

Media release 05/04

## Straumann lifts first-half sales by 33% to CHF 217 million

- Continued strong sales growth across all regions, with North America and Asia/Pacific accelerating in the second quarter
- Enhanced profitability contributes to a 45% jump in operating profit, with net profit up 42%
- Further reduction in working capital, to 8% of sales
- 102 new jobs created through continued investment in talent to absorb and sustain growth
- Management raises full-year sales growth expectation to 26% in local currencies

### Key figures

| (in CHF million)                  | H1, 2004 | Change in %<br>vs. H1, 2003 | Change in %<br>vs. H1, 2003 in l.c. |
|-----------------------------------|----------|-----------------------------|-------------------------------------|
| Net sales                         | 217.2    | 32.9                        | 32.1                                |
| Implants Division                 | 206.0    | 26.1                        | 25.3                                |
| In % of net sales                 | 94.8     |                             |                                     |
| Biologics Division                | 11.2     | 5.1 <sup>1</sup>            | 7.4 <sup>1</sup>                    |
| In % of net sales                 | 5.2      |                             |                                     |
| Operating profit (EBIT)           | 67.2     | 45.2                        |                                     |
| Margin in %                       | 30.9     |                             |                                     |
| Net profit                        | 54.1     | 41.7                        |                                     |
| Margin in %                       | 24.9     |                             |                                     |
| Earnings per share (in CHF)       | 3.49     | 41.9                        |                                     |
| Net sales 2 <sup>nd</sup> Quarter | 109.3    | 30.5                        | 31.1                                |
| Implants Division                 | 103.6    | 23.6                        | 24.2                                |
| Biologics Division                | 5.7      | 9.8 <sup>1</sup>            | 12.4 <sup>1</sup>                   |

<sup>1</sup> By comparison with sales published in 2003 by Biora prior to its acquisition

**With volumes growing strongly in both quarters, the Straumann Group again achieved record first-half results as sales climbed 33% in Swiss francs, or 32% in local currencies (l.c.), to CHF 217 million. Thanks to improved operational efficiency and cost reductions, operating profit grew faster than sales and rose 45% to CHF 67 million, with the operating margin improving to 31%. Net profit increased 42% to CHF 54 million, with the net margin expanding to 25%. On the basis of these results, management has raised its expectation for full-year sales growth to 26% in local currencies.**

## **Sales driven by volume expansions in both quarters**

For the most part, growth was organic as Straumann continued to win new customers and expand its existing business. Thus, 23% points of sales growth were generated by volume expansions; approximately 7% points were acquisition related, while price increases contributed 2% points. The remaining 1% point was due to currency translations as the positive impact of the Euro more than compensated for the negative effect of the US dollar.

On a divisional level, first-half sales growth was powered primarily by the core implant business, which generated 95% of Group revenues. The remainder came from the Biora business, which was acquired in June 2003 and was fully integrated into Straumann's Biologics Division by the end of the first quarter of the current year.

Implants booked a 26% (25% in l.c.) increase in first-half sales to CHF 206 million on the back of strong volume growth of approximately 24% in both quarters. The sustained success of the implant business is due to proven clinical benefits and continual optimization of the Straumann system to meet the needs of customers and their patients.

Biologics saw a marked acceleration in sales growth from 1% (3% in l.c.) in the first quarter to 10% (12% in l.c.) in the second, resulting in a first-half increase of 5% (7% in l.c.) to CHF 11 million. The growth reflects the transfer of the distribution organization, and momentum is expected to increase further over the second half as familiarity with the tissue regeneration product Emdogain® spreads.

## **Strong growth in major markets**

Regionally, Europe continued to be the biggest source of revenue, contributing an unchanged 64% of Group first-half sales. European sales climbed 32% (28% in l.c.) to CHF 138 million, driven by particularly strong performances in Germany (+27% in l.c.), the Netherlands (+49% in l.c.), France (+36% in l.c.) and Spain (+30% in l.c.). Sweden posted a rise of 52% (l.c.) on top of a particularly strong first half in 2003, while Italy enjoyed a distinct acceleration (+24% in CHF), and Switzerland posted a 13% rise in sales.

North America, which continued to generate 25% of Group revenues, posted an impressive 43% jump in sales in local currencies to CHF 54 million, fuelled by a strong second quarter. Owing to the weakness of the US dollar, the increase was only 35% in Swiss francs.

