



Interim Report 2, January-June 1999

The Nobel Biocare Group

- Sales increased by 53% to total SEK 860.0 million (560.9).
- Operating income increased by 114% compared to operating income before non-recurring items in 1998 and amounted to SEK 116.0 million (54.2).
- Dental Implant sales increased by 50% to total SEK 761.0 million (507.0).
- Sales within Procera® increased by 84%, with a total revenue of SEK 99.0 million (53.9).
- Earnings per share excluding goodwill amortization and non-recurring items increased by 56% to SEK 4.18 (2.68).

<i>SEK M</i>	<i>Jan-June 1999</i>	<i>Jan-June 1998</i>	<i>Change</i>
Net turnover	860.0	560.9	53%
<i>of which Dental Implants</i>	<i>761.0</i>	<i>507.0</i>	<i>50%</i>
<i>of which Procera®</i>	<i>99.0</i>	<i>53.9</i>	<i>84%</i>
Operating income excl. non-recurring items	116.0	54.2	114%
Non-recurring items	-	-52.0	
Operating income	116.0	2.2	
Income after net financial items	98.0	2.5	
Earnings per share, SEK	3.13	-0.06	
Earnings per share excluding goodwill amortization and non-recurring items, SEK	4.18	2.68	

Group sales

Nobel Biocare sales grew by 53% to a total of SEK 860.0 million (560.9). Including Steri-Oss sales in 1998, prior to the acquisition, and excluding the divested CFRA sales of 1998, "present operations" group sales grew by 18%.

The impact of the larger sales force and a successful integration of Nobel Biocare's and Steri-Oss' operations has had very positive effects on both sales and results.

Business area Dental Implants' positive sales trend continued and exceeded the estimated market growth rate. This is mainly due to well-received product launches in both Brånemark System and Steri-Oss as well as successful execution of the integration of the Nobel Biocare and Steri-Oss operations. By mid-May 1999, Nobel Biocare had taken over sales from all Steri-Oss' former distributors in Europe. The transition, including recruitment of sales people, is proceeding as planned.

Dental Implant sales in the US and Europe is maintaining its positive momentum. South East Asia and Japan show signs of recovery. Sales in Brazil is increasing since the start of sales through our own subsidiary May 10 1999.

Sales in business area Procera® reached SEK 99.0 million, which is an increase of 84% over last year. The annual running rate of Procera® AllCeram deliveries was 460,000 copings at the end of June 1999. The new factory in the US will commence deliveries towards the end of 1999, which

will shorten delivery times and secure distribution to North American customers. Procera® was launched in Southern Europe during spring 1999. The business concept has been particularly well received in Italy, the second biggest dental market in Europe.

Group results

Operating income increased by 114% to total SEK 116.0 million, compared with SEK 54.2 million (excluding non-recurring items) for the first six months of 1998. The result has gained favorably by high sales volumes of dental implants in North America and Europe, a positive trend of earnings in Procera® and the achievement of planned cost-saving synergies from coordination of Nobel Biocare and Steri-Oss operations.

Excluding positive currency effects of SEK 22 million, operating income improved by SEK 66 million before goodwill amortization. Forecasted synergies of more than SEK 70 million a year have already been secured and will have full impact from year 2000.

Price levels remained stable.

Operating expenses, as a percentage of sales, decreased by 7.7%-units from 64.1% to 56.4%, primarily due to achieved cost synergies and good cost containment.

Depreciation, SEK 26.2 million (23.5), increased by 2.7 SEK million.

Operating income was SEK 116.0 million (2.2). The operating margin improved by 3.8%-units compared to the first six months 1998 (excluding non-recurring items 1998) and increased to 13.5%. Excluding goodwill amortization, the operating margin improved by 6.8 %-units.

Financial income and expenses totalled SEK -18.0 million (0.3). The change compared to 1998 mainly reflects the financial cost of the acquisition of Steri-Oss in September 1998, integration costs and the buy-back of Steri-Oss' inventory from distributors.

Income after net financial items amounted to SEK 98.0 million (2.5).

Business area Dental Implants

Dental implants are used to permanently 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 20,000 clinics in some 50 countries. Nobel Biocare markets dental implants under two brands, Brånemark System® and Steri-Oss with a global market share of approximately 40%. More than 1 million patients have been treated.

The overall market growth developed favorably. Sales of Dental Implants increased by 50% and totalled SEK 761.0 million (507.0). Steri-Oss sales amounted to SEK 207.2 million (-).

