

Development H1 2003

Straumann continuous to grow faster than the market

In H1 2003, developments in the Straumann Group were satisfactory. Thanks to an increase in sales of 21% in local currencies, the Group again outperformed the market. Straumann continued to consolidate its position as the provider of the leading implant system. Productivity was up slightly as against fiscal year 2002. Net profit rose by 34%, and the return on sales increased from 20% to 23%.

Straumann Group

		H1 2003	change in CHF	change local currency
Consolidated sales	CHF million	163,4	+ 15,6%	+ 21,1%
Operating profit (EBIT)	CHF million	45,7	+ 13,8%	
As % of sales		27,9%		28,8%
Net profit	CHF million	38,2	+ 33,8%	
in % of sales		23,3%		
Earnings per share	CHF	2,46	+ 33,7%	
Q2 sales	CHF million	83,8	+ 13,9%	+ 18,1%

Against the backdrop of the extremely volatile exchange rate environment during H1 2003, the Straumann Group increased its sales by 16% to CHF 163 million. Expressed in local currencies, this represents year-on-year sales growth of 21%. "Development in Swiss Francs were impacted by the very weak US dollar and the Exchange rate loss was around 6%, and was partially offset by price increases of slightly more than 4%. Volume growth was slightly over 17%". said Gilbert Achermann, CEO of the Straumann Group. The Group's local sales growth fell from 25% in Q1 to 18% in Q2. The main factor in this decline was the extremely strong quarter for the previous year, which saw above-average growth of 24%.

In Europe, Group sales rose by 20% to CHF 105 million, or 19% when measured in local currencies. Adjusted for currency translation effects, sales in North America grew by only 6% (29% in local currency) to CHF 40 million. Growth in North America in Q2 of 18% compared to 42% in Q1 may be disappointing at first glance. There are no fundamental reasons for the fall, which was due to above-average sales in the previous year prior to the price increase in May 2002. Sales in Asia rose by 10%. Sales in the rest of the world totaled almost CHF 2

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07/03



million. Total sales by subsidiaries increased by 16% (22% in local currencies) to CHF 135 million, while sales by distributors rose by 15% to CHF 28 million.

Biora AB acquisition concluded

In this figures sales of Biora AB which the Straumann Grup acquired mid year are not included. Sales and Profit of the Swedish Biora Group will be contributed in the second half year 2003. By the end of June 2003 the Straumann Group acquired 92% of the voting capital at cost of CHF 65 million. The Biora shares have been delisted from the Swedish stock exchange mid July 2003 and the process for the takeover of the remaining capital shares has been initiated. Sales by the Biora Group declined 8% in H1 to SEK 66 million. Measured in local currencies, growth was 3% up on the same period of the previous year. "Although this is somewhat disappointing when set against the growth forecasts, however, it has less to do with market- or product-specific reasons and more with uncertainty during the takeover and integration phase. Growth is expected to return to an appropriate level in the coming months" Gilbert Achermann is convinced. "For the Straumann Group Biora is a strategic investment in the field of soft and hard tissue regeneration and promises a significant potential for oral treatments.

Operating margin unchanged

As against H1 2002, the operating profit of the Straumann Group for H1 2003 rose 14% - slightly less than sales - to CHF 46 million as a result of currency and one-time effects. The margin rose by one percentage point as against fiscal year 2002 to 28%. The manufacturing cost rate fell from 20% at the end of 2002 to 19% as a result of further process optimization. Adjusted for the negative currency effect on sales, the manufacturing cost rate was in fact only 18%.

Sales costs were unchanged year-on-year at 34% of sales. The ratio of administrative expenses to sales rose slightly from 7% to 10%. Research and development expenses decreased from 12% to 10%. Total operating expenses compared to sales remained at 72%.

A further 80 new jobs created

Personnel costs rose 11% year-on-year to CHF 45 million, but fell from 29% to 28% of sales. As of the end of June, the Group increased the number of employees by 80 to 830 (750 employees as of the end of 2002). The average number of employees was 799 (2002: 721). Sales per employee rose to just over CHF 0.4 million, while sales per sales representative remained constant as against 2002 at CHF 1.86 million. A further 74 employees joined the Straumann Group as part of the acquisition of Biora, bringing the total number of employees to 904.

