

Media Release

# Interim report 1, 2011

ZURICH, SWITZERLAND – 28 APRIL 2011

## Revenue growth in Q1; profit affected by exceptional expenses

- Reported revenue up 5.0% (up 1.5% at CER) to EUR 143.5 million; impacted by natural disasters in Japan
- Growth momentum (CER) led by North America (+9.9%) and APAC excl. Japan (+8.8%); EMEA still negative (-1.3%) but improving
- Gross profit margin at 76.1%; margin mainly affected by NobelProcera capacity build-up
- Underlying operating costs as expected; exceptional expenses related to Japan and CEO change
- Operating profit (EBIT) at EUR 15.1 million; EBIT margin of 11.7% at CER, excl. exceptional expenses 14.2% CER
- Net profit at EUR 12.9 million; net margin of 9.0%

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

	Q1 2011 excl. exceptionals**	Q1 2011 as reported	Q1 2010 as reported	Growth 2010-2011
<b>Revenue</b>	<b>143.5</b>	<b>143.5</b>	<b>136.7</b>	<b>1.5%*</b>
<b>Gross profit</b>	<b>109.4</b>	<b>109.1</b>	<b>108.2</b>	<b>-1.9%*</b>
<i>Gross margin</i>	76.2%	76.1%	79.2%	
<b>Profit from operations</b>	<b>19.0</b>	<b>15.1</b>	<b>26.5</b>	<b>-38.8%*</b>
<i>Operating (EBIT) margin</i>	13.2%	10.5%	19.4%	
<i>Operating (EBIT) margin (CER)</i>	14.2%	11.7%	19.4%	
Net financial result		2.2	25.3	
<b>Profit before tax</b>		<b>17.3</b>	<b>51.8</b>	<b>-66.6%</b>
Tax		-4.4	-13.1	
<b>Net profit</b>		<b>12.9</b>	<b>38.7</b>	<b>-66.7%</b>
<i>Profit margin</i>		9.0%	28.3%	
<b>Basic earnings per share, EUR</b>		<b>0.11</b>	<b>0.31</b>	<b>-64.5%</b>
<b>Net cash from operating activities</b>		<b>0.8</b>	<b>14.4</b>	
<b>Employees at the end of the period (number)</b>		<b>2,427</b>	<b>2,348</b>	

\* At constant exchange rates (CER)

\*\* Figures before exceptionals exclude expenses related to the natural disaster in Japan and the CEO change, both of which total EUR 3.7 million.

**Dirk W. Kirsten, CFO:** "We returned to revenue growth in the first quarter 2011 due to operational progress and improving market conditions. Nobel Biocare grew strongly in North America and we improved in EMEA. In APAC, underlying strong growth was materially affected by the natural disasters in Japan. Regarding our innovation, customers are responding well to NobelActive, NobelProcera and the new NobelReplace. Profitability excluding exceptionals is in line with expectations."

## Business update

In Q1 2011, Nobel Biocare continued to focus on operational excellence and investing in its innovative implant systems and NobelProcera CAD/CAM solutions. Customer response to Nobel Biocare's comprehensive portfolio, as presented at the biennial International Dental Show (IDS) in Cologne, was very positive.

Nobel Biocare announced two next-generation versions of **NobelReplace**: 1) the NobelReplace **Conical Connection** (CC) combining the proven tapered NobelReplace implant body with an advanced third-generation internal conical connection and built-in platform shift to increase soft tissue volume, which leads to healthier soft tissue; and 2) the NobelReplace **Platform Shift** (PS), which offers the ease-of-use of the internal tri-channel connection with the benefits of platform shifting for improved soft tissue interface and more natural-looking esthetics. Both implants, currently in use for clinical trials, are scheduled to be broadly available in Q4 2011.

**NobelActive** continues to attract an increasing number of dental professionals, with 13 consecutive quarters of double-digit growth. New studies confirm the efficacy of this innovative implant (Cherry et al. and Babbush et al.). To continue to drive growth, the portfolio will be expanded with a new 3.0 mm implant, designed for critical esthetic zones.

**NobelProcera** offers dental laboratories and dentists the broadest choice of innovative CAD/CAM-based products and solutions from single tooth to fully edentulous indications. The materials comprise high-end, esthetic, all-ceramic alumina, zirconia and IPS e.max CAD, the biocompatible and cost-effective base metal alloy cobalt chromium, and the acrylic material Telio CAD. The range of new materials also includes titanium crowns and bridges, as well as abutments for third-party platforms and implant bar overdenture solutions.

