

Interim Report 3, January – September 2003

22 October 2003

Nobel Biocare Group

Positive growth momentum and continued profitability increase in Q3 2003

- Revenue was up 17.4% in local currencies excluding sales of the discontinued Gore products in the third quarter; 14.3% in local currencies including Gore products. Profit from operations (EBIT), before restructuring expenses in 2002, increased by 15.7% and amounted to EUR 16.2 million in the third quarter.
- During the first nine months of 2003, revenue increased by 16.7% in local currencies excluding sales of the discontinued Gore products and amounted to EUR 236.8 million; 15.3% in local currencies including Gore products. Profit from operations (EBIT), before restructuring expenses in 2002, increased by 18.9% and amounted to EUR 57.3 million during the first nine months of 2003. In local currencies, EBIT increased by 42.8%.
- Net profit increased by 76.9% to EUR 44.4 million during the first nine months of 2003.
- Earnings per share increased by 76.0% to EUR 1.76 during the first nine months of 2003.
- The previously announced profitability targets for 2003 of 26-28% EBITA margin and 23-25% EBIT margin will be reached. We expect to be close to our revenue growth target of 20% in local currencies (excluding sales of Gore products) for 2003.

<i>EUR M</i>	<i>Q3 2003</i>	<i>Q3 2002*</i>	<i>Change EUR (local currencies)</i>	<i>Jan-Sept 2003</i>	<i>Jan-Sept 2002*</i>	<i>Change EUR (local currencies)</i>
Revenue	71.5	66.8	+7.0% (+17.4%**)	236.8	225.9	+4.8% (+16.7%**)
Profit from operations before goodwill amortization and restructuring expenses (EBITA)	18.5 25.9%	16.5 24.7%	+12.1%	64.3 27.2%	56.2 24.9%	+14.4% (+35.8%)
Profit from operations before restructuring expenses (EBIT)	16.2 22.7%	14.0 21.0%	+15.7%	57.3 24.2%	48.2 21.3%	+18.9% (+42.8%)
Net profit	13.4	7.8	+71.8%	44.4	25.1	+76.9%
Earnings per share, EUR	0.53	0.31***	+71.0%	1.76	1.00***	+76.0%
Earnings per share, CHF	0.80	0.45***	+77.8%	2.66	1.46***	+82.2%

*) Since 1 January 2003, Nobel Biocare has been preparing its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and is using the Euro as its reporting currency for the Group. The comparatives figures have been restated accordingly, with a positive effect on profit from operations in the first nine months of 2002 of EUR 1.7 million (EUR -0.5 million in the isolated Q3 2002).

**) Excluding sales of Gore products

***) Average number of Nobel Biocare Holding AG/Nobel Biocare AB shares

Revenue

Table 1.

Revenue July-September*	Third Quarter				
EUR M	2003	2002	Growth in EUR	Growth in local currency	
				Incl Gore	Excl Gore
Revenue					
Europe	30.6	25.9	18.1%	19.3%	22.3%
North America	27.3	28.7	-4.9%	7.4%	11.5%
Asia/Pacific	9.3	9.1	2.2%	19.0%	20.4%
Rest of the world	4.3	3.1	38.7%	14.3%	23.6%
Total	71.5	66.8	7.0%	14.3 %	17.4%

Table 2.

Revenue January-September*	Nine Months				
EUR M	2003	2002	Growth in EUR	Growth in local currency	
				Incl Gore	Excl Gore
Revenue					
Europe	108.8	95.6	13.8%	14.9%	16.0%
North America	89.1	94.1	-5.4%	12.5%	14.5%
Asia/Pacific	26.2	24.3	7.8%	21.3%	21.8%
Rest of the world	12.7	11.9	6.7%	28.9%	28.0%
Total	236.8	225.9	4.8%	15.3%	16.7%

* Reference to Note 3 on page 9.

Revenue increased by 15.3% in local currencies to total EUR 236.8 million in the first nine months of 2003. In EUR, the increase was 4.8%, due to significant negative currency effects, predominantly related to the weakening US dollar. Excluding sales of the discontinued Gore regenerative products, revenue increased by 16.7% in local currencies.

In the third quarter isolated, revenue increased by 14.3% in local currencies. Excluding sales of the discontinued Gore regenerative products, revenue increased by 17.4%.

Revenue trends remained strong in the Nordic countries, Spain, France, Japan and South-East Asia.

