

It's all
about...



> ANNUAL REPORT 2005

quality of



life!

Highlights of 2005

- > Outpacing the market with revenue growth of 24 percent in local currencies
- > Record EBIT margin of 33.5 percent of revenue
- > Launch of 560 new products, including the revolutionary NobelGuide™ concept
- > Nobel Biocare World Conference 2005 with more than 6,000 attending dental professionals became the largest dental company event ever
- > 251,000 participants in our Training & Education events
- > Nobel Biocare gained the global ISO 13485:2003 quality certificate as well as the global ISO 14001:2004 environmental certificate in 2005

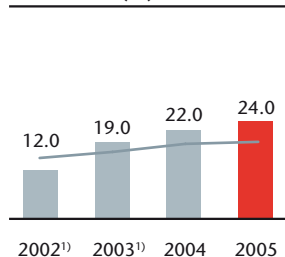
> Key Figures

(EUR mn)	2005	change (%)	2004 ²⁾	2003
Revenue	484.5	24.8	388.4	334.0
Profit from operations (EBIT)	162.3	41.3	114.8	87.2
Profit for the year	154.7	68.9	91.6	72.0
Cash and cash equivalent	129.0		194.9	109.5
Shareholders' equity	357.7		355.1	283.5
Earnings per share (EUR)	6.05	71.4	3.58	2.85
Dividend per share (CHF)	3.50 ¹⁾		2.65	1.30

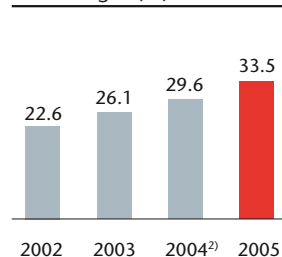
¹⁾ proposed dividend

²⁾ Certain comparatives were reclassified to conform with current year's presentation. Please refer to Significant Accounting Policies for further information.

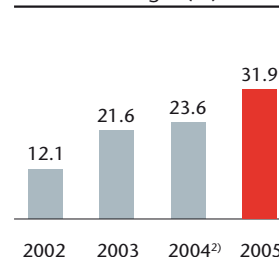
Revenue Growth in Local Currencies (%)



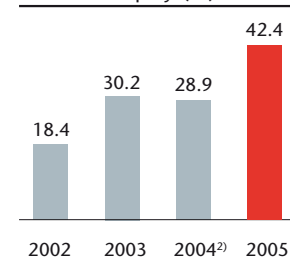
EBIT Margin (%)



Net Profit Margin (%)



Return on Equity (%)

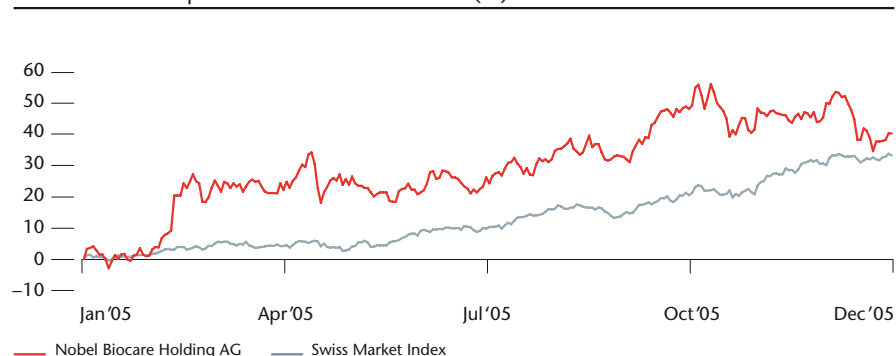


■ Revenue Growth
— Estimated Market Growth

¹⁾ excl. sales of Gore products

²⁾ Certain comparatives were reclassified to conform with current year's presentation. Please refer to Significant Accounting Policies for further information.

Share Price Development vs. Swiss Market Index (%)



Nobel Biocare in 60 Seconds

MISSION STATEMENT

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

- > Nobel Biocare is a **one-stop shop** for restorative esthetic dentistry offering a wide range of innovative **crowns, bridges and implants – C&B&I™**.
- > The C&B&I™ concept covers all aspects of esthetical tooth reconstruction enabling **dental specialists, general practitioners as well as dental laboratories** all over the world to offer patients beautiful new teeth.
- > Nobel Biocare also provides specialized **training, education and mentoring** for its clinically documented treatment concepts.
- > Nobel Biocare is the **world market leader** in dental implants and CAD/CAM based crowns and bridges.
- > Nobel Biocare has around **1,650 employees worldwide** with headquarters located in Zurich, Switzerland, and Gothenburg, Sweden. Production takes place at four sites in Sweden and the USA. The Company has its own **sales organization in 29 countries**.

life!

It's all about...

...stimulating a young imagination

...listening to a child laugh

... beetles, ants and flies

...making friends

...granddad's stories





It's all about...

...giving everything

...fun and games

...the sky's
the limit

...champions

...fans and cheering

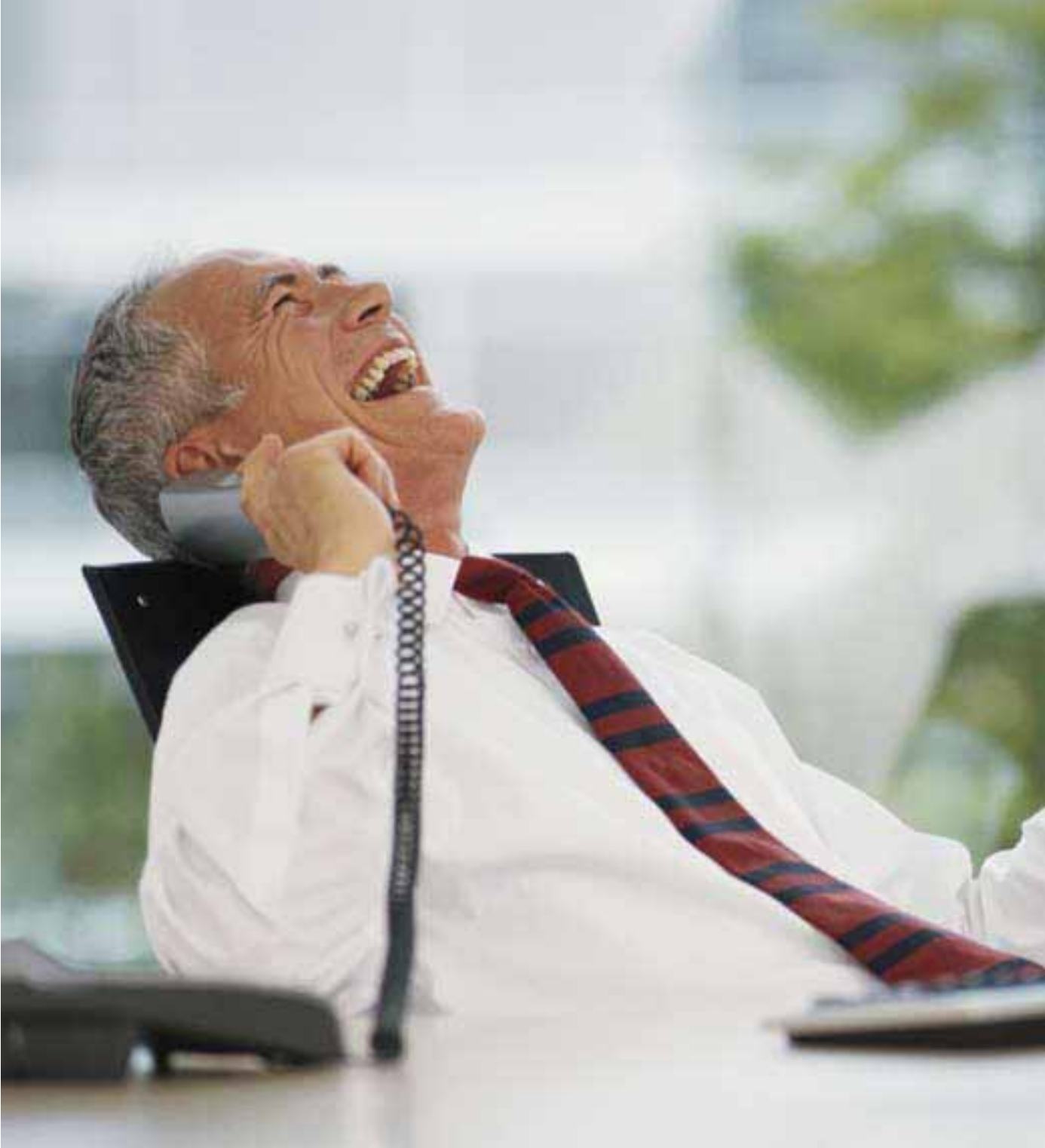
It's all about...

...winning the contract
...spontaneity

...high-fliers

...a creative atmosphere

...jogging after work





It's all about...

...dinner for two

...eating off each other's plates

...a conversation about her crazy relatives

...tiramisu or panna cotta?

...butterflies in the tummy

It's all about...

...enjoying life hand in hand

...going through thick
and thin together

...sharing a home

...a colourful life

...a pillow fight



...beautiful
teeth now!

> Beautiful Teeth Now!

- 1 The story about an invention that makes people smile

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Dear Shareholders,



Going through this Annual Report 2005, you will certainly want to join the Board in congratulating and thanking the management and staff of Nobel Biocare around the world for their excellent results – once again!

Such a series of good years is only possible if there is dedication, hard work and professionalism. I assure you that you can feel this when you talk to Nobel Biocare people wherever you meet them! Personally, I would like to take this opportunity and thank all Nobel Biocare employees around the world for their great achievements in 2005.

Losing focus and determination are risks that successful companies have to face. Let me assure you that Nobel Biocare's Board is prepared to successfully tackle these challenges as one of its main tasks. The annual strategy review, which the Board and Management Team view as an important opportunity for alignment, has convinced us once again that the market still offers huge potentials to be conquered and that there is no need at all for the Company to soften its focus on the areas of expertise. There will not be any detours into business areas that do not belong to our own!

We are often asked how we intend to appropriate the excess funds that the Company has started generating and what our future plans are. Our strong financial position will clearly allow us to finance an even more aggressive growth, including challenging but exciting steps into the Asian markets, where the potential in our field of busi-

ness is growing and living standards and life styles are dramatically changing. Volumes, standards and innovation are also affecting Nobel Biocare's manufacturing technology, possibly requiring more capital than in the past. However, Nobel Biocare's financial strength also allows us to systematically screen scientific and technological progress in order to accomplish innovation even faster than if our Research and Development department were to perform this task alone. Should significant excess funds still be available then, Nobel Biocare's Board knows that it has a responsibility to allow its shareholders to benefit from their Company's success.

We are most encouraged by the fact that organizations supporting business sustainability have acknowledged Nobel Biocare's efforts to maintain a Corporate Governance system in line with the Company's success. In the fall of 2005, the Ethos Foundation ranked us among the Top 3 in Switzerland with regard to Corporate Governance. Other awards and positive rankings were also made. However, the Board is fully aware that this is just a ranking: the Board's true responsibility is to steer the Company's values and strategy, management composition and control systems in such a way as to ensure that today's successes are continued tomorrow and that shareholders' and stakeholders' legitimate interests are respected. The Company's Code of Conduct published recently points in the same direction.

The Board is grateful that the Annual Shareholders' Meeting of last spring endorsed its program for rejuvenating its membership. I am happy to report that the new members have worked hard and successfully to add value to the Board's work.

On behalf of all members I would also like to thank all the shareholders for placing their confidence in us. We are quite certain that this Annual Report will convince you that your expectations have been fulfilled.

Sincerely,

Rolf Soiron – Chairman of the Board

It's all about the Responsibility of Leadership

We arrive at the end of the year and the challenge – as agreeable as it may be – is always the same: there is so much good news to share, yet only a page or two in which to convey it!

As we close the accounts for 2005, I am pleased to write that it has been another outstanding year for Nobel Biocare. Revenue was lifted organically 24 percent in local currencies, well above the Company's guidance of >22 percent revenue growth. As the undisputed market leader, Nobel Biocare outgrew even the most aggressive overall market growth estimates by about 4–6 percent in 2005. Our financial results have never been better, and our balance sheet is strong, reflecting the very good health of the company.

Strong results finance the future of our enterprise as the global market leader, but our continuing position of leadership is ensured only because of our steadfast commitment to quality, science and innovation. This unfaltering commitment to our company's core values leads to growth.

Acting with responsibility, Nobel Biocare concentrates on the benefits to the patient, as well as our partners in the dental profession, with every innovation we introduce. We deliver enduring, superlative esthetics with shorter, simpler, safer and more predictable treatment procedures, which increase patient comfort and clinician convenience at the same time. For patients who are increasingly demanding "Beautiful teeth now!" we are providing innovative alternatives to conventional solutions that provide comfort, convenience and reliable results.

We are entering a world in which the demands of patients are beginning to govern the forms of treatment being offered to them. Today patients are no longer prepared to accept invasive, painful and time-consuming procedures. They request lasting results fast. They will drive the business. They have become more discerning and expect replacement teeth that not only work well, but look good. Nobel Biocare is in a position to provide both.

Our integrated C&B&I™ strategy has been designed to meet



rapidly growing demands for customized, easy esthetic solutions. Procera® serves as a key technology in this area. Nobel Biocare delivers solutions for every indication – giving patients access to the beautiful, fully-functional teeth they want – and Nobel Biocare also provides the information needed to help discerning patients make advised decisions.

Our dedicated patient website, nobelsmile.com, is now being used by prospective patients not only to

inform themselves about Beautiful Teeth Now™, but also to find qualified dentists in their home communities. At the same time, the Nobel Biocare Truck Tour has attracted many new patients, and ads and features in health and lifestyle media have all proved effective in reaching patients.

Nobel Biocare is expected to supply impetus across the entire industry and to set new standards across the board. We take this responsibility seriously. With 6,000 participants the Nobel Biocare World Conference was the largest single event ever organized by a dental company. By the end of the year we had welcomed a total of over 250,000 professionals to our Training & Education courses, during the year 2005 alone.

We attracted these great numbers because Nobel Biocare is the most innovative company in the dental industry today. In fact, during 2005 an unprecedented 560 new products were launched. Harbored securely at the center of the market, Nobel Biocare usually provides the first port-of-call for new ideas arriving from universities, businesses, clinics and individual innovators. We receive several hundred interesting submissions every year, effectively supplementing initiatives taken by our around 80-member-strong, in-house R&D team as they develop new products. We have become an idea magnet because we listen well and approach every suggestion with respect.

No matter where an idea comes from, in-house or from afar, the evaluation process is always the same. Our Vision Team subjects the suggestion to an initial assessment. If the idea is deemed interesting, all relevant documentation is forwarded to our Advisory Board. One

criterion on the comprehensive checklist of the final assessment process is afforded particular attention: Does the suggestion correspond to a genuine customer need? If, and only if, this question can be answered with an unambiguous “Yes!” will we develop a prototype and subject it to practical trials once the evaluation process has been completed. The trial phase, too, is closely monitored by the Advisory Board. Only when suitability for everyday use has been established, and the customer benefit can be clearly defined, is the decision to manufacture – or not to manufacture – made.

We are proud to be the only company to offer a complete, guided-surgery solution that covers everything from the planning software to the final prosthetic solution. Called NobelGuide™, it was the paramount launch of 2005. NobelGuide™ lets the dental professional choose between customary model-based or innovative computer-aided approaches to treatment planning. The guides and customized templates that comprise NobelGuide™ provide greater safety and certainty when placing implants.

The existing body of clinical documentation concerning TiUnite®, our patented biomaterial that promotes bone and soft tissue integration, was updated in 2005 with excellent four-year clinical results, making it the most thoroughly documented new surface on the market. TiUnite® is the only surface on the market today with a proven record for maintaining initial stability, which is important – crucial, in fact – as it makes immediate function feasible.

In June, we announced a collaborative agreement with Wyeth to develop gaffless procedures incorporating implants made “bone inductive” with that company’s bone growth factor BMP-2. For patients who do not have sufficient quantities of bone, this breakthrough technology is expected to replace today’s invasive, painful and time-consuming surgical procedures. Potentially, this promises to widen the indications for implant treatment. The first pilot study is expected to start in 2006. We expect that this truly exciting technology may be introduced to the market within five years.

In November, Nobel Biocare formed a strategic partnership with the largest, and one of most influential, dental schools in the United States, the New York University College of Dentistry. The objective? To integrate a dental implant therapy and esthetic dentistry curriculum into each of the four years that make up the NYU pre-doctoral dental education program! Although we have been providing continuing education and mentoring for post-doctoral specialists for over twenty years, few dental schools have yet to present implants as the treatment of choice for their general dentists-to-be. This is about to change.

Privileged as we are, we at Nobel Biocare also feel a responsibility to be good corporate citizens. Our support of an SOS Children’s Village in the Ukraine and the Per-Ingvar Brånemark Foundation in

Brazil are both examples of how we take our public responsibility seriously. These two organizations are well-positioned to serve as our proxies in these far-off places as they serve the pressing needs of the poor and disenfranchised in their local communities.

I have already mentioned some of the major achievements of 2005, but none of them is more important than the acquisition of extensive new talent and the outstanding performance of our existing staff. I now have approximately 1,650 colleagues at Nobel Biocare. More than ever before, the people who stand behind our company’s products and service are Nobel Biocare. I am fond of this exceptional group of people, and I am very proud to lead them.

As a world leader in innovative esthetic dental solutions based on science and with a focus on the patient, we are 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.

I remain confident that the overall market for our products will continue to grow at a rate of 18–20 percent per year. There are, after all, 240 million people in the western world alone who are missing a single tooth or more; we have an affluent, aging population very concerned about quality-of-life issues; we are observing a clear trend towards the customized esthetics that we call Beautiful Teeth Now™; and through a wide variety of means, we are educating potential customers and patients about the quality-of-life improvements that our products and services can provide.

In a major T&E related endeavor during the year ahead, the Nobel Biocare World Tour™ 2006 will be presenting continuing education opportunities to dental professionals in 17 different cities in Australia, Asia, Africa, Europe and the Americas. These conferences will provide participants with a forum in which to share their professional skills and experiences with each other.

All this will be the base for continued growth momentum, which will also require continuous investments. In 2006, we expect to create about another 200 new positions.

The Company’s exceptionally strong 2005 performance sets a high base for the current year. However, we expect to grow revenue in 2006 by approximately 24 percent in local currencies, again significantly outpacing the market and to expand the EBIT margin by about 0.5 percent.



Heliane Canepa
President and CEO, Nobel Biocare

People Want Beautiful Teeth – Now!

- > NobelGuide™ – A fast, gentle treatment resulting in beautiful teeth now
- > Immediate Function™ – No healing time required in order to obtain fully-functioning beautiful teeth right from the time of implant placement
- > Increased patient awareness through www.nobel smile.com and Nobel Truck Tour
- > Ground-breaking training techniques employing state-of-the-art technology – 251,000 course participants in 2005

Nobel Biocare is unique in offering dental professionals an integrated solution of crowns, bridges and dental implants – Beautiful Teeth Now™. The broad range of scientifically-based solutions enables dentists to respond to the increased patient awareness of, and demand for high-end cosmetic, implant and restorative solutions.

Delivering on its promise of “You decide, we provide”, Nobel Biocare offers the broadest range of new products and solutions. The Company is strongly committed to customer support and additionally delivers post-graduate and continuing education to dental professionals. During 2005, Nobel Biocare supplied more new products to the market than any other implant manufacturer.

In September, the Company celebrated the 40-year anniversary of the placement of the first titanium implant by founder Professor Per-Ingvar Brånemark. The Brånemark System® is the most versatile and clinically proven implant system on the market.

Throughout the year, Nobel Biocare continued to outpace the market in all areas:

> *Launch of 560 New Products*

During 2005, the Company launched 560 new products, solutions and concepts to dental professionals around the world. With a special focus on esthetics, Nobel Biocare’s new product development consistently delivers solutions, which enable dental professionals to take advantage of the growing opportunities within the esthetic dentistry field.

Launch Highlights 2005

- > NobelGuide™ are minimally invasive guided surgery procedures, which facilitate extra oral planning, enabling accurate and predictable results for every dentist placing implants.
- > Groovy features a groove at the implant thread along the full length of the intrabone portion of the implants.
- > New common, shortened and simplified drill protocols.
- > NobelSpeedy™ implant is the most versatile system on the market. It offers extremely short drill protocols designed for increased initial stability in soft bone.
- > The range of graftless procedures is extended with the Shorty implant, the shortest implant on the market.
- > Snappy Abutment™ that has an improved impression coping, enabling simpler and faster impressions.
- > All Implant Kits have been entirely redesigned. They are completely modular, allowing total flexibility between procedures and solution choice.

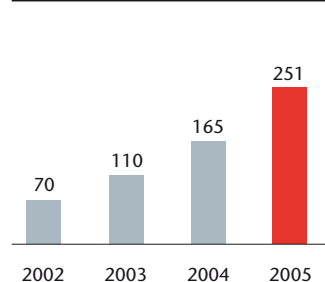
> *Training & Education*

Delivering the highest value to dental professionals, Nobel Biocare expanded its world-leading post-graduate and continuing education training through collaboration with study-clubs and participation in new undergraduate programs with a number of universities. As an example, Nobel Biocare and New York University’s College of Dentistry, the largest dental school in the US, will cooperate to integrate a dental implant therapy and esthetic dentistry curriculum into all four years of the NYU pre-doctoral dental education program. The curriculum is key to the Company’s strategy of educating general practitioners. It will ensure that the general practitioners of the future are in a position to satisfy growing patient demands for dental implants and esthetic dentistry.

The Nobel Biocare World Conference 2005 held in Las Vegas brought together over 6,000 attendees from 75 countries in

what was one of the largest international dental conferences ever staged by a dental company. Using the latest in communi-

Training and Education
(number of participants in '000)



cations technology, the Company broadcast seven live surgeries to the conference from locations around the world, enabling dental professionals to learn state-of-the-art dental techniques from worldwide experts.

In 2005, in response to requests from dental professionals, the Company decided to expand training in its clinically

proven concepts by developing a mentoring and business development program. This program matches dental professionals with experience in implant placement with beginners or those possessing less experience.

> Patient-Driven Communication

Nobel Biocare is supporting its customers with patient-focused marketing like the newly launched consumer website www.nobelsmile.com. Here, patients can find a Nobel Biocare dental professional, plus easy-to-understand information on how the Company's products can fulfill their desire to have fewer visits to their dentist, less painful treatments and beautiful teeth. Additionally, the Company took its message on the road with the Nobel Truck Tour. With stop-offs across the US and Europe, the semi-trailer trucks served as a mobile information kiosk for patients and dental professionals alike.

Crowns and Bridges

Nobel Biocare offers dental professionals complete solutions featuring highly esthetic and biocompatible ceramic crowns, bridges and laminates, as well as implant abutments. The advantage of metal-free ceramics is that they have a beautiful, natural appearance and do not produce allergic reactions.

The ceramic segment of the crown and bridge market displayed strong growth of approximately 15 percent during 2005. The market is driven by an acceptance of new technology, such as CAD/CAM systems with Nobel Biocare as the undisputed market leader. Other market trends include a heightened focus on efficiency, increased demands for patient-friendly treatments as well as patient's demands for better looks.

Traditional porcelain fused to metal (PFM) crowns use a metal alloy core. This results in a less attractive crown and one which can

also cause allergic reactions. The PFM-market is growing at an annual rate of 2-3 percent.

Nobel Biocare's unique Procera® technology offers professionals and patients the very best in personalized esthetics and efficiency. Utilizing scanning technology, CAD/CAM software and high-speed Internet, Procera® has revolutionized work-practices for dental laboratories and dental professionals all over the world. The Procera® system gives dental laboratories access to high-precision, state-of-the-art industrial manufacturing processes, virtually eliminating the need for costly and time-consuming remakes due to poor fitting or poorly made crowns and bridges. After ten years of growth, the market clearly accepts and understands the benefits accruing from this technology.

Procera®, first introduced by Nobel Biocare in 1995, has changed dental laboratories the world over. Indeed, Procera® remains the world's only commercially available process for the industrial production of individually designed crowns, bridges, laminates and abutments. Today, expert technicians need no longer spend laborious hours of manual labor producing the supporting inner construction of a crown, the coping.

Now, the dentist sends the impression to a laboratory where a model of the tooth is read by a Procera® scanner connected to a computer. A coping is then digitally designed using the proprietary Nobel Biocare 3D CAD/CAM-software. This digital information is finally sent online to a Nobel Biocare central production facility, where the individual coping is produced and delivered to the laboratory within one to three days. The skilled lab technician then carefully layers the porcelain before the finished crown is sent to the dentist.

Dental Implants

Nobel Biocare is the world leader and pioneer within the dental implant market. Nowadays, more and more patients are aware that implants are a safe, attractive treatment providing beautiful, natural-looking teeth within a very short treatment time.

Implants offer proven advantages over conventional bridges and dentures.

- > No necessity to grind two healthy adjacent teeth in order to place a bridge.
- > Higher esthetic appeal of implant secured teeth.
- > Bone loss is prevented and facial appearance is preserved.
- > There are no loose parts or periodic adjustments required.

- > Lifetime results – the first titanium implants were placed over 40 years ago and remained strong and stable throughout the whole period.
- > Very high success-rate based on long-term clinical data on humans.

Nobel Biocare’s solutions are based on its scientifically-proven three core concepts of Easy Esthetics™, Immediate Function™ and Soft Tissue Integration™, resulting in the launch of the 560 new products at the Las Vegas World Conference in June 2005.

By means of a solution-based approach, Nobel Biocare is presenting dentists and laboratory professionals with more choice than ever before and in a way which will optimize the productivity of their practice. Every dentist and laboratory can now embrace efficient implant technology and at the same time meet their patients’ high demands for perfectly functioning and beautiful teeth.

Edentulous Jaws – A very Common Handicap

	Edentulous population over 65 years (%)	Potential no. of patients ('000)
USA	33	20,000
Japan	20	4,000
UK (one jaw)	30	3,800
Germany	25	3,000
Switzerland	27	250
Sweden	13	200

Source: WHO and Nobel Biocare estimates

Edentulous jaws – no teeth or very few teeth – can be found among 6–10 percent of the world’s population, and in a greater percentage of people over the age of 65 in many Western countries.

For these millions of people, the basic standard of care should be implant-retained restorations instead of dentures. Nobel Biocare has introduced implant-secured treatment solutions for edentulous patients:

- > *NobelGuide™*, a fast and gentle treatment providing fully functioning teeth in less than an hour.
- > *Overdenture*, a simple, removable, inexpensive implant-based concept.
- > *All-on-4*, a fast fixed, cost-effective treatment using four implants to restore a full jaw.

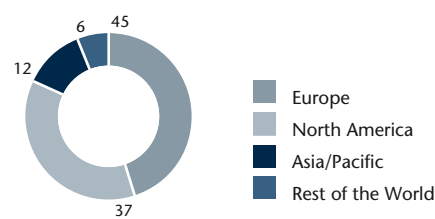
These new solutions eliminate the previous treatment barriers, such as pain, high cost and long treatment time. In most cases, the patient can receive his/her new teeth in one session and with Immediate Function™.

Sales

Nobel Biocare has a leading market position due to its proximity to the market with 29 subsidiaries, including the newly established subsidiary in India, and 27 distributors, serving over 70 countries in total. As the Company with the most extensive market presence, Nobel Biocare also has the largest sales force.

During 2005, Nobel Biocare was outpacing the market with persistent high revenue growth of 24 percent in local currencies.

Balanced distribution of sales (%)



This strong growth is a result of the Company’s

- > cutting-edge innovations,
- > scientifically-based offerings,
- > patient-driven solutions,
- > extensive training and education programs for dental professionals,
- > increased focus on customer service, and
- > the expansion of the sales force.

The Company expanded its internet-based Shop Online from four to 16 major markets during 2005, thus making it easier for customers to place orders. As a result, five percent of all product sales were completed via the Shop Online website.

Outlook

Nobel Biocare remains confident in its ability to remain the trend-setter and world leader in innovative esthetic dental solutions. The Company will continue to build on the strength of its established C&B&I strategy, which makes implants a natural part of restorative dentistry.

There is continuing strong interest in the Company’s new patient-driven solutions and concepts of Immediate Function™, Easy-Esthetics™ and Soft Tissue Integration™. Additionally, the launches of 2005 have set the stage for success in 2006. The market for implant-restored solutions remains virtually untapped and shows good potential, particularly since the Company is increasing patient awareness of the benefits of such treatment solutions.

> Perfect Teeth with Perfect Planning

The Revolutionary NobelGuide™ Concept

NobelGuide™, the innovative treatment concept, lets dental professionals offer their patients beautiful, natural-looking new teeth in as little as one hour with a minimum of pain.

The concept has been made possible by the combination of Nobel Biocare's unique Procera® technology and the TiUnite® surface backed by the Company's unrivalled track record of clinical documentation.

Dramatically Shorter Treatment Time

The NobelGuide™ concept gives dental professionals an easy-to-use solution for every indication – from a single tooth to all teeth missing. With it, they plan their entire implant treatment and the dental laboratory transforms it into a Surgical Template, prior to performing any surgery.

The dental laboratory also creates a temporary or a final prosthetic solution in advance. On the day of treatment, the patient leaves the dental

office complete with implants and fully functioning, beautiful teeth restorations.

Conventional methods for implant placement and teeth restoration can take more

than ten patient visits. Using NobelGuide™, the entire treatment can take as little as four patient visits.

Maximum Patient Comfort

NobelGuide™ takes advantage of a new surgical technique called Flapless Surgery™, which is comparable to "keyhole surgery". Using this technique, patients no longer need suffer from the bruising, pain, and swelling normally associated with dental surgery.

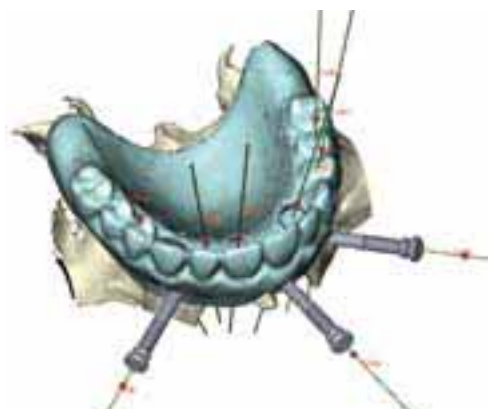
The minimally invasive procedure of NobelGuide™ results in reduced pain and swelling, and as little discomfort as possible for the patient. The patient can often bite and chew instantly and return to work the next day.

Enhanced Predictability and Safety

Available for use with model-based or state-of-the-art computer-aided design (CAD) planning, the unique NobelGuide™ Surgical Template enhances the final result by improving the ability to optimally place the implants, while increasing the predictability and safety.

