



Annual Report 2003

Nobel Biocare in 60 seconds



Nobel Biocare is a dental company with an **integrated offer of crowns, bridges and implants** – C&B&I – covering all aspects of **advanced and esthetical** tooth reconstruction. The C&B&I concept enables dental specialists as well as general practitioners and dental technicians all over the world to offer patients high esthetic new teeth.

Nobel Biocare's crown and bridge offer is based on the unique Procera technology, the world's only commercially available process for **industrial production of individually designed crowns, bridges and abutments**.

Nobel Biocare is the **world leader in dental implants**. Brånemark System and NobelPerfect target experienced users, while Replace and NobelDirect are the prime alternatives for new users.

Dental implants are **permanent replacements for dental roots and the fastest growing segment within the dental market**. This treatment is based

on a medical phenomenon known as osseointegration, which means that the implant integrates with the patient's jaw-bone. The phenomenon was discovered by Professor Per-Ingvar Brånemark in 1952 and the first implant operation was performed in 1965.

Nobel Biocare has the **highest pace of launches in the dental industry**.

The company annually invests 4–5 percent of its revenues in R&D. The process is based on vast clinical validation and product verification.

Nobel Biocare has **1 363 employees**.

Global operating headquarters are located in Gothenburg, Sweden, while production takes place at four production sites in Sweden and the USA. The company has its own sales organizations in 28 countries.

The shares of the parent company Nobel Biocare Holding AG are **listed on the SWX Swiss Exchange and Stockholmsbörsen, Sweden**.



Cover picture: Osteoblast in contact with the TiUnite surface making bone grow directly onto the surface and into the pores. This leads to rapid bone formation, high initial stability and a true long-term osseointegration. Courtesy: P Miranda-Burgos, L Sennerby, P Schüpbach and J Hall.

Contents

Message from the Chairman	4	Quality, environment and regulatory affairs	20	Consolidated statement of changes in shareholders' equity	38
CEO statement	5	Supply chain management	22	Consolidated cash flow statement	39
Business concept, vision, targets and strategy	7	Information technology	23	Significant accounting policies	40
The dental market	8	Employees	24	Notes	44
Product offer	12	Key figures	26	Auditors' report	51
Intellectual Property Management	15	Data per share	27	Parent company accounts	52
Sales and marketing	16	Definitions	27	Appropriation of earnings	55
R&D	18	Financial review	28	Corporate Governance	56
		Risk management and sensitivity analyses	32	Management Group	66
		Consolidated income statement	35	Articles of association	68
		Consolidated balance sheet	36	Additional share information	70
				Addresses	71

A summary of 2003

► **Revenue increased** by 19.0 percent in local currencies, excluding sales of the discontinued Gore products, and amounted to EUR 334.0 million.

► **Profit** from operations (EBIT), before restructuring expenses in 2002, increased by 24.2 percent and amounted to EUR 87.2 million. In local currencies, EBIT increased by 39.0 percent.

► The **EBITA margin** was 28.9 percent and the **EBIT margin** 26.1 percent, exceeding the profitability targets for 2003.

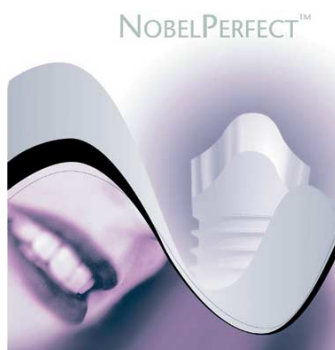
► **Net profit increased** by 90.5 percent to EUR 72.0 million (37.8), from 12.1 to 21.6 percent of total revenue.

► **Cash flow** from operating activities amounted to EUR 83.4 million (70.3).

► **Inventory was reduced** to EUR 22.4 million (28.1) as a result of the phase-out of the old product assortment.

► **Earnings per share** increased by 90.0 percent to EUR 2.85 (1.50).

► The Board of Directors proposes a **dividend for 2003** of CHF 1.30 (~EUR 0.85).



Continued product innovations resulted in the launch of NobelPerfect, the scalloped implant for optimal esthetics.

► Penetration of the **general practitioner** segment increased. The user-friendly Replace system retained the highest growth levels in the industry.

► **Revenue gained momentum** in the US and Germany in the fourth quarter, while growth remained strong in Japan, the Nordic countries, Spain and France during the whole year.

► **110 000 dental professionals were trained** at a wide variety of courses for current and new users around the world.

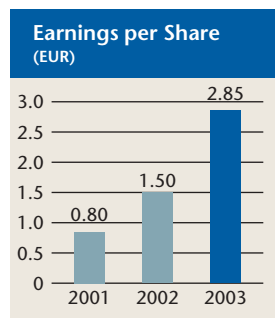
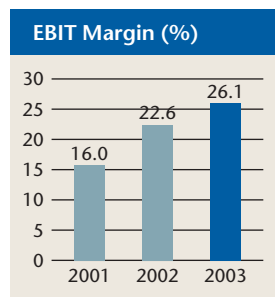
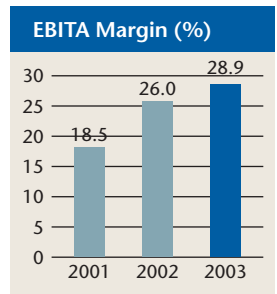
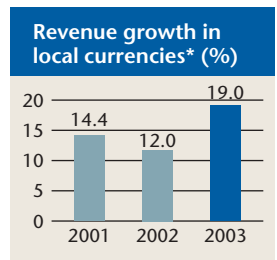
► Continued product innovations resulted in the launches of **NobelPerfect**, the scalloped implant for optimal esthetics, and the new one-piece implant, **Nobel-Direct**, in January 2004. Nobel Biocare received clearance from the FDA for NobelDirect with several different diameters, including the 3 mm implant.

► **Procera Piccolo**, a scanner aimed at small and medium-sized labs, was launched in the second quarter and sales exceeded expectations.

► **The assortment rationalization** program was finalized, resulting in a new core product assortment of 760 articles.

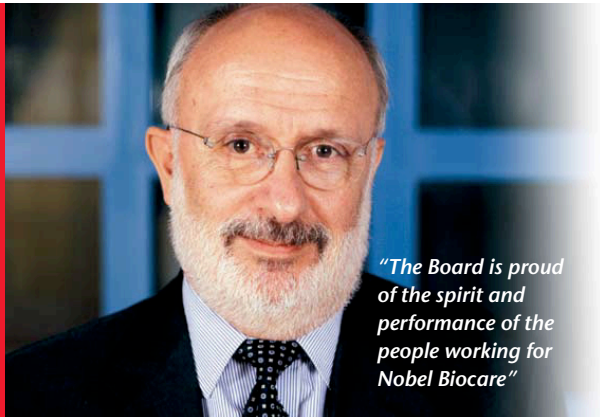
► Further **globalization of production and supply chain** processes enable higher efficiency and future production growth.

► Nobel Biocare received global ISO 14001 **environmental certification**.



*excl. sales of Gore products

Message from the Chairman

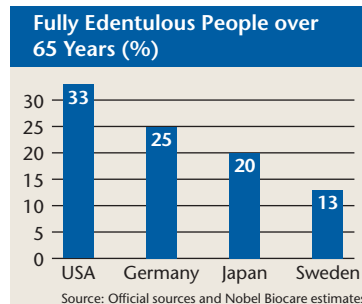


Dear shareholders,

Around the globe, there are countless sayings that emphasize how much human wisdom values the gift of smiling. For the Japanese: "Happiness comes to those who smile." In India it's believed: "The smile you give comes back to you." And, the Japanese, again: "Those who smile are always stronger."

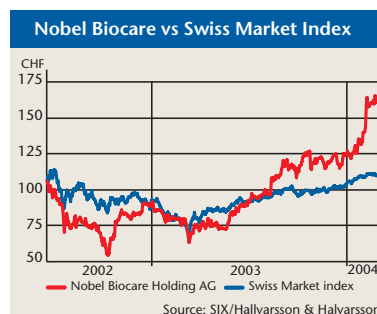
What can be more joyful than getting a big smile from a person with a full set of healthy teeth? We know from our own research and independent statistics that many people with missing teeth suffer mentally, reporting that they feel at a social and psychological disadvantage. At Nobel Biocare we are happy to be able to help to put a smile on people's faces by providing a solution to the problem of missing teeth through our innovative dental implants technology.

I feel a sense of pride in presenting the Nobel Biocare 2003 Annual Report. Long pioneers in our business, the company has grown even stronger during the past year. Nobel Biocare's growth and profitability bear witness to the fact that the management is



doing the right things right, not only for patients, labs and doctors around the world, but also for the company's employees, and, especially, for shareholders. Our share price depends on many factors; and not all are under our control. But it is a remarkable achievement how strongly Nobel Biocare's value has recovered since early 2003. Looking at the last couple of years, the growth in value demonstrates that Nobel Biocare's shareholders have invested in the right company!

Nobel Biocare's dividend to its shareholders should reflect the Group's long-term financial development. Over the long-term, around one-third of net profit should be distributed as dividend. However, in some years significant capital investments or unfavorable economic fluctuations need to be taken into account.



After reading this report, you will probably agree that management and staff in all countries, whatever their jobs, performed magnificently. And, while pride should be felt about all

the many brave new initiatives implemented during the year, we must not forget that the day-to-day work of keeping the business moving forward, solving the 'everyday' mundane problems and working to increase the level of reliability close to "zero default" demands huge effort. The Board is proud of the spirit and performance of the people working for Nobel Biocare and we would like to thank them. Not only in our names, but also on behalf of each of our shareholders.

The needs of the marketplace, the skill-based know-how of the company, its processes and strategies, as well as the enthusiasm and dedication of staff and management give us good reason for being optimistic. The Board will continue to contribute its part by emphasizing the need for continuous management and organizational development, by closely monitoring the performance of Nobel Biocare's competitive position and by keeping the company's strategy focused.

Let me assure you that the Board is fully aware of its foremost responsibility: The integrity of the Company's financial systems! The reputation of the world of business and industry in general, and particularly of its leaders, has lately been damaged by too many scandals that have happened in too many places. Like many other like-minded corporations, we at Nobel Biocare want to demonstrate that businesses can do better. Our goal is not only to remain Number 1 in market share – we also want to be the most respected for both our transparency and the way we do business.

Yours sincerely,

ROLF SOIRON
CHAIRMAN OF THE BOARD

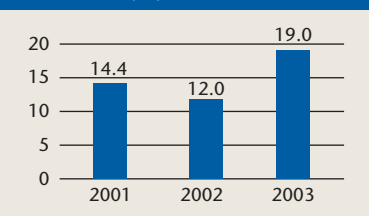
CEO STATEMENT

A winning new strategy

Sustained profitability, accelerated revenue growth, increased marketing and sales activities, over 110 000 dentists trained, reduced product assortment, global supply chain processes and ISO 14001 certification. These are just some of the milestones achieved by this company in 12 months. But, although proud of all we have done, I expect more of the year ahead. 2004 will be even better.

2003 was a year of accelerated growth and further improved profitability, a trend we successfully got underway the previous year. We achieved 19 percent revenue growth in local currencies. In the fourth quarter, revenue rose by 24.8 percent, gaining momentum in both the US and Germany. This was all pure volume growth, without any price increases.

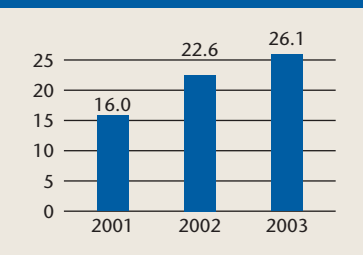
Revenue growth in local currencies* (%)



We grew in all major markets, maintaining our position as market leader in all regional markets as well as being the overall market leader in the US. And we grew both among new and experienced implant users. Of the 19 percent revenue growth, 15 percentage units came from new customers.

Furthermore, for the eighth consecutive quarter we were able to further improve our profitability, reaching an EBITA margin of 28.9 percent and an EBIT margin of 26.1 percent for 2003, well in excess of our targets.

EBIT Margin (%)



The net profit increased by 90.5 percent to EUR 72.0 million, an increase from 12.1 to 21.6 percent of revenue.

A strategy for the future

Both the revenue growth and accelerated profitability are the result of our new strategy aimed at making Nobel Biocare an esthetic dental solution company. Starting with the acquisition of Procera at the end of 2001, we have moved step-by-step towards this vision.

Procera is a vital part of our C&B&I concept making Nobel Biocare the only company in the dental business with a complete offer of crowns, bridges and implants, covering all aspects of advanced and esthetic tooth reconstruction.

Simultaneously, the market trend

towards higher esthetic demands is clear. As those born in the 1940's grow older, the need for esthetic tooth replacement will explode. This is a patient group that is financially solid and that will put high demand on the esthetic outcome. For them, function and chewing capacity are not enough; they pay dentists to provide new and beautiful teeth.

This is where our C&B&I strategy fits. By combining the advantages of implant treatment with the opportunities for individualized prosthetics of Procera, we give dentists the ability to meet all patient demands. At the same time, dentists are given freedom of choice. The goal is not for every dentist to place implants. It is that both dentists and patients should know about the treatment. Whether a dentist carries out both the surgical and the prosthetic part of the therapy, or refers the patient to a specialist who places the implant, we leave the final choice to the individual dentist. They decide, we provide.

“2003 was a year of accelerated growth and further improved profitability”



*excl. sales of Gore products

“Nobel Biocare is incredibly well positioned to become a leading actor in the entire dental industry”



New marketing and brand strategies

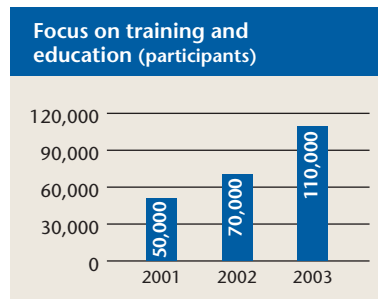
The C&B&I concept targets both general practitioners and specialists. Coming from a position where we focused on a limited number of experienced users, this has put new demands on the way we market ourselves. Thus, already in 2002 we integrated our global sales force and segmented our efforts towards our three main customer groups – specialists, general practitioners and dental laboratories.

There is also a clear brand strategy whereby our individual brands target different customer segments. Replace is aimed at new users and general practitioners, while Brånemark System is the main alternative for experienced users. Procera targets dental laboratories at the same time as being a vital part of our common prosthetic offer, Nobel Esthetics, for both Replace and Brånemark System.

Increased marketing activities

In 2003, we doubled our marketing efforts. We did more of everything – advertising, on-line marketing, exhibitions and so on. At the same time, the sales force grew by 16 percent. This was made possible by redirecting internal resources. For example, our customer service staff were retrained as internal sales people.

To widen knowledge of implant treatment, we also doubled our activities in training and education, training more than 110 000 dentists worldwide. We now have training centers with integrated surgical clinics in Yorba Linda, Toronto and Gothenburg. In 2004, we will establish new centers with live surgery and hands on capabilities in Fair Lawn, New Jersey and Stockholm. The courses are aimed at customers from all dental disciplines covering crowns and bridges as well as implants.



To make it easy for dentists to participate in the training activities, we utilize web-cast training programs, so that the dentists do not need to leave the office. In 2004, we will offer workshops led by women, targeting female participants and lecturers. Although 50 percent of all dentists are women, a strong male majority currently dominates those participating and lecturing.

The first world conference

The main manifestation of the C&B&I concept was our world conference in Las Vegas last April, gathering 2 300 customers from different dental disciplines, among them 700 general practitioners. In addition to hundreds of seminars, lectures, exhibitions and other activities, the visitors witnessed two broadcast live operations – one in Yorba Linda in California and one midnight case performed in Gothenburg, Sweden.

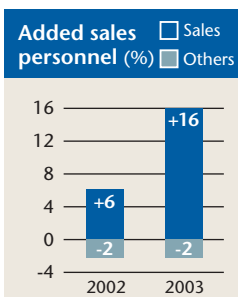
Both live cases were based on our unique “Teeth-in-an-Hour” concept making it possible for a fully edentulous patient to have new teeth that both work and look good in less than an hour. The participants at the World Congress could follow the entire operation as the dentists explained the procedure. Afterwards, the audience was able to speak with the patients to get his impressions of the treatment.

Globalization and rationalization

The powerful manifestation of revenue growth was achieved apace with our internal transformation into a truly global company, including production as well as all other parts of the supply chain.

Within the production of standard products, such as dental implants, this process encompassed the implementation of a new packaging system and the upgrading of machinery equipment. We also finalized our assortment rationalization program, resulting in a reduction of units from 3 400 in 2001 to 760 in the end of 2003. The program included the phase out of two product lines, Steri-Oss and Replace Hex, representing some 30 000 sold articles per annum, putting high pressure on the organization as we met unexpected amounts of returned goods. However, once again we showed the strength of our company by maintaining customer service and delivery precision at high levels.

We also invested heavily in our



Procera facilities for production of individualized designed prosthetics. Today, we have two world-class production facilities with almost zero-fault production and constantly falling internal scrap rates.

As if all this wasn't enough, we also completed our global ISO 14001 environmental certification, setting new standards for the dental industry. Furthermore, we started to roll out the SAP R/3 IT system to remaining subsidiaries in Latin America and Poland, providing us with unrivalled internal transparency.

We stayed innovative

Beside revenue growth, accelerated profitability and the development of internal processes, we stayed innovative. This is where we come from, and it is how we will stay number one. We will never stop being innovative.

The success for our surface TiUnite continued during 2003. Numerous independent clinical studies have proved that TiUnite not only integrates with human bone, TiUnite is also osseointegrative, which means that the TiUnite surface makes bone grow directly onto the pores of the surface. This strengthens our belief that TiUnite in the future will be used as carrier of bioactive agents.

TiUnite was a prerequisite for us in becoming the first company to ever gain FDA clearance for Immediate Loading in 2002. It is also a vital part of our "Teeth-in-an-Hour" concept presented at the World Conference. Launches in 2003 also included NobelPerfect, the world's first scalloped implant with a unique design that prevents the degeneration of bone between teeth and therefore secures long-term esthetics. In early 2004, we also launched NobelDirect, the one-piece implant concept, based on Immediate Function and flapless surgery. NobelDirect provides both dentists and patients with the ultimate form of simplicity resulting in shorter treatment times and a minimum of pain.

In 2003, we launched Procera Piccolo – a small scanner aimed at small and medium sized laboratories. Procera Piccolo limits the investments needed by the lab to start working with Procera. This has been a big hit and we have had to revise the sales forecast for Procera Piccolo several times during the year. In 2004, we will see the results of all new laboratories in the sales of Procera crowns, bridges and abutments.

From products to concepts

Each major launch in 2003 demonstrates how we use our leadership in R&D to develop treatment concepts that encompass more than just products. We provide our customers with a whole package of documentation; products, educations, manuals and ideas that help them expand their businesses.

All concepts are based on existing needs and are positioned in specific market segments. As market leaders, it is up to us to grow the market. We do that by continuously developing new concepts that make implant treatment available to more people, concepts that meet patient needs for new esthetical teeth.

The future is even better

Our achievements in 2003 have made Nobel Biocare very well positioned to become a leading actor in the entire dental industry. We have gained momentum when it comes to revenue growth and sustainable profitability. Our product assortment is lean and aimed at clearly identified target groups. And we have the market's strongest sales organization driven by strong commitment and a proven strategy.

We also have the infrastructure to meet the expected growth. Our production organization has both the capacity for increased volumes and the flexibility needed to gain maximal efficiency. And our R&D department consists of people with ideas that will further boost market growth.

Business concept, vision, targets and strategy

Business concept

Nobel Biocare aims to enhance patient quality of life by offering the best permanent and esthetic replacements for lost teeth.

Vision

Nobel Biocare will be the world leader in innovative esthetic dental solutions.

Targets for 2004

- Accelerated annual revenue growth
- Improved profitability

Strategy

In order to reach its goals, Nobel Biocare will continue its marketing and sales efforts towards dental specialists, general practitioners and dental technicians in order to increase the penetration for both dental implants and individually designed prosthetics.



2003 was a great year and we achieved a lot. In 2004, we will take further steps on our journey to become the world's leading and most innovative dental solution company. We will reach our goal through increased marketing and sales activities. We will launch a series of new products and there will be further studies confirming our clinical leadership. We will also place the last piece in our C&B&I puzzle by further strengthening our prosthetics offer.

I want to conclude by thanking all employees for contributing to the creation of our strong foundation for the future. In 2004, we will sustain our efforts to keep the world in a constant state of positive amazement – customers, partners and shareholders alike.

Heliane Canepa

HELIANE CANEPA
PRESIDENT & CEO

THE DENTAL MARKET

People want teeth

Arround the world there are billions of people who have lost their teeth. In the industrial world alone, over 240 million people lack one or more teeth. These men and women want more than their chewing capacity back. They want an esthetical replacement. They want their smile back. They want teeth.

In Europe almost 10 percent of the population is fully edentulous (missing

all teeth) and 35–40 percent partly edentulous. In the US, the corresponding numbers are 11 and 40 percent, respectively. In total, 40 percent of the Western population is missing one tooth or more. Among people over 65 years of age, 50–60 percent of all men and women are fully or partly edentulous.

All those treatment methods have focused on partially edentulous patients. For totally edentulous jaws, there have been no permanent replacements available, making this a severe social handicap for the patient.

The traditional method of replacing a tooth and its root is to place a bridge between two neighboring teeth that are being grinded to anchor the new “tooth”. Historically, this treatment has been carried out in a way similar to crown therapy, whereby the dentist takes a print of the adjacent teeth and sends it to a laboratory where the bridge has been produced.

However, since the 1960’s this method has been challenged by dental implant treatment. Dental implants are permanent replacements for dental roots. This treatment is based on a medical phenomenon known as osseointegration, which means that the implant integrates with the patient’s jawbone. Professor Per-Ingvar Brånemark discovered this phenomenon in 1952 and the first implant operation was performed in 1965.

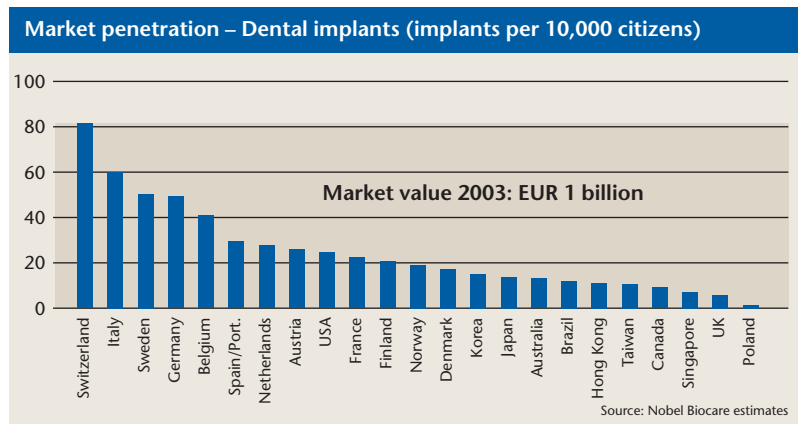
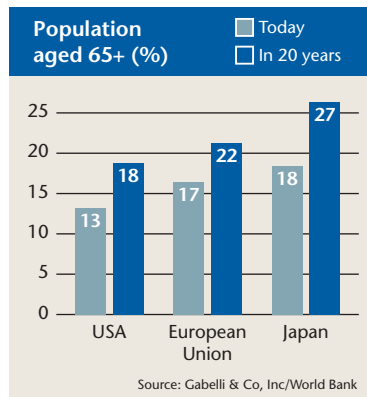
Compared to the traditional method, implants offer a number of advantages:

- No need to grind healthy teeth
- Better esthetic outcome
- Prevention of bone loss
- No loose parts and no adjustments needed after placement
- Life-long duration
- High success rate

Indications and methods

The loss of one or more teeth can be categorized into two main indications:

- Dental tissue damage when a part of the tooth is replaced by a crown that is produced in a dental laboratory and placed by a dentist to give the tooth an esthetic finish.
- Dental root damage, which means that both the tooth and the root are lost or a severely damaged tooth is extracted by the dentist and replaced by either a dental bridge or a dental implant.





