

## Interim Report 1, January-March 2001

(Gothenburg, 20 April 2001)

### The Nobel Biocare Group

- Sales increased by 32% to SEK 630.5 million (478.1).
- Dental Implant sales increased by 33% to SEK 552.7 million (416.4).
- Procera<sup>®</sup> sales increased by 26% to SEK 77.8 million (61.7). Sales of Procera<sup>®</sup> AllCeram copings grew by 30%.
- Operating income amounted to SEK 97.1 million (45.3). Operating income excluding goodwill amortization was SEK 112.4 million (59.5). Currency effects were positive, SEK 6 million.
- Earnings per share amounted to SEK 2.21 (0.78).

<i>SEK M</i>	<i>Jan-March 2001</i>	<i>Jan-March 2000</i>	<i>Change</i>
<b>Net sales</b>	<b>630.5</b>	<b>478.1</b>	<b>+31.9%</b>
<i>of which Dental Implants</i>	<i>552.7</i>	<i>416.4</i>	<i>+32.7%</i>
<i>of which Procera<sup>®</sup></i>	<i>77.8</i>	<i>61.7</i>	<i>+26.1%</i>
Operating income before depreciation and goodwill amortization (EBITDA)	131.7	75.9	+73.5%
Operating income before goodwill amortization (EBITA)	112.4	59.5	+88.9%
<b>Operating income (EBIT)</b>	<b>97.1</b>	<b>45.3</b>	<b>+114.3%</b>
Income after net financial items	88.1	38.5	+128.8%
Earnings per share, SEK	2.21	0.78	+183.3%
Earnings per share excluding goodwill amortization, SEK	2.83	1.36	+108.1%

**The Nobel Biocare Group**

## Group sales

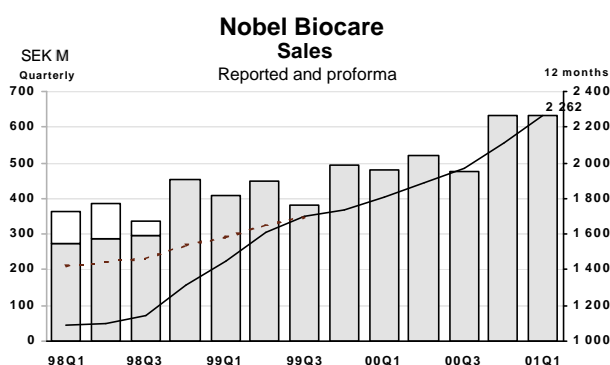
Nobel Biocare's sales increased by 31.9% to SEK 630.5 million (478.1).

The positive sales momentum for Dental Implants from the second half of 2000 accelerated still further during the first quarter of 2001. Dental Implant sales increased by 32.7% compared with the first quarter of 2000 and reached SEK 552.7 million (416.4).

Sales of ProCera® totaled SEK 77.8 million, an increase of 26.1% compared with the same period 2000. Scanner sales were in line with plan and met the sales target of 20-25 scanners a month. The annual running rate for ProCera® AllCeram increased to 750,000 copings in March 2001 compared with 700,000 in December 2000.

The distribution of Gore tissue regeneration products continues to develop well and providing access to a new group of customers.

The economic slow-down in North America and Europe has yet not had any measurable negative effects on demand for the group's products. Sales developed favorably in virtually all markets. In Japan the weakness of the general economy had a moderating effect on growth.



## Group results

Strong sales growth, stable prices and good cost containment has resulted in a substantially improved operating result,

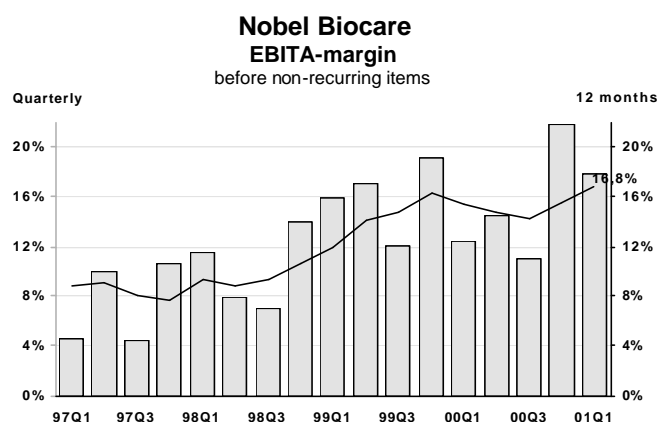
also absorbing the cost of more intensive marketing efforts.

