

Media Release

# Full year report 2010

ZURICH, SWITZERLAND – 17 FEBRUARY 2011

## Operational milestones achieved; financial performance behind

- Reported revenue down 0.8% to EUR 576.6 million (CER -6.4%)
- Q4 revenue growth affected by strong US base effect and scanner launch in H2 2009
- Gross profit margin at 77.7%: NobelProcera ramp-up costs
- Operating profit (EBIT) at EUR 84.9 million; EBIT margin of 14.7%.
- Net profit at EUR 45.7 million; net margin of 7.9%
- NobelActive with accelerating growth momentum in 2010
- NobelProcera: Initial portfolio rollout completed
- Series of symposia attracted great interest
- Basic earnings per share of EUR 0.37 (CHF 0.51)
- Dividend proposal CHF 0.35 per share; withholding tax free distribution

**Table 1:** Selected key figures in EUR million

	Q4 2010 as reported	FY 2010 as reported	FY 2009 as reported	FY 2009 excl. restruct.	Growth 2009-2010
<b>Revenue</b>	153.2	576.6	581.4	581.4	-6.4%*
<b>Gross profit</b>	117.5	448.0	467.9	468.8	-9.5%*
<i>Gross margin</i>	76.7%	77.7%	80.5%	80.6%	
<b>Profit from operations</b>	19.7	84.9	128.6	141.6	-34.0%*
<i>Operating (EBIT) margin</i>	12.8%	14.7%	22.1%	24.4%	
Net financial result	-4.0	15.5	8.7	8.7	
<b>Profit before tax</b>	15.7	100.4	137.3	150.3	-26.9%
Tax	-10.5	-54.7	-31.5	-35.5	
<b>Net profit</b>	5.2	45.7	105.8	114.8	-56.8%
<i>Profit margin</i>	3.4%	7.9%	18.2%	19.7%	
<b>Basic earnings per share, EUR</b>	0.04	0.37	0.86	0.93	-56.8%
<b>Net cash from operating activities</b>	35.3	97.1	177.8	177.8	
<b>Employees at the end of the period (number)</b>		2,433	2,242		

\* At constant exchange rates (CER)

**Domenico Scala, CEO:** "While our financial performance was disappointing in 2010, the operational progress and investments in growth have laid the foundation for a more promising 2011. With the successful completion of the initial NobelProcera product rollout, the company has launched the most comprehensive prosthetics portfolio in the market. It took longer than anticipated to fully deploy this offering, but we now have the most complete material and product portfolio in the industry. NobelActive, our most successful implant introduction, continues on its path of success with double-digit growth. With our Nobel Biocare Symposia series, we have introduced a new conference format that has attracted many existing and new customers. The operational progress made in 2010 and improving economic conditions in certain markets represent a very good base for the company to return to growth in 2011."

## Investments in product portfolio expansion, long-term industry trends and a stronger organization

For the full year 2010, revenue at constant exchange rates (CER) declined by 6.4%. Owing to favorable foreign currency influences, however, reported revenue decreased by 0.8% to EUR 576.6 million. In the fourth quarter, reported revenue decreased by 1.6%, while at CER it declined by 7.9%. Profit from operations (EBIT) for the full year was EUR 84.9 million (2009: EUR 128.6 million). The lower EBIT and EBIT margin (14.7%) compared with the prior year (22.1%, or 24.4% excluding restructuring charges) are the result of lower revenue, the rollout of NobelProcera and increased selling and marketing activities. Net profit as reported was EUR 45.7 million compared with EUR 105.8 million a year ago and reflects earnings per share (EPS) of EUR 0.37 (2009: EUR 0.86).

In 2010, Nobel Biocare continued to make investments aimed at broadening the product portfolio in prosthetics and implants in order to provide more cost-effective treatment solutions. Significant investments in training and education, customer service and marketing, as well as in scientific documentation were also made. The operational milestones achieved in 2010 include:

**NobelActive**, launched in 2008, continued to attract existing as well as new customers. Underpinned by a steadily increasing number of scientific and clinical publications and presentations, accelerating double-digit growth was achieved throughout the year. In 2011, this innovative implant system will be expanded with a new 3.0 mm implant, further broadening the treatment range. The company's comprehensive implant portfolio was supplemented through the introduction of the easy-to-use Snappy abutment system, line extensions and a new surgical kit for NobelReplace, the most widely sold implant system in the world, as well as through the launch of a new one-stage implant system, Replace Select TC, for overdenture solution treatment. Nobel Biocare's versatile range of implants accommodates the personal preference, solution level and treatment concept of every dental professional. The assortment includes bone- and tissue-level implants for all indications, bone types and surgical protocols.

A key priority in 2010 was also **NobelProcera**. Following the initial launch in 2009 with a new scanner, software and new materials, the array of solutions was rounded out during the course of the year to include titanium crowns and bridges, abutments for third-party platforms, cobalt chromium crowns and bridges, as well as the Telio2 CAD Temporary Crown and Bridge. The company's state-of-the-art 5-axis milling production process offers improved surface finish and an emergence angle of up to 90 degrees for better soft tissue support and esthetic outcome. All NobelProcera manufacturing facilities are currently being upgraded with the latest technology. The company also initiated its **Preferred Partner Program** with leading dental material providers Ivoclar Vivadent, VITA Zahnfabrik and Noritake, which provides access to a wider range of state-of-the-art, high-performance dental materials.

Today, Nobel Biocare offers the most comprehensive range of solutions for fully **edentulous** patients, from fixed and removable overdenture solutions for the premium (fixed solutions with the NobelProcera implant bridge), value (a fixed solution with the All-on-4 treatment concept, or a removable solution with multiple implants and overdenture bars) and economy segments (a fixed solution with an overdenture implant, or a removable solution with two implant and overdenture bars).

