

AO Feedback – Market Deteriorating But No Disaster

Feedback from the US Academy of Osseointegration

In this note we provide feedback from the 24th **Academy of Osseointegration**, the largest US dental implant meeting, which was held on 26-28 February 2009.

Q1 2009 - based on discussions with the majority of the implant producers, we believe that ~ 50% of companies see growth rates stable in Q1 CY09 when compared to Q4 CY08, while the remainder cites a further deterioration. As a result, we estimate that worldwide industry constant currency growth rate will fall from 0% in Q4 CY08 to around -2-3% in Q1 CY09. **This is not a disaster** and is likely to be viewed as a relief to the generally low investor expectations for Q1.

Pricing – although a number of companies such as Nobel Biocare (NOBE) and Straumann (STMN) have raised list prices in CY09, we are generally witnessing a greater level of discounting within the industry, in response to more price sensitive physicians, whose practices are being negatively affected by the recession.

Competition – premium dental implant manufacturers continue to lose market share to the “value” segment (perhaps at a faster rate than before), which offer implants with increasing “real world” clinical data and reasonable service levels at lower price points. We believe premium pricing is unlikely to be sustained, should companies be unable to materially differentiate products over the next 2-3 years.

Market Growth Outlook - Lowering Estimates

CY09E – we are lowering our ww constant currency market growth rate from 4% to 0% reflecting falling procedure volumes and more aggressive industry pricing.

CY10E – we are lowering our ww constant currency (cc) market growth rate from 11% to 10% and continue to assume some recovery in the broader economy.

Earnings Changes

NOBE: Sales lower by -4.3%, to EUR629m and represents -5% cc growth. **EBIT** down -11.8% to EUR146m. **EPS** down -15.7% to EUR0.85, implying -15% growth.

STMN: Sales unchanged at CHF784m, but cc growth down to +0.6% vs. +2.9% previously. **EPS** (b/f goodwill) raised +3.0%, to CHF10.21, implying -12% growth, with the increase driven by the potential for better cost management.

Investment Conclusion - Underweight

While the dental implant market is continuing to deteriorate, there are no signs of a procedure meltdown, suggesting NOBE's and STMN's share prices could be relatively robust moving into Q1 CY09 results. Nevertheless, we retain our “Underperform” on **NOBE** and **STMN**, with the view that there is a 50% chance that industry growth rates deteriorate significantly (i.e. -10%) in 2H CY09E, which would result in additional material earnings reductions. Furthermore, increased competition from “value” players with growing financial strength will not be helpful.

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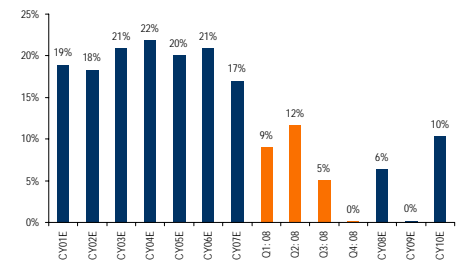
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Table 1: Dental Implant Ratings Summary

Company	Recommendation	Rating	PO
Europe			
Nobel Biocare	Underperform	B-3-8	CHF13.7
Straumann	Underperform	B-3-7	CHF130

Source: BAS-ML estimates

Chart 1: WW Dental Implant Market Growth



Source: BAS-ML estimates. Represents organic local currency growth. Dental Implants exclude CAD/CAM and regeneratives.

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Detailed Feedback from AO

The 24th Annual meeting of the Academy of Osseointegration kicked off on 26 February 2009 in San Diego, United States. In our view the meeting provided an excellent platform to get an update on: 1] Impact of a softer global economy on the demand for dental implant procedures; 2] Competitive developments, particularly from the faster-growing “value segment” and 3] New product launches.

Nobel Biocare - Underperform

Provided below is our feedback on Nobel Biocare (NOBE), which includes Company Strategy, Acquisition Potential, Cost Savings, and New Product launches and Research & Development.

Company Strategy - Update

Short-Term Developments - Ruffling Some Feathers

We received a clear message from our discussions with NOBE customers that the concept of a price increase (albeit small at ~2-3%) in January 2009 was “insensitive” in light of the severe global recession and the difficulties that some of its customers are experiencing. This in our view has not been helpful in “healing” some of the stressed relationships of the past, especially when some of NOBE’s key competitors have told clients that prices will be kept flat for 2009. Furthermore, the timing of reducing discounts in Q4 2008 was also described by some customers as not conducive to viewing NOBE as “partner” that is able to work with customers through a very difficult economic period. Customers cited various other companies that have become far more approachable on “sharing” the burden of the economic difficulties, which has resulted in some customers shifting business away from NOBE. We suspect this newly created headwind may have a negative sales growth effect for most of FY09E.

Long-Term Focus - Industry Likes the Changes

Our discussions with AO participants, which included physicians as well as competitors, suggest that the strategic direction implemented by the relatively new management team, lead by Dominico Scala, is a significant improvement over what had happened under the previous leadership. Specifically, most physicians we talked to believe that Nobel Biocare is regaining respect within the industry, through less aggressive marketing campaigns, less focus on driving GP volumes, more focus on R&D, and rebuilding a knowledgeable sales force. However, we get the impression that the management changes are unlikely to have any dramatic effect over the next 12-months, in regaining significant relative sales growth momentum. Doctors who have left NOBE appear to be generally happy with their new competitor implant system and service levels and do not see any immediate need to return. Furthermore, it appears that the knowledge depth of the sales force is not yet restored to the pre Heliane Canepa days, which for the time being still appears to be a relative weakness and may take another 12-18 months to fix itself. Overall, we believe Domenico Scala is approaching NOBE’s challenges in a very energetic and thoughtful way and we have no doubt that the company will be in a significantly stronger position in 12 months time.

Acquisition Potential

Following last week's Financial Times article suggesting several companies such as AstraZeneca could be interested in acquiring NOBE, it was not surprising that this equated to a major discussion point at the AO meeting. While we firmly believe that general dental implant M&A is on the cards over the next 24 months, we believe it may not involve NOBE for the following reasons:

- **Not a forced seller** – while NOBE is losing meaningful market share, we do not believe that this causes the Board to be a forced seller. We estimate that the collapse in the company's valuation is broadly driven 50% by company-specific challenges and 50% by the macro economic environment. Hence a take-out premium of, for example, 50-60% may be unappealing to the Board, as this is where the share price would comfortably be when the economy recovers, which could be as early as 2010. Hence, why not wait 12-18 months and then get an additional control premium on top of the appreciated share price? Furthermore, in 12-18 months NOBE's restructuring initiatives should start to show a turn-around, which would add incremental value to NOBE's share price. Hence, unless a potential acquirer would offer a 100% premium, we see no reason why the Board would be a motivated seller.
- **Market Uncertainty** – we believe the macroeconomic meltdown is adding an additional level of complexity for any potential buyer, on the basis that we are seeing the emergence of a more price-sensitive physician, a trend that is driving increased awareness for "value" based dental implant companies. This may accelerate or heighten the risk to an acquirer that NOBE may not be able to defend its relatively high margins longer-term and thus it may be wiser to use a wait-and-see approach.
- **AstraZeneca** – the speculated acquisition by AstraZeneca in our view is unlikely as it would probably require divestments in a number of countries, where the combined market share with Astra Tech may be too high, such as Scandinavia, driving dis-synergies. Furthermore, our industry contracts suggest that AstraZeneca itself may have recently shopped Astra Tech itself, which if true, would suggest an unwillingness to participate in the dental implant industry longer-term.

Chart 2: New Procera Scanner



Source: Nobel Biocare

New Product Launches

As previously announced, NOBE launched a number of new products at the AO and the Chicago Mid Winter Meeting, including an improved NobelProcera product range and additional features for its NobelGuide treatment concept. In our view, the most relevant driver is likely to be its new optical Procera scanner, which addresses the ageing and increasingly less appealing Piccolo and Forte scanners. It appears that the retail price is around US\$38,000 and comparable to other competitor offerings. While the current economic climate, in our view, is not ideal for the launch of any new capital equipment, we do believe it was necessary from a defensive perspective and may actually add a couple points of sales growth to NOBE's FY09E, albeit at a lower margin.

Cost Savings - Strong Focus

It appears that NOBE is increasingly focused on adjusting its cost base to declining revenues. While it is known that NOBE has no intention to hold a World Congress or World Tour in 2009, which in FY08A is estimated to have cost around EUR12-14m (hence this exclusion alone could boost EBIT margins by ~2% points in FY09E), we are seeing further cost reduction initiatives behind the scene. For instance, client entertainment events such as the "House of Blues Party" at the AO have been shelved at an estimated saving of \$200,000. We suspect many other similar events have been removed from the schedule for FY09E. We suspect these initiatives have the potential to keep FY09E EBIT margins stable with FY08A at 24.1%, although we have factored in 23.3% to reflect the likelihood of a potential decline in revenues.

R&D - Returning Back to its Roots

During the AO we had the opportunity to get an update from the recently appointed head of R&D, Hans Schmotzer, to get a better understanding of the long-term development program at the company. We get the impression that the medium-term focus is building out a fully integrated and harmonious treatment solution for patients with missing teeth. This appears to include a relatively greater focus on the restorative segment rather than on dental implants. Also in focus is the improvement of infection prevention. The development program for its BMP2 implant is ongoing, but we get the impression it is viewed as more of a niche product and hence there may be no urgent need to get it to market.

Conclusion - Underperform

We retain our Underperform and 12-month price target of CHF13.7 per share. While we acknowledge the tremendous effort the new management team has put in to address the company-specific problems created by the previous leadership, we think it will take another 12 months before the improvements may be visible on the top line. Furthermore, we remain concerned that the dental implant market could deteriorate more strongly for the remainder of 2009, which would result in additional earnings downgrades as a result of a business model that is subject to strong operating leverage. Finally, we continue to view the "value" based competition as a serious threat to the premium-based dental implant companies, such as NOBE, should it be unable to develop products that provide valuable product differentiation and benefits to the patient and physician. These comments should also be read in conjunction with its relatively lofty valuation to the global orthopedics peer group, which stands at a 20% P/E premium on a CY09E followed by a 17% premium on a CY10E.

Straumann - Underperform

Provided below are our Straumann (STMN) findings from the AO meeting, which include the Bone Level Implant, SLActive, Pricing Policy, and incremental Generic Risk.

Bone Level - Add +2% Growth Points in FY09E?