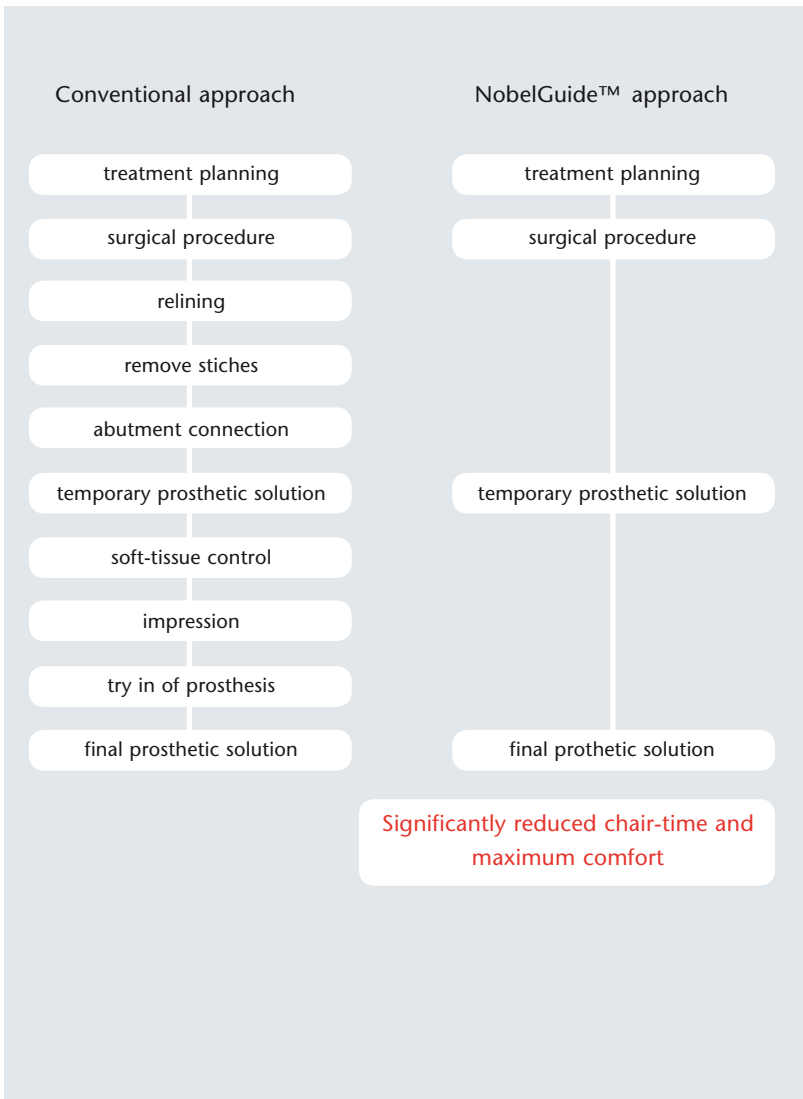
Dental professionals gain access to a new level of sophistication in dentistry, while patients experience a renewed quality of life with beautiful and long-lasting teeth in less than one hour.

Fast Treatment with High-



> THE NobelGuide™ CONCEPT
The NobelGuide™ model-based or computer aided design (picture) planning enhances the predictability and safety of implant treatment.

NobelGuide™ – A New Comfortable and Fast Treatment Process



End Esthetics

By placing an emphasis on the examination and planning prior to surgery, the NobelGuide™ treatment concept gives the patient, the dental laboratory, and the dental professional more time to plan the optimal final solution right from the beginning. Combined with Immediate Function™ and a pre-made final solution from Procera®, NobelGuide™ supports the FDA cleared Teeth-in-an-Hour™ concept from Nobel Biocare.

Patient Benefits

- > Maximum comfort
- > Faster treatment
- > Back to social life fast
- > High-end esthetic solutions

Dental Clinician Benefits

- > Complete solution from planning to surgery
- > Increased predictability and safety
- > 3D visualization for greater accuracy
- > Increased efficiency from shorter treatment and reduced chair-time
- > One-stop shop – delivery just-in-time – no components on stock
- > Competitive advantage
- > Satisfied patients

Dental Laboratory Benefits

- > New business opportunities from surgical templates and pre-made prosthetic solutions
- > Competitive advantage
- > Closer relationship with the clinician
- > One-stop shop – delivery just-in-time – no components on stock

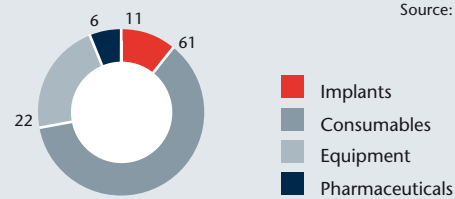
Fast Growing Markets

DENTAL MARKET

- > The total dental market has an estimated value of Euro 12–13 billion.
- > Dental implants account for about 11 percent (Euro 1.4 billion) of the global dental market.
- > The implant segment is the fastest growing segment with a growth forecast of 18–20 percent annually (followed by cosmetic dentistry).

Dental Market Total Sales 2005 – by product segments (%)

Source: Nobel Biocare estimates



DENTISTS AND LABORATORIES

- > There are an estimated 1,200,000 dentists around the world. Some of these are specialists such as oral surgeons, prosthodontists and periodontists, but the majority of about 90 percent are general practitioners, who have the primary relationship with the patients. Traditionally, the general practitioners' main focus is restorative and preventive dentistry.
- > Tooth restorations also involve the work of dental laboratories, which produce the prosthetic solutions.
- > The dental laboratory business is widely fragmented; it accounts for 10–15 percent of the total dental market (or Euro 1.1–1.8 billion).
- > Dental laboratories are dependent on dentists and are themselves judged by their ability to deliver esthetic and technical quality in a timely fashion.

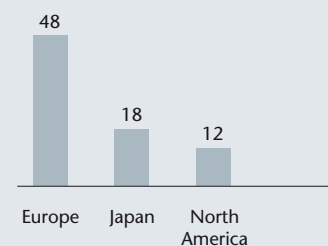
Number of Dentists ('000)

Source: Millennium Research and FDI World Dental Organization 2005



Dental Laboratory Market ('000)

Source: NADL, ADDE Millennium Research

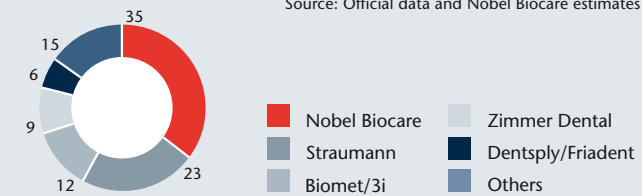


THE DENTAL IMPLANT MARKET

- > The top five companies make up around 86 percent of the market. The remaining 15 percent are distributed among a number of companies.
- > Nobel Biocare is the world market leader, holding the lead in Europe, North America and Asia, and in both the US and Japan.
- > The US market, which has a lower penetration, is experiencing a high growth rate of above 20 percent annually.

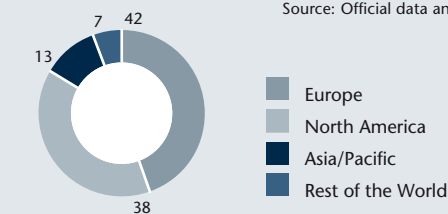
Dental Implant Companies (%)

Source: Official data and Nobel Biocare estimates



Dental Implants – World Market by Region (%) 2005

Source: Official data and Nobel Biocare estimates

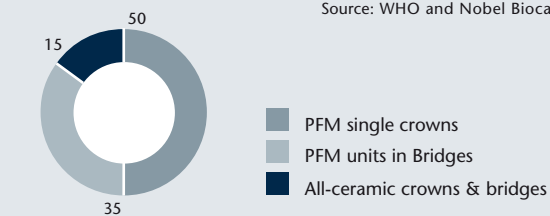


PLAYERS ON THE CROWN AND BRIDGE MARKET

- > The crown and bridge market is estimated at about Euro 2.5 billion or 110 million teeth replaced annually.
- > The prevailing market trends are new, tissue-friendly, all-ceramic materials for improved esthetics.
- > An important trend is the partial outsourcing of production from the laboratories to industrial providers like Nobel Biocare's CAD/CAM based Procera® system.
- > All Ceramic Crowns & Bridges grow at an estimated rate of 15 percent, whereas the traditional PFM (Porcelain Fused to Metal) restorations grow at 2–3 percent.

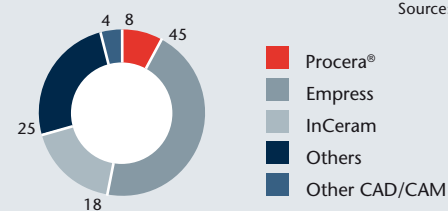
Crown & Bridge Market (%)

Source: WHO and Nobel Biocare estimates



Global Market Shares – All-Ceramic Crowns & Bridges (%)

Source: Nobel Biocare estimates



Solutions for all Indications

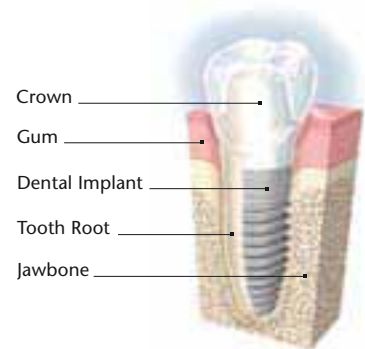
SINGLE TOOTH MISSING



When both the tooth and root are damaged, the best permanent replacement is a dental implant in conjunction with a ceramic crown. This solution both looks and functions just like a natural tooth. It also saves healthy teeth. With traditional methods, two teeth adjacent to a missing tooth must be ground down to anchor a bridge.

- > 47 million teeth are extracted in the US every year.
- > Every year 2 million Americans lose a tooth due to sporting accidents.
- > Better informed patients are driving a general trend towards shorter treatment times, minimum pain and beautiful teeth.

Implant Principle



SEVERAL TEETH MISSING

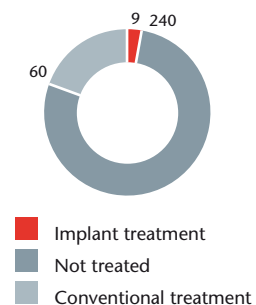


When a patient is missing several teeth, for example three teeth in the far back of the mouth, a fixed bridge anchored to dental implants is the only permanent alternative. Traditional dentures cannot offer the same stability or function. Implant-supported back teeth are like natural teeth because they are anchored securely in the jaw. This allows patients to eat their favorite food in comfort and confidence.

- > Dental implants often eliminate the need to modify healthy teeth.
- > 20 percent of all American adults wear some type of removable denture.
- > In Europe 35–40 percent of the population is partly edentulous.

Market Potential
 (number of people mn)

Source: WHO and Nobel Biocare estimates



ALL TEETH MISSING



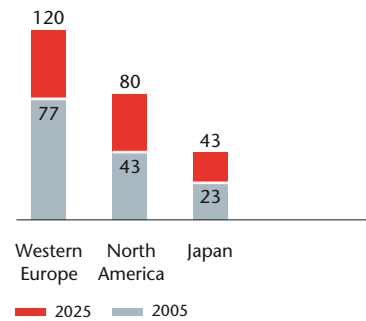
When all teeth are missing or in such condition that they need to be replaced, a fixed bridge anchored to dental implants is the best permanent solution. Before dental implants, there was no fixed solution available for people who had lost all their teeth.

Today, it is even possible to replace a full jaw with dental implants and a fixed bridge that results in a permanent, stable and highly esthetic solution in one hour, in one visit.

- > In Europe almost 10 percent of the population is fully edentulous (missing all their teeth).
- > In the US 26 percent of adults between 65 and 77 have lost all their natural teeth.
- > Persons reaching 65 will live an average of 17 additional years.

Population > 65 years old (mn)

Source: WHO and US Bureau of Statistics



IMPROVING EXISTING TEETH



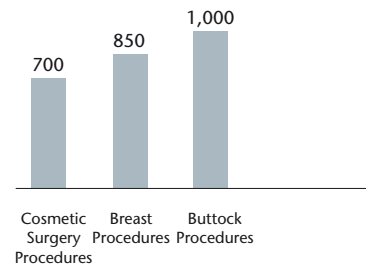
If a tooth is damaged or of poor quality, a new ceramic crown is probably the best solution. Treatment is fast and the end result is a natural looking tooth. The all-ceramic Procera® Crowns, Bridges and Laminates (façades) are individually made to perfectly fit in the patient's mouth. The ceramic (metal-free) materials used in Procera® restorations are tissue friendly and do not give any allergic reactions. It is almost impossible to distinguish a real tooth from a Procera® crown restoration.

The ceramic (metal-free) materials used in Procera® restorations are tissue friendly and do not give any allergic reactions. It is almost impossible to distinguish a real tooth from a Procera® crown restoration.

- > Increased demand for esthetics is a strong general trend in society.
- > Beautiful teeth are even a question of quality of life and social confidence.
- > Unlike traditional crowns with metal understructures, Procera® ceramics let the light shine through providing superior esthetic results.

Cosmetic Treatments, 1992–2004, USA (increase in %)

Source: ¹ American Society of Plastic Surgeons, ² American Academy of Cosmetic Dentistry



¹ > 9 million cosmetic surgery procedures carried out in the US in 2004
² Tooth whitening has increased > 300 percent during the last five years

> Join Forces for the Benefit of the Patients

Training & Education

Training and Education are cornerstones in Nobel Biocare's strategy to offer durable and esthetic tooth replacement solutions to dental professionals and patients. Nobel Biocare is also a world leader in postgraduate and continuing education, the Company has been providing specialist training and mentoring for its clinically documented treatment concepts for nearly 25 years.

Responding to dental professionals' drive for continuing education, Nobel Biocare offered over 500 scientifically-based training courses in its searchable global database and online training registration program. The training and education program ranges from evening seminars and start-up courses to advanced surgical training.

To facilitate learning and to minimize the professionals' time away from practice, Nobel Biocare has integrated the latest techniques in web and digital media into its training programs. Existing customers have access to online training, special Web-x sessions, clinical videos and other training aids making it possible to learn on their own time. Furthermore, advanced tutorials and clinical videos are available on CDs integrated with product manuals.

In 2005, over 250,000 dental specialists, general practitioners and dental technicians participated in the courses held in 30 countries.



> MAHWAH TRAINING FACILITY
The new state-of-the-art facility in New Jersey, USA, includes an interactive laboratory training center for 40 lab technicians and a lecture hall for up to 120 clinicians.

Mahwah Training Facility

Third State-of-the-Art Training Facility in North America

In 2005, Nobel Biocare increased its commitment to the US market by opening the third and newest Training Institute and Ceramics Center in Mahwah, New Jersey. Located next to the North American Procera® production facility, the 20,000 square-foot Training and Education center combines state-of-the-art facilities and interactive technology to deliver comprehensive educational programs to clinicians and lab technicians.

World Congress 2005

Largest Dental Company Event

Over 6,000 dental professionals from around the world made the Nobel Biocare World Conference 2005 in Las Vegas, the largest dental company event in the world. This trendsetting program included seven live surgeries beamed via satellite from various cities around the world. Participants were able to select from over 50 focus sessions presented by more than 170 of the world's leading dental experts, of whom 30 were women lecturers – a direct result of the Company's training program for women lecturers and mentors.

Strategic Relationships for Undergraduate Training

Training and education of upcoming dental professionals is an important factor to guarantee patient access to the most effective way to treat tooth loss. Up to now, training in dental implant technology has not been included in the curriculum at the dental schools in most countries.

In an exclusive agreement, Nobel Biocare and New York University College of Dentistry will cooperate to integrate dental implant therapy and esthetic dentistry curriculum into all four years of the NYU predoctoral dental education program. The newly developed curriculum will empower future dentists to respond to the increased patient awareness of, and demand for high-end cosmetic, implant and restorative solutions that deliver on the promise of beautiful teeth now. This agreement, along with one signed with Case Western University adds to the already successful agreement with Louisiana State University.

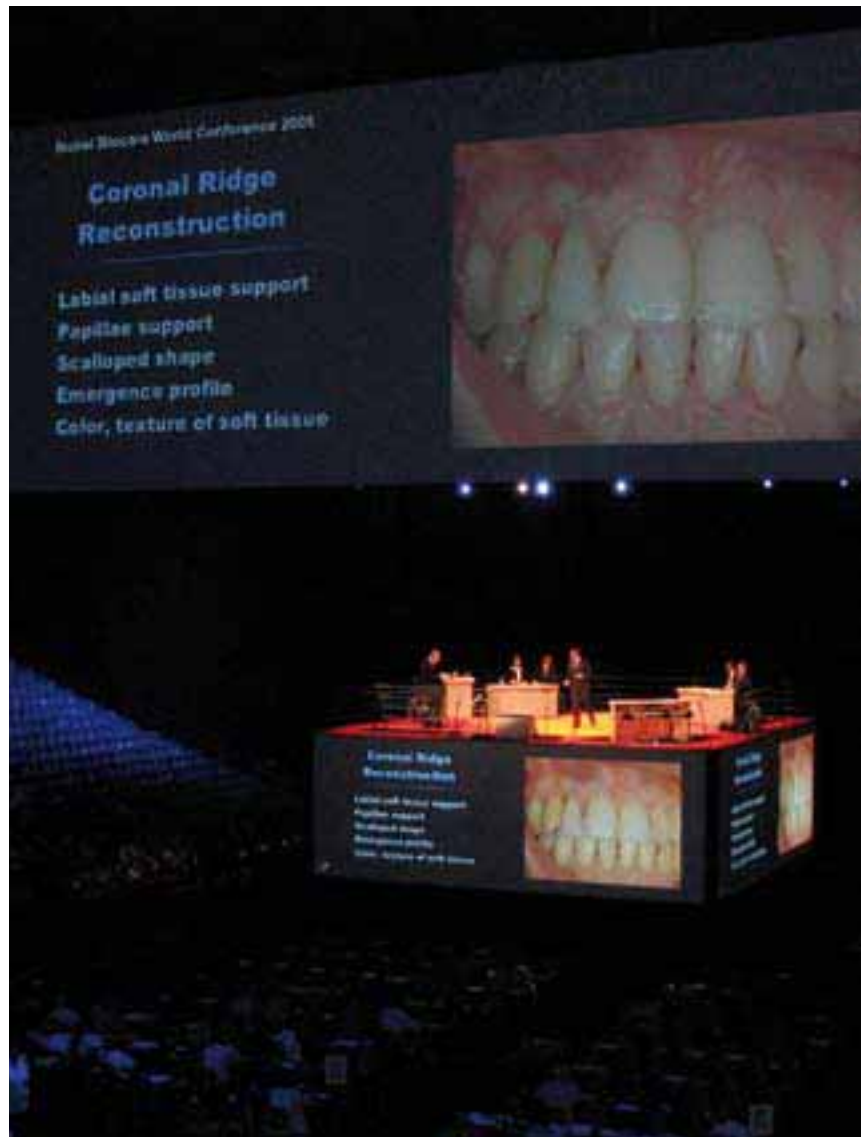
The partnership with the University of Toronto Faculty of Dentistry was further strengthened by an endowment to establish the Nobel Biocare Chair in Prosthodontics. The purpose of the chair is to advance the research and education surrounding the relationship between prosthodontics and implantology.

Nobel Biocare also established a program with the Medical College of Georgia to define modern training techniques for predoctoral students. The result of the program, developed with input into how students want to learn, will result in a range of e-learning and teaching aids based on digital or Internet technology.

Overall, in 2005, Nobel Biocare signed agreements or strengthened relationships with over 100 dental schools around the world for various levels of training.

> NOBEL BIOCARE WORLD CONFERENCE 2005

The World Congress 2005 attracted over 6,000 dental professionals. The boxing arena at the MGM Grand in Las Vegas was used for a new type of interactive panel presentation, including seven live surgeries beamed via satellite from various cities around the world.



Actively Securing our Portfolio

- > The foundation for our branding strategy are the core trademarks Nobel Biocare®, Brånemark System® and Procera®
- > NobelGuide™ and Beautiful Teeth Now™ were added in 2005 as trademarks for concepts and solutions

As a trendsetter and innovator, we continually refine and update our offering of solutions, services and training for our customers through research and development, studies, and partnerships with a range of strategic business partners.

However, the competitive nature of the healthcare industry, along with our continual refinement through relationships outside our own company, underscores the importance of Intellectual Property Management to the Company. Because of this, it is of the highest priority for the Company to protect and manage our hard-gained assets in the form of intellectual property.

Trademarks

Our core trademarks Nobel Biocare®, Brånemark System®, and Procera® are the foundation for developing our branding and positioning strategy. They are protected in all countries where we do business.

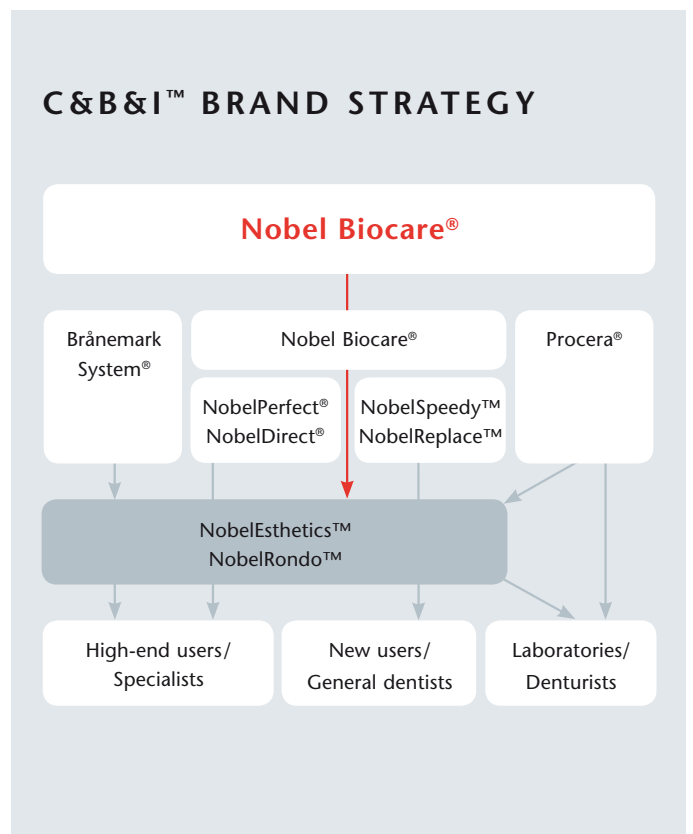
We also use specific product trademarks such as TiUnite®, NobelPerfect®, NobelDirect®, NobelSpeedy™, Procera Piccolo™ or Procera Forte™ and trademarks for our concepts, methods and solutions such as NobelGuide™, NobelEsthetics™, C&B&I™, Immediate Function™, Soft Tissue Integration™, Teeth-In-An-Hour™ and Beautiful Teeth Now™.

Patents

Nobel Biocare is the pacesetter in developing new products, technologies and procedures. For that reason, our company is especially thorough in monitoring and applying the most secure means available through patent protection.

Copyright

Procera® Software enables increased productivity and profitability and is protected by copyright. Further, Nobel Biocare's printed materials, as well as our material published on the Internet, are copyright protected.



Scientifically-Based Innovations – Our Commitment to Customers and Patients

- > Leading the industry with 1,700 clinical publications
- > NobelGuide™ treatment concept combining minimally invasive surgery and Immediate Function™
- > Introduction of 560 new products
- > Research focus on metal-free solutions and biologics

Nobel Biocare research and development focus to develop products and protocols that provide Immediate Function™ and long-term esthetics with minimum discomfort for patients. New innovative techniques also offer significantly higher efficiency, safety and predictability for dental professionals.

Competitive Advantage with Clinical Excellence

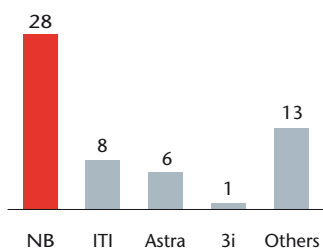
Nobel Biocare has a long tradition of performing and participating in scientifically-based studies. Research and development goes beyond meeting the minimum level for product registration and safety required by regulatory authorities. With over 1,700 clinical publications, Nobel Biocare is leading in clinical and scientifically-based studies.

Nobel Biocare works in close collaboration with researchers, renowned specialists and dentists around the world. We are able to share their clinical experiences, thus ensuring the sound clinical basis of our own products and concepts through our many Advisory Boards.

The Company's strong commitment to dental professionals and patients means that new products are followed in prospective clinical studies. These studies, typically running for several years, are designed to demonstrate even greater product efficacy, enabling Nobel Biocare to make these solutions available to a wider range of patients. In most cases, the studies are performed as multi-center studies, which include universities and private practitioners worldwide.

Prospective Longitudinal Studies* (numbers)

Source: Berglundh T, Persson L, Klinge B
J Clin Periodontol 2002;29 (Suppl 3):197-212



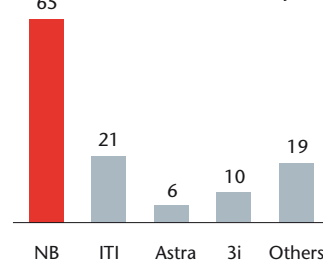
* with Follow-up Periods of at least 5 Years

These studies, typically running for several years, are designed to demonstrate even greater product efficacy, enabling Nobel Biocare to make these solutions available to a wider range of patients. In most cases, the studies are performed as multi-center studies, which include universities and private practitioners worldwide.

Nobel Biocare is currently

Clinical Publications on Immediate/ Early Loading (numbers)

Source: Medline database, May 2005



basic patent on a new implant system. This brings Nobel Biocare's patent portfolio to a total of more than 210 basic patents.

sponsoring more than 25 ongoing studies involving over 100 clinicians in 18 countries. The Company is also supporting external research activities at 55 universities in some 20 countries. Nobel Biocare is focusing on high-quality innovations and in 2005 the Company filed ten new patent applications and acquired one

Advancements in Pre-planning and Surface Technology

The revolutionary NobelGuide™ system launched during the Nobel Biocare World Conference in June 2005 represents a new pre-planned way of dental rehabilitation, which facilitates safe and effective flapless (minimally invasive) surgery in combination with Immediate Function™. (See pages 20–21 for more information on the NobelGuide™ system.)

Innovations in the area of surface technology include the introduction of the Groovy implants. Pre-clinical and clinical studies show that bone preferentially grows in the micro grooves found on the TiUnite® surface of the implant. The result is faster osseointegration and enhanced biological stability of the implant, which reduces the time at risk when used in the immediate function concept.

Innovation Pipeline for Future Growth

Nobel Biocare continues to set the pace in the market with innovative new products designed to meet the needs of dental professionals and patients. Some forward-thinking products and concepts presented during the Nobel Biocare World Conference 2005 include:

> Highly Esthetic Ceramic Implant Bridge

Building on the success of the proven Procera® system, a new high-esthetic implant supported bridge made from zirconia was presented. Taking advantage of the precision fit provided by Procera®, this exciting new lightweight zirconia implant bridge offers an alternative to the titanium implant bridge and an additional possibility to make highly esthetic dental restorations based upon the proven technology of screw-retained solutions.

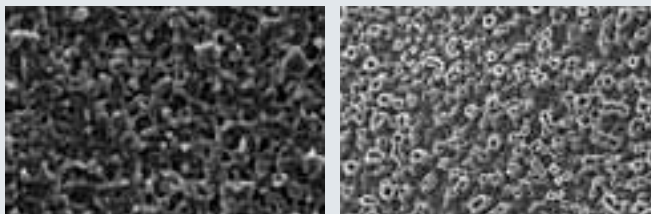
> Metal-Free Ceramic Implant

Dental professionals and patients alike are asking for completely metal-free dental restorations. So far, materials and surface technologies have not been available to offer a product that meets the standards of current titanium-based implants. Now, Nobel Biocare has developed a proprietary surface technology, ZiUnite™, based upon zirconia ceramic. Pre-clinical experiments demonstrate that the properties of this new surface are very similar to that of TiUnite®.

The combination of the new ZiUnite™ technology, with the one-piece implant concept, has resulted in the new ceramic implant which is currently being evaluated in a prospective clinical study.

All-ceramic Implant

> The new metal-free ceramic implant has a porous ceramic surface – ZiUnite™, based on zirconia. Pre-clinical experiments demonstrate the same excellent osseointegration as the current standard TiUnite®.



> ZiUnite™

> TiUnite®

> New Implant Design Focusing on Soft Tissue Esthetics

Stabilization of soft tissue and the marginal bone is crucial for the long-term esthetic outcome of implant treatments. Nobel Biocare has acquired a proprietary technology through exclusive agreements with research groups in Europe and Israel. A new implant with the ability to maintain the marginal bone level and secure stable soft tissue integration has been co-developed and is currently being clinically evaluated.

Thanks to a simplified surgical procedure based on a self-tapping and self-drilling technique, the biological contact with bone and soft tissue is improved.

> Bone Inductive Implant

The integration of bone and soft tissue is the basis for dental implantology. Research has focused on improving the speed of osseointegration and improving the biological stability of implants. Starting with machined titanium surfaces, some improvements were obtained by roughening the surfaces. A big step was taken with the introduction of the osseoconductive biomaterial, TiUnite®.

Now it is time to take a major leap forward and develop a technology to make new bone directly at dental implant surfaces, the bone inductive implant. This novel technology has the potential of widening the indications for dental implants and make invasive and time consuming use of bone biomaterials and grafting procedures redundant.

For nearly a decade, Nobel Biocare has spent significant resources in the development of the bone inductive implant based upon the TiUnite® technology and Bone Morphogenetic Protein-2 (rhBMP-2). Done in close co-operation with Wyeth Pharmaceuticals and other research teams in the US, excellent pre-clinical results have been obtained and an exclusive licensing agreement between Nobel Biocare and Wyeth was signed in 2005.

A pilot study in humans is under preparation and a full pivotal study is planned, with regulatory approval for this unique product anticipated for 2010.

Dental Implant in Combination with the bone inductive BMP-2



> Bone inductive implant > Standard TiUnite® implant

> RESULT COMPARISON AFTER 8 WEEKS:

Robust new bone formation extending up to the implant platform.

Supply Chain Management

- > A state-of-the art Procera® manufacturing facility and dental training institute was opened in Mahwah, New Jersey
- > Automated machine cell concepts were introduced in the two production plants in Karlskoga, Sweden and Yorba Linda, USA
- > A new integrated ordering process of both individual and standard products was implemented with the launch of NobelGuide™
- > The material flow structure from the Karlskoga and Yorba Linda production plants was improved resulting in reduced lead-time

Sourcing

Nobel Biocare manufactures products at four state-of-the-art equipped plants, two of which in Sweden and two in the US. Dental implants and standardized prosthetic products are produced at the Karlskoga plant in Sweden and at the Yorba Linda plant in California, USA.

Individual prosthetic products, such as crowns, bridges and abutments, are manufactured at so-called Procera® ceramic centers. There are two in Sweden in Stockholm and Karlskoga, and one in the US, in Mahwah, New Jersey.

Strategic suppliers, mainly located in Europe and the US, manufacture other products of the assortment. These standardized products are for example components, drills, instruments, drilling machines, scanners and accessory products in plastic, stainless steel and gold.

Dental Implants and Standardized Prosthetic Products

The cornerstones in the supply strategy are Nobel Biocare's global and highly automated manufacturing processes, utilizing the latest technologies in order to achieve optimal speed and flexibility. In 2005, a number of new process concepts were developed and implemented as part of this strategy. Among the most noteworthy were an automated machine cell concept for dental implants and an automated concept for surface treatment of implants.

Individual Prosthetic Products

Manufacturing of individual prosthetic products is based on CAD/CAM data sent electronically directly from the dental laboratories to the Procera® manufacturing plants. The products are produced according to individual specifications and are distributed to the customer within 1–3 days after the order is received. This innovation developed by Nobel Biocare, is a true e-business process that serves ten thousands of customers every day.

The manufacturing plants are based on a very high degree of automation in order to meet the demands on extremely short process lead-times.

As part of our strategy to constantly develop and improve our processes, a new unique milling machine for ceramic products has been developed and introduced. The new machine, built on the new technology, will secure quality and process efficiency for the future.

In 2005, the plant in the US was moved to a new location in Mahwah, New Jersey, and set up as a Ceramic Center combining manufacturing and training facilities.