EBITDA grew by 11% to CHF 56 million. The corresponding margin was stable as against 2002 at 34%. EBITA rose by 7% to CHF 48 million. This also corresponds to an unchanged margin of around 29%.

PRESS RELEASE

07/03

H1 2003 profit rose by 34% to CHF 38 million, and the return on sales grew from 20% to 23%. In line with this, earnings per share increased by 34% year-on-year from CHF 1.84 to CHF 2.46.

Biora acquisition increases total assets

Operating cash flow rose in H1 to CHF 44 million, which corresponds to a cash flow margin of 27%. Investments totaled CHF 62 million or 38% of sales, CHF 9 million of which (5% of sales) was attributable to renewals and replacements. Investments in intangible assets amounted to CHF 53 million. CHF 44 million of this related to goodwill from the acquisition of Biora and CHF 5 million to goodwill from the acquisition of minority interests in Spain.

The net cash from financing activities of CHF 14 million comprises both the CHF 17 million dividend payment for 2002 and capital increases from contingent share capital of CHF 1 million in relation to the Company's employee and management equity participation program. The acquisition of Biora was financed by a loan of CHF 30 million over twelve months.

The Straumann Group's total assets rose from CHF 251 million as of the end of 2002 to CHF 332 million. The increase in total assets is the result of the inclusion of Biora's balance sheet and the goodwill from this acquisition. The equity ratio fell from 75% as of the end of 2002 to 64% as a result of the acquisition of Biora. The return on equity (ROE) improved from 33% to 38%.

Outlook

Given developments to date the Straumann Group is confident of meeting the targets for 2003. Sales in local currencies should rise by 23% - 24%, including additional Biora sales, while operating margins are expected to remain unchanged year-on-year (27% - 28%). This is due to the dilution as a result of the acquisition made and unfavorable currency developments.

Waldenburg, 14 August 2003

PRESS RELEASE

07/03



Investor Relations Agenda

23 October 2003	Interim Results Q3 03
19 February 2004	Results 2004, Analyst- & Media Conference
23 April 2004	Annual Shareholder Meeting

Congresses

20 – 24 September 2003	AAP, San Francisco
9 – 11 October 2003	EAO, Vienna
31 October / 1 November 2003	German ITI Congress, Cologne
18 – 20 March 2004	AO, San Francisco

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The Straumann Group, with headquarters in Waldenburg, Switzerland, is a leader in the field of implant dentistry. Straumann develops, produces and markets products worldwide for oral implantology (ITI® DENTAL IMPLANT SYSTEM, instruments) in cooperation with the International Team for Oral Implantology (ITI), leading hospitals, research institutes and universities. Through the acquisition of Kuros Therapeutics and Biora AB, Straumann entered the field of periodontal, hard and soft tissue regeneration for the dental market. Straumann products are all manufactured in Switzerland. The company is represented by subsidiaries in 14 countries worldwide, and in 35 countries by distributors. Sales in fiscal year 2002 amounted to CHF 275 million. Straumann has over 900 employees worldwide, of whom 230 are employed at the company's headquarters in Waldenburg/Switzerland, and 180 at its production plant in Villeret/Switzerland.

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Selected Financial Information

Operating performance (in CHF million)	01.01.-30.06.2003	01.01.-30.06.2002
Net Sales	163.4	141.3
growth in %	15.6%	18.4%
Costs of Goods sold	30.7	26.7
in % of sales	18.7%	18.9%
Gross profit	133.2	114.8
margin in %	81.3%	81.1%
Operating profit before depreciation and amortization (EBITDA)	56.3	50.8
margin in %	34.4%	35.9%
growth in %	10.9%	30.5%
Operating profit before amortization (EBITA)	47.6	44.6
margin in %	29.0%	31.5%
growth in %	6.8%	32.2%
Operating profit (EBIT)	45.7	40.2
margin in %	27.9%	28.4%
growth in %	13.8%	23.3%
Earnings before taxes (EBT)	48.9	39.4
margin in %	29.8%	27.8%
growth in %	24.3%	22.8%
tax rate in %	21.9%	26.9%
Net profit	38.2	28.5
margin in %	23.3%	20.2%
growth in %	33.8%	23.7%
Earnings per share (in CHF)	2.46	1.84
Diluted earnings per share (in CHF)	2.46	1.84
Number of employees (period end)	904	717
Number of employees (average)	799	695
Sales per employee (average) in CHF 000 ¹	409	407
Number of sales representative (period end)	203	146
Number of sales representative (average)	176	146
Sales per sales representative (average) in CHF 000 ¹	1'856	1'936