Operating income (EBIT) amounted to SEK 97.1 million (45.3). The year-on-year currency impact on operating income was a positive SEK 6 million.

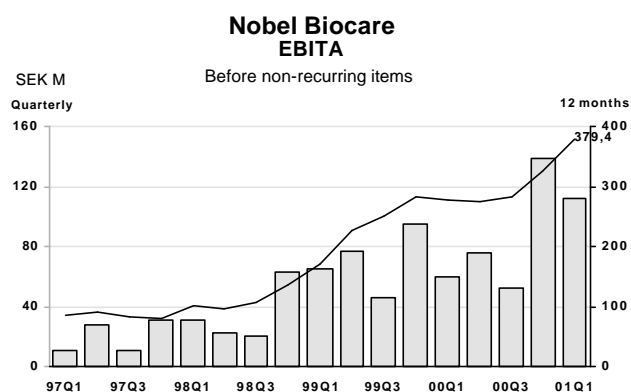
Operating expenses amounted to 54.0% (62.6%) of net sales in the first quarter of 2001.

The operating margin (EBIT) was 15.4% (9.5%).

Goodwill amortization amounted to SEK 15.3 million (14.2). Depreciation increased by SEK 3.0 million to SEK 19.4 million.



The EBITDA margin was 20.9% (15.9%) and the EBITA margin was 17.8% (12.4%).



Financial income and expenses, net, totaled SEK -9.0 million (-6.7).

Income after net financial items amounted to SEK 88.1 million (38.5).

Since Nobel Biocare was listed, the parent company has had the benefit of significant tax loss carry forwards. This has been reflected in a very low tax rate over the years. As of January 1, 2001, all companies in Sweden are required to account for deferred taxes. The calculated future value of tax loss carry forwards and other timing differences amounted to SEK 155.8 million (226.3) on January 1, 2001. Financial current assets and financial fixed assets increased by SEK 77.0 million (77.0) and SEK 78.8 million (149.3), respectively, as of January 1, 2001. Equity increased by 155.8 million (226.3).

The result of this change in the accounting policy is that the deferred tax assets are reversed as the tax loss carry forwards and other timing

differences are utilized. The amount of the reversal is included in the reported taxes. In the first quarter of 2001, SEK 32.1 million (18.9) has been reported as taxes, of which SEK 12.5 million (4.6) is current tax and SEK 19.6 million (14.3) is deferred tax. For comparative purposes, the income statements and balance sheets for 2000 have been re-calculated.

## Investments

Capital expenditures totaled SEK 42.0 million (20.7).

## Personnel

The number of employees at the end of March 2001 was 1 213 (1 169), of whom 383 (363) were employed in Sweden.

## Liquidity and financial position

Liquid assets totaled SEK 193.6 million (31/12/2000: SEK 164.1 million). Operating cash flow was SEK 54.9 million (4.9). Operating cash flow before capital expenditures, net, amounted to SEK 96.3 million (25.6).

Net debt decreased by SEK 43.0 million to SEK 338.7 million in the first quarter. If currency effects had been excluded, net debt would have decreased by approximately SEK 75 million in the first quarter. The net debt/ equity ratio was 19.0% (29.7%) and the debt/equity ratio was 30.9% (37.3%).

The group's equity has increased since 31 December 2000 following the addition of income after taxes of SEK 56.0 million (19.7),

redemption of shares totalling SEK 2.9 million (3.2), and translation differences amounting to SEK 52.0 million (4.3).

The equity/assets ratio was 67.4% (31/12/2000: 66.4%).

Shareholders' equity per average share was SEK 70.59 (31/12/2000: SEK 66.66).

The number of shares on 31/3/2001 totaled 25,334,936 (31/12/2000: 25,155,086) after the further redemption of warrants issued in connection with the acquisition of Steri-Oss Inc. The average number of shares during the first quarter of 2001 was 25,245,011 (24,990,272). Following the redemption of all outstanding warrants, the number of shares will be 25,421,318.

## Parent company

Nobel Biocare AB (publ) is the parent company of the Nobel Biocare Group. The accounts of the parent company include manufacturing operations in Sweden, central warehousing and distribution in the Netherlands, and the operations of Nobel Biocare Norden AB, which is the sales and distribution entity for Sweden, including the branches in Denmark, Finland and Norway.