Historically, the disadvantage of implant treatment has been that it has been considered complex and time consuming by both dentists and patients. Initially, the treatment was performed in two stages. The dentist began by installing the implant, which was left for three–six months to heal and integrate with the jawbone. During this healing period, the patient was given a temporary prosthesis before the abutment that joins the implant and the crown could be fitted.

The disadvantages of the traditional method and the former complexity of implant treatment may well be the main reason why only around 20 percent of the edentulous people in the industrialized world are still treated by a fixed solution and only 2 percent of the edentulous population are treated with implants.

However, by reducing the second step of the therapy in combination with other innovations in implant design and new surfaces, implant treatment has been simplified and the procedure has moved closer to

the traditional method.

The cost for a single tooth implant is in most markets similar to costs for a traditional bridge treatment. The implant components account for only 10–15 percent of the treatment, while the remainder is the fee to the surgeon/dentist. Apart from Sweden and The Netherlands, implant treatment is not covered by any national health reimbursements. Coverage through private insurance is still very limited.

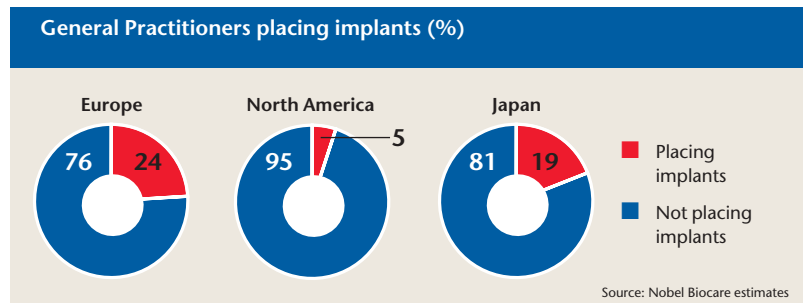
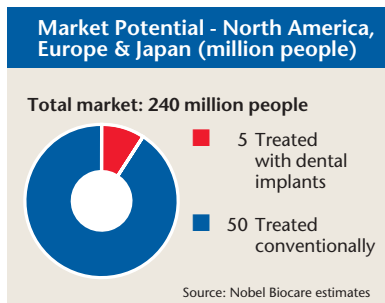
Dentists and laboratories

There are an estimated 810 000 dentists around the world. Of those, almost 170 000 are located in North America, 275 000 in Europe and

85 000 in Japan. In general, there are two groups of dentists – general practitioners and various specialists, including oral surgeons, prosthodontists and periodontists.

General practitioners usually have the prime relationship with the patients. Their main business is restorative and preventive dentistry that is mainly carried out during a patients’ yearly dental check-up. All general practitioners also carry out crown and bridge therapy.

However, just a small percentage of general practitioners place implants. In the US, only five percent of all general practitioners carry out the treatment, while in Italy, around 50



percent place implants. Historically, the main reasons for not doing implants have been:

- Lack of knowledge about implant treatment, which has not been part of basic dentist education
- Implant treatment has been regarded as time consuming, complex and expensive compared to crown and bridge therapy
- Limited demand due to lack of public awareness of the method.

Specialists account for some 5–10 percent of all dentists. In Europe, more than 95 percent of specialists carry out dental implants. In the US, 75 percent place implants, compared to around 90 percent of Japanese dental specialists.

To reach his or her patients, a specialist needs a network of referring general practitioners. To expand their referral market, specialists therefore have an interest in spreading the knowledge of dental implants among general practitioners.

Crown and bridge therapy also involve dental laboratories, which are the producers of the prosthetic solutions. Dental laboratories account for 10–15 percent of the total dental market, corresponding to total gross revenues of some USD 1.5 to 2.0 billion. The dental laboratory business is widely segmented with an estimated 12 000 labs in North America and 43 000 in Europe. The laboratories are dependent upon the general practitioners to reach the patient are judged on their ability to deliver quality on time with a high esthetic outcome.

The increased demand for esthetics is in line with general trends in society. In a world where plastic surgery is a fast growing business, it is natural that people also want to be able to smile showing all their teeth. Besides esthetical trends this is even a question of quality of life and social confidence.

The demand for esthetical solutions for replacing lost teeth is also predicted to grow as a result of demographical changes. An ageing population with high social and economical standards will be the major market driving force. As oral health improves, there will also be a switch in demand from full jaw replacements to partial and single tooth restorations. This will also increase the number of dentist visits.

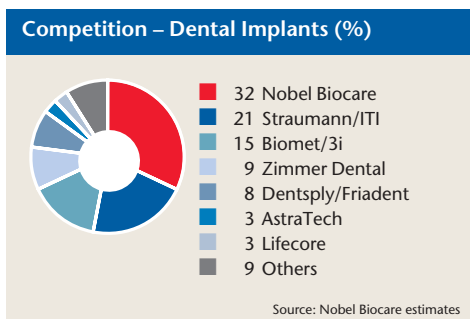
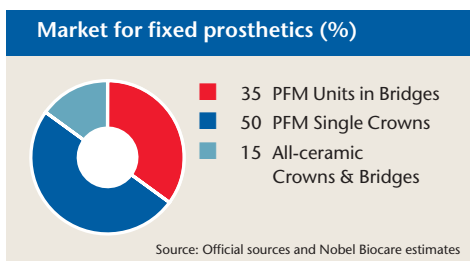
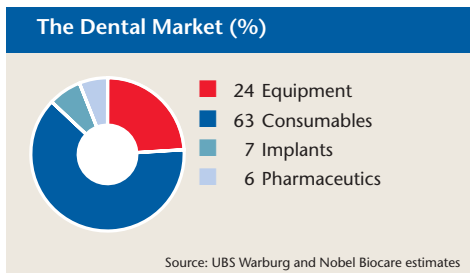
Market growth will also be boosted by technological improvements and the introduction of new treatment concepts and products, such as Nobel Biocare's Immediate Function, Teeth-in-an-Hour, NobelPerfect and NobelDirect.

The dental implant market

The total dental market has an estimated value of USD 13–14 billion with restorative and preventive dentistry standing for the largest segment. Other large segments are Dental laboratories and Cosmetic dentistry.

Dental implants account for 7 percent (USD 1 billion) of the global dental market. It is the fastest growing segment with a forecasted growth rate of around 18 percent followed by Cosmetic dentistry.

Europe is the largest regional



The driving forces

There is a clear trend within both dental implants and prosthetics towards shorter treatment times, a minimum of pain and high esthetic outcome. In the early days of dentistry, patients had no choice. A lost tooth was replaced by a solution that, in best case, restored chewing capacity. Today's patients are better informed and they know what they want. They want new teeth.

market, followed by the US and Asia. The highest growth rate is being seen in the US, which is a younger and less penetrated market with a slightly larger number of edentulous or partly edentulous patients. Implants represent 50 percent of sales, abutments 35–40 percent and instruments 10–15 percent.

In addition to demography, the market may be driven by an improved global economy in the coming years.

Crown and bridge market

The crown and bridge market is estimated to about EUR 2.4 billion covering around 110 million units. Globally, single units stand for 65 percent of the total volume, while bridges account for 35 percent. Bridges are most common in Germany and the rest of Europe, while in the US, approximately 85 percent of the volume comes from single units.

The governing market trends are the development of new all-ceramic materials for improved esthetics and the outsourcing of parts of the production from the laboratories to industrial actors.

All-ceramic materials account for 15 percent of the volume, compared to PFM (porcelain fused to metal) materials totalling up to 85 percent. The highest penetration for all-ceramic materials (20%) has been recorded in the US.

The outsourcing trend results from the use of CAD/CAM systems allowing the industrialized production of the inner part, or coping, of the crown. Of the all-ceramic units, eight



percent is produced by different CAD/CAM systems.

Players on the dental market

The total dental market is somewhat fragmented. Nobel Biocare is the clear market leader with a market share of 32 percent. Nobel Biocare holds the leading position on the regional markets in North America, Europe and Asia as well as in most individual countries such as the US and Japan.

The main competitors on the implant market include the Swiss company Straumann, and the US companies Biomet, Centerpulse Dental (acquired by US Zimmer in 2003) and Dentsply. In total, the five companies control almost 85 percent of the market.

Nobel Biocare not only ranks the market leader in size. The company also has an innovative approach and a fully integrated offer, covering both crowns and bridges and implants. This gives Nobel Biocare a unique position within the entire dental industry addressing dentists, specialists and dental laboratories with one common offer.

Within the All-Ceramic prosthetics segment, Nobel Biocare holds a market share of 6 percent. In Europe, Nobel Biocare's market share is 14 percent, while in North America it is 7 percent. In the CAD/CAM sector, Nobel Biocare is the market leader with more than 4 million individualized units produced.

PRODUCT OFFER

C&B&I – an integrated offer of crowns, bridges and implants



NobelDirect is a new concept based on flapless surgery and soft-tissue healing with TiUnite.

Nobel Biocare is the only company on the market with an integrated offer of crowns, bridges and implants – C&B&I – covering all aspects of advanced and esthetical tooth reconstruction.

The main goal of the C&B&I concept is that no dentist should be obliged to use a specific method or treatment therapy. He or she should be free to choose. And their available choice should encompass a wide range of concepts providing the utmost simplicity and highest esthetical results. As a Nobel Biocare customer, every dentist should feel convinced that he or she is able to provide the patient with the most suitable and esthetical solution for lost teeth.

Crowns and bridges

Nobel Biocare's crown and bridge offer includes industrially produced individual products in a number of different materials. The main product is Procera Crown that is available in various ceramic materials. For high-esthetic restorations in the frontal region, an aluminum oxide crown is used, while for areas demanding strength, zirconium oxide crowns are preferred.

The bridge offer encompasses Procera Implant Bridge, a customized dental implant bridge for full jaw replacements. Procera Implant Bridge provides the patient with outstanding esthetics, precision and fit.

Procera

Nobel Biocare's crown and bridge offer is based on the unique Procera

Nobel Biocare is the only company on the market with an integrated offer of crowns, bridges and implants – C&B&I – providing the dentist with the unlimited freedom of choice. Nobel Biocare enables every dentist to satisfy a patient's need for new teeth.

Over the last few years, Nobel Biocare has taken several important steps to move from its position as market leader in dental implants towards becoming a world leader in innovative esthetic dental solutions. Today,

C&B&I™
Nobel Biocare

“NobelPerfect is the first implant designed to replicate natural anatomy.”



NOBELPERFECT™

The launch of a new scanner, Procera Piccolo, proved such a success that sales forecasts needed to be revised several times.



technology. With Procera, first introduced in 1988, Nobel Biocare revolutionized the processes for producing dental applications. Procera remains the world's only commercially available process for industrial production of individually designed crowns, bridges and abutments.

The traditional method of replacing the natural tooth crown with a fixed prosthetic crown has been available for about 100 years. The dentist prepares the tooth and takes an impression, which is sent to a dental laboratory where a new crown is produced in a lengthy, handcraft procedure. The work at the dental laboratory is split in two parts. First, a supporting inner construction, the so-called coping, is made. Afterwards, the coping is coated with an outer layer of porcelain.

Procera is aimed at the production of the coping – the part of the process to be industrialized. The dentist sends an impression to a laboratory where a model of the tooth is read by a Procera Scanner connected to a PC, which designs the coping digitally. The digital information is then transferred to a central production facility, where the individually adapted coping is manufactured. Within 1–3 days the

laboratory receives the coping and adds an outer layer of porcelain to obtain the desired shape and color.

A vital part of the new strategy

Procera is a vital part of Nobel Biocare's new strategy. By providing individually designed dental crowns and bridges for conventional dentistry, the system functions as a door-opener to general practitioners.

To date four million Procera copings have been produced and Nobel Biocare is the world market leader in CAD/CAM based dentistry. To further penetrate the market, Nobel Biocare in 2003 launched a new scanner, Procera Piccolo, aimed at small and medium sized laboratories. The launch has been a success and the sales forecasts had to be revised several times.

In 2004, Nobel Biocare will further strengthen its crown and bridge offer named Nobel Esthetics.

Dental Implants

Nobel Biocare is the world leader and pioneer of dental implants. The implant offer covers all indications and encompasses a wide range of different implants, abutments and treatment tools. Thanks to strong R&D resources, Nobel Biocare meets

demands from dentists and patients for ultimate simplicity and esthetics.

Two customer groups – two brands

The segmentation of the implant offering is based on target groups. Brånemark System reaches out to experienced implant users, while Replace is the prime alternative for new users.

Brånemark System has the widest clinical documentation in the market. It is also the world's most versatile implant offering, covering all customer needs for advanced reconstruction.

Replace has for many years been the fastest growing brand on the market. As it is easy to use, Replace is the obvious choice for easy, efficient and esthetic treatment. These characteristics make Replace the first-choice alternative for general practitioners.

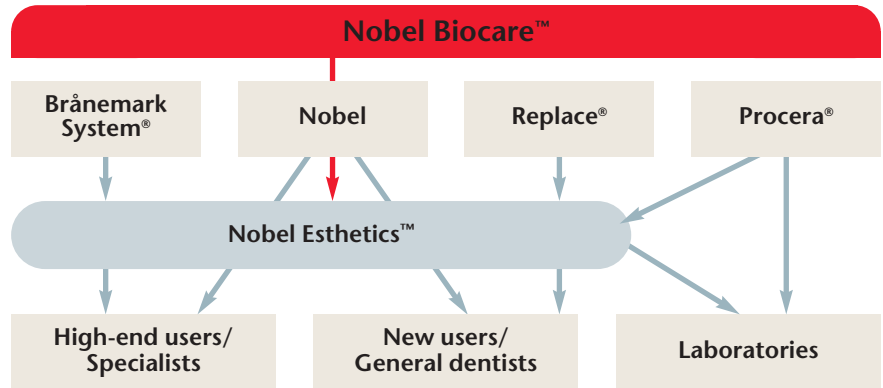
The main product for new users is Replace Select Tapered. The implant was the first tapered implant on the market and to date over one million implants have been installed. Replace Select Straight addresses general practitioners with some experience of implant treatment. It combines the best-documented features of Brånemark System implant design and Replace internal connection.

A common esthetic offer

Nobel Esthetics is a common prosthetic offer for Brånemark System and Replace, characterized by excellent esthetical results and simplicity. The concept means that the dentist does not need to know whether the specialist has installed Brånemark System or Replace. What is visible looks exactly the same.

Thanks to its unique Procera technology, Nobel Biocare is the only company in the implant business offering both standard abutments and individually produced solutions.

C&B&I BRAND STRUCTURE



Major product launches

In 2003 and early 2004, Nobel Biocare launched two dental implant concepts that pushed the borders for esthetics and simplification several steps forward, taking implant treatment as close to traditional dentistry as it can get.

NobelPerfect is the first implant designed to replicate natural anatomy. The revolutionary scalloped profile supports the interproximal bone ridge and preserves natural soft tissue contours between the implant and the surrounding teeth, avoiding “black triangles” between the teeth.

Through the development of a new concept, including the one-piece implant, NobelDirect, launched in early 2004, Nobel Biocare is taking dental implants to the point of ultimate simplicity and tissue friendliness.

NobelDirect is a new concept based on flapless surgery and soft-tissue healing with TiUnite. It is a one-stage implant using flapless, minimal-invasive surgery that facilitates handling and make procedures easier. Apart from bringing implants even closer to traditional crown and bridge therapy, NobelDirect and the opportunity of flapless surgery brings many advantages to the patient, including minimized discomfort and reduced treatment time.

Nobel Biocare has received clearance from the FDA for NobelDirect with several different diameters, including

C&B&I BRAND PROMISES

Nobel Biocare™	The world leader in innovative esthetic dental solutions
Brånemark System®	The most versatile and most clinically proven original so you can treat virtually every case
Replace®	The obvious choice for easy, efficient and esthetic treatment
Procera®	The ultimate in personalized esthetics and efficiency
NobelPerfect™	Optimal esthetics in implant treatment
NobelDirect™	Patient friendly, flapless procedure, Immediate Function and Soft Tissue attachment

the 3 mm implant, which is the thinnest implant for permanent placement ever approved by the FDA. The 3 mm implant is suitable where lack of space is a clinical problem. The primary customer target groups for NobelDirect are general dentists and implantologists.

The continuous integration of the Procera technology also resulted in the launch of a new customized abutment, Procera Abutments Zirconia, for areas demanding particular strength. As a result of the launch, Nobel Biocare's prosthetic offering for implant treatment is complete, encompassing both standard products and customized prosthetics in a range of materials for different areas of the mouth.

IPM

Intellectual Property Management

Nobel Biocare's product portfolio is state of the art. The increased complexity is a constant challenge for IP management and IP protection. Thus Nobel Biocare works in this area worldwide in order to optimize any combination of the legal and business aspects of Intellectual Property Management.

To obtain optimal protection for its products and services and to reinforce the company's brands and market position, Nobel Biocare takes a global and structured approach to the development, use and protection of Intellectual Property Management (IPM).

The knowledge-intensive nature of the business and the continued focus on providing complete esthetical dental solutions for its customers mean that IPM is an important issue for Nobel Biocare.

▀ Trademarks

Nobel Biocare uses the "core brands" Nobel Biocare, Brånemark System, Replace and Procera to develop and enhance its branding and positioning strategy.

In addition, Nobel Biocare further strengthens these "core brands" by using "product brands", such as the recently launched products Nobel-Perfect, NobelDirect and Procera Piccolo.

Nobel Biocare also uses different trademarks in launches and to introduce concepts, such as C&B&I and Immediate Function.

▀ Trade dress or designs

Several of Nobel Biocare's products are unique, not only from the angle of technical use but also in design aspects. This legal means of protection has been enhanced in the US and EU and is used by Nobel Biocare for the protection of designs.

▀ Patents

Nobel Biocare carefully monitors how to make the optimal use of patent-applications and patent protection.

Nobel Biocare is always at the forefront when it comes to developing new products and concepts. In 2003, Nobel Biocare applied for 17 new patents.

▀ Copyright

Many of Nobel Biocare's printed materials are protected by copyright legislation, as is Nobel Biocare Procera software.

▀ Trade secrets

Nobel Biocare acknowledges that it on a daily basis handles confidential information and know-how that is sensitive and proprietary. Nobel Biocare focuses on informing employees, suppliers and others of the sensitive nature of much of the daily work and processes at Nobel Biocare. We also put in place rules and guidelines, as well as mandatory processes, to make sure information only reaches those who should have this specific information.

Our trademarks



CORE BRANDS

Nobel Biocare™
Brånemark System®
Replace®
Procera®

PRODUCT BRANDS

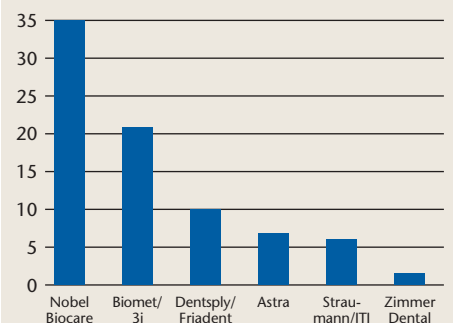
NOBELPERFECT™
NOBELDIRECT™
Procera® Piccolo

CONCEPTS

C&B&I™
Immediate Function™
Soft Tissue Integration™



Dental Implant Patents
Granted US Patents 2001-2003* (Number)



* Dental Implant Class A61C 8/00 Espacenet Patent Data base

SALES AND MARKETING

Increased marketing activities



The new C&B&I strategy of enabling dentists around the world to offer patients high esthetic new teeth has been a winning concept. A tremendous marketing effort and the launch of new advertising and profiling approaches not only supported sales growth, but also reinvented the image of Nobel Biocare.

Nobel Biocare's new strategy of addressing general practitioners has proven a major success. Never before

have so many new dentists been placing implants, or carrying out the prosthetic part of the treatment.

In the early stages, concerns were expressed about the risk of the strategy having a negative effect on the company's relationship with its traditional customers, who could possibly fear increased competition from general practitioners. Instead, the strategy has created new business opportunities for specialists as their network of referring dentists grow. Also, the

dental laboratories have found new business opportunities.

Integrated sales force

In line with the strategy and targeted sales growth, Nobel Biocare substantially increased its activities in sales and marketing in 2003. A key issue was the integration of the sales force that was carried out in 2002 forging one organization out of previously three. By having a common sales force segmented according to customer groups, Nobel Biocare freed resources to boost its efforts to reach out to general practitioners.

By globalizing its marketing and sales activities, Nobel Biocare also gained the full benefit of its unrivalled global presence with subsidiaries and branches in 28 countries and distributors in a further 15 countries. Altogether, this made it possible to double advertising, presence at exhibitions and other activities. The number of sales visits and visitors to the company's professional website also increased dramatically.

To reach new customer groups, Nobel Biocare also came up with new sales and marketing approaches as well as refreshingly different advertising and profiling styles. For example, NobelPerfect was presented using a new graphical language that underlined the exclusivity of this product for patients with higher esthetic expectations. NobelPerfect was very favorably received by the target group of experienced implant users performing more than 200 implants per year.

World Congress

Nobel Biocare held its first World Congress in Las Vegas 2-5 April. The conference was a manifestation of the C&B&I concept, gathering representatives for the first time from all dental disciplines, including both existing and new customers.

The 2 300 international participants, encompassing 700 general practitioners, were given the opportunity to participate in a world class scientific program, including two live surgeries with the Teeth-in-an-Hour concept demonstrating dental implant restorations with immediate functioning teeth. There was also a wide range of lectures, exhibits and workshops targeting different customer groups.

Training and education

The intensified efforts in training and education have resulted in a dramatic growth in the number of dentists participating in the courses. In 2003, Nobel Biocare trained 110 000 dentists compared to 70 000 the previous year.

Training and education activities are based on the customer's need to offer patients high esthetic solutions for lost teeth and Nobel Biocare's C&B&I concept where both implants and crowns and bridges are integrated. The programs are segmented towards general practitioners and specialists and include hands-on activities with a focus on both surgery and prosthetics. Training days are combined with interactive material on CD's, web-based learning programs and manuals and other written communication.

Not all participants will start placing implants. Some will do the prosthetic

part of the treatment; others will continue as before. However, all of them will be better informed on the therapy and able to present the solution to their patients.

In order to give easy access to continuous training, Nobel Biocare has introduced NobelOnline, which is an internet training program for dentists around the globe. Internet training makes it possible for hundreds of dentists to participate in the same lecture and learn about the latest findings without having to leave their offices.

