration according to the MDD means that manufacturers have met the essential requirements defined in the directive and, in doing so, they are authorised to affix a CE label to those medical devices intended for sale within the European Community. A CE label is required on all medical devices sold within the EU after June 1998.

The basic requirement is that a medical device should fulfil the performance requirements relating to its intended use and, at the same time, comply with rigorous safety requirements for patients, users and others.

These important requirements also relate to design and production and to the way information from the manufacturer is to be designed in labelling and instructions for use, when it comes to the CE label, for example. Before a product can be given a CE label, a written declaration of conformity must be issued by the producer to certify that the MDD requirements have been met. Together with a technical file containing all the relevant documentation, this declaration must be made available for inspection. The technical documentation includes the results of risk analyses, design reports, clinical data and instructions for use.

According to the MDD, medical devices are put into one of the following classes: I, IIa, IIb or III, where I is the lowest risk class. The directive classification rules are based on the vulnerability of the human body and the danger represented by the product. It is the manufacturer's responsibility to assess the risk class in which the product belongs. Carisolv™ is a class 1 product which has to be registered with a notified authority; in Sweden, this is the National Board of Health and Welfare ("Socialstyrelsen"). Within the EU, no formal requirement for the involvement of notified bodies is imposed for the class to which Carisolv™ belongs. Other benefits, such as facilitating registration in countries outside the EU, nonetheless led Medi Team to allow a notified body to examine its quality system.

Regulatory requirements in the US

As Medi Team's accredited quality system includes the GMP (Good Manufacturing Practice) requirement, this facilitates registration in the US, where manufacturers of medical devices are obliged to comply with the GMP's requirements relating to instructions for production, testing, quality control and product labelling, for example. Ongoing compliance with the GMP is monitored by regular inspections by the federal authority, the Food and Drug Administration, the FDA.

Carisolv™ is classified by the FDA as a medical device.

The registration of a product in the US can be done in two ways, Premarket notification [501(k)] or Premarket approval (PMA). The first alternative may be relevant if a similar product is or has been registered in risk class I or II. If not, the other alternative is PMA, a process which takes slightly longer. An approved PMA automatically results in the product in question being classified in class III. This classification differs from the MDD's classification criteria.

When Carisolv™ was to be registered in the US, it was compared with its predecessor Caridex®. Similarities were found, but, as Caridex® was registered in class III, the requirements for a 510(k) application were not met. It was thought that re-classifying the chemo-mechanical caries removal group, in which Caridex® is included, would take a long time and Medi Team therefore decided to submit a PMA application for the registration of Carisolv™.

The PMA application for Carisolv™ was submitted in October 1999 and its reception was registered by the FDA on 10 January 2000. The time it will take to obtain a PMA is uncertain and it could take between one and two years from the application date until the examination is complete. Future competitors wishing to register similar products in the US will have to make the same choice: the re-classification or to submit a PMA application, which will result in a long processing period.

Product registration situation

Carisolv™ was registered and CE-labelled in January 1998. Carisolv™ is also registered in Liechtenstein, Norway, Switzerland, Brazil and Poland and can also be exported to Australia, Singapore, Hong Kong, South Africa and surrounding countries, New Zealand and Cyprus.

Applications for product registration have also been submitted in the USA, Japan and Russia.

Medi Team's quality system

Medi Team obtained ISO 9001 accreditation in June 1999. The certificate was issued by Lloyd's Register Quality Assurance (LRQA). ISO 9001 is the most comprehensive level of all the international quality standards within ISO 9000. Medi Team's quality system is based on the requirements in ISO 9001, as well as the additional requirements specified in EN 46001 and the international equivalent ISO 13485 relating to medical devices.

ISO 9001 accreditation proves that Medi Team works systematically on the development and assurance of quality in all its business operations. All the employees take part continuously in the development of quality programmes.

Suppliers

Medi Team's suppliers have been chosen with great care to comply with the rigorous safety requirements that are imposed on the production of medical devices.

The company's suppliers are called on regularly by Medi Team's quality assurance manager to check that their quality systems comply with the requirements specified in the MDD (Medical Device Directive) and by Medi Team itself.

Apoteket AB Produktion & Laboratorier (APL) in Göteborg has been selected to produce and package the gel. APL's long-term experience of producing pharmaceuticals and medical devices makes an important contribution in terms of skills, expertise and safety. The agreement gives APL exclusive production rights. APL has given its approval for local production by other suppliers to take place in Brazil.

APL is approved by the Swedish Medical Products Agency ("Läkemedelsverket"), which is also responsible for regular inspections of quality and safety.

Medi Team has constructed a production line on APL's premises. In 1998, it was validated and commissioned. Medi Team owns all the production equipment.

Maillefer Instruments S.A. in Switzerland and La Precision S.A. in France have been commissioned to produce instruments.

Production will be stepped up successively in connection with the introduction of the improved products on international markets in the spring of 2000.

Joint venture with Stick Tech

In November 1999, Medi Team signed an agreement with Stick Tech in Turku, Finland. This agreement is expected to produce synergies in areas including training for dentists, marketing and product development. Medi Team and Stick Tech are both Nordic development companies which are involved with unique products designed to improve dental care.

Stick Tech develops and markets Stick™, a tissue-preserving method for fibre-reinforced dental reconstructions. Both companies are in the early commercialisation phase and are aiming to reach the world's general dental practitioners.

Organisation and staff

Medi Team currently has 17 full-time employees. In addition, the company regularly commissions specialists on a consulting basis to obtain access to external networks of researchers and clinics, while keeping costs down.

The company has the following functions.

- Clinical research and regulatory affairs (3 employees)
- Investor relations, market development, marketing and sales (5 employees)
- Product development and product supply (2 employees)
- Quality assurance and environmental management (1 employee)
- Company management, finance and accounting, IT and administration (6 employees)

In 1999, some 3.5 full-time jobs were performed by consultants, first and foremost in the fields of marketing and sales and product development.

Many of the company's employees have previously had jobs in the dental industry.

Market potential

The number of carious lesions worldwide is very large. In Europe alone, it is estimated at around 200 million a year. The main applications for Carisolv™ — root caries, deep carious lesions and children's dental care — are thought to account for about half of them. If dentists were to use Carisolv™ in all 100 million of these cases and were to pay SEK 60 for each treatment (estimated average price with different types of packaging), the potential in Europe totals SEK 6 billion a year. The potential in the industrialised world as a whole is estimated at SEK 18 billion a year.

The caries situation in the developing countries is more difficult to assess, as statistics are lacking. It is, however, estimated that the potential for Carisolv™ is great. A cautious estimate is around SEK 10 billion at the very least. The people in these countries are in need of dental care, primarily elementary and inexpensive dental care. The relatively low estimated value in spite of the large population (4.5 billion) should be seen against the background of the economic situation of the vast majority of people in these countries. A cut-price alternative which is suitable for this market must first be developed.

Customers

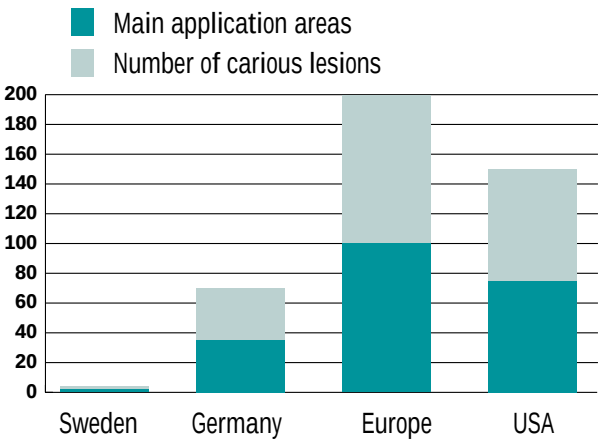
There are three groups which should be regarded as customers for Medi Team. The first comprises the distributors who purchase Carisolv™ from Medi Team. The second is the dentists who buy from the distributors and then use the method. The third group is made up of the patients who are the end users. It is natural for Medi Team to regard the dentist who performs the treatment as its principal customer. The distributor who acts as the important intermediary must, however, be given all the necessary support to reach these users. Medi Team applies a number of criteria when selecting distributors. A distributor must, for example, work without intermediaries, understand the product and present a plan for marketing and sales. Agreements usually grant exclusive rights to distribution in the individual markets and the term of agreement varies from three to five years.

The principal advantages of using distributors instead of setting up sales companies are

- the opportunity to penetrate the market rapidly,
- more extensive market coverage and
- far lower starting costs.

It goes without saying that patients are also an important target group for Medi Team. They are the people who can primarily ask for Carisolv™ and thereby give the dentist a reason for using the method. Marketing campaigns aimed at the general public call for large financial resources. If a campaign of this kind is to be profitable, the product must first be established among dentists. At present, it is not financially viable to market Carisolv™ to the general public, as the product is still only available at a minority of Swedish dentists.

Market potential
(million carious lesions/year)



Market introductions

1998-1999
Sweden, parts of Europe, Poland included

2000-2001
Europe, Japan, Brazil, Australia, South Africa, North Amerika, rest of South America, Middle East

2001-2002
Rest of Eastern Europe, South-East Asia

See also the launch plan on page 18.

Competitors

The methods that compete with Carisolv™ are methods for caries removal which are based on blasting with aluminium oxide powder or on laser technology. These methods are not as tissue-preserving as Carisolv™ and they require substantial investments, making it difficult to

obtain profitability. They could, however, complement treatment with Carisolv™.

There are other preventive methods which could affect the long-term market potential for Carisolv™ in certain parts of the world. Researchers have been working for more than 50 years to develop a caries vaccine, but it is unlikely that any effective vaccine of this type will be introduced on the market in the foreseeable future. Experiments are also in progress to prevent plaque formation leading to caries by influencing the adhesion of bacteria to the teeth. Medi Team does not, however, envisage any developments which could significantly reduce the incidence of caries in the foreseeable future.

Barriers

Experience from the market introductions of other odontological products shows how difficult it is to pass on information to dentists as a whole. The introduction of odontological products requires substantial market investments. So far, the introduction of Carisolv™ illustrates the barriers that exist when it comes to rapid market development.

