

Media release

Straumann outpaces the market and posts record earnings in 2004

- Continued strong sales growth across all regions, especially in key US market, where Straumann moves up to rank #2
- Record earnings as operating and net profits rise 31% and 24% respectively
- Successful implementation of strategic initiatives
- Further reduction in net working capital from 11% to 6% of sales
- 200 new jobs created and management team expanded
- Earnings per share increases 24% to CHF 6.44, while proposed dividend increases 29% to CHF 2.00

Key figures

(in CHF million)	2004	2003
Group Sales	420.3	343.9
Growth in %	22.2	25.1
Growth in local currencies in %	23.6	28.1
Operating profit (EBIT)	127.7	97.5
Margin in %	30.4	28.4
Growth in %	30.9	30.2
Net profit	100.5	80.3
Margin in %	23.9	23.5
Growth in %	24.2	43.3
Earnings per share (in CHF)	6.44	5.22
Growth in %	24.2	43.3
Dividend per share (in CHF)	2.00*	1.55
Growth in %	29.0	40.9
Number of employees	1 104	903
Growth in %	22.3	20.4

* proposal to the General Meeting.

Basel, 17 February 2005: In 2004, Straumann again outperformed the market with sales climbing 24% in local currencies (l.c.), or 22% in Swiss francs, to CHF 420 million. Thanks to improved operational efficiency and cost control, operating profit grew 31% to CHF 128 million, and net profit climbed 24% to CHF 101 million. Correspondingly, the operating profit margin increased to a record 30%, and the net profit margin to 24%. Investments amounted to CHF 66 million and Straumann created more than 200 new jobs, bringing the total number of employees to more than 1100 worldwide.

Strategic achievements

In the US, Straumann's key growth market, the Group pursued its expansion program and succeeded in moving up to the number-2 rank based on reported and estimated sales. In Europe, Straumann maintained its regional leadership and acquired BIO srl, its distributor in Italy, the second largest European market. In the Asia/Pacific region, the Group also reached agreements to take over the distribution of its products in Australia, and to operate directly with its distributor in Korea, the second largest Asian market.

In addition to these highlights, Straumann achieved its goals for new product launches, successfully introducing the Standard Plus implant range for semi- and fully submerged use in the front "esthetic" region of the mouth. The global roll-out of the TE implant line for immediate and early placement was completed, and the portfolio of existing products was systematically optimized.

The integration of Biora was completed on schedule and, as the distribution channels were switched over and the sales teams combined, there was an acceleration in sales of Emdogain®, the treatment for periodontal disease. The logical consequence of combining the sales teams was to merge the Biologics and Implants Divisions completely into a single "Products" Division, which Straumann did shortly after the end of the year.

The Group also entered an exclusive worldwide collaboration agreement with Sirona, the world's leading producer of computer-aided design/manufacture (CAD/CAM) systems for dental professionals. The goal of this collaboration is to offer an individualized implant prosthetics service.

With regard to the product pipeline, the most important development projects all achieved their 2004 milestones. The innovative SLActive surface, which further reduces healing time, is to be launched in successive steps in June 2005. Straumann Bone Ceramic was introduced selectively on a product surveillance basis, while Straumann Membrane entered clinical trials.

New talent recruited; organizational structure strengthened

Straumann continued to invest in talent recruitment, creating and filling 201 new positions worldwide in 2004. By year-end, the workforce had increased 22% to 1104 people. Personnel expense consequently rose 29% to CHF 123 million. In relation to sales, however, this increase was just one percentage point. Sales per employee increased by CHF 11 000 to CHF 418 000.

In order to master its increasing complexity and size and to drive and manage future growth, Straumann adapted its organizational structure in 2004, expanding and strengthening the Executive Committee on an international basis.

The salesforce was considerably enlarged and is now organized so that all representatives include implant and biologic product ranges in their detailings. This will substantially increase the market penetration of our biologic products and will increase efficiency with regard to customer visits.

New headquarter locations

Due to the Group's rapid expansion in recent years some of its locations have become too limited. At the end of 2004, the entire global headquarters transferred to a new site in the city of Basel. The move was effected with minimal interruption and no loss of staff. By mid 2005 the North American headquarters will transfer to Andover near Boston. It will include a world-class training center with multiple operating rooms and Straumann's first production facility

outside Switzerland. The first production tests have been carried out and the initial machines will become operational following the move.

Both these new sites place Straumann in world centers of scientific, medical and academic excellence and provide the Group with access to greater talent pools of highly qualified people. They also offer larger training facilities and room for future expansion.

