



Sector Report

| **Equity Brokerage**
February 2006

Niznick Rejoins the Dental Implant Party Healthcare | Switzerland

After a restrictive period ended in January, Implant Direct now has permission to sell its dental implants. The company is in the process of filing for the necessary 510k FDA approvals to begin selling complete lines of Zimmer and Nobel Biocare-compatible implants.

Our analysis leads us to believe that Implant Direct will secure a maximum of 2% of the world market within the next three years. We expect Implant Direct's low-cost and low-price strategy with its limited product differentiation, marketing, distribution, training, education and service to attack predominantly local US discounters. Because Zimmer's product offering and client structure are derived from former Dr Niznick company Paragon, it is also at risk.

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Executive Summary

Implant Direct was formed by Dr Gerald A. Niznick in early 2004. Since then, the company has designed and manufactured two new lines of implants: the Spectra System and the RePlant System. Implant Direct obtained permission to sell its dental implants as of January 9 of this year, following an arbitrator ruling confirming the restrictive period would end on January 8.

Implant Direct has filed for 510k FDA approval to start the sale of a complete line of abutments for Zimmer Dental's Screw-Vent implant. We expect **commercialization** to start in Q2 2006. Implant Direct anticipates filing a 510k application for the full line of Spectra System dental implant products by April 2006; we expect commercialization in Q3 2006. Production of Implant Direct's RePlant implants, which accept Nobel Biocare Replace abutments and which allow insertion with Nobel Biocare's drills and surgical instruments, is planned for late 2006. We expect commercialization to start in Q1 2007. Finally, we project commercial launch of the Spectra Legacy system in Q4 2007.

Implant Direct's **business strategy** is to minimize marketing expenses by selling products direct from the factory through its Website. It claims that the elimination of most of the sales and marketing functions as well as many of the overhead expenses will allow customers to pay a fraction of the US list prices of the major implant companies.

We believe that small **US discounters** are most exposed to new competition from Implant Direct, predominantly because of their lack of differentiation in strategy, product offering, marketing and distribution, training, education and service, but also because they lack the financial and operational clout to fight off such an attack.

Of the established players, **Zimmer** is particularly exposed to Implant Direct's market entry, in our view. Factors behind this include: Zimmer has numerous former Paragon (founded by Dr. Niznick) users as clients which could switch to Implant Direct, Zimmer is predominantly active in the US, and its offering lacks product differentiation as it is in effect the former Paragon offering, which also reduces the differentiation potential with regards to scientific track record and brand recognition.

Biomet and **Nobel Biocare** are next in the line of established players that could be impacted by Implant Direct – the former because it is significantly exposed to the US market and lacks differentiation on product, reputation and brand levels. As for Nobel Biocare, despite its broad and specific product portfolio, it could be affected because of its exposure to the US market and because Implant Direct's product offering is partially compatible with Nobel Biocare's.

We believe that of all established players, **Straumann** has the least to fear from Implant Direct because it still generates some 75% of its revenues outside of the US, and because its products are not (yet) directly compatible with Implant Direct's portfolio.

We estimate that Implant Direct's current production capacity, based on the number of its employees and manufacturing equipment, indicate that the company could potentially generate **annual revenues** of some USD 50 mn within three years at the earliest. Based on the assumed market growth of 15% p.a., we estimate the value of the global dental implant market at some USD 2.5 bn by 2008, i.e. we believe that Implant Direct could secure a market share of some 2% in value or 4% in number of implants by then.

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Implant Direct aside, we remain positive on the **dental implant market** in general and the two listed Swiss players Nobel Biocare and Straumann in particular. Our stance is based on low market penetration, population ageing, emerging market potential and the shift of the dental implant market from the medical field alone to partly embrace the luxury goods and later the consumer goods markets as well.

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Investment Case for Dental Implant Companies

Market Growth

The dental implant market is one of the fastest-growing submarkets of orthopedics specifically and of medtech in general. Average market growth has stood at 15% p.a. over the past decade or so, with the trend accelerating in recent years. The low penetration rate of an estimated 8% to 12% should ensure 15% p.a. growth over the next five or even 10 years, in our view.

Emerging Markets

While the current focus of both Straumann and Nobel Biocare is the European and especially North American markets, in our opinion emerging markets such as those in Asia offer potential for future growth. Over time we expect forward integration of distributors in Asian and other emerging markets, as demonstrated recently by Straumann's entrance into Australia and Nobel Biocare's move into India and Russia.

Competitive Position

With respective market shares of 32% and 25%, Nobel Biocare and Straumann are the No.1 and No.2 players in the global dental implant market. Their strong market position allows them to maintain their status as premium price manufacturers, and their scientific reputation and brand recognition are strong magnets for attracting new business.

Market Transformation

Nobel Biocare has been and will remain a driving force behind the transformation of the dental implant market from a pure medical to a part-luxury goods and later part-consumer goods market. This transformation will add to the overall market growth on top of the pure substitution of conventional treatments with dental implants.

SLActive

In a market segment where it is tough to achieve product differentiation, Straumann's SLActive implant surface marks a new step. SLActive allows for faster osseointegration, and in our view the patented production process will not be easily copied. The product, which was launched in Europe and parts of Asia in September 2005, will hit the US market in March 2006, and is priced at a premium of some 30% compared to existing Straumann products.

Procera

Unlike Straumann, which is heavily geared towards dental implants (95% of revenues), Nobel Biocare generates an estimated 15%-20% of its revenues through the industrialized production of customized abutments, copings, single-teeth prostheses and bridges. In 2005, this business diversification resulted in smoother and faster growth versus competitors.

Biologics

Straumann generates around 5% of its revenues with biologics products stemming from the 2003 Biora acquisition. The biologics offering has recently been broadened with launches of a membrane and a bone ceramic. Nobel Biocare has licensed the exclusive rights from Wyeth to use BMP-2 (bone morphogenetic protein-2) in combination with dental implants. BMP-2 is already being used by Medtronic under the name Infuse as a growth factor to promote fusion of spinal segments. Infuse is the most advanced BMP on the market, and it was the first genetically engineered product to become available in the US for general orthopedic and spinal surgical use.

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Excess Capital

Even with 20% and more top-line growth, Nobel Biocare and Straumann are a long way from using all of their generated cash for investments. Unless it is used for one or more substantial acquisitions, we believe it is likely that the companies will return capital to shareholders in 2006 and beyond.

Conclusion

Strong market growth is driving the dental implant industry and specifically the two leading players, Nobel Biocare and Straumann. The low penetration rates make this growth sustainable for the next decade or so. We reckon that Nobel Biocare and Straumann should be able to outgrow the market thanks to their strong competitive position, innovation power and new market opportunities in biologics. Both companies could potentially return excess cash to shareholders.

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Valuation

Listed dental implant pure players Nobel Biocare and Straumann trade at the top end of valuations of international and Swiss medical technology companies.

On the one hand, this high valuation is vulnerable to any kind of disruption such as a potential general equity market fall, medical technology multiple re-ratings, spreading uncertainty about alleged product problems or potential litigations and the arrival of new market entrants such as Implant Direct potentially creating pricing pressure.

On the other hand, we believe that the current high valuations are justified by the good growth visibility of the dental implant market which, due to its low penetration rate of an estimated 8% to 12%, could potentially continue to grow at a rate of around 15% for the next five to ten years.

Based on this scenario, we reiterate our long-term Buy recommendation for Nobel Biocare and Straumann, with 12-month price targets of CHF 340 per share for both companies.

Valuation of Swiss Medtech Companies

Prices as of 20.02.2006	Price	Capitalization (CHF mn)	P/E			EV/EBITDA			EV/Sales		
			2006E	2007E	2008E	2006E	2007E	2008E	2006E	2007E	2008E
Synthes	144.40	16,590	24.1	19.5	15.5	12.8	10.2	7.9	5.5	4.4	3.5
Nobel Biocare	302.75	7,926	32.4	27.6	24.1	22.2	18.5	15.7	8.2	6.8	5.7
Straumann	310.00	4,826	31.8	26.4	22.2	21.7	17.9	14.7	7.7	6.4	5.4
Phonak	64.20	4,242	23.4	20.3	17.9	15.3	12.9	10.9	4.3	3.7	3.3
Ypsomed	200.00	2,249	29.2	23.1	19.1	19.1	15.5	12.8	5.8	4.7	3.9
Tecan	68.55	802	28.9	21.8	18.7	16.3	12.7	10.7	2.0	1.9	1.7
Unilabs	42.00	420	20.9	18.9	16.1	9.2	8.7	7.5	1.6	1.5	1.3
Galenica	246.00	1,599	17.0	14.7	12.8	11.0	9.4	8.1	0.8	0.7	0.7
IsoTis	2.00	139	-33.0	131.2	15.2	-176.6	25.9	8.6	2.5	2.0	1.5
Median		2,249	26.5	22.5	18.3	15.8	14.2	10.8	4.9	4.1	3.4
Weighted Avg.		9,572	26.7	22.6	18.6	15.9	13.6	11.1	5.9	4.8	4.0
Average		4,104	20.4	32.7	18.1	-3.0	14.7	11.0	4.4	3.7	3.1

Source: Lombard Odier Darier Hentsch estimates

Valuation of International Orthopedics Companies (Consensus Estimates)

Prices as of 20.02.2006	Price (in I.c.)	Capitalization (in mn)	P/E			EV/EBITDA			EV/Sales		
			2006E	2007E	2008E	2006E	2007E	2008E	2006E	2007E	2008E
Johnson & Johnson	59.07	175,647	15.7	14.0	13.1	10.3	9.5	7.2	3.2	3.0	2.3
Medtronic	56.26	68,041	22.6	19.1	16.6	13.9	12.1	9.3	5.2	4.5	3.4
Zimmer Holdings	69.80	17,233	19.5	17.3	16.4	11.1	8.9	8.5	4.6	4.0	3.8
Stryker Corp	48.42	19,429	23.3	19.0	16.6	11.8	9.8	7.9	3.3	2.8	2.4
Biomet Inc	37.12	9,349	18.8	16.7	15.3	10.7	9.9	8.4	3.9	3.5	3.0
Smith & Nephew	4.54	4,265	17.0	14.7	12.6	10.1	8.4	7.1	2.8	2.4	2.0
Dentsply	55.77	4,503	19.2	17.4	15.9	11.3	10.0	8.8	2.5	2.2	2.0
Wright Medical	19.14	651	23.4	17.5	15.0	7.1	4.6	3.2	1.3	0.9	0.6
Orthofix Int'l	44.37	710	18.1	16.4	14.3	8.9	7.9	7.1	2.1	1.9	1.7
Orthovita	4.06	195	-26.5	-40.6	116.0	97.4	27.8	16.2	4.2	3.5	2.9
Osteotech Inc	4.49	77	-29.9	-44.9	89.8	15.5	7.7	5.2	0.6	0.6	0.5
Median		4,503	18.8	16.7	15.9	11.1	9.5	7.9	3.2	2.8	2.3
Weighted Avg.		123,821	17.9	15.6	14.4	11.2	10.0	7.8	3.7	3.3	2.7
Average		27,282	11.0	6.1	31.1	18.9	10.6	8.1	3.1	2.7	2.2

Source: consensus estimates

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Implant Direct

Dr Niznick formed his new implant company, Implant Direct, in early 2004 and for the past two years has been designing and manufacturing two new lines of implants named Spectra System and RePlant System. As of January 9, 2006, Implant Direct was permitted to sell its dental implants, after an arbitrator ruled that a restrictive period ended January 8, 2006. Implant Direct has filed for 510k FDA approval to start the sale of a complete line of abutments for Zimmer Dental's Screw-Vent implant. We expect commercialization to start in Q2 2006. Implant Direct anticipates filing a 510k application for the full line of Spectra System dental implant products by April 2006. We expect commercialization in Q3 2006. Production of Implant Direct's RePlant implants, which accept Nobel Replace abutments and which allow insertion with Nobel Biocare's drills and surgical instruments, is planned for late 2006. We expect commercialization to start in Q1 2007. Finally, we project commercial launch of the Spectra Legacy system in Q4 2007.

Launch Schedule of Implant Direct Products

2006E				2007E				2008E				2009E			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Abutments compatible with Zimmer systems															
Spectra System compatible with Zimmer systems															
RePlant System compatible with Nobel Biocare systems															
Spectra Legacy System compatible with Zimmer systems															

Source: Implant Direct, Lombard Odier Darier Hentsch estimates

IMPLANT DIRECT'S HISTORY

On January 8, 2001 Dr Niznick sold his former dental implant company Paragon to Sulzer Medica (which later became Centerpulse and was subsequently acquired by Zimmer) and agreed on a five-year non-competing agreement with the buyer. Zimmer unsuccessfully requested an 18 month extension of the agreement, claiming that previous preparations to compete would violate the original acquisition agreement.