We believe STMN continues to receive strong praise for introducing its bone level implant (many dentists think this should have been done in the late 1990s), which allows the company to attract customers who prefer a two-stage versus a one-stage system. As highlighted in previous research reports, we consider its bone level implant more of a “me too” product rather than any material innovation; its previous focus on only its innovative “single stage” implant had resulted in the loss of material sales opportunities in the US, which we believe is still very much a “two-stage” market. By having a full product portfolio, it is clear from our AO discussions that SMTN users are increasingly considering using STMN not just in the posterior but also in the anterior zone, where the aesthetic outcome is more important. With this backdrop, STMN continues to have a major opportunity to expand its customer base in 2009, which should allow it to outgrow the “premium” segment (but still likely lose share to the faster-growing “value” segment).

Table 2: Estimated Bone Level Growth Impact for Straumann

Additional sales in bone-level - FY07E	Europe	US	APAC	WW
FY07A Sales (CHFm)	459	154	81	714
Organic Growth	8.9%	12.1%	8.5%	10.7%
Potential increase to sales from bone-level (x)	0.8x	2.3x	1.2x	1.1x
Potential additional sales from bone-level (CHFm)	375	360	99	804
Percentage of loyal STMN customers (%)	20%	20%	20%	20%
Potential additional sales to loyal customers (CHFm)	75	72	20	161
Actual bone-level sales as % of potential (%)	4%	4%	0%	4%
Actual additional sales from bone-level (CHFm)	3	3	0	6
Incremental additional sales from bone-level (CHFm)	3	3	0	6
Growth contribution of bone-level	0.8%	1.9%	0.0%	1.0%
Additional sales in bone-level - FY08E	Europe	US	APAC	WW
FY08A Sales (CHFm)	500	159	96	779
Organic Growth	11.4%	12.6%	7.9%	11.5%
Potential increase to sales from bone-level (x)	0.8x	2.3x	1.2x	1.1x
Potential additional sales from bone-level (CHFm)	409	371	118	877
Percentage of loyal STMN customers (%)	20%	20%	20%	20%
Potential additional sales to loyal customers (CHFm)	82	74	24	175
Actual bone-level sales as % of potential (%)	15%	15%	5%	14%
Actual additional sales from bone-level (CHFm)	12	11	1	25
Incremental additional sales from bone-level (CHFm)	9	8	1	19
Growth contribution of bone-level	2.0%	5.3%	1.5%	2.6%
Additional sales in bone-level - FY09E	Europe	US	APAC	WW
FY09E Sales (CHFm)	485	167	106	784
Organic Growth	2.7%	-4.0%	-5.0%	0.6%
Potential increase to sales from bone-level (x)	0.8x	2.3x	1.2x	1.1x
Potential additional sales from bone-level (CHFm)	397	389	130	883
Percentage of loyal STMN customers (%)	20%	20%	20%	20%
Potential additional sales to loyal customers (CHFm)	79	78	26	177
Actual bone-level sales as % of potential (%)	25%	25%	10%	24%
Actual additional sales from bone-level (CHFm)	20	19	3	42
Incremental additional sales from bone-level (CHFm)	8	8	1	17
Growth contribution of bone-level	1.5%	5.2%	1.5%	2.2%

Source: BAS-ML estimates

We estimate that STMN achieved ~2.6% points of additional organic growth in FY08A on the back of the bone-level implant, with 14% penetration of its loyal customers' business for a total of CHF25m of sales and CHF19m incremental sales. We view the bulk of these sales coming from the Europe and US.

For **FY09E**, we estimate an additional ~2% points of organic growth from the bone-level implant off CHF42m of sales and CHF17m of incremental sales, as worldwide penetration of STMN's loyal customer base rises to 24%.

Our general estimates are based on the following assumptions:

- **Market share** - STMN can potentially double its sales assuming it can take same market share in bone-level segment as it currently holds in the tissue-level segment;
- **Loyal customers** - 20% of STMN's customers are loyal customers, who would switch most of their bone-level practice onto SMTN's implants;
- **Actual use** - of STMN's implants among loyal customers is ~4% of the potential in FY07A, 14% in FY08A and 24% in FY09E; and
- **Little cannibalization** - there is little cannibalization of sales of existing tissue-level implants.

SLActive - Add +1% Growth Point in FY09E?

Through the roll-out of its launch of SLActive in 2007, STMN has been able to achieve a material growth contribution from the 25-30% price premium it gets over the older SLA offering. To get a better understanding of the growth contribution of SLActive over the years, we have decided to provide a high-level reconciliation. Based on our estimates, we calculate that SLActive contributed +2% additional points to growth in FY08E. We tried to reconcile our calculation with SMTN, but the company's policy is not to disclose this level of detail.

Table 3: Impact of SLActive on Group Local Currency Growth

Dec Y/E (CHFm)	FY06A	FY07A	FY08A	FY09E
Total Sales	599	714	779	784
LC Growth	16.1%	17.1%	14.6%	1.3%
Biora	15	18	27	34
etkon	0	27	45	54
Abutments	195	223	236	232
Dental Implant Sales	389	445	471	463
Dec Y/E (CHFm)	FY06A	FY07A	FY08A	FY09E
Dental Implant Sales	389	445	471	463
SLActive Penetration	6%	20%	30%	40%
SLActive Price Premium	25%	25%	25%	25%
SLActive Total Sales	6	21	33	42
SLActive Incremental Sales	5	15	12	9
SLActive Growth Contribution	1.0%	2.6%	1.6%	1.2%

Source: BAS-ML estimates

If we assume the SLActive penetration rate can hit 40% (which may be challenging in a more price-sensitive environment), FY09E growth would benefit by +1% point.

Chart 3: Sybron Dental Implant Offer

UNCOMPROMISED QUALITY. EXTRAORDINARY VALUE.

SybronPRO™ TL

Why Pay More? Special \$149 per implant!

55% DISCOUNT save \$3,920*
Purchase 20 implants
RECEIVE FREE Surgical Kit

60% DISCOUNT save \$12,882*
Purchase 50 implants
RECEIVE FREE Transfer Kit, 2 Healing Abutments

65% DISCOUNT save \$28,110*
Purchase 100 implants
RECEIVE FREE 2 Transfer Kits, 4 Healing Abutments

Visit us at Booth #916

Source: Sybron Dental

Pricing Policy - Not Appreciated in Downturn

STMN has decided to raise prices in January 2009 by an estimated 2-3%, which similar to the comments made about NOBE, has been described by several customers as unfortunate, given the economic challenges dentists are seeing at their practice. While we believe the price increase is unlikely to cause any broader harm, given its loyal customer base, we do think this strategy provides incrementally more “emotional” incentive for users to consider lower-priced alternatives. While STMN is considered to have a quality product, there are a number of companies that are offering clones with 3-5 years of clinical data, such as Sybron PRO, but with a 2009 pricing special offering discounts of 55-65%; furthermore, the price is guaranteed for all of 2009. We believe such offers will only add to some of the negative goodwill that is generated by rising prices in a sharp economic downturn.

Implant Direct - Do Not See Major Headwind

In Q1 FY09, US-based Implant Direct has launched its SwissPlant product range, which is intended to attract Straumann users of the Standard and Standard Plus implants, based on savings of around 75% compared to list prices.

Chart 4: ImplantDirect Offering

ScrewPlus Implant vs Straumann's ITI Tapered Implant

ScrewPlus Implant Packaging Includes: Fixture Mount (Transfer & Final Abutment), Cover Screw, 2mm Extender and Snap-on Comfort Cap

Straumann Tapered Implant: SLA Surface = \$335, SLActive Surface = \$385

COMPARE U.S. List Price	ITI Tapered Implant (SLActive Surface)	Screw Plus Implant (SB M Surface)
Implant	\$385.00	\$150
Cover Screw	\$43.00	Included
Healing Cap	\$50.00	2mm Included
Straight Abutment	\$145.00	Included
Protective Cap	\$8.00	Included
Transfer	\$16.00	Included
TOTAL US LIST PRICE	\$647.00	\$150
SAVINGS	4X	76.5%

ITI is a Registered Trademark of Straumann Company

Source: ImplantDirect

Unlike ImplantDirect's Replant product, which in our view effectively targeted Nobel Biocare's Replace offering, we think that ScrewPlus will be less successful due to Straumann's exceptionally loyal customer following. While it may cause some headwind in FY09E and FY10E, we do not see it as a major risk over the intermediate term, with perhaps a 1% point of lost sales growth.

Conclusion - Underperform

We retain our Underperform and 12-month price target of CHF130.2 per share. While we acknowledge STMN's strong product pipeline, which should continue to allow it to grow above the premium-priced market in 2009, we remain concerned that the dental implant market could deteriorate more strongly for the remainder of 2009, which could result in additional earnings downgrades as a result of a business model that is subject to strong operating leverage. In addition, we continue to view the "value" based competition as a serious threat to the premium-based dental implant companies, such as STMN, should it be unable to develop products that provide valuable product differentiation and measurable benefits to the patient and physician (its upcoming Roxolid technology may be able to achieve this). These comments should also be read in conjunction with its relatively lofty valuation to the global orthopedics peer group, which stands at a 50% P/E premium on a CY09E followed by a 46% premium on a CY10E.

Other Tidbits

Astra Tech - Still Outgrowing Premium Segment

We estimate that AstraTech increased its dental implant business in 2008 at 12-14% in constant currency (the US a little faster), which is a sharp slowdown from the previous year of 30% growth, driven by broader economic factors, which started to be visible in Q3 of 2008. Nevertheless, the growth rates suggest it is the fastest-growing company in the premium-priced segment, as it continues to benefit from the following:

- **Strong investments** - from its parent AstraZeneca, especially over the past 3-4 years. This includes sales force expansion, product development, education and training and marketing;
- **Nobel Biocare Mistakes** – Astra Tech continues to be viewed as the new “old Nobel Biocare”, an organization focused on research, which is helping to drive customer conversions from the industry leader; and
- **Atlantis** – we believe the Atlantis acquisition has worked well with growth rates well above 40% level, driven by the demand for customized abutments and an expanding range for virtually all implants.

A key focus continues to be the lower-penetrated US and Canadian market, in which we estimate they have a total of more than 120-130 sales representatives, consisting of dental sales reps, lab sales reps and regional managers.

Outlook - Flat Market Growth

Based on company commentary, it appears that market expectations are for flat growth in CY09E, with a view that Astra Tech is able to outgrow the market. However, unlike previous years, the company expects to invest less aggressively in sales force expansion, focusing more on existing resources to drive growth.