Sales driven by volume expansions

The 24% increase in sales in local currencies was driven mainly by expanding volumes, which contributed 20% points, as Straumann continued to broaden its existing business and to gain new customers. Price increases added one further percentage point, while 3% points were related to the Biora acquisition effect, which came to an end in June 2004. The effect of currency translations amounted to -2% points, as the positive effect of the Euro only partially offset the negative impact of the US dollar, which dropped considerably against the Swiss franc during the second half of 2004.

The full-year performance was boosted by very strong volume expansions in the first half, when Group sales rose 32%. Solid growth was achieved in the second half on top of a very high baseline due to the particularly strong comparative period in 2003. In addition to this, the second half saw growth in Germany, where Straumann leads the market, slowing towards the end of the year. This was related to patients' postponing treatment in order to benefit from reimbursement in 2005. Furthermore, the positive effect of reimbursement in the Netherlands and Sweden was more evident in the first half than later in the year under review.

Solid regional growth

Sales grew across all regions, with European revenues rising 23% (21% in l.c.) to CHF 262 million, or 62% of Group sales. All major European countries posted strong growth rates: Germany contributed 24% of Group sales and achieved an overall 19% increase in local currencies despite the effect of treatment postponements.

In North America, sales rose 32% in local currencies to CHF 110 million, corresponding to 26% of total Group sales. After conversion into Swiss francs, the increase amounted to 23%, reflecting the weakness of the dollar.

10% of Group sales were generated in the Asia/Pacific region, which grew 16% to CHF 41 million, lifted by strong increases in Australia/New Zealand and Southeast Asia.

EBIT margin expands to 30%

Further optimization of inventory and supply-chain management contributed to an overall reduction in the cost of goods sold as a proportion of sales. As a result, the full-year gross profit margin expanded by 2% points to 82%.

Operating costs decreased to 70% of sales compared with 72% in 2003. Selling costs rose from 36% to 38% of sales, reflecting Straumann's investment in its growth strategy. General administrative costs remained constant at 8% of sales, whereas research and development costs decreased 2% points to 6% of sales. Overall expenditure on research and development was maintained at approximately the same level to drive innovation, clinical excellence and scientifically-proven product benefits.

The strong top-line growth combined with this successful cost management led to a 31% rise in operating profit to CHF 128 million. As a result, the EBIT margin reached a new record level of 30%.

Constant depreciation and amortization as a percentage of sales

Costs developed under-proportionately to sales with the result that operating profit before depreciation and amortization (EBITDA) increased 31% to CHF 157 million. The EBITDA margin thus expanded 2% points to 37%. Total depreciation and amortization as a percentage of sales remained constant despite the additional write-down of CHF 5 million on the Waldenburg site as part of Straumann's relocation to Basel at the beginning of 2005. Goodwill amortization totaled CHF 4 million, most of which was related to the acquisition of Biora.

Net profit up 24%

With net income rising 24% to a company record of CHF 101 million, the net margin remained at 24% despite the increased tax rate and the financial result. Earnings per share also increased 24% from CHF 5.22 in 2003 to CHF 6.44 in 2004.

High levels of investment, dividend and loan repayment

Cash flow from operating activities rose 22% to CHF 144 million, leading to a constant operating cash-flow margin of 34%. Cash flow from investing activities totaled CHF 66 million or 16% of sales. The main investments were in production capacity expansion (CHF 16 million) and the new headquarters projects in Basel, Switzerland (CHF 25 million) and in Andover, USA (CHF 8 million). The free cash flow of CHF 78 million was used to pay dividends of CHF 48 million (including the exceptional 50th anniversary dividend) and to repay short-term loans of CHF 15 million and mortgages of CHF 14 million. As a result of all these activities, liquidity amounted to CHF 107 million at period-end.

Net working capital decreased from CHF 32 million to CHF 17 million. This was achieved by enhanced inventory management, which resulted in a reduction of stock from 11% to 8% of sales, as well as by increased current liabilities.

31% dividend on net income

On the basis of the good full-year performance, the Board of Directors will propose to the General Meeting an ordinary dividend increase of 29% to CHF 2.00 per share. This corresponds to a total dividend of CHF 31 million and a pay-out ratio of 31%.

Outlook (barring unforeseen circumstances)

Straumann intends to continue to grow faster than the dental implant and tissue regeneration market and to expand its market share. The significant strategic achievements in 2004 set the Group on course to achieve this challenging goal. In addition, the implemented structural and organizational adjustments have prepared the Group to absorb future growth and to maintain or further improve operating performance and profitability.