¹ H1 annualized

Financial Performance 01.01.-30.06.2003 01.01.-30.06.2002
(in Mio. CHF)

Cash and Cash equivalents	67.4	41.3
Net working capital (exc. Cash and cash equivalents)	36.0	44.6
as a % of sales ¹	11.0%	15.8%
Inventory	40.1	40.8
as a % of sales ¹	11.9%	14.2%
Inventory days	229	270
Trade accounts receivable	48.5	38.3
as a % of sales ¹	12.6%	11.9%
Long term financial debt	14.2	14.3
Equity	212.4	163.0
equity ratio in %	64.0%	70.7%
Cash flow from operating activities	44.1	34.5
as a % of sales	27.0%	24.4%
Investments	62.3	18.2
as a % of sales	38.1%	12.9%
Free Cash flow	-18.2	16.3
as a % of sales	-11.1%	11.5
Profitability indicators (in%)¹		
Return on equity (ROE)	38.1%	36.8%
Return on capital employed (ROCE)	39.8%	47.4%
Return on assets (ROA)	26.2%	25.8%

¹ H1 annualized

Details of sales development per half year 01.01.-30.06.2003 01.01.-30.06.2002
(in CHF million)

Europe	104.5	86,9
growth in %	20.2%	18,9%
growth in local currencies in %	19.5%	22,7%
North America	40.1	37,9
growth in %	5.8%	25,8%
growth in local currencies in %	28.6%	29,2%
Asia	16.8	15,3
growth in %	10.2%	9,9%
Rest of the world	1.9	1,2
growth in %	66.1%	-47,4%
Total	163.4	141,3
growth in %	15.6%	18,4%
growth in local currencies in %	21.1%	21,5%
Price increase	3.7%	2,0%

Details of sales development per quarter 01.01.-31.03.2003 01.04.-30.06.2003
(in CHF million)

Europe	50.9	53.6
growth in %	19.1%	21.4%
growth in local currencies in %	20.3%	18.7%
North America	19.8	20.3
growth in %	15.3%	-2.0%
growth in local currencies in %	42.4%	17.7%
Asia	8.1	8.7
growth in %	8.9%	11.4%
Rest of the world	0.8	1.1
growth in %	110.8%	39.7%
Total	79.6	83.8
growth in %	17.5%	13.9%
growth in local currencies in %	24.5%	18.1%
Price increase	3.4%	3.9%

Group Financial Statements H1 2003

Consolidated Balance Sheets

Assets (in CHF 000)	30.06.2003	31.12.2002	30.06.2002
Land and buildings	48'155	50'811	50'829
Tangible assets	28'973	25'693	26'769
Intangible assets	66'599	15'535	18'384
Financial assets	2'116	1'691	300
Deferred tax assets	18'553	6'406	5'468
Prepaid pension cost	940	1'879	940
Non-current assets	165'335	102'015	102'690
Inventories	40'073	38'010	40'758
Trade accounts receivable	48'484	33'627	38'292
Other receivables	4'177	2'950	3'324
Tax receivables	3'184	1'045	1'052
Cash and cash equivalents	67'355	70'296	41'313
Short term financial assets	0	0	1'036
Prepaid expenses and accrued income	3'098	3'093	2'051
Current assets	166'371	149'021	127'826
Assets	331'706	251'036	230'516
Equity and Liabilities (in CHF 000)	30.06.2003	31.12.2002	30.06.2002
Share capital	1'550	1'549	1'548
Capital reserves and share premium	32'563	31'052	30'426
Translation reserve	36	-1'227	770
Retained earnings	178'203	157'541	130'220
Equity	212'352	188'915	162'964
Minority interests	1'871	1'065	1'090
Loans	0	0	62
Mortgages	14'200	14'200	14'200
Provisions	7'003	3'720	4'686
Deferred tax liabilities	3'293	5'481	5'549
Non-current liabilities	24'496	23'401	24'497
Financial liabilities	30'000	0	0
Trade accounts payable	10'146	6'050	8'182
Other liabilities	10'652	9'262	8'542
Tax liabilities	21'283	13'292	14'080
Accrued expenses and deferred income	20'907	9'051	11'161
Current liabilities	92'988	37'655	41'965
Liabilities	117'484	61'056	66'462
Equity and Liabilities	331'706	251'036	230'516