When Dr Niznick sold Paragon to Sulzer Medica in January 2001, he leased Sulzer his manufacturing facility in Calabasas, California. After Zimmer acquired Sulzer Medica, it announced that it was to relocate its dental implant manufacturing operations to Carlsbad, California, which allowed Implant Direct to hire 45 experienced machinists, design engineers and quality control personnel, many of whom were previously employed by Paragon, from Zimmer. Implant Direct's design team began working in June 2004 and the rest of the employees started in December 2004 in the Calabasas facility. By the end of 2005, Implant Direct's team expanded to over 70 employees, including six former management team members of Paragon. Implant Direct now operates a total of 23 screw machines, capable of producing over 250,000 implants plus abutments per year. Depending on business it is planned to add another 11 machines as well as around 10 employees for packaging and shipping and another 10 for marketing and sales over the next two years.

IMPLANT DIRECT'S STRATEGY

Implant Direct's business strategy is to minimize marketing expenses by selling products direct from the factory through its web site. It claims that the elimination or reduction of the sales and marketing functions as well as a lot of overhead expenses will allow customers to pay a fraction of the US list prices of the major implant companies. Implant Direct's mission statement is to "provide experienced implant dentists with online access to purchase application-specific implants and

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prosthetics, delivering high quality, innovative products at factory-direct prices". The company believes that the experienced implant dentists are capable of evaluating the features, benefits, quality and value of Implant Direct's products without the assistance and explanation from a sales person. Implant Direct's web-based selling process will guide the dentist through the selection process of the implant type, diameter, length and surface, and then cross-referencing the implant platform with abutments and prosthetic components. Online ordering by clinical applications and also by charting a patient's case should be available in the future.

IMPLANT DIRECT PRODUCTS

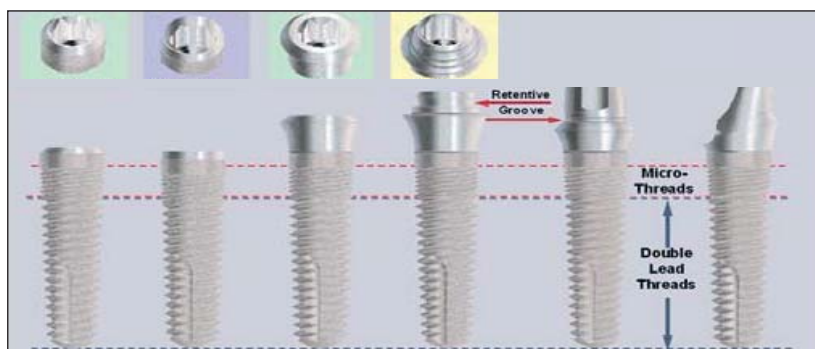
Implant Direct's new products, the Spectra System and the RePlant System, incorporate features covered by seven new filed patent applications, as well as from other implant companies' products. Implant Direct's product line offers options for one and two-stage surgical procedures, along with three new designs of one-piece implants. The implant product line includes both surgical and prosthetic compatibility with Zimmer Dental's Tapered Screw-Vent implant and Nobel Biocare's Tapered Replace implant. Implant Direct is also manufacturing abutments to fit these competitive implants.

Spectra System (compatible with Zimmer Screw-Vent)

The Spectra System product line includes six different implants designed to be inserted either with own Implant Direct drills and surgical instruments or with Zimmer Dental's Tapered Screw-Vent drills and surgical instruments. All implants will be priced at USD 150 apiece.

- > The Spectra System **Legacy** implant has the same internal hex platform as Zimmer's Screw-Vent implant and the Prodigy implant of Bio Horizon, which licensed this platform design from Zimmer. Legacy abutments are designed to fit into the Screw-Vent, Prodigy and Legacy implants. The Legacy implant will not be available for sale in the US or Canada until October 2007, when the patent issued to Dr Niznick in 1990 for the internal connection, will expire. Other Spectra System implants include:
 - > the **ScrewPlant** two-stage implant, including cover screw and healing collar for two-stage healing;
 - > the **ScrewPlus** one-stage implant, including cover screw and extendable healing cover for one-stage healing with thicker tissue;
 - > the **ScrewDirect** one-piece implant with a straight head for cemented restorations;
 - > the **ScrewRedirect** one-piece implant with an angled head and scalloped margin for cemented restorations; and
 - > the **ScrewIndirect** one-piece implant with a screw-receiving head for fixed-detachable and overdenture restorations.

Implant Direct Spectra System Compatible with Zimmer Screw-Vent



Source: Implant Direct

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Implant Direct RePlant System Compatible with Nobel Biocare Replace



Source: Implant Direct

Implant Direct Legacy Abutments



Source: Implant Direct

Implant Direct Quadruple-Lead Mini-Threads



Source: Implant Direct

RePlant System (compatible with Nobel Biocare Replace)

Implant Direct's RePlant implants accept Nobel Replace abutments. The platforms are color-coded to match both Nobel Replace implants and abutments. The tapered shape of the RePlant implant body also matches the Nobel Replace Tapered implant, allowing insertion with Nobel Biocare's drills and surgical instruments. By the end of 2006, Implant Direct anticipates producing a line of abutments for the RePlant Replace implants. The RePlant implant is priced at USD 150 apiece, including the cover screw.

IMPLANT DIRECT TECHNOLOGY

Implant Abutment

Implant Direct filed an FDA approval application on January 6, 2006, for a complete line of abutments compatible with the Zimmer Screw-Vent internal hex connection. These abutments will also fit Bio Horizons' Prodigy and Implant Direct's Legacy implant. The line of Legacy abutments is to include straight and angled abutments with scalloped margin or beveled margin for cemented restorations. Legacy abutments from Implant Direct are priced at USD 75 each, approximately half the price that major implant companies charge for similar products.

Implant Thread Design

Implant Direct's new thread design (patent pending) on all implants combines double-lead threads on the body of the implant with quadruple-lead threads situated just below the crest of the bone following insertion. The double-lead feature should reduce thread-in time by half compared to conventional threads. The quadruple-lead mini-threads near the top of the implant should serve to reduce the stress from biting forces in the crestal area that can contribute to bone loss. Implant Direct's Mini-threads are a derivative of Astra Tech's Micro-threads.

Implant Surface

Implant Direct's surface is called SBM. It is a medium rough textured surface on the implants created by blasting with a blast media of biocompatible tricalcium phosphate particles that are soluble and therefore easily removed. Unlike textured surfaces created by blasting with Titanium Oxide (Astra Tech) or Aluminum Oxide (Straumann and Dentsply), Implant Direct's SBM eliminates subsequent acid etching procedures needed to remove imbedded blast particles. The secondary acid etching procedure has the alleged negative effect of rounding the threads of the implant, thereby reducing its self-tapping capabilities. SBM provides a rougher surface than acid etching alone, such as used in creating Biomet's Osseotite surface, and creates a more consistent textured surface than anodizing, used to create Nobel Biocare's TiUnite surface. Zimmer Dental, Bio Horizon and Lifecore are currently using surfaces created with similar biocompatible grit blasting material to that used by Implant Direct.

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IMPLICATIONS OF IMPLANT DIRECT FOR COMPETITORS

STRATEGY

Implant Direct's strategy is to compete on low prices, which are based on the low cost of sales due to the abandonment of an expensive marketing and sales structure. It is important to note that this strategy is not new to the dental implant market. Behind premium price dental implant players such as Nobel Biocare, Straumann, Biomet or Zimmer, there already exists a market segment of hundreds of copy-cat low price producers, accounting for an estimated 10% to 15% (in terms of US dollars) of the world market.

Concretely, Implant Direct is to offer all implants for a standard price of USD 150 apiece. This compares to an estimated average list price for Nobel Biocare or Straumann implants of USD 300. It is usual that discounts are given on list prices, and for heavy users naturally more. While Implant Direct's dental implants will come with abutments, cover screws and other accessories included, such additional products can make up to another USD 200 at competitors Nobel Biocare or Straumann. We believe that premium price players Nobel Biocare and Straumann are most exposed to Implant Direct's low price offensive. It is important to note, however, that in most European countries, dentists that buy material at lower prices must pass on this cost savings to patients and are not allowed to improve their own operating margin.

Cost Structure of Dental Implant Players

	Nobel Biocare*		Straumann*		Biomet**		Zimmer**		Implant Direct***	
	EUR mn	% of sales	CHF mn	% of sales	USD mn	% of sales	USD mn	% of sales	USD mn	% of sales
Revenues	485		510		210		148		50	
CoGS	86	18%	99	19%	62	30%	44	30%	20	40%
G&A	63	13%	40	8%	15	7%	10	7%	5	10%
M&S	156	32%	191	37%	73	35%	52	35%	10	20%
R&D	17	4%	26	5%	10	5%	7	5%	0	0%
EBIT	162	33%	156	31%	50	24%	35	24%	15	30%

* 2005 announced

** 2005 estimates

*** Normalized estimates based on current production capacity

Source: Nobel Biocare, Straumann, Dr Niznick, Lombard Odier Darier Hentsch estimates

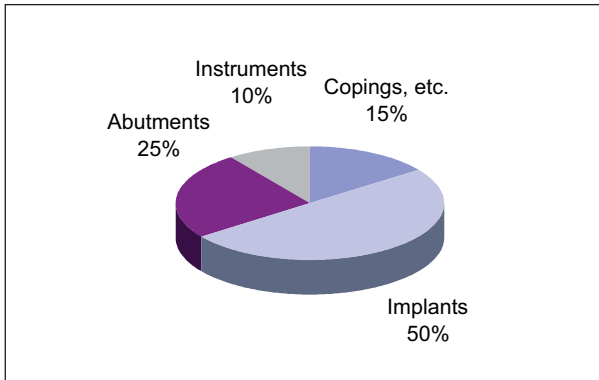
Implant Direct's decision to offer no or only limited client service and support obviously places it at a disadvantage to the premium dental implant players. The current discussion surrounding alleged product problems at Nobel Biocare has illustrated the importance of initial client training and education, as well as subsequent client support in case of any difficulties. This is even more relevant for newly introduced products or high-end products that have to be handled with care. We believe that existing discounters will have the most difficulties in differentiating themselves from Implant Direct's low service and support strategy.

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MARKET

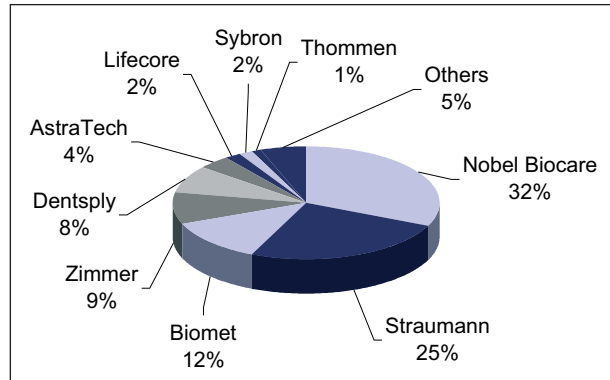
We estimate the value of the dental implant market in 2005 at around USD 1.6 bn, growing with a CAGR of around 15%^E. Of the dental implant market's USD 1.6 bn projected value, we estimate that 50% is accounted for by implant screws themselves, 25% is coming from abutments (connection between implant and prosthetics), 15% from cover screws, healing caps etc, and 10% from instruments.

USD 1.6 bn Market Breakdown by Segment



Source: Lombard Odier Darier Hentsch estimates

USD 1.6 bn Market Breakdown by Competitor



Source: Lombard Odier Darier Hentsch estimates

Of the dental implant market's estimated annual growth of around 15%, we assume that roughly 45% comes from existing dentists, which are more intensively using dental implants, another 45% from new dentists starting to use dental implants, and the balance of 10% from dentists that switch from one system to another one. Implant Direct's strategy obviously only targets the existing base of dentists using dental implants, and from these, it mainly targets experienced, heavy users, which account for an estimated 25% of dentists and 75% of volume. In addition, Implant Direct will target former Paragon users as they are familiar with the product and with Dr Niznick's philosophy. We believe that Zimmer, because many of its clients are former Paragon clients, and existing US discounters, because they have a price sensitive clientele, are vulnerable to Implant Direct in this regard.

In terms of the geographical market split, we believe that North America accounts for some 38% of the market, Europe for 42% and the rest of the world for the balance of 20%. Knowing that Dr Niznick set up Paragon in the US, generated the lion's share of revenues there, and presuming that international clients are more reluctant to buy over a website from an US domiciled company than US customers, we believe that the North American market share of 38% will be the main playing field for Implant Direct. We believe that Zimmer, Biomet and local discounters, for which the US represents their home base, as well as Nobel Biocare, which generates a significant share of revenues in the US are more exposed to Implant Direct from a geographic standpoint than Straumann or other players focused on Europe.