On the basis of these factors and the foreseen launches of new products, Straumann expects 2005 sales to grow in the region of 20%, with operating and net profit margins expanding by about one percentage point. The Group's exceptionally strong growth in the first half of 2004 sets a high baseline for the current first half. Sales growth can therefore be expected to be lower than 20% in the first 6 months of 2005 and correspondingly above 20% in the second half of 2005.

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Disclaimer

This release contains certain “forward-looking statements”, which can be identified by the use of terminology such as “scheduled to”, “will”, “expected to”, “forecast”, “expectation”, or similar wording. Such forward-looking 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 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 release as of this date and does not undertake any obligation to update any forward-looking statements contained in it as a result of new information, future events or otherwise.

About Straumann

Headquartered in Basel, Switzerland, Straumann (SWX: STMN) is a global leader in implant dentistry and dental 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. The Group’s implants and instruments are manufactured in Switzerland, whilst its dental tissue regeneration products are produced in Sweden. Straumann’s products and services are available in more than 60 countries worldwide through the Group’s 15 distribution subsidiaries and a broad network of distribution partners. Straumann employs 1104 people worldwide, and generated sales of CHF 420 million and a net income of CHF 101 million in 2004.

Media and analysts’ conference

Straumann will be presenting the 2004 results to representatives of the media and financial community at 09.30 Swiss time in Basel. The event will be webcast live on the internet and a playback will be available.

Further information, together with the presentation slides and Straumann’s audited 2004 Annual Report are available at www.straumann.com.

Key reporting dates in 2005

24 March 2005	Annual General Meeting, Straumann Holding AG
22 April 2005	Media release Q1 sales
12 August 2005	Half-year report; Analysts and media conference
20 October 2005	Media release Q3/9M sales

Selected Financial Information

Operating performance

(in CHF million)	2004	2003 ¹
Group Sales	420.3	343.9
Growth in %	22.2	25.1
Gross profit	342.4	274.9
Margin in %	81.5	80.0
Operating result before depreciation and amortization (EBITDA)	156.7	120.0
Margin in %	37.3	34.9
Growth in %	30.5	28.4
Operating result before amortization (EBITA)	137.5	102.3
Margin in %	32.7	29.7
Growth in %	34.4	27.0
Operating profit (EBIT)	127.7	97.5
Margin in %	30.4	28.4
Growth in %	30.9	30.2
Net profit	100.5	80.9
Margin in %	23.9	23.5
Growth in %	24.2	43.3
Earnings per share in CHF	6.44	5.22
Value added (economic profit)	80.1	59.2
Increase in value added	20.9	20.5
Increase in value added in %	35.4	52.9
In % of Group sales	19.1	17.2
Number of employees (year-end)	1 104	903
Number of employees (average)	1 006	845
Sales per employee (average) in CHF 1 000	418	407

¹ 2003 reclassified to reflect format adjustments and restated due to the adoption of IFRS 2 Share-based Payment

Financial performance

(in CHF million)	2004	2003 ¹
Net cash and cash equivalents	107.1	88.4
Net working capital (net of cash)	17.0	31.6
In % of Group sales	5.8	10.6
Inventory	35.5	34.7
Inventory days	162	190
Receivables	48.8	42.4
Receivable days	39	40
Balance sheet total	404.5	351.8
Return on assets in % (ROA)	26.6	26.8
Equity	311.6	256.7
Equity ratio in %	77.0	73.0
Return on equity in % (ROE)	35.4	36.2
Long-term financial debt	0.0	14.2
Capital employed	311.6	270.9
Return on capital employed in % (ROCE)	43.8	41.1
Cash generated from operating activities	144.3	118.0
In % of Group sales	34.3	34.3
Investments	66.1	84.8
In % of Group sales	15.7	24.7
Capital expenditures	65.5	26.9
Acquisitions	0.6	57.9
Free Cash Flow	78.2	33.1
In % of Group sales	18.6	9.6
Dividend	48.1	17.4
Pay-out ratio in %	59.4	30.9

¹ 2003 reclassified to reflect format adjustments and restated due to the adoption of IFRS 2 Share-based Payment

