

World Conference - Helps Build Momentum for 2007

Update from Nobel's World Conference in Las Vegas

This week Nobel Biocare (NOBE) kicked off its 2007 World Conference (held every second year) in Las Vegas. With over 9,000 registered attendees, we believe this represents the biggest congregation of surgeons, dentists and lab technicians and highlights NOBE's leading position in the industry.

Conference focused on dental solutions

It was very interesting to see that the main booths at the conference did not feature any of the dental implants launched in 2005 (groovy, shorty, NobelDirect, NobelPerfect). The implants were only a part of the overall package for providing simple and highly esthetic solutions for patients. Highly visible were exhibits for NobelGuide, NobelRondo, Procera Bridge & Crown, and TiUnite surface.

Momentum should build for the remainder of 2007

With over 9,000 participants, the conference will inevitably result in sales momentum building for the remainder of 2007. This is true not only for the North America region (which had a disappointing start to the year in Q1), but also for the rest of the world as ~50% of the attendees arrived from outside of the US.

Product launches offer less visibility compared to 2005

The 2005 conference saw the launch of groovy, which today predictably accounts for over 50% of NOBE's implants and has contributed strongly to the price/mix. In our view, this year's product launches do not offer the same kind of visibility on a two-year view and carry somewhat higher execution risk (eg, NobelActive).

Estimates (Dec)

(EUR)	2005A	2006A	2007E	2008E	2009E
	IFRS	IFRS	IFRS	IFRS	IFRS
EPS (Adjusted)	4.86	6.18	8.12	9.93	11.9
EPS Change (YoY)	28.5%	27.2%	31.4%	22.4%	19.6%
Dividend / Share	2.26	2.64	2.84	3.48	4.16

Valuation (Dec)

	2005A	2006A	2007E	2008E	2009E
P/E	57.0x	44.1x	31.9x	26.1x	21.8x
Dividend Yield	0.86%	1.00%	1.08%	1.32%	1.58%
EV / EBITDA*	36.1x	28.8x	23.1x	18.9x	15.8x
Free Cash Flow Yield*	1.25%	2.02%	3.12%	3.39%	4.13%

* For full definitions of *iQmethod*SM measures, see page 10.

Equity | Switzerland | Medical Technology
24 May 2007



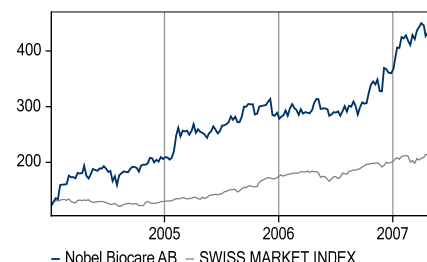
Merrill Lynch

Michael K. Jüngling +44 20 7996 2247
Research Analyst
MLPF&S (UK)
michael_jungling@ml.com

Alex Surla +44 20 7996 0799
Research Analyst
MLPF&S (UK)
alex_surla@ml.com

Stock Data

Price	CHF428.50
Price Objective	CHF470.00
Date Established	8-Feb-2007
Investment Opinion	B-1-7
Volatility Risk	MEDIUM
52-Week Range	CHF278.00-CHF457.00
Mrkt Val / Shares Out (mn)	CHF10,480 / 24.5
Average Daily Volume	118,491
ML Symbol / Exchange	NBCHF / SWX
Bloomberg / Reuters	NOBE VX / NOBE.VX
ROE (2007E)	60.5%
Net Dbt to Eqty (Dec-2006A)	-36.9%
Est. 5-Yr EPS / DPS Growth	20.2% / 18.9%
Free Float	100.0%



>> Employed by a non-US affiliate of MLPF&S and is not registered/qualified as a research analyst under the NYSE/NASD rules.

Refer to "Other Important Disclosures" for information on certain Merrill Lynch entities that take responsibility for this report in particular jurisdictions.

Merrill Lynch does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Refer to important disclosures on page 11 to 12. Analyst Certification on page 10. Price Objective Basis/Risk on page 10.

24 May 2007

iQprofileSM Nobel Biocare

Key Income Statement Data (Dec)	2005A	2006A	2007E	2008E	2009E
(EUR Millions)	IFRS	IFRS	IFRS	IFRS	IFRS
Sales	485	601	733	868	1,008
EBITDA Adjusted	175	220	274	334	399
Depreciation & Amortization	(12.8)	(15.6)	(18.3)	(23.0)	(28.4)
EBIT Adjusted	162	204	255	311	371
Net Interest & Other Income	(4.49)	(5.30)	1.32	1.92	4.07
Tax Expense / Benefit	(33.8)	(44.7)	(56.4)	(69.7)	(84.3)
Net Income (Adjusted)	124	154	200	243	291
Average Fully Diluted Shares Outstanding	25.9	25.1	25.2	25.3	25.3

Key Cash Flow Statement Data

Net Income (Reported)	155	158	200	243	291
Depreciation & Amortization	12.8	15.6	18.3	23.0	28.4
Change in Working Capital	(33.9)	(18.2)	8.80	(9.32)	(9.78)
Deferred Taxation Charge	0	0	0	0	0
Other Adjustments, Net	(24.0)	5.75	12.2	5.28	5.59
Cash Flow from Operations	110	161	239	262	315
Capital Expenditure	(25.1)	(27.9)	(36.5)	(43.0)	(48.0)
(Acquisition) / Disposal of Investments	0	0	0	0	0
Other Cash Inflow / (Outflow)	0.19	34.9	0	0	0
Cash Flow from Investing	(24.9)	6.94	(36.5)	(43.0)	(48.0)
Share Issue / (Repurchase)	10.9	26.4	0	0	0
Cost of Dividends Paid	(43.9)	(55.7)	(65.6)	(69.5)	(85.0)
Cash Flow from Financing	(151)	(165)	(203)	(219)	(267)
Non Cash Changes to Debt	NA	NA	NA	NA	NA
Change in Net Debt	65.6	(2.95)	57.1	(149)	(182)
Net Debt	(163)	(133)	(76.1)	(225)	(407)