In North America, third-quarter sales were affected by the phase-out of the Steri-Oss and Replace Hex product lines. A significant amount of the discontinued products was exchanged for Replace Select products (representing 4.2% of the Q3 isolated sales in the US) in order to ensure that this process retained all key customers. The result of this activity was a decline in quarter over prior quarter growth rate. With this important project completed, fourth-quarter growth rates are expected to return to 2003 historic levels.

Revenue growth was well above 20% for the new core product assortment during the first nine months of 2003, but it was diluted due to the planned reduction of other products. The process of converting present customers from the Steri-Oss and Replace Hex assortment to the new product assortment is going according to plan.

NobelPerfect, the scalloped implant that provides improved esthetics by preserving bone structure and soft tissue between the teeth, was launched in the third quarter as planned. The launch started in September at two major US scientific congresses (AAOMS in Orlando and AAP in San Francisco). At the beginning of October, the European launch took place at the EAO meeting in Vienna. The introduction of

the new implant will continue with a road show by the inventor Dr Peter Wöhrle in Germany, with more than 1,000 doctors participating.

The reception has been very favorable among the target group of experienced doctors performing more than 200 implants per year. The price for this unique implant is EUR 500, which is double the price of a standard implant.

As part of the global launch of NobelPerfect, Nobel Biocare has introduced a wide range of advanced marketing initiatives supporting regular sales activities. A very comprehensive campaign website with video clips, clinical tips and data has been developed and is being used both internally to train the global sales organization and for customer training and support. In addition, special web-based training courses have been organized for small customer groups.

The launch of the ProCera Piccolo scanner continues and sales during the third quarter were strong, confirming the interest in high-end ceramic prosthetics from small and medium-sized dental laboratories.

Sales of the Replace Select system continue to run at exceptionally high levels as a result of its user-friendly approach, which appeals to the growing general practitioner segment of the market.

The strong response for the C&B&I product concept continues and will be the base for future growth.

The pre-launch of the new one-piece implant NobelDirect will start in October with an initial 200 clinics. The new concept is based on flapless surgery and soft-tissue healing with Ti-Unite. Nobel Biocare has received clearance from the FDA for NobelDirect with several different diameters, including the 3 mm implant, which is the thinnest implant for permanent placement ever approved by the FDA. The 3 mm implant is suitable where lack of space is a clinical problem, especially in the front region of the lower jaw.

The market introduction of NobelDirect will take place at the Nobel Biocare German Conference in Munich at the end of January 2004, followed by launch meetings in the USA in February and March. The primary customer target groups for NobelDirect are general dentists and implantologists.

Further profit improvements

The gross margin remained at a high level and amounted to 75.9% (75.6%) for the first nine months of 2003 compared with 75.6% for the full year 2002. The transactional currency effect on the gross margin was a negative 0.1%, which was the effect of hedging contracts as well as the valuation of trade receivables and payables.

The product assortment phase-out continues according to plan and is expected to be completed before the end of 2003. The obsolescence cost related to inventory rationalization, expensed under Cost of sales, was EUR 2.6 million (2.2) in the first nine months of 2003.

Profit from operations before goodwill amortization (and restructuring expenses in 2002), EBITA, increased by 35.8% in local currencies to EUR 64.3 million (56.2); 14.4% in EUR due to the significant currency effects. The EBITA margin (before restructuring expenses in 2002) increased to 27.2% (24.9%).

Profit from operations, before restructuring expenses in 2002, increased by 42.8% in local currencies to EUR 57.3 million (48.2); 18.9% in EUR. The operating margin (EBIT) increased to 24.2% (21.3%). The total year-on-year currency impact on profit from operations was a negative EUR 11.6 million (including a positive EUR 1.7 million IFRS adjustment included in the 2002 EBIT).

The increased margins are a result of the continued high gross margin in combination with strict and focused cost management.

As a result of the weaker USD currency rate, goodwill amortization decreased and totaled EUR 7.1 million (8.0). Depreciation amounted to EUR 8.1 million (7.9).

The previously announced lower tax rate of 20-25%, as a result of the new holding structure, is expected to be realized.

Table 3.

Profit from operations, July-September	Third Quarter			
EUR M	2003	% of revenue EUR	2002	% of revenue EUR
Profit from operations before goodwill amortization and restructuring expenses in 2002 (EBITA)	18.5	25.9%	16.5	24.7%
Profit from operations before restructuring expenses in 2002 (EBIT)	16.2	22.7%	14.0	21.0%

Table 4.

