

## PRESS RELEASE

No 01/04

**2003 has been a successful and exciting year for Straumann. We increased sales by 25% to CHF 344 million, the operating profit by 29% to CHF 97 million, and the net profit by 44% to CHF 80 million.**

(in mio. CHF)	2003	2002
<b>Net Sales</b>	<b>343,9</b>	<b>274,9</b>
Growth in CHF in %	25,1	18,7
Growth in local currency in %	28,1	22,6
<b>Operating profit</b>	<b>96,9</b>	<b>75,1</b>
Margin in %	28,1	27,3
Growth in %	29,1	21,3
<b>Net profit</b>	<b>80,3</b>	<b>56,0</b>
Margin in %	23,3	20,3
Growth in %	43,5	37,4
Earnings per share	5,18	3,62
<b>Number of employees</b>	<b>903</b>	<b>750</b>
Sales per employee in CHF 1,000	407	381

Straumann is a leader in the field of implant dentistry. We develop, produce, and market implants, instruments, and services worldwide in cooperation with the International Team for Implantology (ITI), leading clinics, research institutes, and universities. Straumann has also successfully established itself on the market for dental tissue regeneration with its acquisitions of Kuros Therapeutics AG and Biora AB. The Company's implants and instruments are manufactured in Switzerland, while its dental tissue regeneration products are produced in Sweden.

We are currently the No.2 Company in the dental implant market, with a market share of 25%. According to our own estimates, Straumann successfully increased its market lead in Europe and maintained its leading market position in Asia, with approximately 30% in both regions. We also improved our market position in North America, and are now in thirdplace with a market share of approximately 20%. Straumann considers the North American region to have the best potential for growth, making it the most important market in strategic terms.

### **Accelerated sales growth in all regions**

In 2003, Straumann increased sales by 25% to CHF 344 million. Sales by our Implants Division increased by 22% to CHF 334 million, while products from our Biologics Division generated sales of CHF 10 million for the first time since the acquisition of Biora in June 2003. Expressed in local currencies, year-on-year sales growth amounted to 28% for the Group, and 24% for the Implants Division.

Straumann recorded a growth of 21% in local currencies in the first six months of the year, followed by 35% in the second half, 7% of which was due to our acquisition. After an increase of 25% in the first and 18% in the second quarter, Straumann's sales clearly accelerated to 37% and 34% respectively in the third and fourth quarter, or 29% and 27% after adjustment for acquisitions.

Straumann generated CHF 214 million or 62% of total sales in Europe, representing an increase of 29% in Swiss Francs or 26% in local currencies. Our German subsidiary contributed approximately one quarter of total sales. Sales in Germany increased by 25% to CHF 85 million. Our 20% growth in local currencies clearly exceeds the estimated market growth of 10% and has enabled us to further consolidate our market lead. Straumann produced growth rates of 25-30% in all other major European markets. In Sweden, Straumann achieved an exceptional increase of 64%, which is due to the change in the statutory health insurance policies concerning reimbursement of implant treatment for patients over 65 years of age. In Switzerland, Straumann recorded sales growth of 21%.

The good growth prospects in North America were confirmed by our sales increase of 39% in local currencies. With sales up 20% to CHF 90 million, we now generate 26% of total sales in this region. In Asia, Straumann grew by 10% to CHF 35 million, while growth in the Rest of the World was up 106% to CHF 5 million.

### **Improved production and logistics processes**

Straumann improved its production and logistics processes, although unfavorable exchange rate developments prevented us from benefiting from these optimizations. As a result, the manufacturing cost rate remained constant at 20%. Manufacturing costs amounted to CHF 69 million, while gross profit totaled CHF 276 million and the gross profit margin 80%.

### **Operating margin over 28%**

Straumann's operating profit (EBIT) in the past year grew faster than sales, rising 29% to CHF 97 million, while the operating margin rose to over 28%. After adjustment for the dilutive effect of the acquisition of Biora and exchange rate developments, the operating margin would have been just under 30%. Total operating expense grew by 24% to CHF 248 million or 72% of sales in 2003, as against 73% in the previous year. Selling costs rose from 35% of sales to 36% as a result of the Company's growth strategy. General and administrative costs remained constant at 6%, while we reduced research and development costs from 11% to 10%.