Biomet (3i)

Biomet's penetration of its Nanotite surface seems to have stalled over the past 12 months, achieving an estimated 55% penetration in the US, while Europe was lower at 20%; on a worldwide basis, we see penetration rates at 35-40%. In fact, it appears that penetration rates may have fallen a little over the past 12-months, which could be potentially driven by a tougher economic backdrop wherein physicians are trying to be a little more cost conscious.

New Products

With respect to new product launches, we are seeing the European roll-out of the Encode Complete Restorative System, which is an innovative solution to achieve custom milled CAD/CAM patient specific abutments. In the US we are seeing the expansion of the Encode product portfolio to include for the first time Zirconia abutments and not only titanium.

Outlook - Flat to Down Market

While the company highlighted the difficulties in making projections about the dental implant market, we get the impression that the market may be flat to down. Based on our field checks, we would not be surprised if Biomet's 3i next quarterly result demonstrates the ongoing challenging market conditions.

Dentsply - Outgrowing the Premium Segment

While Dentsply's Friadent dental implant subsidiary is very much a European-based operations, its decision to consolidate its dental implant and endodontics into a combined sales force of 180-190 reps over one year ago has resulted in noticeable benefits for its US operations. On a global basis we estimate that Friadent was growing at 10-12% in constant currency in CY08E, although we believe growth may have slowed to the low single digits in Q4 2008.

New Products

Dentsply is currently launching its Ankylos C/X implant in the US (was launched in Europe in October 2008), which comes with the added advantages of selecting either non-indexed or indexed prosthetics for simplified abutment positioning and new delivery system for implants with a better view of the implant shoulder. It appears the price premium is around +15%. At the International Dental Show, we expect the company to launch Xive guided surgery and CAD/CAM functionality for its Ankylos product range.

Outlook - Should Outgrow Premium Segment in 2009

While we received no specific guidance on market growth rate for dental implants, we did get the impression of flat growth. In this context, we estimate that Dentsply should be able to grow in line or faster than the premium-priced segment.

Zimmer - More Investment Requirement

We understand that ZMH Dental is re-engaging physicians with education and training following the decision last year to discontinue most courses following the Department of Justice Settlement in its hip and knee division. We understand that for FY09E, Zimmer Dental intends to host around 20 courses (compared to virtually none in 2008), which may help restore some physician relationships, but overall we think material damage has been done to its long-term relationships, which is likely to plague it for many quarters to come. As a result, we would not be surprised if ZMH will continue to grow materially below the premium segment in FY09E/ FY10E, resulting in permanent market share losses of 1-2% points.

Price Strategy

We get the impression that ZMH is responding to a more difficult recessionary environment by working more closely with customers on the topic of price. As a result, we are of the view that ZMH became more flexible with discounts toward the end of Q4 2008 and moving into 2009. Part of the more-flexible pricing policy also appears to be driven by a more competitive environment.

New Products

While ZMH did not launch any material new products, the ones they did include a DBM putty and contoured angled zirconium abutments.

Other Comments

ZMH appears to be seeing a negative mix shift development (similar to what Nobel Biocare has seen) wherein larger cases are slowing down, while smaller cases requiring 1 to 2 implants continue to be quite robust.

Outlook - Flat to Down Market

While ZMH should eventually benefit from re-engaging with physicians through new training and education courses, we think the repercussions from the decisions in 2008 are likely to continue to provide a headwind into 2009. As a result, we estimate that ZMH is likely to lose market share over the next 12 months.

Other Companies

BioHorizon - Value-Based Offerings Work

Our field checks suggest that BioHorizon expanded its dental implant business (i.e. excluding its lab business) in 2008 at 21% in constant currency with estimated sales of US\$66-70m. Furthermore, we understand that growth continued strongly into 2009, helped by an attractive pricing policy that is below the premium-priced implant companies. Growth unfortunately appears to be affected by sub-par performance by some of its distributors, while countries with a direct sales force are showing very strong growth rates.

ImplantDirect - Pursuing A Unique Sales Channel

We estimate that ImplantDirect is currently showing monthly sales of approximately \$3-3.2m, which would equate to an annual run rate of \$36-38m compared to ~\$25m for FY08E. With additional geographic expansion, marketing programs and a new Straumann compatible implant, we believe the company may be aiming as high as \$45-47m for CY09E. Although we don't have any firm data points, we suspect that 40-50% of sales come from Nobel Biocare compatible implants (i.e. with the tri-lobe connection), 20-30% Zimmer compatible implants, with the remainder coming from a broad range of other systems. We watch with great interest, whether its unique business model focused primarily on Internet selling, can show long-term growth in an industry that historically has relied on 'high-touch' selling. If successful, it may prompt other dental implant companies to shift a greater portion of their sales through their internet platform, driving the opportunity for reduced operating expenditure in the future.

However, it should be noted that new business models are not always suitable for everyone and we have heard of some staff turnover within ImplantDirect. Most recently we believe the company's US sales manager has left the organization and returned to Astra Tech.

Keystone Dental - Dental Implant Business Struggling

As a reminder, with the announcement on 16 January 2008, private equity firm Warburg Pincus purchased Lifecore Biomedical for an enterprise value of \$200m, which valued the dental implant segment at 3.4x EV/Sales. While we are not fully aware of the full strategic rationale, it appeared that its integration into Warburg Pincus' other dental asset of Keystone Dental (which supplies regenerative products such as DynaBlast and DynaGraft and dental implant software EasyGuide) could create a more powerful dental implant solutions company. However, based on our field checks, we get the impression that Lifecore, which is more focused on lower priced dental implant solutions, is underperforming its other "value" segment competitors. We suspect we may see some company specific changes over the next 12 months.

Neodent - Moving More Aggressively into US and Europe

One of the leading South American manufacturers of dental implants continues to see excellent performance and we estimate that 2008 growth rates equated to around 50% with estimated sales of \$60m, with similar growth rates achieved in Brazil and International markets. With the recession apparently showing increased interest in its lower priced implants, it appears the company is aiming for 50% growth in 2009, helped by the implementation of a direct sales force in the US and Mexico as well as engaging with distributors in new markets such as Germany and France. Furthermore, the company has or is intending to expand its production facility significantly to cater for the fast growth rates, in order to allow it to produce more than the 700,000 implants it sold in 2008.

Neoss - Medtronic Making Further Investments

On 8 January 2009, Neoss (which houses several ex Nobel Biocare people) raised an additional \$8.2m in financing to secure its growth in dental implants. The financing came largely from its current shareholders of MMC Ventures, Delta Partners, and Medtronic and a number of high net worth individuals. The funds are earmarked primarily for R&D and continued global sales network expansion.

Osstem - Adjusting to Different Markets Not Easy

After enjoying tremendous success in its familiar Asian markets with estimated global sales in 2008 of \$137m, Osstem is continuing to push into both US and Europe. In Europe, we believe market entry has been a little bit more challenging than first thought and it appears that recent direct sales force investments are being reversed, with a greater focus on distributors. Greater focus has shifted to the less-penetrated market of North America, where we believe it has increased its sales force from 15 in 2007 to around 65 at the end of 2008. We understand that Osstem is intending to double its sales in the US in 2009 to around \$20m; to get around the market perception that Asian developed implants are of lower quality, the company has re-branded its US operations from Osstem to HiOssen, which in our view does not sound any less Asian. However, with the help of a US production facility, the company intends to market its implants as "made in the United States".

In our view, the less successful year in Europe and partially United States is driven by the challenges of exporting a Korean-based business model. While labor is relatively cheap in Korea, its strong history of high service levels are more difficult to be replicated in Europe and United States, where labor costs are significantly more expensive.

New Products

With respect to product launches, we believe Osstem is working on a surgical guide with clinical trials expected to be completed in Korea in March 2009, with sales expected to begin in Korea within 2009. In overseas market, the guide is likely to be commercialized in 2010. Furthermore, we believe the company is aggressively working on a new implant surface, which could make its debut in 2010. By 2012, we expect Osstem to launch its first bioactive implant, which is likely to contain a synthetic peptide that is based on its own patent. So far the data suggests similar bone generation capabilities as BMP-2, but with the advantage of being cheaper to produce and easier handling.

Outlook

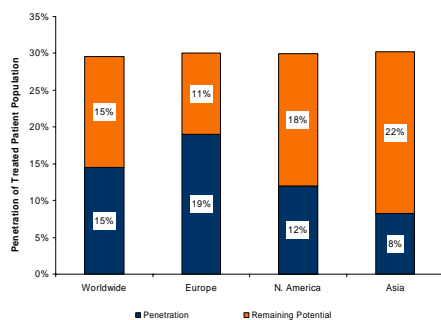
While 2009 is likely to be a tougher year for Osstem, driven by the potential for reduced demand in its home country of Korea, we do believe that Osstem will find a way of improving its presence in the US and Europe, which should allow it to grow above the market over the intermediate term.

Conclusion

On the basis that the feedback given to us by private companies is correct (we have no means of checking their accuracy and there sometimes is self interest to inflate numbers), it appears that the "value" orientated dental implant segment, which makes up an estimated 20% of the global market by value (perhaps as much as 40% by volume), continues to grow significantly faster than the overall market.

04 March 2009

Chart 5: Dental Implant Penetration Rates



Source: BAS-ML

Market Outlook

Based on discussions at AO with the majority of the implant producers, we believe that ~50% of companies see growth rates stable in Q1 CY09 when compared to Q4 CY08, while the remainder cites a further de-rating. As a result, we estimate that worldwide industry constant currency growth rate will fall from 0% in Q4 CY08 to around -2-3% in Q1 CY09. **This is not a disaster** in our opinion and is likely to be viewed as a relief to the generally low investor expectations for Q1. We maintain our view that the dental implant market will continue its slowdown from the consumer recession and that it will remain exposed through FY09E.

Market Slowdown to Continue in CY09

Our worldwide dental implant model suggests constant currency growth of 0% for the overall market in Q4 CY08E, but -5% for the premium segment.

