

Gothenburg University study to be published soon

Upcoming NobelDirect peer reviewed clinical papers

We believe the first long awaited study by Gothenburg University on NobelDirect implants has been peer reviewed and accepted for publication and is likely to be publicly available in the coming weeks. The study compares 115 NobelDirect to the control group of 380 Brånemark implants and likely to indicate that 20% of NobelDirect implants had more than 3mm of bone loss compared to 0.6% for NOBE's conventional implant. The implants were placed by Dr. Hellman, one of the most experienced surgeons in Sweden and a regular user of NOBE products.

NOBE's studies not peer reviewed?

Based on our checks, we understand that NOBE's recently published studies on NobelDirect in the *European Journal for Dental Implantologists* were not peer reviewed. Furthermore, our MedLine database search indicates that this journal is not an acknowledged clinical journal and thus NOBE's studies may be viewed as data rather than as clinical evidence. Given NOBE's strong reference to its studies to demonstrate that NobelDirect is issue free, we are surprised that the company has not chosen a more established scientific forum.

Investment conclusion

Unlike market consensus, we believe the uncertainties surrounding NobelDirect are far from resolved. In our view, a **positive decision from the Swedish MPA is vital for NOBE's shares not to come under pressure**, particularly in light of its relatively high valuation of a CY06 P/E of ~29x. We retain our 'Neutral' stance but **lifting our volatility risk rating from Medium (B-2-7) to High (C-2-7)**.

Estimates (Dec)

(EUR)	2004A	2005A	2006E	2007E	2008E
	Other GAAP	IFRS	IFRS	IFRS	IFRS
EPS (Adjusted)	3.78	4.86	6.48	7.80	9.11
EPS Change (YoY)	24.5%	28.5%	33.4%	20.4%	16.8%
Dividend / Share	1.72	2.25	2.27	2.73	3.19

Valuation (Dec)

	2004A	2005A	2006E	2007E	2008E
P/E	49.8x	38.8x	29.1x	24.1x	20.7x
Dividend Yield	0.93%	1.21%	1.22%	1.47%	1.71%
EV / EBITDA*	33.7x	25.6x	20.3x	16.7x	14.1x
Free Cash Flow Yield*	2.37%	1.78%	3.14%	3.81%	4.49%

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

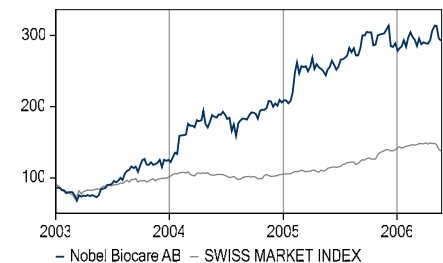


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Stock Data

Price	CHF292.50
Investment Opinion	B-2-7 to C-2-7
Volatility Risk	HIGH
52-Week Range	CHF247.00-CHF324.00
Mrkt Val / Shares Out (mn)	CHF7,358 / 25.2
Average Daily Volume	151,277
ML Symbol / Exchange	NBCHF / SWX
Bloomberg / Reuters	NOBE VX / NOBE.VX
ROE (2006E)	43.7%
Net Dbt to Eqty (Dec-2005A)	-45.7%
Est. 5-Yr EPS / DPS Growth	19.2% / 16.1%
Free Float	100.0%



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Refer to important disclosures on page 11 to 12. Analyst Certification on page 10.

26 May 2006

iQprofileSM Nobel Biocare

Key Income Statement Data (Dec)	2004A	2005A	2006E	2007E	2008E
(EUR Millions)	Other GAAP	IFRS	IFRS	IFRS	IFRS
Sales	388	485	597	699	799
EBITDA Adjusted	133	175	221	269	317
Depreciation & Amortization	(20.0)	(12.8)	(16.2)	(20.1)	(24.6)
EBIT Adjusted	113	162	205	249	292
Net Interest & Other Income	(0.78)	(4.49)	3.41	4.04	5.95
Tax Expense / Benefit	(24.0)	(33.8)	(45.2)	(55.6)	(66.5)
Net Income (Adjusted)	96.8	124	163	197	232
Average Fully Diluted Shares Outstanding	25.9	25.9	26.0	26.2	26.4