### **90 jobs created worldwide**

Personnel expense increased by 21% to CHF 96 million. This corresponds to 28% of sales as opposed to 29% in the previous year. Straumann had 903 employees at the end of the year, compared with 750 in 2002. 63 of the additional 153 positions resulted from the acquisition of Biora, while the Company created 90 new positions in 2003. Straumann employed an average of 845 people during the year (previous year: 721). Sales per employee increased by 7% to CHF 407,000 (previous year: CHF 381,000). Sales per sales force employee remained almost constant at CHF 1,829,000 (previous year: CHF 1,845,000) due to the significant expansion of our sales force in the USA and the increase of sales representatives in our Biologics Division due to the Biora acquisition.

### **Increased depreciation**

Straumann's earnings before depreciation and amortization (EBITDA) grew by 28% to CHF 120 million. This resulted in an improvement in the EBITDA margin from 34% to 35%.

Depreciation on land and buildings as well as machinery and equipment increased by more than average due to additional write downs on the administrative buildings at Straumann's headquarters in Waldenburg. Total depreciation amounts to CHF 18 million, representing an increase of 42%. This accelerated depreciation is necessary because of the relocation of the Company's headquarters to Basel at the end of 2004.

Amortization of intangible assets declined by CHF 1 million to CHF 5 million. Goodwill amortization amounted to CHF 2 million. Biora's goodwill, which amounted to CHF 43 million at the end of 2003, is being amortized over a period of 20 years.

Other operating expense rose in line with sales by 25% to CHF 89 million. They consist of general and administrative expense (CHF 24 million/+36%), selling expense (CHF 34 million/+12%), external research and development expense (CHF 4 million/+8%) and other operating expense (CHF 17 million/+42%).

### **Net profit increase of 44%**

The positive financial result of CHF 2 million was mainly due to currency gains.

The low tax rate reflects the Company's long-term tax planning as well as one-off positive effects, and was down significantly year-on-year at 19%. The one-off effects relate to confirmed tax reliefs at Straumann's production facility in Villeret and the tax deductibility of losses on mergers. We estimate the long-term tax rate at 23-24%.

Thanks to Straumann's positive financial result and the low tax rate, the net profit margin improved significantly from 20% in 2002 to 23% in 2003. Net profit rose by 44% to CHF 80 million, and earnings per share from CHF 3.62 to CHF 5.18.

### **Operating cash flow up 69%**

Straumann increased its operating cash flow by 69% to CHF 118 million in 2003, resulting in a substantial increase in the operating cash flow margin from 25% to 34%.

Straumann's investments amounted to CHF 85 million or 25% of sales. The price paid for Biora net of acquired cash and cash equivalents amounted to CHF 58 million. Renewal and replacement investments in land and buildings as well as machinery and equipment accounted for CHF 16 million, while investments in intangible assets amounted to CHF 11 million.

Cash flow from financing activities comprises the dividend distributed to shareholders for the year 2002 in the amount of CHF 17 million, capital increases from contingent share capital in relation to the Company's employee and management equity compensation program, and the short-term bridge financing of the acquisition of Biora in the amount of CHF 15 million.

Despite the increased investment and acquisition activities, the Company increased its cash and cash equivalents by CHF 33 million to CHF 103 million as a result of the strong operating cash flow and the sharp decline in net working capital.

Total assets increased to CHF 352 million. We reduced our working capital to CHF 31 million, or 9% of sales as opposed to 15% in the previous year. This was mainly due to a reduction in inventories from 14% to 11% of sales, which was achieved through improvements to logistics and production processes. Trade accounts receivable remained unchanged at 11% of sales.

Straumann's return on assets (ROA) increased from 24% to 27%.

### **Return on equity reaches 36%**

Straumann's equity ratio declined from 75% to 72% in 2003 as a result of a shortterm loan taken out to finance the acquisition of Biora. The return on equity (ROE) improved from 33% to 36%. Based on the weighted average cost of capital (WACC) of 9%, Straumann again improved its economic profit. The economic profit rose by CHF 21 million to CHF 59 million in 2003. Straumann Holding AG has a share capital of CHF 1.6 million, composed of 15,507,160 shares with a nominal value of CHF 0.10 each. Straumann's capital employed consisting of equity (CHF 254 million) and long-term interest bearing debt rose from CHF 203 million to CHF 268 million. The return on capital employed (ROCE) remained at 41% as in the previous year.