Key Balance Sheet Data

Property, Plant & Equipment	42.2	48.7	63.1	79.0	94.7
Goodwill	130	126	126	126	126
Other Intangibles	6.86	10.4	14.2	18.3	22.3
Other Non-Current Assets	14.8	13.3	22.0	26.0	30.2
Trade Receivables	105	124	139	165	191
Cash & Equivalents	164	135	77.5	227	409
Other Current Assets	52.5	47.4	76.7	90.8	105
Total Assets	516	504	519	732	978
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	28.9	28.6	47.7	56.4	65.5
Short-Term Debt	0.55	1.44	1.44	1.44	1.44
Other Current Liabilities	129	113	169	200	232
Total Liabilities	158	143	218	257	299
Total Equity	358	361	301	474	680
Total Equity & Liabilities	516	504	519	732	978

Key Metrics

iQmethodSM - Bus Performance*

Return On Capital Employed	35.3%	43.5%	54.0%	55.1%	45.4%
Return On Equity	34.8%	42.9%	60.5%	62.7%	50.3%
Operating Margin	39.8%	34.7%	34.8%	35.8%	36.8%
Free Cash Flow (MM)	84.5	133	203	219	267

iQmethodSM - Quality of Earnings*

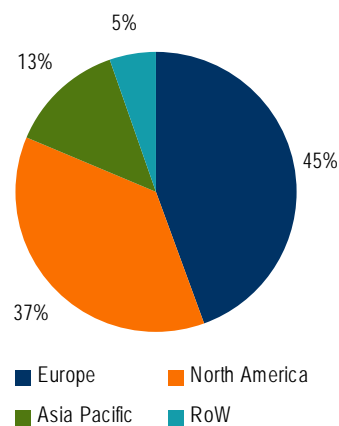
Cash Realization Ratio	0.88x	1.05x	1.20x	1.08x	1.08x
Asset Replacement Ratio	2.37x	2.38x	2.51x	2.37x	2.15x
Tax Rate	17.9%	22.0%	22.0%	22.3%	22.5%
Net Debt/Equity	-45.7%	-36.9%	-25.3%	-47.5%	-59.9%
Interest Cover	7.57x	11.4x	NM	NM	NM

* For full definitions of iQmethodSM measures, see page 10.

Company Description

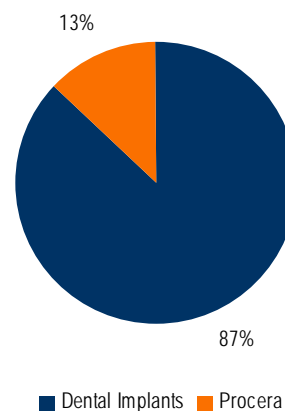
Nobel Biocare is the world leader in innovative esthetic dental solutions. It offers a one-stop-shop for restorative esthetic dentistry, offering a wide range of innovative Crown & Bridge & Implant products. In dental implants, Nobel Biocare holds world #1 position with c.33% market share. The company markets its products to dental specialists, general practitioners, and dental technicians.

Chart 1: Sales by Region (FY06A)



Source: Nobel Biocare

Chart 2: Sales by Product (FY06E)



Source: Nobel Biocare, Merrill Lynch estimates

Stock Data

Price to Book Value 21.4x

Update from Las Vegas conference

This week Nobel Biocare (NOBE) kicked off its **2007 World Conference** in Las Vegas which will end on Thursday, 24 May 2007. With over 9,000 registered attendees (compared to 6,000 in 2005), we believe this represents **the biggest congregation of surgeons, dentists and lab technicians** and highlights the increasing popularity of dental implants and in particular NOBE's leading product portfolio providing complete solutions from dental implant to esthetics.

New product launches

During the conference NOBE launched a number of new products.

New product for Maxillofacial Rehabilitation

NOBE is using its expertise in dental implants to produce a **set of "fixed" solutions for reconstructing a person's face**, not just inside the mouth but also on the outside (cheek, nose, eye area). The concept is based on Branemark system of implants which will likely be custom made for each case. This is a **niche product line targeted at the very top oral surgeons** based in hospitals and for patients who suffered a major accident, had cancer or have a genetic disorder. While the concept is targeting a niche market opportunity, we believe **it can serve to raise NOBE's profile among oral surgeons** and position the company as the leader in providing solutions to even the most complex oral and maxillofacial cases.

NobelActive implant

NOBE announced it will launch the NobelActive implant which features a **new implant design with a thread pattern** in the **fall of 2007** (Chart 3). The product design has been **licensed on an exclusive basis from Alpha Bio**, an Israeli dental implant company founded in 1988, with NOBE adding its Ti-Unite surface. The implant's unique shape, which is different from traditional tapered and straight designs, allows the implant to become part of the drilling process, which is why NOBE is marketing it as "self-drilling" and "self-guiding" implant. This one-stage implant will require a new specialised abutment. Since the design leads to a slightly different process of implantation, NOBE will have to hold specialized training courses.