The capital expenditures of the parent company, relating predominantly to investments in production machinery in Karlskoga, amounted to SEK 15.7 million (3.7) in the first quarter. Interest-bearing assets in the parent company exceeded interest-bearing debt with SEK 568.9 million (SEK 571.0 million at year-end 2000).

## Business Area Dental Implants

*Dental implants are used permanently to replace missing teeth. A screw-shaped element is installed in the jawbone and functions as a replacement for the natural dental root. The products are offered to dentists for the treatment of all types of missing teeth and are used at around 50,000 clinics in some 50 countries. Nobel Biocare markets dental implants under two brands, Brånemark System® and Steri-Oss®, with a global market share of some 40%. So far, 1.4 million patients have been treated. Gore tissue regeneration products complement the offer of dental implants.*

### Dental Implant sales

The global demand for dental implants has remained strong with a growth pace of 12-14% per year. Our positive sales trend for dental implants from the second half of 2000 accelerated still further. Sales increased by 32.7% and totaled SEK 552.7 million (416.4). Excluding distributor sales of Gore products, Dental Implant sales increased by 27.9%. Currency-adjusted (CA) sales increased for the business area by 24%.

Sales in Europe increased by 28% (22% CA) and were especially strong in Germany, largely due to the success of TiUnite. Also Italy,

France and the UK reported strong sales numbers. Sales in the Nordic region increased by 20%.

In North America, sales increased by 42% (27% CA).

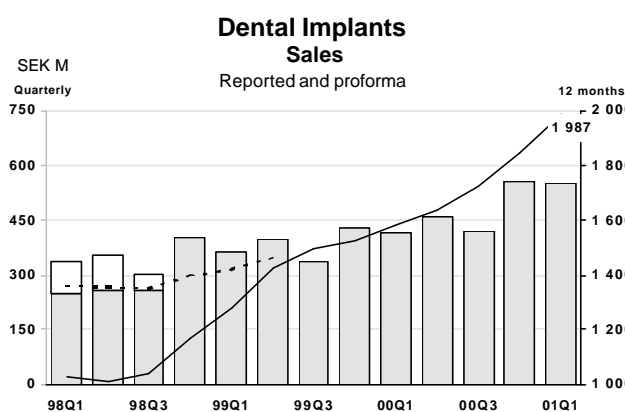
Sales in the Asia/Pacific region grew by 19% (15% CA), as a result of a strong trend in South East Asia and Australia. Japan reported moderate sales improvement.

Growth continued to be strong in Latin America with an increase of 68% (61% CA).

The success of Replace Select, which was launched in late 1999, was further confirmed during the first quarter of 2001.

Sales growth in Europe was particularly encouraging and Replace Select remains the fastest growing brand on the dental implant market.

The market position for Brånemark System has radically improved by the recent innovative product launches.



### ***TiUnite™ - a new implant surface launch***

The introduction of the TiUnite surface on Brånemark System has been very successful.

TiUnite™ has an enlarged surface area and geometric properties, which enhance the bone healing process and increase the initial stability.

TiUnite was introduced to the market in the fourth quarter of 2000 starting in the USA and Germany. It is now gradually launched on the remaining markets.

Extensive marketing activities are supporting the TiUnite launch on all markets.

The response to TiUnite has been very positive as reflected in the growth numbers. TiUnite accounted for 36% of Brånemark System implant sales in the first quarter of 2001.

The TiUnite surface will be launched on Replace implants in the fall of 2001.

### ***Brånemark System® Novum – new permanent teeth in one day***

After the introduction in November 2000 of Brånemark System Novum, a significant number of training sessions have been organized for dental teams. The Brånemark System Novum concept, which offers new permanent teeth in one day, has attracted a great deal of attention. Nobel Biocare will be running comprehensive PR activities in some key European markets during the spring of 2001 in order to further spur interest in and awareness of this unique dental implant therapy proposition.

### ***Distribution of Gore tissue regeneration products***

Sales of Gore tissue regeneration products amounted to SEK 19.9 million and contributed favorably to the operating result.