The Asia/Pacific region also benefited from a strong second quarter to achieve a 29% rise in first-half sales to CHF 22 million, driven by increased momentum in Japan and Korea in addition to solid growth in Australia and New Zealand. The region's contribution to Group sales was 10%.

Revenues in the rest of the world amounted to CHF 3 million, up 83% from the previous first half.

### **EBIT margin expands to 31%**

Continued optimization of inventory and supplychain management contributed to an overall reduction in the cost of goods sold from 20% to 18% of sales. This and a slightly positive currency effect on sales expanded the gross margin to 82%.

Overall operating costs decreased to 69% of sales compared with 72% in the first half of last year. Selling costs rose from 36% of sales in the first half of 2003 to 38%, reflecting the Group's growth strategy.

Owing to the integration of Biora and the reorganization of administrative functions, certain items have been reallocated from research and development to general administrative costs both in the period under review and in the corresponding first half of 2003. General administrative costs remained constant at 9% of sales, whereas research and development costs decreased 2% points to 6% of sales but were maintained at the 2003 first-half level of CHF 13 million, underscoring Straumann's commitment to scientific innovation.

As a result of the favorable overall development of costs, operating profit grew faster than sales, rising 45% to CHF 67 million. The EBIT margin improved to 31%.

### **102 new jobs created**

To absorb and sustain the current high level of growth, the Group has continued to invest in talent recruitment. In line with the Company's growth ambitions, 102 new positions were created in the first six months of 2004, bringing the total number of employees worldwide to 1,005 at the end of June. Approximately half of the new recruitments were in sales force positions, strengthening the field force by 22% to 247 representatives worldwide to support future growth. Consequently, personnel costs were up 40% from the previous first half to CHF 63 million. In relation to sales, however, personnel costs increased only slightly over proportionally by 1% point to 29%, while sales per employee still rose by CHF 15,000 to CHF 424,000.

### **Depreciation constant as a proportion of sales**

Operating profit before depreciation and amortization (EBITDA) improved considerably by 43% to CHF 81 million, reflecting the aforementioned improvements in operating efficiency. As a result, the EBITDA margin expanded 2% points to 37% by comparison with the previous first half. Operating profit before amortization (EBITA) rose 49% to CHF 72 million, with the EBITA margin improving 4% points to 33%, despite an additional writedown of CHF 3 million on the Waldenburg site as part of the Company's planned relocation to Basel at the end of 2004. Goodwill amortization charged in the first half came to CHF 3 million, most of which was related to the Biora acquisition.

### **Net profit up 42%**

Financial expenses came to just less than CHF 1 million and were offset almost exactly by financial income. The fact that the overall financial result was a negative CHF 2 million was due to unfavorable currency developments.

The first-half tax rate was reduced to 17% owing to a one-time tax effect related to the acquisition and restructuring of Biora. The tax rate would otherwise have been 22%.

Due to the good operating result and the lower tax level, first-half net profit climbed 42% to a record CHF 54 million. As a result, the net profit margin increased 2% points to 25%, while earnings per share rose 42% to CHF 3.49.

### **High dividend and repayment of loans**

First-half cash flow from operating activities rose 14% to CHF 65 million leading to an operating cash flow margin of 30%. Capital expenditure totaled CHF 22 million, corresponding to 10% of sales, and was mainly due to capacity expansion (CHF 15 million) and the new headquarter project in Basel (CHF 7 million).

The first-half free cash flow of CHF 43 million, the inflow of CHF 3 million from the Company's staff equity compensation scheme, and excess liquidity were used to pay dividends of CHF 48 million (including the exceptional 50th anniversary dividend), to repay outstanding short-term loans for the Biora acquisition (CHF 15 million) and to repay the mortgage on the Waldenburg site (CHF 14 million).

With the above total cash outflow from financial activities of CHF 74 million, net liquidity stood at CHF 70 million on June 30, 2004.

### **Return on capital further improves to 42%**

From December 31, 2003 to June 30, 2004, the Straumann Group's total assets decreased slightly to CHF 349 million, while the return on assets (ROA) improved from 27% to 31%. Thanks to enhanced inventory management resulting in a reduction of stocking levels from CHF 35 million to CHF 33 million, net working capital increased only slightly from CHF 31 million to CHF 34 million, but decreased as a proportion of sales from 9% to 8% over the first half of 2004.

