

Nobel Biocare Group – Full Year Report 2005

Zurich, Switzerland – 9 February 2006

Nobel Biocare again outpaces market with record revenue growth of 25% and an EBIT margin of 33.5% in 2005

- Revenue for the full year was lifted 25% in euro, or 24% in local currencies, to EUR 484.5 million (2004: 388.4 million). In North America the high expansion pace continued with 35% growth in local currencies for the full year.
- Gross margin for the full year climbed to 82.3% (79.7%*).
- Profit from operations (EBIT) for the full year jumped by 41% to EUR 162.3 million (114.8 million*), reflecting a record EBIT margin of 33.5% (29.6%*).
- Profit for the year in 2005 grew 69% to EUR 154.7 million (91.6 million*), driven by higher profit from operations and the one-off impact from the divestiture of Entific Medical Systems AB in the first quarter.
- Basic earnings per share for the full year climbed to EUR 6.05 from EUR 3.58* a year ago.
- The Board of Directors proposes to raise the dividend to CHF 3.50 or approx. EUR 2.26 (CHF 2.65 or EUR 1.72)

Table 1.

Selected income statement figures in EUR million	Oct-Dec 2005	Oct-Dec 2004*	Change	Full Year 2005	Full Year 2004*	Change
Revenue	144.4	116.2	24.3%	484.5	388.4	24.8%
<i>Growth in local currencies</i>	20.3%	23.3%		24.0%	22.0%	
Gross profit	117.5	93.9	25.1%	398.5	309.6	28.7%
<i>Gross margin</i>	81.4%	80.8%		82.3%	79.7%	
Profit from operations	55.7	41.6	33.9%	162.3	114.8	41.3%
<i>Operating (EBIT) margin</i>	38.6%	35.8%		33.5%	29.6%	
Profit for the year	43.5	34.0	27.9%	154.7	91.6	68.9%
<i>Net profit margin</i>	30.1%	29.3%		31.9%	23.6%	
Basic earnings per share, EUR	1.71	1.33		6.05	3.58	
Basic earnings per share, CHF	2.66	2.05		9.38	5.53	

*Certain comparatives were reclassified to conform with current period's presentation. The comparatives were also restated to reflect the implementation of IFRS 2 Share-based Payment as of 1 January 2005. In addition, goodwill is no longer amortized as of 1 January 2005. Please see Note 4 of the consolidated condensed financial statements for more details.

High overall momentum, with North America powering expansion

Revenue was lifted organically 24% in local currencies, well above the Company's guidance of >22% revenue growth. As the undisputed market leader, Nobel Biocare outgrew even the most aggressive overall market growth estimates by about 4-6% in 2005. Revenue in the fourth quarter remained strong, with growth over 20% in local currencies to EUR 144.4 million on top of a very strong (+23%) comparative period last year.

All regions grew above estimated market growth. North America and Asia/Pacific continued their high expansion pace with 35% and 32% growth in local currency for the full year. Revenue in Europe was up 14% in local currencies for the full year with Denmark, the Netherlands, Norway, Spain and the UK expanding the fastest. In Switzerland momentum was kept high with growth of 35%. In line with expectations, overall market conditions in Germany, the biggest European market,

were negatively impacted throughout 2005 due to confusion surrounding the health care reform and the general economic development, as well as in Sweden due to a change in the healthcare reimbursement system. The impact of price increases on existing products was about 1% for the full year 2005.

Along with its fast expansion pace, Nobel Biocare created a total of 218 new positions world-wide in 2005, the vast majority of which are in direct sales and sales-related functions.

Table 2.

Revenue by region – 4 th quarter in EUR million	Oct-Dec 2005	Oct-Dec 2004	Change in %	
			EUR	local curr.
Europe	64.0	58.8	8.8%	8.8%
<i>Proportion of total revenue</i>	44%	51%		
North America	54.5	37.2	46.5%	36.4%
<i>Proportion of total revenue</i>	38%	32%		
Asia/Pacific	17.5	13.5	29.6%	26.7%
<i>Proportion of total revenue</i>	12%	12%		
Rest of the World	8.4	6.7	25.4%	16.7%
<i>Proportion of total revenue</i>	6%	5%		
Total	144.4	116.2	24.3%	20.3%

Table 3.

Revenue by region – full year in EUR million	Full Year 2005	Full Year 2004	Change in %	
			EUR	local curr.
Europe	216.5	189.8	14.1%	14.1%
<i>Proportion of total revenue</i>	45%	49%		
North America	180.1	132.1	36.4%	35.0%
<i>Proportion of total revenue</i>	37%	34%		
Asia/Pacific	60.1	45.6	31.8%	31.7%
<i>Proportion of total revenue</i>	12%	12%		
Rest of the World	27.8	20.9	33.0%	26.3%
<i>Proportion of total revenue</i>	6%	5%		
Total	484.5	388.4	24.8%	24.0%

Addressing the growing patient demand for esthetics, comfort and immediate function

In 2005, Nobel Biocare continued its high pace of innovation to address the swiftly growing market demand for lasting high esthetics and patient comfort combined with shorter, simpler and safer treatment procedures. New products are scientifically proven and are designed to meet those demands.