Digitization of the treatment process – At the IDS Nobel Biocare launched upgraded **NobelGuide** and **NobelClinican** software. They offer clinicians superior treatment safety and predictability, full flexibility in planning cases, as well as optimized biomechanics, functionality and esthetic outcome thanks to enhanced treatment diagnostics, planning and guided surgery.

**Training and Education (T&E) program for dental professionals** – In its commitment to advance the dental profession, the company has introduced a new concept for postgraduate dental T&E. It is built around an indication-based curriculum that offers high-level continuing education programs and covers all dental professional needs. The new Nobel Biocare T&E curriculum comprises four key tracks – Prosthetic, Surgical, Planning Software and Guided Surgery & Technical – that describe clear learning pathways.

**New long-term data reconfirms efficacy of TiUnite surface** – The latest data comes from three 7-8 year long-term follow-up studies of TiUnite on Brånemark implants. The studies included 228 Brånemark implants in 106 patients and revealed a favorable survival rate (CSR) of 97.1% to 100%. The studies were conducted by Turkyilmaz et al. and Glauser and Gelb et al. All studies were accepted for publication in peer-reviewed journals and have been presented at the AO in 2011.

**CEO change** – As of 1 April 2011, Richard Laube took over the position as CEO. He brings with him considerable international experience in different industries in which innovation was the key to success. Among other things, he converted the OTC business of F. Hoffmann La Roche into a successful, independent unit, and most recently, as CEO of Nestlé's Nutrition division, more than doubled the business through acquisitions and organic growth.

## Regional business performance

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

	As reported			CER
	Q1 2011	Q1 2010	Growth 2010-2011*	Growth 2010-2011
<b>Europe, Middle East and Africa (EMEA)</b>	<b>63.1</b>	<b>63.0</b>	<b>0.2%</b>	<b>-1.3%</b>
Proportion of total revenue	44%	46%		
<b>North America</b>	<b>50.0</b>	<b>44.5</b>	<b>12.4%</b>	<b>9.9%</b>
Proportion of total revenue	34%	32%		
<b>Asia/Pacific</b>	<b>28.3</b>	<b>26.9</b>	<b>4.9%</b>	<b>-4.8%</b>
Proportion of total revenue	20%	20%		
<b>Latin America/Rest of the world</b>	<b>2.1</b>	<b>2.3</b>	<b>-3.9%</b>	<b>-10.0%</b>
Proportion of total revenue	2%	2%		
<b>Total</b>	<b>143.5</b>	<b>136.7</b>	<b>5.0%</b>	<b>1.5%</b>

\* Calculated on unrounded figures

In **Europe, Middle East and Africa (EMEA)**, revenue (CER) in the first quarter declined by 1.3% to EUR 63.1 million (Q1 2010: -7.1%). While there is still mixed performance across the region, trends of improvement observed in the second half of last year continued also in Q1. Major markets such as Italy, France and Russia grew. Sweden was still slightly affected by the more restrictive reimbursement approach. Germany showed growth for the first time in over four years, following the stabilization of the organization and supported by the biennial IDS in Cologne.

In **North America**, revenue (CER) in the first quarter was up 9.9% to EUR 50.0 million (Q1 2010: -6.7%). The performance reflects improving organizational capabilities and increasing patient flow to dentists. This was also reflected by the strong interest in the company's solutions at the AO and CDS conferences. While patient financing generally remains difficult, traffic at the dentist, also for more complex treatments, has been improving since the beginning of 2011. Interest in NobelProcera was confirmed by strong growth, in particular of individualized abutments.

In the **Asia/Pacific** region, revenue (CER) in the first quarter was down 4.8% to EUR 28.3 million (Q1 2010: -2.5%). The overall performance in this region was significantly influenced by the natural disasters in Japan, a market that accounted for about two-thirds of the regional revenue. Performance in Japan prior to the disasters was stable and reflected further market share gains driven by the recent launch of NobelActive and strong interest in NobelProcera. After the earthquake, production in our undamaged NobelProcera plant in Chiba/Tokyo was temporarily ceased, and orders were shifted mainly to Stockholm. The revenue decline in Japan for the entire first quarter was -12% at CER. Excluding Japan the performance in the region was up 8.8% driven by strong growth in the emerging markets of China and India as well as improving momentum in Taiwan.