Key Cash Flow Statement Data

Net Income (Reported)	89.5	155	163	197	232
Depreciation & Amortization	20.0	12.8	16.2	20.1	24.6
Change in Working Capital	(6.60)	(33.9)	(9.00)	(6.89)	(6.67)
Deferred Taxation Charge	0	0	0	0	0
Other Adjustments, Net	30.0	(24.0)	7.25	4.07	3.90
Cash Flow from Operations	133	110	178	215	254
Capital Expenditure	(19.9)	(25.1)	(30.5)	(35.5)	(41.0)
(Acquisition) / Disposal of Investments	0	0	0	0	0
Other Cash Inflow / (Outflow)	(13.1)	0.19	0	0	0
Cash Flow from Investing	(33.1)	(24.9)	(30.5)	(35.5)	(41.0)
Share Issue / (Repurchase)	8.40	10.9	0	0	0
Cost of Dividends Paid	(21.5)	(43.9)	(56.7)	(57.0)	(69.4)
Cash Flow from Financing	(13.1)	(151)	(147)	(179)	(213)
Non Cash Changes to Debt	---	---	---	---	---
Change in Net Debt	(86.7)	65.6	(15.7)	(47.4)	(143)
Net Debt	(194)	(163)	(179)	(226)	(370)

Key Balance Sheet Data

Property, Plant & Equipment	32.0	42.2	53.1	64.9	77.4
Goodwill	119	130	130	130	130
Other Intangibles	4.09	6.86	10.3	13.9	17.9
Other Non-Current Assets	15.7	14.8	17.9	21.0	24.0
Trade Receivables	71.0	105	113	133	152
Cash & Equivalents	195	164	180	227	370
Other Current Assets	33.8	52.5	61.4	71.8	82.1
Total Assets	470	516	566	662	854
Long-Term Debt	0.71	0	0	0	0
Other Non-Current Liabilities	35.5	28.9	38.8	45.4	51.9
Short-Term Debt	0	0.55	0.55	0.55	0.55
Other Current Liabilities	77.7	129	137	161	184
Total Liabilities	114	158	177	207	236
Total Equity	356	358	389	455	617
Total Equity & Liabilities	470	516	566	662	854

Key Metrics

iQmethodSM - Bus Performance*

Return On Capital Employed	26.6%	35.3%	40.0%	42.4%	39.6%
Return On Equity	30.3%	34.8%	43.7%	46.7%	43.2%
Operating Margin	29.6%	39.8%	34.3%	35.6%	36.6%
Free Cash Flow (MM)	113	84.5	147	179	213

iQmethodSM - Quality of Earnings*

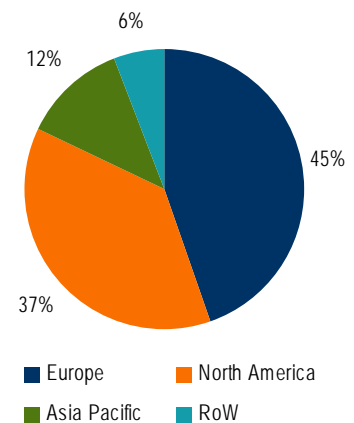
Cash Realization Ratio	1.37x	0.88x	1.09x	1.09x	1.09x
Asset Replacement Ratio	2.13x	2.37x	2.32x	2.20x	2.09x
Tax Rate	21.1%	17.9%	21.7%	22.0%	22.3%
Net Debt/Equity	-54.5%	-45.7%	-46.0%	-49.8%	-59.9%
Interest Cover	8.81x	7.57x	NM	NM	NM

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

Company Description

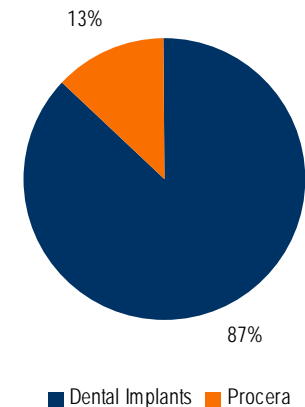
Nobel Biocare is the world leader in innovative esthetic dental solutions. It offers a one-stop-shop for restorative esthetic dentistry, offering a wide range of innovative Crown & Bridge & Implant products. In dental implants, Nobel Biocare holds world #1 position with c.33% market share. The company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

Chart 1: Sales by Region (FY05A)



