

Interim Report 2, January – June 2003

13 August 2003

Nobel Biocare Group

Strong Sales and Profitability Growth in the Second Quarter

- Revenue was up 19.8% in local currencies in the Second Quarter; 20.6% in local currencies excluding sales of the discontinued Gore products. Profit from operations (EBIT), before restructuring expenses in 2002, increased by 27.6% and amounted to EUR 21.7 million in the Second Quarter 2003.
- In the First Half of 2003, revenue increased by 15.8% in local currencies and amounted to EUR 165.3 million. Excluding sales of the discontinued Gore products, revenue increased in local currencies by 16.3%. Profit from operations (EBIT), before restructuring expenses in 2002, increased by 20.2% and amounted to EUR 41.1 million in the First Half of 2003. In local currencies, EBIT increased by 58.5%.
- Net profit increased by 79.2% to EUR 31.0 million in the First Half of 2003 as a result of the accelerated growth in revenue, tight cost management and the fact that the 2002 comparative figure includes restructuring expenses incurred in 2002.

<i>EUR M</i>	<i>Q2 2003</i>	<i>Q2 2002*</i>	<i>Change EUR (local currencies)</i>	<i>Half Year 2003</i>	<i>Half Year 2002*</i>	<i>Change EUR (local currencies)</i>
Revenue	85.5	79.6	+7.4% (+19.8%)	165.3	159.1	+3.9% (+15.8%)
Profit from operations before goodwill amortization and restructuring expenses (EBITA)	24.0 28.1%	19.7 24.7%	+21.8%	45.8 27.7%	39.7 25.0%	+15.4% (+49.1%)
Profit from operations before restructuring expenses (EBIT)	21.7 25.4%	17.0 21.4%	+27.6%	41.1 24.9%	34.2 21.5%	+20.2% (+58.5%)
Net profit	16.4	6.7	+144.8%	31.0	17.3	+79.2%
Earnings per share, EUR	0.65	0.27**	+140.7%	1.24	0.69**	+79.7%
Earnings per share, CHF	0.97	0.40**	+142.5%	1.84	1.01**	+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 half of 2002 of EUR 2.2 million (EUR 0.7 million in the isolated Q2 2002).

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

The Nobel Biocare Group

Revenue

Table 1.

Revenue April-June*	Second Quarter		
EUR M	2003	2002	Growth in EUR (in local currency)
Revenue			
Europe	40.3	35.1	15.2% (16.4%)
North America	31.6	32.5	-3.1% (18.2%)
Asia/Pacific	8.8	7.1	24.2% (42.4%)
Rest of the world	4.8	4.9	-1.6% (21.6%)
Total	85.5	79.6	7.4% (19.8 %)

Table 2.

Revenue January-June*	Half Year		
EUR M	2003	2002	Growth in EUR (in local currency)
Revenue			
Europe	78.2	69.7	12.2% (13.3%)
North America	61.8	65.4	-5.6% (15.0%)
Asia/Pacific	16.9	15.2	11.5% (27.5%)
Rest of the world	8.4	8.8	-4.5% (21.8%)
Total	165.3	159.1	3.9% (15.8%)

* 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. The 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.

Revenue increased by 15.8% in local currencies to total EUR 165.3 million in the first half of 2003. In EUR, the increase was 3.9%, due to the significant negative currency effects, predominantly related to the weakening US dollar. Excluding sales of the discontinued Gore regenerative products, revenue increased by 16.3% in local currencies.

In the second quarter isolated, revenue increased by 19.8% in local currencies. Excluding sales of the discontinued Gore regenerative products, revenue increased by 20.6%.

Revenue further accelerated in the second quarter as a result of an increased activity level in line with Nobel Biocare's new strategy approaching the entire dental industry by incorporating implants and CAD/CAM Procera technology into regular dentistry for both teeth and implants. The strongest revenue trends were reported from the USA, the Nordic countries, Spain, France, Japan, South East Asia and Latin America.

Revenue growth was well above 20% for the new core product assortment during the first half of the year, but 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.

During the second quarter, market activities continued with the global launch of the new product offer under the new C&B&I concept. Training and marketing activities to convey the new messages were run in all markets with special focus on the Nobel Biocare World Congress in Las Vegas on 2-5 April, where the launch of the Immediate function concept was the focal point.

