

PRESS RELEASE

Straumann increased margins again in 2002

Market share increased to 24% – 77 new jobs created – dividend CHF 1.10

The Straumann Group increased sales by 19% to CHF 275 million and presents the best ever result in its history. EBIT and profit increased above average regarding turnover by 21% to CHF 75 million and 37% to CHF 56 million, respectively. The Board of Directors will propose at the annual shareholder meeting a dividend of CHF 1.10 per share.

“In a difficult economic time with volatile currency effects, we reached our ambitious goals”, said Gilbert Achermann, CEO of the Straumann Group. “The increase in sales of 23% in local currency was fully organic. The clear focus on implant dentistry has been successful. At the same time, we increased the operating margin for the first time to 27% and profit to 20% due to strict cost management.”

Market share at 24%

In fiscal year 2002, the Straumann Group increased sales by 19% to CHF 275 million and increased the market share world-wide from 21% to 24%. Straumann is the market leader in Europe and in Asia with a share of almost 30% on both of these markets. On the North American market, the Group is number four with a market share of around 17%. Growth development rose continually from 22% for the first to 24% for the second half-year, due to the price increases implemented at the start of the year.

Development in Swiss francs was mainly influenced by the sharp devaluation of the US Dollar as well as by the weak Euro. Exchange losses rose from 3% in the first to 5% in the second half-year, amounting to around 4% for the year as a whole. Total sales by subsidiaries increased by 21% (26% in local currencies) to CHF 226 million, while sales by distributors rose by 10% to CHF 49 million.

Improved operating margin

The systematic optimization of costs led to an increase in EBIT as expected, despite the one-time effect of the amortization of development projects. The 21% increase to CHF 75 million corresponds to an increase in EBIT of almost one percentage point to over 27%. After adjustments for currency differences, the margin amounted to over 28%.

Manufacturing costs (material, wages and production overheads) show a clear improvement in production efficiency. These costs increased by only 17% to CHF 54 million. Despite the

negative currency effects on sales, the manufacturing costs which only occur in CHF remained constant at 20% of sales.

Sales expenses fell from 36% to 35%, while administrative expenses remained at 6% of sales. Research and development costs increased from 10% to 11% as a result of our entry into the biomaterials sector. Total operating expenses grew by 18% to CHF 200 million (or 73% of sales) in fiscal year 2002.

Personnel expenses increased by 12% to CHF 79 million. This corresponds to 29% of sales, as against 30% in the previous year. The Group had 750 employees at the end of the year. Productivity measured on sales by sales representative increased from CHF 1,6 million to CHF 1,8 million.

Net profit margin of 20%

EBITDA increased by 22% to CHF 94 million, and EBITA by as much as 25% to CHF 81 million. Depreciation of intangible assets rose to CHF 6 million, CHF 2 million of which were due to a one-off correction of development projects not to be continued. For the first time, CHF 0.5 million of the goodwill paid for Kuros Therapeutics AG were amortized. The total goodwill of CHF 8 million will be amortized over 15 years. Kuros was integrated into the Straumann Group as Biologics division in 2002. First products benefiting from the Biologics know-how are expected for 2004.

Net profit rose by 37% to CHF 56 million, which correspond to earning per share of CHF 3.62 (previous year: CHF 2.64). This resulted in a return on sales of 20% compared to 18% in the previous year.

Return on equity improved again

Cash flow from operating activities rose by 49% to CHF 70 million in fiscal year 2002, which corresponds to a cash flow margin of 25%. Investments totaled CHF 23 million or 8%.

The equity ratio was 75% at the end of the year, compared to 70% in the previous year. The return on equity (ROE) improved again to 33% (previous year: 31%).

Pay-out ratio unchanged at 30%

A dividend payment of CHF 17 million will be proposed at the annual Shareholder Meeting of Straumann Holding AG. This corresponds to a dividend of CHF 1.10 per share or a pay-out ratio of around 30% of consolidated net profit.

Positive outlook 2003

The market for implant-supported dental replacement remained relatively resistant to economic cycles. However, we are unable at present to estimate how long this development will last in the current global political and economic climate. Nonetheless, the Group expects to grow faster than the market again in 2003 and is expecting sales growth of around 18%–20% in

local currencies. The ongoing monitoring and optimization of our processes should further improve margins and added value.

“We are clearly focusing on our core business implant dentistry as well as building up the activities in tissue regeneration”, says Gilbert Achermann.

“The geographic focus is on North America, with 40%–45% of the total market it is the most important sales area in implant dentistry. Our market share there is below 20%. Therefore, we see significant potential for growth.”

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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 world-wide for implant dentistry (ITI® DENTAL IMPLANT SYSTEM, instruments) in cooperation with the International Team for Implantology (ITI), eminent hospitals, research institutes and universities. Through the acquisition of Kuros Therapeutics, Straumann has gained the necessary competency to develop tissue regeneration products for the dental market. Straumann products are all manufactured in Switzerland. The company is represented by subsidiaries in 14 countries world-wide, and in 35 countries by distributors. Sales in fiscal year 2002 amounted to CHF 275 million. Straumann has 750 employees world-wide, of whom 220 are employed at the company's headquarters in Waldenburg/Switzerland, and 160 at its production plant in Villeret/Switzerland.