Source: Nobel Biocare

Chart 2: Sales by Product (FY05E)



Source: Nobel Biocare, Merrill Lynch estimates

Stock Data

Price to Book Value 12.0x

Gothenburg study to be published

In this note we provide an update on the upcoming clinical data that will be published by Gothenburg University Professor, Lars Sennerby, on the NobelDirect implant. This data will also be submitted to the Swedish Medical Products Agency, which will then be used to make a final decision on the safety and efficacy of this implant and whether it needs to be removed from the market. As a reminder, Nobel Biocare (NOBE) has stated on many occasions, that it believes there are no problems surrounding its recently launched NobelDirect and NobelPerfect implants.

Upcoming Clinical Papers

Over the short to intermediate term we expect the publication of peer-reviewed papers by Professor Lars Sennerby et al on the safety and efficacy of the NobelDirect implant. The first study, which has been peer reviewed and accepted for publication is likely to be publicly available in the coming weeks, while the second study is likely to be several months away.

Study #1 - To Be Published Soon

Study Design
The first study is a single center prospective trial which compares NOBE's NobelDirect to its well established Brånemark implant system (with TiUnite surface). Specifically, the trial compares 115 NobelDirect to 380 Brånemark implants (as reference group) up to 12 months, supported by radiographic follow-up. The implants were placed by Dr. Hellman, who we understand is one of the most experienced surgeons in Sweden (i.e. places over 2,000 implants per year) and regular user of NOBE products. The restorative work was completed by Dr. Östman, who according to our field checks, is well regarded in the field of implantology. We suspect NOBE could be of the same view, given that his name was advertised on the company's own website until a few months ago.

Expected Results

We believe the data shows that NobelDirect shows almost 3x as much bone loss as the company's well established Brånemark system. In detail, 20% of the NobelDirect implants showed more than 3mm of bone loss compared to only 0.6% for the Brånemark implants.

Study #2 - To Be Published Within Next 3 Months

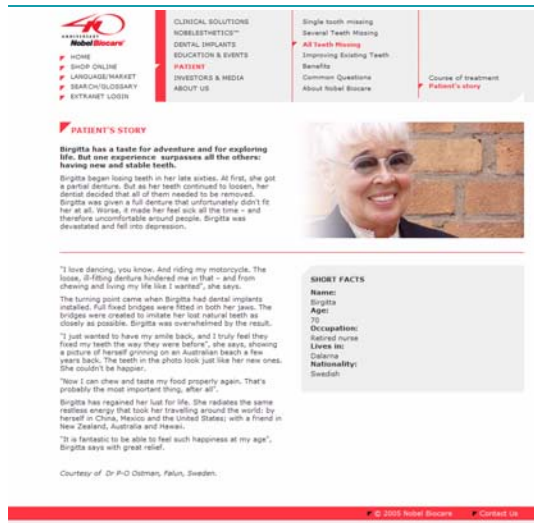
Study Design

The second study is retrospective analysis on 117 NobelDirect implants of which 90 were implanted using NOBE's recommended protocol (i.e. including immediate loading) compared to 27 implants using the conservative treatment (i.e. flap surgery and delayed loading).

Expected Results

We suspect the data will show a materially higher implant failure rate for NOBE's recommended protocol.

Chart 3: Dr. Östman Reference on Nobel's Website



The screenshot shows a section of the Nobel Biocare website titled "PATIENT'S STORY". It features a photo of a woman, Birgitta, and text describing her dental journey. The text mentions that she began losing teeth in her late sixties and that her dentist decided that all of them needed to be removed. It also includes a "SHORT FACTS" box with the following information:

- Name: Birgitta
- Age: 70
- Occupation: Retired nurse
- Lives in: Gothenburg
- Nationality: Swedish

At the bottom of the screenshot, there is a copyright notice: "© 2005 Nobel Biocare" and a "Contact Us" link.

Source: Nobel Biocare Website, Merrill Lynch

NOBE's data not peer reviewed?

