



Interim Report 2, January-June 2000

The Nobel Biocare Group

- Sales increased by 16% to SEK 999.1 million (860.0).
- Dental Implant sales increased by 15% to SEK 875.9 million (761.0).
- Procera® sales increased by 24% to SEK 123.2 million (99.0). The growth rate of Procera® AllCeram copings in the USA increased from 21% to 39% compared to the first quarter 2000, reaching an annual running rate of +34%.
- Operating income amounted to SEK 128.4 million (116.0). This includes the reimbursement of SPP surplus funds, SEK +22.3 million, and costs for the redemption of synthetic options, SEK -9.8 million. Currency effects were negative, SEK -14.6 million.
- Earnings per share amounted to SEK 3.60 (3.13).
- TiUnite™, a new and unique titanium surface structure for dental implants developed by Nobel Biocare, was presented in July.

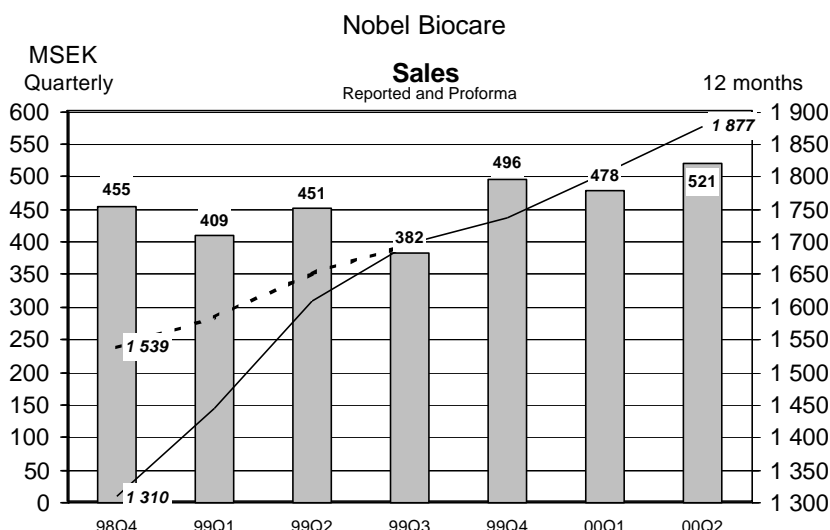
<i>SEK M</i>	<i>Jan-June 2000</i>	<i>Jan-June 1999</i>	<i>Change</i>
Net turnover	999.1	860.0	+16.2%
<i>of which Dental Implants</i>	<i>875.9</i>	<i>761.0</i>	<i>+15.1%</i>
<i>of which Procera®</i>	<i>123.2</i>	<i>99.0</i>	<i>+24.4%</i>
Operating income excluding cost of synthetic options and before non-recurring items	115.9	116.0	-0.1%
Operating income before non-recurring items	106.1	116.0	-8.5%
Non-recurring items	22.3	-	-
Operating income	128.4	116.0	+10.7%
Income after net financial items	109.7	98.0	+11.9%
Earnings per share, SEK	3.60	3.13	+15.0%
Earnings per share excluding goodwill amortization, SEK	4.75	4.18	+13.6%

Group sales

Nobel Biocare sales increased by 16% to total SEK 999.1 million (860.0).