Despite the increase in the equity ratio to 75%, return on equity (ROE) improved from 36% to 42%. Based on the weighted average cost of capital of 9%, Straumann further improved its first-half economic profit by CHF 14 million to CHF 43 million.

With the Group's capital employed at CHF 262 million, return on capital employed (ROCE) rose from 41% to 51%.

## **Outlook (barring unforeseen circumstances)**

The growth effect from the Biora acquisition discontinued at the end of June and will not contribute to the second half of the current year. Nevertheless, the Group's first-half sales performance provides a basis for increasing its full-year sales growth expectation from 23–24% to around 26% in local currencies compared with 2003. Linked to this, full-year operating margin is expected to be not less than 30%. With a foreseen tax rate of 22% for the full year, the net profit margin is expected to be in the region of 23%.

### **Disclaimer**

This interim report contains certain "forwardlooking statements", which can be identified by the use of terminology such as "scheduled to", "will", "expected to", "forecast", "expectation", or similar wording. Such forwardlooking statements reflect the current views of management and are subject to known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of the Group to differ materially from those expressed or implied. These include risks related to the success of and demand for the Group's products, the potential for the Group's products to become obsolete, the Group's ability to defend its intellectual property, the Group's ability to develop and commercialize new products in a timely manner, the dynamic and competitive environment in which the Group operates, the regulatory environment, changes in currency exchange rates, the Group's ability to generate revenues and profitability, and the Group's ability to realize its expansion projects in Andover and Basel in a timely manner. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this report. Straumann is providing the information in this report as of this date and does not undertake any obligation to update any forwardlooking statements contained in it as a result of new information, future events or otherwise.

Waldenburg, 12 August 2004

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### **About Straumann**

Headquartered in Waldenburg, Switzerland, Straumann is a global leader in oral implantology and tissue regeneration. In collaboration with the International Team for Implantology (ITI), leading clinics, research institutes and universities, the Group researches, develops, produces and distributes implants, instruments and tissue regeneration products for use in tooth replacement solutions or to prevent tooth loss. Straumann also provides training and services to the dental profession worldwide. Straumann's implants and instruments are manufactured in Switzerland, whilst its dental tissue regeneration products are produced in Sweden. With affiliates in 14 countries and distributors in 35, Straumann employs more than 1000 people worldwide. In 2003, the Group generated sales of CHF 344 million and a net income of CHF 80 million.

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## Selected Financial Information

### Operating performance

| (in CHF million)  | H1, 2004 | H1, 2003 |
|---|----------|----------|
| <b>Net sales</b>  | 217.2    | 163.4    |
| Growth in %   | 32.9     | 15.6     |
| <b>Implants Division</b>  | 206.0    | 163.4    |
| In % of net sales   | 94.8     | 100.0    |
| <b>Biologics Division</b>   | 11.2     |          |
| In % of net sales   | 5.2      |          |
| <b>Gross profit<sup>1</sup></b>   | 179.0    | 131.6    |
| Margin in %   | 82.4     | 80.5     |
| <b>Operating profit before depreciation and amortization (EBITDA)<sup>1</sup></b> | 81.2     | 56.9     |
| Margin in %   | 37.4     | 34.8     |
| Growth in %   | 42.7     | 13.4     |
| <b>Operating profit before amortization (EBITA)<sup>1</sup></b>                   | 71.9     | 48.1     |
| Margin in %   | 33.1     | 29.4     |
| Growth in %   | 49.3     | 9.5      |
| <b>Operating profit (EBIT)<sup>1</sup></b>  | 67.2     | 46.3     |
| Margin in %   | 30.9     | 28.3     |
| Growth in %   | 45.2     | 16.9     |
| <b>Net profit</b>   | 54.1     | 38.2     |
| Margin in %   | 24.9     | 23.4     |
| Growth in %   | 41.7     | 33.8     |
| <b>Earnings per share in CHF</b>  | 3.49     | 2.46     |
| <b>Economic Profit</b>  | 43.1     | 29.2     |
| In % of net sales   | 19.9     | 17.9     |
| <b>Number of employees (period end)</b>   | 1,005    | 904      |
| Sales per employee (average) over the past 12 months in CHF 1.000                 | 424      | 409      |
| <b>Number of sales employees (period end)</b>                                     | 247      | 203      |
| Sales per sales employee (average) over the past 12 months in CHF 1.000           | 1,771    | 1,856    |