Sales growth

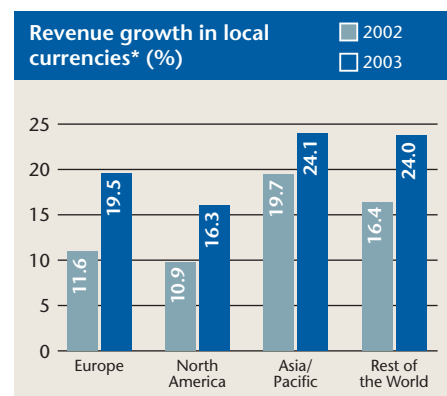
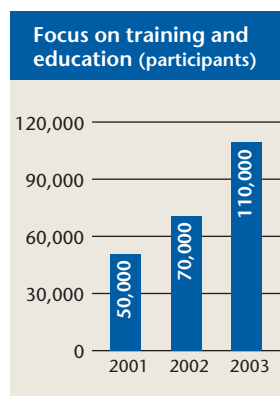
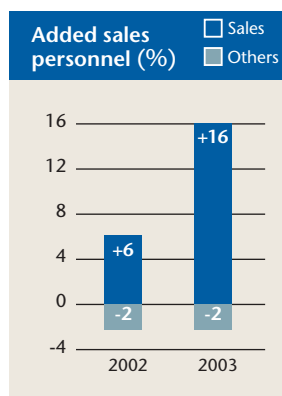
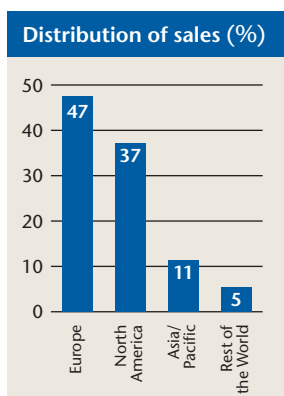
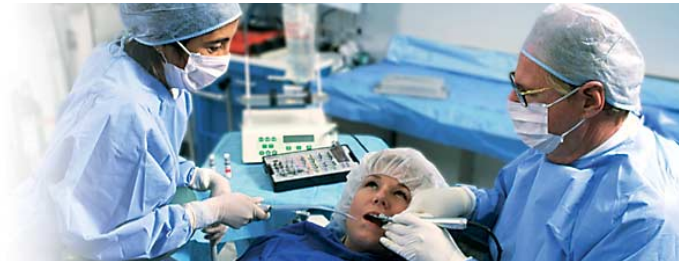
The increased focus on sales growth resulted in revenue increasing by 19.0 percent in local currencies to total EUR 334.0 million (311.2), excluding sales of the discontinued Gore regenerative products. For the new core products, the revenue growth was well above 20 percent. All core markets, and in particular the US, Germany and Japan, experienced strong sales acceleration towards the end of 2003. The strongest trends for

the full year were noted in the Nordic countries, Spain, France and Japan.

Sales of the Replace system continued to run at exceptionally high levels as a result of its user-friendly approach. The major part of the growth in the general practitioner segment came from Replace.

A larger number of general practitioners offering implant treatment has clearly led to more cases being referred to specialists carrying out difficult cases, resulting in a positive growth trend for Brånemark System as well.

The launch of the Procera Piccolo scanner resulted in extremely strong sales, confirming the interest in high-end ceramic prosthetics from small and medium-sized dental laboratories. This will be a sound platform for future sales increase.



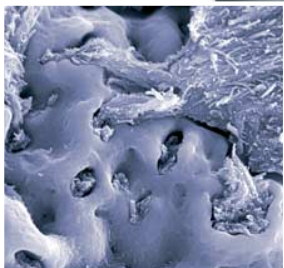
*excl. sales of Gore products

R&D

Continuous innovations

TiUnite – a unique porous surface

The small-pore topography and physical properties of the TiUnite surface make bone grow directly onto the pores of the surface.



In 2003 Nobel Biocare challenged the industrial standards by presenting the Teeth-in-an-Hour implant concept. By combining the unique Procera technology with the osseointegrativity of Nobel Biocare's implant surface, TiUnite, this concept enables dentists to provide patients with new, fully functioning teeth in less than one hour.

In 2003 Nobel Biocare brought several innovative products to the market. 4.1 percent of net revenue, EUR 13.6 million, was spent on R&D and 17 new patents were filed. In all, around 80 employees at Göteborg, Yorba Linda and Stockholm work with development activities.

The ultimate goal for the R&D department is to make dental implants available to patients as a standard method of tooth replacement. Until now, only a limited number of dentists have been offering dental implants. To make dental implants available for more general practitioners, Nobel Biocare's R&D focuses on developing easy-handled, patient friendly and esthetic treatment concepts.

Since the new strategy being implemented in 2001, Nobel Biocare has introduced a re-engineered product offer of 760 articles providing a more user-friendly system to the customer and improving internal efficiency. In 2003 and early 2004, the R&D work resulted in the launch of NobelPerfect (the world's first scalloped implant), NobelDirect (a biology friendly one-piece implant) and Procera Piccolo (a new scanner for small and medium-sized laboratories). Nobel Biocare has

also intensified the development of concepts such as Immediate Function, Soft Tissue Integration, Teeth-in-an-Hour and further integrated the unique Procera technology with the implant business.

TiUnite – the continuous success

Nobel Biocare has pioneered dental implants since Professor Per-Ingvar Brånemark discovered that titanium integrates with human bone. With the TiUnite surface, introduced in 2001, Nobel Biocare has further verified true osseointegration.

Numerous independent studies proved TiUnite to be osseointegrative, which means that it stimulates bone growth along the surface. It was also shown that bone actually grows into the pores of the TiUnite surface, which results in shorter healing time.

The clinical results secure Nobel Biocare's position as the innovative leader in the dental business, bringing numerous opportunities in the development of dental implants narrowing the gap to natural human teeth.

Long term esthetics

The successful launch of NobelPerfect, the world's first scalloped implant, confirmed Nobel Biocare's leadership in esthetics. NobelPerfect is aimed at enhancing esthetics in the frontal region. This is made possible due to the unique construction of the implant that supports both bone and soft tissue between the teeth.

In meeting patients' increasing demand for esthetic solutions, the

In 2003 Nobel Biocare spent EUR 13.6 million on R&D and 17 new patents were filed.

Launches of innovative products and concepts

	2001	2002	2003	2004 – Q1
R&D of revenue	4.5%	4.2%	4.1%	
Surgical	<ul style="list-style-type: none"> ▶ Replace Select TiUnite ▶ Brånemark Novum 	<ul style="list-style-type: none"> ▶ New Product Assortment (800) <ul style="list-style-type: none"> • 380 new products • Replace Select Straight ▶ Immediate function 	<ul style="list-style-type: none"> ▶ NobelPerfect 	<ul style="list-style-type: none"> ▶ Soft Tissue Integration ▶ NobelDirect ▶ 3.0 mm implant ▶ NobelPerfect One-Piece
Prosthetic	<ul style="list-style-type: none"> ▶ Esthetic abutment Brånemark System ▶ Easy Abutment ▶ Procera Crown Zirconia ▶ Multi-unit angled Abutment ▶ Procera Implant Bridge ▶ Procera Crown 0.4 mm 	<ul style="list-style-type: none"> ▶ Common prosthetic offer ▶ Esthetic Abutment Ceram ▶ New packaging ▶ New surgical kit Brånemark System ▶ Stargrip Replace ▶ Manual Torque Wrench 	<ul style="list-style-type: none"> ▶ Procera Piccolo Scanner ▶ Procera Abutment Zirconia 	<ul style="list-style-type: none"> ▶ New Temporaries

further development of compatible ceramic components is of vital importance. That is why Nobel Biocare has a competitive advantage in the unique Procera technology and its know-how in ceramic material development.

Immediate Function

Allowing a patient to leave a clinic with esthetically and functionally working teeth after implant treatment has long been the vision of the dental community. Nobel Biocare's R&D has made that possible.

Nobel Biocare is the first company to receive FDA clearance for immediate loading for all indications in patients with normal bone quality. Immediate loading is an important factor in Nobel Biocare's strategy aimed at general practitioners. As dental implants are becoming almost as easy as traditional crown & bridge therapy, this treatment option will become more attractive for both dentists and patients.

As a consequence of the immediate loading concept, Nobel Biocare has developed the one-piece implant

concept, NobelDirect, launched in early 2004. NobelDirect is a biology friendly one-piece implant specifically designed to simplify the use of implants and ensure long-term esthetics through a minimally invasive, flapless procedure.

Based on NobelDirect, Nobel Biocare has additionally developed a 3 mm implant that enables single tooth implants for the lower incisors in the frontal region. This opens up a new indication for implant treatment. Once again, Nobel Biocare is breaking new territory by becoming the first company to get FDA clearance for an implant that is less than 3.25 millimeters.

Teeth-in-an-Hour

The unique Teeth-in-an-Hour concept was presented in 2003. The dentist plans the surgery in advance using a computer based planning system with the Procera technology allowing the manufacture and supply of all the individualized components. Soon after sending the digital image of the patients jaw to Nobel Biocare, the dentist receives all the components

and tools for the implant procedure sent directly to his office. With the help of drilling templates and the individually designed components, the dentist can perform both surgery and prosthetics in one hour and the patient gets permanent functioning teeth in one visit.

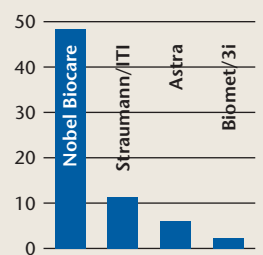
During 2003, 100 patients were successfully treated with the method. A global launch will start in 2005.

The combination of the planning system and Procera technology provides extremely high precision and consequently minimal invasive, flapless surgery can be performed. The process minimizes both pain and swelling for the patient, which in combination with the short treatment time, greatly benefits both the dentist and the patient.

Future focus

R&D and clinical studies will continue to play a vital part of Nobel Biocare's strategy to offer patients new teeth. The future focus will be on extending the immediate function concept, long-term esthetics and the simplification of treatment concepts.

Clinical publications on immediate/early loading (Number)



Source: Medline database, April 2003

QUALITY, ENVIRONMENT AND REGULATORY AFFAIRS

Setting the pace in the dental business



Nobel Biocare is setting the pace in the dental business when it comes to quality, environmental and regulatory matters. Patient and product safety is the ultimate goal of the company's quality work.

The governing principle behind all Nobel Biocare's general guidelines, procedures and documents is that they should be global with quality, environmental and regulatory issues fully integrated in the day-to-day work of all employees.

Quality and regulatory issues

Nobel Biocare's quality work encompasses all activities and processes, from product idea and development to delivery reliability and follow-up. At every stage, documentation is vital. Product development and production documentation provide evidence indi-

cating safe and reliable products for the end users.

The R&D process is based on clinical validation and product verification. All products are clinically and technologically well documented prior to being launched. The production process is rigorously controlled. Nobel Biocare also operates a comprehensive post market surveillance system handling complaints, warranty issues and clinical follow ups, for example.


Nobel Biocare is a member of the Swedish Institute for Quality and the European Foundation for Quality Management. In 2003, Nobel Biocare continued the implementation of the EFQM Excellence Model (The European Foundation for Quality Management), with special focus and intensifying of the process approach.

By using The Excellence Model, Nobel Biocare expands its view on

quality from a product-oriented approach to one establishing a management system encompassing the entire operation with a strong customer and business focus.

During the year, the company passed a number of external inspections regarding quality, environmental and regulatory issues. Nobel Biocare has also finalized its change to a common notified body (British Standards Institute – BSi) for monitoring of the compliance with the Medical Device Directive and quality management standards for its global operations. All production sites are certified according to ISO 13485.

The regulatory concept and product approval process is a prerequisite for marketing and distribution of the products. Among several internationally obtained product approvals, a number of FDA clearances were received



“Nobel Biocare’s major environmental goals are to reduce waste, minimize carbon oxide emissions and increase awareness on environmental issues among employees.”

during the period:

- NobelPerfect
- NobelDirect
- Teeth-in-an-Hour
- Esthetic Zirconia Abutment

Future challenges include the implementation of new regulatory standards in Asia where many countries are set to establish their own standards.

Environment

Nobel Biocare does not carry out activities that pose any threat to the environment. Nobel Biocare’s local operation sites comply with local laws and regulations.

The general guidelines for Nobel Biocare’s environmental work are stated in the company’s Environmental Policy that encompasses everything from supply management to produc-

tion and choice of transportation.

In 2003, Nobel Biocare gained global certification in accordance with ISO 14001. The certification means Nobel Biocare has the operational systems and procedures required to monitor, set objectives and evaluate the environmental performance of its activities. The major objectives are to reduce waste, minimize carbon oxide emissions and increase awareness on environmental issues among employees.

The major source of waste is the packaging of Nobel Biocare’s products. Thus, the company strives to increase the use of recyclable materials. In 2003, Nobel Biocare started to mark all packaging with the recycling symbol.

Internally, the waste target is closely linked to the aim of reduced internal production scrap rates. In 2003, Nobel Biocare succeeded in significantly lowering those rates.

To reduce carbon oxide emissions, Nobel Biocare seeks to limit the amount of traveling by striving to use alternative means of communication. When traveling is necessary, the most environmentally friendly alternative is chosen. The company constantly endeavors to implement and monitor its traveling objectives and targets. Nobel Biocare is also committed to reduce energy consumption and selecting sources of energy with minimal environmental impact.

Nobel Biocare strives to keep water consumption at very low levels. Water is mainly used in the cleaning process where it has replaced the earlier use of chemicals.

To increase internal awareness on environmental as well as quality and regulatory issues, all employees undergo continuous training.

Global ISO
Certification at
Nobel Biocare
Group:

- ▶ ISO 13485
- ▶ ISO 14001
- ▶ CMDCAS

SUPPLY CHAIN MANAGEMENT

Optimization and globalization

"In 2003, Nobel Biocare also continued a comprehensive optimization and globalization project encompassing all its production processes."

Nobel Biocare's supply chain organization enables dentists and dental laboratories worldwide to provide patients with high esthetic solutions for lost teeth. To meet customer needs for short delivery times and patient demands upon esthetic results, efficient purchase, production and distribution processes are vital to the success of the company.

Nobel Biocare manufactures and markets standardized products, mainly dental implants and individually designed prosthetics such as crowns, bridges and abutments. Parts of the assortment are sourced from carefully selected external suppliers, encompassing machines and components required to be the total dental solution provider. The largest purchased raw materials are titanium used in the production of implants and ceramic powder for dental copings.

Standard products

Production of standardized products, such as dental implants and abutments, takes place at Karlskoga, Sweden, and Yorba Linda, California, USA. For most markets, products are distributed directly to the end customer from two central warehouses, one in Yorba Linda for the American continents and one in Almere, Holland, for the rest of the world. The globalization of the production structure means that all products can now be manufactured in both Karlskoga and Yorba Linda, which creates a high degree of efficiency, flexibility and security.

During 2003 a series of process development projects have been implemented. The projects have encompassed new packaging and machine processes as well as upgrading and changing parts of the machinery equipment.

Individualized products

The manufacturing of individualized products takes place in Stockholm, Sweden, Fair Lawn, New Jersey, USA, and to some extent in Karlskoga, Sweden.

The production is based on CAD-CAM data sent electronically directly from the dental laboratories to the Procera manufacturing units. The individualized products are produced according to individual specifications for each unit. Most units are produced and distributed to the customer the very same day the product data file is received at the manufacturing unit. As a result, inventory of these products is zero, making Procera a true e-business solution.

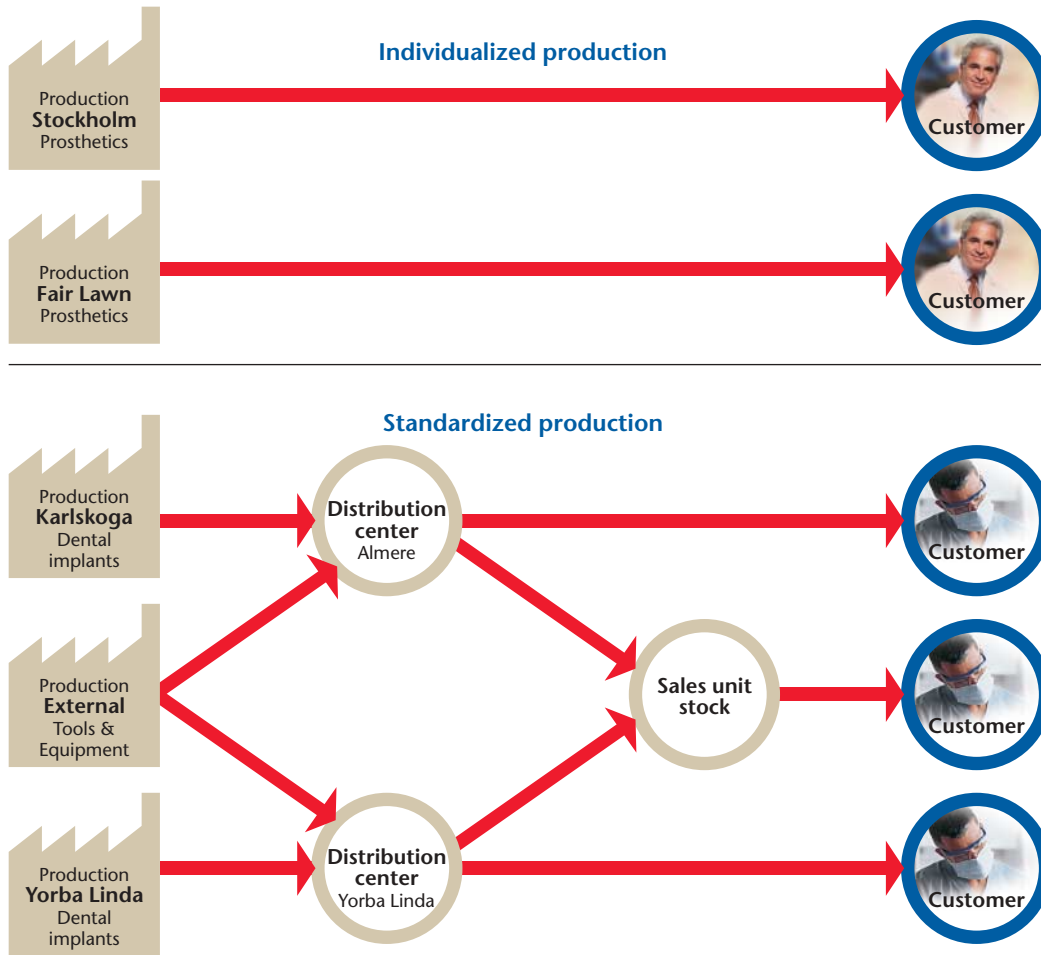
Today Nobel Biocare has two world-class production facilities for industrialized production of individualized products, a fact firmly proven by the practically zero-fault production. To meet future growth, a number of activities were implemented in 2003 to increase production capacity in both Stockholm and Fair Lawn. The aim is to turn Stockholm and Fair Lawn into complete ceramic centers for both production as well as training and education activities.

Optimization and globalization

In 2003, Nobel Biocare also continued a comprehensive optimization and globalization project encompassing all other functions within the supply chain, such as logistics, purchasing and IT.

Those efforts have resulted in a positive chain of improvements relating to quality, efficiency and flexibility. The tangible benefits have included

Nobel Biocare supply chains



enhanced productivity, shortened lead times, reduced inventory and improved service levels.

Assortment reduction program

In the fourth quarter 2003, Nobel Biocare also finalized its assortment reduction program resulting in the reduction of the number of units from 3,400 in 2001 to 760 at the end of 2003. The main benefits of the program include more efficient pro-

duction and purchasing processes and consequently reduced costs.

Due to the phase out of old products, Nobel Biocare met an unexpected amount of returned goods. However, the company was able to handle the inflow without major negative effects on customer services and delivery precision. The degree of order fulfillment according to the customer expectations increased in 2003 to over 97 percent.

Information Technology

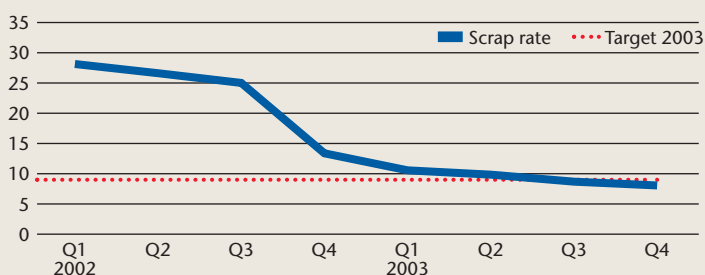
Nobel Biocare's Information Technology organization supports the business processes of the company globally in all areas. Information Technology has become an important part of the marketing and sales processes and web based communication is widely used in the customer dialogue.

The IT platform of Nobel Biocare is very tightly integrated and the strategy is to keep a global common platform to support the company users. The advantage is that it gives a full transparency in real-time and support common processes in the organization. The main application platforms are based on SAP products and the in-house developed Procera system.

During 2003 it was decided to roll out the SAP R/3 to the remaining subsidiaries in Latin America and Poland, to be finalized in 2005. Integration of Customers and Suppliers to the global transaction system will also be a focus during 2004.

Nobel Biocare has chosen to outsource the operation for all business critical systems and the global network, which has been very successful and have given high service and availability.

Internal production scrap rate – Individualized production (%)



EMPLOYEES

Shared values and customer focus



The success of Nobel Biocare is the direct result of the commitment of its 1 363 employees of bringing new business opportunities to dentists and laboratories around the world. Regardless of where they work – in the R&D department in Gothenburg or the sales office in Sao Paolo – everyone working for Nobel Biocare shares the same vision and values.

The worldwide Nobel Biocare team brings together people with a host of different backgrounds and skills. At the production sites in Karlskoga and Yorba Linda, the average employee

boasts advanced technological skills. The R&D departments comprise specialists with PhD's and Doctorates. In Nobel Biocare's sales offices around the world, customers can count on the skill of sales specialists, many with backgrounds as dentists or laboratory staff.

Shared values and common policies are as vital as the need for flexibility and adaptation to local prerequisites. Therefore, Nobel Biocare places huge emphasis upon globe-spanning policies, such as a common anti-harassment policy that complies with the strong Californian legislation,

showing respect for national cultures, regulations and legislation.

Shared vision of leadership

One major challenge for Nobel Biocare is to secure the availability of committed managers who are prepared to take swift decisions and are flexible and receptive to change. Every manager must be strongly committed to developing the potential of his or her staff, together with being able to show respect for and commitment to individuals.

Nobel Biocare has a policy of identifying potential talent within the company able to step into leading positions when required. Nobel Biocare's corporate policy is to have replacement plans for all key positions for corporate staff and subsidiaries.

Dedicated of providing development opportunities for employees with special expertise, Nobel Biocare utilizes a system of alternative career paths as part of the company's development activities. This enables Nobel Biocare to maximize the potential in-depth and unique knowledge of each of the company's specialists.

Global recruiting process

In 2003, Nobel Biocare commenced a comprehensive evaluation of recruiting processes on a global basis. The aim is to implement common guidelines for recruiting, as well as instructions for the recruiting process, including milestones to ensure that the company gets the best people for the right positions.

For Nobel Biocare to recruit, keep and develop the right competence, it is a prerequisite that all employees are given the same opportunities within

the company. Thus, gender equality and respect for people, regardless of age, cultural and ethnical background is of core importance to Nobel Biocare.