It is Medi Team's objective to establish Carisolv™ as the standard method for treating caries. However, Carisolv™ represents a major change in dentists' working methods and in such cases it takes longer to change working patterns and obtain acceptance.

All these barriers can be reduced by training and informing dentists and patients.

Barriers to rapid market development

- Carisolv™ represents a conceptual change and the advantages are not immediately apparent to dentists.
- It is estimated that it takes two to three years for a new method to be accepted by dentists.
- Carisolv™ is still a relatively unknown method among patients.

Change in price situation for dentists

The introduction of *Carisolv™ in a new guise* will make the price situation during the initial phase more attractive to the dentist. The new instrument with their permanent tips will reduce

Strengths

- Powerful business concept — obvious need for tissue-preserving methods
- Impressive research results when it comes to the properties of Carisolv™
- Schools of dentistry in Europe in favour of Carisolv™
- Long experience of dentistry within the company and on the board
- Powerful national and international network of contacts
- Scientific council made up of leading Swedish odontologists
- Interest in Carisolv™ increasing the whole time
- Carisolv™ offers benefits to patients with root caries or deep cavities and for children
- Broad-based patent protection for Carisolv™
- Leading distributors of Carisolv™ on most markets

Weaknesses

- Carisolv™ calls for large-scale changes in the dentist's treatment patterns
- The advantages of Carisolv™ are not immediately apparent to dentists
- Limited resources for a major international task
- Lack of market presence
- Carisolv™ is still a relatively unknown method among patients
- As far as patients are concerned, Carisolv™ represents a price that is 10-20 per cent higher than that of conventional treatment methods

Opportunities

- International launch of *Carisolv™ in a new guise*
- Creation of an international organisation for market and product support
- University interest in including Carisolv™ in dental courses
- The Swedish public dental health service's growing interest in Carisolv™
- Caries is a world problem
- Root caries is a growing problem throughout the industrialised world
- There are about one million dentists in the industrialised world
- Developments are moving towards tissue-preserving dental care

Threats

- Product registration is being delayed in the US and Japan
- Patent infringement
- Competitors might develop a better product

the cost of a start kit for the dentist from previous SEK 6,000 to around SEK 2,000. This will facilitate the recruitement of new users. In the longer term, the sales trends could be affected favourably by the change in pricing strategy.

In the short term, Medi Team's sales revenue will be negatively affected by these new prices. Most of the company's turnover during the first few years after a market introduction is generated by the sale of start kits. A reduction in the revenue from each start kit must be compensated for by an increase in sales volume.

The new gel packaging — multimix — facilitates the daily use of Carisolv™, as the packaging can be left out for immediate use without the preparations that were required for the previous packaging, singlemix x 5. Multimix permits almost twice as many treatments, as discards of surplus gel are significantly reduced as far as the dentist is concerned. The need to discard surplus gel from singlemix created resistance to frequent use, but this problem has now been solved by multimix.

The difference in the price of treatment compared with traditional methods has decreased since the introduction of the new gel packaging and new instruments during the autumn of 1999. As far as the patient is concerned, treatment with Carisolv™ costs some 10-20 per cent more than traditional treatment methods.

Launching Carisolv™

Over the next five years, Medi Team will be concentrating on developing and commercialising Carisolv™.

Carisolv™ has been introduced in Sweden, Germany, the UK, Greece, Norway, Denmark, Poland, Portugal, Italy and Finland. The product has been available on the Swedish market for more than two years and in several countries in Europe for the past year. Dentists' reactions to Carisolv™ have provided valuable knowledge for future launches.

In the future, a local presence on important markets will be given top priority. In addition, Medi Team will be launching Carisolv™ on a number of markets outside Europe and North America over the next few years. The number of priority countries totals around 35.

An introduction takes place in several stages. The method is first established at universities, after which dentists who mould opinion are involved. When the product has been established with these groups, it is introduced to general dental practitioners using training courses, among other things.

Launches implemented and planned

Dentists	Country	Launch
6 600	Sweden	Spring -98
45 000	Germany	Autumn -98
7 000	Greece	Autumn -98
18 000	UK	Autumn -98
3 000	Norway	Autumn -98
4 500	Denmark	Spring -99
15 000	Poland	Spring -99
4 000	Portugal	Spring -99
4 000	Finland	Autumn -99
35 000	Italy	Autumn -99
6 000	Netherlands	Spring -00
5 000	Belgium	Spring -00
14 000	Spain	Spring -00
8 000	Australia	Spring -00
2 500	South Africa	Spring -00
2 000	Austria	Spring -00
110 000	Brazil	Spring/autumn -00
30 000	France	Autumn -00
3 000	Switzerland	Autumn -00
75 000	Japan	00-01
140 000	North America	00-01
	Rest of South America	00-01
	Middle East	00-01
	Rest of Eastern Europe	00-02
	South-East Asia	01-02

Training programmes

Training aimed at dentists is an important cornerstone in Medi Team's strategy for launching Carisolv™. The initial purpose of these training activities is to ensure that the dentists who start using Carisolv™ understand the method, master the technique, have reasonable expectations and pass on a correct description of the advantages and disadvantages of the method to their colleagues and patients.

Medi Team's assessment of the time scale for the launch phases

STAGE	YEAR 1	2	3
1. Universities and leading moulders of opinion evaluate Carisolv™.			
2. Clinical research programmes are designed together with specially-selected universities and/or clinics.			
3. Lecturers are recruited and trained. Training programme for dentists.			
4. Agreements are signed with specially-selected distributors.			
5. General dental practitioners are prospected.			
6. Training of dental students at universities			

Pre-launch

In Medi Team's case, this means that Carisolv™ is introduced in a country by establishing the method at universities and via lectures by dentists who are instrumental in moulding opinion and who have been involved at an early stage. The company also participates to some extent at odontological congresses in the country in question. Courses are also run on a limited scale for general dental practitioners. All the necessary preparations, in the form of product registrations, for example, are completed at an earlier stage and the product is already available for sale during the pre-launch phase.

Launch

More broad-based market prospecting of dentists, in the form of courses, direct mail, advertising and involvement in local dental events, for example, takes place at a later stage.

When Carisolv™ is launched in a country, most sales take place in connection with training until five to ten per cent of the dentists have been trained. Only then are sales using traditional methods introduced in parallel with training activities.

Market organisation

Medi Team has chosen to sell Carisolv™ via distributors. Most of these distributors are leading players on their individual markets. Distribution agreements normally grant exclusive rights for three to five years and include an annual fixed minimum sales target and an annual market plan which is drawn up jointly. These agreements also give Medi Team influence over the market strategy and divide the responsibility for training between the distributors and Medi Team. In Germany including Austria and Switzerland, the agreement with Up to dent AG has been supplemented with an agreement on a non-exclusive basis with two subsidiaries of Henry Schein Inc. Sales also take place on a non-exclusive basis in the UK.

Until now, marketing and product support has generally been managed at an overall level by a small number of employees situated centrally. This strategy makes it difficult to meet the needs of the local markets satisfactorily.

During the latter part of 1999, work began on the creation of a separate organisation for marketing and product support on local markets by commissioning local dentists and marketing experts as consultants. They are responsible for controlling distributors, university support, congresses, fairs and publications in dental journals, as well as information designed for general dental practitioners.

Activities planned in 2000-2001

1. International introduction of an improved product system — *Carisolv™ in a new guise.*
2. Establishment of local market and product organisations on the most important markets.
3. Increased market communication
   - Medi Team Scientific Service for universities (database relating to research on caries in particular)
   - The magazine *Medi Team Times* for dentists
   - Publicity via articles in local dental publications
   - Participation at dental fairs and congresses
4. More Internet activities
   - Interactive training for dentists
   - Course material for universities
   - Information for dentists
   - Information for patients
   - Press material
   - Extranet for Medi Team's distributors
5. University packages
6. Reinforced central and local market organisation

The Nordic market

The introduction of Carisolv™ began on the Swedish market during the autumn of 1997. Introductions have since taken place in Norway, Denmark and Finland.

Sweden

Carisolv™ has been on the Swedish market for two years. To date, a total of around 2,500 dentists have taken part in some form of training on treatment with Carisolv™. Most users are to be found in the public dental health service. One important reason for this is that many children are treated by this dental service.

Many Swedish dentists have still not entirely accepted Carisolv™. The most important reasons for this are their perception of treatment times, prices and limited patient demand.

The studies that have been conducted reveal that the treatment time when using Carisolv™ for the three main application areas increases compared with conventional treatment methods. However, patient surveys reveal that most of the patients treated with Carisolv™ feel that the method is faster or at least as fast as traditional methods.

The introduction of product improvements, *Carisolv™ in a new guise,* during the autumn of 1999, was accompanied by a reduction in the price of treatment. The price of the so-called start kit has also been reduced. As a result, price is no longer a decisive factor when choosing a method for treating caries.

The relatively small demand from patients is not surprising at this early stage. Patients are seldom aware of Carisolv™ and they have confidence in their dentist's choice of treatment method. In the longer term, marketing activities designed to inform the general public about Carisolv™ will create increasing demand from patients.

Dab Dental AB (DAB) sells Carisolv™ in Sweden via its extensive organisation. DAB is a dental distribution company which is part of Lifco Dental AB, one of the leading distribution companies in the Nordic area. Together, Medi Team and DAB ran a large number of information and training activities in 1999. To date, one-third of Sweden's dentists have taken an active interest in this new way of removing caries.

Medi Team is collaborating with Sweden's four schools of dentistry, all of which offer some form of training with Carisolv™.

Even though Sweden is the market on which Carisolv™ has been established for the longest period, the product has only been known and available for two years. It takes far longer for a new treatment method in the field of odontology to achieve full impact.

During the national odontological congress in October 1999, Medi Team and Carisolv™ were the subject of a great deal of interest on the part of Swedish dentists. After this congress, DAB noted a sharp increase in the number of dentists wishing to test the method.

This increasing interest continued during the final quarter of 1999 and the number of new users that were added during the period increased compared with the first three quarters of the year. During the final quarter of 1999, the order intake from new users was higher than the combined total for the first three quarters of the year.