Logistics

The deployment of the direct distribution strategy continued in 2005.

560 new products were successfully launched at the World Conference in Las Vegas, including the newly developed NobelGuide™ concept. This new concept includes the ordering and delivery of individual and standard products through one common process to the customer.

The material flow structure from the factories in Yorba Linda and Karlskoga to the central warehouses was changed in 2005 so that the factories deliver products directly into both warehouses, thereby reducing lead-time.

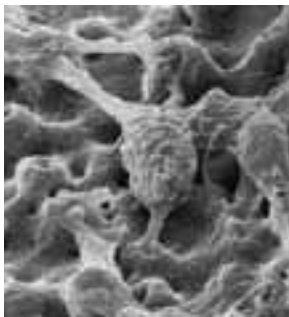
Information Technology

The global IT function of Nobel Biocare supports the global business on a 24-hour basis. Outsourcing of critical IT processes are key in this structure of achieving global function and support.

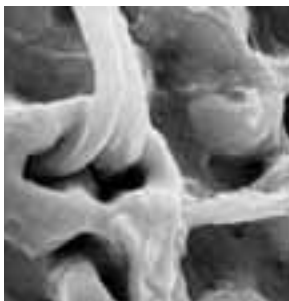
In the new development of the NobelGuide™ concept, a first step was taken to integrate the IT system for individual products with the SAP system for the order process for standardized products and Shop Online.

> Changing the Future of Implants

TiUnite® Biomaterial



> **OSSEOCONDUCTION**
Bone-forming cells (osteoblasts) deposit bone directly onto the surface of TiUnite®.



> **UNIQUE POROUS STRUCTURE**
Cell extensions of an osteoblast anchored in a pore of TiUnite®.
Acknowledgement: Dr Peter Schüpbach.

Today, dental patients have strong demands for shortened procedure times and high quality esthetics. They are driving the fast-growing concept of Immediate Function™ – the placement of a fully functional tooth on the implant without waiting for the healing process to be complete. To achieve Immediate Function™ safely and reliably, the implant must remain stable throughout the first few weeks of the initial healing phase.

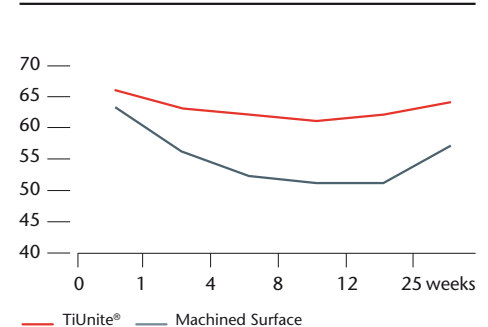
Building a Foundation for Immediate Function™

Nobel Biocare's unique biomaterial, TiUnite®, first introduced in 2000, is changing the way dental professionals think about and work with dental implants and Immediate Function™. The clinically proven TiUnite® maintains initial stability after the implant placement. This means that no healing time is required before dental professionals can place a final or temporary tooth restoration on a TiUnite® implant.

The proven maintenance of the initial stability of TiUnite® implants makes it possible for Nobel Biocare to provide a full protocol for the concept of Immediate Function™. This simple protocol instructs dental professionals how and when it is possible to load the implant and give patients an immediate and fully functioning tooth – in just one visit. Additionally, the clinical protocol is valid for all

indications and all types of bone – soft or hard. The result is a higher level of safety and significant time-savings for both dental professionals and patients.

Maintained Stability
(ISQ, Implant Stability Quotient)



Stability measurements performed on immediately loaded implants show that TiUnite® helps maintain the initial implant stability at a high level.

Clinically Proven to Grow Bone into the Implant

During its five years on the market, TiUnite® has achieved an impressive record – 58 scientific publications as evidence of the excellent performance of this unique biomaterial. In 2005, the clinical documentation was updated with excellent four-year results. This study, performed in mostly soft bone conditions, showed a success rate of 97.1 percent for immediately loaded TiUnite® implants.

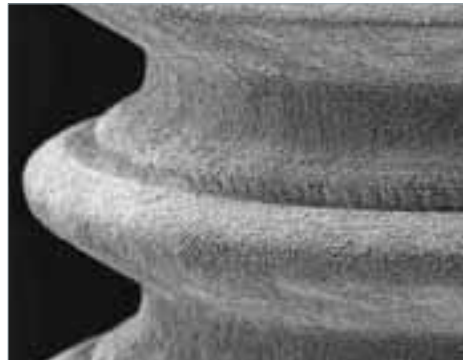
57 in vivo publications on TiUnite® prove its remarkable ability to interact with the biological environment. It is this unique characteristic that produces a stronger anchorage of the implant in the surrounding bone and a significantly faster rate of osseointegration. Additionally, clinical experience indicates that TiUnite® helps achieve firm Soft Tissue Integration™, which is a prerequisite for long-term soft-tissue esthetics.

Feeling Groovy

In 2005, Nobel Biocare took the complete range of TiUnite® implants to a new level of effectiveness with the introduction of the Groovy™ technology. As a further step towards shorter healing times and safer implant treatment, Nobel Biocare added a groove of optimal dimensions to the thread of the implants. The combined effect of TiUnite® and the groove is a favorable environment that stimulates faster bone growth within and along the groove. The result is not only further enhancement of the rate of osseointegration, but also up to 30 percent higher implant stability due to increased mechanical interlock between the bone and the implant.

Benefits of Grooves Incorporated onto the Thread of the Implant:

- > Up to 30 percent higher stability
- > Enhanced osseoconductive properties leading to higher biomechanical stability
- > Bone forms more rapidly along the grooves compared to the rest of the implant
- > Particularly effective in soft bone



> GROOVY IMPLANT
The groove at the thread takes the TiUnite® implants to a new level of effectiveness.



> GROOVY BONE FORMATION
Faster bone growth within the groove results in enhanced rate of osseointegration and biomechanical stability.

- > The excellent clinical record of TiUnite® implants is summarized in the book *TiUnite®, New dimensions*, 2005.

Corporate Social Responsibility

- > Nobel Biocare has established a Code of Conduct for the entire global organization
- > Nobel Biocare was granted five stars in the Climate Index by Swedish insurance group Folksam
- > Sponsorship of first SOS Children's Village in Ukraine
- > Contribution to the P-I Brånemark Institute in Brazil

CSR – COMPANY STATEMENT

- > We are dedicated to providing safe, reliable and effective products and services.
- > We seek to improve the quality of patients' lives.
- > Our commitment to quality and the environment involves our entire organization.
- > Our concern extends to the improvement of global well-being, and we are thus actively involved in environmental issues.
- > We place emphasis on the prudent use of resources and recycling as well as ethical behavior.
- > We are committed to compliance with all relevant rules, regulations and legislation.
- > Our efforts are always aimed at rational, ongoing improvement.
- > We recognize that our success depends ultimately on building trust with customers, other partners, patients and stakeholders around the world.

Clinical studies

We cooperate with some of the most outstanding clinics and universities in the world.

As an ISO certified company we adhere to the spectrum of obligations that apply to authors and publishers. In publishing the results of research, the investigators are obliged to preserve the accuracy of the results. Negative as well as positive results must be published or made otherwise publicly available.

Code of Conduct

The Nobel Biocare Code of Conduct establishes general standards and principles for the entire global organization. The purpose is to provide guidance and clarification on how to conduct daily business. High business ethics and personal integrity will ensure credibility and reputation for the Company and its employees. The Standards of Conduct include Business Practice, Corporate Governance, Patient Health and Patient Safety, Conflicts of Interest, Insider Information, Competition Laws, Bribery, Gifts and Donations, Property, Equality, Records, Confidentiality, Policies, Intellectual Property and Environmental Law.

Employees Committed to Innovation and Growth

- > 218 talented new people joined in 2005
- > Sales organization significantly strengthened in 2005
- > Establishment of a web-based Position Evaluation System

Nobel Biocare is a global business staffed by close to 1,650 people in 29 countries. The Company's successful development is underpinned by the fact that all employees have a common commitment to the Company's vision and values, regardless of location or position. A major challenge that Nobel Biocare faces as a fast growing global business is the recruitment and development of committed employees.

Employees per Region (%)

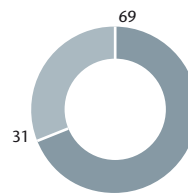


The Nobel Biocare organization is diverse and versatile in terms of nationality, culture, gender, age and profession. As a manufacturer of medical technology products, the typical employee at our production sites in Sweden and the US is someone possessing advanced technological competence and skills. Our R&D department includes specialists holding advanced academic degrees.

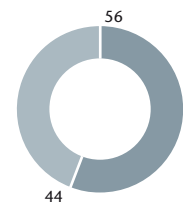
Nobel Biocare has a human resources policy which reflects the Company's dedication to maintaining employee commitment and motivation. It is complemented by a set of procedures and tools to be used by management, including policies on health and safety, harassment, internal communication, job appraisals and training.

As we believe that our current success stems from our common culture, Nobel Biocare places great emphasis on global policies, many of which result from our compliance with local legislation in locations where we have a facility. One example is our global anti-harassment policy, which complies with Californian legislation and mandates respect, regardless of an individual's sexual, racial, religious or cultural attributes.

Management by gender (%)



Employees by gender (%)



Recruitment

Nobel Biocare's web-based Global Job Posting system became an effective part of the recruitment process during 2005. The system enables candidates to apply worldwide and furthermore is an excellent tool in a high quality and prompt process.

One of the main challenges for Nobel Biocare is to recruit and develop succession plans for key positions.

Every manager must be strongly committed to developing his/her potential, be able to make decisions as required, be flexible, and receptive to changes. Leaders must also strive to develop the potential and respect the individuality of their staff.

Nobel Biocare has established standardized management competencies in all countries in order to facilitate a global awareness of what it means to be a successful leader within Nobel Biocare.

Nobel Biocare also offers an individual leadership program which involves a six months' mentoring plan.

Personal Development and Training

Special web-based introductory programs are used globally for newly hired employees, and newly identified leaders are offered a common leadership program divided into a specific Nobel Biocare module and another focusing on general leadership training.

Employees are encouraged to plan their future career path and development. With this goal in mind, the Company offers a skills

development program based on structured performance reviews. The outcome of these reviews forms the basis of an individual training program for each employee.

Position Evaluation

Nobel Biocare has established a web-based International Position Evaluation system (IPE) which is designed to objectively determine the relative ranking of differing job positions. IPE evaluations provide reliable grounds for deciding salary and a neutral evaluation of individuals in relation to their roles globally. IPE evaluation is also used in defining total remuneration.

Remuneration and Incentives

Remuneration to employees consists of three components – fixed salary, short-term and long-term incentive schemes.

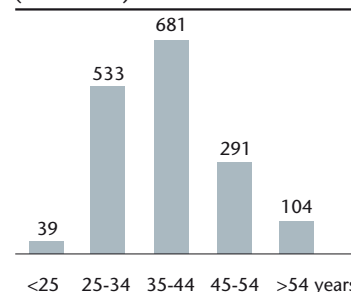
The short-term incentive scheme, which operates on a global basis, is based on individual goals that contribute to Nobel Biocare's sustainable growth.

Specific key members of staff are part of a Nobel Biocare long-term stock option program. For further information on the stock option program see page 54.

Health and Safety

Nobel Biocare has a health and safety policy to ensure that the Company provides working conditions for its staff, customers and members of the public, which are consistently safe and conform to the intended business purpose. In doing so, Nobel Biocare complies with health and safety legislation and simultaneously guarantees that health and safety issues are prioritized throughout the

Age Structure Nobel Biocare Group (headcount)



whole organization.

Nobel Biocare works with local healthcare programs for staff and rehabilitation programs for employees on extended sick leave in some countries.

Nobel Biocare continuously strives to minimize the incidence of work related accidents. All employees at the four production facil-

ities are trained in health and safety issues. Special processes are employed to monitor accidents in order to increase safety and reduce work-related mishaps. Certain members of staff are also trained in accordance with the Swedish Work Environment Institute's rigorous Health & Safety Standards. This training is subject to an independent audit to measure its success.

Employee Representation

Approximately one third of our headcount in Sweden is organized in unions. Legislation in Sweden stipulates that employee representatives should have full board-member rights. Notwithstanding that Nobel Biocare Holding AG is domiciled in Switzerland, and thus exempt from this law, the Company continues to maintain strong ties to its union in Sweden. Accordingly, the two employee representatives on the board of Nobel Biocare AB in Sweden are invited to participate (without voting rights) in Board meetings of Nobel Biocare Holding AG.

Employees in Figures

		2005	2004	2003
Number of employees on 31 December		1,648	1,430	1,363
Average number of employees		1,565	1,423	1,338
Percentage women		44	46	47
Average age of employees		39.1	39.7	39.3
Sales per average number of employee	(EUR)	309,607	272,916	249,610
EBIT per average number of employee	(EUR)	103,967	82,971	65,192
Personnel cost per average number of employee	(EUR)	77,091	64,784	63,657
Net profit per average number of employee	(EUR)	99,560	67,136	53,802
Value added per employee*	(EUR)	205,955	163,255	138,849

* Value added has been defined as the sum of profit before tax, employee costs, depreciation and amortization.

Nobel Biocare has employees working in 29 (29) countries. The majority are in the USA, Sweden and Germany. The Company's largest sites in terms of employees are Yorba Linda, California, USA, Göteborg, Sweden and Karlskoga, Sweden.

Quality and Environmental Issues Guiding our Day-to-day Work

- > In 2005, Nobel Biocare passed all third party quality and environmental inspections without any major non-conformity
- > In 2005, Nobel Biocare gained a global quality certificate in accordance with ISO 13485:2003. The sales subsidiaries in Germany, France, Italy, UK, Spain and Japan also received certification
- > In 2005, Nobel Biocare gained a global environmental certificate in accordance with the ISO 14001:2004

Quality

Nobel Biocare's quality work encompasses all activities and processes, from product concepts and development, to delivery reliability and follow-up.

The Company has established business principles and processes geared to eliminate problems arising in the first place. Nobel Biocare follows a policy of being prepared for and, if possible, ahead of the curve.

Nobel Biocare applies the EFQM Excellence Model (European Foundation for Quality Management). This model views quality more as a management system that has its scope throughout the entire operation and a strong customer and business focus, rather than a product-oriented approach.

ISO Quality System certification is a necessity for any responsible company today. Such certification means that a company has the operational systems and procedures required to monitor, set objectives and evaluate the environmental performance of its activities.

The corporate philosophy is that averting problems means solving them before they arise. And this extends to every aspect of business. For that reason Nobel Biocare takes a proactive approach by factoring quality, environmental and regulatory issues into its management systems. In addition, the Company's internal auditors are vigilant and report to the Board of Directors regularly on their findings.

In line with both the EFQM Excellence Model and ISO 13485, Nobel Biocare has further intensified the process orientation approach of the entire company. Nobel Biocare has successfully performed the transition to the new process-oriented Quality Management System standard.

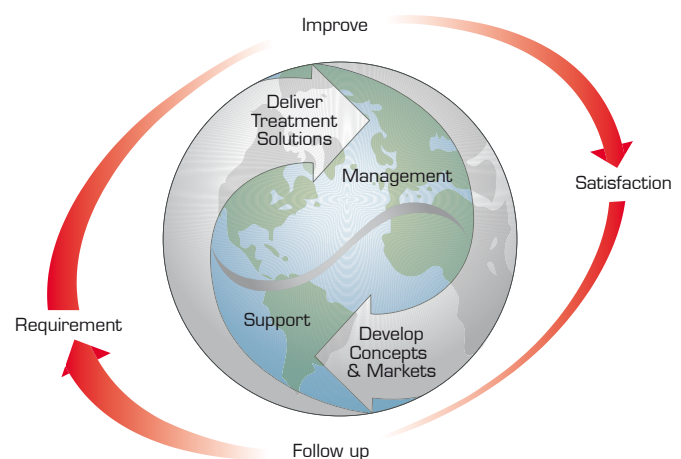
Nobel Biocare has invested in a new global process tool that makes it possible to visualize the processes with all information needed in order to control and measure the processes.

The key criteria for such tools are:

- > End-user efficiency
- > Corporate transparency
- > Global approach
- > Information accessibility and
- > Satisfying the requirements in our quality and environmental systems

The basis for the implementation of the process approach is the following four core processes:

- > Deliver treatment solutions
- > Develop concepts and markets
- > Management process
- > Support processes



Environment

The general guidelines for Nobel Biocare's environmental work are stated in the Company's Environmental Policy. This policy encompasses everything from supply management to production and choice of transportation. Nobel Biocare is ISO 14001 certified and therefore has the operational systems and procedures required to monitor, set objectives and evaluate the environmental performance of its activities.

Nobel Biocare has introduced Environmental analysis from early design throughout the whole life cycle including transports in order to adhere to our corporate objective and reduce the environmental impact. To further enhance continuous improvement of the environmental system, Nobel Biocare has formed a global EMS (Environmental Management System) group with members from local EMS groups at all production sites.

Nobel Biocare has also performed the transition to ISO 14001:2004, a global transition of all production sites including Headquarters.

Nobel Biocare's corporate and local environmental objectives are described in the chart on the next page. Performance related to the corporate objectives resulted in the following improvements during 2005:

Performance - Global Environmental Objectives in 2005

The 2005 figures include all four manufacturing units and the Gothenburg facility.

	2005	2004
Electricity, kWh ¹⁾	7,627,520	5,945,804
Water, m ³ ²⁾	26,182	15,621
Paper, A4 sheets ³⁾	4,938,000	3,176,000

¹⁾ One highly energy consuming manufacturing facility, Maywah, USA, has been added.

²⁾ Two facilities have been added.

³⁾ Enhanced marketing activities and paper printing due to World Conference 2005

Sustainability Efforts Recognition

Our efforts in the sustainability area have been recognized with the following awards:

- > Highest possible result with five stars in the Climate Index of Folksam, a Swedish insurance company
- > Granted the right to use the "FTSE4Good" logo. This indicates that Nobel Biocare has been assessed by the FTSE Group, an independent global index company, and meets globally recognized

corporate responsibility standards. Consequently, Nobel Biocare has become a constituent of the FTSE4Good Index Series. Companies in the FTSE4Good Index Series are doing more to manage their social, ethical and environmental impacts, and are better positioned to capitalize on the benefits of responsible business practice.



QUALITY & ENVIRONMENTAL POLICY

Nobel Biocare Group

CORPORATE OBJECTIVES

Reduce waste
Minimize carbon dioxide
Raise environmental awareness among employees

Targets for site Yorba Linda

- > Reduction of rho-tron solvent air emissions
- > Recycling and reduction of paper waste
- > Recycling and reduction of cardboard waste
- > South Coast Air Quality Management District (SCAQMD) requirements on transportation mitigation
- > Environmental consciousness should be implemented in our existing processes

Targets for site Karlskoga

- > Reduce water usage by 10 percent
- > Reduce the usage of electricity in kW by 5 percent
- > Reduce the usage of compressed air by 10 percent
- > In five years, alternative fuels such as ethanol or gas (natural) should account for 70 and 30 percent of fuel consumption for both rental and company cars
- > Environmental consciousness should be implemented in our existing processes

Targets for site Mahwah

- > Reduce waste from production of copings and abutments by 5 percent
- > Reduction of paper usage by 5 percent
- > Environmental consciousness should be implemented in our existing processes by having environmental training on different themes

Targets for site Göteborg

- > Reduce paper usage by 10 percent.
- > 75 percent of travel between Stockholm and Göteborg shall be made by train
- > In five years, alternative fuels such as ethanol or gas (natural) should account for 70 and 30 percent of fuel consumption for both rental and company cars
- > Environmental consciousness should be implemented in our existing processes

Targets for site Stockholm

- > Reduce waste from production of copings and abutments
 - Ceramic powder < 6 g
 - Gypsum < 15 g
 - Amount of graphite punch < 0,04 pcs
 - Amount of milling tool < 0,02 pcs
- > 75 percent of travel between Stockholm and Göteborg shall be made by train
- > In five years, alternative fuels such as ethanol or gas (natural) should account for 70 and 30 percent of fuel consumption for both rental and company cars
- > Environmental consciousness should be implemented in our existing processes

> Bringing a Smile to the World

As a medical device manufacturer, Nobel Biocare places social responsibility and good corporate citizenship on a level equal to providing the most scientifically-based solutions for dental professionals. For the Company, social responsibility means contributing to the well being of dental patients, but also on a grander scale, helping the poor and underprivileged in the world.

During 2005, the Company made several major and minor contributions to important social projects around the world. Two such contributions include the sponsorship of the first SOS Children's Village in the Ukraine and a financial contribution to the P-I Brånemark Institute in Brazil.



> P-I BRÅNEMARK INSTITUTE, BAURU
The institute was established in Bauru, Brazil, in 2005 by Professor Per-Ingvar Brånemark to provide a base for research and development of osseointegration in reconstruction of the amputee, having lost tooth, face or limb.

P-I Brånemark Institute

Making Smiles in Brazil

In another part of the world, Nobel Biocare has agreed to sponsor the treatment of 1,200 patients by the P-I Brånemark Institute over the next three years.

During 2005, Nobel Biocare marked 40 years since the first patient was treated with the original scientific dental implant system, the Brånemark System®. During September, Nobel Biocare held the 40-year celebration in Bauru, Brazil in conjunction with the inauguration of the P-I Brånemark Institute. The donation-run

institute, founded by Nobel Biocare founder, Professor Per-Ingvar Brånemark is dedicated to needy patients requiring osseointegrated reconstructions, but who cannot afford such a treatment.

SOS-Children's Villages

For a Child's Smile

Early in 2005, Nobel Biocare became one of the sponsors of the first SOS Children's Village in Brovary, Ukraine, near Kiev. The link between Nobel Biocare and SOS Children's Villages goes back to Austria, where SOS Children's Villages and Heliane Canepa, Nobel Biocare's President and CEO, originate. The Austrian Hermann Gmeiner founded SOS Children's Villages in 1949, the year after Heliane Canepa was born in Austria.

Learn more about Nobel Biocare's social responsibility in this interview with Heliane Canepa, President and CEO of Nobel Biocare, published in the Swedish SOS Magazine 3-2005, by Helen Murdoch.

Why does Nobel Biocare donate to social causes?

> H.C.: As a large, international company, I think we need to show social responsibility. Some companies chose to support sports and



SOS-CHILDREN'S VILLAGES

> Photo provided by SOS-Children's Village. Photographer Pia Watkinson.



culture – we have chosen to make an effort to help the poor people of the world.

Why did Nobel Biocare select SOS Children's Villages?

> H.C.: I grew up in Austria, where the SOS Children's Villages organization was founded. My parents donated money very early in its development so I had a natural interest in the organization.

Why donate to the Ukrainian village?

> H.C.: We selected the village in the Ukraine because this new village was most in need of financing. We wanted our donation to go where it could provide the most benefit.

What benefits do the SOS Children's Villages provide to children?

> H.C.: I have been able to see the advantages of an orphan growing up in family-like circumstances with a village-mother, along with brothers and sisters compared to growing up in an ordinary children's home.

The new SOS Children's Village opening at the end of 2006 will consist of 14 village houses. In each house, one SOS mother will care for eight to nine children between the ages of two and 15. Because of social problems in the Ukraine, parents have increasing difficulty taking care of their children and the number of abandoned children has risen to nearly 100,000. The family house gives boys and girls of different ages a chance to form a new family with their SOS mother. This reduces the chances of them ending up living on the streets where drug abuse, HIV/aids, and prostitution are common.

Corporate Governance

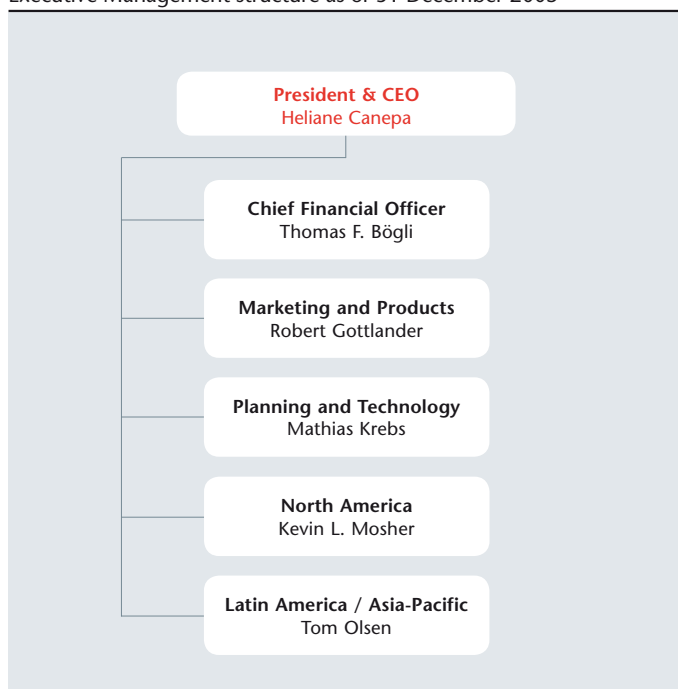
The Corporate Governance section follows the SWX Swiss Exchange Corporate Governance Directive.

1. Group Structure and Shareholders

1.1 Group Structure

1.1.1 Executive Management structure

Executive Management structure as of 31 December 2005



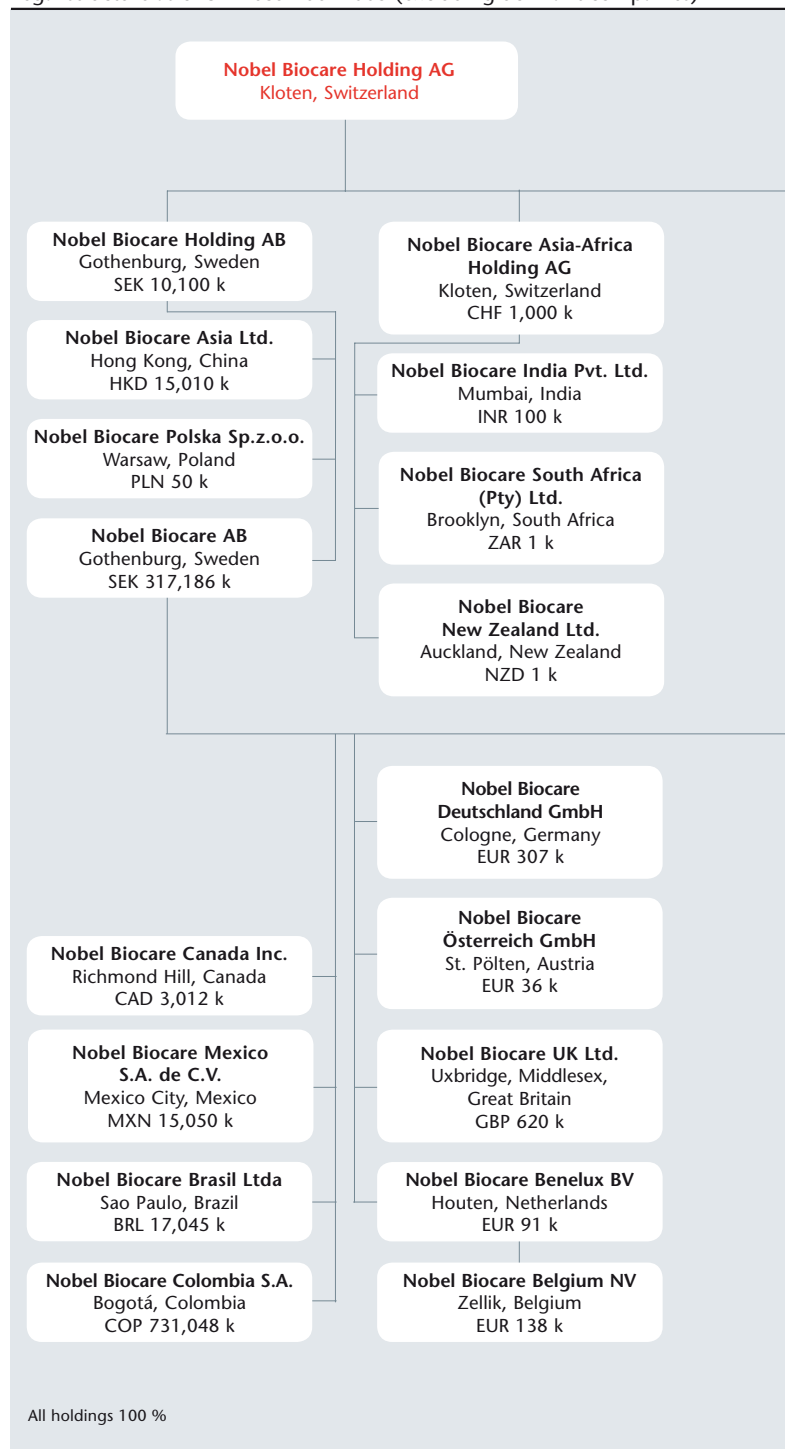
1.1.2 Listed Company

Name	Nobel Biocare Holding AG
Domicile	8302 Kloten, Switzerland
Listed at	SWX Swiss Exchange and Stockholm Stock Exchange, Sweden
Market	
Capitalization	CHF 7,501 million (as of 31 December 2005)
Security Number	11 403 004
ISIN Number	CH 00140.30040
Reuters	NOBE.VX and NOBE.ST
Bloomberg	NOBE VX and NOBE SS

Nobel Biocare Holding AG is the only listed company of the Group.

1.1.3 Legal Structure

Legal structure as of 31 December 2005 (excluding dormant companies)





1.2 Significant Shareholders

As of 31 January 2006, the largest shareholders in Nobel Biocare Holding AG known to the Company and as published in the Swiss Official Gazette of Commerce are:

Shares held

	2005	%*	2004	%*
BB Medtech (Switzerland)	2,644,024	10.2	2,602,800	10.1
AXA/Alliance Capital Management (France/USA)	1,515,082	5.8	Not disclosed, below 5% threshold	<5.0
FMR Corp. (USA)	1,299,879	5.0	1,276,936	5.0
Fidelity International Limited (Bermuda)	1,274,103	4.9	2,516,616	9.8

* percentages as of total outstanding Nobel Biocare shares per 31 December

As duly published in the Swiss Official Gazette of Commerce, the following changes were announced from 1 January 2005 to 31 January 2006:

- > 18 April 2005: the Company received notification that AXA directly and through its subsidiary Alliance Capital Management held 1,515,082 shares, which represented 5.93 percent of the registered shares at that time.
- > 11 July 2005: the Company received notification that the holding of Fidelity International Limited was reduced to 1,274,103 shares which represented 4.95 percent of the registered shares in Nobel Biocare Holding AG at that time.
- > 24 July 2005: the Company received notification that the holding of FMR Corp. was reduced to 1,282,946 shares which represented 4.98 percent of the registered shares in Nobel Biocare Holding AG at that time.
- > 19 September 2005: the Company received notification that the holding of FMR Corp. increased to 1,299,879 shares which represented 5.05 percent of the registered shares in Nobel Biocare at that time.

On 26 January 2006, BB Medtech published its Annual Report 2005 according to which, as per 31 December 2005, it held 2,644,024 shares which represented 10.2 percent of the total outstanding shares in Nobel Biocare Holding AG at that time.

Nobel Biocare Holding AG is not aware of any other person directly or indirectly holding more than 5 percent of its share capital. There have been no other reports under Art. 20 SESTA from 1 January 2005 until 31 January 2006.