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Geographic Sales Distribution of Dental Implant Players

	Nobel Biocare*		Straumann*		Biomet**		Zimmer**		Implant Direct***	
	EUR mn	% of Sales	CHF mn	% of Sales	USD mn	% of Sales	USD mn	% of Sales	USD mn	% of Sales
Total	485		510		210		148		50	
N. America	180	37%	132	26%	100	48%	85	57%	40	80%
Europe	217	45%	316	62%	70	33%	33	22%	4	8%
Asia	60	12%	51	10%	20	10%	20	14%	3	6%
RoW	28	6%	11	2%	20	10%	10	7%	3	6%

* 2005 announced

** 2005 estimates

*** Normalized estimates based on current production capacity

Source: Nobel Biocare, Straumann, Lombard Odier Darier Hentsch estimates

TECHNOLOGY

Product differentiation is limited in the dental implant market. In recent years, the products offered by most of the manufactures have moved closer. In the future, however, new materials such as ceramics and plastics, coatings like growth factors, or even gene technology could potentially provide for quantum leaps. Straumann's current launch of SLActive or Nobel Biocare's announcement of the agreement with Wyeth to combine dental implants with Wyeth's BMP-2 growth factor show that established players are looking for new innovations in order to differentiate themselves from copy-cats and discounters. Because Zimmer's product offering is based on the former Paragon product offering, which was developed by Dr Niznick himself, and because Implant Direct has been designing its products to be compatible with Zimmer's, we believe that Zimmer is most vulnerable to Implant Direct from a technological perspective. Local discounters, because they offer product copies and Nobel Biocare, because part of Implant Direct's product offering will be compatible to its products, are also exposed to Implant Direct's competition. With Nobel Biocare offering such a broad product portfolio with many special application products, however, we believe that the negative impact from Implant Direct will nevertheless be limited in this respect. The same should be true for Straumann, in our view.

MANUFACTURING

Implant Direct's current team consists of some 70 employees, which operate a total of 23 screw machines, capable of producing over 250,000 implants and abutments per year. The company plans to add a further 11 machines and some 20 employees over the next two years. An estimated number of employees active in manufacturing (operations) of 515, 420, 290 and 215, respectively, for Nobel Biocare, Straumann, Biomet and Zimmer, generated revenues of EUR 485 mn, CHF 510 mn, USD 210 mn and USD 148 mn, respectively, in 2005. This yields sales per manufacturing employee of USD 1,165,000, USD 970,000, USD 725,000 and USD 690,000, respectively, for the four companies. Even under the assumption that Implant Direct, because it is a newly setup, fully automatic and optimized operation, can generate twice as efficiently as established players, this would merely result in total sales of some USD 50 mn, because Implant Direct will be giving away its products for half the price of its competitors. Because of the greater operational and financial resources of established players, we believe that Implant Direct's market entry will primarily have an effect on smaller local players.

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Employee Structure of Dental Implant Players

	Nobel Biocare**		Straumann*		Biomet**		Zimmer**		Implant Direct***	
	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total
Total	1,650		1,350		750		550		90	
G&A	395	24%	270	20%	100	13%	70	13%	10	11%
M&S	625	38%	550	41%	300	40%	220	40%	18	20%
Products	115	7%	110	8%	60	8%	45	8%	7	8%
Operations	515	31%	420	31%	290	39%	215	39%	55	61%

* 2005 announced

** 2005 estimates

*** Estimates based on USD 50 mn revenue target

Source: Straumann, Lombard Odier Darier Hentsch estimates

Production Capacity of Dental Implant Players

	Nobel Biocare*		Straumann*		Biomet*		Zimmer*		Implant Direct**	
	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total
Revenues (in mn)	485		510		210		148		50	
Employees		1,650		1,350		750		550		90
Machines		115		95		50		40		23
Implant units***		1,200,000		1,000,000		450,000		400,000		250,000
Rev./employee	293,939		377,778		280,000		269,091		555,556	
Rev./implant	404		510		467		370		200	
Prod./machine		10,435		10,526		9,000		10,000		10,870
Market share		32%		25%		12%		9%		2%

* 2005 estimates

** Estimates based on USD 50 mn revenue target

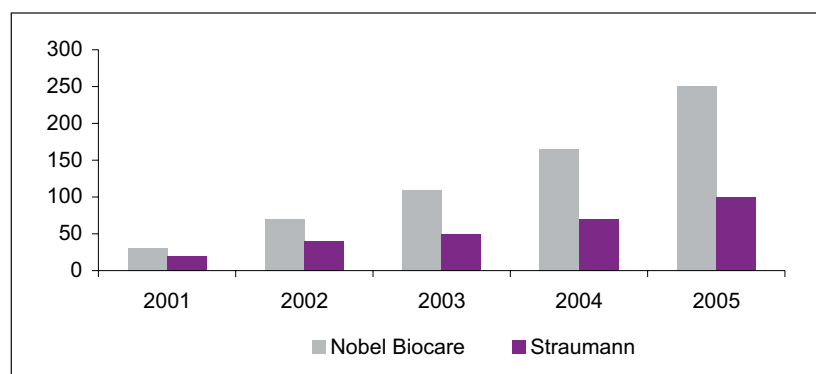
*** Implant screw plus abutment plus coping plus other necessary parts

Source: Straumann, Lombard Odier Darier Hentsch estimates

DISTRIBUTION

While Implant Direct has a cost advantage over established players due to its abandonment of extensive marketing and sales activities, established players have a selling advantage due to their marketing and distribution power. Training and education courses are a major marketing tool to attract new clients or to retain existing clients. Because it does not offer such training courses, we believe making its products known through alternative channels will be one of the major challenges for Implant Direct. Due to the greater marketing and distribution power of established players, we believe that Implant Direct's market entry will primarily have an effect on smaller local players.

Number of Training & Education Courses Participants (in 1,000s)



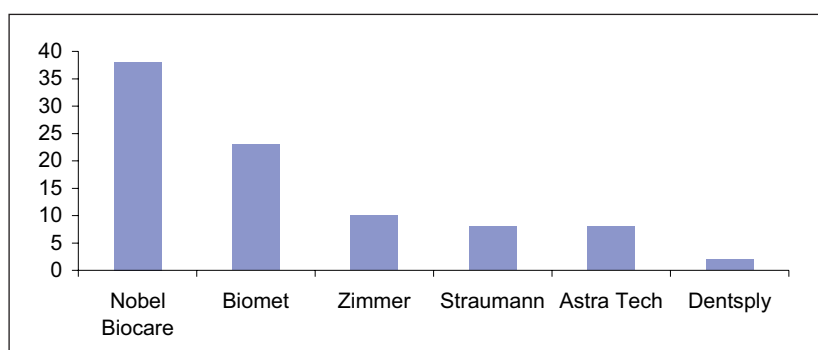
Source: Nobel Biocare, Straumann, Lombard Odier Darier Hentsch estimates

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REPUTATION

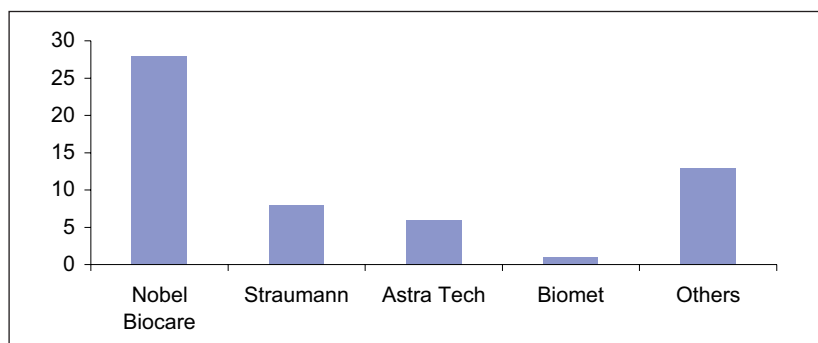
Dentists act conservatively when it comes to the health of their patients and the outcome of dental treatments affecting the dentist's reputation. Switching from one dental implant system to another is therefore uncommon. According to Straumann, only 10% or less of its revenue growth comes from switchers. Because established players such as Nobel Biocare or Straumann can rely on numerous patents that ensure their technological advantage, and because they have already conducted many prospective clinical studies which scientifically prove efficacy and effectiveness of their products, we believe smaller local players with limited scientific track records, reputation and brand name will predominantly suffer from Implant Direct's market entry. Zimmer, because its product offering is based on former Paragon products, is particularly vulnerable under these circumstances.

Number of US Granted Dental Implant Patents (2001-2004)



Source: Nobel Biocare, Espacenet patent database

Number of Prospective Longitudinal Studies (at least 5 years of follow up)



Source: Nobel Biocare, Berglundh, Persson, Klinge

CONCLUSION: WHO IS IMPACTED TO WHAT DEGREE?

Overall, we believe that small US discounters are most exposed to the new competition from Implant Direct, predominantly because of their lack of differentiation in strategy, product offering, marketing and distribution, training, education and service, but also because they lack the financial and operational means to fight off such an attack.

Of the established players, Zimmer is particularly exposed to Implant Direct's market entry. Reasons are: Zimmer has numerous former Paragon users as clients which could potentially switch to Implant Direct; Zimmer is predominantly active in the US; and Zimmer's offering lacks product differentiation as it is in effect the former Paragon offering, which also reduces the differentiation potential with regards to scientific track record and brand recognition.

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Biomet and Nobel Biocare are the next in line of established players that could be impacted by Implant Direct, in our view. The former because it is significantly exposed to the US market and because it lacks differentiation on a product, reputation and brand level. The latter (despite its broad and specific product portfolio) because of its exposure to the US market and because Implant Direct's product offering is partially compatible with Nobel Biocare's.

We believe that of all established players, Straumann has the least to fear from Implant Direct, because it still generates some 75% of its revenues outside of the US and because its products are not (yet) directly compatible with those of Implant Direct.

Exposure to Implant Direct

		Nobel Biocare	Straumann	Biomet	Zimmer	Discouters
Strategy	Pricing	●	●	●	●	●
	Client service & support	●	●	●	●	●
Market	Client structure	●	●	●	●	●
	Geographic presence	●	●	●	●	●
Technology	Product differentiation	●	●	●	●	●
	Product portfolio	●	●	●	●	●
Manufacturing	Operational resources	●	●	●	●	●
	Financial resources	●	●	●	●	●
Distribution	Marketing power	●	●	●	●	●
	Distribution power	●	●	●	●	●
Reputation	Scientific track record	●	●	●	●	●
	Brand recognition	●	●	●	●	●

Source: Lombard Odier Darier Hentsch

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Invention and Evolution of Dr Niznick's Products

Dr Gerald A. Niznick is certainly one of the most notorious as well as outspoken and controversial personalities in modern American implant dentistry. He graduated from the University of Manitoba Dental School in 1966, received a Masters Degree in Prosthodontics at Indiana University in 1968, and ran a dental practice in Los Angeles from 1969 to 1983. Through continuous research and development activities, he was able to create his own patented implant design and established a company that he subsequently sold to Sulzer Medica (purchased by Zimmer). As part of that sale, Dr Niznick sold 23 patents, including the notorious US Pat. 4,980,381 for a screw-type dental implant anchor with internal connection between screw and abutment. After having won or settled numerous lawsuits against copy-cat competitors, the internal connection patent has to date been licensed to nine other dental implant companies.

In 1982, Dr Niznick established Core-Vent Corporation to market the Core-Vent implant. The product featured an internal hexagon that was used to insert the implant and served as a receptacle for a variety of cemented abutments.

In 1986, Dr Niznick introduced the Screw-Vent implant. The product incorporated the same thread design and diameter as Nobel Biocare's Branemark implant, but featured an internal hexagon (as opposed to Branemark's external hexagon), which allowed not only for cemented but also for screw-retained abutments. In comparison to older conventional external hexagon designs, the internal hexagon substantially enhances the stability of the prosthetic abutment by increasing surface contact with the hexagon of the mating abutment. Placing the hexagon internally also allows the implant neck to be reduced in diameter, which eliminates the need to countersink in order to fully seat the implant.

From May 1991 to April 1997, Niznick appointed Dentsply as the sole distributor of Core-Vent Corporation's products, which were continuously developed and manufactured by Niznick through Core-Vent.

In 1997, when Niznick resumed control of Core-Vent's product line from Dentsply, he established Paragon Implant Company as its sole distribution agent.

In 1999, Niznick developed the AdVent implant designed for one-stage and/or two-stage surgery.

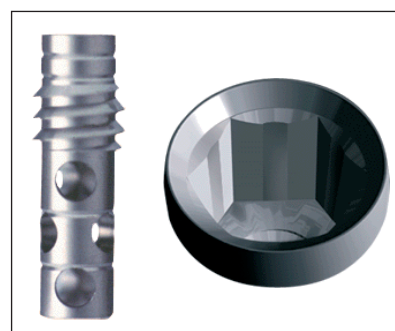
When Straumann added an internal octagon to the conical connection of its ITI implant in 1999, Paragon responded by filing a patent litigation lawsuit and by developing an implant with a compatible platform and surgical protocol. In 2000, Paragon introduced this new line of one-stage implants and called it Swiss Plus.

In September 2000, Core-Vent (Paragon) and Straumann entered into a confidential settlement agreement resolving their patent litigation. Core-Vent granted Straumann a license under US Pat. 4,960,381 to certain existing and future internal connection implant designs.