Regional sales development

(in CHF million)	H1	H2 ¹	Total 2004	Total 2003
Europe	138.1	124.0	262.1	213.7
Growth in %	32.1	13.6	22.6	29.0
Growth in local currencies in %	28.0	14.3	21.1	26.3
In % of Group sales	63.6	61.1	62.4	62.2
North America	54.0	56.4	110.4	90.1
Growth in %	34.6	12.8	22.5	20.4
Growth in local currencies in %	43.0	22.9	31.8	38.9
In % of Group sales	24.9	27.8	26.2	26.2
Asia / Pacific	21.7	19.0	40.6	35.2
Growth in %	28.6	3.4	15.5	9.7
In % of Group sales	10.0	9.3	9.7	10.2
Rest of the world	3.4	3.7	7.2	4.9
Growth in %	82.9	25.2	47.8	105.9
In % of Group sales	1.5	1.8	1.7	1.4
Total	217.2	203.1	420.3	343.9
Growth in %	32.9	12.5	22.2	25.1
Growth in local currencies in %	32.1	15.6	23.6	28.1
Price effect in %	1.8	0.4	1.1	2.7
In % of full-year sales	51.7	48.3	100.0	100.0

¹ Sales growth reflects the discontinuation of the growth effect from the Biora acquisition in June 2003

Regional sales development by quarter

(in CHF million)	Q1	Q2	Q3 ¹	Q4 ¹	Total 2004
Europe	70.5	67.6	57.5	66.6	262.1
Growth in %	38.5	26.0	16.4	11.3	22.6
Growth in local currencies in %	31.5	24.6	16.6	12.4	21.1
In % of Group sales	65.3	61.8	59.7	62.3	62.4
North America	26.0	28.0	27.9	28.5	110.4
Growth in %	31.1	38.0	9.1	16.6	22.5
Growth in local currencies in %	41.0	44.9	18.1	27.7	31.8
In % of Group sales	24.1	25.7	28.9	26.6	26.2
Asia / Pacific	9.6	12.1	8.9	10.0	40.6
Growth in %	18.6	37.9	7.8	(0.3)	15.5
In % of Group sales	8.9	11.0	9.3	9.4	9.7
Rest of the world	1.8	1.6	2.0	1.7	7.2
Growth in %	124.1	51.7	38.2	13.2	47.8
In % of Group sales	1.7	1.5	2.1	1.6	1.7
Total	107.9	109.3	96.3	106.8	420.3
Growth in %	35.5	30.5	13.7	11.5	22.2
Growth in local currencies in %	33.3	31.1	16.6	14.8	23.6
Price effect in %	2.3	1.2	0.8	0.0	1.1
In % of full-year sales	25.7	26.0	22.9	25.4	100.0

¹ Sales growth reflects the discontinuation of the growth effect from the Biora acquisition in June 2003

Consolidated Balance Sheets

Assets

(in CHF 1 000)	31 Dec 2004	31 Dec 2003
Land and buildings	63 470	47 871
Tangible assets	48 688	27 254
Intangible assets	65 926	66 097
Financial assets	2 220	2 224
Deferred tax assets	22 785	19 225
Non-current assets	203 089	162 670
Inventories	35 545	34 650
Trade accounts receivable	48 814	42 426
Other receivables	6 162	3 786
Tax receivables	221	2 414
Cash and cash equivalents	107 105	103 361
Prepaid expenses and accrued income	3 598	2 479
Current assets	201 445	189 116
Total assets	404 534	351 786

Equity and liabilities

(in CHF 1 000)	31 Dec 2004	31 Dec 2003 ¹
Share capital	1 552	1 551
Capital reserves and share premium	36 293	32 631
Translation reserve	(2 855)	(1 109)
Retained earnings	274 493	221 718
	309 483	254 791
Minority interest	2 145	1 877
Total equity	311 628	256 668
Mortgages	0	14 200
Provisions	1 902	3 956
Deferred tax liabilities	10 302	6 489
Pension liability	3 340	1 315
Total non-current liabilities	15 544	25 960
Short-term loans	0	15 000
Trade accounts payable	15 268	8 992
Other liabilities	17 013	11 847
Tax liabilities	22 633	19 300
Accrued expenses and deferred income	22 448	14 018
Total current liabilities	77 362	69 157
Total liabilities	92 906	95 118
Total equity and liabilities	404 534	351 786