<sup>1</sup> 2003 restated to reflect format adjustments; see note on changes in accounting policies

## Financial performance

| (in CHF million)                         | H1, 2004         | H1, 2003 |
|--|------------------|----------|
| Net cash and cash equivalents            | 70.3             | 37.4     |
| Net working capital (net of cash)        | 34.0             | 36.0     |
| In % of net sales                        | 7.8 <sup>1</sup> | 11.2     |
| Inventory                                | 32.5             | 40.1     |
| Inventory days                           | 158 <sup>1</sup> | 203      |
| Receivables                              | 57.7             | 48.5     |
| Receivable days                          | 41 <sup>1</sup>  | 43       |
| Equity                                   | 261.8            | 212.4    |
| Equity ratio in %                        | 75.1             | 64.0     |
| Long-term financial debt                 |                  | 14.2     |
| Cash generated from operating activities | 64.9             | 57.1     |
| In % of net sales                        | 29.9             | 34.9     |
| Investments                              | 22.4             | 75.3     |
| In % of net sales                        | 10.3             | 46.1     |
| Capital expenditures                     | 22.4             | 16.8     |
| Acquisitions                             |                  | 58.4     |
| Free cash flow                           | 42.5             | (18.2)   |
| In % of net sales                        | 19.6             | (11.1)   |
| Dividend                                 | 48.1             | 17.4     |
| Pay-out ratio in %                       | 59.9             | 31.1     |

## Profitability indicators

| (in %)   | H1, 2004 <sup>1</sup> | H1, 2003 |
|--|-----------------------|----------|
| Return on equity (ROE)                         | 41.9                  | 40.0     |
| Return on capital employed (ROCE) <sup>2</sup> | 50.7                  | 45.1     |
| Return on assets (ROA)                         | 30.9                  | 27.6     |

<sup>1</sup>Annualized

<sup>2</sup>2003 restated to reflect format adjustments; see note on changes in accounting policies

## Sales development by Division

| (in CHF million)                             | Q1, 2004 | Q2, 2004 | H1, 2004 | H1, 2003 |
|--|----------|----------|----------|----------|
| <b>Implants Division</b>                     | 102.4    | 103.6    | 206.0    | 163.4    |
| Growth in %                                  | 28.6     | 23.6     | 26.1     | 15.6     |
| Growth in local currencies in %              | 26.5     | 24.2     | 25.3     | 21.1     |
| In % of net sales                            | 94.9     | 94.8     | 94.8     | 100.0    |
| <b>Biologics Division</b>                    | 5.5      | 5.7      | 11.2     |          |
| Growth in % <sup>1</sup>                     | 0.6      | 9.8      | 5.1      |          |
| Growth in local currencies in % <sup>1</sup> | 2.5      | 12.4     | 7.4      |          |
| In % of net sales                            | 5.1      | 5.2      | 5.2      |          |
| <b>Total</b>                                 | 107.9    | 109.3    | 217.2    | 163.4    |
| Growth in %                                  | 35.5     | 30.5     | 32.9     | 15.6     |
| Growth in local currencies in %              | 33.3     | 31.1     | 32.1     | 21.1     |
| Price effect in %                            | 2.3      | 1.2      | 1.8      | 3.7      |

<sup>1</sup>By comparison with sales published in 2003 by Biora prior to its acquisition