While the potential of this product is still unclear, some surgeons that have used it believe it can be used in almost all circumstances and especially for soft bone cases. Due to the newness factor, the lack of long-term clinical data, and the need for special training courses, we believe it will take more time for NobelActive to penetrate NOBE's product portfolio compared to other product launches. NOBE would not comment on the pricing of this implant, but we believe it is likely that the implant and the abutment will be priced at a slight premium.

Curvy Abutment

NOBE also announced a new Curvy Abutment scheduled to be introduced in **the fall of 2007**. It features an **hourglass shape** at its base and a curved margin, which have been designed to stabilize and promote soft tissue integration (Chart 4). The implant is made out of **titanium** and is part of NOBE's product offering focusing on the increasing trend in implant dentistry toward so called **"platform switching" or "platform shifting"** (see below). NOBE already offers custom-made curvy abutments in zirconia, which now also extends to titanium. We believe Curvy Abutment is an interesting new addition to NOBE's product offering and is well placed to take advantage of the trend for narrower abutments.

Chart 3: NobelActive



Source: Nobel Biocare, Merrill Lynch estimates

Chart 4: Curvy Abutment



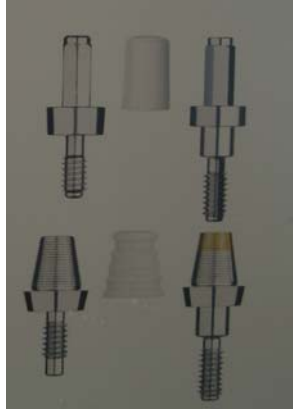
Source: Nobel Biocare, Merrill Lynch

Chart 5: Platform Shifting



Source: Nobel Biocare, Merrill Lynch

Other product launches
Chart 6: QuickTemp Abutments*



Source: Nobel Biocare, Merrill Lynch. * QuickTemp abutments shown in the bottom row. Upper row is Immediate Temporary Abutment for single tooth.

Chart 7: Procera



Source: Nobel Biocare, Merrill Lynch

Platform Shifting - the “platform shifting” trend reflects the belief that a narrower abutment placed on a wider dental implant platform would promote a better soft tissue seal, increase soft tissue volume and thus lead to better esthetics. Platform shifting is not yet launched in the USA.

QuickTemp Abutment – is a quick and easy chair-side temporization of multiple implant restorations, with NOBE claiming it can save 15 minutes per restoration. It consists of two parts, an abutment and a plastic coping.

Procera lineup extended to full-arch zirconia bridge – the world’s only CAD/CAM produced bridge in zirconia is now available in up to 14 units, effectively a full-arch length.

NobelRondo Press – this recently launched porcelain solution was heavily featured at the conference. It can be pressed onto both alumina and zirconia Procera Crowns & Bridges, as well as to Procera Laminates in alumina.

Key takeaways from the conference

Below we provide some of our observations at the conference.

Conference focused on dental solutions, not only implants

It was very interesting to see that the **main booths at the conference did not feature any of the dental implants launched in 2005** (groovy, shorty, NobelDirect, NobelPerfect). Rather the implants appeared simply as a part of the overall package for providing easy, simple and highly esthetic solutions for patients. Highly visible product exhibitions at the conference involved NobelGuide, NobelRondo, Procera Bridge & Crown, and TiUnite surface.

Building sales momentum for 2007, but less medium-term visibility compared to 2005 conference

It is inevitable that the **2007 conference with over 9000 participants will result in sales momentum building for the remainder of 2007**. The sheer number of customers attending the conference will ensure the boost in sales regardless of the type of new products introduced. This is true not only for the North America region (which had a disappointing start to the year in Q1), but also for the rest of the world as ~50% of the attendees arrived from outside of the US.

However, we also believe that the **product launches at this year's conference offer less visibility for investors on a two year view**. In particular, the 2005 conference saw the launch of groovy surface, which today predictably accounts for over 50% of NOBE's implants and has over the past two years strongly contributed to the price/mix element of revenue. In our view, this year's product launches do not offer the same kind of visibility and carry somewhat higher execution risk (eg, NobelActive).

While **NobelGuide** is not new, we observed during the conference a very high level of interest in this concept. The product was introduced two years ago, but we feel it is just now reaching to the wider audiences. We therefore feel that NobelGuide will be one of the main revenue drivers for the coming 12-24 months.

Finally, we should note **some of the newly announced products such as NobelActive and Curvy Abutment will not be sold until the fall of 2007**, which pushes out their impact on the top line into Q4 CY07 and into 1H CY08.

Still a marketing machine, but toned down slightly

Nobel has once again produced a glitzy marketing show with a huge main stage, well prepped speakers, and featuring 35 live surgeries from across the world. Although the marketing continued to be aggressive, we nevertheless felt it was slightly toned down compared to 2005. For instance, speakers noted on a number of occasions the limits of study results behind some of the product lines without long-term clinical data (eg, NobelGuide).

Providing unparalleled level of education

Nobel continues to invest heavily into education, which we feel remains one of the key differentiating factors in a dentist's purchasing decision. The conference offered a full spectrum of education services from the main arena, from work shops to hands-on experience, and 1-on-1 sessions which proved very successful. In all, over 15,000 education sessions were booked, which means that each dentist attended on average two sessions.

Update on discount manufacturers

During the conference, we also had the opportunity to attend a marketing dinner hosted by Dr. Niznick and his Implant Direct company. As we noted in our recent industry note from 27 March 2007, we see the competition in the sector increasing with a number of dental implant companies having doubled over the past four years - at the latest IDS meeting, we counted 135 dental companies. **While we do not believe any one of the companies will have a material impact**, their **combined impact could hurt** the premium manufacturers. Therefore we will continue to carefully monitor the progress of some of new entrants, most of which are discount operators.