Personal development and training

In an organization such as Nobel Biocare's, with a large proportion of young and well-educated employees starting their professional careers, it is vitally important to make full use of the enthusiasm of employees' self-fulfilment and career planning. The company's skills development program is based on structured performance reviews, which results in an individual training scheme for each employee.

Nobel Biocare also operates a global web-based introduction program from which managers set up activities for newly hired employees. Further-

more, there is a common program for new 'leaders' that is divided into a general leadership training module and one specific to Nobel Biocare.

Setting salaries and incentive schemes

Working at Nobel Biocare brings both demands and exciting opportunities for professional and personal development. This is also reflected in the company's salary policy, aimed at encouraging self-esteem and good performance. The factors governing remuneration encompass nature of the work, the competence and personal ability of the employee, as well as market factors.

Most employees at Nobel Biocare are covered by different kinds of bonus schemes. For employees involved in marketing and sales activ-

ities, the variable part of the salary is considerable. The company also has a staff option scheme for 125 key personnel, which has been running since 2001.

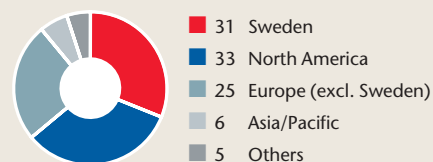
Health and safety issues

Legislation on health and safety issues differs from one country to another. In Sweden, for example, there are laws and regulations governing how to act when confronted with repetitive health absence, how to follow up accidents and injuries and alike. In the US, every company is obliged to have an Injury and Illness Prevention Plan with targets for such issues. Nobel Biocare always views national legislation as a platform for further activities.

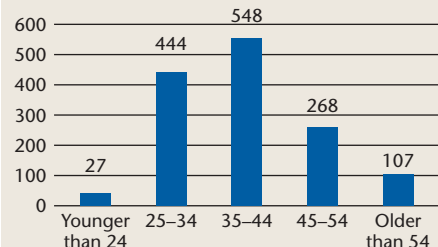
Employees in figures

	2001	2002	2003
No. of employees on 31 December	1 228	1 330	1 363
Average No. of employees	1 247	1 326	1 338
Percentage women	50	46	47
Average age of employees	38.7	39.0	39.3
Sales per average No. of employee (EUR)	231 100	234 683	249 610
EBIT per average No. of employee (EUR)	31 300	47 535	65 192
Personnel cost per average No. of employee (EUR)	66 693	65 709	63 657
Net profit per average No. of employee (EUR)	16 207	28 509	53 802
Value added per employee (EUR)	97 803	112 387	138 849

Employees per region (%)



Age Structure Nobel Biocare Group (headcount)



Nobel Biocare has employees working in 28 countries (27). The majority are in the US, Sweden, and Germany. In 2003, the company opened a subsidiary in South Africa. The company's largest sites in terms of employees are Yorba Linda, California, USA, Göteborg, Sweden and Karlskoga, Sweden.

Key figures^[1]

Income statement (EUR M)	2003	2002	2001 ^[2]	2000	1999
Revenue	334.0	311.2	288.2	249.8	197.2
Profit from operations excluding restructuring expenses ^[3]	87.2	70.2	46.2	34.3	24.9
Restructuring expenses and inventory revaluation (2001)	-	7.2	7.2	-	-
Profit from operations	87.2	63.0	39.0	34.3	24.9
Profit before tax	91.3	61.1	36.4	29.3	20.9
Net profit	72.0	37.8	20.2	15.9	16.0
Balance sheet (EUR M)					
Non-current assets	166.1	182.3	214.8	160.8	147.6
Current assets	212.4	142.0	108.4	130.9	105.0
Total assets	378.5	324.3	323.2	291.7	252.6
Shareholders' equity	283.5	212.7	204.4	196.2	152.9
Minority interest	2.5	2.2	-	-	-
Provisions	22.4	23.0	21.6	1.9	3.8
Non-current liabilities	8.1	32.5	47.8	57.0	53.2
Current liabilities	62.0	53.9	49.4	36.5	42.7
Total shareholders' equity and liabilities	378.5	324.3	323.2	291.7	252.6
Net cash position	108.7	21.4	-28.9	-43.1	-51.1
Miscellaneous					
Net cash from operating activities (EUR M)	83.4	70.3	76.6	29.6	2.5
Investments in tangible fixed assets (EUR M)	12.8	11.1	10.6	10.4	9.6
Number of employees	1 363	1 330	1 328	1 164	1 111
Key ratios					
Growth in revenue (%)	7	8	15	27	33
EBITA (%)	28.9	23.6	16.0	16.5	15.8
EBIT (%)	26.1	20.3	13.5	13.7	12.6
Net profit margin (%)	21.6	12.1	7.0	6.4	8.1
Return on equity (%)	30.2	18.4	10.1	8.1	11.3
Return on capital employed (%)	36.0	25.8	14.1	13.0	12.4
Equity/assets ratio (%)	75	66	63	67	61
Net debt/equity ratio (%)	-38.3	-10.1	14.1	22.8	33.4
Net debt/EBITA	-1.12	-0.29	0.54	1.04	1.64
Interest coverage ratio (times)	26.3	17.4	10.1	6.0	5.9
Key ratios, excluding restructuring expenses					
EBITA (%) ^[3]	28.9	26.0	18.5	16.5	15.8
EBIT (%) ^[3]	26.1	22.6	16.0	13.7	12.6
Return on equity (%) ^[3]	30.2	20.6	12.3	8.1	11.3
Return on capital employed (%) ^[3]	36.0	28.6	16.6	13.0	12.4

Data per share^[1]

	2003	2002	2001 ^[2]	2000	1999
Number of shares on 31 December	25 499 827	25 115 187	25 354 900	25 155 086	24 922 934
Average number of shares	25 265 908	25 124 239	25 346 215	25 069 782	24 886 325
Number of shares after full conversion	26 617 318	26 357 605	26 617 318	25 421 318	25 421 318
Share price 31 December (CHF)	125.25	87.84	68.76	49.88	22.49
Market value 31 December (EUR M)	2 103	1 518	1 177	824	350
Dividend per share (EUR) ^[4]	0.85	0.54	0.32	0.27	0.23
Yield (%) ^[4]	1.03	0.89	0.70	0.80	1.70
Dividend percentage (%) ^[4]	30	36	40	45	35
Earnings per share (EUR)	2.85	1.50	0.80	0.60	0.66
Earnings per share after dilution (EUR)	2.73	1.43	0.76	0.60	0.65
Equity per share (EUR)	11.22	8.47	8.06	7.83	6.13
Equity per share after full conversion (EUR)	10.65	8.07	7.68	7.72	6.01
Cash flow per share (EUR)	2.36	1.18	0.29	0.16	-0.02
P/E ratio after tax	29	40	59	54	21

^[1] The figures for 1999–2001 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] Excluding inventory revaluation in 2001

^[4] Proposed dividend for 2003

Definitions

EBIT (%)

Profit from operations for the year divided by revenue.

Profit margin

Net profit for the year divided by revenue.

Return on equity

Net profit for the year divided by average equity.

Return on capital employed

Profit before tax plus financial expense divided by average capital employed.

Equity/assets ratio

Shareholders' equity divided by total assets.

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.

Interest coverage ratio

Profit before tax plus financial expense divided by financial expense.

Direct yield

The dividend per share as a percentage of purchase price as per December 31.

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.

Equity per share

Shareholders' equity divided by the number of outstanding shares.

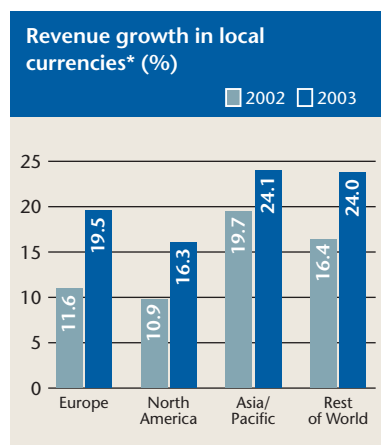
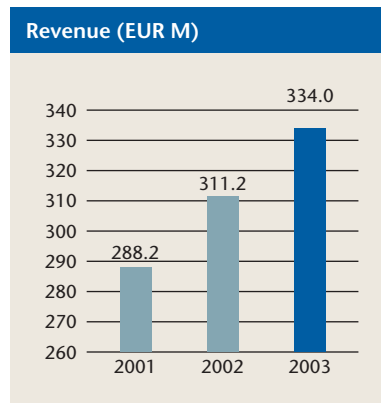
Equity per share after full conversion

Shareholders' equity divided by the number of outstanding shares after full conversion.

P/E ratio after tax

The share price at year-end divided by the net profit per share.

Financial review



*excl. sales of Gore products

This section of the annual report includes facts and figures relating to Nobel Biocare's performance.

Nobel Biocare is a medical devices group and the world leader in innovative esthetic dental solutions with its core brands Brånemark System, Replace, (dental implants) and Procera (individualized dental prosthetics).

Nobel Biocare is a one-stop shop for restorative esthetic dentistry, offering a wide range of innovative Crown & Bridge & Implant products, as well as training & education and clinically documented treatment concepts. The distribution agreement with W.L. Gore & Associates, Inc. was terminated on 31 May 2003. Sales of Gore regenerative products accounted for approximately two percent of Nobel Biocare's total revenue.

Revenue

Revenue increased in 2003 by EUR 22.8 million, or 7.3 percent, to EUR 334.0 million, from EUR 311.2 million in 2002. The revenue growth in EUR was impacted by significant negative currency effects, primarily related to the weakening US dollar. In local currencies and excluding the sales of Gore products, revenue

increased by 19.0 percent.

Revenue in Europe increased by EUR 22.7 million, or 16.9 percent, to EUR 157.7 million, from EUR 135.0 million the year before. In local currencies and excluding the sales of Gore products, revenue increased by 19.5 percent. In Europe, the Nordic countries, Spain and France reported strong sales throughout the year. Revenue in Germany improved continuously in 2003 and, in the fourth quarter, sales increased by 18 percent, excluding sales of Gore products.

In North America, revenue in 2003 amounted to EUR 121.8 million, compared with EUR 126.6 million in 2002. In local currencies and excluding sales of Gore products, growth was 16.3 percent. Sales in the US were strong with the exception of the third quarter in which revenue was negatively affected by the phase-out of the Steri-Oss and Replace Hex product lines.

Revenue in the Asia/Pacific region increased by EUR 3.8 million, or 11.3 percent, to EUR 37.1 million, from EUR 33.3 million in 2002. In local currencies and excluding sales of Gore products, revenue increased by 24.1 percent. The main contributor

in this region was Japan, with strong growth, in particular after the launch of Replace Select.

The remaining countries increased revenue by EUR 1.1 million, or 6.2 percent, to EUR 17.4 million, from EUR 16.3 million the year before. In local currencies and excluding sales of Gore products, revenue increased by 24.0 percent.

Key events

In 2003, Nobel Biocare approached the entire dental industry with the new product offer as part of the new Crown & Bridge & Implant (C&B&I) concept, which incorporates implants and CAD/CAM Procera technology in regular dentistry for both teeth and implants.

In the first quarter, the company launched the Procera Piccolo scanner for high-end ceramic prosthetics for small and medium-sized dental laboratories. Deliveries started in May 2003 and by year-end had contributed about 2 percent of the company's growth in local currencies.

In the third quarter, NobelPerfect, the scalloped implant that provides improved esthetics by preserving bone structure and soft tissue between the teeth, was introduced. The reception of this high-priced, niche product has been favorable among the target group of experienced implant users placing more than 200 implants per year. NobelPerfect contributed with about 1 percent of the company's revenue growth in local currencies for 2003.

Revenue growth for the Replace system was at exceptionally high levels in 2003.

Gross profit

The gross profit increased in 2003 by EUR 19.9 million, or 8.5 percent, to EUR 255.1 million, from EUR 235.2 million in 2002. The product assortment phase-out was completed by the end of the fourth quarter as planned, resulting in an assortment of about 760 articles (down from over 3 400 in 2001). The obsolescence cost related to inventory rationalization, expensed under Cost of sales, was EUR 4.4 million in 2003, compared with EUR 3.3 million the year before.

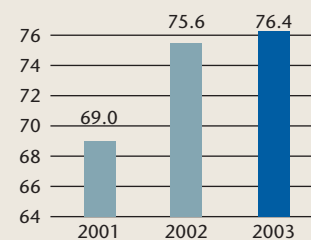
The gross margin for 2003 was 76.4 percent, compared with 75.6 percent in 2002.

Profit from operations

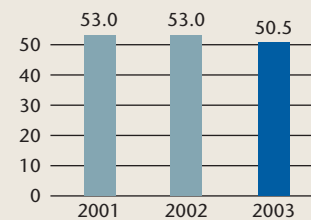
For the full year, profit from operations before goodwill amortization (and restructuring expenses in 2002), EBITA, increased by 33.1 percent in local currencies to EUR 96.5 million, from EUR 80.8 million in 2002; 19.4 percent in EUR due to the significant negative currency effects. The EBITA margin (before restructuring expenses in 2002) increased to 28.9 percent (2002: 26.0 percent). In local currencies, the EBITA margin was 29.5 percent.

In 2003, profit from operations (before restructuring expenses in 2002), EBIT, increased by 39.0 percent in local currencies to EUR 87.2 million (2002: EUR 70.2 million); 24.2 percent in EUR. The EBIT margin increased to 26.1 percent from 22.6 percent the year before. The total year-on-year currency impact on profit from operations was a negative EUR 10.4 million. In local currencies,

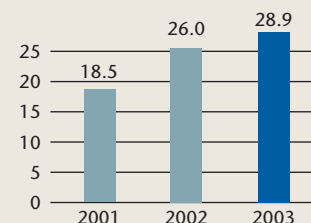
Gross Margin (%)



Operating Expenses in percent of Revenue



EBITA Margin (%)

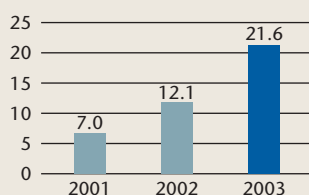


the EBIT margin was 26.8 percent.

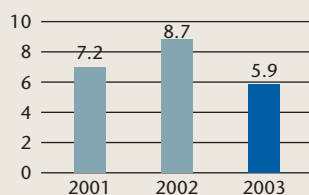
The profitability improvement was driven by the increase in revenue, the improvement in gross margins and the cost savings achieved through the globalization of manufacturing, logistics and marketing processes representing about 1.4 percent of the EBIT margin improvement in 2003.

Operating expenses were impacted by two issues in December 2003: the legal settlement of the VPIP litigation and the final resolution of a French VAT litigation relating to the period 1988–2000. These two factors resulted in an income of EUR 1.1 million, which was recorded under administrative expenses.

Net Profit Margin (%)



Inventory in percent of Assets



Financial income and net profit

Financial income for the year rose to EUR 7.7 million from EUR 1.8 million in 2002. This improvement was primarily due to income of EUR 4.7 million relating to proceeds from the mutual call options in Entific Medical Systems AB. In 1999, Entific was spun off from Nobel Biocare to a newly formed company, owned by Nobel Biocare and two new investors. Options were issued between the owners. In December 2003, these options were called, resulting in a net income of EUR 4.7 million and a reduction in ownership from 39.8 percent to 38.4 percent for Nobel Biocare. In accordance with IFRS regulations governing equity accounting, Nobel Biocare's 38.4 percent ownership is valued at EUR 2.3 million in the balance sheet.

For the full year, goodwill amortization decreased and totaled EUR 9.3 million, compared with EUR 10.5 million in 2002, as a result of the weaker USD currency rate. Depreciation amounted to EUR 10.7 million, compared with EUR 11.1 million the year before.

As a result of the new holding structure, the tax rate was 20.4 percent of profit before tax for the full year 2003, compared with 37.5 percent in 2002.

In 2003, net profit increased by 90.5 percent or EUR 34.2 million to EUR 72.0 million, from EUR 37.8 million in 2002.

Investments

Total capital expenditures amounted to EUR 13.9 million, (2002: EUR 13.6 million), whereof EUR 8.9 million relates to investments in production facilities.

Liquidity and financial position

As a result of increased profitability, cash flow from operating activities amounted to EUR 83.4 million for the full year 2003, compared with EUR 70.3 million in 2002.

Inventory amounted to EUR 22.4 million, compared with EUR 28.1 million at the end of December 2002. The decrease is primarily due to the process of phasing out the old assortment of articles.

Current receivables at the end of 2003 were EUR 80.5 million, up from EUR 61.4 million the year before. The increase is primarily due to an increase in VAT receivables in Swedish entities and global tax receivables totaling EUR 11.3 million.

Trade receivables totaled EUR 59.2 million, up from EUR 53.1 million at the end of 2002. The Days of Sales Outstanding (DSO) were on the same level in local currencies as in 2002.

Other non-current liabilities were reduced from EUR 32.5 million to EUR 8.1 million, due to the amortization of interest-bearing loans.

Cash and cash equivalents totaled EUR 109.5 million (31/12/2002: EUR 52.5 million), while the net cash position amounted to EUR 108.7 million (31/12/2002: EUR 21.4 million).

The sale of shares issued, in order to purchase minority shares in Nobel Biocare AB during the compulsory redemption process, contributed EUR 20.2 million to the net cash position. This cash balance is restricted until a bank guarantee is issued following a ruling in the first quarter of 2004.

Shareholders' equity per average share increased to EUR 11.22 (31/12/2002: EUR 8.47*).

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

Miscellaneous

In December 2003, Nobel Biocare settled its patent litigation against VP Intellectual Properties with a one-time worldwide settlement amount on satisfactory terms. In the Sulzer/Centerpulse/Zimmer patent arbitration, the final infringement hearing was held on 12–13 January 2004.

On 3 March 2004, Nobel Biocare received a positive ruling on the arbitration in the US of a patent concerning internal connections. The arbiters ruled that none of Nobel Biocare's products with an internal connection infringes the patent owned by Zimmer, Inc. (formerly Centerpulse Dental).

In previous decisions the arbiters ruled that Nobel Biocare may not, for contractual reasons, challenge the validity of the patent, however, had decided that the Brånemark System Stargrip implant does not infringe the patent. The final hearing of the

arbitration was limited to determine if the Replace Select implant infringes the patent, which the panel now has ruled it does not. The ruling of the arbiters is final and binding. The only remaining decision from the panel will be relating to the legal fees to be awarded to Nobel Biocare.

The minority interest represents the outstanding shares (1.1 percent) on 31 December 2003 in Nobel Biocare AB (publ.), which had not been exchanged for Nobel Biocare Holding AG shares. Minority interest has been recorded in the income statement and on the balance sheet.

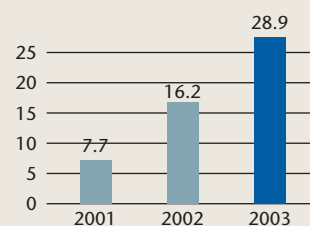
In order to initiate a compulsory redemption process for the remaining shares in Nobel Biocare AB, Nobel Biocare Holding AG transferred all its shares in Nobel Biocare AB in January 2003 to a wholly-owned Swedish subsidiary; Nobel Biocare Sverige AB. The compulsory purchase process was initiated on 16 January 2003. In accordance with the Swedish Companies Act, Nobel Biocare Sverige AB has requested that the question of redemption and the price that is to be paid for the minority shares shall be referred to arbitration.

The arbitration proceedings relating to the compulsory purchase of shares in Nobel Biocare AB began in August 2003. The parent company submitted its first offer and a request for immediate possession against security. The trustee representing the minority shareholders submitted his response at the beginning of October. The

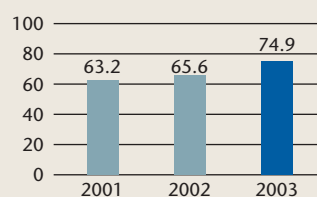
response did not contain a specified monetary claim. Further briefs were filed during the fourth quarter of 2003.

On 27 January 2004, the arbitration panel issued a ruling in favor of Nobel Biocare to have immediate ownership of the minority shares against a bank guarantee amounting to EUR 20.2 million, which will be issued in the first quarter of 2004. Arbitration will continue and, unless the parties can agree on an amicable solution, it is expected to take an additional 1–2 years before the final purchase price is decided upon by the arbitration panel.

Cash in percent of Assets



Shareholders' Equity in percent of Assets



Risk management and sensitivity analyses

As a growth company with a large percentage of innovative Research & Development, Nobel Biocare is exposed to a number of financial risks as well as risks related to its operations.

Financial risks

Management of the Group's financial risks takes place within Nobel Biocare AB. 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.

By invoicing the subsidiaries in local currencies, the major part of the currency risk within the Group is concentrated to Nobel Biocare AB. Of the Group's total sales, approximately 95 percent take place in markets outside Sweden. As most of the Group's sales are made in foreign currencies, Nobel Biocare is exposed to fluctuations in the exchange rates of

a large number of currencies.

The forecast for expected net payments in foreign currencies are hedged in accordance with the approved currency 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 2003, around 60 percent of the anticipated cash flow in 2004 was hedged. Outstanding hedge contracts corresponded to EUR 79.3 million (66.2).

The table "*Hedged anticipated currency flows*" shows the hedging that took place for the most important currencies on 31 December 2003.

The table "*Transaction effect*" shows how the value of the anticipated flows to Sweden of the most important currencies is affected by a general 10 percent weakening or strengthening of the currency.

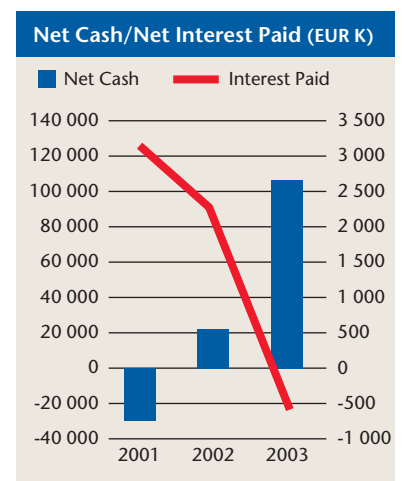
The table "*Translation effect*" shows the impact in EUR on the Group revenue, EBITA and EBIT at a one percent decrease in value of each currency. The most significant effects are concentrated to USD and SEK, where both production facilities and global functions are situated besides the local sales functions.

Interest risk

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

The handling of the Group's liquid funds and loans is co-ordinated 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 2003, the average fixed interest period of fixed term deposits was 59 days with an average interest rate of 2.78 percent.

A change of one percentage point in the interest rate will have an



earnings impact of estimated EUR 0.9 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 intra-group, either through the usage of cash pools or by implementing 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 one month of total expenses available. The funding policy limits the refinancing risk by not permitting refinancing of more than 50 percent of the debt portfolio during the following 12 months.

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 one and two years from concept to launch. This means that uncertainty relating to clinical trials, for example, does not represent a decisive risk for the company.