**Caring for Japan** – To help relief and recovery efforts in communities affected by the devastating earthquake and tsunami that struck Japan, Nobel Biocare has launched an immediate financial aid program to support affected customers and their families and businesses in these difficult times.

In **Latin America/Rest of the world**, first quarter revenue (CER) for 2011 declined by 10.0% to EUR 2.1 million (Q1 2010: -44.1%). This performance is due to a changed distribution model in most markets in late 2009 and through 2010. Profitability in the region has improved significantly and in Brazil, growth was achieved.

**Alpha-Bio Tec (ABT)** reported double-digit growth in the first quarter 2011, in line with the performance for the full year 2010. The company targets, following a strictly separate approach, different customer groups in markets with a larger price sensitivity.

## Financial performance update

**Summary** – First quarter 2011 revenue, at constant exchange rates (CER), increased by 1.5% to EUR 143.5 million. Reported revenue increased by 5.0% due to favorable foreign currency influences. Growth in dental implants was positive, while NobelProcera performance was mixed: strongly growing demand for the newly introduced products was offset by declining coping volumes. Profit from operations (EBIT) in the first quarter was EUR 15.1 million (2010: EUR 26.5 million) with higher costs due to the natural disasters in Japan and the CEO change, effective 1 April 2011. Excluding those impacts the EBIT margin would have been 13.2% (14.2% CER). Net profit as reported was EUR 12.9 million compared with EUR 38.7 million a year ago, which had benefitted from a one-off currency gain of EUR 30.1 million.

**Gross profit** in the first quarter was 109.1 million (2010: EUR 108.2 million), reflecting a gross margin of 76.1% (2010: 79.2%). This expected margin decrease mainly resulted from investments in the expansion of manufacturing capacity for NobelProcera as well as the recent temporary manufacturing interruption in Japan and subsequent shift to other plants. The gross margin for implant systems was affected by higher royalties, unfavorable mix and higher precious metal prices.

**Operating expenses** in the reporting period were EUR 94.0 million (2010: EUR 81.7 million). This increase includes adverse currency impacts of EUR 4.2 million and EUR 3.3 million exceptional costs related to Japan as well as to the CEO change. The remaining increase is as planned and is mainly from increased marketing, event & sales expenses as well as additional R&D costs for NobelProcera and the new NobelReplace.

**Profit from operations (EBIT)** for the first quarter was EUR 15.1 million (2010: EUR 26.5 million), reflecting an operating margin of 10.5% (2010: 19.4%). This margin mainly results from the aforementioned gross margin decrease as well as increased operating expenses. Adjusted for exceptional expenses related to Japan as well as to the CEO change, EBIT would have been 19.0 million, reflecting a margin of 13.2% (14.2% at CER).

**Currencies** – The weakening of the euro continued to have a positive influence on reported revenue. However, the stronger Swiss franc and Swedish krona led to a significant increase in reported operating expenses, resulting in a negative impact of 120 bps at EBIT margin level. This negative impact was more than offset by foreign exchange gains, so that the net foreign exchange impact was +240bps.

**Net financial result** for the first quarter was EUR 2.2 million (2010: EUR 25.3 million). This result was mainly attributable to hedging gains to compensate for the negative impact on EBIT. The variance to 2010 is due to EUR 30.1 million non-recurring foreign currency gains last year, which resulted from changes to internal funding structures. Interest expenses and other finance costs have been reduced compared with the prior year.

**Taxes** – Tax expenses in the first quarter amounted to EUR 4.4 million versus EUR 13.1 million a year ago. This reflects a base tax rate of 25.5% for the current year.

**Net profit** for the first quarter was EUR 12.9 million (2010: EUR 38.7 million), reflecting a net profit margin of 9.0% (2010: 28.3%). The decrease mainly results from the lower operating profit as well as the non-repetition of exceptional currency gains, which occurred in Q1 2010.

**Cash flow from operating activities** for the quarter totaled EUR 0.8 million (2010: EUR 14.4 million), mainly driven by a EUR 15 million one-off tax payments in January 2011 relating to internal business restructuring during 2010. **Cash & cash equivalents** at the end of March 2011 were at EUR 227.1 million (2010: EUR 257.0 million). Net financial debt amounted to EUR 2.5 million versus a net cash position of EUR 9.1 million a year ago.