**Digitization of the treatment process** is one of the key trends in dentistry for the coming years. New technologies are evolving rapidly and enable dental professionals to deliver greater patient satisfaction as a result of effective diagnostics, predictable treatment planning and minimally invasive surgeries. Effectiveness, safety and comfort are the primary expectations patients have when receiving implant therapy. A milestone in 2010 was to upgrade our NobelGuide concept to meet future market needs. The **NobelGuide** concept utilizes 3D diagnostics, 3D planning and guided dental implant placement to ensure a predictable, positive outcome. NobelGuide facilitates safe, minimally invasive surgery that results in less patient pain, reduced swelling and shortened healing times. Dental professionals will gain even more diagnostic and

interdisciplinary planning capabilities with the release of **NobelClinician**. Going forward, this new software can be integrated into our NobelProcera CAD/CAM system.

**Strong interest at industry conferences and Nobel Biocare Symposia 2010** – Nobel Biocare successfully introduced a new conference format – the Nobel Biocare Symposia– with two global meetings in New York City and Tokyo and seven local symposia in other key markets. Overall, more than 7,000 people attended these events. The conference format, which includes assessments of patient case studies via on-stage panel discussions, master classes and hands-on sessions, was very well received by the participants. The steadily broadening and innovative product portfolio attracted strong interest.

Training and education of dental professionals is an important driver for market development and growth. Nobel Biocare's commitment to training and education (T&E) was underscored by the hundreds of educational courses conducted worldwide in 2010 as well as through the expansion of the **Global University Partnership Program** to include a total of 27 dental schools. The dental colleges of the Universities of Sheffield, Heidelberg and Sichuan joined the program in 2010. The newest member, as of January 2011, is the Karolinska Institutet in Sweden. It is one of the leading medical universities and each year nominates the Nobel Prize winner in physiology or medicine. This partnership program, which was initiated in 2005, has now produced its first class of graduates from a curriculum that covered implant dentistry, CAD/CAM prosthetics and 3D diagnostics. Nobel Biocare also renewed a long-term partnership with the Seattle Study Club, the acknowledged leading federation of its kind for advanced, locally based therapeutic coordination and dental education.

**Strengthening scientific leadership** – In 2010 Nobel Biocare further intensified its investments in scientific leadership. The results of clinical trials on all of our major product systems were published, including a seven-year follow-up on TiUnite, a three-year data report on dedicated overdenture implants, and two-year results on NobelActive. A list of selected publications is included in the Annual Report 2010.

**Executive Committee (EC) changes in 2010** – Hans Geiselhöringer was appointed Head of Global Marketing and Products as of February 2010, succeeding Robert Gottlander, who is leaving the company at the end of May 2011.

Effective as of 1 January 2011, further appointments to the EC were made: Melker Nilsson was appointed President and General Manager North America as successor to Bill Ryan, who has reverted back to his former role as an advisor to the CEO and also became the non-executive Chairman North America. Mike Thompson was appointed Senior Vice President & General Manager Asia/Pacific. He took over from Tom Olsen, who is now Executive Vice President of Sales for North America. This change further strengthens the North American senior management team. Also, Jörg von Manger-Koenig, Group General Counsel, was appointed Senior Vice President Legal and Compliance and a member of the EC.

### **Overall stabilizing market conditions, regional performances impacted by company-specific factors**

In **Europe, Middle East and Africa (EMEA)**, full-year revenue (CER) declined by 6.9% to EUR 248.3 million (Q4: -6.6%). Throughout the year, the overall performance in the region was negatively impacted by an unfavorable country mix. Most markets stabilized and some showed initial signs of improvement. As expected, major markets such as Spain (economy) and Sweden (reimbursement change) were weak performers for the year. Italy, France and some smaller markets demonstrated year-on-year growth, while momentum in the UK and Germany improved toward the second half of the year. In Germany, an experienced and long-standing Nobel Biocare manager was appointed as new country head.

In **North America**, revenue (CER) for the full year decreased by 5.8% to EUR 193.7 million (Q4: -9.2%). Substantial changes to the organization and the go-to-market have been realized in the earlier part

of the year. While these changes have started to deliver an underlying improvement, this is not fully visible yet due to the high comparison base as a result of the H2 2009 scanner launch. Indeed, excluding the effect of the 2009 scanner launch, we recorded a sequential improvement of implant sales from Q3 to Q4 2010. While access to financing for larger cases still remains an issue, we are witnessing improved momentum in the broader dental implant market.

In the **Asia/Pacific** region, revenue (CER) for the full year was down 2.1% to EUR 125.6 million (Q4: -5.8%). The fourth quarter comparables were influenced to a certain extent by the strong base effect from strong scanner sales at the end of 2009. In Japan, performance for the full year was flat in an otherwise declining market. This translates into a further gain in market share. While the performance in some markets such as Southeast Asia remained weak, India and China achieved accelerating double-digit growth, albeit from a small absolute base. A new regional headquarter has been established in Hong Kong providing more focus to this important region and to ensure business quality and sustainable growth.

In **Latin America/Rest of the world**, full-year revenue (CER) for 2010 declined by 42.2% to EUR 9.0 million (Q4: -35.9%). The region's overall performance is still being impacted by ongoing efforts to streamline the local operations, tighter credit management and a stricter pricing policy.

**Outlook** – Most markets have stabilized, with some of them even having returned to growth in 2010. However, the challenging economic environment is still exerting an adverse effect on patient flow and case acceptance, in particular for larger and more complex treatments.