### **Dividend doubled in 50th anniversary year**

Straumann proposes an ordinary dividend of CHF 24 million or CHF 1.55 per share to the General Meeting. In addition, we propose that the General Meeting resolve a one-off anniversary dividend of a further CHF 24 million or CHF 1.55 per share to commemorate Straumann's 50th anniversary. This dividend of CHF 48 million represents a oneoff increase in the pay-out ratio from 30 to 60% of net profit.

### **Continued positive developments expected in 2004**

Straumann expects that its growth rate will continue to outperform the estimated market growth, which is more than 15%. The Company is forecasting an increase in sales in local currencies of approximately 23–24% and a further improvement in the operating margin to 29–30%. Due to the absence of one-off positive tax effects, we expect the net profit margin to remain unchanged at approximately 23%.

Waldenburg, 19 February 2004

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The company is represented by subsidiaries in 14 countries worldwide, and in 35 countries by distributors. Sales in fiscal year 2003 amounted to CHF 344 million. Straumann has over 900 employees worldwide.

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## Selected Financial Information

### Operating performance

(in CHF million)	2003	2002
<b>Net sales</b>	<b>343.9</b>	<b>274.9</b>
Growth in %	25.1	18.7
Implants Division	334.1	274.9
In % of net sales	97.2	100.0
Biologics Division	9.8	0.0
In % of net sales	2.8	0.0
<b>Gross profit</b>	<b>275.6</b>	<b>220.8</b>
Margin in %	80.0	80.2
<b>Operating result before depreciation and amortization (EBITDA)</b>	<b>119.5</b>	<b>93.7</b>
Margin in %	34.7	34.1
Growth in %	27.5	21.6
<b>Operating result before amortization (EBITA)</b>	<b>101.7</b>	<b>81.2</b>
Margin in %	29.5	29.5
Growth in %	25.3	24.5
<b>Operating profit (EBIT)</b>	<b>96.9</b>	<b>75.1</b>
Margin in %	28.1	27.3
Growth in %	29.1	21.3
<b>Net profit</b>	<b>80.3</b>	<b>56.0</b>
Margin in %	23.3	20.3
Growth in %	43.5	37.4
Earnings per share in CHF	5.18	3.62
<b>Economic profit</b>	<b>59.2</b>	<b>38.7</b>
Delta economic profit	20.5	4.7
In % of net sales	17.2	14.1
<b>Number of employees (year-end)</b>	<b>903</b>	<b>750</b>
<b>Number of employees (average)</b>	<b>845</b>	<b>721</b>
Sales per employee (average) in CHF 1,000	407	381
<b>Number of sales employees (year-end)</b>	<b>203</b>	<b>161</b>
<b>Number of sales employees (average)</b>	<b>188</b>	<b>149</b>
Sales per sales employee (average) in CHF 1,000	1,829	1,845

## Financial performance

(in CHF million)	2003	2002
Net cash and cash equivalents	88.4	70.3
Net working capital (net of cash)	30.7	41.1
In % of sales	8.9	14.9
Inventory	34.7	38.0
Inventory days	189	256
Receivables	42.4	33.6
Receivable days	40	41
Equity	254.1	188.9
Equity ratio in %	72.2	75.3
Long-term financial debt	14.2	14.2
Cash generated from operating activities	118.0	69.7
In % of sales	34.3	25.3
Investments	84.8	22.8
In % of sales	24.7	8.3
Capital expenditures	26.9	15.3
Acquisitions	57.9	7.5
Free cash flow	33.2	46.9
In % of sales	9.7	17.0
Dividend	17.4	12.4
Pay-out ratio in %	31.1	30.4

## Profitability indicators

(in %)	2003	2002
Return on equity (ROE)	36.3	33.3
Return on capital employed (ROCE)	41.1	41.1
Return on assets (ROA)	26.6	24.2

### Sales development by division 2003

(in CHF million)	H1	H2	Total 2003	Total 2002
<b>Implants Division</b>	163.4	170.7	334.1	274.9
Growth in %	15.6	27.8	21.5	18.7
Growth in local currency in %	21.1	27.9	24.4	22.6
<b>Biologics Division</b>		9.8	9.8	
Growth in %		4.3	4.3	
Growth in local currency in %		9.8	9.8	
<b>Total</b>	163.4	180.4	343.9	274.9
Growth in %	15.6	35.1	25.1	18.7
Growth in local currency in %	21.1	35.2	28.1	22.6
Price effect in %	3.7	1.8	2.7	3.9
In % of sales	47.5	52.5	100.0	