## Business Area Procera®

*Procera® is a CAD-CAM-based process for the industrial production of the inner core, the coping, of dental crowns and other tooth-restoration products made of ceramic or titanium. Procera® AllCeram has superior strength and esthetic properties, as well as a significantly lower material cost, compared with conventional dental crowns. So far, more than 600,000 patients have been treated with Procera®. The product system is marketed to dental laboratories, which invest in equipment from Procera®. Following computer-aided design, a production file is sent by modem to one of the two Procera® production units, where the coping is produced industrially and then shipped to the dental laboratory by courier mail. After applying the porcelain, the dental laboratory delivers the crown, bridge or laminate to the dentist.*

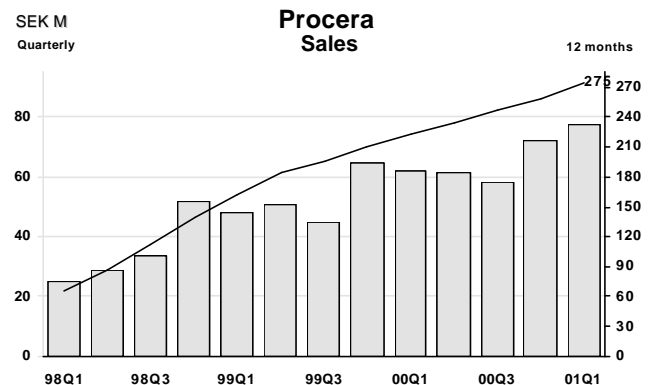
### Procera Sales

Sales in Procera® was the highest ever for an individual quarter and totaled SEK 77.8 million (61.7). This corresponds to an increase by 26.1% compared with the first quarter of 2000. The volume growth for Procera® AllCeram in the first quarter was 30%. Growth in the USA, accounting for 60% of the total volume, was 35%. The growth in Europe continues to be strong, especially in Southern Europe, but with somewhat slower growth in German-speaking countries and the Nordic region. The global growth for fixed tooth supported prosthetics is estimated to approximately 5%. Prices increased slightly.

The annual running rate for copings in March 2001 was 750,000 copings, to be compared with 700,000 in December 2000. The geographical distribution of coping sales volume is similar to last year: North America 71%, Europe excl. Nordic region 18%, Nordic region 7% and Others 4%.

Sales of scanners were developing according to plan and in line with the target of 20-25 scanners a month for the first quarter of 2001. Scanner sales were particularly good in the

USA. The total number of customers now exceeds 1 100.



In March 2001, Procera® received approval to sell Procera® AllCeram on the Korean market.

In order to strengthen customer proposition two new products were launched in March 2001 at the world's largest dental congress, IDS, in Cologne, Germany: Procera® AllCeram 0.4 mm and Procera® AllZirkon. Procera AllCeram 0.4 mm is a thinner coping which primarily addresses the need for an even more esthetic product to compete in the high-end esthetic segment of the market. The Procera® AllZirkon coping is made of a material that enjoys broad acceptance in the market and is regarded as a stronger material than Procera® AllCeram. This product will be positioned as an alternative to crowns with a metal core and especially for restorations in the back teeth.

Procera® AllZirkon will first be introduced in Germany and thereafter in the rest of Europe. The launch in North America is planned for third quarter of this year.

The Procera® AllCeram bridge which is used to restore multiple teeth has been upgraded and also been made more user friendly. This new bridge will be launched in the USA and Europe during May.

These new products are expected to favourably contribute to a higher growth rate going forward.

## Consolidated Income Statement

SEK M

Jan-March

Jan-March

Full year

	2001	%	2000	%	2000	%
<b>Net sales</b>	<b>630.5</b>	<b>100.0</b>	<b>478.1</b>	<b>100.0</b>	<b>2 109.5</b>	<b>100.0</b>
Cost of goods sold	-193.1	-30.6	-133.3	-27.9	-639.0	-30.3
<b>Gross income</b>	<b>437.4</b>	<b>69.4</b>	<b>344.8</b>	<b>72.1</b>	<b>1 470.5</b>	<b>69.7</b>
R&D, sales and administration expenses	-342.6	-54.3	-300.2	-62.8	-1 200.9	-56.9
Other operating income and operating expenses - net	2.3	0.3	0.7	0.2	-2.3	-0.1
Non-recurring items	-	-	-	-	22.3	1.1
<b>Operating income</b>	<b>97.1</b>	<b>15.4</b>	<b>45.3</b>	<b>9.5</b>	<b>289.6</b>	<b>13.8</b>
Financial income and expenses - net	-9.0	-1.4	-6.7	-1.4	-41.8	-2.0
<b>Income after financial income and expenses</b>	<b>88.1</b>	<b>14.0</b>	<b>38.6</b>	<b>8.1</b>	<b>247.8</b>	<b>11.8</b>
Taxes	-32.1	-5.1	-18.9	-4.0	-113.7	-5.4
<b>Income after taxes</b>	<b>56.0</b>	<b>8.9</b>	<b>19.7</b>	<b>4.1</b>	<b>134.1</b>	<b>6.4</b>