Nobel Biocare Holding AG does not know of any material shareholders' agreements or any other significant understandings reached

between shareholders regarding the bearer shares of Nobel Biocare Holding AG they own or the execution of their ensuing shareholders' rights.

1.3 Cross-shareholding

Nobel Biocare Holding AG has no cross-shareholdings with other companies, neither in capital shareholdings nor in voting rights.

2. Capital Structure

2.1 Share Capital

As of 31 December 2005, Nobel Biocare Holding AG's issued share capital amounted to CHF 51,909,766 and is divided into 25,954,883 bearer shares at a nominal value of CHF 2 fully paid-up.

As of 31 December 2005, the total conditional share capital of Nobel Biocare Holding AG amounted to CHF 1,324,870 (for the issuance of 662,435 shares at par value CHF 2).

As of 31 December 2005, Nobel Biocare Holding AG had no authorized share capital.

As of 31 December 2005, Nobel Biocare Holding AG had issued neither participation certificates nor bonus certificates.

2.2 Conditional Capital

The conditional share capital of CHF 1,324,870 (for the issuance of 662,435 shares at par value CHF 2) may be used for the exercise of option rights which the employees and officers of the Company and/or of Group companies are granted (for details pertaining to warrants and staff options, see section 2.7 "Convertible bonds and warrants/options" below). The rights of the shareholders to subscribe shares in priority are excluded.

2.3 Changes in Capital

Changes in Share Capital (in CHF)

	Issued Share Capital	Authorized Share Capital	Cond. Share Capital
Initial Share	100,000	–	–
Capital	(50,000 sh)	(–)	(–)
Capital Increase	+47,910,484	+2,739,316	+2,484,836
Jun 2002	(+23,955,242 sh)	(+1,369,658 sh)	(+1,242,418 sh)
Capital Increase	+2,219,890	–2,219,890	–
Jul 2002	(+1,109,945 sh)	(–1,109,945 sh)	(–)
	50,230,374	519,426	2,484,836
31 Dec 2002	(25,115,187 sh)	(259,713 sh)	(1,242,418 sh)
Capital Increase	+519,426	–519,426	–
Aug 2003	(+259,713 sh)	(–259,713 sh)	(–)
Exercised Options	+249,854	–	–249,854
2003	(+124,927 sh)	(–)	(–124,927 sh)
	50,999,654	–	2,234,982
31 Dec 2003	(25,499,827 sh)	(–)	(1,117,491 sh)
Exercised Options	+464,010	–	–464,010
2004	(+232,005 sh)	(–)	(–232,005 sh)
	51,463,664	–	1,770,972
31 Dec 2004	(25,731,832 sh)	(–)	(885,486 sh)
Exercised Options	+446,102	–	–446,102
2005	(+223,051 sh)	(–)	(–223,051 sh)
	51,909,766	–	1,324,870
31 Dec 2005	(25,954,883 sh)	(–)	(662,435 sh)

On 27 May 2002 Nobel Biocare Holding AG made a public offer to the shareholders of Nobel Biocare AB to acquire all outstanding shares in Nobel Biocare AB; in that context, the issued share capital was – in various steps – increased to CHF 50,230,374 (25,115,187 shares at par value CHF 2) as of 31 December 2002. In the same process the Board of Directors was authorized until 14 May 2004 to increase the share capital up to a maximum aggregate amount of CHF 2,739,316 (1,369,658 shares at par value CHF 2) of which CHF 2,219,890 (1,109,945 shares at par value CHF 2) were issued before 31 December 2002. As a result, the authorized share capital as of 31 December 2002 amounted to CHF 519,426 (259,713 shares at par value CHF 2). Additionally the share capital may be increased by issuing no more than 1,242,418 shares, each with a par value of CHF 2, to be fully paid up, by an amount of no more than CHF 2,484,836 by virtue of the exercise of option rights granted to employees, directors and officers of the Company or its affiliates.

As of 31 December 2002, none of the conditional share capital was issued.

During 2003, the outstanding authorized share capital of CHF 519,426 (259,713 shares at par value CHF 2) was issued. These shares were subsequently sold by the Company to secure the future purchase price for the remaining 1.1 percent minority (259,713 shares in Nobel Biocare AB), which was subject to a compulsory redemption arbitration in Sweden.

In addition, during the year 2003, 119,531 options and 5,396 warrants were exercised, thereby creating an increased issued share capital of total CHF 50,999,654 (25,499,827 shares of par value CHF 2) and a decreased conditional share capital of CHF 2,234,982 (for the issuance of 1,117,491 shares at par value CHF 2).

During the year 2004, 183,695 options and 48,310 warrants were exercised, thereby creating an increased issued share capital of CHF 51,463,664 (divided into 25,731,832 shares at par value CHF 2) and a decreased conditional share capital of CHF 1,770,972 (for the issuance of 885,486 shares at par value CHF 2).

220,851 options and 2,200 warrants were exercised during the year 2005, thereby creating an increased issued share capital of CHF 51,909,766 (divided into 25,954,883 shares at par value CHF 2) and a decreased conditional share capital of CHF 1,324,870 (for the issuance of 662,435 shares at par value CHF 2).

2.4 Shares and Participation Certificates

All Nobel Biocare Holding AG shares are bearer shares at a nominal value of CHF 2. All shares are fully paid in, have equal voting rights and entitle the owners to the same share in the Company's assets and profits.

The entire share capital is evidenced by a Permanent Global Share Certificate. The shareholders are co-owners (Miteigentumsanteil) of such global certificates in proportion to their shareholding. Shareholders have no right to request the issue and delivery of individual share certificates.

As of 31 December 2005, Nobel Biocare Holding AG had issued neither participation certificates nor bonus certificates.

2.5 Profit Sharing Certificates

Nobel Biocare Holding AG has not issued any profit sharing certificates.

2.6 Limitations on Transferability and Nominee Registrations

All shares of Nobel Biocare Holding AG are bearer shares, which have no limitations on transferability or any provisions of registration.

2.7 Convertible Bonds and Warrants/Options

Convertible Bonds

Nobel Biocare Holding AG has not issued any convertible bonds.

Staff Options

Program 1

At the Annual General Meeting of Nobel Biocare AB in 2001 it was decided to launch a staff option program.

This staff option program comprised a total of 1,176,000 options distributed over four years to the Board of Directors, about 125 senior executives and newly appointed key persons. The allotted options can be utilized after two years.

1st Year (2001)

During 2001, 265,303 staff options were allotted without consideration. The subscription price was set at SEK 392 (CHF 63.83), the average share price during five trading days following the day of publication of the first quarterly report for 2001. These options could be utilized during the period 1 July 2003 up to and including 30 June 2004.

	Exercised	Expired*	Remaining
Grant 2001			265,303
31 Dec 2002	–	99,664	165,639
31 Dec 2003	119,531	–	46,108
31 Dec 2004	41,442	4,666	–
Total	160,973	104,330	

* options expired as a result of the holder leaving the company

2nd Year (2002)

During 2002, 267,337 staff options were allotted without consideration. The subscription price for these options was SEK 438 (CHF 71.33), the average share price during five trading days following the publication of the full year report for 2001. These options could be utilized during the period 1 July 2004 up to and including 30 June 2005.

	Exercised	Expired*	Remaining
Grant 2002			267,337
31 Dec 2002	–	11,000	256,337
31 Dec 2003	–	14,996	241,341
31 Dec 2004	142,253	3,834	95,254
31 Dec 2005	95,254	–	–
Total	237,507	29,830	

* options expired as a result of the holder leaving the company

3rd Year (2003)

During 2003, 305,473 options were allotted without consideration. The subscription price for these options was CHF 80.47, the average share price during five trading days following the publication of the full year report for 2002. These options can be utilized during the period 1 July 2005 up to and including 30 June 2006.

	Exercised	Expired*	Remaining
Grant 2003			305,473
31 Dec 2003	–	1,000	304,473
31 Dec 2004	–	13,830	290,643
31 Dec 2005	125,597	1,499	163,547
Total	125,597	16,329	

* options expired as a result of the holder leaving the company

4th Year (2004)

During 2004, 332,998 options were allotted without consideration. The subscription price for these options was CHF 159.80, the average share price during five trading days following the publication of the full year report for 2003. These options can be utilized during the period 1 July 2006 up to and including 30 June 2007.

	Exercised	Expired*	Remaining
Grant 2004			332,998
31 Dec 2004	–	4,666	328,332
31 Dec 2005	–	10,466	317,866
Total	–	15,132	

* options expired as a result of the holder leaving the company

The remaining 4,889 options of the first program expired without allotment at the end of 2004.

Program 2

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.

The underlying shares for this program are provided through a share buy-back program. The share buy-back program of up to 1,100,000 corresponds to 4.24 percent of the issued share capital and voting rights as of 31 December 2005. The program will be executed such that the Company and its Subsidiaries will at no time own more than 10 percent of the share capital of the Company. The program started on 1 April 2005 and will end at the latest on the

date of the Annual General Meeting 2007. However, the Company reserves the right to terminate the program at any time. The Company is at no time under any obligation to buy back shares under the program. The buy-back of shares under the program is made at market price. No separate trading line was opened for the program. UBS AG has been mandated with the technical execution of the program. The Company reserves the right to use repurchased shares for other financing purposes. Until 31 December 2005, the Company acquired 739,650 shares within this program for a total price of CHF 196 million. The total amount of Nobel Biocare Holding AG shares held by the Company at the end of the year was 749,650. Weekly updates about the current number of shares bought back and held are reported under www.nobelbiocare.com.

1st Year (2005)

During 2005, 329,000 options were allotted without consideration. The subscription price for these options was CHF 252.40, the average share price during five trading days following the publication of the full year report for 2004. These options can be utilized during the period 1 July 2007 up to and including 30 June 2008.

	Exercised	Expired*	Remaining
Grant 2005			329,000
31 Dec 2005	–	4,800	324,200
Total	–	4,800	

* options expired as a result of the holder leaving the company

For further information on employee options, please refer to Note 18 of the consolidated financial statements on page 86.

Warrants

In conjunction with the acquisition of Steri-Oss, Inc. on 10 September 1998, warrants in Steri-Oss, Inc. were converted to warrants in Nobel Biocare AB. A total of 665,196 warrants were issued in three series; Series I, originally 303,860 warrants, has a subscription price of SEK 12.50 with a term ending on 8 January 2007. Series II, originally 233,823 warrants, has a subscription price of SEK 12.50 with a term ending on 16 May 2007. Series III, originally 127,513 warrants, has a subscription price of SEK 36.87 and a term ending on 2 April 2008.

The unsubscribed 66,418 warrants were converted into warrants in Nobel Biocare Holding AG with a subscription price of CHF 2.04, CHF 2.04 and CHF 6, respectively.

At the end of 2005, a total of 10,512 warrants remained unsubscribed. Of these, 0 were of series I, 6,478 were of series II and 4,034 of series III.

3. Board of Directors

3.1 Members of the Board of Directors



> Rolf Soiron



> Antoine Firmenich



> Robert Lilja



> Michel Orsinger



> Jane Royston



> Ernst Zaengerle

> Rolf Soiron

Chairman of the Board (non-executive), Swiss, born 1945

Rolf Soiron is the Chairman of the Nomination and Compensation Committee. Dr. Soiron has experience from several international management and CEO positions: 1993–2003 CEO and later Managing Director of Jungbunzlauer (Chemicals) in Switzerland, 1983–1993 International management and CEO positions Protek Group (Orthopedics), Sandoz Group (Pharmaceuticals and Agrochemicals) in Switzerland and the US.

Education: Dr. phil. from Basel University, PMD Harvard Business School

Current other assignments: since 1993 Board Member of Jungbunzlauer, since 1994 Board Member and since 2003 Chairman of the Board of Holcim (Cement), since 2005 Chairman of the Board of Lonza Group (Biotechnical and Chemical Specialties).

Shares: 86,837 / *Options:* 3,313

> Antoine Firmenich

Non-executive Member, Swiss, born 1965

Antoine Firmenich is Member of the Audit Committee. He has many years of international management experience. Since 2005, he has been the President of the Global Business Unit Savory Foods of Firmenich SA, Geneva, Switzerland. Previously, he was an Associate at Bellevue Asset Management (1995–1996); Product Manager for Natural Chemicals and Citrus Raw Materials, then Director Flavor Raw Materials at Firmenich, Inc. in Princeton, NJ, USA (1996–2000); and Vice President Encapsulated Flavors at Firmenich SA (2000–2002), then President of the Global Business Unit Sweet Goods (2002–2005).

Education: BSc, Life Sciences, MIT, Cambridge, MA, USA; PhD, Biochemistry, Stanford University School of Medicine, CA, USA and MBA, Stanford Graduate School of Business.

Current other assignments: Since 2003 Member of Advisory Board of Edel Therapeutics SA, Switzerland (Biotechnology) and since 2004 Board Member of Sentarom SA, Switzerland.

Shares: 0 / *Options:* 1,500

> Robert Lilja

Non-executive Member, Swedish, born 1956

Robert Lilja is Chairman of the Audit Committee. He has extensive experience from the international financial markets. In 2004, Robert founded Lilja & Co. AG, a capital markets advisory boutique, in Zurich, Switzerland. From 1982 to 1985, he worked in the Gold & Uranium and Finance Divisions of Anglo American Corporation

of South Africa, in Johannesburg, South Africa. In 1985, he joined CSFB, at the time the international investment banking arm of Credit Suisse, where he spent nine years in the Capital Markets Department, most recently as Director of Investment Banking. In the years 1994–1997, he authored a bestselling book on the global Equity Capital Markets published by Euromoney Books – “International Equity Markets – the Art of the Deal”. In 1998, he executed a special assignment for the Chairman of the Wellcome Trust, the UK based medical charity, before joining Lazard’s Capital Markets division in London, UK. He became a worldwide partner of Lazard in 1999. From 1998 to 2004, he held various positions with Lazard in London, UK and Frankfurt, Germany, including Head of Northern European Equity Capital Markets Advisory and Interim Co-Head of Lazard Germany.

Education: Lic. Oec. HSG, St. Gallen Graduate School of Economics, St. Gallen, Switzerland

Current other assignments: No other current Board memberships

Shares: 1,850 / *Options:* 1,500

> Michel Orsinger

Non-executive Member, Swiss, born 1957

Michel Orsinger is a Member of the Nomination and Compensation Committee. Michel Orsinger joined Synthes, Inc. (Orthopedics, USA) in June 2004 and later in October he was appointed President and Chief Operating Officer (COO). 1993–2004 various international senior management positions in Sandoz/Novartis, most recently from 2001 until 2004 as the CEO and President of Novartis OTC Worldwide, 1983–1993 Management positions with Procter & Gamble and Mars.

Education: Degree in Business Administration, focus on Marketing, from the University of St. Gallen, Switzerland, Advanced Management Program at INSEAD Fontainebleau and Leadership Training from Harvard Business School

Current other assignments: Board Member of Biolytix (molecular biological analyses), Switzerland

Shares: 300 / *Options:* 3,000

> Jane Royston

Non-executive Member, British & Swiss, born 1958

Jane Royston is a Member of the Nomination and Compensation Committee. From 1999 until present Professor of entrepreneurship & innovation at the Swiss Federal Institute of Technology in Lausanne, 1997–1999 Consultant, 1996–1997 Vice President, Southern Europe with Cambridge Technology Partners, 1986–

1996 Founder and CEO of NatSoft (in 1996 NatSoft was acquired by Cambridge Technology Partners), 1984–1986 Head of IT, DuPont de Nemours (France).

Education: BSc, Hons Pure Mathematics from London School of Economics

Current other assignments: President of Create Switzerland, AQUA+TECH specialities, member of the Board of the Ludwig Institute for Cancer Research and Supercomputing Systems AG, Zurich, as well as the advisory boards of Endeavour Ventures, Geneva, Geneva University’s MBA programme, the Hautes Ecoles Spécialisées de Suisse Occidentale (HES-SO), the Canton of Geneva Economic Council

Shares: 515 / *Options:* 3,000

> Ernst Zaengerle

Non-executive Member, Swiss, born 1948

Ernst Zaengerle is a Member of the Audit Committee. 2000–2003 Associate Partner of IMG in St. Gallen, 1998–2000 Executive Vice President of Supply Chain Management with Movado Group in the USA, 1992–1997 Executive Vice President of Supply Chain Management with Bally International in Schönenwerd, 1988–1992 Executive Vice President of Supply Chain Management and Sales Far East for Omega SA, Biel.

Education: M.S. in Mechanical Engineering, University of Applied Sciences in Konstanz and M.S. in Economy from the University of Konstanz

Current other assignments: No other current Board memberships

Shares: 940 / *Options:* 3,000

None of the Board members has or has had any operational positions within Nobel Biocare Holding AG or any of its subsidiaries during the last three years. Nor are there any business relations between individual Board members, including companies or organizations represented by any individual member, and the Group.

3.2 Other Activities and Vested Interests

None of the Board members has any

- > position in governing or supervisory bodies of any important organization, institution or foundation under private or public law,
- > permanent management or consultancy function for important interest groups,
- > official function or political post.

3.3 Cross Involvement

There are no interdependent memberships in the Board of Directors of Nobel Biocare Holding AG and any other company.

3.4 Elections and Terms of Office

3.4.1 Principles of Election and Limits on Terms of Office

The Board of Directors consists of at least four and up to a maximum of nine members. The members of the Board of Directors are elected individually by the Annual General Meeting in each case for a term of office of one year. The term of office of a member of the Board of Directors expires, subject to prior resignation and removal, upon the day of the next Annual General Meeting.

Newly-appointed members shall complete the term of office of their predecessors.

There are no limits to how many times a member can be reelected, or any upper age limit for election.

3.4.2 Time of First Election and Remaining Term of Office for each Board Member

The Annual General Meeting on 28 April 2005 elected the following Members of the Board:

Name	Position	First Elected	Elected Until
Rolf Soiron	Chairman	2003	2006
Antoine Firmenich	Member	2005	2006
Robert Lilja	Member	2005	2006
Michel Orsinger	Member	2004	2006
Jane Royston	Member	2004	2006
Ernst Zaengerle	Member	2002	2006

3.5 Internal Organizational Structure

The Board constitutes itself at its first meeting. It appoints its Chairman as well as a Secretary who is not necessarily a member of the Board. During 2005, the Head of Legal Affairs, Michaela Ahlberg, has been secretary of the Board.

From 1 January 2005 to 31 January 2006 the Board has met seven times (once via telephone conference). At the meeting on 27 April 2005, Jan Kvarnström was excused, at the meeting on 28 April 2005, Michel Orsinger and Antoine Firmenich were excused, at the meeting on 18 July 2005 Michel Orsinger was excused and at the meeting on 8 and 9 December 2005, Antoine Firmenich and Jane Royston were excused. Otherwise the Board recorded full attendance.

In Sweden the MBL Law (Lagen om Medbestämmande) states that employee (union) representatives have full board member rights and obligations. As a company domiciled in Switzerland Nobel Biocare Holding AG does not have to comply with this law. However, to respect the employee representation, two employee representatives, which are on the board of the Swedish entity Nobel Biocare AB, are invited to participate in the board meetings of Nobel Biocare Holding AG as observers with no voting right.

The Board has agreed to Organizational Regulations that include an annual agenda as well as instructions pertaining to allocation of assignments between the Board and the CEO. The Organizational Regulations include instructions for financial reporting.

To ensure continuous improvement, the Board also performs a self-assessment each year.

The Chairman of the Board

The following duties and competences are some of the issues specifically delegated to the Chairman:

- > regular contact with the CEO in order to be informed about all important business developments and strategic issues
- > overseeing the convocation and preparation of the Board meetings
- > presiding over the Shareholders' meetings and the Board meetings
- > reviewing the minutes of the Shareholders' meetings and the Board meetings
- > relaying information as soon as possible to the Board regarding extraordinary events
- > media contacts and disclosures on behalf of the Board
- > all other matters reserved to the Chairman by law, the Articles of Association or the Organizational Regulations

Board Committees

In accordance with the Organizational Regulations, the Board has appointed a Nomination and Compensation Committee (until 18 October 2005 – Remuneration Committee) and an Audit Committee.

The members of the Committees and their chairpersons are appointed each year at the first Board meeting after the Annual General Meeting for the period of one year. The Committees report to the Board on their activities and findings. The overall responsibility for duties delegated to the Committees remains with the Board.

Name	Audit Committee	Nomination and Compensation Committee
Rolf Soiron		○
Antoine Firmenich	○	
Robert Lilja F	○	
Michel Orsinger		○
Jane Royston		○
Ernst Zaengerle	○	

○ Chairperson ○ Member **F** Financial Expert

Nomination and Compensation Committee

The Committee shall consist of the Chairman, one or two Board members and the CEO. The Committee meets two to four times per year and has the following responsibilities and duties:

- > management development and succession planning, ensuring best possible leadership and management talent for the Company
- > compensation systems, including share-based incentive programs, which are competitive, performance-oriented and equitable
- > composition of the Board and identification of candidates with the necessary skills and expertise
- > compensation policies and specific compensation for top management
- > compensation of Board members

The Nomination and Compensation Committee will systematically review the issues above and make the necessary proposals to the full Board. The CEO shall not attend meetings of the Nomination and Compensation Committee, while his or her own compensation is discussed.

From 1 January 2005 to the end of January 2006, the Nomination and Compensation Committee met three times. The main topics for the Committee during 2005 were management development and management reimbursement including approval of top management salary, setting of overall objectives for bonus programs as well as allotments of options under the Nobel Biocare option program. The Nomination and Compensation Committee also adopted a new charter during 2005.

Audit Committee

The Committee shall be composed of at least three non-executive members of the Board of Directors, at least one of which should be a financial expert. The Committee meets at least four times per year and its primary objective is to support the Board of Directors in the performance of its supervisory duties. The Audit Committee focuses

on the following major responsibilities and duties:

- > review of financial reporting
- > external audit
- > internal audit
- > risk management
- > internal controls
- > compliance with Organizational Regulations and Corporate Governance
- > oversight of fraud prevention

From 1 January 2005 to the end of January 2006, the Audit Committee met five times. The main topics for the meetings were financial reports, external audit, risk management and internal audit. During 2005, the Audit Committee also adopted and approved a new charter for the Audit Committee.

3.6 Definition of Areas of Responsibility

The Board of Directors is the legally constituted highest executive instance within the Group management structure.

The Board shall decide on all matters which have not been reserved for or conferred upon another governing body of the Company by law, by the Articles of Association, or by the Company's Organizational Regulations.

In particular, the Board shall have the following duties and competences:

- > to ultimately direct, supervise and control the Company and the Group as a whole and approve guidelines for the general policy and strategy, including the review and approval of new business plans,
- > to appoint and recall the CEO and to approve CEO's proposal for appointments and recalls of the Executive Management,
- > to supervise and rate the performance of the CEO and to approve the remuneration of the CEO and the Executive Management on the basis of their rating as recommended by the Nomination and Compensation Committee,
- > to delegate to the Audit Committee to appoint, supervise and rate the Internal Audit function,
- > to propose to the Annual General Meeting the appointment of the External Auditors. However, the Board will delegate to the Audit Committee to supervise, rate and remunerate the External Auditors,
- > to be responsible for the finance, financial reporting and compliance systems of the Group,
- > to be responsible for the relationship with shareholders, in partic-

ular calling shareholders' meetings, including proposals to the shareholders' meeting such as annual and interim reports to the shareholders, approval of the Annual Report, proposed appropriation of available earnings and changes or amendments to the Articles of Association,

- > to grant signatory power.

3.7 Information and Control Instruments

Group Management reports in a regular and structured fashion to the Board of Directors.

Each member of the Board of Directors and Internal Audit may request information on all matters concerning the Company. At each board meeting, the CEO informs the Board of Directors on the status of current business operations as well as major business transactions.

Internal Audit

Internal Audit is an independent monitoring and advisory body, which reports to the Board of Directors, represented by the Chairman of the Audit Committee. Internal Audit provides risk-led analyses and evaluates the effectiveness and efficiency of internal control systems within the business as a whole by:

- > examining the reliability and completeness of financial and operational information,
- > examining the control systems related to compliance with internal and external directives such as plans, processes, laws and regulations,
- > examining whether the Group's assets are secured.

The scope of internal control activities reaches beyond the financial audit. Through operational and compliance audits it provides a valuable contribution to the success of the business activities by identifying relevant risks along the value chain, pinpointing potential areas for adding value and devising opportunities for improvement.

For further details on the Company's risk management, please refer to the pages 64–66.

4. Executive Management Team

The Board delegates the day-to-day management of the Company to the CEO and the Executive Management Team that has the following responsibilities and duties:

- > to carry out the day-to-day management of the business in compliance with the applicable laws and the Articles of Association;
- > to implement the principles of corporate policy and to plan, orga-

nize, implement, and monitor the corporate strategy;

- > to prepare all matters for and to report to the Board of Directors;
- > to prepare and execute the decisions of the Board of Directors and ensure their group wide implementation;
- > to conduct accounting, including the analysis of the annual financial statements, and to implement the necessary internal control measures.

4.1 Members of the Executive Management Team

Members of the Executive Management Team are appointed by the Board of Directors after proposal from the CEO.

Nobel Biocare has undergone an intense period of growth over the past few years. Therefore, effective 1 September 2005, the management structure and the Executive Management Team was reorganized to meet future challenges and development of the Company. The Executive Management Team consists of:

Name	Born	Nationality	Position	Employed
Heliane Canepa	1948	Swiss	President & CEO	2001
Thomas F. Bögli	1956	Swiss	Chief Financial Officer	2004
Robert Gottlander	1956	Swedish	Executive Vice President Marketing and Products	1984
Mathias Krebs	1960	German	Executive Vice President Planning and Technology	2005
Kevin L. Mosher	1963	USA	Vice President and General Manager North America	2004
Thomas M. Olsen	1957	USA	Vice President Latin America/Asia-Pacific	1994

Mathias Krebs was appointed Executive Vice President Planning and Technology and Member of the Executive Management Team as per 1 September 2005.

Additional information about the Executive Management is disclosed on pages 57 and 58.

4.2 Other Activities and Functions

None of the Executive Management Team members has any

- > position in governing or supervisory bodies of any important organization, institution or foundation under private or public law,
- > permanent management or consultancy function for important interest groups,
- > official function or political post.

4.3 Management Contracts

The Board of Directors conducts business directly and has not delegated any management tasks to companies outside the Company.

5. Compensations, Shareholdings and Loans

5.1 Content and Method of Determining the Compensation and the Share-ownership Programs

The remuneration of the Board is decided at the first board meeting after the Annual General Meeting. For 2005, the board remuneration consisted of a combination of cash compensation and a small number of allotted options.

The Executive Management receives a fixed salary, bonus and staff options.

For the CEO, the bonus is based upon personal as well as corporate objectives such as EBIT and the sales growth for the Group. The maximum bonus achievable is 200 percent of the fixed salary. For the Executive Management Team, the bonus is based upon targets for the departments of the respective management executives as well as corporate objectives to a maximum of 50 percent of the fixed salary.

The value of the staff options is determined on the fair value of the options (IFRS 2 "Share-Based Payment"). The number of options allotted to the CEO and the new Executive Management Team in 2005 amounted to 81,000 (66,000). For further information on the staff option program, please refer to section 2.7 (Convertible bonds and warrants/options) of this Corporate Governance Report on page 45 and to Note 18 of the consolidated financial statements on page 86.

The CEO contract contains a six months' period of notice. The Company has the opportunity to maintain a non-competition clause for one year against payment of salary. The CEO is entitled to a pension premium of 25 percent of the annual gross salary.

The Swedish Executive Management has a period of notice of six months on the part of the Company with severance pay of 12 months' salary, but with deduction of the income received from a potential new employer. These executives receive a pension in accordance with the ITP (supplementary pensions for salaried employees) plan. The age of retirement varies between 62 and 65 years.

For two members of the Executive Management based in the US, the period of notice is 2–6 months and the severance pay 12 months' salary. These executives participate in the national 401 k pension scheme. Normal retirement age is 62 years, but for the two members there is an option of taking retirement at the age of 55.

The pension expenses for the CEO amounted to EUR 205 k (165 k) and for the new Executive Management Team to EUR 95 k (46 k).

5.2 Compensation for Acting Members of Governing Bodies

In 2005, aggregate compensations for Members of the Board and Members of the new Executive Management Team amounted to a total of EUR 4,640 k, (3,491 k) of which staff options represented a value of EUR 2,448 k (1,662 k) on 31 December 2005.

Compensations to all non-executive members of the Board of Directors during the year under review totalled EUR 392 k (342 k). The distribution per each member of the Board was as follows:

Board of Directors Name	Cash EUR	Options number (EUR)	Shares
Rolf Soiron	42,000	1,500 (40,800)	–
Jan Ekberg ¹	7,000	–	–
Antoine Firmenich ²	14,000	1,500 (40,800)	–
Jan Kvarnström ¹	7,000	–	–
Robert Lilja ²	14,000	1,500 (40,800)	–
Michel Orsinger	21,000	1,500 (40,800)	–
Jane Royston	21,000	1,500 (40,800)	–
Ernst Zaengerle	21,000	1,500 (40,800)	–
Total	147,000	9,000 (244,800)	–

¹ until 28 Apr 2005 ² from 28 Apr 2005

Executive Management Team

In 2005, the value of received salaries, bonuses, staff options and other benefits for the new Executive Management Team was:

in EUR '000	Fixed salaries	Bonuses	Pension expense	Staff options	Other benefits	Total
CEO	365 (331)	456 (327)	205 (165)	816 (662)	0 (10)	1,842 (1,495)
Other Members of new EMG	678 (472)	215 (315)	95 (46)	1,387 (795)	31 (26)	2,406 (1,654)
Subtotal	1,043 (803)	671 (642)	300 (211)	2,203 (1,457)	31 (36)	4,248 (3,149)
Other Members of EMG before restructuring (8 months) (12 months)	627 (932)	198 (246)	277 (320)	1,658 (1,405)	23 (36)	2,783 (2,939)
Former members of EMG	0 (186)	0 (96)	0 (38)	0 (221)	0 (10)	0 (551)
Total	1,670 (1,921)	869 (984)	577 (569)	3,861 (3,083)	54 (82)	7,031 (6,639)

There were no severance payments to any persons mentioned above.

As of 1 July 2005, new regulations governing the disclosure of management transactions were introduced on the SWX Swiss Exchange. The disclosure of management transactions is intended as a means of furthering the supply of information of investors. The key elements of these regulations are: The obligation imposed on companies to disclose transactions concluded by members of their Board of Directors and senior management in the given company's equity securities, convertible and purchase rights on the company's shares, and financial instruments whose price is materially dependent on the company's own equity securities. Members of the Board of Directors and senior management must report to their issuing company all transactions that fall within the scope of these regulations: If the total amount of all transactions concluded by a person liable for reporting exceeds the amount of CHF 100,000 per calendar month, then that person is obligated to inform the issuer of that fact within two trading days' time. On its part, the issuer must submit to the SWX within two trading days a report that among other things discloses the name and function of the individual (i.e. executive member of the Board of Directors/member of senior management or non-executive member of the Board). The SWX will then publish the report on its website without divulging the person's name. If the per-person threshold amount of CHF 100,000 is not exceeded in a given calendar month by an individual liable for reporting, then after month's end the issuer must forward to the SWX an omnibus report that among other things includes information on all of the individuals liable for reporting, ranked by their names and functions. The SWX will not publish information on transactions that do not exceed the threshold amount of CHF 100,000 per calendar month. The publication of such transactions on the SWX website will in each instance be made without indication of names, however with an indication of the given individual's function.