With regard to **Implant Direct**, Las Vegas was the 30th stop on Dr. Niznick's lecturing tour of 36 cities named "The changing realities of implant dentistry". Approximately 30 people attended, which is inline with the average attendance from his previous meetings. It appears that Dr. Niznick has decided to amend its internet-only strategy and invest more in marketing and support to drive its sales. He plans to hire 5-10 direct sales people by end of the year. Among the new product launches over the next 6-12 months, he highlighted Zimmer-clone implants, Straumann-clone abutments, and a 3-D planning software, again at a knock down price. Even though we believe his operation needs significantly more resources (particularly on the customer support side) to make a significant impact on the

market overall, his newly initiated marketing efforts seem to be paying off as evidenced by a 500 implant order from one of the premier dental implant institutions Montefiore Medical Center, which incidentally is a Nobel Biocare customer.

Education and sales support are still the key parts of a dental implant market. As such, we see the Korean company **Osstem** which seems to have found a good balance between low-priced products and high-level service, as a more serious threat. Osstem has announced its plans to expand into North America, and we believe the incumbents, including Nobel Biocare, are carefully observing the progress made by this Korean company. We believe that many of the incumbents will take a hard look at Osstem product/patent portfolio in the US for any patent infringements which may delay Osstem's entrance into this market.

Investment Conclusion

We retain our 2007 reforecast for local currency sales growth of 24.0% and EBIT margin of 34.8%. This compares to company guidance of 23-25% local currency sales growth and EBIT margin of 34-35% (FY06A: 34.0%).

We reiterate our '**Buy**' recommendation on NOBE with our **12-month price objective to CHF470 per share**, which is derived from our DCF valuation using a WACC of 8.2% and a terminal growth rate of 2.5%.

Risks to our valuation include the Swedish Medical Products Agency (MPA) re-examining the safety of the NobelDirect implant, a slowing dental implant market driven by a weaker economy in conjunction with the lack of reimbursement, and an inability to maintain high teens sales growth, as well as FX.

24 May 2007

Table 1: Nobel Biocare Profit & Loss Model

Dec Y/E (EURm)	FY03A	FY04A	FY05A	FY06A	FY07E	FY08E	FY09E	FY10E
Europe	157.7	189.8	218.5	266.6	321.2	372.6	424.7	473.6
North America	121.8	132.1	180.1	222.1	271.6	323.2	378.2	434.9
Asia/Pacific	37.1	45.6	60.1	79.4	101.7	126.1	151.3	177.0
RoW	17.3	20.9	25.8	32.5	39.0	46.0	53.4	60.9
Total Sales	334.0	388.4	484.5	600.6	733.5	867.9	1007.6	1146.3
Cost Of Goods Sold	-78.8	-78.8	-86.0	-95.8	-112.2	-129.3	-145.1	-160.5
Gross Profit	255.1	309.6	398.5	504.8	621.3	738.6	862.5	985.8
Selling Expenses	-119.2	-132.9	-156.3	-201.0	-239.8	-278.6	-320.4	-359.9
Administration Expenses	-36.3	-49.6	-62.8	-82.0	-95.4	-110.2	-124.9	-139.9
Research & Development	-13.6	-14.0	-17.1	-17.6	-30.8	-39.1	-45.3	-51.6
Other Operating Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	86.1	113.1	162.3	204.2	255.2	310.7	371.8	434.5
Financial Revenue	3.0	12.1	17.0	12.6	1.4	2.0	4.1	6.7
Financial Expense	-3.6	-12.8	-21.4	-17.9	-0.1	-0.1	-0.1	-0.1
Net Financial	-0.6	-0.8	-4.5	-5.3	1.3	1.9	4.1	6.7
EBT	85.5	114.4	157.8	198.9	256.6	312.6	375.9	441.1
Tax Expense	-17.5	-23.7	-33.8	-44.7	-56.4	-69.7	-84.6	-100.1
Net Income (b/f Minorities)	68.1	90.7	124.0	154.2	200.1	242.9	291.3	341.0
Minority Interest	-0.7	-0.5	0.0	0.0	0.0	0.0	0.0	0.0
Net Income (a/f Minorities b/f Non-recurring)	67.4	90.2	124.0	154.2	200.1	242.9	291.3	341.0
Non-recurring	5.8	1.7	30.6	3.9	0.0	0.0	0.0	0.0
Tax on Non-recurring	-1.2	-0.3	0.0	0.0	0.0	0.0	0.0	0.0
Net Income (a/f Non-recurring)	72.0	91.6	154.7	158.1	200.1	242.9	291.3	341.0
EPS (before Non-recurring) - normal	2.67	3.52	4.86	6.18	8.12	9.93	11.91	13.94
EPS (before Non-recurring) - diluted	2.55	3.48	4.79	6.14	7.96	9.62	11.54	13.50
EPS (before GW) - normal	3.04	3.86	4.86	6.18	8.12	9.93	11.91	13.94
EPS (before GW) - diluted	2.91	3.81	4.79	6.14	7.96	9.62	11.54	13.50
DPS	0.85	1.72	2.26	2.64	2.84	3.48	4.17	4.88
% Change	FY03A	FY04A	FY05A	FY06A	FY07E	FY08E	FY09E	FY10E
Europe	16.8%	20.4%	15.1%	22.0%	20.5%	16.0%	14.0%	11.5%
North America	-3.8%	8.4%	36.4%	23.3%	22.3%	19.0%	17.0%	15.0%
Asia/Pacific	11.4%	23.0%	31.7%	32.2%	28.0%	24.0%	20.0%	17.0%
Total Sales	7.3%	16.3%	24.8%	23.9%	22.1%	18.3%	16.1%	13.8%
Cost Of Goods Sold	3.7%	-0.1%	9.2%	11.4%	17.1%	15.2%	12.2%	10.6%
Gross Profit	8.5%	21.3%	28.7%	26.7%	23.1%	18.9%	16.8%	14.3%
Selling Expenses	-2.5%	11.5%	17.6%	28.6%	19.3%	16.2%	15.0%	12.3%
Administration Expenses	22.2%	36.5%	26.8%	30.5%	16.3%	15.6%	13.4%	11.9%
Research & Development	3.7%	3.4%	21.7%	2.9%	75.3%	26.8%	16.1%	13.8%
EBIT	22.6%	31.4%	43.5%	25.8%	25.0%	21.7%	19.7%	16.9%
EBT	25.2%	33.8%	37.9%	26.0%	29.0%	21.8%	20.2%	17.4%
Net Income (a/f Minorities b/f Non-recurring)	59.1%	33.9%	37.5%	24.3%	29.8%	21.4%	19.9%	17.1%
EPS (before Non-recurring) - normal	44.9%	31.1%	25.6%	28.2%	29.7%	20.9%	19.9%	17.1%
EPS (before GW) - normal	44.2%	27.2%	25.8%	27.2%	31.4%	22.4%	19.9%	17.1%
Margin Analysis	FY03A	FY04A	FY05A	FY06A	FY07E	FY08E	FY09E	FY10E
Gross Profit	76.4%	79.7%	82.3%	84.0%	84.7%	85.1%	85.6%	86.0%
Selling Expenses	35.7%	34.2%	32.3%	33.5%	32.7%	32.1%	31.8%	31.4%
Administration Expenses	10.9%	12.8%	13.0%	13.7%	13.0%	12.7%	12.4%	12.2%
Research & Development	4.1%	3.6%	3.5%	2.9%	4.2%	4.5%	4.5%	4.5%
EBIT	25.8%	29.1%	33.5%	34.0%	34.8%	35.8%	36.9%	37.9%
EBT	25.6%	29.5%	32.6%	33.1%	35.0%	36.0%	37.3%	38.5%
Net Income (a/f Minorities b/f Non-recurring)	20.2%	23.2%	25.6%	25.7%	27.3%	28.0%	28.9%	29.7%
Tax Rate	20.4%	20.7%	21.4%	22.5%	22.0%	22.3%	22.5%	22.7%
Interest Cover (x)	148.5	146.0	36.2	38.5	NM	NM	NM	NM
Gearing	-61.3%	-119.8%	-84.0%	-58.5%	-33.8%	-90.6%	-149.7%	-209.4%
ROE	28.7%	28.5%	43.3%	44.0%	60.5%	62.7%	50.5%	42.6%