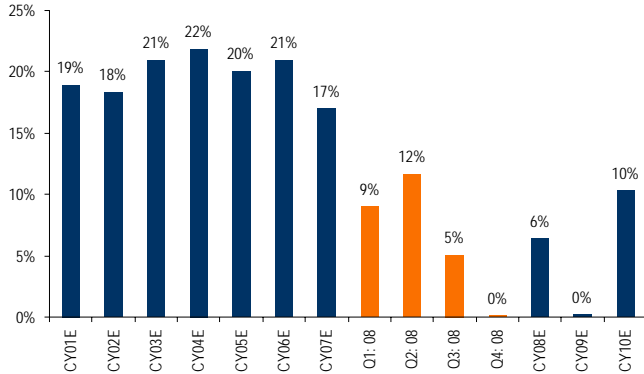
Table 4: Worldwide Dental Implant Market - Constant Currency Growth

Dec Y/E (US\$m)	CY01E	CY02E	CY03E	CY04E	CY05E	CY06E	CY07E	Q1	Q2	Q3	Q4	CY08E	CY09E	CY10E
Nobel Biocare	226	256	329	420	517	641	776	198	223	169	177	763	681	733
Growth (%)	12%	13%	28%	28%	23%	24%	21%	9%	9%	1%	-21%	-2%	-11%	8%
LC Growth (%)	17%	12%	19%	22%	25%	24%	15%	0%	-2%	-5%	-15%	-6%	-6%	8%
Straumann	137	165	249	320	386	451	557	163	179	143	139	630	578	615
Growth (%)	22%	20%	51%	29%	20%	17%	23%	19%	34%	10%	-11%	13%	-8%	6%
LC Growth (%)	24%	23%	24%	21%	15%	15%	12%	13%	23%	9%	4%	12%	1%	8%
Biomet (3i)	136	158	194	238	270	310	364	98	115	81	103	397	367	393
Growth (%)	15%	16%	23%	23%	13%	15%	17%	11%	23%	5%	-2%	9%	-8%	7%
LC Growth (%)	15%	16%	18%	19%	12%	15%	15%	5%	16%	-1%	2%	6%	-4%	7%
Dentsply	54	84	109	133	153	179	228	64	66	62	63	255	242	274
Growth (%)	32%	55%	30%	23%	15%	17%	27%	12%	16%	9%	11%	12%	-5%	13%
LC Growth (%)	17%	16%	15%	16%	15%	17%	21%	15%	13%	11%	4%	11%	-3%	13%
Zimmer	71	78	98	100	148	179	221	56	63	52	57	212	197	207
Growth (%)	111%	10%	25%	2%	48%	21%	23%	14%	12%	3%	-13%	-4%	-7%	5%
LC Growth (%)	5%	18%	16%	22%	18%	20%	18%	9%	6%	1%	-10%	1%	-7%	6%
Lifecore Biomedical	22	24	29	34	39	46	49	14	14	12	13	53	53	57
Growth (%)		12%	19%	18%	14%	18%	6%	10%	10%	8%	4%	8%	0%	8%
LC Growth (%)	9%	12%	17%	15%	14%	18%	4%	10%	10%	8%	4%	8%	0%	8%
Other	137	159	206	268	349	454	567	161	174	161	174	669	769	923
Growth (%)	24%	16%	30%	30%	30%	30%	25%	18%	18%	18%	18%	18%	15%	20%
LC Growth (%)	30%	30%	30%	30%	30%	30%	25%	18%	18%	18%	18%	18%	15%	20%
Total	783	924	1214	1515	1862	2260	2761	754	835	680	725	2980	2889	3203
Growth (%)	27%	18%	31%	25%	23%	21%	22%	14%	18%	8%	-5%	8%	-3%	11%
LC Growth (%)	19%	18%	21%	22%	20%	21%	17%	9%	12%	5%	0%	6%	0%	10%
Premium	625	741	979	1212	1474	1760	2145	579	647	507	538	2258	2067	2222
Growth (%)	-14%	19%	32%	24%	22%	19%	22%	13%	19%	5%	-11%	5%	-8%	8%
LC Growth (%)	17%	16%	19%	20%	18%	19%	15%	7%	10%	2%	-4%	3%	-3%	8%

Source: Company materials and BAS-ML estimates. Dental Implant for the purpose of this model does not include CAD/CAM or regeneratives.

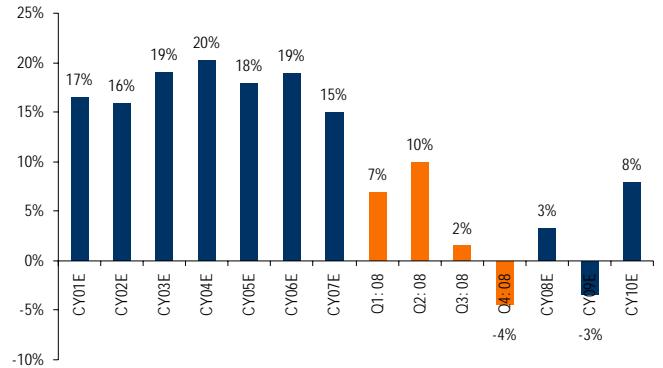
Looking forward, we have decided to reduce our forecast for constant currency growth in **CY09E** from +4% to 0%, with the premium segment at -3%, while the more value-oriented segment is expected to grow at +15%. In **CY10E**, we reduce growth from +11% to +10%, with continued expectations of economic recovery, as the premium segment grows +8% while the more value orientated segment grows at +20%.

Chart 6: Dental Implant Market Constant Currency Growth*



Source: Company materials and BAS-ML estimates. *Measured in constant currency

Chart 7: Dental Implant Growth for Top 5 Branded Manufacturers*



Source: Company materials and BAS-ML estimates. *Does not contain AstaTech due to the lack of data.

Premium Companies Continue Share Loss

In 2006 we highlighted that the growth rates of premium-priced dental implant companies were falling behind those of the lower-priced alternatives. Our most recent update suggests that this trend has continued, perhaps at an accelerating rate as highlighted by the falling growth rates of Nobel Biocare, Straumann, Biomet 3i, and Zimmer in 2007 and 2008. As smaller competitors typically compete on price (and to a lesser degree on service or product differentiation), these results suggest to us that physicians (both specialists and general practitioners) are becoming more price sensitive and less convinced that the premium-priced products have any material benefit. We suspect that the recession may be contributing to physicians increasingly experimenting with the implant offerings from companies that offer a greater level of perceived value.

Pricing Environment More Challenging

Based on our AO discussions, we get the impression that the more difficult economic environment as well as lower perceived product differentiation is contributing to physicians becoming more price sensitive. As a result, we are seeing several dental implant companies (large and small) publicly offering greater discounts. While Nobel Biocare and Straumann appear to be less flexible on discounts (at least from what we can observe), we wonder how long this can be sustained, from the perspective of maximizing profits. With the “value” based segment showing consistent above-market growth rates (i.e. suggesting a greater and greater acceptance of their products), we think it is only a matter of time before the premium-based companies may need to sharpen their pencils.

Conclusion - Market Outlook

While we have lowered our CY09E market growth rate from +4% to +0%, we continue to see potential for further downside risk to our forecast. In our view, the next data point is likely to be the International Dental Show, which is being held in Germany on 24-28 March 2009. Longer-term we expect the dental implant market to return to low-teens sales growth.

Earnings Changes

We have reduced our expectations for top-line growth (now -5.5% and 0.6% organic sales growth for NOBE and STMN) to reflect a continued slowdown in dental implant sales from the economic recession. Provided below is a summary of the earnings implications for NOBE and STMN.

Nobel Biocare FY09E Earnings Changes

Sales are down -4.3%, to EUR629m on a -630bp hit to constant currency growth now at -5% from the risk of selling non-reimbursed products in a negative consumer environment. Organic growth is now at -5.5%, with risk still on the downside from weaker consumers driving procedure volumes even lower.

Table 5: FY09E Earnings Changes

EURm (Dec Y/E)	Old	New	Chg (#)	Chg (%)
Europe	289.4	277.8	-11.6	-4.0%
North America	226.0	212.0	-14.0	-6.2%
Asia/Pacific	120.9	120.4	-0.5	-0.4%
RoW	20.1	18.3	-1.9	-9.3%
Total Sales	656.5	628.5	-28.0	-4.3%
Cost Of Goods Sold	-126.0	-141.4	-15.4	12.2%
Gross Profit	530.4	487.1	-43.3	-8.2%
Selling Expenses	-246.2	-229.4	16.8	-6.8%
Administration Expenses	-91.9	-86.1	5.8	-6.3%
Research & Development	-26.3	-25.1	1.1	-4.3%
EBIT	166.1	146.4	-19.6	-11.8%
Net Financial	-6.5	-6.7	-0.2	3.4%
EBT	159.6	139.7	-19.9	-12.5%
Tax Expense	-35.6	-34.9	0.7	-1.8%
Net Income (b/f Minorities)	124.0	104.8	-19.2	-15.5%
Minority Interest	0.0	0.0	0.0	NM
Net Income (b/f Non-recurring)	124.0	104.8	-19.2	-15.5%
Non-recurring	0.0	0.0	0.0	NM
Tax on Non-recurring	0.0	0.0	0.0	NM
Net Income (a/f Non-recurring)	124.0	104.8	-19.2	-15.5%
EPS (b/f Non-recurring) - basic	1.01	0.85	-0.16	-16.0%
EPS (b/f Non-recurring) - diluted	1.00	0.85	-0.16	-15.7%
EPS (a/f Non-recurring) - basic	1.01	0.85	-0.16	-16.0%
EPS (a/f Non-recurring) - diluted	1.00	0.85	-0.16	-15.7%
DPS total - normal	0.38	0.32	-0.06	-16.0%
Margin Analysis	Old	New	Chg (#)	Chg (%)
Gross Margin	80.8%	77.5%	NM	-3.3%
EBIT Margin	25.3%	23.3%	NM	-2.0%
Net Income Margin	18.9%	16.7%	NM	-2.2%
Effective Tax rate	22.3%	25.0%	NM	2.7%
Local Currency Growth	Old	New	Chg (#)	Chg (%)
Europe	-1.8%	-4.0%	NM	-2.2%
North America	-3.8%	-6.0%	NM	-2.2%
Asia/Pacific	1.5%	-5.0%	NM	-6.5%
RoW	3.0%	-10.0%	NM	-13.0%
Total	-1.7%	-5.0%	NM	-6.3%

Source: BAS-ML estimates

From weaker gross margin somewhat offset by tighter cost controls in sales and admin, we lower our EBIT by -11.8%, to EUR146m, for a -200bp drop in margin, to 23.3%. Net income is down -15.5%, to EUR105m, with EPS diluted (b/f Non-recurring) down -15.7%, to EUR0.85, representing -15.2% growth for the year.

Straumann FY09E Earnings Changes

STMN's revenue adjustments follow the same economic-driven reasoning as NOBE, offset by positive FX, with **Sales** forecast up +0.2% to CHF784m. We lower **local currency** growth -220bp, to +1.3% (**organic** growth of +0.6%).