In November 2000, Sulzer Medica (later Centerpulse, then purchased Zimmer) announced the acquisition of Paragon (and Core-Vent) for US 100 mn or 3.3x sales. Sulzer Medica subsequently merged its own Calcitek activities with the Paragon activities.

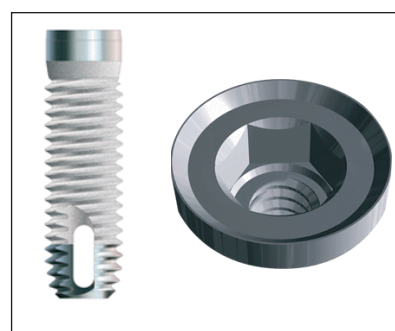
In November 2003, Zimmer announced the acquisition of Centerpulse including all of its activities in dental implants, namely the product lines Screw-Vent, AdVent, Swiss Plus and Spline.

Core-Vent Implant & Internal Hex Connection



Source: Paragon

Screw-Vent Implant & Internal Hex Connection



Source: Paragon

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Litigation Involving Dr Niznick

Over the years, numerous implant manufacturers have come into conflict with the patented Niznick internal connection design in one way or the other. After litigation and/or arbitration, the following companies have either obtained licenses on the patent, or have been legally compelled to refrain from making products that infringe Niznick's US patent:

- > Calcitek (now part of Zimmer), Lifecore, 3i (Biomet), Steri-Oss (Nobel Biocare), Straumann, Astra, Altetec, Park Dental, Sapkos Implant Company, and Osteo-Implant Corporation.
- > A number of foreign companies that manufacture Screw-Vent clones have also been prevented from selling their products in the US, such as four Israeli companies Alpha Bio, Hi-Tech, MIS, and Medigma, and the German company Bego.
- > Straumann and Friadent (Dentsply) obtained licenses for Niznick's internal wrench-engaging patent in September and July 2000, respectively.
- > Nobel Biocare settled a lawsuit with Dr Niznick in early 2004 after having been sued for infringement of the Stargrip feature of the Mk III and Mk IV implants in Nobel's Branemark line, and for the internal, anti-rotational design of the Replace Select implant.

Straumann Implant & SynOcta Abutment



Source: Straumann

Friadent Implant & Internal Interface



Source: Dentsply

Replace Select Internal Connection



Source: Nobel Biocare

Branemark Stargrip Connection



Source: Nobel Biocare

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Competitive Product Feature Comparison

Today, product innovations are not the main growth drivers of the dental implant market. From the many and varied early-stage experiments of the 1950s, today's dental implant manufacturers now offer similar products. Screw-like roots with abutments serving as middle pieces and holding the artificial tooth have emerged as the gold standard. Competing products are differentiated by abutment, shape, surface and surgical procedure. In the future, new materials such as ceramics and plastics, coatings such as growth factors and even gene technology could potentially quantum leaps forward.

Abutment

Different manufacturers have developed different abutment connections, but most players currently offer several product lines with different abutments.

External Hex

The external hex system was originally developed and used by Nobel Biocare for its Branemark line. Nobel Biocare has been the pioneer of modern implant dentistry and is still the largest implant company in the field. Its external hex connection was copied by other implant manufacturers to the extent that until some years ago it was the most widespread connection system available. The main problem of the external hex is that under occlusal forces, the original preload on the clamping screw is lost, which allows for micro-motions of the implant components leading to loosening or breakage of the screws.

Internal Hex

The internal hex was originally developed by Core-Vent, and went on to be copied by and licensed to many competing implant manufacturers. It is probably the most widespread connection system in use today. By manufacturing the male hexagon (on the abutment) with a self-locking taper and seating it into the mating female hexagon (on the screw implant), the effect of occlusal vibration is eliminated by the resultant intimate locking connection. The longer hexagonal connection also distributes forces with the implant deeper, thereby mimicking natural tooth loading more effectively. Finally, placing the hexagon internally allows the implant neck to be reduced in diameter, which eliminates the need to countersink in order to fully seat the implant.

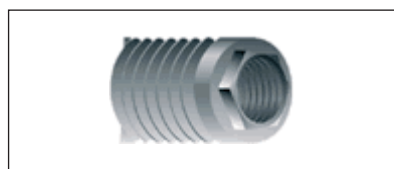
Conical

The conical attachment system was developed by ITI and has been used by Straumann. The design has a conical opening to an internally threaded shaft. Lateral stability is provided by tightening an abutment with a matching conical surface. This inner level resists tipping forces in a manner similar to the internal hex. One disadvantage of the system is that it does not provide interdigitation to resist rotation, which is of significance in single tooth restorations.

Morse Taper

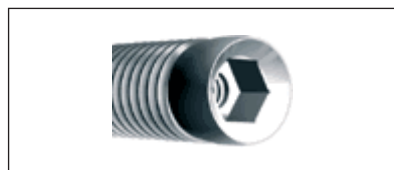
The Morse taper was developed by Bicon, but has only a small market share. While it is more stable than other solutions with respect to anti-rotation, it is complicated to handle. The implant's tapered internal shaft must be absolutely dry and debris-free to create a reliable frictional fit with the taper of the mating abutment post. With the top of the implant 3-5 mm below the crest of the ridge (to ensure a subgingival margin), this is not always easily attainable.

External Hex



Source: Nobel Biocare

Internal Hex



Source: Paragon

Conical



Source: Straumann

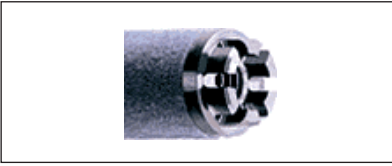
Morse Taper



Source: Bicon

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Spline



Source: Calcitek

Spline

The external spline connection was developed by Calcitek and also has only a small market share. While the system has proven to be more stable than other solutions with respect to anti-rotation, its main problem is that the spline connection in small diameter implants is too weak to be used to insert a screw implant.

Implant Shape

The root-shaped screw or the straight screw have emerged as the most widely used shape of dental implants since Dr Branemark's beginnings.

Implant Surface

The surface has been one of the most important marketing arguments for products in recent years. Today, it is accepted that a rough and increased surface due to an irregular microstructure leads to faster time-to-loading (initial stability) and good long-term osseointegration.

Surgical Procedure

Two-stage surgery will remain the preferred procedure for difficult clinical cases. On the other hand, one-stage surgery and particularly immediate placement and immediate loading are rapidly increasing their market share since patients' demand for esthetics and functionality is growing rapidly.

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Comparison of Abutments Connections

	Description	Advantages	Disadvantages	Comment
External Hex	External hexagon, tightened with a torque wrench	Easy-to-use and well established solution	Risk of microleakage when hex is worn out after screwing, screw loosening occurs	Originally developed and used by Nobel Biocare for its Branemark system. Formerly widest used implant attachment
Internal Hex	Internal hexagon, tightened with a torque wrench	More stable to handle than external hex	Higher price than external hex	Developed and used by Core-Vent (Zimmer), with growing market share. Today probably widest used implant attachment
Conical	Internal tapered attachment	Easy-to-use, eliminates tipping movements	Cannot be used to assure anti-rotation for a single-tooth implant	Developed and used by Straumann. Medium size market share
Morse Taper	Tapered abutment fitting into the non-threaded shaft of an implant	More stable than other solutions regarding anti-rotation	Difficult-to-use, causes complication if not used in perfectly clean condition	Developed by Bicon. Relatively small market share
Spline	Outstanding bar similar to one for a square bar fastener	More stable than other solutions regarding anti-rotation	Spline can fracture and lateral forces are increased	Developed and used by Calcitek (Zimmer). Relatively small market share

Source: company data, Lombard Odier Darier Hentsch research

Comparison of Implant Shapes

	Description	Advantages	Disadvantages	Comment
Threaded	Threaded screw inserted into a drilled hole with slightly smaller diameter	Better stabilization, increased surface area, better initial (mechanical) stabilization	Takes more time and precision to insert	Accounts for an estimated 90% of the market, market share increasing
Cylinder	Non-threaded cylinder inserted into a drilled hole with smaller diameter	Easy and quick to insert, unlimited direction	Initially less (mechanical) stability, smaller surface area	Accounts for an estimated 10% of the market, market share decreasing, still offered for specific indications
Tapered	Tapered threaded screw, mimicks the shape of a natural tooth root	Requires less jaw bone, provides better initial stability due to bone compression if inserted into a straight hole	Less surface area for long-term (biologic) stability, may be too weak for dense bone	Predestinated for immediate loading and function
Straight	Straight threaded screw inserted into a drilled hole with slightly smaller diameter	Necessary for specific clinical indications, increased surface area	Requires more jaw bone, provides less bone compression	Formerly the most widespread shape for implants

Source: company data, Lombard Odier Darier Hentsch research

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Comparison of Implant Surfaces

	Description	Advantages	Disadvantages	Comment
Machined	Machined to 10µ ridges and grooves	Bone loss does not expose a very rough surface, no soft tissue complications	Smother than TPS surface, lower long-term stability (osseointegration)	Initially developed and used by Nobel Biocare for its Branemark products
HA	Hydroxy-Apatite Plasma Spray, liquid HA sprayed on a machined surface	Best osseointegration results of all single-used methods	HA coating fills up the threads and diminishes initial stability. Questionable long-term results of the bio-active material	Mostly used in conjunction with other surface treatments
Acid etched	Acid etched with HCl/ H2SO4 leading to 1-2µ pits	Fast short-term stability	Smother than machined surface, lower long-term stability	Used by Biomet for its Osseotite and Dentsply for its Frialit and Xive product lines
Ti-Unite	TiUnite Unique Oxidized Titanium Surface	Unites the textured surface (early bone healing) with the biocompatibility of titanium (long-term healing)	Smother than machined surface, lower long-term stability	Developed and used by Nobel Biocare for its Branemark and Replace Select products
TPS	Titanium Plasma Spray, liquid titanium sprayed on a machined surface	Rough surface assures good osseointegration	Rough surface, interconnecting pores can lead to soft-tissue complications if exposed	ITI changed from TPS to SLA due to the disadvantages
SLA	Sand blasted followed by acid etching to remove the contamination	Large-grit acid-etched with micro and macro roughness for good initial and long-term stability	Next-best solution to HA	Developed and used by Straumann for its ITI products
SBM	Soluble Blast Media, blasting with soluble tricalcium phosphate	Medium-rough surface allows for good initial and long-term stability	Next-best solution to HA	SBM from Paragon (Zimmer) and from Implant Direct, RBM from Lifecore

Source: company data, Lombard Odier Darier Hentsch research

Comparison of Surgical Implant Procedures

	Description	Advantages	Disadvantages	Comment
One-Stage	See below, the dental implant & prosthetics process	Only one operation needed, less chair-time, less trauma	Implant can be loaded unintentionally (too early), can only be applied with easy cases (healthy and dense bone)	Straumann is the inventor and market leader of one-stage surgery implants, 40% market share, fast gaining share
Two-Stage	See below, the dental implant & prosthetics process	Safe choice, long clinical documentation, no unwanted loading, is being used for difficult cases	Two operations, two healing periods	Nobel Biocare is the inventor and market leader of two-stage surgery, 60% market share
Immediate Placement	Abutment and prosthetic are immediately placed	Fast process, maximal esthetics	Riskier, less well-documented process, only applicable for one-stage surgery eligible patients	Initially promoted by Nobel Biocare, today by everybody, small market share but rapidly growing
Immediate Loading	Abutment and prosthetic are immediately placed and can be immediately loaded	Fast process, maximal esthetics, maximal functionality	Even more risky than immediate placement	Must be further developed to increase dental implant penetration

Source: company data, Lombard Odier Darier Hentsch research

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Competitive Product Overview

	2-Stage	1-Stage	Immediate Function	One-Piece	Special	Other
Nobel Biocare	Branemark - first implant set in 1965 - most scientifically documented - very versatile system - shape threaded tapered and straight - surface machined or Ti-Unite - abutment external hex - for one-stage or two-stage surgery - initial two-stage design	Replace Select Straight - combination of Branemark & Replace - shape threaded straight - surface HA or Ti-Unite - abutment internal locking - for one-stage or two-stage surgery - unique implant tool - color coding	Replace Select Tapered - adapted Steri-Oss system - shape threaded tapered - surface HA or Ti-Unite - abutment internal locking - for one-stage or two-stage surgery - immediate loading - simpler use than Branemark - limited track record	Nobel Direct - direct insertion and use - flapless procedure - one-piece design - easy-to-implant design - immediate function	Teeth in an hour - custom fabricated - precision drill guide and pre-manufactured prosthesis based on CT images and virtual planning are made before surgery - teeth-in-an-hour implanting - immediate function	Procera Scanners - Procera CAD scanner - Piccolo CAD scanner - centralized industrial production - customized production - lower cost and faster than manual production
				Nobel Perfect - based on Replace Select Tapered - surface TiUnite - scalloped implant - replicates natural anatomy - two or one-piece designs - immediate function	Edentulous Solutions - All-on-4 based on tilting posterior implants for simplicity, predicatability and immediate function - Zygoma for severe bone (maxilla) resorption situations without the need for grafting - Overdenture removable alternative for low cost and short treatment	Procera Prosthetics - biocompatible crowns, bridges, abutments and laminates - abutments in aluminum oxide - porcelain NobelRondo zirconia - strong NobelRondo ceramic - compatible with Branemark and Replace Select systems