Carisolv™ in a new guise

The dentists were particularly interested in the product improvements Medi Team introduced during the congress. This product development process has been conducted in close collaboration with a number of Swedish dentists and universities. According to the visitors, these improvements will significantly facilitate clinical work with Carisolv™, which will result in increased use.

The new products and features will be introduced on the international market during the spring of 2000.

Public dental health service

The use of Carisolv™ continues to increase in the public dental health service, which employs about half the general dental practitioners working in Sweden. Of a total of 620 public dental health clinics, more than 450 (216 at the end of the first quarter of 1999) had started using Carisolv™ by 31 December 1999, according to the Swedish distributor DAB. Of these, some 400 had placed repeat orders (150 at the end of the first quarter of 1999).

Private dental care

An increasing percentage of the private dentists who have tested Carisolv™ are placing repeat orders for gel. According to information from the Swedish distributor, more than 400 private dentists were repurchase customers on 31 December 1999. This means that more than 12 per cent of Swedish private dentists are repurchase customers at the present time.

Patient study reveals need for Carisolv™

During the autumn of 1999, Medi Team conducted a patient survey in collaboration with a private dental practitioner to document the need for Carisolv™ in dental care. This study is still in progress and the results so far reveal that 90% of the patients who have been interviewed were afraid or anxious about caries treatment; 98% of the patients felt that treatment with Carisolv™ surpassed their expectations, while 95% of the patients who had been treated with Carisolv™ said that they would not be particularly afraid or not afraid at all next time they needed caries treatment.

This study provides some guidelines for future market prospecting with Carisolv™. Similar studies are planned on every other important market.

Sweden has some 6,600 active general dental practitioners and four schools of dentistry.

Norway

In Norway, sales have been in progress since the autumn of 1998 via Scadenta A/S. Scadenta is a subsidiary of Lifco Dental AB, one of the leading Nordic dental distributors. Some twenty courses have been run under Scadenta's management. During the autumn of 1999, 100-150 dentists were using Carisolv™ and Scadenta expects the number of new users in 2000 to total around 100-150. At both the universities in Norway, Oslo and Bergen, Carisolv™ is available for dental students during their education. In the longer term, this will result in an increase in the number of users.

Norway has just over 3,000 general dental practitioners and two schools of dentistry.

Denmark

In Denmark, the product was introduced during the spring of 1999 via DanDental A/S, a subsidiary of Demedis, a leading European dental distribution company. Training activities during the spring of 1999 attracted a great deal of attention and 700-800 dentists were informed about Carisolv™ during the space of six months. Some 100 dentists have started using the method. In all probability, the reason why more dentists have not purchased Carisolv™ is that the additional costs associated with Carisolv™ cannot be charged to patients in the public insurance system in Denmark. Work has begun to bring about a change in this situation. The distributor is expecting to sell 200 Carisolv™ start kits in 2000.

Denmark has just under 4,500 general dental practitioners and two schools of dentistry.

Finland

A change of distributor took place at the beginning of 1999. As a result, the launch in Finland has been delayed and training activities and sales could not start until the autumn of 1999. Medi Team's current distributor is the dental company Oriola Oy, a member of the Orion Group. Orion is Finland's leading health care distribution company. Oriola Oy is planning to sell 150 start kits in 2000. In 1999, Carisolv™ was introduced at the three universities in Finland, Helsinki, Turku and Uleåborg.

Finland has some 4,000 general dental practitioners and three schools of dentistry.

The European market

The introduction of Carisolv™ outside the Nordic countries began in the autumn of 1998.

Local dental distributors are available for all the EU member states and Poland.

To date, the product system has been introduced in Germany, Italy, the UK, Greece, Poland and Portugal, while pre-launches have taken place in Austria, Switzerland, Spain, Belgium and the Netherlands. Preparations are in progress for an introduction in these countries and the remaining EU member states in 2000.

Germany

The German dental market, with its 45,000 active dentists and an estimated treatment level of 70 million carious lesions a year, is regarded as the largest and most important market in Europe. As a result, the introduction of Carisolv™ has been given top priority in Medi Team's market plan.

Information activities and courses have been run at a number of universities, some of which are collaborating with Medi Team on clinical trials and scientific studies. Many of them are participating in courses on Carisolv™. The University of Erlangen, which is one of the important schools of dentistry in Germany, was the first outside Sweden to sign an agreement with Medi Team to purchase Carisolv™ for student teaching. As it did in Sweden, the product system attracted a great deal of media attention in Germany. Sales began in October 1998 with a comprehensive training programme in which some 4,000 dentists have so far participated.

To increase the market prospecting in Germany, an agreement was reached in August 1999 with Henry Schein-Dentina GmbH, the German dental company in the worldwide Henry Schein Inc Group, to sell Carisolv™ on a non-exclusive basis.

The distributor, Up to dent AG, which began the launch, did not have sufficient financial strength to launch Carisolv™ according to the approved strategy. In all, the market development of Carisolv™ was delayed by more than six months on the German market.

In 1999, Henry Schein-Dentina acquired the dental company Nordenta in Germany; this company has its own market organisation. Since the end of September 1999, sales of Carisolv™ have once again been in progress on the German market.

According to the distributor Up to dent AG, a total of around 1,700 German dentists have purchased start kits and some 700 of them have placed repeat orders for gel, representing a repurchase rate of 40 per cent.

During the spring of 2000, Medi Team will also be establishing a local organisation of its own to provide market and product support, secure communication with the distributor, co-ordinate local activities and inform dentists and universities.

A number of parallel distribution channels are being considered for the German market in order to increase market coverage still further.

Germany has more than 45,000 active general dental practitioners and 28 universities and institutes with dental courses.

UK

Carisolv™ was launched in the UK during the autumn of 1998. The distributor was changed to NovaDent Ltd at the beginning of 1999, when the previous business partner Cottrell & Co was sold to another dental company in the UK. NovaDent is a company that was set up in 1999. The company's managing director previously held the same position at Cottrell & Co. This change of distributor has resulted in some delays. In spite of this, around 2,000 dentists have been trained in the method and some 500 of them have started using the product.

In addition to NovaDent, two of the leading British dental companies, Henry Schein Procare and The Dental Directory, have included Carisolv™ in their sales range, an important step when it comes to extending coverage on the British market.

The UK has some 18,000 active general dental practitioners and 12 schools of dentistry.

Poland

Polorto Sp.z.o.o. is the distributor of Carisolv™ in Poland. Polorto is a dental distribution company which has been active in Poland since 1993. Sales in Poland began with a seminar on Carisolv™ which was held in Warsaw at the end of April 1999. More than 2,200 dentists attended. Most of them have since taken part in practical training organised in collaboration with the School of Dentistry in Warsaw. Caries is regarded as a widespread disease in Poland and the number of cases of caries that are treated every year is estimated at 30–40 million. Some 400 Polish dentists purchased a start kit in 1999.

Poland has 15,000 active general dental practitioners and 10 schools of dentistry.

Italy

After Germany, the Italian dental market, with its 35,000 or so dentists, is the most important market in Europe. Medi Team began establishing Carisolv™ among universities and moulders of opinion as early as the 1997/1998 year-end. A number of follow-up meetings were held in the spring of 1999. AstraZeneca's Italian dental division is responsible for sales. The launch began in September 1999. Some 40 courses were run during the autumn and around 400 dentists purchased a start kit.

Italy has some 35,000 active general dental practitioners and 30 schools of dentistry.

Other countries

Outside Europe, Medi Team has so far signed distribution agreements with dental companies in Japan, Brazil, Australia and South Africa. Discussions are currently in progress with a number of possible distributors in North America, Eastern Europe, the Middle East and South-East Asia.

North America

The North-American dental market is the largest in the world. At the same time, it is difficult for foreign companies to penetrate the market and large-scale market activities are required. Medi Team has therefore chosen to begin by establishing a position for Carisolv™ in Europe, before introducing it in North America. A PMA (Premarket Approval) application for Carisolv™ was submit-

ted to the US authority, the FDA, at the end of 1999 and 10 January 2000 is the date of registration. This application relates to the product design singlemix with instruments. As soon as the PMA application has been approved, an addition relating to *Carisolv™ in a new guise* will be submitted. It normally takes three to six months to process an additional application. The introduction plan is to establish the previous product design at universities and among dentists who mould opinion while the additional application is being processed by the FDA. Provided that no delays occur in the registration process, the plan is to introduce *Carisolv™ in a new guise* to general dental practitioners in the USA. A number of dental companies have expressed an interest in distributing Carisolv™ in North America. Discussions are in progress and the launch is expected to get under way towards the end of 2000 or at the beginning of 2001.

The USA has some 140,000 active general dental practitioners and 50 schools of dentistry.

Japan

Preparations for the introduction of Carisolv™ in Japan have begun. However, as a result of delays in product registration, the product has still not been launched. A distribution agreement has been signed with Denics, a local dental company which is a member of the Sasaki Group, Japan's leading dental distributor. A great deal of work has been done to establish the method. A much-publicised seminar was, for example, held in Tokyo in April 1999 and attracted 1,100 delegates.

The Japanese authority has recently announced that Carisolv™ will be classified as a medical device and not as a pharmaceutical. This considerably reduces the risk that local clinical studies will be required. Denics, Medi Team's Japanese distributor, will shortly be submitting the supplementary information the Japanese authorities have requested, following their classification decision. Product registration is expected to take place early 2001, after which the launch will begin immediately. This application relates to the previous product version of Carisolv™. The planned launch will begin with the previous product version, as a totally new registration is required for *Carisolv™ in a new guise.*

Japan has some 75,000 general dental practitioners and 29 schools of dentistry.

Brazil

In Brazil, the preparations for launching Carisolv™ are well under way. A distribution agreement has been signed with the local dental company Nordic Biotech. Nordic Biotech is a small company which is well established among moulders of opinion and at universities. The product registration of Carisolv™ was approved during the spring of 1999. The work of establishing the method continued throughout 1999 and included clinical trials of the product system at a number of universities and private clinics.

The introduction will begin during the spring of 2000. Production for the South-American market will be based in Brazil and its establishment is currently being prepared.

Brazil has some 110,000 general dental practitioners and 84 schools of dentistry.