A highlight of the year was the launch of NobelGuide™. This scientifically proven concept gives the dental professional an easy-to-use solution for every indication. It offers the flexibility to choose between a conventional model-based or a computer-based approach for the treatment planning. This, along with the guides and customized templates, provides higher safety and predictability when placing implants. Combined with Immediate Function™, the minimally invasive procedure used with NobelGuide™ requires no healing time for fully functioning teeth and results in shorter treatment time, reduced pain and no swelling, and as little discomfort as possible for the patient.

The Crown&Bridge&Implant portfolio with the centerpiece Procera® technology continues to be a clear competitive advantage to meet the worldwide rapidly growing demand for esthetic dental solutions. Consequently, shortly after the inauguration of the European Ceramics Center in Stockholm, Sweden, Nobel Biocare inaugurated its North American Ceramics Center in Mahwah,

New Jersey in the first quarter of 2005. This location features a Procera[®] manufacturing facility and a dental training institute.

Training and education of dental professionals continues to be a key strategy to meet increasing patient demands. The wide variety of new solutions attracted dental professionals from around the world as over 251,000 participants attended the training and education events, clearly surpassing the Company's target of 200,000 for the full year. In June, 6000 dental professionals attended the Nobel Biocare World Conference in Las Vegas. A very important milestone was achieved with the exclusive cooperation signed in November to integrate a dental implant therapy and esthetic dentistry curriculum into the pre-doctoral dental education program of New York University, the largest dental school in the US.

In 2005, Nobel Biocare also expanded its campaigns to educate prospective patients. Features in press and television were supported by the Nobel Biocare Truck tour throughout Europe and the US, as well as www.nobelismile.com, the website dedicated to patients.

TiUnite[®] biomaterial sets standards for surface materials

In the course of 2005, the scientific evidence on the biomaterial surface TiUnite[®] was updated with excellent four-year clinical results proving its leading position on the market. The study confirms and supports clinical benefits of the remarkable osseointegrative properties, allowing bone to grow into the pores of the surface. This results in faster osseointegration and higher biological stability, thus minimizing time at risk for effective and safe Immediate Function[™].

Overall, the scientific evidence of TiUnite[®] consists of 58 clinical studies, including unique human histology evaluations.

TiUnite[®] is also central to the development of the next generation of implant surfaces, the so-called osseointegrative surfaces. In June 2005, Nobel Biocare announced its exclusive licensing agreement with Wyeth on the bone morphogenetic protein (BMP-2) in combination with dental implants. The combination of TiUnite[®] with BMP-2 has the potential to widen the indications for implant treatment and eliminating the need for invasive and time consuming grafting procedures.

Nobel Biocare is planning to submit an application (IDE) to the U.S. Food and Drug Administration this month to get approval for initiating clinical studies. Overall, the Company's leading position and commitment to science are documented with 1,700 clinical studies. The Quality focus, of utmost importance for a medical device company, was proven with the new global quality certificate, ISO 13485:2003.

Continued strong profitability improvement in 2005

Continued strong volume growth and a favourable mix change continued to drive gross profit and margin. Gross profit for the fourth quarter climbed to EUR 117.5 million, up from the prior year's EUR 93.9 million*. The respective gross margin improved to 81.4% from 80.8%* in the fourth quarter last year. For the full year, the gross profit was lifted to EUR 398.5 million compared to EUR 309.6 million* a year earlier, resulting in a margin of 82.3% (2004: 79.7%*).

Obsolescence cost related to inventory rationalization, recorded under cost of sales, amounted to EUR 1.0 million for the fourth quarter and to EUR 2.1 million for the full year compared to EUR 0.1 million and EUR 2.1 million respectively a year earlier.

In line with the Company's forecast, the introduction activities of new products and headcount expansion continued in the fourth quarter. Operating expenses in the fourth quarter amounted to EUR 61.8 million compared to EUR 52.3 million* in the previous year. Operating expenses for the full year were EUR 236.2 million, up from EUR 194.8 million*. Despite the continued investments associated with the Company's continued rapid expansion, operating cost in relation to revenue dropped from 50.2%* to 48.8% for the full year.

Based on the implementation of international financial reporting standard 2 (IFRS 2, Share-based Payment), cost for staff options amounted to EUR 1.7 million in the fourth quarter of 2005 and to EUR 6.8 million for the full year. The restatement for the prior year is EUR 1.2 million and EUR 4.0 million respectively.