Recently NOBE published a number of studies on NobelDirect and NobelPerfect implants in the *European Journal for Dental Implantologists* (EJDI), which based on our field checks is not a well known publication amongst researchers, dentists or surgeons. In addition, the feedback from the publishers, Teamwork Media of Germany, indicated that the journal was first launched in 2005 at the International Dental Show in Cologne, Germany and serves as an educational newsletter for the European Dental Association (BDIZ EDI). We also understand that NOBE's studies were included as a **non peer reviewed supplement** (i.e. an insert) that accompanied the *EJDI*. Furthermore, our MedLine database search indicates that the *EJDI* is not an acknowledged clinical journal and it seems that no clinical studies published within it, seem to have ever found themselves on the world's most rigorous clinical database.

As a result we believe that surgeons will tend to discount the results of a non-peer reviewed study until they are published in a well respected clinical journal; we believe the Swedish Medical Products Agency may choose to view NOBE's NobelDirect and NobelPerfect data in the same way (i.e. simply as data rather than evidence) when they make a final decision on the efficacy and safety of the aforementioned products. Given the strong focus by NOBE on these studies, **we are surprised that the company has not chosen to publish its data in a more established scientific journal.**

Where from here?

Legal Aspect

With the first clinical work from the Gothenburg University now peer reviewed and close to being published in a well respected clinical journal, we believe it will not be too long before the Swedish Medical Products Agency has sufficient amount of data to make a decision on NobelDirect and potentially NobelPerfect. In the event of a negative decision, the Swedish regulator would need to communicate their concerns to other regulatory bodies, including the U.S. FDA.

With over 60,000 NobelDirect implants placed worldwide (or an estimated 20,000 – 30,000 in the U.S.) as at end of 2005, a **withdrawal of this product may be seen as a likely trigger point for U.S. lawyers to become active** and advertise their services to patients who have received these implants. Questions that may be asked by NOBE's customers, patients and lawyers may include:

1. **Why did Nobel Biocare continue to sell NobelDirect implants** when it was put on notice by a number of qualified researchers (some of them being their own consultants) in as early as Q2 2005, that there could be excessive bone loss compared to conventional implants?;
2. Was Nobel Biocare in a position to make claims that NobelDirect provided "**better esthetics**" and "**more stable marginal gingival tissue**"?; and
3. Did Nobel Biocare have enough clinical data to suggest that NobelDirect provided "**guaranteed success even for non-specialists**"?.

Chart 4: Nobel Biocare's Claims – Snapshot from NobelDirect Brochure

perfect for patients

guaranteed success even for non-specialists

You don't have to be a specialist to prepare the site for NobelDirect®. The tapered design is very similar to a natural tooth root and it's very easy to achieve good initial stability. Additionally, there are few drill steps and a minimum amount of tooling required.



Once you've placed the implant, the TiUnite® surface promotes unbeatable osseointegration to the alveolar bone. Because the TiUnite® surface goes beyond the implant threads and onto the collar of the NobelDirect® implant, it is possible to vary the vertical placement.

clear advantages for you

- Minimally invasive surgery
- Flexibility – the abutment part can be prepared to an optimized adaptation of the gingival margin
- Ease-of-use – no need for a separate abutment to be attached
- Less chair time – no need for multiple appointments

more satisfied patients

- Less chair time
- Fewer visits
- More comfort – minimally invasive procedure for minimal discomfort
- Better esthetics – more stable marginal gingival tissue

easily the quickest way to a beautiful smile

The NobelDirect® family has 2 new additions: NobelDirect® Oval for replacing lost wide roots and teeth. And NobelDirect® Posterior, which further simplifies implant procedures in the posterior part of the mouth.

Source: Nobel Biocare website. Snapshot from the NobelDirect Groovy Oval Posterior 3.0 brochure.

Reputation Damage

Although NOBE appears to continue to benefit from its strong historic reputation as a company whose products are based on clinical research, we believe its recently launched products such as NobelDirect and NobelPerfect (which are backed by little clinical data) appears to have created some headwind in the clinical community. The feedback that we have received at the Academy of Osseointegration (the largest dental implant meeting in the U.S.) back in March 2006, that the company's focus has changed significantly over the past three years, away from an institution that made science a priority to an organization that is more concerned about launching new production more quickly without having long-term data, has also been evident in a recent survey by *OsseoNews*; as a reminder *OsseoNews* is one of the world's largest dental implant resource sites with ~17,000 members. The responses to *OsseoNews*' question:

"Do you think there will be any major repercussions from the recent NobelDirect dental implant saga?" can be found at:

http://osseonews.blogs.com/osseodaily/2006/01/nobel_responds_.html

It is for the aforementioned reasons/uncertainties, that a **positive decision is vital for NOBE's shares not to come under pressure**, particularly in light of its relatively high valuation of a CY06 P/E of ~29x.