Other markets

During the spring of 1999, Carisolv™ was tested at all the universities in Australia. It aroused a great deal of interest. In Australia, Henry Schein Regional, a subsidiary of the global dental distributor Henry Schein Inc, will be responsible for sales. The same company will also market Carisolv™ in New Zealand. A pre-launch aimed at moulders of opinion and a few dentists has been initiated. The introduction for general dental practitioners is planned in the spring of 2000.

In the summer of 1999, an agreement relating to the South-African market was signed with Pharmaplan Ltd., which markets medical and dental products for companies including Yamanouchi, Ferring, Bracco and Biora. The introduction in South Africa is planned in the spring of 2000.

A number of leading dental companies have expressed an interest in marketing Carisolv™ on the markets in Eastern Europe, the Middle East, South-East Asia, Hong Kong, Korea and Taiwan.

Medi Team is planning to appoint distributors for all these markets during the next year and to begin the launch in the spring of 2001.

Risk factors

Medi Team's operations, like those of any other company, are associated with risks. A number of factors outside the company's control affect its results and financial position, as do a number of factors which the company can influence through its actions.

The following risk factors are regarded as having most impact on Medi Team's future development. They are not listed in order of importance and do not claim to be comprehensive.

Early stage of commercialisation

The market potential for Carisolv™ is large, but developments are still in the introductory commercialisation phase. There is no guarantee that Medi Team will achieve financial success.

Dependence on Carisolv™

To date, sales of Carisolv™ have accounted for the whole of Medi Team's income. Over the next five years at the very least, Carisolv™ will be the principal sales product at Medi Team. Poor sales trends for Carisolv™ could therefore have a significant negative effect on Medi Team's future prospects and financial position.

Ability to handle growth

Medi Team is planning for a period of growth both in Sweden and internationally and this imposes demands on the company's management resources and its operating and financial resources. The company will be extending its capacity for product development, distributor support and marketing and sales. This growth requires the continuous expansion of the company's management and control systems. If the company fails to handle future growth, this could have a negative impact on its results and financial position.

Competition

Even if the company's current analyses do not indicate that Carisolv™ has any competitors, the possibility cannot be excluded that alternative rival methods will be developed. This would change the conditions for Medi Team's operations and future prospects.

Decisions by the authorities

Large-scale changes in legislation and provisions in Europe or other countries could have an important negative effect on Medi Team's operations.

The company has received approval for Carisolv™ within the EU and a number of other countries both in Europe and other parts of the world, but approval has not yet been granted by the FDA in the USA or by the authorities in Japan. Medi Team has submitted a PMA application to the FDA. It normally takes the FDA six to twelve months to examine applications, but it could take longer. If the FDA rejects this PMA application, the company's chances of marketing and distributing Carisolv™ in the USA would be delayed indefinitely.

The application for approval in Japan has still not been approved. It is not possible to give any definitive time at which this approval can be expected. A rejection on the part of the Japanese authorities would delay developments in Japan indefinitely.

Research results

Until now, important studies involving Carisolv™ have been concluded with positive results.

The results of clinical and experimental studies could, however, result in setbacks for the company. This can even happen during the latter stages of clinical trials.

Negative results from clinical trials could have a negative impact on Medi Team.

Dependence on patents

The company's success will be partly dependent on its ability to obtain and protect patents. Patent protection for medical device companies can be uncertain and involve complicated legal and technical questions. There is no guarantee that the company's existing patents will provide sufficient patent protection or that they will not be circumvented by others.

Dependence on key individuals

Medi Team is dependent on a number of key individuals. Moreover, the company's future results are partly dependent on its ability to attract and retain professional management and staff for product development, marketing and sales. The loss of any of the company's key individuals would lead in the short term to negative effects on the company's financial position and results.

Dependence on distributors

Medi Team works exclusively through distributors on the Swedish and international dental market. If individual distributors fail to perform their contracted undertakings, this results in delays to product introductions. The company is attempting to reduce the risks by signing agreements with distributors with large-scale experience of the local dental market, broad-based market coverage and a good financial position.

Dependence on certain suppliers

Medi Team has agreements with only a few suppliers when it comes to the production of gel, instruments and packaging. In the short term, this could cause problems in terms of guaranteeing product supplies. The company is working successively to increase the number of suppliers who could be involved in the product supply of Carisolv™. This would reduce the risk of problems associated with product supplies.

Dental care subsidies

On most markets, patients bear the cost of their dental care themselves. In some countries, primarily in Northern Europe, there are dental care subsidies which the government or some other authority pays according to certain set rules. These subsidies can relate to certain types of patient, such as children and young people, or certain types of treatment, such as caries treatment. The way the subsidy is designed could affect the market trends for Carisolv™, as the dentist may not be able to obtain cover for any additional cost associated with Carisolv™ from the subsidy system or it may not be possible to charge the patient for any extra costs. In Denmark and the UK, for example, this means that the initial development of the market takes longer. On Medi Team's important markets — Sweden, Germany, Italy, Japan, Brazil and the USA, market developments are not restricted to any marked degree by a general subsidy system.

Company data

The company's corporate ID number is 556249-4293. The company was registered by the Swedish Patent and Registration Office on 19 September 1984 and has been running operations since that date. Its form of association is governed by the Swedish Companies Act (1975:1385).

Important agreements

In addition to the agreements described under "Transactions with related parties etc", the company has entered into important agreements with distributors and suppliers.

With a few exceptions, these distribution agreements grant exclusive rights to distribute Carisolv™ on a specified market for a period of three to five years from the time at which the introduction began. These agreements can then be extended by one-year periods. Both parties to these agreements are entitled to terminate them in the event of important infringements or in the event of changes in legal structure, company management, ownership or financial status (insolvency and so on). These agreements entitle the distributor to return any stocks in the event of the agreement being terminated by Medi Team. The price will then be Medi Team's sales price.

The agreement with Apoteket AB Produktion & Laboratorier (APL) relating to the production and packaging of gel gives APL exclusive rights to produce this gel. APL has given its permission for local production to take place in Brazil for distribution on the domestic market.

Disputes

Medi Team is not involved in any disputes, legal suits or arbitration proceedings. Nor is the Board of Directors aware of any situation which could result in legal proceedings which could affect the company's financial status to any significant degree.

Patents

Patents have been granted in eight of the total of twelve patent series for which protection for Carisolv™ has been sought. See also page 12.

Trademarks

Carisolv™ is a registered trademark in 26 countries.

Transactions with related parties etc

Medi Team's policy has so far been to limit the number of employees in the company and instead obtain the necessary additional skills and expertise on a consultancy basis in order to gain access to external networks. During the 1999 financial year, the following board members and major shareholders were linked to the company as consultants.

Christer Hedward has a consulting agreement with the company involving the design and coordination of the production of certain products. This agreement expires at the end of 2001. In 1999, Hedward received a fee of some SEK 691,200 relating to 180 days of consulting, including tax and social charges. Christer Hedward's assignment is expected to total SEK 360,000 in 2000.

The singlemix gel packaging and its outer packaging is produced by Pharma Plastic i Matfors AB. Medi Team has not entered into any delivery agreement with binding delivery times, minimum quantities and suchlike. Instead, orders are placed continuously to match requirements and cost effectiveness and price levels are checked the whole time. Medi Team, owns the moulding tools that are used to produce the packaging. Christer Hedward, who is a member of the board and a shareholder in Medi Team, owns 50 per cent of Pharma Plastic i Matfors AB. Pharma Plastic i Matfors AB was put into the hands of the receiver on 30 November 1999. This is not expected to have a negative effect on product supplies to Medi Team.

Through a consulting agreement with a company closely related to him, Rolf Bornstein has been commissioned to take responsibility for services relating to the clinical and experimental development, testing and documentation of treatment methods. His fee for 1999 totalled SEK 648,000 plus VAT, including tax and social charges. Rolf Bornstein's assignment is expected to be on much the same scale in 2000.

Medi Team has entered into an agreement with the Faculty of Odontology at the University of Malmö involving development work under the leadership of Dan Ericson. Dan Ericson's area of responsibility comprises the clinical and experimental development, testing and documentation of treatment methods. His fee for 1999 totalled SEK 422,400 plus VAT, including tax and social charges. Dan Ericson's assignment is expected to total SEK 540,000 in 2000.

Valdemar Mota is employed by Medi Team and is responsible for market development. He owns 50 per cent of the Portuguese company Denti Team Comercializacao de Productos Dentarios, a company with which Medi Team has entered into a distribution agreement relating to Portugal, and, together with related parties, 41 per cent of Medi Team Productos y Servicios Dentales S.L, with which Medi Team has entered into a distribution agreement relating to Spain. According to Medi Team's internal instructions, the agreements between Medi Team and these companies must always be approved by Medi Team's managing director. Valdemar Mota does not play an active role in either of these companies.

Apart from the above transactions, no board members or leading executives have been directly or indirectly involved in any business transaction which is unusual in character or in terms of its conditions.

Medi Team has not issued any loans, made any commitments nor issued any guarantees or sureties in favour of board members, leading executives or auditors.

Remuneration to the Board of Directors and management

In addition to the above-mentioned consulting fees, fees totalling SEK 240,000 were paid to members of the Board in 1999 and were distributed as follows. Leif Ek, the chairman of the board, received SEK 140,000, while Hans Biörck received SEK 100,000. Claes Holmberg is employed by the company and was paid a salary. The other board members did not receive any board fees.

A salary of SEK 1,072,179 and a car benefit of SEK 68,473 were paid to the company's President, Claes Holmberg.

Remuneration to external auditors for auditing the company totalled SEK 140,000 during the 1999 financial year.

Pension terms

The managing director is covered by pension terms corresponding to the ITP (supplementary pensions for salaried employees) plan.

Notice and severance pay

The managing director has a period of notice of six months. Should he be given notice by the company, the period of notice is 18 months.