Social charges related to the staff option program were EUR 2.3 million compared to EUR 1.0 million in the fourth quarter a year earlier. For the full year, social charges related to the option program were EUR 6.5 million (EUR 7.1 million).

Profit from operations (EBIT) rose 34% to EUR 55.7 million (EUR 41.6 million*) in the fourth quarter. For the full year, EBIT jumped by 41% to EUR 162.3 million (EUR 114.8 million*). The EBIT margin for the quarter as well as for the full year marked a new record with 38.6% and 33.5%, respectively. The profitability improvement was driven by the increase in revenue, the improvement in gross margins and the cost savings achieved through the globalization of manufacturing, logistics and marketing processes

Total capital expenditure on property, plant and equipment for the full year 2005 increased to EUR 19.6 million (EUR 16.1 million).

**Certain comparatives were reclassified to conform with current period's presentation. The comparatives were also restated to reflect the implementation of IFRS 2 Share-based Payment as of 1 January 2005. In addition, goodwill is no longer amortized as of 1 January 2005. Please see Note 4 of the consolidated condensed financial statements for more details.*

Strong balance sheet providing financial flexibility

As a result of the high number of new products introduced in the course of the year, inventory rose to EUR 30.1 million compared to EUR 27.7 million at the end of the third quarter and EUR 17.6 million at the end of 2004.

In accordance with the terms of the share buyback program initiated in the second quarter, Nobel Biocare acquired 258,000 shares for a total price of EUR 48.4 million in the fourth quarter and 739,650 shares for a total price of EUR 126.6 million since the start of the program until 31 December 2005.

The significant share buyback in the fourth quarter as well as financial investments (with a term longer than 90 days) in an amount of EUR 34.9 million were the primary driver of the reduction in cash and cash equivalents to EUR 129.0 million from EUR 173.0 million at the end of the third quarter.

Dividend of CHF 3.50 per share proposed to the Annual General Meeting

The Board of Directors will propose a dividend of CHF 3.50 (EUR ~2.26) per share at the Annual General Meeting scheduled to be held on 3 May 2006 in Zurich, Switzerland. An information meeting for Swedish shareholders will be held in Gothenburg on 12 May 2006.

Corporate Citizenship and Corporate Governance

In line with the Company's aim to be a leader in Corporate Citizenship, Nobel Biocare has become one of the donors of the first SOS Children's Village in Brovary outside Kiev in the Ukraine. Furthermore, in late September the 40 year celebration of the first patient treated with the original scientific dental implant system, the Brånemark System[®], took place in Brazil. At the same time, the P-I Brånemark Institute was inaugurated. This institute will promote scientific and technological development in osseointegration and is aimed at needy patients who require osseointegrated reconstructions but otherwise would not be able to afford such a treatment. Since the Institute is run primarily on donations to support patient treatment and to cover administration costs, Nobel Biocare announced that the Company will cover the treatment of 1,200 patients over the next three years. The Company's Corporate Governance was rated top by Ethos, the Swiss foundation for sustainable development. The companies were measured against the Swiss and international Best Practice Rules for Corporate Governance with regards to transparency, capital structure, composition and organization of the board, the auditors and the shareholder rights. Nobel Biocare was acknowledged to have implemented Corporate Governance mechanisms that surpass the requirements of economiesuisse's Swiss Code of Best Practice for Corporate Governance and the Swiss Stock Exchange SWX directive on transparency in Corporate Governance.

Market approval of NobelDirect confirmed by Swedish Medical Products Agency

After a meeting with Nobel Biocare and the two professors from Göteborg University, the Swedish Medical Products Agency announced on 7 February 2006 that they found no reason to withdraw the implant from the market.

Nobel Biocare World Conference 2005 success leads to Nobel Biocare World Tour 2006

In 2006, Nobel Biocare will introduce a new continuing and post-graduate education program in a series of 17 training and educational conferences on four continents around the world. The "Nobel Biocare World Tour 2006" will start on 9 March in Frankfurt and will end on 18 November in Barcelona. Nobel Biocare expects around 30,000 participants to attend these training and education events. The Nobel Biocare World Tour 2006 is a completely new format. It will bring together world-leading experts in implant and esthetic dentistry with local experts and conference attendees to share their knowledge in state-of-the-art patient treatments. Live cases transmitted via satellite, including implant surgeries and esthetic restorations, will demonstrate the latest preferred patient treatment options. Additionally, hands-on and in-depth training for all levels of dental professionals will be included. Nobel Biocare will also present the latest research and clinical findings from its pipeline of products and solutions.

Outlook

As a world leader in innovative esthetic dental solutions based on science and with a focus on the patient, Nobel Biocare is committed to providing dental professionals with the most advanced, root-to-tooth solutions that increases the awareness, conveyance and acceptance of the highest standards of dental care.