Based on current momentum, we believe that the dental implant market expanded by approximately 2-3% in 2010 and we expect further improvement to approximately mid-single-digit growth in 2011. Nobel Biocare continues to focus on strategy execution and making the necessary investments that will allow the company to return to at least market growth within the next three to six months, inasmuch as we can now increasingly build on our strengthened organization and broadened product portfolio. Based on the anticipated revenue growth, the company is targeting an EBIT margin of around 18% for 2011, barring any adverse currency effects.

**Table 2:** Revenue by region in EUR million

	As reported			CER Growth 2009-2010
	Q4 2010	Full year 2010	Full year 2009	
<b>Europe, Middle East and Africa (EMEA)</b>	<b>68.0</b>	<b>248.3</b>	<b>259.9</b>	<b>-6.9%</b>
Proportion of total revenue	44%	43%	45%	
<b>North America</b>	<b>49.6</b>	<b>193.7</b>	<b>193.3</b>	<b>-5.8%</b>
Proportion of total revenue	33%	34%	33%	
<b>Asia/Pacific</b>	<b>33.5</b>	<b>125.6</b>	<b>114.6</b>	<b>-2.1%</b>
Proportion of total revenue	22%	22%	20%	
<b>Latin America/Rest of the world</b>	<b>2.1</b>	<b>9.0</b>	<b>13.6</b>	<b>-42.2%</b>
Proportion of total revenue	1%	1%	2%	
<b>Total</b>	<b>153.2</b>	<b>576.6</b>	<b>581.4</b>	<b>-6.4%</b>

Prior year figures are restated to reflect minor changes in the management structure

### Financials: Investments affect margins, one-time FX gains and tax charges

**Gross profit** for the full year was EUR 448.0 million (2009: EUR 467.9 million as reported, EUR 468.8 million before restructuring), reflecting a gross margin of 77.7% (2009: 80.5% and 80.6%, respectively). While the gross profit margin for the standardized business improved in the second half of the year due to efficiency gains and increased production volumes, the overall margin was negatively impacted by high ramp-up costs for NobelProcera.

**Operating expenses** for the full year amounted to EUR 363.1 million (2009: EUR 339.3 million or EUR 327.2 million before restructuring). This increase is entirely due to a EUR 27 million adverse currency impact on reported operating expenses. Investments aimed at product portfolio expansion, selling and marketing activities, training and education, as well as organizational development have been largely funded by other operating expense savings. In 2010, Nobel Biocare has hired approximately 190 additional people, mainly for NobelProcera, Marketing and Products.

**Profit from operations (EBIT)** for the full year totaled EUR 84.9 million (2009: EUR 128.6 million, or EUR 141.6 million before restructuring), reflecting an operating margin of 14.7% (2009: 22.1% and 24.4%). This lower margin is the result of both lower gross profit and higher operating expenses.

**Currencies** – The weakening of the euro had a significantly positive influence on reported revenue. However, mainly the stronger Swiss franc and Swedish krona led to a significant increase in reported operating expenses, which in turn offset the positive foreign exchange impact on gross profit.

**Net financial result** for the full year was EUR 15.5 million (2009: EUR 8.7 million). This result was attributable to non-recurring foreign currency gains, which resulted from changes to internal funding structures, as well as effective hedging gains to compensate for the negative impact on the EBIT margin.

**Taxes** – Tax expenses amounted to EUR 54.7 million versus EUR 31.5 million. This reflects a base tax rate of 23% for the current year in addition to a roughly EUR 30 million exceptional tax charge related to the restructuring of the Group's internal profit streams. Following the structural improvements realized in 2010, a medium-term tax rate of 20% is achievable once EBIT margins have reverted back to levels clearly above 23%.

**Net profit** for full year was EUR 45.7 million (2009: EUR 105.8 million as reported), reflecting a net profit margin of 7.9% (2009: 18.2%). Adjusted for one-off taxes and exceptional foreign exchange gains in both periods, the net profit margin decreased from 12.9% to also 7.9%.

**Cash flow from operating activities** for the full year totaled EUR 97.1 million (2009: EUR 177.8 million), mainly driven by a decrease in operating profit. This lower result is attributable to weaker EBIT and non-recurrence of the significant working capital improvements that were achieved in 2009. However, on a CER basis, further working capital improvements were realized through 2010. **Cash & cash equivalents** at the end of December 2010 stood at EUR 239.5 million (2009: EUR 240.7 million). Net financial debt amounted to EUR 13.2 million versus a net cash position of EUR 1.9 million a year ago.

The Board of Directors' (BoD) proposals to the **Annual General Meeting of shareholders (AGM)** scheduled for 30 March 2011, in Zurich, Switzerland, in addition to the approval of the annual accounts, include:

**Dividend** – The Board of Directors approved a dividend proposal of CHF 0.35 per registered share (2009: CHF 0.55/share). It is planned to pay this dividend out of reserves and in a shareholder-friendly way without deduction of withholding tax. This will result in an essentially unchanged net cash dividend for shareholders. The payment date for this dividend, if approved by the AGM, is set for 6 April 2011 (ex-dividend date: 1 April 2011, record date: 5 April 2011).

All Directors of the Board stand for re-election with the exception of Antoine Firmenich, who after six years of service, will not stand for re-election.

The Remuneration report 2010 for the Group will again be subject to a consultative vote by the shareholders.

**Subsequent events** – On 16 February, the Board of Directors appointed Richard Laube as new CEO to assume his duties on 1 May 2011. He will join the company on 1 April 2011 and follow Domenico Scala who decided to leave the company with effect from 30 April 2011.

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**Nobel Biocare** (NOBN, SIX Swiss Exchange) is a world leader in innovative restorative and esthetic dental solutions. As a complete solutions provider, Nobel Biocare offers the most comprehensive range of solutions from tooth to root, for single tooth to fully edentulous indications. The solutions portfolio covers dental implants (including the key brands NobelActive™, Brånemark System® and NobelReplace™ individualized prosthetics and equipment (NobelProcera™ guided surgery solutions and biomaterials. Nobel Biocare has more than 2,400 employees and recorded revenue of EUR 576.6 million in 2010. The company is headquartered in Zurich, Switzerland. Production takes place at seven sites located in Canada, Israel, Japan, Sweden, and the US. Nobel Biocare has 34 direct sales organizations.