Hedged anticipated currency flows

	Secured (%)	Secured average rate (to SEK)	31 Dec 03
EUR	62%	9.14	9.09
USD	64%	7.87	7.28
JPY	56%	0.0692	0.0680
CAD	52%	5.82	5.56
CHF	49%	5.94	5.83
GBP	59%	13.03	12.91
AUD	66%	5.36	5.43
HKD	60%	1.00	0.94
DKK	66%	1.23	1.22
NOK	63%	1.11	1.08

Transaction effect (EUR K)

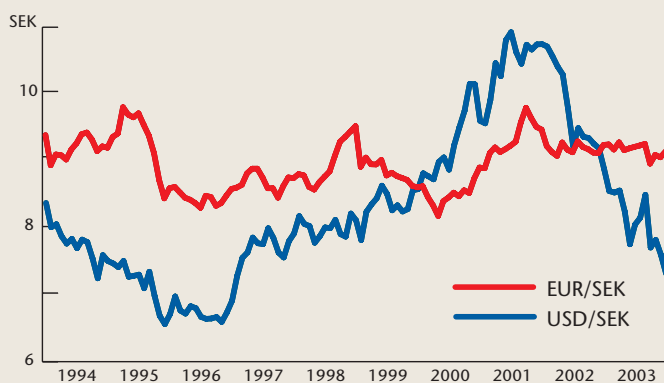
	Unsecured (%)	31 Dec 03	+/-10%
EUR	38%	9.09	2 480
USD	36%	7.28	536
JPY	44%	0.0680	587
CAD	48%	5.56	452
CHF	51%	5.83	494
GBP	41%	12.91	241
AUD	34%	5.43	185
HKD	40%	0.94	44
DKK	34%	1.22	75
NOK	37%	1.08	72

Translation effect (EUR M)

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

	USD	SEK	Other
Revenue	-1.1	-0.3	-0.8
EBITA	-0.4	0.4	-0.4
EBIT	-0.4	0.4	-0.4

Currency



Source: SIX/Hallvarsson & Halvarsson

Risks related to regulatory affairs and patient safety

Approval of the authorities and product liability are regarded as significant risks in any medical technology business such as Nobel Biocare's. However, during the previous ten years, the company has not been involved in any problems regarding such issues.

To reduce its exposure to the risks, Nobel Biocare is working in compliance with GMP (Food and Drug Administration), Medical Device Directive and ISO 13485.

Risks related to employees

The main risk related to employees includes the risk of losing key personnel, resulting in losses of competence and momentum. Historically, this has not been a major problem for Nobel Biocare.

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

Salaries, other remuneration and payroll overheads constitute Nobel Biocare's largest item of expenditure and correspond to around 25 percent of revenue. All things being equal, a one percent increase in average payroll expenses per employee affects Nobel Biocare's operating income, EBIT, by 1.0 percent and the EBIT margin by 0.25 percentage unit, based on payroll expenses for 2003.

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 resulting from damage. Furthermore, the company minimizes this risk by having multiple production facilities for the complete assortment.

Regarding Nobel Biocare's implant products, the two facilities in Karlskoga and Yorba Linda are managed using global standardized processes with generic technology solutions. The factories mainly work with specialized assortments, but with full compatibility between the two and with the possibility of transferring production on short notice.

The Procera factories in Stockholm and Fair Lawn utilize a common system sharing technologies, which not only ensures there are no differences between the factories, but also that orders can immediately be transferred from one of the two production facilities to the other.

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

The capacity for Procera production is supported by on-going expansions in both the Fair Lawn and Stockholm facilities.

Purchased products are procured from suppliers with generic technology, thus providing possibilities of moving

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 is largely made up of the cost of producing and purchasing finished and semi-finished products, plus the purchase of input goods such as titanium, ceramic powder and packaging material. However, none of these individual items is so large as to represent a significant risk in terms of changes in price and cost.

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. The IP protection is most important when it comes to Procera, which is surrounded by comprehensive system patents as well as other IP protective and contractual rights. Within Dental Implants, the company's success, the high rate of development and introduction is of similar importance as IP protection.

As of 31 December 2003, there was a limited number of lawsuits and claims arising from the ordinary business of the Group pending against companies of the Nobel Biocare Holding Group. 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	2003	2002
Revenue	1	333 978	311 190
Cost of sales	4	-78 835	-76 006
Gross profit		255 143	235 184
Selling expenses	4	-119 163	-122 175
Administrative expenses	4	-35 190	-29 697
Research and development expenses	4	-13 563	-13 083
Restructuring expenses	3	-	-7 198
Profit from operations		87 227	63 031
Financial income	5	7 727	1 826
Financial expenses	6	-3 613	-3 733
Profit before tax		91 341	61 124
Income tax expense	7	-18 666	-22 879
Profit after tax		72 675	38 245
Minority interest	16	-688	-442
NET PROFIT		71 987	37 803
Basic earnings per share (EUR)	17	2.85	1.50
Diluted earnings per share (EUR)	17	2.73	1.43

Consolidated balance sheet

IN EUR'000 31 DECEMBER	NOTE	2003	2002
ASSETS			
Land and buildings		1 488	1 608
Machinery		15 473	13 103
Equipment		11 108	12 554
Property, plant and equipment	8	28 069	27 265
Goodwill		122 946	142 412
Other intangible assets		2 327	2 508
Intangible assets	9	125 273	144 920
Investment in associate	10	2 286	2 259
Receivables	11	1 302	1 956
Deferred tax assets	21	9 154	5 852
Financial assets		12 742	10 067
Total non-current assets		166 084	182 252
Inventories	12	22 399	28 055
Trade receivables	13	59 187	53 120
Income tax receivables		6 209	342
Other receivables		9 451	2 505
Prepaid expenses and accrued income	14	5 686	5 497
Cash and cash equivalents	15	109 504	52 482
Total current assets		212 436	142 001
TOTAL ASSETS		378 520	324 253

Consolidated balance sheet

IN EUR'000			
31 DECEMBER	NOTE	2003	2002
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital		32 687	34 551
Share premium		79 611	58 690
Treasury shares		-359	-
Retained earnings		171 517	119 494
Shareholders' equity	16	283 456	212 735
Minority interest	16	2 507	2 202
Interest-bearing loans	18	748	29 884
Deferred tax liabilities	21	7 396	2 648
Provisions	20	22 354	22 932
Total non-current liabilities		30 498	55 464
Interest-bearing loans	18	73	1 196
Trade payables	22	9 057	13 761
Income tax payables		15 481	9 330
Other liabilities		14 599	7 212
Accrued expenses and deferred income	23	22 849	22 353
Total current liabilities		62 059	53 852
Total liabilities		92 557	109 316
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		378 520	324 253

Consolidated statement of changes in shareholders' equity

IN EUR'000					RETAINED EARNINGS				TOTAL EQUITY
NOTE	SHARE CAPITAL	SHARE PREMIUM	TREASURY SHARES	TRANS- LATION RESERVE	HEDGING RESERVE	OTHER RETAINED EARNINGS	TOTAL RETAINED EARNINGS		
Balance at 1 January 2002	33 631	74 407	-	2 600	-	93 806	96 406	204 444	
Foreign exchange translation differences	898	-16 537	-	-4 882	-	-	-4 882	-20 521	
Net gains and losses recognized directly in equity	898	-16 537	-	-4 882	-	-	-4 882	-20 521	
Net profit for the year	-	-	-	-	-	37 803	37 803	37 803	
Share options exercised	16	22	820	-	-	-	-	842	
Minority interest	16	-	-	-	-	-1 762	-1 762	-1 762	
Dividends to shareholders		-	-	-	-	-8 071	-8 071	-8 071	
Balance at 31 December 2002	16	34 551	58 690	-	-2 282	-	121 776	119 494	212 735
Balance at 1 January 2003		34 551	58 690	-	-2 282	-	121 776	119 494	212 735
Foreign exchange translation differences		-2 358	-4 005	-	-4 586	-	-	-4 586	-10 949
Loss/Gain on hedging instruments	26	-	-	-	-	-426	-	-426	-426
Net gains and losses recognized directly in equity		-2 358	-4 005	-	-4 586	-426	-	-5 012	-11 375
Net profit for the year		-	-	-	-	-	71 987	71 987	71 987
New share issue/									
Treasury shares sold	16	333	20 179	-	-	-	-	-	20 512
Share options exercised		161	4 747	-	-	-	-	-	4 908
Acquired treasury shares		-	-	-359	-	-	-	-	-359
Minority interest	16	-	-	-	-	-1 819	-1 819	-1 819	-1 819
Dividends to shareholders		-	-	-	-	-13 133	-13 133	-13 133	-13 133
Balance at 31 December 2003	16	32 687	79 611	-359	-6 868	-426	178 811	171 517	283 456

Consolidated cash flow statement

IN EUR'000	NOTE	2003	2002
Profit before tax		91 341	61 124
Adjusted for:			
Depreciation and amortization		20 036	21 640
Financial income and expenses		580	212
Gain on disposal of options in associate		-4 694	-
Other non-cash income and expenses		2 948	2 787
Changes in working capital and provisions:			
Increase in trade and other receivables		-24 871	-7 214
Decrease/increase in inventories		4 200	-6 276
Increase in trade and other payables		10 842	5 873
Increase/decrease in provisions		1 293	-442
Income taxes paid		-18 310	-7 405
Net cash from operating activities		83 365	70 299
Acquisitions of property, plant and equipment	8	-12 751	-11 067
Acquisitions of intangible assets	9	-1 127	-1 936
Gain on disposal of options in associate	5	4 694	-
Investment in associate	2, 10	-	-574
Interest received		2 226	1 826
Net cash from investing activities		-6 958	-11 751
Exercised warrants and options		4 904	852
New share issue		333	-
Disposal of treasury shares		20 179	-
Increase in interest-bearing liabilities		-	4 639
Decrease in interest-bearing liabilities		-27 481	-22 256
Interest paid		-1 605	-3 945
Dividends paid		-13 133	-8 071
Net cash from financing activities		-16 803	-28 781
Increase in cash and cash equivalents		59 604	29 767
Cash and cash equivalents as at 1 January		52 482	24 808
Effect of exchange rate differences on cash held		-2 582	-2 093
Cash and cash equivalents at 31 December	15	109 504	52 482

Significant accounting policies

Nobel Biocare Holding AG (the Company) is a company domiciled in Switzerland. The consolidated financial statements of the Company for the year ended 31 December 2003 comprise the Company and its subsidiaries and associate (the Group). The Nobel Biocare Holding Group is an innovative, medical devices group and the world leader in innovative esthetic dental solutions with its brands Brånemark System®, Replace® Select (dental implants) and ProCera® (individualized prosthetics).

Formation of a new 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. The Nobel Biocare Holding Group intends to acquire the remaining 1.1 percent of the shares in a compulsory purchase procedure. In June 2002, Nobel Biocare Holding AG was listed on the SWX Swiss Exchange.

Nobel Biocare Holding AG incorporated the majority of the net assets of the former 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 the Nobel Biocare Holding Group will acquire in the compulsory purchase procedure will be settled in cash. Therefore, a 1.1 percent of the net assets, relating to the shares acquired in the compulsory purchase procedure, will be recognized at fair value.

Statement of compliance

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) and comply with Swiss law. IFRS was applied in full for the first time in the 2002 consolidated financial statements.

Basis of preparation

The consolidated financial statements are presented in 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 in-flow to a large extent is in EUR. The subsidiaries prepare their individual financial statements using the measurement currency in their respective country. The consolidated financial statements are prepared on the historical cost basis except that the derivative financial instruments are stated at their fair value.

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

Intra-group balances and transactions, and any unrealized gains and losses arising from intra-group 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. Foreign exchange rate differences relating to financial assets and liabilities are recognized as financial income or expenses, while foreign exchange rate differences relating to assets and liabilities of an operating nature are recognized in profit from operations.

Financial statements of foreign operations

The Group's foreign operations are considered as not being integral to Nobel Biocare Holding AG's operations. Assets and liabilities of the foreign operations, including goodwill, 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

SIGNIFICANT ACCOUNTING POLICIES

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.

Foreign exchange differences arising on a foreign currency liability accounted for as a hedge of a net investment in a foreign entity are recognized directly in equity. On disposal of a net investment in a foreign entity, 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, net foreign exchange gains, dividends, gains on disposal of financial investments and gains on derivative financial instruments. Interest income is recognized in the income statement as it accrues, taking into account the effective yield on the asset. Dividend is recognized in the income statement on the date that the dividend is declared.

Financial expenses comprise interest payable on loans, interest expenses derived from net present value calculations of deferred purchase price related to the acquisition of Nobel Biocare Procera AB, net foreign exchange losses, losses on disposal of financial investments and losses on derivative financial instruments.

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. The temporary differences relating to investments in subsidiaries are not accounted for. 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:

Land improvements	25 years
Buildings	25 years
Machinery	5-8 years
Equipment	3-5 years

Intangible assets

Goodwill

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.

Amortization of goodwill is charged to the income statement on a straight-line basis over its estimated useful life not exceeding 20 years.

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.

Other intangible assets

Other intangible assets comprise patents and expenditures for computer programs acquired by the Group. Acquired intangible assets are stated at cost less accumulated amortization and impairment.

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

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.

Leases

Leases of property, plant and equipment and intangible assets 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.

SIGNIFICANT ACCOUNTING POLICIES

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, or actual when higher, operating capacity.

Loans, trade and other receivables

Loans, trade and other receivables are stated at their cost less allowance for doubtful debts. Allowances are made for specific known doubtful trade and other receivables and for portfolios of trade receivables based on historical default rates.

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. The derivative financial instruments are not used for trading purposes.

Derivative financial instruments are initially recognized at cost. Subsequent to initial recognition, derivative financial instruments 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.

Cash flow hedges

The Group applies hedge accounting for future cash flows in USD and EUR. 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. Any gain or loss arising from changes in the time value of the derivative financial instrument is excluded from the measurement of hedge effectiveness and is recognized in the income statement immediately.

When a hedging instrument or hedge relationship is terminated 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 net investment in foreign entity

Where a foreign currency liability hedges a net investment in a foreign operation, foreign exchange differences arising on translation of the liability are recognized in equity until disposal of the net investment at which time they are recognized in the income statement as part of the gain or loss on disposal.

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 an original term of less than 90 days.

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. The recoverable amount of assets is the greater of their net selling price and value in use.

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.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss on goodwill is only reversed if specific events have occurred that reverse the effect of the event that originally caused the impairment.

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, net of income tax, is presented as treasury shares and deducted from shareholders' equity. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

Interest bearing loans

Interest-bearing loans are recognized initially at cost, 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

The greater part of the Group's pension commitments are accounted for as 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, 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

SIGNIFICANT ACCOUNTING POLICIES

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% 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, the assets under management and the 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, 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, the scheme is traditionally reported as if it were a defined contribution plan, although it is actually a defined benefit plan.

The Nobel Biocare Holding Group also has defined benefit plans in the Netherlands, Japan and Italy and has carried out calculations in accordance with the methods and assumptions

stipulated by IAS 19. The obligations for defined benefit plans are not material.

Equity and equity-related compensation benefits

A staff option program allows senior executives and key persons to acquire shares of the Company. For the options issued, no personnel expense has been taken into account. The Group has accrued the expected cost for social charges in connection with the exercise of the staff option plan. The dilution effect is considered when disclosing 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 cost.

Contingent liabilities

Contingent liabilities are possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company. There 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.

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

	Europe		North America		Asia/Pacific		Rest of the World/Gore		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Revenue from external customers	157 714	136 529	121 846	126 580	37 093	33 341	17 325	14 740	333 978	311 190
Assets	256 498	201 693	97 650	102 162	13 927	9 248	10 445	11 150	378 520	324 253
Capital expenditures	8 354	8 435	4 677	4 653	596	311	251	178	13 878	13 577

Until 2002, the Group comprised of two primary business segments: Dental Implants and Procera. Secondary information was provided on a geographical basis. After the integration of Procera in 2002 forming a Dental solutions company, a decision was made to change segment reporting from 2003 onwards. From 2003, the business of Nobel Biocare is conducted in one business segment comprising two product groups, Dental Implants and Procera, with similar risks and rates of return. Both units operate within the same industry, with similar group of customers, using global production and R&D processes as well as the same marketing and logistic channels. The internal organizational and management structure and its system of internal financial reporting were also adjusted. 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.

NOTE 2 Acquisition of associate

Acquisition

In 2002, the acquisition relating to a new share issue in Entific Medical Systems AB had the following affect on the Group's assets and liabilities:

in EUR'000	2003	2002
Non-current financial assets	-	574
Net identifiable assets and liabilities	-	574
Consideration paid in cash	-	574
Net cash outflow	-	574

NOTE 3 Restructuring expenses

in EUR'000	2003	2002
Consultancy costs in relation to restructuring of the Group	-	7 198
Total restructuring expenses	-	7 198

NOTE 4 Personnel expenses

in EUR'000	2003	2002
Wages and salaries	61 321	65 330
Social security costs	18 832	17 341
Pension costs	5 020	4 459
Total personnel expenses	85 173	87 130

Included in social security costs are social charges related to the staff option program in the amount of EUR 2 655 K (EUR 1 135 K). These costs are reported under administrative expenses.

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

in EUR'000	2003	2002
Cost of sales	18 457	19 874
Selling expenses	50 616	52 061
Administrative expenses	11 196	9 648
Research and development expenses	4 904	5 547
Total personnel expenses	85 173	87 130

NOTE 5 Financial income

in EUR'000	2003	2002
Interest income	2 928	1 741
Other financial income	4 799	85
Total financial income	7 727	1 826

In 2003, EUR 4 694 K, included in other financial income, relates to proceeds from the mutual call options in Entific Medical Systems AB. At the time Entific was spun off from Nobel Biocare to a newly formed company in 1999, owned by Nobel Biocare and two new investors, options were issued between the owners. In December 2003, these options were called resulting in a net income of EUR 4 694 K and a reduced ownership from 39.8% to 38.4% for Nobel Biocare.

NOTE 6 Financial expenses

in EUR'000	2003	2002
Interest expenses	3 033	2 576
Foreign exchange losses	119	450
Other financial expenses	461	707
Total financial expenses	3 613	3 733

Included in the cost of sales are net foreign exchange losses (gains) of EUR 160 K (EUR -213 K).

NOTES

NOTE 13 Trade receivables

in EUR'000	2003	2002
Trade receivables		
– due from associate	7	57
– due from third parties	62 807	56 103
Allowance for bad debts	-3 627	-3 040
Total trade receivables	59 187	53 120

NOTE 14 Prepaid expenses and accrued income

in EUR'000	2003	2002
Derivative assets	1 862	1 725
Prepaid selling expenses	1 658	1 237
Prepaid rent	785	767
Prepaid insurance	317	376
Prepaid royalty	214	326
Prepaid R&D expenses	61	467
Accrued interest income	44	319
Accrued income	-	226
Other items	745	54
Total prepaid expenses and accrued income	5 686	5 497

NOTE 15 Cash and cash equivalents

in EUR'000	2003	2002
Cash	54 738	43 851
Fixed term deposits < 3 months	54 766	8 631
Total cash and cash equivalents	109 504	52 482

Weighted average interest rate on fixed term deposits was 2.78% (3.77%) with a weighted average interest period of 59 days (58 days). Included in cash and cash equivalents is CHF 31 485 K which is restricted in favor of the compulsory redemption process related to the minority shares in Nobel Biocare AB.

NOTE 16 Shareholders' equity

Share capital		
in EUR'000	2003	2002
On issue at 1 January (2002: Nobel Biocare AB)	34 551	33 631
New share issue	333	-
Exercised options	161	22
Exchange translation difference	-2 358	898
On issue at 31 December – fully paid	32 687	34 551

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.

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.

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

On 27 May 2002, Nobel Biocare Holding AG made a public offer to the shareholders of Nobel Biocare AB to acquire all the outstanding shares in Nobel Biocare AB; 94.6% of the Nobel Biocare AB shareholders accepted the offer. The shareholders who accepted the offer, in return for Nobel Biocare AB shares, received shares in Nobel Biocare Holding AG on a one-for-one share basis. The capital was increased by way of a capital contribution consisting of shares in Nobel Biocare AB tendered by shareholders of Nobel Biocare AB during the offer. As a result of additional shares tendered by Nobel Biocare AB shareholders during the prolonged period of the public tender offer until 9 July 2002, a total of 98.9% of the Nobel Biocare AB shareholders had accepted the offer.

The number of outstanding shares in Nobel Biocare Holding AG on 31/12/2003 totaled 25 499 827 (31/12/2002 totaled 25 115 187) due to the redemption of warrants and options and newly issued shares. Following the redemption of all outstanding and not yet issued warrants and options, the total number of shares will be 26 617 318.

The share capital may be increased by issuing no more than 1 117 491 shares, each with a par value of CHF 2, to be fully paid up, an amount of no more than CHF 2 234 982 by virtue of the exercise of options rights granted to employees, directors and officers of the Group.

The minority interest in the amount of EUR 2 507 K (EUR 2 202 K) represents the outstanding shares (1.1%) on 31 December 2003 in Nobel Biocare AB, which had not been exchanged to Nobel Biocare Holding AG shares. The increase in year 2003 is due to exchange rate deviations. A compulsory acquisition procedure to acquire the remaining approximately 1% of the shares in Nobel Biocare AB has been initiated in January 2003.

On 10 March 2003, the Nobel Biocare Board of Directors decided that the issued capital in Nobel Biocare Holding AG would be increased by issuing 259 713 shares. In the fourth quarter of 2003, the 259 713 shares were issued at nominal value of CHF 2. In the end of the fourth quarter of 2003, the 259 713 shares were sold for a proceed of EUR 20.2 million. See the consolidated statements of changes in shareholders equity on page 38.

On 23 April 2003, the Company acquired 10 000 bearer shares of Nobel Biocare Holding AG for a total purchase price of CHF 568 K. As of 31 December 2003 those shares are deducted from equity.

Dividends

After the balance sheet date dividends of a total amount of EUR 21 246 K (2002: EUR 13 647 K), equalling EUR 0.85 (2002: EUR 0.54) per ordinary share, were proposed by the directors. Dividends will be paid in CHF.

NOTES

NOTE 17 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2003 was based on the net profit attributable to ordinary shareholders of EUR 71 987 K (2002: EUR 37 803 K) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2003 of 25 265 908 (2002: 25 124 239), calculated as follows:

Net profit attributable to ordinary shareholders in EUR'000	2003	2002
Net profit for the year	71 987	37 803

Weighted average number of ordinary shares

In thousands of shares	2003	2002
Issued ordinary shares at 1 January	25 115	25 355
Effect of shares issued/group restructuring	151	-231
Weighted average number of ordinary shares at 31 December	25 266	25 124

Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2003 was based on net profit attributable to ordinary shareholders of EUR 71 987 K (2002: EUR 37 803 K) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2003 of 26 383 399 (2002: 26 366 657), calculated as follows:

Net profit attributable to ordinary shareholders (diluted) in EUR'000	2003	2002
Net profit attributable to ordinary shareholders	71 987	37 803

Weighted average number of ordinary shares (diluted)

In thousands of shares	2003	2002
Weighted average number of ordinary shares at 31 December	25 266	25 124
Effect of share options on issue	1 117	1 243
Weighted average number of ordinary shares (diluted) at 31 December	26 383	26 367

NOTE 18 Interest-bearing loans

in EUR'000	2003	2002
Non-current Loans		
– from third parties	748	29 884
Total non-current interest-bearing loans	748	29 884
Current		
Bank overdrafts	73	1 196
Total current interest-bearing loans	73	1 196

During 2003, the principal part of existing credit lines was moved to Nobel Biocare Holding AG. Existing credit lines include a negative clause. Covenants covering key ratios such as interest coverage and net debt/equity are included in these agreements. All covenants were met at 31 December 2003.