Nobel Biocare will continue its expansion into emerging markets in 2006 by establishing its own sales organizations in the Baltic countries and Russia as the next countries to be entered.

The C&B&I offering, the pipeline of innovations, the training and education efforts, the Nobel Biocare World Tour 2006 conferences as well as patient information campaigns, will form the base for continued growth momentum and will also require continuous investments. In 2006, we expect to create about another 200 new positions.

The Company's exceptionally strong performance in 2005 sets a high base for the current year. However, we expect to grow revenue in 2006 by approximately 24% in local currencies in a market that is estimated to grow by 18-20%, and to expand the EBIT margin by about 0.5%.

NOBEL BIOCARE HOLDING AG



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Chairman of the Board



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A media conference in German will be held today 9 February 2006 at 11.00 CET.

Location: CoventionPoint at SWX Swiss Exchange, Selnaustrasse 30, Zurich

An investor and analyst conference in English will be held today 9 February 2006 at 13.00 CET.

Location: CoventionPoint at SWX Swiss Exchange, Selnaustrasse 30, Zurich

The conference can be accessed (listen-only mode) via Webcast at www.nobelbiocare.com or via telephone conference, using the following dial-in numbers:

The dial-in numbers for the telephone conference are:

+41 91 610 5600 (in Europe)

+44 20 7107 0611 (in the UK)

+46 8 5069 2105 (in Sweden)

+1 866 291 4166 (toll free number in the USA)

For more details, see our homepage: www.nobelbiocare.com

The Nobel Biocare 2005 Annual Report in English can be downloaded from www.nobelbiocare.com

Financial Reporting Calendar:

Interim Report 1, 2006

3 May, 2006

Annual General Meeting 2006

3 May, 2006

Interim Report 2, 2006

10 August, 2006

Interim Report 3, 2006

19 October, 2006

All reports are available in English, German and Swedish

Disclaimer:

This report may contain forward-looking statements including, but not limited to, projections of future performance of materials and products, financial conditions, results of operations and cash flows, containing risks and uncertainties. These statements are subject to change based on unknown risks and other factors that could cause the actual results or performance to differ materially from the statements made herein.

Nobel Biocare is a medical devices group and the world leader in innovative esthetic dental solutions with its brands Brånemark System[®], NobelSpeedy[™], NobelReplace[™], NobelPerfect[®], NobelDirect[®], 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 and education and clinically documented treatment concepts. Nobel Biocare has around 1,650 employees and recorded revenue of EUR 485 million in 2005. The Company is domiciled in Zurich, Switzerland with headquarters in Zurich and in Gothenburg, Sweden. Production takes place at four production sites located in Sweden and the USA. Nobel Biocare has direct sales organizations in 31 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

SELECTED FINANCIAL INFORMATION

in EUR million	Oct-Dec 2005	Oct-Dec 2004*	Full Year 2005	Full Year 2004*
Income statement				
Revenue	144.4	116.2	484.5	388.4
Gross profit	117.5	93.9	398.5	309.6
Profit from operations (EBIT)	55.7	41.6	162.3	114.8
Profit before tax	55.9	42.6	188.4	116.1
Net profit	43.5	34.0	154.7	91.6
Balance sheet				
Non-current assets			194.3	170.4
Current assets			321.4	299.7
Shareholders' equity			357.7	356.3
Non-current liabilities			28.9	36.2
Current liabilities			129.1	77.6
Total assets			515.7	470.1
Net cash			128.4	194.2
Miscellaneous				
Net cash from operating activities	38.1	51.1	107.8	131.3
Depreciation & amortization	3.4	5.0	12.8	20.0
Investments in tangible fixed assets	5.4	1.6	19.6	16.1
Employees at end of period	1,648	1,430	1,648	1,430
Ratios				
Revenue growth (%)	24.3	19.5	24.8	16.3
Revenue growth in local currencies (%)	20.3	23.3	24.0	22.0
Gross margin (%)	81.4	80.8	82.3	79.7
Operating expenses in % of sales	42.8	45.0	48.8	50.2
Operating (EBIT) margin (%)	38.6	35.8	33.5	29.6
Net profit margin (%)	30.1	29.3	31.9	23.6
Equity/assets ratio (%)			69	76
Share information				
Number of shares at end of period			25,954,883	25,731,832
Average number of shares			25,540,905	25,601,946
Number of shares after full conversion			26,617,318	26,617,318
Share price at end of period, CHF			289.00	206.00
Market value at end of period, MEUR			4,819	3,429
Basic earnings per share, EUR			6.05	3.58
Earnings per share after dilution, EUR			5.97	3.53
Equity per share, EUR			14.00	13.87
Equity per share after full conversion, EUR			13.44	13.34

*Certain comparatives were reclassified to conform with current period's presentation. The comparatives were also restated to reflect the implementation of IFRS 2 Share-based Payment as of 1 January 2005. In addition, goodwill is no longer amortized as of 1 January 2005. Please see Note 4 of the consolidated condensed financial statements for more details.