## Regional sales development

| (in CHF million)                | Q1, 2004 | Q2, 2004 | H1, 2004 | H1, 2003 |
|---------------------------------|----------|----------|----------|----------|
| <b>Europe</b>                   | 70.5     | 67.6     | 138.1    | 104.5    |
| Growth in %                     | 38.5     | 26.0     | 32.1     | 20.2     |
| Growth in local currencies in % | 31.5     | 24.6     | 28.0     | 19.5     |
| In % of net sales               | 65.3     | 61.8     | 63.6     | 64.0     |
| <b>North America</b>            | 26.0     | 28.0     | 54.0     | 40.1     |
| Growth in %                     | 31.1     | 38.0     | 34.6     | 5.8      |
| Growth in local currencies in % | 41.0     | 44.9     | 43.0     | 28.6     |
| In % of net sales               | 24.1     | 25.7     | 24.9     | 24.6     |
| <b>Asia/Pacific</b>             | 9.6      | 12.1     | 21.7     | 16.8     |
| Growth in %                     | 18.6     | 37.9     | 28.6     | 10.2     |
| In % of net sales               | 8.9      | 11.0     | 10.0     | 10.3     |
| <b>Rest of the World</b>        | 1.8      | 1.6      | 3.4      | 1.9      |
| Growth in %                     | 124.1    | 51.7     | 82.9     | 66.1     |
| In % of net sales               | 1.7      | 1.5      | 1.5      | 1.2      |
| <b>Total</b>                    | 107.9    | 109.3    | 217.2    | 163.4    |
| Growth in %                     | 35.5     | 30.5     | 32.9     | 15.6     |
| Growth in local currencies in % | 33.3     | 31.1     | 32.1     | 21.1     |
| Price effect in %               | 2.3      | 1.2      | 1.8      | 3.7      |

## Consolidated Balance Sheets

### Assets

| (in CHF 1,000)                      | June 30, 2004  | Dec 31, 2003   | June 30, 2003  |
|-------------------------------------|----------------|----------------|----------------|
| Land and buildings                  | 52,942         | 47,871         | 48,155         |
| Tangible assets                     | 31,461         | 27,254         | 28,973         |
| Intangible assets                   | 64,968         | 66,097         | 66,599         |
| Financial assets                    | 2,552          | 2,224          | 2,116          |
| Deferred tax assets                 | 25,103         | 19,225         | 18,553         |
| Pension asset                       | 0              | 0              | 940            |
| Non-current assets                  | 177,027        | 162,670        | 165,335        |
| Inventories                         | 32,470         | 34,650         | 40,073         |
| Trade accounts receivable           | 57,673         | 42,426         | 48,484         |
| Other receivables                   | 6,321          | 3,786          | 4,177          |
| Tax receivables                     | 1,003          | 2,414          | 3,184          |
| Cash and cash equivalents           | 70,257         | 103,361        | 67,335         |
| Prepaid expenses and accrued income | 3,752          | 2,479          | 3,098          |
| Current assets                      | 171,476        | 189,116        | 166,371        |
| <b>Assets</b>                       | <b>348,502</b> | <b>351,786</b> | <b>331,706</b> |

## Equity and liabilities

| (in CHF 1,000)                       | June 30, 2004  | Dec 31, 2003   | June 30, 2003  |
|--------------------------------------|----------------|----------------|----------------|
| Share capital                        | 1,552          | 1,551          | 1,550          |
| Capital reserves and share premium   | 36,443         | 33,067         | 32,563         |
| Translation reserve                  | (2,477)        | (1,109)        | 36             |
| Retained earnings                    | 226,256        | 220,579        | 178,203        |
| <b>Equity</b>                        | <b>261,774</b> | <b>254,088</b> | <b>212,352</b> |
| Minority interests                   | 2,703          | 1,877          | 1,871          |
| Mortgages                            | 0              | 14,200         | 14,200         |
| Provisions                           | 4,809          | 3,956          | 7,003          |
| Deferred tax liabilities             | 6,915          | 6,256          | 3,293          |
| Pension liability                    | 5,049          | 1,315          | 0              |
| <b>Non-current liabilities</b>       | <b>16,773</b>  | <b>25,727</b>  | <b>24,496</b>  |
| Short-term loans                     | 0              | 15,000         | 30,000         |
| Trade accounts payable               | 9,115          | 8,992          | 10,146         |
| Other liabilities                    | 13,407         | 11,847         | 10,652         |
| Tax liabilities                      | 27,329         | 19,300         | 21,283         |
| Accrued expenses and deferred income | 17,402         | 14,954         | 20,907         |
| Current liabilities                  | 67,253         | 70,094         | 92,988         |
| <b>Liabilities</b>                   | <b>84,026</b>  | <b>95,821</b>  | <b>117,484</b> |
| <b>Equity and liabilities</b>        | <b>348,502</b> | <b>351,786</b> | <b>331,706</b> |