Investment conclusion

Unlike market consensus, we believe the uncertainties surrounding NobelDirect are far from resolved. As we are unable to make a decision which way the Swedish Medical Products Agency may rule later this year, we have decided to retain our **Neutral** stance on Nobel Biocare but are **raising our volatility risk rating from Medium (B-2-7) to High (C-2-7)**.

26 May 2006

Table 1: Nobel Biocare Profit & Loss Model

Dec Y/E (EURm)	FY03A	FY04A	FY05A	FY06E	FY07E	FY08E	FY09E	FY10E
Europe	157.7	189.8	216.5	244.6	273.9	304.1	334.5	364.6
North America	121.8	132.1	180.1	239.6	292.3	342.0	386.5	432.8
Asia/Pacific	37.1	45.6	60.1	77.5	90.7	104.3	118.9	133.1
RoW	17.3	20.9	27.9	35.7	42.1	48.6	55.4	62.1
Total Sales	334.0	388.4	484.5	597.3	699.0	798.9	895.2	992.6
Cost Of Goods Sold	-78.8	-78.8	-86.0	-99.8	-112.5	-126.2	-139.7	-153.9
Gross Profit	255.1	309.6	398.5	497.6	586.5	672.7	755.6	838.8
Selling Expenses	-119.2	-132.9	-156.3	-188.2	-216.7	-244.5	-271.3	-298.8
Administration Expenses	-36.3	-49.6	-62.8	-74.7	-84.6	-94.3	-103.0	-112.2
Research & Development	-13.6	-14.0	-17.1	-29.9	-36.3	-41.5	-43.0	-44.7
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	204.9	248.8	292.4	338.4	383.1
Financial Revenue	3.0	12.1	17.0	3.4	4.1	6.0	9.1	12.7
Financial Expense	-3.6	-12.8	-21.4	0.0	0.0	0.0	0.0	0.0
Net Financial	-0.6	-0.8	-4.5	3.4	4.0	5.9	9.1	12.7
EBT	85.5	114.4	157.8	208.3	252.9	298.4	347.5	395.8
Tax Expense	-17.5	-23.7	-33.8	-45.2	-55.6	-66.5	-78.2	-89.9
Net Income (b/f Minorities)	68.1	90.7	124.0	163.1	197.3	231.8	269.3	306.0
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	163.1	197.3	231.8	269.3	306.0
Non-recurring	5.8	1.7	30.6	0.0	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	163.1	197.3	231.8	269.3	306.0
EPS (before Non-recurring) - normal	2.67	3.52	4.86	6.48	7.80	9.11	10.58	12.02
EPS (before Non-recurring) - diluted	2.55	3.48	4.79	6.27	7.52	8.77	10.19	11.58