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The complete Full Year Report 2010 is available in English, while an abridged version of the report is available in German. A preprint version of the Annual Report 2010 in English can be downloaded via [www.nobelbiocare.com](http://www.nobelbiocare.com) or obtained in .pdf format from investor.relations@nobelbiocare.com

## Investor, analyst and media presentation

An investor, analyst and media presentation in English will be held today, 17 February 2011, at 09:30 am CET at the UBS Conference Center Grünenhof, Nüscherstrasse 9, 8001 Zurich, Switzerland

The presentation can be viewed live via video-webcast at <http://corporate.nobelbiocare.com/en/investors/>, and is also accessible via telephone conference, using the dial-in numbers below:

+41 (0)91 610 56 00	Continental Europe
+44 (0)203 059 58 62	UK
+1 (1) 866 291 41 66	USA

For additional local dial-in numbers, please see the Investors section of our website: [www.nobelbiocare.com](http://www.nobelbiocare.com)

Also, there will be a conference call including a Q&A session in the afternoon at 2:30 pm CET. Dial-in numbers for the afternoon call are the same as indicated above.

To ensure timely participation, please call approximately 5-10 minutes prior to the times indicated above.

Subsequently, recordings of both conference calls will be available on the website.

## Financial reporting calendar:

<b>Annual General Meeting</b>	<b>30 March 2011</b>
<b>Interim Report 1, 2011</b>	<b>28 April 2011</b>
<b>Interim Report 2, 2011</b>	<b>12 August 2011</b>
<b>Interim Report 3, 2011</b>	<b>8 November 2011</b>

### Disclaimer

This media release contains forward-looking statements based on beliefs of Nobel Biocare's management. When used in this media release, words such as "anticipate", "believe", "estimate", "expect", "intend", "plan" and "project" are intended to identify forward-looking statements. They may involve risks and uncertainties, including technological advances in the medical field, product demand and market acceptance, the effect of economic conditions, the impact of competitive products and pricing, foreign currency exchange rates and other risks. These forward-looking statements reflect the views of Nobel Biocare as of the date made with respect to future events and are subject to risks and uncertainties. All of these forward-looking statements are based on estimates and assumptions made by management of the company and are believed to be reasonable, though are inherently uncertain and difficult to predict. Actual results or experience could differ materially from the forward-looking statements. Nobel Biocare disclaims any intention or obligation to update these forward-looking statements.

# Selected financial information

in EUR million	Q4 2010 as reported	Q4 2010 YTD as reported	Q4 2009 YTD as reported	Q4 2009 YTD excluding restructuring
<b>Income statement</b>				
Revenue	153.2	576.6	581.4	581.4
Gross profit	117.5	448.0	467.9	468.8
Profit from operations (EBIT)	19.7	84.9	128.6	141.6
Profit before tax	15.7	100.4	137.3	150.3
Income tax expense	-10.5	-54.7	-31.5	-35.5
<b>Profit attributable to owners of Nobel Biocare</b>	<b>5.2</b>	<b>45.7</b>	<b>105.8</b>	<b>114.8</b>
<b>Balance sheet</b>				
Non-current assets		344.4	300.0	
Current assets		426.9	422.6	
Total equity		320.0	317.7	
Non-current liabilities		35.9	271.2	
Current liabilities		415.4	133.7	
Cash and cash equivalents incl. bank overdraft		239.5	240.7	
<b>Miscellaneous</b>				
Net cash from operating activities	35.3	97.1	177.8	
Depreciation, amortization and impairment losses	8.1	29.6	27.8	
Investments in property, plant and equipment	11.5	23.3	18.3	
Employees at end of period		2'433	2'242	
<b>Ratios</b>				
Revenue growth (%)	-1.6	-0.8	-6.1	
Revenue growth in local currencies (%)	-7.9	-6.4	-7.7	
Gross margin (%)	76.7	77.7	80.5	80.6
Operating expenses/revenue ratio (%)	63.8	63.0	58.4	56.3
EBITDA margin (%)	18.1	19.9	26.9	29.1
Operating (EBIT) margin (%)	12.8	14.7	22.1	24.4
Net profit margin (%)	3.4	7.9	18.2	19.7
Return on average equity (%) <sup>1</sup>		14.2	35.5	38.5
Equity/assets ratio (%)		41.5	44.0	45.2
<b>Share information</b>				
Number of shares issued as of end of period		123'784'530	123'784'530	
Average number of shares outstanding		123'035'900	123'276'298	
Number of shares after full conversion <sup>2</sup>		149'032'150	149'032'150	
Share price as of end of period (CHF)		17.63	34.78	
Market value as of end of period (MCHF)		2'182	4'305	
Basic earnings per share (EUR)	0.04	0.37	0.86	0.93
Diluted earnings per share (EUR)	0.04	0.37	0.85	0.92
Equity per share (EUR)		2.59	2.58	2.65
Equity per share after full conversion (EUR)		2.15	2.13	2.19

<sup>1</sup> Includes net profit for the last four quarters over average equity for the last four quarters