Source: company data, Lombard Odier Darier Hentsch research

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Competitive Product Overview (cont'd)

Straumann	2-Stage Standard Plus	1-Stage Standard	Immediate Function Tapered Effect (TE)	One-Piece Standard Plus NN	Special Monotype	Other Regenerative
<ul style="list-style-type: none"> - trans-, semi- or subgingival implantation and healing - mainly indicated for anterior region - reduced neck height - shape threaded and non-threaded straight - regular neck and wide neck available - surface TPS and SLA - abutment with internal octagon 	<ul style="list-style-type: none"> - pioneer one-stage or transgingival healing implant - mainly indicated for posterior region - shape cylindrical with three diameters - regular neck and wide neck available - surface TPS and SLA - abutment with internal octagon 	<ul style="list-style-type: none"> combination of lower cylindrical and upper conical design - trans-, semi- or subgingival implantation and healing - reduced neck height - shape self-tapping thread - immediate and early implantation in extraction alveoli - abutment with internal octagon 	<ul style="list-style-type: none"> - one-piece design - narrow neck (NN) design - for flexible tissue management - mainly indicated for single tooth replacement of upper lateral, lower lateral and central incisors 	<ul style="list-style-type: none"> - one-piece design - self-tapping geometry - immediate loading with bar denture 	<ul style="list-style-type: none"> - Emdogain 	
		<ul style="list-style-type: none"> - regular and wide neck options - Morse taper connection for all crown and bridge indications - ceramic, gold, plastic and titanium copings for cement and screw-retained restorations 	<p>synOcta</p> <ul style="list-style-type: none"> - regular neck system - wide neck system - retentive anchor system - locator abutment system - stecco titaniumagnetics system - synOcta bar restoration system - synOcta telescopic crown system - bone graft system 	<p>Hybrid Prosthetics</p> <ul style="list-style-type: none"> - regular neck system - wide neck system - retentive anchor system - locator abutment system - stecco titaniumagnetics system - synOcta bar restoration system - synOcta telescopic crown system - bone graft system 		

Source: company data, Lombard Odier Darier Hentsch research

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Competitive Product Overview (cont'd)

Biomet	2-Stage Osseotite	1-Stage TG Osseotite	Immediate Function Osseotite NT	One-Piece	Special OverdentSURE	Other Regenerative
<ul style="list-style-type: none"> - introduced by 3i in 1996 - parallel-walled implants - shape threaded design - incremental cutting edge (ICE) self-tapping - surface hybrid machined/polished - abutment with external hex - for one-stage and two-stage surgery - accepted for early loading 	<ul style="list-style-type: none"> - trans-gingival (TG) collar - one-piece design - based on Osseotite parallel wall - TG Post abutment series 	<ul style="list-style-type: none"> - natural taper (NT) design - shape threaded design - incremental cutting edge (ICE) self-tapping - surface hybrid machined/polished - abutment with external hex - accepted for early loading 		<ul style="list-style-type: none"> - LOCATOR system - IOL abutment system - Dal-Ro system - O-Ring system - Standard abutment system 	<ul style="list-style-type: none"> - allografts - Biogran - Calcigen Oral - OSSIX - PCCS II - Safescraper 	
	<ul style="list-style-type: none"> - expanded platform implants - for maximum primary stability - for poor bone graft situations - for use in molar region 	<p>Osseotite Certain</p> <ul style="list-style-type: none"> - based on Osseotite NT - internal connection - multi-system instrumentation - color coded 		<p>Abutments</p> <ul style="list-style-type: none"> - Encode Restorative system - GingiHue pre-angled system - UCLA abutment system - ZIRReal zirconia system - STA single tooth abutment system - Conical abutment system 		

Source: company data, Lombard Odier Darier Hentsch research

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Competitive Product Overview (cont'd)

Zimmer	2-Stage	1-Stage	Immediate Function	One-Piece	Special	Other
	Straight ScrewVent - for two-stage surgery - shape threaded straight - surface microtextured (MTX) and hydroxyapatite (HA) - abutment internal hex - self tapping	SwissPlus - for one-stage surgery - shape threaded and tapered - surface MTX - abutment internal hex - self tapping	AdVent - for one-stage surgery - shape threaded and tapered - surface MTX and HA - abutment internal hex - immediate function possible			Regenerative - Puros bone grafts - BioMend membranes - Colla wound dressings
	Spline Reliance - initial product of Calcitek - for two-stage surgery - shape non-threaded straight - surface HA - abutment spline	Spline Twist - initial product of Calcitek - for one-stage surgery - shape threaded tapered and straight - surface MTX and HA - abutment spline	Tapered ScrewVent - for two-stage surgery - shape threaded and tapered - surface MTX and HA - abutment internal hex - immediate function			
Dentsply	Frialit - Frialit-1 developed since 1974 - Frialit-2 developed since 1988 - shape threaded and non-threaded - stepped cylinder and stepped screws - surface blasted and acid-etched or titanium plasma spray (TPS) - abutment internal hex - for one-stage and two-stage	XIVE - shape threaded and tapered - surface blasted and acid-etched - abutment internal hex - for one-stage and two-stage surgery - connection and abutments compatible with Frialit		XIVE TG - one-piece design - based on XIVE implant and FRIALOC - shape threaded - surface trimodal for deposition in hard and soft tissue	Friadent Prosthetics - abutments for Frialit and XIVE - universal compatibility	Regenerative - PepGen P-15 synthetic peptide - OsteoGraf/N hydroxylapatite - OsteoGraf/LD resorbable bone graft - OsteoGraf/D dense bone graft - MTF demineralized bone graft - MTF mineralized bone graft
	ANKYLOS - developed in 1985 - shape threaded and tapered - surface precision blasted - abutment conical - for one-stage and two-stage surgery				Frios - Micro Saw instrument - Unit S surgical unit instrument - Bone Collector instrument	

Source: company data, Lombard Odier Darier Hentsch research

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Competitive Product Overview (cont'd)

	2-Stage Endopore	1-Stage Entegra	Immediate Function	One-Piece	Special	Other Regenerative
Sybron Dental	<ul style="list-style-type: none"> - launched in the mid 1980s - shape non-threaded cone-shaped cylinder - shorter than screw-type implants - surface machined multilayer porous geometry - abutment external hex 	<ul style="list-style-type: none"> - shape threaded screw - surface machined - abutment external hex - abutment compatible with Endopore 				<ul style="list-style-type: none"> - DynaGraft demineralized bone matrix available as putty, gel or matrix - Cytoplast barriers membranes resorbable or non-resorbable
Astra Tech	<ul style="list-style-type: none"> - Astra Tech Dental Implant - launched in the early 1990s - shape threaded and tapered - surface TiOblast machined - OsseoSpeed fluoride modification - abutment internal double hex 				<p>OsseoSpeed</p> <ul style="list-style-type: none"> - FDA approved March 2005 - fluoride modification of TiOblast titanium machined implant surface - providing faster bone growth, higher surface contact area and better bonding strength of 30%-50% more than titanium-only surfaces 	
Lifecore Biomedical	<ul style="list-style-type: none"> - shape threaded or non-threaded straight - surface resorbable blast media (RBM), or titanium plasma spray (TPS), or titanium (Ti), or hydroxylapatite (HA) - abutment external hex - for two-stage surgery 	<p>STAGE-1</p> <ul style="list-style-type: none"> - shape threaded straight - apical end design - surface resorbable blast media (RBM) - abutment internal conical - for one-stage surgery 	<p>Renova</p> <ul style="list-style-type: none"> - shape threaded tapered and straight - apical end design - surface resorbable blast media (RBM) - abutment internal hex - for one-stage and two-stage surgery - immediate function 		<p>Snap Abutment System</p> <ul style="list-style-type: none"> - for overdentures - used with two or more implants - snap abutment threading directly into implant 	<p>Regenerative</p> <ul style="list-style-type: none"> - guided tissue regeneration (GTR) offered since the mid 1980s - Calforma calcium sulfate barrier - Calmatrix calcium sulfate binder - Capset calcium sulfate barrier - Tefgen regenerative membrane

Source: company data, Lombard Odier Darier Hentsch research

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Competitive Product Overview (cont'd)

Thommen Medical	2-Stage SPI ELEMENT	1-Stage SPI ONETIME	Immediate Function SPI CONTACT	One-Piece SPI DIRECT	Special SPI Abutments	Other
	<ul style="list-style-type: none"> - shape threaded screw - cylindrical design - apical end - surface sand blasted and acid etched - abutment internal connection - for two-stage surgery - subgingival or implantation 	<ul style="list-style-type: none"> - shape threaded screw - conical cylindrical design - apical end - surface sand blasted and acid etched - abutment internal connection - for one-stage surgery - subgingival or transgingival implantation 	<ul style="list-style-type: none"> - shape threaded screw - conical cylindrical design - apical end - surface sand blasted and acid etched - abutment internal connection - for one-stage and two-stage surgery - immediate function 	<ul style="list-style-type: none"> - one-piece design - shape threaded screw - conical cylindrical design - apical end - surface sand blasted and acid etched - for one-stage surgery - immediate function 	<ul style="list-style-type: none"> - SPI abutments for temporary restoration - SPI EASY for cemented restorations - SPI VARIO Gold for screw-retained restorations - SPI VARIO T for single crowns - SPI RETAIN for hybrid dentures 	
Implant Direct	<ul style="list-style-type: none"> - to be launched in Q2 2006 - shape threaded and tapered - soluble blast media (SBM) surface - abutment internal hex - for two-stage surgery - compatible with Zimmer ScrewVent 	<ul style="list-style-type: none"> - to be launched in Q2 2006 - shape threaded and tapered - soluble blast media (SBM) surface - abutment internal hex - for one-stage surgery - compatible with Zimmer ScrewVent 		<ul style="list-style-type: none"> - to be launched in Q2 2006 - one-piece design - shape threaded and tapered - soluble blast media (SBM) surface - snap-on cap and transfer - for one-stage surgery - compatible with Zimmer ScrewVent 	<ul style="list-style-type: none"> - to be launched in Q2 2006 - one-piece design - shape threaded and tapered - soluble blast media (SBM) surface - angled head with scalloped margin - for one-stage surgery - compatible with Zimmer ScrewVent 	<ul style="list-style-type: none"> - to be launched in Q4 2007 - two-stage system - ScrewVent compatible abutments - straight abutments - angled abutments - overdenture abutments
RePlant	<ul style="list-style-type: none"> - to be launched in Q3 2006 - tri-lobe platform and surgical protocol compatible with Nobel Biocare Replace implants and drills 			<ul style="list-style-type: none"> - to be launched in Q2 2006 - one-piece design - shape threaded and tapered - soluble blast media (SBM) surface - snap-on cap and transfer - for one-stage surgery - compatible with Zimmer ScrewVent 		

Source: company data, Lombard Odier Darier Hentsch research

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The Dental Implant Prosthetics Process

Dental implant and prosthetics placement are complex processes that involve detailed consultation and evaluation of the patient's situation. The following is a brief description of these processes.

Two-Stage Surgery

- 1) During the examination, x-rays together with an impression and a model of the denture are used to determine the applicable solutions. The quality and density of the bone is examined in order to decide whether bone augmentation by artificial allograft bone or natural autograft bone is needed, and whether one-stage or two-stage surgery is applicable. One-stage surgery is only applicable for easy cases.
- 2) For the surgery to succeed, the implant site has to be in good health. In stage 1 surgery, the tooth is extracted if necessary. The dentist then creates two gingival flaps by incision at the site of the implant. Using drills with different diameters, an appropriate hole (i.e. narrow enough so that the implant does not become loose and wide enough to avoid creating tension) is made. The implant is then screwed into the hole. A cover cap is applied and the gum is sutured on top of the implant.
- 3) At a follow-up consultation 7-10 days after the stage 1 surgery, the site is examined and the sutures are removed. The implant is then left alone for three to six months so that the neighboring bone can integrate (osseointegration) with the titanium implant.
- 4) Stage 2 surgery involves the gum being opened with another incision and the cover cap being removed. A healing abutment is applied and the wound is sutured again.
- 5) At a follow-up consultation 7-10 days after the stage 2 surgery, the sutures are removed and an impression is taken in order to manufacture the final prosthesis.
- 6) From the impression, the dental lab makes – mainly by hand – a replica of the denture. The prosthesis is then built around the replica and sent back to the dentist. The dentist screws or cements the prosthesis onto the implant and abutment.