5.3 Compensation for Former Members of Governing Bodies

In 2005, there were no additional compensations paid to former members of governing bodies than listed in 5.2.

5.4 Share Allotment in the Year under Review

In 2005, there were no share allotments to any member of the Board of Directors or to any member of the Executive Management Team.

5.5 Share Ownership

As of 31 December 2005, the members of the Board of Directors held a total of 90,442 (94,302) shares, while the members of the new Executive Management Team held a total of 256,434 (353,250) shares.

5.6 Options

Number of options	2005	2004	2003	2002
Options out-standing at 1 Jan	714,229	591,922	421,976	165,639
Options issued	329,000	332,998	305,473	267,337
Options exercised	-220,851	-183,695	-119,531	-
Options expired	-16,765	-26,996	-15,996	-11,000
Options out-standing at 31 Dec	805,613	714,229	591,922	421,976

Options outstanding at the end of the year have the following terms:

Grant year	Expiry Date	Strike price CHF	2005	2004	2003	2002
2001	30 Jun 2004	63.83	-	-	46,108	165,639
2002	30 Jun 2005	71.33	-	95,254	241,341	256,337
2003	30 Jun 2006	80.47	163,547	290,643	304,473	-
2004	30 Jun 2007	159.80	317,866	328,332	-	-
2005	30 Jun 2008	252.40	324,200	-	-	-
Total			805,613	714,229	591,922	421,976

As of 31 December 2005, the members of the Board of Directors held a total of 15,313 (9,313) options resulting from two allotments and featuring a weighted average exercise price of CHF 205.31 (159.80) and a duration of 2.0 (2.5) years.

As of 31 December 2005, the members of the new Executive Management Team held a total of 187,000 (123,000) options resulting from three allotments and featuring a weighted average exercise price of CHF 182.94 (112.79) and a weighted duration of 1.28 (1.74) years.

Overview Share Ownership and Options

Board of Directors					
Name	Position	Elected	Nationality	Shares	Options
Rolf Soiron	Chairman	2003	Swiss	86,837	3,313
Antoine Firmenich	Member	2005	Swiss	-	1,500
Robert Lilja	Member	2005	Swedish	1,850	1,500
Michel Orsinger	Member	2004	Swiss	300	3,000
Jane Royston	Member	2004	British/Swiss	515	3,000
Ernst Zaengerle	Member	2002	Swiss	940	3,000
Total				90,442	15,313

Executive Management Team

Name	No. of shares	No. of warrants	No. of options
Heliane Canepa	250,000*	–	80,000
Thomas F. Bögli	1,000	–	20,000
Robert Gottlander	5,134	–	45,000
Mathias Krebs	300		10,000
Kevin L. Mosher	–	–	15,000
Thomas M. Olsen	–	6,478	17,000
Total	256,434	6,478	187,000

* in addition 100,000 warrants (to buy 100,000 shares) not issued by the Company, which therefore have no dilutive effect

5.7 Additional Fees and Remunerations

In 2005, no member of the Board of Directors or the Executive Management Team received additional fees or compensations for additional services performed on behalf of Nobel Biocare Holding AG or its subsidiaries in excess of the amounts disclosed.

5.8 Loans Granted to Members Governing Bodies

There are no loans, securities, advances or credits granted to any members of the Board of Directors or the Executive Management Team.

5.9 Highest Total Compensation

In 2005, the highest total compensation for a member of the Board of Directors was EUR 82,800 (82,018).

6. Shareholders' Participation Rights

The shareholders' participation rights are described in detail in the Articles of Association of Nobel Biocare Holding AG. These Articles of Association can also be downloaded from the Company's website www.nobelbiocare.com or can be ordered via the contact addresses found on page 56 of this Annual Report.

6.1 Voting-rights Restrictions and Representation

There are no statutory voting-rights restrictions. The Board of Directors issues procedural regulations regarding participation and representation in the Annual General Meeting. All shareholders have the same right to attend the Annual General Meeting or to be represented by a legal representative or, with written authorization, by another person, by governing bodies, by the independent voting proxy, or by a depository proxy. The Chairman of the Annual General Meeting decides on the recognition of the authorization.

Each share entitles to one vote.

Each shareholder may be represented at the shareholders' meeting by any other person who is authorized by a written power of attorney presented at such shareholders' meeting.

If an election cannot be completed upon the first ballot, there will be a second ballot at which the relative majority decides.

The Chairman has no casting vote.

Elections and votes take place openly provided that neither the Chairman nor a simple majority of the share votes requests a secret ballot.

6.2 Statutory Quorums

The Annual General Meeting passes its resolutions and carries out its elections with an absolute majority of the share votes represented, to the extent that neither the law nor the Articles of Association provide otherwise.

Decisions at the Annual General Meeting calling for a quorum of at least two thirds of the votes represented and the absolute majority of the represented shares par values are required for:

- > the cases listed in art. 704 para. 1 CO;
- > the conversion of the global share certificate into individual share certificates;
- > the conversion of bearer shares into registered shares;
- > any change to the provisions of this article relating to quorums.

6.3 Shareholder Meetings

The Annual General Meeting is held within six months after the close of the financial year.

Extraordinary shareholders' meetings can be called as often as necessary, in particular, in all cases required by law.

Extraordinary shareholders' meetings are convened by the Board of Directors within two months if shareholders representing at least ten percent of the share capital request such meeting in writing, setting forth the items to be discussed and the proposals to be decided upon.

Shareholders' meetings are convened by the Board of Directors and, if need be, by the Auditors.

The convening of the Annual General Meeting takes place by a publication in the Swiss Official Gazette of Commerce at least twenty days prior to the day of the meeting. The convening text states the day, time and place of the meeting, the agenda, the proposals of the Board of Directors and the proposal of the shareholders who have requested the shareholders' meeting or that an item be included on the agenda.

6.4 Agenda

The Articles of Association of Nobel Biocare Holding AG do not contain any respective provisions deviating from the law.

Upon request from shareholders and the proposal of the Board of Directors the Annual General Meeting 2005 approved the reduction of the threshold to include in the agenda of a shareholders' meeting. The respective paragraph 6 in art. 7 of the Articles of Association is as follows (English translation of governing German version): "One or more shareholders whose combined holdings represent an aggregate nominal amount of at least 0.1 percent of the Company's share capital may demand that an item be included in the agenda of a shareholders' meeting; such a demand must be made in writing to the Board of Directors at the latest 45 days before the meeting and include evidence of the required shareholding and shall specify the proposals."

6.5 Registration in the Share Register

There is no share register since the shares issued by the company are bearer shares.

7. Change of Control and Defensive Measures

7.1 Duty to Make an Offer

The Articles of Association do not contain any provisions on opting-out or opting-up (article 22 of the Swiss Federal Act on Stock Exchanges and Securities Trading).

Under the Swedish Rules on Public Offers for Acquisition of Shares there are rules for public offers which are applicable should a public offer be made for the shares of a foreign company such as Nobel Biocare Holding AG. The Swedish Securities Council can apply exemptions from these rules in order to avoid conflict of rules. Under the Swedish Rules there are also provisions for mandatory offers, however these are not applicable for Nobel Biocare Holding AG shares.

7.2 Clauses on Changes of Control

As of 31 December 2005, agreements and plans benefiting members of the Board of Directors and/or the Executive Management Team or additional members of management contain no clauses on changes of control.

8. Auditors

8.1 Duration of the Engagement and Term of Office of the Lead Auditor

KPMG Fides Peat assumed the existing auditing engagement for the Nobel Biocare Holding Group on 28 April 2005 (first time elected in 2002). The Annual General Meeting elects the auditors for a term of one year. The auditor in charge is Mr. Reto Zemp. He assumed his responsibility in 2005.

8.2/8.3 Auditing and Additional Fees

The following fees were charged for professional services rendered by KPMG Fides Peat, for the 12-month period ended 31 December:

in EUR '000	2005	2004
Audit services	604	430
Audit related services	103	185
Total	707	615

Audit Services are defined as the standard audit work that needs to be performed each year in order to issue an opinion on the consolidated financial statements of the Group and to issue reports on the local statutory financial statements. It also includes services that can only be provided by the Group auditor and includes audit of prospectuses, implementation of new or revised accounting policies and internal control review of systems.

Audit Related Services include those other services provided by auditors but not restricted to those that can only be provided by the auditor signing the audit report. They comprise amounts for services in relation to the group restructuring activities as well as audit of pension plans.

8.4 Supervisory and Control Instruments vis-à-vis the Auditors

The Board of Directors performs its supervisory and control functions towards the external auditors through the Audit Committee, which meets at least four times a year. The primary objective of the Audit Committee is to support the Board of Directors in monitoring the Company's internal control, accounting principles, risk management, financial reporting and auditing. Please also refer to section 3.5, Internal organizational structure.

9. Information Policy

For the benefit of both the financial markets and the general public, Nobel Biocare Holding AG pursues an open and active information policy. A governing principle is that all stakeholders should be given the same opportunity to follow Group developments. Nobel Biocare's reporting and transparency surpasses legal requirements.

Investor Relations (IR) is a staff function at Nobel Biocare and reports to the CEO, who has the ultimate responsibility for all external information to the financial community. The IR Department has the task of continuously providing shareholders and the stock market with factual, relevant information.

Nobel Biocare's general information policy in financial matters provides that Nobel Biocare will not publish explicit earnings forecasts. However, the Board of Directors has issued guidelines to make sure that investors will be informed in a timely and appropriate fashion in compliance with the rules specified in the registration contracts with the SWX Swiss Exchange, and Stockholmsbörsen (The Stockholm Stock Exchange), Sweden, respectively.

Insider Trading Policy

In order to prevent insiders from benefiting from confidential information, the Board of Directors issued guidelines on how to deter both corporate insiders and external consultants from making use of confidential information. The Board of Directors has established so called blocking periods to prevent insiders from trading during sensitive periods.

In December of 2005, the Board of Directors approved a new Insider Directive, which is in compliance with the EU directive on Market Abuse.

Financial Reporting and Contact Information

Nobel Biocare publishes the Group's financial accounts, together with interim reports, every quarter. These reports are published in German, Swedish and English. In each case, results are published before the stock market opens by way of the media and a posting on the Company's website (www.nobelbiocare.com).

Media and analyst conferences take place at least once a year. Telephone conferences for analysts and investors take place at least once every quarter.

On www.nobelbiocare.com, the Company offers access to its current share price, annual reports, quarterly reports, media releases and presentations of investors' and analysts' conferences. The website also presents a financial calendar listing all relevant dates for investors.

2006 Financial Calendar

Interim Report 1, January – March	3 May
Annual General Meeting	3 May
Ex-dividend date	8 May
Payment of dividend	8 May
Interim Report 2, April – June	10 August
Interim Report 3, July – September	19 October

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Executive Management Team



> Robert Gottlander > Thomas M. Olsen > Mathias Krebs > Heliane Canepa > Thomas F. Bögli > Kevin L. Mosher

> Heliane Canepa

President & CEO

Heliane Canepa has been the President & CEO of Nobel Biocare AB, Sweden, since August 2001. In 2002, Heliane Canepa also became CEO of the new Group parent company Nobel Biocare Holding AG. Before joining Nobel Biocare, Heliane Canepa was for 20 years the CEO of the Swiss and US based company Schneider Worldwide, a medtech company in the cardiology, balloon dilatation field. In 1995, Heliane Canepa was named "Female Entrepreneur of the year" and in 2000 "Entrepreneur of the year" in Switzerland.

Education: Business school in Dornbirn, Austria, West London College in London, UK, Sorbonne, Université de Paris, Foreign Executive Development Program at Princeton University, USA.

External assignments: Member of the board of the Medtech company Phonak AG (hearing aids).

> Thomas F. Bögli

Chief Financial Officer

Thomas F. Bögli was appointed Chief Financial Officer of Nobel Biocare as per 1 August 2004. Thomas F. Bögli has extensive experience from various executive financial positions in pharmaceuticals and information technology companies. Most recently, he has been the CFO for Von Roll AG, an industrial conglomerate based in Zurich.

Education: PhD in Economics, University of Zurich, Switzerland.

> Robert Gottlander

Executive Vice President, Marketing and Products

Robert Gottlander joined the management group in 2002 as Vice President Global Marketing Management. Robert Gottlander took active part in the launch of Brånemark System and Procera® globally and has held several positions within Nobel Biocare since 1984.

Education: School of Dentistry, University of Gothenburg, Sweden, Business program, Northwestern University, Chicago, USA.

> Mathias Krebs

Executive Vice President, Planning and Technology

Mathias Krebs has considerable experience from several international top management positions within Fresenius Medical Care Group, SGL Carbon AG and Robert Bosch GmbH. Most recently he was Managing Director of the medical division of the Trumpf Group, a leading company in engineering and production technology.

Education: Dr. rer. pol. (PhD in Economics) University of Mannheim, Germany.

> Kevin L. Mosher

Vice President & General Manager, North America

Kevin L. Mosher was appointed Vice President and General Manager for North America in June 2004. Prior to joining Nobel Biocare, Kevin L. Mosher had been President, the Americas, and earlier Vice President Sales & Marketing, for medical device manufacturer Masimo Corporation. Other experiences include executive positions with Applied Magic, Inc., Cadence Design Systems, Inc. and selling & marketing positions with Johnson & Johnson and Baxter Healthcare Corporation. He began his career as a logistics supply officer in the US Navy.

Education: BS, Applied Engineering Sciences, U.S. Naval Academy.

> Thomas M. Olsen

Vice President, Latin America, Asia/Pacific

Thomas M. Olsen has been Vice President of International Markets; Asia/Pacific, Latin America and Emerging Markets, since 1999. He has more than 22 years of experience in the dental industry. Thomas M. Olsen entered the implant industry with Steri-Oss in 1994 and became Vice President of Sales and Marketing in 1997.

Education: BA, Long Beach State University, Executive MBA program, University of La Verne, USA.

Financial Reporting

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Key Figures¹

in EUR mn	2005	2004 ³	2003	2002	2001 ²
Income Statement					
Revenue	484.5	388.4	334.0	311.2	288.2
Profit from operations, excluding restructuring expenses and inventory revaluation (2001)	162.3	114.8	87.2	70.2	46.2
Restructuring expenses and inventory revaluation (2001)	–	–	–	7.2	7.2
Profit from operations	162.3	114.8	87.2	63.0	39.0
Profit before tax	188.4	116.1	91.3	61.1	36.4
PROFIT FOR THE YEAR	154.7	91.6	72.0	37.8	20.2
Balance Sheet					
Non-current assets	194.3	170.4	166.1	182.3	214.8
Current assets	321.4	299.7	212.4	142.0	108.4
TOTAL ASSETS	515.7	470.1	378.5	324.3	323.2
Equity attributable to equity holders of Nobel Biocare	357.7	355.1	283.5	212.7	204.4
Minority interest	–	1.2	2.5	2.2	–
Provisions	16.7	22.1	22.4	23.0	21.6
Non-current liabilities	12.2	14.0	8.1	32.5	47.8
Current liabilities	129.1	77.7	62.0	53.9	49.4
TOTAL EQUITY AND LIABILITIES	515.7	470.1	378.5	324.3	323.2
Net cash position	128.4	194.2	108.7	21.4	–28.9
Miscellaneous					
Net cash from operating activities	107.8	131.3	83.4	70.3	76.6
Investments in property, plant and equipment	19.6	16.1	12.8	11.1	10.6
Employees (number)	1,648	1,430	1,363	1,330	1,328
Key Ratios					
Growth in revenue (%)	25	16	7	8	15
EBITA-margin (%)	33.5	31.8	28.9	23.6	16.0
EBIT-margin (%)	33.5	29.6	26.1	20.3	13.5
Net profit margin (%)	31.9	23.6	21.6	12.1	7.0
Return on equity (%)	42.4	28.9	30.2	18.4	10.1
Return on capital employed (%)	53.8	37.1	36.0	25.8	14.1
Equity/assets ratio (%)	69	76	75	66	63
Net debt/equity ratio (%)	–49.8	–54.9	–38.3	–10.1	14.1
Net debt/EBITA (times)	–1.10	–1.59	–1.12	–0.29	0.54
Interest coverage ratio (times)	59.2	50.4	26.3	17.4	10.1
Key Ratios, excluding restructuring expenses and inventory revaluation (2001)					
EBITA-margin (%)	33.5	31.8	28.9	26.0	18.5
EBIT-margin (%)	33.5	29.6	26.1	22.6	16.0
Return on equity (%)	42.4	28.9	30.2	20.6	12.3
Return on capital employed (%)	53.8	37.1	36.0	28.6	16.6

¹ The figures for 2001 refer to Nobel Biocare AB. The figures for 2002 refer to Nobel Biocare Holding AG and Nobel Biocare AB.

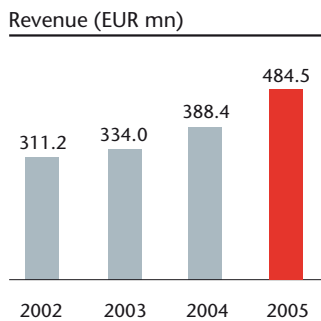
² Recalculated due to IFRS

³ Certain comparatives were reclassified to conform with the current year's presentation. The comparatives were also restated to reflect the implementation of IFRS 2 Share-based Payment as of 1 January 2005.

Financial Review

Revenue

Revenue increased in 2005 by EUR 96.2 million, or 24.8 percent, to EUR 484.5 million, from EUR 388.4 million in 2004. The revenue growth in EUR was impacted by a positive currency effect primarily related to a stronger US currency. In local currencies the revenue increased by 24.0 percent, above the estimated market growth of currently 18 to 20 percent. All regions developed positively with North America leading the pace with 36.4 percent growth. This



growth is a direct result of the Group's complete, innovative and constantly updated portfolio of solutions and products, which offer dental professionals scientifically proven choices for all indications. Increased training and education efforts as well as a bigger sales force strengthened the positive effect.

Revenue in Europe increased by EUR 26.7 million, or 14.1 percent, to EUR 216.5 million, from EUR 189.8 million the year before. Currency fluctuations did not influence the growth in Europe. With 44.7 (48.9) percent of total revenue, Europe is the strongest region. Denmark, the Netherlands, Norway, Spain, Switzerland and the UK reported strong sales

throughout the year. Revenue in Germany, the biggest European market, showed a moderate development in a difficult market environment due to the confusion surrounding the healthcare reform and the general economic development. Sweden was negatively impacted by a change in the healthcare system.

In North America, revenue in 2005 amounted to EUR 180.1 million, compared with EUR 132.1 million in 2004. This represents a record growth of 36.4 percent. Without the positive currency effect, there was still a strong growth rate of 35.0 percent. North America already represents 37.2 (34.0) percent of the Group's revenue. Revenue in the Asia/Pacific region increased by EUR 14.5 million, or 31.8 percent, to EUR 60.1 million, from EUR

45.6 million in 2004. In local currencies revenue increased by 31.7 percent. The Asia/Pacific region contributes 12.4 (11.7) percent to the Group's revenue.

The remaining countries increased revenue by EUR 6.9 million, or 33.0 percent, to EUR 27.8 million, from EUR 20.9 million the year before. In local currencies revenue increased by 26.3 percent.

Key Events

In 2005, Nobel Biocare continued its high pace of innovation to address the fast increasing 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. The highlights in 2005 were:

Nobel Biocare World Conference 2005

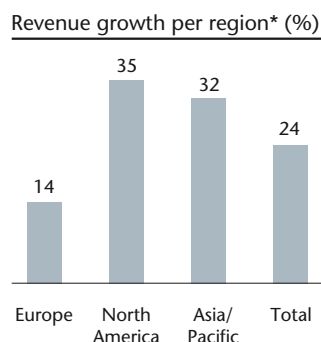
From 5 to 9 June, more than 6,000 dental professionals from over 70 countries participated at the second Nobel Biocare World Conference in Las Vegas. Featuring the theme "best evidence-based solution for your patients", emphasizing minimally invasive dental solutions, the program included seven live surgeries and lectures and focus sessions by more than 170 of the world's leading dental experts.

560 new products open up esthetic and implant dentistry to more dental professionals

Thanks to a solution-based approach, 560 scientifically-proven products were introduced, each based on the Group's proven three core concepts of Easy Esthetics™, Immediate Functions™ and Soft Tissue Integration™. Launch highlights include Nobel Guide™, a fully flexible package of minimally invasive guided surgery procedures, enhanced implant features such as grooves, rationalized and simplified drill protocols and fully modular Implant Kits. Every solution has been designed to minimize chair-time, improve productivity and maximize successful, lasting and esthetic outcomes, helping to break down the patient's barriers of time, discomfort and cost.

Exclusive licensing agreement with Wyeth to use rhBMP-2 protein for dental implants

This license agreement between Wyeth and the Group grants the Group exclusive rights to recombinant human Bone Morphogenetic Protein-2 (rhBMP-2) in combination with dental implants for North & South America, Australia, New Zealand, Africa and the Middle East.



* Local currencies

180.1 million, compared with EUR 132.1 million in 2004. This represents a record growth of 36.4 percent. Without the positive currency effect, there was still a strong growth rate of 35.0 percent. North America already represents 37.2 (34.0) percent of the Group's revenue. Revenue in the Asia/Pacific region increased by EUR 14.5 million, or 31.8 percent, to EUR 60.1 million, from EUR

The companies have collaborated since 1997 on projects involving biologics and bone induction. Experimental research has shown that it is possible to make new bone at dental implants with a technology that combines rhBMP-2 and the Group's unique implant surface TiUnite®. This breakthrough technology is expected to alter surgical procedures for patients who do not have sufficient quantities of bone and to provide them with fast, painless minimal-invasive solutions.

Second Ceramic Center opened

Rapidly growing demand for esthetic dental solutions is driving the need for greater access to training and technology. In early April, the Group inaugurated its North American Ceramic Center in Mahwah, NJ. It features a Procera® manufacturing facility and a dental training institute.

Excellent clinical results on benchmark surface TiUnite®

The scientific evidence on the biomaterial surface NobelGuide® was updated with excellent four-year clinical results proving its leading benchmark portfolio. The study confirms and supports clinical benefits of the remarkable osseointegrative properties, allowing bone to grow into the pores of the surface. Overall, the scientific evidence of TiUnite® consists of 58 scientific publications studies, including unique human histology evaluations.

Sustainable development

Maintaining high quality is of utmost importance for a medical device company. The Group's commitment to highest quality was recognized with the new global Quality certificate, ISO 13485:2003.

40 year anniversary

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.

Training and Education

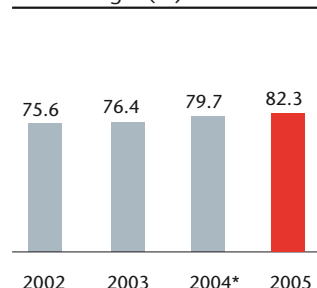
Approximately 251,000 participants, up from 165,000 a year ago, took advantage of a wide variety of training and education events. The Group also offers on-line education.

Gross Profit

In 2005, the gross profit increased by EUR 88.9 million, or 28.7 percent, to EUR 398.5 million, from EUR 309.6 million in 2004. As the year before, the obsolescence cost related to inventory rationalization, expensed under cost of sales, was EUR 2.1 million in 2005.

The gross margin for 2005 was 82.3 percent, compared with 79.7 percent in 2004.

Gross Margin (%)



Profit from Operations

In 2005, profit from operations, EBIT, increased by 41.3 percent to EUR 162.3 million (114.8 million). The EBIT margin increased to 33.5 percent from 29.6 percent the year before. The total year-on-year currency impact on profit from operations was a positive EUR 3.1 million.

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.

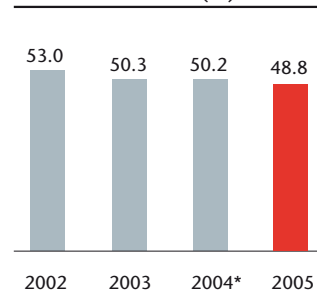
Personnel cost related to the staff option program (IFRS 2) amounted to EUR 6.8 million for 2005, compared with EUR 4.0 million the year before. Social charges related to Nobel Biocare's staff option program were EUR 6.5 million (7.1 million). A positive decision from a social security authority had a positive one-time effect of EUR 2.3 million.

In line with the new accounting guidelines, the Group ceased amortization of goodwill starting 1 January 2005. The goodwill amortization in 2004 was EUR 8.6 million.

Depreciation amounted to EUR 12.8 million, compared with EUR 11.4 million the year before.

As a consequence, operating expenses in 2005 amounted to EUR 236.2 million (194.8 million) or 48.8 percent of revenue (50.2 percent).

Operating Expenses in Percent of Revenue (%)



* Certain 2004 numbers were reclassified to conform with current period's presentation. For further information please refer to Significant Accounting Policies on page 73.

Financial Result and Net Profit

The net financial result for the year was an expense of EUR 4.5 million (2004: EUR 0.8 million).

The main reason for this net result was a negative impact of exchange losses of EUR 3.9 million, compared to EUR 1.4 million the year before.

Additionally, the sale of the 34.6 percent share of Entific Medical Systems AB resulted in a profit of EUR 30.6 million.

In 2005, net profit increased by 68.9 percent or EUR 63.1 million to EUR 154.7 million, from EUR 91.6 million in 2004.

Investments

To sustain growth and further increase efficiency, the upgrading of all four manufacturing as well as training facilities continued in 2005. The Group opened its second Ceramic Center in Mahwah, New Jersey, USA, to meet the increasing demand for the Procera® product range. It includes expanded production facilities together with research labs and training facilities.

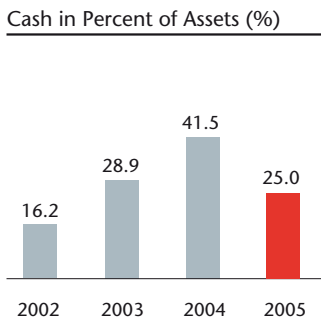
Capital expenditures on tangible and intangible assets (including the acquisition of minority shares in Nobel Biocare AB) amounted to EUR 31.0 million (31.6 million), whereof EUR 9.9 million relates to investments in production facilities.

Liquidity and Financial Position

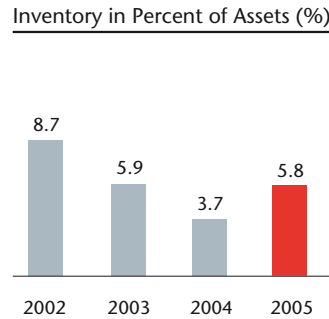
Cash flow from operating activities amounted to EUR 107.8 million for the full year 2005, compared with EUR 131.3 million in 2004.

Inventory amounted to EUR 30.1 million, compared with EUR 17.6 million at the end of December 2004. The increase is mainly related to the introduction of 560 new products during 2005.

Trade receivables totaled EUR 105.0 million, up from EUR 71.0 million at the end of 2004. The Days of Sales Outstanding (DSO) increased slightly during 2005.



Financial investments, cash and cash equivalents totaled EUR 163.9 million (31 December 2004: EUR 194.9 million).



At the Annual General Meeting, a share buy back program to source the Group's staff option program was introduced. During 2005, 739,650 shares were acquired for an amount of EUR 126.0 million.

Shareholders' equity per share increased to EUR 14.00 (31 December 2004: EUR 13.86).

Risk Management & Sensitivity Analyses

As a fast growing, innovative medical technology company, Nobel Biocare is exposed to a number of financial and operational risks.

Financial Risks

Management of the Group's financial risks takes place within Nobel Biocare AB, Sweden. The Treasury Department acts as an in-house bank for the Group and complies with all needs relating to financing and investment. The policy for handling financial risks has been set by Nobel Biocare's Board and is reviewed yearly.

In principle, financial risks are to be limited within Nobel Biocare.

Currency Risk

Currency risk is defined as the risk of a loss when exchange rates change.

Nobel Biocare Group's sales are nominated in many different currencies. The table "Currency Inflow" shows the split into the major currencies.

Currency Inflow

in %	2005	2004
EUR	33	36
USD	32	30
CAD	5	5
SEK	4	6
YEN	7	6
Other*	19	17

* no other currency represents 5 percent or more

By invoicing the entities in local currencies, the major part of the transactional currency risk within the Group is concentrated to Nobel Biocare AB, Sweden, and to a lesser extent in Nobel Biocare LLC, USA. The structure of the outflow is shown in the table "Currency Outflow".

Currency Outflow

in %	2005	2004
EUR	24	27
USD	17	15
CHF	12	12
SEK	31	30
Other*	16	16

* no other currency represents 5 percent or more

The above tables illustrate that Nobel Biocare is exposed to fluctuations in the exchange rates of a large number of currencies. The most significant exposure exists towards the Swedish Krona (SEK) and the US Dollar. Therefore, the forecast for expected net payments in other currencies than SEK are hedged in accordance with the approved finance policy. Derivative hedging contracts are continuously made for 50–90 percent of these flows for the upcoming 6 months and between 25–50 percent for the upcoming 7–12 months.

At the end of 2005, around 57 (54) percent of the anticipated cash flow in 2006 was hedged. Outstanding hedge contracts corresponded to EUR 127.7 million (106.6 million).

The table "Hedged Anticipated Currency Flows" shows the hedging that took place for the most important currencies on 31 December 2005 towards the Swedish SEK.

Hedged Anticipated Currency Flows

	Secured		31 Dec 2005
	Secured (%)	Average rate (to SEK)	
EUR	58	9.31	9.43
USD	56	7.49	7.95
JPY	61	0.0686	0.0678
CAD	54	6.40	6.84
CHF	64	6.05	6.06
GBP	59	13.78	13.73
AUD	54	5.79	5.83
HKD	50	1.01	1.03
DKK	49	1.25	1.26
NOK	52	1.18	1.18

The table "Transactional Effect" shows how the value of the anticipated flows against the reporting currency EUR of the most important currencies is affected by a general 10 percent strengthening of the currency against the EUR.

Transactional Effect (EUR mn)

USD	9.8
SEK	-8.8
CHF	-3.4
CAD	1.8
JPY	1.9

The table “*Translational Effect*” shows the impact in EUR on the Group revenue and EBIT at a one percent decrease in value of each currency. The most significant effects are concentrated to USD and SEK, where both production facilities and global functions are situated besides the local sales functions.

Translational Effect (EUR mn)

The table shows the effect on consolidated revenue and EBIT as a result of one percent increase in the value of the respective currency.

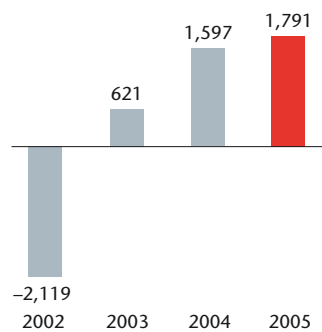
	USD	SEK	Other
Net Revenue	1.6	0.3	1.4
EBIT	0.1	1.5	0.0

The above tables transactional and translational currency effect show the isolated impact. In reality, transactional and translational effects are influenced by each other.

Interest Rate Risk

Interest rate risk is defined as the risk that the value of interest-bearing assets and liabilities will change when the market interest rate changes.

Net Interest Received/(Paid)
(EUR '000)



The handling of the Group's liquid funds and loans is coordinated at central level. According to the internal policy for handling financial risks, the average fixed interest period must not exceed 360 days. As of 31 December 2005, the average fixed interest period of fixed term deposits was 78 (92) days with an average interest rate of 1.60 (2.07) percent.

A change of one percentage point in the interest rate will have an earnings impact of estimated EUR 1.7 million (1.7 million) on an annual basis.