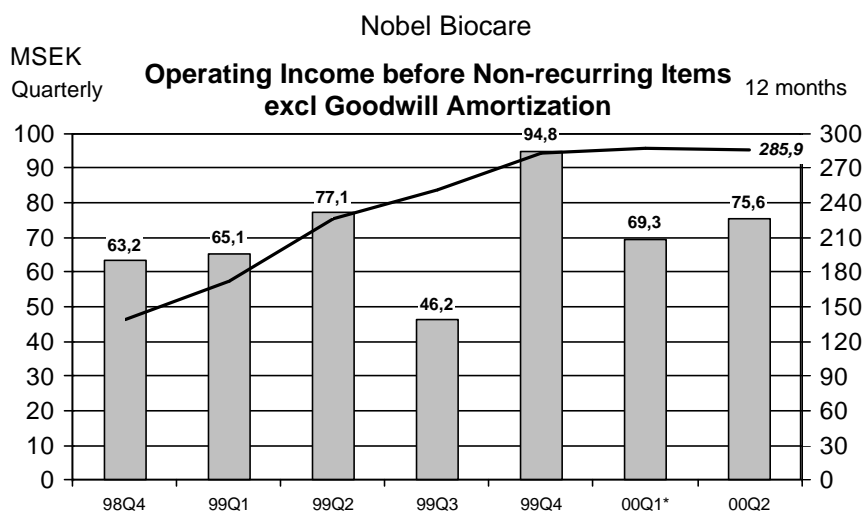
Dental Implant sales increased by 15% compared with the first six months of 1999. Replace Select™ and Brånemark System Mk III products that were launched in 1999 are experiencing strong sales growth. Nobel Biocare has strengthened its global leadership holding an estimated market share of more than 40%.

Sales in Procera® reached SEK 123.2 million, an increase of 24% compared with the first six months of 1999. The growth rate for Procera® AllCeram has continuously increased during the year. Procera reports a positive result for the first six months of 2000.



Group results

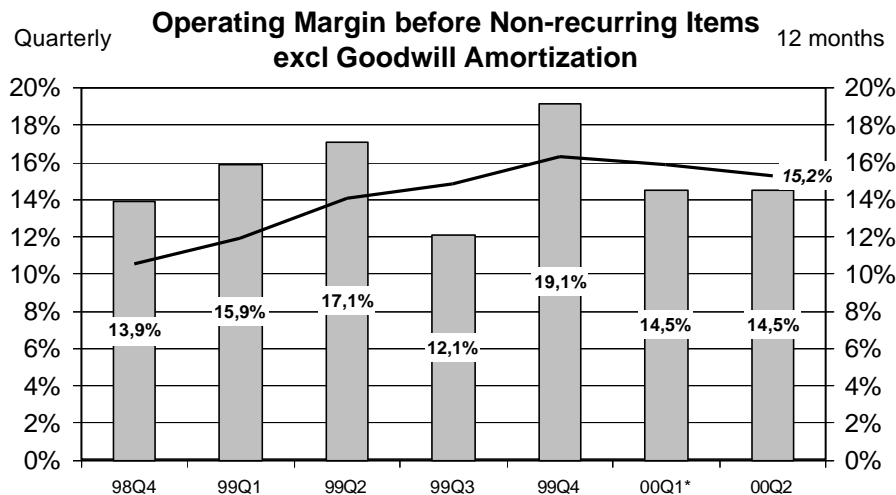
Operating income was SEK 128.4 million (116.0), including expenses of SEK 9.8 million relating to the redemption of synthetic options in the first quarter of 2000 and the calculated value of future reimbursements from SPP pension funds, SEK 22.3 million. Excluding these items of a one-off nature, operating income was 115.9 million (116.0). The year-on-year currency impact was a negative SEK 14.6 million. Excluding the currency effect and the one-off items, operating income improved by 13% compared with the first six months of 1999.



* Q1 of 2000: Expenses related to redemption of synthetic options, MSEK -9.8, have been excluded. Including these expenses, operating income before non-recurring items and goodwill was 59.5 in Q1 of 2000.

The reported operating margin was 12.8% (13.5%). Operating margin before goodwill amortization amounted to 15.7% (16.5%). The year-on-year comparable operating margin before goodwill amortization was 16.1% (16.5%) following adjustments for the non-recurring expenses of synthetic options, the non-recurring reimbursement from SPP, and currency effects. This year-on-year comparable deviation of -0.4% is primarily a consequence of business area mix as Procera, which shows a lower profitability than Dental Implants, has grown relatively more. The unfavorable development of the gross margin, 70.8% (74.1%), is primarily due to the negative currency development and the business area mix referred to above.