NOBEL BIOCARE GROUP

CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

FULL YEAR REPORT 2005

*Certain comparatives were reclassified to conform with current period's presentation. The comparatives were also restated to reflect the implementation of IFRS 2 Share-based Payment as of 1 January 2005. In addition, goodwill is no longer amortized as of 1 January 2005. Please see Note 4 of the consolidated condensed financial statements for more details. Columns, which were reclassified and/or restated, are marked with *.*

This report has not been audited or reviewed by the Company's auditors. Full year's audited figures can be found in the annual report 2005, which is published on the web under www.nobelbiocare.com.

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CONSOLIDATED INCOME STATEMENT

in EUR million	Note	Oct-Dec 2005	Oct-Dec 2004*	Full Year 2005	Full Year 2004*
Revenue		144.4	116.2	484.5	388.4
Cost of sales	4.7	-26.9	-22.3	-86.0	-78.8
Gross profit		117.5	93.9	398.5	309.6
Selling expenses		-42.5	-38.1	-156.3	-132.9
Administrative expenses		-11.6	-9.5	-62.8	-47.9
Research and development expenses		-7.7	-4.7	-17.1	-14.0
Profit from operations (EBIT)		55.7	41.6	162.3	114.8
Financial income/ expense net		-0.7	-0.3	-0.6	0.6
Gain on disposal of an associate	6.1	0.4	-	30.6	-
Income from associate		-	0.9	-	2.1
Gain/Loss on foreign exchange translation	4.7	0.5	0.3	-3.9	-1.4
Profit before tax		55.9	42.6	188.4	116.1
Income tax expenses		-12.4	-8.9	-33.7	-24.0
Profit after tax		43.5	33.7	154.7	92.1
Minority interest		-	0.3	-	-0.5
Profit for the year		43.5	34.0	154.7	91.6
Basic earnings per share, EUR		1.71	1.33	6.05	3.58
Diluted earnings per share, EUR		1.68	1.36	5.97	3.53

CONSOLIDATED CONDENSED BALANCE SHEET

in EUR million	Note	31 Dec 2005	31 Dec 2004*
Assets			
Property, plant and equipment		42.2	32.0
Intangible assets	4.2	137.3	122.8
Financial assets		1.6	5.1
Deferred tax assets		13.2	10.5
Total non-current assets		194.3	170.4
Inventories		30.1	17.6
Current receivables		127.4	87.2
Financial investments		34.9	-
Cash and cash equivalents		129.0	194.9
Total current assets		321.4	299.7
TOTAL ASSETS		515.7	470.1
Shareholders' equity and liabilities			
Shareholders' equity	8	357.7	356.3
<i>thereof minority interest</i>	4.4	-	1.2
Provisions		16.6	22.2
Other non-current liabilities		12.3	14.0
Total non-current liabilities		28.9	36.2
Current liabilities		129.1	77.6
Total liabilities		158.0	113.8
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		515.7	470.1

CONSOLIDATED CASH FLOW STATEMENT

in EUR million	Full Year 2005	Full Year 2004*
Profit before tax	188.4	116.1
Adjusted for		
Depreciation and amortization	12.8	20.0
Financial income	-3.3	-2.9
Financial expenses	3.3	2.7
Income from associate	-	-2.1
Gain on disposal of associate	-30.6	-
Other non-cash income and expenses	-7.1	3.4
Expense for staff option program	6.8	4.0
Changes in working capital and provisions		
Increase in trade and other receivables	-41.1	-11.5
Increase/decrease in inventories	-12.5	4.8
Increase in trade and other payables	19.7	0.1
Increase/decrease in provisions, accrued expenses and deferred income	-0.3	9.8
Income taxes paid	-28.3	-13.1
Net cash from operating activities	107.8	131.3
Acquisition of		
Property, plant and equipment	-19.6	-16.1
Intangible assets	-5.4	-3.8
Minority interests	-3.6	-13.2
Cash inflow from disposal of an associate	38.6	-
Acquisitions of financial investments	-34.9	-
Interest received	3.3	2.8
Net cash used in investing activities	-21.6	-30.3
Decrease in interest-bearing liabilities	-0.7	-
Acquisition of treasury shares	-117.3	-
Exercised warrants and options	10.9	8.4
Interest paid	-1.5	-1.2
Dividends paid	-43.9	-21.5
Net cash used in financing activities	-152.5	-14.3
Increase/decrease in cash and cash equivalents	-66.4	86.7
Net Cash and cash equivalents at beginning of period	194.9	109.5
Effect of exchange rate differences on cash held	-0.1	-1.3
Net Cash and cash equivalents at end of period	128.4	194.9