Source: Merrill Lynch estimates

24 May 2007

Table 2: Nobel Biocare Balance Sheet Model

Dec Y/E (EURm)	FY03A	FY04A	FY05A	FY06A	FY07E	FY08E	FY09E	FY10E
Cash & Equivalents	109.5	194.9	163.9	134.6	77.5	226.9	409.4	623.8
Trade Receivables	59.2	71.0	105.0	124.1	139.4	164.9	191.4	217.8
Deferred Tax Asset	6.2	1.3	1.3	2.8	3.4	4.0	4.7	5.3
Other Receivables	9.5	2.3	15.7	3.1	18.3	21.7	25.2	28.7
Inventories	22.4	17.6	30.1	30.5	44.0	52.1	60.5	68.8
Pre-paid Expenses & Accruals	5.7	12.6	5.4	11.0	11.0	13.0	15.1	17.2
Current Assets	212.4	299.7	321.4	306.0	293.6	482.6	706.3	961.5
Fixed Assets	28.1	32.0	42.2	48.7	63.1	79.0	94.7	111.7
Intangible Assets	125.3	122.8	137.3	136.2	139.9	144.1	148.0	151.6
Associated Companies	2.3	4.4	0.0	0.0	0.0	0.0	0.0	0.0
Deferred Tax Assets	9.2	10.5	13.2	10.9	19.8	23.4	27.2	31.0
Other Receivables	1.3	0.8	1.6	2.4	2.2	2.6	3.0	3.4
Non Current Assets	166.1	170.4	194.3	198.1	225.0	249.1	272.9	297.7
Total Assets	378.5	470.1	515.7	504.1	518.6	731.7	979.2	1259.2
Borrowings	0.1	0.0	0.6	1.4	1.4	1.4	1.4	1.4
Trade Payable	9.1	12.9	18.9	32.0	25.7	30.4	35.3	40.1
Income Taxes Payable	15.5	21.1	30.3	25.4	40.3	47.7	55.4	63.0
Other Liabilities	14.6	10.8	41.5	19.2	44.0	52.1	60.5	68.8
Accruals & Deferred Income	22.8	32.9	37.9	36.8	58.7	69.4	80.6	91.7
Current Liabilities	62.1	77.7	129.1	114.8	170.1	201.1	233.2	265.1
Borrowings	0.7	0.7	0.0	0.0	0.0	0.0	0.0	0.0
Deferred Tax Liabilities	7.4	13.3	12.2	11.4	18.3	21.7	25.2	28.7
Provisions	22.4	22.2	16.6	17.1	29.3	34.7	40.3	45.9
Non Current Liabilities	30.5	36.2	28.9	28.6	47.7	56.4	65.5	74.5
Total Liabilities	92.6	113.8	158.0	143.3	217.8	257.5	298.7	339.6
Net Assets	286.0	356.3	357.7	360.8	300.8	474.3	680.5	919.6
Share Capital	32.3	33.3	33.3	32.7	32.7	32.7	32.7	32.7
Share Premium	79.6	88.5	98.4	120.5	120.5	120.5	120.5	120.5
Minority Interest	2.5	1.2	0.0	0.0	0.0	0.0	0.0	0.0
Retained Profits	171.5	233.7	352.3	458.6	593.1	766.6	972.9	1211.9
Total Shareholders Equity	286.0	356.3	357.7	360.8	300.8	474.3	680.5	919.6
Balance Sheet - Analytical Ratios	FY03A	FY04A	FY05A	FY06A	FY07E	FY08E	FY09E	FY10E
Working Capital (m)	40.9	27.2	28.9	58.1	47.4	56.1	65.1	74.1
Change in Working Capital	4.1	(13.8)	1.7	29.2	(10.7)	8.7	9.0	9.0
WC / Sales (%)	12.3%	7.0%	6.0%	9.7%	6.5%	6.5%	6.5%	6.5%
Trade Receivable / Sales (%)	17.7%	18.3%	21.7%	20.7%	19.0%	19.0%	19.0%	19.0%
Inventories / Sales (%)	6.7%	4.5%	6.2%	5.1%	6.0%	6.0%	6.0%	6.0%
Trade Payable / Sales (%)	2.7%	3.3%	3.9%	5.3%	3.5%	3.5%	3.5%	3.5%
Gross debt (m)	(0.8)	(0.7)	(0.6)	(1.4)	(1.4)	(1.4)	(1.4)	(1.4)
Net (debt)/cash (m)	108.7	194.2	163.3	133.2	76.1	225.5	408.0	622.3
Change in net (debt) / cash (m)	87.3	85.5	(30.9)	(30.2)	(57.1)	149.4	182.5	214.3
Net Debt/Equity (%)	-38.0%	-54.5%	-45.7%	-36.9%	-25.3%	-47.5%	-59.9%	-67.7%