Insurance

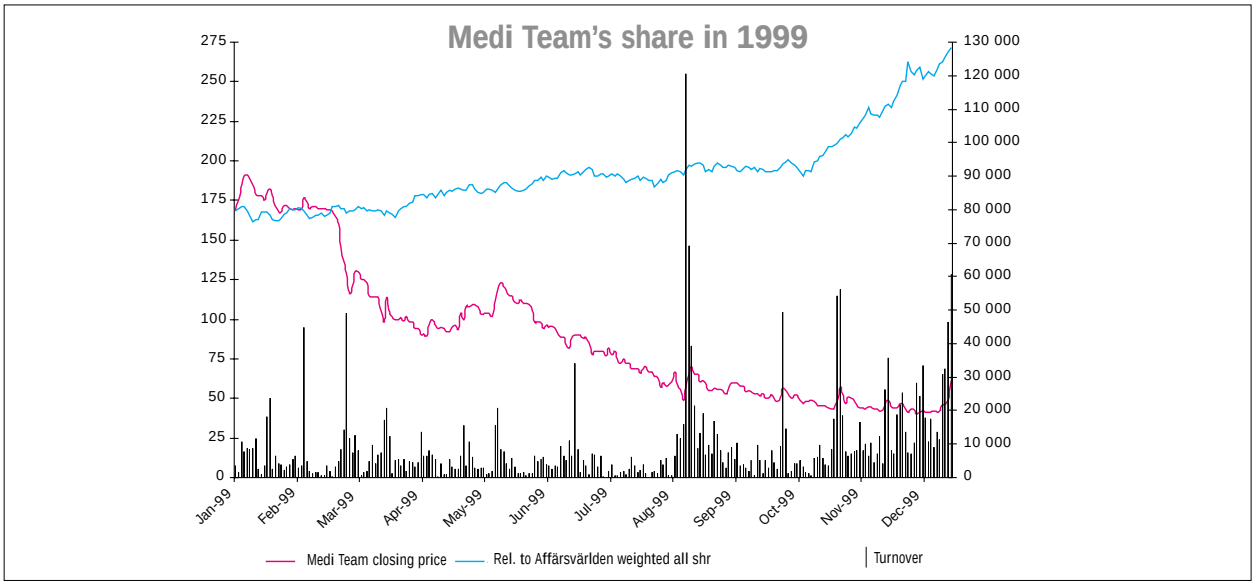
The company has the customary business insurance, including product liability coverage. This product liability coverage applies worldwide, with the exception of the US and Canada. The company's insurance protection is reviewed at regular intervals. The company feels that its business insurance matches the current scope of operations.

Ownership structure and share capital

Ownership structure

According to information received from VPC the largest shareholders on 31/12/1999 were as follows:

Shareholder	Number of shares	Percentage of capital and votes, %
Abucosa Investment B.V. (Christer Hedward)	310 800	9.42
Länsförsäkringar Wasa Liv	167 850	5.09
KPA Pensionsförsäkring AB and KPA Livförsäkrings AB	114 400	3.47
Dan Ericson	113 700	3.45
Deutsche Bank AG, Frankfurt	108 659	3.29
Rolf Bornstein	108 150	3.28
Banco Småbolagsfond	100 000	3.03
Biolin Medical AB	100 000	3.03
Deutsche Börse Clearing AG	87 184	2.64
Leif Ek, incl. company	74 700	2.26
Jan Thorell, incl. company	69 500	2.11
Jan Sandström	59 750	1.81
Praktikerinvest AB	55 900	1.69
Länsförsäkringar Gävleborg	55 600	1.68
Euroclear	52 360	1.59
Fredrik Boestad	51 000	1.55
Claes Holmberg, incl. company	49 500	1.50
Wasa Wood AB	45 300	1.37
Bo Boestad	45 000	1.36
2,668 other shareholders	1 530 647	46.38
Total	3 300 000	100.00



Medi Team's share

Medi Team's shares have been quoted on the Stockholm Stock Exchange's O list (list of unofficially registered equities) since 3 June 1998. The share had previously been quoted on the Stockholm Stock Exchange's New Market list since March 1998 and, prior to that, on Stockholm Börsinformation (SBI) since 22 April 1997.

At the end of December 1999, the closing price paid was SEK 61 per share. During the period 1 January – 31 December, 2,302,176 shares were bought and sold.

The figure shows the price development for Medi Team shares as well as the number of shares bought and sold in 1999 and the Affärsvärlden's general index. The price for Medi Team's share is the closing price paid on each day of trading.

Share capital

The share capital totals SEK 1,650,000 divided between 3,300,000 shares. The par value of the shares is SEK 0.50. Each share entitles the owner to one vote. At general shareholders' meetings, each person entitled to vote can vote for the entire number of shares he/she owns and/or represented on his/her behalf, with no restriction in the number of votes. All the shares entitle the owner to the same share in the company's assets and profits.

Since the company was set up in 1984, the share capital has changed as follows:

Year	Transaction	Increase in number of shares	Increase in share capital	Total share capital	Number of shares	Par value of each share
1984	Formation	500	50 000	50 000	500	100.00
1996	Bonus issue	4 500	450 000	500 000	5 000	100.00
1996	New issue	5 000	500 000	1 000 000	10 000	100.00
1997	Split 200:1	1 990 000	0	1 000 000	2 000 000	0.50
1997	New issue	1 000 000	500 000	1 600 000	3 000 000	0.50
1999	New issue	200 000	100 000	1 600 000	3 200 000	0.50
1999	New issue	100 000	50 000	1 650 000	3 300 000	0.50

Subscription options and convertible debenture loan

In 1998, Medi Team issued 98,000 option rights to employees, board members and certain consultants who are associated with the company on a regular basis. Each option right entitles the owner to subscribe to one new share at a price of SEK 419 during the period 16 – 30 January 2001. Following redemptions in 1999, 15,500 options still remain in this programme.

In 1999, a further 104,500 option rights were issued to the above-mentioned persons. Each option right entitles the owner to subscribe to one new share in the company during the period 15 September – 15 November 2001. These rights were issued in two series, A and B. The subscription price for option rights in Series A (6,700 options) is SEK 192, whereas the subscription price for the rights in Series B (97,800 options) is SEK 154.

Convertible promissory notes worth the par sum of SEK 10 M were issued during the autumn of 1999. Conversion can take place during the period 24 August 1999 – 1 October 2001 at a price of SEK 57. After full conversion, the company will issue 175,438 shares. These convertible promissory notes carry an annual rate of interest of three per cent. On 8 February 2000, the owner of the convertible, Livförsäkrings AB Skandia, requested conversion to shares.

Distribution of shares

At the end of the year, the number of shares was virtually the same as it was at the end of 1998.

On 31 December 1999 the distribution of shares in terms of the size of shareholdings and the number of shareholders was as follow:

Size class	Number of shareholders	%	Number of shares	%
1–500	2 137	79.51	336 807	10.21
501–1 000	293	10.90	255 055	7.73
1001–2 000	121	4.50	202 896	6.15
2 001–5 000	79	2.94	267 402	8.10
5 001–10 000	22	0.82	155 652	4.72
10 001–20 000	9	0.33	124 950	3.79
20 001–50 000	11	0.41	331 620	10.05
50 001–100 000	10	0.37	705 994	21.39
100 001–	6	0.22	919 624	27.86
Total	2 688	100.00	3 300 000	100.00

Board of directors and auditors

Leif Ek

Hans Biörck

Rolf Bornstein

Christer Hedward

Jan Thorell

Claes Holmberg

Leif Ek, born 1940
Chairman of the board since 1996
Honorary doctor of odontology, graduate engineer, MBA
Previously president of Nobelpharma (currently Nobel Biocare)
Chairman of the board of Boule Diagnostics International AB.
Member of the board of addVise inredning skyddsventilation AB, Biolin Medical AB, IM InnovationsMäklarna AB, BST Blood Saving Technologies AB and PolyOhm AB.
Shareholding incl. company: 74,700 shares and 2,500 options[1].

Hans Biörck, born 1951
Member of the board since 1998
Chief Financial Officer, Autoliv Inc.
Member of the Board of ACSC AB.
Shareholding: 0 and 0 options[1].

Rolf Bornstein, born 1953
Member of the board since 1996
Dentist, Department of Clinical Oral Diagnostics, School of Dentistry, Karolinska Institute, Huddinge.
Shareholding: 108,150 shares and 2,500 options[1].

[1] As per 2000-01-30

Auditors

The company's auditor since 1996 is Anders Wiger, born 1951
Authorised Public Accountant, Ernst & Young AB.

Deputy auditor is Leif Lindqvist, born 1942
Authorised Public Accountant. Ernst & Young AB.
Leif Lindqvist was the company's auditor in 1985–1998.

Christer Hedward, born 1941
Member of the board since 1985
Member of the board of Pharma Plastic i Matfors AB (put into the hands of the receiver on 30 November 1999)
Shareholding incl. company: 310,800 shares and 2,500 options[1].

Jan Thorell, born 1934
Member of the board since 1996
Associate professor, MD. Member of the board of Alpha Helix AB, Biolin Medical AB, Cavidi Tech AB, BST Blood Saving Technologies AB and SCS Medicinproject AB.
Previously head of research at Ferring Läkemedel AB and Pharmacia Diagnostics AB.
Shareholding incl. company: 63,500 shares and 2,500 options.[1].

Claes Holmberg, born 1954
President of Medi Team and member of the board since 1996.
Ph.D. Previously vice president of Nobelpharma (currently Nobel Biocare).
Chairman of the board of Linde Maskiner AB and of the Foundation for Strategic Research Programmes for Biocompatible and Polymer Materials.
Member of the board of Biolight International AB, BST Blood Saving Technologies AB, Q-Sence AB, Biolin Medical AB, Integration Diagnostics Ltd and the Department of Physics at Chalmers university of Technology.
Shareholding incl. company: 49,500 shares and 10,000 options[1].

Leading executives

Standing left to right: Roy Jonebrant, Claes Holmberg, Valdemar Mota and Lennart Carlsson.
Sitting left to right: Annette Ravenshorst, Lars Bergman and Irene Herrmann.

Claes Holmberg, born 1954
Employee since 1996
President
Shareholding incl. company: 49,500 shares and 10,000 options[1].

Lars Bergman, born 1950
Employee since 1998
Sales and training
Shareholding: 0 shares and 5,000 options[1].

Lennart Carlsson, born 1955
Employee since 1998
Product development and product supply
Shareholding: 300 shares and 5,000 options[1].