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

in EUR million	Full Year 2005	Full Year 2004*
Balance at 1 Jan	356.3	286.0
Foreign exchange translation differences	3.0	-13.5
Gain/(loss) on hedging instruments	-2.8	2.7
Net gains and (losses) recognized directly in equity	0.2	-10.8
Net profit for the period	154.6	92.1
New share issue/ Share options exercised	10.9	8.4
Acquired treasury shares	-126.0	-
Effect of staff option program	6.8	4.0
Change in minority interest	-1.2	-1.9
Dividends to shareholders	-43.9	-21.5
Balance at end of reporting period	357.7	356.3

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Note 1 Organization

Nobel Biocare Holding AG (the Company) is domiciled in Switzerland. The consolidated financial statements of the Company for the year ended 31 December 2005 comprise the Company and its subsidiaries (the Group). The Nobel Biocare Group is an innovative, medical devices group and the world leader in innovative esthetic dental solutions with its brands Brånemark System[®], Nobel Speedy[™], NobelReplace[®], NobelPerfect[®], NobelDirect[®], Replace[®] Select, (dental implants) and Procera[®] (individualized prosthetics).

The interim consolidated financial statements were authorized for issue by the Board of Directors on 8 February 2006.

For the quarterly interim reporting, Nobel Biocare applies the "4-4-5 routine", which means that the first three quarters consist of 13 weeks (4-4-5) each.

Note 2 Statement of compliance

The Group applies International Financial Reporting Standards (IFRS). The interim consolidated financial statements have been prepared in accordance with the requirements of IAS 34 *Interim Financial Reporting*.

Note 3 Basis of preparation

The interim consolidated financial statements are presented in euro (EUR), rounded to millions with one decimal.

The accounting policies are the same as those applied in the 2004 consolidated financial statements, with the following exceptions:

As of 1 January 2005, the Group adopted IFRS 2 Share-based Payment, IFRS 3 Business Combinations, IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, all the applicable standards that were revised in IASB's improvements project, revised IAS 32 Financial Instruments: Presentation and Disclosure, revised IAS 39 Financial Instruments: Recognition and Measurement, revised IAS 36 Impairment of Assets and revised IAS 38 Intangible Assets. The Group also early adopted Amendments to IAS 39: Cash Flow Hedge Accounting and Forecast Intragroup Transactions as of 1 January 2005.

The effect of adopting the new and revised standards is described below. The most significant changes relate to the adoption of IFRS 2 on share-based payments and IFRS 3 on business

combinations. Certain comparative figures have been restated and/or reclassified to conform with the current year's presentation.

Note 4 Effect of adopting new and revised standards

4.1 Share-based payments (IFRS 2)

The Group applied IFRS 2 *Share-based Payments* to its staff option program as of 1 January 2005. The recognition and measurement principles in IFRS 2 have not been applied to options which were granted before 7 November 2002 or that had vested before 1 January 2005, in accordance with the transitional rules in IFRS 2.

A detailed description of the staff option program can be found in the corporate governance section and in note 18 of the Annual Report 2005, which is published on the web under www.nobelbiocare.com.

Previously, no expense was recognized for any options granted. Under IFRS 2, the fair value of the options granted is recognized as a personnel expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option-pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognized as personnel expense is adjusted to reflect the actual number of options that vest.

The accounting for the staff option program under IFRS 2 did not have an effect on opening retained earnings. Personnel expenses increased by EUR 1.2 million for the three months ended 31 December 2004 and by EUR 4.0 million for the year ended 31 December 2004, while the net profit for the same periods decreased by the same amounts. Comparative figures were restated. The impact on the current interim period is described in note 6.2 below.

4.2 Goodwill and other intangible assets (IFRS 3, IAS 36 and IAS 38)

Nobel Biocare ceased to amortize goodwill as of 1 January 2005. Goodwill amortization was EUR 2.3 million for the three months ended 31 December 2004 and EUR 8.6 million for the year ended 31 December 2004. In accordance with the transitional rules in IFRS 3 *Business Combinations*, comparative figures were not restated.

As of 1 January 2005, the carrying amount of accumulated amortization on goodwill was eliminated against the related goodwill in accordance with IFRS 3 *Business Combinations*. Goodwill was allocated to cash-generating units. Goodwill is tested annually for impairment in accordance with revised IAS 36 *Impairment of Assets*. Reversal of any impairment losses on goodwill is no longer allowed.

Intangible assets continue to be stated at cost less accumulated amortization and, if any, less impairment losses. Nobel Biocare does not have any intangible assets with indefinite useful lives, except goodwill, that would not be amortized under revised IAS 38 *Intangible Assets*.