Profit from operations, January - September	Nine Months				
EUR M	2003	% of revenue EUR	% of revenue, local currencies	2002	% of revenue EUR
Profit from operations before goodwill amortization and restructuring expenses in 2002 (EBITA)	64.3	27.2%	29.3%	56.2	24.7%
Profit from operations before restructuring expenses in 2002 (EBIT)	57.3	24.2%	26.4%	48.2	21.3%

Investments

Total capital expenditures amounted to EUR 8.5 million (8.0), whereof EUR 4.6 million relates to investments in production facilities.

Liquidity and financial position

As a result of a stable high profitability and lower working capital, compared with the end of June 2003, cash flow from operating activities amounted to EUR 46.5 million during the first nine months of 2003.

Inventory amounted to EUR 28.1 million compared with EUR 28.6 million at the end of June 2003. As a consequence of the phase out of Steri-Oss and Replace Hex product lines, the goal is to further reduce the inventory to a level of EUR 20-25 million at the end of 2003.

Cash and cash equivalents totaled EUR 64.7 million (31/12/2002: EUR 52.5 million), while the net cash position amounted to EUR 51.3 million (31/12/2002: EUR 21.4 million).

Shareholders' equity per average share increased to EUR 9.72 (31/12/2002: EUR 8.47*).

*) Average number of Nobel Biocare Holding AG/Nobel Biocare AB shares

Outlook

The previously announced profitability targets for 2003 of 26-28% EBITA margin and 23-25% EBIT margin will be reached. We expect to be close to our revenue growth target of 20% in local currencies (excluding sales of Gore products) for 2003. The outlook for the fourth quarter of 2003 is strong in anticipation of a further acceleration in marketing and Training & Education activities, strong sales momentum in Europe and Asia, no further effect from exchange of discontinued products on North American sales, and the introduction of new products.

22 October 2003

NOBEL BIOCARE HOLDING AG

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Financial reporting:

Full Year 2003 Report

6 February 2004

Nobel Biocare is an innovative, medical devices group and the world leader in innovative esthetic dental solutions with its brands Brånemark System®, Replace® Select (dental implants) and Procera® (individualized dental prosthetics).

Nobel Biocare is a one-stop shop for restorative esthetic dentistry, offering a wide range of innovative Crown & Bridge & Implant products, as well as training & education and clinically-documented treatment concepts.

Nobel Biocare has around 1 300 employees and in 2002 revenue totaled EUR 311.2 million. The global headquarters are located in Gothenburg, Sweden, while production takes place at four production sites in Sweden and the US. Nobel Biocare has its own sales organizations in 28 countries.

The shares of the parent company Nobel Biocare Holding AG are listed on the SWX Swiss Exchange and on the Stockholm Stock Exchange, Sweden.

www.nobelbiocare.com



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT

EUR M

Revenue

Cost of sales

Gross profit

Selling, administrative and R&D expenses

Restructuring expenses

Profit from operations

Financial income

Financial expenses

Profit before tax

Income tax expenses

Profit after tax

Minority interest

Net profit

Earnings per share, EUR

Diluted earnings per share, EUR

**) Average number of Nobel Biocare Holding AG/ Nobel Biocare AB shares*

CONDENSED CONSOLIDATED BALANCE SHEET

EUR M	30/09/03	30/09/02	31/12/02
Assets			
Property, plant and equipment	27.8	29.1	27.3
Intangible assets	134.8	152.1	144.9
Financial assets	9.0	3.3	10.1
Total non-current assets	171.6	184.5	182.3
Inventories	28.1	24.1	28.1
Current receivables	75.4	67.1	61.4
Cash and cash equivalents	64.7	42.8	52.5
Total current assets	168.2	134.0	142.0
TOTAL ASSETS	339.8	318.5	324.3
Shareholders' equity and liabilities			
Shareholders' equity	245.0	205.2	212.7
Minority interest	2.9	2.1	2.2
Provisions	24.3	23.2	23.0
Other non-current liabilities	16.1	32.2	32.5
Current liabilities	51.5	55.8	53.9
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	339.8	318.5	324.3

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Jan-Sept	Jan-Sept	Full year
EUR M	2003	2002	2002
As of 1 January	212.7	204.4	204.4
Foreign exchange translation differences	-2.0	-17.1	-22.3
Warrants and options exercised	4.0	0.9	0.9
New share issue	0.3	-	-
Movements from hedge accounting	-0.9	-	-
Movements from treasury shares	-0.4	-	-
Dividend	-13.1	-8.1	-8.1
Net profit for the period	44.4	25.1	37.8
As of 30 September/31 December	245.0	205.2	212.7