Irene Herrmann, born 1950
Employee since 1997
Clinical research and regulatory affairs
Shareholding: 450 shares and 5,000 options[1].

Roy Jonebrant, born 1956
Employee since 1998
Finance and administration
Shareholding: 700 shares and 5,000 options[1].

Valdemar Mota, born 1943
Employee since 1997
Marketing development
Shareholding: 0 shares and 5,000 options[1].

Annette Ravenshorst, born 1968
Employee since 1999
Investor relations and marketing communications
Shareholding: 0 shares and 5,000 options[1].

Thomas Stjernkvist, born 1965
Employee since 1998
Quality assurance and environmental management
Shareholding: 0 shares and 5,000 options[1].

[1] As per 2000-01-30

Clinical research and advice

Dan Ericson, born 1953

Dentist, associate professor, School of Dentistry in Malmö.
Together with Rolf Bornstein responsible for clinical development at Medi Team.
Shareholding: 113,700 shares and 2,500 options[1].

The Board of Directors and the President of Medi Team Dentalutveckling i Göteborg AB (publ), corporate ID number 556249-4293, hereby submit their annual report for the 1999 financial year.

Operations

Medi Team is involved in the development and sale of articles for dental use. The company has developed Carisolv™, an alternative and, compared with drilling, less traumatic method for removing carious lesions from tooth tissue.

Market and sales

At the beginning of 1999, it was felt that sales of SEK 35 M were possible in 1999 and that the company would start generating a profit from 2000. However, the market trends in 1999 failed to maintain the tempo that had been predicted one year earlier. The delays relate primarily to Germany and Japan. In Germany, the distributor Up to dent AG did not have the financial strength to complete the planned launch of Carisolv™. In Japan, the product registration has been delayed. Turnover during the 1999 financial year increased by 36% compared with 1998 to total SEK 11.3 million.

On the Swedish market, sales during the first nine months of the year were lower than during the corresponding period in 1998. It was not until the final quarter that sales once again accelerated as a result of product improvements and an increase in new sales following the national odontological congress in October 1999. The repurchase rate increased successively in 1999 and, at the end of the year, some 12 per cent of the country's private dentists were repurchase customers. When it came to the public dental health clinics, more than 60 per cent were repurchase customers at the end of 1999.

Delays in market development on the important German market were due primarily to financial problems encountered by the distributor Up to dent AG. In August, an agreement was reached with Henry Schein-Dentina GmbH, a member of the worldwide dental group Henry Schein Inc, to sell Carisolv™ on a non-exclusive basis. In all, it is estimated that this change of distributor resulted in a delay of at least six months to anticipated sales developments. Sales in Germany fell in 1999 to SEK 2.6 million, compared with SEK 3.9 million in 1998.

Sales trends were also affected negatively by the delay in product registration in Japan.

In the rest of Europe, Carisolv™ was launched in Denmark, Poland, Portugal, Italy and Finland in 1999. To date, the sales trends in Poland and Italy have been favourable and sales in these countries totalled SEK 4.2 million.

A pre-launch has started in Australia and New Zealand. The launch in Brazil is being prepared for the spring of 2000.

Carisolv™ in a new guise was introduced on the Swedish market in October 1999. A number of foreign distributors are delaying their market activities until the international launch of product improvements takes place in the spring of 2000.

Results

The loss for 1999 totalled SEK -26.3 M (SEK -20.1 M). Compared with the forecast loss of SEK 10 M, which was made in the 1998 annual report, SEK 1.9 M is related to the write-down of claims against the German distributor Up to dent AG and SEK 2.4 M to the write-down of inventories. Inventories were written down as a result of product modifications and a change in market strategy. The remainder of the deviation in forecast can be mainly attributed to reductions in sales volume.

Research and development

During the year, SEK 9.3 M was invested in research and development. In accordance with the company's accounting principles, these expenses were directly expensed and thus not capitalised in the balance sheets.

Carisolv™ in a new guise has been introduced on the Swedish market. Carisolv™ gel multimix is a new packaging in the form of a twin syringe. This twin syringe enables the dentist to use only the gel that is needed for each individual treatment. In addition, the gel no longer needs to be kept in the refrigerator during the day. New hand instruments with permanent tips have been developed.

The results of clinical trials and patient follow-ups reveal that Carisolv™ is a safe and effective method for the removal of dentine caries. The reference list at the end of the year comprised 26 scientific publications.

At the end of the year, research and clinical trials involving Carisolv™ were in progress at some 30 universities in Europe, Japan, Brazil, Argentina and Australia.

To date, Carisolv™ has been included in the dental courses at 15 universities in Europe.

Product registrations

During the year, the company submitted a PMA application for Carisolv™ to the US authority, the FDA. In Japan, an application for registration was submitted back in 1998 . Registrations were approved during the year in Singapore, Poland, Brazil, Hong Kong and Cyprus.

New distribution agreements

In Germany, a non-exclusive agreement has been signed with two subsidiaries of Henry Schein Inc. Agreements have also been reached in Australia and New Zealand with a company in the Henry Schein Group.

On the Italian market, a distribution agreement has been entered into with AstraZeneca's Italian sales company.

The distribution of Carisolv™ in Brazil and Argentina will be organised by Nordic Biotech, a small Brazilian dental company which is very well-established among moulders of opinion within dentistry and at universities.

A change of distributor took place during the year in Finland and the UK.

Investments

In 1999, the company's investments in tangible fixed assets totalled SEK 0.5 M. The filling machine purchased in 1998 (SEK 3.0 M) has been in operation since 1 January 1999.

During the year, the rights to the "Carisolf" brand name were acquired for SEK 0.6 M. This acquisition means that Medi Team is now able to use the Carisolv™ brand name in Germany.

Expenditure on research and development, which is written off in its entirety, is commented on above.

Environment

The company runs no operations for which a permit must be applied or which must be reported to the authorities in accordance with Chapter 9 § 6 of the Environmental Code (1998:808).

Liquidity and financial position

On 31 December 1999, liquid assets totalled SEK 20.1 M (SEK 21.7 M). During the year, a directed issue of shares and convertible promissory notes totalling SEK 25 M was floated for institutional investors.

The Board's work in 1999

During the year, the board met 10 times. The Board's work follows a set working agenda and the President's work is regulated by separate instructions. During the year, the Board spent a great deal of time following sales trends and the company's financial situation. The Board did not appoint any committees or working parties. To ensure that the Board's information requirements are met, the company's auditor attends one board meeting every year. He then reports on the observations he has made while examining and evaluating the company's internal controls.

Organisation and staff

At the present time, the organisation comprises 17 members of staff and now covers all the important areas: clinical research and regulatory affairs, product development and product supply, quality assurance and environmental management, marketing and investor relations, sales and market development and finance and accounting, administration and IT.

Important events after the end of the financial year

On 21 January 2000, Medi Team's Board of Directors, with the support of the authorisation granted by the extraordinary general meeting on 8 December 1999, decided to increase the company's share capital via a new share issue with preferential rights for existing shareholders of no more than 3,475,438 new shares, as a result of which the number of new shares which could be added through conversion will total no more than 175,438. The issue price was set at SEK 40 per share. On 8 February 2000, the owner of the convertible, Livförsäkrings AB Skandia, requested full conversion. The new share issue, if it is fully subscribed to, will generate a maximum sum for Medi Team of SEK 128 M after issue costs.

Future prospects

The company's future prospects are analysed under headings including "President's statement" and "Market" in this annual report.

Proposed allocation of the loss for the year

The following sum is at the disposal of the AGM:

Loss for the year SEK -26,328,752.

The Board of Directors and the President propose that the loss should be dealt with by reducing the share premium reserve by the corresponding sum.

Annual General Meeting

The board proposes that no dividend should be distributed for the financial year.

The AGM will be held in Göteborg on 18 April 2000.

Overview	1999	1998	1997	1996	1995
Net turnover, SEK k	11 256	8 325	1 506	0	0
Operating income, SEK k	-26 918	-21 513	-10 142	-3 153	-120
Research and Development, SEK k	-9 291	-7 948	-3 063	-605	-108
Balance sheet total, SEK k	34 823	36 429	52 975	9 005	1 040
Net liabilities, SEK k	-10 070	-21 667	-49 231	-8 049	192
Equity, SEK k	19 160	30 842	49 933	8 585	538
Return on equity, %	-105.3	-49.7	-29.6	-64.7	-39.9
Return on total capital, %	-73.6	-44,4	-27.9	-55.0	-13.7
Equity/assets ratio, %	55.0	84.7	94.3	95.3	51.7
Average number of employees	17	13	2	1	0

Data per share[1]	1999	1998	1997
Average number of shares	3 075 000	3 000 000	2 750 000
Number of shares at year-end	3 300 000	3 000 000	3 000 000
Profit per share, SEK[2]	-8.56	-6.69	-3.15
Equity per share, SEK[2]	5.81	10.28	16.64
Market price, SEK	61	170	310
P/E ratio	neg	neg	neg

[1] The company was listed in 1997, which explains why no data are presented for previous years.

[2] After full dilution: profit per share SEK -7.81 and equity per share SEK 5.33 in 1999.

Definitions on page 39.