## Consolidated Income Statements

| (in CHF 1,000)                              | H1, 2004 | H1, 2003 |
|---|----------|----------|
| Net sales                                   | 217,246  | 163,440  |
| Cost of goods sold                          | (38,236) | (31,805) |
| Gross profit <sup>1</sup>                   | 179,010  | 131,635  |
| Other income <sup>1</sup>                   | 2,861    | 1,108    |
| Selling costs                               | (82,543) | (59,367) |
| General administrative costs <sup>2</sup>   | (19,061) | (14,653) |
| Research and development costs <sup>2</sup> | (13,042) | (12,436) |
| Operating profit (EBIT) <sup>1</sup>        | 67,225   | 46,287   |
| Financial result                            | (1,538)  | 2,627    |
| Profit before taxes                         | 65,687   | 48,914   |
| Tax expense                                 | (11,260) | (10,736) |
| Minority interests                          | (331)    | 0        |
| Net profit                                  | 54,096   | 38,178   |
| Basic earnings per share (in CHF)           | 3.49     | 2.46     |
| Diluted earnings per share (in CHF)         | 3.48     | 2.46     |

The operating expense according to the nature of expense method is as follows:

| (in CHF 1,000)                                    | H1, 2004  | H1, 2003  |
|---|-----------|-----------|
| <b>Operating expense as per nature of expense</b> |           |           |
| Other income <sup>1</sup>                         | 2,861     | 1,108     |
| Cost of material and goods                        | (23,061)  | (19,095)  |
| Personnel expense                                 | (63,256)  | (45,245)  |
| Depreciation                                      | (9,296)   | (8,730)   |
| Amortization                                      | (4,646)   | (1,845)   |
| Other operating expense                           | (52,623)  | (43,345)  |
| Operating expense                                 | (150,021) | (117,153) |

<sup>1</sup>2003 restated to reflect format adjustments; see note on changes in accounting policies

<sup>2</sup>2003 restated due to reallocation of certain items from research and development to general administrative costs

## Consolidated Cash Flow Statements

| (in CHF 1,000)                                       | H1, 2004 | H1, 2003 |
|--|----------|----------|
| Operating profit                                     | 67,225   | 46,287   |
| Depreciation and amortization                        | 13,942   | 10,575   |
| Change in provisions                                 | 853      | 3,282    |
| Change in minority interests                         | 825      | (1,065)  |
| Change in prepaid pension asset/liability            | 3,734    | 940      |
| Gains and losses from disposals of assets            | (36)     | (370)    |
| Changes in net working capital                       | (3,304)  | 6,257    |
| Cash generated from operations                       | 83,240   | 65,906   |
| Interest and other financial receipts                | 597      | 564      |
| Interest and other financial payments                | (631)    | (308)    |
| Exchange differences                                 | (1,504)  | 2,375    |
| Tax expense  | (11,260) | (10,736) |
| Change in deferred tax assets                        | (5,878)  | 1,476    |
| Change in deferred tax liabilities                   | 659      | (2,188)  |
| Minority interests                                   | (331)    | 0        |
| Net cash flow from operating activities <sup>1</sup> | 64,891   | 57,089   |
| Investments in land and buildings                    | (8,860)  | (497)    |
| Investments in tangible assets                       | (9,679)  | (8,190)  |
| Investments in intangible assets                     | (3,518)  | (7,770)  |
| Investments in acquisitions                          | 0        | (58 443) |
| Investments in financial assets                      | (328)    | (388)    |
| Cash flow from investing activities                  | (22,385) | (75,288) |
| Dividend payment                                     | (48,075) | (17,434) |
| Issuance of share capital                            | 1,495    | 625      |
| Issuance of share options                            | 1,882    | 888      |
| Repayment/increase of loans                          | (29,200) | 30,000   |
| Cash flow from financing activities                  | (73,898) | 14,078   |
| Effect of foreign currency translation               | (1,712)  | 1,180    |
| Net increase in cash and cash equivalents            | (33,104) | (2,941)  |
| Cash and cash equivalents at January 1               | 103,361  | 70,296   |
| Cash and cash equivalents at June 30                 | 70,257   | 67,355   |

<sup>1</sup>Income taxes paid (8,757) (3,831)