Table 6: FY09E Earnings Changes

Dec Y/E (CHFm)	Old	New	Chg (#)	Chg (%)
Europe	476	485	9	1.9%
North America	175	167	-9	-5.0%
Asia / Pacific	106	106	0	0.1%
RoW	25	26	1	3.6%
Total Sales	782	784	1	0.2%
COGS	-156	-165	-9	5.7%
Gross Profit	626	618	-8	-1.2%
Other Income	6	2	-4	-60.8%
Selling Costs	-344	-327	17	-5.1%
General Administrative Costs	-66	-68	-2	2.5%
R&D	-41	-35	5	-13.3%
EBIT	180	190	10	5.5%
Net Financial Income	1	2	0	32.7%
Other Financial Income	0	0	0	NM
EBT	182	192	10	5.7%
Tax Expense	-31	-33	-2	5.7%
Net Income (b/f Minorities)	151	159	9	5.7%
Minority Interest	-1	0	1	-99.0%
Net Income (b/f Abnormals)	149	159	10	6.7%
Abnormals (after tax)	0	0	0	NM
Net Income (a/f Abnormals)	149	159	10	6.7%
EPS (b/f Abnormals & GW) - basic	10.04	10.22	0.18	1.8%
EPS (b/f Abnormals & GW) - diluted	9.92	10.21	0.30	3.0%
EPS (b/f Abnormals) - basic	9.62	10.22	0.60	6.3%
EPS (b/f Abnormals) - diluted	9.50	10.21	0.72	7.5%
DPS total - normal	3.17	3.37	0.20	6.3%
Margin	Old	New	Chg (#)	Chg (%)
Gross Margin	80.0%	78.9%	-1.1%	NM
Other income	0.8%	0.3%	-0.5%	NM
Selling costs	44.0%	41.7%	-2.3%	NM
General admin costs	8.5%	8.7%	0.2%	NM
R&D	5.2%	4.5%	-0.7%	NM
EBIT Margin	23.1%	24.3%	1.2%	NM
Net Income Margin	19.1%	20.3%	1.2%	NM
Effective Tax rate	17.0%	17.0%	0.0%	NM
Local Currency Growth	Old	New	Chg (#)	Chg (%)
Europe	2.2%	3.0%	0.8%	NM
North America	5.3%	-1.8%	-7.1%	NM
Asia / Pacific	5.0%	-5.0%	-10.0%	NM
RoW	13.0%	11.0%	-2.0%	NM
Group	3.5%	1.3%	-2.2%	NM

Source: BAS-ML estimates

With lower gross margin but cost cuts in SG&A and R&D, STMN's **EBIT** is raised +5.5%, to CHF190m, pushing EBIT margin up to 24.3%. Following on, **Net Income** is up +6.7%, to CHF159m, and **EPS diluted (b/f Abnormals & GW)** is up +3.0%, to CHF10.21 per share, representing a growth rate of -11.6% for the year.

Valuation Update

Provided below is a valuation update for NOBE and STMN using our Global Peer Group comparison, based primarily on Orthopedic companies.

Nobel Biocare - Underperform

Price / Earnings

On a **CY09E P/E** basis, we see NOBE trading at 14.4x, which is a 22% premium to its orthopedic peer group but a -14% discount to its closest peer STMN.

On a **CY10E P/E** basis, NOBE is trading at 12.7x; this is an 18% premium to the orthopedic peer group and a -14% discount to STMN.

Price / Growth

On a **Price to Growth** (PEG CY08) basis, NOBE is trading at 1.0x compared to STMN at 1.1x and orthopedics excluding NOBE at 1.0x.

Table 7: Nobel Biocare's Peer Group Comparison

Company	ML/BB Ticker	Quote Currency	QRQ	Price	Mkt. Cap (EURm)	PE 12M FW	PE			PE Relative		EPS 5YR CAGR	PEG CY08	Price/Cash Flow	
							CY08	CY09	CY10	CY08	CY09			CY08	CY09
Medtronic	MDT	USD	A-2-7	27.2	24,413	8.5	9.7	8.6	7.7	0.7	0.7	11	0.9	8.8	7.7
Stryker Corp	SYK	USD	A-3-7	32.8	10,425	10.3	11.6	10.5	9.5	0.8	0.9	14	0.8	11.5	7.5
Zimmer	ZMH	USD	B-3-9	33.7	5,789	8.9	8.6	8.9	9.2	0.6	0.7	12	0.7	7.4	4.7
SYNTHES	XYSTF	CHF	A-1-7	131.3	10,552	15.6	17.5	15.9	14.1	1.3	1.3	11	1.6	16.2	11.9
Smith & Nephew	SNNUF	p	B-1-7	460.5	4,524	10.1	12.0	10.4	8.9	1.2	1.1	12	1.0	9.9	7.2
Nobel Biocare AB	NBHGF	CHF	B-3-8	18.0	1,508	14.1	12.2	14.4	12.7	0.9	1.2	12	1.0	9.0	11.9
Straumann Hldg.	SAUHF	CHF	B-3-7	170.1	1,795	16.3	14.7	16.6	14.7	1.1	1.4	14	1.1	13.4	10.7
Average ex. Nobel Biocare						11.6	12.3	11.8	10.7	1.0	1.0	12	1.0	11.2	8.3
Premium/(Discount) for Nobel Biocare						21%	-1%	22%	18%	-7%	17%	-2%	0%	-20%	43%

Source: BAS-ML estimates

Straumann - Underperform

Price / Earnings

On a **CY09E P/E** basis, we see STMN trading at 16.6x, which is a 45% premium to its orthopedic peer group and a 16% premium to its closest peer NOBE.

On a **CY10E P/E** basis, STMN is trading at 14.7x; this is a 42% premium to the orthopedic peer group and a 16% premium to NOBE.

Price / Growth

On a **Price to Growth** (PEG CY08) basis, STMN is trading at 1.1x compared to NOBE at 1.0x and orthopedics excluding STMN also at 1.0x.

Table 8: Straumann's Peer Group Comparison

Company	ML/BB Ticker	Quote Currency	QRQ	Price	Mkt. Cap (EURm)	PE 12M FW	PE			PE Relative		EPS 5YR CAGR	PEG CY08	Price/Cash Flow	
							CY08	CY09	CY10	CY08	CY09			CY08	CY09
Medtronic	MDT	USD	A-2-7	27.2	24,413	8.5	9.7	8.6	7.7	0.7	0.7	11	0.9	8.8	7.7
Stryker Corp	SYK	USD	A-3-7	32.8	10,425	10.3	11.6	10.5	9.5	0.8	0.9	14	0.8	11.5	7.5
Zimmer	ZMH	USD	B-3-9	33.7	5,789	8.9	8.6	8.9	9.2	0.6	0.7	12	0.7	7.4	4.7
SYNTHES	XYSTF	CHF	A-1-7	131.3	10,552	15.6	17.5	15.9	14.1	1.3	1.3	11	1.6	16.2	11.9
Smith & Nephew	SNNUF	p	B-1-7	460.5	4,524	10.1	12.0	10.4	8.9	1.2	1.1	12	1.0	9.9	7.2
Nobel Biocare AB	NBHGF	CHF	B-3-8	18.0	1,508	14.1	12.2	14.4	12.7	0.9	1.2	12	1.0	9.0	11.9
Straumann Hldg.	SAUHF	CHF	B-3-7	170.1	1,795	16.3	14.7	16.6	14.7	1.1	1.4	14	1.1	13.4	10.7
Average ex. Straumann						11.2	11.9	11.5	10.3	0.9	1.0	12	1.0	10.5	8.5
Premium/(Discount) for Straumann						45%	24%	45%	42%	16%	39%	15%	6%	27%	26%