Nobel Biocare



* Q1 of 2000: Expenses related to redemption of synthetic options, MSEK -9.8 (-2.1%), have been excluded. Including these expenses, operating margin was 12.4% in Q1 of 2000.

The improvement in operating income for Dental Implants was hampered, primarily as a result of the year-on-year negative currency trend, which is mainly expressed in the form of reduced gross profit margin.

The operating income for Procera, which was close to break-even in the first quarter, moved into profitability in the second quarter. This has been possible despite start-up costs as a result of establishing a second manufacturing facility for Procera. Procera is in the start-up phase of establishing its products in the marketplace and the focus remains on sales growth.

Productivity improved at both the Yorba Linda and the Karlskoga plant. Also the Procera facilities improved productivity in terms of variable cost per product produced.

Operating expenses, excluding the cost of redeeming synthetic options, as a percentage of sales amounted to 55.4% (56.4) in the first half of 2000.

Depreciation, SEK 29.4 million (26.2), increased by SEK 3.2 million.

Goodwill amortization amounted to SEK 28.9 million (26.2).

Financial income and expenses, net, totalled SEK -18.7 million (-18.0).

Income after net financial items amounted to SEK 109.7 million (98.0).

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 40,000 clinics in some 50 countries. Nobel Biocare markets dental implants under three brands, Brånemark System®, Steri-Oss® and Replace™, with a global market share of some 40%. So far, 1.2 million patients have been treated.

The positive global sales trend for dental implants continues. Sales within the business area increased by 15% in the first six months and totalled SEK 875.9 million (761.0). The total market is expected to grow by more than 10%.

Replace Select™ is currently the fastest growing implant brand on the market and Brånemark System is maintaining its position as the world's leading dental implant brand, accounting for approximately two-thirds of Nobel Biocare's dental implant sales.

Nobel Biocare sales increased by 9% in North America and 17% in Europe (excluding the Nordic region). Sales are developing favorably in Japan and strong growth is also being achieved in Latin America.

The Nobel Biocare Team Day 2000, held in July in Gothenburg, Sweden, attracted close to 2 000 customers from 50 countries.

A new titanium surface structure developed by Nobel Biocare was presented for the first time at the Team Day meeting. This innovation, called TiUnite™, has an enlarged surface area which improves the bone response and enables faster bone healing. The initial clinical tests show very promising results. The new surface will be introduced on Brånemark System fixtures and the market launch will start during the fall of 2000. The interest on the market for modified surfaces is very high.

Brånemark Novum also attracted attention at the Team Day meeting. This new concept of new teeth in one day will be launched in November 2000.

The All-in-One individualized bridge work in titanium for implant prosthetics was globally introduced. All-in-One, which is designed and produced with Procera® technology, adds a new potential of more than 200 000 implant bridges equaling approximately SEK 1 billion. Marketing will start in Europe in the course of 2000-2001 and in North America in 2001.

Distribution of Gore dental membranes

In June 2000, Nobel Biocare became the world-wide exclusive distributor of membrane regeneration products for W.L. Gore & Associates, USA. By adding this product line, Nobel Biocare is strengthening its customer offer and utilizing its global distribution power more effectively. This position also gives Nobel Biocare the advantage of having access to a customer base of competitive users. Sales of regenerating membranes are developing according to plan.

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 123.2 million (99.0) and increased by 24% compared with the first six months of 1999.

The volume increase for Procera® AllCeram was 34% compared with the same period in 1999 after a continuous improvement in growth rate during the year. In North America, Procera® AllCeram sales increased by 30%, in Europe by 41% and in other markets by 84%. After a slow start in the first quarter, the US market, which accounts for approximately two-thirds of Procera AllCeram sales, improved its growth rate in the second quarter to 39%.