EPS (before GW) - normal	3.04	3.86	4.86	6.48	7.80	9.11	10.58	12.02
EPS (before GW) - diluted	2.91	3.81	4.79	6.27	7.52	8.77	10.19	11.58
DPS	0.85	1.72	2.25	2.27	2.73	3.19	3.70	4.21
% Change	FY03A	FY04A	FY05A	FY06E	FY07E	FY08E	FY09E	FY10E
Europe	16.8%	20.4%	14.0%	13.0%	12.0%	11.0%	10.0%	9.0%
North America	-3.8%	8.4%	36.4%	33.0%	22.0%	17.0%	13.0%	12.0%
Asia/Pacific	11.4%	23.0%	31.7%	29.0%	17.0%	15.0%	14.0%	12.0%
Total Sales	7.3%	16.3%	24.8%	23.3%	17.0%	14.3%	12.0%	10.9%
Cost Of Goods Sold	3.7%	-0.1%	9.2%	16.0%	12.8%	12.2%	10.6%	10.2%
Gross Profit	8.5%	21.3%	28.7%	24.9%	17.9%	14.7%	12.3%	11.0%
Selling Expenses	-2.5%	11.5%	17.6%	20.4%	15.2%	12.8%	11.0%	10.1%
Administration Expenses	22.2%	36.5%	26.8%	18.8%	13.3%	11.5%	9.2%	9.0%
Research & Development	3.7%	3.4%	21.7%	75.0%	21.7%	14.3%	3.4%	3.9%
EBIT	22.6%	31.4%	43.5%	26.3%	21.5%	17.5%	15.7%	13.2%
EBT	25.2%	33.8%	37.9%	32.0%	21.4%	18.0%	16.5%	13.9%
Net Income (a/f Minorities b/f Non-recurring)	59.1%	33.9%	37.5%	31.5%	20.9%	17.5%	16.2%	13.6%
EPS (before Non-recurring) - normal	44.9%	31.1%	25.6%	30.9%	20.0%	16.7%	16.2%	13.6%
EPS (before GW) - normal	44.2%	27.2%	25.8%	33.4%	20.4%	16.8%	16.2%	13.6%
Margin Analysis	FY03A	FY04A	FY05A	FY06E	FY07E	FY08E	FY09E	FY10E
Gross Profit	76.4%	79.7%	82.3%	83.3%	83.9%	84.2%	84.4%	84.5%
Selling Expenses	35.7%	34.2%	32.3%	31.5%	31.0%	30.6%	30.3%	30.1%
Administration Expenses	10.9%	12.8%	13.0%	12.5%	12.1%	11.8%	11.5%	11.3%
Research & Development	4.1%	3.6%	3.5%	5.0%	5.2%	5.2%	4.8%	4.5%
EBIT	25.8%	29.1%	33.5%	34.3%	35.6%	36.6%	37.8%	38.6%
EBT	25.6%	29.5%	32.6%	34.9%	36.2%	37.3%	38.8%	39.9%
Net Income (a/f Minorities b/f Non-recurring)	20.2%	23.2%	25.6%	27.3%	28.2%	29.0%	30.1%	30.8%
Tax Rate	20.4%	20.7%	21.4%	21.7%	22.0%	22.3%	22.5%	22.7%
Interest Cover (x)	148.5	146.0	36.2	NM	NM	NM	NM	NM
Gearing	-61.3%	-119.8%	-84.0%	-85.1%	-99.0%	-149.2%	-202.0%	-257.0%
ROE	28.7%	28.5%	43.3%	43.7%	46.7%	43.2%	37.8%	33.6%