Sales of Dental Implants grew in all markets with the exception of Sweden. In the US, Nobel Biocare grew with 15% and improved its share from approximately 40% to 42% of the total dental implant market. Brånemark System improved its strong sales trends on several European markets. As of mid-May, Nobel Biocare subsidiaries had taken over all Steri-Oss distributor sales in Europe.

Asia Pacific have recovered from last year's drop. There are signs that these markets are starting to grow again. Sales in Brazil from our own subsidiary started in May.

The first clinical results of the innovative Brånemark Novum system was presented in May 1999 and caused great media attention. Around 100 patients have been treated so far with this revolutionary implant system that offers new teeth in one day. An international multicenter study will start in the fall of 1999 and the full market launch is scheduled to the third quarter of 2000.

Two major product launches are planned for the autumn 1999. The Brånemark System Mk III fixture is a self-tapping fixture for all types of bone qualities and unique insertion features, which are major improvements to the current fixture systems. The new Replace Select implant will provide the market with a one-stage implant system that addresses esthetic short-comings. Later this fall, Nobel Biocare will run a direct-to-consumer campaign in one major European market.

Business area Procera®

Procera® is a CAD-CAM-based process for the industrial production of the inner core, the coping, of dental crowns made of ceramic material or titanium. A Procera® AllCeram dental crown has superior strength and esthetic properties, as well as a significantly lower material cost, compared with conventional dental crowns. So far, more than 300,000 patients have been treated with Procera®. The product system is marketed to dental laboratories, which invest in computer-aided equipment from Procera®. Information is sent by modem to a Procera® production unit, where the dental coping is produced industrially and then shipped to the dental laboratory. After applying the porcelain to the surface, the dental laboratory delivers the crown to the dentist.

Sales in Procera® totalled SEK 99.0 million (53.9), and increased by 84% compared with the first six months 1998. Overall growth was somewhat softer than planned due to supply disturbances in the beginning of the year. Corrective action has now been taken and on-time deliveries have stabilized at above 99%.

The volume increase for Procera® AllCeram was 177% compared with the same period 1998. The annual running sales rate in June 1999 was 460,000 units compared with 410,000 in December 1998.

Sales in the USA currently account for approximately 65% of the volume. The new production site in the US will open at the end of 1999 and the turnaround time for copings will be reduced by 50%. This will have a very positive effect on the competitiveness for Procera® AllCeram.

The number of new Procera® Scanners invoiced in the second quarter was 54. A total of 627 Procera® Scanners have now been installed. Procera® has been launched in Italy, France, Spain and Portugal during spring 1999.

Procera® Abutment for Steri-Oss products was launched in July 1999.

A pre-launch of Procera® Bridges took place in the US in July 1999 and will be followed by a full launch during the fall of 1999. A launch of Procera® Laminates made of ceramic is planned for late 1999.

Investments

Capital net expenditure totalled SEK 44.3 million (15.9).

Personnel

The number of employees at the end of June 1999 was 1,109. There were 357 employees in Sweden. The corresponding figures June 30, 1998 were 800 and 359 respectively (before the acquisition of Steri-Oss in September 1998).

Liquidity and financial position

Liquid assets totalled SEK 112.2 million (31/12/1998: SEK 126.8 million). The operating cash-flow in the second quarter 1999 was positive. Net cash flow was negative due to the payment of dividends and the integration of Steri-Oss. Net debt has increased by SEK 155.0 million to SEK 481.2 million since year end 1998 primarily due to increase in accounts receivable and inventory.

These increases relate to the initial process of integrating Steri-Oss distributor sales in Nobel Biocare's sales subsidiaries.

The equity/assets ratio was 59% (31/12/1998: 60%).

Shareholders' equity per share was SEK 49.62 (31/12/1998: SEK 48.13).

The number of shares totalled 24,921,834 (31/12/1998: 24,764,579) after redemption of warrants issued in connection with the acquisition of Steri-Oss.