Gearing (Net debt / Net debt +Equity) (%)	-61.3%	-119.8%	-84.0%	-58.5%	-33.8%	-90.6%	-149.7%	-209.4%
Debt / Equity	38.0%	54.5%	45.7%	36.9%	25.3%	47.5%	59.9%	67.7%
ROE (using average equity) %	28.7%	28.5%	43.3%	44.0%	60.5%	62.7%	50.5%	42.6%
ROA (using average assets) %	4.6%	5.5%	9.1%	31.0%	39.1%	38.9%	34.1%	30.5%
Net Tangible Assets (m)	160.7	233.5	220.4	312.1	237.7	395.3	585.8	807.9
NTA per Share (diluted)	6.3	9.1	8.7	12.6	9.7	16.2	24.0	33.0

Source: Merrill Lynch estimates

24 May 2007

Table 3: Nobel Biocare's Cash Flow Model

Dec Y/E (EURm)	FY03A	FY04A	FY05A	FY06A	FY07E	FY08E	FY09E	FY10E
EBT	85.5	114.4	157.8	198.9	256.6	312.6	375.9	441.1
EBIT non-recurring	5.8	1.7	30.6	3.9	0.0	0.0	0.0	0.0
Disposals of Options in Associate	-4.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation/Amortisation	20.0	20.0	12.8	15.6	18.3	23.0	28.4	34.4
Financial Income/Expense	0.6	-2.3	0.0	1.7	0.0	0.0	0.0	0.0
Other Non Cash Items	2.9	7.3	-31.0	1.1	0.0	0.0	0.0	0.0
(Increase) / Decrease in Trade & Other Receivables	-24.9	-11.5	-41.1	-11.1	-39.9	-35.5	-37.0	-36.7
(Increase) / Decrease in Inventories	4.2	4.8	-12.5	-0.4	-13.5	-8.1	-8.4	-8.3
Increase / (Decrease) in Trade & Other Payables	10.8	0.2	19.6	-6.7	62.2	34.2	35.6	35.3
Increase / (Decrease) in Provisions	1.3	9.8	-0.3	1.4	10.9	3.4	1.5	-1.1
Tax Expense	-18.3	-13.1	-28.3	-44.0	-56.4	-69.7	-84.6	-100.1
Operating Cash Flow	83.4	131.3	107.8	160.3	238.1	259.9	311.4	364.6
Interest received	2.2	2.8	3.3	2.5	1.4	2.0	4.1	6.7
Purchase (-) / Sales (+) of Intangible Assets	-1.1	-3.8	-5.5	-8.0	-7.5	-9.0	-10.0	-11.0
Purchase (-) / Sales (+) of Fixed Assets	-12.8	-16.1	-19.6	-20.0	-29.0	-34.0	-38.0	-44.0
Disposals of Options in Associate	4.7	0.0	38.6	0.0	0.0	0.0	0.0	0.0
Increase / (Decrease) in Investment in Associate	0.0	-13.1	-3.6	0.0	0.0	0.0	0.0	0.0
Acquisition of subsidiary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investing Cash Flow	-7.0	-30.3	-21.6	9.5	-35.1	-41.0	-43.9	-48.3
Sale of Treasury Shares / New Shares	20.5	0.0	-117.2	-135.9	-194.4	0.0	0.0	0.0
Redemption of Warrants & Options	4.9	8.4	10.9	26.4	0.0	0.0	0.0	0.0
Increase / (Decrease) in Borrowings	-27.5	0.0	-0.7	0.0	57.1	-149.4	-182.5	-214.3
Interest Paid	-1.6	-1.2	-1.5	-1.6	-0.1	-0.1	-0.1	-0.1
Dividends Paid	-13.1	-21.5	-43.9	-55.7	-65.6	-69.5	-85.0	-102.0
Financing Cash Flow	-16.8	-14.3	-152.5	-166.9	-203.0	-218.9	-267.5	-316.3
Net Increase/ (Decrease) in Funds	59.6	86.7	-66.3	3.0	0.0	0.0	0.0	0.0
Cash Flow - Analytical Ratios	FY03A	FY04A	FY05A	FY06A	FY07E	FY08E	FY09E	FY10E
Operating Cash Flow growth (%)	18.6%	57.5%	-17.9%	48.8%	48.5%	9.2%	19.8%	17.1%
CFPS (normal)	3.32	5.19	4.29	6.46	9.71	10.71	12.90	15.18
CFPS (diluted)	3.18	5.13	4.23	6.42	9.52	10.37	12.49	14.70