Source: Merrill Lynch estimates

26 May 2006

Table 2: Nobel Biocare Balance Sheet Model

Dec Y/E (EURm)	FY03A	FY04A	FY05A	FY06E	FY07E	FY08E	FY09E	FY10E
Cash & Equivalents	109.5	194.9	163.9	179.6	227.0	370.2	539.3	732.9
Trade Receivables	59.2	71.0	105.0	113.5	132.8	151.8	170.1	188.6
Deferred Tax Asset	6.2	1.3	1.3	1.6	1.9	2.2	2.4	2.7
Other Receivables	9.5	2.3	15.7	14.9	17.5	20.0	22.4	24.8
Inventories	22.4	17.6	30.1	35.8	41.9	47.9	53.7	59.6
Pre-paid Expenses & Accruals	5.7	12.6	5.4	9.0	10.5	12.0	13.4	14.9
Current Assets	212.4	299.7	321.4	354.4	431.6	604.1	801.4	1023.5
Fixed Assets	28.1	32.0	42.2	53.1	64.9	77.4	89.9	102.0
Intangible Assets	125.3	122.8	137.3	140.8	144.3	148.3	152.1	155.5
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	16.1	18.9	21.6	24.2	26.8
Other Receivables	1.3	0.8	1.6	1.8	2.1	2.4	2.7	3.0
Non Current Assets	166.1	170.4	194.3	211.8	230.2	249.6	268.8	287.2
Total Assets	378.5	470.1	515.7	566.2	661.8	853.7	1070.2	1310.7
Borrowings	0.1	0.0	0.6	0.6	0.6	0.6	0.6	0.6
Trade Payable	9.1	12.9	18.9	20.9	24.5	28.0	31.3	34.7
Income Taxes Payable	15.5	21.1	30.3	32.9	38.4	43.9	49.2	54.6
Other Liabilities	14.6	10.8	37.3	35.8	41.9	47.9	53.7	59.6
Accruals & Deferred Income	22.8	32.9	42.1	47.8	55.9	63.9	71.6	79.4
Current Liabilities	62.1	77.7	129.1	137.9	161.3	184.3	206.5	228.9
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	14.9	17.5	20.0	22.4	24.8
Provisions	22.4	22.2	16.6	23.9	28.0	32.0	35.8	39.7
Non Current Liabilities	30.5	36.2	28.9	38.8	45.4	51.9	58.2	64.5
Total Liabilities	92.6	113.8	158.0	176.8	206.8	236.2	264.6	293.4
Net Assets	286.0	356.3	357.7	389.4	455.1	617.5	805.6	1017.3
Share Capital	32.3	33.3	33.3	33.3	33.3	33.3	33.3	33.3
Share Premium	79.6	88.5	98.4	98.4	98.4	98.4	98.4	98.4
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	458.7	598.9	761.3	949.4	1161.2
Total Shareholders Equity	286.0	356.3	357.7	389.4	455.0	617.4	805.6	1017.3
Balance Sheet - Analytical Ratios	FY03A	FY04A	FY05A	FY06E	FY07E	FY08E	FY09E	FY10E
Working Capital (m)	40.9	27.2	28.9	37.5	43.8	50.1	56.2	62.3
Change in Working Capital	4.1	(13.8)	1.7	8.6	6.4	6.3	6.0	6.1
WC / Sales (%)	12.3%	7.0%	6.0%	6.3%	6.3%	6.3%	6.3%	6.3%
Trade Receivable / Sales (%)	17.7%	18.3%	21.7%	19.0%	19.0%	19.0%	19.0%	19.0%
Inventories / Sales (%)	6.7%	4.5%	6.2%	6.0%	6.0%	6.0%	6.0%	6.0%
Trade Payable / Sales (%)	2.7%	3.3%	3.9%	3.5%	3.5%	3.5%	3.5%	3.5%
Gross debt (m)	(0.8)	(0.7)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Net (debt)/cash (m)	108.7	194.2	163.3	179.0	226.4	369.7	538.8	732.3
Change in net (debt) / cash (m)	87.3	85.5	(30.9)	15.7	47.4	143.2	169.1	193.5
Net Debt/Equity (%)	-38.0%	-54.5%	-45.7%	-46.0%	-49.8%	-59.9%	-66.9%	-72.0%
Gearing (Net debt / Net debt +Equity) (%)	-61.3%	-119.8%	-84.0%	-85.1%	-99.0%	-149.2%	-202.0%	-257.0%
Debt / Equity	38.0%	54.5%	45.7%	46.0%	49.8%	59.9%	66.9%	72.0%
ROE (using average equity) %	28.7%	28.5%	43.3%	43.7%	46.7%	43.2%	37.8%	33.6%
ROA (using average assets) %	4.6%	5.5%	9.1%	30.2%	32.1%	30.6%	28.0%	25.7%
Net Tangible Assets (m)	160.7	233.5	220.4	336.3	390.1	540.1	715.7	915.3
NTA per Share (diluted)	6.3	9.1	8.7	13.4	15.3	21.2	28.1	36.0