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Jan-Sept	Jan-Sept	Full year
EUR M	2003	2002	2002
Profit before tax	57.9	40.1	61.1
Depreciation and amortization	15.1	15.9	21.6
Non-cash financial income and expenses	0.9	1.0	0.2
Other non-cash income and expenses	3.3	-0.3	2.8
Changes in working capital and provisions	-12.8	-4.3	-8.0
Income taxes paid	-17.9	-3.5	-7.4
Net cash from operating activities	46.5	48.9	70.3
Net cash from investment activities	-8.5	-8.2	-13.6
Exercised warrants and options	4.0	0.9	0.9
New share issue	0.3	-	-
Decrease in interest-bearing liabilities	-15.5	-13.8	-17.6
Interest, net	-	-	-2.1
Dividends paid	-13.1	-8.1	-8.1
Net cash from financing activities	-24.3	-21.0	-26.9
Increase in cash and cash equivalents	13.7	19.7	29.8
Cash and cash equivalents as of 1 January	52.5	24.8	24.8
Effect of exchange rate differences on cash held	-1.5	-1.7	-2.1
Cash and cash equivalents of 30 September/31 December	64.7	42.8	52.5

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Accounting and valuation principles

The interim financial statements comply with the requirements in IAS 34 Interim Financial Reporting.

The accounting policies are the same as those applied in the 2002 consolidated financial statements apart from the fact that, from 2003, the Group fulfills the criteria for the hedge accounting of derivative instruments related to EUR and USD, and thus IAS 39 applies to these currencies from 2003.

Note 2. Changes in key figures

Income statement

The year-on-year currency impact on profit from operations was a negative EUR 11.6 million (including a positive EUR 1.7 million IFRS adjustment included in the 2002 EBIT).

The product assortment phase-out continues according to plan and is expected to be completed before the end of 2003. The obsolescence cost related to inventory rationalization, expensed under Cost of sales, was EUR 2.6 million (2.2) in the first nine months of 2003.

As a result of the weaker USD currency rate, goodwill amortization decreased and reached EUR 7.1 million (8.0). Depreciation amounted to EUR 8.1 million (7.9).

Balance sheet

Total capital expenditures totaled EUR 8.5 million (8.0), whereof EUR 4.6 million relates to investments in production facilities.

As a result of a stable high profitability and lower working capital, compared with the end of June 2003, cash flow from operating activities amounted to EUR 46.5 million during the first nine months of 2003.

Cash and cash equivalents totaled EUR 64.7 million (31/12/2002: EUR 52.5 million) while the net cash position amounted to EUR 51.3 million (31/12/2002: EUR 21.4 million).

The acquisition of treasury shares, as shown in the Condensed consolidated statement of changes in equity, is an effect of external options being exercised.

Personnel

The number of employees at the end of September 2003 was 1 341 (1 340).

Other

Nobel Biocare is involved in one patent litigation case and one patent arbitration case in the USA. In the VP Intellectual Properties-litigation, VPIP has recently also sued Nobel Biocare in Sweden for materially the same alleged patent infringement as in the USA. This action has not caused Nobel Biocare to change its opinion on the risk or the outcome of this litigation. In the Sulzer/Centerpulse arbitration, several motions have been filed and ruled upon by the arbiters. This has not, however, had any material adverse impact on Nobel Biocare.

Note 3. Segment revenue and profit from operations

Until 2002, the Group comprised two primary business segments: Dental Implants and Procera. Secondary information was provided on a geographical basis. After the integration of Procera 2002, a decision was made to change segment reporting from 2003 onwards. From 2003, the business of Nobel Biocare is conducted in one business segment comprising two product groups, Dental Implants and Procera, with similar risks and rates of return. The business is managed on a global basis and is run in four geographical areas. Secondary segment reporting is still based on geographical areas as the risks and rewards from the business conducted by Nobel Biocare derive from the global product assortment, supported by the global marketing, quality, logistic and research and development functions, see Tables 1 and 2 on page 2 and Tables 3 and 4 on page 4.

Note 4. Change in consolidation scope

As of 30 September 2003, the Group's parent company is Nobel Biocare Holding AG and the figures as of and for the period ended 30 September 2003 have therefore been consolidated on the basis of this structure (see also Note 5). The transaction in connection with the offer to the shareholders of Nobel Biocare AB in 2002 has been accounted for as a common control transaction.