Profit and loss accounts

SEK	Note	01/01/1999 31/12/1999	01/01/1998 31/12/1998	01/01/1997 31/12/1997
OPERATIING INCOME	Note			
Net turnover	1	11 255 689	8 324 810	1 505 875
Cost of goods sold		-2 616 842	-2 529 250	-604 588
Gross income		8 638 847	5 795 560	901 287
OPERATING EXPENSES	2			
Sales expenses	3	-12 248 112	-10 608 917	-1 733 344
Administration expenses	4	-9 526 387	-8 725 275	-4 182 539
Research and development costs		-9 291 237	-7 947 779	-3 063 492
Write-down of inventories and accounts receivables		-4 297 145	0	0
Other operating income		305 870	0	0
Other operating expenses		-500 000	-26 760	-2 064 061
Total		-35 557 011	-27 308 731	-11 043 436
Operating income		-26 918 164	-21 513 171	-10 142 149
RESULT FROM FINANCIAL INVESTMENTS				
Interest income and similar financial items	5	696 238	1 677 299	1 493 382
Interest expense and similar financial items	6	-106 826	-235 639	-2 264
Total		589 412	1 441 660	1 491 118
RESULT FOR THE YEAR		-26 328 752	-20 071 511	-8 651 031

Balance sheets

SEK		31/12/1999	31/12/1998	31/12/1997
ASSETS	Note			
FIXED ASSETS				
INTANGIBLE FIXED ASSETS				
Patents	7	270 000	315 000	360 000
Trademark	8	534 333	0	0
		804 333	315 000	360 000
TANGIBLE FIXED ASSETS				
Machinery and other technical fixed assets	9	2 462 864	3 046 480	0
Equipment and installations	10	1 996 516	2 362 569	608 274
Advance payment to suppliers		183 010	0	0
		4 642 390	5 409 049	608 274
FINANCIAL FIXED ASSETS				
Participation in affiliated companies	11	9 497	9 497	0
		9 497	9 497	0
Total fixed assets		5 456 220	5 733 546	968 274
CURRENT ASSETS				
INVENTORIES				
Finished goods and goods for resale		2 200 151	4 301 376	43 225
		2 200 151	4 301 376	43 225
CURRENT RECEIVABLES				
Accounts receivable		4 406 678	3 435 161	860 845
Other receivables	12	610 797	786 316	1 852 751
Prepaid expenses and accrued income		2 079 053	506 078	18 640
		7 096 528	4 727 555	2 732 236
MARKETABLE SECURITIES	13	0	12 338 549	43 324 606
CASH AND BANK BALANCES		20 069 823	9 328 434	5 906 363
Total current assets		29 366 502	30 695 914	52 006 430
TOTAL ASSETS		34 822 722	36 429 460	52 974 704

SEK		*31/12/1999*	*31/12/1998*	*31/12/1997*
EQUITY AND LIABILITIES	Note			
EQUITY	14			
RESTRICTED EQUITY				
Share capital		1 650 000	1 500 000	1 500 000
Share premium reserve		43 833 371	49 408 632	57 079 663
Statutory reserve		5 000	5 000	5 000
		45 488 371	50 913 632	58 584 663
ACCUMULATED LOSS				
Result for the year		-26 328 752	-20 071 511	-8 651 031
		-26 328 752	-20 071 511	-8 651 031
Total equity		19 159 619	30 842 121	49 933 632
LONG-TERM LIABILITIES				
Convertible debenture loan	15	10 000 000	0	0
Total long-term liabilities		10 000 000	0	0
CURRENT LIABILITIES				
Accounts payable		1 972 385	3 639 550	2 367 993
Other liabilities		243 483	262 419	141 481
Accrued expenses	16	3 447 235	1 685 370	531 598
Total current liabilities		5 663 103	5 587 339	3 041 072
TOTAL EQUITY AND LIABILITIES		34 822 722	36 429 460	52 974 704
CONTINGENCIES AND COMMITMENTS				
PLEDGED ASSETS		none	none	none
CONTINGENT LIABILITIES				
Other contingent liabilities		85 792	153 555	0

Cash flow analyses

SEK	01/01/1999 31/12/1999	01/01/1998 31/12/1998	01/01/1997 31/12/1997
CURRENT OPERATIONS			
Operating income	-26 918 164	-21 513 171	-10 142 149
Adjustment for items not included in cash flow			
Depreciation	1 438 366	430 806	71 682
Write-down of inventories	2 411 184	0	0
Write-down of accounts receivables	1 885 962	0	0
Interest received	1 132 494	2 648 061	666 261
Interest paid	-6 826	-176 701	-2 264
Tax paid	-37 576	0	0
CASH FLOW FROM CURRENT OPERATIONS BEFORE CHANGES IN WORKING CAPITAL	-20 094 560	-18 611 005	-9 406 470
CHANGES IN WORKING CAPITAL			
Change in inventories	-309 959	-4 258 151	-43 225
Increase in receivables	-4 653 615	-3 025 019	-1 361 833
Change in current liabilities	-24 236	2 546 267	2 620 606
Cash flow from current operations	**-25 082 370**	**-23 347 908**	**-8 190 922**
INVESTMENT OPERATIONS			
Acquisition of participation in affiliated companies	0	-9 497	0
Acquisition of tangible fixed assets	-519 067	-5 186 581	-627 544
Acquisition of intangible fixed assets	-641 973	0	0
Cash flow from current investment operations	**-1 161 040**	**-5 196 078**	**-627 544**
FINANCIAL OPERATIONS			
Options	396 250	980 000	0
New share issue	14 250 000	0	50 000 000
Convertible debenture loan	10 000 000	0	0
Cash flow from investment operations	**24 646 250**	**980 000**	**50 000 000**
Cash flow for the year	**-1 597 160**	**-27 563 986**	**41 181 534**
Liquid assets at start of year	**21 666 983**	**49 230 969**	**8 049 435**
Liquid assets at year-end Note below	**20 069 823**	**21 666 983**	**49 230 969**

Note Liquid assets at year-end

Cash and bank balances	20 069 823	9 328 434	5 906 363
Marketable securities	0	12 338 549	43 324 606
	20 069 823	21 666 983	49 230 969

Accounting principles

Accounting principles

The accounts are prepared in accordance with Swedish accounting principles. The principles set forth in the Recommendations of the Swedish Financial Accounting Standards Council are followed.

Receivables and liabilities in foreign currency and currency gains and losses

The company's income is primarily invoiced in SEK, as well as costs and expenses. The effects of currency changes are small.

Receivables and liabilities in foreign currency are valued according to the Recommendation no. 8 of the Swedish Financial Accounting Standards Council.

Fixed assets

Fixed assets are valued at historical cost reduced by accumulated depreciation. Depreciation according to plan is based on estimated economic life. The annual depreciation is based on the following estimations of economic life:

Patents	10 years
Trademark	5 years
Machinery and equipment	5 years
Installations	3 years

Leasing

The company has no financial leases except contracts concerning cars and some office equipment. Costs are immediately expensed and amount to (SEK):

1997	167 824
1998	658 672
1999	890 800

The remaining leasing charges are itemised below by year of payment due (SEK):

2000	839 525
2001	430 924
2002	71 336
later than 2002	10 900

Inventories

In accordance with the Recommendation no. 2 of the Swedish Financial Accounting Standards Council inventories are posted at the lower of cost in accordance with the first-in, first-out method (FIFO) or net realisable value.

Marketable securities

Marketable securites are in accordance with the Annual Accounts Act valued at the lower of cost or market value.

Liquid assets are according to the company's policy placed in Swedish interest-bearing securities with low risk. A small part, approximately 10 per cent, can be placed in shares listed on the A-list of the OM Stockholm Stock Exchange.

Taxes

At present the company pays no income tax due to losses. Medi Team has an unutilised loss carry forward of SEK 29 M. This is expected to be augmented by an additional SEK 26 M from the 1999 financial year.

Investments in product development

All expenditures in product development are directly expensed and thus not capitalised in the balance sheet.

Definitions

Net liability

Interest-bearing liabilities minus interest-bearing assets. Using this definition, a negative net liability means that interest-bearing assets exceed interest-bearing liabilities.

Return on equity

The result after tax in relation to average equity.

Return on total capital

The result after net interest income/expense plus financial expense as a percentage of the average balance sheet total.

Equity/assets ratio

Equity as a percentage of balance sheet total.

Profit per share

The result after tax in relation to the average number of outstanding shares.

Equity per share

Equity on closing day in relation to the number of shares on closing day.

Note 1 Distribution of net turnover

	1999	1998	1997
Sweden	1 364 766	2 932 215	1 505 875
Nordic countries, excl. Sweden	889 590	365 724	0
Europe, excl. Nordic countries	7 398 876	5 026 871	0
Other markets	1 602 457	0	0
Total	11 255 689	8 324 810	1 505 875

Note 2 Personnel

AVERAGE NUMBER OF EMPLOYEES:	1999	1998	1997
Men	9	6	1
Women	8	7	1
	17	13	2
SALARIES AND OTHER REMUNERATION:			
Board of directors	240 000	143 325	0
President	1 072 179	1 213 197	832 861
Other employees	7 538 431	6 726 230	872 094
	8 850 610	8 082 752	1 704 955
PAYROLL OVERHEADS:			
Pension expenses for the president	284 118	256 494	120 963
Pension expenses for other employees	838 724	605 163	75 669
Social security charges according to legislation and agreements	2 811 515	2 376 908	516 686
	3 934 357	3 238 565	713 318

See page 27 concerning conditions of employment etc.

Note 3 Royalties

Royalties to NUTEK (Swedish National Board for Industrial and Technical Development) are set at 3 per cent of direct sales and 21 per cent of licensing rights, one-off fees and similar transactions. When royalties of SEK 570,000 have been paid, the percentages will be reduced to 0.5 per cent and 3.5 per cent respectively. NUTEK's entitlement to royalties expire on 31 December 2002. By 31 December 1999 royalties of 570,000 have been paid and the lower percentages will be charged during 2000–2002.