Shareholders at the **annual general meeting** (AGM) held on 30 March 2010 in Zurich, Switzerland, approved all proposals put to a vote by the Board of Directors. Among other agenda items, the AGM approved the allocation of reserves from capital contributions to free reserves to be used for a dividend of CHF 0.35 gross per registered share, a total of EUR 33.0 million, which was paid on 6 April 2011. At the first board meeting following the annual general meeting, Heino von Prondzynski was re-elected Chairman of the Board and Rolf Watter was re-elected Vice Chairman of the Board.

## Outlook

In the first quarter 2011 increased market momentum was observed. Based on this, mid-single-digit market growth is expected for 2011. Nobel Biocare continues to focus on innovation and strengthening its organization to exceed customers' expectations. Barring unforeseen events and excluding the situation in Japan, Nobel Biocare targets to be back to market growth by mid-year. Based on this anticipated revenue growth, the company is targeting an EBIT margin of around 18% for 2011, barring any adverse currency effects and excluding exceptional expenses.

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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 Interim report 1, 2011 is available in English, while an abridged version of the report is available in German.

## Investor, analyst and media presentation

A telephone conference for investors and analysts will be held today at

8.30 am CET and at 2.30 pm CET.

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

Dial-in number for the conference calls:

+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)

Recordings of both conference calls will be available on the website afterwards.

## Financial reporting calendar:

<b>Interim Report 2, 2011</b>	<b>12 August 2011</b>
<b>Interim Report 3, 2011</b>	<b>8 November 2011</b>
<b>Full Year Report 2011</b>	<b>9 February 2012</b>
<b>Annual General Meeting 2012</b>	<b>29 March 2012</b>
<b>Interim Report 1, 2012</b>	<b>27 April 2012</b>
<b>Interim Report 2, 2012</b>	<b>21 August 2012</b>
<b>Interim Report 3, 2012</b>	<b>8 November 2012</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	Q1 2011 before exceptionals <sup>1</sup>	Q1 2011	Q1 2010
<b>Income statement</b>			
Revenue	143.5	143.5	136.7
Gross profit	109.4	109.1	108.2
Profit from operations (EBIT)	19.0	15.1	26.5
Profit before tax		17.3	51.8
Income tax expense		-4.4	-13.1
<b>Profit attributable to owners of Nobel Biocare</b>		<b>12.9</b>	<b>38.7</b>
<b>Balance sheet</b>			
Non-current assets		327.5	315.1
Current assets		410.3	453.4
Total equity		304.2	315.8
Non-current liabilities		35.3	277.7
Current liabilities		398.3	175.0
Cash and cash equivalents incl. bank overdraft		227.1	257.0
<b>Miscellaneous</b>			
Net cash from operating activities		0.8	14.4
Depreciation, amortization and impairment losses		7.9	6.8
Investments in property, plant and equipment		3.2	2.3
Employees at end of period		2'427	2'348
<b>Ratios</b>			
Revenue growth (%)		5.0	-7.0
Revenue growth in local currencies (%)		1.5	-7.1
Gross margin (%) <sup>1</sup>	76.2	76.1	79.2
Operating expenses/revenue ratio (%)	63.0	65.5	59.8
EBITDA margin (%)	18.7	16.0	24.4
Operating (EBIT) margin (%)	13.2	10.5	19.4
Net profit margin (%)		9.0	28.3
Return on average equity (%) <sup>2</sup>		6.3	41.6
Equity/assets ratio (%)		41.2	41.1
<b>Share information</b>			
Number of shares issued as of end of period		123'784'530	123'784'530
Average number of shares outstanding		122'729'167	123'166'284
Number of shares after full conversion <sup>3</sup>		148'562'699	149'032'150
Share price as of end of period (CHF)		19.04	28.20
Market value as of end of period (MCHF)		2'357	3'506
Basic earnings per share (EUR)		0.11	0.31
Diluted earnings per share (EUR)		0.11	0.31
Equity per share (EUR)		2.46	2.56
Equity per share after full conversion (EUR)		2.05	2.12

<sup>1</sup> Figures before exceptionals exclude expenses related to the natural disaster in Japan and the CEO change, both of which total EUR 3.7 million.