The positive sales trends for both scanners and copings have continued in Southern Europe and Germany. In Brazil, the initial response has been very favorable.

The annual running rate for copings at the end of June 2000 was 650,000 units compared with 600,000 at the end of March 2000.

Sales of Procera® Scanners totalled 137 during the first six months of 2000 and a total of 937 scanners have now been installed worldwide.

Procera® scanners and copings have now been approved by the Japanese authorities and the first group of laboratories will start using Procera during the fall of 2000.

Several new product introductions took place at the International Team Day meeting in July. Procera® AllCeram Laminates for esthetic dentistry and a new upgraded version of the Procera Scanner were launched.

Investments

Capital expenditures totalled SEK 43.1 million (44.3).

Personnel

The number of employees at the end of June 2000 was 1 191, of whom 365 were employed in Sweden. The corresponding figures in 1999 were 1 109 and 357, respectively.

Liquidity and financial position

Liquid assets totalled SEK 98.9 million (31/12/1999: SEK 121.8 million). Operating cash flow before capital expenditure amounted to SEK 122.3 million in the first six months of the year. Operating cash flow was SEK 79.3 million in the same period. Net debt was reduced by SEK 13.6 million in the second quarter.

The equity/assets ratio was 60% (31/12/1999: 61%).

Shareholders' equity per share was SEK 54.06 (31/12/1999: SEK 52.52).

The number of shares totalled 25,098,195 (31/12/1999: 24,922,934) after the further redemption of warrants issued in connection with the acquisition of Steri-Oss Inc.

Swedish Pension Plan SPP surplus funds

The group's share of SPP's surplus is SEK 23.5 million. Approximately SEK 8.2 million will be reimbursed to the company in September 2000. The amount of the payment in September 2000 and the discounted present value of the future payments have been recorded as a non-recurring item, SEK 22.3 million.

Synthetic options

Operating income in the first quarter of 2000 was charged with SEK 9.8 million for the redemption of synthetic options held by present and former employees of Nobel Biocare. All the options had been redeemed as of 31 March, 2000.

Consolidated Income Statement

SEK M	Jan-June 2000		Jan-June 1999		Full year 1999	
		%		%		%
Net turnover	999.1	100.0	860.0	100.0	1 738.1	100.0
Cost of goods sold	-291.8	-29.2	-222.9	-25.9	-472.1	-26.0
Gross income	707.3	70.8	637.1	74.1	1 266.0	74.0
R&D, sales and administration expenses	-600.5	-60.1	-520.5	-60.5	-1 040.1	-65.0
Other operating income and operating expenses - net	-0.7	-0.1	-0.6	-0.1	2.2	0.3
Non-recurring items	22.3	2.2	0.0	0.0	-9.1	-3.6
Operating income	128.4	12.8	116.0	13.5	219.0	5.7
Financial income and expenses - net	-18.7	-1.9	-18.0	-2.1	-34.7	-0.7
Income after financial income and expenses	109.7	10.9	98.0	11.4	184.3	5.0
Taxes	-19.2	-1.9	-20.0	-2.3	-43.2	-1.4
Income after taxes	90.5	9.0	78.0	9.1	141.1	3.6

Consolidated Balance Sheet

SEK M	30/06/00	30/06/99	31/12/99
Assets			
Intangible fixed assets	1 043.4	1 027.7	1 056.4
Tangible fixed assets	186.5	158.0	171.9
Financial fixed assets	45.4	17.5	35.5
Total fixed assets	1 275.3	1 203.2	1 263.8
Inventories	282.4	237.6	255.8
Current receivables	591.8	546.2	522.0
Financial current assets	98.9	112.2	121.8
Total current assets	973.1	896.0	899.6
TOTAL ASSETS	2 248.4	2 099.2	2 163.4
Equity	1 356.8	1 236.7	1 309.0
Allocations	23.2	23.1	32.7
Long-term liabilities	465.8	446.5	455.8
Current liabilities	402.6	392.9	365.9
TOTAL EQUITY AND LIABILITIES	2 248.4	2 099.2	2 163.4