Note 4 Remuneration to the auditor

Remuneration to the auditor and accounting firm were as follows:

	1999	1998	1997
Audit and consultations concerning observations during the audit	140 000	140 000	80 000
Independent consultations by Ernst & Young AB	118 000	111 000	11 000
Total	258 000	251 000	91 000

Note 5 Interest income and similar financial items

	1999	1998	1997
Interest income	660 509	1 640 149	1 493 382
Capital gain on the sales of shares	35 729	0	0
Dividends	0	37 150	0
Total	696 238	1 677 299	1 493 382

Note 6 Interest expense and similar financial items

	1999	*1998*	*1997*
Interest expense, convertible debenture loan	100 000	0	0
Capital loss on the sales of shares	0	162 024	0
Write-down of shares	0	58 938	0
Interest expense, others	4 689	9 960	949
Other financial expenses	2 137	4 717	1 315
Total	106 826	235 639	2 264

Note 7 Patents

	31/12/1999	*131/12/1998*	*31/12/1997*
Acquisition value	450 000	450 000	450 000
Opening accumulated depreciation	-135 000	-90 000	-45 000
Depreciation for the year	-45 000	-45 000	-45 000
Closing accumulated depreciation	-180 000	-135 000	-90 000
Book value	270 000	315 000	360 000

Note 8 Trademark

	31/12/1999	*31/12/1998*	*31/12/1997*
Purchases	641 973	0	0
Closing acquisition value	641 973	0	0
Depreciation for the year	-107 640	0	0
Closing accumulated depreciation	-107 640	0	0
Book value	534 333	0	0

Note 9 Machinery and other technical fixed assets

	31/12/1999	*31/12/1998*	*31/12/1997*
Opening acquisition value	3 046 480	0	0
Purchases	34 617	3 046 480	0
Closing acquisition value	3 081 097	3 046 480	0
Opening accumulated depreciation	0	0	0
Depreciation for the year	-618 233	0	0
Closing accumulated depreciation	-618 233	0	0
Book value	2 462 864	3 046 480	0

Note 10 Equipment and installations

	31/12/1999	31/12/1998	31/12/1997
Opening acquisition value	2 817 705	677 604	50 060
Purchases	301 440	2 140 101	627 544
Closing acquisition value	3 119 145	2 817 705	677 604
Opening depreciation	-455 136	-69 330	-42 648
Depreciation of the year	-667 493	-385 806	-26 682
Closing accumulated depreciation	-1 122 629	-455 136	-69 330
Book value	1 996 516	2 362 569	608 274

Note 11 Participation in affiliated companies

	Percentage of capital	Percentage of votes	Number of participations	Book value
Medi Team Productos y Servicios Dentales S.L.	25%	25%	125	9 497
Information on the affiliated company's corporate ID number and head office:		Corporate ID number		Head office
Medi Team Productos y Servicios Dentales S.L.		B-81856502		Madrid, Spanien

Note 12 Other receivables

	31/12/1999	31/12/1998	31/12/1997
Income taxes recoverable is included with	37 576	0	0

Note 13 Marketable securities

	Book value 31/12/1999	Book value 31/12/1998	Book value 31/12/1997
Listed Swedish shares	0	262 000	2 520 849
Bond loans	0	12 076 549	40 803 757
Total	0	12 338 549	43 324 606

Note 14 Change in equity

	Share capital	Share premium reserve	Statutory reserve	Retained earnings	Result for the year	Total
Opening balance 01/01/1997	1 000 000	10 500 000	5 000	32 818	-2 953 155	8 584 663
New share issue	500 000	49 500 000				50 000 000
Allocations in 1996		-2 920 337		-32 818	2 953 155	0
Result for the year 1997					-8 651 031	-8 651 031
Closing balance 31/12/1997	1 500 000	57 079 663	5 000	0	-8 651 031	49 933 632
Options		980 000				980 000
Allocations in 1997		-8 651 031			8 651 031	0
Result for the year 1998					-20 071 511	-20 071 511
Closing balance 31/12/1998	1 500 000	49 408 632	5 000	0	-20 071 511	30 842 121
Options		396 250				396 250
New share issue	150 000	14 100 000				14 250 000
Allocations in 1998		-20 071 511			20 071 511	0
Result for the year 1999					-26 328 752	-26 328 752
Closing balance 31/12/1999	1 650 000	43 833 371	5 000	0	-26 328 752	19 159 619

Number of shares	3 300 000
Par value (SEK)	0.50

Subscription options

The company has, in accordance with the decision of the extra ordinary general meeting on 12 January 1998, issued 98,000 unsecured debentures with detachable subscription options. Subscription to these debentures was open to employees and members of the board of Medi Team as well as certain consultants who are associated with the company on a regular basis. Each option right entitles the owner to subscribe to one new share at a price of SEK 419 during the period 16 – 30 January 2001. The debentures were issued with a par value of SEK 1 at a price of SEK 11 per debenture. The option premium of SEK 980,000 has been allocated to the share premium reserve.

In accordance with the decision of the annual general meeting on 28 April 1999, the company issued to the above mentioned persons, a further 104,500 debentures with detachable subscription options. Each option right entitles the owner to subscribe to one new share in the company during the period 15 September – 15 November 2001. These rights were issued in two Series, A and B. The subscription price for option rights in Series A (6,700 options) is SEK 192, wheras the subscription price for the rights in Series B (97,800 options) is SEK 154. Debentures with detachable subscription options in Series A were issued with a par value of SEK 1 at a price of SEK 3. Debentures with detachable subscription option in Series B were issued with a par value of SEK 1 at a price of SEK 5. The option premium of SEK 396,250 has been allocated to the share premium reserve.

Following redemptions in April 1999, 15,500 options still remain in the programme from 1998. The total number of subscription options amount to 120,000 with rights to subscribe to 120,000 new shares.

As a result of the forthcoming new share issue, which was decided by the Board of Directors on 21 January 2000, the subscription price and the number of shares to which each option right entitles the owner to subscribe will be translated in accordance with the conditions governing these option rights.

Note 15 Convertible debenture loan

On 17 August 1999, Medi Team's Board of Directors, with the support of the authorisation granted on the annual general meeting, decided to issue a convertible debenture loan worth the par sum of SEK 10 M. The convertible loan carry an annual rate of interest of 3 per cent. Conversion can take place during the period 24 August 1999 – 1 October 2001 at a price of SEK 57. After full conversion, the company will issue 175,438 shares.

On 8 February 2000, the owner of the convertible, Livförsäkrings AB Skandia, requested conversion to shares.

Note 16 Accrued expenses

	31/12/1999	*31/12/1998*	*31/12/1997*
Holiday pay liability	983 215	723 489	218 131
Payroll overhead	716 538	582 136	203 467
Accrued interest	100 000	0	0
Accrued royalty to NUTEK	310 809	234 429	36 996
Other items	1 336 673	145 316	73 004
Total	**3 447 235**	**1 685 370**	**531 598**

Partille, 14 February 2000

Leif Ek
Chairman

Christer Hedward

Claes Holmberg
President

Rolf Bornstein

Jan Thorell

Hans Biörck

My auditor's report was submitted on 14 February 2000

Anders Wiger
Authorised Public Accountant
Ernst & Young AB

Auditor's report

To the annual shareholders' meeting for Medi Team Dentalutveckling i Göteborg AB (publ)
Corporate ID number 556249-4293

I have audited the annual report and the administration of the Board of Directors and the President of Medi Team Dentalutveckling i Göteborg AB for 1999. These accounts and the administration of the company are the responsibility of the Board of Directors and the President. My responsibility is to express an opinion on the annual report and the administration based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain reasonable assurance that the annual report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the annual report. As ground for my statement of discharging from liability, I examined significant decisions, actions taken and circumstances of the company in order to be able to determine the possible liability, if any, to the company of any member of the Board of Directors or whether they have in any way acted in contravention of the Swedish Companies Act, the Annual Accounts Act or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual report has been prepared in accordance with the Annual Accounts Act and gives a true and fair view of the company's result and financial position, in accordance with generally accepted accounting principles in Sweden.

I recommend that the income statement and the balance sheet of the company should be adopted, and that the loss of the company be dealt with in accordance with the proposal in the Board of Directors' report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Göteborg, 14 February 2000

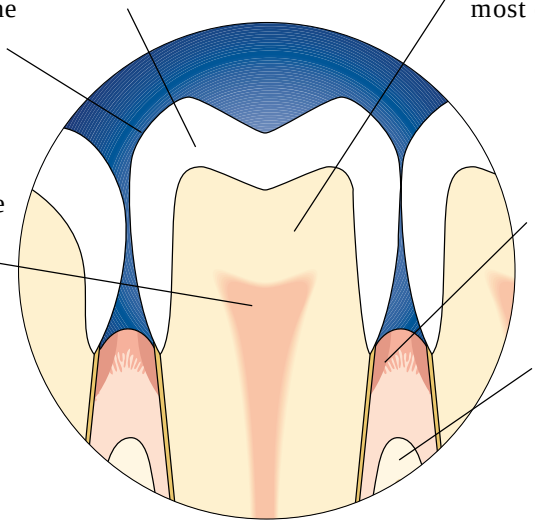
Anders Wiger
Authorised Public Accountant
Ernst & Young AB

Glossary

Enamel
The hardest tissue in the body, the outer layer of the crown.

Crown
The part of the tooth which is normally visible above the gum and is covered in enamel.

Dentine
The hard tissue that makes up most of the tooth.



Pulp
The soft tissue in the centre of the tooth, comprising connective tissue, blood vessels and nerves.

Gingiva
The gum.

Alveolar bone
The part of the jawbone to which the teeth are attached.

Anesthesia
Can be administered locally (injection) or generally (general anaesthetic).

Caries
Tooth decay caused by bacteria.

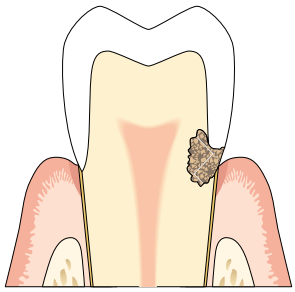
Extraction
The removal of a tooth.

Lesion
Damage/penetration.

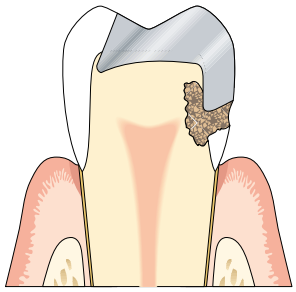
Pulp lesion
Can be caused by caries which penetrates through to the pulp or that the pulp is being damaged by mistake when treating deep caries.

Rubberdam
Rubber sheet which is used to isolate the tooth from the oral cavity during different kinds of treatment procedures.

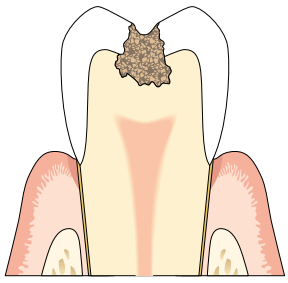
Examples of different carious lesions



Root caries is an important application for Carisolv™. This type of carious lesion is usually easy to access without needing to use the drill.



Deep caries/secondary caries under filling. The drill is used to remove the filling, followed by Carisolv™ to remove the caries tissue. Using Carisolv™ means a more cautious treatment with less risk for accidental pulp penetration.



Big open carious lesion is easy to access with Carisolv™ hand instrument without needing to use the drill.

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