<sup>2</sup> Includes net profit for the last four quarters over average equity for the last four quarters

<sup>3</sup> Includes conditional/authorized capital of 25'247'620 shares

# Condensed consolidated financial statements

INTERIM REPORT 1, 2011

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## Income statement

in EUR '000	Note	Q1 2011	Q1 2010
<b>Revenue</b>	6	143'506	136'670
Cost of goods sold		-34'364	-28'494
<b>Gross profit</b>		<b>109'142</b>	<b>108'176</b>
Selling expenses		-57'768	-51'216
Administrative expenses		-29'111	-21'810
Research and development expenses		-7'186	-8'604
<b>Profit from operations (EBIT)</b>		<b>15'077</b>	<b>26'546</b>
Net financial result	7	2'227	25'237
<b>Profit before tax</b>		<b>17'304</b>	<b>51'783</b>
Income tax expense	8	-4'413	-13'099
<b>Profit attributable to owners of Nobel Biocare</b>		<b>12'891</b>	<b>38'684</b>
Basic earnings per share, EUR		0.11	0.31
Diluted earnings per share, EUR		0.11	0.31

## Statement of comprehensive income

in EUR '000	Note	Q1 2011	Q1 2010
<b>Profit attributable to owners of Nobel Biocare</b>		<b>12'891</b>	<b>38'684</b>
Other comprehensive income:			
Foreign currency translation differences		6'624	25'643
Reclassification of foreign currency translation differences to income statement, net of tax	7	–	-30'062
Effective portion of changes in fair value of cash flow hedges, net of tax		2'267	786
Net change in fair value of cash flow hedges reclassified to income statement, net of tax		-821	-4
<b>Total other comprehensive income/(expenses) for the period</b>		<b>8'070</b>	<b>-3'637</b>
<b>Total comprehensive income for the period attributable to owners of Nobel Biocare</b>		<b>20'961</b>	<b>35'047</b>

## Balance sheet

in EUR '000	Note	31 March 2011	31 December 2010
<b>Assets</b>			
Property, plant and equipment		84'966	90'233
Intangible assets		213'307	223'388
Non-current receivables		3'576	3'974
Deferred tax assets		25'667	26'817
<b>Total non-current assets</b>		<b>327'516</b>	<b>344'412</b>
Inventories		21'311	23'401
Trade and other receivables		130'362	132'855
Current income tax assets		2'956	4'016
Prepaid expenses and accrued income		19'443	14'665
Financial investments and derivatives		8'992	12'179
Cash and cash equivalents		227'249	239'816
<b>Total current assets</b>		<b>410'313</b>	<b>426'932</b>
<b>Total assets</b>		<b>737'829</b>	<b>771'344</b>
<b>Equity and liabilities</b>			
Share capital	9	31'861	31'861
Share premium		149'754	151'113
Treasury shares		-45'272	-40'216
Retained earnings		167'850	177'231
<b>Total equity attributable to owners of Nobel Biocare</b>		<b>304'193</b>	<b>319'989</b>
Provisions		2'718	2'734
Pension liabilities		6'387	6'232
Deferred tax liabilities		25'801	26'427
Other non-current liabilities		444	494
<b>Total non-current liabilities</b>		<b>35'350</b>	<b>35'887</b>
Bank overdraft		183	297
Convertible bond	11	229'961	252'366
Trade payables		18'506	19'284
Current provisions		6'719	6'745
Current income tax liabilities	8	31'469	56'202
Other current liabilities and derivatives	10	45'246	19'285
Accrued expenses and deferred income		66'202	61'289
<b>Total current liabilities</b>		<b>398'286</b>	<b>415'468</b>
<b>Total liabilities</b>		<b>433'636</b>	<b>451'355</b>
<b>Total equity and liabilities</b>		<b>737'829</b>	<b>771'344</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 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 year							38'684	38'684	38'684
Other comprehensive (expenses)/income, net of tax					-4'419	782		-3'637	-3'637
Total comprehensive (expenses)/income					-4'419	782	38'684	35'047	35'047
Transactions with shareholders:									
Expiry of written put options on own			2'527	6'277					8'804
Convertible bond – equity component			-557				555	555	-2
Share-based payment expenses, net of tax	12						482	482	482
Dividends to shareholders relating to 2009							-46'293	-46'293	-46'293
Total transactions with shareholders			1'970	6'277			-45'256	-45'256	-37'009
<b>Balance as of 31 March 2010</b>		<b>31'861</b>	<b>168'399</b>	<b>-50'290</b>	<b>-120'305</b>	<b>1'003</b>	<b>285'087</b>	<b>165'785</b>	<b>315'755</b>
<b>Balance as of 1 January 2011</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>
Comprehensive income:									
Profit for the period							12'891	12'891	12'891
Other comprehensive (expenses)/income, net of tax					6'624	1'446		8'070	8'070
Total comprehensive (expenses)/income					6'624	1'446	12'891	20'961	20'961
Transactions with shareholders:									
Acquisition of treasury shares				-5'056					-5'056
Convertible bond – equity component			-1'359				1'359	1'359	–
Share-based payment expenses, net of tax	12						1'315	1'315	1'315
Dividends to shareholders relating to 2010	10						-33'016	-33'016	-33'016
Total transactions with shareholders			-1'359	-5'056			-30'342	-30'342	-36'757
<b>Balance as of 31 March 2011</b>		<b>31'861</b>	<b>149'754</b>	<b>-45'272</b>	<b>-116'657</b>	<b>4'266</b>	<b>280'241</b>	<b>167'850</b>	<b>304'193</b>