Note 5. Equity

Share capital

On 27 May 2002, Nobel Biocare Holding AB made a public offer to the shareholders of Nobel Biocare AB to acquire all the outstanding shares in Nobel Biocare AB; 94.6% of the Nobel Biocare AB shareholders accepted the offer. The shareholders who accepted the offer, in return for Nobel Biocare AB shares, received shares in Nobel Biocare Holding AG on a one-for-one share basis. The capital was increased by way of a capital contribution consisting of shares in Nobel Biocare AB tendered by shareholders of Nobel Biocare AB during the offer. As a result of additional shares tendered by Nobel Biocare AB shareholders during the prolonged period of the public tender offer until 9 July 2002, a total of 98.9% of the Nobel Biocare AB shareholders had accepted the offer.

The total number of outstanding shares in Nobel Biocare Holding AG on 30/9/2003 totaled 25,477,759 (31/12/2002 totaled 25,115,187) due to the redemption of warrants and options. Following the redemption of all the outstanding warrants and options, the total number of shares will be 26,357,605.

The share capital may be increased by issuing no more than 879,846 shares, each with a par value of CHF 2, to be fully paid up, by an amount of no more than CHF 1,759,692 by virtue of the exercise of option rights granted to employees, directors and officers of the Company or its affiliates.

On 10 March 2003, the Nobel Biocare board of Directors decided that the issued capital in Nobel Biocare Holding AG would be increased by the issuance of 259,713 shares at a nominal value of CHF 2. The capital increase, equivalent to the 1.1% outstanding minority shares in Nobel Biocare AB took effect on 21 August 2003.

Minorities

The minority interest represents the outstanding shares (1.1%) on 30 September 2003 in Nobel Biocare AB, which had not been exchanged for Nobel Biocare Holding AG shares. Minority interest has been recorded in the income statement and on the balance sheet.

In order to initiate a compulsory redemption process for the remaining shares in Nobel Biocare AB (publ), Nobel Biocare Holding AG transferred all its shares in Nobel Biocare AB (publ) in January 2003 to a wholly owned Swedish subsidiary; Nobel Biocare Sverige AB. This compulsory purchase procedure was initiated on 16 January 2003. In accordance with the Swedish Company Act, Nobel Biocare Sverige AB has requested that the question of redemption and the price that is to be paid for the minority shares shall be referred to arbitration.

The arbitration proceedings relating to the compulsory purchase of shares in Nobel Biocare AB were commenced in August. The parent company submitted its first offer and a request for immediate possession against security. The trustee representing the minority shareholders submitted his response in the beginning of October. The response did not contain a specified monetary claim. Further briefs will be filed during the fourth quarter 2003.

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



THE NOBEL BIO CARE GROUP — QUARTERLY REVIEW

EUR M

3/2

2/2

1/2

4/2

3/2

2/2

Revenue

Operating expenses

-

-

-

-

-

-

Profit from operations excluding restructuring expenses and amortization of goodwill

Amortization of goodwill

Profit from operations excl. restructuring expenses



Restructuring expenses

Profit from operations

SUMMARY OF OPERATIONS

EUR M

Jan-Sept

Jan-Sept

Full year

2003

2002

2002

Revenue

236.8

225.9

311.2

Profit from operations

57.3

41.7

63.0

EBITA-margin excluding restructuring expenses

27.2%

24.9%

26.0%

EBITA-margin

27.2%

22.0%

23.6%

EBIT-margin excluding restructuring expenses

24.2%

21.3%

22.6%

EBIT-margin

24.2%

18.5%

20.3%

Profit before tax

57.9

40.1

61.1

Net cash from operating activities

46.5

48.9

70.3

Return on average capital employed

31.8%

24.2%

25.8%

Return on average equity

26.9%

16.5%

18.4%

Equity/assets ratio

72%

64%

66%

Net cash/ equity

0.21

0.03

0.10

Net cash/ EBITA

0.80

	0.11
	0.29
Interest coverage ratio (times)	28.2
	16.6
	17.4
Earnings per share, EUR	1.76
	1.00*
	1.50*
Diluted earnings per share, EUR	1.70
	0.95*
	1.43*
Balance sheet total	339.8
	318.5

	324.3
Shareholders' equity	245.0
	205.2
	212.7
Investments	8.5
	8.0
	13.6
Equity per share, EUR	9.72
	8.15*
	8.47*
Average number of shares	25 207 428
	25 127 256*
	25 124 239*

Number of shares after dilution

26 087 274

26 357 605*

26 357 605*

Number of employees

1 341

1 340

1 330

**) Average number of Nobel Biocare Holding AG/ Nobel Biocare AB shares*