Credit Risk

Credit risk is defined as the risk that the Group will make a loss when counterparties are unable to perform their undertakings. A credit risk arises both when liquid funds are invested and in the

form of counterparty risks when derivatives are entered into.

Credit risk is handled and assessed centrally. To reduce the credit risk, Nobel Biocare only deals with counterparties with high credit ratings. Excess cash in local companies is placed intragroup, either through the usage of cash pools or by an investment with the Treasury Department.

No external investments longer than 12 months are permitted. Regarding the commercial credit risk, no individual customers represent a significant portion of the Group's revenue.

Liquidity Risk

Liquidity risk is defined as the risk that the Group will not have liquid funds available to complete its undertakings.

In order to have liquid funds on hand at all times, the Group should always have funds corresponding to 1 month of total expenses available.

Risks Related to Operations

The risks related to operations in a medical technology company such as Nobel Biocare include those associated with quality assurance, regulatory affairs, patient safety, employees, supply chain, legal issues and intellectual property rights.

The development cycle for Nobel Biocare's operations is normally far shorter than that in the pharmaceutical industry. It often takes between 1 and 2 years from concept to launch. This means that uncertainty relating to clinical trials, for example, does not represent a decisive risk for the Company.

Risks Related to Regulatory Affairs and Patient Safety

Product and operation approvals by the authorities and product liability are regarded as significant risks in any medical technology business such as Nobel Biocare's. Areas of importance are the product approval and registration process, quality assurance as well as the product verification and validation processes. The Company has not faced any negative outcome in this respect for at least 10 years.

To reduce its exposure to the risks, Nobel Biocare works in compliance with the Food and Drug Administration's Quality System Regulations, Medical Device Directive 93/42/EEC, ISO 13485 – Quality Management System for Medical Devices and other applicable regulations. Nobel Biocare also makes ongoing efforts to develop and further improve these key risk processes.

Risks Related to Employees

The main risk related to employees includes the risk of losing key personnel, including management, resulting in losses of competence and momentum. However, this risk is not regarded as significant for Nobel Biocare.

Nobel Biocare operates leadership development programs as well as a system for creating alternative pathways for employees within the R&D operations. For the past several years, the Company has also offered various incentive programs for a number of key individuals.

Salaries, other remuneration and payroll overheads, which are adapted to local market conditions, constitute Nobel Biocare's largest item of expenditure and correspond to around 25 percent of revenue. All things being equal, a 1 percent increase in payroll expenses affects Nobel Biocare's operating income, EBIT, by 0.8 (0.8) percent and the EBIT margin by 0.25 (0.20) percentage unit, based on the level of payroll expenses for 2005.

Risks Related to Supply Chain

In general, the main risks in this category are production disturbances, dependency on specific suppliers and price fluctuations for purchased products. For a fast-growing company like Nobel Biocare, there is also a risk related to production capacity.

Production disturbances can occur for any number of reasons, such as technological problems, strikes and fire. Therefore, all factories have developed contingency plans and the Group is fully insured for any losses due to interruption. Furthermore, the Company minimizes this risk by having multiple production facilities for the complete assortment.

Two facilities in Karlskoga, Sweden, and Yorba Linda, USA, manage Nobel Biocare's implant production using global standardized processes with generic technology solutions. The factories are fully compatible and able to transfer production at short notice if need be.

The factories for individualized production in Stockholm, Sweden, and New Jersey, USA, utilize a common system sharing technologies. This not only ensures uniform compatibility; it also allows orders to be immediately transferred from one to the other of the production facilities.

The capacity for implant production is secured through long-term owned or leased facilities with infrastructures supporting strong volume increases. Space in these facilities also allows for further expansion for the coming years.

Product procurement takes place from suppliers with generic technology, thus making it possible to shift purchases from one

supplier to another. This means that Nobel Biocare is not dependent on any specific supplier.

An additional benefit is a minimized risk of increased prices of purchased products (Cost of Sales), representing a significant expense item on Nobel Biocare's income statement. This item largely consists of the cost of producing and purchasing finished and semi-finished products, plus the purchase of such goods as titanium, ceramic powder and packaging material. However, none of these individual categories is so large as to represent a significant risk in terms of price or cost changes.

Legal Risks and Risks Related to Intellectual Property (IP) Rights

Nobel Biocare's success is partly dependent on patent and other IP protection for its products and systems. As an example, the IP protection is important when it comes to Procera®, which is therefore surrounded by comprehensive system patents as well as other IP protective and contractual rights. Within Dental Implants, the high rate of development and introduction is of equal importance as IP protection.

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 Dr. Small's 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 a 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.

Consolidated Income Statement

in EUR '000	Note	2005	2004*
Revenue	1	484,535	388,360
Cost of sales		-85,996	-78,750
GROSS PROFIT		398,539	309,610
Selling expenses		-156,341	-132,897
Administrative expenses		-62,839	-47,853
Research and development expenses		-17,071	-14,029
PROFIT FROM OPERATIONS		162,288	114,831
Financial income	3	16,961	12,072
Financial expenses	4	-21,446	-12,847
Income from associate		-	2,065
Gain on disposal of associate	5	30,627	-
PROFIT BEFORE TAX		188,430	116,121
Income tax expenses	6	-33,780	-24,016
PROFIT FOR THE YEAR		154,650	92,105
Profit attributable to			
Equity holders of Nobel Bicoare		154,650	91,575
Minority interest		-	530
PROFIT FOR THE YEAR		154,650	92,105
Basic earnings per share	(EUR) 16	6.05	3.58
Diluted earnings per share	(EUR) 16	5.97	3.53

* Certain comparatives were reclassified to conform with the current year's presentation. The comparatives were also restated to reflect the implementation of IFRS 2 Share-based Payments as of 1 January 2005.

Consolidated Balance Sheet

in EUR '000	Note	31 Dec 2005	31 Dec 2004*
Assets			
Land and buildings		1,249	1,362
Machinery		22,118	17,668
Equipment		18,873	12,963
PROPERTY, PLANT AND EQUIPMENT	7	42,240	31,993
Goodwill		130,429	118,670
Other intangible assets		6,861	4,091
INTANGIBLE ASSETS	8	137,290	122,761
Investment in associate	5	–	4,373
Receivables	9	1,633	752
FINANCIAL ASSETS		1,633	5,125
Deferred tax assets	20	13,174	10,526
TOTAL NON-CURRENT ASSETS		194,337	170,405
Inventories	10	30,136	17,619
Trade receivables	11	104,974	71,006
Income tax receivables		1,323	1,335
Other receivables	12	15,675	2,272
Prepaid expenses and accrued income	13	5,382	12,582
Financial investments	14	34,876	–
Cash and cash equivalents	14	128,989	194,891
TOTAL CURRENT ASSETS		321,355	299,705
TOTAL ASSETS		515,692	470,110

* Certain comparatives were reclassified to conform with the current year's presentation.

in EUR '000	Note	31 Dec 2005	31 Dec 2004*
Equity and Liabilities			
Share capital		33,349	33,295
Share premium		98,417	88,456
Treasury shares	15	-126,395	-368
Retained earnings		352,289	233,718
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF NOBEL BIOCARE	15	357,660	355,101
Minority Interest		-	1,171
TOTAL EQUITY		357,660	356,272
Interest-bearing loan	17	-	708
Deferred tax liabilities	20	12,244	13,324
Provisions	19	16,644	22,155
TOTAL NON-CURRENT LIABILITIES		28,888	36,187
Bank overdraft	14	551	-
Trade payables		18,883	12,939
Income tax payables		30,319	21,063
Other liabilities	21	37,291	10,797
Accrued expenses and deferred income	22	42,100	32,852
TOTAL CURRENT LIABILITIES		129,144	77,651
TOTAL LIABILITIES		158,032	113,838
TOTAL EQUITY AND LIABILITIES		515,692	470,110

* Certain comparatives were reclassified to conform with the current year's presentation.

Consolidated Statement of Changes in Equity

in EUR '000	NOTE	SHARE CAPITAL	SHARE PREMIUM	TREASURY SHARES	TRANSLATION RESERVE
BALANCE AT 1 JAN 2004		32,687	79,611	-359	-6,868
Foreign exchange translation differences		308	750	-9	-14,494
Gain (loss) on hedging instruments	26	-	-	-	-
NET GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY		308	750	-9	-14,494
Profit for the year		-	-	-	-
TOTAL RECOGNIZED INCOME AND EXPENSE FOR THE YEAR		308	750	-9	-14,494
Share options and warrants exercised	15, 18	300	8,095	-	-
Effect of staff option program	2, 18	-	-	-	-
Dividends to shareholders		-	-	-	-
Change in minority interest		-	-	-	-
BALANCE AT 31 DEC 2004	15	33,295	88,456	-368	-21,362
BALANCE AT 1 JAN 2005		33,295	88,456	-368	-21,362
Foreign exchange translation differences		-233	-619	3	3,908
Gain (loss) on hedging instruments	26	-	-	-	-
NET GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY		-233	-619	3	3,908
Profit for the year		-	-	-	-
TOTAL RECOGNIZED INCOME AND EXPENSE FOR THE YEAR		-233	-619	3	3,908
Acquisition of treasury shares	15	-	-	-126,030	-
Share options and warrants exercised	15, 18	287	10,580	-	-
Effect of staff option program	2, 18	-	-	-	-
Dividends to shareholders	15	-	-	-	-
Change in minority interest		-	-	-	-
BALANCE AT 31 DEC 2005	15	33,349	98,417	-126,395	-17,454

* Certain comparatives were reclassified to conform with the current year's presentation.

HEDGING RESERVE	OTHER RETAINED EARNINGS	TOTAL RETAINED EARNINGS	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF NOBEL BIOCARE	MINORITY INTEREST	TOTAL EQUITY
-426	178,811	171,517	283,456	2,507	285,963
-	-	-14,494	-13,445	-	-13,445
2,655	-	2,655	2,655	-	2,655
2,655	-	-11,839	-10,790	-	-10,790
-	91,575	91,575	91,575	530	92,105
2,655	91,575	79,736	80,785	530	81,315
-	-	-	8,395	-	8,395
-	3,960	3,960	3,960	-	3,960
-	-21,495	-21,495	-21,495	-	-21,495
-	-	-	-	-1,866	-1,866
2,229	252,851	233,718	355,101	1,171	356,272
2,229	252,851	233,718	355,101	1,171	356,272
-	-	3,908	3,059	-	3,059
-2,814	-	-2,814	-2,814	-	-2,814
-2,814	-	1,094	245	-	245
-	154,650	154,650	154,650	-	154,650
-2,814	154,650	155,744	154,895	-	154,895
-	-	-	-126,030	-	-126,030
-	-	-	10,867	-	10,867
-	6,761	6,761	6,761	-	6,761
-	-43,934	-43,934	-43,934	-	-43,934
-	-	-	-	-1,171	-1,171
-585	370,328	352,289	357,660	-	357,660

Consolidated Cash Flow Statement

in EUR '000	Note	2005	2004*
PROFIT BEFORE TAX		188,430	116,121
Adjusted for			
Depreciation and amortization and impairment losses		12,823	20,012
Financial income		-3,262	-2,943
Financial expenses		3,236	2,721
Income from associate		-	-2,065
Gain on disposal of associate		-30,627	-
Expense for staff option program	2	6,761	3,960
Other non-cash income and expenses		-7,117	3,351
Changes in working capital and provisions			
Increase in trade and other receivables		-41,058	-11,533
Increase/decrease in inventories		-12,517	4,780
Increase in trade and other payables	21	19,641	158
Increase/decrease in provisions, accrued expenses and deferred income		-278	9,801
Income taxes paid		-28,259	-13,071
NET CASH FROM OPERATING ACTIVITIES		107,773	131,292
Acquisition of property, plant and equipment	7	-19,591	-16,127
Acquisition of intangible assets	8	-5,467	-3,809
Acquisition of minority interest	8	-3,584	-13,147
Disposal of associate	5	38,649	-
Acquisition of financial investments	14	-34,876	-
Interest received		3,262	2,810
NET CASH USED IN INVESTING ACTIVITIES		-21,607	-30,273
Exercised warrants and options	15, 18	10,866	8,395
Acquisition of treasury shares	15	-117,244	-
Decrease in interest-bearing liabilities	17	-695	-
Interest paid		-1,471	-1,213
Dividends paid		-43,934	-21,495
NET CASH USED IN FINANCING ACTIVITIES		-152,478	-14,313
Increase/decrease in cash and cash equivalents		-66,312	86,706
Net cash and cash equivalents as at 1 Jan		194,891	109,504
Effect of exchange rate differences on cash held		-141	-1,319
NET CASH AND CASH EQUIVALENTS AT 31 DEC	14	128,438	194,891

* Certain comparatives were reclassified to confirm with the current year's presentation.

Significant Accounting Policies

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®, NobelSpeedy™, NobelReplace™, NobelPerfect®, NobelDirect®, Replace® Select, (dental implants) and Procera® (individualized prosthetics).

Formation of the Group

In April 2002, the Board of Directors of Nobel Biocare AB, the former parent company of the Group, announced a decision to undergo a change of domicile from Sweden to Switzerland. Due to legal and tax reasons, a direct change of domicile of Nobel Biocare AB to Switzerland was not feasible. Therefore, a new Swiss company named Nobel Biocare Holding AG was incorporated in Switzerland.

In May 2002, Nobel Biocare Holding AG launched a public offer to the shareholders of Nobel Biocare AB. 94.6 percent of all the shares in Nobel Biocare AB were exchanged. Nobel Biocare Holding AG acquired an additional 4.3 percent of the shares in Nobel Biocare AB during a prolonged offering period announced in June 2002. In June 2002, Nobel Biocare Holding AG was listed on the SWX Swiss Stock Exchange.

In order to initiate a compulsory redemption process for the remaining 1.1 percent shares of Nobel Biocare AB, Nobel Biocare Holding AG transferred all its shares in Nobel Biocare AB to a wholly-owned subsidiary: Nobel Biocare Sverige AB. The compulsory purchase procedure was initiated on 16 January 2003.

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.

Beginning of February 2005, the remaining minority shareholders agreed that Nobel Biocare Sverige AB could, against a bank guarantee of SEK 49 million, get immediate ownership of the remaining 51,930 shares (0.2 percent) in Nobel Biocare AB. Thereby 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. Therewith Nobel Biocare Holding AB became party in the compulsory redemption process.

Nobel Biocare Holding AG incorporated the majority of the net assets of Nobel Biocare AB at book value. A valuation of the net assets at book value was deemed to present a true and fair view of the transaction, as there was basically not a change in ownership or cash involved in the transaction. However, the shares that Nobel Biocare Group has acquired in the compulsory purchase procedure will be settled in cash. Therefore, approximately 1 percent of the net assets relating to the shares acquired in the compulsory purchase procedure were recognized at fair value.

Statement of Compliance

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis of Preparation

The consolidated financial statements are presented in euro (EUR), rounded to the nearest thousand. Although the parent company is domiciled in Switzerland, the consolidated financial statements are presented in EUR since the Group's cash inflow to a large extent is in EUR. The subsidiaries prepare their individual financial statements using the functional currency in their respective country. The consolidated financial statements are prepared on the historical cost basis except that derivative financial instruments and financial assets classified at fair value through profit or loss are stated at their fair value. Non-current assets and disposal groups held for sale are stated at the lower of the carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRS 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. These judgments, estimates and assump-

tions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis, and revised if necessary. Revisions are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Critical judgments made by management in the application of IFRS that might have a significant effect on the consolidated financial statements and key sources of estimation uncertainties are discussed in the notes, where applicable.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements with the following exceptions:

The Group adopted as of 1 January 2005 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.

Share-based Payment (IFRS 2)

The Group applied IFRS 2 Share-based Payment to its staff option programs 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.

The staff option programs are described in detail in note 18.

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 a 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 6,761 k for the year ended 31 December 2005 and by EUR 3,960 k for the year ended 31 December 2004, while the net profit for the same periods decreased by the same amounts. Comparative figures were restated.

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 8,607 k 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. Goodwill was allocated to cash-generating units. Goodwill is tested annually for impairment in accordance with revised IAS 36 *Impairment of Assets*.

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*.

Business Combinations (IFRS 3)

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

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, separately from the parent shareholders' equity. Comparative figures were reclassified to conform with the new presentation.

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 consolidated financial statements. The Group early adopted amendments to IAS 39: *Cash Flow Hedge Accounting and Forecast Intragroup Transactions* as of 1 January 2005 in order to be able to continue with the current way of hedging forecast sales transactions.

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 financial year.

Foreign Exchange Gains/Losses (IAS 21)

In the past foreign exchange gains and losses as well as the result of hedging transactions related to operations were reported in the income statement under the item Cost of Sales. To increase transparency and reduce the volatility of the gross profit, Nobel Biocare reports as of 1 January 2005 all foreign exchange gains and losses as well as the result of related hedging activities as Financial Income or Financial Expenses. Comparative figures were reclassified to conform with the new presentation.

Due to this reclassification, cost of sales decreased while financial expenses increased by EUR 7,112 k for the year ended 31 December 2005 and by EUR 723 k for the year ended 31 December 2004.

Adoption of New Standards in 2006 or later

The IASB and the IFRIC have issued a number of new and amended standards and interpretations that are effective for financial periods beginning on or after 1 January 2006, or on or after 1 January 2007. The impact of all these standards and interpretations has not yet been systematically analyzed, but none of these standards and interpretations are expected to have a significant impact on the consolidated financial statements.

The Group will apply amendment to IAS 19 *Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures* as of 1 January 2006. IFRS 7 *Financial Instruments: Disclosures* and amendment to IAS 1 – *Presentation of Financial Statements: Capital Disclosures* will be adopted by the Group as of 1 January 2007. These standards will have an impact on the disclosures given but not on the amounts recognized in the consolidated financial statements.

The following standards and interpretations are expected to have no, or no significant, impact on the consolidated financial statements: IFRS 6 *Exploration for and Evaluation of Mineral Resources*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, IFRIC 6 *Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*, IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies* and IFRIC 8 *Scope of IFRS 2*, the amendment to IAS 21 *The Effects of Changes in Foreign Exchange Rates* and the amendments to IAS 39 – *Financial Instruments: Recognition and Measurement* (regarding the fair value option and financial guarantee contracts). The Group early adopted the amendment to IAS 39: *Cash Flow Hedge Accounting and Forecast Intragroup Transactions* as of 1 January 2005.

Basis of Consolidation

Subsidiaries

Subsidiaries are companies controlled by Nobel Biocare Holding AG. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date the control effectively commences until the date control ceases.

According to the full consolidation method, all assets and liabilities as well as income and expenses of the subsidiaries are included in the consolidated financial statements. The share of minority shareholders in the net assets and results is presented separately as minority interests in the consolidated balance sheet and income statement respectively.

Associates

Associates are companies where the Group is able to exercise significant influence, but not control, over the financial and operating policies.

The consolidated financial statements include the Group's share of the total recognized gains and losses of associates on an equity accounting basis, from the date significant influence commences until the date it ceases. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

Transactions Eliminated on Consolidation

Intragroup balances and transactions, and any unrealized gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Foreign Currency

Foreign Currency Transactions

Transactions in foreign currencies are translated at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the foreign exchange rate at the balance sheet date. Non-monetary assets and liabilities in foreign currencies that are stated at historical cost are translated at the foreign exchange rate at the date of the transaction. Non-monetary assets and liabilities in foreign currencies that are stated at fair value are translated at the foreign exchange rate at the date the values were determined.

Foreign exchange differences arising on translation are recognized in the income statement as financial income or financial expenses.

Financial Statements of Foreign Operations

Assets and liabilities of the foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at the foreign exchange rates at the balance sheet date. The revenues and expenses of foreign operations are translated at rates approximating the foreign exchange rates at the dates of the transactions. Foreign exchange differences arising on translation of foreign operations are recognized directly in equity in the translation reserve.

If a loan is made to a foreign operation and the loan in substance forms part of the Group's investment in the foreign operation, foreign exchange differences arising on the loan are also recognized directly in equity. On disposal of a foreign operation, exchange differences recognized in equity are recognized in the income statement as part of the gain or loss on disposal.

Revenue

Revenue from the sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, which is usually on delivery to third parties. Revenue is reported net of sales taxes, discounts, rebates and return of goods.

Financial Income and Expenses

Financial income comprises interest receivable on funds invested, foreign exchange gains, dividends, gains on disposal of financial investments and gains on derivative financial instruments that are recognized in the income statement. Interest income is recognized in the income statement as it accrues, using the effective interest method. Dividend is recognized in the income statement on the date the entity's right to receive payments is established.

Financial expenses comprise of interest payable on loans calculated using the effective interest method, interest expenses derived from net present value calculations on the deferred purchase price related to the acquisition of Nobel Biocare Procera AB, foreign exchange losses, losses on disposal of financial investments and losses on derivative financial instruments that are recognized in the income statement.

Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized, based on the balance sheet liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. No temporary differences are recognized on the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither the accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax recognized is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividend is incurred.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

in Years	
Buildings & Leasehold improvements	25
Machinery	5–8
Equipment	3–5

Intangible Assets

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill arising on an acquisition of a subsidiary or associate represents the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested for impairment every year.

Negative goodwill arising on an acquisition is recognized directly in the income statement.

Intangible Assets Acquired in Business Combinations

Intangible assets acquired in a business combination (including patents, licenses and in-process research and development) are recognized separately from goodwill if they are subject to contractual or legal rights or are separately transferable and their fair value can be reliably estimated.

Research and Development

Expenditure on research and development activities includes the cost of materials, direct labor and an appropriate proportion of overheads relating to research and development.

Expenditure on research activities is expensed as incurred. Expenditure on development activities is capitalized only if the product or process is technically and commercially feasible. Other development expenditure is expensed as incurred. Management does not believe that the development expenditure incurred fulfill the criteria for capitalization.

Patents and Licenses

Patents and licenses (Intellectual Property Rights) acquired by the Group from third parties or in a business combination are stated at cost less accumulated amortization and impairment losses. Amortization is charged to the income statement on a straight-line basis over the estimated useful lives normally not exceeding 5 years.

Other Intangible Assets

Other intangible assets comprise expenditures for computer programs acquired by the Group from third parties or in a business combination.

Other intangible assets are stated at cost less accumulated amortization and impairment losses. Amortization of other intangible assets is charged to the income statement on a straight-line basis over the estimated useful lives not exceeding 5 years.

The Group does not have any intangible assets with indefinite useful lives, except for goodwill.

Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. The Group has no material finance lease contracts.

Leases where all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling costs.

The cost of inventories consisting of material, labor and production costs is calculated according to the first-in, first-out principle. The cost includes expenditure incurred in manufacturing or acquiring the inventories and bringing them to their existing location and condition. Production costs include an appropriate share of overheads based on normal operating capacity.

Loans, Trade and other Receivables

Loans, trade and other receivables are stated at their amortized cost less impairment losses. Impairment losses are recognized on an individual basis, or on a portfolio basis, where there is objective evidence that impairment losses have been incurred.

Derivative Financial Instruments

The Group uses derivative financial instruments to protect itself from fluctuations in currencies and variability in future cash flows. There are established policies and procedures for risk assessment and approval, reporting and monitoring of such instruments. They are not used for trading purposes.

Derivative financial instruments are initially recognized at fair value. Subsequent to initial recognition, derivative financial instruments also are stated at fair value. Any resultant gain or loss on remeasurement of derivative financial instruments that do not qualify for hedge accounting is recognized in the income statement immediately.

All derivatives with a positive fair value are included in Prepaid expenses and accrued income while all derivatives with a negative fair value are included in Accrued expenses and deferred income.

Cash Flow Hedges

The Group applies hedge accounting for future cash flows in USD and SEK. Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a firm commitment or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognized directly in equity.

The cumulative gain or loss is removed from equity and recognized in the income statement at the same time as the hedged transaction. The ineffective part of any gain or loss is recognized in the income statement immediately.

When a hedging instrument is sold, terminated or exercised but the hedged transaction still is expected to occur, the cumulative gain or loss at that point remains in equity and is recognized in accordance with the above policy when the transaction occurs. If

the hedged transaction is no longer probable, the cumulative unrealized gain or loss recognized in equity is recognized in the income statement immediately.

Hedge of Monetary Assets and Liabilities

Where a derivative financial instrument is used to economically hedge the foreign exchange exposure of a recognized monetary asset or liability, no hedge accounting is applied. Any gain or loss on the hedging instrument is recognized as financial income or expenses in the income statement. Related foreign exchange gains and losses are also recognized as financial income or expenses as incurred.

Financial Investments

Financial investments mainly comprise fixed term deposits with a term of more than 90 days up to one year from the date of acquisition. Such fixed term deposits are initially measured at fair value less transaction costs, and subsequently at amortized cost less any impairment losses.

Financial investments also comprise money market, fixed income instruments and equity securities classified as financial assets at fair value through profit or loss. The investments are measured at fair value, with changes in their fair value recognized in the income statement. The Group does not have any financial instruments held for trading.

Cash and Cash Equivalents

Cash includes cash on hand, on postal accounts and at banks. Cash equivalents comprise fixed term deposits or call deposits with a term of less than 90 days from the date of acquisition.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Impairment

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill is tested for impairment every year.

An impairment loss is recognized in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount of assets is the greater of their fair value less costs to sell and value in use.

An impairment loss is reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. However, an impairment loss of goodwill is not reversed.

Share Capital

Ordinary shares with discretionary dividends are classified as equity. Dividends on ordinary shares are recognized in equity in the period in which they are declared.

When the Company or its subsidiaries purchase the Company's own shares, the consideration paid, including any attributable transaction cost, is presented as treasury shares and deducted from equity. Where such shares are subsequently sold or reissued, any consideration received is included in equity.

Interest Bearing Loans

Interest-bearing loans are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest bearing loans are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the loans on an effective interest basis.

Employee Benefits

The Group operates or participates in both defined contribution and defined benefit plans throughout the world according to national laws and regulations of the countries in which it operates.

Defined Contribution Plans

Except for Sweden (which is a defined benefit plan but treated like a defined contribution plan, see below), the majority of the Group's pension commitments are defined contribution plans in which regular payments are made to independent authorities or bodies that administer pension plans.

Obligations for contributions to defined contribution plans are recognized as an expense in the income statement as incurred.

Defined Benefit Plans

Where the Group has personnel pension funds with defined benefit components (Japan and Italy), the net obligation is determined in accordance with the projected unit credit method. The amount of future benefit that employees have earned in return for their service in the current and prior periods is estimated. This benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at balance sheet date on AAA credit rated bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary on an annual basis. The net obligation is calculated separately for each defined benefit plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent

that the benefits vest immediately, the expense is recognized immediately in the income statement.

Actuarial gains and losses arising from subsequent calculations are recognized to the extent that they exceed 10 percent of the higher of the defined benefit obligation and the fair value of the plan assets. The amount exceeding this corridor is amortized over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognized.

Where the calculation results in a benefit to the Group, the recognized asset is limited to the total of any cumulative unrecognized net actuarial losses and past service cost and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The Swedish ITP plan primarily covers the following benefits:

- > Retirement pension
- > ITPK (complementary occupational pension)
- > Disability pension
- > Group family pension

Virtually every clerical employee in the private sector in Sweden is covered by the ITP plan. The plan is financed by employers, who determine whether the pension insurance is to be insured with Alecta (Alecta Pensionsförsäkring, Ömsesidigt) or, alternatively, as regards retirement pension and ITPK, whether provision is to be made in-house by companies within the framework of the FPG/PRI system. The Group has elected to take out pension insurance with Alecta.

Irrespective of how the plan is financed – via pension insurance with Alecta or through in-house provisions by companies – the plan is a defined-benefit scheme in respect of retirement pensions and group family pensions. Paid pensions are related to the employee's final salary and the total employment period covered by the plan. This means that the Company should report its proportional share of the defined-benefit commitments, and the assets under management and expenses associated with the plan in the same manner as any other defined benefit plan, and provide the information required for such plans.

Alecta is currently unable to provide sufficient information to report the Group's proportional share of the defined-benefit commitments and the assets under management and expenses associated with the plan. Consequently, Alecta cannot provide the information regarding the Group's proportional share of the surplus or deficit in the plan. As a result, and in line with the proposal of FAR, the Swedish Institute of Authorized Public Accountants, the scheme is reported as if it were a defined contribution plan, although it is actually a defined benefit plan.

The Nobel Biocare Group has also defined benefit plans in Japan and Italy and has carried out calculations in accordance with the methods and assumptions stipulated by IAS 19. The obligations for these defined benefit plans are not material.

Share-based Payment Transactions

A staff option program allows senior executives and key persons to acquire shares of the Company. 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 a personnel expense is adjusted to reflect the actual number of options that vest.

The Group accrues for the expected cost of social charges in connection with the exercise of the options. The dilution effect of the options is considered when calculating diluted earnings per share.

Provisions

A provision is recognized in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amounts recognized as provisions represent management's best estimate of the expenditures that will be required to settle the obligation as of the balance sheet date. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Warranties

A provision for warranties is recognized when the underlying products are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Disputes and Litigations

Provisions for tax disputes and litigations regarding patents, trademarks and product responsibilities are only recognized when legal advisors believe that it is probable that the Group will have to pay to settle the disputes. The costs provided for correspond to the estimated amount required to settle the dispute or litigation.

Trade and Other Payables

Trade and other payables are stated at amortized cost.

Contingent Liabilities

Contingent liabilities are possible obligations arising from past events whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the Company. They may also be present obligations that are unrecognized because the future outflow of resources is not probable or the amount cannot be reasonably determined. Contingent liabilities are not recognized in the balance sheet but disclosed.

Non-current Assets Held for Sale and Discontinued Operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than from continuing use. The asset (or disposal group) must be available for immediate sale in its present condition and the sale must be highly probable. Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable IFRS. Then, on initial classification as held for sale, non-current assets and disposal groups are recognized at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale are included in the income statement.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segments), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group comprises of one business segment (primary format) and four geographical segments (secondary format).

Notes

> Note 1 Segment Reporting

in EUR '000	Europe		North America		Asia/Pacific		Rest of the World		Unallocated		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Revenue from external customers	216,455	189,823	180,144	132,057	60,072	45,629	27,864	20,851	–	–	484,535	388,360
Segment assets	58,077	54,037	69,435	46,298	23,824	16,405	20,675	13,737	343,681	339,633	515,692	470,110
Capital expenditures	2,180	1,735	2,277	2,133	1,061	1,219	428	456	25,026	26,058	30,972	31,601

The business of Nobel Biocare is conducted in one business segment comprising two product groups, Implants and Crown & Bridge with similar risks and rates of return. Both units operate within the same industry, with a similar group of customers, using global production and R&D processes as well as the same marketing and logistic channels.

The business is managed on a global basis and extends to four geographical areas. Nobel Biocare's risks and returns are predominantly affected by differences in its global product assortment, supported by the global marketing, quality, logistic and research and development functions. Therefore, the primary format for segment reporting is based on the business while secondary information is reported geographically. Unallocated items comprise mainly of financial assets, tax assets, goodwill and headquarter and plant functions.

> Note 2 Personnel Expenses

in EUR '000	2005	2004*
Wages and salaries	90,113	66,500
Social security costs	17,658	20,840
Pension costs	4,624	4,879
Cost for staff option programs	6,761	3,960
Total personnel expenses	119,156	96,179

Included in social security costs are social charges related to the staff option program in the amount of EUR 6,464 k (7,117 k). These costs are reported under administrative expenses.

A favorable decision from a social security authority in 2005 had a positive one-time effect on social security cost of EUR 2,333 k.