Per 31 December 2003, unused credit lines amounted to EUR 98 893 K (EUR 53 400 K).

NOTE 19 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, comprises today a total of 1 176 000 options, distributed over four years. The allotted options can be utilized to acquire shares in Nobel Biocare Holding AG after two years.

At present there are 364 858 staff options available for allotment without consideration.

Number of options	2003	2002
Options outstanding at 1 January	421 976	165 639
Options issued	305 473	267 337
Options exercised	-119 531	-
Options expired	-15 996	-11 000
Options outstanding at 31 December	591 922	421 976

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

Grant year	Expiry Date	Strike price CHF	2003	2002
2001	30-Jun-2004	63.83	46 108	165 639
2002	30-Jun-2005	71.33	241 341	256 337
2003	30-Jun-2006	80.47	304 473	-
Total			591 922	421 976

In conjunction with the acquisition of Steri-Oss, Inc. in 1998, warrants in Steri-Oss, Inc. were converted to warrants in Nobel Biocare AB.

At the end of 2003, a total of 61 022 warrants remained unsubscribed for. Of these, 26 190 were of Series I, 6 478 were of Series II and 28 354 of Series III. Series I has a term ending on 8 January 2007, Series II ending on 16 May 2007 and finally Series III on 2 April 2008. The unsubscribed warrants have been converted into warrants in Nobel Biocare Holding AG, with subscription price of CHF 2.04, CHF 2.09 and CHF 6.00, respectively.

NOTE 20 Provisions

in EUR'000	Warranties	Restructuring measures in connection with acquisition of group company	Deferred purchase price related to the acquisition of group company	Pensions	Total
Balance at					
1 January 2003	1 457	398	19 995	1 082	22 932
Provisions made	252	-	-	601	853
Provisions used	-376	-223	-957	-50	-1 606
Provisions reversed	-	-	-	-	-
Effects of changes in exchange rates	-50	2	238	-15	175
Balance at 31 December 2003	1 283	177	19 276	1 618	22 354

The net present value of the deferred purchase price at the acquisition of Nobel Biocare Procera AB (previously Procera Sandvik AB) amounts to EUR 23 047 K, whereof the short-term portion, EUR 3 771, is booked as a short-term liability.

The acquisition of the remaining 50 percent shares in Procera Sandvik AB is 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.

NOTES

Contributions for pension insurance insured with Alecta (only the Swedish entities) amount to EUR 456 K, of which EUR 439 K pertains to retirement pension and family pension, and is included among "Personnel expenses" in the income statement. The Group is of the opinion that current premiums should cover current commitments but, however, there is a certain premium shortfall pertaining to premiums for past periods due to changes in salaries.

The obligations for defined benefit plans in the Netherlands, Japan and Italy are not material, see Significant accounting policies page 43, why the detailed disclosures required by IAS 19 are not given.

NOTE 21 Deferred tax assets and liabilities

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

in EUR'000	Assets		Liabilities		Net	
	2003	2002	2003	2002	2003	2002
Inventories	4 732	4 396	-	-	4 732	4 396
Tax losses carried forward	-	262	-	-	-	262
Other temporary differences	4 422	1 194	7 396	2 648	-2 974	-1 454
Tax assets/liabilities	9 154	5 852	7 396	2 648	1 758	3 204
Net tax assets					1 758	3 204

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

in EUR'000	2003	2002
Tax losses carried forward	1 820	2 660
Total unrecognized deferred tax assets	1 820	2 660

The unrecognized deferred tax assets will expire during the years 2004–2007.

For 2003, current tax of EUR 166 K related to fair value changes on cash flow hedging instruments included in the hedging reserve is booked directly in equity.

NOTE 22 Trade payables

in EUR'000	2003	2002
Trade payables		
– to third parties	9 057	13 761
Total trade payables	9 057	13 761

NOTE 23 Accrued expenses and deferred income

in EUR'000	2003	2002
Personnel-related costs	15 571	14 645
Accrued selling expenses	3 072	2 365
Accrued legal expenses	1 004	1 075
Accrued royalties	828	752
Derivative liabilities	425	230
Accrued R&D expenses	177	226
Accrued interest expenses	33	1 337
Other items	1 739	1 723
Total accrued expenses and deferred income	22 849	22 353

NOTE 24 Operating leases

Non-cancellable operating lease rentals are payable as follows:

in EUR'000	2003	2002
Less than one year	5 443	4 454
Between one and five years	8 630	7 437
More than five years	1 429	899
Total operating lease liabilities	15 502	12 790

During the year ended 31 December 2003, EUR 6 388 K was expensed in the income statement in respect of operating leases (2002: EUR 5 790 K).

NOTE 25 Contingencies

Pledged assets

in EUR'000	2003	2002
Cash and cash equivalents	20 238	1 618
Total pledged assets	20 238	1 618

Contingent liabilities

in EUR'000	2003	2002
Contingent liabilities	254	792
Total contingent liabilities	254	792

Ongoing disputes

There are a few minor ongoing lawsuits and claims arising from the ordinary business of the Group pending against companies of the Nobel Biocare Holding Group. In the opinion of the management, and based on current information, the handling, settlement or outcome of these law suits and claims will have no adverse material effect upon the consolidated financial position or operation of the Group.

During December 2003, Nobel Biocare settled its patent litigation against VP Intellectual Properties with a one-time worldwide settlement amount. During 2003, Nobel Biocare also settled the lawsuit in Germany with a one-time settlement amount.

On 3 March 2004, Nobel Biocare received a positive ruling on the arbitration in the US of a patent concerning internal connections. The arbiters ruled that none of the Nobel Biocare products with an internal connection infringes the patent owned by Zimmer, Inc. (formerly Centerpulse Dental).

In previous decisions the arbiters ruled that Nobel Biocare may not, for contractual reasons, challenge the validity of the patent, however, had decided that the Brånemark System Stargrip implant does not infringe the patent. The final hearing of the arbitration was limited to determine if the Replace Select implant infringes the patent, which the panel now has ruled it does not.

The ruling of the arbiters is final and binding. The only remaining decision from the panel relates to the legal fees to be awarded to Nobel Biocare.

In the matter of the compulsory redemption proceedings for the 1.1% minority in Nobel Biocare AB, the arbitration panel has recently issued a ruling for the immediate ownership of the minority shares against a bank guarantee. The arbitration will continue and, unless the parties can agree on an amicable solution, is expected to take an additional 1–2 years before the final purchase price is decided upon by the panel.

NOTES

NOTE 26 Risk management and hedging activities

Credit risk

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

All excess cash in local companies is placed intra-group, either through the usage of cash pools or by doing 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 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 percent of the debt portfolio during the following 12 months.

Currency risk

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 local currency. The transactional exposure is summarized for all entities and managed at a central level at the Treasury Department at Nobel Biocare AB.

According to the finance policy, forecasted net exposure in the upcoming 6 months should be hedged on average to a minimum of 50 percent and may be hedged up to 90 percent per currency.

Forecasted net exposure in the following 7–12 months should be hedged on average to a minimum of 25 percent and may be hedged up to 50 percent per currency. The EUR exposure is the main currency exposure within the Group since the USD exposure to a large extent is internally hedged by the production facilities in the US.

Derivative instruments

Derivative financial instruments are initially recognized at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value and are recorded under prepaid expenses and accrued expenses, respectively. Fair value has been determined by reference to the market at the balance sheet date.

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

2003							
in EUR'000	Notional amount with remaining life of				Fair value		
	Less than 3 months	3 months – 1 year	More than 1 year	Total	Cash flow hedge	Other	Total
Currency instruments							
Currency hedging contracts	25 205	31 530	-	56 735	461	1 406	1 867
Total derivative assets included in prepaid expenses and accrued income	25 205	31 530	-	56 735	461	1 406	1 867
2002							
in EUR'000	Notional amount with remaining life of				Fair value		
	Less than 3 months	3 months – 1 year	More than 1 year	Total	Cash flow hedge	Other	Total
Currency instruments							
Currency hedging contracts	19 778	25 334	-	45 112	-	1 725	1 725
Total derivative assets included in prepaid expenses and accrued income	19 778	25 334	-	45 112	-	1 725	1 725
2003							
in EUR'000	Notional amount with remaining life of				Fair value		
	Less than 3 months	3 months – 1 year	More than 1 year	Total	Cash flow hedge	Other	Total
Currency instruments							
Currency hedging contracts	4 408	18 171	-	22 579	71	354	425
Total derivative liabilities included in accrued expenses and deferred income	4 408	18 171	-	22 579	71	354	425
2002							
in EUR'000	Notional amount with remaining life of				Fair value		
	Less than 3 months	3 months – 1 year	More than 1 year	Total	Cash flow hedge	Other	Total
Currency instruments							
Currency hedging contracts	4 436	16 493	-	20 929	-	230	230
Total derivative liabilities included in accrued expenses and deferred income	4 436	16 493	-	20 929	-	230	230

The carrying amounts of other financial assets and liabilities, other than derivative instruments, approximate fair value.

NOTES

Foreign exchange rates EUR:

Income statements (average rates)	2003	2002
USD	0.8877	1.0630
CHF	0.6585	0.6817
SEK	0.1096	0.1091
JPY	0.0076	0.0085
GBP	1.4473	1.5921
CAD	0.6322	0.6766
AUD	0.5750	0.5763
HKD	0.1140	0.1363
BRL	0.2903	0.3807

Balance sheets (closing-day rates)	2003	2002
USD	0.8000	0.9592
CHF	0.6409	0.6879
SEK	0.1100	0.1087
JPY	0.0075	0.0080
GBP	1.4199	1.5382
CAD	0.6111	0.6122
AUD	0.5974	0.5407
HKD	0.1031	0.1231
BRL	0.2777	0.2698

NOTE 27 Related parties

Related parties

The Group has related party relationships with its associate, its directors and executive officers.

Transactions with directors and executive officers

In 2003, the board of Directors or the Executive Management Group received salaries, bonuses, staff options and other benefits amounting to EUR 12 348 K (EUR 4 798 K). In 2003, 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. There are no material loans, securities, advances or credits granted to any members of the Board of Directors or the Executive Management Group.

Transactions with associate

Transactions with Entific Medical Systems AB resulted in revenue of EUR 164 K (EUR 920 K), see Note 13 regarding trade receivables.

Other related party transactions

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	Ownership interest 2003	Ownership interest 2002
Nobel Biocare Australia Pty Ltd	Sydney, Australia	AUD 600 K	100%	100%
Nobel Biocare Österreich GmbH	St. Pölten, Austria	EUR 36 K	100%	100%
Nobel Biocare Brasil Ltda	Sao Paulo, Brazil	BRL 218 K	100%	100%
Nobel Biocare Canada Inc	Richmond Hill, Canada	CAD 3 012 K	100%	100%
Nobel Biocare Colombia S.A.	Bogotá, Colombia	COP 732 246 K	100%	-
Nobel Biocare France S.A.S.	Paris, France	EUR 40 K	100%	100%
Nobel Biocare Deutschland GmbH	Cologne, Germany	EUR 307 K	100%	100%
Nobel Biocare UK Ltd	Uxbridge, Great Britain	GBP 620 K	100%	100%
Nobel Biocare Asia Ltd	Hong Kong	HKD 10 K	100%	100%
Nobel Biocare Italiana S.r.l.	Agrate Brianza, Italy	EUR 10 K	100%	100%
Nobel Biocare Japan K.K.	Tokyo, Japan	JPY 12 500 K	100%	100%
Nobel Biocare Mexico, S.A. de C.V.	Mexico City, Mexico	MXN 50 K	100%	100%
Nobel Biocare Benelux BV	Houten, The Netherlands	EUR 91 K	100%	100%
Nobel Biocare Investments N.V.	Willemstad, Curacao, The Netherlands Antilles	EUR 1 000 K	100%	100%
Nobel Biocare Polska Sp. z o.o.	Warsaw, Poland	PLN 50 K	100%	100%
Nobel Biocare Singapore Pte Ltd	Singapore	SGD 28 K	100%	100%
Nobel Biocare Ibérica S.A.	Barcelona, Spain	EUR 60 K	100%	100%
Nobel Biocare AB	Gothenburg, Sweden	SEK 317 186 K	98.9%	98.9%
Nobel Biocare Norden AB	Gothenburg, Sweden	SEK 350 K	100%	100%
Nobel Biocare Dental Products AB	Gothenburg, Sweden	SEK 100 K	100%	100%
Nobel Biocare i Göteborg AB	Gothenburg, Sweden	SEK 150 K	100%	100%
Nobel Biocare Holding AB	Gothenburg, Sweden	SEK 10 100 K	100%	100%
Nobel Biocare Sverige AB	Gothenburg, Sweden	SEK 10 100 K	100%	100%
Nobel Orthopedics AB	Gothenburg, Sweden	SEK100 K	100%	100%
Nobel Biocare Procera AB	Stockholm, Sweden	SEK 1 000 K	100%	100%
Procera Invest AB	Gothenburg, Sweden	SEK 100 K	100%	100%
Nobel Biocare AG	Kriens, Switzerland	CHF 54 K	100%	100%
Nobel Biocare Services AG	Opfikon, Switzerland	CHF 250 K	100%	-
Nobel Biocare Procera Inc.	Delaware, USA	USD 1 K	100%	100%
Nobel Biocare USA, Inc.	Yorba Linda, CA, USA	USD 500 K	100%	100%

NOTE 29 Subsequent events

On 27 January 2004, the arbitration panel issued a ruling in favor of Nobel Biocare to have the immediate ownership of the 1.1 percent minority shares in Nobel Biocare AB against a bank guarantee amounting to EUR 20.2 million, which will be issued in the first quarter of 2004. The arbitration will continue and, unless the parties can agree on an amicable solution, it is expected to take an additional 1–2 years before the final purchase price is decided upon by the arbitration panel.

On 3 March 2004, Nobel Biocare received a positive ruling on the arbitration in the US of a patent concerning internal connections. The arbiters ruled that none of Nobel Biocare's products with an internal connection infringes the patent owned by Zimmer, Inc. (formerly Centerpulse Dental).

In previous decisions the arbiters ruled that Nobel Biocare may not, for contractual reasons, challenge the validity of the patent, however, had decided that the Brånemark System Stargrip implant does not infringe the patent. The final hearing of the arbitration was limited to determine if the Replace Select implant infringes the patent, which the panel now has ruled it does not. The ruling of the arbiters is final and binding. The only remaining decision from the panel will be relating to the legal fees to be awarded to Nobel Biocare.

The consolidated financial statements of the Nobel Biocare Holding Group were authorized for issue by the Board of Directors of Nobel Biocare Holding AG on 19 March 2004. A resolution to approve the consolidated financial statements will be proposed at the Annual General Meeting on 29 April 2004.

There have been no other material events than described above between December 31, 2003 and the date of authorization that would require adjustments of the consolidated financial statements or disclosure.

Report of the Group Auditors to the Board of Directors of Nobel Biocare Holding AG

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 35 to page 50) of Nobel Biocare Holding AG for the year ended 31 December 2003.

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 audits. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession 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 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 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

Erik Willems
Dutch Chartered Accountant

Anders Ivdal
Authorized Public Accountant in Sweden
Auditor in Charge

Zurich, 22 March 2004

PARENT COMPANY ACCOUNTS

Nobel Biocare Holding AG

Income statement

in CHF'000	NOTE 1	2003	2001/2002
Personnel expenses		-551	-
Administrative expenses		-2 177	-474
Restructuring expenses		-	-6 510
Write down of investment		-	-73 085
Result from operations		-2 728	-80 069
Financial income		597	1
Financial expenses		-85	-76
Net foreign exchange losses		-3 687	-
Dividend income		240	-
Result before taxes		-5 663	-80 144
Tax expense		-1 657	-1 089
NET RESULT		-7 320	-81 233

Balance sheet

in CHF'000 31 DECEMBER		2003	2002
ASSETS			
Investments	3	2 242 844	2 242 594
Loans to group companies		45 794	-
Total non-current assets		2 288 638	2 242 594
Other receivables from group companies		418	-
Other receivables		88	-
Treasury shares	5	568	-
Cash and cash equivalents	4	44 290	58
Total current assets		45 364	58
TOTAL ASSETS		2 334 002	2 242 652
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital	6	51 000	50 230
Share premium		2 202 646	2 265 390
Reserve for treasury shares	5	568	-
Net result		-7 320	-81 233
Shareholders' equity		2 246 894	2 234 387
Interest-bearing loans		-	6 995
Loans from group companies		83 684	-
Other payables to group companies		738	126
Other payables		1	-
Tax liability		2 414	985
Accrued expenses and deferred income		271	159
Total current liabilities		87 108	8 265
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2 334 002	2 242 652

Notes to the parent company accounts

NOTE 1 General

Nobel Biocare Holding AG was founded on 14 December 2001. In 2003, the domicile was moved from Zurich to Opfikon. The 2003 statutory financial statements cover the period 1 January 2003 to 31 December 2003. The prior year statutory financial statements covered the period 14 December 2001 to 31 December 2002.

NOTE 2 Basis for preparation

These financial statements have been prepared on a historical cost basis and are in accordance with Swiss law.

NOTE 3 Details of investments

Investments held directly by Nobel Biocare Holding AG are:

Company, domicile Purpose	2003			2002		
	percentage held		share capital	percentage held		share capital
Nobel Biocare AB, Gothenburg, Sweden Production and distribution of dental implants and industrialized dental prosthetics				98.9%	SEK'000	317 186
Nobel Biocare Services AG, Opfikon, Switzerland Acquisition, sale and administration, including marketing and granting of licenses of intellectual property rights of any kind in favor of the Nobel Biocare Group as well as the rendering of other services in favor of the Nobel Biocare Group in the fields of management and marketing	100%	CHF'000	250			
Nobel Biocare Holding AB, Gothenburg, Sweden Develop, manufacture and sell pharmaceuticals and medical technical products	100%	SEK'000	10 100	100%	SEK'000	100
Nobel Biocare Sverige AB, Gothenburg, Sweden Develop, manufacture and sell pharmaceuticals and medical technical products				100%	SEK'000	100
Nobel Biocare AG, Kriens, Switzerland Distribution of dental implants and industrialized dental prosthetics	100%	CHF'000	54	100%	CHF'000	54
Nobel Biocare Investments N.V., Willemstad, Curacao, The Netherlands Antilles Financing, investments and trading	100%	EUR'000	1 000	100%	EUR'000	6

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 Holding Group.

NOTES TO THE PARENT COMPANY ACCOUNTS

NOTE 4 Cash and Cash Equivalents

Included in cash and cash equivalents is CHF 31 485 K which is restricted in favor of the compulsory redemption process related to the minority shares in Nobel Biocare AB (see Note 6 Share Capital).

NOTE 5 Treasury Shares

On 23 April 2003, the company acquired 10 000 bearer shares of Nobel Biocare Holding AG for a total purchase price of CHF 568 K. As of 31 December 2003 those shares were capitalized at purchase price.

NOTE 6 Share Capital

As of 31 December 2003, the share capital of the Company consists of 25 499 827 bearer shares with a par value of CHF 2 each (2002: 25 115 187 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 Stock Exchange, Sweden.

There are no voting restrictions.

Reconciliation of Share Capital as of 31 December 2003

	Shares	CHF
Opening Balance 1 January 2003	25 115 187	50 230 374
Capital Increase	259 713	519 426
Staff Option Program	124 927	249 854
Total as of 31 December 2003	25 499 827	50 999 654

Conditional share capital :

The share capital may be increased through the issuance of no more than 1 117 491 (1 242 418) bearer shares of a par value of CHF 2 each, to be fully paid up by an amount of no more than CHF 2 234 982 (2 484 836) by virtue of the exercise of option rights granted to employees, directors and officers of the Group (see Note 19 to the consolidated financial statements).

In 2003, a total of 124 927 staff options have been exercised.

As of 31 December 2003, the not claimed part of the conditional share capital is 1 117 491 shares of a par value of CHF 2 each.

Authorized share capital :

The approved share capital was completely claimed in 2003. In 2003, the share capital was increased through the issuance of 259 713 fully paid in bearer shares of a par value of CHF 2 each. The emission price amounted to CHF 519 426. The total amount earned on those shares should be used for the purchase of the remaining shares of Nobel Biocare AB, Sweden, still held by minority shareholders. Therefore, the Board of Directors has excluded, in accordance with the Articles of Association, the rights of the other shareholders to subscribe in priority and has allocated such right to a bank pursuant to the provisions of an Underwriting Agreement.

The shares were sold per December 2003. Based on the Underwriting Agreement, Nobel Biocare Holding AG received CHF 31 485 K from the sale of those shares (see Note 4 Cash and Cash Equivalents).

NOTE 7 Major Shareholders

The Board of Directors is aware of the following major shareholders with a holding exceeding 5% of all votes :

	2003		2002	
Fidelity Funds (USA)	3 817 164	15.0%	3 609 150	14.4%
BB Medtech (Switzerland)	2 692 713	10.6%	3 261 624	13.0%
Metalor SA (Switzerland)	-	-	1 280 000	5.1%
Others	18 989 950	74.4%	16 964 413	67.5%
Total	25 499 827	100.0%	25 115 187	100.0%

NOTE 8 Tax Expense

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 1 657 K (1 089) relates to capital tax only.

NOTE 9 Securities, sureties, guarantees and pledges in favor of third parties

Pledged assets	2003	2002
in CHF'000		
Cash and cash equivalents	31 485	-
Total pledged assets	31 485	-
Contingent liabilities		
in CHF'000	2003	2002
Guarantees on behalf of Group companies	13 437	-
Total contingent liabilities	13 437	-

During 2003, the principal part of the Group's existing credit lines was transferred to Nobel Biocare Holding AG.

Existing credit lines include a negative clause. Covenants covering key ratios such as interest coverage and net debt/equity are included in these agreements. All covenants were met at 31 December 2003.

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

CHF	2003
Deficit for the year	-7 319 974
Transfer from share premium	40 469 749
Available earnings at the disposal of the Annual General Meeting	33 149 775
Dividend of CHF 1.30 gross per CHF 2 bearer share	-33 149 775
Carry forward	0

If the Annual General Meeting approves the above proposal from the Board of Directors, the dividend of CHF 1.30 per bearer share, less 35 percent withholding tax, will be paid as of 4 May 2004 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 totalling 107 130 shares, could lead to additional dividend payments of CHF 139 269.

Report of the Statutory Auditors to the General Meeting of Nobel Biocare Holding AG

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes on page 52 to 54) of Nobel Biocare Holding AG for the year ended 31 December 2003.

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 auditing standards promulgated by the Swiss profession, 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 association.

We recommend that the financial statements submitted to you be approved.