Consolidated Income Statements 01.01.-30.06.2003 01.01.-30.06.2002
(in CHF 000)

Sales	172'974	146'559
Sales discounts	-9'534	-5'229
Net sales	163'440	141'330
Other income	459	152
Operating income	163'899	141'482
Cost of goods sold	-30'662	-26'700
Gross profit	133'237	114'782
Selling cost	-55'002	-47'729
General administration cost	-15'667	-10'310
Research and development cost	-16'843	-16'549
Operating profit (EBIT)	45'725	40'194
Financial result	2'627	-230
Profit from business activities	48'352	39'964
Non-operating result	562	-607
Profit before taxes	48'914	39'357
Tax expense	-10'736	-10'584
Minority interests	0	-247
Net profit	38'178	28'526
Basic earnings per share (in CHF)	2.46	1.84
Diluted earnings per share (in CHF)	2.46	1.84

Operating expense as per nature of expense		
Cost of material and goods	-19'095	-13'529
Personnel expense	-45'245	-40'675
Depreciation and amortization	-10'575	-10'573
Other operating expense	-43'258	-36'511
Operating expense	-118'174	-101'288

Consolidated Cash Flow Statements 01.01.-30.06.2003 01.01.-30.06.2002
(in CHF 000)

Operating profit	45'726	40'194
Depreciation and amortization	10'575	10'573
Change in provisions	3'282	2'002
Change in minority interests	806	247
Change in prepaid pension costs	940	939
Gains and losses from disposals of assets	-370	457
Changes in net working capital	5'041	-8'613
Cash generated from operations	66'000	45'799
Interest and other financial receipts	564	326
Interest and other financial payments	-308	-277
Exchange differences	2'375	-279
Non-operating result	562	-607
Tax expense	-10'736	-10'584
Change in deferred tax assets	-12'147	1'183
Change in deferred tax liabilities	-2'188	-827
Minority interests	0	-247
Net cash flows from operating activities	44'121	34'487
Investments in land and buildings	-497	76
Investments in tangible assets	-8'489	-5'272
Investments in intangible assets	-52'909	-12'677
Investments in financial assets	-425	-300
Cash flows from investing activities	-62'320	-18'173
Repayment of share capital	0	-3'095
Dividend payment	-17'434	-9'285
Issuance of share capital	625	772
Issuance of share options	888	525
Increase / Repayment of loans	30'000	-241
Cash flows from financing activities	14'078	-11'324
Currency translation difference and other adjustments	1'180	-1'917
Net increase in Cash and Cash equivalents	-2'941	3'073
Cash and cash equivalents January 1	70'296	38'240
Cash and cash equivalents June 30	67'355	41'313

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07/03



Consolidated Statement of Changes in Equity (in CHF 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	4	768	-		772
Issuance of share options		525			525
Currency translation differences			-1'953	35	-1'918
Net profit					
Balance at June 30, 2002	1'548	30'426	770	130'220	162'964

(in CHF 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
Repayment of share capital					0
Dividend paid				-17'434	-17'434
Issuance of share capital	1	624			625
Issuance of share options		888			888
Currency translation differences and other adjustments	-	-1	1'263	-82	1'180
Net profit				38'178	38'178
Balance as at June 30, 2003	1'550	32'563	36	178'203	212'352