The personnel expenses are recognized in the following line items in the income statement:

in EUR '000	2005	2004*
Cost of sales	19,801	13,727
Selling expenses	65,247	57,233
Administrative expenses	27,544	20,179
Research and development expenses	6,564	5,040
Total personnel expenses	119,156	96,179

* The comparatives were restated to conform with the current year's presentation.

> Note 3 Financial Income

in EUR '000	2005	2004*
Interest income	3,262	2,810
Foreign exchange gains	10,892	2,432
Gain on derivative instruments	2,807	6,697
Other financial income	–	133
Total financial income	16,961	12,072

* The comparatives were reclassified to conform with the current year's presentation.

In the past, foreign exchange gains and losses as well as the result of hedging transactions related to operations were reported in the income statement under cost of sales. To increase transparency and reduce the volatility of the gross profit, Nobel Biocare reports as of 1 January 2005 all foreign exchange gains and losses as well as the result of related hedging activities as Financial Income and Financial Expenses.

> Note 4 Financial Expenses

in EUR '000	2005	2004*
Interest expenses	2,462	1,839
Foreign exchange losses	1,376	6,129
Loss on derivative instruments	16,184	4,366
Other financial expenses	1,424	513
Total financial expenses	21,446	12,847

* The comparatives were reclassified to conform with the current year's presentation.

In the past, foreign exchange gains and losses as well as the result of hedging transactions related to operations were reported in the income statement under cost of sales. To increase transparency and reduce the volatility of the gross profit, Nobel Biocare reports as of 1 January 2005 all foreign exchange gains and losses as well as the result of related hedging activities as Financial Income and Financial Expenses.

> Note 5 Sale of Entific Medical Systems

On 8 March 2005, Nobel Biocare closed the sale of all its shares (34.6%) in its associate Entific Medical Systems AB for EUR 39,998 k. The sales price was paid in cash and resulted in a net gain of EUR 30,627 k (including directly attributable transaction costs of EUR 1,001 k) and in a net cash inflow of EUR 38,649 k.

in EUR '000	2005	2004
Gross sales price for 34.6% participation	39,998	–
Carrying amount	–4,356	–
Directly attributable transaction costs	–1,001	–
Escrow accounts for ordinary guarantees	–4,014	–
Gain on disposal of Entific Medical Systems AB	30,627	0

> Note 6 Income Tax Expense

Recognized in the income statement:

in EUR '000	2005	2004
Current tax expenses		
Income taxes relating to the current period	37,583	21,414
Income taxes relating to past periods, net	–68	–1,532
Current income tax expenses	37,515	19,882
Deferred income tax expenses/income due to temporary differences	–3,550	6,407
Creation of recognized tax loss carry-forwards	–185	–2,273
Deferred income tax income/expenses	–3,735	4,134
Total income tax expenses in income statement	33,780	24,016

The Groups tax rate calculates as follows:

in %	2005	2004
Statutory income tax rate	7.8	7.8
Effect of higher tax rates in other jurisdictions	14.5	12.9
Effect of the sale of Entific Medical Systems	–4.6	–
Other effects	0.2	–0.7
Effective tax rate	17.9	20.0

The Group is subject to income tax in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

An amount of EUR 127 k relating to derivative instruments has been recognized directly in equity.

> Note 7 Property, Plant and Equipment

2004	Land and Buildings	Ma-chinery	Equip-ment	Total
in EUR '000				
Cost				
Balance at 1 Jan 2004	3,485	37,617	39,845	80,947
Additions for the year	–	7,972	8,155	16,127
Disposals	–	–4,428	–2,481	–6,909
Effect of changes in exchange rates	34	–1,679	–775	–2,420
Balance at 31 Dec 2004	3,519	39,482	44,744	87,745

Accumulated depreciation

Balance at 1 Jan 2004	1,997	22,144	28,737	52,878
Depreciation charge for the year	140	3,468	5,740	9,348
Disposals	–	–2,642	–2,371	–5,013
Effect of changes in exchange rates	20	–1,156	–325	–1,461
Balance at 31 Dec 2004	2,157	21,814	31,781	55,752

Carrying amount

At 1 Jan 2004	1,488	15,473	11,108	28,069
At 31 Dec 2004	1,362	17,668	12,963	31,993

2005

2005	Land and Buildings	Ma-chinery	Equip-ment	Total
in EUR '000				
Cost				
Balance at 1 Jan 2005	3,519	39,482	44,744	87,745
Additions for the year	166	7,346	12,079	19,591
Disposals	–	–777	–6,730	–7,507
Effect of changes in exchange rates	–158	734	1,952	2,528
Balance at 31 Dec 2005	3,527	46,785	52,045	102,357

2005

in EUR '000	Land and Buildings	Ma-chinery	Equip-ment	Total
Accumulated depreciation				
Balance at 1 Jan 2005	2,157	21,814	31,781	55,752
Depreciation charge for the year	152	3,813	6,622	10,587
Disposals	–	–724	–6,408	–7,132
Effect of changes in exchange rates	–31	–236	1,177	910
Balance at 31 Dec 2005	2,278	24,667	33,172	60,117
Carrying amount				
At 1 Jan 2005	1,362	17,668	12,963	31,993
At 31 Dec 2005	1,249	22,118	18,873	42,240

The fire insurance value amounts to EUR 81.6 million (70.8 million) as per 31 December 2005. There are no material capital commitments.

> Note 8 Intangible Assets**2004**

in EUR '000	Goodwill	Licences & Patents	Com-puter Programs	Total
Cost				
Balance at 1 Jan 2004	168,279	2,291	10,666	181,236
Additions for the year	11,665	–	3,809	15,474
Effect of changes in exchange rates	–8,231	–46	–377	–8,654
Balance at 31 Dec 2004	171,713	2,245	14,098	188,056

Accumulated amortization

Balance at 1 Jan 2004	45,333	2,140	8,490	55,963
Amortization charge for the year	8,607	113	1,944	10,664
Effect of changes in exchange rates	–897	–51	–384	–1,332
Balance at 31 Dec 2004	53,043	2,202	10,050	65,295

Carrying amount

At 1 Jan 2004	122,946	151	2,176	125,273
At 31 Dec 2004	118,670	43	4,048	122,761

The EUR 11,665 k addition to goodwill in 2004 is attributable to the acquisition of 183,351 shares of Nobel Biocare AB from minority shareholders. These shares were bought at a total price of EUR 13,147 k and the difference of EUR 1,482 k reduced minority interest in the balance sheet.

2005

in EUR '000	Goodwill	Licences & Patents	Com-puter Programs	Total
Cost				
Balance at 1 Jan 2005	171,713	2,245	14,098	188,056
Elimination of accumulated goodwill amortization	–53,043	–	–	–53,043
Balance at 1 Jan 2005 – restated	118,670	2,245	14,098	135,013
Additions for the year	6,209	4,211	961	11,381
Disposals	–	–782	–316	–1,098
Effect of changes in exchange rates	5,550	31	–418	5,163
Balance at 31 Dec 2005	130,429	5,705	14,325	150,459

Accumulated amortization

Balance at 1 Jan 2005	53,043	2,202	10,050	65,295
Elimination of accumulated goodwill amortization	–53,043	–	–	–53,043
Balance at 1 Jan 2005 – restated	0	2,202	10,050	12,252
Amortization charge for the year	–	93	2,143	2,236
Disposals	–	–782	–316	–1,098
Effect of changes in exchange rates	–	25	–246	–221
Balance at 31 Dec 2005	0	1,538	11,631	13,169

Carrying amount

At 1 Jan 2005	118,670	43	4,048	122,761
At 31 Dec 2005	130,429	4,167	2,694	137,290

The EUR 5,911 k addition to goodwill in 2005 is attributable to the acquisition of 76,362 shares of Nobel Biocare AB from minority shareholders. These shares were bought at a total price of EUR 6,846 k and the difference of EUR 935 k reduced minority interest in the balance sheet. Therein the acquisition value of the final 45,115 shares which are still part of the compulsory redemption proceedings, in an amount of EUR 3,263 k is not yet paid and therefore shown under other liabilities in the balance sheet.

In addition, an amount of EUR 295 k relates to an acquisition of a minor business in Russia.

In line with IFRS 3 Nobel Biocare ceased to amortize goodwill as of 1 January 2005. Goodwill is tested annually for impairment.

Goodwill has been allocated to the Group's cash generating units. The following cash-generating units have significant carrying amounts of goodwill:

	2005	2004
Nobel Biocare USA, LLC	63,773	55,516
Crown & Bridge	49,138	51,296
Nobel Biocare AB	17,003	11,665
Units without significant goodwill	515	193
Total amount of goodwill	130,429	118,670

No impairment charge was identified in 2005 and 2004.

For the goodwill allocated to Nobel Biocare USA, LLC, the impairment test is based on calculations of value in use. Cash flow projections based on actual operating results and the business plan have been used as input in the calculations. Cash flows after 2007 are extrapolated using a 10% growth rate. The growth rate is lower than the long-term average growth rate for the industry. A pre-tax discount rate of 8% has been used in discounting the projected cash flows.

The recoverable amount of the unit significantly exceeds its carrying amount.

For the goodwill allocated to Crown&Bridge, the impairment test is based on calculations of value in use. Cash flow projections based on actual operating results and the business plan have been used as input in the calculations. Cash flows after 2007 are extrapolated using a 10% growth rate. The growth rate is lower than the long-term average growth rate for the industry. A pre-tax discount rate of 8% has been used in discounting the projected cash flows.

The recoverable amount of the unit significantly exceeds its carrying amount.

For the goodwill allocated to Nobel Biocare Sverige AB/Nobel Biocare Holding AB, the impairment test is based on the fair value less cost to sell. The fair value is the price of the Nobel Biocare Holding AG shares.

The recoverable amount of the unit significantly exceeds its carrying amount.

The amortization charge related to other intangible assets is recognized in the following line items in the income statement:

in EUR '000	2005	2004
Cost of sales	–	1,658
Selling expenses	–	6,169
Administrative expenses	2,143	2,096
Research and development expenses	93	741
Total amortization charge	2,236	10,664

> Note 9 Receivables

in EUR '000	2005	2004
Long-term trade receivables	692	278
Rent deposits	941	474
Total non-current receivables	1,633	752

> Note 10 Inventories

in EUR '000	2005	2004
Raw materials and consumables	3,997	2,816
Work in progress	1,656	1,846
Finished products and goods for resale	24,483	12,957
Total inventories	30,136	17,619

There are no inventories carried at their net realizable value.

The amount of inventories recognized as an expense during the year was EUR 74,186 k (66,251 k).

Obsolescence

The recoverability of all inventory items is regularly tested. Provisions are made for obsolete and slow-moving items. The cost for obsolescence is included in cost of sales and amounted to EUR 2,075 k (2,104 k).

> Note 11 Trade Receivables

in EUR '000	2005	2004
Trade receivables		
due from associate	–	6
due from third parties	109,406	74,500
Allowance for bad debts	–4,432	–3,500
Total trade receivables	104,974	71,006

Receivables are mainly denominated in Euro (30%, previous year 35%), US Dollars (26%, previous year 17%) and Swedish Krona (5%, previous year 9%).

> Note 12 Other Receivables

in EUR '000	2005	2004
Restricted cash	12,615	–
Other receivables	3,060	2,272
Total other receivables	15,675	2,272

Restricted cash comprises of EUR 10,915 k (see note 21) which is restricted until June 2006 in favor of the acquirer of Entific Medical

Systems AB (escrow account) and EUR 1,700 k, which is restricted in connection with the start-up financing of the Indian Group company.

> Note 13 Prepaid Expenses and Accrued Income

in EUR '000	2005	2004
Derivative financial instruments	860	4,715
Accrued income	169	1,822
Selling expenses	438	2,324
Rent, leases and insurance expenses	1,286	1,182
Marketing expenses	1,628	813
Royalty and R&D expenses	58	212
Other items	943	1,514
Total prepaid expenses and accrued income	5,382	12,582

> Note 14 Financial Investments, Cash and Cash Equivalents

Financial Investments in EUR '000	2005	2004
Financial Investments	34,876	–
Total financial investments	34,876	0

Financial investments mainly comprise of fixed term deposits with an original term of more than 90 days up to one year from the date of acquisition but also of money market, fixed income instruments and equity securities.

All the investments are denominated in Swedish Krona. Weighted average interest rate on fixed term deposits was 1.64% with a weighted average interest period of 119 days.

Cash and Cash Equivalents in EUR '000	2005	2004
Cash	43,292	90,432
Fixed term deposits < 3 months	85,697	104,459
Total cash and cash equivalents	128,989	194,891
Bank overdraft	–551	–
Net cash and cash equivalents	128,438	194,891

Cash and cash equivalents are mainly denominated in Swedish Krona (76%, previous year 69%), Swiss Franc (8%, previous year 28%) and USD (5%, previous year 3%). The weighted average interest rate on fixed term deposits was 1.58% (2.07%) with a weighted average interest period of 66 days (51 days).

Restricted cash of EUR 12,615 k is reported as other receivables, see note 12.

> Note 15 Equity

Share Capital in EUR '000	2005	2004
On issue at 1 Jan	33,295	32,687
New share issue	–	–
Exercised options	287	300
Exchange translation difference	–233	308
On issue at 31 Dec – fully paid	33,349	33,295

The share capital of Nobel Biocare Holding AG is held in CHF. An exchange translation difference arises when the share capital is translated at the year end closing rate. As of 31 December 2005, Nobel Biocare Holding AG's issued share capital amounted to CHF 51,909,766 (EUR 33,349 k).

The number of outstanding shares in Nobel Biocare Holding AG on 31 December 2005 totalled 25,954,883 (25,731,832) with a par value of CHF 2 per share, fully paid up. The increase of 223,051 shares is due to the exercise of 2,200 warrants and 220,851 options during the year (see further note 18).

The share capital may be increased by issuing no more than 662,435 (885,486) shares, each with a par value of CHF 2, to be fully paid up, equaling an amount of no more than CHF 1,324,870 (1,770,972) by virtue of the exercise of options granted to employees, directors and officers of the Group. Following an exercise of all outstanding and not yet issued warrants and options, the total number of shares will be 26,617,318.

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.

Treasury Shares

Purchase and sales of treasury shares	2005	2004
Balance at 1 Jan	10,000	10,000
Purchase	739,650	–
Sale	–	–
Sale from staff option program	–	–
Balance at 31 Dec	749,650	10,000

On 1 January 2005, the Company held 10,000 own shares. On 28 April 2005, the Annual General Meeting of shareholders of Nobel Biocare Holding AG approved a share buyback program to fund the new staff option program for employees and officers of the Group for up to 1,100,000 shares (see further note 18). During a two year period, Nobel Biocare intends to purchase shares on the open market. Until 31 December 2005, Nobel Biocare acquired 739,650 shares within this program for a consideration of CHF 196,180 k (EUR 126,682 k). The acquisition of the treasury shares in 2005 resulted

in cash outflow of EUR 117,244 k. The remaining amount of EUR 9,389 k was paid in early January 2006 (see also note 21). The total amount of Nobel Biocare Holding AG shares held by the Company at the end of the year was therefore 749,650.

Translation and Hedging Reserves

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The split of retained earnings into a translation reserve and other retained earnings was introduced in 2001 in connection with the adoption of IFRS. The cumulative balance of exchange differences relating to previous years was not reasonably determinable.

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments where the hedged transaction has not yet occurred.

Dividends

On 3 May 2005, the Company paid a dividend of CHF 2.65 (2004: 1.30) per bearer share, less 35% withholding tax, to its shareholders. The total amount of the gross dividend paid was CHF 68,250 k or EUR 43,934 k (2004: 21,495 k). After the balance sheet date dividends in the amount of EUR 58,658 k (44,111 k), equalling EUR 2.26 (1.72) per ordinary share, were proposed by the directors. Dividends will be paid in CHF.

> Note 16 Earnings per Share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2005 was based on the profit attributable to equity holders of Nobel Biocare of EUR 154,650 k (91,575 k) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2005 of 25,540,905 (25,601,946), calculated as follows:

Profit attributable to equity holders of Nobel Biocare

in EUR '000	2005	2004*
Profit attributable to equity holders of Nobel Biocare	154,650	91,575

Weighted average number of ordinary shares

Shares '000	2005	2004*
Issued ordinary shares at 1 Jan	25,732	25,500
Effect of shares issued	110	112
Effect of own shares	-301	-10
Weighted average number of ordinary shares at 31 Dec	25,541	25,602
Basic Earnings per share	6.05	3.58

Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2005 was based on the profit attributable to equity holders of Nobel Biocare of EUR 154,650 k (91,575 k) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2005 of 25,906,553 (25,925,653), calculated as follows:

Profit attributable to equity holders of Nobel Biocare (diluted)

in EUR '000	2005	2004*
Profit attributable to equity holders of Nobel Biocare	154,650	91,575

Weighted average number of ordinary shares (diluted)

Shares '000	2005	2004*
Weighted average number of ordinary shares at 31 Dec	25,541	25,602
Effect of share options on issue	365	323
Weighted average number of ordinary shares (diluted) at 31 Dec	25,906	25,925
Diluted earnings per share	5.97	3.53

* Certain comparatives were reclassified to conform with the current year's presentation.

> Note 17 Interest-bearing Loan

in EUR '000	2005	2004
Non-current loan from third parties	-	708
Total non-current interest-bearing loan	0	708

The loan was repaid during the year.

The principal part of existing credit lines is with Nobel Biocare Holding AG. Existing credit line agreements include covenants covering key ratios such as interest coverage and net debt/equity. All covenants were met at 31 December 2005 and 31 December 2004.

At 31 December 2005, unused credit lines amounted to EUR 96,419 k (99,922 k).

> Note 18 Share-based Payment Transactions

Staff Option Program

At Nobel Biocare AB's Annual General Meeting in 2001 it was decided to launch a staff option program, aimed at around 125 senior executives and newly appointed key persons. The staff option program, which was transferred to Nobel Biocare Holding AG, comprised a total of 1,176,000 options, which were granted without consideration over four 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. The options are conditional on 27 months of service being provided by the employees participating in the plan from the grant date. The exercise price equals the average share price during five trading days following the publication of the full year report for the year preceeding the year in which the options are granted. One option entitles an employee to buy one share of Nobel Biocare. The options cannot be settled in cash.

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. This program replaces the Company's previous staff option program that was launched in 2001. The new staff option program comprises a total of 1'100'000 options, to be granted without consideration over three years. The terms regarding service conditions, vesting period, expiry date of options, determination of exercise price etc for the new staff option program are the same as for the old staff option program.

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. The options are conditional on 27 months of service being provided by the employees participating in the plan from the grant date. The exercise price equals the average share price during five trading days following the publication of the full year report for the year preceeding the year in which the options are granted. One option entitles an employee to buy one share of Nobel Biocare. The options cannot be settled in cash.

The Group applied IFRS 2 Share-based Payment to its staff option programs 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. 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 accounting for the old and new staff option program under IFRS 2 did not have an effect on opening retained earnings. Personnel expenses increased by EUR 6,761 k for the year ended 31 December 2005 and by EUR 3,960 k for the year ended 31 December 2004, while the net profit for the same periods decreased by the same amounts. Comparative figures were restated.

Options outstanding at the end of the year have the following terms:

Grant year	Vesting date	Expiry date	Exercise price CHF	2005	2004
2002	1 July 2004	30 Jun 2005	71.33	–	95,254
2003	1 July 2005	30 Jun 2006	80.47	163,547	290,643
2004	1 July 2006	30 Jun 2007	159.80	317,866	328,332
2005	1 July 2007	30 Jun 2008	252.40	324,200	–
Total				805,613	714,229

The movements of options outstanding and their weighted average exercise price are as follows:

	Weighted average exercise price (CHF)		Number of options	
	2005	2004	2005	2004
Options outstanding at 1 Jan	115.72	75.45	714,229	591,922
Options granted	252.40	159.80	329,000	332,998
Options exercised	76.53	69.64	–220,851	–183,695
Options forfeited	179.22	90.01	–16,765	–26,996
Options outstanding at 31 Dec	180.96	115.72	805,613	714,229
Options exercisable at 31 Dec	80.47	71.33	163,547	95,254

The weighted average contractual life of the options outstanding at 31 December 2005 is 2.2 years (2004: 2.33 years). The weighted average share price at the date of the exercise of the options was CHF 258.74 (163.94).

The fair value of services received in return for options granted are measured by reference to the fair value of options granted. The fair value of the options is measured based on an option pricing model.

	2005	2004
Fair value of options granted at measurement date (CHF)	42.12	34.10
Assumptions:		
Share price (CHF)	252.40	159.80
Exercise price (CHF)	252.40	159.80
Expected volatility (%)	25	35
Option life (months)	33	33
Expected dividends yield (%)	1.3	1.7
Risk-free interest rate (%)	2.00	1.25

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. The share options are granted under a service condition. Service conditions are not taken into account in the grant date fair value measurement of the services received.

Warrants

In conjunction with the acquisition of Steri-Oss, Inc, in 1998, warrants in Steri-Oss, Inc were converted to warrants in Nobel Biocare AB. A total of 665,196 warrants were issued in three series; Series I, originally 303,860 warrants, has a subscription price of SEK 12.50 with a term ending on 8 January 2007. Series II, originally 233,823 warrants, has a subscription price of SEK 12.50 with a term ending on 16 May

2007. Series III, originally 127,513 warrants, has a subscription price of SEK 36.87 and a term ending on 2 April 2008.

The unsubscribed 66,418 warrants were converted into warrants in Nobel Biocare Holding AG with subscription price of CHF 2.04 (Series I), CHF 2.04 (Series II) and CHF 6 (Series III) respectively.

At the end of 2005, a total of 10,512 warrants (12,712) remained unsubscribed. Of these, 0 were of Series I, 6,478 were of Series II and 4,034 of Series III. Series II has a term ending on 16 May 2007 and Series III on 2 April 2008.

Number of warrants	2005	2004
Warrants outstanding at 1 Jan	12,712	61,022
Warrants exercised	-2,200	-48,310
Warrants outstanding at 31 Dec	10,512	12,712

> Note 19 Provisions

in EUR '000	Warranties	Deferred purchase price related to the acquisition of			Total
		Group company	Pensions		
Balance at 1 Jan 2005	1,263	19,411	1,481		22,155
Provisions made	376	-	350		726
Provisions used	-567	-5,493	-302		-6,362
Provisions reserved	-	-	-31		-31
Present Value Adjustment	-	991	-		991
Effects of changes in exchange rates	29	-870	6		-835
Balance at 31 Dec 2005	1,101	14,039	1,504		16,644

Warranty provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

The acquisition in 2001 of the remaining 50% shares in Nobel Biocare Procera AB (previously Procera Sandvik AB), was made up of a cash payment and deferred purchase price based on a defined segment of the annual sales value up to and including 2012. The present value of the deferred purchase price amounts to EUR 17,428 k (22,657 k),

whereof the short-term portion, EUR 3,389 k (3,246 k), is booked as a short-term liability.

The obligations for defined benefit plans in Japan and Italy are not material (see Significant Accounting Policies pages 78/79). This explains why the detailed disclosures required by IAS 19 are not given.

> Note 20 Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following items:

in EUR '000	Assets		Liabilities		Net	
	2005	2004	2005	2004	2005	2004
Property, plant and equipment	-	-	9,908	5,566	-9,908	-5,566
Intangible assets	2,047	-	-	-	2,047	-
Inventories	3,587	4,479	-	-	3,587	4,479
Provisions and accruals	2,801	-	-	-	2,801	-
Exchange gains unrealized	-	-	2,336	-	-2,336	-
Recognized tax losses carried forward	2,438	2,273	-	-	2,438	2,273
Other temporary differences	2,301	3,774	-	7,758	2,301	-3,984
Tax assets/liabilities	13,174	10,526	12,244	13,324	930	-2,798

In 2004, an amount of EUR 6,592 k, reported under "other temporary differences" relates to untaxed assets from Nobel Biocare AB. According to Swedish tax law, 25 % of the "taxable income" can be allocated to a tax allocation reserve in the statutory accounts. This "untaxed reserve" is therewith not part of tax calculation.

The Group has not recognized deferred tax assets in respect of the following items:

in EUR '000	2005	2004
Tax losses carried forward	1,861	1,800
Total unrecognized deferred tax assets	1,861	1,800

The unrecognized deferred tax assets will expire during the years 2006–2009.

> Note 21 Other Liabilities

in EUR '000	2005	2004
Other operating liabilities	13,724	10,797
Escrow Entific Medical Systems	10,915	–
Acquisition of 51,000 Treasury Shares	9,389	–
Acquisition of 45,115 Shares in Nobel Biocare AB	3,263	–
Total other liabilities	37,291	10,797

Other operating liabilities are mainly related to sales tax liabilities.

The Escrow Entific Medical Systems comprises 10% of the total sales price representing the total escrow amount. Thereof, EUR 4,014 k attributes to the Group's obligation, while EUR 6,901 k is attributable to other sellers.

> Note 22 Accrued Expenses and Deferred Income

in EUR '000	2005	2004
Personnel-related expenses	25,218	22,151
Accrued selling expenses	4,797	4,478
Accrued legal expenses	3,260	2,681
Accrued royalty and R&D expenses	2,574	972
Derivative financial instruments	4,196	354
Other items	2,055	2,216
Total accrued expenses and deferred income	42,100	32,852

> Note 23 Operating Leases

Non-cancellable operating leases/rentals are payable as follows:

in EUR '000	2005	2004
Less than one year	7,244	4,616
Between one and five years	9,763	5,390
More than five years	1,142	911
Total non-cancellable operating lease rentals	18,149	10,917

During the year ended 31 December 2005, EUR 6,846 k (5,121 k) was expensed in the income statement in respect of operating leases/rentals.

Non-cancellable operating leases/rentals are related to:

in EUR '000	2005	2004
Buildings and Leasehold Improvements	14,816	9,328
Cars	2,770	1,065
Others	563	524
Total operating lease liabilities	18,149	10,917

> Note 24 Universities

The Group supports various universities in integrating dental implant therapy into the overall predoctoral education of the general dentist, as well as in various research projects.

Expenditures made under such university support contracts are charged to the income statement over the period of the contract.

Non-cancellable university support contracts are payable as follows:

in EUR '000	2005	2004
Less than one year	1,249	503
Between one and five years	3,762	995
More than five years	68	–
Total university support contracts	5,079	1,498

During the year ended 31 December 2005, EUR 1,465 k (1,320 k) was expensed in the income statement in respect of such contracts.

> Note 25 Pledged Assets and Contingent Liabilities**Pledged assets**

in EUR '000	2005	2004
Restricted cash	12,615	8,459
Other assets	1,218	–
Total pledged assets	13,833	8,459

Contingent liabilities

in EUR '000	2005	2004
Contingent liabilities	566	1,794
Total contingent liabilities	566	1,794

As of 31 December 2005, included in other receivables is EUR 10,915 k, which is restricted in favour of the acquirer of Entific Medical Systems AB (escrow account) and EUR 1,700 k, which is restricted in connection with the start-up financing of the Indian Group company.

Ongoing disputes

In order to initiate a compulsory redemption process for the remaining 1.1% shares in Nobel Biocare AB, Nobel Biocare Holding AG transferred all its shares in Nobel Biocare AB to a wholly-owned subsidiary, Nobel Biocare Sverige AB. The compulsory purchase procedure was initiated on 16 January 2003.

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

Beginning of February 2005, the remaining minority agreed that Nobel Biocare Sverige AB can, against a bank guarantee of SEK 49 million, get immediate ownership of the remaining 51,930 shares (0.2%) in Nobel Biocare AB. Thereby 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 (respectively after 15 November Nobel Biocare Holding AB) purchased 6,815 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). As the Nobel Biocare Group is the owner of the remaining 45,115 shares (0.2% 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% shares in Nobel Biocare AB.

At 15 November 2005, Nobel Biocare Holding AB and Nobel Biocare Sverige AB were merged. As a result, Nobel Biocare Holding AB became counterparty in the compulsory redemption process.

There are a few warranty- and labor related disputes arising from the ordinary business of the subsidiaries pending.

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 Star grip products. Nobel Biocare has evaluated these patents in depths and has numerous defences that it will vigorously pursue. Nobel Biocare contends that it does not infringe and that the patent claims are invalid based upon prior art.

> Note 26 Risk Management and Hedging Activities

Credit risk

Nobel Biocare is very conservative regarding financial credit risk and therefore only involves itself with counterparties with very high credit ratings.

All excess cash in local companies is placed intragroup, either

through the usage of cash pools or by making an investment with the Treasury Department.

No external investments longer than 12 months are permitted.

Regarding the commercial credit risk, no individual customers represent a significant portion of the Group's revenue.

Interest rate risk

The policy of the Group is that the interest exposure, calculated as the remaining average fixed interest period, must not exceed 360 days.

Liquidity risk

In order to have liquid funds on hand at all times, the Group should always have funds corresponding to one month of total expenses available.

The funding policy limits the refinancing risk by not permitting refinancing of more than 50% of the debt portfolio during the following 12 months.

Currency risk

The major part of the Group's foreign currency risk is at Nobel Biocare AB, Sweden, but also to a certain extent at Nobel Biocare LLC, USA. The transactional exposure is defined as the net result of all invoiced, confirmed and forecasted commercial and financial incoming and outgoing payments in a currency other than the functional currency. The transactional exposure is summarized for all entities and managed at a central level at the Treasury Department at Nobel Biocare AB, Sweden.

According to the finance policy, forecasted foreign currency net exposure in the upcoming 6 months is hedged on average to a minimum of 50% and may be hedged up to 90% per currency. Forecasted net exposure in the following 7–12 months is hedged on average to a minimum of 25% and may be hedged up to 50% per currency. The Group uses forward exchange contracts and, to some extent, option contracts to hedge the forecasted foreign currency net exposure. A specific item within the net exposure is designated as the hedged item. The Group applies the cash flow hedging model.

The majority of derivative financial instruments are used to limit the impact of currency fluctuation of Euro against Swedish Krona and US Dollar.

Derivative instruments

Derivative financial instruments are stated at fair value and are recorded under prepaid expenses and accrued income and under accrued expenses and deferred income, respectively. The fair value of the derivative instruments is determined by reference to listed market prices at the balance sheet date.

Net gains or losses on derivative instruments reported directly in equity are expected to enter into the determination of profit for the period in less than 12 months.

As of 31 December, there were open currency hedging contracts with the following notional amounts and fair values :

in EUR '000	Notional amount of derivatives with remaining life of			Total	Fair value of derivatives used in:		2005
	less than 3 months	3 months–1 year	more than 1 year		Cash flow hedge	Other	Total
Currency instruments							
Currency forward contracts	1,288	24,341	–	25,629	338	483	821
Currency option contracts	–	1,000	–	1,000	39	–	39
Total derivate assets included in prepaid expenses and accrued income							
	1,288	25,341	0	26,629	377	483	860

in EUR '000	Notional amount of derivatives with remaining life of			Total	Fair value of derivatives used in:		2004
	less than 3 months	3 months–1 year	more than 1 year		Cash flow hedge	Other	Total
Currency instruments							
Currency forward contracts	34,999	67,146	–	102,145	2,819	1,896	4,715
Currency option contracts	–	–	–	–	–	–	–
Total derivate assets included in prepaid expenses and accrued income							
	34,999	67,146	0	102,145	2,819	1,896	4,715

in EUR '000	Notional amount of derivatives with remaining life of			Total	Fair value of derivatives used in:		2005
	less than 3 months	3 months–1 year	more than 1 year		Cash flow hedge	Other	Total
Currency instruments							
Currency forward contracts	35,695	52,382	–	88,077	1,149	2,847	3,996
Currency option contracts	9,000	4,000	–	13,000	6	194	200
Total derivate liabilities included in accrued expenses and deferred income							
	44,695	56,382	0	101,077	1,155	3,041	4,196

in EUR '000	Notional amount of derivatives with remaining life of			Total	Fair value of derivatives used in:		2004
	less than 3 months	3 months–1 year	more than 1 year		Cash flow hedge	Other	Total
Currency instruments							
Currency forward contracts	2,944	1,481	–	4,425	17	337	354
Currency option contracts	–	–	–	–	–	–	–
Total derivate liabilities included in accrued expenses and deferred income							
	2,944	1,481	0	4,425	17	337	354

Fair Value

The carrying amount of financial assets and liabilities not carried at fair value approximates fair value. For financial receivables and payables with a remaining life of less than one year, the notional amount is

deemed to reflect the fair value. The Group does not have any material non-current financial assets and liabilities.