## Cash flow statement

in EUR '000	Note	Q1 2011	Q1 2010
<b>Profit before tax</b>		<b>17'304</b>	<b>51'783</b>
Adjusted for:			
Depreciation, amortization and impairment losses		7'897	6'760
Net financial result	7	-2'227	-25'237
Share-based payment expenses	12	1'219	516
Other non-cash income and expenses		5'101	4'248
Changes in working capital and provisions:			
Increase in trade and other current receivables		-1'931	-1'922
Decrease in inventories		149	93
Decrease in trade and other current liabilities		-2'851	-9'152
Increase/(decrease) in provisions, accrued expenses, and deferred income		3'469	-2'153
Income taxes paid	8	-27'281	-10'554
<b>Net cash from operating activities</b>		<b>849</b>	<b>14'382</b>
Purchases of property, plant and equipment		-3'221	-2'345
Purchases of intangible assets		-477	-235
Interest received		419	228
Other investing and hedging activities		14'150	6'210
<b>Net cash from investing activities</b>		<b>10'871</b>	<b>3'858</b>
Acquisition of treasury shares		-5'056	-
Repayment of short-term borrowings (interest-bearing liabilities)		-	-212
Repayment of convertible bond		-15'952	-6'028
Interest paid		-682	-1'504
<b>Net cash used in financing activities</b>		<b>-21'690</b>	<b>-7'744</b>
(Decrease)/increase in cash and cash equivalents		-9'970	10'496
Cash and cash equivalents at beginning of period, including bank overdraft		239'519	240'737
Effect of exchange rate differences on cash held		-2'483	5'784
<b>Cash and cash equivalents at end of period<sup>1</sup></b>		<b>227'066</b>	<b>257'017</b>

<sup>1</sup> Cash and cash equivalents including bank overdraft of EUR 0.2 million as of 31 March 2011, and EUR 0.6 million as of 31 March 2010

# 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 condensed consolidated financial statements of Nobel Biocare for the three months ended 31 March 2011 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 27 April 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 for the year ended 31 December 2010.

## **Note 3 Accounting policies**

The accounting policies are the same as those applied in the consolidated financial statements for the year ended 31 December 2010, 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 for the year ended 31 December 2010.

## **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, Implant system products and Individualized products. These products are sold in all operating segments, often with both Implant system and Individualized products forming part of a combined offer as Nobel Biocare is a full-solution provider.

	Europe, Middle East and Africa		North America		Asia/Pacific		Latin America/Rest of the world		Group total	
in EUR '000	Q1 2011	Q1 2010	Q1 2011	Q1 2010	Q1 2011	Q1 2010	Q1 2011	Q1 2010	Q1 2011	Q1 2010
External sales	63'101	62'991	49'987	44'488	28'260	26'945	2'158	2'246	143'506	136'670
<i>Proportion of total revenue</i>	44%	46%	34%	32%	20%	20%	2%	2%	100%	100%
Business expenses	-35'753	-32'549	-26'697	-23'371	-18'166	-13'634	-1'457	-1'302	-82'073	-70'856
<b>Business contribution</b>	<b>27'348</b>	<b>30'442</b>	<b>23'290</b>	<b>21'117</b>	<b>10'094</b>	<b>13'311</b>	<b>701</b>	<b>944</b>	<b>61'433</b>	<b>65'814</b>