<sup>2</sup> Includes conditional/authorized capital of 25'247'620 shares

# Condensed consolidated financial statements

FULL YEAR REPORT, 2010

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## Income statement

in EUR '000	Note	Q4 2010	Q4 2009	Q4 2010 YTD	Q4 2009 YTD
<b>Revenue</b>	6	153'240	155'717	576'583	581'441
Cost of goods sold		-35'760	-30'277	-128'610	-113'495
<b>Gross profit</b>		<b>117'480</b>	<b>125'440</b>	<b>447'973</b>	<b>467'946</b>
Selling expenses		-60'775	-54'096	-223'976	-219'645
Administrative expenses		-28'999	-26'097	-107'447	-94'688
Research and development expenses		-8'049	-7'567	-31'641	-25'020
<b>Profit from operations (EBIT)</b>		<b>19'657</b>	<b>37'680</b>	<b>84'909</b>	<b>128'593</b>
Net financial result	7	-3'966	-2'212	15'488	8'664
<b>Profit before tax</b>		<b>15'691</b>	<b>35'468</b>	<b>100'397</b>	<b>137'257</b>
Income tax expense	8	-10'512	-9'433	-54'728	-31'422
<b>Profit attributable to owners of Nobel Biocare</b>		<b>5'179</b>	<b>26'035</b>	<b>45'669</b>	<b>105'835</b>
Basic earnings per share, EUR		0.04	0.21	0.37	0.86
Diluted earnings per share, EUR		0.04	0.20	0.37	0.85

## Statement of comprehensive income

in EUR '000	Note	Q4 2010	Q4 2009	Q4 2010 YTD	Q4 2009 YTD
<b>Profit attributable to owners of Nobel Biocare</b>		<b>5'179</b>	<b>26'035</b>	<b>45'669</b>	<b>105'835</b>
Other comprehensive income:					
Foreign currency translation differences		-13'272	-5'662	19'573	1'538
Reclassification of foreign currency translation differences to income statement, net of tax	7	3'016	-6	-26'968	-26'063
Effective portion of changes in fair value of cash flow hedges, net of tax		1'358	-1'726	3'073	1'310
Net change in fair value of cash flow hedges reclassified to income statement, net of tax		-438	1'598	-474	6'669
<b>Total other comprehensive expenses for the period, net of tax</b>		<b>-9336</b>	<b>-5'796</b>	<b>-4'796</b>	<b>-16'546</b>
<b>Total comprehensive (expenses)/income for the period attributable to owners of Nobel Biocare</b>		<b>-4'157</b>	<b>20'239</b>	<b>40'873</b>	<b>89'289</b>

## Balance sheet

in EUR '000	Note	31 December 2010	31 December 2009
<b>Assets</b>			
Property, plant and equipment		90'233	75'833
Intangible assets		223'388	207'375
Non-current receivables		3'974	4'269
Deferred tax assets		26'817	12'544
<b>Total non-current assets</b>		<b>344'412</b>	<b>300'021</b>
Inventories		23'401	20'485
Trade and other receivables		132'855	136'614
Current income tax assets		4'016	4'441
Prepaid expenses and accrued income		14'665	15'656
Financial investments and derivatives		12'179	3'757
Cash and cash equivalents		239'816	241'617
<b>Total current assets</b>		<b>426'932</b>	<b>422'570</b>
<b>Total assets</b>		<b>771'344</b>	<b>722'591</b>
<b>Equity and liabilities</b>			
Share capital	9	31'861	31'861
Share premium		151'113	166'429
Treasury shares		-40'216	-56'567
Retained earnings		177'231	-175'994
<b>Total equity attributable to owners of Nobel Biocare</b>		<b>319'989</b>	<b>317'717</b>
Provisions		2'734	3'955
Pension liabilities		6'232	2'699
Convertible bond		-	236'962
Deferred tax liabilities		26'427	27'033
Other non-current liabilities		494	548
<b>Total non-current liabilities</b>		<b>35'887</b>	<b>271'197</b>
Bank overdraft		297	880
Borrowings		-	1'331
Convertible bond		252'366	-
Trade payables		19'284	22'158
Current provisions		6'745	7'211
Current income tax liabilities	8	56'202	27'025
Other current liabilities and derivatives		19'285	21'011
Accrued expenses and deferred income		61'289	54'061
<b>Total current liabilities</b>		<b>415'468</b>	<b>133'677</b>
<b>Total liabilities</b>		<b>451'355</b>	<b>404'874</b>
<b>Total equity and liabilities</b>		<b>771'344</b>	<b>722'591</b>

## Statement of changes in equity

in EUR '000	Note	Share capital	Share premium	Treasury shares	Translation reserve	Hedging reserve	Other retained earnings	Total retained earnings	Total equity attributable to owners of Nobel Biocare
<b>Balance as of 1 January 2009</b>		<b>32'002</b>	<b>183'687</b>	<b>-85'229</b>	<b>-91'361</b>	<b>-7'758</b>	<b>236'235</b>	<b>137'116</b>	<b>267'576</b>
Comprehensive income:									
Profit for the period							105'835	105'835	105'835
Other comprehensive (expenses)/income, net of tax					-24'525	7'979	-	-16'546	-16'546
Total comprehensive (expenses)/income					-24'525	7'979	105'835	89'289	89'289
Transactions with shareholders:									
Share capital reduction		-141		13'049			-12'908	-12'908	-
Acquisition of treasury shares				-6'456					6'456
Sale of treasury shares			-5'020	10'650					5'630
Shares transferred to the seller of BioCad Medical Inc.			-815	815					-
Expiry of call options on own shares			-10'345	10'345					-
Allocation of shares to share plan participants			-126	259			-133	-133	-
Convertible bond – equity component			-952				934	934	-18
Share-based payment expenses, net of tax	10						6'788	6'788	6'788
Dividends to shareholders relating to 2008							-45'092	-45'092	-45'092
Total transactions with shareholders		-141	-17'258	28'662			-50'411	-50'411	-39'148
<b>Balance as of 31 December 2009</b>		<b>31'861</b>	<b>166'429</b>	<b>-56'567</b>	<b>-115'886</b>	<b>221</b>	<b>291'659</b>	<b>175'994</b>	<b>317'717</b>
<b>Balance as of 1 January 2010</b>		<b>31'861</b>	<b>166'429</b>	<b>-56'567</b>	<b>-115'886</b>	<b>221</b>	<b>291'659</b>	<b>175'994</b>	<b>317'717</b>
Comprehensive income:									
Profit for the period							45'669	45'669	45'669
Other comprehensive (expenses)/income, net of tax					-7'395	2'599	-	-4'796	-4'796
Total comprehensive (expenses)/income					-7'395	2'599	45'669	40'873	40'873
Transactions with shareholders:									
Acquisition of treasury shares				-4'817					-4'817
Expiry of call and written put options on own shares			-11'912	20'716					8'804
Allocation of shares to share plan participants			-194	452			-258	-258	-
Convertible bond – equity component			-3'210				3'206	3'206	-4
Share-based payment expenses, net of tax	10						3'709	3'709	3'709
Dividends to shareholders relating to 2009	9						-46'293	-46'293	-46'293
Total transactions with shareholders			-15'316	16'351			-39'636	-39'636	-38'601
<b>Balance as of 31 December 2010</b>		<b>31'861</b>	<b>151'113</b>	<b>-40'216</b>	<b>-123'281</b>	<b>2'820</b>	<b>297'692</b>	<b>177'231</b>	<b>319'989</b>