The market reception for the newly launched Procera Piccolo scanner has been very favorable, confirming the interest in high-end ceramic prosthetics from the small and medium-sized dental laboratory segment of the market. Deliveries of Procera Piccolo scanners started at the end of May 2003 as planned. The high level of interest in the new Procera Piccolo scanner is also driving the sales growth of Procera AllCeram copings and Procera Abutments.

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.

NobelPerfect, the scalloped implant that provides improved esthetics by preserving bone structure and soft tissue between the teeth, will be launched in the third quarter as planned. The pre-launch of the new one-piece implant NobelDirect will start this autumn, followed by the global launch in March 2004. The Nobel prosthetic offer will be extended this autumn to include two new ceramic abutments in zirconia and alumina.

The distribution agreement with W.L.Gore & Associates, Inc. was terminated on 31 May 2003. Sales of Gore regenerative products amounted to approximately two percent of Nobel Biocare's total sales.

Further profit improvements due to strict and focused cost management

The gross margin remained at a high level and amounted to 75.9% (75.9%) for the first half of 2003 compared with 75.6% for the full year 2002. The transactional currency effect on the gross margin was a negative 0.3%, which was the effect of hedging contracts, as well as 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 1.4 million (1.6) in the first half of 2003.

Profit from operations before goodwill amortization (and restructuring expenses in 2002), (EBITA), increased by 49.1% in local currencies to EUR 45.8 million (39.7); 15.4% in EUR due to the significant currency effects. The EBITA margin (before restructuring expenses in 2002 increased to 27.7% (25.0%).

Profit from operations, before restructuring expenses in 2002, increased by 58.5% in local currencies to EUR 41.1 million (34.2); 20.2% in EUR. The operating margin (EBIT) increased to 24.9% (21.5%). The total year-on-year currency impact on profit from operations was a negative EUR 13.1 million (including a positive EUR 2.2 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 consequence of the weaker USD currency rate, goodwill amortization decreased and totaled EUR 4.7 million (5.5). Depreciation amounted to EUR 5.3 million (5.3).

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

Table 3.

Profit from operations , April-June		Second Quarter		
EUR M	2003	% of revenue EUR	2002	% of revenue EUR
Profit from operations before goodwill amortization and restructuring expenses in 2002 (EBITA)	24.0	28.1%	19.7	24.7%
Profit from operations before restructuring expenses in 2002 (EBIT)	21.7	25.4%	17.0	21.4%

Table 4.

Profit from operations , January-June		Half Year			
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)	45.8	27.7%	32.2%	39.7	25.0%
Profit from operations before restructuring expenses in 2002 (EBIT)	41.1	24.9%	29.4%	34.2	21.5%

Investments

Total capital expenditures amounted to EUR 5.3 million (5.3), whereof EUR 2.5 million relates to investments in production facilities.

Liquidity and financial position

High accounts receivables, as a result of the increased revenue growth trend in the second quarter, material tax payments relating to the fiscal years 2002 and 2003, as well as the old inventory assortment not yet been fully phased out, resulted in a cash flow from operating activities of EUR 20.2 million during the first half of 2003.

Inventory levels started to decrease in Q2 2003 and amounted to EUR 28.6 million compared with EUR 30.4 million at the end of March 2003. For the remainder of 2003, management will focus on reducing working capital in order to further reduce inventories in particular.

Cash and cash equivalents totaled EUR 40.8 million (31/12/2002: EUR 52.5 million), while the net cash position amounted to EUR 24.7 million (31/12/2002: EUR 21.4 million).

Shareholders' equity per average share increased to EUR 8.97 (31/12/2002: EUR 8.47*).

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

Annual General Meeting

The Annual General Meeting for Nobel Biocare Holding AG was held on 24 April 2003 in Zurich, Switzerland. The meeting approved a dividend of CHF 0.79 per share, which was paid on 29 April 2003. Rolf Soiron was elected as new board member. At the board meeting following the election, Rolf Soiron was elected as Chairman of the Board.

Outlook

The following financial targets have been set for 2003:

- Group revenue growth in local currencies (excluding sales of the discontinued Gore products) > 20%
- Group operating profit margin before goodwill amortization, EBITA 26-28%
- Group operating profit margin, EBIT 23-25%

The high market activity level under the C&B&I strategy, the positive reception for the new product offer confirmed by the high volume of surgical starter kit sales, improving sales growth trends, extensive training & education activities for both the present and new customer segments and a strong launch program for the remainder of the year make us confident of realizing all our targets for 2003.