Source: BAS-ML estimates

04 March 2009

Nobel Biocare - Financial Models

Table 9: Nobel Biocare's Profit & Loss Model

Dec Y/E (EURm)	FY06A	FY07A	FY08A	FY09E	FY10E	FY11E	FY12E	FY13E
Europe	267	315	289	278	297	327	356	389
North America	222	228	200	212	229	259	285	313
Asia/Pacific	79	99	109	120	130	147	166	188
RoW	33	24	20	18	20	23	25	28
Total Sales	601	666	619	628	676	755	832	917
Cost Of Goods Sold	-96	-107	-117	-141	-149	-166	-183	-202
Gross Profit	505	559	502	487	527	589	649	716
Selling Expenses	-201	-236	-239	-229	-245	-270	-294	-322
Administration Expenses	-82	-79	-89	-86	-90	-95	-102	-110
Research & Development	-18	-22	-25	-25	-27	-30	-33	-37
Other Operating Expenses	0	0	0	0	0	0	0	0
EBIT	204	221	149	146	165	193	220	247
Financial Revenue	13	1	66	3	3	4	5	6
Financial Expense	-18	-6	-40	-9	-9	-9	-9	-9
Net Financial	-5	-5	26	-7	-6	-5	-5	-4
EBT	199	216	176	140	159	188	215	243
Tax Expense	-45	-47	-54	-35	-40	-47	-54	-61
Net Income (b/f Minorities)	154	170	122	105	119	141	161	182
Minority Interest	0	0	0	0	0	0	0	0
Net Income (b/f Non-recurring)	154	170	122	105	119	141	161	182
Non-recurring	4	-5	-16	0	0	0	0	0
Tax on Non-recurring	0	1	4	0	0	0	0	0
Net Income (a/f Non-recurring)	158	166	110	105	119	141	161	182
EPS (b/f Non-recurring) - basic	1.24	1.38	1.00	0.85	0.96	1.14	1.30	1.47
EPS (b/f Non-recurring) - diluted	1.23	1.37	1.00	0.85	0.96	1.14	1.30	1.47
EPS (a/f Non-recurring) - basic	1.27	1.35	0.90	0.85	0.96	1.14	1.30	1.47
EPS (a/f Non-recurring) - diluted	1.26	1.34	0.90	0.85	0.96	1.14	1.30	1.47
DPS	0.54	0.58	0.35	0.32	0.37	0.43	0.50	0.56
% Change	FY06A	FY07A	FY08A	FY09E	FY10E	FY11E	FY12E	FY13E
Europe	22.0%	18.2%	-8.1%	-4.0%	7.0%	10.0%	9.0%	9.0%
North America	23.3%	2.5%	-12.2%	6.0%	8.0%	13.0%	10.0%	10.0%
Asia/Pacific	32.2%	24.9%	10.4%	10.0%	8.0%	13.0%	13.0%	13.0%
Total Sales	23.9%	10.9%	-7.0%	1.5%	7.6%	11.7%	10.2%	10.2%
Cost Of Goods Sold	11.4%	11.3%	9.8%	20.8%	5.7%	11.1%	10.2%	10.2%
Gross Profit	26.7%	10.8%	-10.2%	-3.0%	8.2%	11.8%	10.2%	10.2%
Selling Expenses	28.6%	17.6%	1.0%	-3.9%	6.7%	10.4%	8.7%	9.6%
Administration Expenses	30.5%	-3.1%	12.2%	-3.4%	4.5%	5.8%	7.6%	7.5%
Research & Development	2.9%	26.5%	13.0%	0.0%	7.6%	11.7%	10.2%	10.2%
EBIT	25.8%	8.3%	-32.6%	-1.9%	12.7%	17.1%	13.7%	12.3%
EBT	26.0%	8.8%	-18.8%	-20.5%	13.7%	18.3%	14.5%	13.0%
Net Income (b/f Non-recurring)	24.3%	10.1%	-28.1%	-14.2%	13.7%	18.3%	14.5%	13.0%
EPS (b/f Non-recurring) - diluted	28.2%	11.5%	-27.0%	-15.2%	13.7%	18.3%	14.5%	13.0%
EPS (a/f Non-recurring) - diluted	5.4%	6.4%	-33.0%	-5.6%	13.7%	18.3%	14.5%	13.0%
Margin Analysis	FY06A	FY07A	FY08A	FY09E	FY10E	FY11E	FY12E	FY13E
Gross Profit	84.0%	84.0%	81.1%	77.5%	77.9%	78.0%	78.0%	78.0%
Selling Expenses	33.5%	35.5%	38.5%	36.5%	36.2%	35.8%	35.3%	35.1%
Administration Expenses	13.7%	11.9%	14.4%	13.7%	13.3%	12.6%	12.3%	12.0%
Research & Development	2.9%	3.3%	4.1%	4.0%	4.0%	4.0%	4.0%	4.0%
EBIT	34.0%	33.2%	24.1%	23.3%	24.4%	25.6%	26.4%	26.9%
EBT	33.1%	32.5%	28.4%	22.2%	23.5%	24.9%	25.8%	26.5%
Net Income (b/f Non-recurring)	25.7%	25.5%	19.7%	16.7%	17.6%	18.7%	19.4%	19.9%
Tax Rate	22.5%	21.5%	30.5%	25.0%	25.0%	25.0%	25.0%	25.0%
Interest Cover (x)	38.5	46.3	NM	21.8	26.8	35.5	47.9	68.9
Gearing	-58.5%	-21.0%	14.9%	2.0%	-14.1%	-32.4%	-51.4%	-71.4%
ROE	44.0%	52.9%	41.0%	35.1%	32.3%	30.9%	28.9%	27.1%

Source: BAS-ML estimates

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Table 10: Nobel Biocare's Balance Sheet Model

Dec Y/E (EURm)	FY06A	FY07A	FY08A	FY09E	FY10E	FY11E	FY12E	FY13E
Cash & Equivalents	135	255	220	260	317	391	475	572
Trade Receivables	124	153	137	138	149	166	183	202
Deferred Tax Asset	3	1	10	9	10	11	12	14
Other Receivables	3	3	5	5	5	6	7	7
Inventories	30	35	37	36	41	45	50	55
Pre-paid Expenses & Accruals	11	13	15	14	15	17	18	20
Current Assets	306	460	422	463	537	636	745	870
Fixed Assets	49	57	71	87	101	116	131	147
Intangible Assets	136	124	186	187	188	188	189	187
Associated Companies	0	0	0	0	0	0	0	0
Deferred Tax Assets	11	13	15	14	16	18	20	22
Other Receivables	2	2	3	3	3	3	3	4
Non Current Assets	198	196	275	291	308	325	343	360
Total Assets	504	656	697	754	846	961	1088	1231
Borrowings	1	2	28	28	28	28	28	28
Trade Payable	32	30	28	29	31	35	38	42
Income Taxes Payable	25	7	8	9	10	11	12	14
Other Liabilities	19	84	35	31	34	38	42	46
Accruals & Deferred Income	37	40	43	41	44	49	54	60
Current Liabilities	115	163	143	139	147	161	175	190
Borrowings	0	206	239	239	239	239	239	239
Deferred Tax Liabilities	11	8	32	31	34	38	42	46
Provisions	17	11	16	16	17	19	21	23
Non Current Liabilities	29	225	287	286	290	295	301	308
Total Liabilities	143	388	430	425	437	456	476	497
Net Assets	361	268	268	329	409	504	612	733
Share Capital	33	34	32	32	32	32	32	32
Share Premium	120	199	184	184	184	184	184	184
Minority Interest	0	0	0	0	0	0	0	0
Retained Profits	459	570	137	199	278	374	482	603
Total Shareholders Equity	361	268	268	329	409	504	612	733
Balance Sheet - Analytical Ratios	FY06A	FY07A	FY08A	FY09E	FY10E	FY11E	FY12E	FY13E
Working Capital	58.1	44.4	88.1	92.4	100.8	112.5	124.0	136.7
Change in Working Capital	29.2	(13.7)	43.7	4.3	8.4	11.7	11.5	12.7
Working Capital / Sales	9.7%	6.7%	14.2%	14.7%	14.9%	14.9%	14.9%	14.9%
Trade Receivable / Sales	20.7%	22.9%	22.1%	22.0%	22.0%	22.0%	22.0%	22.0%
Inventories / Sales	5.1%	5.3%	5.9%	5.8%	6.0%	6.0%	6.0%	6.0%
Trade Payable / Sales	5.3%	4.4%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%
Gross Debt	(1.4)	(208.4)	(266.9)	(266.9)	(266.9)	(266.9)	(266.9)	(266.9)
Net (Debt) / Cash	133.2	46.5	(47.0)	(6.8)	50.5	123.6	207.8	305.4
Change in Net (Debt) / Cash	(30.2)	(86.6)	(93.5)	40.2	57.3	73.0	84.2	97.6
Net Debt / Equity	-36.9%	-17.4%	17.6%	2.1%	-12.4%	-24.5%	-33.9%	-41.6%
Gearing (Net Debt / Net Debt + Equity)	-58.5%	-21.0%	14.9%	2.0%	-14.1%	-32.4%	-51.4%	-71.4%
Debt / Equity	36.9%	17.4%	-17.6%	-2.1%	12.4%	24.5%	33.9%	41.6%
ROE (using average equity) %	44.0%	52.9%	41.0%	35.1%	32.3%	30.9%	28.9%	27.1%
ROA (using average assets) %	31.0%	28.7%	16.2%	14.4%	14.9%	15.6%	15.7%	15.7%
Net Tangible Assets (m)	312.1	211.0	196.4	242.5	307.7	388.9	481.2	586.3
NTA per Share (diluted)	2.5	1.7	1.6	2.0	2.5	3.1	3.9	4.7

Source: BAS-ML estimates

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Table 11: Nobel Biocare's Cash Flow Model

Dec Y/E (EURm)	FY06A	FY07A	FY08A	FY09E	FY10E	FY11E	FY12E	FY13E
EBT	199	216	176	140	159	188	215	243
EBIT non-recurring	4	-4	-16	0	0	0	0	0
Disposals of Options in Associate	0	0	0	0	0	0	0	0
Depreciation / Amortisation	16	17	28	27	32	35	39	45
Financial Income / Expense	2	3	-26	0	0	0	0	0
Other Non Cash Items	1	15	13	0	0	0	0	0
(Increase) / Decrease in Trade & Other Receivables	-11	-31	19	0	-15	-23	-23	-25
(Increase) / Decrease in Inventories	0	-5	2	0	-4	-5	-5	-5
Increase / (Decrease) in Trade & Other Payables	-7	-9	6	-5	11	18	17	19
Increase / (Decrease) in Provisions	1	-2	9	6	7	7	7	6
Tax Expense	-44	-67	-41	-35	-40	-47	-54	-61
Operating Cash Flow	160	134	169	134	150	174	197	222
Interest Received	3	3	5	3	3	4	5	6
(Purchase) / Sales of Intangible Assets	-8	-7	-12	-10	-11	-11	-12	-12
(Purchase) / Sales of Fixed Assets	-20	-25	-30	-34	-36	-39	-43	-48
Disposals of Options in Associate	0	0	0	0	0	0	0	0
Increase / (Decrease) in Investment in Associate	0	0	0	0	0	0	0	0
(Acquisition) / Disposal of Subsidiary	0	0	-51	0	0	0	0	0
Investing Cash Flow	9	-95	-57	-41	-44	-46	-50	-54
Sale of Treasury Shares / New Shares	-136	-178	15	0	0	0	0	0
Redemption of Warrants & Options	26	33	0	0	0	0	0	0
Increase / (Decrease) in Borrowings	0	230	14	0	0	0	0	0
Interest Paid	-2	-2	-8	-9	-9	-9	-9	-9
Dividends Paid	-56	-64	-74	-43	-40	-45	-54	-61
Financing Cash Flow	-167	18	-127	-52	-49	-55	-63	-71
Net Increase/ (Decrease) in Funds	3	58	-15	40	57	73	84	98
Cash Flow - Analytical Ratios	FY06A	FY07A	FY08A	FY09E	FY10E	FY11E	FY12E	FY13E
Operating Cash Flow Growth	48.8%	-16.3%	26.0%	-20.8%	12.4%	15.6%	13.6%	12.8%
CFPS (normal)	1.29	1.09	1.36	1.03	1.16	1.36	1.56	1.77
CFPS (diluted)	1.28	1.09	1.36	1.03	1.16	1.36	1.56	1.77

Source: BAS-ML estimates

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Straumann - Financial Models