## Cash flow statement

in EUR '000	Note	Q4 2010	Q4 2010 YTD	Q4 2009 YTD
<b>Profit before tax</b>		<b>15'691</b>	<b>100'397</b>	<b>137'257</b>
Adjusted for:				
Depreciation, amortization and impairment losses		8'050	29'583	27'757
Net financial result	7	3'967	-15'488	-8'664
Share-based payment expenses	10	1'007	3'895	6'602
Other non-cash income and expenses		8'777	4'228	2'262
Changes in working capital and provisions:				
Decrease in trade and other current receivables		4'883	15'752	8'875
Decrease in inventories		862	1'176	17'267
Decrease in trade and other current liabilities		-270	-4'461	-8'713
Increase in provisions, accrued expenses, and deferred income		1'268	4'476	8'716
Income taxes paid		-8'934	-42'439	-13'513
<b>Net cash from operating activities</b>		<b>35'301</b>	<b>97'119</b>	<b>177'846</b>
Acquisition of subsidiary, net of cash acquired		-	-	-22'891
Purchases of property, plant and equipment		-11'549	-23'334	-18'283
Purchases of intangible assets		-1'026	-3'630	-2'499
Purchases of marketable securities		-	-36'936	-
Proceeds from sales of marketable securities		-	36'882	631
Interest received		429	1'106	1'566
Other investing and hedging activities		-3'301	5'408	-3'868
<b>Net cash used in investing activities</b>		<b>-15'447</b>	<b>-20'504</b>	<b>-45'344</b>
Acquisition of treasury shares		-114	-4'817	-6'456
Proceeds from sale of treasury shares		-	-	5'630
Repayment of short-term borrowings (interest-bearing liabilities)		-664	-1'429	-25'004
Repayment of long-term borrowings (interest-bearing liabilities)		-14'039	-35'433	-11'966
Disposal of derivative hedging instrument		-	-	37'362
Interest paid		-3'607	-7'180	-8'464
Dividends paid	9	-	-46'293	-45'092
<b>Net cash used in financing activities</b>		<b>-18'424</b>	<b>-95'152</b>	<b>-53'990</b>
Increase/(decrease) in cash and cash equivalents		1'430	-18'537	78'512
Cash and cash equivalents at beginning of period, including bank overdraft		235'627	240'737	163'373
Effect of exchange rate differences on cash held		2'462	17'319	-1'148
<b>Cash and cash equivalents at end of period<sup>1</sup></b>		<b>239'519</b>	<b>239'519</b>	<b>240'737</b>

<sup>1</sup> Cash and cash equivalents including bank overdraft of EUR 0.3 million as of 31 December 2010, and EUR 0.9 million as of 31 December 2009

# Notes to the condensed consolidated financial statements

## **Note 1 Organization**

Nobel Biocare Holding AG (the Company) is a limited liability company incorporated and domiciled in Switzerland. The consolidated financial statements of Nobel Biocare for the year ended 31 December 2010 comprise the Company and its subsidiaries (the Group).

Nobel Biocare (NOBN, SIX Swiss Exchange) is a world leader in innovative restorative and esthetic dental solutions. As a complete solutions provider, Nobel Biocare offers the most comprehensive range of solutions from tooth to root, for single tooth to fully edentulous indications. The solutions portfolio covers dental implants, including the key brands NobelActive™, Brånemark System® and NobelReplace™, individualized prosthetics and equipment (NobelProcera™), guided surgery solutions and biomaterials.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on 16 February 2011.

## **Note 2 Statement of compliance**

The Group applies International Financial Reporting Standards (IFRS). The condensed consolidated financial statements have been prepared in accordance with the requirements of IAS 34 Interim Financial Reporting and should be read in conjunction with the audited consolidated financial statements.

## **Note 3 Accounting policies**

The accounting policies are the same as those applied in the consolidated financial statements for the year ended 31 December 2009, as there are no new changes to IFRS that had a significant impact on the accounting policies.

## **Note 4 Basis of preparation**

The condensed consolidated financial statements include all the subsidiaries controlled by Nobel Biocare and are presented in euro (EUR), rounded to thousands.

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses, as well as the disclosure of contingent liabilities. Actual results may differ from these estimates. Critical judgments made by management in the application of IFRS and key sources of estimation uncertainties were the same as those applied to the consolidated financial statements.