## Consolidated Statement of Changes in Equity

| (in CHF 1,000)                   | Share capital | Capital reserves and share premium | Translation reserve | Retained earnings | Total equity   |
|----------------------------------|---------------|------------------------------------|---------------------|-------------------|----------------|
| Balance at January 1, 2003       | 1,549         | 31,052                             | (1,227)             | 157,541           | 188,915        |
| Dividend payment                 |               |                                    |                     | (17,434)          | (17,434)       |
| Issuance of share capital        | 1             | 624                                |                     |                   | 625            |
| Issuance of share options        |               | 888                                |                     |                   | 888            |
| Currency translation differences |               | (1)                                | 1,263               | (82)              | 1,180          |
| Net profit                       |               |                                    |                     | 38,178            | 38,178         |
| <b>Balance at June 30, 2003</b>  | <b>1,550</b>  | <b>32,563</b>                      | <b>36</b>           | <b>178,203</b>    | <b>212,352</b> |
| Balance at January 1, 2004       | 1,551         | 33,067                             | (1,109)             | 220,579           | 254,088        |
| Dividend payment                 |               |                                    |                     | (48,075)          | (48,075)       |
| Issuance of share capital        | 1             | 1,494                              |                     |                   | 1,495          |
| Issuance of share options        |               | 1,882                              |                     |                   | 1,882          |
| Currency translation differences |               |                                    | (1,368)             | (344)             | (1,712)        |
| Net profit                       |               |                                    |                     | 54,096            | 54,096         |
| <b>Balance at June 30, 2004</b>  | <b>1,552</b>  | <b>36,443</b>                      | <b>(2,477)</b>      | <b>226,256</b>    | <b>261,774</b> |

## Segment Information

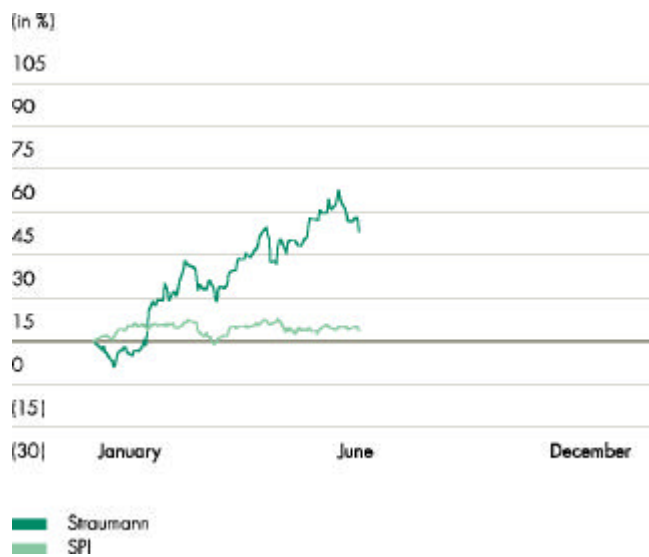
| (in CHF 1,000)                           | Net sales<br>H1, 2004 | Net sales<br>H1, 2003 | Growth<br>(in %) |
|--|-----------------------|-----------------------|------------------|
| <b>Geographical segments Switzerland</b> |                       |                       |                  |
| Switzerland                              | 13,920                | 12,350                | 12.7             |
| Italy                                    | 8,919                 | 7,201                 | 23.9             |
| Japan                                    | 17,772                | 14,678                | 21.1             |
| Others                                   | 10,630                | 6,898                 | 54.1             |
| Intercompany sales                       | 103,755               | 75,264                |                  |
|  | 154,996               | 116,391               |                  |
| Germany                                  | 52,215                | 39,622                | 31.8             |
| Rest of Europe                           | 58,927                | 42,112                | 39.9             |
| North America                            | 54,040                | 40,146                | 34.6             |
| Rest of the World                        | 823                   | 433                   | 90.1             |
|  | 321,001               | 238,704               |                  |
| Eliminations                             | (103,755)             | (75,264)              |                  |
| <b>Total</b>                             | <b>217,246</b>        | <b>163,440</b>        | <b>32.9</b>      |