Two-Stage Surgery Process

1	2	3	4	5	6
Examination	Stage-1 Surgery	Follow-up	Stage-2 Surgery	Follow-up	Restoration
<6 months	7-10 days (healing)	3-6 months (osseointegration)	7-10 days (healing)	1-2 weeks (prosthesis manif.)	every 6 months (maintenance) →
<ul style="list-style-type: none"> - Oral examination - Full-mouth x-rays - Panorex x-rays - Diagnostic casts 	<ul style="list-style-type: none"> - Tooth extraction - Incision - Drilling - Implant placement - Healing cap placement - Suture 	<ul style="list-style-type: none"> - Check - Suture removal 	<ul style="list-style-type: none"> - Osseointegration check - Incision - Abutment - X-rays - Casting try-in 	<ul style="list-style-type: none"> - Check - Suture removal - Impression 	<ul style="list-style-type: none"> - Screw - Cement

Source: Lombard Odier Darier Hentsch research

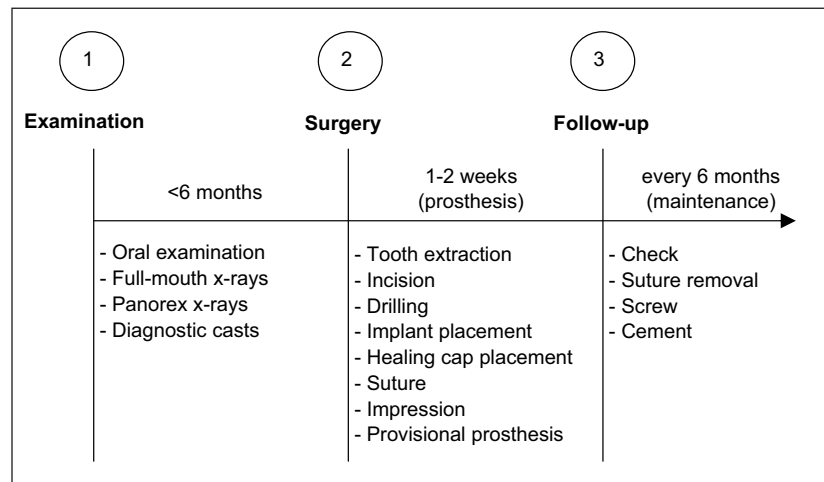
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One-Stage Surgery

- 1) As is the case with two-stage surgery, during the examination, x-rays together with an impression and a model of the denture are used to determine the applicable solutions. The quality and density of the bone is examined in order to decide whether bone augmentation by artificial allograft bone or natural autograft bone is needed and whether one-stage or two-stage surgery is applicable. As mentioned above, one-stage surgery is only applicable for easy cases.
- 2) The next step of one-stage surgery is the same as for two-stage surgery. After the implant is screwed into the hole, a healing cap is applied and the gum is sutured around the healing cap and the implant. An impression is taken and sent to the dental lab. For esthetic reasons (front teeth) a provisional prosthesis may be applied.
- 3) As in two-stage surgery, the dental lab makes – mainly by hand – a replica of the denture from the impression. The prosthesis is then built around the replica and sent back to the dentist. The surgery sutures and the (potential) provisional prosthesis are removed and the dentist screws or cements the prosthesis onto the implant and abutment.

If the clinical indication and the dental implant products allow for immediate loading as well as for immediate placement, the provisional prosthesis is abandoned for a definitive prosthesis immediately following the surgery – thereby reducing the entire process to two steps.

One-Stage Surgery Process



Source: Lombard Odier Darier Hentsch research

Straumann Financials

Straumann - Income Statement

CHF mn, FY to Dec. 31		2003	2004	2005	2006E	2007E	2008E	2009E	CAGR 2005-2009
Revenues (net)		343.9	420.3	509.6	603.3	702.5	811.4	929.2	16.2%
Production value (PV)	=	343.9	420.3	509.6	603.3	702.5	811.4	929.2	16.2%
Cost of goods sold		-69.1	-77.9	-99.4	-117.6	-133.5	-150.1	-167.3	13.9%
Gross profit	=	274.8	342.4	410.2	485.6	569.0	661.3	762.0	16.7%
M&S		-124.7	-159.0	-190.6	-223.2	-256.4	-292.1	-329.9	14.7%
R&D		-26.5	-25.2	-26.4	-33.2	-38.6	-44.6	-51.1	18.0%
Other Income (restated)		1.1	3.9	3.1	1.5	1.5	1.5	1.5	-16.6%
G&A		-27.9	-34.4	-40.3	-45.2	-52.7	-60.9	-69.7	14.7%
Total operating expenses	=	-177.9	-214.7	-254.2	-300.1	-346.2	-396.1	-449.2	15.3%
EBITDA	=	119.4	156.7	181.2	213.5	251.7	295.6	345.1	17.5%
Depreciation & amortization		-22.5	-29.0	-25.2	-28.0	-29.0	-30.4	-32.3	6.4%
-Depreciation		-18.0	-20.7	-18.9	-22.2	-23.3	-24.9	-27.1	9.4%
-Goodwill amortization		-4.5	-8.3	-6.3	-5.9	-5.7	-5.4	-5.2	-4.6%
EBIT	=	96.9	127.7	156.0	185.5	222.8	265.2	312.8	19.0%
Interest income/expenses (net)		0.1	0.6	2.5	1.5	2.7	4.1	5.7	22.9%
-Interest income		0.8	1.3	3.1					n.m.
-Interest expenses		-0.7	-0.7	-0.6					n.m.
Other income/expenses		2.2	-2.1	0.0	0.0	0.0	0.0	0.0	n.m.
EBT recurring	=	99.2	126.2	158.5	187.0	225.5	269.3	318.5	19.1%
Pretax profit	=	99.2	126.2	158.5	187.0	225.5	269.3	318.5	19.1%
Taxes		-18.9	-25.7	-30.3	-35.5	-42.8	-51.2	-60.5	18.9%
-Tax (paid)		-17.3	-25.9	-26.4					n.m.
-Deferred tax		-1.4	0.2	-3.9					n.m.
Net profit	=	80.4	100.5	127.9	151.5	182.6	218.1	258.0	19.2%
Growth		2003	2004	2005	2006E	2007E	2008E	2009E	
Production value (PV)	%	25.0	22.2	21.2	18.4	16.4	15.5	14.5	
Gross profit	%	24.5	24.6	19.8	18.4	17.2	16.2	15.2	
EBITDA	%	27.5	31.2	15.6	17.9	17.9	17.4	16.7	
EBIT	%	29.1	31.8	22.2	18.9	20.1	19.0	17.9	
Net profit	%	43.6	25.0	27.3	18.4	20.6	19.4	18.3	
Margin Analysis		2003	2004	2005	2006E	2007E	2008E	2009E	CAGR 2005-2009
Cost of goods sold	%	20.1	18.5	19.5	19.5	19.0	18.5	18.0	-2.0%
Gross margin	%	79.9	81.5	80.5	80.5	81.0	81.5	82.0	0.5%
M&S	%	36.2	37.8	37.4	37.0	36.5	36.0	35.5	-1.3%
R&D	%	7.7	6.0	5.2	5.5	5.5	5.5	5.5	1.5%
G&A	%	8.1	8.2	7.9	7.5	7.5	7.5	7.5	-1.3%
EBITDA margin	%	34.7	37.3	35.6	35.4	35.8	36.4	37.1	1.1%
Depreciation/net fixed assets	%	24.0	18.4	14.3	14.0	14.0	14.0	14.0	-0.5%
Amortization/goodwill	%	6.8	12.6	4.4	4.0	4.0	4.0	4.0	-2.5%
EBIT margin	%	28.2	30.4	30.6	30.7	31.7	32.7	33.7	2.4%
Tax rate	%	19.0	20.4	19.1	19.0	19.0	19.0	19.0	-0.2%
Net profit margin	%	23.4	23.9	25.1	25.1	26.0	26.9	27.8	2.6%

Source: company, Lombard Odier Darier Hentsch estimates

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Straumann - Cash Flow Statement

CHF mn, FY to Dec. 31	2003	2004	2005	2006E	2007E	2008E	2009E	CAGR 2005-2009	
Net profit before minority interests	80.3	100.5	128.2	151.5	182.6	218.1	258.0	19.1%	
Depreciation	18.0	20.7	18.9	22.2	23.3	24.9	27.1	9.4%	
Amortization of goodwill	4.5	8.3	6.3	5.9	5.7	5.4	5.2	-4.6%	
Non-cash financial income (-)/expenses (+)	0.2	0.3	8.2					n.m.	
Inc. (+)/dec. (-) in pension provisions	3.2	2.0	0.0	0.0	0.0	0.0	0.0	n.m.	
Inc. (+)/dec. (-) in other provisions	0.2	-2.1	0.0	0.0	0.0	0.0	0.0	n.m.	
Cash flow	106.5	129.7	161.6	179.5	211.6	248.5	290.3	15.8%	
Inc. (-)/dec. (+) in NWC	11.6	14.6	-17.1	-1.0	7.5	-4.5	-4.8	-27.0%	
Operating cash flow	118.1	144.3	144.5	178.6	219.1	244.0	285.4	18.6%	
Maintenance capital expenditure (-)	-10.0	-15.0	-18.0	-21.7	-25.3	-29.2	-33.5	16.8%	
Operating free cash flow	108.1	129.3	126.5	156.8	193.8	214.8	252.0	18.8%	
Invest. (-)/disp. (+) of fixed assets	-16.4	-41.4	-29.9	-4.3	-5.1	-5.8	-6.7	-31.2%	
Invest. (-)/disp. (+) of goodwill	-58.4	-9.7	-73.2	-5.0	0.0	0.0	0.0	n.m.	
CF from (used for) investing activities	-74.8	-51.1	-103.1	-9.3	-5.1	-5.8	-6.7	-49.5%	
Inc. (+)/dec. share capital/premium	2.0	3.7	8.4	0.0	0.0	0.0	0.0	n.m.	
Dividend paid (-)	-17.4	-48.1	-31.1	-38.9	-46.7	-56.1	-67.4	21.3%	
Inc. (+)/dec. (-) in short-term debt	15.0	-15.0	0.0	0.0	0.0	0.0	0.0	n.m.	
Inc. (+)/dec. (-) in long-term debt	0.0	-14.2	-14.1	0.0	0.0	0.0	0.0	n.m.	
Inc. (-)/dec. (+) of mark. securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n.m.	
CF from (used for) financing activities	-0.4	-73.6	-36.8	-38.9	-46.7	-56.1	-67.4	16.3%	
Translation difference	0.3	-0.9	0.5	0.0	0.0	0.0	0.0	n.m.	
Increase (+)/decrease (-) in cash	33.2	3.7	-12.9	108.6	142.0	152.9	177.9	n.m.	
Cash Flow Analysis	2003	2004	2005	2006E	2007E	2008E	2009E	CAGR 2005-2009	
Cash flow margin	%	31.0	30.9	31.7	29.8	30.1	30.6	31.2	-0.4%
Operating cash flow margin	%	34.3	34.3	28.4	29.6	31.2	30.1	30.7	2.0%
Operating free cash flow margin	%	31.4	30.8	24.8	26.0	27.6	26.5	27.1	2.2%
Capex/revenues	%	2.9	3.6	3.5	3.6	3.6	3.6	3.6	0.5%
Capex/depreciation	%	55.5	72.5	95.2	98.0	108.5	117.1	123.6	6.7%

Source: company, Lombard Odier Darier Hentsch estimates

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Straumann - Balance Sheet

CHF mn, FY to Dec. 31	2003	2004	2005	2006E	2007E	2008E	2009E	CAGR 2005-2009
Cash and cash equivalent	103.4	107.1	94.2	202.8	344.9	497.7	675.6	63.6%
Inventories	34.7	35.5	48.1	52.9	57.7	66.7	76.4	12.3%
Trade and other receivables	51.1	58.8	81.4	90.9	96.2	111.1	127.3	11.8%
Current assets	189.1	201.4	223.7	346.6	498.8	675.6	879.3	40.8%
Net fixed assets	75.1	112.2	132.2	136.1	143.1	153.3	166.3	5.9%
Goodwill	66.1	65.9	142.2	141.3	135.7	130.2	125.0	-3.2%
Non-core assets	21.4	25.0	35.2	35.2	35.2	35.2	35.2	0.0%
Long-term assets	162.7	203.1	309.6	312.6	314.0	318.7	326.5	1.3%
Total assets	351.8	404.5	533.3	659.2	812.8	994.3	1,205.8	22.6%
CHF mn, FY to Dec. 31	2003	2004	2005	2006E	2007E	2008E	2009E	CAGR 2005-2009
Trade and other payables	20.8	32.3	44.2	49.6	57.7	66.7	76.4	14.7%
Short-term interest-bearing debt	15.0	0.0	0.0	0.0	0.0	0.0	0.0	n.m.
Other current liabilities	34.3	45.0	49.9	57.8	67.4	77.8	89.1	15.6%
Current liabilities	70.1	77.3	94.1	107.4	125.1	144.5	165.5	15.2%
Long-term interest-bearing debt	14.2	0.0		0.0	0.0	0.0	0.0	n.m.
Pension provisions	5.3	5.2	6.0	6.0	6.0	6.0	6.0	0.0%
Deferred taxes	6.3	10.3	13.2	13.2	13.2	13.2	13.2	0.0%
Long-term liabilities	25.7	15.5	19.2	19.2	19.2	19.2	19.2	0.0%
Shareholders' equity	254.1	309.5	418.5	531.1	667.0	829.1	1019.6	24.9%
Minority interests	1.9	2.2	1.5	1.5	1.5	1.5	1.5	0.0%
Equity & l.t. liabilities	281.7	327.2	439.2	551.8	687.7	849.8	1040.3	24.1%
Total liabilities & sh. equity	351.8	404.5	533.3	659.2	812.8	994.3	1205.8	22.6%