## **Note 5 Seasonality**

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

## **Note 6 Operating segments**

Operating segments are determined based on the reports reviewed by the Board of Directors that are used to make strategic decisions and to allocate resources to the segments.

Operating segments are identified geographically as the business is managed on a global basis and is run in four geographical areas. The business contribution is derived from sales, the cost of goods purchased from manufacturing sites and expenses related to the sale of products in the respective regions. Certain administrative expenses directly attributable to the sale of products are also allocated to the four geographic regions. The Board of Directors reviews and assesses the business (i.e. sales and business expenses) on this basis.

Revenue arises from two integrated product groups, Standardized products and Individualized products. These products are sold in all operating segments, often with both Standardized and Individualized products forming part of a combined offer as Nobel Biocare is a full-solution provider.

in EUR '000	Europe, Middle East and Africa		North America		Asia/Pacific		Latin America/Rest of the world		Group total	
	Q4 2010	Q4 2009	Q4 2010	Q4 2009	Q4 2010	Q4 2009	Q4 2010	Q4 2009	Q4 2010	Q4 2009
	YTD	YTD	YTD	YTD	YTD	YTD	YTD	YTD	YTD	YTD
External sales	248'330	259'952	193'695	193'254	125'584	114'587	8'974	13'648	576'583	581'441
<i>Proportion of total revenue</i>	43%	45%	33%	33%	22%	20%	2%	2%	100%	100%
Business expenses	-143'369	-131'769	-105'284	-95'472	-63'666	-57'633	-6'847	-10'443	-319'166	-295'317
<b>Business contribution</b>	<b>104'961</b>	<b>128'183</b>	<b>88'411</b>	<b>97'782</b>	<b>61'918</b>	<b>56'954</b>	<b>2'127</b>	<b>3'205</b>	<b>257'417</b>	<b>286'124</b>

\* Certain prior year figures are reclassified to reflect minor changes in the management structure.

Certain expenses, presented in the reconciliation, are not attributable to a particular segment and are reviewed as a whole across the Group irrespective of geographic origin. Unallocated business expenses include certain production costs remaining with the manufacturing sites. Functional costs comprise headquarter and plant functions, which include global marketing, symposia events, quality, logistics, research and development, Procera development and legal functions. Also included are reconciling and other items, e.g., adjustments and eliminations made in preparing the financial statements. The business contribution also excludes the effects of Group-wide equity-settled share-based expenses and depreciation, amortization and impairment expenses. The revenue from external customers reported to the Board of Directors is measured in a manner consistent with that in the income statement. There are no significant sales between the segments. No individual customer represents a significant portion of the Group's revenue.

#### Reconciliation

in EUR '000	Q4 2010 YTD	Q4 2009 YTD
Business contribution	257'417	286'124
Unallocated business expenses	-10'974	-17'896
Functional costs	-128'048	-105'361
Depreciation, amortization and impairment losses	-29'583	-27'757
Share-based payment expenses	-3'895	-6'602
Reconciling and other items	-8	85
<b>Operating profit (EBIT)</b>	<b>84'909</b>	<b>128'593</b>
Net financial result	15'488	8'664
<b>Profit before tax</b>	<b>100'397</b>	<b>137'257</b>

## Note 7 Net financial result

	Q4 2010	Q4 2009	Q4 2010 YTD	Q4 2009 YTD
in EUR '000				
Interest income	435	543	1'497	1'604
Net foreign exchange gains	488	1'984	31'655	26'814
<b>Financial income</b>	<b>923</b>	<b>2'527</b>	<b>33'152</b>	<b>28'418</b>
Interest expenses	-2'673	-3'370	-11'105	-16'178
Other financial expenses	-2'216	-1'369	-6'559	-3'576
<b>Finance cost</b>	<b>-4'889</b>	<b>-4'739</b>	<b>-17'664</b>	<b>-19'754</b>
<b>Net financial result</b>	<b>-3'966</b>	<b>-2'212</b>	<b>15'488</b>	<b>8'664</b>

In 2010 and 2009, net foreign exchange gains primarily relate to the simplification of internal funding structures, which resulted in the reclassification of cumulative translation differences to the income statement (before income tax expenses) in the amount of EUR 29'984 k (2009: EUR 31'049 k), which had been previously recognized in other comprehensive income as presented in equity. The remainder of net foreign exchange gains arises from operating in multiple currencies and also takes into account the gains and losses resulting from hedging such exposures.

In 2010 and 2009, other financial expenses mainly comprise fees for the EUR 330 million syndicated banking facility in place from 18 March 2009. On 22 November 2010, the Group announced that the agreement was replaced and extended for five years to 2015. In conjunction with this replacement, the remaining capitalized fees relating to the original agreement were recognized in the income statement in full, in favor of the new fee structure to be recognized in the income statement over the life of the amended contract. As of 31 December 2010, this facility remained undrawn.

## Note 8 Tax expense

Income tax expense includes a tax charge of EUR 29.8 m related to internal business restructuring of the Group. In conjunction with this internal business restructuring, intangible assets were transferred between Group companies at fair market value. These taxes were paid in part in December 2010, with the remainder being paid in January 2011.

## Note 9 Equity

### Share capital

The share capital of Nobel Biocare Holding AG is held in Swiss franc (CHF). The number of shares issued by Nobel Biocare Holding AG on 31 December 2010 totaled 123'784'530 (31 December 2009: 123'784'530) with a par value of CHF 0.40 per share, fully paid up.

The share capital may be increased by issuing no more than 247'620 shares (2009: 247'620), each with a par value of CHF 0.40, to be fully paid up, equaling an amount of no more than CHF 99'048 (2009: CHF 99'048) by virtue of the exercise of options granted to employees, Directors and officers of the Group.