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Selected Financial Information

Operating performance	2002	2001
(in CHF million)		
Net sales	274.9	231.6
growth in %	18.7%	21.8%
dental implants	274.9	229.9
CMF products	0.0	1.7
Gross profit	220.8	185.0
margin in %	80.2%	79.9%
Operating profit before depreciation and amortization (EBITDA)	93.7	77.0
margin in %	34.1%	33.3%
growth in %	21.6%	27.2%
Operating profit before amortization (EBITA)	81.2	65.2
margin in %	29.5%	28.2%
growth in %	24.5%	24.9%
Operating profit (EBIT)	75.1	61.9
margin in %	27.3%	26.7%
growth in %	21.3%	20.9%
Earnings before taxes (EBT)	74.6	52.7
margin in %	27.1%	22.7%
growth in %	41.6%	3.5%
Tax rate in %	24.2%	22.1%
Net profit	56.0	40.7
margin in %	20.3%	17.6%
growth in %	37.4%	8.3%
earnings per share in CHF	3.62	2.64
Number of employees (year-end)	750	673
Number of employees (average)	721	617
Sales per employee (average) in CHF 000	381	375
Number of sales employees (year-end)	161	145
Number of sales employees (average)	149	140
Sales per sales employee (average) in CHF 000	1'845	1'655

Consolidated Balance Sheets

Assets (in CHF 000)	31.12.2002	31.12.2001
Land and buildings	50'811	52'897
Tangible assets	25'693	26'172
Intangible assets	15'535	10'070
Financial assets	1'691	0
Deferred tax assets	6'406	6'650
Prepaid pension cost	1'879	1'879
Non-current assets	102'015	97'668
Inventories	38'010	39'262
Trade accounts receivable	33'627	29'053
Other receivable	2'950	3'660
Tax receivable	1'045	694
Cash and cash equivalents	70'296	38'240
Prepaid expenses and accrued income	3'093	2'689
Current assets	149'021	113'598
Assets	251'036	211'266
Equity and Liabilities (in CHF 000)	31.12.2002	31.12.2001
Share capital	1'549	4'639
Capital reserves and share premium	31'052	29'133
Translation	-1'227	2'723
Retained earnings	157'541	110'944
Equity	188'915	147'439
Minority shares	1'065	842
Loans	0	303
Mortgages	14'200	14'200
Provisions	3'720	2'684
Deferred tax liabilities	5'481	6'376
Non-current liabilities	23'401	23'563
Trade accounts payable	6'050	7'247
Other liabilities	9'262	7'794
Tax liabilities	13'292	10'460
Accrued expenses and deferred income	9'051	13'921
Current liabilities	37'655	39'422
Liabilities	61'056	62'985
Equity and Liabilities	251'036	211'266

Consolidated Income Statements

2002

2001

(in CHF 000)

Sales	286'905	239'699
Discounts on sales	-12'009	-8'100
Net sales	274'896	231'599
Other income	302	74
Operating income	275'198	231'673
Cost of goods sold ¹	-54'364	-46'619
Gross profit	220'834	185'054
Selling costs ¹	-97'288	-83'960
General administrative costs ¹	-17'121	-15'262
Research and development costs ¹	-31'353	-23'943
Operating profit (EBIT)	75'072	61'889
Financial result	-310	-1'115
Profit from business activities	74'762	60'774
Non-operating result	-208	-8'124
Profit before taxes	74'554	52'650
Tax expense	-18'077	-11'631
Minority interests	-504	-291
Net profit	55'972	40'728
Basic earning per share (in CHF)	3.62	2.64
Diluted earnings per share (in CHF)	3.62	2.63
Net profit of the continuing operations	55'972	45'946
Basic earnings per share (in CHF)	3.62	2.97
Diluted earnings per share (in CHF)	3.62	2.97

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

¹Operating expense as per nature of expense

(in CHF 000)

Cost of material and goods	-31'576	-22'491
Personnel expense	-79'029	-70'426
Depreciation and amortization	-18'603	-15'150
Other operating expense	-70'918	-61'717
Operating expense	-200'126	-169'784

Consolidated Cash Flow Statements

2002

2001

(in CHF 000)