4.3 Business combinations (IFRS 3)

Nobel Biocare did not have any business combinations in this interim period or before the date the interim consolidated financial statements were authorized for issue, but business combinations will in the future be accounted for under IFRS 3 *Business Combinations*.

4.4 Minority interest

The adoption of revised IAS 1 *Presentation of Financial Statements* and revised IAS 27 *Consolidated and Separate Financial Statements* led to a different presentation of minority interest. Minority interest is now presented within equity, separate from the parent shareholders' equity. Comparative figures were reclassified to conform with the new presentation. See also note 8.4.

4.5 Financial instruments (IAS 32 and 39)

The adoption of revised IAS 32 and 39 on financial instruments did not have a material impact on the interim consolidated financial statements.

4.6 Assets held for sale and discontinued operations (IFRS 5)

IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* did not have an impact on this interim period.

4.7 Exchange gains / losses (IAS 21)

In the past, exchange gains and losses as well as hedging transactions related to operations were reported under the item Cost of Sales. To increase transparency and reduce the volatility of the gross profit, Nobel Biocare will in future report – in line with IAS 21 - all exchange gains and losses as well as related hedging activities under the item Financial Income and Expenses. Prior periods have been reclassified.

Based on this reclassification, cost of sales decreased and subsequently financial expenses increased by EUR 1.0 million for the nine months ended 30 September 2004. For the three months ended 31 December 2004 cost of sales increased by EUR 0.3 million and financial expense decreased by 0.3 million. Therefore cost of sales decreased by EUR 0.7 million and financial expense increased by EUR 0.7 million for the year ended 31 December 2004.

For the year ended 31 December 2005, cost of sales decreased and subsequently financial expenses increased by EUR 7.1 million and for the three months ended 31 December 2005 by EUR 2.8 million based on this reclassification.

Note 5 Seasonality

The Group is not exposed to material seasonal variations in its operations.

Note 6 Changes in key figures

6.1 Sale of Entific Medical Systems AB

On 8 March 2005, Nobel Biocare closed the sale of all its shares (34.6 %) in its associate Entific Medical Systems AB for EUR 40 million. The sales price was paid in cash and resulted in a net gain of EUR 30.6 million (including directly attributable transaction costs of EUR 1 million) and in a net cash inflow of EUR 38.6 million.

	in EUR million
Gross sales price for 34.6 % participation	40.0
Carrying amount	-4.4
Directly attributable transaction costs	-1.0
Escrow accounts for ordinary guarantees	-4.0
Gain on disposal of Entific Medical Systems AB	30.6

6.2 Share-based payment Transactions

On 9 February 2005, the Board of Directors of Nobel Biocare decided on a new staff option program for employees and officers of the group. The staff option program comprises a total of 1'100'000 options, to be granted over three years. The options vest after approximately 27 months after the grant date and can be exercised during the one-year period starting on the vesting date. This program replaces the Company's previous staff option program that was founded in 2001.

During the second quarter of 2005, 324'200 options were granted without consideration under the new staff option program. The exercise price for these options is CHF 252.40, which equals the average share price during five trading days following the publication of the full year report for 2004. Options granted in 2005 vest on 1 July 2007, and can be exercised during the period 1 July 2007 up to and including 30 June 2008. The fair value of the options granted in 2005 is CHF

42.12. A detailed description of the staff option program can be found in the corporate governance section and in note 18 of the Annual Report 2005, which is published on the web under www.nobelbiocare.com.

Under IFRS 2, the fair value of the options granted is recognized as a personnel expense with a corresponding increase in equity. EUR 6.8 million were charged as a personnel expense for the year ended 31 December 2005, of which EUR 1.7 million were charged as a personnel expense for the three months ended 31 December 2005. The charge relates to options issued under the new staff option program as well as to options under the old staff option program that have not yet vested.

Note 7 Segment reporting

Nobel Biocare's business is conducted in one business segment comprising two product groups, Implants and Crown & Bridge, 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 based on geographical areas, as the risks and returns from the business conducted by Nobel Biocare derive from the global product assortment, supported by the global marketing, quality, logistics and research and development functions.

Revenue by region – 4 th quarter in EUR million	Oct-Dec 2005	Oct-Dec 2004	Change in %	
			EUR	local curr.
Europe	64.0	58.8	8.8%	8.8%
<i>Proportion of total revenue</i>	<i>44%</i>	<i>51%</i>		
North America	54.5	37.2	46.5%	36.4%
<i>Proportion of total revenue</i>	<i>38%</i>	<i>32%</i>		
Asia/Pacific	17.5	13.5	29.6%	26.7%
<i>Proportion of total revenue</i>	<i>12%</i>	<i>12%</i>		
Rest of the World	8.4	6.7	25.4%	16.7%
<i>Proportion of total revenue</i>	<i>6%</i>	<i>5%</i>		
Total	144.4	116.2	24.3%	20.3%