The Board of Directors is authorized to increase the share capital until 6 April 2011 by an amount of up to CHF 10 million by issuing up to 25 million fully paid-up registered shares with a nominal value of CHF 0.40. Alternatively, the share capital may be increased by an amount of up to CHF 10 million by issuing up to 25 million fully paid-up registered shares with a nominal value of CHF 0.40 following the exercise of conversion and/or option rights which are granted in connection with the issuance of bonds or similar debt instruments by the Company or one of its Group companies in capital markets or in connection with a transaction.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

### Dividends

On 25 March 2010, the AGM approved a gross dividend of CHF 0.55 per registered share, which was paid on 1 April 2010. The total amount of the gross dividend was CHF 67.7 million or EUR 46.3 million.

On 16 February 2011, the Company's Board of Directors decided to propose to the AGM a dividend to shareholders of CHF 0.35 per share to be paid out of reserves without deduction of withholding tax. The total amount of the proposed dividend is CHF 43.4 million or approximately EUR 35 million depending on exchange rates at the pay-out date.

### Note 10 Share-based payment transactions

The performance share unit program (PSUP) is a long-term incentive plan that covers the executives of operating units and headquarters with a single, global program. Participants are granted performance-based share units under the PSUP. Vesting of these shares is subject to specific performance achievements over a three-year period. The PSUP is accounted for as equity-settled share-based payment plan under IFRS 2.

Vesting is subject to a service period and to the achievement of the program's performance conditions. These conditions assume an outperformance of the Nobel Biocare (NOBN) share price relative to the Swiss Market Index (SMI) or the Swiss Leader Index (SLI) for the period. If this relative outperformance is achieved, each share unit will be converted into a pre-determined amount of Nobel Biocare shares at vesting date. The performance share units cannot be settled in cash.

The fair value of employment services received in return for performance share units granted is measured by reference to the fair value of units granted. Grant date fair value per unit was measured based on Monte Carlo simulations. The market conditions are taken into account when estimating the fair value of the instruments granted. Service conditions are not taken into account in the grant date fair value measurement of the services received.

Expenses related to share-based payment transactions are presented in the following table.

in EUR '000	2010	2009
<b>Plan</b>		
Performance share unit plan	3'650	1'133
Share plan	245	133
Staff option program	-	5'336
<b>Total</b>	<b>3'895</b>	<b>6'602</b>

### Note 11 Ongoing disputes

#### Litigation / Legal proceedings

At the beginning of July 2005, a lawsuit against Nobel Biocare claiming patent infringement was filed by a doctor in New York. The suit concerns two patents, which the doctor alleges are infringed by the Stargrip and Replace products. The suit was put on hold by the court pending reexamination proceedings at the US Patent Office regarding one of the patents. Those proceedings are complete, and the Court reinstated the litigation in May 2009. Nobel Biocare has evaluated these patents in depth and has numerous defenses that it will vigorously pursue. Nobel Biocare contends that it does not infringe these patents, and that the patent claims are invalid based on prior art.

Nobel Biocare Investments N.V. is facing claims by an asset management company. The asset management company has obtained an attachment of an account of Nobel Biocare Investments N.V. in the Netherlands Antilles. In April 2009, a New York court rejected the asset management company's request to start arbitration in the US. In October 2009, the Federal Appeals Court in New York ruled on the asset management company's appeal against this decision, vacated the case and remanded it back to the first instance court for further proceedings. Nobel Biocare rejects all claims by this company as lacking any legal basis and has filed a court case in Switzerland to establish this fact as well as for refund of certain unjustified paid fees. On 14 December 2009, the competent court in Zug decided to have jurisdiction over the case. A decision of the Netherlands Antilles court on the merits of the attachment of Nobel Biocare Investment N.V.'s account is expected in 2011.

In June 2010, a Canadian company filed a complaint against BioCad Medical Inc. suing for patent infringement in the Federal Court Quebec, Canada. The lawsuit alleges that BioCad infringes a Canadian patent owned by said Canadian company on the production of superstructures for dental implants. BioCad Medical Inc. and its consulting patent lawyers are of the opinion that no valid claims of the Canadian company's Sinlab patent are being infringed and will, therefore, vigorously defend the patent infringement suit. In addition, Nobel Biocare has filed for invalidation of the respective German patent of the Canadian company with the German Federal Patent Court and for declaratory judgment with the competent court in Milan, Italy, that neither the respective Italian nor the German patent of said company are infringed.

In July 2010, a Californian dentist filed a class action suit in the Federal Court of Los Angeles (USA) against Nobel Biocare USA LLC, Nobel Biocare AB and Nobel Biocare Holding AG alleging product defects of NobelDirect implants and claiming damages. Nobel Biocare rejects the claims and is of the opinion that the available long-term data on the product, which were thoroughly reviewed by the competent Swedish Medical Products Agency (SMPA) several times, prove that NobelDirect is to be regarded as safe and efficacious.

There are other minor disputes pending regarding contractual obligations, including warranty- and labor-related disputes, arising from the ordinary business of Nobel Biocare and its subsidiaries.

In the opinion of the Management, and based on currently available information, the handling and settlement of these disputes will have no material adverse effect upon the financial position or operation of the Group.

#### **Note 12 Subsequent events**

On 18 January 2011, the first instance court in New York City dismissed the asset management company's claim against Nobel Biocare Investments N.V. with prejudice on the merits and costs imposed on them still to be determined. The asset management company had failed to produce any evidence supporting its claim. It appealed the decision of the first instance court.

On 16 February, the Board of Directors appointed Richard Laube as new CEO to assume his duties on 1 May 2011. He will join the company on 1 April 2011 and follow Domenico Scala who decided to leave the company with effect from 30 April 2011.

There have been no other material events between 31 December 2010, and the date of authorization that would require adjustments to the consolidated financial statements or disclosures.