Source: company, Lombard Odier Darier Hentsch estimates

Straumann - Balance Sheet Analysis

Working Capital Analysis		2003	2004	2005	2006E	2007E	2008E	2009E	CAGR 2005-2009
Net working capital (NWC)	CHF mn	30.7	17.0	35.4	36.4	28.9	33.3	38.2	1.9%
NWC/revenues	%	8.9	4.0	6.9	6.0	4.1	4.1	4.1	-12.3%
Working capital	days	32	15	25	22	15	15	15	-12.3%
Inventory	days	36	30	34	32	30	30	30	-3.1%
Receivables	days	53	50	58	55	50	50	50	-3.4%
Payables	days	22	28	31	30	30	30	30	-1.0%
Other current liabilities	days	36	39	35	35	35	35	35	-0.2%
Capital Structure		2003	2004	2005	2006E	2007E	2008E	2009E	CAGR 2005-2009
Average equity	CHF mn	221.5	281.8	364.0	474.8	599.1	748.1	924.3	26.2%
Financial position	CHF mn	74.2	107.1	94.2	202.8	344.9	497.7	675.6	63.6%
Average financial position	CHF mn	65.1	90.6	100.7	150.0	270.0	410.0	570.0	54.3%
Capital employed	CHF mn	187.1	209.8	331.8	335.8	329.7	338.8	351.5	1.5%
Average capital employed	CHF mn	162.3	198.4	270.8	333.8	332.7	334.3	345.2	6.3%
Equity/total assets	%	72.8	77.1	78.8	80.8	82.2	83.5	84.7	1.8%
Gearing (year-end)	%	-29.2	-34.6	-22.5	-38.2	-51.7	-60.0	-66.3	31.0%
Return on financial position	%	0.1	0.7	2.5	1.0	1.0	1.0	1.0	-20.3%

Source: company, Lombard Odier Darier Hentsch estimates

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Straumann - Summary & Valuation

Aggregate Data		2003	2004	2005	2006E	2007E	2008E	2009E	CAGR 2005-2009
Revenues (net)	CHF mn	343.9	420.3	509.6	603.3	702.5	811.4	929.2	16.2%
EBITDA	CHF mn	119.4	156.7	181.2	213.5	251.7	295.6	345.1	17.5%
EBIT	CHF mn	96.9	127.7	156.0	185.5	222.8	265.2	312.8	19.0%
Net profit (reported)	CHF mn	80.4	100.5	127.9	151.5	182.6	218.1	258.0	19.2%
Net profit (adjusted)	CHF mn	84.9	108.8	134.2	157.4	188.3	223.6	263.2	18.3%
Enterprise value	CHF mn	2,879.3	3,564.7	4,647.4	4,494.3	4,358.3	4,211.4	4,039.6	-3.4%
Growth (CHF)		2003	2004	2005	2006E	2007E	2008E	2009E	
Revenues (net)	%	25.0	22.2	21.2	18.4	16.4	15.5	14.5	
EBITDA	%	27.5	31.2	15.6	17.9	17.9	17.4	16.7	
EBIT	%	29.1	31.8	22.2	18.9	20.1	19.0	17.9	
Net profit	%	43.6	25.0	27.3	18.4	20.6	19.4	18.3	
Book value	%	34.5	21.8	35.2	26.9	25.6	24.3	23.0	
Per-Share Data		2003	2004	2005	2006E	2007E	2008E	2009E	CAGR 2005-2009
EPS (reported)	CHF	5.19	6.48	8.23	9.74	11.73	13.99	16.52	19.0%
EPS (adjusted)	CHF	5.47	7.01	8.63	10.11	12.08	14.32	16.84	18.2%
EBITDA	CHF	7.71	10.10	11.7	13.73	16.2	18.95	22.1	17.3%
EBIT	CHF	6.3	8.2	10.0	11.9	14.3	17.0	20.0	18.8%
Cash flow	CHF	6.9	8.4	10.4	11.5	13.6	15.9	18.6	15.6%
Op. cash flow	CHF	7.6	9.3	9.3	11.5	14.1	15.6	18.3	18.4%
Op. free cash flow	CHF	7.0	8.3	8.1	10.1	12.4	13.8	16.1	18.6%
BVPS (reported)	CHF	16.4	19.9	26.9	34.1	42.8	53.2	65.3	24.8%
Average financial position	CHF	4.8	6.9	6.1	13.0	22.1	31.9	43.3	63.4%
Enterprise value	CHF	185.8	229.7	299.1	288.9	279.8	270.0	258.7	-3.6%
Dividend	CHF	3.1	2.0	2.5	3.0	3.6	4.3	5.2	20.0%
Payout	%	59.8	30.9	30.4	30.8	30.7	30.9	31.4	0.8%
Valuation (CHF)		2003	2004	2005	2006E	2007E	2008E	2009E	
P/E (reported)	x	36.6	36.4	37.0	30.9	25.7	21.5	18.2	
Market cap/revenues	%	856.7	871.9	929.0	777.4	668.4	579.5	506.6	
P/Cash flow	x	27.6	28.2	29.3	26.1	22.2	18.9	16.2	
P/Op. cash flow	x	24.9	25.4	32.7	26.2	21.4	19.3	16.5	
P/Op. free cash flow	x	27.2	28.3	37.4	29.9	24.2	21.9	18.7	
P/Book (reported)	x	11.6	11.8	11.3	8.8	7.0	5.7	4.6	
Dividend yield	%	1.6	0.8	0.8	1.0	1.2	1.4	1.7	
EV/Sales	x	8.4	8.5	9.1	7.4	6.2	5.2	4.3	
EV/EBITDA	x	24.1	22.7	25.6	21.0	17.3	14.2	11.7	
EV/EBIT	x	29.7	27.9	29.8	24.2	19.6	15.9	12.9	
EV/Op. cash flow	x	24.4	24.7	32.2	25.2	19.9	17.3	14.2	
EV/Op. free cash flow	x	26.6	27.6	36.7	28.7	22.5	19.6	16.0	
Profitability Ratios		2003	2004	2005	2006E	2007E	2008E	2009E	
ROE (Group)	%	36.3	35.7	35.1	31.9	30.5	29.2	27.9	
ROE (adjusted)	%	40.5	41.2	39.3	35.1	32.9	31.0	29.3	
ROA	%	22.8	24.8	24.0	23.0	22.5	21.9	21.4	
ROCE	%	59.7	64.4	57.6	55.6	67.0	79.3	90.6	

Source: company, Lombard Odier Darier Hentsch estimates

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Nobel Biocare Financials

Nobel Biocare - Income Statement

EUR mn, FY to Dec. 31		2003	2004	2005	2006E	2007E	2008E	2009E	CAGR 2005-2009
Revenues (net)		334.0	388.4	484.5	594.4	708.0	824.7	952.9	18.4%
Production value (PV)	=	334.0	388.4	484.5	594.4	708.0	824.7	952.9	18.4%
Cost of goods sold		-78.9	-79.2	-86.0	-104.0	-123.9	-144.3	-166.7	18.0%
Gross profit	=	255.1	309.2	398.5	490.4	584.1	680.4	786.1	18.5%
Research and development		13.6	-13.7	-17.1	-20.8	-24.8	-28.9	-33.3	18.2%
Sales and marketing expenses		-146.3	-131.6	-156.3	-190.2	-226.6	-263.9	-304.9	18.2%
Administrative expenses		-35.2	-45.8	-62.8	-77.3	-92.0	-107.2	-123.9	18.5%
Total operating expenses	=	-167.9	-191.1	-236.2	-288.3	-343.4	-400.0	-462.1	18.3%
EBITDA	=	107.2	138.1	175.1	219.6	260.0	302.2	348.7	18.8%
Depreciation & amortization		-20.0	-20.0	-12.8	-17.5	-19.3	-21.8	-24.7	17.9%
-Depreciation		-10.7	-11.4	-12.8	-17.5	-19.3	-21.8	-24.7	17.9%
-Goodwill amortization		-9.3	-8.6	0.0	0.0	0.0	0.0	0.0	n.m.
EBIT	=	87.2	118.1	162.3	202.1	240.7	280.4	324.0	18.9%
Interest income/expenses (net)		-0.6	0.0	-4.4	0.0	0.0	0.0	0.0	n.m.
-Interest income		3.0	3.2	17.0					n.m.
-Interest expenses		-3.6	-3.2	-21.4					n.m.
EBT recurring	=	86.6	118.1	157.9	202.1	240.7	280.4	324.0	19.7%
Nonrecurring items (net)		4.7	2.0	30.6	0.0	0.0	0.0	0.0	n.m.
-Nonrecurring expenses		4.7	2.0	30.6	0.0	0.0	0.0	0.0	n.m.
Pretax profit	=	91.3	120.1	188.5	202.1	240.7	280.4	324.0	14.5%
Taxes		-18.7	-24.0	-33.8	-44.5	-54.2	-64.5	-76.1	22.5%
-Tax (paid)		-16.8	-19.9	-37.5					n.m.
-Deferred tax		-1.9	-4.1	3.7					n.m.
Net Group profit	=	72.6	96.1	154.7	157.6	186.6	215.9	247.8	12.5%
Minority interests		-0.7	-0.5	0.0	-0.7	-0.7	-0.7	-0.7	n.m.
Net profit	=	71.9	95.6	154.7	156.9	185.9	215.2	247.1	12.4%
Growth		2003	2004	2005	2006E	2007E	2008E	2009E	
Revenues (net)	%	7.3	16.3	24.7	22.7	19.1	16.5	15.5	
Gross profit	%	9.0	21.2	28.9	23.1	19.1	16.5	15.5	
EBITDA	%	20.7	28.8	26.8	25.4	18.4	16.2	15.4	
EBIT	%	26.4	35.4	37.4	24.5	19.1	16.5	15.5	
Net profit	%	94.9	33.0	61.8	1.5	18.4	15.8	14.8	
Margin Analysis		2003	2004	2005	2006E	2007E	2008E	2009E	CAGR 2005-2009
Cost of goods sold	%	23.6	20.4	17.8	17.5	17.5	17.5	17.5	-0.4%
Gross margin	%	76.4	79.6	82.2	82.5	82.5	82.5	82.5	0.1%
Research and dev./PV	%	-4.1	3.5	3.5	3.5	3.5	3.5	3.5	-0.2%
Sales and marketing costs/PV	%	43.8	33.9	32.3	32.0	32.0	32.0	32.0	-0.2%
Other op. expenses/PV	%	10.5	11.8	13.0	13.0	13.0	13.0	13.0	0.1%
EBITDA margin	%	32.1	35.6	36.1	36.9	36.7	36.6	36.6	0.3%
Depreciation/net fixed assets	%	38.1	35.6	30.3	28.0	28.0	28.0	28.0	-2.0%
Amortization/goodwill	%	7.4	7.0	0.0	0.0	0.0	0.0	0.0	n.m.
EBIT margin	%	26.1	30.4	33.5	34.0	34.0	34.0	34.0	0.4%
Tax rate	%	21.6	20.3	21.4	22.0	22.5	23.0	23.5	2.4%
Net profit margin	%	21.5	24.6	31.9	26.4	26.3	26.1	25.9	-5.1%

Source: company, Lombard Odier Darier Hentsch estimates

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Nobel Biocare - Cash Flow Statement