¹ 2003 restated due to the adoption of IFRS 2 Share-based Payment

Consolidated Income Statements

(in CHF 1 000)	2004	2003 ¹
Group sales	420 296	343 866
Cost of goods sold	(77 866)	(68 930)
Gross profit	342 430	274 936
Other income	3 861	2 538
Selling costs	(158 974)	(124 867)
General administrative costs ²	(34 417)	(28 729)
Research and development costs ²	(25 250)	(26 373)
Operating profit (EBIT)	127 650	97 505
Financial result	(1 471)	2 294
Profit before taxes	126 179	99 798
Tax expense	(25 652)	(18 883)
Net profit	100 527	80 915
Attributable to:		
Equity holders of the parent	99 948	80 955
Minority interest	579	(40)
Basic earnings per share (in CHF)	6.44	5.22
Diluted earnings per share (in CHF)	6.42	5.22

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

(in CHF 1 000)	2004	2003 ¹
Operating expense as per nature of expense		
Other income ¹	3 861	2 538
Cost of material and goods	(45 422)	(41 043)
Personnel expense	(122 746)	(94 677)
Depreciation	(19 163)	(17 740)
Amortization	(9 857)	(4 789)
Other operating expense	(99 319)	(90 650)
Operating expense	(292 646)	(246 361)

¹ 2003 reclassified to reflect format adjustments and restated due to the adoption of IFRS 2 Share-based Payment

² 2003 reclassified due to reallocation of certain items from research and development to general administrative costs

Consolidated Cash Flow Statements

(in CHF 1 000)	2004	2003
Operating profit	127 650	97 505
Depreciation and amortization	29 020	22 529
Change in provisions	(2 055)	236
Change in minority interest	268	(1 059)
Change in pension liability	2 025	3 194
Gains and losses from disposals of assets	202	(376)
Changes in net working capital	14 620	10 689
Cash generated from operations	171 730	132 718
Interest and other financial receipts	1 268	818
Interest and other financial payments	(675)	(740)
Exchange differences	(2 064)	2 215
Tax expense	(25 652)	(18 883)
Change in deferred tax assets	(3 560)	804
Change in deferred tax liabilities	3 813	1 008
Minority interest	(579)	40
Net cash flow from operating activities¹	144 281	117 980
Investments in land and buildings	(24 128)	(3 469)
Investments in tangible assets	(32 270)	(12 217)
Investments in intangible assets	(9 122)	(10 730)
Investments in acquisitions	(565)	(57 924)
Investments in financial assets	4	(496)
Cash flow from investing activities	(66 081)	(84 836)
Dividend payment	(48 075)	(17 434)
Issuance of share capital	2 058	1 116
Issuance of share options	1 647	951
Repayment/increase of loans and mortgages	(29 200)	15 000
Cash flow from financing activities	(73 570)	(367)
Effect of foreign currency translation	(886)	288
Net increase in cash and cash equivalents	3 744	33 065
Cash and cash equivalents at 1 January	103 361	70 296
Cash and Cash equivalents at 31 December	107 105	103 361
¹ Income taxes paid	(22 525)	(11 246)

Consolidated Statement of Changes in Equity

(in CHF 1 000)	Attributable to equity holders of the parent					Minority interest	Total equity
	Share capital	Capital	Translation reserve	Retained earnings	Total		
		reserves and share premium					
Balance at 1 January 2003 as previously reported	1 549	31 052	(1 227)	157 541	188 915	1 065	189 980
Impact due to adoption of IFRS 2		(483)		483	0		0
Restated balance at 1 January 2003	1 549	30 569	(1 227)	158 024	188 915	1 065	189 980
Dividend payment				(17 434)	(17 434)		(17 434)
Issuance of share capital	2	1 114			1 116		1 116
Issuance of share options		951			951		951
Currency translation differences		(3)	118	173	288		288
Acquisition of minority interest						(1 065)	(1 065)
Minorities on acquisitions						1 917	1 917
Net profit				80 955	80 955	(40)	80 915
Balance at 31 December 2003	1 551	32 631	(1 109)	221 718	254 791	1 877	256 668
Balance at 1 January 2004	1 551	32 631	(1 109)	221 718	254 791	1 877	256 668
Dividend payment				(48 075)	(48 075)		(48 075)
Issuance of share capital	1	2 057			2 058		2 058
Issuance of share options		1 647			1 647		1 647
Currency translation differences		(42)	(1 746)	902	(886)		(886)
Acquisition of minority interest						(312)	(312)
Net profit				99 948	99 948	579	100 527
Balance at 31 December 2004	1 552	36 293	(2 855)	274 493	309 483	2 145	311 628

The financial statements above are an extract of the fully audited statements published in Straumann's 2004 Annual Report.