Operating profit	75'072	61'889
Depreciation and amortization	18'603	15'150
Change in provisions	1'036	628
Change in deferred tax assets	244	-2'180
Change in deferred tax liabilities	-895	485
Change in minority interests	223	317
Gains and losses from disposals of assets	-391	0
Other changes	0	-1
Changes in net working capital	-5'133	-8'359
Cash generated from operations	88'759	67'929
Interest and other financial receipts	2'263	632
Interest and other financial payments	-550	-1'431
Exchange differences	-2'023	-316
Non-operating result	-208	-8'124
Tax expense	-18'077	-11'631
Minority interests	-504	-291
Cash flow from operating activities ¹⁾	69'660	46'768
Investments in land and buildings	-592	-849
Investments in tangible assets	-9'389	-13'410
Investments in intangible assets	-11'132	-5'323
Investments in financial assets	-1'691	0
Cash flow from investing activities	-22'804	-19'582
Repayment of share capital	-3'095	-3'084
Dividend payment	-9'285	-7'721
Issuance of share capital	1'262	1'733
Issuance of share options	660	1'844
Purchase and sale of treasury stock	0	850
Repayment of loans	-303	-319
Cash flow from financing activities	10'761	-6'697
Effect of foreign currency translation on cash	-4'038	-1'277
Net increase in cash and cash equivalents	32'056	19'212
Cash and cash equivalents January 1	38'240	19'028
Cash and cash equivalents at December 31	70'296	38'240

1) Income taxes paid

-16'714

-12'285

Consolidated Statement of changes in Equity

(in CHF 000)

	Share capita	Capital Reserves and share premium	Translation reserve	Retained Earnings	Total equity
Balance at January 1, 2001	7'711	25'568	3'660	77'427	114'366
Repayment of share capital	-3'084				-3'084
Dividend payment				-7'721	-7'721
Issuance of share capital	12	1'721			1'733
Issuance of share options		1'844			1'844
Purchase and sale of treasury stock				850	850
Currency translation differences			-937	-340	-1'277
Net profit				40'728	40'728
Balance at December 31, 2001	4'639	29'133	2'723	110'944	147'439

(in CHF 000)

	Share capita	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	1'297			1'262
Issuance of share options		660			660
Currency translation differences		2	-3'950	-90	-4'038
Net profit				55'972	55'972
Balance at December 31, 2002	1'549	31'052	-1'227	157'541	188'915

Financial performance

2002

2001

(in CHF million)

Cash and cash equivalents	70.3	38.2
Net working capital	41.1	35.9
as a % of sales	14.9%	15.5%
Long-term financial debt	14.2	14.5
Equity	188.9	147.4
equity ratio in %	75.3%	69.8%
Cash flow from operating activities	69.7	46.8
as a % of sales	25.3%	20.2%
Investments	22.8	19.6
as a % of sales	8.3%	8.5%
Free cash flow	46.9	27.2
as a % of sales	17.0%	11.7%
Profitability indicators (in %)		
Return on equity (ROE)	33.3%	31.1%
Return on capital employed (ROCE)	41.1%	42.5%
Return on assets (ROA)	24.2%	20.9%

Sales development

(in CHF million)

	H1	H2	Total 2002	Total 2001
Europe	86.9	78.7	165.6	141.1
growth in %	18.9%	15.6%	17.4%	22.1%
growth in local currencies in %	22.7%	17.0%	19.9%	26.0%
North America	37.9	36.9	74.8	60.9
growth in %	25.8%	20.1%	22.9%	22.8%
growth in local currencies in %	29.2%	35.8%	32.6%	23.2%
Asia	15.3	16.8	32.1	25.2
growth in %	9.9%	48.2%	27.1%	22.3%
Rest of the world	1.2	1.2	2.4	4.4
growth in %	-47.4%	1.2%	-45.7%	2.9%
Total	141.3	133.6	274.9	231.6
growth in %	18.4%	19.0%	18.7%	21.8%
growth in local currencies in %	21.5%	23.8%	22.6%	24.3%
price increase	2.0%	5.8%	3.9%	1.0%
in % of sales	51.4%	48.6%	100.0%	100.0%

Sales development per Quarter 2002

(in CHF million)

	1st quarter	2 nd quarter	3rd quarter	4th quarter	Total
Europe	42.8	44.2	35.6	43.0	165.6
growth in %	16.8%	21.0%	13.0%	18.1%	17.4%
growth in local currencies in %	20.0%	25.4%	15.6%	18.2%	19.9%
North America	17.2	20.8	17.5	19.3	74.8
growth in %	20.3%	30.7%	13.0%	27.4%	22.9%
growth in local currencies in %	17.3%	41.4%	31.9%	39.4%	32.6%
Asia	7.4	7.8	7.9	9.0	32.1
growth in %	42.6%	-9.8%	48.3%	48.1%	27.1%
Rest of the world	0.4	0.8	0.6	0.6	2.4
growth in %	-63.2%	-33.8%	-32.5%	-52.0%	-45.7%
Total	67.8	73.6	61.6	71.9	274.9
growth in %	18.6%	18.1%	15.7%	22.0%	18.7%
growth in local currencies in %	19.9%	24.3%	22.6%	24.9%	22.6%
price increase	0.0%	3.8%	5.3%	6.3%	3.9%
in % of sales	24.7%	26.8%	22.4%	26.1%	100%