EUR mn, FY to Dec. 31	2003	2004	2005	2006E	2007E	2008E	2009E	CAGR 2005-2009	
Net profit before minority interests	72.6	96.1	154.7	157.6	186.6	215.9	247.8	12.5%	
Depreciation	10.7	11.4	12.8	17.5	19.3	21.8	24.7	17.9%	
Amortization of goodwill	9.3	10.4	0.0	0.0	0.0	0.0	0.0	n.m.	
Non-cash financial income (-)/expenses (+)	-1.8	10.2	-27.4					n.m.	
Cash flow	91.8	128.1	142.1	175.1	205.9	237.7	272.6	17.7%	
Inc. (-)/dec. (+) in NWC	-8.5	3.2	-34.3	-11.8	-17.5	-9.6	-10.5	-25.6%	
Operating cash flow	83.3	131.3	107.8	163.3	188.4	228.1	262.0	24.9%	
Maintenance capital expenditure (-)	-7.0	-10.0	-9.8	-10.1	-12.0	-14.0	-16.2	13.4%	
Operating free cash flow	76.4	121.4	98.0	153.2	176.4	214.1	245.8	25.9%	
Invest. (-)/disp. (+) of fixed assets	-7.0	-10.0	-9.8	-10.1	-12.0	-14.0	-16.2	13.4%	
Invest. (-)/disp. (+) of goodwill	0.0	0.0	-5.5	0.0	0.0	0.0	0.0	n.m.	
Invest. (-)/disp. (+) of associates	0.0	0.0	35.0	0.0	0.0	0.0	0.0	n.m.	
Invest. (-)/disp. (+) of non-core assets	4.7	-11.5	-31.6	0.0	0.0	0.0	0.0	n.m.	
CF from (used for) investing activities	-2.3	-21.5	-11.9	-10.1	-12.0	-14.0	-16.2	8.0%	
Inc. (+)/dec. share capital/premium	25.4	8.4	-108.5	0.0	0.0	0.0	0.0	n.m.	
Dividend paid (-)	-13.1	-21.6	-43.9	-59.0	-63.1	-74.6	-86.4	18.4%	
Inc. (+)/dec. (-) in long-term debt	-26.9	0.0	0.0	0.0	0.0	0.0	0.0	n.m.	
CF from (used for) financing activities	-14.6	-13.2	-152.4	-59.0	-63.1	-74.6	-86.4	-13.2%	
Translation difference	-2.6	-1.3	-0.1	0.0	0.0	0.0	0.0	n.m.	
Increase (+)/decrease (-) in cash	56.9	85.4	-66.4	84.1	101.3	125.4	143.3	n.m.	
Cash Flow Analysis	2003	2004	2005	2006E	2007E	2008E	2009E	CAGR 2005-2009	
Cash flow margin	%	27.5	33.0	29.3	29.5	29.1	28.8	28.6	-0.6%
Operating cash flow margin	%	24.9	33.8	22.2	27.5	26.6	27.7	27.5	5.4%
Operating free cash flow margin	%	22.9	31.2	20.2	25.8	24.9	26.0	25.8	6.3%
Capex/revenues	%	2.1	2.6	2.0	1.7	1.7	1.7	1.7	-4.3%
Capex/depreciation	%	65.0	87.3	76.6	57.8	62.3	64.4	65.5	-3.8%

Source: company, Lombard Odier Darier Hentsch estimates

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Nobel Biocare - Balance Sheet

EUR mn, FY to Dec. 31	2003	2004	2005	2006E	2007E	2008E	2009E	CAGR 2005-2009
Cash and cash equivalent	110	195	129	213	314	440	583	45.8%
Marketable securities	0	0	35	35	35	35	35	0.0%
Inventories	22	18	30	33	35	41	47	11.8%
Trade and other receivables	81	87	127	147	165	192	222	14.9%
Current assets	212	300	321	427	549	707	887	28.9%
Net fixed assets	28	32	42	45	50	56	64	10.8%
Goodwill	125	123	137	137	137	137	137	0.0%
Associates	0	0	0	0	0	0	0	n.m.
Non-core assets	13	16	15	15	15	15	15	0.0%
Long-term assets	166	170	194	197	202	208	216	2.6%
Total assets	379	470	516	624	751	915	1,103	20.9%
EUR mn, FY to Dec. 31	2003	2004	2005	2006E	2007E	2008E	2009E	CAGR 2005-2009
Trade and other payables	25	34	49	57	64	75	86	15.0%
Short-term interest-bearing debt	15	11	1	1	1	1	1	0.0%
Other current liabilities	23	33	79	81	78	90	104	7.1%
-Accrued liabilities	23	33	79					n.m.
Current liabilities	62	78	129	139	142	166	191	10.3%
Long-term interest-bearing debt	8	14	12	12	12	12	12	0.0%
Pension provisions	0	0	0	0	0	0	0	n.m.
Other provisions	22	22	17	17	17	17	17	0.0%
Long-term liabilities	31	36	29	29	29	29	29	0.0%
Shareholders' equity	284	355	358	456	580	721	883	25.3%
Minority interests	3	1	0	0	0	0	0	n.m.
Equity & l.t. liabilities	317	392	387	485	609	750	911	23.9%
Total liabilities & sh. equity	379	470	516	624	751	915	1,103	20.9%

Source: company, Lombard Odier Darier Hentsch estimates

Nobel Biocare - Balance Sheet Analysis

Working Capital Analysis		2003	2004	2005	2006E	2007E	2008E	2009E	CAGR 2005-2009
Net working capital (NWC)	EUR mn	55.5	37.9	28.9	40.7	58.2	67.8	78.3	28.3%
NWC/revenues	%	16.6	9.8	6.0	6.8	8.2	8.2	8.2	8.3%
Working capital	days	60	35	21	25	30	30	30	8.3%
Inventory	days	24	16	22	20	18	18	18	-5.3%
Receivables	days	87	81	95	90	85	85	85	-2.7%
Payables	days	27	32	37	35	33	33	33	-2.5%
Other current liabilities	days	25	30	59	50	40	40	40	-9.3%
Capital Structure		2003	2004	2005	2006E	2007E	2008E	2009E	CAGR 2005-2009
Average equity	EUR mn	248.1	355.1	356.4	407.0	518.1	650.5	801.9	22.5%
Financial position	EUR mn	86.8	170.1	151.1	235.2	336.5	461.9	605.2	41.5%
Average financial position	EUR mn	46.9	170.1	160.6	200.0	300.0	450.0	600.0	39.0%
Capital employed	EUR mn	199.2	186.2	206.6	221.2	243.4	259.2	277.4	7.6%
Average capital employed	EUR mn	204.1	186.2	196.4	213.9	232.3	251.3	268.3	8.1%
Equity/total assets	%	75.6	75.8	69.4	73.1	77.2	78.8	80.0	3.6%
Gearing (year-end)	%	-30.6	-47.9	-42.2	-51.5	-58.0	-64.1	-68.6	12.9%
Return on financial position	%	-1.3	0.0	-2.7	0.0	0.0	0.0	0.0	n.m.

Source: company, Lombard Odier Darier Hentsch estimates

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Nobel Biocare - Summary & Valuation

Aggregate Data		2003	2004	2005	2006E	2007E	2008E	2009E	CAGR 2005-2009
Revenues (net)	CHF mn	517.7	602.0	751.0	921.4	1,097.4	1,278.3	1,476.9	18.4%
EBITDA	CHF mn	166.2	214.1	271.4	340.4	403.1	468.3	540.5	18.8%
EBIT	CHF mn	135.2	183.1	251.6	313.3	373.1	434.6	502.2	18.9%
Net profit (reported)	CHF mn	111.4	148.2	239.8	243.3	288.1	333.6	383.1	12.4%
Net profit (adjusted)	CHF mn	120.1	158.4	195.5	243.3	288.1	333.6	383.1	18.3%
Enterprise value	CHF mn	3,056.8	5,039.0	7,266.8	7,306.2	7,215.1	7,086.7	6,930.5	-1.2%
Growth (CHF)		2003	2004	2005	2006E	2007E	2008E	2009E	
Revenues (net)	%	10.9	16.3	24.7	22.7	19.1	16.5	15.5	
EBITDA	%	24.7	28.8	26.8	25.4	18.4	16.2	15.4	
EBIT	%	30.6	35.4	37.4	24.5	19.1	16.5	15.5	
Net profit	%	101.3	33.0	61.8	1.5	18.4	15.8	14.8	
Book value	%	37.7	25.3	0.7	27.6	27.1	24.4	22.4	
Per-Share Data		2003	2004	2005	2006E	2007E	2008E	2009E	CAGR 2005-2009
EPS (reported)	CHF	4.4	5.8	9.28	9.33	10.96	12.58	14.32	11.5%
EPS (adjusted)	CHF	4.7	6.2	7.5	9.3	10.9	12.5	14.3	17.3%
EBITDA	CHF	6.5	8.4	10.5	13.1	15.3	17.7	20.2	17.8%
EBIT	CHF	5.3	7.1	9.7	12.0	14.2	16.4	18.8	17.9%
Cash flow	CHF	5.6	7.8	8.5	10.4	12.1	13.9	15.8	16.7%
Op. cash flow	CHF	5.1	7.9	6.5	9.7	11.1	13.3	15.2	23.8%
Op. free cash flow	CHF	4.7	7.3	5.9	9.1	10.4	12.5	14.2	24.8%
BVPS (reported)	CHF	17.3	21.5	21.5	27.1	34.2	42.2	51.2	24.3%
BVPS (adjusted)	CHF	16.5	20.3	20.5	26.0	33.0	41.0	49.9	24.9%
Average financial position	CHF	5.3	10.3	9.1	14.0	19.8	27.0	35.1	40.3%
Enterprise value	CHF	120.1	196.7	281.2	280.3	274.4	267.2	259.2	-2.0%
Dividend	CHF	1.3	2.6	3.5	3.7	3.0	3.5	4.0	3.2%
Payout	%	30.0	45.7	38.0	40.0	27.4	27.8	27.9	-7.4%
Valuation (CHF)		2003	2004	2005	2006E	2007E	2008E	2009E	
P/E (reported)	x	66.9	50.7	31.6	31.4	26.7	23.3	20.5	
P/E (adjusted)	x	62.2	47.6	38.9	31.5	26.9	23.4	20.5	
Market cap/revenues	%	615.7	880.5	998.8	832.5	705.0	610.4	532.8	
P/Cash flow	x	52.4	37.8	34.4	28.1	24.1	21.1	18.5	
P/Op. cash flow	x	57.7	36.9	45.3	30.2	26.4	22.0	19.3	
P/Op. free cash flow	x	63.0	39.9	49.8	32.2	28.2	23.4	20.6	
P/Book (reported)	x	17.0	13.6	13.7	10.8	8.6	7.0	5.7	
P/Book (adjusted)	x	17.8	14.4	14.3	11.3	8.9	7.2	5.9	
Dividend yield	%	1.1	1.3	1.2	1.3	1.0	1.2	1.4	
EV/Sales	x	5.9	8.4	9.7	7.9	6.6	5.5	4.7	
EV/EBITDA	x	18.4	23.5	26.8	21.5	17.9	15.1	12.8	
EV/EBIT	x	22.6	27.5	28.9	23.3	19.3	16.3	13.8	
EV/Op. cash flow	x	23.7	24.8	43.5	28.9	24.7	20.0	17.1	
EV/Op. free cash flow	x	25.8	26.8	47.8	30.8	26.4	21.4	18.2	
Profitability Ratios		2003	2004	2005	2006E	2007E	2008E	2009E	
ROE (Group)	%	44.9	41.7	67.3	59.8	55.6	51.3	47.8	
ROE (adjusted)	%	47.2	48.8	70.5	62.2	57.5	52.7	48.8	
ROE (minorities)	%	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	
ROA	%	29.4	31.5	46.5	39.0	38.4	36.4	34.7	
ROCE	%	54.6	79.6	122.1	113.7	124.0	132.7	142.8	

Source: company, Lombard Odier Darier Hentsch estimates

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SMI Stocks

Buy: We expect the stock to outperform the SMI by >5% on a 12-month horizon*

Hold: We expect the stock to perform in line (+/-5%) with the SMI on a 12-month horizon*

Reduce: We expect the stock to underperform the SMI by >5% on a 12-month horizon*

Sell: We believe the stock carries high fundamental risks as an investment

Not Rated: Either Lombard Odier Darier Hentsch has very close links with the company and thus cannot claim to have an independent opinion on the stock, or the stock is in a period during which a rating is not permitted (IPO blackout period, Secondary Offering blackout period, etc.)

Under Review: The information available on the company is currently not sufficient for our analysts to express an opinion on the stock

Non-SMI Stocks

Buy: We expect the stock to rise by >15% in Swiss francs and to outperform the SPI Small & Mid Cap Index on a 12-month horizon*

Hold: We expect the stock to rise by 0%-15% in Swiss francs on a 12-month horizon*

Reduce: We expect the stock to decline in Swiss francs on a 12-month horizon*

Sell: We believe the stock carries high fundamental risks as an investment

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* The Bank reserves the right to waive repeated rating adjustments in periods of high stock volatility.

Distribution of Ratings for SMI and Non-SMI Stocks as at December 31, 2005 (updated quarterly)

SMI Stocks

Ratings	Count	%	Investment banking services provided within the last 36 months	
			Count	%
Buy	19	73%	2	67%
Hold	7	27%	1	33%
Sell*	0	0%	0	0%
Not Rated	0	0	0	0%
Under Review	0	0	0	0%

* This category includes stocks rated as a Reduce and as a Sell

Non-SMI Stocks

Ratings	Count	%	Investment banking services provided within the last 36 months	
			Count	%
Buy	26	31%	4	25%
Hold	53	62%	9	56%
Sell*	4	5%	1	6%
Not Rated	2	2%	2	13%
Under Review	0	0%	0	0%

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