KPMG Fides Peat

Erik Willems
Dutch Chartered Accountant

Anders Ivdal
Authorized Public Accountant in Sweden
Auditor in Charge

Zurich, 22 March 2004

Corporate Governance

1 Group structure and shareholders

1.1 Group structure

1.1.1 Executive Management structure

Chart Executive Management structure as of 1 March 2004



1.1.2 Listed Company

Name: Nobel Biocare Holding AG
 Domicile: 8152 Opfikon, Switzerland
 Listed at: SWX Swiss Exchange and Stockholm Stock Exchange, Sweden

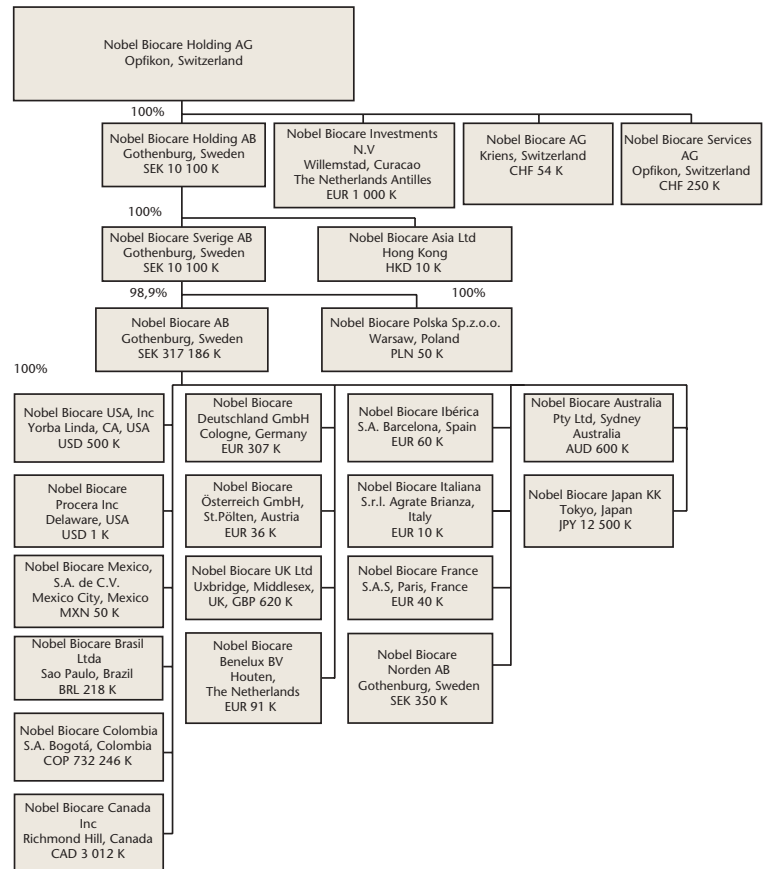
Market

Capitalization: CHF 4 150 million (as of 1 March 2004)
 Security No.: 11 403 004
 ISIN No.: CH 00140.30040
 Reuters: NOBE.S and NOBE.ST
 Bloomberg: NOBE.SW and NOBE.SS

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

1.1.3 Legal structure

Chart Legal structure as of 1 March 2004



1.2 Significant shareholders

As of 1 March 2004, the largest shareholders in Nobel Biocare Holding AG known to the company and as published in the Swiss Official Gazette of Commerce are Fidelity, through Fidelity International Limited and FMR Corp (Fidelity Management & Research), USA (15.0%) and BB Medtech AG, Switzerland, (10.6%).

As duly published in the Swiss Official Gazette of Commerce, the following changes have been announced 1 January 2003–1 March 2004:

- 6 June 2003, Metalor Technologies SA, headquartered in Neuchatel (Switzerland), dropped below the 5% threshold as of 3 June 2003.
- 3 November 2003, FMR Corp. dropped below the 5% threshold as per 27 October 2003 and at that time was

holding 1 225 527 shares which represent 4.8% of the shares in Nobel Biocare Holding AG.

- 3 November 2003, Fidelity International Limited was holding 2 591 637 shares as per 28 October 2003, which represent 10.2% of the shares in Nobel Biocare Holding AG.
- 24 February 2004, the company received notification that the holding of Fidelity International Limited was reduced to 2 516 616 shares which represent 9.9% of the shares in Nobel Biocare Holding AG.
- 25 February 2004, the company received notification that the holding of FMR Corp. increased to 1 276 936 shares which represent 5.1% of the shares in Nobel Biocare Holding AG.

On 27 January 2004, BB Medtech published its annual report 2003 according to which it, as per 31 December 2003, held 2 692 713 shares which represent 10.6% of the total shares in Nobel Biocare Holding AG (3 261 624 shares as per 31 December 2002).

Nobel Biocare Holding AG is not aware of any other person directly or indirectly holding more than 5% of its share capital.

There have been no other reports under Art. 20 SESTA from 1 January 2003 until 1 March 2004.

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 2003, Nobel Biocare Holding AG's issued share capital amounted to CHF 50 999 654, and is divided into 25 499 827 bearer shares at a nominal value of CHF 2 fully paid-up.

As of 31 December 2003, the total conditional share capital of Nobel Biocare Holding AG amounted to CHF 2 234 982 (for the issuance of 1 117 491 shares at par value CHF 2).

As of 31 December 2003, Nobel Biocare Holding AG had no authorized share capital.

As of 31 December 2003, Nobel Biocare Holding AG had issued neither participation certificates nor bonus certificates.

2.2 Authorized and conditional capital

The conditional share capital of CHF 2 234 982 (for the issuance of 1 117 491 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 including in particular options and warrants described under section 2.7 below (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
May 2002	100 000	-	-
	(50 000 sh)	(-)	(-)
June 2002	48 010 484	2 739 316	2 484 836
	(24 005 242 sh)	(1 369 658 sh)	(1 242 418 sh)
July 2002	50 230 374	519 426	-
	(25 115 187 sh)	(259 713 sh)	(-)
31 Dec 2002	50 230 374	519 426	2 484 836
	(25 115 187 sh)	(259 713 sh)	(1 242 418 sh)
Issuance of shares	+519 426	-519 426	-
	(259 713 sh)	(259 713 sh)	(-)
Aug 2003	50 749 800	-	-
	(25 374 900 sh)	(-)	(-)
Excercised staff options	+249 854	-	-249 854
	(124 927 sh)	(-)	(124 927 sh)
July-Dec 03	50 999 654	(-)	2 234 982
	(25 499 827 sh)	(-)	(1 117 491 sh)
31 Dec 2003	50 999 654	-	2 234 982
	(25 499 827 sh)	(-)	(1 117 491 sh)

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

As a consequence, the issued share capital in Nobel Biocare Holding AG amounted to CHF 50 749 800 (divided into 25 374 900 shares at par value CHF 2).

In addition, during the year 2003, holders of 119 531 options and 5 396 warrants have exercised these options and warrants, thereby creating an increased share capital of CHF 50 999 654 (divided into 25 499 827 shares at 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).

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 (Miteigentum) of such global certificate in proportion of their shareholding. Shareholders have no right to request the issue and delivery of individual share certificates.

As of 31 December 2003, 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

At the Annual General Meeting of Nobel Biocare AB 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 comprises a total of 1 176 000 options, distributed over four years. 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 can be utilized during the period 1 July 2003 up to and including 30 June 2004. At the end of 2002, 165 639 options of the first series remained, following that, 99 664 options expired as a result of the holder leaving the company.

At the end of 2003, 46 108 options of the first series remained since 119 531 options had been exercised during the year and none had 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 is 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 can be utilized during the period 1 July 2004 up to and including 30 June 2005.

At the end of 2002, 256 337 options of the second series remained, following that, 11 000 options expired as a result of the holder leaving the company.

At the end of 2003, 241 341 options of the second series remained, following 14 996 additional 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. At the end of 2003, 304 473 options of the third series remained following that, 1 000 options expired as a result of the holder leaving the company.

4th year (2004)

At present there are additionally 337 887 options available for allotment without consideration. The subscription price for options allotted 2004 is CHF 159.80, the average share price during five trading days following the publication of the full year report for 2003. Options allotted during 2004 can be utilized during the period 1 July 2006 up to and including 30 June 2007.

The Board of Directors will determine the allotment of these options after recommendation by the Remuneration Committee.

For further information on employee options, please refer to Note 19 of the consolidated financial statements on page 47.

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 subscription price of CHF 2.04, CHF 2.04 and CHF 6, respectively.

At the end of 2003 a total of 61 022 warrants remained unsubscribed for. Of these, 26 190 were of Series I, 6 478 were of series II and 28 354 of series III.

3 The Board of Directors

3.1 Members of the Board of Directors



Rolf Soiron
Chairman of the Board
(non-executive)
Swiss
Dr. Soiron has experience from several international management and CEO positions in Protek Group (orthopedic implants), Sandoz Group (pharmaceuticals and agro) and Jungbunzlauer (chemicals) in Switzerland and the US.
Education: Dr.phil. from Basel University
Other assignments: Chairman of HOLCIM (Cement, Switzerland) and Stratec Inc. (Orthopaedics, USA), Chairman of the Council of Basel University.



Jan Ekberg
Non-executive Member
Swedish
Dr. Ekberg's professional background includes positions as Chairman and CEO of Pharmacia AB, CEO of Procordia AB, CEO of KabiPharmacia AB and CEO of Kabi AB.
Education: Director, Med Dr hc
Other assignments: Chairman of the board of Handelsbanken Region Syd and Doxa AB. Member of the Board of Semper AB, PULS AB, Niconovum AB and Malmberggruppen AB.



Jan Kvarnström
Non-executive Member
Swedish
Jan Kvarnström is member of the Board of Managing Directors of Dresdner Bank AG. His former professional career includes positions as CEO of AB Securum and CEO of Esselte AB.
Education: MA and MBA
Other assignments: Chairman of the Board of Castellum AB. Member of the Board of Posten AB and Doxa AB.



Hansjörg Graf
Non-executive Member
Swiss
Hansjörg Graf has a long experience in banking.
Education: Degree in Economics.
Other assignments: Member of the Board of Bank am Bellevue and Bellevue Asset Management.



Ernst Zaengerle
Non-executive Member
Swiss
Ernst Zaengerle has many years of senior management experience in global logistics and supply chain management from Hilti AG, Omega SA, Bally AG and Movado Group Inc.
Education: Master in mechanical engineering and a master in economy.
Other assignments: No other Board membership.

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. Neither 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.

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 4 and up to a maximum of 9 members. The members of the Board of Directors are elected 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 of how many times a member can be re-elected, 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 24 April 2003 elected the following members of the Board:

Name	Position	First Elected	Elected Until
Rolf Soiron	Chairman	2003	2004
Jan Ekberg	Member	2002	2004
Hansjörg Graf	Member	2002	2004
Jan Kvarnström	Member	2002	2004
Ernst Zaengerle	Member	2002	2004

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 2003, the Head of Legal Affairs, Michaela Ahlberg, has been secretary of the Board.

Since 24 April until the end of 2003, the Board has met 8 times, of which 5 in meetings, 2 by telephone conferences and 1 by circular resolution. 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.

The Chairman of the Board

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

- regular contact with the CEO in order to be regularly informed about all important business developments and strategic issues
- overseeing the convocation and preparation of the Board meetings
- presiding over the Annual General Meetings and the Board meetings
- relaying information as soon as possible to the Board regarding extraordinary events.

Board committees

In accordance with the Organizational Regulations, the Board has appointed a 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.

Remuneration Committee

The Remuneration Committee consists of Jan Kvarnström, Rolf Soiron and Heliane Canepa. The committee meets at

least once per year and has the following responsibilities and duties:

- to review and approve the remuneration of the Executive Management
- to review and recommend employee option plans to the Board
- to carry out any other tasks conferred on it by the Board from time to time.

The Remuneration Committee ascertains that the remunerations paid by the company correspond with market and performance criteria in order to win persons of appropriate ability and background for long-term engagements with the company and its group companies. The Remuneration Committee submits the principles of remuneration of the members of the Board of Directors and of the Executive Management to the Board of Directors for approval. Remunerations must be defensible and depend on the sustained success of the company as well as the personal contribution of the person remunerated to this success.

For the financial year 2003, the Remuneration Committee met once. Remuneration for the CEO and the Executive Management as well as the proposal on the option allotment for 2004 was on the agenda.

Audit Committee

The Audit Committee consists of all Board members and the CEO. The committee meets at least once a year and its primary objective is to form an independent judgment of the quality of the external auditors, the internal control system and the annual financial statements.

After completion of the audit, the Audit Committee holds a conference with the auditors. Based on this conference, it makes its own recommendation to the Board whether the consolidated financial statements can be submitted to the Annual General Meeting. The Audit Committee assesses the performance and remuneration of the external auditors and ascertains their independence. It examines the compatibility of the auditors' duties with eventual consulting mandates, if they exist.

During 2003, the Audit Committee has met once. Subject of that meeting was the audit and management report by the auditors for the financial year 2002.

In February 2004, the Audit Committee has met to review the audit and management report by the auditors for the financial year 2003.

3.6 Definition of areas of responsibility

The Board of Directors is the legally constituted executive body of the Company constituting the highest 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 competencies:

- 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 the representation of the company and to approve the 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 Remuneration Committee
- be responsible for the finances and control of the Group
- be responsible for the relationship with shareholders, in particular calling shareholders meetings, including proposals to the shareholders meeting such as annual and interim reports to the shareholders, payment of dividends, appointment or re-appointment of the Board members and the auditors 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 its superiors.

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

The Board of Directors determines who are granted signing authority, procuration or commercial mandates on behalf of the Company. During 2003, any two of the Board members and the CEO, CFO and General Counsel together had signatory rights.

4. Executive Management Group

The Board delegates the day-to-day management of the Company to the CEO and the Executive Management Group 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, organize, 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 statement, and to implement the necessary control measures.

4.1 Members of the Executive Management Group

Members of the Executive Management Group are appointed by the Board of Directors after proposal from the CEO. The following members constituted the Executive Management Group in 2003:

Name	Born	Nationality	Position	Employed
Heliane Canepa	1948	Swiss	President and CEO	2001
Michaela Ahlberg	1955	Swedish	Head of Legal Affairs	2002
Björn Bergh	1952	Swedish	Head of Quality Assurance & Environmental	1986
Martin J. Dymek	1956	USA	President of Nobel Biocare USA, Inc.	1990
Lars Enbom	1947	Swedish	Head of Global Product Management	1993
Michael Girard	1951	Canadian	Head of Marketing Nobel Biocare USA, Inc. (from 1 Nov General Manager Nobel Biocare Canada Inc.)	1997
Robert Gottlander	1956	Swedish	Head of Global Marketing Management	1984
Jeppe Magnusson	1952	Swedish	Head of Research & Development	2000
Thomas Nortoft	1950	Swedish	Head of Business Development	1985
Thomas M. Olsen	1957	USA	Head of Sales Europe, Japan and Asia/Pacific	1994
Mats Pettersson	1951	Swedish	Head of Global Production	1988
Peter Strömgren	1958	Swedish	Head of Human Resources	2002
Harrieth Sundaeus	1956	Swedish	Head of Finance & Control	1997
Ulf Wallin	1960	Swedish	Head of Supply Chain Management & IT	2002

Additional information about the Executive Management is disclosed on page 66 and 67.

4.2 Other activities and functions

None of the Executive Management Group 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 have 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.

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 the EBIT and the growth for the Group. The maximum bonus achievable is 200 percent of the fixed salary. For the Executive Management Group, 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 calculated as the difference between the market price of the shares as per 31 December 2003 and the agreed strike price. The number of options allotted to the CEO and the Executive Management Group in 2003 amounted to 139 000 (112 665). 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 58 and to Note 19 of the consolidated financial statements on page 47.

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 3-6 months and the severance pay 12-18 months' salary. These executives participate in the national 401K 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 150 K (95) and for the Executive Management Group to EUR 376 K (281).

5.2 Compensations for acting members of governing bodies

In 2003, aggregate compensations for Members of the Board and Members of the Executive Management Group amounted to a total of EUR 12 348 K, (4 798 K) of which staff options represented a value of EUR 8 888 K on 31 December 2003.

Compensations to all non-executive members of the Board of Directors during the year under review totalled EUR 111 561 and has not been changed compared to 2002. The distribution per each Board member was as follows:

Board of Directors

Ernst Thomke (until 24 April 2003)	9 948 EUR
Rolf Soiron (effective 24 April 2003)	23 057 EUR
Jan Ekberg	19 639 EUR
Hansjörg Graf	19 639 EUR
Jan Kvarnström	19 639 EUR
Ernst Zaengerle	19 639 EUR

Executive Management Group

In 2003 the value of received salaries, bonuses, staff options and other benefits for the Executive Management Group was:

In EUR'000	Fixed Salaries	Bonuses	Pension expense	Staff options	Other benefits	Total
CEO	273 (273)	327 (177)	150 (95)	1 161 (257)	8 (8)	1 919 (810)
Other Members of the EMG	1 594 (1 387)	519 (417)	376 (281)	7 725 (1 425)	103 (87)	10 319 (3 597)
Former members of the EMG	- (182)	- (89)	- (-)	- (-)	- (8)	- (279)
Total	1 867 (1 842)	846 (683)	526 (376)	8 888 (1 682)	111 (103)	12 238 (4 686)

There were no severance payments to any persons mentioned above.

5.3 Compensations for former members of governing bodies

In 2003, there were no compensations paid to former members of governing bodies.

5.4 Share allotment in the year under review

In 2003, there were no share allotments to neither any member of the Board of Directors nor to any member of the Executive Management Group.

5.5 Share ownership

As of 31 December 2003 the members of the Board of Directors held a total of 465 277 shares while the members of the Executive Management Group held a total of 345 988 shares.

5.6 Options

As of 31 December 2003 the members of the Executive Management Group held a total of 264 331 options resulting from 3 allotments and featuring weighted average exercise prices of CHF 75.78 and a weighted duration of 1.98 years.

Movements in the number of staff options outstanding are to be found in the tables below.

Number of options	2003	2002	2001
Options outstanding at 1 January	421 976	165 639	-
Options issued	305 473	267 337	265 303
Options exercised	-119 531	-	-
Options expired	-15 996	-11 000	-99 664
Options outstanding at			
31 December	591 922	421 976	165 639

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

Grant year	Expiry Date	Strike price CHF	2003	2002	2001
2001	30-Jun-2004	63.83	46 108	165 639	165 639
2002	30-Jun-2005	71.33	241 341	256 337	
2003	30-Jun-2006	80.47	304 473		
Total			591 922	421 976	165 639

Overview Share ownership and options:

Board of Directors

Name	Position	Elected	Nationality	Shares
Rolf Soiron	Chairman	2003	Swiss	90 000
Jan Ekberg	Member	2002	Swedish	-
Hansjörg Graf	Member	2002	Swiss	370 777
Jan Kvarnström	Member	2002	Swedish	-
Ernst Zaengerle	Member	2002	Swiss	4 500

Executive Management Group

Name	No. of shares	No. of warrants	No. of options
Heliane Canepa	340 000	-	40 000
Michaela Ahlberg	-	-	15 333
Björn Bergh	-	-	12 000
Martin J. Dymek	-	16 873	15 000
Lars Enbom	-	-	24 666
Michael Girard	-	-	7 666
Robert Gottlander	5 888	-	24 666
Jeppie Magnusson	-	-	20 000
Thomas Nortoft	-	-	19 667
Thomas M. Olsen	-	9 046	15 000
Mats Pettersson	100	-	15 000
Peter Strömgren	-	-	15 333
Harrieth Sundaeus	-	-	25 000
Ulf Wallin	-	-	15 000
Total	345 988	25 919	264 331

5.7 Additional fees and remunerations

In 2003, 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 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 Group.

5.9 Highest total compensation

In 2003, the highest total compensation for a member of the Board of Director was EUR 23 057. There were no share or option allotments.

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 be downloaded from the website www.nobelbiocare.com or can be ordered via the contact addresses in section 9 of this 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.

The Annual General Meeting passes its resolutions and carry 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.

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 global share certificates 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 Convocation of the General Meeting

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 one 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 law.

6.5 Registrations 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 2003, agreements and plans benefiting members of the Board of Directors and/or the Executive Management Group or additional members of management contain no clauses on changes of control.

8 Auditors

8.1 Duration of the mandate and term of office of the lead auditor

KPMG Fides Peat assumed the existing auditing mandate for the Nobel Biocare Holding Group on 24 April 2003 (first time elected in 2002). The Annual General Meeting elects the auditors for a term of one year. The head auditors responsible for the mandate are Mr Erik Willems and Mr Anders Ivdal. Mr Erik Willems began serving in his role when KPMG Fides Peat was initially elected in 2002, while Mr Anders Ivdal assumed his new responsibility in 2003.

8.2/8.3 Auditing and additional fees

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

in EUR'000	2003	2002
KPMG Fides Peat		
Audit Services	429	598
Audit Related Services	213	80
Subtotal	642	678
Ernst & Young		
Audit Services	-	226
Subtotal	-	226
Total	642	904

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, imple-

mentation 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 once a year. The primary objective of the Audit Committee is to assist the Board of Directors in monitoring the Company's internal control, accounting principles, risk management, financial reporting and auditing.

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. The governing principle is that all stakeholders should be given the same opportunity to follow Group developments. Nobel Biocare's transparent reporting 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 to make correct, all-round assessments of the company possible.

Nobel Biocare's general information policy in financial matters provides that Nobel Biocare will not publish explicit earnings forecasts. Nevertheless, Nobel Biocare still aims to disclose wherever possible detailed information about the current course of business in order to assist analysts and investors in developing their forecasts and to enable them to comprehensively assess Nobel Biocare and its business prospects. 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 Dealing Policy

In order to prevent insiders from benefiting from confidential information, the Board of Directors issued guidelines on how to maintain secrecy so as 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.

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.

2004 Financial Calendar:

- Q1 January-March, 29 April
Annual General Meeting, 29 April
Ex-dividend date, 4 May
Payment of dividend, 4 May
- Q2 April-June, 13 August
- Q3 July-September, 22 October

Contact information:

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Gunilla Ekholtz, Investor Relations Officer,
tel. +46 31 81 88 36, +46 708 81 88 36,
e-mail gunilla.ekholtz@nobelbiocare.com

Global e-mail address:
investor.relations@nobelbiocare.com

Company address: Nobel Biocare Holding AG,
Postfach, 8058 Zurich-Flughafen, Switzerland,
tel +41 43 211 32 50
www.nobelbiocare.com

Management Group

Heliane Canepa

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. Earlier, Heliane Canepa held the position of CEO of Schneider Worldwide, a medtech company in the cardiology, balloon dilatation field.

In 1999, Heliane Canepa was named 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 companies Phonak AG and Entific Medical Systems AB.

Michaela Ahlberg

Michaela Ahlberg joined Nobel Biocare as Head of Legal Affairs in April 2002 from a position as general counsel in a joint venture company between Ericsson and Hewlett-Packard. Previous experiences include work for one of the largest lawfirms in Sweden, Mannheimer&Swartling.

EDUCATION: Masters of Law, University of Lund, Sweden.

EXTERNAL ASSIGNMENTS: Member of the board of Dunross & Co AB.

Björn Bergh

Björn Bergh was appointed head of Quality & Environmental Assurance in 2002. He has 15 years of experience within both Quality Assurance and Regulatory Affairs. Previous to his present position, Björn Bergh was head of Quality Assurance & Regulatory Affairs since 1994.

EDUCATION: MSc, Chalmers University of Technology, Gothenburg, Sweden.

EXTERNAL ASSIGNMENTS: Member of the board of the Swedish Inst. for Quality (SIQ) Members Association.

Martin J. Dymek

Martin J. Dymek has been President of Nobel Biocare USA Inc. since the acquisition of Steri-Oss Inc. in 1998. Prior to the acquisition he held the following positions with Steri-Oss; President, Senior Vice President of Sales and Marketing, Vice President of Marketing.

EDUCATION: BA, Cornell University, USA.