### Consolidated Balance Sheet

SEK M	31/03/01	31/03/00	31/12/00
<b>Assets</b>			
Intangible fixed assets	1 081.5	1 046.8	1 055.3
Tangible fixed assets	237.7	180.6	212.8
Financial fixed assets	124.1	174.8	133.5
<b>Total fixed assets</b>	<b>1 443.3</b>	<b>1 402.2</b>	<b>1 401.6</b>
Inventories	292.5	266.5	296.8
Current receivables	716.3	554.7	576.9
Financial current assets	193.6	177.9	241.1
<b>Total current assets</b>	<b>1 202.4</b>	<b>999.1</b>	<b>1 114.8</b>
<b>TOTAL ASSETS</b>	<b>2 645.7</b>	<b>2 401.3</b>	<b>2 516.4</b>
<b>Liabilities and equity</b>			
Equity	1 782.0	1 562.5	1 671.1
Allocations	11.7	27.0	17.1
Long-term liabilities	520.6	458.6	504.6
Current liabilities	331.4	353.2	323.6
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2 645.7</b>	<b>2 401.3</b>	<b>2 516.4</b>

### Cash Flow

SEK M	Jan-March 2001	Jan-March 2000	Full year 2000
Funds provided internally	109.3	61.1	301.0
Change in operating capital etc.	-14.8	-64.2	-37.8
Investments	-42.0	-20.7	-107.8
Changes in interest-bearing liabilities	-23.0	2.9	-63.0
Dividends	-	-	-50.1
<b>Change in liquid assets</b>	<b>29.5</b>	<b>-20.9</b>	<b>42.3</b>

### The Nobel Biocare Group – Quarterly Review

SEK M	1/2001	4/2000	3/2000	2/2000	1/2000
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Net sales	630.5	634.8	475.6	521.0	478.1
Operating expenses	-518.1	-495.4	-423.3	-445.4	-418.6
<b>Operating income excluding non-recurring items and amortization of goodwill</b>	<b>112.4</b>	<b>139.4</b>	<b>52.3</b>	<b>75.6</b>	<b>59.5</b>
Amortization of goodwill	-15.3	-15.7	-14.9	-14.7	-14.2
Operating income excl. non-recurring items	97.1	123.7	37.4	60.9	45.3
Non-recurring items	-	-	-	22.3	-
Operating income	97.1	123.7	37.4	83.2	45.3

## Summary of Operations

SEK M	Jan-March 2001	Jan-March 2000	Full year 2000
Net sales	630.5	478.1	2 109.5
Operating income	97.1	45.3	289.6
Operating margin excluding goodwill amortization	17.8%	12.5%	16.5%
Operating margin	15.4%	9.5%	13.7%
Income after financial income and expenses	88.1	38.5	247.8
Return on average capital employed	17.1%	8.5%	13.4%
Return on average equity	13.6%	5.6%	8.7%
Equity/assets ratio	67.4%	65.1%	66.4%
Earnings per share excl. goodwill amortization, SEK	2.83	1.36	7.71
Earnings per share, SEK	2.21	0.79	5.35
Earnings per share after full redemption, SEK	2.20	0.77	5.28
Balance sheet total	2 645.7	2 401.3	2 516.4
Equity	1 782.0	1 562.5	1 671.1
Investments	42.0	20.7	107.8
Equity per share, SEK	70.59	62.52	66.66
Equity per share after full redemption, SEK	70.10	61.46	65.74
Average number of shares	25 245 011	24 990 272	25 069 782
Number of shares after full redemption	25 421 318	25 421 318	25 421 318
Number of employees	1 213	1 169	1 196
<b>Key figures, excluding non-recurring items</b>			
Operating income	97.1	45.3	267.3
Operating margin excluding goodwill amortization	17.8%	12.5%	15.5%
Operating margin	15.4%	9.5%	12.7%
Income after financial income and expenses	88.1	38.6	225.5
Return on average capital employed	17.1%	8.5%	12.4%
Return on average equity	13.6%	5.6%	7.3%
Earnings per share excl. goodwill amortization, SEK	2.83	1.36	6.82
Earnings per share, SEK	2.21	0.79	4.46

Gothenburg, 20 April 2001

NOBEL BIO CARE AB (publ.)

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*President and CEO*

*This report has not been reviewed by the company's auditors.*

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**Publishing dates for financial information from  
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Interim Report 3	October 23