Source: Merrill Lynch estimates

Price Objective Basis & Risk

Our **Buy** recommendation and 12 month **price objective** of CHF470 per share is based on our DCF valuation using a WACC of 8.3%, and a terminal growth rate of 2.5%.

Risks to our price objective a slowing dental implant market driven by a weaker economy in conjunction with the lack of reimbursement for dental implant procedures, inability to maintain high teens sales growth as well, foreign exchange, as well as the Swedish Medical Products Agency changing their view on the safety of the NobelDirect implant.

Analyst Certification

I, Michael Jüngling, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

*iQmethod*SM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Sales} + \text{Other LT Liabilities}$	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

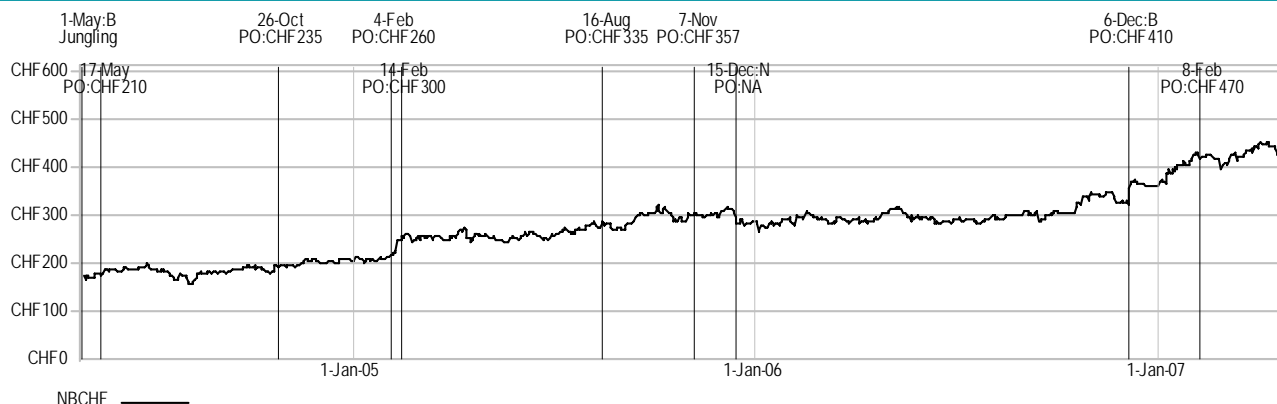
*iQmethod*SM is the set of Merrill Lynch standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of *iQmethod* are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

iQdatabase[®] is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by Merrill Lynch.

*iQprofile*SM, *iQmethod*SM are service marks of Merrill Lynch & Co., Inc. *iQdatabase*[®] is a registered service mark of Merrill Lynch & Co., Inc.

Important Disclosures

NBCHF Price Chart



B : Buy, N : Neutral, S : Sell, PO : Price objective, NA : No longer valid

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark Grey shading indicates the security is restricted with the opinion suspended. Light Grey shading indicates the security is under review with the opinion withdrawn. Chart current as of April 30, 2007 or such later date as indicated.

Investment Rating Distribution: Health Care Group (as of 31 Mar 2007)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	97	46.86%	Buy	25	27.78%
Neutral	100	48.31%	Neutral	32	34.41%
Sell	10	4.83%	Sell	3	33.33%

Investment Rating Distribution: Global Group (as of 31 Mar 2007)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1562	45.16%	Buy	415	30.09%
Neutral	1615	46.69%	Neutral	446	30.65%
Sell	282	8.15%	Sell	49	19.76%

* Companies in respect of which MLPF&S or an affiliate has received compensation for investment banking services within the past 12 months.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium, and C - High. **INVESTMENT RATINGS**, indicators of expected total return (price appreciation plus yield) within the 12-month period from the date of the initial rating, are: 1 - Buy (10% or more for Low and Medium Volatility Risk Securities - 20% or more for High Volatility Risk securities); 2 - Neutral (0-10% for Low and Medium Volatility Risk securities - 0-20% for High Volatility Risk securities); 3 - Sell (negative return); and 6 - No Rating. **INCOME RATINGS**, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure); 8 - same/lower (dividend not considered to be secure); and 9 - pays no cash dividend.

In the US, retail sales and/or distribution of this report may be made only in states where these securities are exempt from registration or have been qualified for sale: Nobel Biocare AB.

MLPF&S or an affiliate expects to receive or intends to seek compensation for investment banking services from this company within the next three months: Nobel Biocare AB.