Table 12: Straumann's Profit & Loss Model

Dec Y/E (CHFm)	FY06A	FY07A	FY08A	FY09E	FY10E	FY11E	FY12E	FY13E
Europe	381	459	500	485	524	579	636	698
North America	149	154	159	167	180	201	224	248
Asia / Pacific	57	81	96	106	111	123	137	154
RoW	12	20	23	26	29	32	36	41
Total Sales	599	714	779	784	844	936	1033	1141
COGS	-119	-131	-147	-165	-174	-189	-207	-228
Gross Profit	480	582	632	618	670	747	826	913
Other Income	8	7	3	2	3	3	3	3
Selling Costs	-233	-295	-325	-327	-349	-380	-416	-457
General Administrative Costs	-49	-61	-66	-68	-72	-78	-84	-92
R&D	-30	-31	-30	-35	-39	-44	-50	-56
EBIT	175	202	213	190	214	248	280	310
Net Financial Income	-1	-7	-2	2	4	6	9	12
Other Financial Income	0	0	0	0	0	0	0	0
EBT	174	194	211	192	217	254	289	322
Tax Expense	-32	-32	-31	-33	-37	-43	-49	-55
Net Income (b/f Minorities)	142	162	180	159	180	211	239	267
Minority Interest	0	-1	0	0	0	0	0	0
Net Income (b/f Abnormals)	142	161	180	159	180	211	239	267
Abnormals (after tax)	0	15	-172	0	0	0	0	0
Net Income (a/f Abnormals)	142	176	8	159	180	211	239	267
EPS (b/f Abnormals) - basic	9.09	10.34	11.55	10.22	11.57	13.52	15.37	17.14
EPS (b/f Abnormals) - diluted	9.07	10.31	11.56	10.21	11.56	13.51	15.35	17.12
EPS (pre GW) - basic	9.09	10.34	11.55	10.22	11.57	13.52	15.37	17.14
EPS (pre GW) - diluted	9.07	10.31	11.56	10.21	11.56	13.51	15.35	17.12
DPS (normal)	3.00	3.75	3.75	3.37	3.82	4.46	5.07	5.66
% Change	FY06A	FY07A	FY08A	FY09E	FY10E	FY11E	FY12E	FY13E
Europe	20.4%	20.5%	9.1%	-3.0%	8.0%	10.5%	9.8%	9.8%
North America	13.7%	3.4%	2.9%	4.8%	8.0%	12.0%	11.0%	11.0%
Asia / Pacific	11.5%	41.5%	19.6%	10.0%	5.0%	10.0%	12.0%	12.0%
RoW	11.7%	61.6%	15.2%	11.0%	13.0%	12.0%	12.0%	12.0%
Total Sales	17.6%	19.1%	9.1%	0.6%	7.8%	10.8%	10.4%	10.4%
Gross Profit	15.1%	21.4%	8.5%	-2.1%	8.4%	11.4%	10.7%	10.4%
Selling Costs	18.2%	26.9%	9.9%	0.7%	6.7%	8.9%	9.6%	9.9%
G&A costs	22.3%	22.9%	9.1%	3.0%	5.3%	8.2%	7.8%	10.4%
EBIT	12.4%	14.9%	5.7%	-10.6%	12.2%	16.1%	12.9%	10.8%
Depreciation & Amortisation	56.5%	7.5%	43.6%	5.5%	12.3%	11.8%	11.5%	11.0%
EBITDA	20.3%	11.9%	12.3%	-7.0%	12.2%	15.0%	12.6%	10.9%
EBT	9.8%	11.8%	8.5%	-9.1%	13.2%	16.8%	13.6%	11.5%
Net Income (b/f Abnormals)	10.8%	13.6%	11.8%	-11.5%	13.2%	16.8%	13.6%	11.5%
EPS (b/f Abnormals) - diluted	10.7%	13.6%	12.1%	-11.6%	13.2%	16.8%	13.6%	11.5%
EPS (pre GW) - diluted	10.7%	13.6%	12.1%	-11.6%	13.2%	16.8%	13.6%	11.5%
Margin Analysis	FY06A	FY07A	FY08A	FY09E	FY10E	FY11E	FY12E	FY13E
Gross margin	80.1%	81.6%	81.1%	78.9%	79.4%	79.8%	80.0%	80.0%
Selling costs	38.9%	41.4%	41.7%	41.7%	41.3%	40.6%	40.3%	40.1%
General admin costs	8.2%	8.5%	8.5%	8.7%	8.5%	8.3%	8.1%	8.1%
R&D	5.1%	4.4%	3.9%	4.5%	4.6%	4.7%	4.8%	4.9%
EBIT	29.3%	28.2%	27.4%	24.3%	25.3%	26.5%	27.1%	27.2%
Depreciation & Amortisation	6.6%	5.9%	7.8%	8.2%	8.5%	8.6%	8.7%	8.7%
EBITDA	36.4%	34.2%	35.2%	32.5%	33.8%	35.1%	35.8%	35.9%
EBT	29.0%	27.3%	27.1%	24.5%	25.7%	27.1%	27.9%	28.2%
Net Income (b/f Abnormals)	23.7%	22.6%	23.1%	20.3%	21.4%	22.5%	23.2%	23.4%
Tax Rate	18.4%	16.5%	14.7%	17.0%	17.0%	17.0%	17.0%	17.0%
Interest Cover (x)	NM	NM	NM	NM	NM	NM	NM	NM
ROE	30.6%	31.1%	1.4%	27.1%	25.7%	25.0%	23.9%	22.6%

Source: BAS-ML estimates.

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Table 13: Straumann's Balance Sheet Model

Dec Y/E (CHFm)	FY06A	FY07A	FY08A	FY09E	FY10E	FY11E	FY12E	FY13E
Cash & Equivalents	172	190	148	264	382	522	680	864
Trade Receivables	85	95	97	102	110	122	134	148
Income Tax Receivable	1	4	2	2	3	3	7	7
Other Receivables	8	15	23	16	17	19	21	23
Inventories	59	80	84	82	89	98	108	120
Prepaid Expenses & Accruals	5	6	1	7	8	8	9	10
Current Assets	330	388	354	473	607	772	960	1,172
Land & Buildings	51	48	47	48	49	50	52	54
Tangible Assets	79	92	98	110	119	127	131	133
Intangible Assets	156	379	183	169	153	136	119	100
Financial Assets	9	9	15	15	15	14	14	14
Deferred Taxes	25	30	31	31	34	37	41	46
Prepaid Pension Costs	0	0	0	0	0	0	0	0
Non Current Assets	320	558	374	373	369	365	358	346
Total Assets	650	946	728	846	976	1,137	1,317	1,518
Trade Payables	25	25	23	31	34	37	41	46
Tax Liabilities	30	52	23	24	25	28	31	34
Accrued Expenses	27	34	28	35	38	42	46	51
Other Liabilities	39	45	36	49	53	59	65	72
Borrowings	0	133	51	40	30	20	10	0
Current Liabilities	121	290	161	179	180	187	194	203
Borrowings	0	4	2	2	2	2	2	2
Mortgages	0	0	0	0	0	0	0	0
Provisions	2	3	5	5	5	6	6	7
Deferred Taxes	16	21	20	20	21	23	26	29
Pension Liability	5	5	3	2	2	2	2	2
Non Current Liabilities	23	33	29	28	30	33	36	40
Total Liabilities	143	323	191	207	210	219	230	243
Net Assets	507	623	538	639	766	918	1,088	1,276
Share capital	2	2	2	2	2	2	2	2
Reserves	32	52	13	13	13	13	13	13
Retained profits	473	567	523	623	751	902	1,072	1,260
OEI in controlled entities	0	4	0	0	0	0	0	0
Total Shareholders Equity	507	623	538	639	766	918	1,088	1,276
Balance Sheet - Analytical Ratios	FY06A	FY07A	FY08A	FY09E	FY10E	FY11E	FY12E	FY13E
Working Capital	68	77	135	109	117	130	147	162
Working Capital / Sales	11.3%	10.7%	17.4%	13.9%	13.9%	13.9%	14.3%	14.2%
Accounts Receivable / Sales	14.2%	13.3%	12.4%	13.0%	13.0%	13.0%	13.0%	13.0%
Inventories / Sales	9.8%	11.1%	10.8%	10.5%	10.5%	10.5%	10.5%	10.5%
Accounts payable / Sales	4.2%	3.5%	3.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Net Cash / (Debt)	172	53	95	222	350	500	668	862
Gross debt	0	137	53	42	32	22	12	2
Change in Gross Debt	0	137	-84	-11	-10	-10	-10	-10
Net Debt / Equity	-33.9%	-8.5%	-17.6%	-34.8%	-45.7%	-54.5%	-61.5%	-67.6%
Gearing (Net Debt / Net debt +Equity)	-25.3%	-7.8%	-15.0%	-25.8%	-31.3%	-35.3%	-38.1%	-40.3%
ROE (using average equity)	30.6%	31.1%	1.4%	27.1%	25.7%	25.0%	23.9%	22.6%
ROA (using average assets)	23.9%	22.0%	1.0%	20.2%	19.8%	19.9%	19.5%	18.8%

Source: BAS-ML estimates. NM- not meaningful

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Table 14: Straumann's Cash Flow Model

Dec Y/E (CHFm)	FY06A	FY07A	FY08A	FY09E	FY10E	FY11E	FY12E	FY13E
EBIT	175	202	213	190	214	248	280	310
Depreciation & Amortisation	39	42	73	64	72	80	90	100
Increase / (Decrease) in Provisions & Other	3	12	-11	-0	0	1	1	1
Change in Minority Interest	0	0	0	-0	-0	-0	-0	-0
(Increase) / Decrease in Deferred Tax Assets	0	0	0	-1	-3	-4	-8	-4
Increase / (Decrease) in Deferred Tax Liabilities	0	0	0	1	3	5	5	6
Increase / (Decrease) in Pension Provision	1	0	1	-1	0	0	0	0
Gains & Losses from Disposables of Assets	0	0	-0	0	0	0	0	0
(Increase) / Decrease in Trade Receivables	-16	2	-10	-5	-8	-12	-13	-14
(Increase) / Decrease in Other Receivables	-4	0	0	1	-2	-3	-3	-3
(Increase) / Decrease in Inventories	-10	-11	-14	2	-6	-10	-10	-11
Increase / (Decrease) in Trade Payable	0	2	-7	8	2	4	4	4
Increase / (Decrease) in Other Liabilities	13	0	0	20	7	10	11	12
Cash Generated From Operations	202	250	245	279	280	320	356	400
Net Interest	1	-2	-1	2	4	6	9	12
Exchange Differences	-2	-3	3	0	0	0	0	0
Non Operating Result	0	0	0	0	0	0	0	0
Minority Interest	0	0	0	0	0	0	0	0
Tax Expense	-28	-17	-49	-33	-37	-43	-49	-55
Operating Cash Flow	173	227	198	248	247	282	316	357
(Purchase) / Sales of Land & Buildings	-5	-5	-6	-6	-7	-8	-9	-10
(Purchase) / Sales of Tangible Assets	-24	-28	-42	-43	-46	-51	-54	-59
(Purchase) / Sales of Intangible Assets	-14	-10	-8	-13	-13	-14	-15	-15
Acquisitions (Disposals)	-3	-209	-18	0	0	0	0	0
(Purchase) / Sales of Financial Assets	0	2	-17	0	0	0	0	0
Investments in Acquisitions	0	0	0	0	0	0	0	0
Investing Cash Flow	-45	-250	-90	-62	-66	-73	-78	-84
Equity Issued	6	2	0	0	0	0	0	0
Issuance of Share Options	0	0	0	0	0	0	0	0
Treasury Stock	-16	0	2	0	0	0	0	0
Dividends Paid	-39	-47	-58	-58	-53	-60	-70	-79
Increase / (Decrease) in Borrowings	0	121	-69	-11	-10	-10	-10	-10
Financing Cash Flow	-54	40	-136	-70	-63	-70	-80	-89
Foreign Currency Translation	0	1	-16	0	0	0	0	0
Net Increase/ (Decrease) in Funds	74	18	-43	116	118	140	158	184
Cash Flow - Analytical Ratios	FY06A	FY07A	FY08A	FY09E	FY10E	FY11E	FY12E	FY13E
Operating Cash Flow growth (%)	19.0%	31.2%	-12.5%	24.8%	-0.5%	14.6%	11.9%	12.9%
CFPS (normal)	11.10	14.57	12.74	15.89	15.82	18.12	20.28	22.88
CFPS (diluted)	10.96	14.36	12.54	15.88	15.80	18.11	20.26	22.86

Source: BAS-ML estimates.