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, NobelProcera development and legal. 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	Q1 2011	Q1 2010
Business contribution	61'433	65'814
Unallocated business expenses	-3'741	-4'550
Functional costs	-33'461	-27'418
Depreciation, amortization and impairment losses	-7'897	-6'760
Share-based payment expenses	-1'219	-516
Reconciling and other items	-38	-24
<b>Operating profit (EBIT)</b>	<b>15'077</b>	<b>26'546</b>
Net financial result	2'227	25'237
<b>Profit before tax</b>	<b>17'304</b>	<b>51'783</b>

## Note 7 Net financial result

	Q1 2011	Q1 2010
in EUR '000		
Interest income	419	527
Net foreign exchange gains	5'095	30'039
<b>Financial income</b>	<b>5'514</b>	<b>30'566</b>
Interest expenses	-2'456	-3'177
Other financial expenses	-831	-2'152
<b>Finance cost</b>	<b>-3'287</b>	<b>-5'329</b>
<b>Net financial result</b>	<b>2'227</b>	<b>25'237</b>

Net foreign exchange gains arise from operating in multiple currencies and also take into account the gains and losses resulting from hedging such exposures. In 2010, however, net foreign exchange gains primarily related to the simplification of internal funding structures, which resulted in the reclassification of cumulative translation differences of EUR 30'062 k to the income statement (before income tax expenses), which had been previously recognized in other comprehensive income as presented in equity.

In 2011 and 2010, 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 2010, in favor of the new fee structure to be recognized in the income statement over the life of the amended contract. As of 31 March 2011, this facility remained undrawn.

## Note 8 Tax expense

Income tax expense is recognized based upon the best estimate of the weighted average income tax rate expected for the full financial year. The full-year estimated tax rate for 2011 is 25.5%. However, the income tax rate for the year ended 31 December 2010 was 54.5% and included a tax charge of EUR 29.8 m related to internal business restructuring of the Group. While part of these taxes was paid in December 2010, the remainder was 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 March 2011 totaled 123'784'530 (31 December 2010: 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 (2010: 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 (2010: 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.

#### Note 10 Dividends

On 30 March 2011, the AGM approved 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 dividend is CHF 42.8 million or EUR 33.0 million, and was included in other current liabilities and derivatives on the balance sheet as of 31 March 2011. The dividend was paid on 6 April 2011.

#### Note 11 Convertible bond

The nominal amount of the convertible bond issued through the Group's wholly-owned subsidiary Nobel Biocare Investments N.V., Curaçao, Netherlands Antilles, was CHF 385'000 k (EUR 296'654 k), of which the nominal value of CHF 297'910 k (EUR 229'549 k) was outstanding as of 31 March 2011. The maturity date of the convertible bond is 8 November 2011. Consequently, the carrying amount was reclassified from non-current liabilities to current liabilities.

The following table shows the change in the carrying amount of the convertible bond.

in EUR '000	2011	2010
Carrying amount of liability as of 1 January	252'366	236'962
Repurchase of liability	-15'871	-6'279
Accrued interest	2'703	2'765
Translation difference	-9'237	11'100
<b>Carrying amount of liability as of 31 March</b>	<b>229'961</b>	<b>244'548</b>

#### Note 12 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 on a yearly basis. Vesting of these shares is subject to specific performance achievements over a three-year period (program 2008, 2009) or a graded three-year period where one-third of the share units vest after one year, one-third after two years and one-third after three years (program 2010, 2011). 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 the 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. 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.

As of 31 March 2011, all performance share units granted in 2008 were forfeited as performance conditions were not achieved.

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

in EUR '000	2011	2010
<b>Plan</b>		
Performance share unit plan	1'219	516
<b>Total</b>	<b>1'219</b>	<b>516</b>

## **Note 13 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. In 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 evidence supporting its claim. It appealed the decision of the first instance court while Nobel Biocare requested sanctions be determined against the asset management company. 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 Investments N.V.'s account is expected for 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 vigorously 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 14 Subsequent events**

There have been no material events between 31 March 2011 and the date of authorization that would require adjustments to the consolidated financial statements or disclosures.