MLPF&S together with its affiliates beneficially owns one percent or more of the common stock of this company. If this report was issued on or after the 10th day of the month, it reflects the ownership position on the last day of the previous month. Reports issued before the 10th day of a month reflect the ownership position at the end of the second month preceding the date of the report: Nobel Biocare AB.

The analyst(s) responsible for covering the securities in this report receive compensation based upon, among other factors, the overall profitability of Merrill Lynch, including profits derived from investment banking revenues.

Other Important Disclosures

UK readers: MLPF&S or an affiliate is a liquidity provider for the securities discussed in this report.

Information relating to Non-U.S. affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated (MLPF&S):

MLPF&S distributes research reports of the following non-US affiliates in the US (short name: legal name): Merrill Lynch (France): Merrill Lynch Capital Markets (France) SAS; Merrill Lynch (Frankfurt): Merrill Lynch International Bank Ltd, Frankfurt Branch; Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd; Merrill Lynch (Milan): Merrill Lynch International Bank Limited; MLPF&S (UK): Merrill Lynch, Pierce, Fenner & Smith Limited; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited; Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd; Merrill Lynch (Canada): Merrill Lynch Canada Inc; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa; Merrill Lynch (Argentina): Merrill Lynch Argentina SA; Merrill Lynch (Japan): Merrill Lynch Japan Securities Co, Ltd; Merrill Lynch (Seoul): Merrill Lynch International Incorporated (Seoul Branch); Merrill Lynch (Taiwan): Merrill Lynch Global (Taiwan) Limited; DSP Merrill Lynch (India): DSP Merrill Lynch Limited; PT Merrill Lynch (Indonesia): PT Merrill Lynch Indonesia; Merrill Lynch (KL) Sdn. Bhd.; Merrill Lynch (Malaysia); Merrill Lynch (Israel): Merrill Lynch Israel Limited; Merrill Lynch (Russia): Merrill Lynch CIS Limited, Moscow.

This research report has been prepared and issued by MLPF&S and/or one or more of its non-U.S. affiliates. MLPF&S is the distributor of this research report in the U.S. and accepts full responsibility for research reports of its non-U.S. affiliates distributed in the U.S. Any U.S. person receiving this research report and wishing to effect any transaction in any security discussed in the report should do so through MLPF&S and not such foreign affiliates.

This research report has been approved for publication in the United Kingdom by Merrill Lynch, Pierce, Fenner & Smith Limited, which is authorized and regulated by the Financial Services Authority; has been considered and distributed in Japan by Merrill Lynch Japan Securities Co, Ltd, a registered securities dealer under the Securities and Exchange Law in Japan; is distributed in Hong Kong by Merrill Lynch (Asia Pacific) Limited, which is regulated by the Hong Kong SFC; is issued and distributed in Taiwan by Merrill Lynch Global (Taiwan) Ltd or Merrill Lynch, Pierce, Fenner & Smith Limited (Taiwan Branch); is issued and distributed in Malaysia by Merrill Lynch (KL) Sdn. Bhd., a licensed investment adviser regulated by the Malaysian Securities Commission; and is issued and distributed in Singapore by Merrill Lynch International Bank Limited (Merchant Bank) and Merrill Lynch (Singapore) Pte Ltd (Company Registration No.'s F 06872E and 198602883D respectively). Merrill Lynch International Bank Limited (Merchant Bank) and Merrill Lynch (Singapore) Pte Ltd. are regulated by the Monetary Authority of Singapore. Merrill Lynch Equities (Australia) Limited, (ABN 65 006 276 795), AFS License 235132, provides this report in Australia. No approval is required for publication or distribution of this report in Brazil.

Merrill Lynch (Frankfurt) distributes this report in Germany. Merrill Lynch (Frankfurt) is regulated by BaFin.

Copyright, User Agreement and other general information related to this report:

Copyright 2007 Merrill Lynch, Pierce, Fenner & Smith Incorporated. All rights reserved. This research report is prepared for the use of Merrill Lynch clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of Merrill Lynch. Merrill Lynch research reports are distributed simultaneously to internal and client websites eligible to receive such research prior to any public dissemination by Merrill Lynch of the research report or information or opinion contained therein. Any unauthorized use or disclosure is prohibited. Receipt and review of this research report constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained in this report (including any investment recommendations, estimates or price targets) prior to Merrill Lynch's public disclosure of such information. The information herein (other than disclosure information relating to Merrill Lynch and its affiliates) was obtained from various sources and we do not guarantee its accuracy. Merrill Lynch makes no representations or warranties whatsoever as to the data and information provided in any third party referenced website and shall have no liability or responsibility arising out of or in connection with any such referenced website.

This research report provides general information only. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other investment or any options, futures or derivatives related to such securities or investments. It is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities, other investment or investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. Investors should note that income from such securities or other investments, if any, may fluctuate and that price or value of such securities and investments may rise or fall. Accordingly, investors may receive back less than originally invested. Past performance is not necessarily a guide to future performance. Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or related investment mentioned in this report. In addition, investors in securities such as ADRs, whose values are influenced by the currency of the underlying security, effectively assume currency risk.

Officers of MLPF&S or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.

Merrill Lynch Research policies relating to conflicts of interest are described at <http://www.ml.com/media/43347.pdf>.

Fundamental equity reports are produced on a regular basis as necessary to keep the investment recommendation current.

iQmethod, iQmethod 2.0, iQprofile, iQtoolkit, iQworks are service marks of Merrill Lynch & Co., Inc. iQanalytics®, iQcustom®, iQdatabase® are registered service marks of Merrill Lynch & Co., Inc.