Price objective basis & risk

Nobel Biocare AB (NBHGF)

Our PO of CHF13.7 uses a P/E market relative valuation to derive a CY09E P/E of 9-10x, based on a European market P/E of c.9x and taking into account NOBEs consumer exposure. Despite a 5-year average relative P/E of 1.6 we adjust downwards to reflect investor appetite based on recent performance and news flow. This is a -45% discount from our DCF valuation of CHF25 (WACC of 9.1%, mid-term cash flow growth of 8% and terminal growth of 1.5%), which we view as presently insignificant given an investor shift to near-term valuation techniques in present markets. Furthermore, our forecast may prove optimistic as it implies 1) market growth not drastically reducing to -15% levels in FY09E, 2) company-specific challenges being resolved so sales growth is more inline with the market, and 3) only minor price pressure on margins from increasing generics competition. Upside risks are successful company restructuring, rebound in the economy leading to market recovering, and better margin expansion from lower investment into Sales and Marketing. Downside risks are a slowing dental implant market driven by a weaker economy as implant procedures are not reimbursed, continued slow down in North American sales from challenging the US specialist/general dentist referral model, inability to recover in Germany, as well as patent litigation on NobelGuide. Another risk on both upside and downside is foreign exchange with NOBE share price quoted in CHF with large portion of sales in USD and EUR.

Straumann Hldg. (SAUHF)

Our price objective is CHF130.2, derived from a CY09E P/E of 12.0x, a 33% premium to the market. We feel this is a reasonable POBJ as our current forecasts have downside risk by implying 1) dental implant markets not sinking to -15% growth in FY09E, 2) STMN growing above market driven by new products and 3) reasonable margin performance despite potential price pressure from generic implant companies. Our valuation is based on a market-relative P/E where STMN has had an 1-, 2-, 3- and 5-year average relative P/Es of >2.0 but reflects the risk of weak market growth carrying on in a prolonged consumer recession, offset by the fact that STMN is in the midst of the biggest new product cycle for the company in over 10 years. Upside risks are management successfully executing on pending opportunities of new product launches such as SLActive, bone-level implant and etkon as well as rebound in the overall economic conditions. Downside risks are a slowing dental implant market driven by a weaker economy as implant procedures are not reimbursed, inability to execute on new product launches and integration of recent acquisitions, and slower than forecast margin expansion due to rising competition from generics. Another risk on both upside and downside is foreign exchange with STMN share price quoted in CHF and with large portion of sales in USD and EUR.

Analyst Certification

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

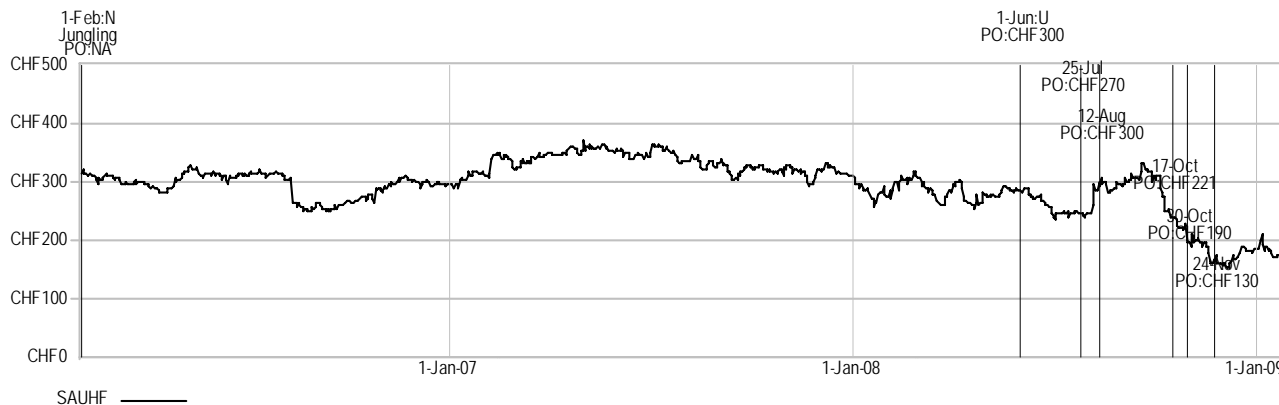
04 March 2009

EMEA - Medtech Coverage Cluster

Investment rating	Company	ML ticker	Bloomberg symbol	Analyst
BUY				
	Fresenius Med	FMCQF	FME GR	Michael Jüngling
	Fresenius Med	FMS	FMS US	Michael Jüngling
	Fresenius SE	FSNPF	FRE3 GR	Michael Jüngling
	Rhoen-Klinikum	RHKJF	RHK GR	Michael Jüngling
	Smith & Nephew	SNN	SNN US	Michael Jüngling
	Smith & Nephew	SNNUF	SN/ LN	Michael Jüngling
	SYNTHES	XYSTF	SYST VX	Michael Jüngling
NEUTRAL				
	GN Store Nord	GGNDF	GN DC	Michael Jüngling
	Philips	PHG	PHG US	Michael Jüngling
	Philips	PHGFF	PHIA NA	Michael Jüngling
UNDERPERFORM				
	Celesio	CAKFF	CLS1 GR	Michael Jüngling
	Elekta	EKTAF	EKTAB SS	Michael Jüngling
	Essilor	ESLOF	EI FP	Michael Jüngling
	Nobel Biocare AB	NBHGF	NOBN VX	Michael Jüngling
	Sonova	SONVF	SOON SW	Michael Jüngling
	Straumann Hldg.	SAUHF	STMN SW	Michael Jüngling
	William Demant	WILLF	WDH DC	Michael Jüngling

Important Disclosures

SAUHF Price Chart

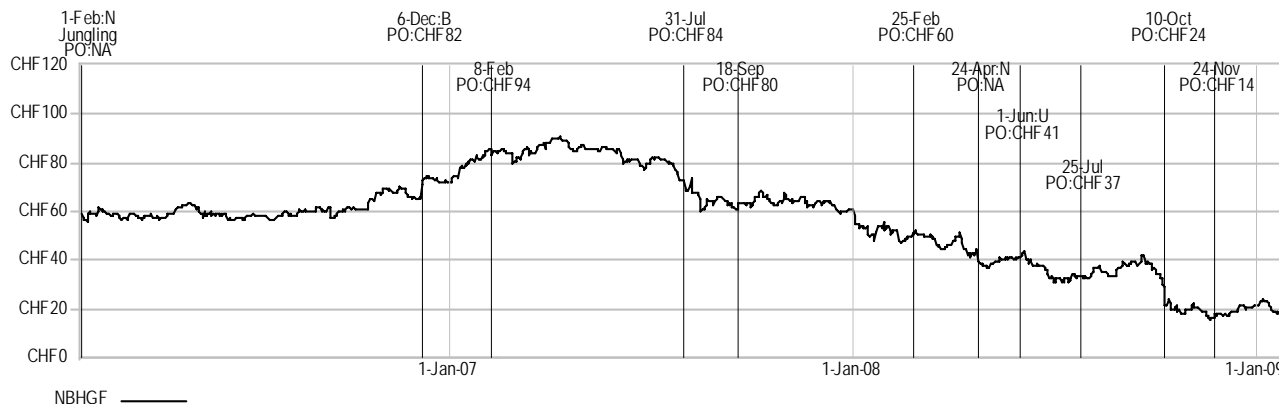


B : Buy, N : Neutral, S : Sell, U : Underperform, PO : Price objective, NA : No longer valid

*Prior to May 31, 2008, the investment opinion system included Buy, Neutral and Sell. As of May 31, 2008, the investment opinion system includes Buy, Neutral and Underperform. Dark Grey shading indicates that a security is restricted with the opinion suspended. Light grey shading indicates that a security is under review with the opinion withdrawn. The current investment opinion key is contained at the end of the report. Chart is current as of January 31, 2009 or such later date as indicated.

BAS-ML price charts do not reflect analysts' coverage of the stock at prior firms. Historical price charts relating to companies covered as of January 31, 2009 by former Banc of America Securities LLC (BAS) analysts are available to BAS clients on the BAS website."

NBHG Price Chart



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

*Prior to May 31, 2008, the investment opinion system included Buy, Neutral and Sell. As of May 31, 2008, the investment opinion system includes Buy, Neutral and Underperform. Dark Grey shading indicates that a security is restricted with the opinion suspended. Light grey shading indicates that a security is under review with the opinion withdrawn. The current investment opinion key is contained at the end of the report. Chart is current as of January 31, 2009 or such later date as indicated.

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Investment Rating Distribution: Health Care Group (as of 01 Jan 2009)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	76	50.00%	Buy	15	22.06%
Neutral	35	23.03%	Neutral	8	26.67%
Sell	41	26.97%	Sell	7	17.50%

Investment Rating Distribution: Global Group (as of 01 Jan 2009)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1297	38.46%	Buy	314	26.81%
Neutral	859	25.47%	Neutral	210	28.23%
Sell	1216	36.06%	Sell	229	20.71%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where BAS-ML Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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