13 August 2003

NOBEL BIOCORE HOLDING AG

Heliane Canepa
President & CEO

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Calendar financial reporting:

Q3 2003	22 October 2003
Full year 2003	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 27 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	Apr-June 2003	Apr-June 2002	Jan-June 2003	Jan-June 2002	Full year 2002
Revenue	85.5	79.6	165.3	159.1	311.2
Cost of sales	-20.8	-18.6	-39.8	-38.4	-76.0
Gross profit	64.7	61.0	125.5	120.7	235.2
Selling, administrative and R&D expenses	-43.0	-44.0	-84.4	-86.5	-165.0
Restructuring expenses	-	-5.8	-	-5.8	-7.2
Profit from operations	21.7	11.2	41.1	28.4	63.0
Financial income	0.6	0.2	1.1	0.4	1.8
Financial expenses	-0.9	-0.9	-1.7	-1.7	-3.7
Profit before tax	21.4	10.5	40.5	27.1	61.1
Income tax expenses	-4.9	-3.8	-9.2	-9.8	-22.9
Profit after tax	16.5	6.7	31.3	17.3	38.2
Minority interest	-0.2	-	-0.3	-	-0.4
Net profit	16.3	6.7	31.0	17.3	37.8
Earnings per share, EUR	0.65	0.27*	1.24	0.69*	1.50*
Diluted earnings per share, EUR	0.62	0.26*	1.18	0.66*	1.43*

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

CONDENSED CONSOLIDATED BALANCE SHEET

EUR M	30/06/03	30/06/02	31/12/02
Assets			
Property, plant and equipment	27.2	29.3	27.3
Intangible assets	135.9	153.8	144.9
Financial assets	7.7	8.0	10.1
Total non-current assets	170.8	191.1	182.3
Inventories	28.6	19.6	28.1
Current receivables	76.4	67.4	61.4
Cash and cash equivalents	40.8	29.8	52.5
Total current assets	145.8	116.8	142.0
TOTAL ASSETS	316.6	307.9	324.3
Shareholders' equity and liabilities			
Shareholders' equity	225.2	188.8	212.7
Minority interest	2.7	10.7	2.2
Provisions	23.5	23.4	23.0
Other non-current liabilities	17.9	32.6	32.5
Current liabilities	47.3	52.4	53.9
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	316.6	307.9	324.3

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR M	Jan-June 2003	Jan-June 2002	Full year 2002
As of 1 January	212.7	204.4	204.4
Foreign exchange translation differences	-4.9	-25.7	-22.3
Warrants and options exercised	-	0.9	0.9
Movements from hedge accounting	-0.1	-	-
Movements from treasury shares	-0.4	-	-
Dividend	-13.1	-8.1	-8.1
Net profit for the period	31.0	17.3	37.8
As of 30 June/31 December	225.2	188.8	212.7

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

EUR M	Jan-June 2003	Jan-June 2002	Full year 2002
Profit before tax	40.5	27.1	61.1
Depreciation and amortization	10.0	10.8	21.6
Non-cash financial income and expenses	0.6	-0.6	0.2
Other non-cash income and expenses	2.5	-1.2	2.8
Changes in working capital and provisions	-18.0	6.0	-8.0
Income taxes paid	-15.4	-4.1	-7.4
Net cash from operating activities	20.2	38.0	70.3
Net cash from investment activities	-5.3	-5.3	-13.6
Exercised warrants and options	-	0.9	0.9
Decrease in interest-bearing liabilities	-12.7	-19.4	-17.6
Interest, net	-	-	-2.1
Dividends paid	-13.1	-8.1	-8.1
Net cash from financing activities	-25.8	-26.6	-26.9
Decrease/increase in cash and cash equivalents	-10.9	6.1	29.8
Cash and cash equivalents as at 1 January	52.5	24.8	24.8
Effect of exchange rate differences on cash held	-0.8	-1.1	-2.1
Cash and cash equivalents at 30 June/31 December	40.8	29.8	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 for 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 13.1 million (including a positive EUR 2.2 million IFRS adjustment included in the 2002 EBIT).

As a consequence of the weaker USD currency rate, goodwill amortization decreased and reached EUR 4.7 million (5.5). Depreciation amounted to EUR 5.3 million (5.3).

Balance sheet

Total capital expenditures totaled EUR 5.3 million (5.3), whereof EUR 2.5 million relates to investments in production facilities.