Source: Merrill Lynch estimates

26 May 2006

Table 3: Nobel Biocare's Cash Flow Model

Dec Y/E (EURm)	FY03A	FY04A	FY05A	FY06E	FY07E	FY08E	FY09E	FY10E
EBT	85.5	114.4	157.8	208.3	252.9	298.4	347.5	395.8
EBIT non-recurring	5.8	1.7	30.6	0.0	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	16.2	20.1	24.6	29.7	35.5
Financial Income/Expense	0.6	-2.3	0.0	0.0	0.0	0.0	0.0	0.0
Other Non Cash Items	2.9	7.3	-31.0	0.0	0.0	0.0	0.0	0.0
(Increase) / Decrease in Trade & Other Receivables	-24.9	-11.5	-41.1	-14.8	-26.7	-26.2	-25.4	-25.6
(Increase) / Decrease in Inventories	4.2	4.8	-12.5	-5.7	-6.1	-6.0	-5.8	-5.8
Increase / (Decrease) in Trade & Other Payables	10.8	0.2	19.6	11.5	25.9	25.5	24.5	24.8
Increase / (Decrease) in Provisions	1.3	9.8	-0.3	3.8	0.0	-2.1	-5.2	-8.8
Tax Expense	-18.3	-13.1	-28.3	-45.2	-55.6	-66.5	-78.2	-89.9
Operating Cash Flow	83.4	131.3	107.8	174.1	210.5	247.7	287.2	326.1
Interest received	2.2	2.8	3.3	3.4	4.1	6.0	9.1	12.7
Purchase (-) / Sales (+) of Intangible Assets	-1.1	-3.8	-5.5	-6.5	-7.5	-9.0	-10.0	-11.0
Purchase (-) / Sales (+) of Fixed Assets	-12.8	-16.1	-19.6	-24.0	-28.0	-32.0	-36.0	-40.0
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	-27.1	-31.4	-35.0	-36.9	-38.3
Sale of Treasury Shares / New Shares	20.5	0.0	-117.2	-74.6	-74.6	0.0	0.0	0.0
Redemption of Warrants & Options	4.9	8.4	10.9	0.0	0.0	0.0	0.0	0.0
Increase / (Decrease) in Borrowings	-27.5	0.0	-0.7	-15.7	-47.4	-143.2	-169.1	-193.5
Interest Paid	-1.6	-1.2	-1.5	0.0	0.0	0.0	0.0	0.0
Dividends Paid	-13.1	-21.5	-43.9	-56.7	-57.0	-69.4	-81.1	-94.3
Financing Cash Flow	-16.8	-14.3	-152.5	-147.1	-179.0	-212.7	-250.3	-287.8
Net Increase/ (Decrease) in Funds	59.6	86.7	-66.3	0.0	0.0	0.0	0.0	0.0
Cash Flow - Analytical Ratios	FY03A	FY04A	FY05A	FY06E	FY07E	FY08E	FY09E	FY10E
Operating Cash Flow growth (%)	18.6%	57.5%	-17.9%	61.6%	20.9%	17.7%	15.9%	13.5%
CFPS (normal)	3.32	5.19	4.29	7.05	8.48	9.96	11.64	13.31
CFPS (diluted)	3.18	5.13	4.23	6.82	8.18	9.60	11.21	12.82

Source: Merrill Lynch estimates

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.

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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

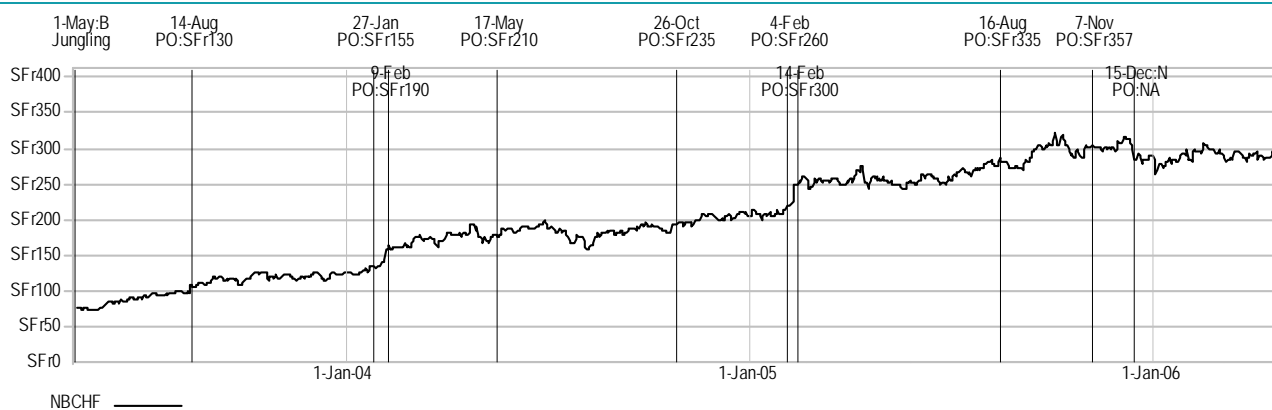
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NBCHF Price Chart



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Neutral	106	48.85%	Neutral	28	26.42%
Sell	16	7.37%	Sell	0	0.00%

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Neutral	1474	51.86%	Neutral	430	29.17%
Sell	223	7.85%	Sell	44	19.73%

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