### Sales development by division per quarter 2003

(in CHF million)	Q1	Q2	Q3	Q4	Total 2003
<b>Implants Division</b>	79.6	83.8	79.7	91.0	334.1
Growth in %	17.5	13.9	29.4	26.4	21.5
Growth in local currency in %	24.6	18.1	29.1	27.0	24.4
<b>Biologics Division</b>			4.9	4.9	9.8
Growth in %			9.6	(0.6)	4.3
Growth in local currency in %			12.0	8.0	9.8
<b>Total</b>	79.6	83.8	84.6	95.8	343.9
Growth in %	17.5	13.9	37.3	33.2	25.1
Growth in local currency in %	24.6	18.1	37.0	33.7	28.1
Price effect in %	3.4	3.9	2.3	1.4	2.7
In % of sales	23.1	24.4	24.6	27.9	100.0

## Regional sales development 2003

(in CHF million)	H1	H2	Total 2003	Total 2002
<b>Europe</b>	104.5	109.2	213.7	165.6
Growth in %	20.2	38.8	29.0	17.4
Growth in local currency in %	19.5	33.4	26.3	19.9
<b>North America</b>	40.1	49.9	90.1	74.8
Growth in %	5.8	35.4	20.4	22.9
Growth in local currency in %	28.6	48.4	38.9	32.6
<b>Asia</b>	16.8	18.3	35.2	32.1
Growth in %	10.2	9.2	9.7	27.1
<b>Rest of the World</b>	1.9	3.0	4.9	2.4
Growth in %	66.1	143.4	105.9	(45.7)
<b>Total</b>	163.4	180.4	343.9	274.9
Growth in %	15.6	35.1	25.1	18.7
Growth in local currency in %	21.1	35.2	28.1	22.6
Price effect in %	3.7	1.8	2.7	3.9
In % of sales	47.5	52.5	100.0	

## Regional sales development per quarter 2003

(in CHF million)	Q1	Q2	Q3	Q4	Total 2003
<b>Europe</b>	50.9	53.6	49.4	59.8	213.7
Growth in %	19.0	21.4	38.6	38.9	29.0
Growth in local currency in %	20.3	18.7	33.5	34.1	26.3
<b>North America</b>	19.8	20.3	25.5	24.4	90.1
Growth in %	15.3	(2.0)	46.3	25.6	20.4
Growth in local currency in %	42.4	17.7	56.8	40.8	38.9
<b>Asia</b>	8.1	8.7	8.3	10.1	35.2
Growth in %	8.9	11.4	4.5	13.4	9.7
<b>Rest of the World</b>	0.8	1.1	1.4	1.5	4.9
Growth in %	110.8	39.7	134.9	151.9	105.9
<b>Total</b>	79.6	83.8	84.6	95.8	343.9
Growth in %	17.5	13.9	37.3	33.2	25.1
Growth in local currency in %	24.5	18.1	36.9	33.7	28.1
Price effect in %	3.4	3.9	2.3	1.4	2.7
In % of sales	23.1	24.4	24.6	27.9	100.0

## Consolidated Balance Sheets

### Assets

(in CHF 1,000)	Dec 31, 2003	Dec 31, 2002
Land and buildings	47,871	50,811
Tangible assets	27,254	25,693
Intangible assets	66,097	15,535
Financial assets	2,224	1,691
Deferred tax assets	19,225	6,406
Pension asset	0	1,879
Non-current assets	162,670	102,015
Inventories	34,650	38,010
Trade accounts receivable	42,426	33,627
Other receivables	3,786	2,950
Tax receivables	2,414	1,045
Cash and cash equivalents	103,361	70,296
Prepaid expenses and accrued income	2,479	3,093
Current assets	189,116	149,021
<b>Assets</b>	<b>351,786</b>	<b>251,036</b>