High accounts receivables, as a result of the increased revenue growth trend in the second quarter, material tax payments relating to the fiscal years 2002 and 2003, as well as the old inventory assortment not yet being fully phased out, resulted in a cash flow from operating activities of EUR 20.2 million during the first half of 2003.

Cash and cash equivalents totaled EUR 40.8 million (31/12/2002: EUR 52.5 million) while the net cash position amounted to EUR 24.7 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 June 2003 was 1 327 (1 317).

Other

Nobel Biocare is involved in two patent litigation/arbitration cases and in a few warranty, product liability and labor related disputes. There has been no material adverse development in any of the cases.

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. The 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 June 2003, the Group's parent company is Nobel Biocare Holding AG and the figures as of and for the period ended 30 June 2003 have therefore been consolidated on the basis of this new 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 30/6/2003 totaled 25,119,483 (31/12/2002 totaled 25,115,187) due to the redemption of warrants. 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 1,238,122 shares, each with a par value of CHF 2, to be fully paid up, by an amount of no more than CHF 2,476,244 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 nominal value 2 CHF making the total number of outstanding shares in Nobel Biocare Holding AG 25,379,196 shares and the issued share capital CHF 50,758,392. The capital increase will be effective on 21 August 2003.

Minorities

The minority interest represents the outstanding shares (1.1%) on 30 June 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 in 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 are expected to commence in the second half of 2003.

Review report to the Board of Directors of

Nobel Biocare Holding AG, Zurich

We have reviewed the condensed consolidated interim financial statements (consolidated income statement, balance sheet, cash flow statement, statement of changes in equity and selected explanatory notes) as presented on pages 6 to 10 of Nobel Biocare Holding AG as of 30 June 2003 and for the period then ended.

These condensed consolidated interim financial statements are the responsibility of the board of directors. Our responsibility is to issue a report on these condensed consolidated interim financial statements based on our review.

We conducted our review in accordance with the International Standard on Auditing issued by the International Federation of Accountants (IFAC) applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the condensed consolidated interim financial statements are free from material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements referred to above do not give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS).

KPMG Fides Peat

Erik Willems
Dutch Chartered Accountant

Thomas Schmid
Swiss Certified Accountant
Auditor in Charge

Zurich, 13 August 2003

THE NOBEL BIOCARE GROUP — QUARTERLY REVIEW

EUR M	2/2003	1/2003	4/2002	3/2002	2/2002	1/2002
Revenue	85.5	79.8	85.3	66.8	79.6	79.5
Operating expenses	-61.5	-58.0	-60.7	-50.4	-59.9	-59.5
Profit from operations excluding restructuring expenses and amortization of goodwill	24.0	21.8	24.6	16.4	19.7	20.0
Amortization of goodwill	-2.3	-2.4	-2.6	-2.5	-2.7	-2.8
Profit from operations excl. restructuring expenses	21.7	19.4	22.0	13.9	17.0	17.2
Restructuring expenses	-	-	-0.7	-0.6	-5.8	-
Profit from operations	21.7	19.4	21.3	13.3	11.2	17.2

SUMMARY OF OPERATIONS

EUR M	Jan-June 2003	Jan-June 2002	Full year 2002
Revenue	165.3	159.1	311.2
Profit from operations	41.1	28.4	63.0
EBITA margin excluding restructuring expenses	27.7%	25.0%	26.0%
EBITA margin	27.7%	21.3%	23.6%
EBIT margin excluding restructuring expenses	24.9%	21.5%	22.6%
EBIT margin	24.9%	17.9%	20.3%
Profit before tax	40.5	27.1	61.1
Net cash from operating activities	20.2	38.0	70.3
Return on average capital employed	34.8%	23.6%	25.8%
Return on average equity	29.3%	17.0%	18.4%
Equity/assets ratio	71%	61%	66%
Net cash/ equity	0.11	-0.02	0.10
Net cash/ EBITA	0.54	-0.09	0.29
Interest coverage ratio (times)	24.1	16.9	17.4
Earnings per share, EUR	1.24	0.69*	1.50*
Diluted profit per share, EUR	1.18	0.66*	1.43*
Balance sheet total	316.6	307.9	324.3
Shareholders' equity	225.2	188.8	212.7
Investments	5.3	5.3	13.6
Equity per share, EUR	8.97	7.51*	8.47*
Average number of shares	25 117 318	25 133 290*	25 124 239*
Number of shares after dilution	26 355 440	26 357 605*	26 357 605*
Number of employees	1 327	1 317	1 330

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