Foreign exchange rates EUR:

Income statements (average rates)	2005	2004
USD	0.8051	0.8055
CHF	0.6457	0.6473
SEK	0.1077	0.1095
AUD	0.6130	0.5939
BRL	0.3330	0.2757
CAD	0.6650	0.6184
GBP	1.4619	1.4758
HKD	0.1035	0.1034
JPY	0.0073	0.0074

Balance sheets (closing rates)	2005	2004
USD	0.8433	0.7342
CHF	0.6424	0.6469
SEK	0.1060	0.1110
AUD	0.6185	0.5684
BRL	0.3603	0.2749
CAD	0.7253	0.6062
GBP	1.4563	1.4111
HKD	0.1087	0.0944
JPY	0.0072	0.0071

> Note 27 Related Parties

Related Parties

The Group has related party relationships with its subsidiaries, its directors and executive officers. Transactions with related parties are conducted on an arm's length basis.

Transactions with Directors and Executive Officers

Nobel Biocare has undergone an intense period of growth over the past years. Therefore, effective 1 September 2005, the management structure and the Executive Management Group was reorganized to meet future challenges and the development of the Group.

Members of the Board of Directors and the new Executive Management Group control 1.3% of the voting shares of the Company. There are no material loans, securities, advances or credits granted to any members of the Board of Directors or the Executive Management Group.

In 2005, the Board of Directors and the new Executive Management Group received salaries, bonuses, staff options and other benefits amounting to EUR 4,640 k (3,491 k).

In EUR '000	Board of Directors	
	2005	2004
Short-term benefits (including fixed salaries and bonuses)	147	137
Post-employment benefits	–	–
Equity compensation benefits (staff options)	245	205
Total compensation	392	342

In EUR '000	New Executive Management Group	
	2005	2004
Short-term benefits (including fixed salaries and bonuses)	1,745	1,481
Post-employment benefits	300	211
Equity compensation benefits (staff options)	2,203	1,457
Total compensation	4,248	3,149

In EUR '000	Other members of the Executive Management Group before restructuring	
	2005 (8 months)	2004 (12 months)
Short-term benefits (including fixed salaries and bonuses)	848	1,214
Post-employment benefits	277	320
Equity compensation benefits (staff options)	1,658	1,405
Total compensation	2,783	2,939

No member of the Board of Directors or the Executive Management Group received additional fees or compensations for additional services performed on behalf of Nobel Biocare Holding AG or its subsidiaries.

Further information can be found in the Corporate Governance Section of this annual report.

Other Related Party Transactions

Information relating to the former associate Entific Medical Systems AB is given in note 5.

Other than the transactions with related parties referred to above, there were no significant transactions with related parties.

> Note 28 Subsidiaries

	City and Country of Incorporation	Share Capital in '000	Ownership Interest 2005 in %	Ownership Interest 2004 in %
Nobel Biocare Australia Pty Ltd.	Sydney, Australia	AUD 600	100	100
Nobel Biocare Österreich GmbH	St. Pölten, Austria	EUR 36	100	100
Nobel Biocare Belgium NV	Zellik, Belgium	EUR 138	100	100
Nobel Biocare Brasil Ltda	Sao Paulo, Brazil	BRL 17,045	100	100
Nobel Biocare Canada Inc.	Richmond Hill, Canada	CAD 3,012	100	100
Nobel Biocare Asia Ltd.	Hong Kong, China	HKD 15,010	100	100
Nobel Biocare Colombia S.A.	Bogotá, Colombia	COP 731,048	100	100
Nobel Biocare Chile Limitada*	Santiago de Chile, Chile	USD 10	100	100
Nobel Biocare Danmark AS	Hellerup, Denmark	DKK 500	100	100
Nobel Biocare Suomi Oy	Helsinki, Finland	EUR 8	100	100
Nobel Biocare France S.A.S.	Paris, France	EUR 40	100	100
Nobel Biocare Deutschland GmbH	Cologne, Germany	EUR 307	100	100
Nobel Biocare UK Ltd.	Uxbridge, Great Britain	GBP 620	100	100
Nobel Biocare India Pvt. Ltd.	Mumbai, India	INR 100	100	100
Nobel Biocare Italiana S.r.l.	Agrate Brianza, Italy	EUR 10	100	100
Nobel Biocare Japan K.K.	Tokyo, Japan	JPY 12,500	100	100
Nobel Biocare Mexico, S.A. de C.V.	Mexico City, Mexico	MXN 15,050	100	100
Nobel Biocare Benelux BV	Houten, The Netherlands	EUR 91	100	100
Nobel Biocare New Zealand Ltd.	Auckland, New Zealand	NZD 1	100	100
Nobel Biocare Investments N.V.	Willemstad, Curaçao, The Netherlands Antilles	EUR 1,000	100	100
Nobel Biocare Norge AS	Oslo, Norway	NOK 100	100	100
Nobel Biocare Polska Sp.z.o.o.	Warsaw, Poland	PLN 50	100	100
Nobel Biocare Singapore Pte Ltd.*	Singapore	SGD 28	100	100
Nobel Biocare South Africa (Pty.) Ltd.	Brooklyn, South Africa	ZAR 1	100	100
Nobel Biocare Ibérica S.A.	Barcelona, Spain	EUR 60	100	100
Nobel Biocare Russia LLC*	Moscow, Russia	RUR 3,000	100	–
Nobel Biocare AB	Gothenburg, Sweden	SEK 317,186	100	99,7
Nobel Biocare Dental Products AB*	Gothenburg, Sweden	SEK 100	100	100
Nobel Biocare i Göteborg AB*	Gothenburg, Sweden	SEK 150	100	100
Nobel Biocare Holding AB	Gothenburg, Sweden	SEK 10,100	100	100
Nobel Orthopedics AB*	Gothenburg, Sweden	SEK 100	100	100
Nobel Biocare AG	Kloten, Switzerland	CHF 54	100	100
Nobel Biocare Services AG	Kloten, Switzerland	CHF 250	100	100
Nobel Biocare Asia-Africa Holding AG	Kloten, Switzerland	CHF 1,000	100	100
Nobel Biocare Procera, LLC	Wilmington, Delaware, USA	–	100	100
Nobel Biocare Holding USA Inc.	Wilmington, Delaware, USA	USD 12,000	100	100
Nobel Biocare USA, LLC	Yorba Linda, USA	–	100	100

* dormant / not operating

> Note 29 Subsequent Events

The consolidated financial statements of the Nobel Biocare Group were authorized for issue by the Board of Directors of Nobel Biocare Holding AG on 8 February 2006. A resolution to approve the consolidated financial statements will be proposed at the Annual General

Meeting on 3 May 2006.

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

There have been no other material events between 31 December 2005 and the date of authorization that would require adjustments to the consolidated financial statements or disclosure.

Report of the Group Auditors to the General Meeting of Nobel Biocare Holding AG, Kloten

As Group auditors, we have audited the consolidated financial statements (income statement, balance sheet, statement of changes in equity, cash flow statement and notes on page 67 to page 93) of Nobel Biocare Holding AG for the year ended December 31, 2005.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and with the International Standards on Auditing (ISA), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We have examined

on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG Fides Peat

Reto Zemp
Swiss Certified Accountant
Auditor in Charge

Zurich, February 9, 2006

Peter Stössel
Swiss Certified Accountant

Income Statement

in CHF '000	Note	2005	2004
Personnel expenses		-4,854	-1,803
Administrative expenses		-3,715	-3,274
Depreciation		-234	-23
RESULT FROM OPERATIONS		-8,803	-5,100
Financial income		12,932	5,335
Financial expenses		-1,407	-429
Net foreign exchange gain (losses)		970	-30,778
RESULT BEFORE TAXES		3,692	-30,972
Tax expenses	8	-687	-1,444
NET RESULT		3,005	-32,416

Balance Sheet

in CHF '000	Note	31 Dec 2005	31 Dec 2004
Assets			
Equipment and leasehold improvements		314	655
PROPERTY, PLANT AND EQUIPMENT	2	314	655
Capitalized computer programs		562	–
INTANGIBLE ASSETS	3	562	–
Investments	4	2,257,463	2,257,462
Loans due from Group companies		265,433	210,195
FINANCIAL ASSETS		2,522,896	2,467,657
TOTAL NON-CURRENT ASSETS		2,523,772	2,468,312
Other receivables due from Group companies		1,264	1,025
Other receivables		501	286
Treasury shares	7	196,748	568
Prepaid expenses and accrued income		36	17
Cash and cash equivalents	5	12,210	81,924
TOTAL CURRENT ASSETS		210,759	83,820
TOTAL ASSETS		2,734,531	2,552,132
Shareholders' Equity and Liabilities			
Share capital		51,910	51,464
Share premium		1,740,415	2,174,612
Reserve for treasury shares	7	196,748	568
Free reserve		153,820	–
Net result		3,005	–32,416
SHAREHOLDERS' EQUITY	6	2,145,898	2,194,228
Loans due to Group companies		525,213	351,593
Other payables due to Group companies		1,214	993
Other payables		264	245
Tax liability		1,088	3,500
Provision for unrealized foreign exchange gains		42,894	–
Other liabilities	11	14,884	26
Accrued expenses and deferred income		3,076	1,547
TOTAL CURRENT LIABILITIES		588,633	357,904
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,734,531	2,552,132

Notes to the Parent Company Accounts

> Note 1 Basis for Preparation

These financial statements have been prepared on a historical cost basis and are in accordance with Swiss law.

> Note 2 Property, Plant and Equipment

in CHF'000	Equipment and leasehold improvements
Cost	
Balance at 1 Jan 2004	–
Additions for the year	678
Disposals	–
Balance at 31 Dec 2004	678

Accumulated depreciation and impairment losses, if any

Balance at 1 Jan 2004	–
Depreciation charge for the year	23
Disposals	–
Balance at 31 Dec 2004	23

Carrying amount

At 1 Jan 2004	–
At 31 Dec 2004	655

in CHF'000	Equipment and leasehold improvements
Cost	
Balance at 1 Jan 2005	678
Additions for the year	71
Disposals	–343
Balance at 31 Dec 2005	406

Accumulated depreciation and impairment losses, if any

Balance at 1 Jan 2005	23
Depreciation charge for the year	142
Disposals	–73
Balance at 31 Dec 2005	92

Carrying amount

At 1 Jan 2005	655
At 31 Dec 2005	314

> Note 3 Intangible Assets

in CHF'000	Computer programs
Cost	
Balance at 1 Jan 2005	–
Investments for the year	654
Disposals	–
Balance at 31 Dec 2005	654

Accumulated depreciation and impairment losses, if any

Balance at 1 Jan 2005	–
Depreciation charge for the year	92
Disposals	–
Balance at 31 Dec 2005	92

Carrying amount

At 1 Jan 2005	–
At 31 Dec 2005	562

> Note 4 Details of Investments

Investments held directly by Nobel Biocare Holding AG are:

Company, Domicile, Purpose	2005		2004	
	Percentage held	Share Capital	Percentage held	Share Capital
Nobel Biocare Services AG, Kloten, Switzerland Acquisition, sale and administration, including marketing and granting of licenses of intellectual property rights of any kind in favour of the Nobel Biocare Group as well as the rendering of other services in favour of the Nobel Biocare Group in the fields of management and marketing	100	CHF '000 250	100	CHF '000 250
Nobel Biocare AG, Kloten, Switzerland Distribution of dental implants and industrialized dental prosthetics	100	CHF '000 54	100	CHF '000 54
Nobel Biocare Asia-Africa Holding AG, Kloten, Switzerland Acquisition, sale and administration of direct and indirect investments in Asia and Africa	100	CHF '000 1,000	100	CHF '000 1,000
Nobel Biocare Holding AB, Gothenburg, Sweden Develop, manufacture and sell pharmaceuticals and medical technical products	100	SEK '000 10,100	100	SEK '000 10,100
Nobel Biocare Investment N.V., Willemstad, Curacao, The Netherland Antilles Financing, investments and trading	100	EUR '000 1,000	100	EUR '000 1,000
Nobel Biocare Holding USA Inc., Wilmington, New Castle County, Delaware, USA Acquisition, sale and administration of direct and indirect investments in America	100	USD '000 12,000	100	USD '000 12,000

For investments held indirectly see note 28 in the notes to the consolidated financial statements. Investments are valued at acquisition cost less adjustments for impairment of value. Nobel Biocare Holding AG is the parent company of the Nobel Biocare Group.

> Note 5 Cash and Cash Equivalents

As of 31 December 2004, included in cash and cash equivalents is CHF 11,173 k which is restricted in favor of the compulsory redemption process-related to the minority shares in Nobel Biocare AB. Beginning of February 2005 the remaining minority agreed that Nobel Biocare Sverige AB, against a bank guarantee of SEK 49 million, got immediate ownership of the remaining shares in Nobel Biocare AB. Therewith this restriction is not necessary anymore.

As of 31 December 2005, included in cash and cash equivalents is CHF 2,646 k, which is restricted in connection with financing the Indian Group company.

> Note 6 Shareholders' Equity

As of 31 December 2005, the share capital of the Company consists of 25,954,883 bearer shares with a par value of CHF 2 each (2004: 25,731,832 bearer shares with a par value of CHF 2 each). The bearer shares of the Company are listed on the SWX Swiss Exchange and the Stockholm Exchange, Sweden.

There are no voting restrictions.

Equity Reconciliation

in CHF'000	Number of Shares	Share Capital	Share Premium	Reserve for Treasury Shares	Free Reserves	Net Result	Total
Opening Balance 1 Jan 2004	25,499,827	51,000	2,202,646	568	–	–7,320	2,246,894
Transfer from share premium	–	–	–40,548	–	–	40,548	–
Dividend payment	–	–	–	–	–	–33,228	–33,228
Exercise of options	232,005	464	12,514	–	–	–	12,978
Net result	–	–	–	–	–	–32,416	–32,416
Total as of 31 Dec 2004	25,731,832	51,464	2,174,612	568	0	–32,416	2,194,228

Equity Reconciliation

in CHF'000	Number of Shares	Share Capital	Share Premium	Reserve for Treasury Shares	Free Reserves	Net Result	Total
Opening Balance 1 Jan 2005	25,731,832	51,464	2,174,612	568	–	–32,416	2,194,228
Transfer from share premium	–	–	–450,666	–	350,000	100,666	–
Acquisition of treasury shares	–	–	–	196,180	–196,180	–	–
Dividend payment	–	–	–	–	–	–68,250	–68,250
Exercise of options	223,051	446	16,469	–	–	–	16,915
Net result	–	–	–	–	–	3,005	3,005
Total as of 31 Dec 2005	25,954,883	51,910	1,740,415	196,748	153,820	3,005	2,145,898

Conditional Share Capital

The share capital may be increased through the issuance of no more than 662,435 (885,486) bearer shares of a par value of CHF 2 each, to be fully paid up by an amount of no more than CHF 1,324,870 (1,770,972) by virtue of the exercise of option rights granted to employees, directors and officers of the Group (see note 18 to the consolidated financial statements).

In 2005 a total of 223,051 (232,005) staff options were exercised.

Treasury Shares

See note 7.

Treasury shares are held by Nobel Biocare Holding AG and are carried at the lower of cost or market.

On 1 January 2005, the Company held 10,000 own shares. On 28 April 2005, the Annual General Meeting of shareholders of Nobel Biocare Holding AG approved a share buyback program to fund the new staff option program for employees and officers of the Group for up to 1,100,000 shares (see note 18 to the consolidated financial statements). During a two year period, Nobel Biocare intends to purchase shares on the open market. Until 31 December 2005, Nobel Biocare acquired 739,650 shares within this program for a total price of CHF 196,180 k. The total amount of Nobel Biocare Holding AG shares held by the Company at the end of the year was therefore 749,650.

> Note 7 Treasury Shares

Purchase and sales of treasury shares	2005	2004
Balance as at 1 Jan	10,000	10,000
Purchase	739,650	–
Sale	–	–
Sale from staff option program	–	–
Balance as at 31 Dec	749,650	10,000

> Note 8 Tax Expenses

As a holding company, Nobel Biocare Holding AG is only subject to direct federal tax at an effective tax rate of 7.83% in Switzerland. Dividend income of subsidiaries or of other qualifying participations as well as gain on disposal of qualified participations are basically exempt from tax due to a participation relief. The tax expense of CHF 687 k (1,444 k) relates to capital tax only.

> Note 9 Major Shareholders

The Board of Directors is aware of the following major shareholders with a holding exceeding 5% of all votes:

	2005	%*	2004	%*
BB Medtech (Switzerland)	2,644,024	10.2	2,602,800	10.1
AXA/Alliance Capital Management (France/USA)	1,515,082	5.8	–	–
FMR Corp. (USA)	1,299,879	5.0	1,276,936	5.0
Fidelity Interna- tional Limited (Bermuda)	1,274,103	4.9	2,516,616	9.8
Others	19,221,795	74.1	19,335,480	75.1
Total	25,954,883	100.0	25,731,832	100.0

* percentages as of Nobel Biocare shares per 31 December

> Note 10 Securities, Sureties, Guarantees and Pledges in favor of Third Parties

in CHF'000	2005	2004
Pledged assets		
Cash and bank	2,646	11,173
Total pledged assets	2,646	11,173

Contingent liabilities

Guarantee for rent on behalf of the Group companies	1,023	851
Total contingent liabilities	1,023	851

Subordinated loan

Granted to Group company	–	5,800
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Existing credit lines include a negative clause. Covenants covering key ratios such as interest coverages and net debt/equity are included in these agreements. All covenants were met at 31 December 2005 and 31 December 2004.

> Note 11 Other Liabilities

Other liabilities include an amount of CHF 14,615 k, which relates to the acquisition of treasury shares on 28, 29 and 30 December 2005.

The balance was settled at the beginning of January 2006.

> Note 12 Subsequent Events

There are no further facts which would require disclosure in accordance with Art. 663b of the Swiss Code of Obligations.

Proposal of the Board of Directors for the Appropriation of Available Earnings

in CHF	2005
Result of the year	3,005,252
Transfer from share premium	87,836,838
Available earnings at the disposal of the Annual General Meeting	90,842,090
Dividend of CHF 3.50 gross per CHF 2 bearer share	-90,842,090
Carry forward	0

If the Annual General Meeting approves the above proposal from the Board of Directors, the dividend of CHF 3.50 per bearer share, less 35 % withholding tax, will be paid as of 8 May 2006 at the offices designated in the publication organ of the Company and in selected daily newspapers. Dividends on staff options and warrants which may be exercised before the date of dividend payment totaling 163,547 shares, could lead to additional dividend payments of CHF 572,415.

Report of the Statutory Auditors to the General Meeting of Nobel Biocare Holding AG, Kloten

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes on pages 95 to 101) of Nobel Biocare Holding AG for the year ended December 31, 2005.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements

are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the Company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

KPMG Fides Peat

Reto Zemp
Swiss Certified Accountant
Auditor in Charge

Zurich, February 9, 2006

Peter Stössel
Swiss Certified Accountant

Share Information

Nobel Biocare Holding AG is listed on the SWX Swiss Exchange in Zurich, Switzerland, (primary listing) and Stockholmsbörsen, Sweden, (secondary listing).

Nobel Biocare was promoted to the top-tier Swiss Market Index SMI on 3 October 2005.

Further capital and share related information is to be found in the Corporate Governance section on pages 42–56.

Share Trends and Share Turnover

In 2005, the highest quoted price at the SWX Swiss Exchange in Zurich was CHF 324.00 (5 October 2005) and SEK 1,904.00 (5 December 2005) at Stockholmsbörsen, Sweden, and the lowest price quoted was CHF 198.50 (12 January 2005) and SEK 1,200.00 (17 January 2005), respectively.

The closing price paid at the end of the year was CHF 289.00 (206.00; +40.3 percent) and SEK 1,729.00 (1,217.00; +42.1 percent), respectively. On 31 December 2005, Nobel Biocare's total market value amounted to CHF 7,501 million (5,301 million). During the year, some 29.7 million (26.9 million) shares were traded,

29.0 million (24.2 million) in Zurich and 0.7 million (2.7 million) in Stockholm. The average number of shares sold per trading day amounted to 115,417 (106,211), of which 112,593 (95,371) in Zurich and 2,824 (10,840) in Stockholm.

Dividend Policy and Dividend Proposal

Nobel Biocare's dividend to its shareholders should reflect the Group's long-term financial development, taking into account the need for investments and the expected economic fluctuations in particular years.

The Board of Directors proposes a dividend of CHF 3.50 (2.65). The proposed dividend for the 2005 financial year is equivalent to 38 percent of the profit after tax. In 2005, the dividend in percent of the profit after tax was slightly higher (46 percent) in honor of the 40 year anniversary of the first dental implant.

Data per Share¹

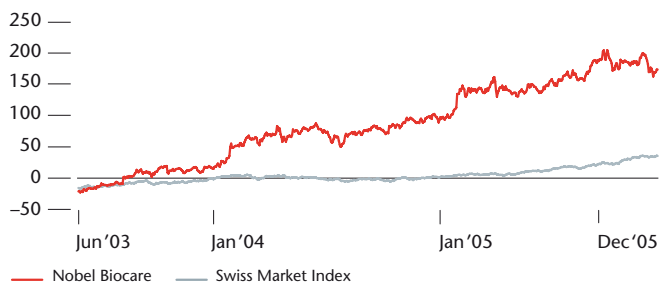
		2005	2004	2003	2002	2001
Shares on 31 Dec	(number)	25,954,883	25,731,832	25,499,827	25,115,187	25,354,900
Average number of shares		25,540,905	25,601,946	25,255,908	25,124,239	25,346,215
Shares after full conversion	(number)	26,617,318	26,617,318	26,617,318	26,357,605	26,617,318
Share price 31 Dec	(CHF)	289.00	206.00	125.25	87.84	68.76
Market value 31 Dec	(EUR mn)	4,819	3,429	2,103	1,518	1,177
Dividend per share ²	(EUR)	2.26	1.72	0.85	0.54	0.32
Yield ²	(%)	1.21	1.29	1.03	0.89	0.70
Dividend percentage ²	(%)	38	46	30	36	40
Earnings per share ³	(EUR)	6.05	3.58	2.85	1.50	0.80
Earnings per share after dilution ³	(EUR)	5.97	3.53	2.73	1.43	0.76
Equity per share	(EUR)	14.00	13.86	11.22	8.47	8.06
Equity per share after full conversion	(EUR)	13.44	13.34	10.65	8.07	7.68
Cash flow from operations per share	(EUR)	4.22	5.13	3.30	2.80	3.02
P/E ratio after tax		48	36	29	40	59

¹ The figures for 2001 refer to Nobel Biocare AB. The figures for 2002 refer to Nobel Biocare Holding AG and Nobel Biocare AB

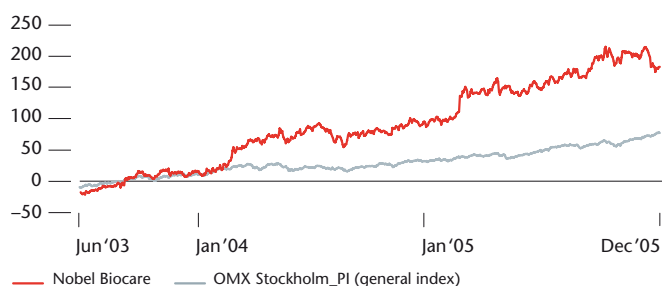
² Proposed dividend for 2005

³ 2004 restated to conform with 2005 presentation

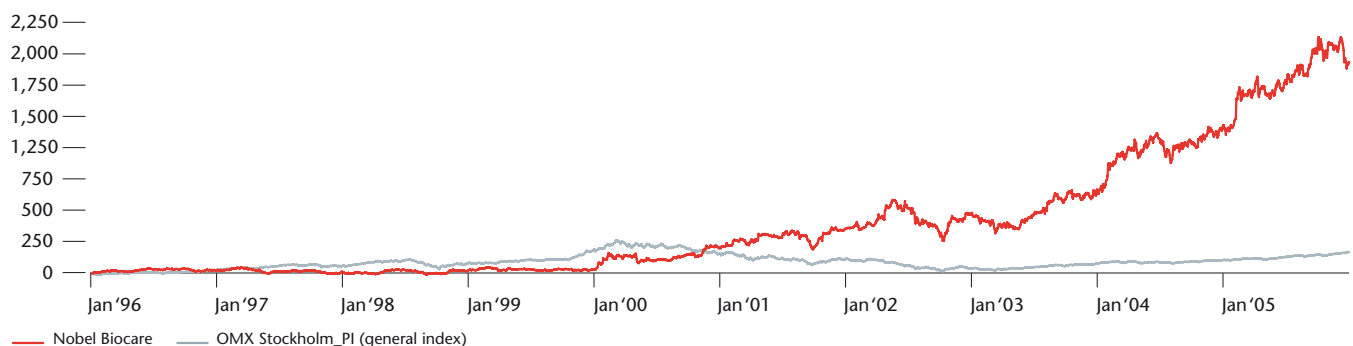
Nobel Biocare vs. Swiss Market Index (%)



Nobel Biocare vs. OMX Stockholm_PI (general index) (%)



10 years Nobel Biocare vs. OMX Stockholm_PI (general index) (%)



Nobel Biocare has been analyzed by the following stockbrokers and banks:

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Nobel Biocare is followed by the analysts listed above. Please note that any opinions, estimates or forecasts regarding Nobel Biocare's performance made by these analysts are theirs alone and do not represent opinions, forecasts or predictions of Nobel Biocare or its management. Nobel Biocare does not by its reference above or distribution imply its endorsement of or concurrence with such information, conclusions or recommendations.

Medical Glossary

> The glossary offers definitions of fundamental terms related to the esthetic dental solutions of Nobel Biocare.

Abutment

> The connecting element between fixtures and dental crowns which penetrates the soft tissue between the jawbone and the oral cavity.

Biocompatibility

> The ability of a medical device to perform its intended function, with the desired degree of incorporation in the host, without eliciting any undesirable local or systemic effects in that host. The metal titanium is an example of a biocompatible substance.

Bone inductive implant

> Experimental research has shown that it is possible to make new bone at dental implants with a technology that combines rhBMP-2 (recombinant human Bone Morphogenetic Protein-2) and Nobel Biocare's unique implant surface TiUnite®.

Dental bridge

> A permanent prosthetic structure, which only imposes a load on the wearer's teeth. Can also be performed using attachments and support on implants.

Dental coping

> In the Procera® technique, the industrially-produced inner core of a dental crown made of ceramic or titanium. The dental technician applies a layer of porcelain to the outside of the dental coping to match the patient's other teeth.

Dental crown

> Part of the tooth which is normally visible above the gum.

Edentulous

> Edentulous jaw = no teeth or very few teeth.
Fully edentulous = missing all teeth.

Esthetics

> In this context: advantageous in terms of appearance, attractive.

FDA

> US Food and Drug Administration.

Flapless surgery

> In this context: no need to cut open the gum (soft tissue) in order to place the implant and subsequently no need for suture afterwards. This minimally invasive method is comparable to "key-hole" surgery and results in reduced pain and swelling for the patient.

Implant

> From the Latin *implantare* = to implant. A prosthesis inserted during surgery.

In vitro model

> Study performed in laboratory tests.

In vivo model

> Study performed in living tissue.

Laminate

> A very thin ceramic façade which is placed on the front of the tooth in order to improve esthetics.

Molar

> Back tooth, grinder.

One-piece implant

> Implant fixture and abutment are integrated into one piece, for example the NobelDirect® implant.

Oral surgery

> Part of dentistry comprising the diagnosis and surgical treatment of diseases of the oral cavity and jaws.

Osseointegration

> A direct structural and functional connection between well-organized, living bone and an implant surface.

Periodontology

> The study of everything relating to the neck of a tooth and the surrounding tissues and their diseases, such as periodontitis.

PFM crown

> A Porcelain Fused to Metal crown has a core of cast metal alloy finished with porcelain.

Prospective study

> A clinical study using a set protocol that states in detail which parameters shall be measured and presented.

Prosthetics

> Prosthesis = replacement for a lost body part. In this context; oral prosthetics = part of dentistry which deals with problems relating to the replacement of teeth and/or jaws.

Titanium

> Metallic element, Ti. Atomic number 22, atomic mass 47.90, density 4.54 g/cm³ and melting point 1,668 °C. Similar color to steel. Relatively common in the earth's crust. In alloyed form, titanium is being used increasingly in the ceramic, aircraft and aerospace industries. Its biocompatible properties enable it to be used in prostheses inserted during surgery. The ability of titanium to establish direct contact with bone tissue is well-documented. Also, the name of the planet Saturn's largest moon. The Titans were an ancient family of gods in Greek mythology, the children of Uranus and Gaia.

TiUnite®

> TiUnite® is a titanium oxide layer which is formed from the titanium metal of the implant. During an electrochemical process, the implant surface oxide grows and a porous structure is formed. The resulting surface, TiUnite®, is highly crystalline and contains rutile and anatase, the most common forms of titanium oxide. The TiUnite® surface has a microstructured topography without sharp features and is characterized by the presence of uniformly distributed open pores.

Financial Glossary

Cash flow from operations per share

> Cash flow from operations divided by the average number of outstanding shares.

Direct yield

> The dividend per share as a percentage of share price as per 31 December.

Dividend percentage

> The dividend per share divided by the net profit per share.

Earnings per share

> Net profit divided by the average number of outstanding shares.

Earnings per share after dilution

> Net profit divided by the average number of outstanding shares adjusted for the dilution effect.

EBIT margin

> Profit from operations for the year divided by revenue.

Equity/assets ratio

> Shareholders' equity divided by total assets.

Equity per share

> Shareholders' equity divided by the number of outstanding shares.

Equity per share after full conversion

> Shareholders' equity divided by the number of outstanding shares after full conversion.

Interest coverage ratio

> Profit before tax plus financial expense divided by financial expense.

Net debt/equity ratio

> Interest-bearing liabilities less interest-bearing assets divided by shareholders' equity.

Net debt/EBITA ratio

> Interest-bearing liabilities less interest-bearing assets divided by profit before goodwill amortization.

P/E ratio after tax

> The share price at year-end divided by the net profit per share.

Profit margin

> Net profit for the year divided by revenue.

Return on capital employed

> Profit before tax plus financial expense divided by average capital employed.

Return on equity

> Net profit for the year divided by average equity.

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 statement made herein.

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This Annual Report is also available in German and Swedish. The English version is binding.

Nobel Biocare cares about the environment and all production units are certified according to the Environmental Management System ISO 14001.

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