## Equity and liabilities

(in CHF 1,000)	Dec 31, 2003	Dec 31, 2002
Share capital	1,551	1,549
Capital reserves and share premium	33,067	31,052
Translation reserve	(1,109)	(1,227)
Retained earnings	220,579	157,541
<b>Equity</b>	<b>254,088</b>	<b>188,915</b>
Minority interests	1,877	1,065
Mortgages	14,200	14,200
Provisions	3,956	3,720
Deferred tax liabilities	6,256	5,481
Pension liability	1,315	0
<b>Non-current liabilities</b>	<b>25,727</b>	<b>23,401</b>
Short-term loans	15,000	0
Trade accounts payable	8,992	6,050
Other liabilities	11,847	9,262
Tax liabilities	19,300	13,292
Accrued expenses and deferred income	14,954	9,051
<b>Current liabilities</b>	<b>70,094</b>	<b>37,655</b>
<b>Liabilities</b>	<b>95,821</b>	<b>61,056</b>
<b>Equity and liabilities</b>	<b>351,786</b>	<b>251,036</b>

## Consolidated Income Statements

(in CHF 1,000)	2003	2002
Net sales	343,866	274,896
Other income	842	302
Operating income	344,708	275,198
Cost of goods sold <sup>1</sup>	(69,081)	(54,364)
Gross profit	275,626	220,834
Selling costs <sup>1</sup>	(124,264)	(97,288)
General administrative costs <sup>1</sup>	(19,677)	(17,121)
Research and development costs <sup>1</sup>	(34,751)	(31,353)
Operating profit (EBIT)	96,934	75,072
Financial result	2,294	(310)
Profit from business activities	99,228	74,762
Non-operating result	(319)	(208)
Profit before taxes	98,909	74,554
Tax expense	(18,650)	(18,077)
Minority interests	40	(504)
Net profit	80,299	55,972
Basic earnings per share (in CHF)	5.18	3.62
Diluted earnings per share (in CHF)	5.18	3.62

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

(in CHF 1,000)	2003	2002
<b>Operating expense as per nature of expense</b>		
Cost of material and goods	(41,043)	(31,576)
Personnel expense	(95,566)	(79,029)
Depreciation	(17,740)	(12,475)
Amortization	(4,789)	(6,128)
Other operating expense	(88,636)	(70,918)
Operating expense	(247,773)	(200,126)

## Consolidated Cash Flow Statements

(in CHF 1,000)	2003	2002
Operating profit	96,934	75,072
Depreciation and amortization	22,529	18,603
Change in provisions	236	1,036
Change in minority interests	(1,059)	223
Change in pension asset/liability	3,194	0
Gains and losses from disposals of assets	(376)	(391)
Changes in net working capital	11,625	(5,133)
Cash generated from operations	133,083	89,410
Interest and other financial receipts	818	2,263
Interest and other financial payments	(740)	(550)
Exchange differences	2,215	(2,023)
Non-operating result	(319)	(208)
Tax expense	(18,650)	(18,077)
Change in deferred tax assets	804	244
Change in deferred tax liabilities	775	(895)
Minority interests	40	(504)
Net cash flow from operating activities	118,026	69,660
Investments in land and buildings	(3,469)	(592)
Investments in tangible assets	(12,217)	(9,389)
Investments in intangible assets	(10,730)	(3,608)
Investments in acquisitions	(57,924)	(7,524)
Investments in financial assets	(496)	(1,691)
Cash flow from investing activities	(84,836)	(22,804)
Repayment of share capital	0	(3,095)
Dividend payment	(17,434)	(9,285)
Issuance of share capital	1,054	1,262
Issuance of share options	966	660
Increase/repayment of loans	15,000	(303)
Cash flow from financing activities	(414)	(10,761)
Effect of foreign currency translation	289	(4,038)
Net increase in cash and cash equivalents	33,065	32,056
Cash and cash equivalents at January 1	70,296	38,240
Cash and cash equivalents at December 31	103,361	70,296

## 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, 2002	4,639	29,133	2,723	110,944	147,439
Repayment of share capital	(3,095)				(3,095)
Dividend payment				(9,285)	(9,285)
Issuance of share capital	5	1,257			1,262
Issuance of share options		660			660
Currency translation differences		2	(3,950)	(90)	(4,038)
Net profit				55,972	55,972
<b>Balance at December 31, 2002</b>	<b>1,549</b>	<b>31,052</b>	<b>(1,227)</b>	<b>157,541</b>	<b>188,915</b>
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	2	1,052			1,054
Issuance of share options		966			966
Currency translation differences		(3)	118	173	289
Net profit				80,299	80,299
<b>Balance at December 31, 2003</b>	<b>1,551</b>	<b>33,067</b>	<b>(1,109)</b>	<b>220,579</b>	<b>254,088</b>