Lars Enbom

Lars Enbom was appointed Director of Global Product Management in 2002 after holding several positions within Nobel Biocare since 1993. Before joining Nobel Biocare, Lars Enbom ran a clinic that was one of the first to get started with Brånemark System implants in 1982.

EDUCATION: Specialist in Prosthodontics, University of Umeå, Sweden.

Michael Girard

In March of 2002, Mike Girard became Vice President of Marketing, North America, and joined the Executive Management Group. From November 2003, Mike Girard is the General Manager of Nobel Biocare Canada Inc. He has a 25-year career as technician/lab owner, partner and marketing manager in the Shaw Group of labs in Canada.

EDUCATION: Business Program, University of Detroit, USA, Dental Technology Program, George Brown College, Toronto, Canada.

Robert Gottlander

Robert Gottlander joined the Executive Management Group in 2002 as Head of 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 for nearly 20 years.

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



Jeppe Magnusson

Jeppe Magnusson joined Nobel Biocare as Head of Research & Development in 2000. During his career, Dr. Magnusson has been responsible for R&D organizations within companies like Nobel Industries, Union Carbide, Mölnlycke and SCA Hygien Products. **EDUCATION:** MSc Chemical Engineering and PhD Chemical Reaction Engineering, Chalmers University of Technology, Gothenburg, Sweden.

Thomas Nortoft

Thomas Nortoft has held the position as Head of Business Development since 2000. His career within Nobel Biocare includes positions such as General Manager Europe, President of Nobel Biocare in USA, and Vice President with responsibility for sales. **EDUCATION:** BA, University of Gothenburg, Sweden.

Thomas M. Olsen

Thomas M. Olsen has been Vice President, Europe and Asia, since 1999. He has more than 22 years of experience in the dental industry. Mr 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.

Mats Pettersson

Mats Pettersson was appointed Head of Global Production in 2002 after several years as Vice President with responsibility for Manufacturing and Logistics in Nobel Biocare USA, Inc. Mats Pettersson's career includes positions as plant controller and plant manager as well as production controller. **EDUCATION:** Economic and Computer Science, University of Örebro, Sweden.

Peter Strömgren

Peter Strömgren joined Nobel Biocare in August 2002 as Head of Human Resources and member of the Executive Management Group. Before joining Nobel Biocare, Peter Strömgren was Human Resource Manager Business Regions at Volvo Bus. He has also held HR manager positions at both Forbo Forshaga AB and ABB Fläkt Industri AB. **EDUCATION:** B.ch., Personnel Management, University of Gothenburg, Sweden.

Harrieth Sundaeus

Harrieth Sundaeus is Vice President & CFO and part of the Executive Management Group since 2001. Ms Sundaeus is a former Authorized Public Accountant within PricewaterhouseCoopers (formerly Coopers & Lybrand) with 18 years of experience from auditing and consulting assignments for multinational groups. **EDUCATION:** BA, University of Gothenburg, Sweden.

Ulf Wallin

Ulf Wallin joined Nobel Biocare in 2002 as Head of Supply Chain Management & CIO. Ulf Wallin's career includes several positions within companies such as SKF, ESAB, Xdin and IBM. **EDUCATION:** MSc, Industrial & Management Engineering, University of Technology in Linköping, Sweden.

FROM LEFT:

JEPPE MAGNUSSON, BJÖRN BERGH, MATS PETTERSSON, ROBERT GOTTLANDER, HARRIETH SUNDAEUS, MARTIN J. DYMEK, HELIANE CANEPA, MICHAEL GIRARD, LARS ENBOM, MICHAELA AHLBERG, THOMAS NORTOFT, THOMAS M. OLSEN, ULF WALLIN AND PETER STRÖMGREN.



Articles of association

of Nobel Biocare Holding AG, (Nobel Biocare Holding SA), (Nobel Biocare Holding Ltd)

I. General provisions

Article 1: Corporate Name, Registered Office

Under the corporate name Nobel Biocare Holding AG (Nobel Biocare Holding SA) (Nobel Biocare Holding Ltd) a Company exists pursuant to art. 620 et seq. of the Swiss Code of Obligations (hereinafter "CO") having its registered office in Opfikon. The duration of the Company is unlimited.

Article 2: Purpose

The purpose of the Company is the acquisition, holding, administration and sale of direct and indirect participations in Swiss and foreign enterprises of all kind.

The Company may open branch offices and subsidiaries in Switzerland and abroad. It may also acquire participations in other companies in Switzerland and abroad.

The Company may acquire, hold, and sell real estate.

The Company may also engage in any commercial, financial or other activities which are related to the purpose of the Company. In particular, the Company may provide loans, guarantees and other kinds of financing and security for group companies and borrow and invest money on the money and capital markets.

II. Capital

Article 3: Share capital

The share capital of the Company amounts to CHF 50 749 800 and is divided into 25 374 900 bearer shares with a par value of CHF 2.00 per share. The share capital is fully paid-in.

Conditional capital

The share capital of the Company shall be increased by a maximum aggregate amount of CHF 2 484 836 through the issuance of a maximum of 1 242 418 bearer shares, which shall be fully paid-up, with a par value of CHF 2.00 per share, by the exercise of option rights which the employees and officers of the Company and/or of group companies are granted. The rights of the shareholders to subscribe shares in priority are excluded.

Article 4: Share certificates, Conversion of shares

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

The ownership or the usufruct of a Share and each exercise of shareholders' rights automatically entails recognition of the version

of the Articles of Association then in force.

The Shareholders Meeting may, at any time, convert registered shares into bearer shares or bearer shares into registered shares by amending the Articles of Association.

III. Organization

A. The shareholders meeting

Article 5: Authorities

The Shareholders Meeting is the supreme corporate body of the Company. It has the following non-transferable powers:

1. to adopt and amend the Articles of Association;
2. to elect and recall the members of the Board of Directors and the Auditors;
3. to approve the annual report and the annual accounts as well as to pass resolutions regarding the allocation of profits as shown on the balance sheet, in particular to determine the dividends;
4. to grant discharge to the members of the Board of Directors;
5. to pass resolutions regarding issues which are reserved to the Shareholders Meeting by law or by the Articles of Association or which are presented to it by the Board of Directors.

Article 6: Meetings

The ordinary Shareholders Meeting shall be held annually within six months after the close of the business year.

Extraordinary Shareholders Meetings shall be called as often as necessary, in particular, in all cases required by law.

Extraordinary Shareholders Meetings shall be convened by the Board of Directors within 2 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.

Article 7: Convening, Universal Meeting

Shareholders Meetings shall be convened by the Board of Directors and, if need be, by the Auditors. The liquidators shall also be entitled to convene a Shareholders Meeting.

The convening of the Shareholders Meeting shall take place by a one publication in the Swiss Official Journal of Commerce at least twenty days prior to the day of the Meeting. The convening text shall state 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.

Subject to the provisions concerning the Universal Shareholders Meeting, no resolutions can be passed regarding matters which have not been announced in this manner, except

regarding the proposals to convene an extraordinary Shareholders Meeting or to carry out a special audit. Proposals regarding items on the agenda and discussions not followed by resolutions do not need to be announced in advance.

The owners, usufructuaries or representatives of all the shares may, if no objection is raised, hold a Shareholders Meeting without observing the formal requirements for the convening of the Shareholders Meeting (Universal Shareholders Meeting). As long as the owners or representatives of all the shares are present, all subjects falling within the scope of business of the Shareholders Meeting may be validly discussed and decided upon at such meeting.

The annual business report and the Auditors' report must be submitted for examination by the shareholders at the registered office of the Company at least twenty days prior to the date of the ordinary Shareholders Meeting. Reference to such submission and to the shareholders' right to request the conveying of these documents to them shall be included in the invitation to the Shareholders Meeting.

Article 8: Chair, Minutes

The Shareholders Meeting shall be chaired by the chairman of the board of directors, or, in his absence, by another member of the Board of Directors, or by another chairman elected for that day by the Shareholders Meeting (the "Chairman").

The Chairman designates a Secretary for the minutes as well as the scrutineers who need not be shareholders.

The Board of Directors is responsible for the keeping of the minutes, which are to be signed by the Chairman and by the Secretary.

Article 9: Resolutions

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

The Shareholders Meeting shall pass its resolutions and carry 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.

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

The Chairman shall have no casting vote. Elections and votes shall take place openly provided that neither the Chairman nor a simple majority of the share votes requests a secret ballot.

Article 10: Quorums

A resolution of the Shareholders Meeting passed by at least two thirds of the represented share votes and the absolute majority of the represented shares par value is required for:

1. the cases listed in art. 704 para. 1 CO;
2. the conversion of global share certificates into individual share certificates;
3. the conversion of bearer shares into registered shares;
4. any change to the provisions of this article 10.

B. The Board of Directors

Article 11: Election, Constitution

The Board of Directors consists of at least 4 and up to a maximum of 9 members. The members of the Board of Directors shall, as a rule, be elected by the ordinary Shareholders Meeting in each case for a term of office of one year. The term of office of a member of the Board of Directors shall, subject to prior resignation and removal, expire upon the day of the next ordinary Shareholders Meeting. Newly-appointed members shall complete the term of office of their predecessors.

The Board of Directors shall constitute itself. It appoints its Chairman as well as a Secretary who needs not be a shareholder or a member of the Board of Directors.

Article 12: Ultimate Direction, Delegation

The Board of Directors is entrusted with the ultimate direction of the Company as well as the supervision of the management. It represents the Company towards third parties and attends to all matters which are not delegated to or reserved for another corporate body of the Company by law, the Articles of Association or the regulations.

The Board of Directors may entrust the management and the representation of the Company wholly or in part to one or several persons, members of the Board of Directors or third parties who need not be shareholders of the Company. The Board of Directors shall enact the organizational regulation and arrange for the appropriate contractual relationships.

Article 13: Duties

The Board of Directors has the following non-transferable and irrevocable duties:

1. to ultimately direct the Company and issue the necessary directives;
2. to determine the organization;
3. to organize the accounting, the financial control, as well as the financial planning;
4. to appoint and recall the persons entrusted with the management and representation of the Company and to grant signatory power;
5. to ultimately supervise the persons entrusted with the management, in particular with respect to compliance with the law and with the Articles of Association, regulations and directives;
6. to prepare the business report, as well as the Shareholders Meeting and to implement the latter's resolutions;
7. to inform the judge in the event of overindebtedness;
8. to pass resolutions regarding the subsequent payment of capital with respect to non-fully paid-in shares;
9. to pass resolutions confirming increases in share capital and regarding the amendments to the Articles of Association entailed thereby;
10. to examine the professional qualifications of the specially qualified Auditors in the cases in which the law foresees the use of such Auditors.

Article 14: Organization, Minutes

The organization of the meetings, the presence quorum and the passing of resolutions of the Board of Directors shall be in compliance with the organizational regulation.

The Chairman shall have the casting vote.

Minutes shall be kept of the deliberations and resolutions of the Board of Directors. The minutes shall be signed by the Chairman and the Secretary of the Board of Directors.

Article 15: Compensation

The members of the Board of Directors are entitled to reimbursement of their expenses incurred in the interest of the Company and to compensation corresponding to their activities, as determined by the Board of Directors.

C. The Auditors

Article 16: Eligibility, Duties

The Shareholders Meeting elects one or several Auditors each year as corporate Auditors. Individuals, commercial companies or co-operatives may be elected as corporate Auditors. The corporate Auditors must be registered in the Register of Commerce.

The Auditors need not be shareholders; they may not be members of the Board of Directors or employees of the Company. They may not undertake any duties for the Company which are not compatible with their auditing mandate. They must be independent from the Board of Directors and from a shareholder who has the majority of voting rights. The Auditors must be able to perform their duties towards the Company.

The corporate auditor's rights and obligations are those foreseen in art. 727 et seq. CO. It must attend the Shareholders Meeting to which it must report. By a unanimous vote the Shareholders Meeting may waive its right to the corporate Auditor's presence.

IV. Accounting principles

Article 17: Annual Accounts

The annual accounts, consisting of the profit and loss statement, the balance sheet and the annex, shall be drawn up in accordance with the provisions of the Swiss Code of Obligations, in particular art. 662a et seq. and 958 et seq. CO, and in accordance with generally accepted commercial principles and customary rules in that business area.

The board of directors shall determine the date of beginning and closing of the Company's annual accounts.

Article 18: Distribution of Profits

Subject to the legal provisions regarding the distribution of profits, in particular art. 671 et seq. CO, the profits as shown on the balance sheet may be allocated by the Shareholders Meeting at its discretion.

The dividend may only be determined after the transfers foreseen by law to the compulsory reserve funds have been deducted. All dividends unclaimed within a period of five years after their due date shall be forfeited to the Company.

IV. Liquidation

Article 19: Dissolution and Liquidation

The Shareholders Meeting may at any time resolve the dissolution and liquidation of the Company in accordance with the provisions of the law and of the Articles of Association.

The liquidation shall be carried out by the Board of Directors to the extent that the Shareholders Meeting has not entrusted the same to other persons.

The liquidation of the Company shall take place in accordance with art. 742 et seq. CO. The liquidators are authorized to dispose of the assets (including real estate) by way of private contract.

After all debts have been satisfied, the net proceeds shall be distributed among the shareholders in proportion to the amounts paid-in.

VI. Information

Article 20: Notices and Announcements

Invitations and notices of the Company shall be published in the Swiss Official Journal of Commerce. The publication instrument of the Company is the Swiss Official Journal of Commerce. The board of directors is authorised to employ additional publication instruments.

Article 21: Contribution in Kind

In connection with the capital increase decided by the shareholders meeting of 14 May 2002 and the relating contribution in kind agreement of 21 June 2002, the Company acquires from Skandinaviska Enskilda Banken AB (publ) acting as Commission Agent in its own name but for the account of shareholders of Nobel Biocare AB, Göteborg (Sweden), having accepted the public tender offer by the Company dated 27 May 2002 in respect of Nobel Biocare AB, 23 955 242 shares in Nobel Biocare AB with a nominal value of SEK 12.5 each at an aggregate value of CHF 2 208 673 312,40 in exchange for 23 955 242 bearer shares of the Company with a par value of CHF 2.00 each.

In connection with the decision of the board of directors of 11 July 2002 to increase the share capital, which was based on art. 3a of the articles of association, and the relating contribution in kind agreement of 11 July 2002, the Company acquires from Skandinaviska Enskilda Banken AB (publ) acting as Commission Agent in its own name but for the account of shareholders of Nobel Biocare AB, Göteborg (Sweden), having accepted during the additional acceptance period the public tender offer by the Company dated 27 May 2002 and extended by resolution of the board of directors of 20 June 2002 until 9 July 2002, in respect of Nobel Biocare AB, 1 109 945 shares in Nobel Biocare AB with a nominal value of SEK 12.5 each at an aggregate value of CHF 102 336 929 in exchange for 1 109 945 bearer shares of the Company with a par value of CHF 2.00 each.

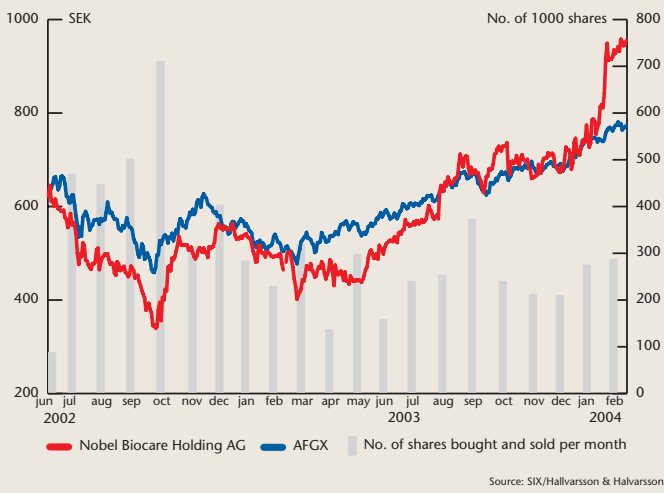
Zurich, 12 August 2003

Additional share information

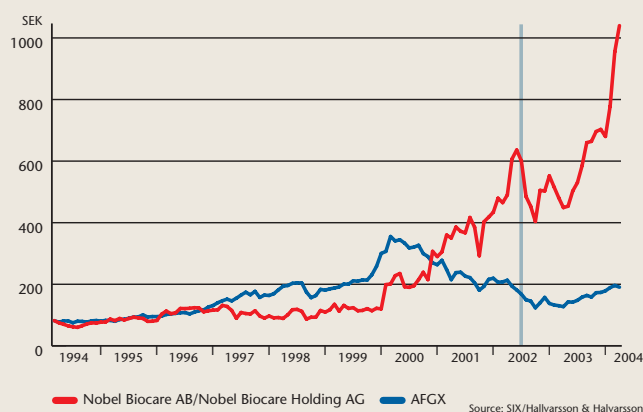
Nobel Biocare vs Swiss Market Index 24/06/2002–28/02/2004



Nobel Biocare vs AFGX 24/06/2002–28/02/2004



10 years vs AFGX 18/03/1994–18/03/2004



Nobel Biocare Holding AG is listed on SWX Swiss Exchange in Zurich, Switzerland, (primary listing) and Stockholmsbörsen, Sweden, (secondary listing). In 2003, the share price increased by 41 percent. Further capital and share related information is to be found in the Corporate Governance section on pages 56–65.

Share trends and share turnover

In 2003, the highest quoted price at the SWX Swiss Exchange in Zurich was CHF 128 (21 October) and SEK 749 (8 October) at Stockholmsbörsen, Sweden, and the lowest price quoted was CHF 60.35 (12 March) and SEK 390 (12 March), respectively.

The closing price paid at the end of the year was CHF 125.25 (88.90) and SEK 702 (556) respectively. On 31 December, Nobel Biocare's total market value amounted to CHF 3 194 (2 233) million. During the year, some 19.2 million shares (13.9) were traded, 16.4 in Zurich and 2.8 in Stockholm. The average number of shares sold per trading day amounted to 76 750, of which 65 661 in Zurich and 11 089 in Stockholm.

Dividend policy and dividend proposal

Nobel Biocare's dividend to its shareholders should reflect the Group's long-term financial development. Over the long term, around one third of net profit should be distributed as dividend. However, in some years, significant capital investments or unfavorable economic fluctuations must be taken into account.

The Board of Directors proposes an increase of the dividend by 68 percent to CHF 1.30 (0.79) per share for the 2003 financial year, equivalent to 30 percent (36) of the profit after tax. The proposed dividend equals a direct yield of 1.03 percent (0.89) based on the share price on 31 December 2003.

Analyses of Nobel Biocare shares

Nobel Biocare has been analyzed by the following stockbrokers and banks:

ABG Sundal Collier	Erik Magnusson
ABN Amro Alfred Berg	Paula Treutiger/Sten Gustavsson
Bank am Bellevue	Mirjam Kaiser
CAI Cheuvreux de Vireau	
D.Carnegie	Kristofer Liljeberg Svensson
Cazenove	Michael Yates
Credit Suisse	Christoph Gretler
Deutsche Bank	Yi-dan Wan
Enskilda Securities	Niels Granholm-Leth
Goldman Sachs	Hans Boström
Handelsbanken Markets	Patrik Ling
Bank Julius Baer	Daniel Jelovcan
Kepler Equities	Doris Schurdak
Lombard Odier Darier Hentsch	Christoph Gubler
Merrill Lynch	Michael Jüngling
Nordea Securities	Stefan Wikholm
NZB Neue Zürcher Bank	Zubin Dastoor
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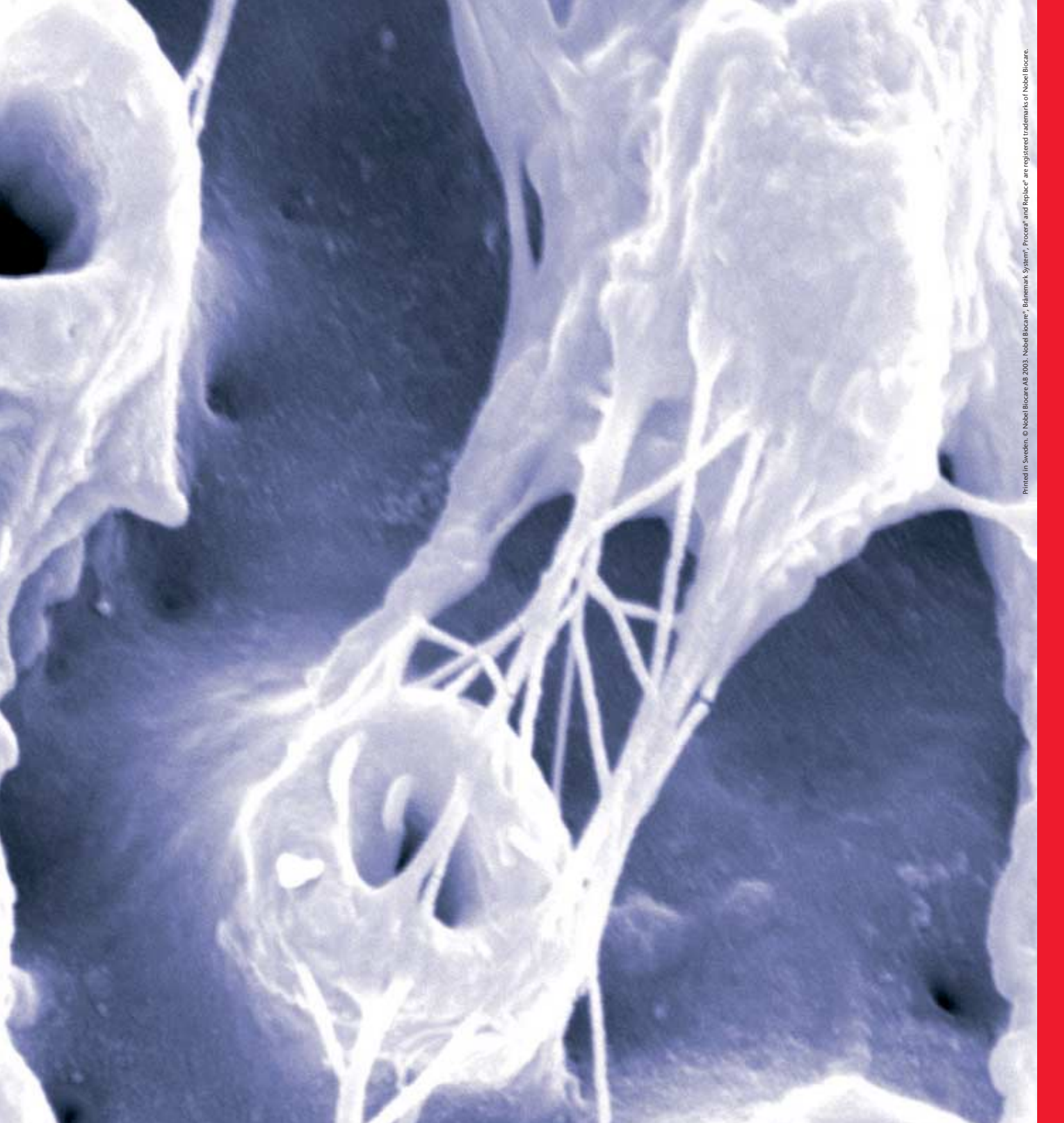
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Nobel Biocare AB including all production units are certified according to the Environmental Management System ISO 14001.