| (in CHF 1,000)    | Assets         |                | Liabilities   |                | Operating result   | Operating result <sup>1</sup> |
|-------------------|----------------|----------------|---------------|----------------|--------------------|-------------------------------|
|                   | June 30, 2004  | June 30, 2003  | June 30, 2004 | June 30, 2003  | (EBIT)<br>H1, 2004 | (EBIT)<br>H1, 2003            |
| Switzerland       | 441,563        | 403,676        | 104,360       | 190,829        | 71,042             | 42,940                        |
| Germany           | 18,084         | 27,451         | 14,053        | 18,452         | 2,905              | 1,569                         |
| Rest of Europe    | 138,229        | 61,894         | 97,197        | 30,070         | 8,089              | 4,447                         |
| North America     | 35,571         | 28,220         | 25,068        | 17,149         | (3,516)            | 1,362                         |
| Rest of the World | 1,458          | 1,441          | 3,059         | 2,310          | (279)              | (221)                         |
|                   | 604,905        | 522,682        | 243,737       | 258,810        | 78,241             | 50,097                        |
| Eliminations      | (256,403)      | (190,976)      | (159,711)     | (141,326)      | (11,017)           | (3,810)                       |
| <b>Total</b>      | <b>348,502</b> | <b>331,706</b> | <b>84,026</b> | <b>117,484</b> | <b>67,225</b>      | <b>46,287</b>                 |

<sup>1</sup> Restated to reflect format adjustments; see note on changes in accounting policies

| (in CHF 1,000)    | Capital expenditure | Capital expenditure | Depreciation and amortization | Depreciation and amortization |
|-------------------|---------------------|---------------------|-------------------------------|-------------------------------|
|                   | H1, 2004            | H1, 2003            | H1, 2004                      | H1, 2003                      |
| Switzerland       | 18,599              | 72,698              | 12,139                        | 9,067                         |
| Germany           | 522                 | 249                 | 565                           | 499                           |
| Rest of Europe    | 1,099               | 683                 | 589                           | 435                           |
| North America     | 2,166               | 1,655               | 623                           | 554                           |
| Rest of the World | 89                  | 3                   | 25                            | 20                            |
| <b>Total</b>      | <b>22,385</b>       | <b>75,288</b>       | <b>13,942</b>                 | <b>10,575</b>                 |

### Share price development 2004



#### Share price

January 1, 2004: CHF 190.00  
 June 30, 2004: CHF 251.00

## **Notes to the Interim Consolidated Financial Statements**

### **Basis of preparation**

These financial statements are the interim consolidated financial statements of Straumann Holding AG, a company registered in Switzerland, and its subsidiaries for the six-month period ended June 30, 2004. They are prepared in accordance with the International Accounting Standard 34 (IAS 34) "Interim Financial Reporting". They were approved for issue by the Board of Directors on August 5, 2004.

### **Changes in accounting policies**

The accounting policies used are consistent with those used in the annual financial statements. The presentation of the interim financial statements is consistent with the annual financial statements. Where necessary, the comparatives have been reclassified from previously reported interim results to take into account presentational changes made in these interim financial statements.

The format of the consolidated income statements of these interim consolidated financial statements has been adjusted. Other operating income is shown below gross profit. Non-operating result has been reclassified to other operating income and other operating expense, respectively.

### **Basis of consolidation**

During the first 6 months of 2004 the scope of consolidation changed due to the acquisition of Straumann Holding AB, Sweden in June 2004. The purpose of this company is limited to the holding of the investment in Biora AB, Sweden until the completion of the compulsory acquisition of the remaining minorities of Biora AB. The integration of the Biora distribution channels into Straumann's distribution channels has been for the most part completed.

In line with this integration, Straumann Inc., USA and Biora Inc., USA merged as of April 1, 2004. Straumann B.V., Netherlands and Biora Benelux Dental Products B.V., Netherlands merged as of April 1, 2004. The business and assets of Biora Ltd., UK were transferred to Straumann Ltd., UK as of April 1, 2004. Biora Ltd., UK continues to exist as a dormant company. In the same period the liquidation of Biora AG, Switzerland was finalized and Biora Srl., Italy was sold.

### **Compulsory acquisition Biora**

As per June 30, 2003 Straumann acquired 91.6% of the shares and voting rights of Biora AB, Sweden. The compulsory acquisition of the remaining minorities is in process and Straumann still owns 91.6% of the shares and voting rights of Biora. It is expected that the compulsory acquisition will be completed in 2005.

### **Repayment of debt**

During the first 6 months of 2004, Straumann repaid the mortgages on the Waldenburg site in the amount of CHF 14,200,000. In addition, the remaining shortterm loan to finance the acquisition of Biora in the amount of CHF 15,000,000 was repaid.