Summary of Operations

SEK M	Jan-June 1999	Jan-June 1998	Full year 1998
Net sales	860,0	560,9	1 309,7
Operating income	116,0	2,2	73,8
Operating margin excluding goodwill amortization	16,5%	0,4%	6,9%
Operating margin	13,5%	0,4%	5,6%
Income after financial income and expenses	98,0	2,5	64,7
Return on average capital employed	13,3%	0,8%	7,0%
Return on average equity after tax	12,8%	-0,4%	5,5%
Equity/assets ratio	59,0%	74,0%	60,0%
Earnings per share excl. goodwill amortization, SEK	4,18	-0,06	2,56
Earnings per share, SEK	3,13	-0,06	1,88
Balance sheet total	2 099,2	727,2	2 000,9
Equity	1 236,7	537,3	1 192,0
Investment	44,3	15,9	51,7
Equity per share, SEK	49,62	28,35	48,13
Number of shares	24 921 834	18 950 500	24 764 579
Number of employees	1 109	800	1 054

Key figures, excluding non-recurring items

Operating income	116,0	54,2	121,5
Operating margin excluding goodwill amortization	16,5%	9,7%	10,6%
Operating margin	13,5%	9,7%	9,3%
Income after financial income and expenses	98,0	54,5	112,5
Return on average capital employed	13,3%	19,5%	11,3%
Return on average equity after tax	12,8%	18,8%	11,0%
Earnings per share excl. goodwill amortization, SEK	4,18	2,86	4,49
Earnings per share, SEK	3,13	2,68	3,81

Consolidated Income Statement

SEK M	Jan-June 1999	%	Jan-June 1998	%	Full year 1998	%
Net turnover	860,0	100,0	560,9	100,0	1 309,7	100,0
Cost of goods sold	-222,9	-25,9	-142,3	-25,4	-340,7	-26,0
Gross income	637,1	74,1	418,6	74,6	969,0	74,0
R&D, sales and administration expenses	-520,5	-60,5	-366,4	-65,3	-851,6	-65,0
Other operating income and operating expenses - net	-0,6	-0,1	2,0	0,3	4,1	0,3
Non-recurring items	0,0	0,0	-52,0	-9,3	-47,8	-3,6
Operating income	116,0	13,5	2,2	0,4	73,7	5,7
Financial income and expenses - net	-18,0	-2,1	0,3	0,1	-9,0	-0,7
Income after financial income and expenses	98,0	11,4	2,5	0,5	64,7	5,0
Taxes	-20,0	-2,3	-3,7	-0,7	-18,0	-1,4
Income after taxes	78,0	9,1	-1,2	-0,2	46,7	3,6

The Nobel Biocare Group - Quarterly Review

SEK M	2/1999	1/1999	4/1998	3/1998	2/1998	1/1998
Net sales	450,8	409,2	454,6	294,2	286,6	274,3
Operating expenses	-373,7	-344,1	-391,4	-273,4	-264,0	-242,7
Operating income excluding non-recurring items and amortization of goodwill	77,1	65,1	63,2	20,8	22,6	31,6
Amortization of goodwill	-13,6	-12,6	-12,5	-4,2	-	-
Operating income excl. non-recurring items	63,5	52,5	50,7	16,6	22,6	31,6
Non-recurring items	0,0	0,0	4,4	-0,1	0,8	-52,8
Operating income	63,5	52,5	55,1	16,5	23,4	-21,2

Cash Flow

SEK M	Jan-June 1999	Jan-June 1998	Full year 1998
Funds provided internally	130,3	22,3	65,0
Change in operating capital etc.	-124,4	-74,9	-78,8
Net investments excluding Steri-Oss	-44,3	-15,8	-37,0
Investments in Steri-Oss	0,0	0,0	-93,2
Increase in long-term liabilities	66,1	0,0	161,0
Dividends	-42,3	-29,4	-29,4
Net cash flow	-14,6	-97,8	-12,4

Cnsolidated Balance Sheet

SEK M	30/06/99	30/06/98	31/12/98
Assets			
Intangible fixed assets	1027,7	33,9	1031,0
Tangible fixed assets	158,0	100,1	139,3
Financial fixed assets	17,5	12,5	12,0
Total fixed assets	1203,2	146,5	1182,3
Inventories	237,6	139,5	214,7
Current receivables	546,2	399,7	477,1
Financial current assets	112,2	41,5	126,8
Total current assets	896,0	580,7	818,6
TOTAL ASSETS	2099,2	727,2	2000,9
Equity	1236,7	537,3	1192,0
Allocations	23,1	26,9	65,7
Long-term liabilities	446,5	2,6	380,4
Current liabilities	392,9	160,4	362,8
TOTAL EQUITY AND LIABILITIES	2099,2	727,2	2000,9

Financial information from Nobel Biocare 1999

The interim report on the first nine months will be distributed on October 29, 1999.

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NOBEL BIO CARE AB (publ.)

Jack Forsgren
President and CEO

This interim report has been reviewed by the company's auditor.

Further information is available from:

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