Revenue by region – full year in EUR million	Full Year 2005	Full Year 2004	Change in %	
			EUR	local curr.
Europe	216.5	189.8	14.1%	14.1%
<i>Proportion of total revenue</i>	<i>45%</i>	<i>49%</i>		
North America	180.1	132.1	36.4%	35.0%
<i>Proportion of total revenue</i>	<i>37%</i>	<i>34%</i>		
Asia/Pacific	60.1	45.6	31.8%	31.7%
<i>Proportion of total revenue</i>	<i>12%</i>	<i>12%</i>		
Rest of the World	27.8	20.9	33.0%	26.3%
<i>Proportion of total revenue</i>	<i>6%</i>	<i>5%</i>		
Total	484.5	388.4	24.8%	24.0%

Note 8 Equity

8.1 Share capital

The total number of outstanding shares in Nobel Biocare Holding AG on 31 December 2005 was 25,954,883 (31 December 2004: 25,731,832) due to the redemption of warrants and options and newly issued shares.

The share capital may be increased through the issuance of no more than 662,435 bearer shares, each with a par value of CHF 2, to be fully paid up, an amount of no more than CHF 1,324,870 by virtue of the exercise of option rights granted to employees, directors and officers of the Group.

8.2 Dividend

On 3 May 2005 the Company paid a dividend of CHF 2.65 (2004: CHF 1.30) per bearer share, less 35% withholding tax, to its shareholders. The total amount of the gross dividend paid was CHF 68.3 million or EUR 43.9 million (2004: EUR 21.5 million).

8.3 Treasury shares

On 1 January 2005, the Company held 10,000 bearer shares in Nobel Biocare Holding AG.

On 28 April 2005, the Annual General Meeting of shareholders of Nobel Biocare Holding AG approved a share buyback program to fund a new staff option program for employees and officers of the group for up to 1,100,000 shares. During a two-year period, Nobel Biocare intends to purchase shares on the open market from time to time. Until the end of the interim period, Nobel Biocare acquired 739,650 bearer shares within this program for a total price of EUR 126.6 million.

The total amount of Nobel Biocare Holding AG bearer shares held by the Company at the end of the interim period was therefore 749,650.

8.4 Minority interest

During 2003, 2004 and January 2005 Nobel Biocare Sverige AB purchased shares from the minority at a price of SEK 620 per share (plus interest from 16 January 2003 until payment date less deduction for dividends paid between 16 January 2003 until payment), resulting in a minority interest of 51,930 shares (0.2 percent) in Nobel Biocare AB as of 31 January 2005.

At the beginning of February 2005, the remaining minority shareholders agreed that Nobel Biocare Sverige AB can, against a bank guarantee of SEK 49 million, obtain immediate ownership of the remaining 51,930 shares (0.2 percent) in Nobel Biocare AB. Thus, the only remaining issue for the Arbitration panel to decide upon will be the final price that Nobel Biocare Sverige AB should pay for the 51,930 remaining minority shares.

Between 1 February and 31 December 2005 Nobel Biocare Sverige AB (after 15 November; Nobel Biocare Holding AB, see below) purchased 6,815 shares from the minority shareholders at a price of SEK 620 per share (plus interest from 16 January 2003 until payment date less deduction for dividends paid between 16 January 2003 until payment). As the Nobel Biocare Group is the owner of the remaining 45,115 shares (0.2 percent of the total shares), the Group does not present any minority interest as of 31 December 2005 but a liability representing the purchase value of the remaining 0.2 percent shares in Nobel Biocare AB.

At 15 November 2005, Nobel Biocare Holding AB and Nobel Biocare Sverige AB merged, whereupon Nobel Biocare Holding AB became party in the compulsory redemption process.

Note 9 Legal

In New York, USA, a doctor has filed a lawsuit against Nobel Biocare claiming patent infringement. The suit concerns two patents, which the doctor alleges are infringed by the Stargrip products. Nobel Biocare has evaluated the patents in depth and has numerous defenses that it will vigorously pursue. Nobel Biocare contends that it does not infringe and that the patent claims are invalid based upon prior art.

As of 31 December 2005, other than above there were only very few lawsuits and claims pending against companies of the Nobel Biocare Holding Group that arose from the Group's ordinary business. In the opinion of management, and based on currently available information, the handling and settlement of these lawsuits and claims will have no adverse material effect upon the consolidated financial position or operation of the Group.

Note 10 Subsequent events

On 7 February 2006, allegations against the implant NobelDirect were found unfunded by the Swedish Medical Products agency.

There have not been any other material events between the end of the interim period and the date of authorization that would require adjustments to the interim consolidated financial statements or disclosure.

This report has not been audited or reviewed by the company's auditors. Audited full year figures can be found in the Annual Report 2005, which is published on the web under www.nobelbiocare.com.