Cash Flow

SEK M	Jan-June 2000	Jan-June 1999	Full year 1999
Funds provided internally	151.8	130.3	199.9
Change in operating capital etc.	-91.5	-124.4	-192.2
Investments	-43.1	-44.3	-85.0
Increase in long-term liabilities	10.0	66.1	114.5
Dividends	-50.1	-42.3	-42.3
Net cash flow	-22.9	-14.6	-5.1

Summary of Operations

SEK M	Jan-June	Jan-June	Full year	Full year
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	2000	1999	1999	1998
Net sales	999.1	860.0	1 738.1	1 309.7
Operating income	128.4	116.0	219.1	73.8
Operating margin excluding goodwill amortization	15.7%	16.5%	15.8%	6.9%
Operating margin	12.9%	13.5%	12.6%	5.6%
Income after financial income and expenses	109.7	98.0	184.4	64.7
Return on average capital employed	13.4%	13.3%	12.4%	7.0%
Return on average equity	13.8%	12.8%	11.3%	5.5%
Equity/assets ratio	60.3%	59.0%	61.0%	60.0%
Earnings per share excl. goodwill amortization, SEK	4.75	4.18	7.87	2.56
Earnings per share, SEK	3.60	3.13	5.66	1.88
Balance sheet total	2 248.4	2 099.2	2 163.4	2 000.9
Equity	1 356.8	1 236.7	1 309.0	1 192.0
Investments	43.1	44.3	85.0	51.7
Equity per share, SEK	54.06	49.62	52.52	48.13
Number of shares	25 098 195	24 921 834	24 922 934	24 764 579
Number of employees	1 191	1 109	1 111	1 054
Key figures, excluding non-recurring items				
Operating income	106.1	116.0	228.2	121.5
Operating margin excluding goodwill amortization	13.5%	16.5%	16.3%	10.6%
Operating margin	10.6%	13.5%	13.1%	9.3%
Income after financial income and expenses	87.4	98.0	193.4	112.5
Return on average capital employed	11.1%	13.3%	12.9%	11.3%
Return on average equity	10.4%	12.8%	12.1%	11.0%
Earnings per share excl. goodwill amortization, SEK	3.86	4.18	8.24	4.49
Earnings per share, SEK	2.72	3.13	6.03	3.81

The Nobel Biocare Group - Quarterly Review

SEK M	2/2000	1/2000	4/1999	3/1999	2/1999
Net sales	521.0	478.1	495.9	382.1	450.8
Operating expenses	-445.8	-418.6	-401.2	-335.9	-373.7
Operating income excluding non-recurring items and amortization of goodwill	75.2	59.5	94.7	46.2	77.1
Amortization of goodwill	-14.4	-14.2	-13.9	-14.9	-13.6
Operating income excl. non-recurring items	60.8	45.3	80.8	31.3	63.5
Non-recurring items	22.3	0.0	-9.1	0.0	0.0
Operating income	83.1	45.3	71.7	31.3	63.5

Financial information from Nobel Biocare

The nine-month report for January-September will be published on 25 October, 2000.

Gothenburg, 16 August, 2000

NOBEL BIOCare AB (publ.)

Jack Forsgren
President and CEO

Further information is available from:

Jack Forsgren, President and CEO, and Mikael Kromli, CFO, Nobel Biocare AB,
telephone +46 31 81 88 00.

Auditor's Report

We have carried out a general review of this interim report, in accordance with the recommendation issued by the Swedish Institute of Public Authorized Accountants (FAR).

A general review is considerably limited in comparison with an audit. Based on our review nothing came to our attention that indicates that the report does not comply with the requirements given in the Swedish Stock Exchange Act or the Swedish Annual Accounts Act.

Gothenburg, August 16, 2000

Ernst & Young AB

Bertel Enlund
Authorized Public Accountant